LEGISLATIVE BUDGET BOARD
FISCAL SIZE-UP

2012–13 BIENNIUM

SUBMITTED TO THE 82ND TEXAS LEGISLATURE
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FISCAL SIZE-UP: 2012–13 BIENNIUM

January 2012

Fiscal Size-up is a report produced biennially by the staff of the Legislative Budget Board. Production of this report involves thousands of staff hours. The 2012–13 edition, like previous editions, contains a wealth of information about the structure and operation of Texas state government. Through its comprehensive descriptions of state programs and services, including more than 360 figures, the 2012–13 *Fiscal Size-up* provides Texas taxpayers with a more complete understanding of how their tax dollars are being used.

The first three chapters of *Fiscal Size-up* include an overview of the 2012–13 state budget (including a summary of the fiscal challenge the Eighty-second Legislature addressed), a description of the major state revenue sources and funds, the economic outlook for Texas and the U.S., and detailed information on population, income, taxes, governmental expenditures, and employment for Texas and other states. The remaining chapters of *Fiscal Size-up* provide an in-depth examination of the major functions of state government and discuss the significant budget issues, programs, and activities of the agencies and institutions that support each function.

Appendices A–C contain a listing of state agencies, institutions, and other budgetary units by function as well as a summary of their estimated expenditures for the 2010–11 biennium and legislative appropriations for the 2012–13 biennium (in both annual and biennial amounts). Appendices D–G list the members of the House Committee on Appropriations, the Senate Committee on Finance, the staff of the Legislative Budget Board, and abbreviations and acronyms used in the 2012–13 *Fiscal Size-up*.

Along with other Legislative Budget Board publications and reports, the 2012–13 *Fiscal Size-up* is available on the Legislative Budget Board's website (http://www.lbb.state.tx.us).

I want to express my gratitude to the staff of the Legislative Budget Board and to the many state agency officials and staff who provided the information necessary to compile this report. The interpretation and presentation of this information is solely the responsibility of the Legislative Budget Board staff.

This publication is dedicated to the memory of Val Shepperd, a Legislative Budget Board colleague.

John O'Brien

Director

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1. STATE BUDGET OVERVIEW

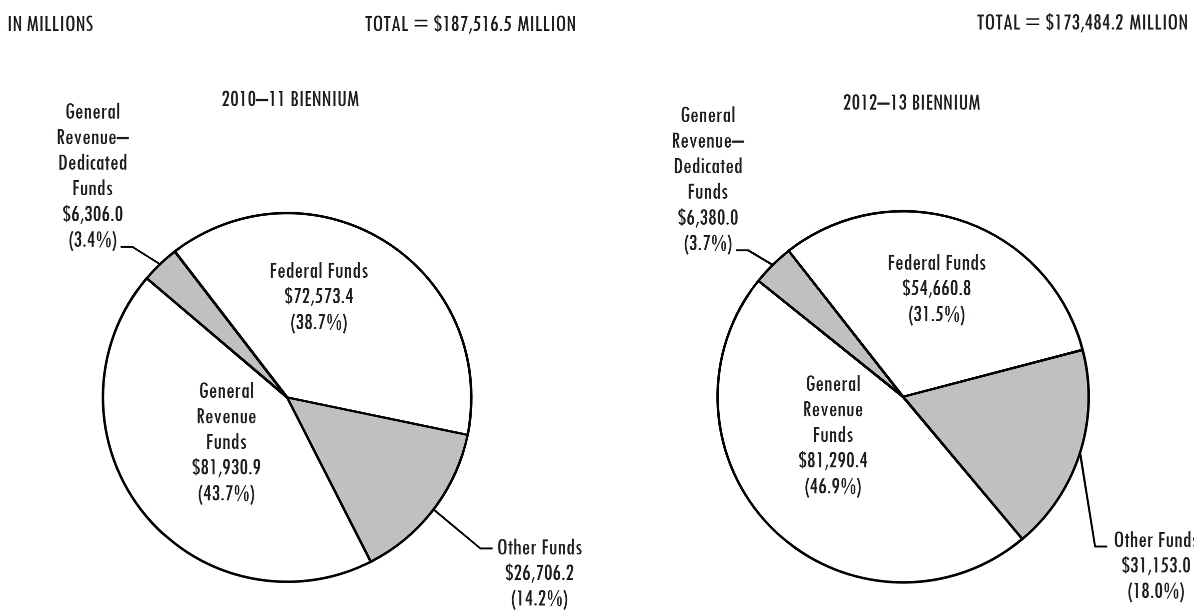
2012–13 BIENNIAL BUDGET

The 2012–13 biennial budget for Texas state government includes appropriations for state operations that total $173.5 billion in All Funds. The 2012–13 All Funds budget includes estimated appropriations of $81.3 billion from General Revenue Funds, $6.4 billion from General Revenue–Dedicated Funds, $54.7 billion from Federal Funds, and $31.2 billion from Other Funds.

All amounts shown in the 2012–13 budget for All Funds, General Revenue Funds, General Revenue–Dedicated Funds, Federal Funds, and Other Funds are the amounts appropriated by the Eighty-second Legislature in the 2012–13 General Appropriations Act (GAA), as adjusted for certain appropriations made in Article IX (General Provisions) of the GAA, contingency appropriations, and other bills making appropriations in fiscal years 2012 and 2013 and/or affecting fund type, and Governor's vetoes. Budgeted amounts for fiscal year 2011 have been adjusted for the Supplemental Appropriations Bill, House Bill 4, Eighty-second Legislature, Regular Session, 2011.

The 2012–13 All Funds budget includes General Revenue Funds, General Revenue–Dedicated Funds, Federal Funds, and Other Funds (**Figure 1**). A description of each of these four method-of-financing categories follows the subsequent discussion of the budgetary impact of available funds on the development of the 2012–13 biennial budget. Other topics discussed in this chapter include constitutional spending limits, trends in state expenditures and healthcare expenditures, state government employment, employee benefits, and state indebtedness.

FIGURE 1
ALL FUNDS BUDGET, BY FUND SOURCE
2010–11 AND 2012–13 BIENNIA



NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

BUDGETARY IMPACT OF AVAILABLE REVENUE

In January 2011, the Texas Comptroller of Public Accounts estimated in the *2012–13 Biennial Revenue Estimate* that the Eighty-second Legislature, 2011, would have $72.2 billion available for general purpose spending in the 2012–13 biennium. This amount represented a $2.2 billion decrease, or 2.9 percent, from the corresponding amount of available funds from the 2010–11 biennium. This revenue amount was $8.4 billion less than the amount of General Revenue Funds appropriated for the 2010–11 biennium, and approximately $27 billion less than the estimated cost of continuing current services spending for the 2012–13 biennium under statutes then in effect. This estimate accounted for growing demands in major funding areas including education, health and human services, and employee benefits.

The fiscal challenges the Texas Legislature faced in 2011 developed during the previous five years. In May 2006, the Seventy-ninth Legislature passed comprehensive tax and school finance legislation. It increased state funding to local school districts by $7.1 billion per year in order to reduce school district property taxes by one-third. The intent of the legislation was to produce a net reduction in taxes. To this end, the Legislature passed legislation that was expected to raise an estimated $4.1 billion per fiscal year in new revenue. The balance of $3.0 billion per year needed to cover increased funding to school districts was to come from existing sources of General Revenue Funds.

The centerpiece of the 2006 tax legislation was the reform of the state's primary business tax. Other legislation provided for an increase in the cigarette tax, and closed a loophole in the motor vehicle sales tax. The Comptroller of Public Accounts estimated that the new business tax would increase revenue by $6.8 billion during the 2008–09 biennium, and that the increase in the cigarette tax and closing a loophole in the motor vehicle tax would raise an additional $1.5 billion in revenue for property tax relief during the 2008–09 biennium.

In January 2007, the Comptroller's *Biennial Revenue Estimate* resulted in $15 billion in new revenue available to cover spending needs for fiscal year 2007 and the 2008–09 biennium. Nearly half of the new revenue came from an expected General Revenue Funds surplus in fiscal year 2007, which was generated primarily by higher than expected sales tax receipts. In finalizing its spending decisions, the Eightieth Legislature, 2007, set aside $3.0 billion in new revenue to help cover ongoing costs of school district property tax relief during the 2010–11 biennium.

The new business tax did not perform as expected. As **Figure 2** shows, actual business tax receipts for the 2008–09 biennium totaled $3.8 billion less than the $6.8 billion in new revenue previously estimated. When combined with the other two revenue sources from the 2006 tax package, new tax revenue paid for 35 percent of the total cost of school district property tax relief during the 2008–09 biennium with General Revenue Funds paying for the remaining 65 percent. In contrast, the May 2006 estimate provided that new tax revenue would pay for 59 percent of the total cost of

FIGURE 2
ESTIMATED AND ACTUAL RECEIPTS OF NEW REVENUE TO COVER PROPERTY TAX RELIEF, 2008–09 BIENNIUM

IN MILLIONS	FISCAL YEAR 2008	FISCAL YEAR 2009	2008–09 BIENNIUM	SHARE PERCENTAGE
Estimated Cost of School District Property Tax Relief	$7,095.6	$7,095.6	$14,191.2	
ESTIMATED SOURCES OF FUNDING				
Revised Business Tax (Margins Tax)	$3,382.9	$3,450.2	$6,833.1	
Increase in Cigarette Tax	$690.9	$731.3	$1,422.2	
Loophole Reform for Motor Vehicle Sales Tax	$42.3	$42.8	$85.1	
Subtotal, New Revenue Sources	**$4,116.1**	**$4,224.3**	**$8,340.4**	**58.8%**
Existing General Revenue & Interest	**$2,979.5**	**$2,871.3**	**$5,850.8**	**41.2%**
ACTUAL RECEIPTS				
Revised Business Tax (Margins Tax)	$1,576.8	$1,472.5	$3,049.3	
Increase in Cigarette Tax	$912.8	$977.0	$1,889.8	
Loophole Reform for Motor Vehicle Sales Tax	$12.0	$22.3	$34.3	
Subtotal, New Revenue Sources	**$2,501.6**	**$2,471.8**	**$4,973.4**	**35.0%**
Existing General Revenue Funds and Interest	**$4,594.0**	**$4,623.8**	**$9,217.8**	**65.0%**

Sources: Legislative Budget Board; Comptroller of Public Accounts.

school district property tax relief with General Revenue Funds paying for the remaining 41 percent.

With the collapse of certain financial markets in fall 2008, the U.S. slipped into a protracted recession. Consequently, in January 2009 the Comptroller's *Biennial Revenue Estimate* projected that state revenues would decline during the 2010–11 biennium due to a slowing economy. The corresponding funding recommendations from the Legislative Budget Board, typically a conservative current services budget proposal, exceeded available revenue by more than $2 billion in spite of an expected $2.1 billion General Revenue Funds surplus in fiscal year 2009 and the $3.0 billion the Texas Legislature set aside for property tax relief.

In February 2009, the U.S. Congress and the President enacted the American Recovery and Reinvestment Act (ARRA). A key component of ARRA was one-time stimulus funding to help state and local governments weather the effects of the national recession. The Eighty-first Legislature, 2009, appropriated $6.4 billion in Federal Funds (ARRA) to cover its General Revenue Funds spending gap and to maintain funding for key budget drivers in public education and health and human services. By the end of the 2010–11 biennium, the amount of ARRA funding used in place of General Revenue Funds had increased to $8.0 billion due to higher-than-expected Medicaid caseloads and costs, a higher than expected federal matching rate for Medicaid, and extension of that enhanced matching rate by Congress.

The effect of the national recession on state revenues came later in Texas than it did in other states. The largest single source of General Revenue Funds in Texas is the sales tax. Fiscal year 2009 sales tax receipts fell below prior year levels for the first time since fiscal year 2003. Sales tax receipts declined monthly from February 2009 to April 2010.

In January 2011, the Comptroller estimated in the *2012–13 Biennial Revenue Estimate* that fiscal year 2011 would end with a $4.3 billion shortfall in General Revenue Funds. In addition, it was estimated that state tax revenues would increase modestly during fiscal years 2012 and 2013 as Texas recovered from the national recession. The use of the fiscal year 2009 $5.1 billion General Revenue Funds surplus during the 2010–11 biennium along with $8 billion in one-time ARRA funds—combined with the fiscal year 2011 $4.3 billion shortfall for fiscal year 2011—resulted in a General Revenue Funds shortfall for the 2012–13 biennium totaling more than $17 billion. Expected growth in key current services budget drivers, including a decline in school district property values, increased the General Revenue Funds shortfall for the 2012–13 biennium to $27 billion when compared to estimated state tax revenue for fiscal years 2012 and 2013.

ACTIONS TAKEN TO ADDRESS THE SHORTFALL

Figure 3 summarizes the actions taken to address the $27 billion General Revenue Funds shortfall and balance the 2012–13 biennial state budget. Anticipating a significant revenue shortfall for the 2010–11 biennium, the Governor, Lt. Governor, and Speaker of the House asked all state agencies and institutions of higher education in January 2010 to develop plans to reduce General Revenue Funds spending for the remainder of fiscal year 2010 and for fiscal year 2011 by 5 percent. In December 2010, the three leaders asked state agencies and institutions of higher education to reduce General Revenue Funds spending by an additional 2.5 percent for fiscal year 2011. Some of the targeted savings were achieved by agencies returning unspent appropriations

FIGURE 3
LEGISLATIVE RESPONSE TO FISCAL CHALLENGE: 2011 LEGISLATIVE SESSION

IN BILLIONS	
Estimated Gap Between Available Revenue and Current Service Demands	**$27.0**
CLOSING THE 2011 SHORTFALL	
Reduce Spending During the 2010–11 Biennium	$1.2
Tap Economic Stabilization Fund	$3.2
Subtotal, Closing the 2011 Shortfall	**$4.4**
REVENUE SOLUTIONS	
Increase Recurring Revenues	$0.7
Create One-time Revenues	$1.4
Improved Revenue Estimate and Other Revenue	$1.9
Make Some Funding Contingent on Improved Revenue Collections	$1.0
Subtotal, Revenue Solutions	**$5.0**
SPENDING SOLUTIONS AND RESPONSES	
Reduce Entitlement Funding to Local School Districts	$4.0
Defer August 2013 Payment to School Districts until September 2013	$2.3
Contain Costs in Medicaid	$1.8
Underfund Medicaid in 2013	$4.3
Reduce Other Spending in the 2012–13 Biennium	$5.2
Subtotal, Spending Solutions and Responses	**$17.6**

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

to the State Treasury; the balance was achieved through passage of House Bill 4—the Supplemental Appropriations Bill.

The Legislature did not tap the state's Economic Stabilization Fund (i.e., "Rainy Day Fund") during either the 2007 or 2009 legislative sessions. As a result, the Comptroller estimated that the balance of the Economic Stabilization Fund (ESF) would increase to $9.4 billion by fiscal year 2013. Passage of House Bill 275 (which appropriated $3.2 billion from the ESF), combined with the savings captured in the Supplemental Appropriations bill, eliminated the fiscal year 2011 shortfall.

The Eighty-second Legislature, 2011, passed several revenue measures to help balance the 2012–13 biennial state budget. As shown in **Figure 3**, $1.4 billion came from one-time measures while another $0.7 billion came from recurring sources of revenue. Senate Bill 1, First Called Session, requires taxpayers to speed up payment of a portion of sales, alcohol, and motor fuels taxes so that those revenues can be received during the 2012–13 biennium. Another one-time measure provided for a delay in the transfer of motor fuels tax receipts from the General Revenue Fund to the State Highway Fund.

One of the largest revenue measures involved the Permanent School Fund and its relationship with the Available School Fund, which is a major source of funding for public education. With passage of House Joint Resolution 109 and approval of constitutional amendment No. 6 by the Texas voters in November 2011, the Texas Land Commissioner is now authorized to transfer any earnings generated from the agency's management of state land for the Permanent School Fund directly to the Available School Fund. House Joint Resolution 109 also expands the base on which the State Board of Education makes its calculation of how much in Permanent School Fund investment earnings can prudently be transferred to the Available School Fund. The combination of these two measures is expected to generate an additional $450 million for the Available School Fund during the 2012–13 biennium.

The state's revenue outlook began to improve during spring 2011. As a result, the Comptroller updated the *2012–13 Biennial Revenue Estimate* to recognize an additional $1.5 billion in receipts. Other revenue adjustments associated with the 2012–13 General Appropriations Bill added an additional $0.4 billion. Finally, the Legislature made appropriations of $950 million contingent on receipt of additional revenue.

As shown in **Figure 3**, the Legislature took several spending actions as well. Two significant provisions affected the Foundation School Program, which is the program that allocates state funding to school districts and represents the single largest General Revenue Funds-related appropriation in the state budget. Senate Bill 1, First Called Session, 2011, reduced per pupil entitlements to school districts by an average of 5.6 percent per year. This reduced expected growth in spending of General Revenue Funds for the 2012–13 biennium by $4.0 billion. Senate Bill 1 also includes a deferral of the Foundation School Program August 2013 payment to September 2013. This deferral will allow the payment to be included in appropriations for the 2014–15 biennium.

The second largest General Revenue Funds-related appropriation in the state budget is for Medicaid. The Legislature added a number of cost containment measures that are expected to reduce Medicaid General Revenue Funds-related costs by $1.8 billion during the 2012–13 biennium. In anticipation of improved revenue collections during the 2012–13 biennium, the Legislature under-funded its General Revenue Funds Medicaid obligations by $4.3 billion. It is expected that the Eighty-third Legislature will need to make a supplemental appropriation to fund Medicaid spending needs for the last four to five months of fiscal year 2013; the actual supplemental need will vary from the $4.3 billion identified here, due to recent Medicaid match rate adjustments and other factors such as caseload and cost (see Chapter 5 for a detailed Medicaid funding shortfall discussion).

The final piece of the budget gap solution came from additional reductions in appropriations for the 2012–13 biennium. When compared to current services levels, the Legislature reduced spending by another $5.2 billion. Some major targeted reductions include:

- formula and non-formula funding to institutions of higher education;
- student financial aid;
- the state's contribution to retirement and healthcare programs for state employees and retired teachers;
- certain direct services provided by state agencies;
- agency capital purchases and administrative functions; and

- grants to local governmental entities and non-governmental organizations.

Some actions taken to address the 2012–13 biennial General Revenue Funds shortfall affected non-general revenue spending as well as non-appropriated funds. These, and similar actions taken by the Legislature over the past decade, have had the effect of structurally reducing appropriations not by reducing spending necessarily, but by shifting the cost from General Revenue Funds to other fund sources. Such measures (which are discussed in more detail elsewhere in the *2012–13 Fiscal Size-up*) include:

- increased reliance on bond funds;
- new funding mechanisms (including bonds) and method-of-finance swaps (2003) to increase funds available to the Texas Department of Transportation;
- cost shifting to higher education students through tuition deregulation (2003);
- cost shifting to state employees through health insurance plan design changes (2003; 2011); and
- increased reliance on unexpended balances from dedicated revenue streams.

RECENT TRENDS AND FISCAL HORIZON

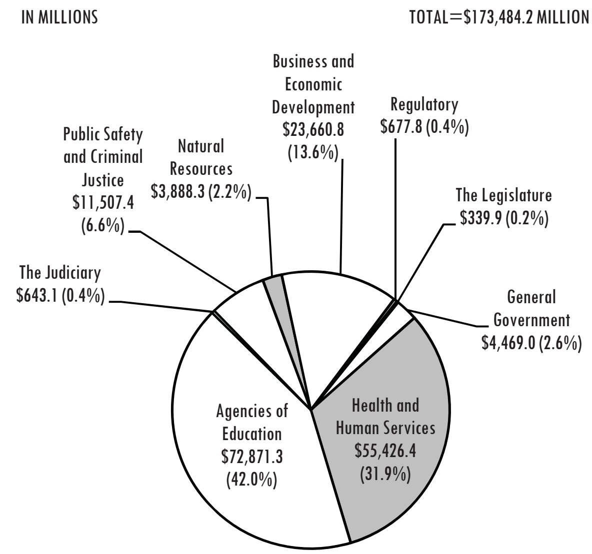
The Texas revenue picture has improved dramatically since spring 2011. Fiscal year 2011 (ending August 2011) actual net receipts exceeded the Comptroller's revised estimate by $1.7 billion in General Revenue Funds. Sales tax receipts for the first four months of fiscal year 2012 are well above expectations. Revenue transfers to the ESF have also increased, and the Comptroller estimates that the fiscal year 2013 balance will be approximately $7.3 billion.

As noted earlier, the Legislature will need to make a fiscal year 2013 supplemental appropriation for Medicaid that will total more than $4 billion. It will also need to account for one-time revenue and spending measures that will not be available for use again during the 2014–15 biennium. As Texas is one of the fastest growing states in the nation, we can expect to see growing spending needs in major governmental functions such as education, healthcare, and transportation during the 2014–15 biennium and beyond. But the improved revenue picture and the healthy status of the ESF will provide state legislators with two invaluable tools to help address what will likely be another significant fiscal challenge when the Eighty-third Legislature convenes in January 2013.

ALL FUNDS BUDGET

The All Funds budget (**Figure 4** and **Figure 5**) shows a decrease of $14.0 billion, or 7.5 percent, from the 2010–11 biennium. The Health and Human Services function accounts for the largest percentage decrease, 15.3 percent, or $10.0 billion. Public Education funding was decreased by 5.6 percent, or $3.0 billion.

FIGURE 4
ALL FUNDS
2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

FIGURE 5
ALL FUNDS – STATEWIDE SUMMARY, 2010–11 AND 2012–13 BIENNIA

IN MILLIONS ALL FUNCTIONS	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$5,026.3	$4,469.0	($557.3)	(11.1)
Article II – Health and Human Services	65,464.2	55,426.4	(10,037.8)	(15.3)
Article III – Agencies of Education	76,416.0	72,871.3	(3,544.7)	(4.6)
Public Education	*53,769.0*	*50,780.1*	*(2,988.9)*	*(5.6)*
Higher Education	*22,647.0*	*22,091.2*	*(555.8)*	*(2.5)*
Article IV – The Judiciary	672.9	643.1	(29.8)	(4.4)
Article V – Public Safety and Criminal Justice	12,072.9	11,507.4	(565.5)	(4.7)
Article VI – Natural Resources	3,562.2	3,888.3	326.1	9.2
Article VII – Business and Economic Development	23,196.6	23,660.8	464.2	2.0
Article VIII – Regulatory	736.1	677.8	(58.2)	(7.9)
Article IX – General Provisions	0.0	0.0	0.0	NA
Article X – The Legislature	369.2	339.9	(29.3)	(7.9)
TOTAL, ALL FUNCTIONS	**$187,516.5**	**$173,484.2**	**($14,032.3)**	(7.5)

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

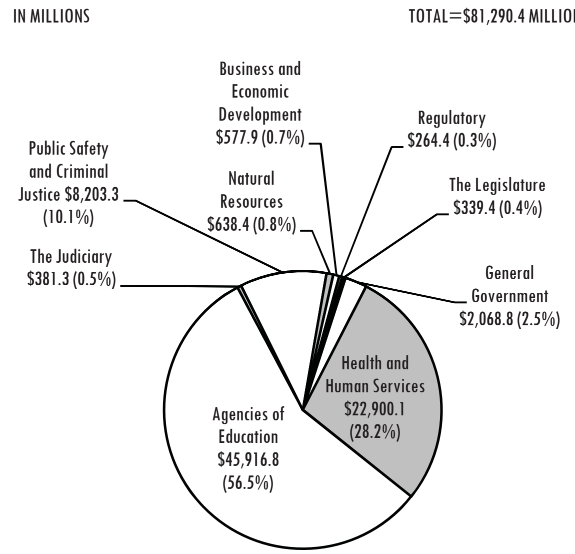
GENERAL REVENUE FUNDS BUDGET

The General Revenue Funds budget for the 2012–13 biennium is shown in **Figure 6** and **Figure 7**. For definition purposes, the method-of-financing category "General Revenue Funds" as used in *Fiscal Size-up* includes the nondedicated portion of the General Revenue Fund, as well as three education funds: the Available School Fund, the State Textbook Fund, and the Foundation School Fund.

The term "General Revenue Fund" appears throughout *Fiscal Size-up*. In 1991, the Legislature initiated a process of fund consolidation under which most statutory special funds were brought into the General Revenue Fund and many statutory dedications expired. As a result of the fund-consolidation process, the General Revenue Fund now consists of nondedicated and dedicated accounts. The nondedicated portion of the General Revenue Fund serves as the state's primary operating fund. The dedicated portions are discussed in the next section; more detailed descriptions of the types of revenue deposited to the General Revenue Fund are included in Chapter 2.

Total General Revenue Fund appropriations decreased by $640 million in 2012–13 biennium compared to the 2010–11 biennium. As **Figure 7** demonstrates, this reduction is attributable to a $1.2 billion increase to Health and Human Services, together with an $83 million increase to Business and Economic Development (attributable to a significant increase to the Texas Department of Transportation offset by reductions to other Business and Economic

FIGURE 6
GENERAL REVENUE FUNDS
2012–13 BIENNIUM



Source: Legislative Budget Board.

FIGURE 7
GENERAL REVENUE FUNDS – STATEWIDE SUMMARY, 2010–11 AND 2012–13 BIENNIA

IN MILLIONS ALL FUNCTIONS	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$2,410.7	$2,068.8	($341.9)	(14.2)
Article II – Health and Human Services	21,691.0	22,900.1	1,209.1	5.6
Article III – Agencies of Education	46,796.0	45,916.8	(879.2)	(1.9)
Public Education	*33,799.4*	*33,744.5*	*(54.9)*	*(0.2)*
Higher Education	*12,996.6*	*12,172.3*	*(824.3)*	*(6.3)*
Article IV – The Judiciary	418.9	381.3	(37.6)	(9.0)
Article V – Public Safety and Criminal Justice	8,619.5	8,203.3	(416.2)	(4.8)
Article VI – Natural Resources	839.5	638.4	(201.1)	(24.0)
Article VII – Business and Economic Development	495.1	577.9	82.8	16.7
Article VIII – Regulatory	291.6	264.4	(27.3)	(9.3)
Article IX – General Provisions	0.0	0.0	0.0	NA
Article X – The Legislature	368.6	339.4	(29.2)	(7.9)
TOTAL, ALL FUNCTIONS	**$81,930.9**	**$81,290.4**	**($640.4)**	**(0.8)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Note: Article totals exclude interagency contracts.
Source: Legislative Budget Board.

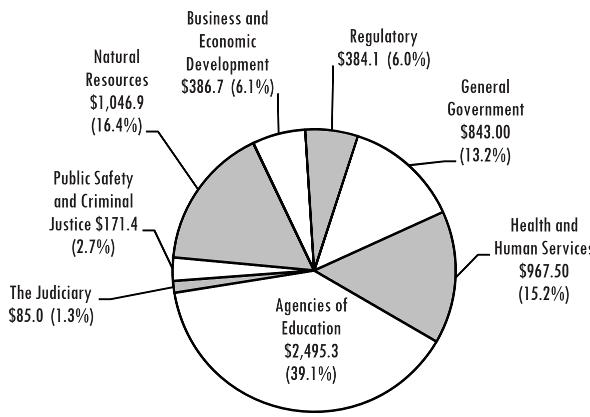
Development agencies), and decreases in all other articles. Note that $8.0 billion in Federal ARRA funding was expended in lieu of General Revenue Funds in the 2010–11 biennium; if that revenue were attributed to General Revenue Funds, the biennial reduction would be commensurately larger.

GENERAL REVENUE–DEDICATED FUNDS BUDGET

The General Revenue–Dedicated Funds budget for the 2012–13 biennium is shown in **Figure 8** and **Figure 9**. The term "General Revenue–Dedicated Funds" appears throughout *Fiscal Size-up* and describes a method of financing that includes accounts within the General Revenue Fund dedicated as a result of the fund-consolidation process or subsequent legislation affecting revenue dedication within the General Revenue Fund, including House Bill 3050, Seventy-fourth Legislature, 1995; House Bill 2948, Seventy-fifth Legislature, 1997; House Bill 3084, Seventy-sixth Legislature, 1999; House Bill 3088, Seventy-seventh Legislature, 2001; House Bill 3318, Seventy-eighth Legislature, Regular Session, 2003; Senate Bill 1605, Seventy-ninth Legislature, Regular Session, 2005; House Bill 3107, Eightieth Legislature, 2007; House Bill 4583, Eighty-first Legislature, Regular Session, 2009; and, Senate Bill 1588, Eighty-second Legislature, Regular Session, 2011.

FIGURE 8
GENERAL REVENUE–DEDICATED FUNDS
2012–13 BIENNIUM

IN MILLIONS TOTAL=$6,380.0 MILLION



SOURCE: Legislative Budget Board.

FIGURE 9
GENERAL REVENUE–DEDICATED FUNDS – STATEWIDE SUMMARY, 2010–11 AND 2012–13 BIENNIA

IN MILLIONS ALL FUNCTIONS	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$622.9	$843.0	$220.1	35.3
Article II – Health and Human Services	959.7	967.5	7.8	0.8
Article III – Agencies of Education	2,489.3	2,495.3	6.1	0.2
Public Education	*0.4*	*0.6*	*0.2*	*50.0*
Higher Education	*2,488.9*	*2,494.7*	*5.8*	*0.2*
Article IV – The Judiciary	63.3	85.0	21.7	34.2
Article V – Public Safety and Criminal Justice	75.4	171.4	96.0	127.4
Article VI – Natural Resources	1,243.6	1,046.9	(196.8)	(15.8)
Article VII – Business and Economic Development	466.9	386.7	(80.2)	(17.2)
Article VIII – Regulatory	385.0	384.1	(0.9)	(0.2)
Article IX – General Provisions	0.0	0.0	0.0	NA
Article X – The Legislature	0.0	0.0	0.0	NA
TOTAL, ALL FUNCTIONS	**$6,306.0**	**$6,380.0**	**$73.9**	**1.2**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

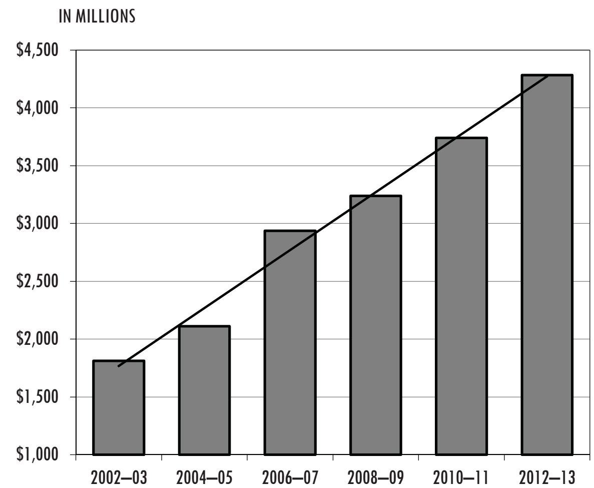
Appropriations of General Revenue–Dedicated Funds were relatively flat between the 2010–11 and 2012–13 biennia, increasing by 1.2 percent. However, as shown in **Figure 9**, there are some significant shifts in funding among articles, particularly a 35 percent increase in General Government (primarily at the Office of the Governor and with the Comptroller's Fiscal programs) and a 127 percent increase for Public Safety and Criminal Justice due to a method-of-finance swap at the Department of Public Safety. These are offset by declines at Texas Commission on Environmental Quality and the Texas Lottery Commission.

As noted earlier, the General Revenue Fund consists of nondedicated and dedicated accounts. Prior to the fund-consolidation process that was initiated in 1991, most of the accounts that are now dedicated accounts within the General Revenue Fund were separate special funds outside of the General Revenue Fund. During fund consolidation, some special funds were abolished, but most were brought into the General Revenue Fund as dedicated accounts. There are approximately 200 dedicated accounts maintained in the General Revenue Fund, including for example, the State Parks Account, college operating accounts (which receive tuition revenue), and the Department of Insurance Operating Account. Revenue that is dedicated for a particular purpose is deposited to these dedicated accounts, and in most cases, the Texas Legislature may appropriate revenue from these accounts only for the purpose to which the revenue is dedicated by law.

Balances maintained within General Revenue–Dedicated Funds can be, and are routinely used for the purpose of "certifying" that sufficient General Revenue Funds and General Revenue–Dedicated Funds are available to ensure that the adopted General Appropriations Bill is in compliance with the "pay-as-you-go" constitutional spending limit. As shown in **Figure 10**, these balances have increased from $1.8 billion during the 2002–03 biennium to $4.3 billion during the 2012–13 biennium.

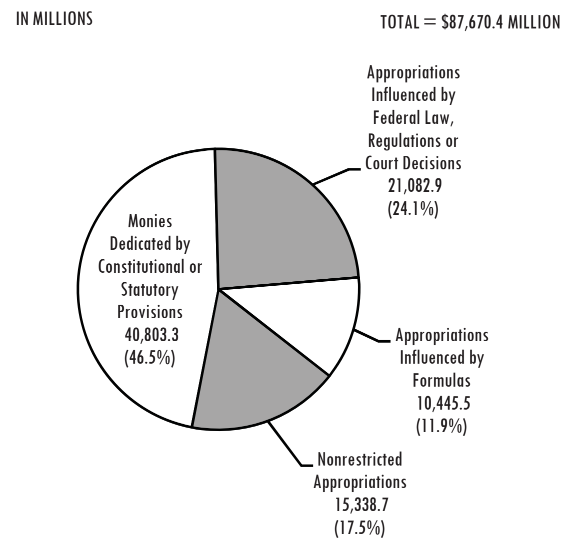
As **Figure 11** and **Figure 12** show, 82.5 percent of the General Revenue Funds and General Revenue–Dedicated Funds appropriations for the 2012–13 biennium are restricted by constitutional or statutory provisions, influenced by federal law, regulations, or court decisions, or by formulas (e.g., education). This amount is slightly larger than the 2010–11 biennial level of 80.5 percent.

FIGURE 10
GENERAL REVENUE–DEDICATED FUND BALANCES AVAILABLE FOR CERTIFICATION
2002–03 TO 2012–13 BIENNIA



Source: Legislative Budget Board.

FIGURE 11
RESTRICTED APPROPRIATIONS FROM GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS BUDGET, 2012–13 BIENNIUM



Source: Legislative Budget Board.

FIGURE 12
RESTRICTED APPROPRIATIONS FROM GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS BUDGET 2012–13 BIENNIUM

IN MILLIONS	2012–13 BIENNIUM APPROPRIATION	PERCENTAGE OF TOTAL APPROPRIATION
Appropriations or allocations of revenue by constitutional or statutory provisions	$40,803.3	46.5%
Appropriations influenced by federal law, regulations or court decisions	21,082.9	24.1
Appropriations influenced by formulas	10,445.5	11.9
TOTAL RESTRICTED APPROPRIATIONS	**$72,331.7**	**82.5**
Nonrestricted appropriations	$15,338.7	17.5
TOTAL, GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS APPROPRIATIONS	**$87,670.4**	**100.0%**

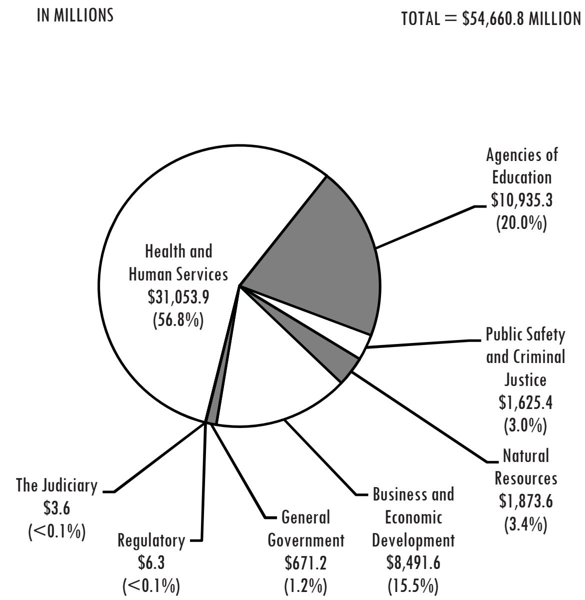
Note: Total may not sum due to rounding.
Source: Legislative Budget Board.

FEDERAL FUNDS BUDGET

Federal Funds include grants, allocations, payments, or reimbursements received from the federal government by state agencies and institutions named in the General Appropriations Act (GAA). As a method of financing, "Federal Funds" also includes the cost of employee benefits associated with federal programs, but does not include "Earned Federal Funds." Earned Federal Funds are funds the state receives through a federally funded program that are not required by the governing agreement to be expended on that program. Earned Federal Funds are categorized as General Revenue Funds.

Appropriations of Federal Funds for the 2012–13 biennium (**Figure 13** and **Figure 14**) decreased $17.9 billion, or 24.7 percent, from the 2010–11 biennial spending level. Nearly 70 percent ($12.5 billion) of this decrease is due to the Federal Funds distributed from the American Recovery and Reinvestment Act of 2009 (ARRA) for the following functions: General Government, Health and Human Services, Education, Public Safety and Criminal Justice, Natural Resources, Business and Economic Development,

FIGURE 13
FEDERAL FUNDS
2012–13 BIENNIUM



Source: Legislative Budget Board.

FIGURE 14
FEDERAL FUNDS – STATEWIDE SUMMARY, 2010–11 AND 2012–13 BIENNIA

IN MILLIONS ALL FUNCTIONS	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$1,200.6	$671.2	($529.4)	(44.1)
Article II – Health and Human Services	42,216.8	31,053.9	(11,163.0)	(26.4)
Article III – Agencies of Education	14,014.6	10,935.3	(3,079.3)	(22.0)
Public Education	*13,320.5*	*10,540.9*	*(2,779.6)*	*(20.9)*
Higher Education	*694.1*	*394.4*	*(299.7)*	*(43.2)*
Article IV – The Judiciary	5.0	3.6	(1.4)	(27.9)
Article V – Public Safety and Criminal Justice	1,895.0	1,625.4	(269.6)	(14.2)
Article VI – Natural Resources	1,230.2	1,873.6	643.5	52.3
Article VII – Business and Economic Development	12,004.1	8,491.6	(3,512.5)	(29.3)
Article VIII – Regulatory	7.2	6.3	(0.9)	(12.2)
Article IX – General Provisions	0.0	0.0	0.0	NA
Article X – The Legislature	0.0	0.0	0.0	NA
TOTAL, ALL FUNCTIONS	**$72,573.4**	**$54,660.8**	**($17,912.6)**	**(24.7)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

and Regulatory (**Figure 15**). A total of $660.7 million in Federal Funds was provided by ARRA for the 2012–13 biennium for these same functions within the GAA. Business and Economic Development accounts for a significant amount ($608.3 million) of the ARRA funding in the 2012–13 biennium, most of which is for the Highway Planning and Construction program. Federal funding for Health and Human Services decreased by 26.4 percent from the 2010–11 biennial spending level to $31 billion. This decrease is primarily attributable to the loss of Federal Funds from cost containment initiatives, enhanced Federal Medical Assistance Percentage no longer available from ARRA, and not fully funding the state match for the Medicaid program. Federal funding for General Government decreased by $529.4 million from the 2010–11 biennial spending level; this is a higher percentage decrease in Federal Funds (44.1 percent) than in any other function. This decrease is primarily attributed to ARRA funds provided for child enforcement activities and state energy programs in the 2010–11 biennium that are no longer available. Federal funding for Natural Resources increased by 52.3 percent, or $643.5 million, from the 2010–11 biennial spending level. This increase is primarily related to the transfer of Federal Funds for the Community Development Block Grant program from the Texas Department of Rural Affairs and the Texas Department of Housing and Community Affairs to the General Land Office and the Texas Department of Agriculture.

FIGURE 15
FEDERAL FUNDS – STATEWIDE SUMMARY
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

IN MILLIONS

FUNCTIONS	EXPENDED/ BUDGETED 2010–11	APPROPRIATED 2012–13
Article I – General Government	$571.4	$3.0
Article II – Health and Human Services	4,642.7	29.0
Article III – Education	4,409.7	10.8
Public Education	*4,080.1*	*10.8*
Higher Education	*329.6*	*0.0*
Article V – Public Safety and Criminal Justice	9.9	0.1
Article VI – Natural Resources	49.9	8.9
Article VII – Business and Economic Development	2,846.9	608.3
Article VIII – Regulatory	0.7	0.6
TOTAL, ALL FUNCTIONS	**$12,531.2**	**$660.7**

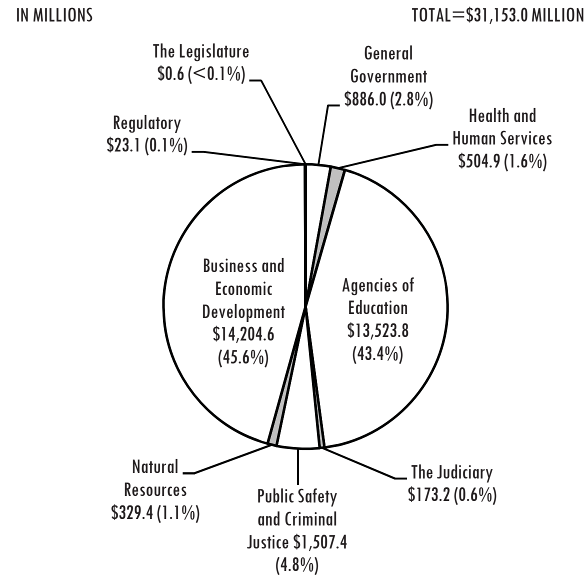
Source: Legislative Budget Board.

OTHER FUNDS BUDGET

Other Funds consist of any funds not included in the other methods of financing. Other Funds include the State Highway Fund, the Texas Mobility Fund, trust funds, bond proceeds, interagency contracts, certain revenue held in higher education "local" accounts, and constitutional funds (except the Available School Fund).

Figure 16 and **Figure 17** show an increase in the Other Funds budget of $4.4 billion, or 16.7 percent, from the 2010–11 biennial level. This increase is principally attributable to the appropriation of $4.1 billion in General Obligation bond proceeds approved by voters in 2007 for transportation planning and design, right-of-way acquisition, and contracts for highway improvement projects.

FIGURE 16
OTHER FUNDS
2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

FIGURE 17
OTHER FUNDS – STATEWIDE SUMMARY, 2010–11 AND 2012–13 BIENNIA

IN MILLIONS ALL FUNCTIONS	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$792.2	$886.0	$93.8	11.8
Article II – Health and Human Services	596.7	504.9	(91.9)	(15.4)
Article III – Agencies of Education	13,116.1	13,523.8	407.7	3.1
Public Education	*6,648.7*	*6,494.0*	*(154.7)*	*(2.3)*
Higher Education	*6,467.4*	*7,029.8*	*562.4*	*8.7*
Article IV – The Judiciary	185.7	173.2	(12.4)	(6.7)
Article V – Public Safety and Criminal Justice	1,483.1	1,507.4	24.3	1.6
Article VI – Natural Resources	248.9	329.4	80.5	32.3
Article VII – Business and Economic Development	10,230.6	14,204.6	3,974.0	38.8
Article VIII – Regulatory	52.3	23.1	(29.2)	(55.9)
Article IX – General Provisions	0.0	0.0	0.0	NA
Article X – The Legislature	0.6	0.6	(0.0)	(5.2)
TOTAL, ALL FUNCTIONS	**$26,706.2**	**$31,153.0**	**$4,446.8**	**16.7**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

BUDGET ALLOCATION

Figure 18 and **Figure 19** compare the state budget allocation by General Appropriations Act Article (i.e., function) for the 2002–03 and the 2012–13 biennia. Distribution percentages remained fairly constant over the decade with the Articles retaining the same order in relative magnitude of funding.

CONSTITUTIONAL SPENDING LIMITS

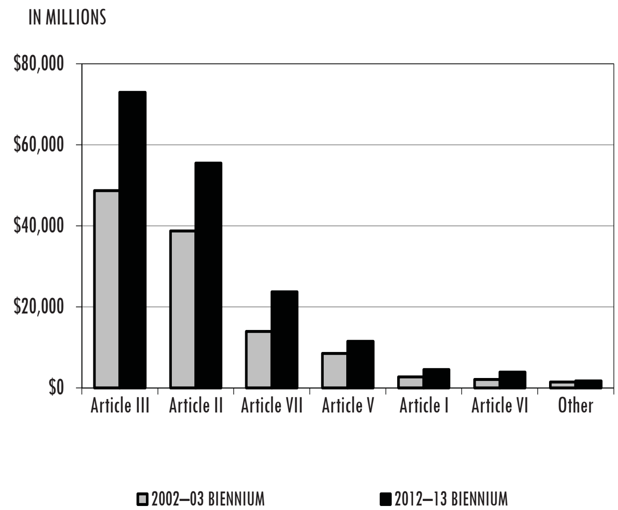
Texas has four constitutional limits on spending: the "pay-as-you-go," or balanced budget limit; the limit on the rate of growth of appropriations from certain state taxes; the limit on welfare spending; and the limit on debt service. The 2012–13 biennial budget is within all of these limits.

THE "PAY-AS-YOU-GO" LIMIT

Article III, Section 49a, of the Texas Constitution sets out the "pay-as-you-go" limit. It requires that bills making appropriations be sent to the Comptroller of Public Accounts (CPA) for certification that appropriations are within available revenue. In summer 2011, the Comptroller certified that the 2012–13 General Appropriations Act and other appropriations bills were in compliance with the "pay-as-you-go" limit. The CPA estimated that revenue will exceed spending from General Revenue Funds and General Revenue–Dedicated Funds for the 2012–13 biennium by approximately $186.4 million.

Voters approved House Joint Resolution 109, in an election held on November 8, 2011, which allows the General Land Office to distribute revenue from Permanent School Fund land or other properties to the Available School Fund, and to provide for an increase in the market value of the Permanent School Fund for the purpose of allowing increased distributions from the Available School Fund. Approval of this resolution increased available revenue for education by $450 million more than CPA's certification total.

FIGURE 18
COMPARISON OF ALL FUNDS BUDGET ALLOCATION 2002–03 AND 2012–13 BIENNIA



Note: Other includes appropriations for Article IV, The Judiciary; Article VIII, Regulatory; and Article X, The Legislature.
Source: Legislative Budget Board.

FIGURE 19
COMPARISON OF ALL FUNDS BUDGET ALLOCATION PERCENTAGES, 2002–03 AND 2012–13 BIENNIA

IN MILLIONS	2002–03 BIENNIUM		2012–13 BIENNIUM	
GENERAL APPROPRIATION ACT ARTICLE/FUNCTION	EXPENDED	PERCENTAGE OF TOTAL	APPROPRIATED	PERCENTAGE OF TOTAL
Article III – Agencies of Education	$48,673.1	42.0%	$72,871.3	42.0%
Article II – Health and Human Services	38,673.9	33.4	55,426.4	31.9
Article VII – Business and Economic Development	13,899.8	12.0	23,660.8	13.6
Article V – Public Safety and Criminal Justice	8,501.5	7.3	11,507.4	6.6
Article I – General Government	2,668.0	2.3	4,469.0	2.6
Article VI – Natural Resources	2,046.5	1.8	3,888.3	2.2
All Other (IV, VIII, IX, X)	1,452.9	1.3	1,660.9	1.0
TOTAL, ALL ARTICLES	**$115,915.7**	**100.0%**	**$173,484.2**	**100.0%**

Notes: All Other includes appropriations for Article IV, The Judiciary; Article VIII, Regulatory; Article IX, General Provisions; and Article X, The Legislature.
Source: Legislative Budget Board.

LIMITATION ON THE GROWTH OF CERTAIN APPROPRIATIONS

Article VIII, Section 22, of the Texas Constitution limits the biennial rate of growth of appropriations from state tax revenue not dedicated by the Constitution to the estimated rate of growth of the state's economy. On November 15, 2010, the Legislative Budget Board (LBB) established the following elements of the Article VIII spending limit: the estimated rate of growth of the state's economy, the level of 2010–11 biennial appropriations from state tax revenue not dedicated by the Texas Constitution, and the resulting 2012–13 biennial limit. The LBB instructed its staff to adjust the level of 2010–11 biennial appropriations from state tax revenue not dedicated by the Constitution and the resulting 2012–13 biennial spending limit calculation to reflect subsequent appropriations certified by CPA and official revenue estimate revisions by CPA.

Actions taken in 2011 by the Eighty-second Legislature affected the 2010–11 biennial level of appropriations from state tax revenue not dedicated by the Texas Constitution. After adjusting for these actions and revenue estimate revisions by the CPA, the adjusted 2012–13 biennial limit on appropriations from state tax revenue not dedicated by the Constitution is $77.3 billion. Appropriations for the 2012–13 biennium from state taxes not dedicated by the Constitution are estimated to be $70.4 billion, $6.9 billion less than the amount of authorized appropriations. The remainder of the state's $173.5 billion budget is funded with nontax revenue and constitutionally dedicated tax revenue not subject to the Article VIII limit.

WELFARE SPENDING LIMIT

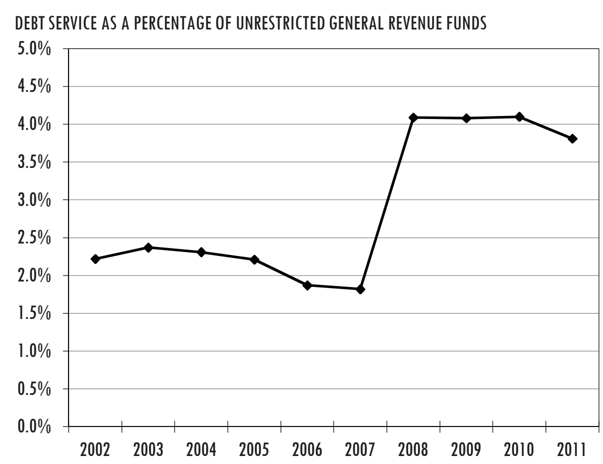
Article III, Section 51-a, of the Texas Constitution provides that the amount that may be paid out of state funds for assistance grants to or on behalf of needy dependent children and their caretakers (i.e., Temporary Assistance for Needy Families [TANF]) shall not exceed 1 percent of the state budget in any biennium. The total state budget as adopted in House Bill 1 (as modified by other legislation), by the Eighty-second Legislature, is $173.5 billion. Accordingly, the 1 percent welfare spending limit is $1.7 billion. The total amount of state funds appropriated for TANF grants is $134.7 million, which is $1,600.1 million less than the 1 percent limit.

DEBT LIMIT

Article III, Section 49(j) of the Texas Constitution limits the authorization of additional state debt if in any fiscal year the resulting annual debt service payable from the unrestricted General Revenue Fund—which excludes revenues constitutionally dedicated for purposes other than payment of state debt—exceeds 5 percent of the average annual unrestricted General Revenue Funds for the previous three years. To monitor the constitutional limit, the Bond Review Board (BRB) calculates two debt ratios. The first debt ratio is the debt service on outstanding (issued) debt as a percentage of unrestricted General Revenue Funds, and for the end of fiscal year 2011, the issued debt calculation is 1.35 percent, which is a slight decrease from the fiscal year 2010 calculation of 1.36 percent. The second debt ratio is the debt service on outstanding debt, plus estimated debt service for authorized but unissued debt as a percentage of unrestricted General Revenue Funds. For this second ratio, at the end of fiscal year 2011, BRB determined that the state is at 3.70 percent of General Revenue Funds, reflecting a decrease from the fiscal year 2010 calculation of 4.10 percent. **Figure 20** shows the most recent 10-year history of the constitutional debt limit ratios including issued and authorized but unissued debt, for fiscal years 2002 to 2011.

Any significant change in any of the following three components will affect the constitutional debt limit: (1) the amount of General Obligation (GO) debt authorized by voters; (2) the three-year average of unrestricted General Revenue Funds; and (3) interest rates on issued GO bond debt. The fiscal year 2011 debt limit ratio for issued and authorized but unissued debt decreased by 40 basis points

FIGURE 20
CONSTITUTIONAL DEBT LIMIT, FISCAL YEARS 2002 TO 2011



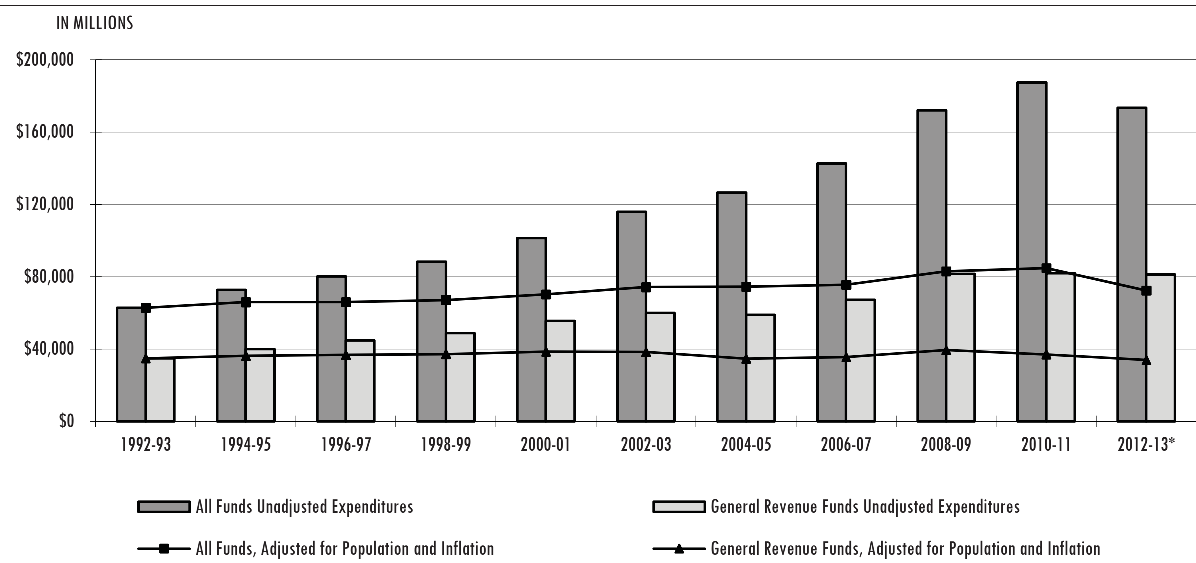
Source: Bond Review Board.

from fiscal year 2010. This ratio decrease is partially due to increased unrestricted General Revenue Funds in fiscal year 2011, which resulted in a higher three-year average of available funds. The decrease is also partially the result of GO debt issuances in excess of $1.0 billion by the Texas Department of Transportation for highway construction and by the Texas Public Finance Authority for cancer research. When these bonds were issued, it resulted in lower interest rates than previously estimated, thus lowering the amount of debt service required.

TRENDS IN STATE GOVERNMENT EXPENDITURES

Figure 21 and **Figure 22** show that the projected state government All Funds spending for the 2012–13 biennium will exceed the spending of the 1992–93 biennium by 176.3 percent. When adjusted for population growth and inflation, expenditures for the 2012–13 biennium are 15.4 percent greater than expenditures for the 1992–93 biennium, resulting in an average biennial increase of 1.5 percent. Expenditures of General Revenue Funds increased more slowly than All Funds expenditures during the same 1992–93 to 2012–13 period by 133.2 percent in current dollars. After adjusting for population and inflation, expenditures of General Revenue Funds decreased by 2.6 percent. From the 2002–03 to the 2012–13 biennium, expenditures of General Revenue Funds adjusted for population growth and inflation decreased 11.6 percent.

FIGURE 21
TRENDS IN STATE GOVERNMENT EXPENDITURES, 1992–93 TO 2012–13 BIENNIA



*Appropriated.
Sources: Legislative Budget Board; Comptroller of Public Accounts.

FIGURE 22
TRENDS IN STATE GOVERNMENT EXPENDITURES, 1992–93 TO 2012–13 BIENNIA

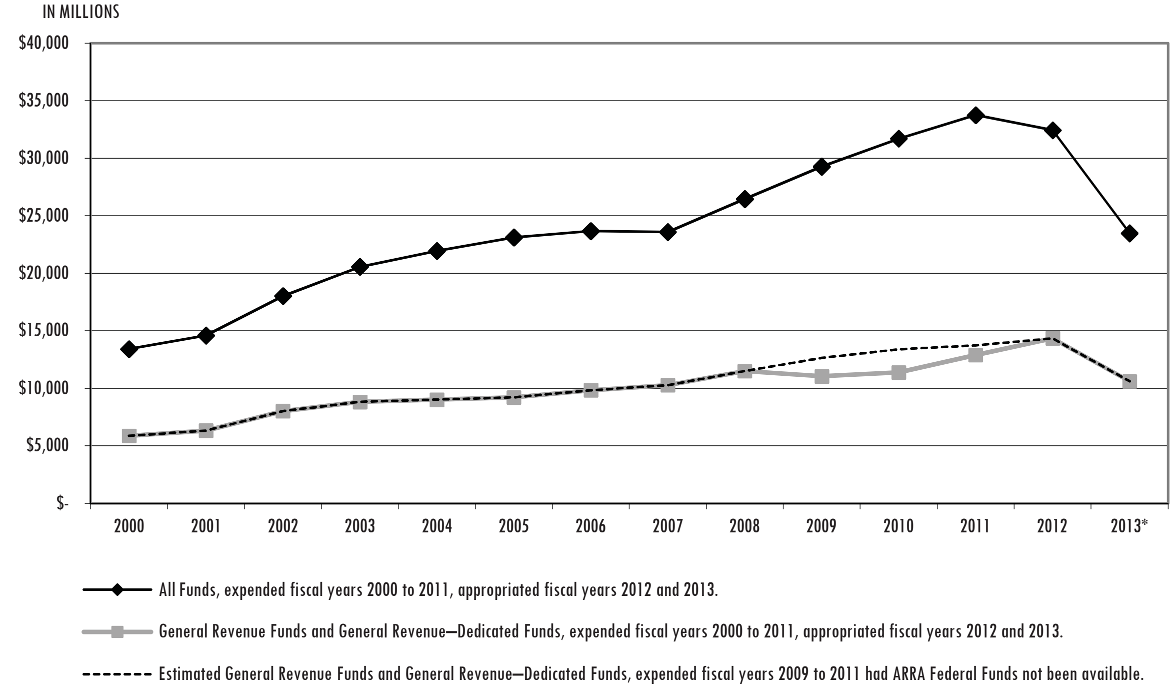
IN MILLIONS	ALL FUNDS				GENERAL REVENUE FUNDS			
	UNADJUSTED		ADJUSTED FOR POPULATION AND INFLATION		UNADJUSTED		ADJUSTED FOR POPULATION AND INFLATION	
BIENNIUM	AMOUNT	PERCENTAGE CHANGE	AMOUNT	PERCENTAGE CHANGE	AMOUNT	PERCENTAGE CHANGE	AMOUNT	PERCENTAGE CHANGE
1992–93	$62,784	NA	$62,784	NA	$34,855	NA	$34,855	NA
1994–95	$72,769	15.9	$65,940	5.0	$39,959	14.6	$36,210	3.9
1996–97	$80,109	10.1	$65,995	0.1	$44,686	11.8	$36,813	1.7
1998–99	$88,293	10.2	$67,153	1.8	$48,890	9.4	$37,184	1.0
2000–01	$101,464	14.9	$70,217	4.6	$55,648	13.8	$38,510	3.6
2002–03	$115,916	14.2	$74,250	5.7	$59,918	7.7	$38,381	(0.3)
2004–05	$126,634	9.2	$74,523	0.4	$58,956	(1.6)	$34,695	(9.6)
2006–07	$142,745	12.7	$75,558	1.4	$67,208	14.0	$35,575	2.5
2008–09	$172,131	20.6	$83,072	9.9	$81,639	21.5	$39,399	10.8
2010–11	$187,517	8.9	$84,812	2.1	$81,931	0.4	$37,056	(5.9)
2012–13*	$173,484	(7.5)	$72,440	(14.6)	$81,290	(0.8)	$33,944	(8.4)

*Estimated.
Sources: Legislative Budget Board; Moody's Analytics.

TRENDS IN STATE HEALTHCARE EXPENDITURES

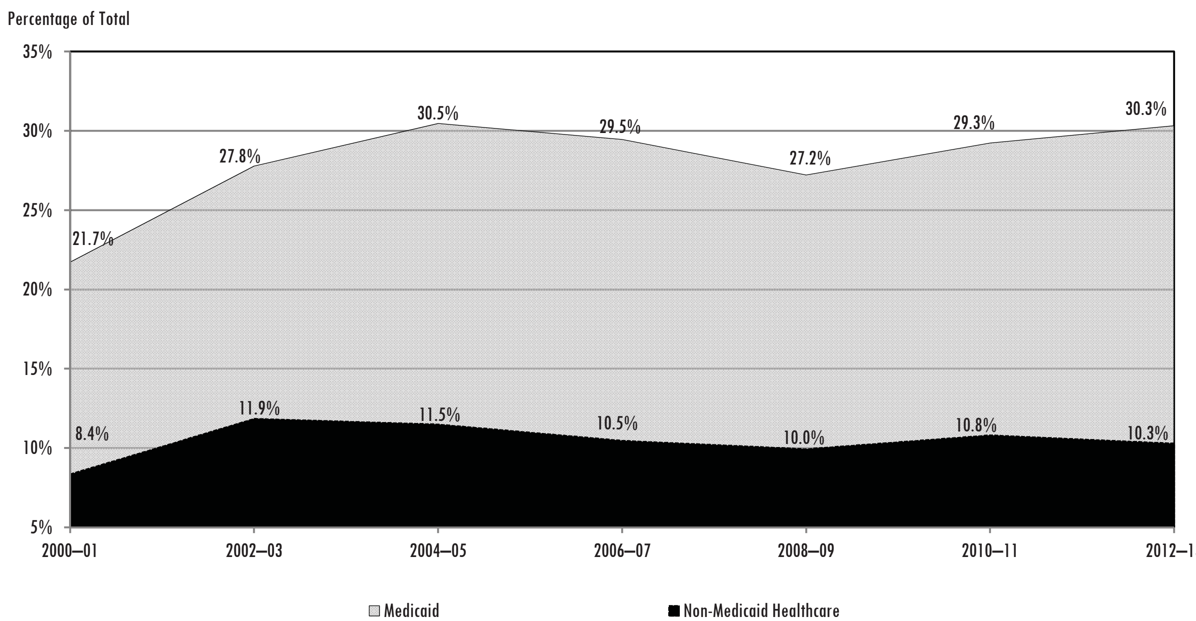
Figure 23 shows that All Funds expenditures for healthcare increased from $13.4 billion in fiscal year 2000 to $33.7 billion in fiscal year 2011, an increase of 151.7 percent. General Revenue Funds and General Revenue–Dedicated Funds-related healthcare expenditures during the same period increased from $5.9 billion to $12.9 billion (exclusive of ARRA Federal Funds), an increase of 119.6 percent. **Figure 24** shows that General Revenue Funds and General Revenue–Dedicated Funds expenditures for healthcare as a percent of total expenditures has increased from 21.7 percent during the 2000-01 biennium to 30.3 percent during the 2012–13 biennium. These estimates are subject to change once the Legislature fully funds Medicaid needs in fiscal year 2013.

FIGURE 23
HEALTHCARE EXPENDITURES
FISCAL YEARS 2000 TO 2013



*Fiscal year 2013 appropriations do not fund 12 months of Medicaid.
Source: Legislative Budget Board.

FIGURE 24
HEALTHCARE EXPENDITURES AS A PERCENTAGE OF GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS
2000–01 TO 2012–13 BIENNIA

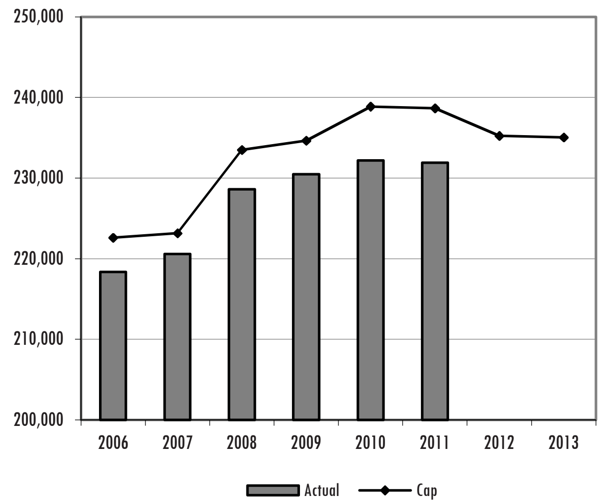


Source: Legislative Budget Board.

STATE GOVERNMENT EMPLOYMENT

Figure 25 and **Figure 26** show the number of full-time-equivalent (FTE) state government employees (positions) for fiscal years 2006 to 2011. Section 6.10 of Article IX, General Appropriations Act (GAA), 2012–13 Biennium, establishes a cap on the number of FTE positions for each state agency and institution of higher education and includes a requirement that agencies seek the approval of the Governor and the Legislative Budget Board prior to exceeding the cap. This cap includes certain positions filled by temporary or contract workers. The cap applies only to employees paid with appropriated state and federal funds. The 2012–13 GAA provides a cap of 235,239 FTE positions in fiscal year 2012 and 235,047 FTE positions in fiscal year 2013. For fiscal year 2011, the FTE cap totalled 238,688, although actual FTEs totalled 231,911. In addition to FTE positions paid for with appropriations made in the GAA, some FTE positions exist that are paid for with non-appropriated funds. In fiscal year 2011, the number of these positions totaled 81,466 of which 80,463 were higher education-related.

FIGURE 25
STATE GOVERNMENT EMPLOYEES
FISCAL YEARS 2006 TO 2013



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

FIGURE 26
STATE GOVERNMENT EMPLOYEES
FISCAL YEARS 2006 TO 2013

	FULL-TIME-EQUIVALENT POSITIONS							
FUNCTION	2006	2007	2008	2009	2010	2011	2012*	2013*
Article I – General Government	9,270	9,302	9,256	9,468	9,769	9,460	9,235	9,234
Article II – Health and Human Services	45,436	47,700	54,024	54,687	54,994	55,685	56,998	56,847
Article III – Education	80,177	81,133	83,771	83,392	83,508	84,882	85,235	85,250
Article IV – The Judiciary	1,317	1,318	1,347	1,360	1,694	1,691	1,401	1,401
Article V – Public Safety and Criminal Justice	52,206	51,537	50,969	52,804	53,839	52,379	53,527	53,693
Article VI – Natural Resources	8,018	8,015	8,265	8,484	8,646	8,388	8,605	8,604
Article VII – Business and Economic Development	18,563	18,269	17,608	16,742	16,177	15,960	16,944	16,809
Article VIII – Regulatory	3,353	3,298	3,388	3,539	3,556	3,466	3,294	3,209
Article IX – General Provisions	NA	NA	NA	NA	NA	NA	NA	NA
TOTAL EMPLOYEES (APPROPRIATED FUNDS)	**218,342**	**220,573**	**228,628**	**230,476**	**232,183**	**231,911**	**235,239**	**235,047**

*Appropriated FTE cap.
SOURCES: Legislative Budget Board; State Auditor's Office.

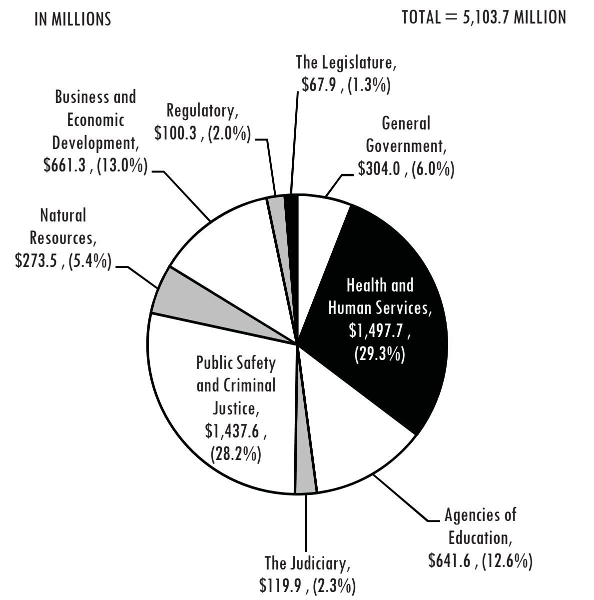
EMPLOYEE BENEFITS/ PAYROLL EXPENSES

Employee benefit costs (shown in **Figure 27** and **Figure 28**) include contributions for state employee and judicial retirement programs, group insurance premiums, Social Security matching (employer and a portion of employee payments), and death benefits for survivors of law enforcement and retired state employees. Combined, these expenditures total $5.1 billion, or approximately 2.9 percent of the 2012–13 biennial state budget. Amounts in **Figure 27** and **Figure 28** exclude biennial appropriations for the Teacher Retirement System ($3.8 billion), the Optional Retirement Program ($0.2 billion) and Higher Education Group Insurance ($1.0 billion).

Benefit costs shown in **Figure 27** and **Figure 28** are projected to increase 1.9 percent for the 2012–13 biennium from the 2010–11 biennium. This increase is due primarily to the increase in health insurance costs caused by medical inflation. Other factors that contribute to higher benefit costs include payroll growth for general state employees in fiscal year 2011, and annual growth in the number of retirees from state government.

As shown in **Figure 28**, two functions of state government—Health and Human Services and Public Safety and Criminal Justice—comprise 57.5 percent of the state's costs for employee benefits. Benefit costs for other government functions range from 1.3 percent for the Legislature to 13.0 percent for Business and Economic Development.

FIGURE 27
ALL FUNDS EMPLOYEE BENEFITS/PAYROLL EXPENSES 2012–13 BIENNIUM



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

FIGURE 28
ALL FUNDS EMPLOYEE BENEFITS/PAYROLL EXPENSES, 2012–13 BIENNIUM

IN MILLIONS

FUNCTION	EMPLOYEES RETIREMENT SYSTEM	COMPTROLLER BENEFITS TOTAL	TOTAL EMPLOYEE BENEFITS	PERCENTAGE OF TOTAL BENEFITS FOR ALL FUNCTIONS
Article I – General Government	$227.3	$76.7	$304.0	6.0%
Article II – Health and Human Services	1,160.6	337.2	1,497.7	29.3
Article III – Agencies of Education	63.6	577.9	641.6	12.6
Article IV – The Judiciary	99.9	20.0	119.9	2.3
Article V – Public Safety and Criminal Justice	1,121.0	316.6	1,437.6	28.2
Article VI – Natural Resources	205.3	68.2	273.5	5.4
Article VII – Business and Economic Development	527.0	134.3	661.3	13.0
Article VIII – Regulatory	74.4	25.9	100.3	2.0
Article X – The Legislature	51.6	16.3	67.9	1.3
TOTAL, ALL ARTICLES	**$3,530.7**	**$1,573.0**	**$5,103.7**	**100.0%**

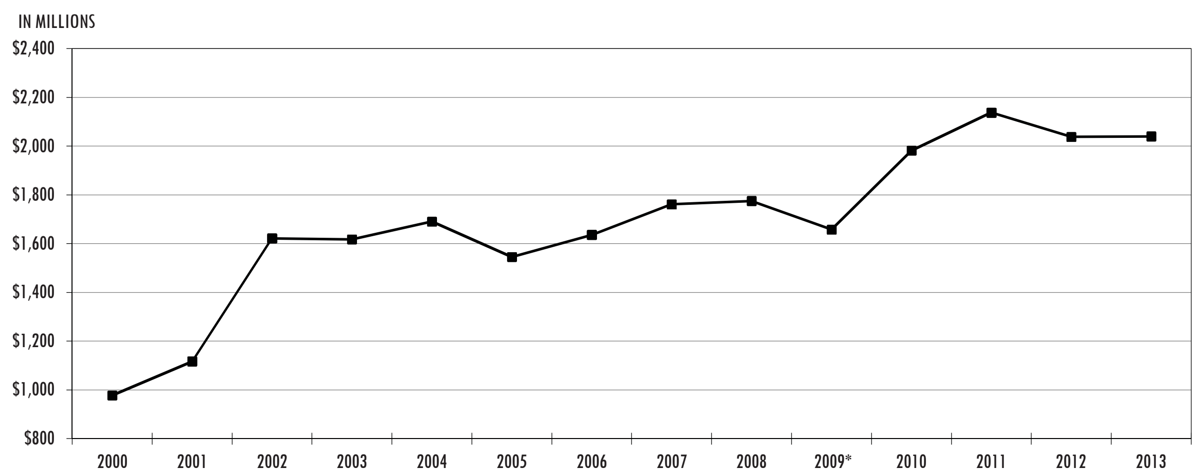
NOTES: Includes death benefits. Excludes Teacher Retirement System, Optional Retirement Program, and Higher Education Group Insurance. Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

EMPLOYEE GROUP HEALTH INSURANCE

Unlike the costs shown in the previous two figures which represent only benefits administered by the Employees Retirement System (ERS) and the Comptroller of Public Accounts, state contributions for group health insurance include ERS, the Teacher Retirement System (TRS), and Higher Education Group Insurance (HEGI). State contributions for state employee and retiree group health insurance total $4.1 billion for the 2012–13 biennium, representing approximately 2.4 percent of the state budget. Appropriations for employer contributions to employee and retiree group insurance increased by $1.5 billion, or 121 percent, from the 2000–01 biennium. This funding represents an average biennial increase of 20.2 percent. The primary cost-drivers affecting employee group insurance state contributions are the average cost of health insurance per participant, the degree of cost-sharing between employees and the state, and the number of participants covered. **Figure 29** shows recent trends in employee insurance program expenditures in All Funds using combined data for TRS, ERS, and HEGI. The decrease in fiscal year 2005 is largely the result of benefit design changes implemented to contain the growth in healthcare costs. The decrease shown in fiscal year 2009 reflects the Governor's veto of community college health insurance funding for that fiscal year. Finally, the decreases shown for the 2012–13 biennium is primarily due to a decrease in the state contribution to TRS-Care from 1.0 percent to 0.5 percent of active employee payroll in fiscal year 2013. In addition, Article IX, Section 18.09 of the 2012–13 General Appropriations Act, provides for a contribution from all general state agencies and institutions of higher education equal to 1.0 percent of the total base wages and salaries for each benefits eligible employee participating in the ERS Group Benefits Program to go toward group health insurance. This 1.0 percent contribution, when combined with the group health insurance appropriations made to ERS by the Eighty-second Legislature, Regular Session, 2011, is expected to provide funding to meet the annual medical cost trend of 7.0 percent. These group insurance amounts do not take into account state funding associated with public education employee group insurance.

Figure 30 and **Figure 31** show information on plan design and premiums for a sample of state-supported healthcare plans. In **Figure 30**, ERS, The University of Texas System (UT System), and the Texas A&M System (TAMU System) had some benefit design changes in fiscal year 2012, while the benefits for TRS remained unchanged from fiscal year 2011. Similarly, in **Figure 31**, ERS, the UT System, and the TAMU System all had premium increases in fiscal year 2012, while TRS's premiums remain unchanged from fiscal year 2011.

FIGURE 29
TOTAL ALL FUNDS STATE CONTRIBUTIONS FOR EMPLOYEE AND RETIREE GROUP HEALTH INSURANCE
FISCAL YEARS 2000 TO 2013



*Amount reflects Governor's veto of $154.0 million for community college health insurance funding in fiscal year 2009.
NOTES: Combines Teacher Retirement System (retiree insurance only), Employees Retirement System, and Higher Education Group Insurance contributions. Excludes group health insurance contributions made by institutions of higher education.
SOURCES: Employees Retirement System; Teacher Retirement System; The University of Texas System; Texas A&M University System.

FIGURE 30
TEXAS GROUP INSURANCE PROGRAM DESIGN FOR GENERAL STATE AND EDUCATION EMPLOYEES
FISCAL YEAR 2012

MEDICAL	ERS HEALTH SELECT IN-NETWORK	UT SELECT	A&M CARE	TRS-CARE 3 TRS PUBLIC SCHOOL RETIREES, IN-NETWORK
Deductible	None	$350/person $1,050/family	$700/person $2,100/family	$300/person $600/family
General Coinsurance	20%	20%	30%	20%
Office Visit Copay	$25 PCP	$30 FCP	$30	Under 65: $25 Over 65: 20% after Medicare portion
Specialist Visit Copay	$40 with PCP referral	$35	$45	Under 65: $25 Over 65: 20% after Medicare portion
Emergency Room Copay	20% + $150/visit (applied to hospital copay if admitted)	$150 (waived if admitted)	30% after deductible	20% after deductible
Hospital Care	$150/day + 20%; $1,500 annual cap	$100/day ($500 max.) + 20%	30% after deductible	20% after deductible
Annual Out-of-Pocket Maximum	$2,000/person	$2,500/person; $7,500/family	$5,000/person; $10,000/family	$3,000/person; $6,000/family
Lifetime Maximum Coverage	Unlimited	Unlimited	Unlimited	Unlimited
PRESCRIPTION DRUGS	**AFTER $50 DEDUCTIBLE**	**AFTER $100 DEDUCTIBLE**	**AFTER $50 DEDUCTIBLE**	**NO DEDUCTIBLE**
Non-Maintenance Copay (Tier 1, 2, and 3)				
Retail				
(<=30 day supply)	$15/35/60	$10/35/50	$10/35/60	$10/25/40
Mail Order				
(<=90-day supply)	$45/105/180	$20/87.50/125	$20/70/120	$20/50/80
Maintenance Copay (Tier 1, 2, and 3)				
Retail				
(<=30 day supply)	$20/45/75	$10/35/50	$10/35/60	$10/25/40
Mail Order				
(<=90-day supply)	$45/105/180	$20/87.50/125	$20/70/120	$20/50/80

Note: PCP= Primary Care Physician; FCP = Family Care Physician.
Sources: Legislative Budget Board; Teacher Retirement System; Employees Retirement System; The University of Texas System; Texas A&M University System.

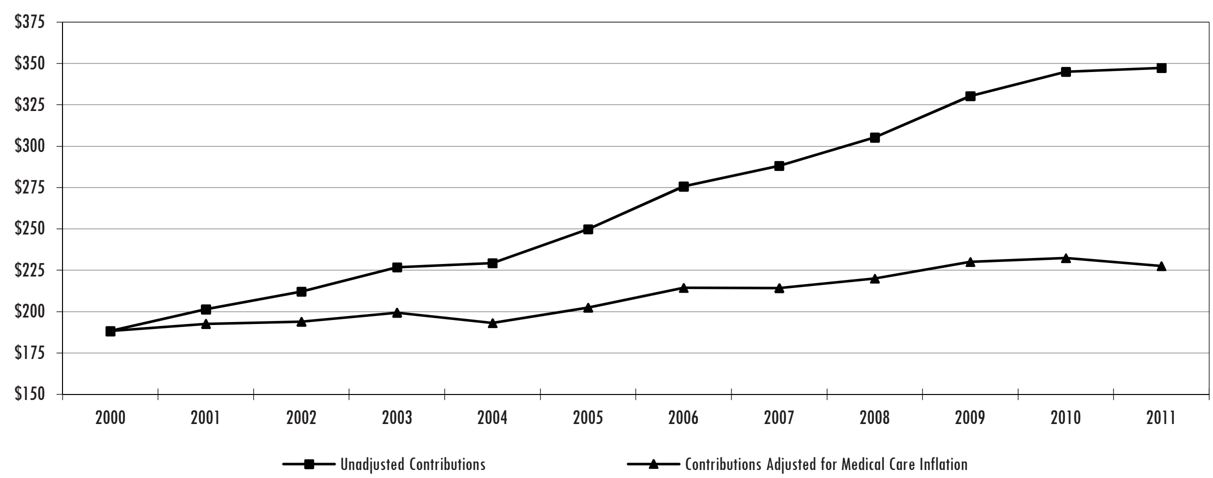
Figure 32 shows the average monthly plan contribution per enrollee for ERS, The UT System, and the TAMU System. The trend line for unadjusted (or nominal) contributions in **Figure 32** shows average costs increased significantly from fiscal year 2000 through fiscal year 2011, a trend which mirrored healthcare cost increases experienced nationwide for large employers. **Figure 32** also shows the nominal contribution after being adjusted for medical inflation. The medical inflation index used here reflects only consumer paid expenditures and premiums, and is the most readily available and reliable data factor for this measurement.

FIGURE 31
TEXAS GROUP INSURANCE PREMIUMS FOR GENERAL STATE AND EDUCATION EMPLOYEES
FISCAL YEAR 2012

	ERS HEALTH SELECT	UT SELECT	A&M CARE	TRS PUBLIC SCHOOL RETIREES*
Full-Time Employee Premium Contributions				
Employee Only	$0.00	$0.00	$99.47	
Employee & Spouse	$250.74	$199.02	$284.36	
Employee & Child(ren)	$167.90	$208.15	$215.03	
Employee & Family	$418.64	$391.93	$376.80	
Part-Time Employee Premium Contributions				
Employee Only	$219.15	$231.13	$282.82	
Employee & Spouse	$595.26	$551.31	$546.16	
Employee & Child(ren)	$471.00	$516.80	$456.16	
Employee & Family	$847.11	$822.96	$698.82	
Retiree Premium Contributions				
Retiree w/Medicare	$0.00	$0.00	$99.47	$100.00
Retiree/Spouse w/ Medicare	$250.74	$199.02	$284.36	$255.00
Retiree w/o Medicare	$0.00	$0.00	$99.47	$295.00
Retiree/Spouse w/o Medicare	$250.74	$199.02	$284.36	$635.00
Plus $99.90/person monthly for Medicare Part B				

*Under the TRS-Care program, retirees pay a monthly premium determined by plan choice, years of service, and Medicare Part A and Part B participation. Premium amounts shown above are for the TRS-Care 3 plan for a retiree with 20 to 29 years of service credit.
Sources: Legislative Budget Board; Teacher Retirement System; Employees Retirement System; The University of Texas System; Texas A&M University System.

FIGURE 32
AVERAGE MONTHLY PLAN COST PER ENROLLEE FOR ERS, THE UNIVERSITY OF TEXAS SYSTEM, AND THE TEXAS A&M UNIVERSITY SYSTEM
FISCAL YEARS 2000 TO 2011



Sources: Employees Retirement System; The University of Texas System; Texas A&M University System.

STATE INDEBTEDNESS

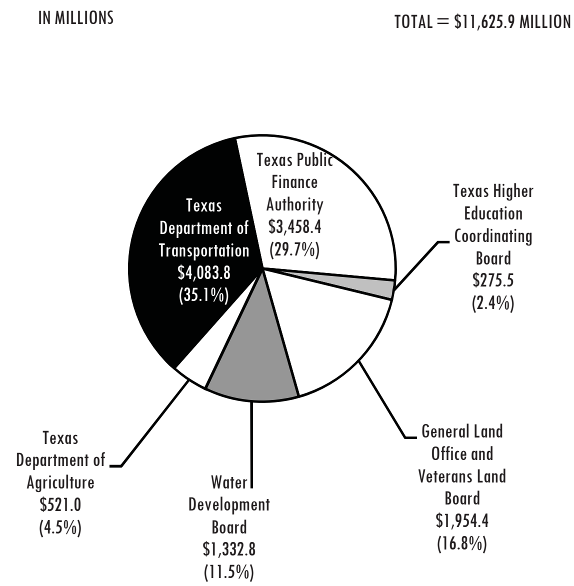
Texas continues to have a low state debt burden compared with other states, ranking last among the 10 most-populous states in state debt per capita in 2009, according to the U. S. Census Bureau. The U.S. Census Bureau further indicates Texas' per capita debt burden was $1,228 in 2009 while the U.S. average was $3,404.

Texas had approximately $36.2 billion in state bonds outstanding as of August 31, 2011. This total reflects debt outstanding by state agencies, excluding approximately $4.3 billion in revenue conduit issuances. In a conduit issuance, the issuer (the state) issues on behalf of a third-party borrower whose project generally has a public benefit, such as a housing project. When a state agency issues as a conduit issuer it has no legal obligation to repay the bond because the bond is backed by the third-party borrower's credit or funds. General Obligation (GO) bonds, which depend on the General Revenue Fund for debt service, account for an estimated 34.7 percent of the total bonds outstanding. Non-GO, or revenue, bonds comprise the remaining 65.3 percent. Approximately 72.8 percent of the outstanding GO bond indebtedness is designed to be self-supporting, although the full faith and credit of the state is pledged for its payment.

Figure 33 and **Figure 34** show, by issuing agency, estimated GO bonds that have been authorized but unissued, and outstanding (issued) GO bonds, respectively, as of August 2011.

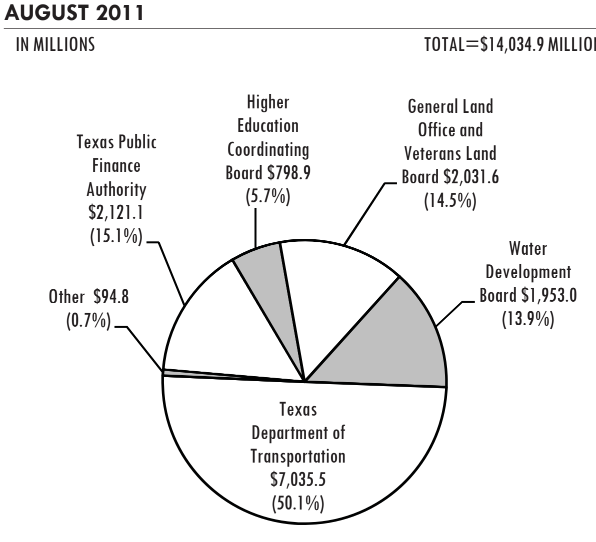
Figure 35 shows that debt service expenditures for the 2012–13 biennium are expected to exceed the 2000–01 biennial spending level by $2,328.4 million in All Funds, or 248.5 percent. This increase is primarily related to debt service requirements for debt issuances related to highway improvements and water projects. Debt service costs included in the state budget for the 2012–13 biennium total $3,265.5 million, or 1.9 percent of total appropriations. The increase in debt service costs from the 2010–11 biennial level is $530.6 million, or 19.4 percent (**Figure 36**), and is primarily due to increases in debt service requirement out of the State Highway Fund for highway improvements and water projects. Included in the debt service costs shown in **Figure 36** are approximately $24.9 million in General Revenue Funds to the Texas Public Finance Authority for debt service related to $600 million in GO bond proceeds for cancer prevention and research initiatives, and $132.4 million for courthouse preservation grants, deferred maintenance, and critical repair capital

FIGURE 33
GENERAL OBLIGATION BONDS AUTHORIZED BUT UNISSUED BY ISSUING AGENCY
AUGUST 2011



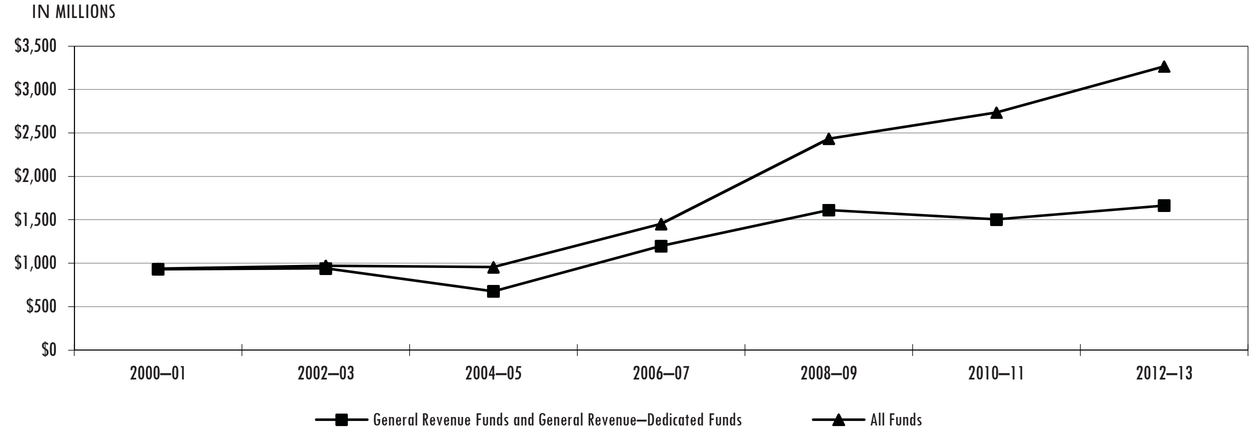
SOURCE: Bond Review Board.

FIGURE 34
GENERAL OBLIGATION BONDS OUTSTANDING, BY ISSUING AGENCY
AUGUST 2011



Other = Trusteed Programs within the Office of the Governor, $94.2 million; Parks and Wildlife, $11.3 million; Department of Agriculture, $9.0 million; and Higher Education Assistance Fund, $40.8 million.
SOURCE: Bond Review Board.

FIGURE 35
GENERAL OBLIGATION AND REVENUE BOND DEBT SERVICE EXPENDED AND APPROPRIATION AMOUNTS 2000–01 TO 2012–13 BIENNIA



Source: Legislative Budget Board.

projects; approximately $129.4 million in General Revenue Funds to the Texas Department of Transportation for debt service related to $4 billion in GO bond proceeds for highway construction; and approximately $14.9 million in General Revenue Funds to the Texas Water Development Board for debt service on $300 million in GO bond proceeds for the Water Infrastructure Fund and the Economically Distressed Areas Program water programs. Additionally, the Eighty-second Legislature, Regular Session, 2011, appropriated the University of Texas Medical Branch (UTMB) at Galveston $11 million in General Revenue Funds (House Bill 4), for the reimbursement of debt service for an amount not to exceed $150 million in Tuition Revenue Bonds authorized by House Bill 51, Eighty-first Legislature, Regular Session, 2009, for the recovery and reconstruction of UTMB.

Debt service appropriations include a biennial increase of $78.4 million in General Revenue–Dedicated Funds, primarily due to the enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, related to the use of certain Tobacco Settlement funds for debt service for cancer prevention and research bonds on existing and future issuances.

Debt service funding includes a biennial increase of $66.2 million (92.5 percent) in Federal Funds from the 2010–11 biennial spending level, primarily related to a debt service subsidy for the issuance of approximately $3,705.5 million of Build America Bonds for transportation and capital projects. In addition, the debt service funding includes a biennial increase of $304 million (26.2 percent) in Other Funds for debt service from the 2010–11 biennial spending level. This increase is primarily due to increases in debt service requirements out of the State Highway Fund and the Texas Mobility Fund, and for water projects.

As a result of appropriations made by previous legislatures and the Eighty-second Legislature, 2011, approximately $142.2 million in GO bond authority remains out of $1 billion in GO authority provided by Proposition 4 (Senate Joint Resolution 90, Eightieth Legislature, Regular Session, 2007), for maintenance, improvement, repair, and construction projects and is available for appropriation in future biennia. The Proposition 8 (House Joint Resolution 97, Seventy-seventh Legislature, Regular Session, 2001) GO bond authority of $850 million is expected to be exhausted as a result of appropriations made by previous legislatures. TPFA debt service appropriations include debt service funding for Propositions 4 and 8.

FIGURE 36
DEBT SERVICE PAYMENTS APPROPRIATIONS, 2010–11 AND 2012–13 BIENNIA

IN MILLIONS AGENCY/TYPE OF DEBT	EXPENDED/ BUDGETED 2010–11	APPROPRIATED 2012–13	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas Public Finance Authority - GO Bonds[1, 3]	$605.9	$606.6	$0.8	0.1%
Texas Public Finance Authority - MLPP[2]	28.3	19.0	(9.3)	(32.9)
Historical Commission/National Museum of the Pacific War - Lease Payments	1.9	1.7	(0.2)	(7.9)
Governor's Office - Economic Growth and Tourism	6.5	6.0	(0.5)	(7.7)
Water Development Board - Water Bonds[3]	161.5	213.3	51.8	32.1
Facilities Commission - Lease Payments	86.0	76.3	(9.7)	(11.3)
Preservation Board/History Museum - Lease Payments	12.0	11.8	(0.2)	(1.7)
Department of State Health Services - Lease Payments	5.8	5.7	(0.1)	(0.3)
Tuition Revenue Bonds[3, 4]	591.2	593.1	1.9	0.3
Adjutant General/Military Facilities Commission	4.6	4.6	0.0	0.0
Department of Criminal Justice - Private Prison Lease/Purchase	19.9	14.0	(5.9)	(29.8)
Parks and Wildlife - Lease Payments	14.9	14.5	(0.4)	(2.7)
Department of Transportation - State Highway Fund	526.4	750.5	224.1	42.6
Department of Transportation - Texas Mobility Fund	648.2	691.9	43.7	6.7
Department of Transportation - Highway Improvements (General Obligation Bonds)[3]	21.8	256.5	234.7	(1,076.6)
TOTAL, DEBT SERVICE PAYMENTS	**$2,734.9**	**$3,265.5**	**$530.6**	**19.4%**
Method of Financing:				
General Revenue Funds	$1,496.9	$1,578.9	$82.0	5.5%
General Revenue–Dedicated Funds	7.1	85.5	78.4	1,104.2
Federal Funds	71.6	137.8	66.2	92.5
Other Funds	1,159.3	1,463.3	304.0	26.2
TOTAL, ALL FUNDS	**$2,734.9**	**$3,265.5**	**$530.6**	**19.4%**

[1]Includes approximately $78.1 million in General Revenue–Dedicated for the enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, related to the use of certain Tobacco Settlement Funds for debt service on existing and future Cancer Prevention and Research Institute debt.
[2]Amounts reduced for both biennia to reflect Senate Bill 1000, Eighty-second Legislature, Regular Session, 2011, related to the Texas Real Estate Commission becoming a self-directed and semi-independent agency.
[3]Reflects reductions for unused debt service appropriations for fiscal year 2011 pursuant to House Bill 4, Eighty-second Legislature, Regular Session, 2011.
[4]Reflects supplemental appropriations of $11 million in General Revenue Funds for the 2012–13 biennium pursuant to House Bill 4, Eighty-second Legislature, Regular Session, 2011, for hurricane-related recovery and reconstruction of UTMB.
Note: Totals may not sum due to rounding.
Source: Legislative Budget Board.

2. REVENUE SOURCES AND ECONOMIC OUTLOOK

The Eighty-second Texas Legislature, 2011, began in January 2011 with a budget deficit of $4.3 billion in General Revenue Funds and General Revenue–Dedicated Funds, with the global recession affecting sales tax collections which lagged the previous biennium.

This chapter examines Texas' current state and local government revenue structure. It concentrates on state revenue by examining the Comptroller of Public Accounts' (CPA) Certification Revenue Estimate released in December 2011 for the 2012–13 biennium. Included is a summary of the major legislative changes affecting state and local government revenue that were adopted by the Eighty-second Legislature, Regular Session, 2011, and the Eighty-second Legislature, First Called Session, 2011.

STATE REVENUE

Revenue collections totaled $181.6 billion during the 2010–11 biennium. Revenue collections for the 2012–13 biennium are estimated to total $183.1 billion, a 0.8 percent increase from the 2010–11 biennial levels. (See **Figure 37**, **Figure 38**, and **Figure 39**.)

FIGURE 37
STATE REVENUE BIENNIAL COMPARISON, BY SOURCE
2010–11 AND 2012–13 BIENNIA

IN MILLIONS

SOURCE	2010–11 BIENNIUM	2012–13 BIENNIUM	PERCENTAGE CHANGE	PERCENTAGE OF 2012–13 TOTAL REVENUE	PERCENTAGE OF 2012–13 TOTAL TAXES
Tax collections	$74,225.1	$80,576.1	8.6	44.0	100.0
Federal receipts	75,287.1	71,247.8	(5.4)	38.9	NA
Fees, fines, licenses, and penalties	14,739.5	14,987.3	1.7	8.2	NA
Interest and investment income	2,093.2	1,799.0	(14.1)	1.0	NA
Lottery	3,309.4	3,390.8	2.5	1.9	NA
Land income	2,222.4	1,408.7	(36.6)	0.8	NA
Other revenue sources	9,751.4	9,682.1	(0.7)	5.3	NA
TOTAL, NET REVENUE	**$181,628.1**	**$183,091.7**	**0.8**	**100.0**	**NA**
Sales tax	41,109.3	45,325.4	10.3	24.8	56.3
Oil production taxes	2,481.5	2,519.9	1.5	1.4	3.1
Natural gas production tax	1,835.3	2,290.3	24.8	1.3	2.8
Motor fuel taxes	6,146.2	6,304.1	2.6	3.4	7.8
Motor vehicle sales and rental taxes	5,607.8	6,352.7	13.3	3.5	7.9
Franchise tax	7,789.0	8,170.5	4.9	4.5	10.1
Cigarette and tobacco taxes	2,948.3	2,839.1	(3.7)	1.6	3.5
Alcoholic beverage taxes	1,671.3	1,824.6	9.2	1.0	2.3
Insurance occupation taxes	2,674.3	2,853.6	6.7	1.6	3.5
Utility taxes	936.5	972.8	3.9	0.5	1.2
Inheritance tax	1.9	0.0	(100.0)	0.0	0.0
Hotel occupancy tax	679.6	747.7	10.0	0.4	0.9
Other taxes	344.2	375.1	9.0	0.2	0.5
TOTAL, TAX COLLECTIONS	**$74,225.1**	**$80,576.1**	**8.6**	**44.0**	**100.0**

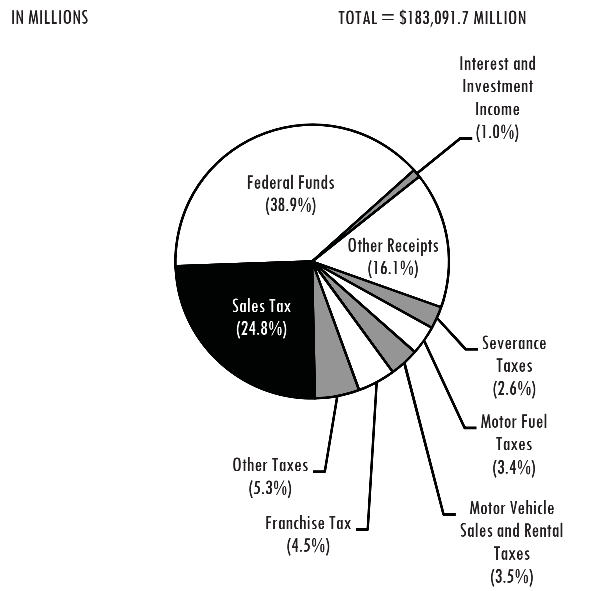
NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding in all tables and graphics in this chapter. Totals may not sum due to rounding.
SOURCE: Comptroller of Public Accounts 2012–13 Certification Revenue Estimate, December 2011.

FIGURE 38
STATE REVENUE BY SOURCE
FISCAL YEARS 2009 TO 2013

IN MILLIONS	REVENUE					PERCENTAGE CHANGE				PERCENTAGE OF TOTAL	
SOURCE	2009	2010	2011	2012	2013	2010	2011	2012	2013	2009	2013
Tax collections	$37,822.5	$35,368.9	$38,856.2	$40,337.5	$40,238.6	(6.5)	9.9	3.8	(0.2)	44.9	43.9
Federal receipts	30,859.9	36,856.6	38,430.5	35,707.0	35,540.8	19.4	4.3	(7.1)	(0.5)	36.6	38.8
Fees, fines, licenses, and penalties	7,198.1	6,862.9	7,876.6	7,455.2	7,532.2	(4.7)	14.8	(5.4)	1.0	8.5	8.2
Interest and investment income	1,346.5	1,058.6	1,034.6	867.732	931.2	(21.4)	(2.3)	(16.1)	7.3	1.6	1.0
Lottery	1,582.0	1,633.9	1,675.5	1,692.0	1,698.8	3.3	2.5	1.0	0.4	1.9	1.9
Land income	788.0	760.6	1,461.8	713.1	695.5	(3.5)	92.2	(51.2)	(2.5)	0.9	0.8
Other revenue sources	4,688.5	4,815.6	4,935.8	4,698.7	4,983.3	2.7	2.5	(4.8)	6.1	5.6	5.4
TOTAL, NET REVENUE	**$84,285.5**	**$87,357.2**	**$94,270.9**	**$91,471.2**	**$91,620.5**	**3.6**	**7.9**	**(3.0)**	**0.2**	**100.0**	**100.0**
Sales tax	$21,014.1	$19,630.3	$21,479.0	$22,620.9	$22,704.5	(6.6)	9.4	5.3	0.4	55.6	56.4
Oil production taxes	884.5	1,008.7	1,472.8	1,325.6	1,194.3	14.0	46.0	(10.0)	(9.9)	2.3	3.0
Natural gas production tax	1,407.7	725.5	1,109.7	1,294.2	996.1	(48.5)	53.0	16.6	(23.0)	3.7	2.5
Motor fuel taxes	3,032.8	3,042.0	3,104.2	3,112.4	3,191.8	0.3	2.0	0.3	2.6	8.0	7.9
Motor vehicle sales and rental taxes	2,600.9	2,630.1	2,977.7	3,229.6	3,123.1	1.1	13.2	8.5	(3.3)	6.9	7.8
Franchise tax	4,250.3	3,856.9	3,932.1	4,030.8	4,139.7	(9.3)	2.0	2.5	2.7	11.2	10.3
Cigarette and tobacco taxes	1,556.8	1,388.8	1,559.5	1,374.3	1,464.8	(10.8)	12.3	(11.9)	6.6	4.1	3.6
Alcoholic beverage taxes	796.9	809.2	862.0	889.7	934.9	1.5	6.5	3.2	5.1	2.1	2.3
Insurance occupation taxes	1,257.3	1,324.7	1,349.6	1,410.0	1,443.7	5.4	1.9	4.5	2.4	3.3	3.6
Utility taxes	518.9	478.7	457.7	482.8	490.0	(7.7)	(4.4)	5.5	1.5	1.4	1.2
Inheritance tax	2.0	0.1	1.8	0.0	0.0	(95.9)	2,117.9	(100.0)	NA	0.0	0.0
Hotel occupancy tax	343.5	330.8	348.8	368.0	379.7	(3.7)	5.4	5.5	3.2	0.9	0.9
Other taxes	156.6	143.1	201.1	199.1	176.0	(8.6)	40.6	(1.0)	(11.6)	0.4	0.4
TOTAL, TAX COLLECTIONS	**$37,822.3**	**$35,368.9**	**$38,856.2**	**$40,337.5**	**$40,238.6**	**(6.5)**	**9.9**	**3.8**	**(0.2)**	**100.0**	**100.0**

SOURCE: Comptroller of Public Accounts.

FIGURE 39
ESTIMATED STATE REVENUE COLLECTIONS
2012–13 BIENNIUM, STATE TAXES



SOURCE: Comptroller of Public Accounts.

Taxes accounted for less than half of the state's estimated revenue in the 2010–11 biennium (**Figure 40**) as well as in the preceding four biennia. Prior to the previous four biennia, the state's share of revenue from taxes had been fairly constant, with taxes contributing approximately half of all revenue since 1994.

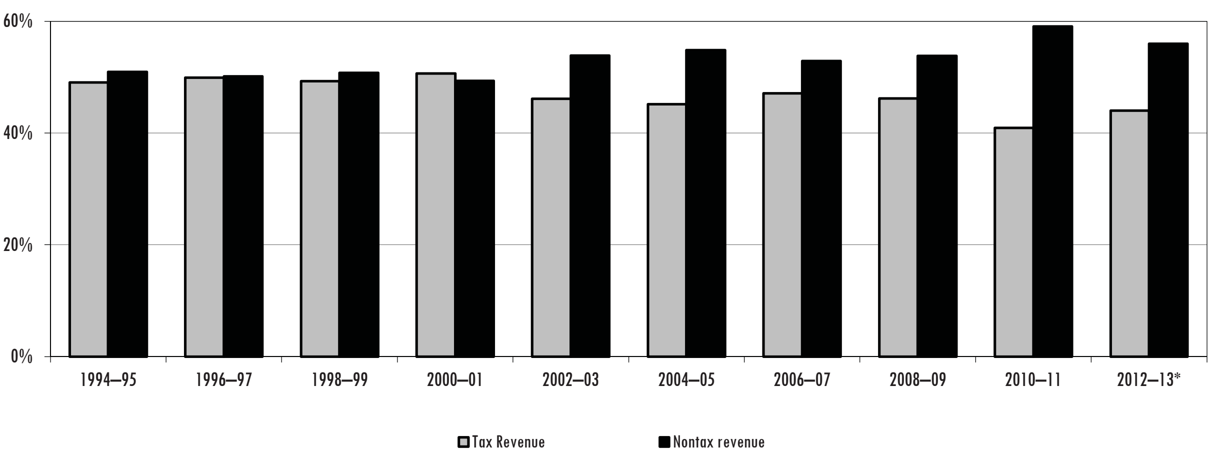
According to CPA, state tax collections for the 2012–13 biennium are estimated to total $80.6 billion, an increase of $6.4 billion, or 8.6 percent, from the 2010–11 biennial levels. Receipts from the federal government for the 2012–13 biennium are expected to decrease by $4.0 billion, or 5.4 percent, from the 2010–11 biennial levels. Some of this decline can be attributed to the expiration of the ARRA provision that increased the state's FMAP in the previous biennium.

SALES TAX

The sales and use tax continues to comprise most of the state's tax revenue (**Figure 37**, **Figure 38**, and **Figure 39**). CPA estimates that sales tax revenue for the 2012–13 biennium will be $45.3 billion, a 10.3 percent increase from 2010–11 biennial collections of $41.1 billion. The sales tax is expected to comprise 56.3 percent of total tax collections for the 2012–13 biennium.

The current state tax rate is 6.25 percent, the same rate 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, as well as some taxable services.

FIGURE 40
TAX AND NONTAX REVENUE COMPOSITION, 1994–95 TO 2012–13 BIENNIA



*Estimated.
SOURCE: Comptroller of Public Accounts.

OIL AND GAS PRODUCTION TAXES

The state levies an oil production tax at 4.6 percent of value, a natural gas production tax at 7.5 percent of value, and an oil regulation tax of three-sixteenths of one cent per barrel of oil produced. During the 2010–11 biennium, annual oil production was approximately 324.8 million barrels in fiscal year 2010 and 377.7 million barrels in fiscal year 2011. Oil was taxed at a price of approximately $72.75 per barrel in fiscal year 2010 and $87.85 per barrel in fiscal year 2011. Annual natural gas production was 7.1 trillion cubic feet in fiscal year 2010 and 7.3 trillion cubic feet in fiscal year 2011, while taxable natural gas prices were $3.96 per thousand cubic feet (mcf) in fiscal year 2010, and approximately $4.13 per mcf in fiscal year 2011.

Oil production taxes are expected to increase slightly during the 2012–13 biennium. Whereas 2010–11 biennial revenues from oil production and regulation taxes were $2.48 billion, CPA estimates the 2012–13 biennial revenues will be $2.52 billion, an increase of 1.5 percent.

For the 2010–11 biennium, natural gas tax collections totaled $1.84 billion. CPA estimates 2012–13 biennial revenues from natural gas will be about $2.29 billion, an increase of 24.8 percent.

MOTOR FUEL TAXES

Texas taxes three major types of motor fuel: gasoline, diesel fuel, and liquefied petroleum gas (LPG—propane, butane, or compressed natural gas). Currently, gasoline and diesel fuel are taxed $0.20 per gallon; LPG is taxed at a rate of $0.15 per gallon. In the 2010–11 biennium, motor fuels tax collections totaled $6.1 billion. CPA estimates that fuel tax collections will grow 2.6 percent, forecasting $6.3 billion in revenue for the 2012–13 biennium. Historically, motor fuel taxes have accounted for about 10 percent to 12 percent of total state tax collections; however, in the 2010–11 biennium the motor fuel taxes accounted for only 8.3 percent of total tax collections. Motor fuel taxes are expected to comprise 7.8 percent of total tax collections for the 2012–13.

Approximately 75 percent of motor fuel tax revenues are dedicated for the construction, maintenance, and policing of public roads and are appropriated to the Texas Department of Transportation and the Texas Department of Public Safety for these purposes. Most of the remaining 25 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 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 percent of 65 percent of the manufacturer's selling price.

Motor vehicle sales and rental taxes continued to decline in the 2010–11 biennium, bringing in $5.6 billion in revenue, 5.6 percent less than the previous biennium, although collections picked up at near the end of the biennium. Estimates by CPA are that revenue from motor vehicle sales and rental taxes will increase 13.3 percent to $6.4 billion for the 2012–13 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." There were a number of expected transitional issues, 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: to make the tax on business activity in Texas more comprehensive, since many corporations and businesses could legally escape the previous franchise tax, and 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 three methods of calculation: (1) 70 percent of total revenue; (2) total revenue minus costs of goods sold; or (3) total revenue minus total compensation and benefits. Most entities pay at a rate of 1 percent on their taxable margin. The exception is a lower tax rate of one-half of 1 percent applied to any taxable entity engaged primarily in retail or wholesale trade. The original legislation in 2006 and subsequent legislation in 2007 also provided added relief for small businesses.

Under the original margins tax structure contained in House Bill 3, Seventy-ninth Legislature, Third Called Session, 2006, a taxable entity owed no tax if their total revenue was less $300,000. House Bill 4765, Eighty-first Legislature, Regular Session, 2009, increased this threshold to $1 million in fiscal year 2010 and 2011, and $600,000 every year thereafter. The Eighty-second Legislature, First Called Session, 2011, passed Senate Bill 1 to provide further relief for small businesses by extending the temporary threshold of $1 million for calendar years 2012 and 2013 and then moving to a permanent threshold of $600,000 thereafter. These changes are expected to provide tax relief of $149.9 million for the 2012–13 biennium.

After declining 9.3 percent in fiscal year 2010 and increasing 2.0 percent in fiscal 2011, estimates by CPA indicate that the margins tax will grow 2.5 percent in fiscal year 2012 and will generate $4.0 billion; in fiscal year 2013, it will grow 2.7 percent and generate $4.1 billion. The companion legislation in 2006 (House Bill 2, Seventy-ninth Legislature, Third Called Session, 2006) established the Property Tax Relief Fund and stipulated that the amount that would have been collected under the old franchise tax every fiscal year would go into the General Revenue Fund, while the remainder of the margins tax would be dedicated to the Property Tax Relief Fund. Thus, of the $3.9 billion collected under the margins tax in fiscal year 2011, $2.7 billion was allocated to General Revenue Funds and $1.3 was allocated to the Property Tax Relief Fund.

CIGARETTE AND TOBACCO TAXES

Cigarette, cigar, and tobacco excise tax revenue totaled $2.9 billion in the 2010–11 biennium. Revenue for the 2012–13 biennium is estimated by CPA to total $2.8 billion, a decrease of $109.1 million, or 3.7 percent, from the 2010–11 biennial level.

The cigarette tax comprised approximately 88.6 percent of total tobacco tax revenue in the 2010–11 biennium. Effective January 1, 2007, cigarettes are taxed at a rate of $1.41 per pack of 20 and $1.76 per pack of 25.

Legislation passed by the Seventy-ninth Legislature, Third Called Session, 2006, established the Property Tax Relief Fund. Revenue that would have been collected under the previous tax rates prior to January 1, 2007, is credited to the General Revenue Fund, while the excess above this amount generated by the increased tax rates is dedicated to the Property Tax Relief Fund. In the 2010–11 biennium, transfers to the Property Tax Relief Fund from cigarette tax revenue totaled $1.7 billion. Transfers from cigarette tax revenue are estimated by CPA to be $1.6 billion in the 2012–13 biennium.

The tobacco products tax is levied on cigars, snuff, chewing tobacco, and smoking tobacco. Legislation passed by the Eighty-first Legislature, Regular Session, 2009, modified the base used to calculate the tax imposed on tobacco products (other than cigars) from the manufacturer's listed price to the manufacturer's listed net weight. Beginning in fiscal year 2010, the rate per ounce was $1.10 and will increase three cents per ounce each fiscal year to September 1, 2012. In fiscal year 2013, the rate will be $1.22 per ounce. A portion of the revenue generated above 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.

Transfers to the Property Tax Relief Fund from the cigar and tobacco products tax totaled $24.4 million in the 2010–11 biennium. Transfers from the cigar and tobacco revenue for the 2012–13 biennium are estimated by CPA to be $29.0 million.

ALCOHOLIC BEVERAGE TAXES

Alcoholic beverage taxes consist of the mixed beverage gross receipts tax; volume-based taxes imposed on ale, beer, liquor, and wine; and a 5-cent per drink tax on beverages served on airlines and passenger trains. Alcoholic beverage tax revenue totaled $1.7 billion in the 2010–11 biennium. Revenue for the 2012–13 biennium is estimated by CPA to increase by $153.3 million, or 9.2 percent, from the 2010–11 biennial level.

INSURANCE OCCUPATION TAXES

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

Insurance taxes and fees are forecast by CPA to total $2.9 billion in the 2012–13 biennium, an increase of 6.7 percent from the 2010–11 biennial level of $2.7 billion.

UTILITY TAX

Texas has three forms of utility gross receipts taxes: the gas, electric, and water tax; the public utility gross receipts tax; and the gas utility pipeline tax. The largest revenue generator is the gas, electric, and water tax, which has averaged almost $370 million per fiscal year since fiscal year 2002, providing approximately 85.0 percent of the state's total utility tax revenues. This tax is imposed on utility gross receipts at rates ranging from 0.581 percent to 1.997 percent, depending on city population. The public utility gross receipts tax is levied at a rate of 0.001667 percent of gross receipts. The gas utility pipeline tax is a levy of 0.5 percent on gas utility gross receipts less the cost of gas sold.

During the 2010–11 biennium, utility taxes generated $936.5 million in revenue. CPA estimates that utility taxes will generate $972.8 million for the 2012–13 biennium, a 3.9 percent increase.

INHERITANCE TAX

Texas' inheritance tax liability equals the maximum federal credit allowed for state death taxes paid. Under federal law, the federal credit that Texas "picks-up" was reduced from 2001 levels by 25 percent in 2002, by 50 percent in 2003, and by 75 percent in 2004, with full repeal in 2005. The federal law was scheduled to sunset in 2011, thereby reinstating the federal credit and, consequently, reinstating the Texas inheritance tax liability. However, the federal law was temporarily extended without reinstating the federal credit. As a result, CPA estimates that there will be zero inheritance tax collections in the 2012–13 biennium. Although Texas inheritance tax collections were dormant during the 2010–11 biennium, $1.9 million was collected in the biennium resulting from taxpayer liabilities incurred during previous biennia.

HOTEL OCCUPANCY TAX

The hotel occupancy tax is estimated by CPA to generate $747.7 million in the 2012–13 biennium, which is 10.0 percent greater than the 2010–11 biennial collections of $679.6 million. Hotel tax revenues increased an average of 5.5 percent per year during fiscal years 1992 to 2000, but began declining in September 2001 as a result of the nationwide slump in tourism. Starting in fiscal year 2004, collections increased as higher rates of tourism and business travel resumed.

OTHER TAXES

"Other taxes" are levied on a variety of items such as cement, sulphur, attorney services, coin-operated machines, and bingo rental receipts. CPA estimates these taxes will generate $375.1 million in the 2012–13 biennium, an increase of 9.0 percent from 2010–11 biennial collections of $344.2 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 2012–13 biennium will total $71.2 billion, 38.9 percent of all revenue for the biennium, which is a decrease of 5.4 percent from 2010–11 biennial receipts.

FEES, FINES, LICENSES, AND PENALTIES

Fees, fines, licenses, and penalties comprise the state's second largest source of nontax revenue. According to CPA, the state is projected to receive $15.0 billion from this revenue category for the 2012–13 biennium. This amount represents an increase of 1.7 percent from 2010–11 biennial collections of $14.7 billion. This revenue category is expected to contribute 8.2 percent of all state revenue during the 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. Investment revenue to the Available School Fund decreased to $716.5 million in both fiscal year 2008 and 2009. $60.7 million was transferred in fiscal year 2010 and $1.1 billion was transferred in fiscal year 2011. CPA estimates that $1.0 billion will be transferred in both fiscal year 2012 and fiscal year 2013.

All Funds total interest and investment revenue for the 2012–13 biennium is expected to be $1.8 billion, a decrease of 14.1 percent, from the 2010–11 biennial investment revenue of $2.1 billion.

LOTTERY REVENUE

Texas Lottery ticket sales totaled $3.8 billion in fiscal year 2011, an increase of $72.9 million or 1.9 percent greater than the fiscal year 2010 sales. Of the fiscal year total sales, $2.4 billion was paid out to players, $0.2 billion was paid to retailers in the form of commissions and bonuses, $963 million was transferred to the Foundation School Account, $8.1 million was transferred to the Texas Veterans Commission, and $54 million of unclaimed prizes was transferred to the state. Of the remaining $186 million of fiscal year 2011 sales, $174 million was used to fund administrative expenses.

CPA estimates that $967.7 million in fiscal year 2012 and $971.6 million in fiscal year 2013 will be available for transfer to the Foundation School Account.

LAND INCOME

Land income is derived from mineral royalties and leases, land sales, and the sale of timber and sand. CPA estimates that the state will collect $1.4 billion in income from state lands for the 2012–13 biennium. This amount reflects a decrease of 36.6 percent from 2010–11 collections of $2.2 billion.

TOBACCO SETTLEMENT REVENUE

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

During the 2010–11 biennium, the state received $964.6 million as a result of the federal Tobacco Settlement agreement. For the 2012–13 biennium, $945.1 million is expected as the volume of domestic cigarette sales declines.

OTHER REVENUE

The remaining $9.7 billion, or 5.3 percent, of state revenue comes from a variety of sources: sales of goods and services, child support collections, revenue from unclaimed property, settlement of claims, and various federal programs. CPA estimates that collections of other revenue in the 2012–13 biennium will be 0.8 percent less than the 2010–11 biennial collections.

SIGNIFICANT LEGISLATIVE REVENUE ACTIONS

The Eighty-second Legislature, Regular Session, 2011, and the Eighty-second Legislature, First Called Session, 2011 passed several bills that affect state revenue.

EIGHTY-SECOND LEGISLATURE, REGULAR SESSION, 2011

The enactment of House Bill 1541 increases the Automobile Burglary and Theft Prevention Authority fee from $1 to $2 per motor vehicle year beginning September 1, 2011. The authority will receive 50 percent of the new fee with the excess remaining in the General Revenue Fund.

The enactment of House Bill 2694 reauthorizes the fee on the delivery of certain petroleum products that was set to expire on August 31, 2011.

The enactment of Senate Bill 776 revises the requirements for Texas Licensed Customs Brokers. The new provisions increase the charge for each export stamp from $1.60 to $2.10 and require that $0.50 of the charge be used only for enforcement of the laws relating to customs brokers.

House Bill 1, Article IX, Section 18.28 states the Legislature's intent that the CPA establish, for a limited duration, a tax amnesty program designed to encourage a voluntary reporting by delinquent taxpayers who do not hold a permit, or are otherwise not registered for a tax or fee administered by the CPA, or those permitted taxpayers that may have underreported or owe additional taxes or fees. The CPA is to waive penalty and interest. The CPA estimates that this effort will increase General Revenue Funds by $75 million in the 2012–13 biennium.

On November 8, 2011, voters approved an amendment to the Texas Constitution (proposed by House Joint Resolution 109, Eighty-second Legislature, Regular Session, 2011) that will have two effects on the Permanent School Fund (PSF). First, discretionary real assets and cash managed by the General Land Office (GLO) will now be included in the base, to which the distribution rate approved by the State Board of Education is applied, for the purpose of calculating the distribution from the PSF to the Available School Fund (ASF). Second, the GLO is now authorized to distribute up to $300 million per year of revenue derived from land or properties directly to the ASF.

EIGHTY-SECOND LEGISLATURE, FIRST CALLED SESSION, 2011

Senate Bill 1, includes several speed-up measures for the state to collect taxes earlier. Article 9 requires a motor fuels tax pre-payment in August 2013 and Article 10 requires mixed beverage permit holders to make a pre-payment in August 2013. Article 13 requires all taxpayers who file monthly sales tax reports and who pay the sales taxes due August 2013 to CPA by electronic funds transfer to submit a one-time pre-payment of tax.

Article 37 reauthorizes the $1 million threshold of total revenue at which a taxable entity owes no franchise tax which was set to expire on December 31, 2011. This provision extends the $1 million threshold through December 31, 2013 and to $600,000 beyond that.

MAJOR STATE FUNDS

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

GENERAL REVENUE FUND

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

Prior to 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. There is an important distinction between special funds and General Revenue–

Dedicated accounts: cash balances in the General Revenue–Dedicated accounts are counted as part of the General Revenue Fund balance in determining the amount of cash available for certification of appropriations from the General Revenue Fund; special fund account balances do not affect the amount of cash available for certification for the General Revenue Fund.

AVAILABLE SCHOOL FUND

The Available School Fund (ASF) receives a total distribution from the PSF and one-quarter of net motor fuel taxes. The distribution amount is based upon a total return methodology, or a percentage of the average market value of the PSF. The distribution rate cannot exceed 6 percent of the average market value. The distribution rate is established by the State Board of Education (SBOE), or by the Texas Legislature in biennia when the SBOE fails to establish a rate. Additionally, GLO has authority to make direct deposits into the ASF up to $300 million per year.

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

FOUNDATION SCHOOL ACCOUNT

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 Account. Enactment of legislation by the Seventy-fifth Legislature, 1997, statutorily dedicated net lottery proceeds to public education, and those proceeds are deposited to the Foundation School Account. The Foundation School Account also receives the revenue from attendance credits purchased by local school districts under the public school finance system. Revenue from the account is distributed to school districts using Foundation School Program formulas, and via multiple methods of finance in the GAA.

TEACHER RETIREMENT SYSTEM TRUST FUND

The Teacher Retirement System Trust Fund is a traditional defined benefit state retirement program used to pay retirement, disability, survivor and death benefits to former employees of public school districts and public institutions of higher education. The state's contribution rates are set by state law and appropriations received by the Teacher Retirement System are determined by the Legislature. In addition, the fund receives membership contributions and membership fees. Expenditures from the fund are made without legislative appropriation.

PARKS AND WILDLIFE ACCOUNTS

The State Parks Account, the Local Parks Account, and the Parks and Wildlife Capital and Conservation Account share a portion determined by an appropriation of 94 percent of the proceeds from the collection of taxes on the sale, storage, or use of sporting goods.

COMPTROLLER ENFORCEMENT ALLOCATION

One percent of gross motor fuel tax collections is allocated to CPA for enforcement of fuel tax laws.

COUNTY AND ROAD DISTRICT FUND

A transfer of $7.3 million in gasoline tax revenue is made to the County and Road District Fund each year. Revenue from the fund is allocated to counties for the construction and maintenance of lateral roads and debt service related to lateral roads.

STATE HIGHWAY FUND

The State Highway Fund is used for highway construction and maintenance, acquisition of rights-of-way, and the policing of public roads. The major revenue sources deposited directly to the fund include motor vehicle registration fees, federal highway funds, and the sales tax on motor lubricants. Motor fuel tax revenue is deposited to the General Revenue Fund, and a significant portion of that is allocated to the State Highway Fund.

HOTEL OCCUPANCY TAX FOR ECONOMIC DEVELOPMENT ACCOUNT

The Economic Development and Tourism office within the Office of the Governor receives one-twelfth of state hotel occupancy tax collections each year for advertising and other marketing activities. The hotel tax is deposited to the General Revenue Fund; all but the portion dedicated to the Economic Development and Tourism office is non-dedicated General Revenue Funds.

TEXAS MOBILITY FUND

Article 3, Section 49-k, of the Texas Constitution 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 is authorized to sell debt obligations of the state to construct highways, toll roads, or other transportation projects. These obligations are guaranteed with a pledge of the state's full faith and credit should the TMF balance prove insufficient to pay outstanding obligations. In that circumstance, the Texas Legislature must appropriate funds from the State Treasury to pay any outstanding obligations. The proceeds of debt issuances are to be deposited in the TMF, and fund proceeds are pledged to the payment of any outstanding obligations or credit agreements. The Texas Legislature may dedicate any taxes or other revenues to the TMF that otherwise are not dedicated by the Texas Constitution, namely, motor fuel taxes, lubricant sales taxes, title fees, and motor vehicle registration fees. Current deposits include portions of fees for the registration, titling, and inspection of motor vehicles, driver record information, and driver licenses, as well as fees for state traffic fines and penalties.

PROPERTY TAX RELIEF FUND

A portion of all revenue collected under the motor vehicle sales and use tax, cigarette and tobacco products tax, and the margins tax is deposited to the Property Tax Relief Fund. Fiscal year 2011 transfers to the Property Tax Relief Fund totaled $2.0 billion. Amounts transferred to the fund for the 2012–13 biennium are estimated by CPA to total $2.1 billion in fiscal year 2012 and $2.2 billion in fiscal year 2013.

ECONOMIC STABILIZATION FUND

The Economic Stabilization Fund (ESF), or "Rainy Day Fund," is a constitutional fund created by the voters in 1988. Whenever collections are sufficient, the fund receives an amount of General Revenue Funds equal to 75 percent of the amount of oil production tax collections in excess of 1987 levels, and 75 percent of the amount of natural gas tax collections in excess of 1987 levels. The fund also receives one-half of any unencumbered General Revenue Funds balance at the end of each biennium. The Texas Legislature may also appropriate revenue to the fund.

Appropriations may be made from the ESF with a three-fifths vote of the members present in each house under certain circumstances, such as when a budget deficit develops in a biennium or when CPA estimates that revenue will decline 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 2010 with a balance of $7.7 billion, the highest in the fund's 20-year history. However, House Bill 275, Eighty-second Legislature, Regular Session 2011, appropriated $3.2 billion from the fund (by far the largest appropriation in the fund's history) to pay for expenditures previously authorized by appropriations from the General Revenue Fund in fiscal year 2011. After the House Bill 275 appropriation and 2011 severance tax transfer into the fund, the ESF ended the 2010–11 biennium with a balance of 5.0 billion. **Figure 41** shows the revenue, appropriation, and balance history of the ESF for the last 10 years.

The fiscal year 2012 ESF transfer, based on fiscal year 2011 oil production and natural gas tax collections is expected to total $1.1 billion, while the projected transfer in fiscal year 2013 is expected to be slightly larger. Combined with projected interest earnings and no expected appropriations, CPA estimates that the ESF balance will reach $7.3 billion by the end of the 2012–13 biennium.

FIGURE 41
ECONOMIC STABILIZATION FUND HISTORY

IN MILLIONS

FISCAL YEAR	REVENUE	APPROPRIATION	ENDING BALANCE
2000	$4.7	$0.0	$84.7
2001	$111.8	$0.0	$196.5
2002	$707.4	$0.0	$903.9
2003	$103.0	$446.5	$560.5
2004	$358.1	$553.0	$365.6
2005	$611.8	$970.5	$6.9
2006	$926.5	$508.2	$405.2
2007	$1,617.7	$691.5	$1,311.4
2008	$3,114.5	$90.5	$4,355.4
2009	$2,370.7	$0.4	$6,725.7
2010	$966.9	$0.0	$7,692.6
2011	$518.5	$3,198.7	$5,012.4
2012*	$1,122.7	$0.0	$6,135.1
2013*	$1,185.6	$0.0	$7,320.7

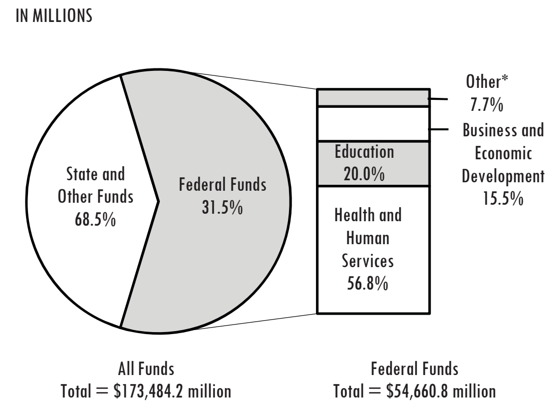
*Estimates from 2012–13 Certification Revenue Estimate.
SOURCE: Comptroller of Public Accounts.

FEDERAL FUNDS APPROPRIATIONS

Appropriated Federal Funds for the 2012–13 biennium total $54.7 billion, a 24.7 percent decrease from the 2010–11 biennial total of $72.6 billion (**Figure 42**). This $17.9 billion decrease constitutes a significant amount of the decrease between the biennia in the All Funds budget. A significant amount of this decrease is due to $12.5 billion in Federal Funds from the American Recovery and Reinvestment Act of 2009 (ARRA), which are no longer available for the 2012–13 biennium. Federal Funds make up 31.5 percent of the 2012–13 All Funds budget (**Figure 43**), a decrease from the 38.7 percent share in the 2010–11 biennium.

Not all federal funding streams directed to Texas are included in these totals. For example, Earned Federal Funds are reimbursements to the state for expenditures already paid with state funds and are included in General Revenue Funds. Most Federal Funds received by higher education institutions and all Medicaid Disproportionate Share Hospital payments are not included in the Federal Funds totals either. Food stamp 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.

FIGURE 43
FEDERAL FUNDS AS PERCENTAGE OF ALL FUNDS 2012–13 BIENNIUM



*Other = General Government 1.2%; Public Safety and Criminal Justice 3.0%; Natural Resources 3.4%; The Judiciary <0.1%; Regulatory <0.1%.
Source: Legislative Budget Board.

Most of the Federal Funds Texas receives (92.4 percent) are for services provided through the Health and Human Services, Business and Economic Development, and Education functions within the 2012–13 GAA. **Figure 43** shows the amount of Federal Funds received by each of the functions as a percentage of Federal Funds included in the

FIGURE 42
FEDERAL FUNDS – STATEWIDE SUMMARY, 2010–11 AND 2012–13 BIENNIA

IN MILLIONS ALL FUNCTIONS	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$1,200.6	$671.2	($529.4)	(44.1)
Article II – Health and Human Services	42,216.8	31,053.9	(11,163.0)	(26.4)
Article III – Agencies of Education	14,014.6	10,935.3	(3,079.3)	(22.0)
Public Education	*13,320.5*	*10,540.9*	*(2,779.6)*	*(20.9)*
Higher Education	*694.1*	*394.4*	*(299.7)*	*(43.2)*
Article IV – The Judiciary	5.0	3.6	(1.4)	(27.9)
Article V – Public Safety and Criminal Justice	1,895.0	1,625.4	(269.6)	(14.2)
Article VI – Natural Resources	1,230.2	1,873.6	643.5	52.3
Article VII – Business and Economic Development	12,004.1	8,491.6	(3,512.5)	(29.3)
Article VIII – Regulatory	7.2	6.3	(0.9)	(12.2)
Article IX – General Provisions	0.0	0.0	0.0	NA
Article X – The Legislature	0.0	0.0	0.0	NA
TOTAL, ALL FUNCTIONS	**$72,573.4**	**$54,660.8**	**($17,912.6)**	**(24.7)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which makes or changes appropriations.
Source: Legislative Budget Board.

2012–13 GAA. **Figure 44** shows each function's Federal Funds as a percentage of the function's All Funds budget.

HEALTH AND HUMAN SERVICES

For the 2012–13 biennium, the Legislative Budget Board (LBB) estimates that Health and Human Services agencies will receive $31 billion in Federal Funds, which is 56.8 percent of the state's total Federal Funds. Federal Funds for these agencies are expected to decrease $11.2 billion from the 2010–11 biennial levels. This decrease is primarily attributable to the loss of Federal Funds from cost containment initiatives, enhanced Federal Medical Assistance Percentage no longer available from ARRA, and shortfall of funding for state match for the Medicaid program. The Health and Human Services Commission, which administers the state's Medicaid program and Children's Health Insurance Program, receives 63.9 percent of the function's total Federal Funds.

EDUCATION

The education agencies account for the second-largest portion of Federal Funds in the state budget. LBB staff estimates that education agencies will receive $10.9 billion in Federal Funds during the 2012–13 biennium, or 20 percent of the state's total Federal Funds, a decrease of $3 billion from 2010–11 biennial levels. Federal ARRA funding no longer available to support state obligations in the Foundation School Program and for instructional materials account for most of the decrease; the ARRA distribution totaled $4.4 billion in the 2010–11 biennium. One agency, the Texas Education Agency, receives 96.2 percent of the function's appropriated Federal Funds.

BUSINESS AND ECONOMIC DEVELOPMENT

The LBB estimates that business and economic development agencies will receive $8.5 billion in Federal Funds; a decrease of 29.3 percent. This change is primarily attributed to the loss of ARRA funds for Transportation, Weatherization, and Child Care Development Block Grant programs. Approximately 35.9 percent of the total budget for the Business and Economic Development function is expected to come from federal sources. Two agencies, the Texas Department of Transportation and the Texas Workforce Commission, receive 94.6 percent of the function's Federal Funds.

OTHER FUNCTIONS

Federal Funds for the remaining functions (General Government, Judiciary, Public Safety and Criminal Justice, Natural Resources, and Regulatory), are estimated by the LBB to total $4.2 billion (7.6 percent) of the state's federal receipts during the 2012–13 biennium.

FIGURE 44
FEDERAL FUNDS, 2010–11 AND 2012–13 BIENNIA

FUNCTION	PERCENTAGE OF 2010–11 ALL FUNDS BUDGET THAT IS FEDERAL FUNDS	PERCENTAGE OF 2012–13 ALL FUNDS BUDGET THAT IS FEDERAL FUNDS
Article I – General Government	23.9%	15.0%
Article II – Health and Human Services	64.4	56.0
Article III – Education	18.3	15.0
Public Education	*24.8*	*20.8*
Higher Education	*3.1*	*1.8*
Article IV – The Judiciary	0.7	0.6
Article V – Public Safety and Criminal Justice	15.7	14.1
Article VI – Natural Resources	34.5	48.2
Article VII – Business and Economic Development	51.7	35.9
Article VIII – Regulatory	1.0	0.9
Article IX – General Provisions	0.0	0.0
Article X – The Legislature	0.0	0.0
TOTAL, ALL FUNCTIONS	**38.7%**	**31.5%**

Source: Legislative Budget Board.

LOCAL REVENUE

This section discusses property taxes and local sales and use taxes levied by school districts, counties, cities, metropolitan transit authorities, and special districts.

PROPERTY TAXES

Property taxes are levied by school districts, counties, cities, and special districts. There are a variety of types of special districts: 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 $670.2 billion in calendar year 1990. (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 2010, adjusted gross property values stood at $1,889.1 billion, an increase of 181.9 percent from the 1990 level. In calendar year 2010, net taxable property values decreased by $27.8 billion, or 1.6 percent from the 2009 amount (**Figure 45**). Calendar year 2010 was the first time in 17 years that net taxable property value decreased. (**Figure 46**).

In calendar year 2000, school district exemptions accounted for $120.4 billion of reduced taxable value. By calendar year 2010, this figure had grown to $218.0 billion, a $97.6 billion increase from 2000 levels. In calendar year 2010, about 75.8 percent of the total exemption amount was attributable to the state-mandated residential homestead exemptions, the 10 percent residential homestead appraisal valuation cap, and the property tax freeze for qualified homeowners aged 65 or older (see **Figure 47**).

PROPERTY TAX LEVIES

In calendar year 2009, the most recent year for which complete property tax data is available, nearly 4,000 local taxing units levied $40.0 billion in property taxes, an increase of $1.1 billion, or 2.7 percent from the 2008 level. As shown in **Figure 48**, school districts levied the highest amount of property taxes in calendar year 2009 with $21.8 billion, followed by cities at $6.6 billion, counties at $6.5 billion, and special districts with $5.1 billion. The levy imposed by school districts in calendar year 2009 was 2.6 percent higher than in 2008.

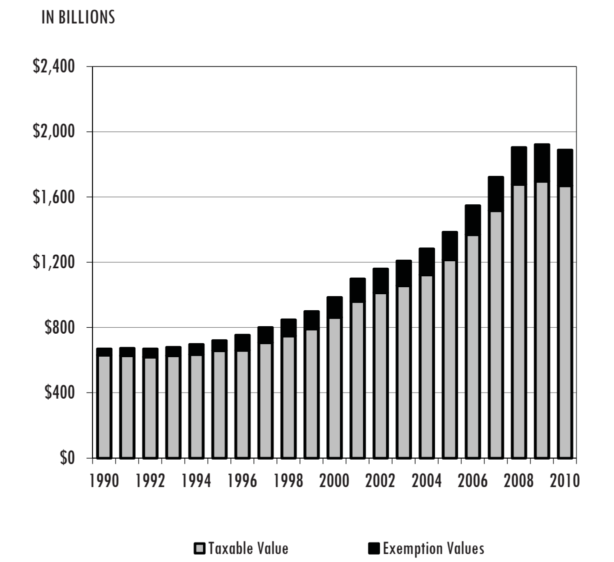
From calendar years 1990 to 2009, statewide property tax levies grew by $28.1 billion, or 235.8 percent. School district levies increased by the largest amount, $15.2 billion,

FIGURE 45
SCHOOL DISTRICT NET TAXABLE PROPERTY VALUES, FISCAL YEARS 2009 TO 2010, IN BILLIONS

	PROPERTY CATEGORY	2009 FINAL VALUE	2010 FINAL VALUE	PERCENTAGE CHANGE
A.	Single-family Residences	$937.4	$936.0	(0.1)
B.	Multi-family Residences	86.5	83.0	(4.1)
C.	Vacant Platted Lots & Tracts	42.7	41.1	(3.7)
D.	Rural Real (Taxable)	78.6	79.1	0.6
F1.	Commercial Real	286.5	274.0	(4.4)
F2.	Industrial Real	93.4	91.3	(2.2)
G.	Oil, Gas, Minerals	108.3	112.8	4.2
J.	Utilities	47.5	48.3	1.6
L1.	Commercial Personal	124.8	118.3	(5.2)
L2.	Industrial Personal	97.2	87.9	(9.6)
M.	Other Personal	5.7	5.7	(0.7)
N.	Intangible Personal	0.0	0.0	0.0
O.	Residential Inventory	9.7	8.0	(17.0)
S.	Special Inventory	4.3	3.6	(16.8)
Total Market Value		**$1,922.6**	**$1,889.1**	**(1.7)**
Less Exemptions		(223.7)	(218.0)	(2.5)
Net Taxable Value		**$1,699.0**	**$1,671.1**	**(1.6)**

SOURCE: Comptroller of Public Accounts.

FIGURE 46
SCHOOL DISTRICT PROPERTY VALUES
CALENDAR YEARS 1990 TO 2010



SOURCE: Comptroller of Public Accounts.

accounting for almost 54.0 percent of the total increase. In calendar year 1990, a total of 1,047 school districts levied approximately $6.6 billion in property taxes, 55.4 percent of all property taxes levied in the state. By calendar year 2009, there were 1,025 school districts and they levied $21.8 billion in property taxes, for a 54.4 percent share of total property taxes. From calendar years 1990 to 2009, school district levies grew at an average annual rate of 6.7 percent, which is 0.2 percent higher than the 6.5 percent average annual increase in personal income in Texas (**Figure 49**).

SIGNIFICANT PROPERTY TAX LEGISLATION

The Eighty-second Legislature, 2011, passed 43 property tax and property tax-related bills. These bills address property tax administration, exemptions, the appraisal process, tax rate adoptions, and tax collections. The most significant of those 43 bills are discussed here.

The enactment of House Bill 252, Regular Session, requires that an application for a residence homestead exemption state that the applicant does not claim an exemption on another residence homestead in or outside of Texas. A residence homestead exemption application must include a copy of a driver's license or state identification card and must include a vehicle registration receipt. If the applicant does not own a vehicle, he or she must provide an affidavit to that effect and a copy of a utility bill for the property in the applicant's name.

The enactment of House Bill 896, Regular Session, allows an appraisal district board to appoint auxiliary appraisal review board members to hear taxpayer protests. Auxiliary board members are considered regular board members for all purposes related to the conduct of the hearings and can attend appraisal review board meetings and make recommendations on protests to the appraisal review board, but cannot vote on appraisal review board determinations.

The enactment of House Bill 1887, Regular Session, makes a wide variety of procedural changes related to appraisal review boards, taxpayer protests to appraisal review boards, and district court appeals of appraisal review board decisions. Enactment of the bill also prohibits chief appraisers, or appraisal district employees, from providing the appraisal review board training required by law.

The enactment of House Bill 2338, Regular Session, requires the county assessor-collector for each county that maintains an Internet website to post, for the most recent five years, the following property tax rates: the adopted tax rate; the maintenance and operations tax rate; the debt rate; the effective tax rate; the effective maintenance and operations tax rate; and the rollback tax rate. The county assessor-

FIGURE 47
SCHOOL PROPERTY TAX EXEMPTION BREAKDOWN, CALENDAR YEARS 2009 AND 2010

IN MILLIONS

EXEMPTION TYPE	2009 AMOUNT	PERCENTAGE OF TOTAL	2010 AMOUNT	PERCENTAGE OF TOTAL
State Homestead and Disabled Veterans	$92,262	41.2	$94,706	43.4
Homestead Cap Value Loss	14,803	6.6	8,392	3.8
Tax Limit on Over-65 Homesteads	64,127	28.7	62,188	28.5
Subtotal, Homestead Exemption Value	**$171,192**	**76.5**	**$165,285**	**75.8**
Other	$52,482	23.5	$52,712	24.2
TOTAL EXEMPTIONS	**$223,674**	**100.0**	**$217,997**	**100.0**

SOURCE: Comptroller of Public Accounts.

FIGURE 48
PROPERTY TAX LEVIES, CALENDAR YEARS 1990 TO 2009

IN MILLIONS

TAX YEAR	SCHOOL DISTRICT	CITY	COUNTY	SPECIAL DISTRICT	TOTAL PROPERTY TAXES	PERCENTAGE CHANGE
1990	$6,605.4	$2,219.0	$1,743.2	$1,354.6	$11,922.2	NA
1991	$7,566.0	$2,303.6	1,894.0	$1,459.6	$13,223.3	10.9
1992	$8,181.3	$2,311.6	$1,996.1	$1,492.0	$13,981.1	5.7
1993	$8,681.9	$2,362.4	$2,177.0	$1,535.8	$14,757.0	5.5
1994	$9,024.9	$2,493.6	$2,311.4	$1,620.5	$15,450.3	4.7
1995	$9,341.0	$2,596.7	$2,392.0	$1,628.2	$15,957.9	3.3
1996	$9,910.2	$2,701.2	$2,537.2	$1,698.6	$16,847.2	5.6
1997	$10,394.5	$2,847.1	$2,658.3	$1,759.6	$17,659.5	4.8
1998	$11,334.6	$3,006.0	$2,828.3	$1,889.1	$19,058.0	7.9
1999	$12,009.9	$3,248.0	$2,979.3	$2,041.0	$20,278.2	6.4
2000	$13,392.3	$3,530.9	$3,200.9	$2,389.1	$22,513.2	11.0
2001	$15,155.2	$3,884.8	$3,566.9	$2,703.5	$25,310.4	12.4
2002	$16,418.8	$4,186.8	$3,849.7	$2,864.5	$27,319.8	7.9
2003	$17,264.2	$4,415.2	$4,121.8	$3,092.3	$28,893.4	5.8
2004	$18,534.0	$4,607.8	$4,462.8	$3,369.1	$30,973.6	7.2
2005	$20,194.9	$4,901.8	$4,772.7	$3,609.6	$33,479.0	8.1
2006	$20,918.1	$5,323.0	$5,339.6	$3,972.2	$35,552.9	6.2
2007	$18,874.2	$5,890.3	$5,837.0	$4,513.1	$35,114.6	(1.2)
2008	$21,233.5	$6,451.0	$6,342.7	$4,952.7	$38,980.0	11.0
2009	$21,780.1	$6,593.8	$6,526.7	$5,133.8	$40,034.4	2.7

SOURCE: Comptroller of Public Accounts.

FIGURE 49
ANNUAL SCHOOL DISTRICT TAX LEVY AND ANNUAL PERSONAL INCOME PERCENTAGE CHANGES
CALENDAR YEARS 1990 TO 2009

SOURCE: Comptroller of Public Accounts.

collector is required to post specified definitions of these rates on the website below the table of rates.

The enactment of House Bill 2476, Regular Session, imposes a single appraisal standard on the valuation of a heavy equipment dealer's inventory. The bill requires the owner of heavy equipment to assign a unit property tax to each item of heavy equipment that is leased or rented and amends the definition of "total annual sales" to mean the total of the sales price for each sale from a dealer's heavy equipment inventory in a 12-month period, and lease and rental payments received for each lease or rental of heavy equipment inventory in a 12-month period.

Enactment of House Bill 2853, Regular Session, amends several sections of the tax code regarding tax increment reinvestment zones to enhance the ability of local governments to engage in economic development including granting broader authority to cities and counties to designate tax increment reinvestment zones and clarifies existing statutory authority to extend the term of tax increment reinvestment zones.

The enactment of House Bill 3727, Regular Session, requires a chief appraiser to set the market value of a temporary production aircraft at 10 percent of the published list price. To qualify, the temporary production aircraft must have a maximum takeoff weight of at least 145,000 pounds and be held in this state temporarily.

The enactment of Senate Bill 201, Regular Session, requires that the total property tax exemption of homesteads of 100 percent disabled veterans be prorated when the exemption terminates or begins during the year. The proration, in both instances, allows the exemption only for the portion of the year that the disabled veteran owns the homestead.

On November 8, 2011, voters approved Senate Joint Resolution 14 which entitles the surviving spouse of a disabled veteran to a property tax exemption of the total appraised value of the surviving spouse's residence homestead. The surviving spouse is entitled to the exemption if (1) the disabled veteran qualified for a residence homestead exemption for a 100 percent disabled veteran when the veteran died, (2) the property was the surviving spouse's homestead when the veteran died, (3) the property remains the surviving spouse's homestead, and (4) the surviving spouse has not remarried since the death of the disabled veteran. If the surviving spouse subsequently qualifies a different property as a residence homestead and has not remarried, the surviving spouse is entitled to a property tax exemption on that homestead of the same dollar amount received on the former homestead that qualified for the surviving spouse homestead exemption.

The enactment of Senate Bill 1505, Regular Session, requires the chief appraiser (rather than the Comptroller of Public Accounts) to calculate a price adjustment factor to be multiplied by the previous year's average price of oil or natural gas. The resulting price must be used in the first year of an income appraisal. The price adjustment factor is based on oil and natural gas prices projected by the U.S. Energy Information Administration (EIA) and must be calculated by dividing the forecasted current year price by the previous year's price published by the EIA.

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 percent. The taxes are administered and collected by CPA and then remitted back to the local jurisdiction. **Figure 50** shows the remittances for fiscal years 2009 to 2011. Sales tax remittances to local government entities for the 2010–11 biennium were up from the preceding biennium by 1.4 percent.

FIGURE 50
LOCAL SALES TAX REMITTANCES
FISCAL YEARS 2009 TO 2011

IN MILLIONS

TAXING UNIT	2009 REMITTED	PERCENTAGE OF TOTAL	2010 REMITTED	PERCENTAGE OF TOTAL	PERCENTAGE INCREASE	2011 REMITTED	PERCENTAGE OF TOTAL	PERCENTAGE INCREASE
Cities	$3,833.5	67.4	$3,836.4	67.5	0.1	$4,114.4	66.8	7.2
Transit authorities	1,282.4	22.6	1,272.5	22.4	(0.8)	1,382.2	22.5	8.6
Counties	347.1	6.1	343.0	6.0	(1.2)	388.7	6.3	13.3
Special districts	223.8	3.9	234.6	4.1	4.8	271.3	4.4	15.6
Total	**$5,686.8**		**$5,686.5**		**(0.0)**	**$6,156.6**		**8.3**

SOURCE: Comptroller of Public Accounts.

ECONOMIC OUTLOOK

The U.S. economy emerged from recession and expanded at a healthy pace during the beginning of the 2010–11 biennium, after witnessing the worst economic decline since World War II over the previous two years. The "Great Recession" officially ended in June 2009, after lasting 18 months, the longest peak to trough business cycle duration since 1933. Propped up by unprecedented fiscal and monetary stimulus, U.S. economic growth returned to normal levels for much of fiscal year 2010 and early fiscal year 2011. However, several negative shocks in the global economy and lingering problems in the housing and employment markets, combined with the gradual withdrawal of fiscal stimulus, produced a slowdown of U.S. economic performance in early calendar 2011. By the end of the biennium growth has reached a near standstill with significant downside risk of the economy falling back into recession.

Economic output, as measured by real gross domestic product (GDP), began to grow at above average rates during the first quarter of fiscal year 2010 (fourth quarter calendar 2009). Several large federal government tax cuts and spending programs helped boost weak aggregate demand that had fallen steeply over the past year. The largest, the American Recovery and Reinvestment Act of 2009 (ARRA), consisted of $288 billion in tax cuts, $144 billion in aid to state and local governments, $111 billion in infrastructure spending, and a variety of other smaller programs. In addition to this fiscal stimulus, the Federal Reserve took several steps to introduce liquidity and improve the economy. First, the target for the federal funds rate was left below 0.25 percent for the entire biennium in an attempt to drive down interest rates on everything from mortgages to long-term government debt. To further this effort, the Federal Reserve also began a first round of what has become known as "quantitative easing" (QE1), which involved purchasing (between November 2008 and June 2009) more than $1.3 trillion worth of bank debt, mortgage backed securities, and U.S. Treasury securities.

These policies had their intended effect of boosting economic output in the short term, however two significant factors left the economy in a somewhat vulnerable condition: persistently high unemployment and the continual decline of home prices combined with rising foreclosures. First, the U.S. unemployment rate hovered in the 9 percent to 10 percent range throughout the biennium and while nonfarm payrolls gains finally turned positive in late 2010, the growth is not strong enough to bring down the unemployment rate in the near future. Several root causes have been suggested for this lack of hiring, including businesses' uncertainty over future fiscal policy and state of the economy, increased productivity of workers, and lack of demand for goods and services, all of which have combined in some degree of magnitude to create the current stress in the labor market. In addition, the share of disposable personal income spent on savings and paying debt has increased substantially since the end of the recession. Consumers were highly overleveraged in the years leading into the recession, with many spending more than they earned. While the change to a more manageable debt load is necessary for long run economic sustainability, the rising savings plus debt service rate, combined with high unemployment and reduced availability of credit for both consumers and businesses have created a short-term drag on personal consumption expenditures, the sector typically responsible for leading an economy out of recession.

The U.S. housing market, oft-cited as the catalyst for the recent financial crisis, continues to be a negative contributor to the overall economy. Three overarching issues, all intertwined with one another, characterize the housing problem: prices, foreclosures, and inventory. Median home prices in the U.S. have monotonically declined since reaching their peak in 2006, and while this decline is much more pronounced in certain regions of the country (Nevada, California, and Arizona for example) the effects are felt nationwide. This in turn has prevented a stall in the rising foreclosure rate, as prices fall more homeowners become “underwater” (i.e., they owe more than the value of the home) on their mortgage and foreclosure becomes an attractive option. Finally, these foreclosed homes add to the already larger than normal excess inventory of homes on the market, decreasing the demand for new home construction. This has left new housing starts, a critical contributor to economic growth, at historically low levels for almost two years. As long as prices continue to fall and this cycle persists, the housing and construction market will remain unable to contribute to economic growth.

The housing market, labor market, and consumer spending problems combined with the ending of most fiscal stimulus to slow the pace of the recovery heading into fall 2010. By the end calendar 2010, both the federal government and Federal Reserve felt additional help was needed to ensure that the economy would not slip back into recession. In December, Congress extended the 2001 and 2003 marginal income tax and capital gains/dividend tax rate cuts for another two years past their scheduled expiration date of January 2011. In addition they cut the employee payroll tax rate by 2 percent for one year, extended expanded unemployment benefits for 13 months, and extended several smaller tax cut provisions from ARRA. In November the Federal Reserve began their second round of asset purchases, dubbed QE2, albeit at a much smaller amount. Under normal circumstances, these policies should have been enough to get the economy back on track; however several outside shocks in the spring and summer of 2011 largely nullified their effects and left the recovery on even shakier ground by the end of the biennium.

The largest and most significant of these shocks was the wave of demonstrations, protests, and revolutions in many Middle Eastern countries, which have become collectively referred to as the “Arab Spring.” These protests directly affected the U.S. economy through their large upward pressure on commodity prices, particularly oil. By May 2010, gasoline prices were near $4 per gallon and indirectly increasing prices on everything from food to consumer products through higher transportation costs. Consumers spending more on necessities like food and gasoline must necessarily decrease spending in other areas. This acts as an indirect tax on consumers and a large negative strain on economic growth. In addition, the Japanese crisis caused by the March 2010 tsunami resonated through global markets, mainly by disrupting global supply chains, particularly for automobiles and electronics. This further added to cost pressures for U.S. businesses, thereby lowering economic activity in these industries.

Finally, two separate sovereign debt crises, one in the Euro zone area and one in the U.S., expanded significantly by summer 2011. A smaller version of the problem emerged a year earlier; however the concerns were mainly centered on default by Greece, whose debt had surpassed 100 percent of GDP and had witnessed sharp spikes in the price of servicing that debt. Since the Greek economy is small relative to other European Union members, the other Euro zone countries agreed to form and fund a loan program named the European Financial Stability Facility (EFSF), which would be used to bail out Greece and other countries as needed, similar to the Troubled Asset Relief Program fund used by the U.S. to rescue large financial firms in 2008. This calmed worries over Euro sovereign debt default for almost a year; however, by the middle of 2011 concerns were raised over several larger countries’ government debt load, including Spain, Italy, and Portugal. While the EFSF proved adequate for the Greek problem, it is uncertain whether the EFSF is large enough to protect these other countries simultaneously. U.S. banks have minimal exposure to European debt, so the direct effects of a wave of defaults would be manageable. The more immediate concern for the U.S. economy is the indirect effect of possible European recession caused by potential defaults. Some of the largest U.S. export markets are in European countries; any sizable loss of demand would create a negative ripple effect to U.S. export manufacturers. The U.S. debt crisis, while very different in nature, was also damaging to the economy. Although, the U.S. was never in danger of defaulting on its debt, the large drop in equity markets in the last month of the biennium precipitated by the heated political rhetoric surrounding the debt ceiling debate led to a decline in consumer wealth, and thus lower consumption expenditures.

Despite these negatives, the risk of falling back to recession in the near future, absent some additional unforeseen shock, remains relatively low. While the aforementioned factors did weigh heavily on growth in the last quarter of the 2010–11 biennium, other underlying economic fundamentals remain solid and should help the economy regain stronger growth moving into the 2012–13 biennium, once the effects of the high commodity prices and sovereign debt crises begin to wane. Corporate profits have been strong since the end of the recession, in part due to extra cash and liquidity provided by Federal Reserve policies. Whenever consumer and business demand approaches a return towards pre-recession levels, firms should eventually have to expend these resources on hiring and expanding their businesses to drive profits that have been maintained over the past two years largely through cuts. Outside of the Euro zone, demand for U.S. exports in emerging markets is expected to continue to grow at elevated levels, particularly in the "BRIC" countries (Brazil, Russia, India, and China). Finally, the consumer deleveraging process discussed previously is likely to wind down in the near term and consumers will begin to release pent-up demand for large durable purchases, such as automobiles, appliances, and computers that have been delayed during the recent debt pay down cycle. These combined dynamics should provide for modest to solid economic growth in the coming years.

U.S. ECONOMIC INDICATORS

After two consecutive years of losses, Real Gross Domestic Product (GDP) increased by 3.0 percent in calendar year 2010 to end the year at $13.1 trillion. The largest contributors to this gain were expenditures gross domestic private investment and, to a smaller extent, personal consumption expenditures. Imports exceeded exports in 2010, subtracting from these gains. In addition, state and local spending had a negative impact on GDP, as the governments were forced to cut spending in the face of budget deficits and decreasing federal aid. Global Insight, a leading macroeconomic forecasting firm, predicts GDP growth will be significantly slower in the near future, finishing 2011 at 1.5 percent, and not reaching normal levels (3 percent to 4 percent) until 2015.

The U.S. economy was still shedding jobs entering the 2010–11 biennium. Job losses peaked in February 2010, after U.S. non-farm payroll employment had decreased by 8.75 million jobs, a 6.3 percent reduction over a span of 25 months. Employers began to add back jobs, albeit at a slow pace, and by the end of the biennium, the U.S. had regained 1.99 million jobs, 22.7 percent of all jobs lost during the recession. Unfortunately, these additions have not kept pace with labor force participation and population increases and consequentially the unemployment rate has remained at elevated recessionary levels. At the beginning of the biennium, the national unemployment rate was 9.8 percent and has decreased only slightly in two years, ending August 2011 at 9.1 percent. A normal or "natural" rate of unemployment for the U.S. economy operating at full capacity is approximately 5 percent to 6 percent; however Global Insight does not predict a return to this level until 2016 at the earliest.

The housing and housing construction markets continue to negatively affect the U.S. economy. Housing prices began to slowly rise over the first half of fiscal year 2010, before resuming a downward trend in the summer of 2010. For the first eight months of the biennium, the S&P Case-Shiller Home Price Index increased 1.1 percent; however, in late 2010 prices resumed their downward trajectory. The price index ended the biennium down 2.7 percent and remains 32.1 percent bellow peak levels reached in early 2006. New privately owned residential construction averaged 582 thousand units on a seasonally adjusted annual basis over the 2010–11 biennium. This is well below the 50 year historical average of 1,400 thousand units and will not increase to a substantially higher level as long as housing prices remained depressed and excess existing inventory remains on the market. A popular measure of U.S. housing inventory, the Monthly Supply of Homes, fell to 6.7 months by the end of fiscal year 2011. The monthly supply measures how long the existing stock of homes for sale on the market would satisfy demand if no new houses were built and is usually around 6 months in normal conditions. While 6.7 is still elevated, it has dropped from the late 2008 record levels of 11 months. Housing prices should stabilize and even begin to increase once the supply of existing inventory finally reaches a more manageable level.

Equity markets performed very well over the 2010–11 biennium, with the Dow Jones Industrial Average, the S&P 500, and NASDAQ Composite gaining 24.7, 22.1, and 31.0 percent, respectively, over the two year period. While this performance was coming off of one of sharpest stock market contraction in recent history, the strong gains are a positive indicator of the global economy's strength moving forward. However, as of this writing, concerns over the Euro-debt crisis during the four months since the end of the biennium have led to depressed expectations about the strength of equity markets in the short term. Bond markets made gains during the biennium as well, with yields on corporate AAA debt and U.S. Treasury securities falling 14.8 and 34.0 percent, respectively, during the 2010–11 biennium. Finally, the Federal Reserve's Trade Weighted Exchange Rate Index fell 6.8 percent during the 2010–11 biennium. The Fed's easy monetary policies should continue to depress the value of the dollar in the short term future.

TEXAS ECONOMIC INDICATORS

Texas Real Gross State Product (GSP) increased 2.8 percent in calendar 2010, ending the year at $1.1 trillion. While this growth rate is less than the national rate it should be noted that the Texas economy only endured one slightly negative year of growth in 2008, where the U.S. economy contracted at a steeper rate in both calendar years 2008 and 2009 and thus had a much deeper output gap to fill. Global Insight is currently forecasting Texas GSP growth to slow to 2.1 percent in calendar year 2011 before picking up to a healthy 3.6 percent by the end of the biennium. Also in calendar year 2010, per capita personal income increased by 3.4 percent in Texas to reach $37,706 per Texas resident. While the growth is encouraging, Texas is still below the peak level reached in 2008, having not recovered all of the wealth lost during the recession. Per Capita Personal income is expected to increase 4.8 percent in calendar 2011 and surpass 2008 levels by the middle of 2012.

Unlike the U.S., the Texas unemployment rate increased during the 2010–11 biennium, but still remains below the national level. At the beginning of the biennium, 7.9 percent of active labor force participants were unemployed in the state of Texas. By August 2011, that proportion had risen to 8.5 percent. Texas has not experienced this level of unemployment since 1987, and Global Insight does not predict the rate falling less than 8 percent until 2014. The Texas economy exited the recession earlier than the rest of the country and began adding jobs back in January 2010, after losing 433,400 non-farm payroll jobs over a 16-month period during the recession. By end of the biennium, Texas had regained 385,700, or 89 percent, of all jobs lost during the recession. However, similar to the U.S. as a whole, the pace of job creation has not been sufficient enough to bring down the unemployment rate. Non-farm payrolls in Texas are forecast to increase by 1.2 percent in fiscal year 2012 and 2.1 percent in fiscal year 2013. **Figure 51** shows the breakdown, by sector, of non-farm payroll gains in the state of Texas for the last decade.

Unlike the majority of other states, a few energy production intensive states, including Texas, benefited from the spike in oil prices during calendar year 2011. The economic activity generated from the increased production induced by these high prices outweighs, on net, the cost to consumers from higher gasoline prices. Oil prices remained relatively stable for much of the biennium, with the WTI spot price trading in the $75 to $85 range through February 2011. The unrest in the Middle East during spring 2011 sent the price soar to nearly $110 per barrel, before closing the 2010–11 biennium at approximately $89 per barrel. These price levels, along with new fields being developed in the Eagle Ford shale south of San Antonio induced large production increases, more than doubling the number of rotary rigs operating in the state from 373 at the beginning of the biennium to 887 rigs by August 2011. Natural gas prices did not experience the sharp boost in prices as oil, largely due to the increase in previously inaccessible shale reserves that are now being tapped with horizontal drilling and hydraulic fracturing. Natural gas traded at $4.28 per mcf on average during the biennium and is expected to remain relatively stable in the near future.

Texas exports rebounded strongly in calendar year 2010 after a contraction in 2009. Texas industries exported $207.0 billion worth of goods and services in 2010, a 27.0 percent increase over the previous year. Texas continues to rank as the largest exporting state in the country, both nominally and per-capita, and exported 44.5 percent more than the closest competitor, California. The top three exporting industries in Texas during calendar 2010 were Chemicals, Petroleum and Coal Products, and Computer and Electronic Products. Finally, Texas's largest trading partners continue to be Mexico and Canada, with China, Brazil, and South Korea purchasing a significant amount of Texas products as well. **Figure 52, Figure 53,** and **Figure 54** provide a further breakdown of Texas export data for calendar years 2009 and 2010.

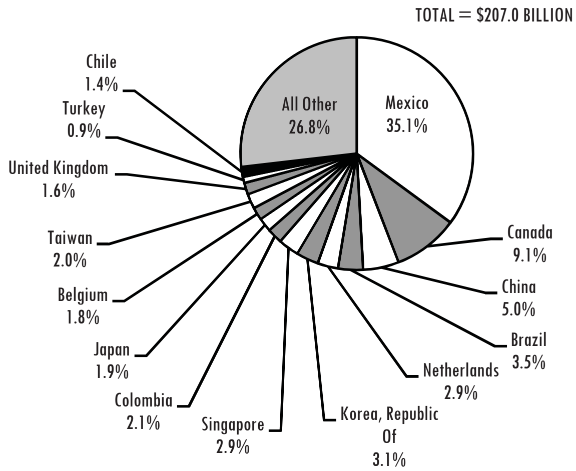
FIGURE 51
TEXAS NON FARM EMPLOYMENT BY SECTOR
FISCAL YEARS 2003 TO 2011

IN THOUSANDS

FISCAL YEAR	2003	2004	2005	2006	2007	2008	2009	2010	2011
Total Nonfarm	9,380,908	9,437,133	9,642,975	9,957,450	10,286,942	10,571,067	10,436,283	10,278,892	10,499,267
Percentage change		0.6%	2.2%	3.3%	3.3%	2.8%	(1.3)%	(1.5)%	2.1%
Goods									
Mining and Logging	145,150	150,558	160,825	178,167	201,142	222,442	217,258	198,817	228,658
Percentage change		3.7%	6.8%	10.8%	12.9%	10.6%	(2.3%)	(8.5%)	15.0%
Construction	556,400	544,892	556,508	592,767	632,350	671,142	630,833	566,892	588,625
Percentage change		(2.1%)	2.1%	6.5%	6.7%	6.1%	(6.0%)	(10.1%)	3.8%
Manufacturing	912,958	889,283	893,408	914,483	933,200	930,675	872,375	810,258	820,050
Percentage change		(2.6%)	0.5%	2.4%	2.0%	(0.3%)	(6.3%)	(7.1%)	1.2%
Trade, Transportation, and Utilities	1,921,575	1,932,792	1,973,458	2,032,158	2,091,842	2,142,767	2,093,050	2,042,200	2,077,825
Percentage change		0.6%	2.1%	3.0%	2.9%	2.4%	(2.3%)	(2.4%)	1.7%
Services									
Information	238,267	227,317	222,875	222,375	220,917	219,367	209,300	197,217	189,717
Percentage change		(4.6%)	(2.0%)	(0.2%)	(0.7%)	(0.7%)	(4.6%)	(5.8%)	(3.8%)
Financial Activities	583,200	591,200	603,625	622,583	639,975	647,908	634,842	622,733	624,308
Percentage change		1.4%	2.1%	3.1%	2.8%	1.2%	(2.0%)	(1.9%)	0.3%
Professional and Business Services	1,058,150	1,084,075	1,136,458	1,217,308	1,282,542	1,333,575	1,283,292	1,255,517	1,306,550
Percentage change		2.5%	4.8%	7.1%	5.4%	4.0%	(3.8%)	(2.2%)	4.1%
Educational and Health Services	1,107,392	1,138,542	1,172,575	1,204,950	1,241,758	1,275,558	1,317,675	1,372,250	1,415,575
Percentage change		2.8%	3.0%	2.8%	3.1%	2.7%	3.3%	4.1%	3.2%
Leisure and Hospitality	854,467	875,233	900,483	926,875	966,608	1,001,317	1,008,058	1,001,058	1,025,033
Percentage change		2.4%	2.9%	2.9%	4.3%	3.6%	0.7%	(0.7%)	2.4%
Other Services	356,692	354,817	348,717	346,967	352,150	361,167	362,617	359,508	366,600
Percentage change		(0.5%)	(1.7%)	(0.5%)	1.5%	2.6%	0.4%	(0.9%)	2.0%
Government									
Federal Government	181,208	179,850	181,408	184,333	186,000	188,958	196,025	208,675	200,142
Percentage change		(0.7%)	0.9%	1.6%	0.9%	1.6%	3.7%	6.5%	(4.1%)
State Government	344,258	339,258	346,142	352,317	357,725	362,425	369,192	376,767	377,017
Percentage change		(1.5%)	2.0%	1.8%	1.5%	1.3%	1.9%	2.1%	0.1%
Local Government	1,121,192	1,129,317	1,146,492	1,162,167	1,180,733	1,213,767	1,241,767	1,267,000	1,279,167
Percentage change		0.7%	1.5%	1.4%	1.6%	2.8%	2.3%	2.0%	1.0%

SOURCE: Texas Workforce Commission.

FIGURE 52
TEXAS' EXPORT MARKET PERCENTAGES
CALENDAR YEAR 2010



Source: World Institute for Strategic Economic Research.

FIGURE 53
TEXAS' EXPORT MARKETS
CALENDAR YEARS 2009 AND 2010

IN BILLIONS

MARKET	EXPORTS 2009	EXPORTS 2010	PERCENTAGE CHANGE
Mexico	$56.0	$72.6	29.6
Canada	13.8	18.8	35.9
China (Mainland)	8.9	10.3	15.4
Brazil	5.0	7.2	42.0
Korea, Republic of	5.3	6.4	21.5
Netherlands	6.1	5.9	(2.4)
Singapore	5.1	5.9	15.4
Colombia	2.8	4.4	58.5
Taiwan	2.6	4.2	63.4
Japan	2.8	4.0	43.6
Belgium	3.0	3.7	23.6
United Kingdom	3.2	3.4	4.9
Chile	1.9	2.8	50.8
Turkey	1.4	1.8	29.1
All Others	45.1	55.5	23.2
TOTAL	**$163.0**	**$207.0**	**27.0**

Source: World Institute for Strategic Economic Research.

FIGURE 54
EXPORTS OF THE 15 LARGEST EXPORTING STATES
CALENDAR YEARS 2009 AND 2010

IN BILLIONS

STATE	EXPORTS 2009	EXPORTS 2010	PERCENTAGE CHANGE
Texas	$163.0	$207.0	27.0
California	120.1	143.2	19.2
New York	58.7	69.7	18.6
Florida	46.9	55.4	18.1
Washington	51.9	53.4	2.9
Illinois	41.6	50.1	20.3
Michigan	32.7	44.8	37.1
Ohio	34.1	41.5	21.7
Louisiana	32.6	41.4	26.8
Pennsylvania	28.4	34.9	23.1
New Jersey	27.2	32.2	18.0
Georgia	23.7	28.9	21.9
Indiana	22.9	28.7	25.5
Massachusetts	23.6	26.3	11.5
Tennessee	20.5	25.9	26.6
50-STATE AVERAGE	**$20.0**	**$24.1**	**20.1**

Source: World Institute for Strategic Economic Research.

3. TEXAS AMONG THE STATES

Unless otherwise noted, in all figures, biennial change and percentage change have been calculated on actual amounts before rounding. Totals may not sum because of rounding.

POPULATION

Second to California, Texas is the nation's most populous state. Texas' 2010 population totaled more than 25 million. From 2000 to 2010, Texas' population grew steadily, increasing by 4.2 million, or 20.6 percent. In comparison, the U.S. population increased by 9.7 percent during the same period. Changes in a state's population result from two factors: net migration and the number of births relative to deaths. Because of a large natural increase (births over deaths) and a positive migration into the state, Texas ranked first among the 50 states in total population growth from 2000 to 2010 (**Figure 55**).

More than half of the increase in Texas' population since 2000 occurred in the over-45 age group, which increased by 37.5 percent during the decade (**Figure 56**). Because the over-45 age group is reaching or has reached retirement age, its large rate of increase may affect state services. Despite this aging trend, Texas continues to add residents on the younger end of the age scale. In 2009, Texas' rate of births per 1,000 population was 16.2, second only to Utah's rate of 19.4. The national rate was 13.5 (**Figure 57**).

FIGURE 55
RESIDENT POPULATION RANKINGS
CALENDAR YEARS 2000 AND 2010

50-STATE RANKING	STATE	POPULATION 2000 CENSUS (IN MILLIONS)	POPULATION 2010 CENSUS (IN MILLIONS)	POPULATION CHANGE (IN MILLIONS)	PERCENTAGE CHANGE
1	California	33.9	37.3	3.4	10.0
2	**TEXAS**	**20.9**	**25.1**	**4.2**	**20.6**
3	New York	19.0	19.4	0.4	2.1
4	Florida	16.0	18.8	2.8	17.6
5	Illinois	12.4	12.8	0.4	3.3
6	Pennsylvania	12.3	12.7	0.4	3.4
7	Ohio	11.4	11.5	0.1	1.6
8	Michigan	9.9	9.9	0.0	(0.6)
9	Georgia	8.2	9.7	1.5	18.3
10	North Carolina	8.0	9.5	1.5	18.5
11	New Jersey	8.4	8.8	0.4	4.5
12	Virginia	7.1	8.0	0.9	13.0
13	Washington	5.9	6.7	0.8	14.1
14	Massachusetts	6.3	6.5	0.2	3.1
15	Indiana	6.1	6.5	0.4	6.6
	U.S. TOTAL	**281.4**	**308.7**	**27.3**	**9.7**

SOURCE: U.S. Census Bureau.

FIGURE 56
TEXAS RESIDENT POPULATION BY AGE GROUP
CALENDAR YEARS 2000 AND 2010

POPULATION (IN THOUSANDS)

AGE GROUP	2000 CENSUS	2010 CENSUS	CHANGE	PERCENTAGE CHANGE
0 to 4	1,625	1,928	304	18.7
5 to 17	4,262	4,937	675	15.8
18 to 44	8,683	9,645	962	11.1
45 to 64	4,209	6,033	1,824	43.3
65 and over	2,073	2,602	529	25.5
TOTAL	**20,852**	**25,146**	**4,294**	**20.6**

Source: U.S. Census Bureau.

FIGURE 57
15 MOST-POPULOUS STATES TOTAL BIRTHS PER 1,000 TOTAL POPULATION
CALENDAR YEAR 2009

50-STATE RANKING	STATE	BIRTH RATE
2	**TEXAS**	**16.2**
13	Georgia	14.4
15	California	14.3
21	North Carolina	13.5
22	Indiana	13.5
23	Washington	13.4
25	Illinois	13.3
25	Virginia	13.3
35	New York	12.7
35	New Jersey	12.7
38	Ohio	12.5
41	Florida	11.9
42	Michigan	11.8
44	Pennsylvania	11.6
45	Massachusetts	11.4
1	Highest: Utah	19.4
50	Lowest: Vermont	9.8
	U.S. AVERAGE	**13.5**

Source: National Vital Statistics Reports.

The annual growth rate of Texas' population remained relatively constant in the 2000s. **Figure 58** shows that the state's population grew at an average annual rate of 2.1 percent from 2000 to 2010. Moody's Analytics, a nationally known econometric forecasting firm, estimates that Texas' population will increase about 1.9 percent per year from 2011 to 2020. During the same period, Moody's Analytics projects the total U.S. population to increase at 1.0 percent per year.

FIGURE 58
15 MOST-POPULOUS STATES AVERAGE ANNUAL CHANGE IN RESIDENT POPULATION
CALENDAR YEARS 2000 TO 2010

STATE	AVERAGE ANNUAL PERCENTAGE CHANGE 2000–2010
TEXAS	**2.1**
North Carolina	1.8
Georgia	1.8
Florida	1.8
Washington	1.4
Virginia	1.3
California	1.0
Indiana	0.7
New Jersey	0.4
Pennsylvania	0.3
Illinois	0.3
Massachusetts	0.3
New York	0.2
Ohio	0.2
Michigan	(0.1)
U.S. AVERAGE	**1.0**

Source: U.S. Census Bureau.

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 well-being of residents in the states. It is affected by growth or decline in the wage-earning population (ages 18 to 64) relative to overall population. Texas' per capita personal income was $37,706 in 2010, and ranked twenty-seventh among the states (**Figure 59**). Texas ranked tenth among the 15 most-populous states, ahead of Ohio, North Carolina, Georgia, Michigan, and Indiana.

FIGURE 59
15 MOST-POPULOUS STATES PER CAPITA PERSONAL INCOME
CALENDAR YEAR 2010

50-STATE RANKING	STATE	PER CAPITA PERSONAL INCOME
2	Massachusetts	$51,302
3	New Jersey	$51,167
5	New York	$48,450
7	Virginia	$44,246
12	California	$42,578
13	Washington	$42,570
16	Illinois	$42,057
18	Pennsylvania	$40,599
24	Florida	$38,222
27	**TEXAS**	**$37,706**
33	Ohio	$36,180
36	North Carolina	$34,977
38	Georgia	$34,800
39	Michigan	$34,691
41	Indiana	$34,042
1	Highest: Connecticut	$54,877
50	Lowest: Mississippi	$31,046
	U.S. AVERAGE	**$39,945**

SOURCE: U.S. Department of Commerce.

Texas' cost of living is also low, at 91.3 percent of the national average in 2010 (**Figure 60**). Texas ranked forty-fifth among the states and ranked fifteenth of the 15 most-populous states on this measure. Over the past 25 years, per capita personal income in Texas has fluctuated, but remained below the U.S. total (**Figure 61**). In 2010, the per capita personal income in Texas was approximately 94.4 percent of the U.S. total.

FIGURE 60
15 MOST-POPULOUS STATES COST OF LIVING AS PERCENTAGE OF NATIONAL AVERAGE
CALENDAR YEAR 2010

50-STATE RANKING	STATE	PERCENTAGE COST OF LIVING
3	California	132.7
5	New Jersey	128.6
6	New York	126.3
10	Massachusetts	120.2
14	Washington	104.0
18	Virginia	102.0
21	Pennsylvania	100.6
23	Florida	99.5
27	North Carolina	97.1
29	Illinois	96.1
36	Ohio	93.9
37	Michigan	93.8
39	Indiana	93.0
42	Georgia	92.3
45	**TEXAS**	**91.3**
1	Highest: Hawaii	165.7
50	Lowest: Oklahoma	90.1
	U.S. AVERAGE	**100.0**

SOURCE: U.S. Census Bureau.

FIGURE 61
PER CAPITA PERSONAL INCOME TEXAS AND THE UNITED STATES, CALENDAR YEARS 1986 TO 2010

CALENDAR YEAR	PER CAPITA TEXAS	PER CAPITA U.S.	TEXAS AS PERCENTAGE OF U.S. PER CAPITA INCOME
1986	$14,182	$15,338	92.5
1987	$14,453	$16,137	89.6
1988	$15,245	$17,244	88.4
1989	$16,165	$18,402	87.8
1990	$17,260	$19,354	89.2
1991	$17,763	$19,818	89.6
1992	$18,765	$20,799	90.2
1993	$19,413	$21,385	90.8
1994	$20,161	$22,297	90.4
1995	$21,070	$23,262	90.6
1996	$22,260	$24,442	91.1
1997	$23,812	$25,654	92.8
1998	$25,376	$27,258	93.1
1999	$26,399	$28,333	93.2
2000	$28,506	$30,319	94.0
2001	$29,185	$31,157	93.7
2002	$28,966	$31,481	92.0
2003	$29,622	$32,295	91.7
2004	$31,115	$33,909	91.8
2005	$33,220	$35,452	93.7
2006	$35,287	$37,725	93.5
2007	$37,098	$39,506	93.9
2008	$39,704	$40,947	97.0
2009	$36,458	$38,846	93.9
2010	$37,706	$39,945	94.4

SOURCE: U.S. Department of Commerce.

STATE TAXES

Two measures are commonly used to compare tax burdens across state lines: state tax revenue per $1,000 of personal income and per capita state tax revenues. Texas ranks low relative to other states on both measures. In 2010, Texans paid $41.37 in state taxes for each $1,000 of personal income, about 72.6 percent of the $57.02 national average (**Figure 62**).

The state ranked forty-seventh among the states in state tax revenue per $1,000 of personal income in 2010. That same year, Texas ranked fourteenth among the 15 most-populous states in per capita state tax revenue per $1,000 (**Figure 63**).

FIGURE 62
STATE TAX REVENUE PER $1,000 OF PERSONAL INCOME CALENDAR YEAR 2010

RANKING	STATE	TAX REVENUE PER $1,000 OF PERSONAL INCOME
1	Alaska	$143.15
2	Vermont	$100.06
3	North Dakota	$91.72
4	Hawaii	$85.16
5	Wyoming	$83.61
6	West Virginia	$78.47
7	Delaware	$77.61
8	Arkansas	$76.24
9	Minnesota	$75.63
10	Maine	$71.60
11	Mississippi	$67.99
12	Kentucky	$67.74
13	New York	$67.62
14	Wisconsin	$66.13
15	Michigan	$66.03
16	California	$65.93
17	North Carolina	$64.32
18	New Mexico	$64.03
19	Connecticut	$62.59
20	Indiana	$62.44
21	Montana	$61.67
22	Massachusetts	$59.60
23	Idaho	$58.72
24	Iowa	$58.62
25	Pennsylvania	$58.47
26	Nevada	$58.45
27	Kansas	$58.22
28	Rhode Island	$57.96
29	New Jersey	$57.57
30	Ohio	$56.50
31	Utah	$56.48
32	Washington	$56.10
33	Illinois	$55.10
34	Maryland	$53.62
35	Oregon	$53.45
36	Oklahoma	$53.17
37	Nebraska	$52.46
38	Louisiana	$52.06
39	Alabama	$51.02
40	Tennessee	$47.32
41	Virginia	$46.22
42	Arizona	$46.02
43	South Carolina	$45.21
44	Missouri	$43.78
45	Georgia	$43.74
46	Florida	$43.74
47	**TEXAS**	**$41.37**
48	South Dakota	$40.35
49	Colorado	$40.27
50	New Hampshire	$37.03
	U.S. AVERAGE	**$57.02**

SOURCES: U.S. Census Bureau; U.S. Department of Commerce.

FIGURE 63
15 MOST-POPULOUS STATES PER CAPITA STATE TAX REVENUE, FISCAL YEAR 2010

STATE	PER CAPITA STATE TAX REVENUE	AS PERCENTAGE OF STATE-LOCAL TAX 2008
California	$2,810.74	63.1
Florida	$1,675.48	49.0
Georgia	$1,524.00	53.7
Illinois	$2,325.15	60.1
Indiana	$2,122.53	65.9
Massachusetts	$3,084.66	64.9
Michigan	$2,285.48	65.8
New Jersey	$2,946.35	56.9
New York	$3,274.71	47.2
North Carolina	$2,264.35	68.7
Ohio	$2,050.75	55.9
Pennsylvania	$2,375.52	59.4
TEXAS	**$1,569.69**	**52.7**
Virginia	$2,051.38	56.0
Washington	$2,403.90	62.8
U.S. AVERAGE	**$2,282.33**	**59.0**
Texas Percentage of U.S.	68.8%	89.4%

Source: U.S. Census Bureau.

STATE TAX REVENUE

Figure 64 shows the percentage distribution of state tax revenue by source for the 15 most-populous states.

In 2010, Texas received 49.9 percent of its state tax revenue from the general sales tax, ranking it third behind Washington and Florida. Selective sales taxes, such as those collected on motor vehicles, motor fuels, cigarettes, and alcoholic beverages, produced 29.1 percent of Texas' total state tax revenue during 2010, compared with the 50-state average of 17.0 percent. License taxes, which by the U.S. Census Bureau's definition includes the business franchise tax, accounted for 16.6 percent of the state's tax revenue. Texas received 4.4 percent of its 2010 state tax revenue from other taxes, which in Texas consists of taxes levied on such varied items as cement, sulphur, attorneys, coin-operated machines, and bingo rental receipts. The percentage of revenues collected from state taxes as opposed to local taxes varies from state to state. Some states have relatively low state tax burdens, in part because collections by state government account for a below-average portion of total state and local tax revenues raised. Among the 15 most-populous states, state tax revenue as a percentage of state and local tax dollars is third-lowest in the state of Texas (**Figure 63**) in 2008. Texas is restricted to assessing property taxes only at the local level. Texas ranks 13 in property tax revenue relative to personal income in 2008. Property tax revenue relative to personal income from 1998 to 2008 increased in the state by 2.6 percent (**Figure 65**).

PER CAPITA STATE TAX REVENUE

Given the differences among the states in taxes levied, the rate of taxation, and the calculation of the tax base, it is difficult to compare state tax burdens except in the broadest terms. For example, general sales tax revenues, either per capita or as a percentage of personal income, vary among the states because of differences in tax rates. Whether the tax base includes such major items as groceries, industrial machinery, or services also affects revenue, as does citizens' propensity for buying taxable items. Comparing two other states helps illustrate this point. New Jersey has the third-highest per capita personal income among all the states and a retail sales tax rate slightly higher than that of Texas (**Figure 59** and **Figure 66**). New Jersey residents have a lower sales tax burden as a percentage of personal income than do Texans, yet New Jersey and Texas have similar levels of sales tax revenue per capita (**Figure 67**).

Californians also earn a higher personal income per capita than do Texans (**Figure 59**). California's sales tax rate is 8.25 percent, 2 percentage points higher than Texas' (**Figure 66**). Despite California's higher per capita income, its state general sales tax revenue is similar to Texas' (**Figure 67**) because each state includes different items in its tax bases.

FIGURE 64
15 MOST-POPULOUS STATES PERCENTAGE DISTRIBUTION OF STATE TAX REVENUE BY MAJOR TAXES, CALENDAR YEAR 2010

STATE	TOTAL SALES TAX	GENERAL SALES TAX	SELECTIVE SALES TAX	LICENSE TAXES	INDIVIDUAL INCOME TAX	CORPORATION NET INCOME	OTHER TAXES
California	36.8	29.8	7.0	7.7	43.5	8.7	0.0
Florida	83.3	58.8	24.5	6.7	-	5.7	4.3
Georgia	44.1	32.9	11.2	3.2	47.5	4.6	0.1
Illinois	50.1	29.7	20.4	8.1	31.7	9.0	1.0
Indiana	61.5	43.1	18.5	5.1	28.0	4.3	1.0
Massachusetts	33.8	23.1	10.7	4.3	50.5	9.2	2.2
Michigan	56.5	40.9	15.5	5.8	24.3	3.1	0.9
New Jersey	43.6	30.5	13.1	5.4	39.8	7.9	3.3
New York	32.9	16.6	16.3	2.4	54.7	6.1	3.8
North Carolina	43.9	27.2	16.6	7.1	42.5	6.0	0.6
Ohio	51.9	30.8	21.2	13.8	33.4	0.6	0.3
Pennsylvania	51.3	26.6	24.6	8.4	31.0	5.5	3.6
TEXAS	**79.0**	**49.9**	**29.1**	**16.6**	**-**	**-**	**4.4**
Virginia	35.8	21.6	14.2	4.0	52.8	4.8	2.5
Washington	79.8	59.6	20.1	5.8	-	-	3.1
U.S. AVERAGE	**48.8**	**31.9**	**17.0**	**7.2**	**33.5**	**5.4**	**3.0**

Source: U.S. Census Bureau.

FIGURE 65
PROPERTY TAX REVENUE PER $1,000 OF PERSONAL INCOME, CALENDAR YEARS 1998 TO 2008

	1998		2008		1998–2008	
STATE	REVENUE	RANKING	REVENUE	RANKING	PERCENTAGE CHANGE	RANKING
Alabama	$11.1	50	$14.4	50	29.9	2
Alaska	$40.8	9	$34.7	15	(14.9)	44
Arizona	$27.3	30	$29.6	28	8.3	19
Arkansas	$16.6	45	$15.5	48	(6.4)	40
California	$25.7	34	$32.8	18	27.6	3
Colorado	$26.3	33	$28.4	31	7.9	20
Connecticut	$40.1	10	$41.3	7	3.0	29
Delaware	$15.5	47	$16.9	45	9.2	18
Florida	$32.1	23	$40.9	10	27.5	4
Georgia	$24.8	35	$30.0	27	21.1	7
Hawaii	$18.6	43	$22.7	41	22.1	6
Idaho	$27.4	29	$23.2	40	(15.2)	45
Illinois	$36.5	12	$38.4	12	5.3	24
Indiana	$33.5	17	$30.9	22	(7.6)	41
Iowa	$33.4	18	$32.2	21	(3.7)	37
Kansas	$31.0	24	$32.5	19	4.6	25
Kentucky	$17.7	44	$19.9	44	12.6	11
Louisiana	$15.7	46	$16.9	46	7.7	21

FIGURE 65 (CONTINUED)
PROPERTY TAX REVENUE PER $1,000 OF PERSONAL INCOME, CALENDAR YEARS 1998 TO 2008

	1998		2008		1998–2008	
STATE	REVENUE	RANKING	REVENUE	RANKING	PERCENTAGE CHANGE	RANKING
Maine	$53.7	1	$44.5	6	(17.1)	47
Maryland	$26.6	31	$23.8	38	(10.3)	42
Massachusetts	$33.7	15	$34.8	14	3.0	28
Michigan	$32.1	22	$40.3	11	25.4	5
Minnesota	$33.6	16	$29.1	29	(13.5)	43
Mississippi	$23.4	37	$25.2	35	7.7	22
Missouri	$21.6	38	$24.5	36	13.4	10
Montana	$46.3	5	$34.1	17	(26.3)	50
Nebraska	$36.2	13	$34.3	16	(5.5)	38
Nevada	$20.8	40	$30.4	23	46.1	1
New Hampshire	$51.2	2	$52.6	1	2.7	31
New Jersey	$49.9	4	$50.0	2	0.2	33
New Mexico	$15.2	49	$16.7	47	10.0	15
New York	$41.5	8	$41.2	8	(0.7)	35
North Carolina	$20.7	41	$23.7	39	14.3	8
North Dakota	$32.7	20	$27.5	32	(15.7)	46
Ohio	$29.3	25	$32.4	20	10.7	13
Oklahoma	$15.4	48	$15.3	49	(0.8)	36
Oregon	$29.0	26	$30.2	25	4.0	27
Pennsylvania	$27.6	28	$30.3	24	9.9	16
Rhode Island	$44.7	6	$46.8	5	4.6	26
South Carolina	$26.4	32	$28.8	30	9.3	17
South Dakota	$32.4	21	$26.7	34	(17.6)	48
Tennessee	$18.6	42	$21.3	43	14.2	9
TEXAS	**$33.9**	**14**	**$34.8**	**13**	**2.6**	**32**
Utah	$24.6	36	$24.5	37	(0.6)	34
Vermont	$50.9	3	$47.9	3	(6.0)	39
Virginia	$28.5	27	$30.2	26	6.0	23
Washington	$33.1	19	$27.0	33	(18.4)	49
West Virginia	$20.9	39	$21.5	42	2.7	30
Wisconsin	$37.2	11	$41.0	9	10.2	14
Wyoming	$42.0	7	$46.9	4	11.5	12
U.S. AVERAGE	**$30.6**		**$32.9**		**7.5**	
Texas as Percentage of U.S.	110.7%		105.6%			

SOURCE: U.S. Census Bureau.

FIGURE 66
15 MOST-POPULOUS STATES STATE TAX RATES JANUARY 1, 2011

STATE	RETAIL SALES TAX (PERCENTAGE)	CIGARETTE TAX RATE (PER PACK)	GASOLINE TAX (PER GALLON)
California	8.25	$0.870	$0.353
Florida	6.00	$1.339	$0.162
Georgia	4.00	$0.370	$0.176
Illinois	6.25	$0.980	$0.201
Indiana	7.00	$0.995	$0.180
Massachusetts	6.25	$2.510	$0.210
Michigan	6.00	$2.000	$0.190
New Jersey	7.00	$2.700	$0.145
New York	4.00	$4.350	$0.250
North Carolina	5.75	$0.450	$0.328
Ohio	5.50	$1.250	$0.280
Pennsylvania	6.00	$1.600	$0.312
TEXAS	**6.25**	**$1.410**	**$0.200**
Virginia	5.00	$0.300	$0.175
Washington	6.50	$3.025	$0.375

	RETAIL SALES TAX	CIGARETTE TAX RATE (PER PACK)	GASOLINE TAX (PER GALLON)
Number of States of the 15 most-Populous:			
With higher rate than Texas'	4	6	8
With same rate as Texas'	2	0	0
With lower rate than Texas'	8	8	6
Number of all 50 States:			
Using the tax	45	50	50
With higher rate than Texas'	11	22	31
With same rate as Texas'	2	0	1
With lower rate than Texas'	31	27	17

SOURCE: Federation of Tax Administrators.

FIGURE 67
15 MOST-POPULOUS STATES GENERAL SALES TAX REVENUES, CALENDAR YEAR 2010

50-STATE RANKING	STATE	SALES TAX REVENUE AS PERCENTAGE OF PERSONAL INCOME
2	Washington	3.35
7	Michigan	2.70
8	Indiana	2.69
9	Florida	2.57
15	**TEXAS**	**2.06**
19	California	1.96
29	New Jersey	1.75
30	North Carolina	1.75
31	Ohio	1.74
32	Illinois	1.64
34	Pennsylvania	1.56
37	Georgia	1.44
38	Massachusetts	1.38
43	New York	1.12
44	Virginia	1.00
	U.S. AVERAGE	**1.82**

50-STATE RANKING	STATE	SALES TAX PER CAPITA
2	Washington	$1,428.69
4	Florida	$985.94
8	Michigan	$936.80
9	Indiana	$916.29
11	New Jersey	$898.35
15	California	$837.42
18	**TEXAS**	**$781.98**
24	Massachusetts	$706.47
28	Illinois	$689.15
31	Pennsylvania	$632.15
32	Ohio	$628.74
33	North Carolina	$614.23
38	New York	$545.38
40	Georgia	$502.15
43	Virginia	$442.84
	U.S. AVERAGE	**$727.06**

NOTE: Five states have no general sales tax: Alaska, Delaware, Montana, New Hampshire, and Oregon.
SOURCES: U.S. Census Bureau; U.S. Department of Commerce.

TAX POLICY

A comparison of tax rates and amounts collected from the major taxes, shown in **Figure 66**, provides some insight into Texas' relative standing in terms of tax policy.

Forty-five states collect a retail sales tax. As of January 1, 2011, eleven states impose a levy that is higher than Texas' 6.25 percent; two states use the same rate, and 31 states impose a lower sales tax. Among the 15 most-populous states, four states impose a levy higher than Texas' (California, Indiana, New Jersey, and Washington), two states use the same rate (Illinois and Massachusetts), and 8 states apply lower rates. All 50 states collect a cigarette tax. As of January 1, 2011, there were 22 states that imposed a higher cigarette tax than Texas' $1.41 per pack; no other states that imposed the same rate, and 27 states that levied lower rates. Among the 15 most-populous states, six have a cigarette tax rate higher than Texas'. Thirty-one states impose a higher tax on gasoline than Texas' $0.20 per gallon; one imposes the same rate, and 17 states impose a lower rate. The average rate nationwide is $0.231 per gallon. Additional detail on motor fuel tax rates is shown in **Figure 68**.

FIGURE 68
MOTOR FUEL TAX RATES BY STATE, AS OF JANUARY 1, 2011

	TAX PER GALLON	
STATE	GASOLINE	DIESEL
Alabama	$0.180	$0.190
Alaska	$0.080	$0.080
Arizona	$0.190	$0.270
Arkansas	$0.218	$0.228
California	$0.353	$0.180
Colorado	$0.220	$0.205
Connecticut	$0.250	$0.396
Delaware	$0.230	$0.220
Florida	$0.162	$0.300
Georgia	$0.176	$0.188
Hawaii	$0.170	$0.170
Idaho	$0.260	$0.260
Illinois	$0.201	$0.226
Indiana	$0.180	$0.160
Iowa	$0.220	$0.235
Kansas	$0.240	$0.260
Kentucky	$0.259	$0.229
Louisiana	$0.200	$0.200
Maine	$0.295	$0.307
Maryland	$0.235	$0.243
Massachusetts	$0.210	$0.210
Michigan	$0.190	$0.150
Minnesota	$0.296	$0.296
Mississippi	$0.184	$0.184
Missouri	$0.173	$0.173
Montana	$0.270	$0.278
Nebraska	$0.273	$0.267
Nevada	$0.248	$0.278
New Hampshire	$0.196	$0.196
New Jersey	$0.145	$0.175
New Mexico	$0.189	$0.229
New York	$0.250	$0.233
North Carolina	$0.328	$0.328
North Dakota	$0.230	$0.230
Ohio	$0.280	$0.280
Oklahoma	$0.170	$0.140
Oregon	$0.300	$0.300
Pennsylvania	$0.312	$0.381
Rhode Island	$0.330	$0.330
South Carolina	$0.168	$0.168
South Dakota	$0.240	$0.240
Tennessee	$0.214	$0.184
TEXAS	**$0.200**	**$0.200**
Utah	$0.245	$0.245
Vermont	$0.250	$0.290
Virginia	$0.175	$0.175
Washington	$0.375	$0.375
West Virginia	$0.322	$0.322
Wisconsin	$0.329	$0.329
Wyoming	$0.140	$0.140
U.S. AVERAGE	**$0.231**	**$0.237**

SOURCE: Federation of Tax Administrators.

STATE EXPENDITURES

Comparing state expenditures in Texas with spending in other states provides an overview of the Texas state government's relative expenditure level and of the distribution of expenditures among major services. The states vary in the proportion of expenditures on certain functions borne by local governments, in service delivery methods, in service needs, and in significant cost factors such as salary levels.

PER CAPITA EXPENDITURES

Expenditures per capita provide a basis for comparing major categories of state government spending. Texas spends significantly less per capita than most other states. In fact, in 2009, Texas' total per capita spending for all functions ranked forty-seventh of all the states (**Figure 69**). Texas' total 2009 per capita state government expenditures equaled 75.1 percent of the 50-state amount. Additionally, in 2009, Texas ranked forty-second out of all 50 and twelfth out of the 15

FIGURE 69
15 MOST-POPULOUS STATES PER CAPITA STATE GOVERNMENT EXPENDITURES, SELECTED FUNCTIONS, FISCAL YEAR 2009

STATE	TOTAL EXPENDITURES	EDUCATION	HIGHWAYS	HOSPITALS	PUBLIC WELFARE	ALL OTHERS
California	$6,881	$1,982	$290	$197	$1,720	$2,692
Florida	$4,083	$1,194	$336	$48	$1,002	$1,503
Georgia	$4,217	$1,686	$181	$65	$1,006	$1,279
Illinois	$5,302	$1,296	$408	$86	$1,444	$2,068
Indiana	$5,094	$1,969	$323	$32	$1,169	$1,601
Massachusetts	$7,266	$1,710	$290	$74	$2,000	$3,192
Michigan	$5,937	$2,199	$274	$237	$1,446	$1,781
New Jersey	$7,125	$1,886	$306	$245	$1,513	$3,176
New York	$8,377	$2,163	$232	$302	$2,315	$3,365
North Carolina	$5,179	$1,922	$308	$160	$1,195	$1,594
Ohio	$6,203	$1,854	$283	$212	$1,429	$2,425
Pennsylvania	$6,154	$1,670	$583	$240	$1,603	$2,058
TEXAS	**$4,468**	**$1,790**	**$273**	**$152**	**$1,073**	**$1,180**
Virginia	$5,335	$1,872	$379	$380	$1,001	$1,704
Washington	$6,519	$2,295	$435	$279	$1,229	$2,281
U.S. AVERAGE	**$5,950**	**$1,847**	**$349**	**$186**	**$1,425**	**$2,143**
Texas as Percentage of U.S.	75.1%	96.9%	78.4%	81.8%	75.3%	55.1%

50-STATE RANKING

STATE	TOTAL EXPENDITURES	EDUCATION	HIGHWAYS	HOSPITALS	PUBLIC WELFARE	ALL OTHERS
California	15	21	40	23	11	12
Florida	50	50	34	42	46	45
Georgia	49	39	50	36	45	48
Illinois	37	49	21	30	18	25
Indiana	40	22	35	47	38	40
Massachusetts	9	38	41	32	6	6
Michigan	29	12	43	18	17	35
New Jersey	10	26	38	16	16	7
New York	6	13	48	12	1	4
North Carolina	39	24	37	24	36	41
Ohio	26	29	42	21	19	19
Pennsylvania	27	40	9	17	13	26
TEXAS	**47**	**33**	**44**	**25**	**44**	**50**
Virginia	35	27	27	5	47	37
Washington	18	8	19	15	34	22

Source: U.S. Census Bureau.

most populous states in terms of per capita federal government expenditures (**Figure 70**).

In fiscal year 2009, Texas' expenditures per capita on education and public welfare were 96.9 percent and 75.3 percent of the 50-state amount respectively, increases from 2007 levels. Per capita expenditures for hospitals were 81.8 percent of the national amount, a decrease from 2007 levels. Highway expenditures similarly decreased to approximately 78.4 percent of the 50-state amount. Texas ranked fiftieth in per capita spending for all other items, spending approximately 55.1 percent of the 50-state amount.

Figure 71 shows per capita state government expenditures in three major categories in 2009. "Direct general expenditures" are payments to employees, suppliers, beneficiaries, and other final recipients of state government payments. This category includes capital outlay and interest on debt, but avoids double-counting by excluding principal payments on debt. Texas ranked forty-sixth in direct per capita expenditures. "Intergovernmental expenditures" are payments by the state government to county or local governments (including public school districts) as fiscal aid in the form of shared revenues and grants-in-aid, as reimbursements for performance of general government activities, for specific services (e.g., care of prisoners or contractual research), or in lieu of taxes. Texas ranked

FIGURE 70
15 MOST-POPULOUS STATES PER CAPITA FEDERAL GOVERNMENT EXPENDITURES, FISCAL YEAR 2009

50-STATE RANKING	STATE	PER CAPITA FEDERAL SPENDING
2	Virginia	$19,734
7	Massachusetts	$12,723
24	Pennsylvania	$10,765
27	Washington	$9,988
28	New York	$9,978
32	Indiana	$9,520
34	Florida	$9,477
36	California	$9,360
37	Ohio	$9,354
38	New Jersey	$9,262
39	Michigan	$9,228
42	**TEXAS**	**$9,164**
43	North Carolina	$9,043
44	Illinois	$8,990
48	Georgia	$8,538
1	Highest: Alaska	$20,351
50	Lowest: Nevada	$7,148
	U.S. AVERAGE	**$10,396**

Source: U.S. Census Bureau.

FIGURE 71
15 MOST-POPULOUS STATES PER CAPITA STATE GOVERNMENT EXPENDITURES, BY CATEGORY, FISCAL YEAR 2009

STATE	TOTAL STATE EXPENDITURES	DIRECT GENERAL EXPENDITURES[1]	INTERGOVERNMENTAL EXPENDITURES[2]	TRUST FUND EXPENDITURES[3]
California	$6,881	$3,143	$2,568	$1,170
Florida	$4,083	$2,610	$954	$520
Georgia	$4,217	$2,558	$1,100	$559
Illinois	$5,302	$3,247	$1,180	$874
Indiana	$5,094	$3,215	$1,277	$601
Massachusetts	$7,266	$4,856	$1,348	$1,062
Michigan	$5,937	$3,105	$1,969	$863
New Jersey	$7,125	$4,257	$1,279	$1,589
New York	$8,377	$4,034	$2,820	$1,523
North Carolina	$5,179	$3,064	$1,446	$669
Ohio	$6,203	$3,237	$1,645	$1,321
Pennsylvania	$6,154	$3,610	$1,516	$1,028
TEXAS	**$4,468**	**$2,778**	**$1,180**	**$509**
Virginia	$5,335	$3,306	$1,498	$530
Washington	$6,519	$3,976	$1,507	$1,036
U.S. AVERAGE	**$5,950**	**$3,462**	**$1,600**	**$888**
Texas as Percentage of U.S.	75.1%	80.3%	73.8%	57.3%

FIGURE 71 (CONTINUED)
15 MOST-POPULOUS STATES PER CAPITA STATE GOVERNMENT EXPENDITURES, BY CATEGORY, FISCAL YEAR 2009

STATE	TOTAL STATE EXPENDITURES	DIRECT GENERAL EXPENDITURES[1]	INTERGOVERNMENTAL EXPENDITURES[2]	TRUST FUND EXPENDITURES[3]
50-STATE RANKING				
California	15	41	3	9
Florida	50	48	47	46
Georgia	49	49	42	43
Illinois	37	37	38	18
Indiana	40	39	32	38
Massachusetts	9	8	28	11
Michigan	29	42	8	21
New Jersey	10	14	31	2
New York	6	19	2	3
North Carolina	39	43	23	33
Ohio	26	38	11	4
Pennsylvania	27	27	16	13
TEXAS	**47**	**46**	**37**	**47**
Virginia	35	35	18	45
Washington	18	20	17	12

[1]Direct governmental expenditures include payments to employees, suppliers, beneficiaries, and other final recipients of governmental payments.
[2]Intergovernmental expenditures include amounts paid to local government as grants-in-aid or for specific services.
[3]Trust fund expenditures include payments from unemployment compensation trust funds, state retirement systems, and state-owned utilities and liquor stores.
Source: U.S. Census Bureau.

thirty-seventh in fiscal year 2009 in expenditures per capita for aid to local governments. "Trust fund expenditures" include payments of unemployment compensation, payments from state retirement systems, utility expenditures, and expenditures of state-operated liquor stores. Texas' state trust fund expenditures per capita ranked forty-seventh among the states in fiscal year 2009.

GOVERNMENT EMPLOYMENT

In fiscal year 2010, forty-three states had more state government full-time-equivalent (FTE) positions (employees) in proportion to their populations than Texas; six had fewer (**Figure 72**).

Since more-populous states tend to have fewer state FTE positions in proportion to population than do less-populous states, however, it is more meaningful to compare Texas with the 15 most-populous states. Among these, Texas ranks eleventh in terms of state FTE positions per 10,000 population (**Figure 73**).

Texas spends 13.7 percent of its overall state budget on salaries and wages, which ranks it twenty-seventh among the 50 states and fifth among the 15 most-populous states (**Figure 74**).

According to U.S. Census Bureau classifications, approximately 75.4 percent of Texas' state government FTE employees work in five major functions: higher education, highways, public hospitals, public welfare, and corrections. The state's FTE levels are below the 50-state average in higher education, highways, and hospitals; and above the 50-state average for public welfare and corrections. Texas' FTE levels are at 119.9 percent of the 50-state number for public welfare and 116.4 percent for corrections. The state has 31 FTE positions per 10,000 population in all other state government positions, which is 71.2 percent of the 50-state number.

The distribution of state FTE levels varies among states for a variety of reasons. Some of the reasons include: the amount and quality of services a state provides, the method used to allocate responsibilities for services between state and local governments, and the amount of services provided by the private sector.

FIGURE 72
FULL-TIME-EQUIVALENT POSITIONS PER 10,000 POPULATION FISCAL YEAR 2010

RANKING	STATE	FTE POSITIONS PER 10,000 POPULATION	RANKING	STATE	FTE POSITIONS PER 10,000 POPULATION
1	Hawaii	427	27	Maine	159
2	Alaska	376	28	Virginia	156
3	Delaware	290	29	Kansas	154
4	North Dakota	270	30	Maryland	153
5	Wyoming	241	31	Minnesota	151
6	New Mexico	234	32	Missouri	148
7	Vermont	230	33	New Hampshire	148
8	Arkansas	218	34	Michigan	147
9	West Virginia	212	35	Massachusetts	146
10	Montana	206	36	Colorado	141
11	Louisiana	196	37	Idaho	140
12	Mississippi	192	38	Indiana	138
13	Oklahoma	188	39	Pennsylvania	132
14	Alabama	188	40	Tennessee	131
15	Kentucky	186	41	New York	130
16	Utah	186	42	Georgia	128
17	Washington	183	43	Wisconsin	127
18	Nebraska	178	**44**	**TEXAS**	**126**
19	Rhode Island	178	45	Ohio	121
20	Connecticut	177	46	California	110
21	South Dakota	176	47	Nevada	105
22	New Jersey	173	48	Arizona	105
23	Oregon	171	49	Illinois	102
24	Iowa	168	50	Florida	98
25	South Carolina	167		**U.S. AVERAGE**	**142**
26	North Carolina	160			

Source: U.S. Census Bureau.

FIGURE 73
15 MOST-POPULOUS STATES FULL-TIME-EQUIVALENT STATE-SUPPORTED POSITIONS PER 10,000 POPULATION, SELECTED FUNCTIONS, FISCAL YEAR 2010

		STATE FTE POSITIONS PER 10,000 POPULATION					
STATE	TOTAL	HIGHER EDUCATION	HIGHWAYS	HOSPITALS	PUBLIC WELFARE	CORRECTIONS	ALL OTHERS
Washington	183	82	9	16	14	14	47
New Jersey	173	38	7	21	10	11	85
North Carolina	160	62	11	20	1	22	42
Virginia	156	68	10	18	4	17	39
Michigan	147	75	3	19	11	15	24
Massachusetts	146	48	5	10	11	9	62
Indiana	138	87	6	4	7	10	23

FIGURE 73 (CONTINUED)
15 MOST-POPULOUS STATES FULL-TIME-EQUIVALENT STATE-SUPPORTED POSITIONS PER 10,000 POPULATION, SELECTED FUNCTIONS, FISCAL YEAR 2010

		STATE FTE POSITIONS PER 10,000 POPULATION						
STATE	TOTAL	HIGHER EDUCATION	HIGHWAYS	HOSPITALS	PUBLIC WELFARE	CORRECTIONS	ALL OTHERS
Pennsylvania	132	46	12	9	9	15	41
New York	130	27	6	23	3	16	54
Georgia	128	55	6	8	9	20	31
TEXAS	**126**	**50**	**6**	**12**	**9**	**18**	**31**
Ohio	121	60	6	13	2	13	26
California	110	42	6	11	1	17	33
Illinois	102	48	5	9	7	9	24
Florida	98	29	4	2	5	16	42
U.S. AVERAGE	**142**	**55**	**7**	**13**	**8**	**15**	**44**
Texas as Percentage of U.S.	89.0%	91.9%	76.0%	94.3%	119.9%	116.4%	71.2%

Note: Totals may not sum due to rounding.
Source: U.S. Census Bureau.

FIGURE 74
15 MOST-POPULOUS STATES SALARIES AND WAGES AS PERCENTAGE OF STATE EXPENDITURES CALENDAR YEAR 2009

50-STATE RANKING	STATE	SALARIES AND WAGES AS PERCENTAGE OF TOTAL
11	North Carolina	16.4
12	New Jersey	16.3
14	Virginia	15.1
15	Washington	15.0
27	**TEXAS**	**13.7**
33	Georgia	13.2
35	Illinois	12.7
38	Indiana	11.9
41	Florida	11.5
42	Ohio	11.5
43	California	11.1
44	New York	10.6
45	Michigan	10.5
46	Massachusetts	10.5
48	Pennsylvania	10.3

Source: U.S. Census Bureau.

HIGHER EDUCATION

One of the factors affecting state employment levels in higher education is the number of students enrolled relative to the total population. Texas ranks last among the 15 most-populous states in the percentage of individuals ages 18 to 24 completing high school, with 79.9 percent of that age group receiving diplomas (**Figure 75**).

Another factor affecting higher education employment levels is the availability of and enrollment in private institutions in each state. Texas has the highest proportion of students enrolled in public universities and the lowest proportion in private universities of the 15 most populous states. The difference is most dramatic when comparing the percentage of students in public higher education in Texas (88.1 percent), New York (56.1 percent), Pennsylvania (55.3 percent), and Massachusetts (46.3 percent). **Figure 76** shows the percentage for this measure for the 15 most-populous states in the 2007–08 academic year.

How states allocate responsibility for higher education between state and local governments also influences the state employment level. **Figure 77** shows the percentages of public higher education FTE positions in state and local governments for the 15 most-populous states. In Florida, which ranks lowest, state higher education FTE positions account for 64.7 percent of the total number of FTE positions, whereas in Texas, which ranks eleventh, state FTE positions account for 73.6 percent of the total.

FIGURE 75
15 MOST-POPULOUS STATES INDIVIDUALS AGES 18 TO 24 COMPLETING HIGH SCHOOL, 2008–09 ACADEMIC YEAR

STATE	PERCENTAGE COMPLETION RATE
Washington	89.7
Massachusetts	89.0
Illinois	88.4
Michigan	87.9
Pennsylvania	87.9
Ohio	87.6
New Jersey	87.4
Indiana	86.6
Virginia	86.6
Florida	85.3
New York	84.7
North Carolina	84.3
Georgia	83.9
California	80.6
TEXAS	**79.9**
U.S. AVERAGE	**85.3**

Source: U.S. Census Bureau.

FIGURE 76
15 MOST-POPULOUS STATES PUBLIC AND PRIVATE HIGHER EDUCATION ENROLLMENT
2007–08 ACADEMIC YEAR

STATE	PERCENTAGE OF TOTAL ENROLLMENT		TOTAL ENROLLMENT PER 1,000 POPULATION
	PUBLIC	PRIVATE	
TEXAS	**88.1**	**11.9**	**1,755.3**
Washington	88.0	12.0	520.9
California	85.0	15.0	3,565.3
North Carolina	83.0	17.0	645.9
New Jersey	81.1	18.9	514.4
Michigan	81.0	19.0	854.3
Georgia	79.9	20.1	610.3
Virginia	76.3	23.7	643.4
Ohio	73.0	27.0	845.0
Florida	72.7	27.3	1,301.8
Indiana	72.4	27.6	521.1
Illinois	70.4	29.6	1,298.8
New York	56.1	43.9	1,532.0
Pennsylvania	55.3	44.7	923.3
Massachusetts	46.3	53.7	596.9
U.S. AVERAGE	**74.0**	**26.0**	**25,139.0**

Source: U.S. Department of Education.

FIGURE 77
15 MOST-POPULOUS STATES STATE AND LOCAL PUBLIC HIGHER EDUCATION FTE POSITIONS, FISCAL YEAR 2010

STATE	PERCENTAGE OF TOTAL	
	STATE	LOCAL
Georgia	100.0	-
Indiana	100.0	-
Washington	100.0	-
Massachusetts	99.7	0.3
Virginia	96.7	3.3
Ohio	93.4	6.6
Pennsylvania	89.6	10.4
Michigan	83.0	17.0
New Jersey	75.5	24.5
North Carolina	73.7	26.3
TEXAS	**73.6**	**26.4**
Illinois	73.1	26.9
California	69.4	30.6
New York	69.2	30.8
Florida	64.7	35.3

Source: U.S. Census Bureau.

In the 2008–09 academic year, Texas ranked thirtieth among the 50 states and tenth among the 15 most-populous states in the percentage of persons age 25 or older with a bachelor's degree or greater (**Figure 78**).

FIGURE 78
15 MOST-POPULOUS STATES PERCENTAGE OF PERSONS AGE 25 OR OLDER WITH A BACHELOR'S DEGREE OR GREATER 2008–09 ACADEMIC YEAR

50-STATE RANKING	STATE	PERCENTAGE COMPLETION RATE
1	Massachusetts	38.2
5	New Jersey	34.5
6	Virginia	34.0
8	New York	32.4
11	Washington	31.0
14	California	29.9
20	Georgia	27.5
25	North Carolina	26.5
26	Pennsylvania	26.4
30	**TEXAS**	**25.5**
31	Florida	25.3
36	Michigan	24.6
38	Ohio	24.1
39	Illinois	23.9
43	Indiana	22.5
1	Highest: Massachusetts	38.2
50	Lowest: West Virginia	17.3
	U.S. AVERAGE	**27.9**

Source: U.S. Census Bureau.

FIGURE 79
15 MOST-POPULOUS STATES HIGHWAY EMPLOYEES PER 10,000 POPULATION
FISCAL YEAR 2010

	FULL-TIME-EQUIVALENT POSITIONS PER 10,000 POPULATION		
STATE	STATE	LOCAL	TOTAL
New York	6.3	14.3	20.5
Pennsylvania	11.6	8.6	20.3
Washington	8.8	10.8	19.6
New Jersey	7.1	12.3	19.4
Ohio	6.0	10.9	16.9
North Carolina	11.4	4.1	15.6
Indiana	6.2	8.8	15.0
TEXAS	**5.7**	**9.2**	**14.8**
Virginia	9.5	5.2	14.8
Illinois	5.3	9.2	14.5
Massachusetts	5.4	9.0	14.4
Georgia	5.8	8.4	14.1
Michigan	3.0	8.9	11.9
Florida	4.1	7.3	11.4
California	5.7	5.6	11.2
U.S. AVERAGE	**7.5**	**9.6**	**17.0**

Note: Totals may not sum due to rounding.
Source: U.S. Census Bureau.

HIGHWAYS

Factors affecting the number of state highway FTE positions per 10,000 population include the distribution of responsibilities between state and local governments, the amount and quality of services provided, and the amount of work the state contracts to the private sector. Texas ranked eighth among the 15 most-populous states in the total number of state and local highway FTE positions per 10,000 population in fiscal year 2010 (**Figure 79**).

Construction work on state highways in Texas traditionally has been performed by private contractors. In recent years, however, contractors have been more involved in maintenance work, partly because in 1991 the Texas Legislature mandated increased levels of private contracting for maintenance. In fiscal year 2010, contractors performed more than 80 percent of highway maintenance work, up from 61 percent in fiscal year 1996, according to the Texas Department of Transportation. **Figure 80** shows how Texas compares to the U.S. average in number of vehicle miles traveled per capita, number of registered vehicles, and number of road miles under state control. Texas ranks higher than the U.S. average on miles under state control; however, it ranks below the U.S. average on the number of highway FTE positions per 10,000, on vehicle miles traveled per capita, in the per capita number of registered vehicles, in the number of vehicle miles traveled, and in licensed drivers per 1,000 population.

FIGURE 80
HIGHWAY STATISTICS CALENDAR YEAR 2009

STATISTIC	TEXAS	U.S.
Percentage of highway and road miles under state control	26.1	19.3
Highway and road miles under state control per 10,000 population	32.3	25.4
Vehicle miles traveled per capita	9,297	9,620
Registered motor vehicles per 1,000 population	735	802
Licensed drivers per 1,000 population	620	683

Note: Represents full-time-equivalents.
Sources: U.S. Census Bureau; U.S. Department of Transportation.

PUBLIC HOSPITALS

The U.S. Census Bureau's public hospital FTE category includes government-operated facilities that provide inpatient care; employees of private corporations that operate government-owned hospital facilities are excluded. In hospitals associated with government-operated medical schools, the instructional staff is included under higher education; all other hospital employees are included in the hospital category. In Texas, most healthcare providers in the state's correctional healthcare system are employees of one of two state-operated medical schools. **Figure 81** shows the number of state and local public hospital FTE positions per 10,000 population in the 15 most-populous states. Texas ranked fifth among these states in fiscal year 2010. The number of state hospital FTE positions is affected by policies such as the distribution of responsibilities among state and local governments and hospitals and community-based services, the quality of service as indicated in staffing ratios and professional quality of the personnel, and the extent to which service is provided by the private sector.

PUBLIC WELFARE

The distribution of responsibility between state and local governments in the administration of public welfare affects the number of state welfare FTE positions. Included in this category are various public assistance programs for the needy, homes for the elderly, indigent care institutions, and programs that provide payments for medical care and other services for the needy, excluding hospital services. In general, states that administer public welfare through state agencies employ fewer total welfare workers than do states that administer welfare locally. In Texas, state government administers most public welfare. In fiscal year 2010, Texas ranked twelfth among the 15 most-populous states in the total number of welfare FTE positions per 10,000 population. Texas was sixth in the number of state welfare FTE positions (9.2 per 10,000 population) and fifteenth in the number of local welfare workers (1.5 per 10,000 population). In contrast, more than half the states with a higher total number of welfare FTE positions (New York, Pennsylvania, Ohio, New Jersey, North Carolina, California, and Virginia) administer welfare predominantly through local government (**Figure 82**).

FIGURE 81
15 MOST-POPULOUS STATES PUBLIC HOSPITAL EMPLOYEES PER 10,000 POPULATION
FISCAL YEAR 2010

	FULL-TIME-EQUIVALENT POSITIONS PER 10,000 POPULATION		
STATE	STATE	LOCAL	TOTAL
North Carolina	20.4	42.5	62.9
New York	22.7	27.0	49.7
Indiana	3.8	40.0	43.8
Washington	15.9	23.6	39.4
TEXAS	**12.5**	**20.9**	**33.4**
Michigan	19.0	10.1	29.1
California	11.2	17.8	29.0
Florida	2.0	26.5	28.6
Georgia	7.6	19.6	27.2
New Jersey	21.0	2.9	23.9
Ohio	13.1	10.2	23.3
Virginia	18.4	3.0	21.5
Illinois	8.7	9.2	17.9
Massachusetts	10.0	5.1	15.1
Pennsylvania	9.2	0.6	9.8
U.S. AVERAGE	**13.3**	**18.7**	**32.0**

Note: Totals may not sum due to rounding.
Source: U.S. Census Bureau.

CORRECTIONS

In 2010, Texas employed 18 state FTE positions per 10,000 population in corrections, the third-highest ratio among the 15 most-populous states (**Figure 73**). With 691 inmates per 100,000 population in 2009, Texas had the sixth-highest ratio of prisoners to population of all 50 states (**Figure 83**). (The highest was Louisiana, with 886.) This incarceration rate is a 3.3 percent increase from the 2007 rate of 669 per 100,000 population. Nationally, the incarceration rate increased by 2.5 percent from calendar years 2007 to 2009.

FIGURE 82
15 MOST-POPULOUS STATES PUBLIC WELFARE EMPLOYEES PER 10,000 POPULATION
FISCAL YEAR 2010

	FULL-TIME-EQUIVALENT POSITIONS PER 10,000 POPULATION		
STATE	STATE	LOCAL	TOTAL
New York	2.5	25.1	27.6
Pennsylvania	9.4	15.5	24.9
New Jersey	10.2	12.6	22.8
Ohio	2.4	19.8	22.1
California	1.1	17.4	18.5
North Carolina	1.3	16.4	17.7
Washington	14.1	2.5	16.6
Massachusetts	10.7	3.7	14.4
Virginia	3.5	10.6	14.1
Michigan	10.9	2.9	13.8
Illinois	7.3	4.8	12.1
TEXAS	**9.2**	**1.5**	**10.6**
Georgia	8.8	1.5	10.3
Indiana	7.3	1.6	8.9
Florida	5.3	3.0	8.3
U.S. AVERAGE	**7.6**	**8.9**	**16.6**

NOTE: Totals may not sum due to rounding.
SOURCE: U.S. Census Bureau.

FIGURE 83
15 MOST-POPULOUS STATES PRISON INMATES PER 100,000 POPULATION
CALENDAR YEAR 2009

50-STATE RANKING	STATE	INMATES PER 100,000 POPULATION
6	**TEXAS**	**691**
9	Florida	561
11	Georgia	543
16	Virginia	483
19	California	463
20	Michigan	456
23	Indiana	449
24	Ohio	447
26	North Carolina	425
29	Pennsylvania	408
36	Illinois	350
40	New York	300
42	New Jersey	291
43	Washington	274
49	Massachusetts	172
1	Highest: Louisiana	886
50	Lowest: Maine	167
	U.S. AVERAGE	**458**

SOURCE: Bureau of Justice Statistics.

In 2010, the crime rate in Texas ranked third among all states, and was the highest among the 15 most-populous states (**Figure 84**). The rate of 4,233.3 crimes per 100,000 population in Texas in calendar year 2010 is an 8.6 percent decrease from the rate of 4,631.8 in 2007. Nationally, the crime rate decreased 10.3 percent, from 3,730.4 in 2007 to 3,345.5 in 2010. Texas' violent crime rate decreased, from 510.6 per 100,000 population in 2007 to 450.3 per 100,000 population in 2010. The state ranks fifteenth among all states, and fourth among the 15 most-populous states, in violent crime. In Texas, this rate decreased by 11.8 percent from calendar years 2007 to 2010; the national rate decreased 13.6 percent.

STATE AND LOCAL GOVERNMENT EMPLOYEES

Comparing state FTE positions per 10,000 population and excluding local employees is difficult because, as noted earlier, each state allocates responsibilities between state and local governments differently. Therefore, analysts often recommend that comparisons be based on the total number of state and local FTE positions, rather than on just the number of state FTE positions. In fiscal year 2010, Texas ranked eleventh among the 15 most populous states with regard to the number of state FTE positions per 10,000 population (**Figure 73**). However, the state had the fourth-highest number of state and local FTE positions per 10,000 population of the 15 most-populous states (**Figure 85**).

In addition, Texas had more state and local government FTE positions per 10,000 population in fiscal year 2010 than the 50-state average number in elementary and secondary schools, higher education, and public hospitals. Among the 15 most-populous states, Texas had the highest number of state and local government FTE positions working in elementary and secondary schools in proportion to the state's total population.

FIGURE 84
15 MOST-POPULOUS STATES CRIME RATES PER 100,000 POPULATION
CALENDAR YEAR 2010

STATE	ALL CRIME	50-STATE RANKING	VIOLENT CRIME	50-STATE RANKING	PROPERTY CRIME	50-STATE RANKING
California	3,076.4	28	440.6	16	2,635.8	30
Florida	4,100.8	5	542.4	9	3,558.4	8
Georgia	4,043.8	8	403.3	19	3,640.5	6
Illinois	3,116.2	27	435.2	17	2,681.0	28
Indiana	3,356.9	23	314.5	28	3,042.4	20
Massachusetts	2,817.1	31	466.6	13	2,350.5	38
Michigan	3,203.9	26	490.3	11	2,713.6	26
New Jersey	2,389.6	45	307.7	30	2,081.9	46
New York	2,333.3	47	392.1	20	1,941.2	48
North Carolina	3,810.7	14	363.4	24	3,447.3	12
Ohio	3,560.4	17	315.2	26	3,245.2	17
Pennsylvania	2,539.2	41	366.2	23	2,173.0	45
TEXAS	**4,233.3**	**3**	**450.3**	**15**	**3,783.0**	**2**
Virginia	2,540.8	40	213.6	45	2,327.2	39
Washington	4,020.4	10	313.8	29	3,706.6	3
U.S. AVERAGE	**3,345.5**		**403.6**		**2,941.9**	

Source: Federal Bureau of Investigation.

FIGURE 85
15 MOST-POPULOUS STATES STATE AND LOCAL GOVERNMENT EMPLOYEES PER 10,000 POPULATION
FISCAL YEAR 2010

	FULL-TIME-EQUIVALENTS PER 10,000 POPULATION				
STATE	ELEMENTARY AND SECONDARY SCHOOLS	HIGHER EDUCATION	PUBLIC HOSPITALS	ALL OTHER FUNCTIONS	TOTAL FTES
California	175.4	61.1	29.0	213.9	479.3
Florida	191.6	44.5	28.6	218.3	482.9
Georgia	251.6	55.4	27.2	200.0	534.1
Illinois	215.7	66.2	17.9	198.9	498.7
Indiana	227.4	87.4	43.8	173.3	531.8
Massachusetts	227.6	47.8	15.1	212.3	502.8
Michigan	197.9	90.6	29.1	165.0	482.5
New Jersey	264.7	51.0	23.9	241.4	581.0
New York	252.5	39.5	49.7	290.1	631.8
North Carolina	220.4	84.2	62.9	214.5	582.1
Ohio	217.4	64.7	23.3	221.1	526.4
Pennsylvania	206.6	51.8	9.8	203.9	472.1
TEXAS	**279.1**	**68.2**	**33.4**	**196.8**	**577.6**
Virginia	247.5	70.6	21.5	214.2	553.8
Washington	154.7	82.5	39.4	244.5	521.1
U.S. AVERAGE	**222.0**	**65.7**	**32.0**	**217.6**	**537.3**

Source: U.S. Census Bureau.

4. GENERAL GOVERNMENT

*As shown in **Figure 86**, All Funds appropriations for General Government for the 2012–13 biennium total $4.5 billion, or 2.6 percent of all state appropriations. This amount is a decrease of $557.3 million, or 11.1 percent, from the 2010–11 biennium. **Figure 87** shows 2012–13 biennial appropriations by method of financing and full-time-equivalent positions from fiscal years 2008 to 2013 for all General Government agencies.*

FIGURE 86
ALL FUNDS APPROPRIATIONS FOR GENERAL GOVERNMENT
2012–13 BIENNIUM

IN MILLIONS

AGENCY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Commission on the Arts	$15.9	$7.8	($8.0)	(50.6)
Office of the Attorney General	1,129.9	1,058.1	(71.8)	(6.4)
Bond Review Board	1.1	1.0	(0.2)	(15.2)
Cancer Prevention and Research Institute of Texas	448.5	594.1	145.6	32.5
Comptroller of Public Accounts	499.6	426.9	(72.7)	(14.6)
Fiscal Programs - Comptroller of Public Accounts	1,091.3	791.0	(300.3)	(27.5)
Commission on State Emergency Communications	137.7	115.0	(22.7)	(16.5)
Employees Retirement System	16.2	16.2	0.0	NA
Texas Ethics Commission	3.9	3.9	(0.0)	(1.0)
Facilities Commission	167.6	161.6	(6.0)	(3.6)
Public Finance Authority	6.6	5.7	(1.0)	(14.6)
Fire Fighters' Pension Commissioner	1.5	1.7	0.2	13.1
Office of the Governor	23.7	19.5	(4.2)	(17.5)
Trusteed Programs Within the Office of the Governor	876.6	578.2	(298.4)	(34.0)
Historical Commission	104.5	52.6	(51.9)	(49.6)
Department of Information Resources	638.8	542.2	(96.5)	(15.1)
Library & Archives Commission	77.2	40.8	(36.4)	(47.1)
Pension Review Board	1.4	1.4	0.0	2.6
Preservation Board	35.3	28.6	(6.7)	(19.0)
State Office of Risk Management	17.6	18.1	0.5	3.1
Workers' Compensation Payments	90.2	96.2	6.0	6.6
Secretary of State	72.2	95.4	23.2	32.2
Veterans Commission	47.1	55.2	8.1	17.1
SUBTOTAL, GENERAL GOVERNMENT	**$5,504.3**	**$4,711.2**	**($793.1)**	**(14.4)**
Retirement and Group Insurance	$204.3	$211.1	$6.8	3.3
Social Security and Benefit Replacement Pay	78.4	76.7	(1.7)	(2.2)
SUBTOTAL, EMPLOYEE BENEFITS	**$282.7**	**$287.8**	**$5.0**	**1.8**

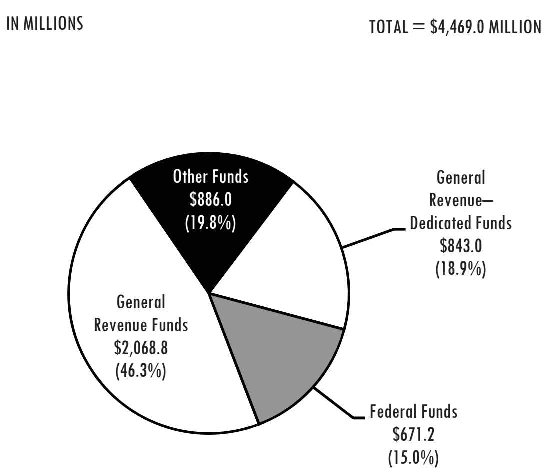
FIGURE 86 (CONTINUED)
ALL FUNDS APPROPRIATIONS FOR GENERAL GOVERNMENT
2012–13 BIENNIUM

IN MILLIONS

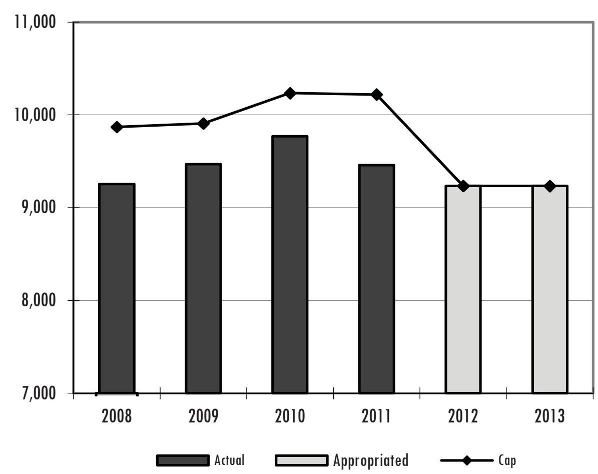
AGENCY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Bond Debt Service Payments	$44.7	$136.7	$91.9	205.5
Lease Payments	23.2	22.0	(1.1)	(4.9)
SUBTOTAL, DEBT SERVICE	**$67.9**	**$158.7**	**$90.8**	**133.7**
Less Interagency Contracts	$828.6	$688.6	($140.0)	(16.9)
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$5,026.3**	**$4,469.0**	**($557.3)**	**(11.1)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTES: Article totals exclude interagency contracts. Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

FIGURE 87
GENERAL GOVERNMENT APPROPRIATIONS AND FULL-TIME-EQUIVALENT POSITIONS
2012–13 BIENNIUM



SOURCE: Legislative Budget Board.



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

General Government agencies provide a wide array of public and state administrative support services. Included in the General Government functional area are executive branch offices established by the Texas Constitution such as the Governor, Comptroller of Public Accounts, and the Attorney General.

In addition to the executive offices, other General Government agencies are responsible for oversight and management of state debt; administration of employee healthcare and retirement benefits; oversight of state and federal election laws; preservation of the state's cultural and historic resources; claims administration for veterans federal benefits and veterans' education and job training programs; management of information technology and telecommunications services; oversight of building construction and maintenance programs; as well as administration of cancer prevention and research programs.

NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding in all figures in this chapter. Figure totals may not sum because of rounding.

MAJOR FUNDING ISSUES

ACROSS ARTICLE APPROPRIATIONS

The 2012–13 biennial funding levels of several General Government programs changed significantly as compared to the 2010–11 biennial spending levels.

EMPLOYEE BENEFITS

Appropriations for state employee group insurance benefits total $2.7 billion and increased by $236.5 million from the 2010–11 biennial spending levels. Funding for state contributions for group insurance benefits reflects an annual cost trend of 7.0 percent, additional costs related to federal healthcare legislation, 5.0 percent annual retiree growth, and several cost-saving initiatives by the Employees Retirement System (ERS) with regard to the Group Benefits Program (GBP). Funding also reflects elimination of the state's contribution for dependent health insurance coverage for certain state employees through the State Kids Insurance Program (SKIP) due to federal healthcare legislation making these employees now eligible for the Children's Health Insurance Program (CHIP), which is administered by the Health and Human Services Commission. In addition, the 2012–13 General Appropriations Act provides for a contribution from all general state agencies and institutions of higher education equal to 1.0 percent of the total base wages and salaries for each benefits eligible employee participating in the GBP to go toward group health insurance.

Appropriations for state contributions for general state employees' retirement total $723.4 million in All Funds for the 2012–13 biennium, which is a decrease of $83.2 million, or 10.3 percent, from the 2010–11 biennial spending levels. This decrease is due primarily to a reduction in the state contribution rate established by the Eighty-second Legislature, Regular Session, 2011, from 6.95 percent to 6.00 percent in fiscal year 2012 and 6.50 percent in fiscal year 2013, and no assumed payroll growth for general state employees during the 2012–13 biennium. Additionally, Senate Bill 1664, Eighty-second Legislature, 2011, Regular Session, maintains the employee contribution at 6.5 percent during the 2012–13 biennium by allowing the state contribution to be less than the member contribution during fiscal year 2012.

Appropriations for the state match for Social Security total $1.5 billion for the 2012–13 biennium, an increase of $4.9 million, or 0.3 percent, from the 2010–11 biennial spending levels, based primarily on salary growth in fiscal year 2011. These appropriations fund the 6.2 percent employer payroll tax contribution for the Social Security program and the 1.45 percent tax for the state Medicare program, and reflect no payroll growth for general state and higher education employees during the 2012–13 biennium.

STATE DEBT SERVICE ON GENERAL OBLIGATION BONDS ADMINISTERED BY THE TEXAS PUBLIC FINANCE AUTHORITY

Appropriations for debt service payments for General Obligation (GO) bonds total $606.6 million for the 2012–13 biennium, an increase of $0.8 million from the 2010–11 biennial estimated and budgeted amounts primarily due to the issuance of newly appropriated debt. Included in the appropriations is $14.4 million in debt service for $600 million in GO bonds to the Cancer Prevention and Research Institute (CPRIT), primarily for grants, and $13.3 million in debt service for $182.4 million in GO bonds for new capital projects at several TPFA client agencies. Appropriations also reflect a reduction of $79.2 million in debt service to restructure approximately $111.4 million in outstanding debt.

ENTERPRISE RESOURCE PROJECT

The Centralized Accounting and Payroll/Personnel System (CAPPS) is an enterprise resource planning system being implemented by the Comptroller of Public Accounts (CPA). In an effort to move toward a single set of books for the State of Texas, CAPPS will eventually replace financial and payroll systems currently maintained by CPA and used by state agencies, such as the Uniform Statewide Accounting System (USAS), Uniform Statewide Payroll/Personnel System (USPS) and the Integrated Statewide Administrative System (ISAS). CAPPS uses a web-based system that will enable agencies to have real-time access to financial information and provide enhanced reporting capabilities. In addition, the new system also eliminates obsolete business processes, including manual processing, duplicate data entry, paper processing, and manual reconciliation. During the 2010–11 biennium, the agency expended approximately $41.6 million developing CAPPS. Funding for the 2012–13 biennium includes $13.3 million in Interagency Contracts transferred from the Department of Information Resources (DIR) for licensing and maintenance of CAPPS. DIR and the Centralized Texas Turnpike System (CTTS) within TxDOT are the first agencies in Texas to implement the full suite of financial modules in the new system. In addition, the health and human services agencies (Health and Human Services

Commission; Department of Aging and Disability Services; Department of Assistive and Rehabilitative Services; Department of Family and Protective Services; and the Department of State Health Services) are anticipated to implement the human resources and payroll modules of CAPPS in summer 2012.

GENERAL GOVERNMENT AGENCIES

The 2012–13 biennial funding levels of several General Government agencies changed significantly as compared to the 2010–11 biennial spending levels.

- Commission on the Arts—a decrease in General Revenue Funds and General Revenue–Dedicated Funds funding of approximately $4.7 million, or 46.7 percent primarily due to the dissolution of the Cultural Endowment Fund, a fund which existed outside the State Treasury and the balance of which was transferred to the General Revenue–Dedicated Commission on the Arts Operating Account during the 2010–11 biennium. Overall, reduced funding levels primarily impact the agency's arts organization grant programs, cultural tourism grants, and marketing programs.

- Cancer Prevention and Research Institute—an increase of $145.6 million in General Obligation (GO) bonds to award cancer research and prevention grants, also reflecting a transfer of approximately $3.0 million out of GO bond proceeds each fiscal year to the Department of State Health Services for administration of the Cancer Registry, which is a central data bank that includes a record of cancer cases reported in the state.

- Comptroller of Public Accounts, Fiscal Programs—a reduction of $300.3 million primarily due to elimination of one-time funds from the American Recovery and Reinvestment Act of 2009 for energy-related programs administered by the State Energy Conservation Office. In addition, appropriations were eliminated for tobacco enforcement grants and local continuing education grants for local law enforcement. Funding levels for mixed beverage tax reimbursements for counties and incorporated municipalities reflect a reduced rate of reimbursement from 10.7143 percent to 8.3065 percent. Funding for gross weight and axle weight permit fee distributions to counties were maintained with funding shifted from General Revenue Funds to State Highway Fund 6. Also, appropriations were provided for two new programs: an obesity program to research the economic impact of obesity and reimbursements to the General Revenue Fund for losses from insurance premium tax credits for examination fees and overhead assessments.

- Texas Public Finance Authority (TPFA)—The Authority's sunset legislation, House Bill 2251, Eighty-second Legislature, Regular Session, 2011, continues the agency for 12 years and allows the TPFA to issue debt as needed by the Cancer Prevention and Research Institute by eliminating the requirement that the institute escrow funds for multi-year grants upon award of the grants. This change gives TPFA the flexibility to use short-term debt to finance the institute's needs and thus take advantage of historically low short-term interest rates, thereby reducing the overall cost for debt service payments.

- Trusteed Programs within the Office of the Governor—an overall decrease of $298.4 million mainly due to a decrease in Criminal Justice Funds of $171.4 for various grants to local, state, and non-profit entities; Economic Development and Tourism Funds of $81.7 million primarily for grants and other operating expenses; Military Preparedness Funds of $39.0 million related for grants to defense dependent communities for economic development; Disaster Funds of $37.8 million to state and local entities; Film and Music Marketing Funds of $34.8 million; Homeland Security Funds of $9.3 million related to transferring funding to the Texas Department of Public Safety; County Essential Service Grant Funds of $2.9 million; Emergency and Deficiency Grants of $2.3 million to state agencies. These reductions are offset by an increase in Texas Enterprise Funds of $81 million and Emerging Technology Funds of $3.1 million primarily related to balances not obligated in the 2010–11 biennium and moved forward for expenditure in the 2012–13 biennium. In addition, the agency has authority to carry forward all unexpended fund balances and interest earnings from fiscal years 2011 to 2012 pursuant to Article IX, Section 18.105, of the 2012–13 General Appropriations Act.

- Historical Commission—an increase of approximately $4.7 million in General Revenue–Dedicated Funds, mainly reflecting $5.1 million from the transfer of the agency's funds from outside the Treasury that were invested in the Comptroller of Public Accounts Safekeeping Trust Company to the agency's General Revenue–Dedicated Preservation Trust Fund offset by decrease of $0.4 million for Preservation Trust Fund grants for preservation assistance. Funding for restoration and renovation of county historic courthouses total $20 million in GO bond proceeds.

- Preservation Board—a decrease of $6.7 million and 33 full-time-equivalent (FTE) positions from the previous biennium primarily due to reductions related to restoration of the Governor's Mansion and shifting of funding for FTE positions to funds held outside the State Treasury for the agency's enterprise operations, which include the Bob Bullock Texas State History Museum, the Capitol gift shops, and the Capitol parking facilities.

COMMISSION ON THE ARTS

The Texas Commission on the Arts (TCA), established in 1965 and governed by 17 commission members, was created to promote a receptive climate for the arts and preserve Texas' rich and diverse heritage. To achieve these goals, the agency develops and monitors various arts programs to ensure that residents and visitors have access to arts programs, services, and exhibits. In addition, the agency provides financial and technical assistance to nonprofit arts organizations, schools, school districts, government entities, and individuals to support the arts, arts education, and cultural events.

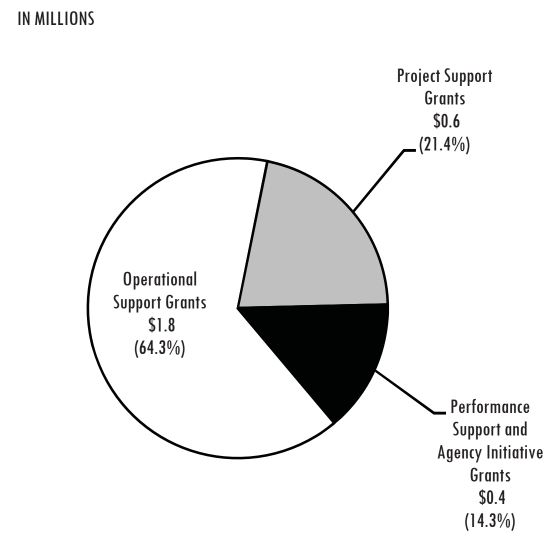
Appropriations for the 2012–13 biennium total $7.8 million and support 12 full-time-equivalent (FTE) positions. Of the total appropriations, $5.4 million, or 68.7 percent, consists of General Revenue Funds and General Revenue–Dedicated Funds. This is a decrease of $8.0 million or 50.6 percent in All Funds and 5.7 FTE positions from the 2010–11 biennial spending levels primarily due to the dissolution of the Cultural Endowment Fund, totaling $5.0 million, and $1.4 million in one-time Federal Funding received in the previous biennium for the American Recovery and Reinvestment Act of 2009 (ARRA). In addition, Interagency Contracts were reduced from the Texas Education Agency ($0.6 million) and the Texas Department of Transportation ($1.3 million) which has been appropriated to the agency in previous biennia.

GRANTS

Providing financial assistance through grants is the primary mission of TCA. The majority of grants are awarded in two distinct categories: operational support grants and project support grants. However, additional grants are awarded for various purposes such as performance support and special agency initiatives. **Figure 88** shows the agency's funding allocation for the separate grant categories in fiscal year 2012.

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 with financial support for administration, exhibits, performances, production, touring exhibitions, and other core programs. Arts Create grants are awarded to arts organizations in six categories: established arts organizations with operating budgets greater than $5 million; those with operating budgets between $1 million and $5 million; and those with budgets between $50,000 and $1 million; established minority arts organizations with budgets of at least $50,000; local arts organizations; and local arts organizations for subgranting purposes. Awards typically range from $2,700 to $17,900, with an equal match required.

FIGURE 88
GRANT AWARD ALLOCATIONS, FISCAL YEAR 2012*



*Estimated.
Source: Texas Commission on the Arts.

The Arts Respond program includes project support grants and provides financial support for specific projects proposed by the grantee. Arts Respond grants are awarded in five categories based on the state's priorities as established by the Governor: economic development, education, health and human services, natural resources and agriculture, and public safety and criminal justice. Economic development grants are awarded to projects that focus on job growth or cultural tourism, such as festivals, fairs, and marketing campaigns. Education project grants are awarded to projects that use art in a K–12 school setting or during the school day. Examples include creative writing workshops, outreach programs targeted at students from low-income families, and teacher resource programs. Health and human services project grants address health-related topics, serve specific populations, or occur in a healthcare or human services setting, such as workshops or outreach programs at hospitals, senior activity centers or women's shelters. Natural resources and agricultural grants support projects relating to ecological or agricultural issues and those which occur in rural counties, such as exhibitions highlighting indigenous and folk arts or environmental topics. Public safety and criminal justice grants address projects that use art to prevent juvenile delinquency and recidivism in youth and adults, including programs for at-risk youth, juvenile offenders, or incarcerated offenders. Arts Respond grants also require a one-to-one match with awards typically ranging from approximately $500 to $1,400.

In addition to Arts Create and Arts Respond programs, the agency administers smaller grant programs, such as Arts Respond Performance Support and Young Masters. Arts Respond Performance Support grants assist organizations with providing for the fees of artists or companies on the TCA Touring Artists and Companies Roster to perform or present at events, including those for schools and school districts. The TCA Touring Artists and Companies Roster is a roster of Texas-based artists and companies willing to perform outside their community on a regular basis that maintain reasonable artistic fees for performances. The Young Masters program awards grants to eighth through twelfth grade students to develop their skills in their chosen arts discipline. The agency also awards grants from other funding sources—including those from the National Endowment for the Arts or private donors—for various purposes or initiatives, including Poetry Out Loud, a poetry recitation competition for high school students.

To promote effective grant distribution, agency staff consults with grant recipients on grant-writing procedures and presents workshops and seminars on issues of particular relevance to applicants. Agency staff also conducts site visits of grant recipients to monitor and evaluate the use of grant funds. TCAnet, a website that links arts information and services throughout the state, provides online technical assistance, an online grant application system, and online evaluation report forms.

In fiscal year 2011, the agency received an estimated 1,283 applications requesting more than $10.8 million in grants; of these amounts, the agency awarded $6.6 million to 1,011 applicants. In fiscal year 2012, the agency estimates it will process 1,200 grant applications and distribute $2.8 million in grant awards, a decrease of $3.8 million, or 58 percent, from the previous fiscal year.

CULTURAL TOURISM AND MARKETING

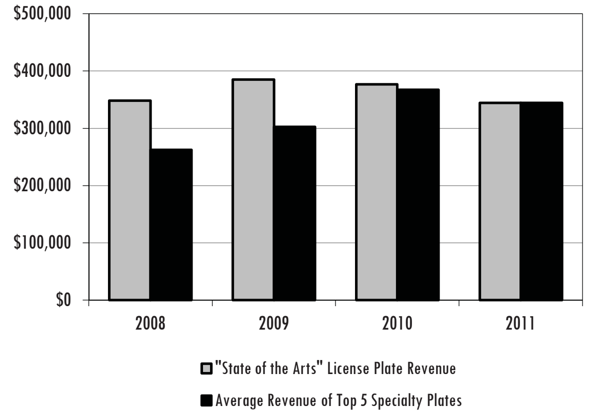
TCA also provides economic development programs designed to increase the number of visitors to various regions of the state by promoting the state as a destination for arts and cultural tourism. To achieve this objective, the agency works under a memorandum of understanding with the Texas Economic Development Tourism Office within the Office of the Governor, the Texas Department of Transportation, the Texas Parks and Wildlife Department, and the Texas Historical Commission. Appropriations were not included for cultural tourism grants or marketing and promotional activities, resulting in a decrease of $1.9 million in All Funds, including $0.6 million in General Revenue Funds and General Revenue–Dedicated funding sources, and $1 million in Federal Funds (ARRA).

However, the agency will continue designating Cultural Districts through the agency's Cultural Districts Designation program. This program does not provide financial support but instead recognizes areas with a concentration of arts and cultural venues to promote tourism and economic development in those areas. The agency also supports cultural tourism through its website by providing access to information on cultural tourism development and support. TCA's *Tools for Results Toolkit* contains information on a number of development topics for arts and cultural organizations, such as marketing and fundraising. The agency also hosts the *Art on Art* blog, which provides information on arts and cultural events throughout the state for both the public and arts organizations.

"STATE OF THE ARTS" LICENSE PLATE

In 1993, the Seventy-third Legislature authorized the "State of the Arts" license plate, a specialty license plate promoting the arts in Texas and creating a revenue source for the agency. Revenue received from the sale of these license plates is deposited into the Commission on the Arts Operating Account (General Revenue–Dedicated Funds), which the agency uses for operations and grants. Since the license plate became available for purchase in 1995, it remains a top-selling state specialty plate. In fiscal year 2011, the "State of the Arts" license plate generated $344,691 in revenue and is expected to generate approximately $300,000 in fiscal year 2012. **Figure 89** compares revenue generated by the "State of the Arts" license plate to the average top sales of other plates from fiscal years 2008 to 2011.

FIGURE 89
"STATE OF THE ARTS" LICENSE PLATE REVENUE
FISCAL YEARS 2008 TO 2011



Source: Legislative Budget Board.

OFFICE OF THE ATTORNEY GENERAL

The Office of the Attorney General (OAG), established in 1876 as an elective office by Article IV, Section 1, of the Texas Constitution, defends the Constitution and laws of the State of Texas and serves as the legal counsel to the Governor, the Legislature, and the more than 250 state agencies, commissions, and institutions of higher education. OAG, through agency staff, also represents the state in civil and criminal cases in federal appellate courts, issues advisory opinions in response to inquiries from certain state officials, and investigates and approves public bond issuances. The agency also may assist local jurisdictions with prosecution of criminal cases or pursue prosecution of certain cases with local prosecutors' consent.

OAG is also responsible for consumer protection, investigation and prosecution of civil Medicaid fraud, investigation of Internet crimes against children, the state's child support program, victims' compensation payment program, administrative support to the State Office of Risk Management and investigation of civil and criminal Medicaid fraud. In its role as the state agency responsible for the child support program, the agency provides services to custodial parents in obtaining child support for their children, enforces state and federal child support laws and regulations, and collects and distributes child support payments. As the state agency responsible for the victim services payment program, OAG administers the Compensation to Victims of Crime Fund and assists eligible victims in paying for medical and counseling bills incurred due to acts of violent crime. In its capacity as an investigatory agency related to criminal Medicaid fraud, the agency reviews allegations of fraud against Medicaid providers.

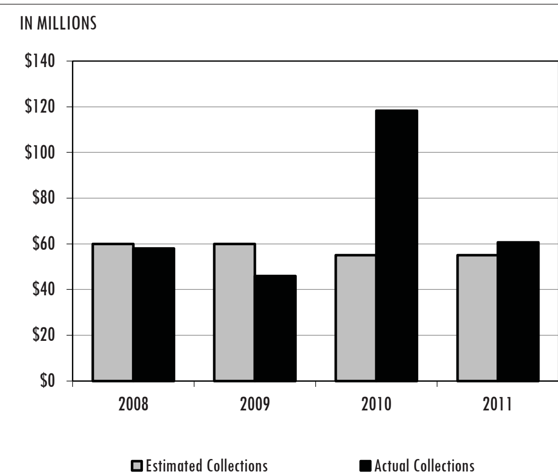
Appropriations for the 2012–13 biennium total $1,058.1 million in All Funds, reflecting a decrease of $71.8 million primarily related to a decrease of one-time federal American Recovery and Reinvestment Act of 2009 funding for child support enforcement ($105.8 million), offset by an increase for crime victim service grants ($24.5 million), and an increase related to crime victim compensation payments ($15.8 million). Appropriations for the 2012–13 biennium also provide for 4,201.9 full-time-equivalent (FTE) positions. Total appropriations include $564.5 million in General Revenue Funds and General Revenue–Dedicated Funds, or approximately 53 percent, and $416.2 million in Federal Funds, or approximately 40 percent. The remaining $77.3 million in Other Funds represents approximately 7 percent of the total appropriations.

LEGAL SERVICES

As the state's legal counsel, OAG provides a wide 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 anti-trust activities; banking and securities activities; environmental protection activities; labor, agriculture, and housing activities; and health and safety codes. The agency operates six regional legal offices, located in Austin, Dallas, El Paso, Houston, McAllen, and San Antonio. Appropriations for the legal services function total $176.7 million for the biennium, a reduction of $4.6 million from 2010–11, and provide for 1,083.8 FTE positions.

OAG is responsible for collecting certain delinquent judgments and debts owed the state. The agency receives a portion of the delinquent funds that it collects and utilizes those funds for financing administrative and legal operations. For fiscal years 2008 to 2011, the agency estimated collections of approximately $230 million and collected $283 million. For fiscal year 2012, the agency is estimating collection of approximately $45 million, a decrease from past collections which, according to the agency, can be attributed to the continued downturn in the economy. **Figure 90** shows the estimated and actual collections for fiscal years 2008 to 2011 and shows a considerable increase in collections in fiscal year

FIGURE 90
DEBT COLLECTIONS
FISCAL YEARS 2008 TO 2011



SOURCE: Office of the Attorney General.

2010. This increase is attributed to a several significant one-time bankruptcy collection cases totaling more than $67 million. The largest of these bankruptcy cases was related to Asarco L.L.C., a national mining company, which resulted in more than $52 million in collections.

In fiscal year 2003, the agency established the Cyber Crimes Unit, responsible for 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 create, share, and distribute images of child sexual violence and exploitation. Since the unit's inception, law enforcement officers within the agency conducted more than 120 arrests of individuals who solicited sex online from persons they believed to be children and assisted in more than 130 convictions for distribution or possession of child pornography. The unit also provides information and training to: law enforcement agencies around the state; various interest groups; school administrators; students; and the public in regards to child exploitation crimes and cyber safety.

Consumer protection and education is also an important role for the agency. OAG files civil lawsuits against companies in violation of the state Deceptive Trade Practices Act and other consumer protection laws. Agency staff also receives and process consumer complaints into a company's business practices, which may result in lawsuits filed on behalf of the state. These lawsuits are not filed on behalf of individual complainants, but rather to enforce state law and the public good. However, some legal actions do produce restitution for individual consumers, and information and complaints from individuals are vital for the agency to protect the public from fraudulent companies. The agency also provides public awareness by posting consumer rights and common scams on its website and offers information on a wide range of consumer issues.

The OAG also issues rulings and decisions that determine whether requested information is open to the public under the Texas Public Information Act. When a governmental body receives a written request for documents or other recorded information, Texas law requires the governmental body to release the information to the requestor. If the governmental body believes an exception to disclosure may apply to the requested information, the governmental body must request a decision from the OAG as to whether the claimed exception applies to the requested information. The governmental body must submit its request for a decision, along with the requested information and any legal arguments in support of withholding the requested information, within statutory deadlines established under the Public Information Act. The OAG reviews the submitted information, the legal arguments, and applicable laws, and issues a decision within 45 business days of receiving the governmental body's request for decision. In the 2010–11 biennium, the OAG issued more than 38,000 rulings.

As part of the legal services function, the OAG's Civil Medicaid Fraud Division is responsible for enforcing the Texas Medicaid Fraud Prevention Act (TMFPA) 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 $10,000 per violation. Because the federal government funds a significant portion of state Medicaid expenditures, it also receives a percentage of the State's financial recovery. In the 2010–11 biennium, the OAG recovered $314 million in damages, attorneys' fees, court costs, and civil penalties. Of that amount, $131 million was recovered to the state and $183 million was provided to the federal government.

CHILD SUPPORT PROGRAM

OAG is the state agency responsible for the Child Support Enforcement Program, as provided in Title IV-D of the federal Social Security Act, and provides services that locate delinquent parents, establishes paternity and court-ordered support obligations, and enforces collection of established support obligations. These activities are supported by state funds, which are matched by Federal Funds. The Legislature appropriated $530.1 million and 2,730.8 FTE positions for the 2012–13 biennium for child support enforcement activities. As part of the federal funding, the agency receives Federal Performance Incentive Payments, which are based on performance of five key areas: percentage of established child support cases, collections of child support arrears, number of cases with support orders, collections on current support, and overall cost effectiveness. These incentive payments, which are competitive across the nation, are intended to reward individual states with the most efficient and effective child support programs. Texas, which received $55.1 million for fiscal year 2010 performance, ranked first nationally for the amount of incentive payments awarded by the federal government.

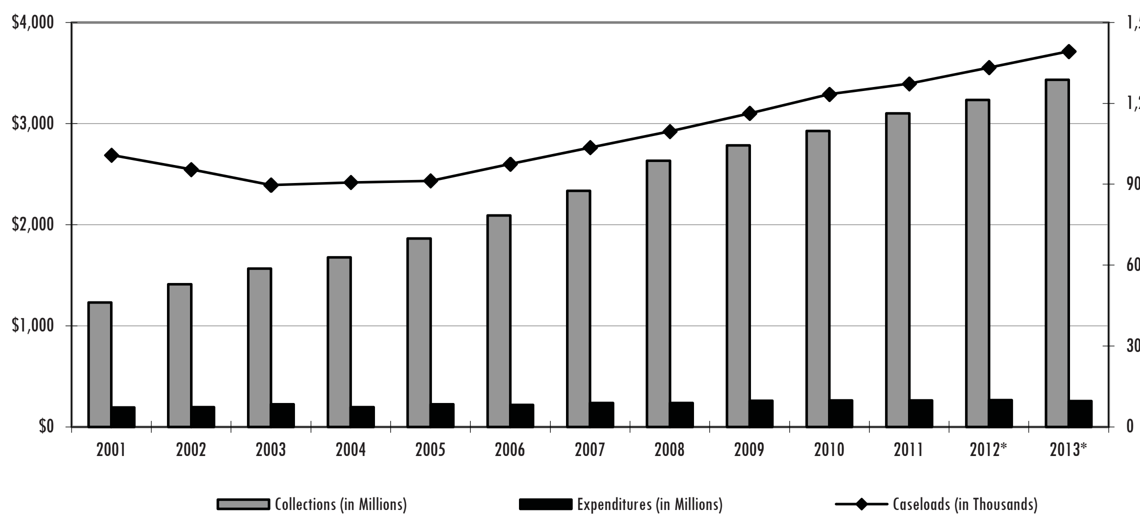
More than 82 percent of child support cases filed with the agency obtain child support orders, one of the highest ratios in the nation for state child support programs according to the OAG. As a result, the agency is focusing greater resources on enforcement of child support orders, as opposed to establishing paternity and court ordered support obligations. In fiscal year 2011, the agency collected $3.1 billion in child support payments and, as a result of increased efforts on collection, is projecting to reach $3.4 billion in fiscal year 2013. Child support operations are conducted in 66 field offices organized into nine regional offices around the state. These regions are: Austin, Dallas, El Paso, Fort Worth, Houston, Lubbock, McAllen, San Antonio, and Tyler. Over 2,100 agency staff members directly serve child support customers. In addition, each region is served by a call center to respond to inquiries from custodial parents and child support obligors. **Figure 91** shows the child-support enforcement expenditures, collections, and caseloads for fiscal years 2001 to 2013. 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. The appropriation for the 2012–13 biennium totals $25 million. OAG projects that the SDU will process approximately 37.2 million payments during the 2012–13 biennium.

CRIME VICTIMS' SERVICES

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 Compensation to Victims of Crime Fund, which is constitutionally dedicated to provide payments and services to crime victims. Revenues, which come from court costs assessed against persons convicted of felonies and certain misdemeanors, are collected in municipal and county treasuries and deposited in the State Treasury.

The largest of the OAG victims' assistance programs is the Crime Victims' Compensation Program. The program pays for a variety of expenses ranging from medical expenses to loss of wages incurred by victims of violent crimes. Appropriations for the 2012–13 biennium for the Crime Victims' Compensation Program total $181.8 million in All Funds and provide 119.9 FTE positions. These appropriations include approximately $173.2 million in General Revenue–Dedicated Funds from the Compensation to Victims of Crime Account. Two other state agencies receive a total of $11.9 million in Compensation to Victims of Crime appropriations: the Employees Retirement System ($3.8 million) for death benefits paid to emergency service personnel and law enforcement officers killed in the line of duty, and the Health and Human Services Commission ($8.1 million) for emergency shelter services for victims of family violence. The program is expected to pay out more

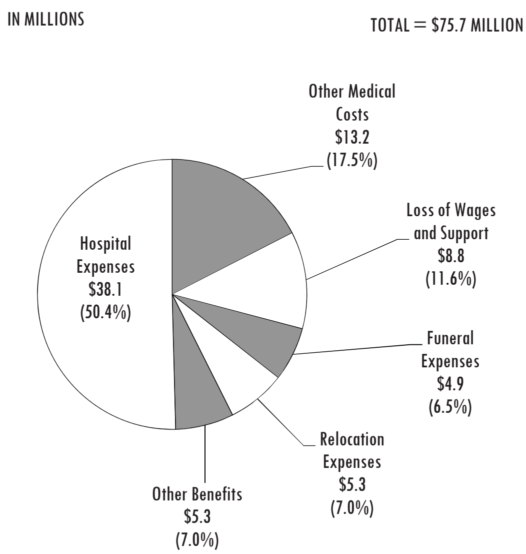
FIGURE 91
CHILD SUPPORT ENFORCEMENT, FISCAL YEARS 2001 TO 2013



*Estimated.
Source: Office of the Attorney General.

than $163.2 million in compensation during the biennium. **Figure 92** shows the distribution of fiscal year 2011 awards among various categories. **Figure 93** shows the trend in compensation awarded and the trend in the number of victims receiving awards, which indicates the number of victims receiving compensation decreased from fiscal years 2010 to 2011 while the amount of compensation awarded increased. This trend can be attributed to fewer victims filing for payments because of a decrease in the crime rate and an overall increase in claim payments because of the rise of medical costs.

FIGURE 92
CRIME VICTIMS' FUND AWARDS, FISCAL YEAR 2011

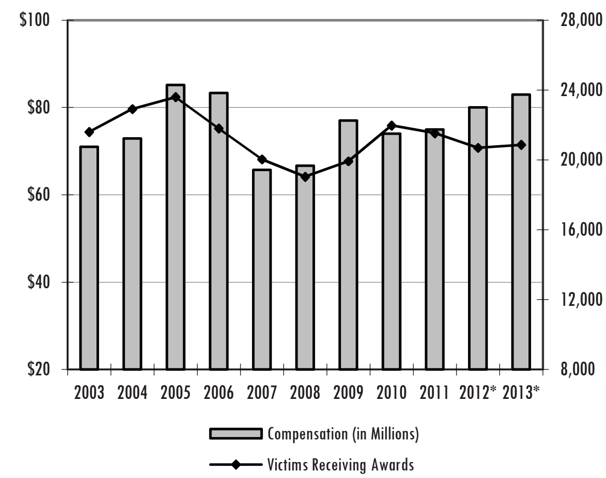


NOTE: Totals may not sum due to rounding.
SOURCE: Office of the Attorney General.

OAG is appropriated funds to make grants to local programs that assist sexual assault victims, train sexual assault nurse examiners, and help local governments cover the costs of victims' assistance coordinators. In addition, the agency contracts with the Court Appointed Special Advocate (CASA) Program, which provides volunteer guardian assistance to abused and neglected children, and with Children's Advocacy Centers, which provide services to victims of child abuse. Grants are available to local organizations that provide legal services to crime victims and to other organizations in the state that assist crime victims.

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

FIGURE 93
CRIME VICTIMS' COMPENSATION PROGRAM
FISCAL YEARS 2003 TO 2013



*Estimated.
SOURCE: Office of the Attorney General.

Texas Address Confidentiality Program (ACP) provides a substitute address and mail forwarding service for these victims and members of their household. Applicants in the ACP must meet with a local domestic violence shelter, sexual assault center, or law enforcement staff member to discuss a safety plan and enroll in the program. Funding for these various grants, contracts, and programs totals approximately $92.8 million for the 2012–13 biennium.

MEDICAID FRAUD INVESTIGATION

OAG is responsible for conducting a statewide program of criminal Medicaid fraud investigation. 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. OAG is appropriated $28.9 million and 211.7 FTE positions for the 2012–13 biennium for Medicaid fraud investigation. The agency anticipates identifying overpayments totaling $56.6 million in each fiscal year of the biennium.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills related to OAG. Among the more significant legislation are Senate Bill 731, Senate Bill 367, and Senate Bill 24.

The enactment of Senate Bill 731 amends the Transportation Code and authorizes the OAG to collect a fee from a toll project entity for review by the OAG of a comprehensive development agreement (CDA) for a toll project. The OAG estimates that approximately $1.0 million per fiscal year will be generated related to review of CDAs.

The enactment of Senate Bill 367 amends the Government Code and authorizes the OAG to impose and collect an administrative fee to review state agency invoices relating to the use of outside legal services by state agencies. The OAG estimates that approximately $0.2 million per fiscal year will be generated as a result of this fee to cover program costs within the legal services division.

The enactment of Senate Bill 24 implements multiple recommendations of the OAG's Human Trafficking Prevention Task Force, a 47 member task force established in 2009 to combat human trafficking crimes and provide recommendations to the Legislature. The legislation establishes legally distinct definitions of sex trafficking and labor trafficking, increases penalties for compelling prostitution of a child to a first-degree felony, adds human trafficking offenses to the list of crimes for which a life sentence in prison is automatic for two or more trafficking offense convictions, and requires convicted sex traffickers to register in the Texas Sex Offender registry.

The Eighty-second Legislature, First Called Session, 2011, also passed Senate Bill 1, which authorizes the OAG to charge a fee to individuals or entities for the electronic filing of documents at the agency. The OAG estimates that approximately $0.5 million per fiscal year will be generated as a result of this filing fee to cover program costs within the legal services division.

BOND REVIEW BOARD

The Bond Review Board (BRB) was established in 1987 to review and approve the issuance and refundings of all state debt and lease-purchase projects proposed by state agencies and universities with a principal amount greater than $250,000 or a term longer than five years. The agency is governed by a board of directors composed of the Governor as Chairman, the Lieutenant Governor, the Speaker of the House of Representatives, and the Comptroller of Public Accounts, or their respective designees. In addition, the Office of the Attorney General serves as counsel to the Board.

BRB's mission is to ensure 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 Program. Appropriations for the 2012–13 biennium total approximately $1 million in General Revenue Funds and provide for 8.0 full-time-equivalent positions.

The agency carries out its responsibilities through three major functions: (1) protecting Texas' bond rating; (2) providing local government bond debt support; and (3) administration of Private Activity Bonds.

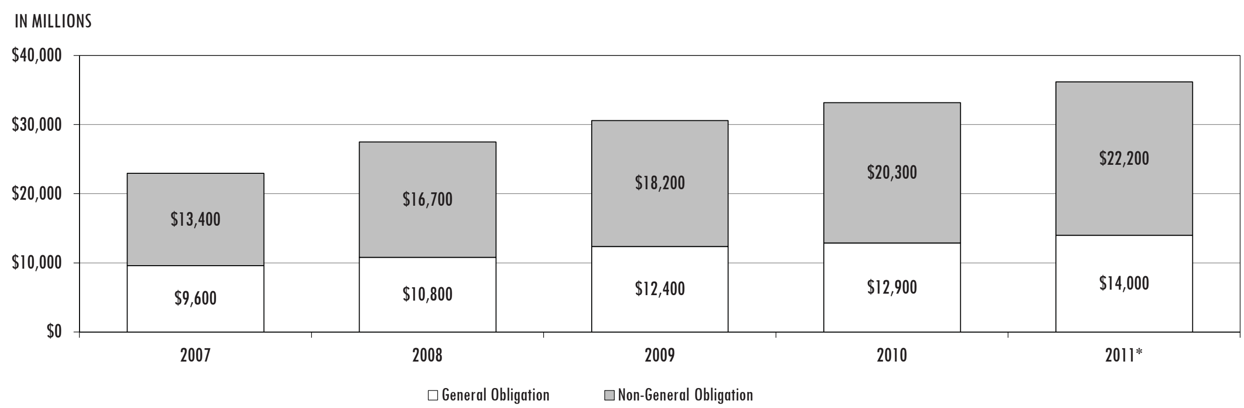
BOND RATING PROTECTION

BRB works to ensure that Texas state bonds attain the highest possible rating and are issued in the most cost-effective manner. Agency initiatives to accomplish this include the creation of debt issuing guidelines, review of state debt issuance, and statewide capital planning. The agency verifies the legal authorization for all bond issues proposed by state agencies and educational institutions and evaluates the proposed use of the proceeds, investment provisions, debt-administration provisions, market conditions for timing the sale of the bonds, and issuance costs. In addition, the agency studies economic and financial conditions and trends, the outlook for the U.S. economy, and developments in national and world credit markets.

BRB staff produces reports for the Legislature, local public officials, investors, rating agencies, and other interested parties. These reports provide information on Texas' debt burden and credit-worthiness and include recommendations to ensure cost-effective capital financing practices to raise the state's bond rating and lower its borrowing costs. During fiscal year 2011, the agency reviewed 30 proposed bond applications and six lease-purchase agreements to ensure proper legal authorization, accurate and adequate disclosure, appropriate use of call provisions, bond insurance, and other provisions of the projects.

BRB is required to submit an annual report to the Legislature on state and local debt burdens and the aggregate impact of all recommended state debt issuance on the state's debt burden. **Figure 94** shows the state's total outstanding debt in bonds for fiscal years 2007 to 2011, including both General Obligation (GO) bonds, which are legally backed by the full faith and credit of the state, and non-GO bonds. These amounts exclude revenue bond conduit debt (approximately $4.3 billion as of August 31, 2011) which the state is not obligated to pay. However, **Figure 94** does include general

FIGURE 94
OUTSTANDING BOND DEBT FOR ALL STATE AGENCIES AND UNIVERSITIES
FISCAL YEARS 2007 TO 2011



*Estimated.
SOURCE: Bond Review Board.

obligation conduit debt which requires repayment by the state in the event of default by the conduit borrower.

CONSTITUTIONAL DEBT LIMIT

The Texas Constitution limits the authorization of additional state debt if the percentage of debt service payable from General Revenue Funds in any fiscal year exceeds 5 percent of the average annual unrestricted General Revenue Fund revenues from the previous three fiscal years. Unrestricted General Revenue Funds are the amount of funds available after constitutional allocations and other restrictions. As part of the agency's annual report, BRB calculates two constitutional debt limit (CDL) ratios to track where the state stands in relation to this debt limit. **Figure 95** shows the result of these calculations for fiscal years 2009 and 2010, and estimated amounts for fiscal year 2011. The first debt ratio applies to outstanding or issued debt, and as of the end of fiscal year 2011, the issued debt ratio is 1.35 percent, which is a slight decrease from the fiscal year 2010 limit of 1.36 percent. The second debt ratio includes both issued and projected debt for authorized but unissued debt. BRB reports that, for this second ratio, the state is at 3.70 percent of unrestricted General Revenue Funds for the end of fiscal year 2011, a decrease of 40 basis points from fiscal year 2010. Any significant increase or decrease of the following components will affect the CDL ratio: the amount of GO bond debt authorized by voters; the three-year average of unrestricted General Revenue Fund revenues; and interest rates on issued bond debt.

FIGURE 95
CONSTITUTIONAL DEBT LIMIT

DATE	OUTSTANDING OR ISSUED DEBT	ISSUED AND AUTHORIZED BUT UNISSUED DEBT
August 31, 2009	1.22 %	4.08%
August 31, 2010	1.36 %	4.10%
August 31, 2011	1.35%	3.70%

SOURCE: Bond Review Board.

DEBT AFFORDABILITY STUDY

An additional tool used by the agency to achieve its goal to protect the state's bond rating is the annual Debt Affordability Study (DAS). The DAS provides the current debt position of the state and estimates the state's debt burden and in particular non-self-supporting debt. Non-self-supporting debt primarily relies on General Revenue Funds and does not have a designated revenue source to repay the debt. The DAS calculates five debt burden ratios, including Debt Service as a Percent of Unrestricted Revenues. **Figure 96** shows this ratio is expected to reach 1.17 percent by the end of fiscal year 2012.

LOCAL BOND DEBT

BRB does not have direct oversight over local government debt issuance. However, statute provides that BRB collect, maintain, analyze, and report on the status of local debt. In addition, the agency ensures that local public officials have access to current information regarding debt issuance, finance, and debt management. As of August 31, 2010, the state had 4,500 issuers of local government debt, 2,820 of which had a total of $183.79 billion in debt outstanding. These entities include school districts, counties, community/junior colleges, cities, health/hospital districts, water districts and other special districts. The state's local governments issue debt to finance construction and renovation of government facilities (school instructional facilities, public safety buildings, city halls and county courthouses), public infrastructure (roads, water and sewer systems), and various other projects for economic development.

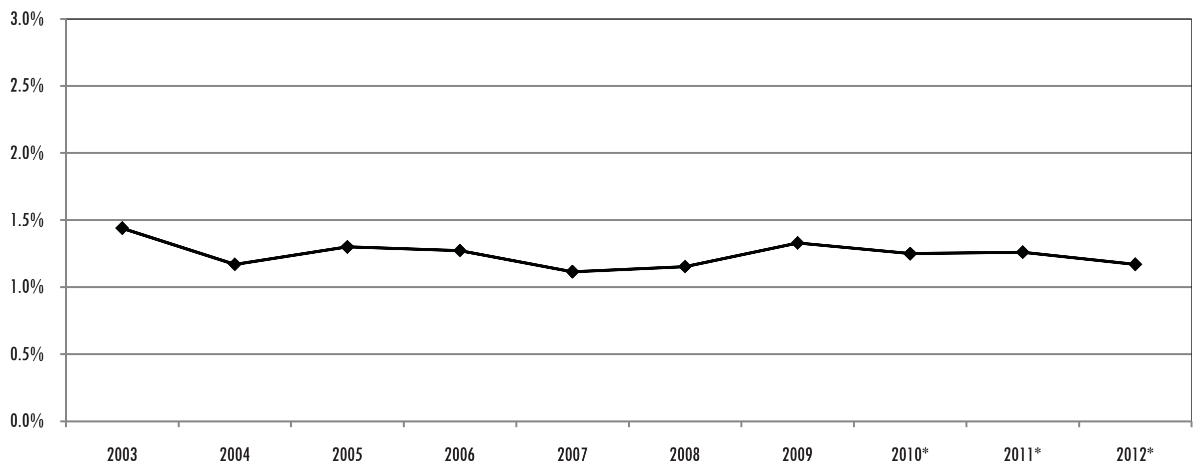
The agency also focuses on compiling data on local government debt on its website for policy makers and other interested parties as well as assisting these local entities. In recent years the BRB has expanded the local government debt information available on the agency's website, and visitors to the website can now access and download spreadsheets that contain debt outstanding, debt ratio and population data by government type at fiscal year end. During fiscal year 2010, the agency analyzed 1,195 local government financings, and approximately 4,400 different users of the BRB's website downloaded over 16,700 spreadsheets containing local government debt data.

Beginning in 1995, the Legislature authorized the Office of the Attorney General to collect information on bond-issuing entities in the state and to forward the information to BRB. The agency analyzes the information to ensure reporting accuracy, prepares detailed fiscal year-end reports on tax-supported and revenue debt outstanding that include debt trends and debt ratios (debt to assessed value, debt per capita, debt per student), and provides its findings to bond-issuing entities and state officials.

PRIVATE ACTIVITY BONDS

The Private Activity Bond Allocation Program (PAB) is a federal program authorized by the federal Tax Reform Act of

FIGURE 96
DEBT SERVICE AS A PERCENTAGE OF STATE UNRESTRICTED REVENUES, FISCAL YEARS 2003 TO 2012



*Estimated.
Source: Bond Review Board.

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 and are in the best interest of Texans.

BRB administers the PAB by regulating the state's total allocation of PAB authority ("state ceiling" or "volume cap") for issuance of tax-exempt bonds and by monitoring the amount of demand for and the use of private activity bonds each calendar year. The state's volume cap is based on a per capita amount multiplied by the state's most recent population estimate as published by the U.S. Census Bureau. Total issuance authority for calendar year 2011 was set at a ceiling of $95 per capita and indexed for inflation. For fiscal year 2011, Texas' state ceiling totaled $2.39 billion.

Public and private entities in Texas are authorized to issue the following types of tax-exempt bonds: mortgage revenue bonds; residential rental projects; small-issue industrial development bonds; certain state-voted bond issues; student loan bonds; and bonds for various exempt facilities, such as, sewage facilities, solid waste disposal facilities, and hazardous waste disposal facilities. As the nation's second most populous state (after California), Texas has the second largest state ceiling in the nation. The state divides its volume cap into six categories (or subceilings) that receive annual allocations, or set-asides, based on percentages established by state law. Eligible entities may apply for private activity bond authority and receive a reservation that converts into a permanent authorization provided certain transaction closing deadlines are met. **Figure 97** shows the subceiling authorizations for the PAB and the actual amount of the state ceiling that was issued as of August 31, 2011, reflecting that only approximately 10 percent of the total state ceiling has been issued. Unstable market conditions have negatively affected demand for the PAB over the past few years, and only 37.0 percent, 29.8 percent and 20.8 percent of the state ceiling was issued during calendar years 2008, 2009 and 2010, respectively. Unused allocation is carried forward to the next calendar year and expires after three years. As a result of the federal Housing and Economic Recovery Act of 2008 (HERA), the amount of volume cap available to Texas increased by $748 million during 2008 for the exclusive use of single-family and multi-family housing issuers. HERA provided a one-time increase that had to be issued by the end of calendar year 2010. BRB allocated $730 million of this cap to eligible entities in calendar year 2008, and all but $50 million of the allocation was used by the end of fiscal year 2010.

OTHER TAX-EXEMPT BONDING AUTHORITY

The agency has authority to administer any current or future tax-exempt bonding programs established by federal legislation such as the Heartland Disaster Tax Relief Act (HDTRA) of 2008, the American Recovery and Reinvestment Act of 2009 (ARRA) and HERA. HDTRA provided $1.9

FIGURE 97
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2011 SET-ASIDE VS. ISSUED ALLOCATION AMOUNTS
(AS OF AUGUST 31, 2011)

IN MILLIONS

SUBCEILING	SET-ASIDE ALLOCATION	PERCENTAGE OF TOTAL	ISSUED ALLOCATION	PERCENTAGE OF TOTAL
Single Family Housing	$668.9	28.0%	$65. 0	2.7%
State-Voted Issues	191.1	8.0%	75.0	3.1%
Small Issue IDBs	47.8	2.0%	3.3	0.1%
Multifamily Housing	525.5	22.0%	47.6	2.0%
Student Loan Bonds	250.8	10.5%	0.0	0.0%
All Other Issues	704.7	29.5%	45.0	1.9%
TOTAL	**$2,388 .8**	**100.0%**	**$235 .9**	**9.9%**

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

billion in tax-exempt bonding authority for the 34 Texas counties declared by the Governor as disaster areas as a result of Hurricane Ike and can be used to replace or rebuild private businesses in areas destroyed by that disaster. BRB began to allocate this authority in fiscal year 2010. HDTRA expires on December 31, 2012 and to date the state has allocated $1.1 billion with a total of $754.6 million in remaining authority.

ARRA provided the state with three new tax-exempt bond programs administered by BRB: the Recovery Zone Economic Development Bond (RZEDB) program, the Recovery Zone Facility Bond (RZFB) program and the Qualified Energy Conservation Bond (QECB) program. The RZEDB and RZFB programs have expired, and of the total of $225 million in bonding authority available to the state for these two programs, $72.5 million was allocated to three applicants. Of the state's total QECB allocation of $252.4 million, $205.9 has been allocated to large local issuers (cities and counties with populations in excess of 100,000), and the state has $50.6 million in remaining QECB authority.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed Senate Bill 5, which exempts public institutions of higher education with a bond rating of AA- or higher from BRB approval for issuances of bonds.

CANCER PREVENTION AND RESEARCH INSTITUTE

The Cancer Prevention and Research Institute (CPRIT) is the successor to the Cancer Council and was established with the passage and ratification by voters of a constitutional amendment (House Joint Resolution 90, Eightieth Legislature, 2007). In addition to establishing the Institute, the amendment authorized the issuance of up to $3 billion in General Obligation bonds over a 10-year period to fund grants for cancer prevention and research, particularly research that improves clinical treatment or prevention of cancers. The Institute is governed by the CPRIT Oversight Committee which consists of 11 members composed of three appointees each from the Governor, Lieutenant Governor, and Speaker of the House of Representatives, who serve staggered six-year terms and may include cancer survivors and family members of cancer patients. In addition, both the Comptroller and Attorney General, or their respective designees, are members of the Oversight Committee.

Total appropriations to CPRIT for the 2012–13 biennium are approximately $594.1 million, an increase of $145.6 million, or 32.5 percent, from the 2010–11 biennial spending levels. This increase is due primarily to an increase of $145.9 million in General Obligation (GO) bonds to award cancer research and prevention grants. This increase is partially offset by a $0.2 million decrease in General Revenue Funds and a $0.1 million decrease in Federal Funds. Appropriations for the 2012–13 biennium also reflect a transfer of approximately $3.0 million in GO bond proceeds each fiscal year to the Department of State Health Services for administration of the Cancer Registry, which is a central data bank that includes a record of cancer cases reported in the state. CPRIT also receives revenue generated through the sale of the Texans Conquer Cancer license plate and during the 2012–13 biennium, it is projected that approximately $24,000 in license plates revenue will be deposited to the Cancer Prevention and Research Fund (General Revenue–Dedicated Funds) to support nonprofit organizations in Texas that provide services to cancer patients. This represents a decrease of $18,000 as compared to the 2010–11 biennium. CPRIT is authorized 24 full-time-equivalent positions each fiscal year of the 2012–13 biennium.

The mission of CPRIT is to create and expedite innovation in the area of cancer research and to enhance the potential for a medical or scientific breakthrough in the prevention of cancer and cures for cancer; attract, create, or expand research capabilities of public or private institutions of higher education and other public or private entities that promote substantial increases in cancer research and in the creation of high-quality new jobs in Texas; and develop and implement the Texas Cancer Plan. CPRIT primarily accomplishes its directives by providing grants for cancer prevention and research.

CANCER PLAN

The Texas Cancer Plan serves several roles including functioning as a statewide blueprint for cancer prevention and control; a consensus-based, strategic document for public and private sector cancer control programs; and a planned evidence-based approach to reducing the cancer burden in Texas. The plan establishes several goals to help state and local communities, cancer experts, and medical professionals address cancer prevention and control issues in Texas: distribution of cancer prevention information services; early detection and treatment; professional education and practice; cancer data acquisition and utilization; and survivorship. The next revision to the plan is slated to be released by CPRIT in January 2012.

GRANT PROGRAMS

Grant applications for cancer research and prevention projects are reviewed and evaluated by the Scientific Research and Prevention Programs committees, which subsequently recommend eligible grant awards to the executive director. Unless overturned by a two-thirds vote, the Oversight Committee accepts the executive director's priority listing of grant awards. Eligible research and prevention grant recipients must be a Texas-based entity, including: a public or private institution of higher education; academic health institution; university; government organization; non-governmental organization; other public or private company; or an individual residing in or relocating to Texas upon receipt of grant awards. Grants are made in various amounts and over multi-year periods as shown in **Figure 98**, which shows Cancer Research Grants, and **Figure 99**, which shows Cancer Prevention Grants.

CANCER RESEARCH GRANTS

Cancer research grants provide financial support for research topics or issues related to cancer biology, causation, prevention, detection or screening, treatment or cure. Funded projects should directly or indirectly benefit subsequent cancer research efforts, cancer public health policy, or the continuum of cancer care from prevention to

FIGURE 98
CANCER RESEARCH GRANTS
2012–13 BIENNIUM

TYPE	PURPOSE	MAXIMUM GRANT AWARD
Individual Investigator Research	Proposals that will significantly advance knowledge of the causes, prevention and/or treatment of cancer.	$1 million annually for 4 years
High Impact/High Risk Research	Short-term, high-impact /high-risk projects that are innovative, developmental or exploratory in targeting new avenues of cancer research.	$200,000 over a 2-year period
Recruitment of First-time, Tenure-track Faculty Members	Support emerging investigators able to make contributions to the field of cancer research, promote inquiry into new areas, foster collaboration and stimulate growth in the field.	$2 million over a 4-year period
Rising Stars	Recruitment of investigators to Texas who are at a relatively early stage in their cancer research careers.	$4.5 million over a 5-year period
Established Investigators	Recruitment of senior research faculty with established cancer research programs to academic institutions of Texas.	No maximum award up to 5 years
Missing Links	Recruitment of investigators who can fill special and specific needs as critically important members of collaborative research teams ("Missing Links").	$500,000 to $2 million over a period of 4 years
Multi-investigator Research	Supports creation of integrated programs of collaborative and cross-disciplinary research among multiple investigators.	No maximum award up to 5 years
Shared Instrumentation Awards	Supports the acquisition of major research instrumentation that cannot be requested through other CPRIT programs and whose purchase can be justified on a shared-use basis to support the goals of scientifically meritorious cancer research projects.	Up to $3 million in total costs for the first year; up to $300,000 per year for years 2-5.
Company Commercialization	Provide financing for Texas companies or limited partnerships for the development of innovative products and services for the diagnosis, treatment, or prevention of cancer; to establish critical infrastructure; or to fill a treatment or research gap.	Dependent upon requested amount identified in business plan of the submitted proposal
Company Formation Awards	Provide financing to assist Texas start-up companies in the development of new products for the diagnosis, treatment, or prevention of cancer; to establish critical infrastructure; or to fill a treatment or research gap.	Dependent upon requested amount identified in business plan of the submitted proposal
Company Relocation Awards	Provide financing for companies or limited partnerships that are willing to relocate to Texas to develop new products for the diagnosis, treatment, or prevention of cancer; to establish critical infrastructure; or to fill a treatment or research gap.	Dependent upon requested amount identified in business plan of the submitted proposal

SOURCE: Cancer Prevention and Research Institute.

FIGURE 99
CANCER PREVENTION GRANTS
2012–13 BIENNIUM

TYPE	PURPOSE	MAXIMUM GRANT AWARD
Evidence-based Prevention Programs and Services	Services geared toward prevention and reduction of the risk of cancer, early detection, and improving the quality of life of cancer patients	$1 million for up to 24 months
Health Promotion, Public Education, and Outreach Programs	Education and outreach programs that demonstrate change in behaviors that prevent or reduce the risk of cancer.	$300,000 over a 24-month period
Cancer Prevention Microgrants	Supports programs in the area of (1) tobacco prevention and control, or (2) increasing delivery of primary preventative services for all cancers and screening services for breast, cervical, and colorectal cancers.	$150,000 maximum award up to 2 years

SOURCE: Cancer Prevention and Research Institute.

treatment and cure. Appropriations for the 2012–13 biennium for cancer research grants total $516.4 million in GO bond proceeds, which support the cancer research initiatives shown in **Figure 98.**

CANCER PREVENTION GRANTS

Cancer prevention grants should demonstrate an impact on the incidence, mortality or morbidity of cancer, and should impact 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 $58.0 million for the 2012–13 biennium primarily from bond proceeds, including $24,000 in General Revenue–Dedicated Funds (Cancer Prevention and Research Fund) for the cancer prevention grant programs shown in **Figure 99**.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, approved a change in law through House Bill 2251 (Sunset bill for the Texas Public Finance Authority) requiring that bond funding for CPRIT be issued on an as-needed basis, rather than at the time of the award, as required under the law originally authorizing the creation and operation of CPRIT. Additionally, with the enactment of Senate Bill 1421 by the Eighty-second Legislature, Regular Session, 2011, CPRIT now has authority to take equity ownership in companies receiving CPRIT awards. By having the option to collect either equity or royalty payments from investments in companies with successfully commercialized discoveries, CPRIT will be able to choose the option that has the potential to produce the best return to the State of Texas. This legislation also allows applicants from private entities—academic institutions, companies, and other organizations—to protect proprietary information in their applications in the same manner that public academic institutions currently are able to protect their proprietary information.

COMPTROLLER OF PUBLIC ACCOUNTS AND FISCAL PROGRAMS WITHIN THE OFFICE OF THE COMPTROLLER

COMPTROLLER OF PUBLIC ACCOUNTS

The elective office of Comptroller of Public Accounts was established in 1850 by the Texas Constitution and serves as the state's chief fiscal officer responsible for regulating and collecting taxes and fees. The Comptroller serves as the chief revenue-forecasting officer and reports the state's financial condition to the Legislature at the end of each fiscal year and provides estimates of revenue for the coming year. As a state agency, the Comptroller of Public Accounts' (CPA) mission is to serve the people of Texas by applying tax and fiscal laws fairly and consistently while improving services to taxpayers through innovative management and technology at the least cost to the taxpayer.

Appropriations for the 2012–13 biennium total $426.9 million, which provides for 2,859.8 full-time-equivalent (FTE) positions each fiscal year, representing a decrease of $72.7 million (14.6 percent) and 291.8 FTE positions from the 2010–11 biennial spending levels. These reductions were primarily related to decreases for the agency's Fiscal Research and Studies programs, reduction in Interagency Contracts for the enterprise resource planning project and agency-wide reductions to staffing and operations. Appropriations of General Revenue Funds comprise $405.4 million or 95 percent of total appropriations and represent a decrease of $42.3 million from 2010–11 biennial spending levels.

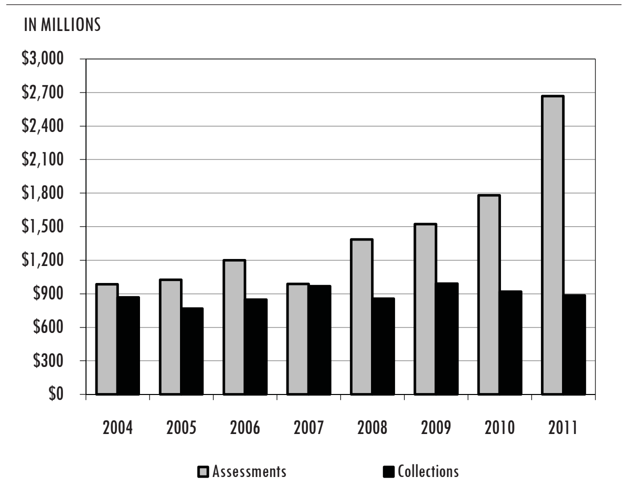
To carry out its primary functions, the agency has three goals: (1) Compliance with Tax Laws; (2) Manage Fiscal Affairs; and (3) Manage the Receipt and Disbursement of State Tax Revenue. All of these goals are instrumental in obtaining fair tax collection, forecasting revenue, and providing assistance to governmental offices and the taxpayers of the state.

COMPLIANCE WITH TAX LAWS

CPA's principal duty is to administer, enforce, and collect the state's taxes, including the sales, franchise, minerals, crude oil, natural gas, fuels, and motor vehicle sales taxes. CPA also collects and remits local sales taxes on behalf of 1,460 Texas cities and county governments, special districts, and transit authorities. With the Texas population continuing to increase, CPA relies on its field offices in 25 cities throughout the state that allow taxpayers to conduct business readily with the agency. In addition to the agency's field offices within the state, offices are located in New York, Los Angeles, Tulsa, and Chicago to assist in the audit and collection of taxes owed to the state by large national companies.

The agency's tax administration area includes audit, criminal investigation, tax policy, and enforcement functions. The Tax Audit and Enforcement divisions review taxpayer records to determine compliance with sales tax laws, educate taxpayers about tax requirements, and track delinquent taxpayer accounts for collection. In conjunction with the Tax Audit Division, the Criminal Investigations Division detects, investigates, and prosecutes tax-related fraud. As a result of these combined efforts, the agency's delinquent tax collections increased from $610.9 million in fiscal year 2000 to an estimated $884.7 million in fiscal year 2011. **Figure 100** shows tax audit assessments (the difference between what the taxpayer owes and what is reported) as compared to delinquent tax collections for fiscal years 2004 to 2011. During the 2012–13 biennium, the agency projects more than $2.5 billion in tax audit assessments and estimates delinquent tax collections of approximately $1.8 billion. In addition, a one-time tax amnesty program will be offered by the agency for a limited duration during the 2012–13 biennium. The program is designed to encourage voluntary reporting by delinquent taxpayers that owe the state taxes or fees by providing a waiver of penalties or interest and is anticipated to generate at least $75 million in General

FIGURE 100
COMPTROLLER OF PUBLIC ACCOUNTS DELINQUENT TAX COLLECTIONS, FISCAL YEARS 2004 TO 2011



SOURCE: Comptroller of Public Accounts.

Revenue Funds above the CPA's January 2011 *Biennial Revenue Estimate*.

All divisions in the tax administration area are involved in educating taxpayers, a vital role for the agency, which offers seminars throughout the state four times a year. All taxpayers are encouraged to attend these overviews of the tax responsibilities of buyers, sellers, and service providers to ensure their understanding and compliance of appropriate tax laws. Seminars are also provided for organizations by request. The agency responds to correspondence and telephone inquiries related to tax questions, and handled more than 853,000 calls from taxpayers and issued more than 33,000 responses by mail or email in fiscal year 2011.

MANAGE FISCAL AFFAIRS

The agency's fiscal affairs function includes the areas of Fiscal Management, Property Tax Assistance, Treasury Operations, and Texas Procurement and Support Services. These areas assist the state with financial monitoring, management, reporting, and state procurement and support services.

FISCAL MANAGEMENT

Fiscal Management serves as the primary contact between CPA and accounting and budget personnel at approximately 172 state agencies and institutions of higher education. Division personnel establish and monitor approximately 15,700 appropriations for more than 670 funds in the Uniform Statewide Accounting System each year. During the 2012–13 biennium, the Fiscal Management staff plans to conduct 108 post-payment audits of agencies' purchase, travel and payroll expenditures to ensure compliance with the state's laws governing expenditures. This area also analyzes appropriations bills to determine whether the funds appropriated are within the amount of revenue certified to be available. Additionally, Fiscal Management prepares the state's Annual Cash Report and the Texas Comprehensive Annual Financial Report, which is a set of financial statements detailing the financial condition of the state. Fiscal Management also continues to closely monitor the American Recovery and Reinvestment Act of 2009 (ARRA) funds that flow through the State Treasury.

Fiscal Management also processes and issues payments for the State of Texas, establishes payment and claims policy, and educates and assists state agencies concerning fiscal issues. Furthermore, the division distributes state payments by warrant and direct deposit; administers the state's direct deposit program; provides tax information to the public regarding tax payments via telephone, e-mail, and a variety of web-based applications; ensures compliance with statutes that prohibit CPA from issuing a warrant to anyone indebted to the state; and coordinates the annual printing of W2 and 1099 tax forms for state employees.

Fiscal Management utilizes various information technology tools in performing their functions. The Uniform Statewide Accounting System (USAS) is the system of record for the state's accounting, budgeting, and financial reporting responsibilities. The Uniform Statewide Payroll/Personnel System (USPS), Human Resource Information System (HRIS), and the Standardized Payroll/Personnel Reporting System (SPRS) allow agencies to process payroll and personnel information. The Texas Identification Number System (TINS) provides a database of information about entities and individual payees who receive payment from the State of Texas. The State Property Accounting System (SPA) provides a central repository of agency property records. The Integrated Statewide Administrative System (ISAS) supports the internal accounting, general ledger, asset management, purchasing, and accounts payable functions of state agencies. To date, 10 state agencies use ISAS, which include the Health and Human Services Commission, the CPA, the Texas Workforce Commission, and the Texas Education Agency.

In addition, the agency is implementing the Centralized Accounting and Payroll/Personnel System (CAPPS), an enterprise resource planning system. CAPPS uses a web-based system that will enable agencies to have real-time access to financial information and provide enhanced reporting capabilities. In addition, the new system also eliminates obsolete business processes, including manual processing, duplicate data entry, paper processing and manual reconciliation and will eventually replace the legacy systems mentioned above (USAS, USPS, HRIS, SPRS, TINS, SPA and ISAS) in an effort to move toward a single set of books for Texas. The Department of Information Resources (DIR) and the Centralized Texas Turnpike System (CTTS) within TxDOT are the first agencies in Texas to implement the full suite of financial modules in the new system. In addition, the health and human services agencies (Health and Human Services Commission; Department of Aging and Disability Services; Department of Assistive and Rehabilitative Services; Department of Family and Protective Services; and the Department of State Health Services) are anticipated to implement the human resources and payroll modules of CAPPS in summer 2012.

PROPERTY TAX PROGRAM

Property Tax Assistance prepares the annual Property Value Study (PVS), which determines the taxable value of all property in the state's 1,025 school districts to determine funding allocations of state funding for public education. Agency field appraisers inspect and appraise real and personal property by: verifying the condition, description, and contract terms for property that has sold; appraising property that has not sold but is included in the random sample of properties to be studied; obtaining deed information from county clerks; and collecting sales data from multiple listing services, real estate brokers, and fee appraisers. CPA also develops values for properties that are uniformly appraised across county lines, such as railroads, pipelines, utilities, oil and gas interests, and agricultural and timber lands.

Property Tax Assistance conducts the PVS annually. However, approximately one-half of school districts are subject of the PVS each year. In the year in which the PVS is not conducted for a school district, the values certified for the school district are the values as determined by the appraisal district. The Property Tax Assistance area also conducts reviews of governance, taxpayer assistance, operations and appraisal procedures in the years in which a PVS is not conducted.

FISCAL RESEARCH AND STUDIES

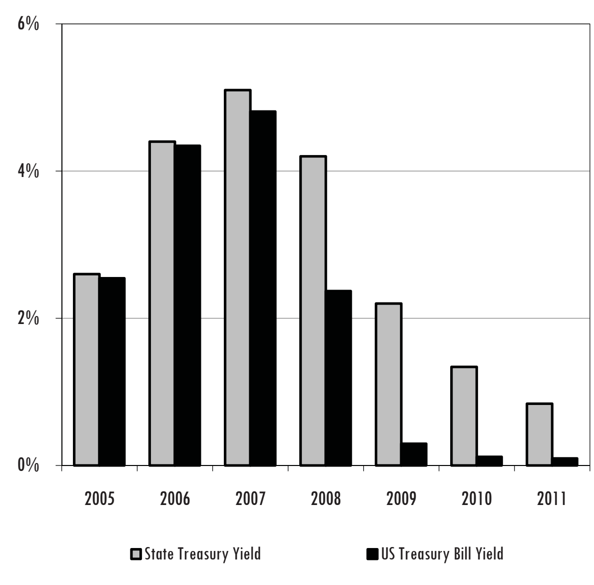
The agency, through the Economic Development and Analysis and the Data Services areas, provides information on economic development topics for local governments and businesses as well as information and analysis to the general public. The agency publishes and maintains information on websites including *Texas Ahead* and *Texas Transparency* as the primary means to disseminate information to local government officials and the public. The *Texas Ahead* website serves as a portal for economic development resources for local government officials and businesses including data on economic indicators and demographic information by county, information on local government best practices for select financial activities, and other information on regional industries and workforce topics. The *Texas Transparency* website includes *Where the Money Goes* and *Where the Money Comes From* for site visitors to search agency spending and track state revenue sources.

In prior biennia, the agency has administered a number of programs related to local government assistance and public outreach, such as presentations and workshops on a variety of economic development and financial topics. Appropriations for the 2012–13 biennium ($0.2 million) for Fiscal Research and Studies reflect a reduction of $16.6 million or 98.7 percent from the previous biennium. Appropriations include funding to provide maintenance for the *Texas Transparency* website. However, authority is provided to the agency to shift funding from other line-item appropriations to fund additional programs within the Fiscal Research and Studies area.

STATE TREASURY OPERATIONS

By voter approval, the functions of the State Treasury were integrated into the CPA in 1996, giving the Comptroller of Public Accounts authority to protect and manage the State Treasury, invest state cash and securities, pay state warrants, and enforce the state's cigarette and tobacco product laws. A primary function of the Treasury Operations Division is to manage and ensure the safety of the state's cash and securities while maximizing the return on investments. In fiscal year 2011, the average State Treasury portfolio balance was $26.8 billion. This amount includes an average of $617.5 million in state funds deposited at financial institutions throughout the state and more than $273 million in interest earned from the portfolio balance. **Figure 101** shows the yields on annual State Treasury investments as compared to the three-month U.S. Treasury Bill interest rate yield for fiscal years 2005 to 2011.

FIGURE 101
AVERAGE YIELD ON STATE FUNDS IN THE STATE TREASURY
FISCAL YEARS 2005 TO 2011



SOURCES: Legislative Budget Board; Comptroller of Public Accounts.

The Texas Treasury Safekeeping Trust Company, as a State Treasury operation, is the custodian of securities owned by participating state agencies for investment or other purposes. Funds are also invested and managed for over 2,300 local governments through TexPool and TexPool Prime programs. These programs allow local governments to pool investments and use a contracted vendor to manage those assets. TexPool strives to offer cities, counties, school districts, and other local government entities a safe, efficient, and flexible investment option for local dollars. In fiscal year 2011, TexPool assets averaged more than $16 billion and TexPool Prime assets averaged more than $1.5 billion.

The banking and electronic processing function of the Treasury Operations Division ensures that all legitimate warrants are paid expeditiously and that all revenues are deposited within legally required timeframes to maximize interest earnings and minimize collection overhead. In fiscal year 2011, an average of 338,631 warrants per month were presented for payment, a decrease of approximately 200,000 from fiscal year 2009. As with past years, this decrease is a result of the continuing shift to electronic payment methods as opposed to issuing traditional paper warrants. Total warrants presented for payment in fiscal year 2011 amounted to approximately $29.3 billion. Also, in fiscal year 2011, the State Treasury received approximately 5.2 million checks worth approximately $6.2 billion and 41.5 million electronic fund transfer/electronic data interchange transactions worth approximately $92.9 billion.

TEXAS PROCUREMENT AND SUPPORT SERVICES DIVISION

CPA is also responsible for statewide procurement and support services duties for state and local government agencies. As the state's purchasing manager, CPA awards and manages hundreds of statewide contracts on behalf of more than 200 state agencies and 1,900 local government agencies. The Texas Procurement and Support Services (TPASS) Division manages the state's procurement and contracting programs and services. TPASS works with state entities and more than 12,000 state vendors and awards hundreds of contracts for goods and services. TPASS duties range from administering the Centralized Master Bidders List to processing hundreds of bid invitations, tabulations and awards for all statewide term, Texas Multiple Award Schedules (TXMAS), 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, state mail services contract administration, and support for the Statewide Historically Underutilized Business (HUB) Program.

The Support Services function consists of the State Mail Office and Office of Vehicle Fleet Management. The State Mail Office supports statewide mail related initiatives such as postage, as well as mail equipment and service reviews to other agencies. The Office of Vehicle Fleet Management is primarily charged with the administration and management of the State Vehicle Fleet Management Plan, which details recommendations for improving the administration and operation of the state's vehicle fleet, and the statewide vehicle data reporting system, which assists agencies in the management of their vehicle fleets.

MANAGE THE RECEIPT AND DISBURSEMENT OF STATE TAX REVENUE

The Revenue Administration area is responsible for collecting and processing state revenue and distributing local sales tax collections to cities, counties and other local governmental entities. This area is also responsible for maintaining taxpayer accounts and processing tax payment exceptions and adjustments. In fiscal year 2011, the agency processed approximately 4.6 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 either through the Internet or over automated voice systems and provide an easy method for taxpayers to register, pay, and file taxes. These systems also improve staff efficiency and reduce the costs associated with handling a large amount of paper tax returns. Advanced document management systems help staff support a high-volume, paper-intensive, and time-sensitive operation. Instead of manually processing millions of tax returns, documents, and payments, processing occurs through a scanning and imaging system, which allows timely and accurate processing resulting in fewer taxpayer data errors.

TEXAS TOMORROW FUNDS

The Comptroller of Public Accounts serves as the presiding officer of the Texas Prepaid Higher Education Tuition Board (board), which administers several college savings programs, including the Texas Guaranteed Tuition Plan (formerly the Texas Tomorrow Fund), which opened for enrollment in January 1996. Under the program, a contract purchaser entered into a prepaid tuition contract with the board under which the purchaser agreed to prepay the tuition and required fees for a beneficiary to attend an institution of higher education, with the future cost of tuition and fees locked in at the current cost. The plan name was changed to the Texas Guaranteed Tuition Plan in 1997 when Texas voters approved a proposition to guarantee the plan with the full faith and credit of the state. In 2003, Texas public colleges and universities were authorized to set and vary tuition rates to most effectively manage their institutions. That same year, the Legislature authorized the board to suspend new enrollment in the Texas Guaranteed Tuition Plan to protect the actuarial soundness of the fund. The plan was closed to new enrollments in June 2003. Approximately 158,500 contracts were sold.

The Eightieth Legislature, 2007, passed legislation that established the Texas Tuition Promise Fund, formerly known as the Texas Tomorrow Fund II, a new prepaid tuition plan that allows families to lock in today's rates for tuition and required fees for their children's future by purchasing "units," each of which is worth 1 percent of one year's tuition and required fees. Once a child enters an institution of higher education, the fund uses the principle investment and any returns made on that investment to pay the tuition. A total of 22,274 individuals had enrolled in the plan through June 30, 2011. A total of $378 million in contracts were sold through that date. For both the Texas Guaranteed Tuition Plan and the Texas Tuition Promise Fund, current audited assets as of August 31, 2010, total more than $2.1 billion.

FISCAL PROGRAMS WITHIN THE OFFICE OF THE COMPTROLLER

FISCAL OPERATIONS

The Comptroller of Public Accounts is provided additional spending authority, within the appropriations for Fiscal Programs, totaling $791 million for the 2012–13 biennium, which includes $758 million in General Revenue Funds, and General Revenue–Dedicated Funds, or 95.8 percent of total appropriations. Funding levels reflect a decrease of $300.3 million, including $97.8 million in General Revenue Funds, primarily due to elimination of one-time funds from the American Recovery and Reinvestment Act of 2009 for energy related programs, reductions to the Jobs and Education for Texans program, mixed beverage tax reimbursements to cities and counties, reduced anticipated payments of miscellaneous and wrongful imprisonment claims, and elimination of tobacco enforcement and local law enforcement continuing education grants. Appropriations to the agency are used for the following statewide functions and state obligations:

- payment of claims against state agencies;
- reimbursement to counties for the cost of commitment hearings under the federal Mentally Retarded Persons Act;
- reimbursement of a portion (8.3065 percent) of mixed beverage tax receipts to counties and incorporated municipalities;
- payments for tort claims and federal court judgments against state agencies;
- payment in lieu of county taxes to counties in which University of Texas endowment lands are located;
- allocations to the Lateral Road Fund;
- payment of claims for previously unclaimed property;
- expanding advanced database technology to modernize tax administration;
- payments to victims of crime who have not made a claim for restitution from local probation departments;
- distribution of the gross weight/axle fee to counties;
- allocation of Jobs and Education for Texans grants to education programs, non-profit organizations, and scholarships for students in high-demand occupations;
- allocation of funding to a city or county that hosts a major sporting or non-sporting event to assist in paying expenses incurred in connection with the event; and
- administration of the State Energy Conservation Office and distribution of Oil Overcharge Funds.

The agency received funding for two new programs and functions in the 2012–13 biennium, which includes $2 million for an obesity program to conduct research on obesity and report on its economic impact and to identify areas of the state in which children are at greater risk for obesity. In addition, the Eighty-second Legislature passed two provisions intended to eliminate losses of General Revenue Funds from insurance premium tax credits for examination fees and overhead assessments based on the report "End the Use of General Revenue Funds to Pay for Insurance Company Examinations" in the Legislative Budget Board's *Government Effectiveness and Efficiency* report. Rider 17, Appropriation to Reimburse the General Revenue Fund for the Cost of Certain Insurance Tax Credits, appropriates funds (estimated to be $10 million each fiscal year) from the Department of Insurance Operating Fund to CPA for deposit in the General Revenue Fund to reimburse the fund for the cost of these credits. The rider provision will apply in fiscal year 2012. Senate Bill 1, First Called Session, 2011, also suspends credits for examination fees and overhead assessments paid in calendar years 2012 and 2013. This provision will eliminate the tax credits that would have been taken by the insurers in 2013. As a result of the statutory change, Rider 17 will have no impact in fiscal year 2013. However, together the two provisions would result in a net positive impact to the General Revenue Fund of approximately $17 million during the 2012–13 biennium.

Existing programs for which appropriations were not made include tobacco enforcement grants and local continuing education grants, providing a reduction of $16 million in General Revenue Funds and General Revenue–Dedicated Funds. Tobacco enforcement grants were appropriated in previous biennia to fund local law enforcement activities to reduce the sale or distribution of tobacco products to minors. Local continuing education grants were previously appropriated for continued education and training of local peace officers.

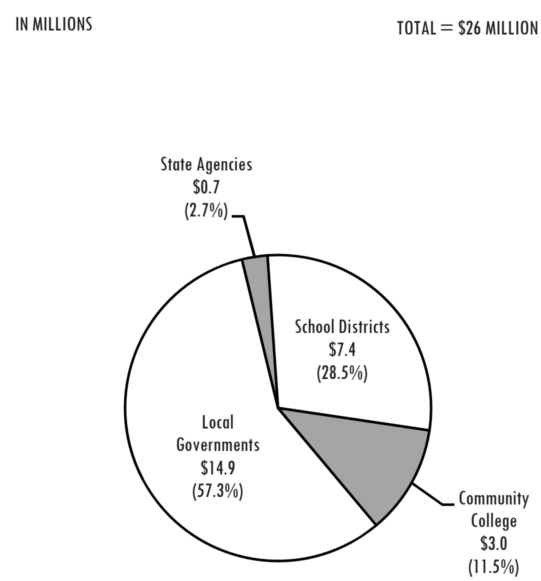
In addition, appropriations for mixed beverage tax reimbursements for counties and incorporated municipalities reflect a reduced rate of reimbursement. The rate of reimbursement of mixed beverage tax receipts to be distributed to local governments was reduced from 10.7143 percent of receipts in the 2010–11 biennium to 8.3065 percent for the 2012–13 biennium resulting in an anticipated savings of $72.1 million based on the agency's projections for reimbursements at the original rate included in the Legislative Appropriations Request for the 2012–13 biennium.

OIL OVERCHARGE FUNDS

Oil Overcharge Funds became available to states as a result of federal court settlements dealing with violations of price controls in effect for crude oil and refined petroleum products between 1973 and 1981. In Texas, the State Energy Conservation Office (SECO) administers the Oil Overcharge Funds, which are used to fund various energy-efficiency programs. Loans to Save Taxes and Resources (LoanSTAR) is the largest program, which is a revolving loan program that finances energy-efficient facility retrofits for state agencies, public schools, hospitals, and other governmental entities. The program's revolving loan mechanism allows borrowers to repay loans through cost savings generated by the funded projects. The current value of the LoanSTAR program is $123 million. **Figure 102** shows the distribution of LoanSTAR financing by entity type for the 2010–11 biennium. To date, 207 loans totaling $288 million have been issued to these entities:

- cities, 31 loans, totaling $61 million;
- community colleges, 9 loans, totaling $15 million;
- counties, 11 loans, totaling $15 million;
- public hospitals, 13 loans, totaling $7 million;
- school districts, 86 loans, totaling $75 million;
- state agencies, 18 loans, totaling $45 million; and
- state universities, 39 loans, totaling $70 million.

FIGURE 102
LOANSTAR PROGRAM DISTRIBUTION OF APPROPRIATIONS 2010–11 BIENNIUM



SOURCE: Comptroller of Public Accounts.

For the 2012–13 biennium, appropriations out of Oil Overcharge Funds total $89.8 million out of unexpended balances and estimated revenue, of which $86.9 million is for the LoanSTAR program. Of the remaining Oil Overcharge Funds appropriated, $1.7 million is allocated to schools/local governments, state agencies/higher education, renewable energy programs, transportation energy and alternative fuels programs, and $1.1 million is allocated for administrative costs of SECO.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, 2011, in both the Regular Session and the First Called Session, passed several bills impacting functions and appropriations of the Comptroller of Public Accounts, including SECO.

The agency was appropriated a total of $2.2 million to administer changes in the Texas Tax Code due to enactment of House Bill 268, House Bill 11 and House Bill 590 during the regular session. These bills, respectively, require purchasers of certain items used in an agricultural or timber operations to apply for a registration number from CPA before claiming a sales and use tax exemption, expand the classes or types of suppliers required to file a monthly report with CPA on alcoholic beverage sales to retailers, and authorize local governmental entities to request a review by CPA of all sales tax returns and reports filed by not more than five taxpayers that relate to certain reallocations and refunds of local sales tax revenue.

Senate Bill 1, First Called Session, also requires CPA to publish online a schedule of all revenue to the state from fees authorized by statute (Article 34) and transfers responsibility of voter registration payments to counties for voter registration activity to the Secretary of State (Article 15). The bill also sets a minimum rate of reimbursement of mixed beverage tax receipts to counties and municipalities at 10.7143 percent of receipts. However, this provision of the bill (Article 58) does not take effect until September 1, 2013.

In addition, House Bill 51, Regular Session, establishes high-performance sustainable-design standards for the construction or renovation of state buildings, including those of institutions of higher education. SECO would be responsible for setting, with the assistance of an advisory commission, applicable design and construction standards. Appropriations of $0.2 million are provided for SECO to administer provisions of the bill.

SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY

SOCIAL SECURITY

The CPA is responsible for the payment of state and employee Social Security taxes to the federal government. Appropriations to cover the state's employer share of payments for Social Security total $1.5 billion for the 2012–13 biennium, an increase of $4.9 million, or 0.3 percent, from the 2010–11 biennium, based primarily on salary growth in fiscal year 2011. General Revenue Funds comprise $1.0 billion, or 66.7 percent, of total Social Security appropriations. This represents an increase of $8.6 million, or 0.9 percent, from the 2010–11 biennial spending levels. General Revenue–Dedicated Funds account for $147.5 million, or 9.8 percent of the total appropriation for Social Security. This represents an increase of $3.9 million, or 2.7 percent, from the 2010–11 biennial spending level.

Figure 103 shows the appropriations for state contributions for Social Security, which fund the 6.2 percent employer payroll tax contribution for the Social Security program and the 1.45 percent tax for the state Medicare program, and reflects no payroll growth for general state and higher education employees during the 2012–13 biennium. The Social Security wage base, which is the amount of wages subject to the 6.2 percent tax, will increase from $106,800 to $110,100 in 2012. There will remain no limit to the wages subject to the 1.45 percent Medicare tax. As with Employees Retirement System state contributions, the General Appropriations Act allocates the Social Security appropriation by functional area of state government.

BENEFIT REPLACEMENT PAY

CPA is also appropriated funds to provide Benefit Replacement Pay (BRP) to certain general state employees. (BRP funding for employees of higher education institutions is appropriated directly to the institutions.) Prior to fiscal year 1996, the state paid for a portion of the employees' Social Security obligations. The Seventy-fourth Legislature, 1995, repealed the additional state-paid contribution for the Social Security obligation for employees on the payroll as of August 31, 1995 and replaced it with a benefit supplement to ensure that take-home pay was not reduced. Employees retain BRP as long as they do not have a break in service from the state for 30 days. Employees hired after August 31, 1995 are not eligible to receive the benefit supplement or the additional state-paid Social Security.

Figure 103 also shows the appropriations for Benefit Replacement Pay contributions. Appropriations for the 2012–13 biennium for BRP total $69.4 million for general state employees, a decrease of $9.4 million, or 12.0 percent, from the 2010–11 biennial spending levels, reflecting recent trends of 6.5 percent annual turnover of state employees hired before September 1, 1995. General Revenue Funds comprise $37.4 million, or 53.9 percent of the total BRP appropriation. This is a decrease of $5.3 million, or 12.3 percent, from the 2010–11 biennial spending level. General Revenue–Dedicated Funds comprise $5.0 million, or 7.2 percent of the total appropriation. This is a decrease of $0.2 million, or 3.9 percent, from the 2010–11 biennial spending level.

FIGURE 103
SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY
2010–11 AND 2012–13 BIENNIA

IN MILLIONS	EXPENDED 2010–11	APPROPRIATED 2012–13	BIENNIAL CHANGE	PERCENTAGE CHANGE
Social Security - Employer Match				
General Government	$72.6	$71.5	($1.1)	(1.5%)
Health and Human Services	$318.3	$315.3	($3.0)	(0.9%)
Education	$559.0	$576.7	$17.7	3.2%
The Judiciary	$19.1	$19.2	$0.1	0.5%
Public Safety and Corrections	$305.1	$295.0	($10.0)	(3.3%)
Natural Resources	$66.6	$63.3	($3.3)	(5.0%)
Business and Economic Development	$118.1	$122.7	$4.6	3.9%
Regulatory	$24.4	$24.2	($0.2)	(0.8%)
The Legislature	$15.6	$15.7	$0.1	0.5%
Subtotal, Social Security	**$1,498.7**	**$1,503.6**	**$4.9**	**0.3%**
Benefit Replacement Pay				
General Government	$5.8	$5.1	($0.7)	(11.9%)
Health and Human Services	$24.8	$21.8	($2.9)	(11.9%)
Education	$1.4	$1.2	($0.2)	(11.9%)
The Judiciary	$0.9	$0.8	($0.1)	(11.9%)
Public Safety and Corrections	$24.4	$21.5	($2.9)	(11.9%)
Natural Resources	$5.5	$4.8	($0.7)	(11.9%)
Business and Economic Development	$13.2	$11.6	($1.7)	(12.5%)
Regulatory	$2.0	$1.7	($0.2)	(11.9%)
The Legislature	$0.8	$0.7	($0.1)	(11.9%)
Subtotal, Benefit Replacement Pay	**$78.8**	**$69.4**	**($9.4)**	**(12.0%)**
TOTAL, SOCIAL SECURITY AND BENEFIT REPLACEMENT PAY	**$1,577.5**	**$1,573.0**	**($4.6)**	**(0.3%)**

Note: Totals may not sum due to rounding.
Source: Legislative Budget Board.

COMMISSION ON STATE EMERGENCY COMMUNICATIONS

The Commission on State Emergency Communications (CSEC) was established in 1987 to administer the implementation of statewide 9-1-1 emergency call service. At that time, the agency was not subject to the General Appropriations Act, and its funds were deposited in accounts outside the State Treasury. In 1993, the agency's statute was amended by the Seventy-third Legislature to require the deposit of emergency service fees and equalization surcharge revenues to dedicated accounts in the General Revenue Fund and to include the agency's budget within the state appropriations process. In the same year, the agency received statutory responsibility, shared with the Department of State Health Services (formerly the Texas Department of Health), for implementing a statewide poison control program through six regional centers. Legislation passed by the Eighty-first Legislature, Regular Session, 2009, amended statute to remove joint responsibility of the poison control program, requiring CSEC to oversee and administer the program.

The agency's mission is to preserve and enhance public safety and health in Texas through reliable access to emergency telecommunications services. Agency functions are organized to support two broad strategic policy goals: to provide high quality, standardized 9-1-1 emergency communications services statewide and to maintain the state's poison control network. To meet the first goal, the agency assists local governments through Regional Planning Commissions (RPCs) as they develop and implement regional plans and maintenance for 9-1-1 services. The agency fulfills its second goal by administering grants to and overseeing the six regional poison control centers throughout the state and by providing the telecommunications network. The agency's 9-1-1 program serves over 8 million Texans, or about one-third of the state's population; it does not provide 9-1-1 service to emergency communications districts (most major metropolitan areas) and municipal emergency communications districts, in which the cities provide 9-1-1 service. The three largest emergency communications districts by population are Greater Harris County 9-1-1 Emergency Network, Tarrant County 9-1-1 District, and Bexar Metro 9-1-1 Network District. The poison control program serves all residents of the state.

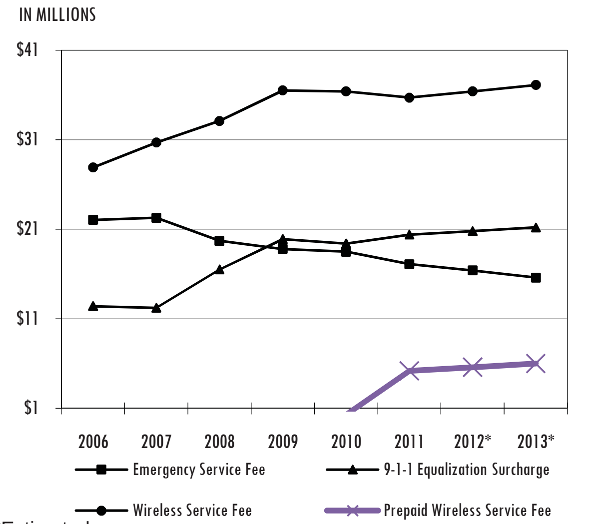
Appropriations for the 2012–13 biennium total $115 million, a reduction of $22.7 million from the previous biennium, and provide for 25 full-time-equivalent positions. Appropriations from General Revenue–Dedicated Funds comprise $112 million, or 97.4 percent, of the agency's budget. Appropriations to the agency are derived from four telecommunications fees: the 9-1-1 equalization surcharge, the emergency service fee, the wireless emergency service fee, and the prepaid wireless emergency service fee. **Figure 104** and **Figure 105** show an overview of each telecommunications fee for the 2012–13 biennium. As shown in **Figure 105,** a decline in the emergency service fee collected is attributed to fewer households having standard phones and instead switching to wireless services. All other fees are increasing due to expanded use of wireless phones.

FIGURE 104
TELECOMMUNICATION FEES
2012–13 BIENNIUM

FEE CHARACTERISTIC	EMERGENCY SERVICE FEE	EMERGENCY SERVICE FEE FOR WIRELESS CONNECTIONS	PREPAID WIRELESS EMERGENCY SERVICE FEE	9-1-1 EQUALIZATION SURCHARGE
Levied on	Standard Telephone Service	Wireless Telephone Service	Prepaid Wireless Telephone Service	Standard and Wireless Telephone Service
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% of the retail sale of the prepaid wireless service*	Not more than $0.10 per telephone line/ wireless connection per month**; excludes prepaid wireless
Rate set by	Agency, with review and comment by PUC	Legislature	Legislature	Agency, with review and comment by PUC

*Fee on prepaid wireless service was collected beginning June 1, 2010.
**Anticipated effective date is March 1, 2012, or upon completion of required rulemaking process.
Notes: RPC = Regional Planning Commission; PUC = Public Utility Commission.
Source: Commission on State Emergency Communications.

FIGURE 105
TELECOMMUNICATIONS FEES
FISCAL YEARS 2006 TO 2013



*Estimated.
SOURCE: Commission on State Emergency Communications.

STATEWIDE 9-1-1 SERVICES

The agency achieves its goal of providing 9-1-1 emergency communication services statewide primarily by administering grants to RPCs. The agency also undertakes public education efforts, reviews regional plans for compliance with statewide standards and funding allocations, coordinates 9-1-1 activities with the emergency communications districts, national organizations, and participates in state and federal regulatory proceedings.

Appropriations for 9-1-1 activities total $100.1 million in the 2012–13 biennium. This amount includes $11.7 million that is contingent upon emergency service fees generating additional revenue above the amount projected by the Comptroller of Public Accounts in the *2012–13 Biennial Revenue Estimate*. This is a decrease of $20.4 million, or 17 percent, from the 2010–11 biennial funding level primarily due to reduced funding for equipment replacement. Appropriations primarily fund grants to the RPCs for 9-1-1 network operation costs.

EMERGENCY RESPONSE SERVICES

Texas residents who use landline telephones in their homes or businesses to place 9-1-1 calls can be located immediately because their address appears on a computer display at a 9-1-1 public safety answering point (PSAP). Likewise, wireless carriers are required to provide the wireless telephone number from which the 9-1-1 call is made to the PSAP. These services were formerly referred to as Phase I Enhanced 9-1-1 Service and assists emergency responders by providing a call-back number in the event of a dropped call. The service formerly known as Phase II assists emergency responders with locating callers by providing their approximate location by latitude and longitude. All counties in Texas have implemented Phase I and Phase II services.

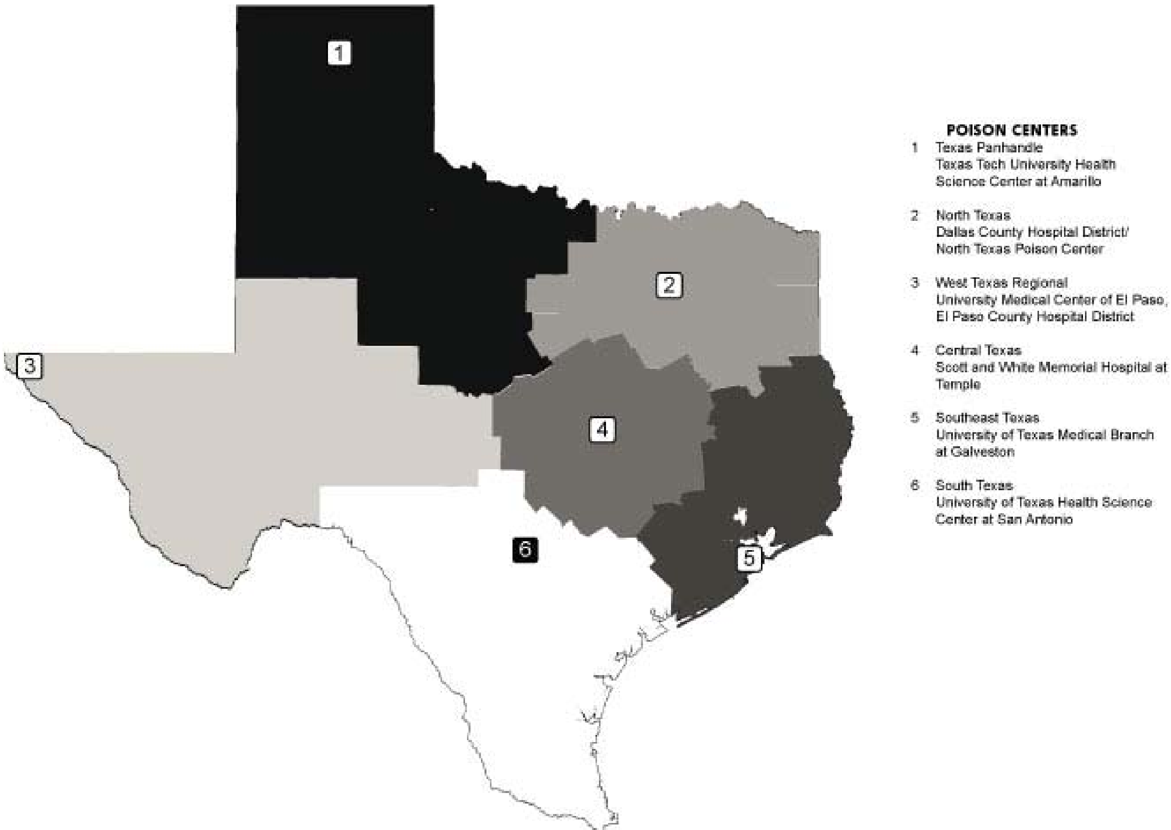
CSEC was awarded $5.4 million in federal grant funds for Next Generation 9-1-1 (NG911) representing 13 percent of the total federal funding provided nationwide ($41.3 million). The federal grant, which is related to the Ensuring Needed Help Arrives Near Callers Employing 911 Act (ENHANCE 911 Act), is for acquisition of information resource technologies to implement an internet protocol (IP) emergency network. Once deployed, the IP emergency network will be more compatible with digital devices that allow for the transmission of texts, images, and videos. According to CSEC, emergency calls will also be rerouted faster, more seamlessly, and more reliably. Caller information will also be able to be transferred between geographically dispersed PSAPs and to the appropriate public safety dispatches.

POISON CONTROL SERVICES

The agency's second goal is to provide a statewide poison control center network that aids in the treatment and prevention of poisonings throughout the state. The Texas Poison Control Network provides information to Texans who suspect they have been exposed to toxic substances and call the poison control toll-free telephone number. The network is composed of six geographically diverse poison centers residing within medical facilities and linked by a telecommunications network. Individuals calling the poison control network speak directly with a healthcare professional trained in various aspects of toxicology and poison control and prevention. The aim is to provide sufficient information to treat a poison incident at home, precluding the dispatch of emergency medical services or a visit to a healthcare facility. According to the Center for Disease Control and Prevention, research shows that poison centers save $7 in healthcare expense for every $1 spent.

CSEC operates a program to award grants to the six regional poison control centers defined in the statute (see **Figure 106**), oversees poison center operations, and administers the telecommunications network operations. The regional centers are located at the University of Texas Medical Branch at Galveston, the Dallas County Hospital District/North

FIGURE 106
TEXAS POISON CONTROL NETWORK, 2012–13 BIENNIUM



Source: Commission on State Emergency Communications.

Texas Poison Center, The University of Texas Health Science Center at San Antonio, the Texas Tech University Health Science Center at Amarillo, the Scott and White Memorial Hospital at Temple, and the University Medical Center of El Paso, El Paso County Hospital District.

Appropriations for the poison control center program total $13.2 million in General Revenue–Dedicated Funds for the 2012–13 biennium, which is a decrease of $2.3 million, or 14.8 percent, primarily due to a reduction in administrative costs. This appropriation consists primarily of grants to the regional poison control centers which are used to pay the salaries of the call takers and call-taker equipment.

SIGNIFICANT LEGISLATION

Enactment of House Bill 1861, Eighty-second Legislature, Regular Session, 2011, continues the existence of CSEC until September 1, 2023. The legislation allows CSEC, with the assistance of an advisory committee, to coordinate an interconnected, state-level emergency services IP network. If coordination of a network occurs, CSEC is required to establish policy and oversee agency involvement in the development and implementation of the network. CSEC would also be required to appoint a three member advisory committee with specific representatives who have training, experience, and knowledge in 9-1-1 systems and network management.

In addition, the enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, authorizes CSEC to standardize the operation of and implement management controls to improve the efficiency of regional poison control centers and submit a report to the Governor and the Legislative Budget Board containing a plan for implementing the controls by October 31, 2011.

Furthermore, Senate Bill 1 makes changes to the wireless telecommunications connection, service provider, and fee definitions; revises the equalization surcharge to a fixed amount of not more than 10 cents per month; and specifies that not more than 40 percent of the equalization surcharge amount collected shall be allocated to the RPCs and that not more than 60 percent shall be allocated to the poison control centers. CSEC is required to establish the equalization surcharge rate, not more than once every biennium, so that the estimated aggregate of the surcharges collected for the next 12 months does not exceed the aggregate of the surcharges collected during the preceding 12 months.

EMPLOYEES RETIREMENT SYSTEM

The Employees Retirement System (ERS) was established in 1947 to provide retirement benefits for state employees. Agency operations are governed by a six-member Board of Trustees. Three members are elected by state employees participating in the system, one is appointed by the Governor, another is appointed by the Chief Justice of the Supreme Court, and one member is appointed by the Speaker of the House of Representatives.

ERS is responsible for the state employees' and elected officials' retirement program, two judicial retirement programs, and a supplemental retirement program for state commissioned peace officers and custodial officers. In addition to retirement benefits, ERS administers the Texas Employees Group Benefits Program (GBP), TexFlex and Texa$aver personal savings programs, and a death benefits program for state and local public safety employees. The GBP is the group insurance plan (health, dental, life, and disability), TexFlex is the federal program that allows employees to set aside pre-tax money for day-care and health expenses, and Texa$aver is a voluntary retirement savings program that allows employees to grow their own savings with pre-tax money in a 401(k) or 457 plan.

The total ERS appropriation is an estimated $3.5 billion for the 2012–13 biennium, a $98.9 million increase in All Funds and a $19.3 million increase in General Revenue Funds and General Revenue–Dedicated Funds compared to the 2010–11 biennium spending level. This increase is due primarily to a $236.5 million All Funds increase ($123.8 million in General Revenue Funds and General Revenue–Dedicated Funds) in the state contributions for group insurance benefits, partially offset by an $83.2 million All Funds decrease ($57.4 million in General Revenue Funds and General Revenue–Dedicated Funds) in the state contribution for retirement, a $40.2 million All Funds decrease ($36.3 million in General Revenue Funds and General Revenue–Dedicated Funds) in the state contribution to the Law Enforcement and Custodial Officer Supplemental (LECOS) retirement program, and a $14.3 million All Funds decrease ($10.8 million in General Revenue Funds and General Revenue–Dedicated Funds) in the state contribution to the Judicial Retirement Program – Plan Two. General Revenue Funds comprise $2.1 billion, or 60.3 percent, of total appropriations, and General Revenue–Dedicated Funds comprise $141.8 million, or 4.0 percent, of the total appropriation. These appropriations include an estimated $16.2 million in General Revenue Funds for retiree death benefits. ERS uses interest earnings from the various program funds to pay for administrative expenses, which are not funded with state appropriations.

EMPLOYEES RETIREMENT SYSTEM

Under provisions of the Texas Constitution, the state's contribution for employees' retirement may not exceed 10 percent of total payroll except in an emergency declared by the Governor, nor may it be less than 6 percent of total payroll. The state's retirement contribution rate established by the Eighty-second Legislature, Regular Session, 2011, is 6.0 percent of total payroll in fiscal year 2012 and 6.5 percent of total payroll in fiscal year 2013. This is a decrease from the 6.95 percent contribution in the 2010–11 biennium that stemmed from a November 23, 2009 Texas Attorney General opinion that stated that one-time payments in the 2010–11 General Appropriations Act (GAA) to retired state employees and retired teachers could be unconstitutional, so the funds appropriated for the state retirees' one-time payments were instead transferred to the ERS retirement trust to increase the state contribution from 6.45 percent. Senate Bill 1664, Eighty-second Legislature, Regular Session, 2011, maintains the employee contribution at 6.5 percent during the 2012–13 biennium by allowing the state contribution to be less than the member contribution during fiscal year 2012. Article IX, Section 18.03 of the GAA, Regular Session, 2011, also requires ERS to conduct a study no later than September 1, 2012, regarding the actuarial and fiscal impacts from potential changes to the state pension plan including, but not limited to, retirement eligibility, final average salary, benefit multiplier, and the creation of a hybrid plan that includes defined benefit and defined contribution features such as a two-part plan or a cash balance plan. This provision comes from a recommendation in the *Texas State Government Effectiveness and Efficiency* report, "Maintain the Pension Solvency of the Employees Retirement System and the Teacher Retirement System."

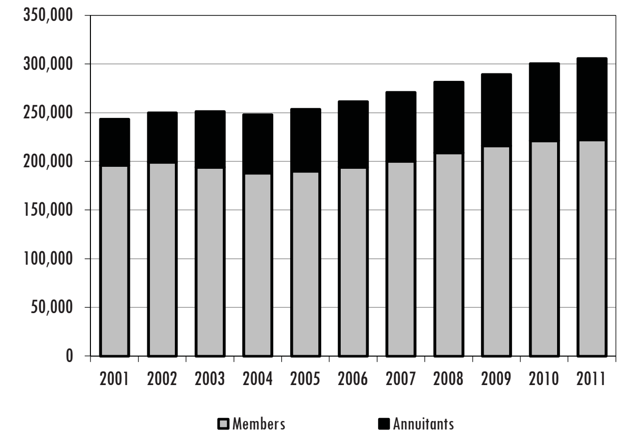
An actuarial valuation report is completed annually for the ERS retirement trust fund, and an additional valuation update is completed during each legislative session. An actuarial valuation is a report on the financial status of the pension plan at a given point in time. The valuation includes a measurement of the plan's accrued liability and compares it to the plan's assets, then analyzes the reasons for changes from the previous year. The valuation also determines the actuarial soundness of the total contribution rate to the pension plan. For the plan to be actuarially sound, contributions must be sufficient to fund the normal cost (the cost of benefits being earned during the year by current active members) plus amortize the unfunded accrued liability over no more than 31 years. According to the August 31, 2011 actuarial valuation update, the combined state and employee contribution rate of 12.50 percent in fiscal year 2012 is below the contribution required for the fund to be actuarially sound, which is 17.47 percent. According to the same valuation, the total normal cost rate is 12.31 percent, which is lower than the current combined contribution rate of 12.50 percent. However, the excess contribution of 0.19 percent is insufficient to pay down the existing accrued liability, so the expected funding period remains infinite, meaning the accrued liability is expected to grow indefinitely.

The 2012–13 biennial appropriation for retirement contributions is an estimated $723.4 million, which is a decrease of $83.2 million, or 10.3 percent, from the 2010–11 biennial spending level. This decrease is due primarily to the decrease in the state contribution rate from 6.95 percent to 6.0 percent in fiscal year 2012 and 6.5 percent in fiscal year 2013, and no payroll growth for state and higher education employees during the 2012–13 biennium. The August 31, 2011 actuarial valuation update of the ERS retirement trust fund assessed the unfunded actuarial accrued liability—the amount of liabilities in excess of the assets—at $5.1 billion, an increase of $269.4 million from the August 31, 2010 actuarial valuation. The plan's funded ratio, which is the plan's assets divided by the plan's liabilities, was 82.6 percent, which is 0.6 percentage points lower than the August 31, 2010 funded ratio of 83.2 percent. According to the valuation, this decrease was largely the result of asset losses from prior unfavorable investment experience being recognized in the actuarial value of assets.

As of August 31, 2011, ERS had 137,293 contributing members and 84,900 noncontributing members (former state employees who have not withdrawn their retirement funds), for a total ERS membership of 222,193. At that time, 83,430 retirees and beneficiaries were receiving annuities. **Figure 107** shows ERS membership for both current and retired employees, since 2001. The decrease in active members seen in fiscal years 2003 and 2004 was primarily the result of a retirement incentive implemented by the Seventy-eighth Legislature.

Trained professional personnel, in accordance with trustee policies and constitutional and statutory regulations, invest state contributions, member contributions, and investment income. To assist the agency staff with investment recommendations and decisions, the ERS board employs investment managers and utilizes an Investment Advisory Committee composed of members of the financial and business community of Texas appointed by the ERS board. ERS also retains an independent consultant to evaluate and analyze investment results. As of August 31, 2011, ERS's asset allocation consisted of 36.34 percent bonds, 31.03 percent domestic equity, 24.42 percent international equity, 3.59 percent global real estate, 3.12 percent private equity, and 1.5 percent cash and cash equivalents. As of August 31, 2011, the market value of the ERS investment pool was $21.2 billion, which was $1.6 billion more than at the end of fiscal year 2010 and can be attributed to positive investment earnings during this period. **Figure 108** shows the fluctuating market value trend in the assets of the ERS retirement fund since 2001, with the decreases in fiscal years 2008 and 2009 attributable to the national economic recession.

FIGURE 107
EMPLOYEES RETIREMENT SYSTEM MEMBERSHIP
FISCAL YEARS 2001 TO 2011

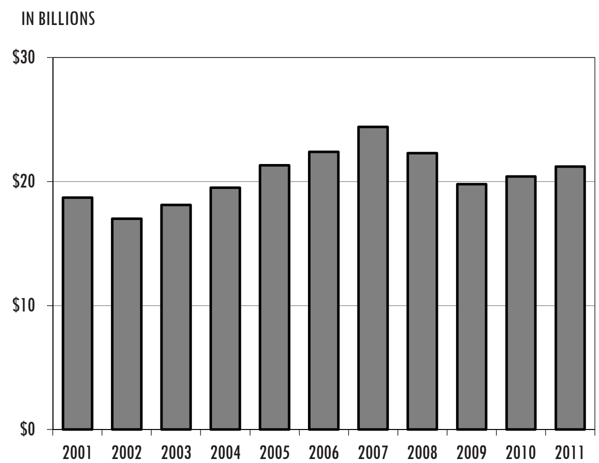


Source: Employees Retirement System.

GROUP BENEFITS INSURANCE PROGRAM

The Texas Employees Group Benefits Act assigns the administration of the Group Benefits Program to the ERS Board of Trustees. This program provides group health insurance, life insurance, dental insurance, accident insurance, and short- and long-term disability income protection insurance to active employees and their dependents. It also provides these same programs to retired state employees and their dependents. State funds pay for the health insurance plan, which includes $5,000 basic life insurance for active full-time members. The state pays 100 percent of the premium for full-time employees and 50

FIGURE 108
MARKET VALUE OF ERS CONSOLIDATED PENSION INVESTMENT FUND ASSETS
FISCAL YEARS 2001 TO 2011

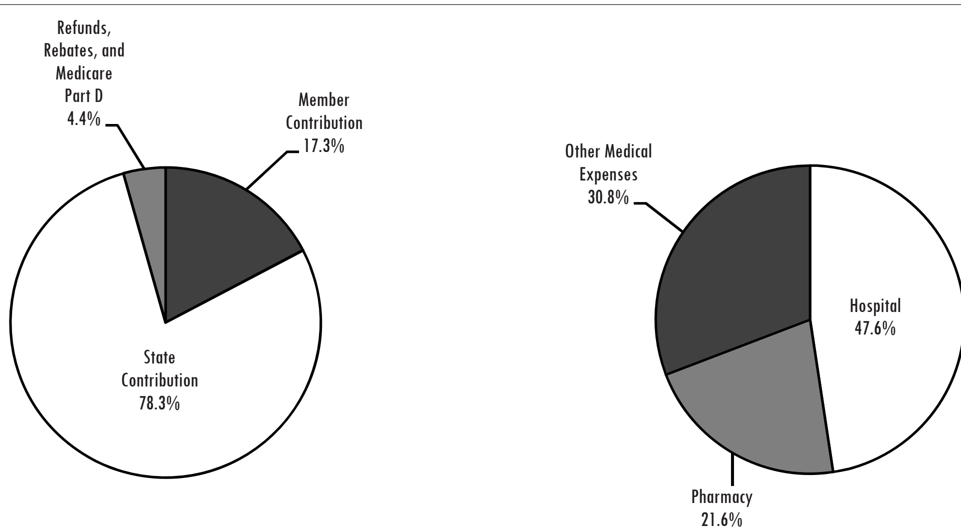


Source: Employees Retirement System.

percent of dependent coverage; members pay the other 50 percent of the dependent coverage. Active employees who work part-time receive a state contribution which is 50 percent of the rate of full-time employees for health insurance, and there is a 90-day delay before new hires are eligible to receive health benefits. Employees are fully responsible for the costs of voluntary coverage, such as accidental death insurance, dental insurance, and disability plans.

The state will contribute an estimated $2.7 billion for group insurance premiums for general state employees in the 2012–13 biennium, a $236.5 million increase in All Funds and a $123.8 million increase in General Revenue Funds and General Revenue–Dedicated Funds from the 2010–11 biennium. The combination of state contributions, employee premium payments, refunds, rebates, and subsidies earned from the federal Medicare Part D prescription drug plan make up the insurance trust fund, which provides funding for expenses paid by the healthcare program. **Figure 109** shows the distribution of funding sources for the benefits, as well as the major categories of expenditures projected for the 2012–13 biennium. Funding for state contributions for group insurance benefits reflects an annual cost trend of 7.0 percent, additional costs related to federal healthcare legislation, 5.0 percent annual retiree growth, and several cost-saving initiatives by ERS with regard to the Group Benefits Program. In addition, the General Appropriations Act, Eighty-second Legislature, provides for a contribution from all general state agencies and institutions of higher education equal to 1.0 percent of the total basic wages and salaries for each benefits eligible employee participating in the GBP to go toward group health insurance. The 2012–13 General Appropriations Act also requires ERS to conduct a study no later than September 1, 2012, regarding the current group insurance program including, but not limited to, current plan design, funding, and potential changes that

FIGURE 109
DISTRIBUTION OF HEALTHCARE FUNDING AND EXPENDITURES, 2012–13 BIENNIUM



Note: Net Investment Income is projected to be less than 0.1% of total healthcare funding.
Source: Employees Retirement System.

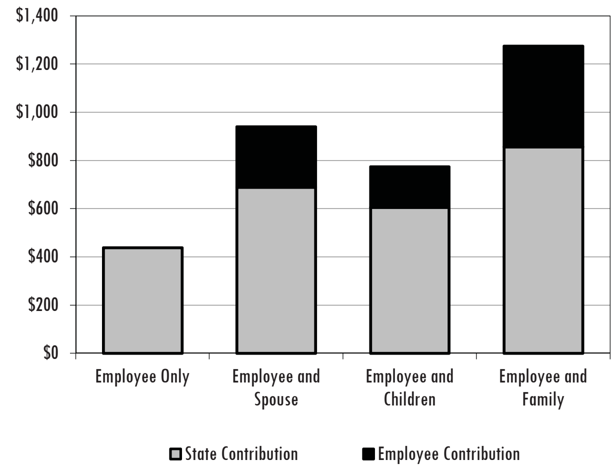
would improve the long-term sustainability of the group insurance program. Finally, the funding for group insurance reflects eliminating the state's contribution for dependent health insurance coverage for certain state employees through the State Kids Insurance Program (SKIP) due to federal healthcare legislation making these employees now eligible for the Children's Health Insurance Program (CHIP), which is administered by the Health and Human Services Commission.

ERS offers a prescription drug plan and a managed healthcare plan called HealthSelect through the state contracted vendors, Caremark and Blue Cross and Blue Shield, respectively. Although ERS self-funds the programs, outside administrators are under contract 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 (HMOs) that serve primarily urban areas across Texas to provide state employees with healthcare alternatives to HealthSelect.

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.

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 110** shows the employee's contribution as a portion of the total cost in each of the various coverage categories for the HealthSelect plan for fiscal year 2012. The state contribution covers 100 percent of the employee-only monthly premium; in the dependent-coverage categories (employee and children, employee and spouse, and employee and family), the state contribution covers an amount equal to the employee-only contribution plus 50 percent of the cost of dependent coverage. Additionally, employees who participate in an HMO receive the state contribution in accordance with this formula.

FIGURE 110
HEALTHSELECT MONTHLY CONTRIBUTION LEVELS
FISCAL YEAR 2012



Source: Employees Retirement System.

COMMISSIONED LAW ENFORCEMENT AND CUSTODIAL OFFICER SUPPLEMENTAL RETIREMENT BENEFITS

The Law Enforcement and Custodial Officer Supplement (LECOS) Retirement Fund was established in 1979 and provides an increased retirement benefit for certain employees who are Certified Peace Officers and Custodial Officers. The program funds a 0.5 percent supplement to the principal retirement formula, which increases the retirement formula to 2.8 percent per year of service for those who have completed 20 or more years of service or have become occupationally disabled while serving as commissioned law enforcement or custodial officers. Legislation passed by the Eighty-first Legislature, Regular Session, 2009, authorized a 0.5 percent employee contribution for those employees in the LECOS program. The state's LECOS contribution rate established by the Eighty-second Legislature, 2011, is 0 percent of total payroll in fiscal year 2012 and 0.5 percent of total payroll in fiscal year 2013. This is a decrease from the state contribution of 1.59 percent during the 2010–11 biennium. Senate Bill 1664, Eighty-second Legislature, 2011, Regular Session, maintains the employee contribution at 0.5 percent during the 2012–13 biennium by allowing the state contribution to be less than the member contribution during fiscal year 2012. According to the August 31, 2011 actuarial valuation update of the LECOS fund, the combined contribution rate of 0.5 percent in fiscal year 2012 is below the contribution (2.72 percent) required for the fund to be actuarially sound. According to the same update, the total normal cost rate is 2.07 percent, which is higher than the current combined contribution rate. The combined contribution of 0.5 percent is insufficient to pay down the existing accrued liability, so the expected funding period remains infinite, meaning the accrued liability is expected to grow indefinitely. The 2012–13 biennial appropriation for the LECOS retirement plan is an estimated $7.5 million, which is $40.2 million, or 84.2 percent, less than the 2010–11 biennial spending level, due to the decrease in the state contribution.

As of August 31, 2011, the market value of the LECOS Retirement Fund was $737.4 million, an increase of $69.1 million from the August 31, 2010 valuation report. The rate of investment return for that period was 12.6 percent, which is significantly higher than the 8 percent actuarially assumed expected rate of return for that time period due to exceptional investment performance.

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, 2011, there were 36,806 active members in the fund and 7,728 annuitants receiving supplemental benefits.

JUDICIAL RETIREMENT PROGRAMS

The ERS administers two retirement plans for judges: the Judicial Retirement System Plan One (JRS Plan One) and the Judicial Retirement System Plan Two (JRS Plan Two). Rather than being prefunded on an actuarial basis, JRS Plan One, established in 1949, is financed on a pay-as-you-go basis. Funds required for monthly annuity payments and refunds of member contributions are appropriated each fiscal year from the General Revenue Fund. Members contribute 6 percent of their annual compensation, which is deposited in the state General Revenue Fund. As of August 31, 2011, there were 17 contributing members and 5 non-contributing members, for a total JRS Plan One membership of 22 judges. As of the same date, 445 retirees and beneficiaries were receiving annuities.

In 1985, the Sixty-ninth Legislature established an actuarially funded retirement plan, known as JRS Plan Two, for judges who became members of the system on or after September 1, 1985. Judiciary members who were appointed or elected prior to September 1, 1985, continue to participate in JRS Plan One. The state contribution rate to the JRS Plan Two program established by the Eighty-second Legislature is 6.0 percent in fiscal year 2012 and 6.5 percent in fiscal year 2013, a decrease from 16.83 percent during the 2010–11 biennium. The member contribution rate is 6 percent of payroll, with contributions ceasing after members accrue 20 years of service credit or have served 12 years on an appellate court and attained the Rule of 70. According to the August 31, 2011 actuarial valuation update of the JRS Plan Two Fund, the fiscal year 2012 combined contribution rate of 11.97 percent (6.00 percent state contribution and a 5.97 member contribution) is less than the contribution rate required for the fund to be actuarially sound, which is 21.76 percent. According to the same valuation, the normal cost rate is 20.38 percent. The combined contribution during the 2012–13 biennium will not meet the normal cost, resulting in an indefinite funding period for the JRS Plan Two program. As of August 31, 2011, there were 546 contributing members and 134 inactive members, for a total JRS Plan Two membership of 680. As of the same date, 208 retirees and beneficiaries were receiving annuities.

The Eighty-second Legislature, Regular Session, 2011, appropriated an estimated $54.5 million in General Revenue Funds for JRS Plan One for the 2012–13 biennium and an estimated $8.4 million in All Funds ($5.1 million in General Revenue Funds) for JRS Plan Two for the 2012–13 biennium. These appropriations represent the change in the JRS Plan Two state contribution and no significant growth in either of the judicial retirement programs from the 2010–11 biennium.

DEATH BENEFITS FOR STATE AND LOCAL PUBLIC SAFETY WORKERS

The Eighty-second Legislature, Regular Session, 2011, appropriated an estimated $12.1 million in General Revenue Funds for the 2012–13 biennium for death benefits of public safety personnel. Survivors of a law enforcement officer, firefighter, or other public safety employee killed in the line of duty receive a $250,000 payment and other benefits such as funeral expenses and education benefits for surviving children. Funding for public safety death benefits for the 2012–13 biennium is funded with General Revenue Funds and the Compensation to Victims of Crime Account.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed Senate Bill 1664, which is the ERS Omnibus Bill. One provision included in that legislation is the requirement that ERS assess a monthly $30 tobacco user premium differential to GBP participating tobacco users and begin covering tobacco cessation prescription drugs by January 1, 2012. These were recommendations made in the *Texas State Government Effectiveness and Efficiency* report, "Implement a Tobacco User Surcharge on Employees Retirement System Health Premiums." Senate Bill 1664 also provides for an assessment of an employer enrollment fee in an amount not to exceed a percentage of total base payroll as determined in the General Appropriations Act for all general state agencies and institutions of higher education participating in the GBP to be deposited in the insurance trust fund. In addition, Article IX, Section 18.09 of the 2012–13 GAA identifies the 1.0 percent contribution for group health insurance from all general state agencies and institutions of higher education participating in the GBP.

TEXAS ETHICS COMMISSION

The Texas Ethics Commission (TEC), established in 1991, is governed by a commission of eight members: four appointed by the Governor, two appointed by the Lieutenant Governor, and two appointed by the Speaker of the House of Representatives. However, no more than four commission members may be appointed from the same political party. The TEC's primary responsibilities include administering and enforcing state laws related to political contributions and expenditures, political advertising, election of the Speaker of the House, lobbyist registration and activities, personal financial disclosure by state officers, and conduct of state officers and employees. In addition, the Texas Constitution provides that TEC recommend the salary of members of the Legislature, the Lieutenant Governor, and the Speaker of the House of Representatives. These recommendations are subject to approval by the voters at the subsequent general election for state and county officials.

The agency's mission is 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. The agency's appropriations for the 2012–13 biennium provide for 36 full-time-equivalent positions and total $3.9 million, a decrease of approximately $0.04 million due to elimination of the agency's Ethics Education Program, which conducted 13 educational presentations to universities, public groups, state officials and their staff during fiscal year 2011. Although these presentations will be curtailed during the 2012–13 biennium, the agency will continue to maintain ethics education information on its website, as well as produce a limited number of ethics educational pamphlets for state employees. Of the agency's 2012–13 biennial appropriations, approximately 99.6 percent consists of General Revenue Funds. The remaining appropriation includes $0.02 million in Appropriated Receipts, or approximately 0.4 percent, which is derived from copying charges the agency collects from those who request and obtain information or reports the agency maintains.

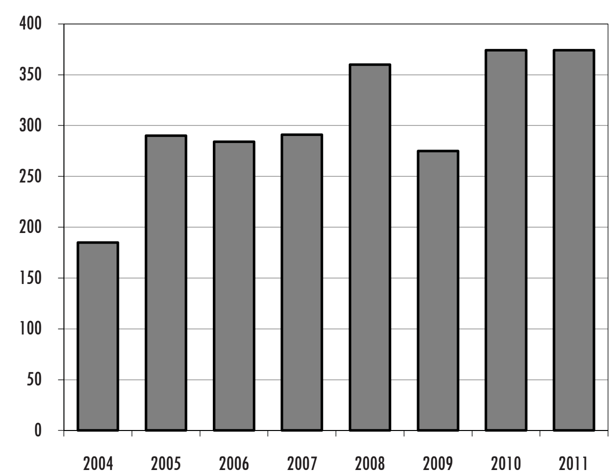
FINANCIAL DISCLOSURE REPORTS, LOBBY AND CAMPAIGN REPORTS

Approximately 61.4 percent of the agency's appropriations are for administering 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. State law requires that campaign finance reports and lobbyist reports be filed electronically with the agency, which are processed through an agency maintained electronic filing system. In fiscal year 2011, this system processed over 30,000 reports which were filed by approximately 6,000 candidates, officeholders, and political committees and approximately 1,880 registered lobbyists. Furthermore, TEC received more than 600,000 inquiries from the public, state officials, and lobbyists related to information and reports filed with the agency.

ENFORCEMENT

TEC is responsible for enforcing filing deadlines for individuals submitting reports to the agency and is statutorily authorized to impose civil enforcement actions through civil penalties. In fiscal year 2011, the agency assessed penalties for late or corrected reports resulting in approximately $314,814 in fines levied. The fines that the agency levies and collects are not appropriated to the agency, but instead are deposited into the General Revenue Fund. The agency may initiate investigations, subpoena witnesses, and conduct other discovery as it pertains to violations of state law related to ethics. In fiscal year 2011, TEC issued nine advisory opinions, which assist the public and those regulated by the agency understand the laws it enforces, and received 374 sworn complaints from individuals alleging violation of certain laws that TEC is responsible for enforcing. **Figure 111** shows the number of complaints received by the agency from fiscal years 2004 to 2011. The number of complaints

FIGURE 111
NUMBER OF SWORN COMPLAINTS RECEIVED
FISCAL YEARS 2004 TO 2011



SOURCE: Texas Ethics Commission.

increased by 99 from fiscal years 2009 to 2011. This increase is attributable to a combination of factors, including a greater public awareness of the sworn complaint process, as well as more cities, counties, school districts and other political subdivisions now allowing greater public access to campaign finance reports by posting them online.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, First Called Session, 2011, passed Senate Bill 1, which increased the annual lobby registration fees for all registrants. For most registrants, the registration fee increased from $500 to $750. The legislation also increased the registration fee from $50 to $75 for independent contractors statutorily required to register as lobbyists, and from $100 to $150 for entities, and registrants employed by such entities, that are exempt from federal income tax under sections 501(c)(3), 501(c)(4), or 501(c)(6) of the Internal Revenue Code of 1986. The 2012–13 General Appropriations Act appropriates $375,000 in projected fee revenue to TEC.

FACILITIES COMMISSION

In 1919, the Texas Legislature mandated consolidation of the state's purchasing, printing, and property-management functions and established the Board of Control, which later became the General Services Commission (GSC). During the 2000–01 biennium, the agency's Sunset legislation, Seventy-seventh Legislature, 2001, abolished the GSC and replaced it with the Texas Building and Procurement Commission (TBPC). House Bill 3560, Eightieth Legislature, 2007, transferred the procurement, fleet management, and support services to the Comptroller of Public Accounts, abolished the TBPC, and established the current Texas Facilities Commission (TFC).

TFC is governed by seven members who serve two-year, staggered terms. The Governor appoints five of those members, two of whom are selected from a list of nominees submitted by the Speaker of the Texas House of Representatives. The remaining two members are appointed by the Lieutenant Governor.

The agency has three primary functions: (1) to provide office space for state agencies through construction and leasing services; (2) to protect and cost-effectively manage and maintain state owned facilities; and (3) to provide support to state agencies, including disposal of state surplus property, recycling, waste management needs, and utilizing federal surplus property for state and local needs.

Appropriations for the 2012–13 biennium total $161.6 million in All Funds, a decrease of $6.0 million, or 3.6 percent, from the 2010–11 biennial spending levels. Appropriations for the 2012–13 biennium provide for 431.6 full-time-equivalent (FTE) positions, and consist of $62.6 million in General Revenue Funds and General Revenue–Dedicated Funds and $98.9 million in Other Funds, which includes $60 million in General Obligation bond proceeds for health and safety deferred maintenance projects.

FACILITIES DESIGN AND CONSTRUCTION DIVISION

TFC's Facilities Design and Construction Division provides professional architectural, engineering, and construction project management services to all state agencies. Additionally, this division ensures that state office buildings are structurally and environmentally safe by managing building operations and maintenance, and employing energy conservation and management through capital improvements and deferred maintenance. The Facilities Design and Construction Division includes five sections: Project Management/Support, Deferred Maintenance, Facilities Operations and Maintenance, Office of Energy Management, and Minor Construction.

PROJECT MANAGEMENT/SUPPORT

The Project Management/Support Program analyzes and determines the necessity of construction projects based on a state agency's current and future capacity requirements. Cost estimates for construction projects include indirect costs, such as security, support staff, and other overhead items, and a comparative analysis of the most cost effective and sustainable method of heating, ventilating, and air conditioning the building. Agency staff screens the qualifications of private design and construction professionals and contracts with those chosen for design work. The program oversees these contracts to ensure that the work complies with the contract requirements and that the state's interests are protected during construction. As of September 2011, TFC is actively managing 110 projects throughout the state and reports that 100 percent of construction projects were completed on time and within budget during fiscal year 2011.

DEFERRED MAINTENANCE

Meeting capital improvement needs for each state-owned facility is the responsibility of the Deferred Maintenance Program. Routine 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. During the 2012–13 biennium, the agency anticipates expenditures of $60.0 million in deferred maintenance projects that were funded by General Obligation bonds from the Proposition 4 authorizations and appropriated to TFC by the Eighty-second Legislature, Regular Session, 2011.

FACILITIES OPERATIONS AND MAINTENANCE

The Facilities Operations and Maintenance Program is responsible for maintaining and repairing building systems, which include heating, ventilation and air conditioning, electrical, plumbing, and building automation systems. This section is staffed on a 24-hour work schedule to monitor central utility plants that provide chilled water and steam to various buildings. This program is also responsible for 21 stand-alone systems in buildings not receiving chilled water or steam from the central utility plants. Program staff periodically inspects equipment to monitor conditions that might lead to breakdown or harmful depreciation. The program also manages utilities for approximately 74 state-owned facilities and parking structures and lots totaling over 16 million square feet of space.

OFFICE OF ENERGY MANAGEMENT

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 includes performing cost benefit analysis on equipment, evaluating and improving current business practices, refining methods of building operation, creating and implementing program policies and procedures, and researching and planning for the use of advanced technologies.

MINOR CONSTRUCTION

Minor renovations and rehabilitation for tenants of TFC buildings are performed by the Minor Construction program on a cost-recovery basis. TFC charges agencies $65 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.

FACILITIES PLANNING AND ASSET MANAGEMENT DIVISION

The agency's Facilities Planning and Asset Management Division is responsible for long-range strategic master planning, asset management, real estate development, space management, and oversight of the state's lease procurement services. In fiscal year 2011, the division's portfolio of leased and owned facilities totaled more than 28.4 million square feet, supporting the needs of 103 state agencies housing 62,600 employees throughout 283 Texas cities and towns. The division's programs perform the following functions for TFC: (1) long-range and strategic analyses and planning; (2) space allocation and management; (3) pre-design, space program development, and plan review; (4) lease procurement and contract management services; (5) building management, custodial services, and grounds maintenance for state-owned facilities; (6) recycling and waste management services; and (7) commercial parking and events management.

LONG-RANGE AND STRATEGIC ANALYSES AND PLANNING

TFC continuously evaluates the state's real property inventory and performs the following processes and duties: (1) financial, market, location, and site analyses; (2) studies to determine whether it is more cost effective to buy, build, or lease facilities; (3) space utilization/need assessments and development of space standards for all state agencies; (4) due diligence coordination for land acquisitions; (5) preliminary project analyses that result in proposals for improved space utilization, facility acquisitions, dispositions, leasing, modifications, or new construction; and (6) identification of underdeveloped or underutilized state properties and administering the public-private partnership development program including the receipt, evaluation, and selection of qualifying projects. A significant portion of the program's activities are reflected in its statutorily required biennial report, the Facilities Master Plan Report, a document that provides information on state agencies' current and future facility needs. The report contains the status and costs associated with TFC-owned and leased inventories, current utilization statistics, future state agency requirements, relevant real estate market information, and provides strategies to ensure efficient utilization and operation of state assets.

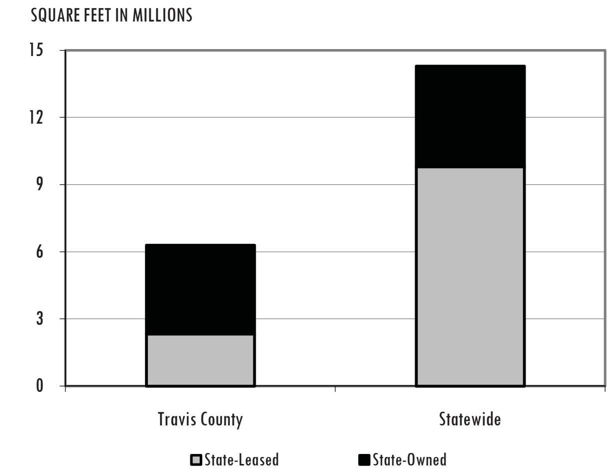
SPACE ALLOCATION AND MANAGEMENT

TFC has planning and oversight responsibilities for determining facility requirements as well as allocating and assigning space to the agencies housed in TFC's leased and owned inventory. This program evaluates and approves all requests for space allocation, relinquishment, or modifications to TFC facilities. As of fiscal year 2011, TFC has an inventory of 14.3 million square feet of office space consisting of 9.8 million square feet of leased space and 4.5 million square feet of owned space. As **Figure 112** shows, approximately 63 percent of all office space occupied by the state in Travis County consists of state-owned or state-built facilities managed by TFC. Statewide, state-owned space makes up approximately 31 percent of the total inventory of space occupied by the state.

PRE-DESIGN, SPACE PROGRAM DEVELOPMENT, AND PLAN REVIEW

Cost-benefit studies, space use studies, and project analyses make up the Planning and Asset Management Division's pre-design functions. New leased space, major and minor modifications to existing buildings and new facilities are

FIGURE 112
STATE OFFICE SPACE
FISCAL YEAR 2011



Source: Texas Facilities Commission.

dependent on the division's space programming functions. The division works closely with tenant agencies to develop space planning standards based on functional requirements and best space use practices. The division's work results in predictable, detailed space planning guidelines for each tenant agency that meets the agency's operational requirements and TFC's oversight responsibilities. The division also provides schematic plans and reviews and approves development of construction documents to ensure conformity with space standards.

LEASING SERVICES

TFC's Leasing Services program procures and manages leased facilities to meet the operational needs of state agencies throughout the state. In fiscal year 2011, the program managed 934 active leases for office, warehouse, and training purposes for 37 state agencies in 283 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 10.6 million square feet with a monetary value of $135 million in fiscal year 2011.

BUILDING MANAGEMENT AND TENANT SERVICES

The Building Management and Tenant Services program is comprised of seven property managers with an additional 20 building technicians and one administrative assistant. The property manager assigned to a TFC-managed facility serves as the liaison between the tenant agencies located in the facility and TFC's programs. The property managers supervise the building technicians who perform the maintenance work orders in TFC-managed facilities. In addition, the program maintains a tenant manual, available on TFC's website, that provides tenant agencies with the rules and guidelines set forth for the day-to-day operations and activities within TFC-managed facilities. The property managers and their staff provide facility management services for approximately 14.6 million square feet of state-owned office space, parking garages, and parking lots equating to approximately 850,000 square feet per property manager. These facilities are valued at $1.5 billion and are occupied by approximately 88 state agencies throughout Texas. Most of these facilities are located within Austin. Six properties are located in El Paso, Houston, Fort Worth, San Antonio, Waco, and Corpus Christi.

CUSTODIAL SERVICES

The Custodial Operations Program provides cleaning services for state-owned and managed facilities within TFC's inventory. Specific cleaning tasks include: daily maintenance of restrooms and public areas; daily trash and recycling service from central collection points; vacuuming of carpet areas as scheduled; spot cleaning of carpet areas as needed; stripping, waxing, sealing, and buffing hard surface floors as scheduled; twice weekly sweeping and mopping of hard surface floor areas; and weekly dusting of public areas. Inspections are performed randomly on all phases of custodial services to ensure that quality service is provided.

RECYCLING AND WASTE MANAGEMENT

TFC manages the state's recycling and waste program, which recycles paper, aluminum cans, and plastic drink bottles through its single stream recycling collection, toner cartridges, wood pallets, scrap metal, and electronic "e-waste" such as used or outdated computers or other electronic devices and associated peripherals, including keyboards, monitors, and batteries. 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 2,104 tons of recycling material and collected more than $0.3 million in fiscal year 2011.

GROUNDS MAINTENANCE

The Grounds Maintenance program maintains and repairs the grounds, parking facilities, and surface lots of 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 310 acres of state-owned property in Travis County and also performs nightly cleaning for 16 state-owned parking garages. Staff also performs cleanup for various state properties, lots, and garages after sporting events in Austin, such as The University of Texas home sporting events.

COMMERCIAL PARKING AND EVENTS

The Commercial Parking and Events Program is responsible for administering temporary leasing of state facilities in the Austin area for after-hours parking, movie productions, special events, and tailgating. Additionally, the program administers the Conference Room Reservation System, a web-based scheduling system for conference rooms, common areas, or exterior areas in TFC-managed, state-owned buildings for use by state agencies. In fiscal year 2011, the program generated approximately $532,000 in revenue returned to the State Treasury from fees charged for a combined total of 120,050 parking spaces for after-hours parking and on weekends in the Capitol Complex and Hobby Complex.

SURPLUS PROPERTY DIVISION

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. The Federal Surplus Property Program is responsible for administering the donation of federal surplus personal property in Texas.

FEDERAL SURPLUS PROPERTY

TFC manages the disposition of surplus and salvage property donated to the state by federal programs on a cost-recovery basis. Participation in the Federal Surplus Property Program is open to nonprofit and tax-exempt organizations that meet eligibility by fulfilling federal requirements to receive and use the property. Items such as construction equipment, communications equipment, vehicles, tools, and fire-fighting equipment are available to these eligible organizations. In fiscal year 2010, TFC reported approximately $49.6 million in property was donated to eligible organizations.

STATE SURPLUS PROPERTY

TFC also disposes of salvage and surplus personal property from state agencies, such as office furniture, office equipment, heavy equipment, tools and vehicles. State agencies, political subdivisions, and assistance organizations, including providers of services to the homeless or impoverished, may contact the state agency that is offering the property to arrange a transfer at a price set by the owning agency. Property that is not transferred to an eligible entity is disposed of through storefront sales, Internet sales, and public auctions, and TFC collects a 10 percent fee to cover the cost of the sale. Of the remaining receipts, agencies receive 25 percent of the receipts to expend on similar property, equipment, or commodities, and 75 percent is deposited to the General Revenue Fund. For fiscal year 2011, the program returned proceeds totaling more than $5 million to participating state agencies and counties.

TEXAS STATE CEMETERY

TFC provides funding and administrative support for the Texas State Cemetery. The cemetery, established in 1851 and located in Austin, is the final resting place for governors, senators, legislators, congressmen, judges, and other eligible persons who have made a significant contribution to Texas history. The cemetery grounds are located approximately one mile east of the State Capitol, and include several monuments dedicated to honor different groups of Texans, such as those who died during the September 11 terrorist attacks and during Operation Enduring Freedom in Afghanistan, all World War II veterans, and veterans wounded in combat serving in the United States military. Appropriations for the Texas State Cemetery include $1.1 million in General Revenue Funds for the 2012–13 biennium for daily operations and maintenance of cemetery facilities, and provides for 8.0 FTE positions.

LEASE PAYMENTS

TFC is responsible for transferring debt service payments, referred to as lease payments, to the Texas Public Finance Authority for revenue bonds that were issued to construct, renovate, or purchase state buildings. For the 2012–13 biennium, appropriations provide $76.3 million in General Revenue Funds and General Revenue–Dedicated Funds for these lease payments, a decrease of $9.7 million from the 2010–11 biennial spending levels due to reduced debt service requirements.

SIGNIFICANT LEGISLATION

The Eighty-second Legislation, Regular Session, 2011, passed House Bill 4, which appropriates $1.5 million in General Revenue Funds in fiscal year 2011 to TFC for payment of increased utility costs as a result of an increase in utility rates. The enactment of Senate Bill 1068 by the Eighty-second Legislature, Regular Session, 2011, authorizes TFC to lease unused, unneeded, state-owned parking lot spaces and parking garage spaces to individuals, institutions of higher education, and businesses. This legislation resulted from the *Texas State Government Effectiveness and Efficiency* report, "Optimize the Use of State Parking Facilities." From this leased parking revenue, the agency is appropriated $0.2 million in fiscal year 2012 and $0.1 million in fiscal year 2013, to fund: one FTE position to administer the program, a security upgrade and on-going maintenance of the agency's computer network, and on-going maintenance of the agency's accounting system software and server.

PUBLIC FINANCE AUTHORITY

The Texas Public Finance Authority (TPFA) was established by the Legislature in 1983 as a bond-issuing agency to provide the most cost-effective financing services available to fund capital projects and equipment acquisitions as designated and authorized by the Legislature. The TPFA is governed by a board of directors composed of seven members appointed by the Governor with the advice and consent of the Senate.

Appropriations to fund the TPFA for the 2012–13 biennium are divided into two components: agency operations and debt service on General Obligation (GO) bonds. Appropriations for the 2012–13 biennium for agency operations total $5.7 million and provide for 14.0 full-time-equivalent positions. Of these appropriations, $3.6 million, or approximately 63.2 percent are appropriated in General Revenue Funds and General Revenue–Dedicated Funds, and the remaining $2.1 million is from Appropriated Receipts from cost-recovery fees from the Master Lease Purchase Program ($1.3 million) and from the Texas Windstorm Insurance Association ($0.8 million) for debt management. Appropriations for debt service on GO bonds total $606.6 million in All Funds; including $592.6 million in General Revenue Funds and General Revenue–Dedicated Funds, to support debt service on existing and new GO bond debt.

AGENCY OPERATIONS

TPFA issues GO and revenue bonds for designated state entities **(Figure 113)** and administers the Master Lease Purchase Program, which is used primarily to finance capital equipment and acquisitions such as computers, telecommunications systems, software, vehicles, and energy performance contracts. TPFA provides financing for construction, repair, renovations, and acquisition of capital equipment, and grants for cancer research and prevention through a variety of debt management tools and financing techniques including long-term fixed-rate bonds, short-term debt, and refinancing tools such as cash defeasances and advance and current refunding bonds. The agency monitors all debt obligations to ensure compliance with federal tax law and bond covenants. The staff manages ongoing bond proceeds and ensures timely payments of principal and interest to the bond holders.

GENERAL OBLIGATION (GO) BONDS

TPFA issues GO bonds on behalf of certain state agencies. GO debt requires a constitutional amendment, approval by two-thirds of the Legislature, and approval by a majority of voters in a statewide election. GO debt is backed by the full faith and credit of the state, requiring that the first monies coming into the State Treasury not otherwise constitutionally dedicated be used to pay the debt service on these obligations. There are several GO bond programs, including bonds for general state government construction projects on behalf of several state agencies. the Colonia Roadway Program, Texas Military Revolving Loan Fund for loans to defense communities, and cancer prevention and research initiatives.

As previously noted, the agency uses various types of debt instruments to fund GO debt programs, including long-term fixed-rate bonds and short-term variable rate notes, such as commercial paper. Commercial paper is an effective tool to provide interim financing for construction projects, as well as significant flexibility in managing the state's debt portfolio.

The federal American Recovery and Reinvestment Act of 2009 established the Build America Bond (BAB) program that authorized state and local governmental entities to issue two types of taxable bonds with federal subsidies to offset borrowing costs. The first type of BAB program provides federal tax credits to the bond buyers or investors in an amount equal to 35 percent of the total interest payments paid by the issuing agency. The second type of BAB program provides a federal subsidy through a refundable tax credit paid directly to state or local government issuers in an amount equal to 35 percent of the total interest payments made to investors. In August 2009, TPFA issued approximately $181.6 million in BAB GO bond debt on behalf of several client agencies and elected to receive a direct subsidy of 35 percent of interest payments, estimated to be $56.5 million over the 20-year life of the bonds, including $7.3 million in the 2012–13 biennium.

As of August 31, 2011, outstanding non-self-supporting GO bonds totaled $2.1 billion. Of this amount, $756.4 million, or 35.7 percent is outstanding debt for bonds for construction, repair, and renovation of Texas Department of Criminal Justice facilities. **Figure 114** shows the amount of debt outstanding by agency.

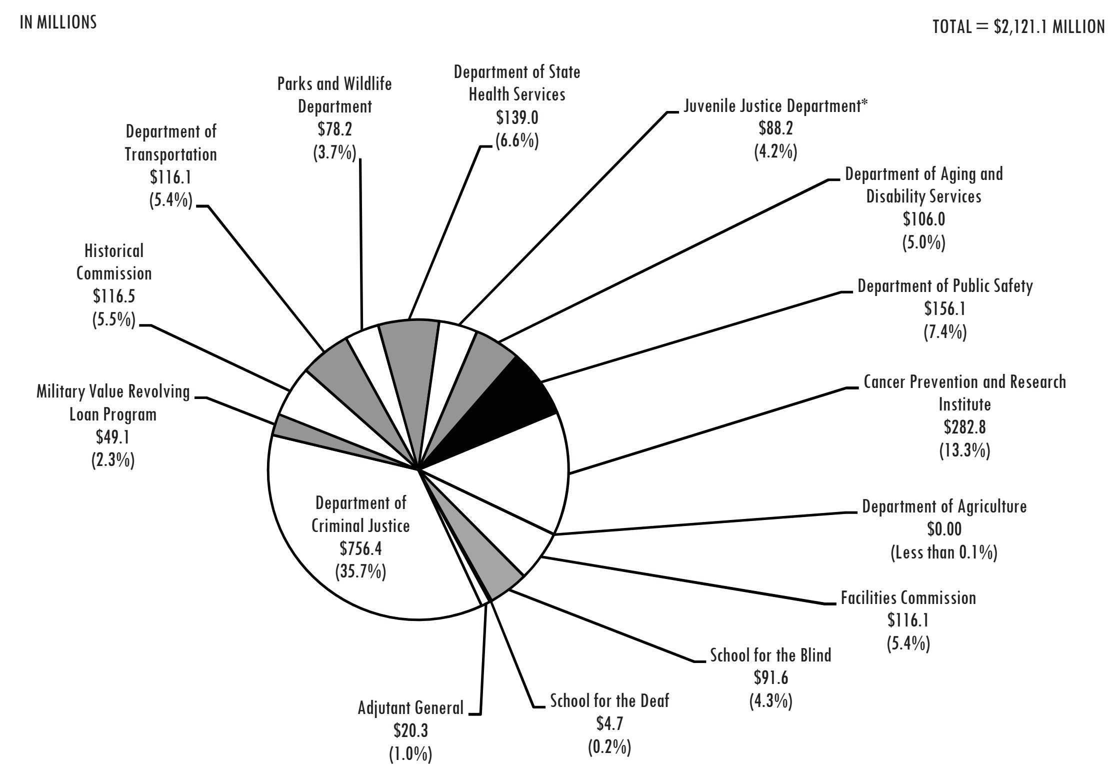
Appropriations for debt service payments for GO bonds total $606.6 million for the 2012–13 biennium, an increase of $0.8 million from the 2010–11 biennial estimated and budgeted amounts primarily due to the issuance of newly appropriated debt. Included in the appropriations is $14.4 million in debt service for $600 million in GO bonds to the

FIGURE 113
PUBLIC FINANCE AUTHORITY CLIENT AGENCIES BY TYPE OF FINANCING
2012–13 BIENNIUM

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

*Incorporates Senate Bill 653, Eighty-second Legislature, Regular Session, 2011, relating to the abolishment of the Youth Commission and the Juvenile Probation Commission resulting in the creation of the Juvenile Justice Department.
Source: Texas Public Finance Authority.

FIGURE 114
OUTSTANDING GENERAL OBLIGATION BOND DEBT, AUGUST 31, 2011



*Incorporates Senate Bill 653, Eighty-second Legislature, Regular Session, 2011, relating to the abolishment of the Youth Commission and the Juvenile Probation Commission resulting in the creation of the Juvenile Justice Department.
Notes: Totals may not sum due to rounding. Includes General Obligation bonds and commercial paper.
Source: Texas Public Finance Authority.

Cancer Prevention and Research Institute, primarily for grants, and $13.3 million in debt service for $182.4 million in GO bonds for new capital projects at several TPFA client agencies. Appropriations also reflect a reduction of $79.2 million in debt service to restructure approximately $111.4 million in outstanding debt. Restructuring debt involves issuing new debt to pay off existing debt to reduce or avoid debt service payments, interest rates, or to change other terms of the bond financing. The recent restructuring of debt will not extend the debt service period, but will increase debt service costs by approximately $24.6 million over the life of the bonds. **Figure 115** shows the appropriations for debt service on GO bonds for the 2012–13 biennium by agency.

REVENUE BONDS

Unlike GO bonds, revenue bonds do not require voter approval. TPFA issues lease revenue bonds to fund a project on behalf of another state agency and leases the project to the agency. Funds for debt service payments on revenue bonds are appropriated to the applicable agency as lease payments to TPFA. These appropriations are typically General Revenue Funds. The Legislature appropriated revenue bond proceeds to a variety of agencies including the Texas Facilities Commission to construct, renovate, or purchase state office buildings; the Texas Historical Commission to make improvements to the National Museum of the Pacific War; the Parks and Wildlife Department to construct and equip a new freshwater fish hatchery in East Texas and for infrastructure maintenance of the state parks system; the State Preservation Board for construction of the Bob Bullock Texas State History Museum; the Department of State Health Services for construction of a public health laboratory; and the Texas Department of Criminal Justice to refinance existing leases for additional bed capacity at local correctional facilities.

Appropriations for debt service payments on revenue bonds total $162.9 million for the 2012–13 biennium, a decrease of $17.3 million, or 9.6 percent, from the 2010–11 biennial

FIGURE 115
GENERAL OBLIGATION BOND DEBT SERVICE APPROPRIATIONS BY AGENCY, 2012–13 BIENNIUM

IN MILLIONS	ALL FUNDS			
AGENCY	2010–11 BUDGETED/ EXPENDED	2012–13 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Facilities Commission	$15.3	$26.1	$10.8	70.6%
Historical Commission	14.4	25.8	11.4	79.2
State Preservation Board	0.0	0.0	0.0	(40.9)
Cancer Prevention Institute of Texas	9.6	78.1	68.5	100.0
Texas Military Preparedness Commission	5.4	6.7	1.3	24.1
Department of Aging and Disability Services	27.3	25.8	(1.5)	(5.5)
Department of State Health Services	27.9	31.0	3.1	11.1
School for the Blind and Visually Impaired	6.1	13.5	7.4	121.3
School for the Deaf	1.5	1.0	(0.5)	(33.3)
Adjutant General's Department	2.2	4.4	2.2	100.0
Department of Public Safety	32.5	41.0	8.5	26.2
Juvenile Justice Department*	32.1	21.7	(10.4)	(32.4)
Department of Criminal Justice	402.2	285.8	(116.4)	(28.9)
Department of Agriculture	0.0	0.0	0.0	(31.0)
Parks and Wildlife Department	12.5	19.9	7.4	59.1
Department of Transportation	16.9	25.8	8.9	53.0
TOTAL	**$605.9**	**$606.6**	**$0.8**	**0.1%**

*Incorporates Senate Bill 653, Eighty-second Legislature, Regular Session, 2011, relating to the abolishment of the Texas Youth Commission and the Juvenile Probation Commission resulting in the creation of the Juvenile Justice Department.
NOTE: Totals may not sum due to rounding.
SOURCE: Texas Public Finance Authority.

spending levels **(Figure 116).** In December 2010, TPFA issued approximately $1.8 billion in revenue bonds for the Texas Workforce Commission to allow it to repay the federal government for interest free loans for the payment of unemployment insurance compensation. Annually, the TPFA advises the commission of the amount of debt service needed for the upcoming year to permit the commission to set the assessment rate on employers for repayment of the debt. Authority to issue unemployment insurance revenue bonds is provided by statute and appropriation authority is not required for these bonds to be issued. Therefore, the related debt service is not included in **Figure 116**.

As shown in **Figure 117**, outstanding revenue bond debt totaled $640.3 million as of August 31, 2011. Of this amount, $396.9 million, or 62 percent, is outstanding debt primarily for tuition revenue bonds issued on behalf of certain higher education institutions (Midwestern State University, Stephen F. Austin State University, and Texas Southern University).

MASTER LEASE PURCHASE PROGRAM

The Master Lease Purchase Program (MLPP) is a lease revenue-financing program authorized by the Seventy-first Legislature, 1989, primarily to finance equipment acquisitions for state agencies. The program provides financing for computers, telecommunications, and other capital equipment on purchases in excess of $10,000, and for equipment with a useful life of at least three years. MLPP acquisitions are funded with tax-exempt commercial paper, a short-term variable rate financing instrument. The agency charges an administrative fee on the outstanding principal balance of each lease. As of August 31, 2011, there was approximately $89.3 million in outstanding debt for the MLPP. **Figure 118** shows the total amount of assets and type of projects financed since the program's inception in 1992. The agency reports an estimated 43.9 percent increase in the number of leases processed from fiscal years 2010 to 2011. The Bond Review Board began accepting applications for energy performance contracts in fiscal year 2011 after a brief moratorium.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, 2011, in both the Regular Session and the First Called Session, passed bills that affect the agency. Among the most significant legislation are House Bill 2251, House Bill 1728, and House Bill 3.

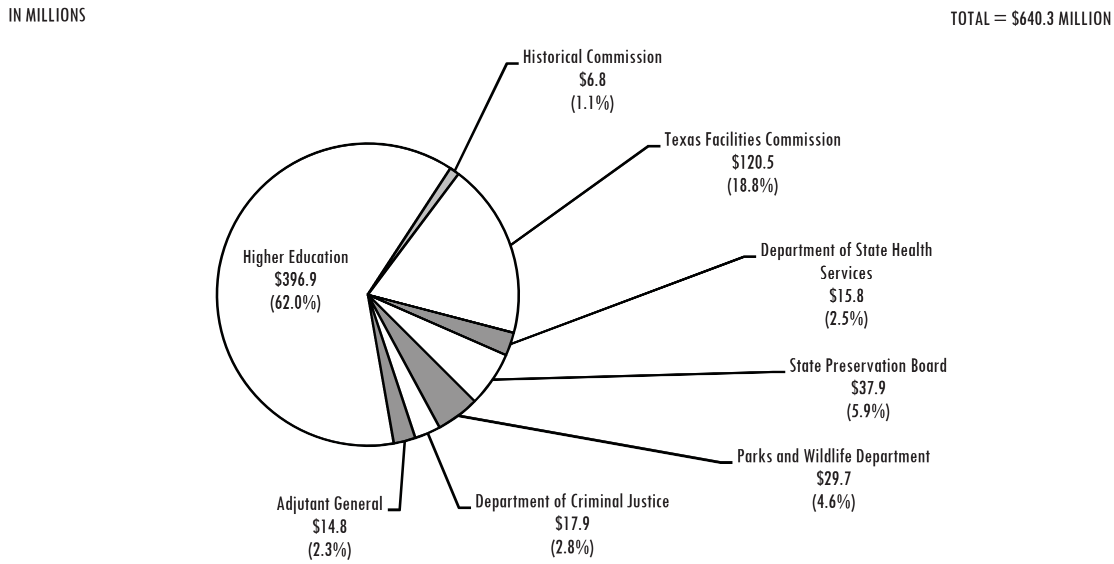
The enactment of House Bill 2251 continues the agency for 12 years and authorizes Texas State Technical College and other general academic teaching institutions to contract with TPFA to issue debt on the institution's behalf. Additionally,

FIGURE 116
REVENUE BOND DEBT SERVICE APPROPRIATIONS, 2012–13 BIENNIUM

IN MILLIONS		ALL FUNDS		
AGENCY	2010–11 BUDGETED/ EXPENDED	2012–13 APPROPRIATED	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas Facilities Commission	$86.0	$76.3	($9.7)	(11.3%)
Texas Historical Commission	1.9	1.7	(0.2)	(7.9)
State Preservation Board	12.0	11.8	(0.2)	(1.7)
Department of State Health Services	5.8	5.7	(0.1)	(0.3)
Higher Education Institutions*	35.1	34.3	(0.8)	(2.1)
Adjutant General/Military Facilities Commission	4.6	4.6	(0.0)	(0.9)
Department of Criminal Justice - Private Prison Lease/Purchase	19.9	14.0	(5.9)	(29.8)
Parks and Wildlife Department	14.9	14.5	(0.4)	(2.7)
TOTAL	**$180.2**	**$162.9**	**($17.3)**	**(9.6%)**

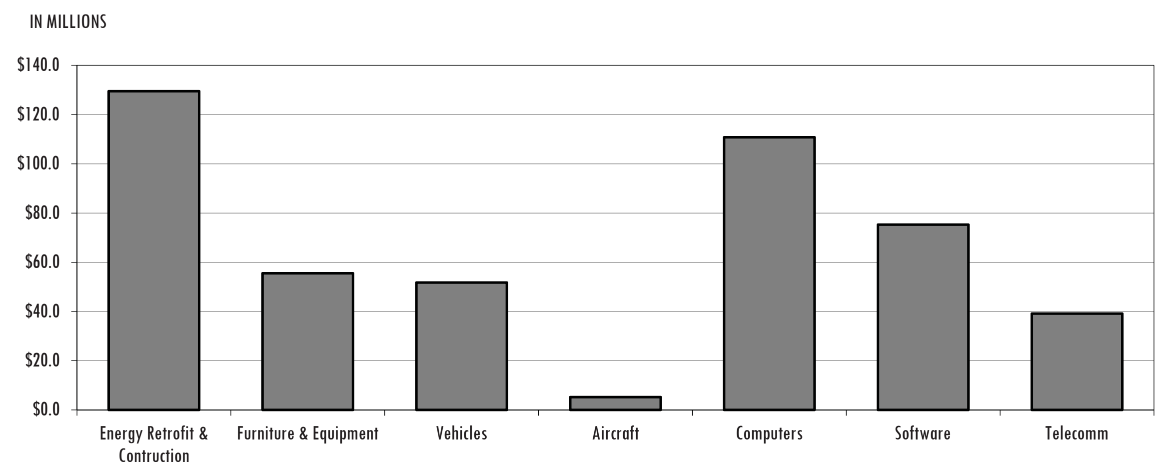
*Includes Midwestern State University, Stephen F. Austin State University, and Texas Southern University.
Note: Totals may not sum due to rounding.
Source: Texas Public Finance Authority.

FIGURE 117
OUTSTANDING REVENUE BOND DEBT (NON-GENERAL OBLIGATION), AUGUST 31, 2011



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

FIGURE 118
ASSETS FINANCED VIA MASTER LEASE PURCHASE PROGRAM
FISCAL YEARS 1992 TO 2011



SOURCE: Texas Public Finance Authority.

Stephen F. Austin State University is now authorized to issue debt on its own behalf, whereas under prior law, TPFA had the exclusive authority to issue debt for the university. Most significantly, House Bill 2251 allows TPFA to issue debt as needed by the Cancer Prevention and Research Institute by eliminating the requirement that the institute escrow funds for multi-year grants upon award of the grants. This change gives TPFA the flexibility to use short-term debt to finance the institute's needs and thus take advantage of historically low short-term interest rates, thereby reducing the overall cost for debt service payments.

The enactment of House Bill 1728 revised Section 2166.406 of the Texas Government Code to authorize the use of energy savings performance contracts for both new and existing governmental facilities. Under the new legislation, governmental bodies may use bond proceeds or TPFA's

Master Lease Purchase Program to finance energy savings measures for new and existing facilities projects.

The Eighty-second Legislature, First Called Session, 2011 passed House Bill 3, which amended provisions of the Texas Insurance Code related to catastrophe financing for the Texas Windstorm Insurance Association (TWIA). The revised legislation allows TPFA to issue up to $1 billion in public securities at the request of the TWIA with the approval of the Commissioner of Insurance prior to a catastrophic event such as a hurricane, as well as following such an event. This ensures that TWIA will have sufficient liquidity to pay claims in the event of a catastrophe and allows TPFA to sell securities without the pressure of a catastrophic event adversely affecting market conditions.

FIRE FIGHTERS' PENSION COMMISSIONER

In 1937, the Forty-fifth Texas Legislature established the Office of the Fire Fighters' Pension Commissioner (FFPC). The Governor appoints the Commissioner for a four-year term and is subject to confirmation by the Texas Senate. The FFPC administers two programs: the Texas Emergency Services Retirement System (TESRS), and the Texas Local Fire Fighters' Retirement Act (TLFFRA) program. The agency's primary mission is to provide an actuarially sound and professionally managed and administered retirement system for the volunteer firefighters and emergency services personnel in the state of Texas (TESRS). The agency also provides technical assistance, education, and oversight to the locally administered firefighters' pension boards (TLFFRA).

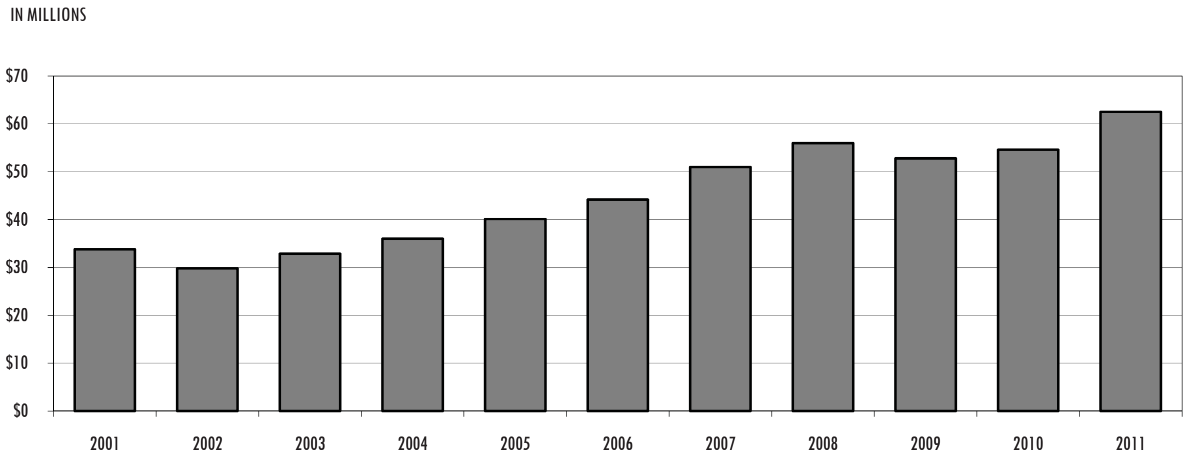
Appropriations for the 2012–13 biennium total $1.7 million in All Funds, which includes $1.6 million in General Revenue Funds, and provide for 8.5 full-time-equivalent positions. This is an increase of $0.2 million in General Revenue Funds from the 2010–11 biennial spending levels due to upgrades to the agency's website to comply with accessibility requirements set by the Department of Information Resources to meet federal Americans with Disabilities Act standards.

The TESRS fund's August 31, 2010 actuarial valuation, which reports the financial soundness of the plan, including its assets, accrued liabilities, and the actuarial soundness of contributions, indicated that the TESRS fund had an actuarially sound plan contribution arrangement for a 30-year funding period with certain assumptions. These assumptions are that the expected contributions from the state will be equal to the maximum annual state contribution, which is one-third of all contributions to the system by governing bodies of participating departments in a year, and approximately $500,000 each year to pay for part of the system's administrative expenses. The agency's contracted actuary, Rudd and Wisdom, Inc., states in the valuation that without these expected state contributions, the TESRS system would have an inadequate contribution arrangement to amortize the unfunded actuarial accrued liability in 30 years or less, and thus be actuarially unsound.

The TESRS fund is a pooled investment fund established by statute in 1977 to finance a pension system for volunteer firefighters, volunteer emergency medical personnel, and members of part paid/part volunteer fire departments. The FFPC administers the day-to-day operations of the system, and provides a cost effective means for volunteer fire departments to belong to a professionally managed fund. As the administrator, the FFPC collects contributions of participating members, invests the proceeds, calculates benefits, and issues payments to retirees and their beneficiaries. There are currently 200 fire departments participating in the TESRS fund, representing 14,723 vested and non-vested members, and 4,623 active volunteer emergency services personnel. As of January 1, 2007, the TESRS vesting requirement is that a member must have 10 qualifying years in TESRS before receiving the right to a pension benefit. On average, the fund provides monthly annuity payments to 2,722 retirees and beneficiaries, which totals approximately $3.0 million in benefit payments each fiscal year. The fund is overseen by the TESRS Board of Trustees, whose members are appointed by the Governor. Working with investment consultants and a contract actuary, the board establishes the asset allocation (the distribution of investments among various classes of investment vehicles) and the investment policies for the fund, and hires and oversees investment managers to invest the assets of the fund in accordance with the board's investment policy. **Figure 119** shows the net value of the TESRS fund's assets from fiscal years 2001 to 2011, with the decrease in fiscal year 2009 reflecting the national economic downturn that began in fall 2008.

TLFFRA was established in 1937. Under TLFFRA, the FFPC maintains all of the records for the departments that administer their own firefighters' pension funds; provides advice concerning interpretation of the statute and local plans; confirms retirement, disability and refund amounts; and resolves benefit disputes between members and local boards after they have had a hearing before a State Office of Administrative Hearings (SOAH) Administrative Law Judge. After receiving SOAH's finding, the Fire Fighters' Pension Commissioner makes the final ruling in the benefit dispute. Of the 121 participating TLFFRA pension funds, 80 are volunteer fire departments, and 41 are paid or part-paid departments. The combined market value of these funds exceeds $1.3 billion, with 6,657 active members and 4,064 beneficiaries. Of the 41 paid and part-paid departments, 25 have amortization periods under 30 years, nine departments have amortization periods between 30 and 40 years, and seven departments are over the 40-year funding period. For these 41 departments, the average fire fighter contribution is 12.39 percent of salary and the average city contribution is 15.31 percent. Of the 80 exclusively volunteer departments, whose total combined market value exceeds $2.6 million,

FIGURE 119
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS) FUND NET VALUE OF ASSETS
FISCAL YEARS 2001 TO 2011



SOURCE: Fire Fighters' Pension Commissioner.

only 30 have assets exceeding $10,000. The FFPC makes concerted efforts to move these TLFFRA departments to TESRS to reduce costs and provide increased benefits for the membership. By moving to the TESRS fund, these volunteer departments have the opportunity to belong to a fund that is managed by the FFPC and is backed by a larger pool of assets. Additionally, the agency holds an annual TLFFRA educational conference with continuing education for pension fund administrators and boards of trustees with training provided by qualified entities and individuals in the fields of fiduciary responsibility, investment management, and pension fund administration. The agency also assists local boards of trustees through peer review support and training both online and in-person with the agency's TLFFRA Trustee Trainings. Finally, the agency's *Peer Review Trustee Training Manual* is also available to TLFFRA board trustees and administrators as a best practices resource for pension fund administration and management.

OFFICE OF THE GOVERNOR AND TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

The Governor is the chief executive officer of Texas and is elected for a four-year term. Since 1845, when Texas achieved statehood, 47 individuals have held the office of Governor. The constitutional and statutory duties for this office consist of a wide range of responsibilities. Examples of these responsibilities and duties include the following:

- provides a report on the fiscal condition of the state and an estimate of the amount of revenue required to be raised through taxation at the beginning of each regular legislative session;
- may convene special sessions of the Legislature;
- may veto bills passed by the Legislature;
- serves as the state's chief budget officer;
- appoints members of state boards and commissions that provide policy direction to state agencies;
- serves as commander-in-chief of the state's military forces;
- fills vacancies in state or district elective offices, pending the next general election;
- issues writs of election to fill legislative or congressional vacancies; and
- grants reprieves and pardons, commutes pardons and punishments, and revokes conditional pardons.

Appropriations to the Office of the Governor for the 2012–13 biennium are divided into two areas: the Office of the Governor and Trusteed Programs within the Office of the Governor. Together, these appropriations total $597.7 million and provide for 272.4 full-time-equivalent (FTE) positions. Of this amount, $458.3 million, or 76.7 percent, consists of General Revenue Funds and General Revenue–Dedicated Funds. The appropriations also include $115.5 million in Federal Funds for various criminal justice grants to local, state, and non-profit entities which include juvenile justice and delinquency prevention, sexual assault and violence against women services, residential substance abuse treatment, and crime victim services.

OFFICE OF THE GOVERNOR

The formulation of state policy is implemented primarily through operations of four entities within the Office of the Governor: the Governor's Office of Budget, Planning and Policy (GOBPP); the Communications Office; the Appointments Office; and the Office of General Counsel. These operations support and assist the Governor in carrying out constitutional and statutory responsibilities as the state's chief executive officer. Appropriations to the Office of the Governor total $19.5 million in All Funds for the 2012–13 biennium and provide for 131.5 FTE positions. Funding levels reflect a decrease of $4.2 million primarily due to reduced professional fees and services for publications and research, a reduction of staff within the Appointments Office, and a decrease in overall operating expenses.

OFFICE OF BUDGET, PLANNING AND POLICY

The GOBPP advises the Governor on the state's fiscal condition, recommends fiscal policies to the Governor, prepares the Governor's state biennial budget recommendation to the Legislature, and provides the Governor with information on and analysis of state policy issues. Its budget administration activities include processing agency requests for emergency funds, requests to enter into contracts with consultants, requests to hire staff for bona fide new positions that are not defined in the State Classification Plan, and other agency submissions required by law.

GOBPP provides fiscal information and analysis in support of the Governor's statutory role as the state's chief budget officer. In conjunction with the Legislative Budget Board (LBB), the office coordinates the state agency strategic planning process, develops a long-range strategic plan for state government, issues budget instructions to state agencies, and conducts hearings on agency budget requests.

The Governor and the LBB have budget execution authority to manage the state's appropriations while the Legislature is not in session. Budget execution authority permits the state to reallocate existing appropriations for fiscal emergencies that occur between legislative sessions. Texas Government Code, Section 317 authorizes either the Governor or the LBB to propose budget execution actions. In this process, GOBPP analyzes the identified budget emergency and may propose alternatives that include the transfer of appropriations from one state agency to another, the use of agency appropriations for another purpose, or a change in the timing of an agency appropriation. For an item to be approved, the

Governor and the LBB must concurrently approve the original or modified proposal.

COMMUNICATIONS OFFICE

The Communications Office manages media relations for the Governor and the First Lady or First Gentleman by providing information to print and broadcast media. The office prepares news releases and speeches for the Governor and handles media calls and requests for interviews. According to the Office of the Governor, this area receives an average of approximately 307,600 constituent contacts annually, and it is the Communications Office's responsibility to respond to these letters, calls, and email messages. The office receives calls from Texans with concerns or issues about state government through its information and referral hotline, refers callers to appropriate agencies for assistance, and reports constituent concerns to the Governor. In addition, the office makes travel arrangements and prepares detailed schedules for the Governor.

APPOINTMENTS OFFICE

The Governor's Appointments Office recruits, screens, selects, and trains individuals appointed to boards, commissions, and advisory committees. This office also supports the processes of filling vacancies in state, district, legislative, and congressionally elected offices. During a four-year term, the Governor makes an average of 3,000 appointments. In fiscal year 2011, the Governor made 698 appointments to various boards, commissions, and committees around the state.

TRUSTEED PROGRAMS WITHIN THE OFFICE OF THE GOVERNOR

Trusteed Programs within the Office of the Governor include statewide programs that fall under the oversight of the Chief Executive. Some of the trusteed programs administered by the Governor 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. Appropriations to the Trusteed Programs total $578.2 million in All Funds for the 2012–13 biennium and provide for 140.9 FTE positions. This amount represents a $298.4 million decrease, or 34 percent, in total funds from the 2010–11 biennial spending level mainly due to decreases of: Criminal Justice Funds of $174.6 ($17.8 million in General Revenue Funds and $58.5 million in General Revenue–Dedicated Funds) for various grants to local, state, and non-profit entities; Economic Development and Tourism Funds of $81.7 million ($32.3 million in General Revenue Funds and $11.0 million in General Revenue–Dedicated) primarily for grants and other operating expenses; Military Preparedness Funds of $39.0 million ($5.0 million in General Revenue Funds) related for grants to defense dependent communities for economic development; Disaster Funds of $37.8 million in General Revenue Funds to state and local entities; Film and Music Marketing Funds of $34.8 million primarily in General Revenue Funds; Homeland Security Funds of $9.3 million in General Revenue–Dedicated Funds related to transferring funding to the Texas Department of Public Safety; County Essential Service Grant Funds of $2.9 million in General Revenue Funds; Emergency and Deficiency Grants of $2.3 million in General Revenue Funds to state agencies; offset by an increase in General Revenue–Dedicated Texas Enterprise Funds of $81 million and General Revenue–Dedicated Emerging Technology Funds of $3.1 million primarily related to unexpended balances not obligated in the 2010–11 biennium and moved forward for expenditure in the 2012–13 biennium. In addition, the agency has authority to carry forward all unexpended balances and interest earnings from fiscal year 2011 to the 2012–13 biennium pursuant to Article IX, Section 18.105, of the 2012–13 General Appropriations Act.

DISASTER ASSISTANCE GRANTS

The Governor may provide disaster assistance grants to local and state governments to respond to unforeseen disasters. According to the Chapter 418 of the Texas Government Code, 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 wildfires which have recently affected parts of the state, hurricane recovery efforts along the Gulf Coast, evacuation assistance for segments of the population forced out of dangerous or unsafe areas, and rebuilding of infrastructure such as roads and public buildings after a disaster event. For the 2012–13 biennium, $39 million in General Revenue Funds were appropriated to the agency to respond to disasters around the state.

CRIMINAL JUSTICE

The Criminal Justice Division's (CJD) mission is to establish and support programs that protect people from crime, reduce the number of crimes committed, and promote accountability, efficiency, and effectiveness within the criminal justice system. CJD directs funding to first responders and service providers through the administration of grants from a variety of state and federal sources. Eligible applicants for criminal justice-related funds include state agencies, regional councils of governments, cities, counties, independent school districts, higher education institutions, Native American tribes, and nonprofit organizations. CJD directs funding to assist with several key areas which include preventing gang activity, victims' services, reducing juvenile and drug crime, supporting border security efforts, supporting safe schools, and supporting local governments to maximize federal funding for those entities, and the overall enhancement of public safety.

During the 2010–11 biennium, CJD awarded $263.9 million in grants to local, regional, and statewide projects. CJD grant awards fall into one of six service categories or program areas:

- Prevention—school or community-based projects that prevent gang activity, drug use, violence, or neighborhood crime and family violence and child abuse prevention projects;
- Juvenile Justice—juvenile boot camps, juvenile offender employment projects, and juvenile probation casework;
- Law Enforcement—family violence and child abuse investigators, police officer training, and law enforcement technology (e.g., DNA profiling, information systems, crime labs, and automated fingerprint systems);
- Courts and Prosecution—drug courts, teen courts, and special narcotics and juvenile prosecutors;
- Victims' Services—victims' assistance, battered women's shelters, child abuse projects, rape crisis centers, Mothers Against Drunk Driving, and Court Appointed Special Advocates; and
- Texas Crime Stoppers—24-hour toll-free hotline for information on unsolved crimes and state and local programs that accept anonymous tips and provide rewards.

Once grants are awarded, they are monitored, evaluated, and audited by CJD staff. **Figure 120** provides the state and federal funding sources for CJD grants, including amounts estimated to be available during the 2012–13 biennium, and a brief summary of eligible uses for each funding source. Appropriations for criminal justice activities for the 2012–13 biennium total $141.9 million in All Funds, representing a decrease of $174.6 million primarily related to a decrease of $97.6 million in Federal Funds (Federal American Recovery and Reinvestment Act) and $59.0 million in General Revenue–Dedicated Funds (Criminal Justice Planning) for various criminal justice grants to local, state, and non-profit entities. The 2012–13 biennial appropriations include $26.6 million in General Revenue Funds and General Revenue–Dedicated Funds and $115.3 million in Federal Funds, including $48.5 million for Crime Victims Assistance Grants, $11 million for Violence Against Women Grants, and $31.3 million for Byrne Justice Assistance Grants.

FILM AND MUSIC MARKETING

The Texas Music Office (TMO) serves as a clearinghouse for Texas music industry information by providing referrals to Texas music businesses, performers, and events to attract new business to Texas and encourage and assist in-state music businesses and individuals. The office publishes the annual Texas Music Industry Directory online at EnjoyTexasMusic.com, and contains more than 19,000 Texas music businesses cross-referenced by numerous music categories. According to TMO, this resource attracted 231,998 users resulting in 514,789 website views in fiscal year 2010. TMO also administers a specialty license plate grant program that uses proceeds to provide musical instruments and music lessons to students in low-income schools. In addition, TMO markets Texas music and culture around the world, in part through presenting Texas music at events such as: the World Expo in Beijing, China; the MIDEM conference in Cannes, France; and at the South by Southwest Music Conference in Austin. TMO also maintains the Texas Music International Tip Sheet, a referral network currently consisting of 1,570 foreign music businesses interested in Texas music products or services such as CD production and recording facilities.

The Texas Film Commission (TFC) promotes Texas' motion picture industry through several activities and programs. TFC provides information on film locations, crews, talent, state laws, sales tax exemptions, and housing to filmmakers seeking to produce movies or television shows in Texas. Through its Texas Production Manual, the commission maintains a list of 1,400 qualified vendors, crew, and other

FIGURE 120
GOVERNOR'S CRIMINAL JUSTICE DIVISION FUNDING PROGRAMS, 2012–13 BIENNIUM

IN MILLIONS

PROGRAM/FUND	ESTIMATED FUNDING
State Criminal Justice Planning Fund	$19.8
Eligible Uses: Support programs designed to reduce crime and improve the criminal or juvenile justice system.	
Crime Stoppers Assistance Fund	1.1
Eligible Uses: Assist community efforts in solving serious crimes through certified Crime Stoppers programs.	
Drug Court Program	1.5
Eligible Uses: Court-supervised substance abuse treatment as an alternative to traditional criminal sanctions.	
Edward Byrne Justice Assistance Grants	30.0
Eligible Uses: Programs that prevent and control crime and make improvements to the criminal justice system.	
Paul Coverdell National Forensic Sciences Improvement Act	1.5
Eligible Uses: Improve the quality, timeliness and credibility of forensic science and medical examiner services.	
Residential Substance Abuse and Treatment Act	3.0
Eligible Uses: Substance abuse treatment projects within state and local correctional facilities, including jails.	
Bullet Proof Vest Partnership Grant	0.5
Eligible Uses: Assistance to local and tribal law enforcement agencies in providing officers with armored vests.	
Juvenile Justice and Delinquency Prevention Act	6.0
Eligible Uses: Improve the juvenile justice system and develop effective education, training, research, prevention, diversion, treatment, and rehabilitation programs in the area of juvenile delinquency.	
Juvenile Accountability Block Grant	5.0
Eligible Uses: Support projects that promote greater accountability in the juvenile justice system.	
Victims of Crime Act Formula Grant Program	57.0
Eligible Uses: Provide services and assistance directly to victims of crime.	
Violence Against Women Act Fund	16.0
Eligible Uses: Develop and strengthen effective criminal justice strategies and victim services programs to combat violent crimes against women.	
Sexual Assault Services and Prevention	0.5
Eligible Uses: Provide direct services to adult and child victims of sexual assault.	
TOTAL ESTIMATED FUNDING	**$141.9**

Source: Office of the Governor.

film and video-related entities at no cost to the Texas residents who list their services.

TFC also manages the Moving Image Industry Incentive Program, which offers grants to production companies that produce films, television programs, video games, instructional and educational videos or commercials in Texas. Grant applicants must meet a minimum in-state spending of $250,000 for films and television programs and $100,000 for commercials, educational or instructional videos, and digital interactive media productions. Also, at least 60 percent of the production must be filmed in Texas and wages are capped at $1 million per worker. Appropriations in the 2012–13 biennium total $32 million in General Revenue Funds for the Moving Image Industry Incentive Program.

ECONOMIC DEVELOPMENT AND TOURISM

The mission of the Economic Development and Tourism Division is to enhance the economic growth of Texas communities through marketing and development initiatives for business and tourism. The division administers the Texas Enterprise Fund grants, the Texas Emerging Technology Fund, the Economic Development Bank programs, Texas Military Preparedness, and tourism programs. Appropriations for the 2012–13 biennium for Economic Development and Tourism, the Texas Enterprise Fund, the Texas Emerging Technology Fund, and Military Preparedness total $358.3 million in All Funds.

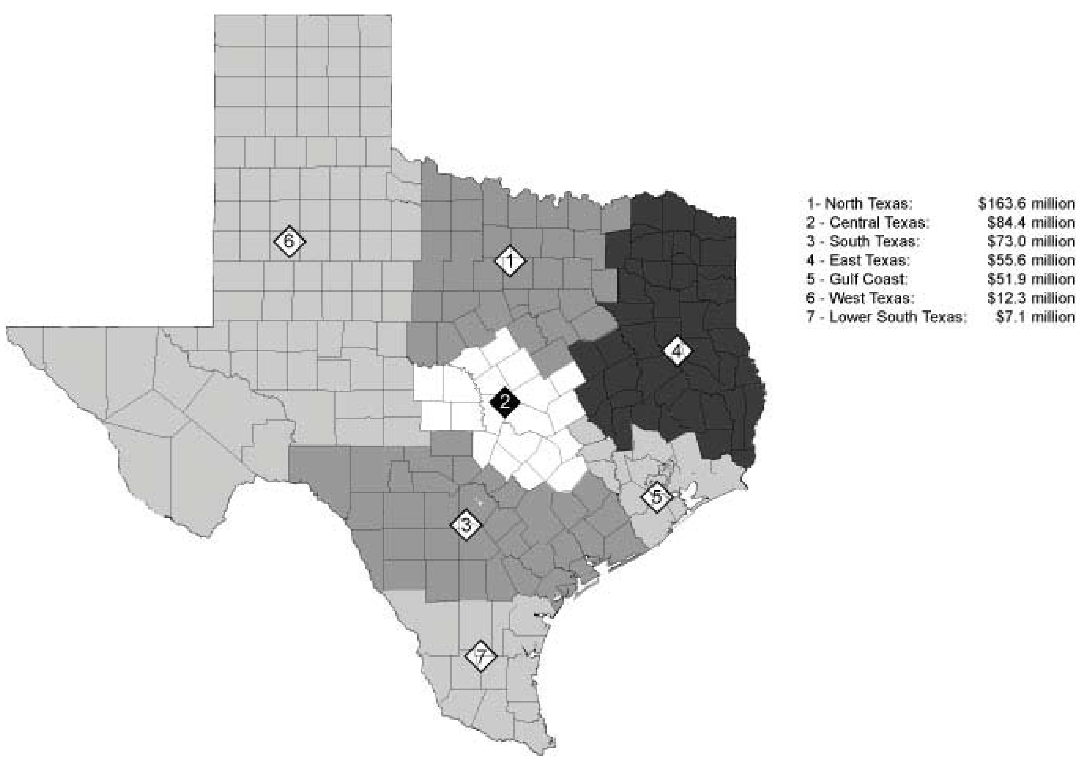
TEXAS ENTERPRISE FUND

The Texas Enterprise Fund was established by legislation passed by the Seventy-eighth Legislature, Regular Session, 2003. The fund, which is statutorily administered by the Governor, is for economic, infrastructure, community development, job training programs, and business incentives. The agency reports that since the beginning of fiscal year 2004, $447.9 million in Texas Enterprise Fund grants has been awarded to 98 entities and estimates that 59,100 jobs have been created. The 2012–13 appropriation of $150 million to the Texas Enterprise Fund consists of $3.6 million in estimated revenue and interest earnings, and $146.4 in unspent appropriations carried forward from fiscal year 2011. **Figure 121** shows the amounts disbursed, announced, and committed from the Texas Enterprise Fund by region since fiscal year 2004.

EMERGING TECHNOLOGY FUND

The Seventy-ninth Legislature, Regular Session, 2005, established the Texas Emerging Technology Fund for the purpose of providing grants to assist in developing and diversifying the economy of the state by promoting research, development, and commercialization in emerging technological industries such as semiconductor, nano-technology, biotechnology, and others that could lead to medical or scientific breakthroughs. In addition, these grants are intended to attract and encourage expansion of private sector entities that will promote a substantial increase in high-quality jobs and increase higher education applied technology research. Statutorily, 50 percent of the fund must

FIGURE 121
TEXAS ENTERPRISE FUND EXPENDITURES BY REGION, FISCAL YEARS 2004 TO 2011

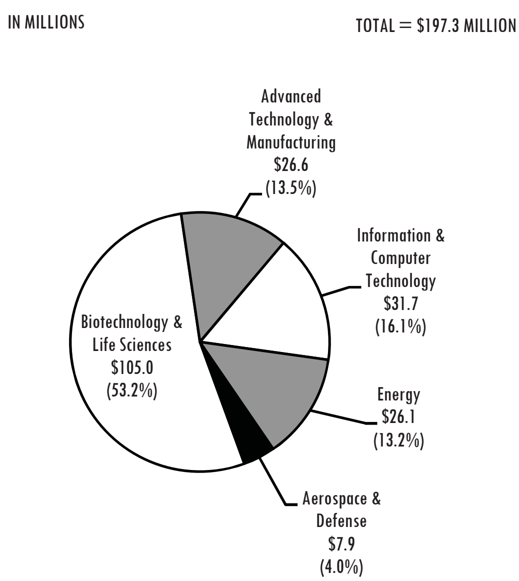


NOTE: Regional award totals do not sum to program award total due to some multi-region projects.
SOURCE: Office of the Governor.

be used for incentives for private or nonprofit entities to collaborate with public or private institutions of higher education on the commercialization of emerging technology projects, 16.67 percent must be used to match funding from research sponsors, while the remaining 33.33 percent must be used to acquire new or enhance existing research resources at public institutions of higher education.

Since fiscal year 2006, $370.5 million in Emerging Technology grants have been awarded to 167 entities, including $197.3 million for Commercialization Award grants, $84.7 million for Research Matching grants, and $88.5 million for Research Superiority Acquisition of Talent grants. **Figure 122** shows amounts granted by type of technology industry for commercialization grants from fiscal years 2006 to 2011. The 2012–13 biennial appropriation of $140.5 million for the Emerging Technology Fund consists of approximately $2.2 million in estimated revenue and interest earnings, and $138.3 in unspent appropriations carried forward from fiscal year 2011.

FIGURE 122
EMERGING TECHNOLOGY FUND GRANTS BY INDUSTRY SECTION, FISCAL YEARS 2006 TO 2011



SOURCE: Office of the Governor.

ECONOMIC DEVELOPMENT BANK

The Economic Development Bank consists of 11 separate programs that provide incentives to businesses wishing to relocate to or expand in Texas, and assists local communities in accessing capital for economic development. The Enterprise Zone Program encourages job creation and capital investment in economically distressed areas by providing state sales and use tax refunds on taxable items for businesses that agree to invest in designated enterprise zone areas. The Texas Leverage Fund, created in 1992, issues short-term debt to make loans to communities for certain projects which include energy and communication equipment manufacturing. In turn, those communities use their economic development sales tax revenue as repayment and security on the loan. The Texas Product Business Fund provides loans directly to businesses that use their equity as collateral in securing funding for expansion and product development within the state. In addition, the division issues tax exempt and taxable industrial revenue bonds on behalf of local industrial development corporations that want to finance land and depreciable property for manufacturing facilities. A processing fee is charged to the industrial development corporations of one-tenth of 1 percent of the bond issuance (with a cap of $25,000), and this fee is deposited into the Economic Development Bank. Appropriations for the Economic Development Bank total $3.9 million in General Revenue–Dedicated Funds for the 2012–13 biennium.

TOURISM

The Texas Tourism program markets Texas as a tourist destination in out-of-state domestic and international markets. The program promotes Texas as a premier travel, meeting, and convention destination through advertisements in consumer and trade magazines, national cable television, radio, newspaper, the TravelTex.com website, and through its advertising campaign: *Texas. It's Like A Whole Other Country®.* Through trade shows, sales and media missions, educational seminars, and media tours, the program provides the travel trade industry and travel media with information regarding Texas travel. 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. Funding for the Texas Tourism program is authorized by a dedicated portion of Hotel Occupancy Tax revenue equal to one-half of 1 percent of tax collections. Appropriations for the 2012–13 biennium total $33.7 million.

MILITARY PREPAREDNESS

Established by the Seventy-eighth Legislature, Regular Session, 2003, the Texas Military Preparedness Commission (TMPC) consists of 13 members appointed by the Governor and is charged with several core missions. The first is to develop strategies to attract and locate Department of Defense programs to military facilities within the state. Another is to develop a statewide strategy to assist defense dependent communities in preparing for future federal Base Realignments and Closures (BRAC). By utilizing the Texas Military Value Revolving Loan Fund and the Defense Economic Adjustment Assistance Grants program, the TMPC assists defense dependent communities previously affected by BRAC closures and to assist in maintaining current installations by providing adjacent infrastructure improvements to enhance the facility's value. Appropriations for Military Preparedness total $0.8 million for the 2012–13 biennium, a reduction of $5.0 million in General Revenue Funds from the 2010–11 biennium.

HOMELAND SECURITY

The Homeland Security Division assists the Governor in developing a statewide homeland security strategy and coordinating homeland security activities among local, state, and federal agencies. While the Homeland Security Division provides direction on homeland security policy, the Texas Division of Emergency Management, a division within the Department of Public Safety, is the designated state administrator for homeland security grants and coordinates the federal grant application and disbursement process with local councils of governments, urban areas, and port authorities. Appropriations for Homeland Security total $4.2 million in All Funds that include $4.0 million in General Revenue–Dedicated Funds for border prosecutions.

STATE–FEDERAL RELATIONS

The Office of State–Federal Relations (OSFR) acts as primary liaison to the federal government for the Governor, the Legislature, and state agencies. The mission of the OSFR is to advance state policy by promoting communications and building relationships between the state and federal government. OSFR's goals are to increase influence of the Governor and Legislature over federal actions that have a direct or indirect economic, fiscal, or regulatory impact on the state and maintain an active role in the national decision-making process by providing information. Appropriations for OSFR in the 2012–13 biennium total $1.4 million in All Funds and provides for 7 FTE positions.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, First Called Session, 2011, passed Senate Bill 2, which provides $39.0 million in fiscal year 2012 for disaster relief out of lapsed appropriations made previously in House Bill 4586 from the Eighty-first Legislature, Regular Session, 2009. In addition, Senate Bill 2 provides appropriation of certain reimbursements from the federal government, an insurer, or other sources, from an agency receiving reimbursements for disaster related expenditures.

Senate Bill 2 further provides that the Trusteed Programs within the Office of the Governor may transfer $10 million to the Texas Department of Housing and Community Affairs for the Homeless Housing Program and $10 million to the Texas Workforce Commission for the Texas Back to Work Program from the General Revenue–Dedicated Texas Enterprise Fund Account. Such transfers are authorized by enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, Section 35.01 and Section 43.01, respectively.

HISTORICAL COMMISSION

The State Historical Survey Committee was established by the Legislature in 1953, with responsibility for overseeing the state's historic preservation programs. Its role in historic preservation steadily expanded, and in 1973 it was renamed the Texas Historical Commission (THC). The agency's mission is to protect and preserve the state's historic and prehistoric resources for the use, education, economic benefit, and enjoyment of present and future generations. Today, THC administers a comprehensive preservation program under a variety of state and federal laws, including Chapter 442 of the Texas Government Code, Chapter 191 of the Texas Natural Resources Code, and the National Historic Preservation Act of 1966, as amended.

Appropriations for the 2012–13 biennium total $52.6 million and provide for 173.7 full-time-equivalent (FTE) positions. This amount includes $25.8 million in General Revenue Funds and General Revenue–Dedicated Funds, or 49 percent of the total appropriation. General Obligation bond proceeds comprise $20.0 million of the agency's appropriations for grants for county courthouse preservation. Funding levels for the 2012–13 biennium reflect a decrease of $51.9 million in All Funds, including $14.6 million in General Revenue Funds, from the previous biennium primarily for a reduction in bond proceeds due to the completion of repair and renovations to historic sites, elimination of one-time federal funding from the American Recovery and Reinvestment Act of 2009, reductions to historic sites operations, and reductions to the agency's various program areas for preservation assistance and outreach programs which are not required by state or federal law.

HISTORIC PRESERVATION AND GRANT PROGRAMS

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 to leadership and training services, the agency offers financial assistance for preservation activities through several grant programs. Under the Certified Local Government Program, at least 10 percent of federal Historic Preservation Funds received by the agency must be used for matching grants to communities for the development of preservation programs and planning. Preservation Trust Fund grants, another matching grant program, can be used to pay up to one-half of project costs for the repair and rehabilitation of historic commercial and public buildings, unique historic structures, archeological site surveys, and preservation training and planning. A third matching grant program, the Museum Grants Program, grants up to $1,000 to history museums across the state for the preservation and conservation of museum collections. **Figure 123** shows the number of grantees and amounts awarded for each of THC's historic preservation grant programs. As indicated in the table, grants will not be awarded through the Preservation Trust Fund and Museum grant programs during the 2012–13 biennium due to reduced funding levels.

HISTORIC SITES AND STRUCTURES

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 which house THC staff: Carrington-Covert House; Gethsemane Lutheran Church; Luther Hall; the Elrose Apartment building; and the Christianson-Leberman building. THC also maintains and operates 20 historic sites throughout the state, as shown in **Figure 124**. Since 1975, the agency has administered the Sam Rayburn House Museum in Bonham and beginning in fiscal year 2006, THC assumed responsibility for the operation of the National Museum of the Pacific War in Fredericksburg, which tells the story of Fleet Admiral Chester W. Nimitz and the Pacific Theater battles of World War II. In 2008, an additional 18 sites, including forts, battlegrounds, homes, plantations and other historically significant sites, were transferred from the Texas Parks and Wildlife Department to THC. The agency is appropriated $15.1 million and was authorized 97.2 FTE positions for the operation of these sites. These amounts include $9.9 million in Sporting Goods Sales Tax receipts, of which the agency is statutorily authorized to receive up to 6 percent. Funding levels represent a decrease of 71.5 percent from the previous biennium primarily due to reductions for renovations and repairs of historic sites, equipment and vehicle purchases, and operating expenses of the sites.

FIGURE 123
HISTORIC PRESERVATION GRANTS
FISCAL YEARS 2008 TO 2013

	2008	2009	2010	2011	2012*	2013*
Texas Preservation Trust Fund Grants						
Total Amount	$538,040	$73,798	$197,950	$25,000	$0	$0
Grants Awarded	33	4	12	1	0	0
Certified Local Government Grants						
Total Amount	$105,676	$117,186	$131,924	$131,581	$86,535	$86,535
Grants Awarded	18	16	14	11	8	8
Texas Historic Courthouse Preservation Program						
Total Amount**	$56.8	$1.6	$21.9	$0.8	$20.0	$0
Grants Awarded	36	8	26	5	7	0
Heritage Tourism Grants						
Total Amount	$500,000	$750,000	$865,000	$832,920	$750,000	$750,000
Grants Awarded	10	10	28	23	10	10
History Museum Grants						
Total Amount	$9,916	$8,340	$9,934	$14,350	$0	$0
Grants Awarded	13	10	11	18	0	0

*Budgeted Amounts.
**In Millions.
Source: Texas Historical Commission.

ARCHEOLOGICAL PROJECTS

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, the division conducts reviews of public construction projects that may affect an archeological site and is also responsible for designating State Archeological Landmarks. THC archeologists also provide assistance, primarily to private landowners, in identifying, recording, and preserving archeological sites throughout Texas and administer the Texas Archeological Stewardship Network in which volunteer vocational archeologists assist in the preservation of archeological sites and artifacts.

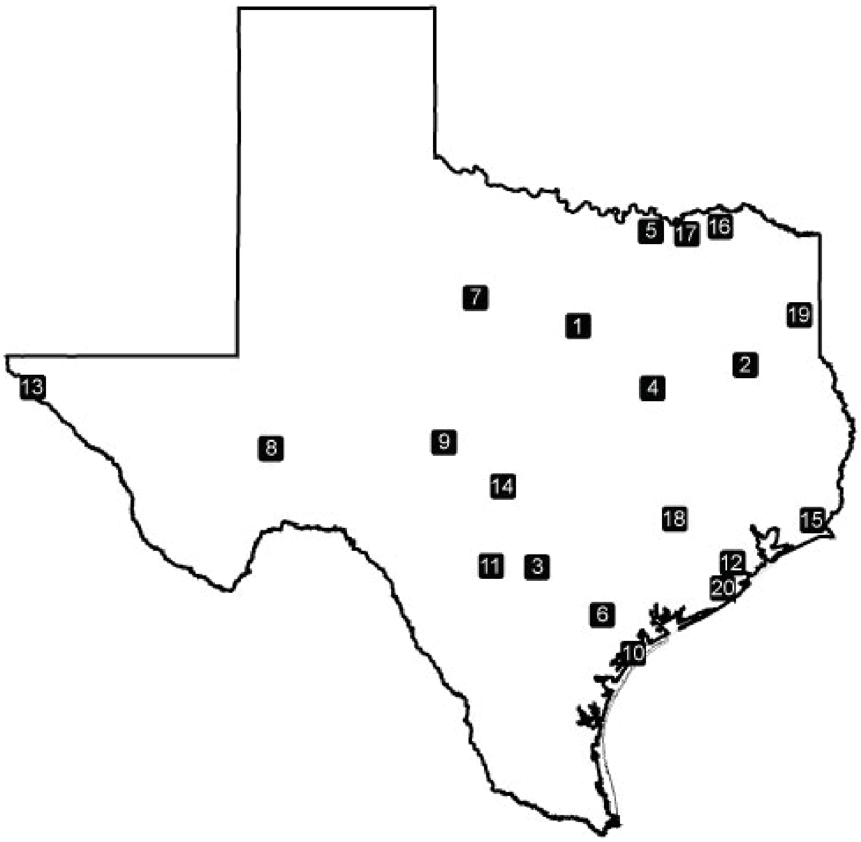
THC is charged with ensuring the proper care and management of archeological collections within the public domain of the state. Due to the vastness of such collections, the agency transfers stewardship of them to various curatorial facilities in Texas. The agency's Curatorial Facility Certification Program ensures that these facilities meet current museum standards related to the care and management of collections.

The agency's Marine Archeology Program's most significant project has been the discovery of the shipwreck of French explorer René-Robert Cavelier, Sieur de La Salle's seventeenth-century ship *Belle*. In Victoria County, archeologists have uncovered eight cannons, skeletons of three French colonists, and ruins of French and Spanish buildings from what is believed to be La Salle's failed French colony, Fort St. Louis. The agency is appropriated $250,000 in General Revenue Funds for the 2012–13 biennium, of which $125,000 must be matched with private donations, to complete work related to the excavation, analysis, interpretation, and display of artifacts from Fort St. Louis and other La Salle-related sites. The agency is also appropriated unexpended balances of $250,000 (estimated) in General Revenue Funds that will allow the agency to complete the preservation of the hull of the *Belle* shipwreck. Once the preservation is completed, which is estimated to be in 2013, the hull will be placed in the Bob Bullock Texas State History Museum for public viewing.

TEXAS HISTORIC SITES ATLAS

The Texas Historic Sites Atlas is a website THC maintains, which includes more than 300,000 historic and archeological site records documenting Texas history. Included in the website's database is detailed information about Official Texas Historical Markers, the National Register of Historic

FIGURE 124
TEXAS HISTORICAL COMMISSION HISTORIC SITES, 2012–13 BIENNIUM



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

SOURCE: Texas Historical Commission.

Places, historic courthouses, museums, and cemeteries. Although originally created to provide state and federal land-use planners with information on the location and condition of Texas' cultural resources, the Atlas provides the public with detailed textual descriptions, historic photographs, and interactive maps of historic sites in Texas.

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 million to counties statewide for the preservation of their courthouses. Since the program was initiated, $227.1 million has been awarded to assist with the restoration and preservation of 82 courthouses, including 55 full restorations. Appropriations for the 2012–13 biennium include $20.0 million in General Obligation bond proceeds and $0.9 million in General Revenue Funds and General Revenue–Dedicated Funds. THC anticipates making approximately seven Courthouse Preservation grants during the 2012–13 biennium **(Figure 123).**

COMMUNITY DEVELOPMENT AND TOURISM

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, Department of Rural Affairs, and Office of the Governor, may recommend to the agency up to five cities to receive services that include on-site evaluations by architects and other experts in historic preservation, marketing programs for heritage tourism, and training for Main Street managers and board members for three years.

Through its Heritage Tourism initiative, the agency works with communities to identify historic resources and develop heritage corridors that stimulate tourism within an area of the state. Although originally developed to stimulate tourism around 10 scenic driving trails developed by the Governor and the Texas Department of Transportation (TxDOT) in 1968, with guidance from the THC, the agency expanded the Heritage Trails program to include communities on and off of the trails. The agency provides training and grants to the 10 heritage regions and financially supports regional volunteer heritage tourism boards. Appropriations for the agency's community development and tourism programs for the 2012–13 biennium total $6.5 million, which includes $3.6 million in Federal Funds (Transportation Enhancement) transferred to the agency from TxDOT through an Interagency Contract designated for the Heritage Trails program.

SIGNIFICANT LEGISLATION

The enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, transfers the agency's funds from outside the State Treasury that were invested in the Comptroller of Public Accounts Safekeeping Trust Company to the agency's General Revenue–Dedicated Preservation Trust Fund and authorizes the dedicated fund to be used for the agency's operational expenses. The transfer of the funds to the Preservation Trust Fund is anticipated to result in a gain to the Fund of an estimated $10.1 million, of which $5.1 million is appropriated to the agency for various programs, including archeological programs, courthouse program administration and heritage tourism programs.

The enactment of Senate Bill 1518, Eighty-second Legislature, Regular Session, 2011, amends the Texas Government Code and the Texas Parks and Wildlife Code to codify certain authority of THC related to management of historic sites transferred from the Texas Parks and Wildlife Department by House Bill 12, Eightieth Legislature, Regular Session, 2007, including: authority to acquire additional sites, sell or exchange real property, lease land and improvements, lease grazing rights, and sell products grown on sites.

The enactment of Senate Bill 1928, Eighty-second Legislature, Regular Session, 2011, directs the State Preservation Board (SPB) to establish an African American Texans Memorial Monument on the Capitol grounds and abolishes the Texas Emancipation Juneteenth Cultural and Historical Commission. The legislation repeals the Commission's governing statute, Chapter 448 of the Texas Government Code. In accordance, the 2012–13 General Appropriations Act transfers unexpended balances appropriated in prior biennia for the construction of the Juneteenth Memorial Monument to the SPB for the establishment of an African American Texans Memorial Monument on the Capitol grounds (estimated to be $0.4 million in General Revenue Funds).

DEPARTMENT OF INFORMATION RESOURCES

The Texas Department of Information Resources (DIR) was established in 1989 by the Information Resources Management Act to address the major aspects of information-technology management. The agency's mission is to support the effective and efficient use of public funds by promoting and achieving a shared vision where the state maximizes the value of its technology investment by identifying common areas of interest, using technology to advance agency-specific missions, and preserving flexibility to innovate.

The agency is governed by a board composed of seven voting members and three ex-officio non-voting members. The Governor, with the advice and consent of the Senate, appoints the seven voting members. Voting members serve staggered six-year terms, with two or three members' terms expiring February 1 of each odd-numbered year. The board also includes two groups of ex officio members that serve two-year terms on a rotating basis. The first group includes the commissioner of the Worker's Compensation division of the Department of Insurance, the executive commissioner of the Health and Human Services Commission, and the executive director of the Texas Department of Transportation. The second group includes the Commissioner of Education, the executive director of the Texas Department of Criminal Justice, and the executive director of the Texas Parks and Wildlife Department. Only one group of ex officio members serves at a time.

Appropriations to DIR for the 2012–13 biennium total $542.2 million in All Funds and provide for 227.9 full-time-equivalent positions. These appropriations represent a $96.5 million, or a 15.1 percent decrease from the 2010–11 biennial spending levels. Of the amount appropriated, $14.7 million consists of General Revenue Funds for administration of the state electronic web portal, Texas.gov ($1.4 million), and an interagency contract with the Comptroller of Public Accounts to manage the implementation and maintenance of an enterprise resource planning project with DIR ($13.3 million).

DIR is primarily responsible for the following: promoting a statewide environment that encourages efficient use and management of information resources and assists the state leadership in achieving its goals by offering advice on information resources issues; assisting state agencies and other governmental entities in the most cost-effective acquisition of their information resources; assisting governmental entities in cost-effective usage of telecommunications network services; and providing indirect administrative operations.

To accomplish these goals, the agency is organized in six major areas of operations: (1) Information Technology Security; (2) eGovernment (Texas.gov); (3) Communications Technology Services; (4) Technology Planning and Policy; (5) Cooperative Contracts; and (6) Statewide Technology Centers.

INFORMATION TECHNOLOGY SECURITY

DIR provides computer network security services to state agencies according to Texas Government Code Chapter 2059. DIR manages the state's Information Technology (IT) Security program, which is responsible for the security of information and communications technology resources, including the physical and logical security of the state's data systems and networks. The IT Security program develops and implements the State Enterprise Security Plan and provides statewide information technology security policies, procedures, standards, and guidelines to state agencies for rules, incident response and prevention, education, training, and risk assessment. The program monitors agencies' compliance with state security policies and recommends remedial actions for agencies out of compliance. In addition, the program operates the Network Security Operations Center (NSOC), develops security training and awareness programs, and provides guidance on effective management and implementation of privacy protections for electronic data and citizen information on state networks.

E-GOVERNMENT

The e-Government program is responsible for managing Texas.gov (formerly TexasOnline) and the agency's internal information resource operations. Texas.gov is the state's Internet web portal through which the public can access state agency and local government services and applications in a variety of languages. Services include driver license renewal, vehicle registration, occupational license renewals, property and sale tax payments, and utility bill payments. Under the current contract, which expires August 31, 2016, the state receives a share of certain revenue from fees collected from use of the offered services and other activities. In fiscal year 2011, the state's share of Texas.gov revenues was approximately $23.2 million of the $4.6 billion total revenue from fees generated to the state.

Figure 125 shows the state's revenue share in contrast with total Texas.gov revenues generated from collected fees processed from fiscal years 2002 to 2010.

Under the current Texas.gov contract, DIR has increased the state's share of revenue from approximately 20.0 percent to an estimated 39.8 percent over the six-year life of the contract. Additionally, the current contract provides new services targeted at governmental entities, not-for-profit organizations and other constituents, including a content management system that allows customers to manage their Internet websites on the Texas.gov website; Internet and intranet web templates for customers to redesign their websites; Web 2.0 tools and features such as web applications that facilitate participatory information sharing, interoperability, user-centered design and collaboration; event management services for agencies, which includes ability to offer online registrations for attendees for conferences or new program instructions; and agency configurable payment collection frameworks for the collection of all types of fees and fines, such as speeding tickets or other penal code violations.

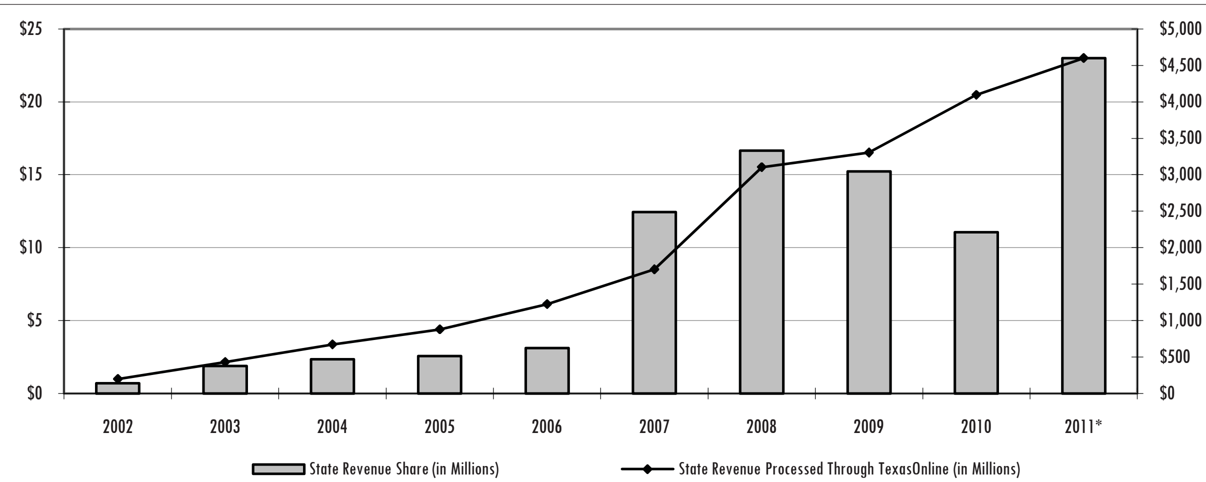
COMMUNICATIONS TECHNOLOGY SERVICES

The Communications Technology Services Division provides voice, data, video, Internet, and network security services for the state through the Capitol Complex Telephone Services (CCTS), Network Services, and the Network and Telecommunications Security Services programs. The CCTS operations provide local telephone service for 40 state office buildings in the Capitol Complex and several satellite office buildings in Austin. The CCTS services include installation of new telephones or telephone services, moving and removal of existing telephones, and voice mail installation and training. Network Services operations provide maintenance of the TEX-AN system, which is the long distance, voice and data communication system for state government and offers enhanced Internet and video-teleconferencing capabilities. Through TEX-AN, the agency also offers telecommunication services to other political subdivisions such as cities, counties, councils of governments, public school districts, and public institutions of higher education. During fiscal year 2011, DIR negotiated the initial contracts for TEX-AN Next Generation (formerly TEX-AN) communications services, and will continue to award contracts for new services during fiscal year 2012. DIR expects TEX-AN Next Generation will offer agencies significant cost savings and greater communications service options to meet their business needs.

TECHNOLOGY PLANNING AND POLICY

The Technology, Planning and Policy program provides strategic policy, procedures, and direction for implementing and managing technology in the state. The office manages one of the agency's core activities in development of the State Strategic Plan for Information Resources Management. Through the State Strategic Plan, the DIR establishes a common direction for all state agencies and universities for

FIGURE 125
STATE REVENUE SHARE FROM TEXAS.GOV
FISCAL YEARS 2002 TO 2011



SOURCE: Texas Department of Information Resources.

implementing technology, thus promoting coordination and eliminating redundancy. In conjunction with the State Strategic Plan, the agency develops the Biennial Report for Information Resources Management, which evaluates the state's progress in information technology. The office communicates regularly with stakeholders, provides educational events to the state information resource managers, and manages the agency's website. In addition, the office develops the agency's internal performance management program, which includes tracking and reporting measures for both strategic and operational management of DIR initiatives and services.

COOPERATIVE CONTRACTS

The Cooperative Contracts program is responsible for the solicitation, negotiation, and management of the Information and Communication Technology Cooperative Contracting program. The objective of the program is to deliver savings and maximize the state's buying power by aligning contract offerings and customer needs. The program leverages the state's buying power to lower the cost and improve the quality of the state's investment in 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 plays a key role in reducing government costs and helping agencies serve their constituents. Because cooperative contracts are competitively awarded, the procurement process is streamlined 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, savings and cost avoidance for over 4,400 eligible customers was approximately $264.6 million in fiscal year 2011. This savings was achieved by cooperative contracts, contract management, training offered by vendors, and direct sales. In addition, this program manages the agency's internal procurement services and the Historically Underutilized Business program for both internal and statewide information technology contracting activities.

STATEWIDE TECHNOLOGY CENTERS

The Department of Information Resources may operate or contract with another person to operate a statewide technology center with the purpose of providing information resources and/or information resource technology services to two or more state agencies on a cost-sharing basis. Currently, DIR manages a contract for consolidated data center services (DCS), which is a type of statewide technology center. The goal of the consolidation of data centers includes moving 28 state agencies' data centers from 31 statewide locations to two sites located in Austin and San Angelo. Consolidated data center services include mainframe, server, and bulk print/mail operations; standardization of security and disaster recovery plans and annual testing; and replacement of older technology, including a hardware and software refresh schedule.

As of September 2011, DIR reports that consolidation of mainframes is complete and includes migration of mainframes for the following eight agencies: Health and Human Services; Office of the Attorney General; Railroad Commission; Texas Youth Commission; Department of Criminal Justice; Texas Education Agency; Texas Department of Transportation; and the Texas Workforce Commission. DIR reports that the consolidation is complete for print and mail functions. The 11 agencies that have consolidated print and mail functions are: Health and Human Services Commission; Department of State Health Services (print only); Department of Information Resources; Office of the Attorney General (print only); Railroad Commission; Texas Department of Agriculture; Texas Department of Insurance; Texas Education Agency; Texas Higher Education Coordinating Board; Texas Workforce Commission; and Texas Department of Transportation (print only).

In addition, as of September 2011, portions of the server infrastructure for 25 state agencies have been consolidated to the state data center. This represents approximately 11 percent of the total server population in the contract. Appropriations to DIR for consolidated data center services for the 2012–13 biennium total approximately $314.4 million in Interagency Contracts, a decrease of $80.8 million from the 2010–11 biennial spending levels, due to several factors including elimination of funding for a cost-of-living adjustment for the DCS contract (a decrease of $38.3 million).

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, First Called Session, 2011, passed Senate Bill 1, which extends DIR's Sunset date to August 31, 2013. This legislation also authorizes the Legislature to appropriate fee revenue generated by DIR to fund the costs of non-revenue generating programs, such as policy, planning, and statewide security. The legislation also allows for Cooperative Contracts and telecommunications administrative fee revenue to be appropriated to DIR for activities included in Texas Government Code, Chapter 2054 (Information Resources Management Act).

In addition, Senate Bill 1 provides an exemption for the Texas Department of Agriculture (TDA) from participation in the DCS program. However, TDA will continue DCS services for their print and mail services.

LIBRARY AND ARCHIVES COMMISSION

Established in 1909, the Texas State Library and Archives Commission (TSLAC) is the governing body for the Texas State Library, which consists of seven members of the public appointed by the Governor. Its mission is to safeguard government and historically significant records and to provide information services to support research, education, and individual achievement. To meet these goals, the agency has implemented programs to: encourage resource sharing among libraries across the state; aid library development; provide direct library services to individuals with disabilities; provide training and assistance to state agencies and local governments in records management; and to preserve state archives and records for public access.

The 2012–13 biennial appropriations for the agency total $40.8 million and provide for 169.4 full-time-equivalent (FTE) positions. These appropriations include $14.2 million in General Revenue Funds, or 34.9 percent of total appropriations. Federal Funds account for $18.0 million, or 44 percent of the agency's total appropriation. Overall, funding decreased by $36.4 million, or 47.1 percent, from the 2010–11 biennial spending levels. Included within the overall funding decrease is a reduction in General Revenue Funds of $24.8 million, or 63.5 percent, from 2010–11 biennial spending levels. The decrease is primarily related to reductions for the agencies library resource sharing programs, TexShare and K–12 databases, Loan Star Libraries grant program, library consulting and training services, and one-time funds from the American Recovery and Reinvestment Act of 2009 for grants to public libraries for computer service centers. In addition, reduced appropriations of General Revenue Funds will also result in reductions in Federal Library Services and Technology Act (LSTA) funds awarded to the agency due to federal maintenance of effort provisions requiring recipient state agencies to maintain their funding for library programs.

DELIVERY OF SERVICES

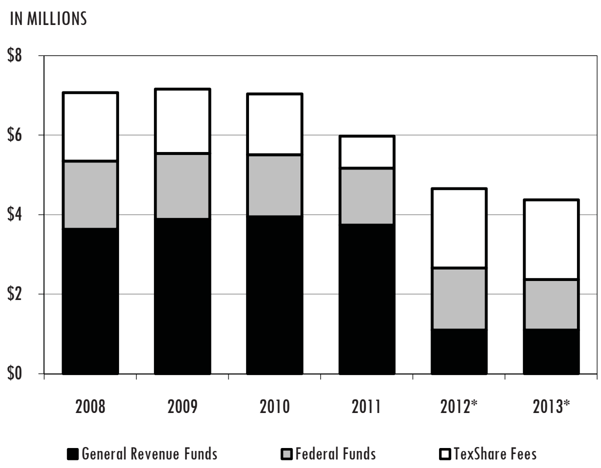
The agency's goal of improving the availability and delivery of library and information services is met through three program areas: promotion of resource sharing among libraries statewide, support for the development of local libraries, and direct library services to Texans with disabilities. The agency's $28.3 million appropriation for these program areas includes $6.9 million in General Revenue Funds, or 24.3 percent of the total appropriation. An additional $17.1 million in Federal Funds, or 60.4 percent of appropriations, are awarded to the agency to implement the five-year state plan to improve library services statewide.

LIBRARY RESOURCE SHARING SERVICES

A principal charge of the agency is to expand the availability of library resources among public and private libraries statewide to help libraries provide a broader range of information than any single library can provide individually. The agency oversees programs and services through networks of libraries and the Internet to facilitate cooperation among Texas libraries to ensure that library materials and services are distributed equitably and cost-effectively to libraries of all funding levels, locations, and sizes.

One of the agency's resource-sharing programs is TexShare, a statewide consortium of more than 700 academic, public, and clinical medicine libraries. TexShare enhances library services by encouraging cooperative agreements among libraries, such as borrowing privileges between member libraries. The agency also purchases access to electronic databases providing full-text articles from books, journals, newspapers and magazines to TexShare members. In fiscal year 2011, 49 TexShare electronic databases were available 24 hours a day in the homes or offices of registered patrons of participating Texas libraries. In addition to database services, there are several other components to the TexShare program which include the TExpress courier service for library-to-library material delivery; the TexShare Card reciprocal borrowing card service for registered users to directly borrow materials from the libraries of other participating institutions; the TexTreasures grants for the digitization of special library collections; and development of standards for operating an interlibrary loan program. However, most of the funding appropriated to the TexShare program provides the database service. Appropriations for database services total $9.0 million for the 2012–13 biennium, including $2.2 million in General Revenue Funds, or 24.3 percent of total funding; $2.8 million in Federal Funds; and $4.0 million in fees paid by TexShare member libraries. Appropriations reflect a decrease of $4.0 million from the 2010–11 biennial spending levels. This decrease primarily reflects a shift in funding for the database program from General Revenue Funds to fees paid by TexShare member libraries, resulting in a reduction of $5.5 million in General Revenue Funds offset by an increase of $1.7 million in TexShare fees. **Figure 126** shows the amounts contributing to the TexShare database service by funding source from fiscal years 2008 to 2013, with estimated amounts in fiscal years 2012 and 2013.

FIGURE 126
TEXSHARE DATABASE FUNDING LEVELS
FISCAL YEARS 2008 TO 2013



*Estimated.
Source: Library and Archives Commission.

Beginning in the 2012–13 biennium, the agency will negotiate a K–12 database package that will be available for school districts to purchase. These databases provide age appropriate content and sources for reliable online information for student learning and research. Available content includes online encyclopedia and reference materials, full-text articles, and resources for teachers. In prior biennia, the agency directly purchased access to these databases for all public school libraries from appropriations of $2.5 million each fiscal year in Interagency Contracts from the Texas Education Agency (TEA). Funding for this purpose was eliminated at TEA for the 2012–13 biennium, resulting in the restructure of the program.

Another resource sharing program administered by TSLAC is the statewide interlibrary loan network that enables libraries to borrow from each other when materials are unavailable locally (TexNet Interlibrary Loan). This program provides Texans access to materials beyond those at their local library. During the 2012–13 biennium, the program will undergo a transition from using TexNet centers, which previously managed requests for materials by public libraries, to utilizing an online catalogue to allow libraries to directly locate and request materials from other libraries.

Funding for the agency's library resource sharing services totals $14.5 million, or 35.6 percent of its total appropriations.

AID TO LOCAL LIBRARIES

TSLAC administers a number of programs to aid the development and improvement of library services. The agency provides guidance, consulting services, training, and grants to libraries statewide, collects public library statistics and serves as the state's coordinator for the federal E-rate program which helps public libraries to pay up to 90% of their telecommunications and Internet access costs. Training and technical assistance are offered in all areas of library management, particularly in grant writing, establishing libraries, small library management, services to underserved populations, and technology assistance.

Under the authority of the state Library Systems Act, the agency has provided grants to regional library systems located across Texas which provide services to member libraries within their region. However, due to funding reductions, grants will only be awarded to library systems in fiscal year 2012. Beyond fiscal year 2012, the agency will develop new models of regional resource sharing services to replace the regional library systems. In fiscal year 2012, $2.5 million in Federal Funds will be awarded to regional library systems for the purpose of providing consulting services to member libraries. An additional $0.8 million will be awarded through the Technical Assistance Negotiated Grant program for the systems to provide technical assistances to member libraries without technical staff.

The agency also awards competitive grants to local libraries or regional library systems which support the goals of the agency's five-year state plan under the federal LSTA to assist libraries with supporting literacy and educational attainment in their communities, providing programs and services to meet the needs of local communities, and technology to serve the information needs of Texans. For the 2012–13 biennium, $2.0 million in Federal Funds was appropriated to award these competitive grants.

Funding to aid in the development of local libraries totals $9.7 million, or 23.8 percent of the agency's total appropriations for the 2012–13 biennium.

SERVICES FOR THE DISABLED

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. Items such as large print, recorded, or Braille books and magazines in English and in Spanish, as well as equipment such as cassette players and digital talking book devices, are provided by the federal government through the

National Library Service for the Blind and Physically Handicapped (NLS). TSLAC also collaborates with other state programs, libraries, and the NLS in providing a service that delivers narrated downloadable digital audio books directly to blind, low-vision, and otherwise print-impaired users. TSLAC loans and distributes the materials at no cost to qualified, registered persons across the state. In fiscal year 2011, the Talking Book Program circulated 903,478 pieces of reading materials (books and magazines) to 16,268 individuals. Funding for this program was $4.0 million, or 9.8 percent of the total appropriation.

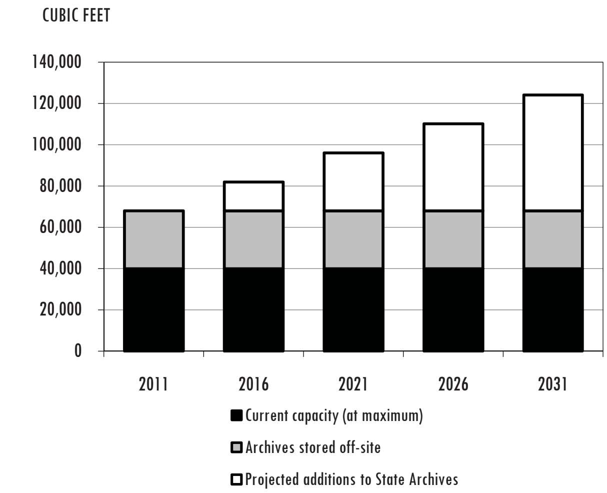
INFORMATION SERVICES

To accomplish the goal of providing public access to government and archival records, TSLAC offers telephone and on-site reference and research assistance to state agencies and the general public. These services include access to online resources and several agency maintained reference collections, including general reference, genealogy, federal and state documents, and the State Archives. To ensure the preservation and public availability of permanently valuable state and historical records, the agency collects, appraises, and processes state records for the State Archives. Currently the agency processes records in traditional paper, film and audio formats and is in the process of developing plans and strategies to address the need to archive electronic records, which the agency currently does not accept.

The State Archives is located within the Lorenzo de Zavala State Archives and Library Building in the Capitol Complex. Storage at the archives facility is at capacity and the agency currently has an estimated 28,000 cubic feet of archival materials stored off-site at the State Records Center, also located in Austin. Based on a study assessing the archival storage needs of the State Archives, the agency projects that over the next 20 years, another 56,200 cubic feet will be added to the Archives, as shown in **Figure 127**, for an overall space deficit of 84,200 cubic feet. In addition, a report titled "Provide for the Cost Effective Storage of State Records and Archives" in the Legislative Budget Board's 2011 *Government Effectiveness and Efficiency* report addresses archival storage issues. As a result, the agency was appropriated $0.2 million for the purpose of contracting with a private storage vendor to temporarily provide archival storage space.

In addition to managing the State Archives, TSLAC also administers the Texas Records and Information Locator (TRAIL) program and the State Publications Depository program. Both programs increase the accessibility of government documents to the public. TRAIL is a web-based index and search tool for state agency information and electronic publications released by agencies. Under the State Publications Depository program, the agency distributes state publications to libraries across the state for public access.

FIGURE 127
PROJECTED ARCHIVAL STORAGE NEEDS OF STATE ARCHIVES: 2011 TO 2031



Source: Texas State Library and Archives Commission.

Appropriations for Information Services total $4.0 million, or 9.7 percent of the agency's budget for the 2012–13 biennium.

RECORDS MANAGEMENT

TSLAC accomplishes its third goal—to provide for the cost-effective management of state and local government records—by offering records management consulting and training services, setting statewide minimum retention schedule and reviewing and approving retention schedules submitted by state agencies and local governments. In addition, the agency also offers on a cost-recovery basis document imaging services and records storage services to approximately 9,700 state and local government offices. State agencies' non-current records are stored at the State Records Center in Austin. For fiscal year 2011, the annual cost per cubic foot of records stored and maintained totaled $3.97 per cubic foot for 331,284 cubic feet of stored records. Storage fee rates increased as a result of findings in a 2010 report by the State Auditor's Office, An Audit Report on *Records Center Services at the Library and Archives Commission* and a report published by the Legislative Budget Board in the

Government Effectiveness and Efficiency report "Provide for the Cost Effective Storage of State Records and Archives," both of which include recommendations for the agency to fully recover costs related to the records storage program. The Legislature appropriated $4.7 million in All Funds for the 2012–13 biennium for records management services, of which $3.7 million, or 79 percent, consists of fees from cost-recovery operations.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed House Bill 1844, which authorizes the agency to store records of local governments in the State Records Center. Previously, the agency was authorized to store only state records at the State Records Center.

PENSION REVIEW BOARD

The Texas State Pension Review Board (PRB) was established by the Sixty-sixth Texas Legislature in 1979 as an independent state agency to oversee and review state and local government retirement systems in Texas. Its mission is to ensure that the state's public retirement systems are actuarially sound, that benefits are equitable, and that the systems are properly managed. PRB defines a public retirement system as actuarially sound if the fund has sufficient money to pay ongoing normal cost (the cost of benefits being earned during the year by current active members of the system) and amortize the unfunded actuarial accrued liability over a period not to exceed 40 years, preferably 15 to 25 years. In addition, the agency provides information and technical assistance to public retirement systems and recommends public pension policies and legislation. The agency also conducts educational seminars to expand the knowledge and education of administrators, trustees, and members of Texas public pension funds regarding pension law.

PRB is composed of nine board members, seven of whom are appointed by the Governor. These appointees include three members who are not members or retirees of public retirement systems and who have experience in the fields of securities investment, pension administration, or pension law; one active public retirement system member; one retired public system member; one person who has experience in the field of government finance; and an actuary. The Lieutenant Governor appoints a state senator, and the Speaker of the House appoints a state representative for the other two members on the board.

Appropriations for the 2012–13 biennium for PRB total $1.4 million in General Revenue Funds and provide for 13 full-time equivalent positions. All public retirement systems in Texas are required to register and file certain reports with PRB. The agency reviews all public pension plans to detect pensions in need of corrective action and monitors public plans with amortization periods greater than 40 years. PRB has oversight responsibility for 188 defined benefit plans and 173 defined contribution plans with assets totaling $180.7 billion. In defined benefit plans, benefits are defined by a specific formula applied to specific member compensation and/or specific years of service, and the amount of the benefit is not a function of contributions or actual earnings on those contributions. In contrast, defined contribution plans provide pension benefits equal to the combined employer and employee contributions plus interest and minus administrative expenses. **Figure 128** shows a summary of the 20 largest defined benefit Texas public pension plans monitored by PRB. These plans' total net assets exceed $172.3 billion, which is an increase of $36.9 billion, or 27.2 percent, since the beginning of the 2010-11 biennium. This is primarily attributable to the plans' investment returns, which reflect the improved market performance during this period.

The agency also is responsible for reviewing and commenting on all public pension legislation considered by the Legislature. In reviewing legislation, the agency ensures that actuarial analyses and reviews are attached to the legislation and prepares impact statements commenting on the potential effects of the legislation on Texas' public retirement systems. During the Eighty-second Legislature, 2011, PRB tracked 138 bills and provided 38 actuarial impact statements on proposed legislation.

FIGURE 128
ASSETS OF THE 20 LARGEST DEFINED BENEFIT TEXAS PUBLIC PENSION PLANS, AUGUST 31, 2011*

PLAN NAME	TOTAL NET ASSETS (IN MILLIONS)	ACTIVE MEMBERS	RETIRED MEMBERS	PERCENTAGE FUNDED
Teacher Retirement System of Texas	$95,688.4	961,653	285,765	82.9
Employees Retirement System of Texas	$19,580.6	142,490	79,311	83.2
Texas Municipal Retirement System	$17,992.5	101,240	41,459	82.9
Texas County and District Retirement System	$15,555.5	122,889	41,465	89.8
Houston Police Officers Pension System	$2,972.0	5,347	2,430	83.3
Dallas Employees' Retirement Fund	$2,868.2	7,034	5,993	92.2
Houston Firefighters' Relief and Retirement Fund	$2,721.6	3,911	2,600	93.4
Dallas Police and Fire Pension System - Combined Plan	$3,112.7	5,476	3,450	79.5
Houston Municipal Employees Pension System	$1,828.4	12,913	8,526	62.6
Fort Worth Employees Retirement Fund	$1,658.0	6,277	3,449	81.2
San Antonio Fire and Police Pension Fund	$1,921.9	3,808	1,731	90.7
Austin Employees' Retirement Fund	$1,711.6	8,270	4,335	71.8
City Public Service of San Antonio Pension Plan	$1,083.2	3,497	1,835	88.3
Law Enforcement and Custodial Officer Supplemental	$668.4	39,052	7,175	83.1
El Paso City Employees Pension Fund	$494.2	4,164	2,172	80.2
Austin Police Officers' Retirement Fund	$492.5	1,624	482	70.5
Austin Fire Fighters Relief and Retirement Fund	$531.2	1,025	525	88.7
El Paso Police Pension Fund	$605.0	1,091	785	82.2
Harris County Hospital District Pension Plan	$416.2	4,002	2,219	83.1
El Paso Firemen's Pension Fund	$418.0	812	593	81.8

*Based on the most recent data received as of August 31, 2011.
Source: Texas State Pension Review Board.

PRESERVATION BOARD

The State Preservation Board (SPB) was established in 1983 by the Sixty-eighth Legislature to preserve, maintain, and restore the State Capitol and General Land Office Building. In 1989, the Seventy-first Legislature provided SPB with $154.5 million to restore the State Capitol and to construct the underground Capitol extension. Subsequent Legislatures increased the agency's responsibility to include the development and construction of the Bob Bullock Texas State History Museum, oversight and operation of the museum, and the preservation and maintenance of the Governor's Mansion.

SPB is governed by a six-member board, including: the Governor as the chair; Lieutenant Governor and the Speaker of the House of Representatives who serve as co-vice chairs; one senator appointed by the Lieutenant Governor; one representative appointed by the Speaker of the House of Representatives; and one member of the public appointed by the Governor.

Appropriations for the 2012–13 biennium total $28.6 million and provide for 63 full-time-equivalent (FTE) positions for agency operations. Funding levels reflect a decrease of $6.7 million and 33 FTE positions from the 2010–11 biennial spending levels primarily due to reductions related to restoration of the Governor's Mansion and shifting of funding for FTE positions to funds held outside the State Treasury for the board's enterprise operations, which include the Bob Bullock Texas State History Museum, the Capitol gift shops, and the Capitol parking facilities. In fiscal year 2011, enterprise operations generated approximately $8.9 million in revenue and are expected to generate approximately $17.8 million during the 2012–13 biennium.

MAINTENANCE AND PRESERVATION OF BUILDINGS

A primary goal for SPB is to provide maintenance and preservation of historical artifacts and buildings within its purview. As a result, the agency is responsible for approving all repairs and changes involving construction, restoration and repair to the Capitol, Capitol grounds, the Capitol Extension, the Capitol Visitors Center, and the restoration of the Governor's Mansion. SPB employs a Capitol curator who is an expert in historical artifacts to oversee repairs and renovation to these buildings. In fiscal year 2011, the agency repaired or restored approximately 365 historical items that had been damaged.

The Governor's mansion has been the official residence of 40 Texas governors and their families since 1856. Following a fire in June 2008 that nearly destroyed the Governor's Mansion, the Eighty-first Legislature, Regular Session, 2009, provided $22 million for the 2010–11 biennium to restore the mansion, of which an estimated $8.9 million was carried forward to the 2012–13 biennium for completing the restoration. Additionally, an estimated $2.1 million in private donations will be available to SPB for the project, which began in August 2009 and is expected to be completed by June 2012.

In addition to providing maintenance and repair of items such as furniture, paintings, monuments, and decorative art, 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 pick-up, and other general custodial services. In fiscal year 2011, the agency expended approximately $1.94 per square foot for custodial care for buildings, which reflect a decrease of $0.15 per square foot in fiscal year 2009 primarily due to reduced frequency of housekeeping services and staff vacancies. In addition to general housekeeping functions, a vendor provides grounds-keeping services for the Capitol grounds, which includes mowing, hedge cutting, and other general landscaping duties.

SPB also administers the Capitol Fund, which is held outside the State Treasury and supports the costs of the enterprise functions. The Capitol Fund consists of private donations and revenue generated from the Capitol gift shops, Capitol complex parking meters and visitors' parking garage, and lessees of Capitol space (e.g., the cafeteria and the press area). Capitol Fund expenditures are limited by statute to the purpose specified by the donor and to educational programs, acquisition and preservation of historical artifacts, and to the overall benefit of the Capitol buildings and grounds.

Another fund that supports SPB is the Capital Renewal Fund, which is also held outside the State Treasury. The Capital Renewal Fund consists of funds transferred from the Capitol Fund and funds appropriated directly by the Legislature. The Capital Renewal Fund expenditures are for major repairs and replacements at the Capitol, Capitol grounds, and the Capitol Visitors Center.

EDUCATIONAL PROGRAMS

The agency provides educational programs within the Capitol and Capitol Visitors Center, which focus on the unique history of Texas and the Capitol. Programs include interpretation and guided tours of the Capitol, Capitol Extension, and Capitol Visitors Center. Tours are provided in English and several other languages to better serve the international visitors to the state. Other educational programs offered at the Capitol Visitors Center include interactive computer learning stations, multimedia presentations, and traditional exhibits to encourage interest in the diverse history of the state. In fiscal year 2011, over 2,100 tours for students were conducted at the Capitol Visitors Center and approximately 200,600 individuals participated in Capitol tours.

BOB BULLOCK TEXAS STATE HISTORY MUSEUM

The Bob Bullock Texas State History Museum, which opened in Austin on April 21, 2001, was established for the purpose of engaging visitors in the exciting and unique story of Texas and displaying objects and information relating to the state's history. The Seventy-fifth Legislature, 1997, authorized $80 million in bond proceeds to pay for the museum's construction, which began in November 1998. At the project's completion, approximately $82.9 million had been expended, which included both private donations and bond proceeds.

Since opening in 2001, the four-story 175,000 square foot museum has engaged more than 5 million visitors through a variety of educational programs and exhibits. A key objective for the museum is to create an environment that encourages active learning and participation by a diverse audience of visitors from Texas and beyond. In fiscal year 2011, approximately 80,000 school students and teachers visited the museum. To retain and build audiences, the museum offers an array of changing exhibitions and programs as well as three floors of permanent galleries devoted to the story of Texas. In addition, the museum presents professional development training for teachers and curriculum-based learning opportunities for students. Revenues generated by the museum from admission fees, parking, gift shop, concessions, an IMAX Theater, and facility rentals are deposited into the Museum Fund, held outside the State Treasury, which is used to operate the museum and meet its future needs.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed two bills, Senate Bill 1338 and Senate Bill 1928, which impact the operations of SPB. Senate Bill 1338 authorizes the SPB to transfer funds from the Capital Renewal Trust Fund to any account in the Capitol Fund; provides the agency additional flexibility in setting deposits and deducting costs from deposits required for the use of the Capitol or its grounds; and authorizes SPB to establish, maintain and participate in non-profit organizations to raise funds for the agency.

The enactment of Senate Bill 1928 directs the agency to establish an African American Texans Memorial Monument on the historic grounds of the Capitol. The legislation also abolishes the Texas Emancipation Juneteenth Cultural and Historical Commission. In accordance, the SPB is appropriated an estimated $0.4 million for the African American Texans Memorial Monument from unexpended balances appropriated to the Texas Historical Commission in prior biennia for the construction of the Juneteenth Memorial Monument.

STATE OFFICE OF RISK MANAGEMENT

The State Office of Risk Management (SORM) was established in 1997 by the Seventy-fifth Legislature to combine the functions of risk management and workers' compensation claims administration for state employees into one agency. Previously, risk management services for state agencies were provided by the Workers' Compensation Commission, while the Office of the Attorney General (OAG) handled claims processing and payment. The purpose of SORM is to assist state agencies in developing risk management programs and to administer the state's self-insured workers' compensation program covering state employees.

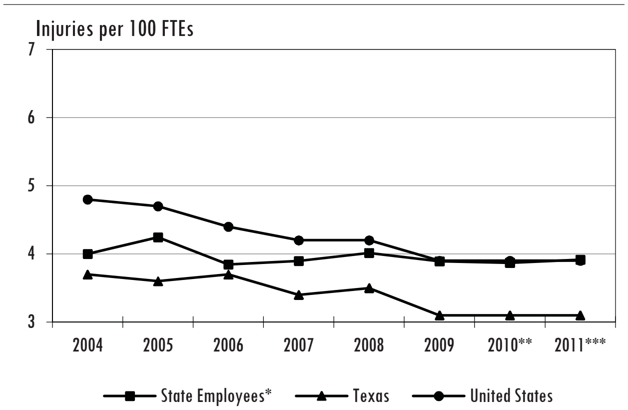
Appropriations for the 2012–13 biennium for SORM total $18.1 million in All Funds and provide for 117.6 full-time-equivalent (FTE) positions. Agency funding consists solely of Interagency Contract funds that SORM collects from state agencies through its assessments for workers' compensation, risk management, medical cost containment, and administrative services. Certain administrative functions, such as processing payroll, paying vouchers, and budget monitoring are performed by OAG on behalf of SORM, which historically has been funded with General Revenue Funds at OAG. The Eighty-second Legislature, Regular Session, 2011, mandated in the 2012–13 General Appropriations Act (GAA), that SORM enter into an Interagency Contract with OAG for these administrative support services. It is estimated that this will increase assessments to state agencies by approximately $2.3 million, or 2.1 percent, per fiscal year.

RISK MANAGEMENT PROGRAM

SORM's risk management specialists review existing state agency risk management programs and assist the agencies in establishing employee health and safety programs to ensure a safe environment for state employees and the public served by state agencies. SORM develops and distributes risk management manuals, programs, and procedures for use by smaller agencies and prepares a biennial report to the Legislature on state agencies' risk exposure and related losses in the areas of workers' compensation, unemployment compensation, general liability, property, and casualty. The agency approves all purchases of insurance coverage by state agencies, such as property, casualty, and liability, and has the authority to require state agencies to purchase any line of insurance coverage, other than health or life insurance, through policies administered by SORM. The Eighty-second Legislature, Regular Session, 2011, mandated in the 2012–13 GAA, that SORM, with the assistance of all agencies, prepare a proposal recommending a statewide strategy for ensuring that state assets are adequately insured. The proposal should address various insurance options, including self-insurance, privately placed insurance, and stop-loss insurance and is required to be completed by January 1, 2013.

Appropriations for the 2012–13 biennium for the risk management function total $6.2 million in Interagency Contracts and provide for 30.4 FTE positions. This is an increase of $1.9 million, or 44 percent, from the 2010–11 biennial spending levels primarily due to SORM entering into an Interagency Contract with OAG for SORM's administrative support services which historically had been funded out of General Revenue Funds at OAG. **Figure 129** shows a comparison of the number of injuries sustained per 100 FTE positions by state employees at agencies under contract with SORM for risk management services, by Texas private industry employees, and by employees nationwide since fiscal year 2004.

FIGURE 129
INJURY FREQUENCY RATES PER 100 FULL-TIME-EQUIVALENT POSITIONS
FISCAL YEARS 2004 TO 2011



*State Employees are only those employed by agencies or entities under contract with SORM.
**Texas and United States amounts are carried forward from 2009.
***State Employees amounts are estimated. Texas and United States amounts are carried forward from 2009.
Sources: State Office of Risk Management; U.S. Bureau of Labor Statistics.

WORKERS' COMPENSATION ADMINISTRATION

SORM administers the state workers' compensation program, which covers all state employees except those statutorily exempt at The University of Texas System, the Texas A&M University System, the Employees Retirement System, the Teacher Retirement System, and the Texas Department of Transportation. Also covered under the state workers' compensation program are county employees at community supervision and corrections departments and employees of the Windham School District. The Claims Operation Division investigates reported injury claims, determines indemnity, medical benefits for each claim, and maintains a customer service call center to provide claims processing information to state employees. In addition, SORM oversees contracted medical cost containment services, including auditing medical bills, identifying duplicate bills, and ensuring compliance with Texas Department of Insurance, Division of Workers' Compensation requirements.

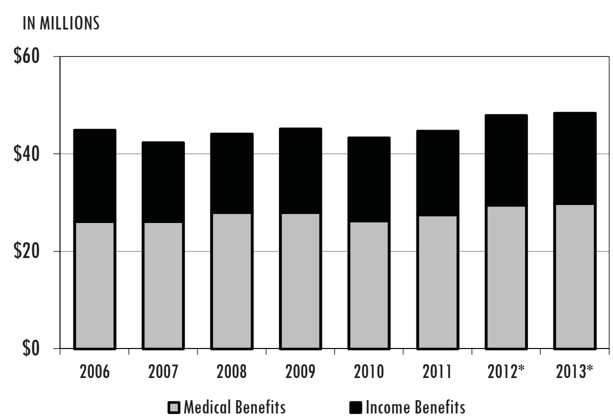
The Eighty-second Legislature, Regular Session, 2011, appropriated $12 million in Interagency Contracts and provided for 87.2 FTE positions for the biennium to administer claims processing, including contracted medical cost containment services. This is a decrease from the 2010–11 biennial spending level of $1.3 million, or 10.1 percent, primarily due to reduced funding for the medical cost containment vendor. The agency projects it will process an average of 118,500 medical bills and 36,500 indemnity bills (income payments) each fiscal year of the 2012–13 biennium.

WORKERS' COMPENSATION PAYMENTS

A separate appropriation of $96.2 million is provided for payments to approved workers' compensation claimants during the 2012–13 biennium. Of this amount, $95.1 million, or 98.8 percent, is funded by assessments to client agencies for workers' compensation coverage. This is an increase of $6 million, or 6.6 percent, from the 2010–11 biennial spending level primarily due to the elimination of Preferred Provider Organization (PPO) discounts. Legislation enacted by the Eightieth Legislature, 2007, put restrictions on informal networks resulting in the elimination of SORM's ability to accept discounts for PPO and Pharmacy Benefits Manager (PBM) effective January 1, 2011. The loss of the PPO savings could result in an increase in assessments to state agencies of approximately $4.0 million, or 3.7 percent, per biennium. The passage of House Bill 528, Eighty-second Legislature, Regular Session, 2011, reinstates PBM discounts, and therefore, no increase in assessments to state agencies is anticipated for PBMs.

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 full-time employees). The formula determines a proportionate share for each agency of the total workers' compensation costs to the state. SORM anticipates that over time agencies that reduce injuries and losses will see a decrease in their proportionate share while those agencies whose loss performance worsens relative to all other client agencies will be responsible for a larger share of the total. **Figure 130** shows the amount paid in recent years for medical and income benefits. In fiscal year 2011, SORM processed 8,449 claims and payments totaling $44.7 million, which is a 3.4 percent increase in the number of claims processed and a 3.3 percent increase in the amount of total payments from fiscal year 2010 primarily due to the loss in PPO discounts.

FIGURE 130
WORKERS' COMPENSATION BENEFITS PAID
FISCAL YEARS 2006 TO 2013



*Estimated.
SOURCE: State Office of Risk Management.

SECRETARY OF STATE

The Office of the Secretary of State (SOS) was established in 1845 as a constitutional office of the Executive Department appointed by the Governor with the consent of the Senate. The agency serves three primary purposes. One role is to provide a secure and accessible repository for public, business, and commercial records as well as to receive, compile, and provide access to public information the SOS maintains. Additionally, the duties of the agency include ensuring proper conduct of elections, authorizing creation and registration of business entities, and publishing state government rules and notices. The Secretary of State serves as the Chief Elections Officer for Texas. The agency includes the state's international protocol office and serves as the state liaison to Mexico and to the border region of Texas.

Appropriations for the 2012–13 biennium total $95.4 million in All Funds and provide for 222.2 full-time-equivalent (FTE) positions, which is an increase of $23.2 million, or 32.2 percent, primarily due to unexpended balances related to the federal Help America Vote Act (HAVA) being carried forward from fiscal year 2011 to the 2012–13 biennium. The agency receives $41.9 million in Federal Funds, or 43.9 percent, of its funding through the HAVA. The agency's remaining appropriations include $39.2 million in General Revenue Funds and General Revenue–Dedicated Funds (41.1 percent) and $14.3 million in Appropriated Receipts (15 percent).

SOS operations are organized within three functions: (1) Information Management; (2) Administration of Election Laws; and (3) International Protocol.

INFORMATION MANAGEMENT

The agency's responsibility with regard to information management is 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 databases contain information relating to corporate, limited-liability, limited-partnership, and assumed-name filings; voter registration information; driver license and voter registration merged jury lists; election data; Uniform Commercial Code (UCC) filings; and notaries public, among other important public records. Direct access to the agency's electronic data is provided to approximately 395,550 governmental and commercial entities. The agency's electronic filing system has a website, the Secretary of State OnLine Access (SOSDirect), which lets external users file documents and obtain information on UCC and business-entity filings. The Information Management goal is organized into two functions: (1) Document Filing and (2) Document Publishing.

DOCUMENT FILING

The Document Filing section accepts or rejects the following types of filings: business-entity documents (including corporations, limited partnerships, limited-liability companies, and registered limited-liability partnerships); UCC documents (including lien notices, financing statements, and utility security instruments); notary public, assumed names, and trademark documents; and other statutory filings, such as those required under various sections of the Texas Occupations Code and the Texas Business and Commerce Code.

SOS is the official custodian of these records and responds to requests to inspect and produce copies of documents, issue certificates of fact, and disseminate information contained in the documents. The agency anticipates processing more than 18.8 million filings and related information requests in the 2012–13 biennium as compared to approximately 20.5 million during the 2010–11 biennium. The 2012–13 biennial appropriation for this strategy totals $13.7 million in All Funds and provides for 113.9 FTE positions. This amount includes $0.4 million for data center services that is contingent upon the collection of filing fee revenue above the amount projected for SOS by the Comptroller of Public Accounts in the *2012–13 Biennial Revenue Estimate*.

DOCUMENT PUBLISHING

The Document Publishing strategy provides for the filing, editing, compiling, and publishing of the Texas Administrative Code and the Texas Register. The Texas Administrative Code contains all rules adopted by state agencies along with relevant annotations. The Texas Register is a report of notices state agencies must file and includes proposed, emergency, and adopted rules; notices of open meetings; appointments by the Governor; Attorney General opinions; and requests for contract proposals. The Texas Register and Texas Administrative Code are updated each business day on SOS's website and are available online at no cost. The agency offers value-added online subscription services, such as e-mail notification when a document is filed by a specified state agency; full-text search of all documents published in the Texas Register and Texas Administrative Code; access to documents before they are available in the weekly editions of the Texas Register; and access to archived versions of Texas Administrative Code rules. As part of its document publishing function, the agency compiles the laws passed by the Legislature after each regular and special session. Historically, SOS was required to bind and distribute session laws, but enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, now requires SOS to maintain session laws electronically on the SOS website. The appropriation for this strategy for the 2012–13 biennium is $0.8 million in All Funds and provides for 7 FTE positions.

ELECTION LAW ADMINISTRATION

The Election Law Administration function is divided into three functions: (1) Elections Administration; (2) Election/Voter Registration Funds; and (3) Constitutional Amendments. As chief elections officer, SOS is responsible for the interpretation and application of the Election Code.

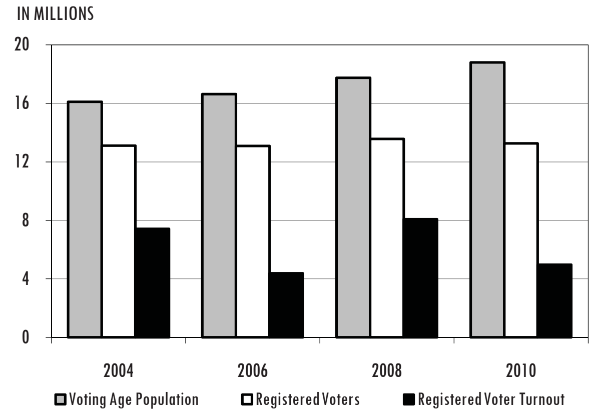
ELECTIONS ADMINISTRATION

The Elections Administration section provides rules, directives, opinions, instructions, and training to election officials; assists voter registrars as requested; and maintains a central database of all registered voters in the state. As of the 2010 General Election, 70.6 percent of the voting age population (VAP) in the state was registered to vote. VAP 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. The turnout of registered voters for the 2010 General Election was 37.5 percent, which is 26.5 percent of the state's VAP. Historical data for turnout and the number of registered voters in the general elections of 2004 to 2010 are shown in **Figure 131**. The appropriation for the 2012–13 biennium for Elections Administration totals $4.4 million in All Funds and provides for 26.2 FTE positions.

ELECTION/VOTER REGISTRATION FUNDS

The Election Administration section manages funds for the primary election financing program and reimburses counties for postage for voter registration applications. Appropriations for the Election/Voter Registration Funds strategy total $13.1 million in General Revenue Funds for the 2012–13 biennium and provide for 2.4 FTE positions. Approximately $12.1 million in state funding within this program is anticipated to be disbursed to county precincts for payment of poll workers and operating costs associated with primary elections in fiscal year 2012. Of the $12.1 million,

FIGURE 131
TEXAS GENERAL ELECTION TURNOUT AND VOTER REGISTRATION
FISCAL YEARS 2004 TO 2010



SOURCE: Texas Office of Secretary of State.

approximately $7.3 million is expected to be spent on the primary election and approximately $4.8 million on the primary runoff election. In addition, an estimated $1 million will be paid to voter registrars for postage on return-mail voter registration applications during the biennium.

CONSTITUTIONAL AMENDMENTS

SOS contracts with newspapers throughout the state to publish proposed constitutional amendments. It also translates the proposed amendments from English to Spanish for publication in Spanish-language newspapers and for direct mailing to Hispanic households. The Eighty-second Legislature, Regular Session, 2011, passed 10 proposed constitutional amendments, of which Texas voters approved seven in the November 2011 election. The agency received $0.8 million in General Revenue Funds for the 2012–13 biennium to translate and publish the amendments prior to the elections.

ELECTIONS IMPROVEMENT

The agency provides for implementation of the federal Help America Vote Act (HAVA). Enacted in fiscal year 2002 by the federal government, HAVA sets standards for election policy and provides funds to states for election improvements. HAVA requires the state to replace punch card voting systems, amend the voter registration application, create a statewide computerized voter registration system, establish a voter's bill of rights, launch a voter education program, and develop a complaint procedure for voter grievances, all of which have been implemented by the agency. HAVA also required modifications to the voter registration system and required each county to obtain at least one accessible voting machine for each election precinct, all of which have been implemented. For the 2012–13 biennium, the appropriation and funding source for elections improvement is $41.2 million in Federal Funds and $1.8 million in General Revenue–Dedicated Funds from the Elections Improvement Fund; the funding provides for 10 FTE positions.

INTERNATIONAL PROTOCOL

The International Protocol function includes two functions: Protocol/Border Affairs and Colonias Initiatives.

PROTOCOL/BORDER AFFAIRS

The Secretary of State provides for protocol services and the representation of the Governor and the state at meetings with Mexican officials and at events and conferences involving the diplomatic corps, government officials, and business leaders. The Secretary of State also acts as liaison to foreign governments and business leaders by addressing concerns affecting Texas that have not been resolved through alternative channels. The agency is appropriated $0.4 million in General Revenue Funds for the 2012–13 biennium and is provided 3 FTE positions for this strategy.

COLONIAS INITIATIVES

The English translation for the Spanish word colonia is "neighborhood" or "community." In the Texas Colonias Initiative, "colonia" refers to an unincorporated settlement along the Texas–Mexico border that may lack basic water and sewer systems, electricity, paved roads, and safe and sanitary living conditions. According to the agency, there are currently about 1,863 colonias in Texas, located primarily along the state's 1,248-mile border with Mexico. Approximately 403,700 people live in colonias.

The intent of the Colonias Initiative strategy is to coordinate state activities; secure funding to improve physical living conditions in colonias through the provision of basic services such as water, wastewater, and solid waste disposal; and advocate the needs of colonia residents through the Colonia Ombudsman Program, instituted in 1999. Seven colonia coordinators work and serve as ombudsmen in the six border counties with the highest colonia populations: Cameron, El Paso, Hidalgo, Maverick, Starr, and Webb. In addition, there is one ombudsman serving Nueces County. During the 2010–11 biennium, ombudsmen worked with state and local officials on several major water and wastewater related projects including:

- 188 new household connections in the colonia of Las Colonias ($6 million in estimated funding from the U.S. Department of Agriculture and Lower Valley Water District);
- 110 new household connections in the colonia of El Conquistador ($2 million in estimated funding from El Paso County, the Texas Department of Rural Affairs, and Lower Valley Water District); and
- a wastewater treatment plant expansion and 764 household connections for six colonias in Cameron County ($17.6 million in estimated funding from the Economically Distressed Areas Program Fund at the Texas Water Development Board).

The agency is appropriated $0.9 million in General Revenue Funds for the 2012–13 biennium and is provided 8 FTE positions for this strategy. As provided in the 2012–13 General Appropriations Act, these amounts may be transferred if the Governor designates another state agency as the state's colonia initiatives coordinator.

SIGNIFICANT LEGISLATION

The enactment of Senate Bill 14, Eighty-second Legislature, Regular Session, 2011 requires voters to present certain proof of identification when voting. It also requires SOS to establish a statewide effort to educate voters regarding the identification requirements for voting at an estimated cost of $2 million in Federal Funds (HAVA).

The enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, transferred voter registration payments from Fiscal Programs – Comptroller of Public Accounts to SOS. The program provides payments to counties for maintaining voter registration rolls including initial, updated, and canceled voter registrations. The appropriation for the 2012–13 biennium for this program is $6 million in General Revenue Funds.

VETERANS COMMISSION

The Veterans State Service Office, established in 1927, was renamed the Texas Veterans Commission (TVC) in 1985. Its mission and principal function are to guarantee that Texas veterans and their families receive all rights and benefits provided for them by law. Since its inception, the agency's responsibilities have increased significantly, including overseeing veterans' employment and training programs, serving as the state approving agency for the use of veteran's education benefits, and administering the Fund for Veterans' Assistance grant program.

In working toward its mission, TVC provides veterans and their families with counseling, case development, representation, and outreach services regarding benefits claims. In addition, the agency facilitates employment and re-employment services, approves educational facilities to accept federal and state veteran education funds, produces publications concerning veterans' benefits, and provides training for local Veterans County Service Officers.

Appropriations for the 2012–13 biennium total $55.2 million and provide for 328.7 full-time-equivalent (FTE) positions. Of the total 2012–13 appropriations, $13.6 million consists of General Revenue Funds and General Revenue–Dedicated Funds, reflecting a decrease of $0.1 million, or 0.6 percent from the 2010–11 biennial spending levels, which is primarily related to a reduction in data center consolidation appropriations, indirect administration, and outreach and marketing activities. Appropriations for 2012–13 biennium also include $19.1 million in Federal Funds, representing a decrease of $1.1 million, or 5.4 percent, from the 2010–11 biennial spending levels. This decrease is related to a reduction of grant funding for employment services and disabled veterans outreach.

The agency also administers a grant program, which totals $22.1 million in the 2012–13 biennium, and provides assistance to Texas veterans and their families. This program is funded by proceeds from a dedicated veterans' lottery game administered by the Texas Lottery Commission, which are deposited into the Fund for Veterans Assistance. The program provides a broad range of grants including financial assistance for home nursing care, counseling services for family members, scholarships for veteran's children, and community support groups.

Of the agency's 328.7 FTE positions, 53 percent are assigned to veterans' employment and training programs, 33 percent provide direct claims assistance to veterans and their families, and 5 percent are associated with evaluating veterans' education and training programs. The remaining 9 percent of the positions are assigned to the agency's headquarters in Austin and administer the agency's financial, personnel, marketing, grants program, legal, and investigative activities, and process veterans' discharge and death certificates.

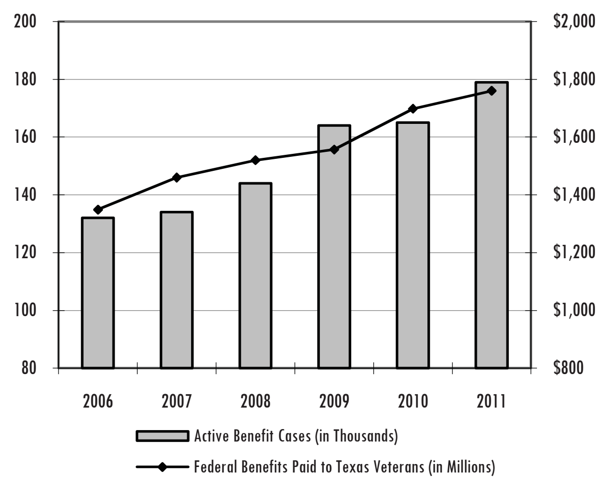
BENEFITS FOR VETERANS

According to the U.S. Department of Veterans Affairs (VA), there were approximately 1,701,675 veterans in Texas as of November 2010. According to the most recent 2010 U.S. Census Bureau information, 9.5 percent of the civilian population age 18 and older in Texas are veterans, making Texas the second highest veteran population in the nation behind only California.

TVC's primarily goal is to advocate for veterans, their dependents, and their survivors and provide assistance in obtaining eligible benefits. This goal is accomplished through outreach services and claims filing by agency personnel and local Veterans County Service Officers. The VA implements federal laws regarding veterans' benefits. A U.S. veteran is defined by the VA as an individual who has served on active duty in the military under honorable conditions. According to the TVC, total federal compensation and pension benefits for veterans in Texas totaled an estimated $8.6 billion in the 2010–11 biennium, representing 9.4 percent of the total U.S. benefit payments made to U.S. veterans. Texas veterans represented by the agency received an estimated $4.2 billion of the $8.6 billion total benefits paid to U.S. veterans. The agency filed more than 179,000 cases in fiscal year 2011. The TVC anticipates recovering approximately $4.8 billion in federal benefits during the 2012–13 biennium and estimates that it will file slightly more than 173,000 active veterans' benefit cases each fiscal year of the biennium, representing a slight decrease in cases due to a projected decrease in the number of claims filed because of fewer individuals separating from military service. **Figure 132** shows the number of active veterans benefit cases filed by TVC, total federal benefits paid by the VA as a result of agency representation of veterans from fiscal years 2006 to 2011.

According to TVC, Texas leads the nation in the number of veterans who obtained employment using agency services. During the 2010–11 biennium, TVC Veterans Employment Specialists assisted more than 163,000 veterans in need of employment, of which more than 86,000 secured employment. Also according to TVC, the number of veterans

FIGURE 132
FEDERAL BENEFITS AND CASE REPRESENTATION BY THE VETERAN'S COMMISSION
FISCAL YEARS 2006 TO 2011



Source: Texas Veteran's Commission.

who found jobs in Texas with the assistance of TVC exceeded the total for the next two states combined, which are North Carolina and Georgia.

During fiscal year 2010, Texas ranked second in the nation in the number of veterans receiving GI Bill education benefits, totaling approximately $778 million for an estimated 67,000 student veterans. During the 2010–11 biennium, the Veterans Education program achieved the following:

- responded to over 11,433 inquiries regarding education benefits;
- conducted over 1,000 onsite visits to colleges, universities, trade and vocational schools, and training sites throughout the state;
- mailed 19,342 information letters and brochures to recently discharged veterans; and
- investigated and appealed 324 denials of education benefit letters sent to veterans by the Department of Veterans Affairs.

CLAIMS REPRESENTATION AND COUNSELING

The federal government does not automatically grant veterans benefits; therefore, TVC employs 125.5 veterans' assistance counselors and staff to assist veterans, their spouse and dependents, or their survivors in applying for benefits. In addition to assisting veterans and family members with applications for financial benefits, TVC counselors assist veterans in developing claims and gathering evidence, and provide representation for veterans before the VA. The agency's claims representation and counseling services are available statewide in 33 agency offices, two of which are regional offices and 31 are field offices. The regional offices are located in Houston and Waco within the two federal VA offices that serve Texas and field offices are located close to or within military installations, veterans' medical facilities, and state veterans' homes operated by the Texas Veterans Land Board. Veterans' assistance counselors offer training to the state's Veterans County Service Officers that represent veterans whose claims are filed at a county office. In addition to the agency's field and regional offices, there are 228 county offices in which 254 Veterans County Service Officers assist with veterans' claims. These county offices rely on TVC for training, technical assistance, and representation of claims before the VA.

The Eighty-second Legislature, 2011, also provided that TVC, through additional funding of $100,000 per fiscal year, initiate a program to assist in the identification of veterans who are not receiving federal benefits from the VA for which they are entitled. To achieve this review and identification of eligible veterans, and in cooperation with the Health and Human Services Commission, the Veterans Land Board, and the Department of Aging and Disability Services, the state will expand its use of the federal data matching system, known as the Public Assistance Reporting Information System (PARIS), to cross reference various federal agencies and identify veterans who are not accessing their full federal benefits.

In addition, the Eighty-second Legislature funded a Texas Women Veteran's Coordinator within TVC totaling approximately $159,000 for the 2012–13 biennium. The Women Veteran's Coordinator will direct outreach and support to the growing number of Texas female veterans. According to the VA, the number of female veterans in Texas is expected to increase from 154,232 in 2011 to 163,249 by the end of the 2013. This initiative will provide counseling and assistance for the unique needs that female veterans face during reintegration into civilian life.

VETERANS EMPLOYMENT SERVICES

TVC provides employment assistance to Texas' veterans and eligible spouses through workforce centers, VA facilities, and military installations around the state. TVC anticipates serving an estimated 148,000 individuals in the 2012–13 biennium with employment services, which includes the following:

- job matching and referral;
- résumé preparation;
- employer outreach;
- job search workshops;
- vocational guidance;
- labor market information; and
- referrals to training and supportive services.

The agency also assists and prepares the transitioning of wounded active duty service members for civilian careers through a number of programs geared toward facilitating the re-entry and employment of veterans with special needs into civilian life. Several TVC programs provide this type of transition, including the following:

- The Recovery and Employment Assistance Lifelines (REALifelines) – provides individualized job training, counseling and re-employment services to veterans seriously injured or wounded and include locations at Ft. Bliss in El Paso, Fort Hood in Killeen, and Brook Army Medical Center in San Antonio.
- Transition Assistance Program (TAP) – established to meet the needs of separating service members during their period of transition into civilian life by offering job-search assistance and related services. TVC provides TAP training at 11 military installations throughout the state.
- Veteran Business Representatives – develops hiring opportunities within the local workforce area by promoting the benefits of hiring eligible veterans.
- Family Employment Assistance Counselors (FEAC) – provides employment services to caretakers and family members of Wounded Warriors and Veterans. Currently, FEAC personnel are located at Ft. Bliss in El Paso, Fort Hood in Killeen, and Brook Army Medical Center in San Antonio.

VETERANS EDUCATION

TVC is the state approving agency for the Veterans Education Program and for the federal GI Bill educational benefits. In this role, the agency reviews, evaluates, approves, and oversees education and training programs for veterans and other eligible persons. As of the end of fiscal year 2011, there are 1,238 approved Texas colleges, universities, trade and vocational schools, and training facilities that provide services to more than 80,000 eligible recipients who received a total of $778 million in veteran educational benefits. Most public post-secondary schools (i.e., universities and community colleges), hospitals, police/fire academies, technical institutions, nonpublic schools (i.e., cosmetology, barber colleges, flight schools, and other vocational schools) have approved programs. There are also several approved apprenticeship and on-the-job training programs that allow veterans to earn a wage while in the program.

5. HEALTH AND HUMAN SERVICES

*Health and Human Services (HHS) is the second-largest function of Texas state government. As shown in **Figure 133**, All Funds appropriations for the HHS function for the 2012–13 biennium total $55.4 billion, or 31.9 percent of all state appropriations. This amount is a decrease of $10.0 billion, or 15.3 percent, in All Funds and an increase of $1.2 billion, or 5.4 percent, in General Revenue Funds and General Revenue–Dedicated Funds from the 2010–11 biennial spending levels. The 2010–11 biennial spending levels have been adjusted pursuant to provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011. **Figure 134** shows 2012–13 biennial appropriations by method of financing and full-time-equivalent positions from fiscal years 2008 to 2013 for all HHS agencies. These funding amounts reflect only appropriations and not the total projected funding needs for the HHS function in the 2012–13 biennium. An estimated $3.9 billion in General Revenue Funds and $6.0 billion in matching Federal Funds were not appropriated and this demand for supplemental funding will need to be addressed by the Eighty-third Legislature.*

The 2012–13 General Appropriations Act establishes the following average monthly service levels for fiscal year 2013:

- *health insurance for 3.7 million Medicaid recipients (including 2.7 million children);*
- *health insurance for almost 600,000 Children's Health Insurance Program (CHIP) enrollees;*
- *cash grants to approximately 125,000 Temporary Assistance for Needy Families (TANF) clients;*
- *adoption subsidies for almost 40,000 children; and*
- *foster care payments for approximately 17,000 children per month.*

*Eligibility for many of these programs is based on income in relation to the federal poverty level (FPL) (**Figure 135**).*

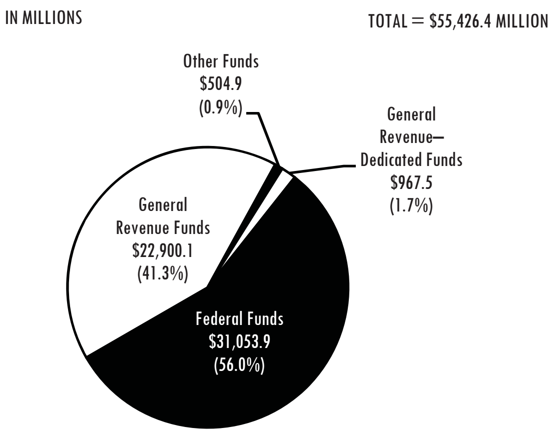
FIGURE 133
ALL FUNDS APPROPRIATIONS FOR HEALTH AND HUMAN SERVICES
2012–13 BIENNIUM

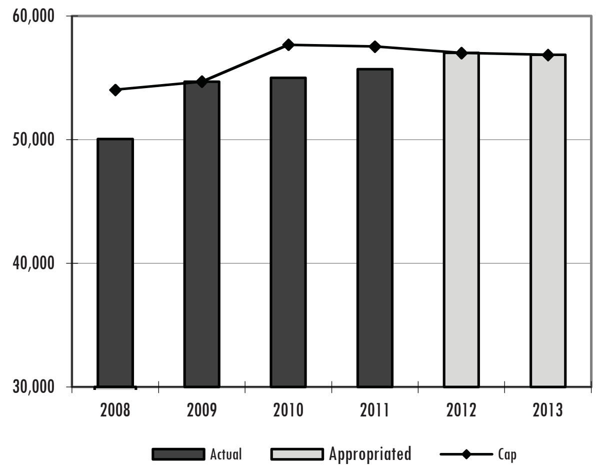
IN MILLIONS

AGENCY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Aging and Disability Services	$13,641.7	$9,939.9	($3,701.9)	(27.1)
Department of Assistive and Rehabilitative Services	1,345.2	1,250.9	(94.4)	(7.0)
Department of Family and Protective Services	2,736.3	2,775.2	38.9	1.4
Department of State Health Services	6,134.5	5,776.9	(357.7)	(5.8)
Health and Human Services Commission	40,782.6	34,771.0	(6,011.6)	(14.7)
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$64,640.4**	**$54,513.9**	**($10,126.6)**	**(15.7)**
Retirement and Group Insurance	$1,105.4	$1,160.6	$55.1	5.0
Social Security and Benefit Replacement Pay	343.1	337.2	(5.9)	(1.7)
SUBTOTAL, EMPLOYEE BENEFITS	**$1,448.5**	**$1,497.7**	**$49.2**	**3.4**
Bond Debt Service Payments	$55.2	$56.9	$1.7	3.1
Lease Payments	13.9	12.5	(1.4)	(10.3)
SUBTOTAL, DEBT SERVICE	**$69.0**	**$69.3**	**$0.3**	**0.4**
Less Interagency Contracts	$693.8	$654.5	($39.3)	(5.7)
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$65,464.2**	**$55,426.4**	**($10,037.8)**	**(15.3)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTES: Article totals exclude interagency contracts. Biennial change and percentage change are calculated on actual amounts before rounding. Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

FIGURE 134
HEALTH AND HUMAN SERVICES APPROPRIATIONS AND FULL-TIME-EQUIVALENT POSITIONS
2012–13 BIENNIUM





SOURCE: Legislative Budget Board.

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

FIGURE 135
FEDERAL POVERTY GUIDELINES (FEDERAL POVERTY LEVEL), 2011

SIZE OF FAMILY UNIT	100% FPL	14% FPL	21% FPL	74% FPL	133% FPL	185% FPL	200% FPL	218% FPL
1	$10,890	$1,525	$2,287	$8,059	$14,484	$20,147	$21,780	$23,740
2	$14,710	$2,059	$3,089	$10,885	$19,564	$27,214	$29,420	$32,068
3	$18,530	$2,594	$3,891	$13,712	$24,645	$34,281	$37,060	$40,395
4	$22,350	$3,129	$4,694	$16,539	$29,726	$41,348	$44,700	$48,723
5	$26,170	$3,664	$5,496	$19,366	$34,806	$48,415	$52,340	$57,051
6	$29,990	$4,199	$6,298	$22,193	$39,887	$55,482	$59,980	$65,378
7	$33,810	$4,733	$7,100	$25,019	$44,967	$62,549	$67,620	$73,706
8	$37,630	$5,268	$7,902	$27,846	$50,048	$69,616	$75,260	$82,033
For each additional person	$3,820	$535	$802	$2,827	$5,081	$7,067	$7,640	$8,328

NOTE: FPL = Federal Poverty Level.
SOURCES: Legislative Budget Board; U.S. Department of Health and Human Services.

MAJOR FUNDING ISSUE: MEDICAID

The primary funding issue for the HHS function is the Texas Medicaid program. The majority of Medicaid funding is for acute care services provided by the Health and Human Services Commission (HHSC) and long-term-care services provided primarily by the Department of Aging and Disability Services (DADS). A total of $38.8 billion in All Funds, including $16.3 billion in General Revenue Funds and General Revenue–Dedicated Funds, was appropriated for these services for the 2012–13 biennium, representing 69.9 percent of All Funds appropriations for the HHS function. Major issues associated with Medicaid funding for the 2012–13 biennium include the loss of one-time federal funding related to the American Recovery and Reinvestment Act of 2009 (ARRA), continued increased demand related to the economic recession and slow recovery, cost-containment initiatives implemented in response to the substantial shortfall in available funds facing the state, and an assumed need for supplemental funding during state fiscal year 2013.

NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding in all figures in this chapter. Figure totals may not sum because of rounding.

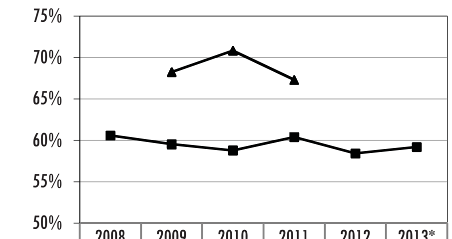
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Section 5001 of the American Recovery and Reinvestment Act of 2009 provided for a temporary (October 1, 2008 to December 31, 2010) increase in the Federal Medical Assistance Percentage (FMAP) used to calculate the federal and state share of funding for the Medicaid program. House Resolution 1586, Section 201, extended the temporary increase in FMAP, at a phased-down level, through June 30, 2011. **Figure 136** shows the average FMAPs for state fiscal years 2008 to 2013; the temporary funding increase provided by ARRA resulted in a substantial increase to the proportion of the Medicaid program funded by the federal government in state fiscal years 2009 through 2011. An estimated $4.3 billion in Federal Funds (ARRA) were available for acute care and long-term-care services in the 2010–11 biennium. To maintain the same level of All Funds expenditures, these Federal Funds would need to be replaced with General Revenue Funds or other state funds for the 2012–13 biennium.

PROGRAM GROWTH

Without any changes to the program, Medicaid was projected to cost an additional $5.2 billion in All Funds for the 2012–13 biennium compared to the 2010–11 biennium.

FIGURE 136
FEDERAL MEDICAL ASSISTANCE PERCENTAGE (FMAP), STATE FISCAL YEAR ADJUSTED 2008 TO 2013

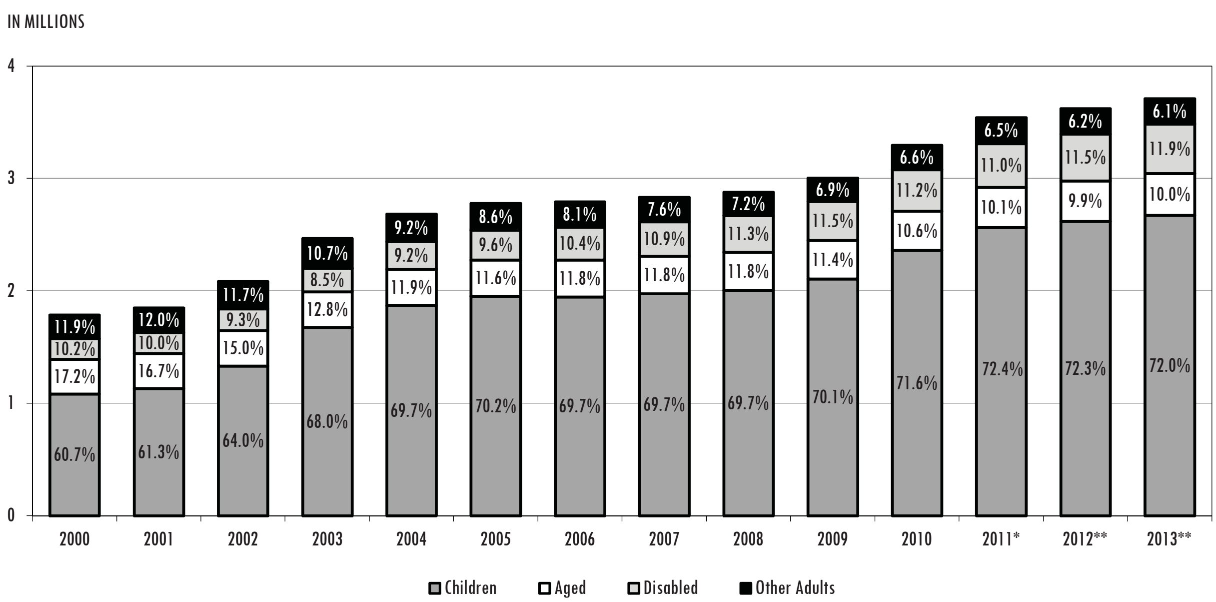


	2008	2009	2010	2011	2012	2013*
Regular FMAP	60.58%	59.53%	58.79%	60.41%	58.42%	59.21%
ARRA-Enhanced FMAP		68.26%	70.85%	67.33%		

*The General Appropriations Act, 2012–13 Biennium, assumed 57.37 percent in state fiscal year 2013; figure reflects more favorable actual FMAP of 59.21 percent.
Source: Legislative Budget Board.

The majority of this growth was due to projected increases in caseload (almost two-thirds of projected expenditure growth) and average cost per client served (almost one-third of projected expenditure growth). **Figure 137** shows acute care Medicaid average monthly caseloads for fiscal years 2000 to 2013 by enrollment group. Much of the growth in caseload is related to maintaining growth that occurred in fiscal years 2009 to 2011 due to the economic recession. Acute care

FIGURE 137
ACUTE CARE MEDICAID AVERAGE MONTHLY CASELOAD, FISCAL YEARS 2000 TO 2013

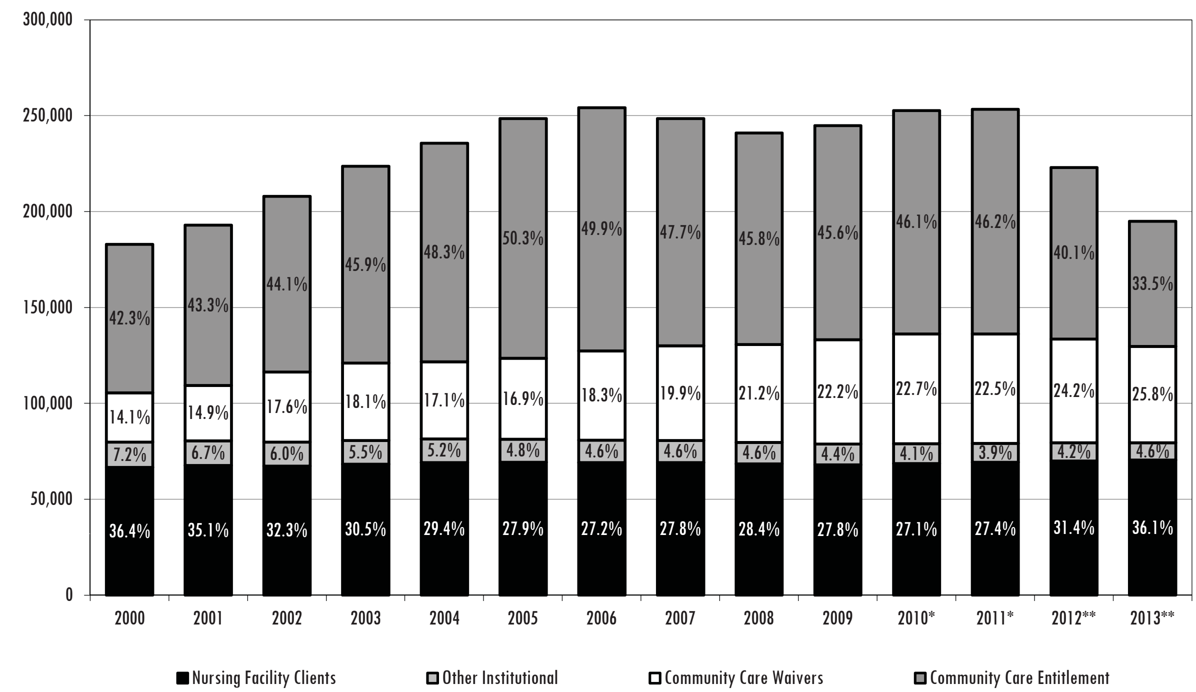


*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Note: Represents average monthly number of clients receiving Medicaid acute care health insurance services through the Health and Human Services Commission. Aged and Disabled include clients enrolled in STAR+PLUS. Other Adults includes TANF Adults, Pregnant Women, and Medically Needy clients.
Sources: Legislative Budget Board; Health and Human Services Commission.

caseloads at HHSC increased from an average of 2.9 million in fiscal year 2008 to an average of 3.5 million in fiscal year 2011, growth of 23.1 percent. More than 80 percent of this growth was children, resulting in an increase in the proportion of total Medicaid enrollees that are children, which had been relatively stable from fiscal years 2004 to 2009. Growth trends in aged and disabled populations were largely unaffected by the economic recession, though continued higher growth in the disabled population has resulted in the proportion of total Medicaid recipients that are disabled exceeding the proportion that are aged by a widening margin since fiscal year 2009.

Long-term-care caseloads at DADS are projected to decrease during the 2012–13 biennium, primarily due to the expansion of (STAR+PLUS), a program funded at HHSC that provides both acute care and certain long-term-care services; some expansion of the program occurred in September 2011, with additional expansion planned for March 2012. **Figure 138** shows long-term-care average monthly caseloads for fiscal years 2000 to 2013 and the shifting proportions of those caseloads. Caseloads for institutional services, which are not covered through STAR+PLUS, have remained relatively stable since fiscal year 2000; increases in the proportion of services provided in institutions is due to fewer clients receiving community care services at DADS as a result of STAR+PLUS expansion. Nursing-facility-related caseloads are projected to increase by 1.6 percent from an estimated average of 69,369 clients in fiscal year 2011 to a projected average of 70,469 clients in fiscal year 2013. Other institutional care caseloads are projected to decrease by 8.3 percent from an estimated average of 9,836 clients in fiscal year 2011 to a projected average of 9,018 clients in fiscal year 2013. Medicaid community care entitlement (non-waiver) caseloads are projected to decrease by 44.3 percent from an estimated average of 117,175 clients in fiscal year 2011 to a projected average of 65,304 clients in fiscal year 2013; this decline can be attributed to nearly 60,000 Primary Home Care and Day

FIGURE 138
LONG-TERM-CARE MEDICAID AVERAGE MONTHLY CASELOADS AT THE DEPARTMENT OF AGING AND DISABILITY SERVICES FISCAL YEARS 2000 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Note: Community Care Entitlement includes Primary Home Care, Community Attendant Services, and Day Activity and Health Services; Community Care Waivers include Community-based Alternatives, Home and Community-based Services, Community Living and Support Services, Deaf-Blind Multiple Disabilities, Medically Dependent Children Program, Consolidated, Texas Home Living, and Promoting Independence; Nursing facility includes Medicaid nursing facility, Medicaid co-payment for Medicare Skilled Nursing Facility Care, and Hospice; Other Institutional includes Intermediate Care Facilities for Persons with Mental Retardation and State Supported Living Centers.
Sources: Legislative Budget Board; Department of Aging and Disability Services.

Activity and Health Services clients receiving services through the STAR+PLUS program in fiscal year 2013. Medicaid community care waiver caseloads are projected to decrease by 11.9 percent from an estimated average of 57,013 clients in fiscal year 2011 to a projected average of 50,235 clients in fiscal year 2013. The net decline can be attributed to approximately 12,000 Community-based Alternatives clients receiving services through the STAR+PLUS program in 2013, offset by an increase of 5,000 clients in the Texas Home Living waiver due to a legislative initiative to obtain matching Federal Funds (Medicaid) for services previously funded solely with General Revenue Funds.

COST CONTAINMENT

In an effort to slow expenditure growth during the 2012–13 biennium, the Eighty-second Legislature adopted a number of policies to contain Medicaid program costs. These cost-containment initiatives include the expanded use of managed care, selected rate reductions, and a number of policy directives discussed further in the DADS and HHSC sections that follow (**Figure 139**). In calculations of the estimated supplemental need in fiscal year 2013, these initiatives were estimated to save $4.2 billion in All Funds, including $1.8 billion in General Revenue Funds. These savings are in addition to savings from continuation of rate reductions initiated in fiscal year 2011. Many of the policy directives are identified in the 2012–13 GAA, HHSC, Rider 61, which reduces appropriations to the agency by $450 million in General Revenue Funds; however, initiatives specifically identified in the rider are only estimated to save $263.7 million and only that amount is assumed in estimates of savings and supplemental need. Any additional initiatives identified by HHSC, as directed in the rider, would increase savings and reduce supplemental need. A reduction of $0.7 billion in General Revenue Funds appropriations described in HHSC, Rider 59 is not assumed to produce savings in these estimates, but would also reduce supplemental need if savings are realized.

SUPPLEMENTAL FUNDING NEED

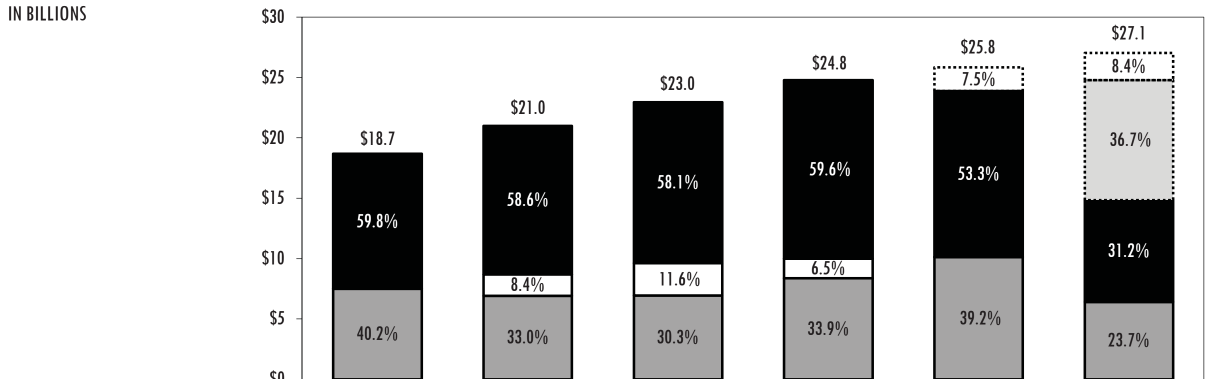
The need to replace Federal Funds associated with the temporary increase in FMAP under ARRA and its extension along with program growth result in a combined estimated additional demand for General Revenue Funds of $7.3 billion more than the 2010–11 biennial spending level. This amount was reduced to $5.5 billion in General Revenue Funds by assumed savings from cost-containment initiatives. Article II of the 2012–13 GAA directly appropriated $0.7 billion in General Revenue Funds more than the 2010–11 biennial spending level, thereby reducing the demand to $4.8 billion in General Revenue Funds, which was further reduced to $4.3 billion by a $0.5 billion contingent appropriation made through Article IX of the 2012–13 GAA. The 2012–13 GAA reflects this assumed funding shortfall for fiscal year 2013. **Figure 140** shows funding from fiscal years 2008 to 2013 by method of financing, including cost-containment and supplemental need. A more favorable FMAP for federal fiscal year 2013 than was assumed in the 2012–13 GAA is estimated to reduce the funding need in the Medicaid program by approximately $0.4 billion to $3.9 billion in General Revenue Funds ($9.9 billion in All Funds). Changes to caseloads, average costs, or savings from cost-containment initiatives would change the final need for supplemental funding. It is estimated that existing appropriations will provide enough funding for the Medicaid program until spring 2013; at that time the Eighty-third Legislature will have to address the funding shortfall. Special Provisions Relating to All Health and Human Services Agencies, Section 57 of the GAA authorizes HHSC and DADS to delay certain Medicaid payments for March and April 2013 in an effort to extend the period the program is funded and provide sufficient time for the Eighty-third Legislature to pass any necessary legislation to fully fund the program for the 2012–13 biennium.

FIGURE 139
HEALTH AND HUMAN SERVICES COST-CONTAINMENT INITIATIVES
2012–13 BIENNIUM

INITIATIVE (IN MILLIONS)	GENERAL REVENUE FUNDS	ALL FUNDS
Medicaid Program (DADS and HHSC)		
Rate reductions*	($553.0)	($1,314.2)
Managed care expansion	(385.7)	(889.3)
Cost sharing payments for Medicare physician services for dual eligibles	(295.8)	(704.2)
More efficient managed care premium methodology	(135.4)	(321.9)
Reduce optional benefits	(45.0)	(107.0)
Administrative reductions at HHSC	(38.2)	(64.1)
Reduce vendor drug dispensing and PCCM case management Fees	(34.7)	(83.0)
Eliminate children's hospital Upper Payment Limit (UPL) program	(25.0)	(59.4)
Reduce HMO administration portion of premiums	(22.0)	(52.3)
Durable medical equipment (DME) savings	(17.0)	(40.5)
HHSC Rider 59, Federal Flexibility**	(700.0)	(1,666.7)
HHSC Rider 61 (various savings initiatives)**	(450.0)	(1,071.4)
Nursing facility utilization review	(58.0)	(138.1)
Adjust amount, scope, and duration for all waiver community services	(31.0)	(73.8)
Wrap-around services in Community-based Alternatives	(15.0)	(35.7)
Equalizing rates across community-care waivers	(12.5)	(29.8)
Administrative reductions related to requisition	(1.8)	(4.3)
Subtotal	**($2,820.0)**	**($6,655.5)**
CHIP Program (HHSC)		
Reduce HMO administration portion of premiums	($5.0)	($17.0)
More efficient managed care premium methodology	(33.9)	(114.9)
Reduce vendor drug dispensing fee	(1.4)	(4.6)
Rate reductions (all providers except physicians and dentists)	(22.4)	(75.8)
Subtotal	**($62.6)**	**($212.4)**
Department of State Health Services		
Residential units	($6.0)	($6.0)
NorthSTAR billing change	(6.0)	(6.0)
Medicines at discharge for one week	(1.9)	(1.9)
Management changes	(1.0)	(1.0)
Subtotal	**($14.9)**	**($14.9)**
COST-CONTAINMENT TOTAL	**($2,897.6)**	**($6,882.8)**

*Rate reductions were adopted for Home and Community-based Services (HCS), hospice services provided in a nursing facility, Intermediate Care Facilities for Persons with Mental Retardation (ICFs/MR), most hospital services, durable medical equipment, laboratory services, and certain other ancillary services.
**Rider 59 is not assumed to produce savings in estimates of supplemental need; Rider 61 is assumed to produce $263.7 million in General Revenue savings in estimates of supplemental need.
NOTE: These represent estimates of savings from cost-containment initiatives assumed during the regular session of the Eighty-second Legislature, which may differ from current estimates used to calculate supplemental need for the Texas Medicaid program.
SOURCE: Legislative Budget Board.

FIGURE 140
SELECT MEDICAID FUNDING BY METHOD OF FINANCING
FISCAL YEARS 2008 TO 2013



	2008	2009	2010	2011*	2012**	2013**
Cost-Containment, All Funds					$1.9	$2.3
Supplemental Need, All Funds						$9.9
Federal Funds	$11.2	$12.3	$13.3	$14.8	$13.8	$8.4
Stimulus Federal Funds		$1.8	$2.7	$1.6	$0.0	$0.0
General Revenue/ General Revenue-Dedicated/Other Funds	$7.5	$6.9	$7.0	$8.4	$10.1	$6.4

*Estimated.
**Total projected need prior to legislative action.
NOTES: Includes only acute care services provided by the Health and Human Services Commission and long-term-care services provided primarily by the Department of Aging and Disability Services.
Supplemental Need for fiscal year 2013 ($9.9 billion) is composed of $3.9 billion in General Revenue Funds and $6.0 billion in Federal Funds.
SOURCE: Legislative Budget Board.

SIGNIFICANT LEGISLATION

The enactment of Senate Bill 7, Eighty-second Legislature, First Called Session, 2011, provides statutory authority for a number of the cost-containment initiatives applied to the Texas Medicaid program and implements a number of other changes affecting the HHS agencies and other state entities. The legislation includes the repeal of the prohibition on Medicaid managed care in certain south Texas counties, inclusion of prescription drugs in Medicaid managed care contracts, restrictions on use of family planning funds, and certain payment reform initiatives.

DEPARTMENT OF AGING AND DISABILITY SERVICES

The Department of Aging and Disability Services (DADS) was established in September 2004 as a result of legislation passed by the Seventy-eighth Legislature, Regular Session, 2003, which reorganized all Health and Human Services agencies. This reorganization merged a majority of Department of Human Services programs (including long-term care programs) with the mental retardation component from the Department of Mental Health and Mental Retardation and the Texas Department of Aging to form DADS. The agency's mission is to provide a comprehensive array of aging and disability services, supports, and opportunities that are easily accessed in local communities.

FUNDING FOR THE 2012–13 BIENNIUM

Appropriations for the 2012–13 biennium total $9.9 billion in All Funds and provide for 17,664.4 full-time-equivalent (FTE) positions in fiscal year 2012 and 17,494.0 FTE positions in fiscal year 2013. Of the appropriated amount, $4.1 billion, or 41.7 percent, is from General Revenue Funds and General Revenue–Dedicated Funds. The appropriations include $5.7 billion in Federal Funds, of which $5.3 billion, or 92.7 percent, is from the federal Title XIX Medicaid program.

The following significant funding issues affect the agency's 2012–13 biennium appropriations:

- Expansion of managed care at the Health and Human Services Commission (HHSC) includes the transfer of $1.3 billion in All Funds and $543.2 million in General Revenue Funds to HHSC for clients currently being served at DADS. An additional decrease of $28.3 million in All Funds, $13.7 million in General Revenue Funds, and 372.4 FTE positions was made for administrative savings associated with the expansion.
- Funding for the 2012–13 biennium decreased for some strategies for Medicaid cost containment initiatives by $281.7 million in All Funds and $118.3 million in General Revenue Funds. These cost containment items are included in Article II, Special Provisions, Section 17, Additional Cost Containment Initiatives.
- Funding levels for fiscal year 2013 assume a supplemental need for some Medicaid programs estimated to be $0.8 billion in General Revenue Funds. However, state supported living centers and Medicaid waiver slots are fully funded in fiscal year 2013.
- Provider rate reductions implemented in fiscal year 2011 of 2.0 percent for Home and Community-based Services (HCS), 3.0 percent for Nursing Facilities, 1.0 percent for Nursing Facility-related Hospice, and 3.0 percent for Intermediate Care Facilities for Persons with Mental Retardation (ICF–MR), excluding state supported living centers, are continued in the 2012–13 biennium. Additional rate reductions of 1.0 percent for the HCS waiver, 2.0 percent for Nursing Facility-related Hospice, and 2.0 percent for ICF–MR, excluding state supported living centers, are assumed for the 2012–13 biennium.
- A decrease of $74.2 million in General Revenue Funds for MR Community Services, and a decrease of $5.7 million in General Revenue Funds for MR In-home Services to refinance certain non-Medicaid community mental retardation services under the Texas Home Living waiver, where services are eligible for matching Federal Funds.

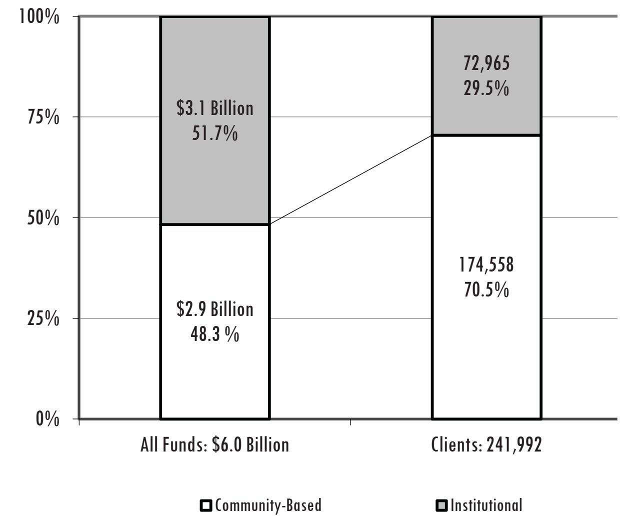
AGENCY GOALS

Agency functions are divided into three primary goals, with one related to providing long-term services and supports for elderly persons and people with disabilities and a second related to regulation, certification, and outreach services. The third goal is Indirect Administration. Long-term care continuum services receive 97.3 percent of the agency's appropriated funds. Regulation, certification, and outreach receive 1.4 percent of the agency's appropriated funds. Finally, Indirect Administration accounts for 1.3 percent of the agency's appropriated funds.

LONG-TERM SERVICES AND SUPPORTS

The agency's long-term care continuum of services provides appropriate care based on the individual needs of elderly persons and persons with disabilities. The services include assisting clients with daily needs; providing employment services, skills training, and specialized therapies; paying for home improvements, special equipment, and related items; paying for nursing home and hospice care; and paying for state supported living center services. These services are provided within institutional care settings such as nursing facilities or living centers for persons with mental retardation and in non-institutional or in-home settings such as community care programs and intermediate care facilities for persons with mental retardation (**Figure 141** and **Figure 142**).

FIGURE 141
DADS FUNDING FOR AND CASELOAD FOR COMMUNITY-BASED AND INSTITUTIONAL SERVICES, FISCAL YEAR 2010



NOTE: Institutional includes nursing facility, skilled nursing facility, hospice, and state supported living center services. Community-based includes community care entitlement, community care waivers, Program of All-inclusive Care for the Elderly, and Intermediate Care Facilities for Persons with Mental Retardation.
SOURCE: Legislative Budget Board.

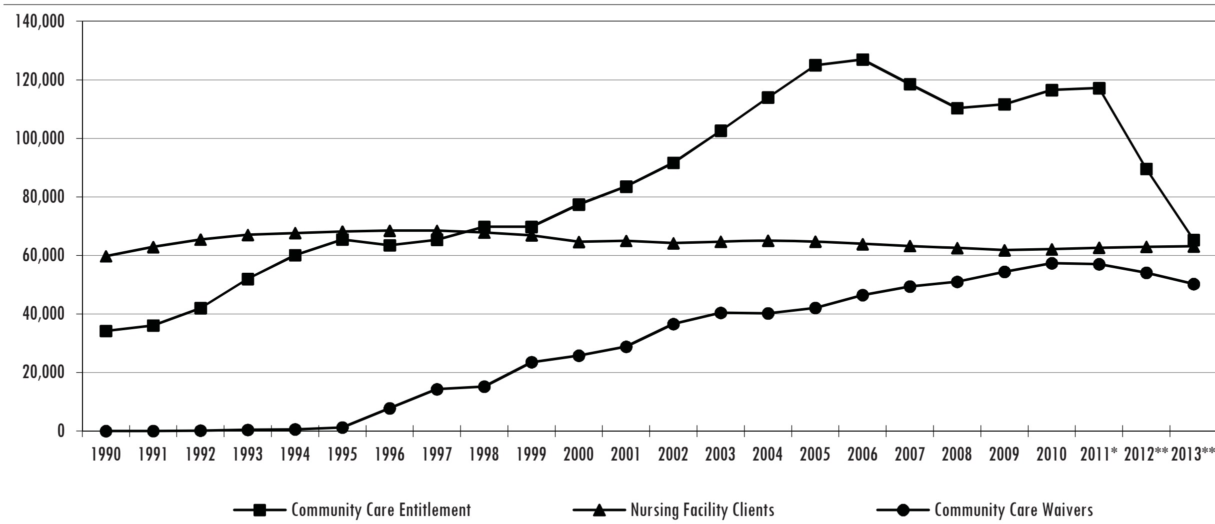
Texas focuses on developing long-term services and supports that are provided in home and community settings. The availability of these services has significantly reduced the number of persons who otherwise would be cared for in a nursing home. **Figure 142** compares the number of clients served in community care services and nursing homes during fiscal years 1990 to 2011, with projections into fiscal year 2013. Additionally, the number of persons receiving community Mental Retardation (MR) services in home and community settings increased significantly from fiscal years 2005 to 2013 **(Figure 143)**.

Appropriations for long-term services and supports for the 2012–13 biennium total $9.7 billion in All Funds and provide for 16,018.7 FTE positions in fiscal year 2012 and 15,848.6 positions in fiscal year 2013. Of the appropriated amount, $4.0 billion, or 41.8 percent, is General Revenue Funds and General Revenue–Dedicated Funds. Costs and number of clients served are shown in **Figure 144** and **Figure 145** for select program measures for some long-term care services.

INTAKE, ACCESS, AND ELIGIBILITY

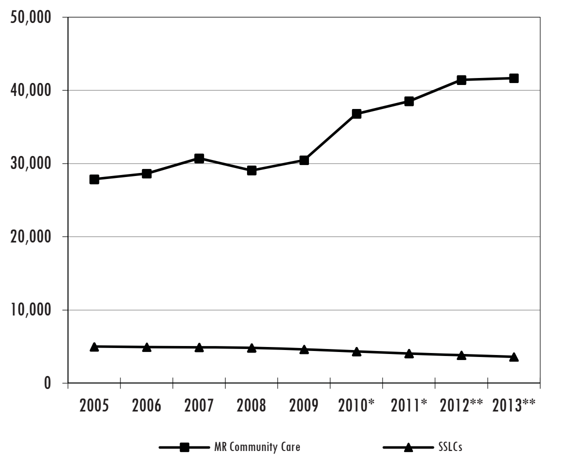
Area Agencies on Aging (AAA) and Mental Retardation Authorities (MRA) provide information and access to

FIGURE 142
COMMUNITY CARE AND NURSING FACILITY AVERAGE MONTHLY CASELOAD, FISCAL YEARS 1990 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium. Includes adjustments for managed care expansion.
NOTES: Community Care Entitlement includes Primary Home Care, Community Attendant Services, and Day Activity and Health Services; Community Care Waivers include Community-based Alternatives, Home and Community-based Services, Community Living and Support Services, Deaf-Blind Multiple Disabilities, Medically Dependent Children Program, Consolidated, Texas Home Living, and Promoting Independence. Caseload decline in the 2012–13 biennium is due to expansion of managed care (STAR+PLUS). Nursing facility includes Medicaid co-payment for Medicare skilled nursing facility care, but excludes Hospice.
SOURCE: Department of Aging and Disability Services.

FIGURE 143
MENTAL RETARDATION COMMUNITY CARE AND STATE SUPPORTED LIVING CENTERS AVERAGE MONTHLY CASELOAD, FISCAL YEARS 2005 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Note: Mental Retardation (MR) Community Care includes Home and Community-based services, Texas Home Living services, MR Community Services (residential and non-residential), and Intermediate Care Facilities for Persons with Mental Retardation. Intake and Access and MR In-Home Services are excluded. Clients funded through appropriations for waiting lists are not included.
SSLCs = State Supported Living Centers.
Source: Department of Aging and Disability Services.

services through Intake, Access, and Eligibility to Services and Supports. The AAAs provide (1) assistance to older persons and family members regarding community support, (2) referrals to programs, and (3) coordination of care and legal assistance. The MRAs determine eligibility and coordinate mental retardation services for eligible persons.

Intake, Access, and Eligibility also focuses on assessing a client's needs and the client's ability to function in a community setting. Clients who are eligible for Medicaid-funded nursing facility care and request community-care waiver services are assessed by DADS staff on daily living skills (non-financial criteria) and are given an eligibility score. This score allows agency staff to tailor various levels of assistance available to the client. Most agency programs also have income-eligibility requirements **(Figure 146)**. DADS provides health or functional information about clients to HHSC, which uses that information and a financial evaluation to determine eligibility for long-term care services. Most clients are eligible for Medicaid coverage that pays for acute care as well as long-term care services.

Funding for Intake, Access, and Eligibility totals $361.4 million in All Funds and provide for 1,681.3 FTE positions in fiscal year 2012 and 1,511.2 FTE positions in fiscal year 2013. The 2012–13 biennial appropriations reflect a decrease

FIGURE 144
DADS, LONG-TERM CARE PROGRAM COSTS, SELECTED PERFORMANCE MEASURES FISCAL YEARS 2006 TO 2013

	FISCAL YEAR							
PERFORMANCE MEASURE	2006	2007	2008	2009	2010*	2011*	2012**	2013**
Community Care Entitlement								
Average Monthly Cost Per Client Served: Primary Home Care	$622	$635	$682	$759	$838	$856	$831	$672
Average Monthly Cost Per Client Served: Community Attendant Services	$609	$618	$655	$720	$797	$833	$834	$842
Average Monthly Cost Per Client Served: Day Activity and Health Services	$477	$481	$497	$508	$524	$534	$527	$470
Waivers								
Average Monthly Cost Per Client Served: Medicaid Community-based Alternatives (CBA) Waiver	$1,293	$1,286	$1,379	$1,456	$1,564	$1,600	$1,320	$992
Average Monthly Cost Per Client Served: Home and Community-based Services (HCS)	$3,230	$3,226	$3,422	$3,442	$3,527	$3,468	$3,280	$3,299
Average Monthly Cost Per Client Served: Medicaid Related Conditions Waiver (CLASS)	$2,873	$2,803	$3,100	$3,380	$3,593	$3,465	$3,232	$3,159
Average Monthly Cost Per Client Served: Texas Home Living Waiver	$446	$457	$587	$596	$665	$678	$652	$650

FIGURE 144 (CONTINUED)
DADS, LONG-TERM CARE PROGRAM COSTS, SELECTED PERFORMANCE MEASURES
FISCAL YEARS 2006 TO 2013

	FISCAL YEAR							
PERFORMANCE MEASURE	2006	2007	2008	2009	2010*	2011*	2012**	2013**
Nursing Facility								
Net Nursing Facility Cost Per Medicaid Resident Per Month	$2,472	$2,564	$2,673	$2,982	$3,181	$3,128	$2,982	$2,951
Net Payment Per Client for Co-paid Medicaid/Medicare Nursing Facility Services Per Month	$1,609	$1,702	$1,788	$1,894	$1,953	$1,966	$2,056	$2,115
Average Net Payment Per Client Per Month for Hospice	$2,327	$2,437	$2,500	$2,745	$2,862	$2,788	$2,740	$2,732
Intermediate Care Facilities for Persons with Mental Retardation (ICF–MR) and State Schools								
Monthly Cost Per ICF–MR Medicaid Eligible Consumer	$4,152	$4,178	$4,495	$4,459	$4,528	$4,430	$4,360	$4,350
Average Monthly Cost Per Mental Retardation (MR) Campus Resident	$7,462	$7,959	$8,768	$10,691	$12,328	$13,263	$14,107	$14,802

*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Source: Department of Aging and Disability Services.

FIGURE 145
DADS LONG-TERM CARE PROGRAM, SELECTED PERFORMANCE MEASURES
FISCAL YEARS 2006 TO 2013

	FISCAL YEAR							
PERFORMANCE MEASURE	2006	2007	2008	2009	2010*	2011*	2012**	2013**
Community Care Entitlement								
Average Number of Clients Served Per Month: Primary Home Care	64,478	59,025	51,569	52,618	55,529	53,605	31,240	12,084
Average Number of Clients Served Per Month: Community Attendant Services	43,798	42,117	42,149	41,913	43,250	45,633	48,617	51,534
Average Number of Clients Served Per Month: Day Activity and Health Services	18,688	17,379	16,605	17,138	17,735	17,937	9,716	1,686
Average Number of Clients Served Per Month: Entitlement	126,964	118,521	110,323	111,672	116,520	117,270	89,573	65,304
Waivers								
Average Number of Clients Served Per Month: Medicaid Community-based Alternatives (CBA) Waiver	26,729	26,710	25,046	25,952	25,940	22,815	14,616	9,794
Average Number of Clients Served Per Month: Home and Community-based Services (HCS)	10,149	11,795	13,386	15,104	17,172	19,370	20,123	20,539
Average Number of Clients Served Per Month: Medicaid Related Conditions Waiver (CLASS)	2,071	3,048	3,780	3,895	4,167	4,607	4,619	4,619
Average Number of Clients Served Per Month: Texas Home Living Waiver	1,417	1,404	1,243	1,051	914	901	5,738	5,738
Average Number of Clients Served Per Month: All Other Waiver Clients[1]	1,259	1,805	2,795	3,066	2,938	2,731	2,682	2,682
Average Number of Individuals Served Through Promoting Independence Per Month	4,854	4,640	4,747	5,332	6,209	6,589	6,318	6,863
Average Number of Clients Served Per Month: Waivers	46,479	49,402	50,997	54,400	57,340	57,013	54,096	50,235

FIGURE 145 (CONTINUED)
DADS LONG-TERM CARE PROGRAM, SELECTED PERFORMANCE MEASURES
FISCAL YEARS 2006 TO 2013

	FISCAL YEAR							
PERFORMANCE MEASURE	2006	2007	2008	2009	2010*	2011*	2012**	2013**
Nursing Facility								
Average Number of Clients Receiving Medicaid - Funded Nursing Facility Services per Month	57,769	56,902	55,960	55,118	55,653	56,304	56,213	56,223
Average Number of Clients Receiving Co-paid Medicaid/Medicare Nursing Facility Services Per Month	6,098	6,373	6,610	6,700	6,496	6,359	6,767	6,903
Hospice Clients (Monthly Average)	5,270	5,829	5,958	6,167	6,479	6,706	7,039	7,343
Average Number of Clients Served Per Month: Nursing Facility	69,137	69,104	68,528	67,985	68,628	69,369	70,019	70,469
Intermediate Care Facilities for Persons with Mental Retardation (ICF–MR) and State Schools								
Average Number of Persons in ICF–MR Medicaid Beds Per Month	6,798	6,596	6,340	6,214	5,975	5,765	5,602	5,423
Average Monthly Number of Mental Retardation (MR) Campus Residents	4,932	4,909	4,832	4,627	4,337	4,063	3,831	3,595

*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
[1]Includes Medicaid Deaf-blind with Multiple Disabilities Waiver, Medically Dependent Children Program, and Consolidated Waiver Program.
Source: Department of Aging and Disability Services.

FIGURE 146
DADS, SELECTED INCOME-ELIGIBILITY REQUIREMENTS
FISCAL YEARS 2012 AND 2013

	FISCAL YEAR 2012		FISCAL YEAR 2013	
PROGRAM/ELIGIBLE PERSON	MAXIMUM ANNUAL INCOME[1]	PERCENTAGE OF FEDERAL POVERTY GUIDELINES	MAXIMUM ANNUAL INCOME[1]	PERCENTAGE OF FEDERAL POVERTY GUIDELINES
Federal poverty level (family of 1)	$10,951	100	$11,012	100
Federal poverty level (family of 2)	$14,852	100	$14,995	100
Federal poverty level (family of 3)	$18,753	100	$18,979	100
Nursing facility (NF) care[2], ICF–MR, Community Attendant Services (CAS), Community Care-Waivers, and Community Care-Title XX				
Individual	$24,093	220	$24,226	220
Couple	$48,186	324	$48,584	324
Supplemental Security Income (SSI)[3]				
Individual	$8,104	74	$8,149	74
Couple	$12,179	82	$12,296	82
State-Funded				
In-home and family support[4]				
Individual: no co-pay (100% of State Median Income)	$34,065	311	$34,109	310
Individual: full co-pay (150% of State Median Income)	$51,098	467	$51,164	465

[1]Estimated.
[2]Requires client to contribute all variable income toward cost of care except (a) $60 personal needs allowance, or $90 if person receives VA pension; (b) expenditures for dental and specialized medical services not covered by Medicaid; (c) health insurance premiums; and (d) allowances for spouse remaining at home. Nursing Facility includes nursing facility, skilled nursing facility, and hospice services.
[3]Income level for Primary Home Care and Day Activity and Health Services (Title XIX).
[4]Requires co-payment between 100%-150% of state median income.
Note: Poverty levels and data shown for SSI and NF are calendar year amounts, because income levels are adjusted on a calendar year basis. In-home and Family Support amounts are fiscal year amounts.
Sources: Department of Aging and Disability Services; Health and Human Services Commission.

of $28.3 million in All Funds from the 2010–11 biennial spending level, including $13.7 million in General Revenue Funds and 372.4 FTE positions, from the 2010–11 biennial spending level for administrative savings at DADS due to managed care expansion at HHSC.

GUARDIANSHIP PROGRAM

Services provided by DADS for guardianship include but are not limited to providing 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.

When Adult Protective Services (APS) validates abuse, neglect, or exploitation of an individual, they first seek less restrictive alternatives (LRA) to guardianship. If there are no alternatives available, and indications are that the person may lack capacity and no family member is available to serve as guardian, APS makes a referral to DADS' guardianship program. If a child in Child Protective Services (CPS) conservatorship is about to be age 18 and will meet the definition of an incapacitated adult, a referral to DADS is made. DADS' staff has a responsibility to identify LRAs. Staff conducts a capacity assessment, and if guardianship is needed, the program can apply to a probate court to be appointed guardian, or it may refer the case to a local contracted guardianship program. DADS' authority to provide permanent guardianship services is limited to individuals referred by either APS or CPS, or individuals DADS otherwise agrees to serve. A court may not routinely or customarily appoint DADS as temporary guardian and may only do so as a last resort. Funding totals $14.0 million in All Funds and provides for 108.0 FTE positions in fiscal years 2012 and 2013.

COMMUNITY-CARE SERVICES AND SUPPORTS

Community-care programs support the delivery of long-term care services and supports that assist clients with daily needs. Most community-care services are provided in the home, enabling clients to maintain maximum independence. The 2012–13 General Appropriations Act (GAA) provides funding to serve average monthly clients in fiscal year 2012 of 143,669 and 115,539 in fiscal year 2013 in the community. DADS provides community-based services through Medicaid-funded entitlement and waiver programs and through state and federally funded non-Medicaid programs.

MANAGED CARE EXPANSION

In fiscal year 2011, STAR+PLUS, a managed care system that includes acute as well as long-term services, was expanded in the Dallas (seven counties) and Tarrant (six counties) service areas. Individuals previously served by DADS in Primary Home Care (PHC), Day Activities and Health Services (DAHS) and Community-based Services (CBA) in the expanded service areas transitioned to STAR+PLUS, which is overseen by HHSC. As a result of enactment of Senate Bill 7, Eighty-second Legislature, First Called Session, 2011, which expands managed care to South Texas, individuals receiving services at DADS in PHC, DAHS, CBA and Promoting Independence in South Texas will also transition to STAR+PLUS services at HHSC.

COST CONTAINMENT INITIATIVES

The 2012–13 biennial appropriations to DADS include decreases from the 2010–11 biennial spending level of $281.7 million in All Funds and $118.3 million in General Revenue Funds for anticipated cost containment savings across various Medicaid strategies. These are included in Article II, Special Provisions Relating to All Health and Human Services Agencies, Section 17, as shown in **Figure 147.**

FIGURE 147
DEPARTMENT OF AGING AND DISABILITY SERVICES COST CONTAINMENT INITIATIVES, 2012–13 BIENNIUM

IN MILLIONS INITIATIVE	GENERAL REVENUE FUNDS	ALL FUNDS
Nursing Facility Cost Change	$58.0	$138.1
Wrap Around Services	$15.0	$35.7
Equalizing Rates across Waivers	$12.5	$29.8
Adjust Amount, Scope, and Duration for All Community Services	$31.0	$73.8
Administrative Reductions Related to Requisition	$1.8	$4.3

Source: Legislative Budget Board.

MEDICAID COMMUNITY-CARE ENTITLEMENT

The agency provides Medicaid community-care entitlement services through PHC, Community Attendant Services (CAS), and DAHS. Federal and state governments are obligated to pay for any services covered under the Medicaid entitlement programs and cannot limit the number of eligible people who may enroll.

The PHC program provides non-technical, medically related personal care services. Services are provided by an attendant and do not need the supervision of a registered nurse. Services may include personal care (assistance with activities related to physical health, including bathing, dressing, preparing meals, feeding, exercising, grooming, routine hair and skin care, helping with self-administered medication, toileting, and transferring/ambulating); home management (assistance with housekeeping activities supporting health and safety, such as changing bed linens, laundering, shopping, storing purchased items, and dishwashing); and accompanying clients on trips to obtain medical diagnosis or treatment, or both. To meet PHC eligibility requirements, a client must establish Medicaid eligibility and have a practitioner's statement that the client has a current medical need. Clients may receive up to three prescriptions per month and have a choice of client directed attendant personal care services. Starting in January 2006, clients eligible for both Medicaid and Medicare received prescription drugs through the Medicare program.

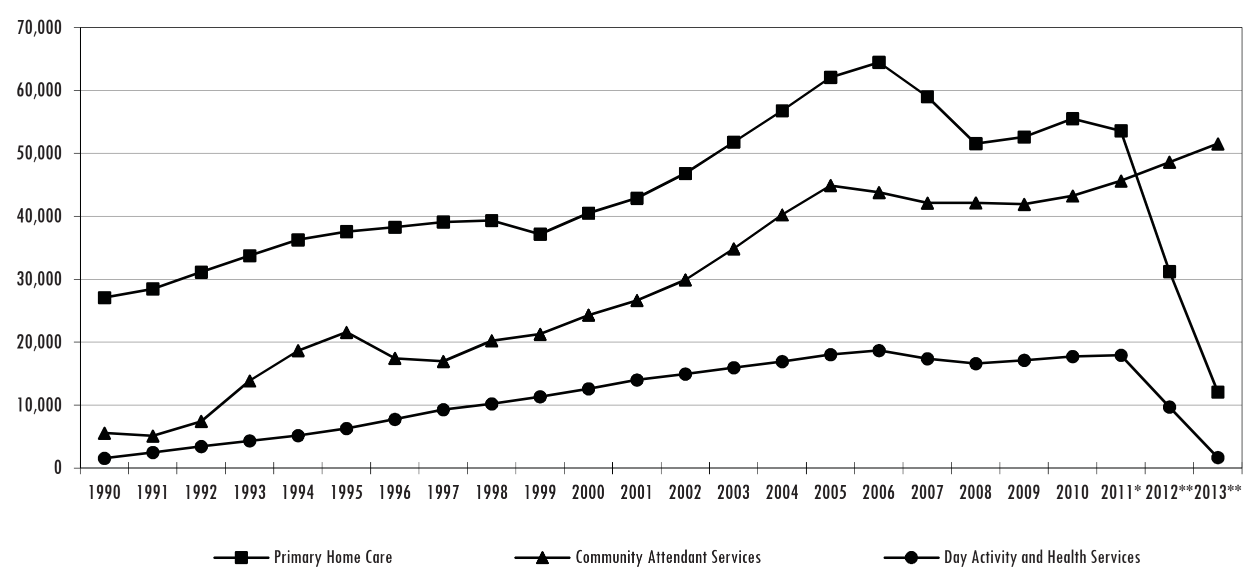
CAS clients receive the same services as PHC clients; however, clients in the CAS program are not eligible for Medicaid acute care and do not receive any prescriptions through Medicaid.

DAHS provides daytime licensed adult daycare facility services Monday through Friday. The program addresses the physical, mental, medical, and social needs of clients as an alternative to placement in nursing facilities or other institutions.

It is estimated that the average number of clients receiving Medicaid community-care entitlement services each month will be 89,573 in fiscal year 2012 and 65,304 in fiscal year 2013. A decline is anticipated due to clients transitioning to HHSC services with the expansion of managed care. Changes in caseloads for the community-care entitlement programs are shown in **Figure 142** and **Figure 148**.

Funding for PHC, CAS, and DAHS totals $1.1 billion in All Funds and $438.2 million in General Revenue Funds and General Revenue–Dedicated Funds. The appropriations for

FIGURE 148
COMMUNITY CARE ENTITLEMENT, AVERAGE MONTHLY CASELOAD
FISCAL YEARS 1990 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium. Primary Home Care and Day Activity and Health Services include adjustment for managed care expansion at the Health and Human Services Commission.
Source: Department of Aging and Disability Services.

PHC and DAHS reflect a decrease of $863.1 million in All Funds, including $362.5 million in General Revenue Funds, from the 2010–11 biennial spending level for managed care expansion at HHSC and the transfer to HHSC of clients currently being served at DADS.

MEDICAID COMMUNITY-CARE WAIVERS

States use home and community-based waivers to obtain federal Medicaid matching funds to provide long-term care to patients in settings other than institutions. Unlike institutional care, there is no federal or state entitlement to waiver services. States can establish waiting lists for waiver programs. The Centers for Medicare and Medicaid Services must approve the waivers, which are valid for three years. After this period, the waivers may be renewed every five years.

The agency uses the following programs to provide intensive services for eligible clients through Medicaid community-care waiver services:

- The Community-based Alternatives (CBA) Waiver Program offers case management, personal assistance, nursing services, adaptive aids, medical supplies, and other services for adults age 21 and older.
- The Home and Community-based Services (HCS) Waiver Program enables persons with mental retardation to remain in a community setting by providing in-home and residential assistance, case management, supported employment, dental treatment, adaptive aids, and minor home modification.
- The Community Living Assistance and Support Services (CLASS) Waiver Program offers case management, habilitation, and other services for persons with severe disabilities, other than mental retardation, such as epilepsy or brain injury that originated before age 22.
- The Deaf Blind/Multiple Disability (DBMD) Waiver Program offers services for adults who are legally blind and have multiple disabilities.
- The Medically Dependent Children's Program (MDCP) offers in-home skilled nursing care for children under age 21 and respite services for caregivers.
- The Consolidated Waiver Program combines CBA, HCS, CLASS, DBMD, and MDCP to determine the feasibility of providing an array of services under one waiver program.
- The Texas Home Living Waiver Program provides individualized services to clients who live in their own home or in their family's home.

The 2012–13 GAA provides funding for the average monthly number of clients participating in community-care waiver programs to be 54,096 in fiscal year 2012 and 50,235 in fiscal year 2013. Clients receiving services at the end of the fiscal year, defined as clients who received one or more services during the last month of a fiscal year, are projected to reach 42,120 at the end of fiscal year 2012 and 43,584 at the end of fiscal year 2013. Included in the measures above are an estimated 5,000 individuals per fiscal year who are being refinanced from certain non-Medicaid strategies to the Texas Home Living Waiver Program.

Funding for Medicaid community-care waivers totals $2.5 billion in All Funds and $1.1 billion in General Revenue Funds and General Revenue–Dedicated Funds. The appropriations for CBA reflect a decrease of $389.4 million in All Funds, including $163.6 million in General Revenue Funds, from the 2010–11 biennial spending level for managed care expansion at HHSC and the transfer of clients currently being served at DADS. The Texas Home Living Waiver Program strategy includes $78.3 million in All Funds and $32.9 million in General Revenue Funds for the refinancing of individuals from Non-Medicaid strategies.

NON-MEDICAID PROGRAMS

The agency provides four non-Medicaid programs: (1) Non-Medicaid Services; (2) Mental Retardation Community Services; (3) Promoting Independence Plan; and (4) In-home and Family Support. The first of the four is funded with Federal Funds (Title XX Social Services Block Grant and Federal Funds from the Older Americans Act) and General Revenue Funds. The last three of the four services are funded with General Revenue Funds.

Funding for the four totals $460.7 million in All Funds and $197.2 million in General Revenue Funds and General Revenue–Dedicated Funds. Reductions in funding for Non-Medicaid strategies include a decrease of $74.2 million in General Revenue Funds for MR Community Services and a decrease of $5.7 million in General Revenue Funds for MR In-home Services to refinance certain non-Medicaid community mental retardation services under the Texas Home Living waiver, where the services are eligible for matching Federal Funds.

PROGRAM OF ALL-INCLUSIVE CARE FOR THE ELDERLY

Program of All-inclusive Care for the Elderly (PACE) is a Medicaid-funded program that provides comprehensive community-based healthcare for frail, elderly persons. Services include inpatient and outpatient medical care and specialty care (e.g., dentistry, podiatry, and social services in-home care). Services are provided under a capitated rate. Applicants must be age 55 or older, qualify for nursing facility level of care under both Medicare and Medicaid, and choose to receive PACE services available in the area. Funding for the strategy totals $49.1 million in All Funds and $20.5 million in General Revenue Funds.

NURSING FACILITY SERVICES

The four Nursing Facility Services programs (Nursing Facility Payments, Medicare Skilled Nursing Facility, Hospice, and Promoting Independence Services) provide funding for services to Medicaid-eligible clients, who live in more than 1,180 nursing facilities throughout Texas. Clients must meet three criteria to be certified for Medicaid coverage: financial need, medical necessity, and placement in an appropriate facility. The average number of clients receiving Medicaid-funded nursing facility and Medicare-skilled nursing services each month is projected to increase slightly, reaching 62,980 in fiscal year 2012 and 63,126 in fiscal year 2013.

Medicare Skilled Nursing Facility provides funding for skilled nursing facility coinsurance payments for clients who are Medicare and Medicaid eligible. The funding can finance up to the first 120 days of a client's institutional care.

Hospice provides funding for palliative care services and helps clients and their families cope with terminal illness. DADS estimates that the average number of clients receiving Hospice services each month will reach 7,039 in fiscal year 2012 and 7,343 in fiscal year 2013. Hospice is provided in nursing homes as well as in the patient's home. For fiscal year 2011, about 89.6 percent of Hospice clients and 80.0 percent of Hospice expenditures were in nursing homes.

Promoting Independence Services provides transition funding for eligible clients changing from institutional care to a community-based setting. The appropriations for Promoting Independence decreased $40.7 million in All Funds from the 2010–11 biennial spending level, which includes $17.1 million in General Revenue Funds for managed care expansion at HHSC and the transfer to HHSC of clients currently being served at DADS. Funding for the four services totals $3.6 billion in All Funds and $1.5 billion in General Revenue Funds and General Revenue–Dedicated Funds.

INTERMEDIATE CARE FACILITIES–MENTAL RETARDATION

The Medicaid Intermediate Care Facilities–Mental Retardation (ICF–MR) program provides residential care and treatment for persons with mental retardation or severe developmental disabilities such as cerebral palsy and head or spinal injuries that occur before age 22 and benefit from a 24-hour supervised residential setting. Residents are served in a community-based facility accommodating four or more individuals. ICF–MR benefits include room, board, and specialized services to help residents function as independently as possible. Specialized services include medical, dental, and habilitative interventions to prevent or slow loss of functional ability. The Medicaid ICF–MR program is expected to serve an average of 5,602 clients per month in fiscal year 2012 and 5,423 in fiscal year 2013 at an expected average monthly cost of $4,360 in fiscal year 2012 and $4,350 in fiscal year 2013.

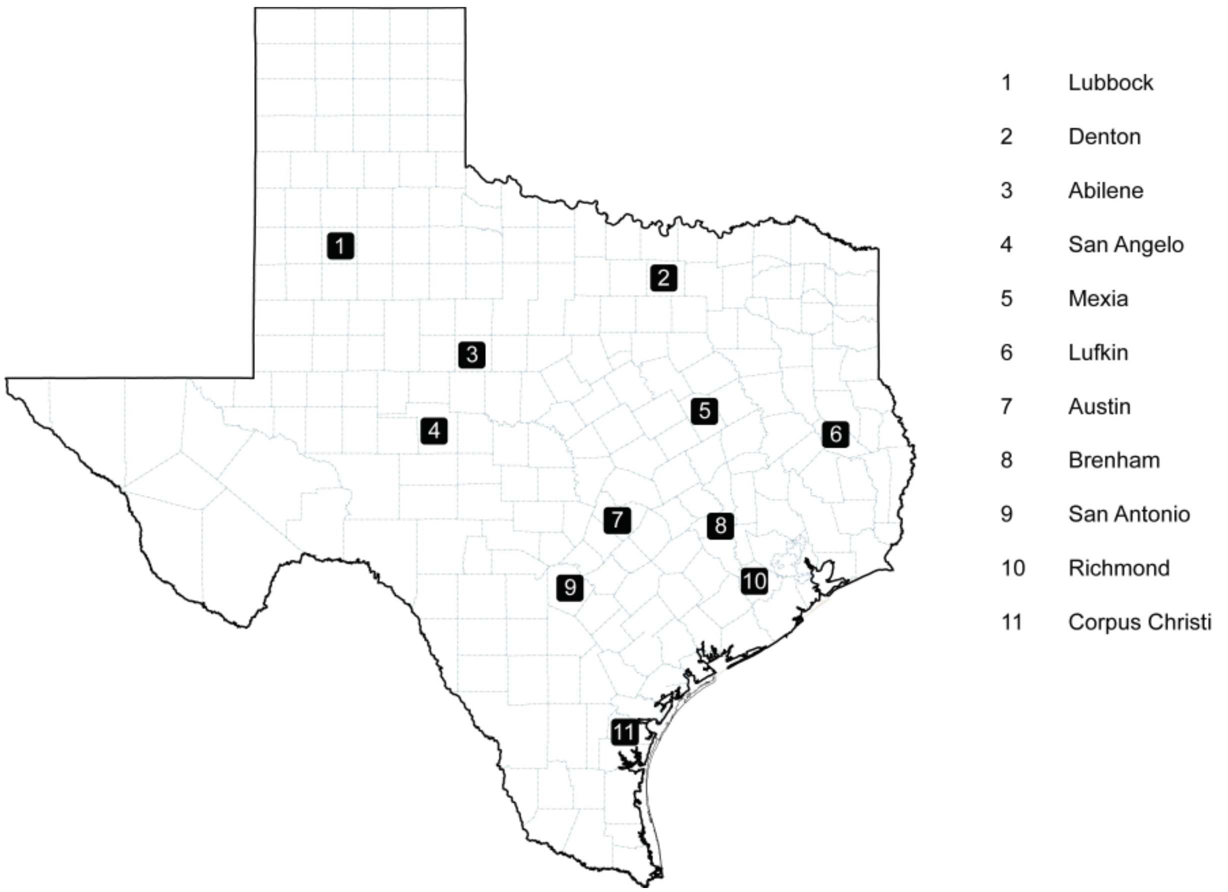
Appropriations for ICF–MRs total $379.1 million in All Funds and $156.9 million in General Revenue Funds and General Revenue–Dedicated Funds. Appropriations include $53.1 million in General Revenue–Dedicated Funds, derived from Quality Assurance Fees assessed on ICF–MR facilities.

STATE SUPPORTED LIVING CENTERS AND CAPITAL REPAIRS

State supported living centers are ICF–MR facilities operated by the state. Appropriations support 11 living centers across Texas, located in Abilene, Austin, Brenham, Corpus Christi, Denton, Lubbock, Lufkin, Mexia, Richmond, San Angelo, and San Antonio (**Figure 149**). The living centers provide residential behavioral treatment, healthcare, skills training, therapies, and vocational services for residents, most of whom function in the severe to profound range of mental retardation and many of whom have special medical or behavioral conditions. Two additional state centers, in El Paso and Rio Grande, also provide mental retardation services. DADS contracts with the Department of State Health Services to provide mental retardation services at the Rio Grande State Center.

In June 2009, the Department of Justice and the State of Texas entered into a Settlement Agreement covering 12 State Supported Living Centers (SSLC) as well as the ICF–MR component of Rio Grande State Center. Three monitors,

FIGURE 149
LOCATION OF STATE SUPPORTED LIVING CENTERS
2012–13 BIENNIUM



Sources: Legislative Budget Board; Department of Aging and Disability Services.

overseeing three teams of monitors, were selected to monitor facilities' compliance with the Settlement Agreement and related Health Care Guidelines. Each facility received an initial baseline review that allowed the monitors to become familiar with each facility's operations, physical plant, organizational structure, and individuals receiving services. These reviews occurred from January 2010 to May 2010.

Formal compliance reviews began in July of 2010 with ongoing monitoring reviews every six months. As of October 2011, all baseline reviews have been completed and the formal compliance reviews will continue every six months until substantial compliance with the settlement provisions is achieved. As of October 2011, substantial compliance with the Settlement Agreement at the SSLCs ranges from 10 percent to 18 percent.

The average monthly number of living center residents is projected to decrease from 4,063 in fiscal year 2011 to 3,831 in fiscal year 2012 and 3,595 in fiscal year 2013. The average monthly cost per living center resident is projected to increase from $13,263 in fiscal year 2011 to $14,107 in fiscal year 2012 and to $14,802 in fiscal year 2013.

Appropriations for SSLCs total approximately $1.3 billion in All Funds and provide for 14,200.4 FTE positions. The appropriations include $541.0 million in General Revenue Funds and General Revenue–Dedicated Funds (42.0 percent), of which $66.0 million in General Revenue–Dedicated Funds comes from the Quality Assurance Fee assessed on ICF-MR facilities.

The 2012–13 GAA includes $15.5 million in All Funds, including $0.7 million from General Revenue Funds and General Revenue–Dedicated Funds and $14.8 million from General Obligation bond proceeds, for capital repairs and renovations. These appropriations fund the Life Safety Code and other critical repairs at state facilities, including updating sprinkler systems, replacing plumbing and electrical systems, and repairing roofs.

REGULATION, CERTIFICATION, AND OUTREACH

DADS Regulation, Certification, and Outreach goal seeks to ensure health and safety for consumers of long-term care services. Appropriations for the 2012–13 biennium total $138.1 million in All Funds and provide for 1,182.5 FTE positions in each fiscal year. The appropriations include $44.5 million in General Revenue Funds and General Revenue–Dedicated Funds (32.2 percent). DADS regulates long-term care in three ways: (1) Facility/Community-based Regulation; (2) Credentialing/Certification; and (3) Long-term Care Quality Outreach.

Facility/Community-based Regulation provides staff that license and/or certify nursing facilities, ICF–MR facilities, assisted-living facilities, and adult day-care facilities. Staff also investigate all allegations of abuse or neglect in long-term care facilities. Funding totals $125.4 million in All Funds, which includes $41.7 million in General Revenue Funds and General Revenue–Dedicated Funds and provides for 1,081.5 FTE positions in fiscal years 2012 and 2013.

Credentialing/Certification provide staff that certify nurse aides, operate the employee misconduct registry, issue medication aide permits, and license nursing facility administrators. The number of nursing facility administrator two-year licenses issued or renewed is expected to be 1,285 licenses in fiscal year 2012 and 1,120 in fiscal year 2013. Funding totals $2.5 million and provides for 27.0 FTE positions.

Long-term Care Quality Outreach provides for quality monitoring in long-term care facilities, monitoring of the early warning system, and joint training of providers and regulatory staff. Funding totals $10.2 million and provides for 74.0 FTE positions.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, 2011, passed legislation that affects the agency. Significant legislation that was enacted includes: Senate Bill 7, Senate Bill 223, House Bill 3197, House Bill 2903, and House Bill 1784.

Senate Bill 7 (First Called Session) includes provisions for several health and human service agencies and makes several changes that affect DADS. The most significant changes include:

- repealing the prohibition on providing Medicaid services using a health maintenance organization in Cameron, Hidalgo, and Maverick counties;
- requiring additional streamlining of Section 1915(c) waivers, which includes DADS and HHSC exploring the development of uniform licensing and contracting standards related to these waivers, and DADS performing a utilization review for all waivers;
- requiring DADS to implement an electronic visit verification system under appropriate Medicaid programs administered by the department, if cost-effective; and
- reducing the frequency of license renewal for convalescent and nursing homes and requiring licenses to expire on staggered dates. The legislation requires employees and owners of assisted living facilities and nursing facilities to report abuse, neglect, and exploitation to DADS. Local law enforcement agencies are required to conduct joint investigations into reports of abuse, neglect, and exploitation within 24 hours of the report.

The enactment of Senate Bill 223 (Regular Session) allows a financial management services agency or employer to obtain criminal history record information on an applicant or a current employee from the Department of Public Safety, and requires an employer to immediately discharge any employee whose criminal history check reveals conviction of a crime that bars employment or that the employer determines would prohibit employment as provided by statute. The legislation also requires DADS to provide, at least semiannually, joint training for home and community support services agencies and surveyors on subjects that address the 10 most common violations of federal or state law by home and community support services agencies.

The enactment of House Bill 3197 (Regular Session) implements a recommendation in the report, "Modernize Care Delivery at State Supported Living Centers" in the Legislative Budget Board's Transform State Residential Services for Persons with Intellectual and Developmental Disabilities submitted to the Eighty-second Legislature, 2011. DADS shall implement policies and procedures, to the extent possible, at a selected SSLC to shift decision-making to the individual with the disability, and improve the quality of care and the workforce. The legislation would require DADS to enter into a memorandum of understanding (MOU) with the Long Term Care Institute at Texas State

University so that the Institute may provide DADS with technical assistance to implement activities to advance the education of staff, residents, and stakeholders about the culture change model of care. DADS is required to submit a report to the Legislative Budget Board and the governor by September 1, 2012 about the progress of the culture change implementation.

The enactment of House Bill 2903 (Regular Session) requires HHSC to ensure that participation in the Program of All-Inclusive Care for the Elderly (PACE) is available as an alternative to enrollment in a Medicaid managed care plan. The agency must ensure that managed care organizations with which HHSC contracts consider the PACE program when referring a recipient to a nursing home or other long-term care facility, establish protocols for the referral of eligible persons for PACE, and adopt a standard reimbursement methodology for provider payments under the PACE program. DADS shall consider the PACE program as a community-based service option under Money Follows the Person.

Currently, the STAR+PLUS waiver has mandatory enrollment for aged and disabled individuals in areas of the state where it is available. The legislation requires HHSC to amend the existing waiver to allow members to choose between the PACE program and STAR+PLUS.

There are only three PACE sites (El Paso, Amarillo, and Lubbock) with 1,078 slots and STAR+PLUS is not currently available in those areas. STAR+PLUS is expected to be available in Amarillo in fiscal year 2012 and the other two sites in fiscal year 2013. PACE is not an entitlement under Medicaid, so the availability of slots could also affect the ability to enroll clients into the PACE program as an alternative to STAR+PLUS or as a community-based service option under Money Follows the Person.

The enactment of House Bill 1784 (Regular Session) requires HHSC, DADS, Texas Veterans Commission (TVC), and the Veterans' Land Board (VLB) to enter into a MOU by December 1, 2011. Through the MOU, HHSC, DADS, TVC, and VLB will coordinate the collection, use, and analysis of information and data received from the federal Public Assistance Reporting Information System (PARIS), work jointly to assist veterans in maximizing their federal benefits, and report to the Legislative Budget Board and the Governor on the use of PARIS by October 1, 2012.

DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES

The Department of Assistive and Rehabilitative Services (DARS) was established in 2003 by the Seventy-eighth Legislature by consolidating four legacy health and human services agencies: the Interagency Council on Early Childhood Intervention (ECI), the Commission for the Blind, the Commission for the Deaf and Hard of Hearing, and the Rehabilitation Commission. The agency is assisted by the Assistive and Rehabilitative Services Council, a nine-member council appointed by the Governor and confirmed by the Texas Senate, charged with helping the commissioner of DARS develop rules and policies and making recommendations to the Executive Commissioner of the Health and Human Services Commission (HHSC) regarding the management and operation of DARS. Four federally mandated advisory committees provide additional input on policy in specific program areas. The agency's mission is to work in partnership with Texans with disabilities and families with children who have developmental delays to improve the quality of their lives and to enable their full participation in society.

FUNDING FOR THE 2012–13 BIENNIUM

Appropriations for the 2012–13 biennium total $1.3 billion in All Funds and provide for 3,310.5 full-time-equivalent (FTE) positions in fiscal year 2012 and 3,342.7 FTE positions in fiscal year 2013. These appropriations include $243.4 million, or 19.5 percent, in General Revenue Funds and General Revenue–Dedicated Funds. More than 74 percent of the General Revenue Funds and General Revenue–Dedicated Funds contribute to matching or a maintenance-of-effort requirement for Federal Funds. The Comprehensive Rehabilitation account, which funds services to individuals with traumatic brain or spinal cord injury, accounts for most of the $26.0 million in General Revenue–Dedicated Funds. Other Funds account for $37 million, or 3 percent, of the agency's appropriation and include $33 million in funds from the Foundation School Fund transferred via Interagency Contract from the Texas Education Agency to support ECI services.

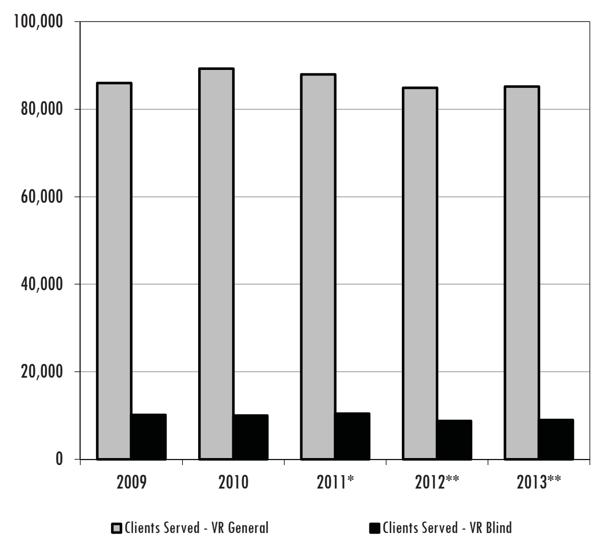
Federal Funds, the agency's largest method of finance, provide $970.5 million, or 77.6 percent, of agency appropriations. The U.S. Department of Education provides most of the Federal Funds, which the state uses for vocational rehabilitation (VR) and ECI.

Funds appropriated to DARS by the Eighty-second Legislature, Regular Session, 2011, for the 2012–13 biennium include an increase of $1.1 million, or 0.4 percent, in General Revenue Funds and General Revenue–Dedicated Funds from the 2010–11 biennial spending levels. An $11 million decrease in General Revenue Funds and General Revenue–Dedicated Funds is included in the 2010–11 biennial spending level, pursuant to the enactment of House Bill 4, Eighty-second Legislature.

DARS appropriations for the 2012–13 biennium fund a number of programs, including:

- $507.7 million in All Funds for both VR programs, which will serve a combined estimate of 93,651 consumers in fiscal year 2012 and 94,206 consumers in fiscal year 2013 (**Figure 150** shows the number of clients served in both VR programs);
- $326.1 million in All Funds for ECI services;
- $271 million in Federal Funds to cover projected caseload growth in the Disability Determination Services and authorize the agency to add 37.1 FTEs in fiscal year 2012 and 74.3 FTEs in fiscal year 2013 above the fiscal year 2011 level;

FIGURE 150
VOCATIONAL REHABILITATION PROGRAM CLIENTS SERVED FISCAL YEARS 2009 TO 2013

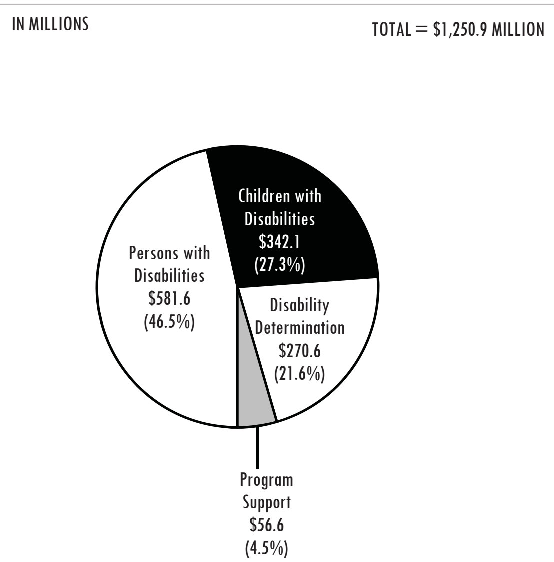


*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
SOURCES: Legislative Budget Board; Department of Assistive and Rehabilitative Services.

- $34.2 million in All Funds to serve additional clients in the Comprehensive Rehabilitation Services program.
- $9.4 million in All Funds to maintain caseloads in the Habilitative Services for Blind and Visually Impaired Children program;
- $6.6 million in General Revenue Funds to maintain caseloads in the Autism program; and
- $5.4 million in All Funds to maintain services provided by Independent Living centers.

The agency's functions are organized according to four goals (**Figure 151**). The first goal is to ensure that families with children with disabilities receive quality services enabling their children to reach their developmental goals, which accounts for 27.3 percent of the agency's appropriation. The second goal of DARS, to which 46.5 percent of appropriations are allocated, is to provide persons with disabilities quality services leading to employment and independent living. The third goal is related to providing timely, accurate and cost-effective services in determining eligibility for federal Social Security Administration benefits, and accounts for 21.6 percent of appropriations to the agency. The fourth goal of DARS is related to the agency's administration costs and accounts for 4.5 percent.

FIGURE 151
DEPARTMENT OF ASSISTIVE AND REHABILITATIVE SERVICES APPROPRIATIONS BY GOAL
2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

SERVICES TO CHILDREN WITH DISABILITIES

To ensure that families with children with disabilities receive quality services, DARS offers ECI Services, Habilitative Services, and Autism Services for children. Habilitative Services are provided to all blind and visually impaired children and Autism services are provided to Texas children ages three through eight with an autism spectrum disorder. ECI services are provided to eligible Texas children under age three who have a disability or developmental delay.

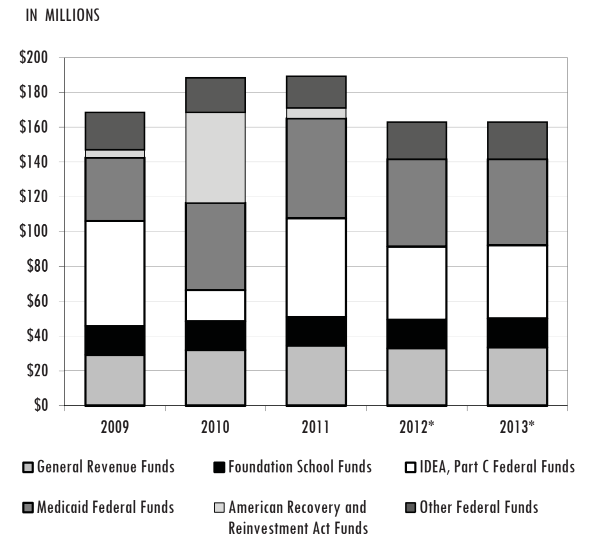
EARLY CHILDHOOD INTERVENTION SERVICES

ECI Services are provided to Texas children under age three with developmental needs so they can reach their educational and developmental goals. Children typically receive services in the places where they spend their day, such as: at home, at a day-care center, or play groups. Client services are provided through 51 local intervention programs that 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. Services are also provided for the family, including support groups, education, counseling, transportation, and training in skills to help the child. ECI services are provided through the following programs: ECI Services, ECI Respite Services and Ensure Quality ECI Services.

Appropriations for ECI services for the 2012–13 biennium total $326.1 million in All Funds, including $66.6 million in General Revenue Funds. The All Funds sum includes appropriations of $33 million from the Foundation School Fund, transferred to DARS from the Texas Education Agency through an Interagency Contract to support ECI eligibility determination, comprehensive services and transition services. Most of the General Revenue Funds and all of the Foundation School funds contribute to the maintenance-of-effort requirement for the federal Special Education Grants for Infants and Families with Disabilities, also known as Individuals with Disabilities Education Act (IDEA) Part C Funds ($86.3 million in Federal Funds). The state must maintain, at a minimum, total non-federal expenditures equal to total non-federal expenditures from the prior fiscal year. There are no matching requirements. If, however, non-Federal Fund expenditures are less than the total non-federal expenditures from the prior fiscal year, all of the IDEA Part C Funds will be lost. There are exceptions for decreases in the number of eligible children and for long-term capital expenditures. General Revenue Funds are also used as matching funds for Medicaid ($101.0 million in Federal Funds).

With the $51.8 million, or 15.9 percent, decrease in funding primarily due to the loss of one-time American Recovery and Reinvestment Act of 2009 (ARRA) funds, the agency has indicated that it will narrow the eligibility criteria for the ECI program and estimates that comprehensive services will be provided to an average monthly number of 27,784 children in each year of the biennium. The new eligibility criteria will apply to children who enroll in the program on or after September 1, 2011. Families currently enrolled will continue to receive services and have their eligibility re-determined at least annually. **Figure 152** shows the appropriations of state and federal funding for ECI programs by method of finance from fiscal years 2009 to 2013.

FIGURE 152
EARLY CHILDHOOD INTERVENTION FUNDING BY METHOD OF FINANCE
FISCAL YEARS 2009 TO 2013



*Estimated.
Source: Legislative Budget Board.

HABILITATIVE SERVICES FOR CHILDREN

Habilitative Services for Children provides blind or visually impaired children and their families with services that build a foundation for future employment and independent living. Trained specialists consult with parents of infants with serious visual conditions to help families understand blindness and what to expect. Information is provided about resources and training that will aid in the child's development. When the child is school-age, specialists work with the child's parents, teachers, and school district to make sure the child gains the greatest possible benefit from school activities. Habilitative services may include diagnostic and evaluation services, adaptive aids and equipment, educational toys, educational support services, and counseling and guidance for parents. In response to reduced funding levels, the agency largely eliminated vision screening and restoration services during the 2004–05 biennium. The agency established new priority categories, which focus on more severe visual impairments. Children receiving services in the modified program require more costly treatment, as compared to the cost of vision screening services which are no longer available.

This program is funded almost exclusively from the General Revenue Fund, receiving an appropriation of approximately $9.4 million for the 2012–13 biennium and providing for 69.4 FTE positions. It is estimated that an average monthly number of 3,200 children will be served in each year of the biennium at an average monthly cost of $122 per child. **Figure 153** shows the estimated average monthly number of children served and the average monthly cost per child.

AUTISM SERVICES FOR CHILDREN

At the conclusion of the Eightieth Legislative Session, HHSC transferred $5 million in General Revenue Funds to DARS to fund autism services for children ages three to eight diagnosed with an autism spectrum disorder during fiscal years 2008 and 2009. Appropriations for autism Services for the 2012–13 biennium total $6.6 million in General Revenue Funds. It is estimated that an average monthly number of 127 children will be served in each year of the biennium at an average monthly cost of $2,165 per child.

FIGURE 153
HABILITATIVE SERVICES FOR CHILDREN, FISCAL YEARS 2009 TO 2013

HABILITATIVE SERVICES FOR CHILDREN	2009	2010	2011*	2012**	2013**
Average Monthly Number of Children Served	2,670	3,445	3,200	3,200	3,200
Average Monthly Cost per Child	$143	$112	$122	$122	$122

*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Sources: Legislative Budget Board; Department of Assistive and Rehabilitative Services.

SERVICES TO PERSONS WITH DISABILITIES

DARS offers a variety of services to individuals who are blind or visually impaired, deaf or hard of hearing, or who have general disabilities. These services are provided through the following programs:

- Independent Living Services for the Blind;
- Blindness, Education, Screening and Treatment Program;
- Vocational Rehabilitation for the Blind;
- Business Enterprises of Texas Program and Trust Fund;
- Deaf and Hard of Hearing Services;
- Vocational Rehabilitation for General Disabilities;
- Independent Living Centers and Independent Living Services; and
- Comprehensive Rehabilitation Services Program.

INDEPENDENT LIVING FOR THE BLIND

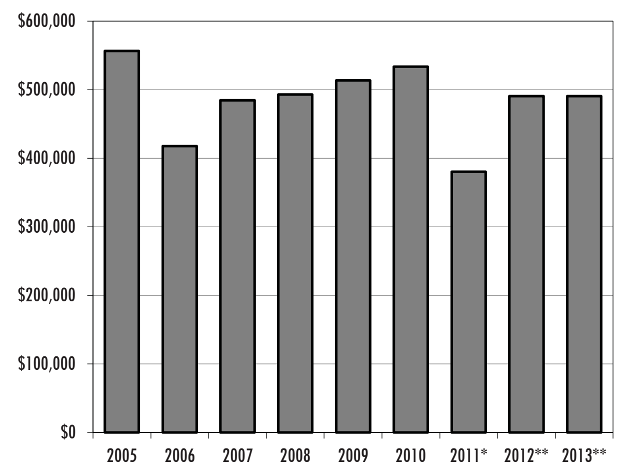
The Independent Living program provides services to individuals who are blind or significantly visually impaired whose disabilities or ages are such that they are not interested in or eligible for employment-related services. Individuals learn how to live at home or in the community without having to rely on family members or friends. As individuals become more self-reliant, they may decrease their dependence on family members or friends, which then may enable family members to seek or maintain employment; the cost of in-home care may be reduced; and custodial or nursing home care may be avoided. In addition to one-on-one training, services provided include information packets, follow-up calls, group training, and peer support.

Appropriations for the 2012–13 biennium total $6.0 million in All Funds. This is a decrease of $1.0 million from the 2010–11 biennial spending level, primarily due to the loss of one-time ARRA funds. It is estimated that 3,416 individuals will receive services in each fiscal year of the biennium.

BLINDNESS, EDUCATION, SCREENING AND TREATMENT

The Blindness, Education, Screening and Treatment (BEST) Program was established by the Seventy-fifth Legislature, 1997, to allow a voluntary contribution of $1 when a person renews a driver's license or identification card. The funds are used for (1) public education about blindness and other eye conditions, (2) screenings, (3) eye examinations to identify conditions that may cause blindness, and (4) medical treatments to prevent blindness when an individual is uninsured. During periods when eye-treatment requests exceed donations, a waiting list is established. Approved applicants on the waiting list are served in order by the earliest referral date. Appropriations total $0.6 million for the 2012–13 biennium, and 3,368 individuals are estimated to be served in fiscal year 2012, increasing to 3,423 in fiscal year 2013. **Figure 154** shows the BEST donations from fiscal years 2005 to 2013. According to DARS, the statutory addition of other donations options, at the time of driver's license or identification card renewal, has contributed to the decline of BEST donations.

FIGURE 154
BLINDNESS, EDUCATION, SUPPORT, AND TRAINING (BEST) DONATIONS
FISCAL YEARS 2005 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Source: Department of Assistive and Rehabilitative Services.

VOCATIONAL REHABILITATION FOR THE BLIND

The VR program helps consumers who are blind, or significantly visually impaired, to establish and achieve vocational goals by providing a wide range of personalized assistance. Once determined eligible, the individual's needs determine the type of services provided. To become job-ready, an individual may receive a wide range of services, including vocational rehabilitation counseling and guidance, eye medical assistance (under defined circumstances), vocational and other training services, reader services, orientation and mobility services, job search and placement assistance, job retention services, and assistive technology training and equipment specifically designed for people who are blind. VR counselors work not only with individuals but also with employers to ensure that there is a good job match for both the employer and the employee. Specialized services are available to individuals who are blind and deaf with multiple disabilities. Supported employment services place individuals with the most significant disabilities in competitive jobs with qualified job coaches/trainers to provide individualized, ongoing support.

As part of this function, the agency operates the Criss Cole Rehabilitation Center, a residential training program in Austin. The center provides a comprehensive array of specialized services and intensive training in vocational and independent living skills needed by blind and visually impaired individuals to live and work independently. Typical classes include Braille instruction, money skills, business writing, computer skills, diabetes life management, first aid training, nutrition, orientation and mobility, and housekeeping. The use of computers and adaptive technology is emphasized. The center trains staff and professionals to provide these services.

The Transition Services Program is a subset of the VR program that prepares blind students age 10 and older to make the transition from school to work or from secondary school to college or vocational school. Transition services are based on the individual needs, interests, and preferences of the student. Transition services strike a balance between independent living skills training and vocational skills training and involve the family, educational partners, community resources, and other networks of support. Transition services for youth typically include vocational awareness, career planning, coordination with academic counselors, and other age-appropriate vocational rehabilitation services.

Appropriations for the VR for the Blind total $86.3 million for the 2012–13 biennium, 81.3 percent of which are Federal Funds. This is a decrease of $14.7 million from the 2010–11 biennial spending level, primarily due to the loss of ARRA funds. It is estimated that 8,807 individuals will be served in fiscal year 2012, increasing to 9,019 in fiscal year 2013.

BUSINESS ENTERPRISES OF TEXAS PROGRAM AND TRUST FUND

The Business Enterprises of Texas (BET) Program develops and maintains business-management opportunities for legally blind persons, who are accorded priority under the federal Randolph Sheppard Act and state law to operate food-service and vending facilities such as cafeterias, snack bars, convenience stores, and automated vending machines located on state and federal properties throughout Texas. The program is funded with self-generated funds of more than $1.5 million annually in General Revenue–Dedicated Funds from vending machines not assigned to BET managers and located on state property. The revenue is deposited into the Business Enterprise Program Account, funds program operations, and is used to match VR Federal Funds. Total appropriations for the 2012–13 biennium are $4.4 million in General Revenue–Dedicated Funds and VR Federal Funds, which is a 19.3 percent decrease due to the loss of one-time ARRA funds and a $0.5 million decrease in General Revenue–Dedicated Funds. It is estimated that 1,410 individuals (managers and employees) in fiscal year 2013 will benefit from employment opportunities created as a result of the BET program.

The BET Trust Fund provides for the administration of funds for retirement and benefits authorized under the Randolph-Sheppard Act for active and retired individuals employed through the BET program. Revenue is generated from vending machines located on federal property. Legislation passed by the Seventy-seventh Legislature, 2001, authorized the agency to contract with a professional management service to administer the BET retirement and benefits plan for blind and visually impaired persons who were in or have retired from the BET Program. The agency contracted with a consulting firm to explore options for managing the plan and to present the options to the BET managers. The managers chose to terminate the current retirement and benefits plan and replace it with an arrangement that perpetually distributes available revenue to eligible participants. Revenue continues to be deposited into the Business Enterprise Program Trust Fund Account and is distributed annually to blind licensed managers for the purchase of health insurance, retirement, or vacation pay in a formula agreed to by the blind licensed managers. Only 80 percent of the Business Enterprise Program Trust Fund Account is paid out, while 20 percent remains in the account and accrues interest. Biennial funding totals $1.6 million in General Revenue–Dedicated Funds from the Business Enterprise Program Trust Fund Account.

DEAF AND HARD OF HEARING SERVICES

The agency provides Deaf and Hard of Hearing Services in three ways: (1) by contracting for services for the deaf; (2) by educating and training individuals as well as certifying interpreters; and (3) by providing telecommunication access assistance. The combined appropriation totals $8.2 million in All Funds for the 2012–13 biennium.

To promote and regulate an effective system of services for individuals who are deaf or hard of hearing, DARS holds contracts, administered through the Contract Services function, with community-based councils for the deaf and hard of hearing. These community-based councils provide interpreter services, information and referral services, advocacy services, and services to the elderly deaf and hard of hearing. Through this council network, the agency also facilitates the provision of interpreting services to other state agencies.

The Regional Specialist Program, a program also within Contract Services for the Deaf, uses funds to contract with specialists throughout the state to ensure that state services are provided and accessible to individuals who are deaf and hard of hearing. Appropriations for Contract Services for the Deaf, including the Regional Specialist Program, total $4.5 million for the biennium.

DARS provides consumer education and interpreter training through the Office for Deaf and Hard of Hearing Services, including a week-long "Camp Sign" for deaf and hard of hearing children. Legislation passed by the Seventy-eighth Legislature, 2003, authorized the sale of specialized "I Love Texas" license plates, which is estimated to produce approximately $20,000 in General Revenue–Dedicated Funds for each year of the 2012–13 biennium, which is expended in the Education, Training, and Certification for the Deaf function.

The agency's Board for Evaluation of Interpreters evaluates and certifies interpreters, including Hispanic trilingual interpreters, according to skill level. The agency maintains lists of certified interpreters for courts, schools, service providers, and other interested entities. A provision in the 2012–13 General Appropriations Act, Rider 16, Appropriations Limited to Revenue Collections, requires the agency to collect revenue from fees or fines to cover appropriations of at least $130,000 in General Revenue Funds in each fiscal year in the Education, Training, and Certification for the Deaf function. Appropriations for this function total approximately $1.7 million for the biennium.

DARS administers the Specialized Telecommunication Assistance Program, authorized by legislation passed by the Seventy-fifth Legislature, 1997. This voucher program provides telecommunication access equipment for persons who are deaf or hard of hearing, speech impaired, or have any other disability that interferes with telephone access. Vouchers are funded through the Texas Universal Service Fund, for which revenue is generated by the Universal Service Charge on telephone services. Appropriations for the 2012–13 biennium in the Telephone Access Assistance function total $2.0 million in Other Funds, and approximately 27,000 vouchers are estimated to be provided in each year of the biennium.

VOCATIONAL REHABILITATION FOR GENERAL DISABILITIES

Vocational Rehabilitation for General Disabilities helps people with a wide variety of disabilities enter or return to gainful employment. Disabilities may include mental illness, mental retardation, neurological disorders, amputations and other orthopedic impairments, speech or hearing limitations, heart ailments, epilepsy, cerebral palsy, diabetes, tuberculosis, or behavioral problems associated with alcoholism or drug addiction.

Eligibility for VR is based on the presence of a physical or mental disability that results in a substantial impediment to securing employment and the determination that VR services are required to allow the individual to prepare for, obtain, retain, or regain employment. In general, individuals are presumed to be capable of gaining employment. Recipients of Social Security disability benefits, either Supplemental Security Income (SSI) or Social Security Disability Insurance (SSDI), are presumed eligible for VR services.

As a part of the VR program, transition planning services are available to eligible students with disabilities to assist them in the transition from high school to the work world. VR counselors provide consultative and technical assistance to public school personnel in planning the move from school to work for students with disabilities.

The Eighty-second Legislature, Regular Session, 2011, appropriated $421.4 million in All Funds for VR services for the 2012–13 biennium. This includes General Revenue Funds to meet the state maintenance-of-effort requirement for the federal VR grant. The VR program benefits from a favorable federal match, with each dollar of General Revenue Funds generating $3.69 in Federal Funds. Consequently, the program receives approximately 78.7 percent of its funding from the federal government, with the remaining 21.3 percent in General Revenue Funds. It is estimated that approximately 84,844 clients will receive VR services in fiscal year 2012, increasing to 85,187 in fiscal year 2013.

The decrease in funding of $44.3 million, as compared to the 2010–11 biennial spending level, is primarily due to the loss of one-time ARRA funds.

INDEPENDENT LIVING

Independent Living Centers and Independent Living Services provide nonresidential services to assist individuals in obtaining as much independence as possible within the family and the community. These services typically include peer counseling, advocacy, information and referral, and independent-living skills training. Grants are provided to fifteen Centers for Independent Living which serve various parts of the state. Case service funds for independent living services support rather than duplicate services provided by centers. Case service funds can provide assistive technology, therapy services, medical equipment, and adaptive modification of vehicles for people with severe disabilities who may not be able to secure competitive employment.

A total of $18.8 million was appropriated for the 2012–13 biennium for Independent Living Centers and services. An estimated average monthly number of 227 individuals are expected to receive DARS independent living services; 6,632 individuals in each fiscal year are estimated to receive services from independent living centers. Funding is predominantly Federal Funds, with a smaller share of General Revenue Funds.

COMPREHENSIVE REHABILITATION

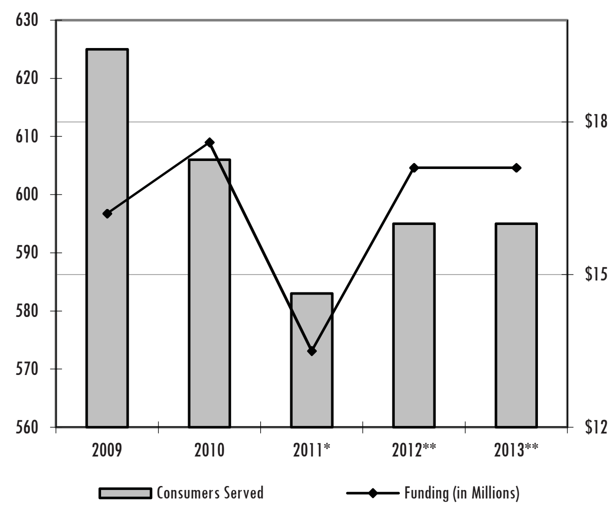
The Comprehensive Rehabilitation Services Program provides rehabilitation services to persons with traumatic spinal cord and/or traumatic brain injuries. Services include inpatient comprehensive medical rehabilitation, outpatient rehabilitation services, and services for post-acute brain injury rehabilitation.

Comprehensive rehabilitation services are necessary to increase an individual's ability to function as independently as possible within the family and the community. These time-limited services assist the client with daily living skills and prevent secondary disabilities such as respiratory problems, pressure sores, and urinary tract infections, thereby increasing the client's ability to function independently.

Legislation passed by the Seventy-second Legislature, 1991, required certain revenue collected from court costs assessed on misdemeanor and felony convictions to provide funding for comprehensive rehabilitation services. The legislation also established the General Revenue–Dedicated Comprehensive Rehabilitation Fund in which to deposit the designated revenue. Appropriations for the 2012–13 biennium total $34.2 million in All Funds. In addition to $21.1 million in General Revenue–Dedicated Funds, the Eighty-second Legislature, Regular Session, 2011, appropriated $13.0 million in General Revenue Funds. Subrogation receipts (Other Funds) collected through cost recovery legal action was added during the 2006–07 biennium. The agency is authorized to expend all subrogation receipts received; it is estimated that $146,506 will be collected and expended during the biennium. DARS will serve an average monthly number of 213 consumers in each fiscal year in this program. **Figure 155** shows the appropriations and consumers served from fiscal years 2009 to 2013.

Funding for fiscal year 2011 includes a $3.3 million decrease in General Revenue Funds, pursuant to House Bill 4, Eighty-second Legislature, Regular Session, 2011.

FIGURE 155
COMPREHENSIVE REHABILITATIVE SERVICES: FUNDING AND CONSUMERS SERVED
FISCAL YEARS 2009 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Source: Department of Assistive and Rehabilitative Services.

DISABILITY DETERMINATION

The third goal of DARS, achieving accuracy and timeliness within the Social Security Administration Disability Program guidelines and improving the cost-effectiveness of the decision-making process in the disability determination services, is implemented through Disability Determination Services. The federal government contracts with DARS to evaluate and determine the eligibility of persons applying for federal Social Security disability benefits. Services are provided to Texans under age 65 who are unemployed because of severe physical or mental impairments and may be eligible for federal assistance from one of two programs administered by the Disability Determination Program: SSDI or SSI. SSDI benefits are based on an individual's work experience and are funded by Social Security taxes, while SSI benefits are based on financial need.

In addition to processing SSDI and SSI claims, Disability Determination staff review cases to determine whether a disability, as defined by the Social Security Administration, still exists. Through this process, persons no longer qualified for benefits are removed from the disability rolls. Each applicant denied Social Security benefits and each person removed from the disability rolls must be notified in writing of the reason for denial or termination of benefits. Claimants may then appeal these decisions.

The Disability Determination Program processed 307,520 claims in fiscal year 2011. The program is 100 percent federally funded. The agency anticipates processing 328,778 claims in each fiscal year of the 2012–13 biennium. Appropriations for the program total $271 million in Federal Funds; an increase of $22.3 million, or 9.0 percent, to accommodate the estimated increase in workload. This funding will allow the agency to address the increasing demand in the Disability Determination Services Division by adding 37.1 FTE positions in fiscal year 2012 and 74.3 FTE positions in fiscal year 2013.

DEPARTMENT OF FAMILY AND PROTECTIVE SERVICES

The Department of Protective and Regulatory Services was established in 1992 and renamed the Department of Family and Protective Services (DFPS) in 2004. Its mission is to protect children, the elderly, and people with disabilities from abuse, neglect, and exploitation by involving clients, families, and communities. The agency provides protective services, regulates child-care operations and child-placing agencies, and manages community-based prevention programs.

FUNDING FOR THE 2012–13 BIENNIUM

Appropriations to DFPS for the 2012–13 biennium total $2.8 billion and provide for 11,188.3 full-time-equivalent (FTE) positions. This amount includes $1.3 billion in General Revenue Funds and General Revenue–Dedicated Funds, or 47.8 percent.

The 2012–13 biennial appropriation includes $1.4 billion in Federal Funds. The following federal programs contribute most of these funds: Title IV-A Temporary Assistance for Needy Families (TANF)—$476.9 million; Title IV-E Foster Care—$468.2 million; Title IV-E Adoption Assistance—$188.1 million; Title IV-B Promoting Safe and Stable Families—$69.2 million; the Title XX Social Services Block Grant—$67.6 million; and the Child Care and Development Block Grant—$60.0 million. All of these federal programs fall under the federal Social Security Act.

The Eighty-second Legislature, Regular Session, 2011, increased funding for the 2012–13 biennium by $38.9 million from the 2010–11 biennial spending levels. This includes a $249.6 million, or 23.2 percent, increase in General Revenue and General Revenue–Dedicated Funds. The increase in General Revenue and General Revenue–Dedicated Funds is primarily due to a decrease in TANF Federal Funds, and the expiration of the American Recovery and Reinvestment Act of 2009, which provided one-time (stimulus) Federal Funds. Some of the more significant funding changes include:

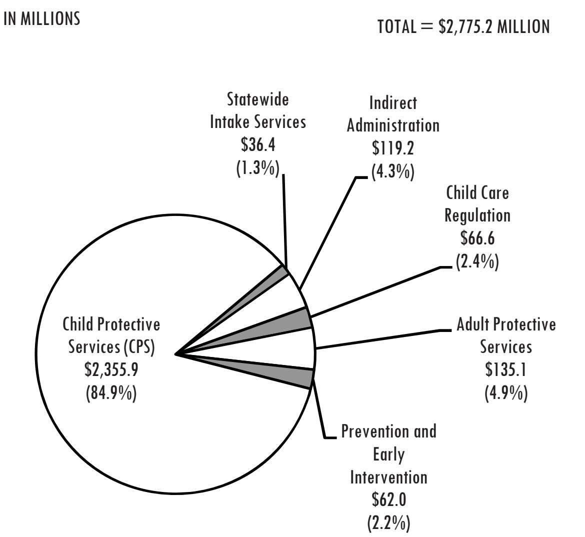
- an increase of $43.2 million in All Funds, including $38.1 million in General Revenue Funds, to fully fund adoption subsidy and permanency care assistance caseloads;
- an increase of $37.2 million in All Funds, including $54.0 million in General Revenue Funds, to fully fund foster care caseloads using 2010–11 biennial rates;
- an increase of $35.0 million in General Revenue–Dedicated Funds for child sexual assault services, which is contingent upon the availability of sufficient fee revenue from sexually oriented businesses;
- a change in the method of financing for relative monetary assistance payments, which replaced $12.8 million in TANF Federal Funds with General Revenue Funds;
- a decrease of $3.0 million in All Funds, including an increase of $134.1 million in General Revenue Funds which is primarily due to the decrease in TANF Federal Funds, for child protective services direct delivery staff and program support;
- a decrease of $13.4 million in All Funds, including an increase of $2.1 million in General Revenue Funds, for purchased child protective services, which is primarily due to greater reliance on local matching funds;
- a decrease of $21.2 million in All Funds, including $10.9 million in General Revenue and General Revenue–Dedicated Funds, for prevention and early intervention services; and
- a decrease of $40.5 million in All Funds, including $15.5 million in General Revenue Funds, for indirect administration and information technology capital budget projects.

The 2012–13 biennial appropriation also includes a decrease of 309.3 FTE positions, or 2.7 percent, from the fiscal year 2011 spending level. This decrease is primarily due to averaging the number of FTE positions estimated for fiscal year 2010 and budgeted for fiscal year 2011, eliminating vacant positions in the child protective services program, and decreasing prevention program support positions.

The agency's goals are: (1) to ensure access to and information on services offered by agency programs; (2) to protect children from abuse and neglect by providing an integrated service delivery system that results in quality outcomes; (3) to increase family and youth protective factors by providing contracted services for at-risk children, youth, and families; (4) to protect the elderly and adults with disabilities from abuse, neglect, and exploitation by conducting investigations and providing or arranging for services; and (5) to protect the health, safety, and well-being of children in out-of-home care by achieving a maximum level of compliance with regulations. The agency accomplishes these goals through five major programs: Statewide Intake Services, which receives 1.3 percent of the agency's appropriated funds; Child Protective Services (CPS), which receives 84.9 percent; Prevention and Early Intervention, which receives 2.2 percent; Adult Protective Services, which receives 4.9 percent; and Child Care Regulation, which receives 2.4 percent.

Indirect administration accounts for 4.3 percent of appropriated funds. **Figure 156** shows the appropriations by program.

FIGURE 156
FAMILY AND PROTECTIVE SERVICES, APPROPRIATIONS BY PROGRAM, 2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

STATEWIDE INTAKE SERVICES

Statewide Intake Services provides funding for the statewide centralized intake center, which is located in Austin. The center receives, assesses, prioritizes, and routes reports of abuse, neglect, and exploitation of children, elder adults, and persons with disabilities. It also provides 24-hour expedited background checks for child protective services caseworkers, and information and referral services.

Appropriations for Statewide Intake Services for the 2012–13 biennium total $36.4 million in All Funds and provide for 426.6 FTE positions. The appropriation includes $12.6 million in General Revenue Funds (34.6 percent). Statewide Intake Services relies heavily on Federal Funds from the TANF block grant program, which provides 52.9 percent of the appropriation.

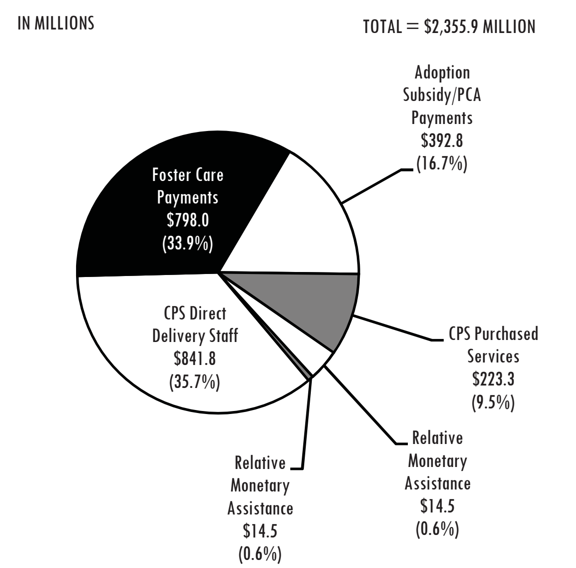
CHILD PROTECTIVE SERVICES

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 works with children and their families to help alleviate the effects of abuse.

Appropriations for child protective services for the 2012–13 biennium total $2.4 billion in All Funds and provide for 8,622.8 FTE positions. The appropriation includes $1,114.2 million in General Revenue Funds and General Revenue–Dedicated Funds (47.3 percent). CPS relies heavily on Federal Funds from the TANF block grant and Title IV-E foster care and adoption assistance funding streams, which together provide 45.2 percent of the appropriation.

CPS 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 Monetary Assistance. **Figure 157** shows the appropriations by program. **Figure 158** shows selected measures for child protective services from fiscal years 2008 to 2013.

FIGURE 157
CHILD PROTECTIVE SERVICES (CPS), APPROPRIATIONS BY STRATEGY, 2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

FIGURE 158
SELECTED PERFORMANCE MEASURES CHILD PROTECTIVE SERVICES
FISCAL YEARS 2008 TO 2013

PERFORMANCE MEASURE	2008	2009	2010	2011*	2012**	2013**
Percentage of Children in DFPS Conservatorship for whom Legal Resolution Was Achieved within 12 Months	54.81%	52.20%	59.89%	58.70%	59.90%	59.90%
Number of Completed Investigations of Child Abuse/Neglect	165,010	165,444	169,583	175,434	171,371	171,762
Number of Confirmed Cases of Child Abuse/Neglect	41,591	40,126	39,337	39,351	39,347	39,437
Number of Children in DFPS Conservatorship Who Are Adopted	4,517	4,859	4,803	4,569	4,868	5,001
Average Number of Children Provided Adoption Subsidy per Month	24,940	27,771	30,791	33,202	35,722	38,356
Average Number of DFPS-paid Days per Month of Foster Care for All Levels of Care	522,510	475,268	487,326	505,158	517,455	525,690

*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Sources: Legislative Budget Board; Health and Human Services Commission; Department of Family and Protective Services.

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. The number of completed investigations of child abuse and neglect is expected to remain relatively stable, with an estimated 171,371 investigations in fiscal year 2012 and an estimated 171,762 investigations in fiscal year 2013. The number of children who are adopted from DFPS conservatorship is expected to increase slightly, from an estimated 4,868 adoptions in fiscal year 2012 to an estimated 5,001 adoptions in fiscal year 2013. Biennial funding totals $841.8 million and provides for 8,109.9 FTE positions.

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 $85.5 million and provides for 512.9 FTE positions.

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 $223.3 million. Federal Funds provide 44.7 percent of the appropriation.

Texas Workforce Commission (TWC) Foster Day Care provides day-care services for children who live in foster care and both parents or a lone foster parent works full time. The average monthly number of days of foster day care is expected to increase from 27,948 days in fiscal year 2012 to 30,748 days in fiscal year 2013. Biennial funding totals $15.9 million.

TWC Relative Day Care provides day-care services for children placed with relatives who are not licensed or verified as a foster care provider, and who work at least 40 hours per week. The average monthly number of days of relative day care is expected to be 35,968 days each year of the biennium. Biennial funding totals $18.3 million.

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 $36.5 million.

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 $9.1 million in Federal Funds from the Title IV-B Promoting Safe and Stable Families Program.

Post-adoption Purchased Services provides services to help families that adopt children in the care of DFPS adjust to the adoption. Biennial funding totals $5.5 million in Federal Funds from the Title IV-B Promoting Safe and Stable Families program.

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 $15.5 million in Federal Funds from the Title IV-E Chafee Foster Care Independence Program and the Title IV-E Chafee Education and Training Vouchers Program.

Substance Abuse Purchased Services provides services to address the parenting impairment caused by substance abuse. The services help prevent children from being removed from their home or allow them to be reunited with their family more quickly. Biennial funding totals $10.1 million.

Finally, Other CPS Purchased Services includes a wide 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 $112.4 million, which includes a $35.0 million contingency appropriation for child sexual assault services.

FOSTER CARE PAYMENTS

Foster Care Payments provides reimbursement for the care and treatment of children who have been placed in foster homes or residential treatment facilities as a result of abuse or neglect allegations. The average monthly number of days of DFPS-paid foster care increased by 3.7 percent from fiscal years 2010 to 2011. This measure is expected to increase by 4.1 percent from fiscal years 2011 to 2013. The average monthly number of children in foster care is expected to reach 17,283 children during fiscal year 2013, when the average monthly payment per foster child is expected to be $1,901. Funding for the 2012–13 biennium includes $2.1 million in General Revenue Funds to provide room, board, and maintenance for children in the legal responsibility of DFPS who live in Medicaid Home and Community-based Services waiver homes. Federal Funds are also provided to counties that use their own matching funds to deliver foster care services.

Biennial funding totals $798.0 million. It relies heavily on Federal Funds from the Title IV-E Foster Care Program, which provides 37.6 percent of the appropriation, and the TANF block grant, which provides 19.3 percent.

During fiscal year 2012, DFPS will begin providing supervised independent living services for young adults between the ages of 18 and 21 who choose to remain in foster care in order to receive additional support for their transition to independence. The agency will also begin providing child welfare services in selected areas of the state using single-source continuum contractors pursuant to Senate Bill 218, Eighty-second Legislature, Regular Session, 2011, which requires DFPS to redesign the foster care system. Payment rates under the redesigned system may include incentive payments for superior performance and funding for additional services for families historically included in foster care rates. Payment rates under the redesigned system may not result in total expenditures for either fiscal year of the biennium that exceed appropriations for foster care and other purchased services, except to the extent that any increase in total expenditures is the direct result of caseload growth.

ADOPTION SUBSIDY/PERMANENCY CARE ASSISTANCE PAYMENTS

Adoption Subsidy/Permanency Care Assistance (PCA) Payments provides adoption subsidy payments for families that adopt children with disabilities, school-age children, minority children, and children in sibling groups. The average monthly number of children receiving an adoption subsidy increased by 7.8 percent from fiscal years 2010 to 2011. This measure is expected to increase by 15.5 percent from fiscal years 2011 to 2013. The average number of children receiving an adoption subsidy is expected to reach 38,356 per month during fiscal year 2013, when the average monthly adoption subsidy payment is expected to be $423.

Adoption Subsidy/PCA Payments also provides permanency care assistance payments for qualified relatives who assume permanent managing conservatorship of children leaving DFPS care. The average monthly number of children receiving an assistance payment is expected to increase from 211 children during fiscal year 2012, to 391 children during fiscal year 2013. The average monthly permanency care assistance payment is expected to be $418 per child.

Funding is also provided for nonrecurring payments for families that incur certain expenses during the adoption or permanency care assistance process. Biennial funding totals $392.8 million. This funding includes Federal Funds from the Title IV-E Adoption Assistance Program and the Title IV-E Guardianship Assistance Program, which provide 46.5 percent of the appropriation.

RELATIVE MONETARY ASSISTANCE

Relative Monetary Assistance is a state program that provides one-time integration payments and limited reimbursement of expenses for relatives and other designated caregivers who provide a home for children in DFPS managing conservatorship. The average monthly number of children receiving relative monetary assistance is expected to be 706, and the average monthly cost per child receiving relative monetary assistance is expected to be $857. Biennial funding totals $14.5 million in General Revenue Funds.

PREVENTION AND EARLY INTERVENTION

The Prevention and Early Intervention Program provides at-risk prevention services for children, youth, and their families through five programs: Services to At-risk Youth, Community Youth Development, Texas Families, Child Abuse Prevention Grants, and Other At-risk Prevention Services. Contractual arrangements with community-based organizations deliver most of the services. Further, At-risk Prevention Program Support provides contract management and support services.

Appropriations for the 2012–13 biennium total $62.0 million in All Funds and provide for 19.2 FTE positions. The appropriation includes $38.8 million in General Revenue Funds and General Revenue–Dedicated Funds (62.5 percent). The General Revenue–Dedicated Funds are from the Child Abuse and Neglect Prevention Operating Account, which is financed by the Children's Trust Fund. The Children's Trust Fund receives a portion of each marriage license fee paid in the state. Federal Funds from the Title IV-B Promoting Safe and Stable Families Program provide 26.4 percent of the appropriation.

SERVICES TO AT-RISK YOUTH PROGRAM

The Services to At-risk Youth Program provides crisis intervention, temporary emergency shelter, and counseling services for young persons at-risk of delinquent or criminal behavior. Some funding is also provided for universal child abuse prevention services, such as parenting classes and media campaigns. The average monthly number of youth served is expected to be 5,359 in fiscal year 2012 and fiscal year 2013. Biennial funding totals $36.6 million. The funding includes $3.5 million in Federal Funds from the Social Services Block Grant (Title XX), and $2.9 million in Federal Funds from the Title IV-B Promoting Safe and Stable Families Program.

Funding for the 2012–13 biennium includes a $2.3 million decrease (6.0 percent) from the 2010–11 biennial spending levels.

COMMUNITY YOUTH DEVELOPMENT PROGRAM

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. The average monthly number of youth served is expected to be 4,136 in fiscal years 2012 and 2013. Biennial funding totals $10.1 million. The funding includes $7.6 million in Federal Funds from the Title IV-B Promoting Safe and Stable Families Program.

Funding for the 2012–13 biennium includes a $3.6 million decrease (26.4 percent) from the 2010–11 biennial spending levels.

Figure 159 shows selected measures for these prevention and early intervention services for fiscal years 2008 to 2013.

TEXAS FAMILIES: TOGETHER AND SAFE PROGRAM

The Texas Families: Together and Safe Program provides federal funding for community-based projects designed to alleviate stress, promote parental competency, and create supportive networks that enhance child-rearing abilities. Biennial funding totals $5.2 million in Federal Funds from the Title IV-B Promoting Safe and Stable Families Program.

FIGURE 159
SELECTED PERFORMANCE MEASURES, PREVENTION AND EARLY INTERVENTION
FISCAL YEARS 2008 TO 2013

PERFORMANCE MEASURE	2008	2009	2010	2011*	2012**	2013**
Average Number of STAR Youth Served per Month	5,875	5,468	6,116	6,447	5,359	5,359
Average Number of CYD Youth Served per Month	4,563	5,668	5,930	6,381	4,136	4,136

*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
NOTE: STAR = Services to At-risk Youth; CYD = Community Youth Development.
SOURCES: Legislative Budget Board; Department of Family and Protective Services.

Funding for the 2012–13 biennium includes a $3.0 million decrease (36.7 percent) from the 2010–11 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 $3.3 million and provides for 1.9 FTE positions.

OTHER AT-RISK PREVENTION SERVICES

Other At-risk Prevention Services includes funding for the competitive procurement of at-risk prevention and early intervention services. Biennial funding totals $4.6 million in General Revenue Funds. At least $3.1 million must be expended for competitively procured community-based prevention programs and services. Funding for the 2012–13 biennium includes an $11.0 million decrease (70.6 percent) from the 2010–11 biennial spending levels.

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. Biennial funding totals $2.3 million and provides for 17.3 FTE positions. Funding for the 2012–13 biennium includes a $1.3 million decrease (35.8 percent) from the 2010–11 biennial spending levels, and a 14.4 FTE position decrease (45.4 percent) from the fiscal year 2011 spending level.

ADULT PROTECTIVE SERVICES

The Adult Protective Services (APS) Program provides protective services for adults with disabilities who are over age 17 and any adult over age 64. It also provides for the investigation of reports of abuse, neglect, and exploitation among persons of any age who receive mental health services through the Texas Department of State Health Services and mental retardation services through the Texas Department of Aging and Disability Services or in private intermediate care facilities for persons with mental retardation.

Appropriations for the 2012–13 biennium total $135.1 million in All Funds and provide for 1,049.0 FTE positions. The appropriation includes $75.0 million in General Revenue Funds (55.5 percent). APS relies heavily on Federal Funds from the Title XX Social Services block grant, which provides 37.8 percent of the appropriation.

APS provides protective services in three ways: APS Direct Delivery Staff, APS Program Support, and Mental Health (MH) and Mental Retardation (MR) Investigations. **Figure 160** shows selected measures for the APS program for fiscal years 2008 to 2013.

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. The number of completed in-home investigations is expected to increase from an estimated 87,605 investigations in fiscal year 2012 to an estimated 91,003 investigations in fiscal year 2013. Biennial funding totals $104.9 million and provides for 804.8 FTE positions.

APS PROGRAM SUPPORT

APS Program Support provides support services and oversight of field staff. Funding totals $10.2 million and provides for 77.2 FTE positions.

MH AND MR INVESTIGATIONS

MH and MR Investigations provides for the investigation of reports of abuse, neglect, or exploitation of individuals receiving state mental health and mental retardation services through state facilities, community MH and MR centers,

FIGURE 160
SELECTED PERFORMANCE MEASURES ADULT PROTECTIVE SERVICES
FISCAL YEARS 2008 TO 2013

PERFORMANCE MEASURE	2008	2009	2010	2011*	2012**	2013**
Completed APS Investigations	68,683	72,265	82,802	87,762	87,605	91,003
Confirmed APS Cases	48,380	50,936	56,053	58,095	56,778	58,947
Completed MH and MR Investigations	8,870	9,730	9,922	10,984	9,854	9,804

*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Note: APS = Adult Protective Services; MH = Mental Health; MR = Mental Retardation.
Sources: Legislative Budget Board; Department of Family and Protective Services.

home- and community-based services waiver programs, and private intermediate care facilities for persons with mental retardation. The number of completed investigations is expected to remain relatively stable, with an estimated 9,854 investigations in fiscal year 2012 and an estimated 9,804 investigations in fiscal year 2013. Biennial funding totals $20.1 million and provides for 167.0 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/neglect and criminal history information on individuals who come into contact with children in regulated settings, and disseminates detailed information about child-care services that are available throughout the state.

Appropriations for the 2012–13 biennium total $66.6 million in All Funds and provide for 602.3 FTE positions. The appropriations include $24.5 million in General Revenue Funds (36.8 percent). The program relies mostly on Federal Funds from the Child Care and Development block grant, which provides 52.2 percent of the appropriation. **Figure 161** shows selected measures for the regulatory program for fiscal years 2009 to 2013.

Five automation and indirect administration functions account for the remaining $119.2 million in All Funds and 468.4 FTE positions.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, 2011, passed legislation that affects the agency. Significant legislation that was enacted includes: Senate Bill 76, House Bill 79, Senate Bill 218, Senate Bill 221, Senate Bill 653, Senate Bill 993, Senate Bill 1178, House Bill 1615, and House Bill 2170.

The enactment of Senate Bill 76, Regular Session, requires providers of relative child care to become listed family homes, and exempts relative providers who care for a child in the child's own home from paying certain fees.

The enactment of House Bill 79, First Called Session, requires young adults in extended foster care to be under the court's jurisdiction, with hearings every six months to review the appropriateness of the placement and to ensure the agency has taken certain actions.

Senate Bill 218, Regular Session, includes numerous provisions to strengthen the child protective services system, such as authorizing a foster care redesign project and prohibiting case closure agreements except under prescribed circumstances.

Senate Bill 221, Regular Session, includes numerous provisions to improve the delivery of in-home adult protective services, such as making emergency orders easier to use and allowing the agency to provide protective services to a client's caretaker or family member in order to benefit the client.

The enactment of Senate Bill 653, Regular Session, establishes the Texas Juvenile Justice Department and charges it with providing a statewide delivery system of prevention and intervention services to at-risk youth and their families, to the extent that funding is available.

The enactment of Senate Bill 993, Regular Session, establishes new requirements for child safety placements, which are made by parents and approved by the agency.

FIGURE 161
SELECTED PERFORMANCE MEASURES CHILD CARE REGULATION
FISCAL YEARS 2008 TO 2013

PERFORMANCE MEASURE	2008	2009	2010	2011*	2012**	2013**
Number of Child Care Facility Inspections	NA	38,837	38,470	41,848	46,377	51,215
Number of Completed Child Abuse/Neglect Investigations	NA	4,620	3,541	3,782	3,969	4,244
Percent of Validated Investigations Where Children Are Placed at High Risk	NA	45.8	43.6	42.8	43.6	43.6

*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Sources: Legislative Budget Board; Department of Family and Protective Services.

The enactment of Senate Bill 1178, Regular Session, establishes a number of changes to the child-care licensing program, such as authorizing the agency to investigate listed family homes and providing for automatic disciplinary action when a regulated entity fails to submit required information for background checks.

The enactment of House Bill 1615, Regular Session, establishes guidelines for the administration of medications by child day care providers.

The enactment of House Bill 2170, Regular Session, requires the agency to provide annual credit reports for children in foster care who are 16 or older.

DEPARTMENT OF STATE HEALTH SERVICES

The Department of State Health Services (DSHS) was established on September 1, 2004. As directed by legislation passed by the Seventy-eighth Legislature, Regular Session, 2003, DSHS resulted from the consolidation of all or part of four legacy agencies: (1) the Texas Department of Health, (2) the mental health programs of the Texas Department of Mental Health and Mental Retardation, (3) the Texas Commission on Alcohol and Drug Abuse, and (4) the Texas Health Care Information Council.

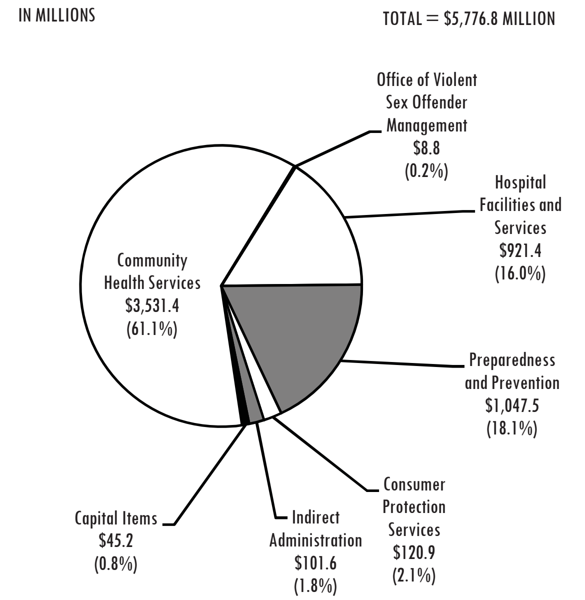
The agency's mission is to promote optimal health for individuals and communities while providing effective health, mental health, and substance abuse services to Texans. To carry out this mission, DSHS established the following service goals (**Figure 162**):

- Community Health Services—improve the health of children, women, families, and individuals, and enhance the capacity of communities to deliver healthcare services.
- Preparedness and Prevention—protect and promote the public's health by decreasing health threats and sources of disease.
- Hospital Facilities and Services—promote the recovery and abilities of persons with infectious disease and mental illness who require specialized treatment.
- Consumer Protection Services—achieve a maximum level of compliance by the regulated community to protect public health and safety.

The Eighty-second Legislature, Regular Session, 2011, passed legislation that created the Office of Violent Sex Offender Management. The agency, administratively attached to DSHS, is responsible for the monitoring and treatment of civilly committed sex offenders. These duties were previously performed by the Council on Sex Offender Treatment at DSHS under the Consumer Protection Services goal.

Appropriations for the 2012–13 biennium total approximately $5.8 billion and provide for approximately 12,470 full-time-equivalent (FTE) positions. These appropriations include $2.9 billion in General Revenue Funds and General Revenue–Dedicated Funds, or 49.9 percent, $0.4 billion in Other Funds, or 7.1 percent, and $2.5 billion in Federal Funds, or 43.0 percent. The primary sources of these Federal Funds include the following:

FIGURE 162
DEPARTMENT OF STATE HEALTH SERVICES, APPROPRIATIONS BY GOAL, 2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

- $1.3 billion from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC);
- $266.9 million from the Substance Abuse Prevention and Treatment block grant;
- $175.9 million from the HIV Care formula grant;
- $79.7 million from the Public Health Emergency Preparedness grant;
- $65.6 million from the Title V Maternal and Child Health Services block grant;
- $61.8 million from the Community Mental Health block grant;
- $58.7 million from the National Bioterrorism Hospital Preparedness Program grant; and
- $44.0 million in Temporary Assistance for Needy Families (TANF) to Title XX funding.

The Eighty-second Legislature, Regular Session, 2011, decreased appropriations to the agency by $357.7 million in All Funds from the 2010–11 biennial spending levels. This includes a $263.0 million decrease in Federal Funds and a $67.9 million decrease in General Revenue Funds and General Revenue–Dedicated Funds. The overall decrease in Federal Funds is attributed to:

- a decrease of $113.0 million from one-time H1N1 funds and FEMA reimbursements;
- a decrease of $52.6 million from one-time funding made available by the American Recovery and Reinvestment Act of 2009 (ARRA) during the 2010–11 biennium;
- a decrease of $27.2 million from a HIV Care formula grant;
- a decrease of $19.9 million from Women, Infants, and Children (WIC) grants; and
- a decrease of $4.9 million from a federal substance abuse grant.

The overall decrease of $67.9 million in General Revenue Funds and General Revenue–Dedicated Funds is primarily attributed to:

- an increase of $47.2 million in General Revenue Funds for community mental health hospitals including $22.5 million to annualize new capacity at the Montgomery County Mental Health Treatment Facility; $9.9 million to increase forensic patient capacity in Harris County; and $9.0 million for ongoing hospital operations;
- an increase of $13.9 million in General Revenue Funds from the Vendor Drug Rebates-Public Health Account to align with the Comptroller of Public Accounts *Biennial Revenue Estimate* for this account in the Kidney Health Care strategy;
- an increase of $9.4 million in General Revenue Funds for immunizations to partially restore a 5 percent reduction in this program during the 2010–11 biennium;
- an increase of $8.7 million in General Revenue Funds for health and safety cost savings initiatives, including funding for healthy baby initiatives, preventable hospitalizations, and preventable adverse events and healthcare associated infections interventions;
- an increase of $5.4 million in General Revenue Funds for veterans' mental health services and operations of Hospitality House, a mental health residential facility;
- an increase of $5.0 million in General Revenue Funds to provide market-level salaries for state psychiatrists at state mental health hospitals;
- a decrease of $42.9 million in General Revenue Funds and General Revenue–Dedicated Funds for various preparedness and prevention programs and client services including the Children with Special Health Care Needs program, the chronic disease program, public health preparedness, and health registries;
- a decrease of $30.0 million in General Revenue–Dedicated Funds for trauma care reimbursements;
- a decrease of $22.5 million in General Revenue Funds for family planning services;
- a decrease of $17.4 million in General Revenue Funds and General Revenue–Dedicated Funds for indigent healthcare programs and Federally Qualified Health Care Center Infrastructure grants;
- a decrease of $16.0 million decrease in General Revenue Funds and General Revenue–Dedicated Funds for regulatory programs;
- a decrease of $14.0 million decrease in General Revenue Funds and General Revenue–Dedicated Funds for operations in all indirect administration programs including reductions to data center services;
- a decrease of $10.0 million in General Revenue Funds and General Revenue–Dedicated Funds for tobacco reductions programs; and
- a decrease of $10.0 million decrease in General Revenue Funds for primary care and nutrition services programs.

The Eighty-second Legislature, Regular Session, 2011, appropriated $20.0 million in General Obligation bonds (Other Funds) for critical repairs at the Robert Moreton building located on DSHS central campus in Austin.

The Eighty-second Legislature, First Called Session, 2011, also appropriated $4.5 million in General Revenue–Dedicated Funds for a physician and nursing trauma fellowship program.

COMMUNITY HEALTH SERVICES

DSHS provides Community Health Services to improve the health of children, women, families, and individuals, and to enhance the capacity of communities to deliver healthcare services. Services include primary care, nutrition services, and behavioral health services; behavioral health services include community mental health and substance abuse, prevention, intervention, and treatment services. The Community Health Services goal was appropriated a total of $3.5 billion in All Funds, which includes $1.5 billion in

General Revenue Funds and General Revenue–Dedicated Funds, for the 2012–13 biennium.

WIC/FARMER'S MARKET NUTRITION SERVICES

Nutrition services are delivered through the federally funded Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The WIC program is the largest public health program administered by DSHS and was appropriated $1.8 billion in All Funds, which includes $493.7 million in General Revenue–Dedicated Funds (WIC rebates), for the 2012–13 biennium, and 325.9 FTE positions. WIC rebates are collected from manufacturers of infant formula and cereal. This program provides food assistance via electronic benefits transfer using smart cards for infants, young children, and low-income pregnant and postpartum women, as well as nutrition education to pregnant and postpartum women. The WIC program also issues coupons for fresh fruit and vegetables each summer through the Farmer's Market Nutrition Program. During the 2010–11 biennium, the WIC program initiated a new food benefits package that now includes fresh produce and whole grain food choices.

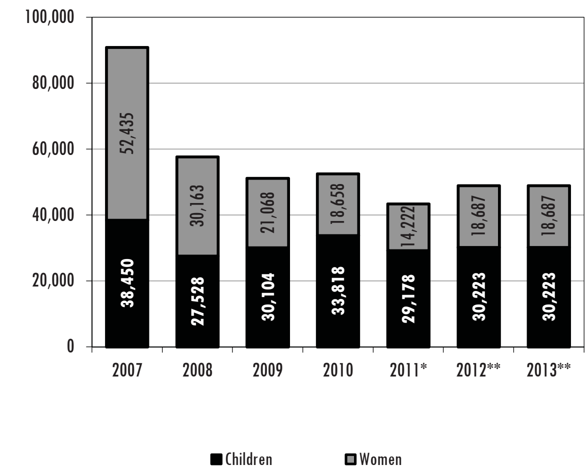
WOMEN AND CHILDREN'S HEALTH

DSHS provides accessible, quality, and community-based maternal and child health services to low-income women, infants, children, and adolescents. Services are provided through performance-based contracts with local providers and include prenatal care, family planning, breast and cervical cancer screening and diagnostic services, population-based services, preventive and primary care for children and adolescents, genetics, case management, laboratory services, and dental care for children and adolescents. Biennial appropriations total $150.6 million in All Funds, which includes $43.4 million in General Revenue Funds, and provides for 496.9 FTE positions. This includes $4.1 million in General Revenue Funds for a new Healthy Babies initiative. **Figure 163** shows the number of women and children provided health services from fiscal years 2007 to 2013.

FAMILY PLANNING

In addition to family planning services provided under Women and Children's Health Services, the agency provides funding to community-based agencies to provide family planning services for women, men, and adolescents as authorized under Title X of the federal Public Health Services Act, and Title V and Title XX of the federal Social Security Act. Medicaid-funded family planning services are provided through the Health and Human Services Commission (HHSC). Biennial appropriations to DSHS total $37.9 million in All Funds, which includes $0.9 million in General Revenue Funds and provides for 13.0 FTE positions. This All Funds appropriation is $73.6 million, or 66.0 percent, less than the 2010–11 biennial spending level.

FIGURE 163
CLIENTS PROVIDED SERVICES IN WOMEN AND CHILDREN'S HEALTH PROGRAM, FISCAL YEARS 2007 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Source: Department of State Health Services.

Rider 77, 2012–13 GAA, of the agency's bill pattern, directs DSHS to allocate funds appropriated for family planning services by using a methodology that prioritizes the allocation and distribution of funds. Public entities that provide family planning services have first priority, followed by non-public entities that provide comprehensive primary and preventative care as a part of their family planning services, and finally non-public entities that provide family planning services but do not provide comprehensive primary and preventative care. DSHS is directed to use this methodology to the extent that it does not severely limit or eliminate access to services in any region.

COMMUNITY PRIMARY CARE SERVICES

Funding is provided to establish local capacity at more than 130 clinics to deliver a range of preventive and primary healthcare services to the medically uninsured, underinsured, and indigent persons who are not eligible to receive the same services from other funding sources. This funding also supports activities to assess need, designate parts of the state as health professional shortage areas or as medically underserved, recruit and retain providers to work in these areas, and work with communities to improve access to primary medical, dental, and mental healthcare. Biennial appropriations total $21.0 million in All Funds, which includes $19.9 million in General Revenue Funds and General Revenue–Dedicated Funds, and provides for 23.8 FTE positions. This All Funds appropriation is $7.0 million, or 25.1 percent, less than the 2010–11 biennial spending level.

COMMUNITY MENTAL HEALTH SERVICES

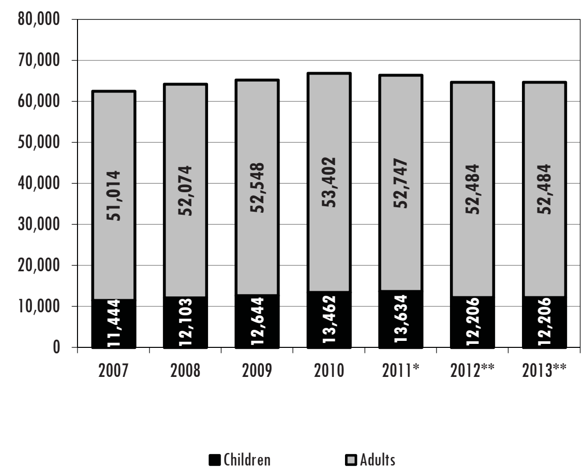
DSHS provides community mental health services to adults and children through contracts with local mental health authorities. Services include screening and assessment, service coordination, medication-related services, and outpatient and inpatient services. In addition, certain services are available specifically for adults or children, such as employment and housing assistance for adults and respite services for children. DSHS funding targets priority populations that fit these definitions:

- adults with severe and persistent mental illness, such as schizophrenia, major depression, bipolar disorder, or another severely disabling mental disorder that requires crisis resolution or ongoing and long-term support and management; and
- children ages 3 to 17 with a diagnosis of mental illness who exhibit serious emotional, behavioral, or mental disorders and who have serious functional impairment; are at risk of disruption of living or child-care situations; or who are enrolled in a school's special education program due to emotional disturbance.

Biennial funding for services for adults totals $553.1 million in All Funds, which includes $424.8 million in General Revenue Funds and provides for 77.2 FTE positions. This includes an increase of $5.0 million in General Revenue Funds for veterans' mental health services and $0.4 million for operations of Hospitality House, a mental health residential facility. This All Funds appropriation is $25.6 million, or 4.4 percent, less than the 2010–11 biennial spending level primarily due to the phase-out and reductions to several federal mental health grants. Biennial funding for services for children totals $153.5 million in All Funds, which includes $89.5 million in General Revenue Funds and provides for 10.7 FTE positions. This All Funds appropriation is $20.7 million, or 15.6 percent, more than the 2010–11 biennial spending level. **Figure 164** shows the monthly average number of children and adults provided community mental health services from fiscal years 2007 to 2013.

The Eighty-second Legislature, Regular Session, 2011, also appropriated $165.0 million in General Revenue Funds for

FIGURE 164
AVERAGE MONTHLY NUMBER OF CHILDREN AND ADULTS RECEIVING COMMUNITY MENTAL HEALTH SERVICES FISCAL YEARS 2007 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
SOURCE: Department of State Health Services.

community mental health crisis services. DSHS contracts with local mental health authorities and local communities to provide services, which include crisis hotlines, mobile outreach, children's outpatient services, walk-in services, extended observation, crisis stabilization units, crisis residential, respite services, and transportation.

NORTHSTAR BEHAVIORAL HEALTH WAIVER

The NorthSTAR Behavioral Health Waiver supports the delivery of public mental health and chemical dependency services for Medicaid-eligible and medically indigent persons. NorthSTAR uses a managed-care approach to serve adults and children living in Dallas, Collin, Rockwall, Ellis, Navarro, Hunt, and Kaufman counties. Biennial funding for the strategy totals $225.2 million in All Funds, which includes $73.4 million in General Revenue Funds and provides for 11.2 FTE positions. This All Funds appropriation is $23.8 million, or 11.8 percent, more than the 2010–11 biennial spending level.

SUBSTANCE ABUSE PREVENTION, INTERVENTION, AND TREATMENT

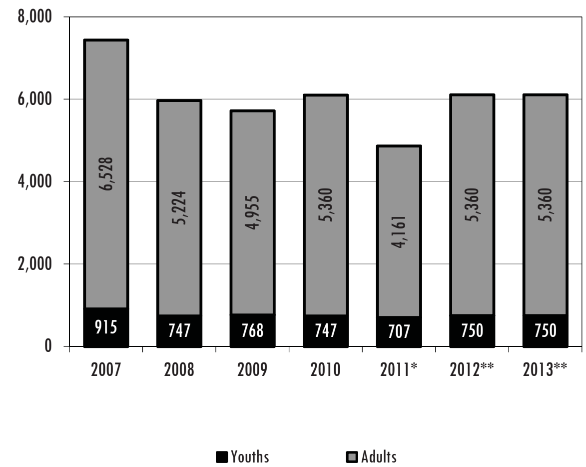
DSHS is the designated state agency for the federal Substance Abuse Prevention and Treatment (SAPT) block grant. The 2012–13 GAA assumes a SAPT block grant award of $266.9 million for the biennium. Federal maintenance of effort (MOE) requirements stipulate that the state must maintain spending for substance abuse services at a level equal to the average of expenditures for the prior two fiscal years. Funding for substance abuse prevention, intervention, treatment, and grant monitoring totals $283.3 million in All Funds, which includes $42.0 million in General Revenue Funds and provides for 78.6 FTE positions. This All Funds appropriation is $23.6 million, or 7.7 percent, less than the 2010–11 biennial spending level. This decrease is primarily due to decreases in several federal substance abuse grants and a $3.8 million General Revenue Fund decrease to prevention client services. The decrease in General Revenue Funds leads to a loss of $3.8 million in SAPT block grant funds due to not meeting the MOE.

Prevention services are available in each of the 11 health and human service regions. These prevention programs implement one or more of the SAPT block grant-required prevention approaches and include prevention education and skills training for youth and families, problem identification and referral to appropriate services, information dissemination, alternative activities, community collaboration, and activities that affect alcohol and drug policies and regulations.

Early intervention services help break the cycle of addiction by identifying people at high risk of alcohol and drug abuse and providing them with services to prevent them from developing a substance abuse problem. DSHS focuses services on priority populations, including youths, at-risk pregnant women and mothers, people at risk of HIV infection, and parents with children in foster care. Intervention services include research-based education and skills training, outreach, HIV early-intervention services, family services, screening and assessment, referrals, and short-term crisis counseling.

Comprehensive and appropriate treatment services not only help individuals recover from addiction but also help prevent educational failure, crime, the spread of infectious disease, and family disintegration. DSHS gives priority status to the treatment needs of adolescents, pregnant women and mothers, substance-abusing parents with children in foster care, substance users at risk of contracting HIV, and people who have both substance abuse and mental health problems. **Figure 165** shows the monthly average number of youths and adults served in substance abuse treatment programs from fiscal years 2007 to 2013.

FIGURE 165
NUMBER OF YOUTH AND ADULTS SERVED IN TREATMENT PROGRAMS FOR SUBSTANCE ABUSE
FISCAL YEARS 2007 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Source: Department of State Health Services.

DSHS contracts with community-based providers and state and local government entities to provide a range of treatment options, including detoxification, outpatient, residential, and pharmacotherapy programs. DSHS also has a memorandum of understanding with the Department of Family and Protective Services (DFPS) to provide outpatient treatment services to DFPS-referred clients.

DSHS conducts compliance audits and desk reviews for funded providers, investigates complaints against providers or their employees, and levies sanctions against violators of state or federal laws. Performance management involves ongoing contract reviews, procurement, monitoring, and management. DSHS utilizes performance review and measurement to ensure the efficient use of state and federal funds allocated for substance abuse.

REDUCE USE OF TOBACCO PRODUCTS

The Seventy-sixth Legislature, 1999, established a permanent fund from Tobacco Settlement receipts to fund activities to reduce tobacco use. Appropriations for these activities total $15.7 million in All Funds, which includes $10.9 million in

General Revenue–Dedicated Funds from tobacco endowment earnings, and provides for 16.4 FTE positions for the 2012–13 biennium. This All Funds appropriation is $12.1 million, or 43.6 percent, less than the 2010–11 biennial spending level. This funding is provided to local health departments and school districts for evidence-based interventions to prevent and reduce tobacco use through a competitive statewide grant program. Activities include school and community interventions, surveillance and evaluation, law enforcement programs, media campaigns, and cessation programs. The local health departments and school districts that were most recently awarded funds include, Northeast Texas Public Health District, Fort Bend County Health and Human Services, City of Austin Health and Human Services, and San Antonio Metropolitan Health District.

EMS AND TRAUMA CARE SYSTEMS

DSHS strives to decrease morbidity and mortality due to emergency healthcare situations. Programs include regional EMS/trauma systems development, designation of four levels of trauma facilities, development and maintenance of a trauma reporting and analysis system, and assurance of coordination and cooperation with neighboring states. Biennial appropriations total $137.8 million in General Revenue Funds and General Revenue–Dedicated Funds and provides for 19.9 FTE positions; this appropriation is $25.3 million, or 15.5 percent, less than the 2010–11 biennial spending level. This amount includes $119.5 million in General Revenue–Dedicated Funds, or 86.7 percent, from the Designated Trauma Facility and EMS Account 5111 used primarily to reimburse hospitals for uncompensated trauma care. This account is funded from state traffic fines and the Driver Responsibility Program. It includes $4.5 million appropriated by the Eighty-second Legislature, First Called Session, 2011, for a physicians and nursing trauma fellowship program.

FEDERALLY QUALIFIED HEALTH CENTERS INFRASTRUCTURE GRANTS

DSHS provides grants to establish new or expand existing facilities that can be classified as federally qualified health centers (FQHC). Funding for FQHCs supports a large, national community health network emphasizing service to indigent, uninsured patients as well as Medicaid and Medicare patients. No funding, however, was appropriated by the Eighty-second Legislature, Regular Session, 2011, for these grants for the 2012–13 biennium.

INDIGENT HEALTH CARE

DSHS provides financial assistance to counties and the University of Texas Medical Branch for indigent healthcare services. For the 2012–13 biennium, $4.4 million in All Funds, which includes $1.2 million in General Revenue Funds, and 8.3 FTE positions are appropriated for the County Indigent Health Care Program. This All Funds appropriation is $5.0 million, or 53.0 percent, less than the 2010–11 biennial spending level. This funding assists counties that are not served by a public hospital or hospital district in meeting their statutory indigent healthcare responsibilities. Rider 50, 2012–13 GAA, of the agency's bill pattern specifies that DSHS may not distribute more than 10 percent of total appropriated funds per year to any single county, unless no other counties qualify for assistance. In addition, the 2012–13 GAA includes $11.5 million in General Revenue–Dedicated Funds (unclaimed Texas Lottery proceeds) for the biennium to reimburse the University of Texas Medical Branch for indigent healthcare. This appropriation is $5.5 million, or 32.3 percent, less than the 2010–11 biennial spending level.

PREPAREDNESS AND PREVENTION

The Preparedness and Prevention goal was appropriated a total of $1.0 billion in All Funds for the 2012–13 biennium, which includes $431.0 million in General Revenue Funds and General Revenue–Dedicated Funds. This amount includes funding for public health preparedness, vital records, immunizations, and services to address sexually transmitted, infectious, and chronic diseases.

PUBLIC HEALTH PREPAREDNESS AND COORDINATED SERVICES

DSHS coordinates essential public health services across the state and implements public health emergency and hospital preparedness programs. Biennial appropriations total $174.0 million in All Funds, which includes $29.7 million in General Revenue Funds and General Revenue–Dedicated Funds, and provides for 306.0 FTE positions. This All Funds appropriation is $124.0 million, or 41.6 percent, less than the 2010–11 biennial spending level; this decrease is primarily due to $113.0 million in one-time H1N1 funds and FEMA reimbursements that are no longer available. The federal Centers for Disease Control and Prevention and the Office of the Assistant Secretary for Preparedness and Response provide Federal Funds, which comprise 82.9 percent of preparedness funding. The Legislature appropriates these funds to enhance the ability of the state and local public health jurisdictions and hospital and healthcare systems to prepare for and respond to bioterrorism and other public health emergencies.

Local public health authorities and DSHS regional offices, in areas where no local public health authority exists, also provide essential public health services across the state. Services include providing information to communities on disease prevention, monitoring and investigating health problems, developing policies and public health improvement plans, and enforcing regulations.

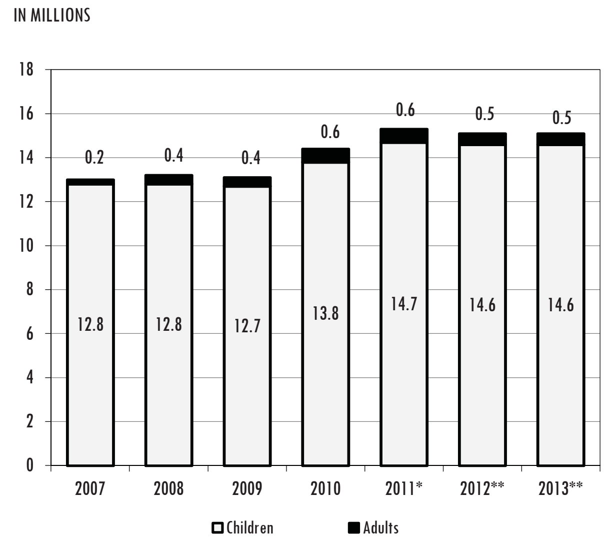
REGISTRIES, INFORMATION, AND VITAL RECORDS

DSHS collects, analyzes, and disseminates health data to improve the public health. The Bureau of Vital Statistics maintains, processes, and provides copies of all original birth and death records, applications for marriage licenses, and reports of divorces and annulments. The agency also maintains registries for birth defects, trauma, and cancer; coordinates the support of a statewide drug information system, which operates 24 hours a day, 365 days a year; and investigates outbreaks and unusual patterns of communicable diseases, birth defects, occupational diseases, cancer, human illnesses associated with environmental exposure, and risk factors that lead to traumatic injury. Biennial appropriations total $58.6 million in All Funds, which includes $26.2 million in General Revenue Funds and General Revenue–Dedicated Funds, and 361.2 provides for FTE positions. This includes an increase of $2.6 million in General Revenue Funds for cost savings initiatives associated with reducing preventable adverse events and healthcare associated infections.

IMMUNIZE CHILDREN AND ADULTS

The agency administers several programs to immunize Texas residents and thereby reduce the incidence of preventable diseases statewide. Biennial appropriations total $169.7 million in All Funds, which includes $56.9 million in General Revenue Funds and General Revenue–Dedicated Funds, and provides for 304.3 FTE positions. Additionally, the federal government will contribute vaccines to the state with an estimated value of $350.0 million for each year of the biennium, which is not reflected in the 2012–13 GAA. **Figure 166** shows the number of vaccine antigens administered to children and adults in Texas since fiscal year 2007.

FIGURE 166
ANTIGENS ADMINISTERED IN IMMUNIZATIONS PROGRAM
FISCAL YEARS 2007 TO 2013



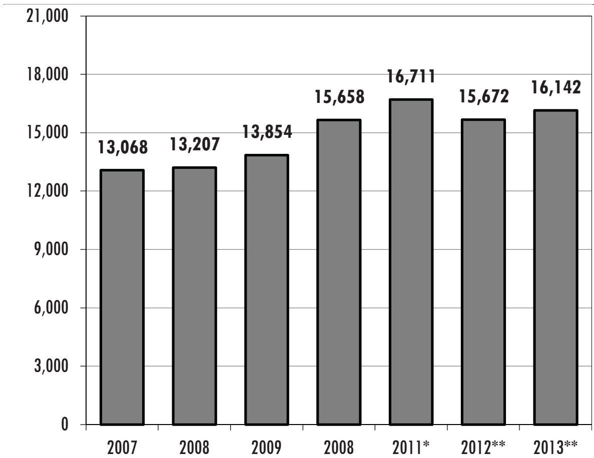
*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Source: Department of State Health Services.

HIV/STD PREVENTION

HIV/STD Prevention includes interventions to prevent and reduce the spread of sexually transmitted diseases (STD), which include the human immunodeficiency virus (HIV), syphilis, chlamydia, and gonorrhea. Interventions include HIV and STD screening and testing; evidence-based prevention programs for individuals, groups, and communities; and partner services and referrals. Funding also supports local providers that offer outpatient medical services, medical case management, and other medical and supportive services to persons living with HIV/AIDS. In addition, DSHS operates the HIV Medication Program, which provides medications to low-income Texans living with HIV/AIDS. For individuals to be eligible for the HIV Medication Program, they must be HIV-positive, residents of Texas, have incomes at or less than 200 percent of the federal poverty level, and be uninsured or underinsured for prescription drug coverage. **Figure 167** shows the number of clients served in the HIV Medication Program since fiscal year 2007.

The agency also collects and analyzes data to monitor HIV and STD trends, to allocate resources, and to evaluate HIV and STD prevention and services programs. Biennial appropriations for this strategy total $334.0 million in All Funds, which includes $109.3 million in General Revenue

FIGURE 167
CLIENTS PROVIDED SERVICES IN HIV MEDICATION PROGRAM
FISCAL YEARS 2007 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Source: Department of State Health Services.

Funds and provides for 214.3 FTE positions. This All Funds appropriation is $28.3 million, or 7.8 percent, less than the 2010–11 biennial spending level; this decrease is primarily due to a $27.2 million decrease in the HIV Care formula grant.

Article II, Special Provisions, Section 55, 2012–13 GAA, provides the HHSC Executive Commissioner, upon a determination that funding in DSHS' HIV/STD Prevention program is insufficient to cover the costs associated with the purchase of HIV medications, the authority to request a transfer of up to $19.2 million in General Revenue Funds appropriations for Medicaid at HHSC to the HIV/STD Prevention program in an amount necessary to maintain funding for HIV medications for the 2012–13 biennium.

INFECTIOUS AND CHRONIC DISEASES

DSHS implements programs to prevent, control, and/or treat infectious diseases, including Hepatitis C, tuberculosis, and Hansen's disease (leprosy), and to minimize the incidence of diseases transmittable from animals to humans (zoonotic diseases). Zoonotic diseases include rabies, Lyme disease, Rocky Mountain spotted fever, plague, hantavirus, West Nile, anthrax, Tularemia, and Q fever. In addition, DSHS operates the Refugee Health Screening Program that brings newly arrived official refugees and other eligible immigrants into the public health system for health assessments and referrals. Biennial appropriations for infectious disease prevention, epidemiology, and surveillance total $82.1 million in All Funds, which includes $48.2 million in General Revenue Funds and General Revenue–Dedicated Funds, and provides for 238.8 FTE positions. This includes $0.8 million in General Revenue–Dedicated Funds generated from the sale of Animal Friendly License Plates to provide grants to organizations for low-cost spaying and neutering.

DSHS also implements population-based and community-based interventions to reduce the burden of the most common chronic diseases, including cardiovascular disease and stroke, diabetes, asthma, arthritis, and certain cancers. DSHS works with public and private partners to increase local capacity for chronic disease prevention programs, which support healthy behaviors such as maintaining a healthy weight, good nutrition, physical activity, avoidance of tobacco use, and preventive healthcare. DSHS collaborates with school districts to implement coordinated school health programs and operates the Safe Rider program that promotes the correct use of child safety seats. Biennial appropriations for health promotion and chronic disease prevention total $15.6 million in All Funds, which includes $9.5 million in General Revenue Funds and General Revenue–Dedicated Funds, and provides for 53.5 FTE positions. This includes an increase of $2.0 million in General Revenue Funds for preventive hospitalization cost savings initiatives. This All Funds appropriation is $13.3 million, or 46.0 percent, less than the 2010–11 biennial spending level.

ABSTINENCE EDUCATION

Through the Abstinence Education Program, DSHS contracts with local providers for abstinence-only education and, where appropriate, mentoring, counseling, and adult-supervised activities with a focus on groups most likely to bear children out-of-wedlock. Biennial appropriations total $1.1 million in General Revenue Funds and include 8.8 FTE positions.

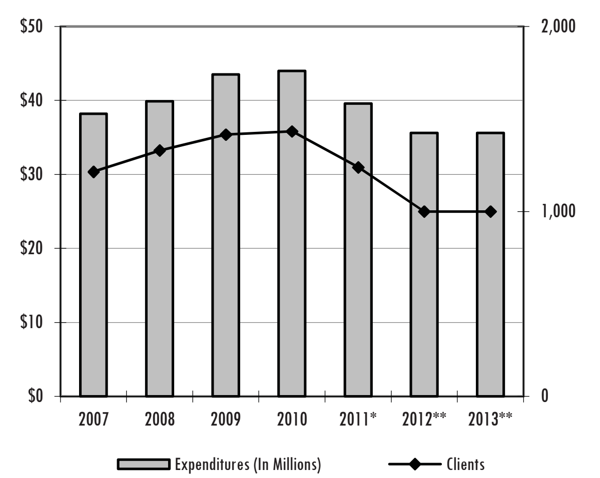
KIDNEY HEALTH CARE

The Kidney Health Care Program provides treatment for end-stage renal disease (ESRD). Current services include medications, dialysis, and travel expenses related to medical care. For individuals to be eligible for the Kidney Health Care Program, they must be Texas residents, have ESRD, be receiving chronic renal dialysis or have a kidney transplant, have incomes less than $60,000 per year, file for ESRD benefits through Medicare and meet the Medicare ESRD criteria, and not be eligible for Medicaid. Biennial appropriations total $53.3 million in All Funds, which includes $52.9 million in General Revenue Funds, and 36.1 FTE positions. This All Funds appropriation is $13.9 million, or 35.3 percent, more than the 2010–11 biennial spending level primarily due to an increase in General Revenue Funds (Vendor Drug Rebates-Public Health Account) to align with the Comptroller of Public Accounts Biennial Revenue Estimate for this account.

CHILDREN WITH SPECIAL HEALTH CARE NEEDS

The Children with Special Health Care Needs Program provides medical, dental, and case management services not covered by Medicaid, CHIP, or private insurance for children with special healthcare needs. The program also provides meals, transportation, and lodging to eligible clients. To be eligible for services, a child must be a Texas resident, under age 21, or an adult of any age with cystic fibrosis, have an income at or less than 200 percent of the federal poverty level, and have a chronic physical or developmental condition that meets certain criteria. Biennial appropriations total $71.3 million in All Funds, which includes $49.7 million in General Revenue Funds, and 119.1 FTE positions. This All Funds appropriation is $12.3 million, or 14.7 percent, less than the 2010–11 biennial spending level. **Figure 168** shows the number of children with special healthcare needs provided services and program expenditures for fiscal years 2007 to 2013.

FIGURE 168
MONTHLY AVERAGE CHILDREN WITH SPECIAL HEALTH CARE NEEDS CLIENTS RECEIVING HEALTH CARE BENEFITS AND PROGRAM EXPENDITURES
FISCAL YEARS 2007 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Source: Department of State Health Services.

LABORATORY SERVICES

The state's reference laboratory serves as an important regional resource. The laboratory conducts tests for health-screening programs, rare diseases, and diseases requiring complex microbiology and environmental chemistry technology. Biennial appropriations total $85.3 million in All Funds, which includes $45.0 million in General Revenue Funds and General Revenue–Dedicated Funds and 403.4 FTE positions. This All Funds appropriation is $6.2 million, or 6.8 percent, less than the 2010–11 biennial spending level. In addition, $5.7 million from laboratory fee revenue was appropriated for the 2012–13 biennium for debt service payments for the laboratory.

HOSPITAL FACILITIES AND SERVICES

The Hospital Facilities and Services goal includes funding for healthcare facilities and mental health state hospitals operated by the agency and for grants to mental health community hospitals. A total of $921.4 million in All Funds, which includes $760.4 million in General Revenue Funds and General Revenue–Dedicated Funds, was appropriated for this goal for the 2012–13 biennium.

STATE HEALTH CARE FACILITIES

The agency operates the Texas Center for Infectious Disease (TCID) in San Antonio, which serves individuals with tuberculosis and other chronic respiratory diseases, and the South Texas Health Care System in Harlingen, which provides general outpatient care, primarily for indigent patients in the Lower Rio Grande Valley. Biennial appropriations total $21.2 million in All Funds, which includes $20.6 million in General Revenue Funds and General Revenue–Dedicated Funds, and 170.1 FTE positions for operating costs at TCID and $9.4 million in All Funds, which includes $6.3 million in General Revenue Funds and 96.8 FTE positions for operating costs at the South Texas Health Care System The All Funds appropriation for the South Texas Health Care System is $4.6 million, or 32.7 percent, less than the 2010–11 biennial spending level.

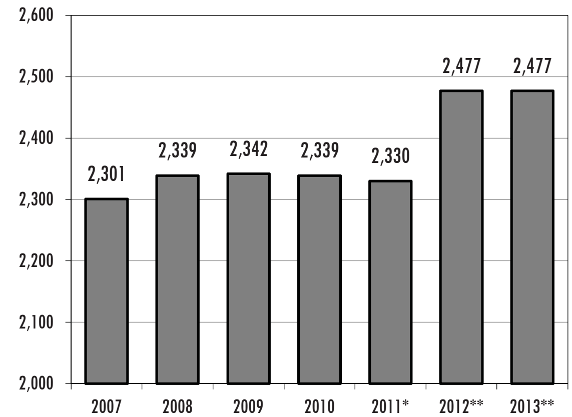
MENTAL HEALTH STATE HOSPITALS

Nine state-operated mental health hospitals (located in Austin, Big Spring, El Paso, Harlingen, Kerrville, Rusk, San Antonio, Terrell, Vernon–Wichita Falls), and one state-owned inpatient residential treatment facility for adolescents located in Waco comprise the state's mental health state hospital system. This system provides inpatient hospitalization and general psychiatric services for persons with severe mental illness who require intensive treatment. Individuals needing specialized short-term or long-term care can receive services such as therapeutic programming and skills building to reduce acute symptoms and restore their ability to function in the community. Specialized services for older adults with dual diagnoses of mental illness and mental retardation are also available. One of these facilities, the Rio Grande State Center, provides both inpatient and community-based services. DSHS contracts with the Department of Aging and Disability Services (DADS) to provide mental retardation services to DADS clients at the Rio Grande State Center.

Three specialized mental health programs have statewide service areas: (1) Austin State Hospital operates a program for persons who are both deaf and mentally ill; (2) the Vernon campus of the North Texas State Hospital provides maximum-security services for forensic patients; and (3) the Waco Center for Youth offers residential treatment services for persons ages 13 to 17.

Appropriations for the 2012–13 biennium total $783.4 million in All Funds and 7,594.1 FTE positions. Of the appropriated amount, $626.0 million, or 79.9 percent, is General Revenue Funds. Appropriations include funds to maintain the targeted fiscal year 2012 bed capacity of 2,477 and $5.0 million in General Revenue Funds to provide market-level salaries for state psychiatrists. In addition, $13.2 million in General Obligation bonds (Other Funds) was appropriated to fund the capital repair and renovation of the state mental health hospitals. **Figure 169** shows the average daily census of state mental health facilities from fiscal years 2007 to 2013.

FIGURE 169
AVERAGE DAILY CENSUS OF STATE MENTAL HEALTH FACILITIES
FISCAL YEARS 2007 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Source: Department of State Health Services.

FUNDING FOR MENTAL HEALTH COMMUNITY HOSPITALS

The Mental Health Community Hospitals support inpatient services at five psychiatric hospitals located in Houston, Galveston, Lubbock, Kerrville, and Conroe (Montgomery County). These hospitals are generally operated in conjunction with a teaching hospital and major university medical school. Funds are primarily allocated to the community hospitals through performance contracts with local mental health authorities. Biennial appropriations total $107.4 million in General Revenue Funds. This General Revenue Funding amount is $47.2 million, or 78.3 percent more than the 2010–11 biennial spending level primarily due to a $22.5 million increase to annualize new capacity at the Montgomery County Mental Health Treatment Facility; a $9.9 million appropriation to increase forensic patient capacity in Harris County; and a $9.0 million increase for ongoing hospital operations.

CONSUMER PROTECTION SERVICES

The Consumer Protection Services goal includes public health efforts related to ensuring food and drug safety, minimizing environmental hazards, licensing healthcare professionals and facilities, and regulating activities related to radiation. Funding for consumer protection is largely generated through fee revenue deposited to the General Revenue Fund or to specific General Revenue–Dedicated accounts. Appropriations for Consumer Protection Services for the 2012–13 biennium total $120.9 million in All Funds, which includes $97.0 million in General Revenue Funds and General Revenue–Dedicated Funds. Food, meat, and drug safety activities include inspecting and monitoring foods, drugs, medical devices, cosmetics, shellfish-growing areas and processing plants, facilities that produce milk and milk products, and certain public school cafeterias. In addition, the agency inspects retail food establishments in counties with no local health authority. DSHS is also responsible for ensuring that all meat and poultry processed in Texas for consumption is derived from healthy animals, is slaughtered and prepared in a sanitary manner, has no harmful ingredients added, and is truthfully packaged and labeled. Food, meat, and drug safety appropriations total $49.0 million in All Funds for the 2012–13 biennium, which includes $39.1 million in General Revenue Funds and General

Revenue–Dedicated Funds, and 461.4 FTE positions. This All Funds appropriation is $5.2 million, or 9.6 percent, less than the 2010–11 biennial spending level.

Environmental health includes investigating public health nuisances in counties with no local health authority and providing technical assistance to local health agencies. DSHS also regulates youth camps and public health pesticide applicators and responds to complaints and concerns regarding asbestos, lead, and mold in public buildings, chemical hazards, and indoor air quality. Environmental health appropriations for the 2012–13 biennium total $16.0 million in All Funds, which includes $14.5 million in General Revenue Funds and General Revenue–Dedicated Funds, and 150.9 FTE positions. This All Funds appropriation is $3.8 million, or 19.2 percent, less than the 2010–11 biennial spending level.

The agency has a primary role in radiation control. DSHS licenses radioactive materials, certifies x-ray, mammography, and laser equipment and facilities, provides emergency response for nuclear facilities, and licenses laser hair removal facilities and personnel. Radiation control appropriations for the 2012–13 biennium total $19.1 million in All Funds, which includes $18.3 million in General Revenue Funds and General Revenue–Dedicated Funds and 151.3 FTE positions. This All Funds appropriation is $4.6 million, or 19.5 percent, less than the 2010–11 biennial spending level.

To ensure that healthcare standards are met, the agency issues registrations, certifications, and permits for healthcare professionals and facilities and maintains registries on various healthcare professionals. Appropriations for the 2012–13 biennium for Health Care Professionals and Facilities total $34.5 million in All Funds, which includes $22.8 million in General Revenue Funds and General Revenue–Dedicated Funds, and 286.2 FTE positions. This All Funds appropriation for the two programs is $4.6 million, or 11.7 percent, less than the 2010–11 biennial spending level.

Applications and renewals for licenses for certain healthcare professionals and facilities are processed through TexasOnline, the official website for the state that provides access to state and local government agencies. DSHS was appropriated an estimated $2.3 million in General Revenue Funds and General Revenue–Dedicated Funds fees to pay for TexasOnline services in the 2012–13 biennium.

OFFICE OF VIOLENT SEX OFFENDER MANAGEMENT

The enactment of Senate Bill 166, Eighty-second Legislature, Regular Session, 2011, transfers the functions related to the sex offender civil commitment program that are currently performed by the Council on Sex Offender Treatment at DSHS to the Office of Violent Sex Offender Management (OVSOM). OVSOM is a new agency created by the legislation responsible for providing monitoring and treatment of civilly committed sex offenders. Senate Bill 166 specifies that DSHS will provide administrative support to assist OVSOM in carrying out these functions. Appropriations for the 2012–13 biennium for the treatment and supervision of sex offenders total $8.8 million in General Revenue Funds and include 19.5 FTE positions in fiscal year 2012 and 23.5.0 FTE positions in fiscal year 2013.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect DSHS. Among the more significant legislation are House Bill 3145, Senate Bill 81, Senate Bill 166, Senate Bill 662, Senate Bill 663, Senate Bill 80, and Senate Bill 969.

CONSUMER PROTECTION

The enactment of House Bill 3145 requires a surcharge of no more than $10 to the license or license renewal fee to fund approved peer assistance programs for chemical dependency counselors. It removes the requirement that a person must pass an verbal examination to be eligible for a chemical dependency counseling license, and modifies criminal history standards to reduce the maximum waiting period to register as a chemical dependency counselor intern from five to three years. Appropriations to DSHS for the 2012–13 biennium include $23,000 in each fiscal year in increased revenue resulting from the $10 surcharge.

The enactment of Senate Bill 81 allows DSHS to license all shippers of raw fruits and vegetables and allows DSHS to license packers and washers of raw fruits and vegetables if they are not operating at the location of the harvest. Appropriations to DSHS for the 2012–13 biennium include an increase of $535,500 in General Revenue Dedicated–Funds (Food and Drug Account No. 5024) for fiscal year 2013 generated from licensing fees for this function.

The legislation also requires DSHS to approve food safety best practice education programs for businesses licensed under the chapter and define "baked good" and "cottage food production operation;" it clarifies that a cottage food production is not a food service establishment and that local health departments cannot regulate these operations. However, DSHS and each local health department must maintain a record of complaints made against cottage food production operations. The legislation allows DSHS or a local health department to issue a temporary food establishment permit to a person selling food at a farmers' market. The permit may be valid for up to one year and renewed upon expiration.

OFFICE OF VIOLENT SEX OFFENDER MANAGEMENT

The enactment of Senate Bill 166 transfers the functions, obligations, property, full-time equivalents positions, performance measures, rights, powers and duties related to the sex offender civil commitment program that are currently performed by the Council on Sex Offender Treatment at DSHS to the Office of Violent Sex Offender Management (OVSOM), a new agency established by the legislation that will be responsible for providing monitoring and treatment of civilly committed sex offenders. OVSOM is included in the appropriations for DSHS. Senate Bill 166 specifies that DSHS will provide administrative support to carry out these functions.

SUNSET BILLS

The enactment of Senate Bill 662 continues the State Board of Examiners for Speech-Language Pathology and Audiology, a governor-appointed independent licensing board that is administratively attached to DSHS, for six years. It requires adoption of joint rules for hearing instrument sales with the State Committee of Examiners in the Fitting and Dispensing of Hearing Instruments. The legislation aligns key elements of the board's licensing and regulatory functions with common licensing standards including criminal history checks. It also updates and applies standard Sunset across-the-board recommendations.

The enactment of Senate Bill 663 continues the State Committee of Examiners in the Fitting and Dispensing of Hearing Instruments, a governor-appointed independent licensing board that is administratively attached to DSHS, for six years. The bill contains a number of Sunset Advisory Commission recommendations on the committee including updates relating to the committee's membership and operational structure to meet Sunset model licensing standards regarding eligibility of public members; prohibitions on committee members; governor designation of the presiding officer; grounds for removal; and a training program for committee members.

LABORATORY SERVICES

The enactment of Senate Bill 80 requires DSHS to implement the State Auditor's Office (SAO) recommendations outlined in the SAO's 2010 report, "An Audit Report on the Department of State Health Services Public Health Laboratories." The legislation requires DSHS to submit a progress report on the implementation of these recommendations to the Governor, the Lieutenant Governor, the Speaker, and the Legislature by September 1, 2012.

PUBLIC HEALTH ADVISORY COMMITTEE

The enactment of Senate Bill 969 requires the Commissioner of State Health Services to establish the Public Health Funding and Policy Advisory Committee. The advisory committee is charged with defining the core public health services a local health entity should provide and evaluating public health in the state and areas that need improvement. The advisory committee is also charged with identifying funding available to perform these functions, and making recommendations to DSHS on the use and allocation of funding available to local health entities to perform these services and ways to improve the overall public health of the state. The legislation requires DSHS to submit an annual report with the Governor, Lieutenant Governor and Speaker that details the implementation of the advisory committee's recommendations.

HEALTH AND HUMAN SERVICES COMMISSION

The Health and Human Services Commission (HHSC) was established in 1991 by the Seventy-second Legislature to provide the leadership and innovation needed to achieve an efficient and effective health and human services system for Texans. By statute, the agency must ensure the delivery of health services, coordinate programs among the agencies under its jurisdiction, review agency-proposed rules, issue a six-year Strategic Plan with updates every two years, submit a consolidated budget recommendation to the Legislature for agency appropriations, coordinate caseload estimates, settle interagency disputes, and perform other duties as warranted. HHSC has oversight responsibilities for each of the following four agencies:

- Department of Aging and Disability Services (DADS);
- Department of State Health Services (DSHS);
- Department of Family and Protective Services (DFPS); and
- Department of Assistive and Rehabilitative Services (DARS).

The agency is governed by the Executive Commissioner of Health and Human Services, who is appointed by the Governor with the advice and consent of the Senate for a two-year term. The Executive Commissioner exercises broad powers, including final approval of rules for each agency, appointment of agency commissioners (with approval of the Governor), and authority to request funding and transfers of full-time-equivalent (FTE) positions between agencies. In some instances, these transfers are considered approved if not disapproved within a certain time specified in the General Appropriations Act (GAA).

The appropriations to HHSC are comprised of a number of different funding sources. These include funds associated with federal programs, such as Medicaid, Temporary Assistance for Needy Families (TANF), Children's Health Insurance Program (CHIP), Supplemental Nutritional Assistance Program (SNAP/Food Stamps), Family Violence Prevention, and others. State funds are required as a match or maintenance of effort for different federal funds. For example, the Medicaid program typically requires the state to fund approximately 40 percent of the expenditures for direct services, and the CHIP program requires approximately 28 percent state participation. The TANF grant requires the state to maintain state expenditures at $235.7 million per year if the state meets federal work participation standards.

FUNDING FOR THE 2012–13 BIENNIUM

Appropriations to HHSC for the 2012–13 biennium total $34.8 billion in All Funds and provide for 12,370.2 FTE positions in fiscal year 2012 and 12,353.7 FTE positions in fiscal year 2013. Federal Funds comprise $19.8 billion, or 57.1 percent of funding. General Revenue Funds comprise $14.3 billion, or 41.1 percent of funding, and include $867.4 million from Tobacco Settlement receipts, which are statutorily dedicated for children's health services. General Revenue–Dedicated Funds and Other Funds comprise the remaining 1.9 percent of funding. Appropriation levels for the biennium assume that HHSC will have a supplemental funding need in fiscal year 2013 of approximately $3.1 billion in General Revenue Funds in order to provide Medicaid services to the anticipated eligible and enrolled population.

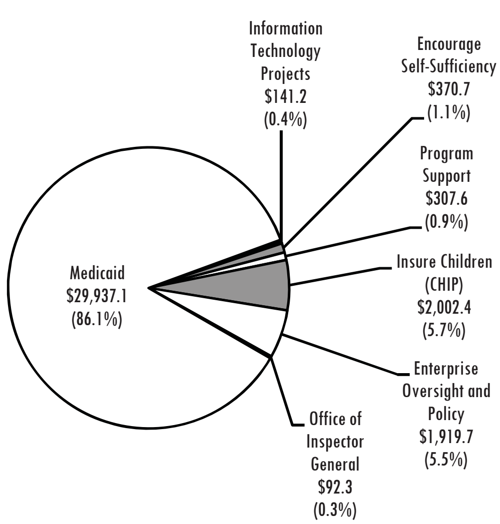
The Eighty-second Legislature undertook several fiscal and policy changes for the 2012–13 biennium. The following lists the more significant changes:

- adoption of cost-containment initiatives in the Medicaid and CHIP programs estimated to save $5.2 billion in All Funds, including $2.2 billion in General Revenue Funds;
- decreases in certain provider rates in the Medicaid and CHIP programs totaling $1.3 billion in All Funds, including $556.3 million in General Revenue Funds;
- underfunding the Medicaid Acute Care Program by an estimated $3.1 billion in General Revenue Funds;
- expansion across the state of the managed care model for the provision of Medicaid services, including "carving in" to managed care premiums certain services that were previously fee-for-service only, such as hospital inpatient care, vendor drug services, and dental services (expansion is estimated to result in a net savings of $385.7 million in General Revenue Funds in Article II of the 2012–13 General Appropriations Act (GAA));
- increases staffing by 93.0 positions and funding by $89.6 million in All Funds, including $44.5 million in General Revenue Funds, for eligibility determination and related support services costs;

- maintenance of family violence prevention programs through the use of $8.1 million in the Compensation to Victims of Crime General–Revenue Dedicated Fund;
- increases in funding for the Alternatives to Abortion grant program; and
- elimination of or reductions to a variety of grant programs.

HHSC's four primary goals are to: (1) provide oversight of the health and human services enterprise to improve the delivery of health and human services; (2) improve the efficiency and effectiveness of the state Medicaid program, in part by developing a comprehensive approach to the provision of Medicaid healthcare services to eligible clients; (3) insure children whose family income is above Medicaid standards, but not higher than 200 percent of the federal poverty level (FPL); and (4) encourage and promote self-sufficiency, safety, and long-term independence for families. A fifth goal relates to program support (indirect administration), a sixth goal includes information technology systems, and a seventh goal relates to the health and human services Office of Inspector General. **Figure 170** shows the agency funding by goal.

FIGURE 170
HEALTH AND HUMAN SERVICES COMMISSION, APPROPRIATIONS BY GOAL, 2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

ENTERPRISE OVERSIGHT AND POLICY

HHSC seeks to accomplish its first goal by improving business operations of health and human service agencies to maximize Federal Funds, improving efficiency in system operations, improving accountability and coordination through the system, and ensuring the timely and accurate provision of eligibility determination services for all individuals in need of Health and Human Services System programs. This goal has approximately 10,325.3 FTE positions per fiscal year.

HHSC has centralized financial policy for all the health and human services agencies under Enterprise Oversight and Policy. Biennial funding for this function totals $87.0 million in All Funds, including $29.5 million in General Revenue Funds. The agency conducts all rate-setting activities for Medicaid, CHIP, and foster care. It also coordinates projects and initiatives to improve the delivery of health and human services through this strategy. For example, HHSC manages enterprise-wide capital budget projects, including compliance with Federal Health Insurance Portability and Accountability Act regulations, telecommunications management services, and a data warehouse. Through a federally approved cost-allocation plan, HHSC bills the other health and human services agencies for their share of costs of the system-wide projects, but the capital authority for these projects resides solely at HHSC. Other programs in this strategy include the Office for Prevention of Developmental Disabilities, Umbilical Cord Blood Bank grant program, the Center for Elimination of Disproportionality and Disparities, the Nurse Family Partnership Program, and other projects. State funding totaling $12.2 million in General Revenue Funds was reduced or eliminated for most HHSC grant programs. For example, state funding was eliminated for the Guardianship Program for the 2012–13 biennium. For some grant programs that are appropriated other sources of revenue, such as the Traumatic Brain Injury Program and the Healthy Marriage Program, all state funding was reduced leaving only Federal Funds. The ability to maintain these now federally funded programs varies depending on the amount of state funding eliminated and the share of federal funding remaining.

The second function within this goal is Integrated Eligibility and Enrollment. Biennial funding totals $1,632.7 million in All Funds, including $752.8 million in General Revenue Funds. The function encompasses eligibility determination policy and support for various programs, including acute and long-term care Medicaid, TANF (cash assistance), SNAP, and CHIP. It also includes outreach and application assistance for SNAP, Medicaid, and CHIP; nutrition education; the 2-1-1 Texas Information and Referral Network; maintenance of the Texas Integrated Eligibility Redesign System and legacy eligibility automation applications; managed care enrollment; and issuance of SNAP and TANF benefits through electronic benefit cards. The Eighty-second Legislature increased the FTE cap by 93.0 positions and funding by $89.6 million in All Funds, including $44.5 million in General Revenue Funds, for eligibility determination and related support services costs. During the 2010–11 biennium, HHSC made improvements in the timeliness of the eligibility determination process and will receive bonus funding from the federal government for these improvements. HHSC is directed in the 2012–13 GAA to allocate these bonus funds for a nutrition education and outreach program and for bonuses to staff whose efforts directly contributed to meeting the performance standards.

The third function in this goal is Consolidated System Support. Biennial funding totals $200.0 million in All Funds, including $32.4 million in General Revenue Funds. This function includes services that have been consolidated at HHSC to obtain efficiencies in business support functions and eliminate overlap among health and human services agencies, such as human resources, civil rights, and support services for regional offices. It also includes services that are not centralized, but are coordinated by HHSC, such as information technology, procurement, ombudsman services, and others. The agency also maintains the Health and Human Services Administrative System, an integrated financial and human resources software package known as PeopleSoft, on behalf of all the health and human services agencies. The Eighty-second Legislature provided authority for HHSC to carry forward any unexpended balances related to funding the PeopleSoft software upgrades.

TEXAS MEDICAID PROGRAM

HHSC's second goal addresses the Title XIX Medicaid program of the federal Social Security Act. Medicaid is a jointly funded federal–state program that provides health insurance and other services primarily to low-income families, non-disabled children, related caretakers of dependent children, pregnant women, the elderly, and people with disabilities. The federal government contributes to the cost of Medicaid according to a match rate, or Federal Medical Assistance Percentage (FMAP), which is based on a comparison of the state's three-year average per capita income to the national per capita income. The FMAP is higher in states with lower per capita incomes. The FMAP determines the proportion of Medicaid expenditures that is paid by the federal government.

The FMAP for client services in Texas is 58.42 percent for state fiscal year 2012 and 59.21 for state fiscal year 2013. The fiscal year 2013 FMAP is an update to that assumed in the GAA; it has been updated because the estimated three-year average per capita income in Texas as compared to the national per capita income has declined. **Figure 136** shows the FMAP levels from fiscal years 2008 to 2013; the FMAP for the 2012–13 biennium is significantly lower than during the 2010–11 biennium due to the end of the temporary increase provided by the federal American Recovery and Reinvestment Act of 2009 (ARRA). Different federal matching rates are applied for other types of Medicaid-related expenditures, such as certain information technology projects (90 percent), family planning services (90 percent), skilled medical professional services (75 percent), and administrative functions (50 percent).

As the single state agency designated to administer federal funds for medical assistance (Medicaid), HHSC must plan and direct the Medicaid program in each agency that operates a portion of the program. In administering this function, the agency has the following responsibilities:

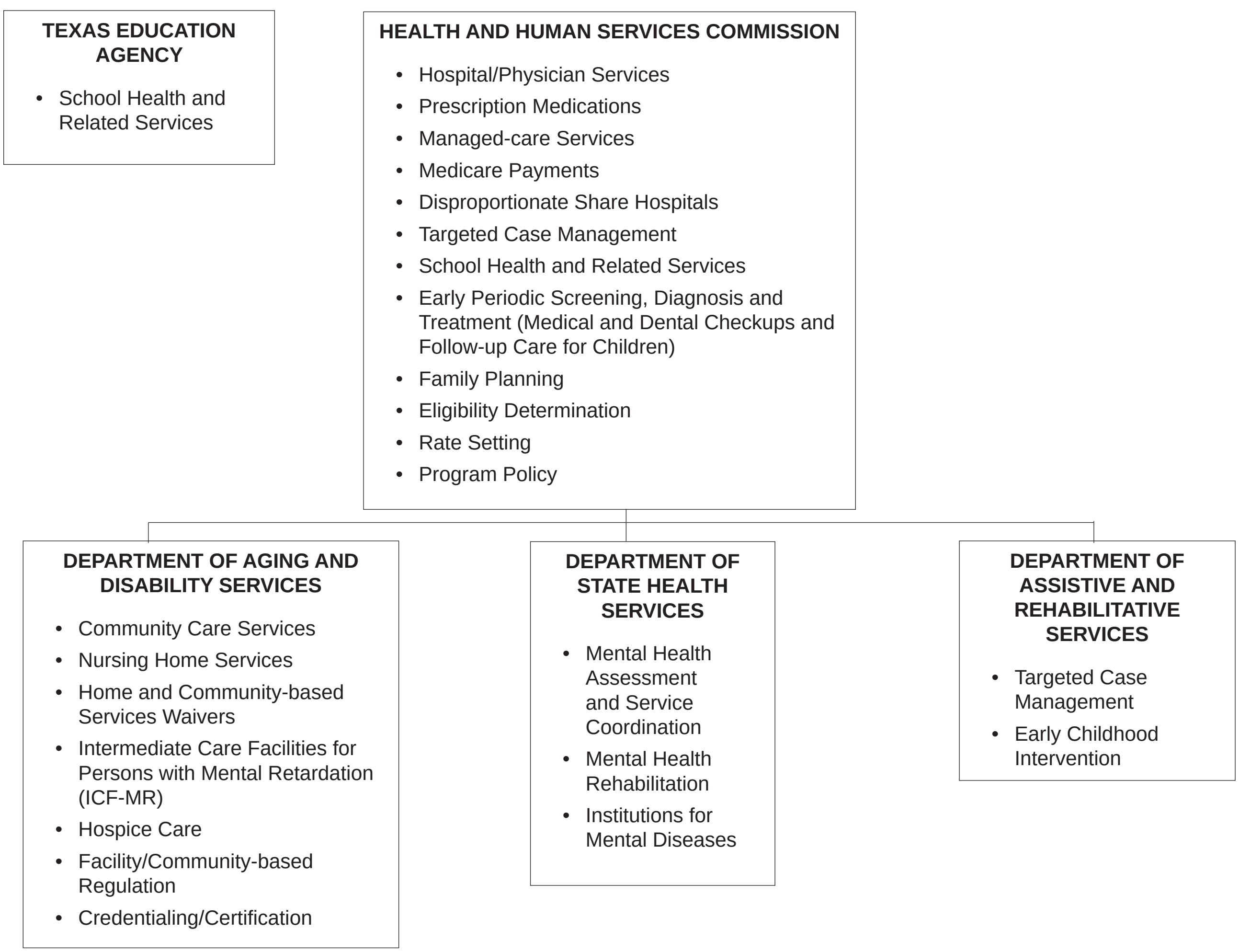
- serving as the primary point of contact with the federal government;
- establishing agreements with other state agencies to carry out technical operations and service delivery for the Medicaid program;
- overseeing Medicaid policies, rules, and operations carried out by the Medicaid operating agencies;
- overseeing and monitoring the Medicaid budget;
- evaluating and monitoring Medicaid programs;
- administering the Medicaid state plan;
- initiating and coordinating opportunities to maximize federal funding;
- facilitating the federally mandated Medical Care Advisory Committee;
- establishing Medicaid reimbursement rates; and
- designing Medicaid managed-care systems.

MEDICAID PROGRAM STRUCTURE

Pursuant to enactment of legislation passed by the Seventy-eighth Legislature, Regular Session, 2003, five state agencies have primary responsibility for the delivery of services for the Texas Medicaid program (**Figure 171**):

- HHSC provides premium-based services, primarily hospital and physician services; outpatient prescription drugs; Medicare premiums, deductibles, and copayments for certain clients; targeted case-management for high-risk pregnancies; family planning; medical transportation; and managed care. The agency also provides medical and dental checkups with needed follow-up care through the Texas Health Steps Program, formerly known as the Early Periodic Screening Diagnosis and Treatment program.
- DSHS provides mental health assessment and service coordination, rehabilitation services, and institutions for mental disease (mental health hospitals).
- DADS provides nursing home payments; community care services, including waivers from nursing home services; client functional eligibility determination; intermediate care facilities for persons with mental retardation; home and community-based waivers; hospice care; and regulation of long-term care facilities.
- DARS provides targeted case management and early childhood intervention.
- The Texas Education Agency coordinates the School Health and Related Services Program.

FIGURE 171
MEDICAID ORGANIZATION IN TEXAS
2012–13 BIENNIUM



SOURCES: Legislative Budget Board; Health and Human Services Commission.

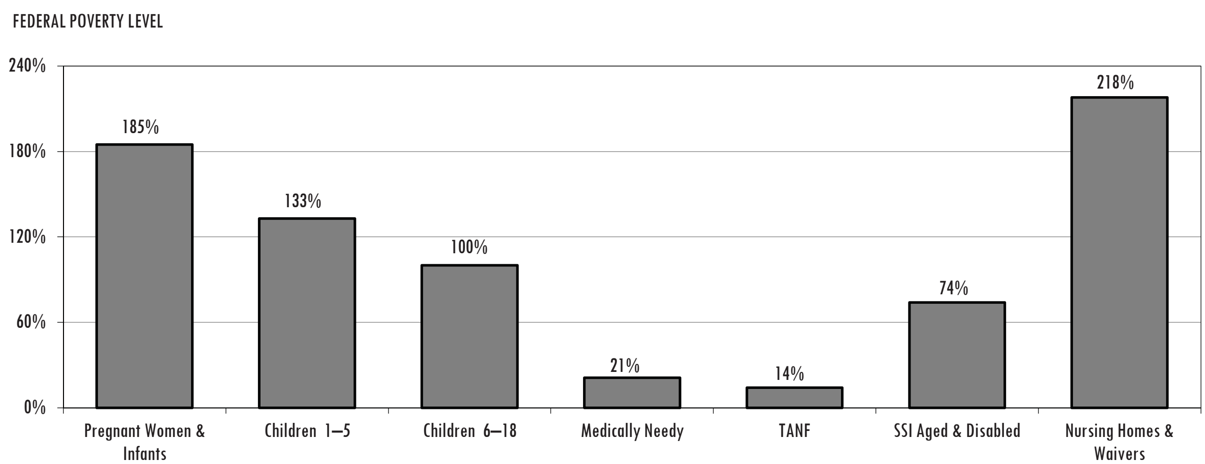
MEDICAID ELIGIBILITY

Healthcare services are provided for certain client groups under Medicaid. Eligibility is based primarily on income and age, and eligible persons include the following groups:

- impoverished persons eligible for TANF cash assistance and disabled persons eligible for Supplemental Security Income (SSI);
- persons receiving medical assistance only (low-income persons residing in institutions who would qualify for SSI except for certain income requirements);
- children up to age 19 whose families would qualify for TANF;
- children ages 6 through 18 living in families with incomes below 100 percent of the FPL ($18,530 for a family of three);
- children ages one through five whose families earn up to 133 percent of the FPL ($24,645 for a family of three);
- pregnant women in families with incomes up to 185 percent of the FPL;
- newborns born to a mother eligible for and receiving Medicaid at the time of birth, subsequently eligible, or eligible for and receiving benefits through the CHIP perinatal program, through the month of the child's first birthday, with incomes up to 185 percent of the FPL;
- medically needy children and pregnant women whose family income is spent down to qualifying eligibility levels because of medical expenses;
- Medicare beneficiaries who are also eligible for Medicaid (dual eligibles);
- certain persons with disabilities who pay a premium to buy into the Medicaid program; and
- foster care/adoption related groups such as:
    - children through age 17 who are in the conservatorship of DFPS or are the subject of an adoption assistance agreement;
    - youth through age 19 who live in paid foster care settings and are enrolled in an approved educational or vocational program; and
    - youth through age 20 who were in foster care on their eighteenth birthday or later, with incomes no greater than 400 percent of the FPL.

Figure 135 shows the 2011 FPL guidelines by size of family unit. Resource limits related to real and personal property also apply to certain client groups. **Figure 172** shows the percentage of the FPL at which various categories of clients receive Medicaid eligibility. Documented immigrants who have resided in the U.S. for less than five years are ineligible for any means-tested, federally funded programs, including CHIP and Medicaid. However, the Child Health Insurance Program Reauthorization Act of 2009 allows states to remove

FIGURE 172
MEDICAID ELIGIBILITY LEVELS IN TEXAS, FISCAL YEAR 2012



Notes: Federal poverty level for a family of three is $18,530 for calendar year 2011. Nursing home clients must contribute all income, except a $60 personal needs allowance, toward the cost of care. Represents net income after allowable deductions. Certain youth in foster care/adoption settings are covered up to age 21.
Source: Health and Human Services Commission.

the waiting period for CHIP. Under this circumstance, and due to the interaction with state law, documented immigrants must be covered under Medicaid as well. Therefore, matching federal CHIP funds are assumed for 2012–13 for eligible documented immigrants.

Individuals can also receive assistance under Supplemental Medical Insurance Benefits, which are payments for Title XVIII (Medicare) Part A and Part B premiums of eligible persons with disabilities and eligible persons age 65 and older. Additionally, the agency pays the deductibles and coinsurance liabilities for qualified Medicare beneficiaries who meet certain income limits and who have resources no more than twice the limits for the SSI program.

The federal Patient Protection and Affordable Care Act of 2010 contains a maintenance of eligibility requirement for the states. The Eighty-second Legislature maintained the existing eligibility criteria for the Medicaid and CHIP programs.

MEDICAID ACUTE CARE OPERATIONS

Appropriations for the Medicaid goal total $29.9 billion for the 2012–13 biennium, which is 86.1 percent of total agency appropriations. The Medicaid goal includes $12.6 billion in General Revenue Funds, or 42.1 percent of Medicaid funding. This amount includes $297.5 million in General Revenue Funds from Tobacco Settlement receipts. FTE positions for the goal total 667.8 in each fiscal year. Funding levels assume HHSC will achieve a variety of cost saving initiatives, certain provider rate reductions, and the expansion of the managed care model of the provision of services. In addition, appropriation levels in the 2012–13 GAA underfund Medicaid acute care by an estimated $3.1 billion in General Revenue Funds for fiscal year 2013. This underfunding estimate assumes that HHSC will achieve most of the cost-containment initiatives included in the GAA and the impact of the recently updated, more favorable FMAP for fiscal year 2013.

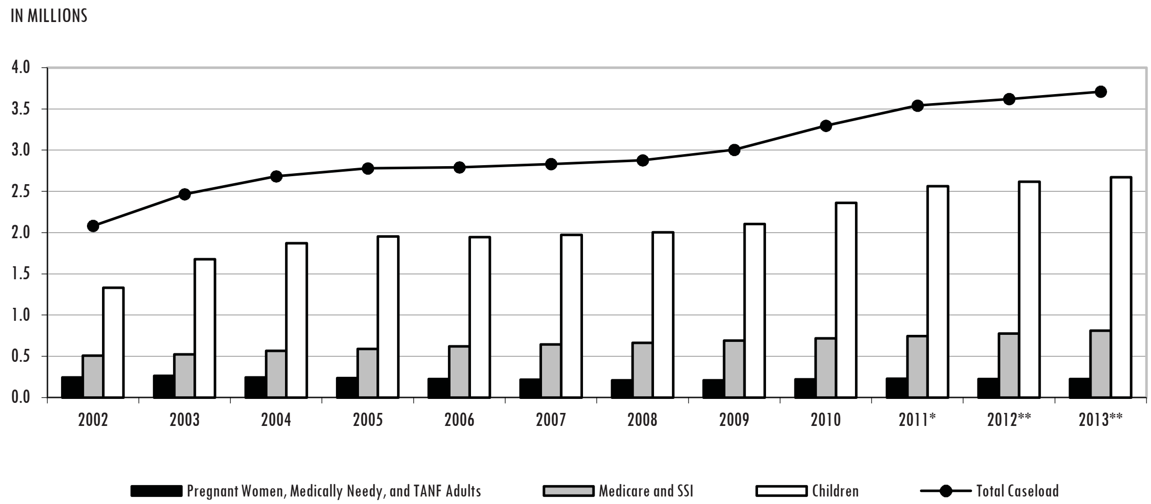
The cost containment initiatives included in the 2012–13 GAA are directed by HHSC Rider 61 and Article II, Special Provisions for all Health and Human Services Agencies, Section 17. The initiatives include items such as developing more appropriate reimbursement rates for non-emergency services provided in the emergency department of a hospital, reducing costs for durable medical equipment and laboratory services, statewide monitoring of community care through telephony, increasing the detection of fraud, waste and abuse, and reducing the administrative portions of managed care premiums. Total savings from cost containment initiatives assumed in the GAA are $3.5 billion in All Funds, including $1.5 billion in General Revenue Funds. Rider 59 in the HHSC bill pattern directs the agency to pursue more flexibility from the federal government for determining eligibility criteria, benefit packages, funding streams, and increased federal funding for certain groups receiving benefits; appropriations are reduced by $700.0 million in General Revenue Funds in anticipation of more federal flexibility. Article II Special Provisions, Section 16, describes rate reductions for certain acute care Medicaid and CHIP provider groups, estimated to total $1.3 billion in All Funds, including $556.3 million in General Revenue Funds.

HHSC provides a range of acute care services. Federally required healthcare services include inpatient and outpatient hospital services, physician services, laboratory and x-ray services, certified nurse-midwife services, certified family nurse-practitioners, rural health clinic services, and federally qualified health center services. HHSC also provides a number of services that are approved, but not required, by the federal government: medically necessary prescription drugs, birthing center services, and maternity clinic services. HHSC has discretion to incorporate reductions or limits in some of these optional services as part of the cost containment initiatives. In addition, the Medicaid program pays for health services provided to undocumented persons receiving emergency care.

As shown in **Figure 173**, overall Medicaid acute care caseloads have increased since fiscal year 2002, with a significant increase in fiscal year 2003. Caseload growth slowed during the 2004–05 biennium, due in part to policy changes passed by the Seventy-eighth Legislature, 2003, which included elimination of certain optional services. Although these services were restored, growth remained low from fiscal years 2006 to 2008. The Frew expenditure plan for rate adjustments and a corrective action plan (a result of the Frew v. Hawkins lawsuit that alleged the state was not providing sufficient services to certain children recipients of Medicaid) appears to have driven an increase in children's caseloads starting in 2009. Growth is also the result of the recent economic downturn. Caseloads are estimated to continue to increase during the 2012–13 biennium.

The Medicaid goal is divided into four objectives: (1) Medicaid Health Services; (2) Other Medicaid Services; (3) Special Services for Children; and (4) Medicaid Support. The first objective under the Medicaid goal addresses the

FIGURE 173
MEDICAID ACUTE CARE CASELOADS
FISCAL YEARS 2002 TO 2013



*Estimated.
**Target established in the General Appropriations Act, 2012–13 Biennium.
Sources: Legislative Budget Board; Health and Human Services Commission.

delivery of Medicaid acute care and certain long-term care health services.

The Medicaid Health Services objective includes the following:

- Medicare and SSI;
- TANF Adults and Children;
- Pregnant Women;
- Children and Medically Needy;
- Medicare Payments; and
- STAR+PLUS (Integrated Managed Care).

These provide payments to physicians, hospitals, and managed care entities for health services. The objective also includes payments for Medicare premiums and cost-sharing for eligible Medicaid recipients. Funding for these six functions for the 2012–13 biennium totals $19.7 billion, including $8.1 billion in General Revenue Funds. FTE positions total 200.2 for each fiscal year.

The Other Medicaid Services objective include the following:

- Cost-reimbursed Services;
- Medicaid Vendor Drug Program;
- Medical Transportation;
- Medicaid Family Planning; and
- Upper Payment Limit.

These provide funding for Medicaid health services that are cost-reimbursed, for prescription drug expenditures, for transportation of certain clients to doctor appointments, for family planning services, and to make upper payment limit (UPL) payments to children's hospitals. The children's hospitals UPL program has historically been funded with General Revenue Funds; appropriations for the program, totaling $25.0 million in General Revenue Funds, were eliminated by the Eighty-second Legislature. HHSC Rider 60 authorizes the agency to transfer General Revenue Funds from another Medicaid strategy in the event a children's hospital is unable to join a network of other area hospitals in order to continue participation in the UPL program.

The state's Vendor Drug Program contracts with pharmacies to provide prescription drugs to Medicaid recipients. The program collects rebates from drug manufacturers as negotiated by the federal government and began collecting supplemental rebates in 2004 through manufacturers' participation in the preferred drug list initiative authorized by legislation passed by the Seventy-eighth Legislature, Regular Session, 2003. The Vendor Drug program will transition to a managed care model during the 2012–13 biennium. Prescription drug benefits will be provided through managed care organizations and the costs will be included in a set fee HHSC pays per person enrolled, called a capitated rate.

Included in the Vendor Drug Program is the Medicare Give Back Provision (also referred to as "clawback"). This is the phased-down state contributions to the federal government for prescription drug expenses of Medicaid clients who are dually eligible for Medicare. This prescription drug program is known as Part D of the 2003 Medicare Modernization Act.

Legislation from the Eightieth Legislature, 2007, transferred the medical transportation program, funding, and FTE positions to HHSC during the 2008–09 biennium. The Eighty-second Legislature directed HHSC to pursue new models for operating the program as a cost-containment initiative. HHSC is looking into including medical transportation in a capitated rate with managed care organizations, pursuing a brokerage model across the state, or seeking a waiver for other medical transportation initiatives. Funding for the Other Medicaid Services objective for the 2012–13 biennium totals $6.3 billion in All Funds, including $2.8 billion in General Revenue Funds. FTE positions total 406.4 for each fiscal year.

The Special Services for Children objective includes the following:

- Health Steps Medical;
- Health Steps Dental; and
- Health Steps Comprehensive Care.

These strategies provide funding for the Early and Periodic Screening, Diagnosis, and Treatment program, known in Texas as Texas Health Steps. These are medical, dental, and other services (i.e., case management, durable medical equipment, private nursing, and therapies) that are provided to eligible children. The program provides any medically necessary and appropriate healthcare service covered by Medicaid. Funding for the Special Services for Children objective for the 2012–13 biennium totals $3.9 billion in All Funds, including $1.6 billion in General Revenue Funds. FTE positions total 32.2 for each fiscal year. These functions will be included in the transition to the managed care model of services during the 2012–13 biennium. However, enrollment with a managed care organization is optional for certain children.

STATE MEDICAID OFFICE

Many of the agency's Medicaid-related responsibilities are achieved through the State Medicaid Office, which resides in objective four, Medicaid Support. Biennial funding totals $63.8 million, including $2.5 million in General Revenue Funds, and provides for 29.0 FTE positions in each fiscal year. Important areas overseen by the State Medicaid Office include eligibility policy, program structure and expenditures, and managed care.

MANAGED CARE

Managed care refers to a system of healthcare reimbursements in which a physician is paid by a health maintenance organization (HMO), or similar entity, for providing a package of services to a recipient. HHSC pays the HMO a monthly premium to finance and coordinate the services delivered. Fee-for-service reimbursement is the traditional healthcare payment system, under which providers receive a payment for each unit of service they provide.

During the Eighty-second legislative session, HHSC requested authority to expand the managed care model for the provision of Medicaid services. HHSC proposed six initiatives and estimated the expansion of managed care would reduce Medicaid program costs. The estimated savings to the state for the managed care expansion is $385.6 million in General Revenue Funds for the biennium. The Legislature directed HHSC to pursue the expansion; HHSC has submitted a 1115 Waiver application to the federal government that includes the expansion proposal. The six initiatives are:

1. expand the STAR and STAR+PLUS managed care programs in urban counties and those counties contiguous to existing service areas;
2. expand the STAR managed care program into 164 rural counties in the Medicaid rural service area (MRSA), previously served through Primary Care Case Management (PCCM);
3. expand STAR and STAR+PLUS managed care program to ten counties in the Hidalgo Service area of South Texas;
4. capitate Medicaid dental services for children;
5. carve into the managed care premiums for STAR and STAR+PLUS the previously carved-out inpatient hospital services; and

6. carve prescription drug benefit into the managed care premiums in Medicaid and CHIP.

Figure 174 shows the areas of managed care services under the proposed expansion. HHSC has administrative oversight of the following managed care programs:

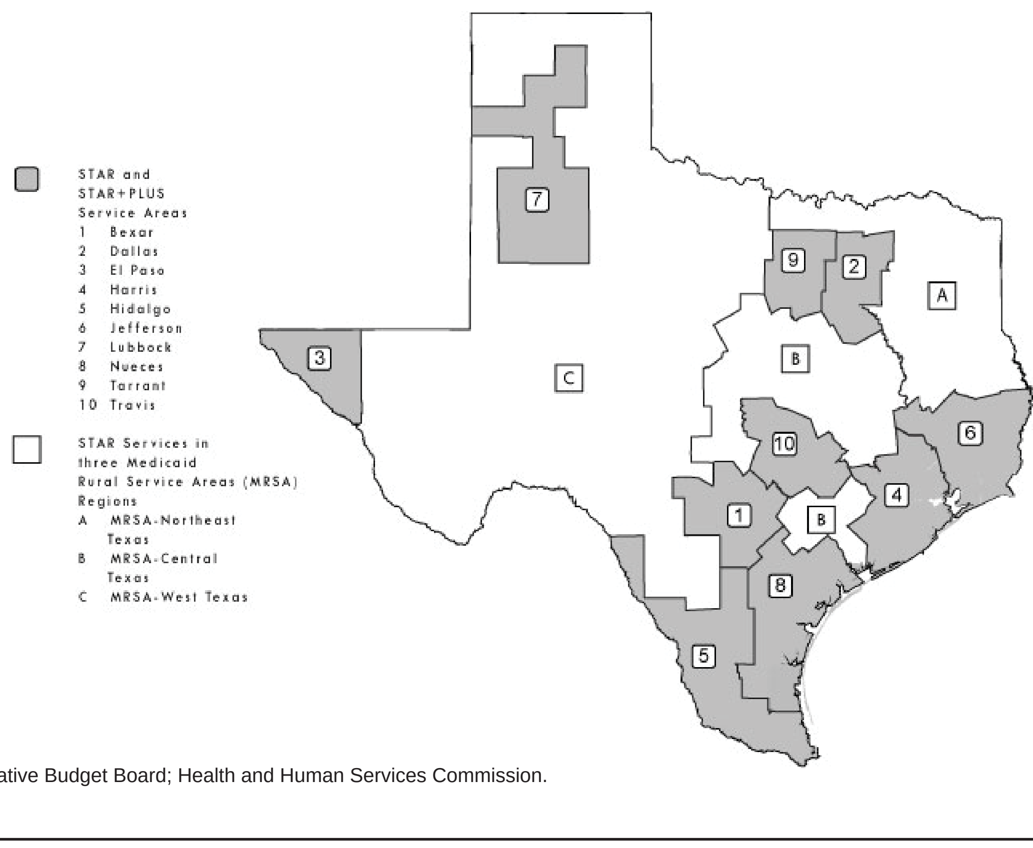
STATE OF TEXAS ACCESS REFORM (STAR) PROGRAM

The State Medicaid Office coordinates implementation of Medicaid initiatives such as managed care. Under a managed-care delivery system, the overall care of a patient is overseen by a single provider or organization (HMO) to improve medical access and quality while holding down costs. In 1993, Texas began a managed-care pilot for acute care health services, known as the State of Texas Access Reform (STAR) Program. In subsequent years, Texas incrementally expanded the STAR Program to most urban areas. It serves primarily women and children who are eligible for Medicaid services due to their family income level. Two managed care models, HMO and PCCM, deliver the services. PCCM is a network of providers and hospitals administered by HHSC that provide case management of the recipient's care in a non-managed care area for a flat monthly fee. A fee-for-service type of arrangement pays for the medical services. Beginning in March 2012, PCCM will be withdrawn from the rural areas of the state as STAR is expanded to the MRSAs.

STAR+PLUS PROGRAM

Health and human services agencies implemented the STAR+PLUS model in Houston in 1997. This program integrates acute care and long-term care (community care and nursing facility care) into one service-delivery system through managed care. The model covers physician services plus community-based care and nursing home care under a single capitated payment; beginning in March 2012, hospital services will also be included in the capitated payment. In addition to the standard package of Medicaid benefits for the aged and those with disabilities, participants in the project have access to unlimited medically necessary prescriptions. HHSC expanded the STAR+PLUS model to Bexar, Nueces, Travis, and Harris-contiguous counties during fiscal year 2007 and to Dallas and Tarrant counties during fiscal year 2011. As part of the managed care expansion initiatives, HHSC will expand the STAR+PLUS model to urban and

FIGURE 174
MANAGED CARE SERVICE AREAS UNDER PROPOSED 1115 WAIVER



Sources: Legislative Budget Board; Health and Human Services Commission.

contiguous counties in September 2011 and to South Texas counties in March 2012.

NORTHSTAR PROGRAM

HHSC oversees the integration of behavioral health and substance abuse services in an initiative known as the NorthSTAR project. It is operated by the DSHS and is intended to integrate publicly funded systems of mental health and chemical dependency services. NorthSTAR was implemented in the Dallas service area in July 1999 and currently operates in Dallas and contiguous counties. It uses Medicaid funding, state General Revenue Funds, and block grant Federal Funds to create a coordinated system of public behavioral healthcare.

COMPREHENSIVE CARE FOR FOSTER CARE CHILDREN/STAR HEALTH

The Seventy-ninth Legislature, Regular Session, 2005, directed HHSC to develop a statewide healthcare delivery system for children in foster care. The model, which went into effect in April 2009, allows for coordination of medical, dental, and behavioral healthcare. Each child has a medical home with a primary care physician who coordinates care and referrals. Additionally, each child has a web-based health passport, containing medical history, providers, and drugs prescribed.

DISPROPORTIONATE SHARE HOSPITAL REIMBURSEMENT PROGRAM

Another major component of the Medicaid program, the Disproportionate Share Hospital (DSH) Reimbursement Program, makes payments to university teaching hospitals and qualifying public, private, and nonprofit hospitals that serve disproportionately high numbers of medically needy indigent patients. Local government and hospital expenditures are used to draw down matching Federal Funds, up to the maximum established by the federal government. Texas' federal DSH allotments are projected to total approximately $1.6 billion each fiscal year of the 2012–13 biennium. DSH payments to local hospitals are not reflected in the 2012–13 GAA.

UPPER PAYMENT LIMIT

The Upper Payment Limit (UPL) program provides supplemental payments to hospitals for inpatient and outpatient services provided to Medicaid patients. The supplemental payments represent the approximate difference between Medicaid and Medicare reimbursement levels. Hospitals participating in the program include state-owned teaching hospitals and non-state-owned public, private, and nonprofit hospitals. The UPL program uses intergovernmental transfers (IGT) as the state match to draw down Federal Funds; the IGT and Federal Funds for UPL are not included in the 2012–13 GAA.

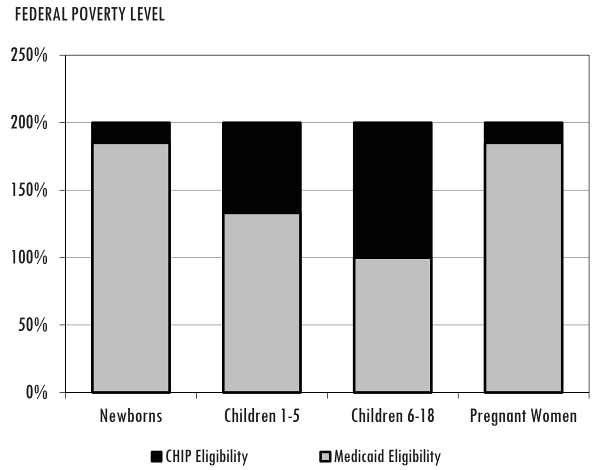
Under federal guidelines, UPL payments are based on the number of inpatient and outpatient services a hospital provides; however, services that are delivered to clients covered by a managed care plan are excluded from the calculation of a hospital's UPL funding stream. For this reason, during the 2006–07 biennium, pursuant to legislative direction, HHSC and local officials agreed to separate hospital payments from capitated rates to preserve UPL funding. As part of the expansion of managed care, HHSC will be integrating hospital payments into the capitated rate in both STAR and STAR+PLUS. However, the Legislature has directed HHSC to protect the UPL funding stream. HHSC is pursuing a waiver under Section 1115 of the Social Security Act (1115 Waiver) from the federal government that authorizes the expansion of managed care, including carving in the hospital payments, while preserving the UPL funding stream. The 1115 Waiver plan outlines a transition from the current UPL program to a program that will pool IGT and Federal Funds to pay hospitals both for uncompensated care and for metric-driven, quality-based reforms. The waiver application was approved by the federal government on December 12, 2011.

INSURE CHILDREN

HHSC's third goal is to insure children whose family income is above Medicaid standards but is not higher than 200 percent of the FPL. **Figure 175** shows CHIP and Medicaid income eligibility requirements for children and pregnant women. As of August 31, 2011, there were 584,936 recipients enrolled in CHIP. This amount includes 40,502 perinates and mothers resulting from the perinatal benefit implemented during the 2006–07 biennium. **Figure 176** shows average monthly CHIP enrollment.

Biennial funding for this goal totals $2.0 billion in All Funds, which includes $597.1 million General Revenue Funds, or 29.8 percent, of the total. Tobacco Settlement receipts account for most of the General Revenue Funds, $570.0 million. Client cost sharing, vendor drug rebates, and experience rebates constitute the other sources of General Revenue Funds.

FIGURE 175
INCOME ELIGIBILITY FOR CHILDREN AND PREGNANT WOMEN, FISCAL YEAR 2012



NOTES: Medicaid covers pregnant women of all ages up to 185 percent of the federal poverty level (FPL). CHIP covers pregnant women aged 18 and younger who are ineligible for Medicaid up to 200 percent FPL. The CHIP Perinatal benefit covers pregnant women of all ages between 185 and 200 percent FPL.
SOURCE: Health and Human Services Commission.

The goal includes five strategies:

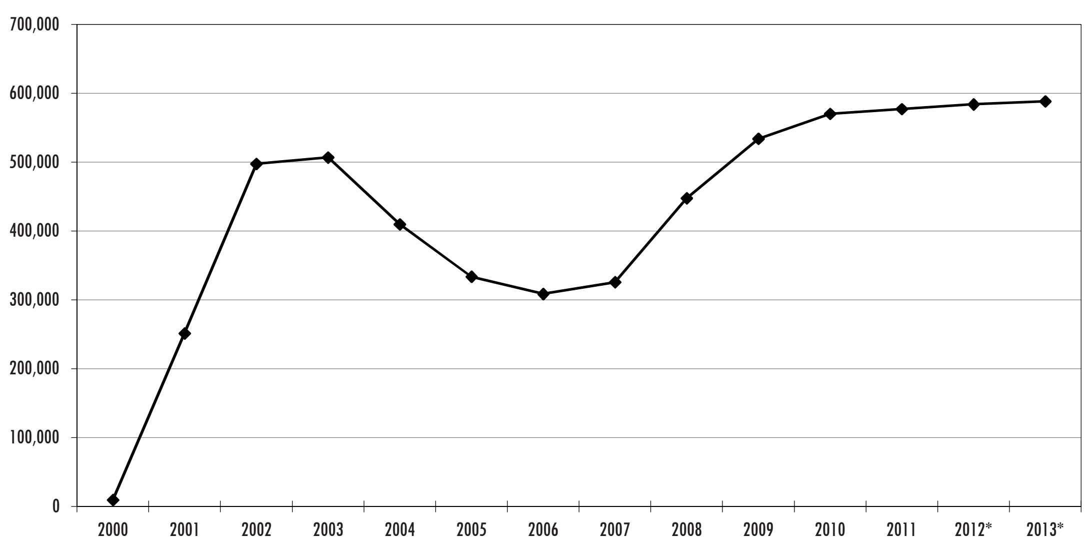
- Children's Health Insurance Program (CHIP);
- Immigrant Health Insurance;
- School Employee Children Insurance;
- CHIP Perinatal Services; and
- CHIP Vendor Drug Program.

CHILDREN'S HEALTH INSURANCE PROGRAM

The Children's Health Insurance Program (CHIP) is a federal-state program that insures children (ages 0 to 18) whose family income is greater than Medicaid standards, but is less than 200 percent of the FPL. The income limit for a family of three is $37,060 for fiscal year 2011. Funding for CHIP for the 2012–13 biennium totals $1.2 billion in All Funds, including $372.7 million in General Revenue Funds, and provides for 25.5 FTE positions.

The federal government contributes to the cost of CHIP according to a match rate, or Enhanced Federal Medical Assistance Percentage (EFMAP). A state's EFMAP is a percentage of the state's match rate for Medicaid, or Federal Medical Assistance Percentage (FMAP), which is based on a comparison of the state's three-year average per capita income to the national per capita income. The FMAP is higher in states with lower per capita incomes. The EFMAP for state

FIGURE 176
AVERAGE MONTHLY CHIP ENROLLMENT
FISCAL YEARS 2000 TO 2013



*Target established in the General Appropriations Act, 2012–13 Biennium.
NOTE: Includes CHIP Perinatal clients beginning in fiscal year 2007.
SOURCE: Legislative Budget Board.

fiscal year 2012 is 70.89 percent compared with the Medicaid program's FMAP of 58.42 percent.

CHIP coverage is offered statewide through either contracted HMOs or exclusive provider organizations (EPO). HHSC is responsible for CHIP policy and contracting for administrative, marketing, and HMO/EPO services. Services include the following benefits:

- inpatient and outpatient hospital services;
- prescription medications;
- laboratory and diagnostic tests;
- well-child exams and preventive health services, such as hearing screening and immunizations;
- physician's office visits and hospital care;
- vision, dental, mental health, tobacco cessation, chiropractic, hospice, and skilled nursing benefits;
- home and community health services, such as speech, physical and occupational therapy, and nursing care;
- emergency care transportation services; and
- durable medical equipment, prosthetic devices, and disposable medical supplies.

The state requires an annual enrollment fee, which is based on the size of the applicant's family and monthly income.

IMMIGRANT CHILDREN HEALTH INSURANCE, SCHOOL EMPLOYEE CHILDREN INSURANCE PROGRAM, AND FEDERAL POLICY CHANGES

Recent changes in federal law have authorized federal matching funds at the CHIP EFMAP for certain CHIP-eligible populations: legal permanent residents, state employee children, and school employee children. Documented immigrants who have resided in the U.S. for less than five years were previously ineligible for any means-tested, federally funded programs, including CHIP and Medicaid. Immigrant health insurance benefits were identical to CHIP benefits, but previously benefits for legal permanent resident children under the five-year threshold were funded solely with General Revenue Funds. However, the federal Child Health Insurance Program Reauthorization Act of 2009 allowed states to remove the waiting period. The EFMAP matching for legal permanent residents began in fiscal year 2010. As a result of interaction with state regulations, all state funding for legal permanent resident children in CHIP and Medicaid will be federally matched at EFMAP in the 2012–13 biennium.

The Patient Protection and Affordable Care Act of 2010 amended federal policy that previously prohibited federal funding for children of workers with access to public benefit plans who were otherwise eligible for CHIP benefits. Texas instead covered the cost of insuring eligible children through the School Employee Children Insurance program and the State Kids Insurance Program (funded at the Employees Retirement System) exclusively with General Revenue Funds. These changes in federal policy will allow the state to draw down the CHIP EFMAP matching funds for these children, resulting in an estimated $57.5 million in General Revenue Funds savings across the state.

CHIP PERINATAL SERVICES

In January 2007, HHSC implemented a new CHIP benefit that expands prenatal care to low-income women. Medicaid currently provides prenatal services to pregnant women who are U.S. citizens and have incomes up to 185 percent of the FPL. The CHIP perinatal benefit provides perinatal coverage to women (ages 19 and older) with incomes between 185 percent and 200 percent of the FPL. The program also provides perinatal coverage to immigrant women who would otherwise receive Medicaid emergency services only. Eligibility for the CHIP perinatal benefit is for the perinate, or unborn child. Due to clarified federal guidance, infants born to mothers at or less than 185 percent of FPL now receive services in the Medicaid program instead of continuing in the perinate program; services for these infants are funded at the FMAP matching rate instead of the EFMAP rate. As a result, funding in the CHIP Perinatal program for the 2012–13 biennium decreased from the 2010–11 biennial spending levels by 30.3 percent. Biennial funding for CHIP Perinatal Services totals $369.9 million in All Funds, including $109.0 million in General Revenue Funds. **Figure 175** shows CHIP and Medicaid income eligibility requirements for children and pregnant women.

CHIP VENDOR DRUG PROGRAM

The CHIP Vendor Drug Program operates similarly to the Medicaid Vendor Drug Program. HHSC operates a voluntary rebate program for preferred drugs in lieu of a preferred drug list required by legislation passed by the Seventy-eighth Legislature, Regular Session, 2003. Prior authorization is required for prescribed drugs not included on the preferred drug list. As part of the managed care expansion initiative, the CHIP Vendor Drug Program will also transition to a managed care model in March 2012. For the 2012–13 biennium, funding totals $315.9 million in All Funds, including $93.1 million in General Revenue Funds. This amount includes $12.9 million from vendor drug rebates.

ENCOURAGE SELF-SUFFICIENCY

The agency's fourth goal is to encourage self-sufficiency and long-term independence from public assistance by providing comprehensive support and preventive services for low income families. HHSC accomplishes this goal through the following functions: (1) TANF Grants; (2) Refugee Assistance; (3) Disaster Assistance; (4) Family Violence Services; and (5) Alternatives to Abortion. Appropriations for the 2012–13 biennium total $370.7 million in All Funds and provide for 21.1 FTE positions. This amount includes $150.4 million in General Revenue Funds and $8.1 million in General Revenue–Dedicated Compensation to Victims of Crime Account.

TANF GRANTS

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). Most General Revenue Funds for TANF Maintenance of Effort are appropriated to HHSC and the Texas Workforce Commission. States have broad flexibility 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 grants, eligibility determination, alternatives to abortion, family violence services, mental and behavioral health services, family planning services, Early Childhood Intervention services, Child Protective Services, and foster care payments. In general, if additional TANF Federal Funds become available, the funds are appropriated in Article IX of the 2012–13 GAA.

TANF grants provide time-limited cash assistance to families with children who have annual incomes less than approximately 12 percent of the FPL ($2,256 for a family of three). Grants are provided to single-parent families and to two-parent families in which one or both parents are unemployed or have a disability. The monthly cash grant amount paid to a family is based on household size, income, and the family's basic needs. The maximum monthly cash grant for a family of three is set by the 2012–13 GAA at no less than 17 percent of the FPL, adjusted annually. For fiscal year 2012, the maximum monthly cash grant for a family of three is estimated to be $262.51. Additionally, most TANF recipients are eligible to receive SNAP (food stamp) benefits and Medicaid services.

The Eighty-second Legislature, Regular Session, 2011, maintained existing TANF policies, which provide for earned income disregards, one-time grants of $1,000 for grandparents, one-time payments of $1,000 to families opting out of regular cash assistance, a TANF grant level at 17 percent of the FPL, once-a-year supplemental payments of $30 per child, the exclusion of a new spouse's income for the first six months of marriage, an asset limit of $1,000, and a vehicle exemption of $4,650 for all families.

Adult recipients are required to sign a Personal Responsibility Agreement (PRA) that includes requirements for participation in training, education, or work programs; child support collection efforts; school attendance; and child immunizations and health checkups. Under full family sanctions, the failure of a parent to cooperate with a requirement of the PRA can cause the entire family to lose its cash assistance.

Additionally, the length of time individuals may receive TANF assistance is limited by federal and state laws that emphasize helping clients make the transition into employment. The HHSC Texas Works Program encourages individuals to find employment instead of applying for benefits. Unless exempted, adults who receive cash assistance must actively seek work or participate in job-preparation activities. If individuals fail to comply with this or other requirements, there may be sanctions or their benefits may be denied. The Texas Workforce Commission provides employment and child-care services to help clients secure and maintain employment. **Figure 177** shows changes in the TANF caseload from fiscal years 1990 to 2013.

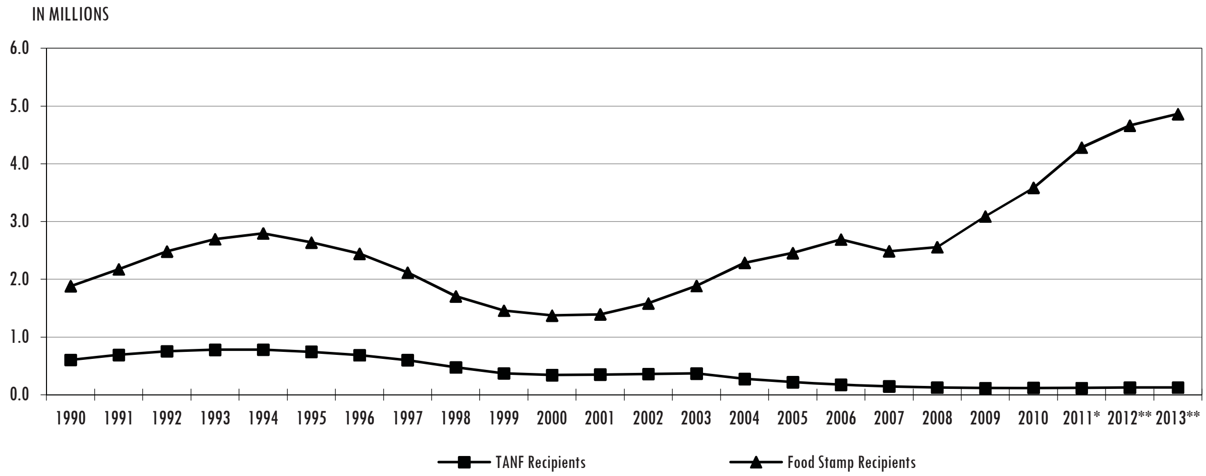
Biennial funding for TANF Grants totals $231.0 million. This amount includes $134.7 million in General Revenue Funds, or 58.3 percent, and $96.3 million in Federal Funds, or 41.7 percent.

TANF Grants funding in 2012–13 is $42.4 million less in All Funds than the 2010–11 biennial spending level due to the end of ARRA funding for one-time grants. Caseloads increased during the 2010–11 biennium due to the economic downturn and increases in unemployment. Caseloads are estimated to increase during the 2012–13 biennium.

REFUGEE ASSISTANCE PROGRAM

The Refugee Assistance program helps refugees become self-sufficient by providing temporary cash and medical assistance, employment services, and English-language

FIGURE 177
TANF AND SNAP (FOOD STAMP) CASELOADS
FISCAL YEARS 1990 TO 2013



*Estimated.
**TANF target established in the General Appropriations Act, 2012–13 Biennium.
NOTE: SNAP recipients are estimated.
SOURCES: Legislative Budget Board; Health and Human Services Commission.

instruction. These activities are funded entirely by Federal Funds. Refugee arrivals have outpaced initial estimates. The number of refugees receiving services per month has increased from 7,789 in fiscal year 2007 to an estimated 20,000 refugees in fiscal year 2012. Funding for 2012–13 biennium totals $80.3 million in Federal Funds, and provides for 9.0 FTE positions.

DISASTER ASSISTANCE

HHSC administers the Other Needs Assistance provision of the Federal Assistance to Individuals and Households Program (IHP), which provides financial assistance to victims of floods, hurricanes, tornadoes, and other disasters when insurance and other avenues of recovery are exhausted. Funding for disaster assistance is made available when a disaster is declared by the President of the United States. Typically, 75 percent of the funding is provided by the Federal Emergency Management Agency (FEMA) and the state funds the remaining 25 percent.

The maximum IHP grant is now $31,400 to be adjusted annually by FEMA based on the Consumer Price Index. This grant covers housing assistance provided directly by FEMA and other needs assistance provided by HHSC and does not have to be repaid. In addition to managing the grant program, HHSC is the state agency responsible for coordinating the purchase and delivery of water and ice during natural disasters.

While money is not explicitly appropriated for disasters, Article IX, Section 14.04 Disaster Related Transfer Authority in the 2012–13 GAA allows for the transfer of funding from one or more agencies to address funding needs in response to a disaster.

FAMILY VIOLENCE

HHSC provides emergency shelter and support services to victims of family violence and their children, educates the public, and provides training and prevention support to various agencies. The agency contracts with residential and nonresidential centers. Services include shelter, transportation, legal assistance, medical assistance, educational arrangements for children, and employment assistance. The Eighty-second Legislature, Regular Session, 2011, appropriated funds to maintain family violence services at the 2010–11 biennial level of services, which is estimated to serve 80,940 victims and their dependents. The Eighty-second Legislature maintained this level of client services funding by using General Revenue–Dedicated Funds from the Compensation to Victims of Crime Account in place of General Revenue Funds. Biennial funding totals $51.1 million in All Funds, including $13.4 million in General Revenue Funds and $8.1 million in General Revenue–Dedicated Funds, and provides for 12.1 FTE positions.

ALTERNATIVES TO ABORTION

Alternatives to Abortion provides pregnancy support services, including information and referrals, which promote childbirth. Some material services, such as maternity clothes and car seats, are also made available. HHSC provides grants or contracts with service providers to expand access to these types of services. Biennial funding totals $8.3 million in All Funds, including $2.3 million in General Revenue Funds and $6.0 million in Federal Funds (TANF). This amount reflects a 3.8 percent increase in funding from the 2010–11 biennial appropriation levels.

SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (FORMERLY FOOD STAMPS)

HHSC administers the federal SNAP in Texas. The program helps low-income families who have net incomes below 100 percent of the FPL and countable resources of less than $5,000 to purchase food. HHSC estimates that $14.5 billion worth of SNAP benefits will be issued during the 2012–13 biennium. **Figure 177** shows changes in the SNAP caseload for fiscal years 1990 to 2013. SNAP benefits are federally funded and do not appear in the HHSC appropriation. However, funding is appropriated to HHSC for administrative expenditures, including eligibility determination and information technology projects related to SNAP. Administrative expenditures are financed equally with state and federal funds.

In March 2010, HHSC received federal approval to begin a pilot program at food banks to expand capacity for taking SNAP applications and to increase access to benefits. Under the pilot program, food bank staff can conduct interviews required by federal rules for eligibility determination that could previously only be conducted at an HHSC benefits office. There are five food banks participating in the pilot program; 14 other food banks continue to provide outreach and help to low-income Texans applying for benefits.

INFORMATION TECHNOLOGY PROJECTS

The agency's sixth goal contains the capital components of the project known as the Texas Integrated Eligibility Redesign System (TIERS) and supporting technology. TIERS is being implemented under the lead of HHSC. The state-wide roll out of TIERS is expected to be completed in fiscal year 2012. Most TIERS-based eligibility determination processes are in place; HHSC is completing the TIERS rollout by finalizing the transition of the Medicaid for the Elderly and People with Disabilities eligibility determination processes. Appropriations for TIERS in the 2012–13 biennium decreased from the 2010–11 biennial spending levels by $41.9 million in All Funds, or 22.9 percent. Biennial funding for the goal totals $141.2 million in All Funds, including $66.1 million in General Revenue Funds.

OFFICE OF INSPECTOR GENERAL

The Office of Inspector General (OIG) investigates fraud, waste, and abuse in the provision of all health and human services, enforces state law relating to the provision of those services, and provides utilization assessment and review of both clients and providers. The OIG works closely with the Office of the Attorney General to prosecute provider fraud and ensure no barriers exist between the two offices for fraud referrals. The agency may impose payment holds on providers to compel the production of records and issue subpoenas with the approval of the HHSC commissioner. Biennial funding for the OIG totals $92.3 million, including $29.3 million in General Revenue Funds.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, 2011, passed legislation that affects HHSC.

House Bill 4, Regular Session, is a supplemental bill that reduced HHSC appropriation authority. During the 2010–11 biennium, state leadership twice directed agencies to reduce their expenditures, first by 5 percent and then by an additional 2.5 percent. House Bill 4 is the mechanism for lapsing the unspent appropriations for fiscal year 2011. The enactment of the legislation resulted in a reduction to HHSC's appropriations of $114.2 million in General Revenue Funds, which includes certain Medicaid and CHIP provider reimbursement rate reductions of 1 percent to 2 percent.

The enactment of House Bill 710, Regular Session, removes the finger-imaging requirement for the SNAP and TANF applicants. Appropriations for the 2012–13 biennium do not include funding for the finger-imaging contract.

The enactment of Senate Bill 501, Regular Session, expands efforts to remediate disproportionality and disparities in the Child Protective Services program at DFPS to the Center for the Elimination of Health Disparities and Disproportionality, housed at HHSC. The goal of the center is to assess and address issues of (1) overrepresentation of certain groups or races in the juvenile justice, child welfare, and mental health systems; (2) disproportional delivery of various educational services to children who are representatives of a racial or ethnic minority group; and (3) health access and health outcome disparities in Texas among racial, multicultural, disadvantaged, ethnic and regional populations. The legislation also directs HHSC to establish an interagency council for Addressing Disproportionality and Disparities.

The enactment of Senate Bill 7, First Called Session, includes a variety of cost-containment initiatives for the Medicaid program. Savings associated with most of the provisions in the legislation are included in the appropriation levels in the 2012–13 GAA. Senate Bill 7 also repealed the statutory prohibition of the use of health maintenance organizations in the south Texas counties of Maverick, Hidalgo, and Cameron. The legislation authorizes Texas to enter into an interstate healthcare compact whereby the states in the compact would receive funding annually from the federal government that would not be subject to federal appropriation or any condition of regulation, policy, law or rule. The compact would require the consent of the U.S. Congress. The states within the compact would be responsible for regulating healthcare.

6. EDUCATION

*As shown in **Figure 178**, All Funds appropriations for education for the 2012–13 biennium total $72.9 billion, or 42.0 percent of all state appropriations. This amount is a decrease of $3.5 billion, or 4.6 percent, from the 2010–11 biennium. **Figure 179** shows 2012–13 appropriations by method of financing and full-time-equivalent positions from fiscal years 2008 to 2013.*

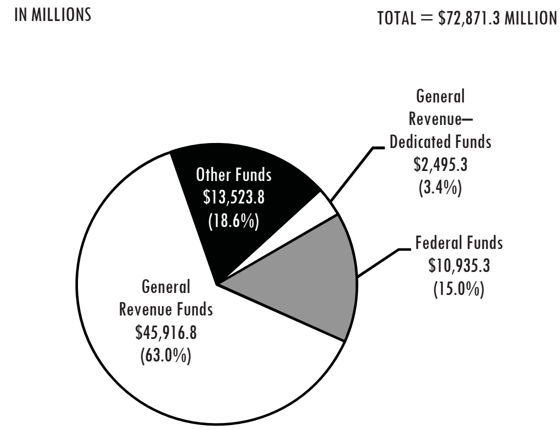
FIGURE 178
ALL FUNDS APPROPRIATIONS FOR EDUCATION
2012–13 BIENNIUM

IN MILLIONS

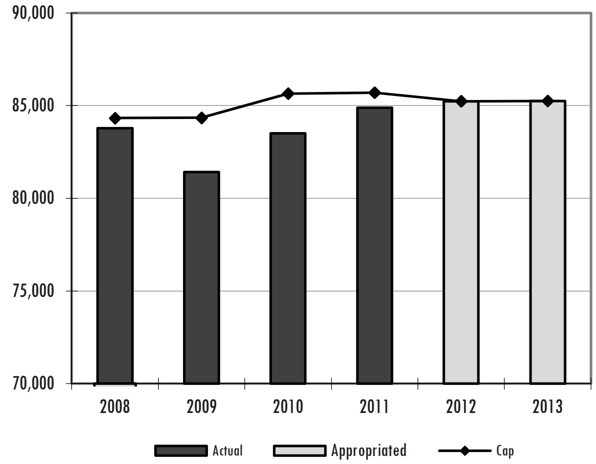
AGENCY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
PUBLIC EDUCATION				
Texas Education Agency	$50,119.4	$47,339.2	($2,780.2)	(5.5)
School for the Blind and Visually Impaired	93.4	41.2	(52.1)	(55.8)
School for the Deaf	53.1	52.7	(0.4)	(0.7)
SUBTOTAL, PUBLIC EDUCATION	**$50,265.9**	**$47,433.2**	**($2,832.7)**	**(5.6)**
PUBLIC HIGHER EDUCATION				
General Academic Institutions	$6,217.7	$5,853.3	($364.4)	(5.9)
Health-related Institutions	7,845.6	8,094.2	248.6	3.2
Texas A&M Service Agencies	926.8	1,013.7	86.9	9.4
Higher Education Coordinating Board	1,755.0	1,301.7	(453.3)	(25.8)
Higher Education Fund	525.0	525.0	0.0	NA
Available University Fund	1,059.0	1,061.4	2.4	0.2
National Research University Fund Earnings	0.0	12.4	12.4	NA
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$1,745.7	$1,749.4	$3.7	0.2
Lamar Lower-level Institutions	69.8	70.0	0.2	0.2
Texas State Technical Colleges	175.0	164.0	(11.0)	(6.3)
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$1,990.5**	**$1,983.4**	**($7.1)**	**(0.4)**
SUBTOTAL, HIGHER EDUCATION	**$20,319.6**	**$19,845.1**	**($474.5)**	**(2.3)**
Teacher Retirement System	$4,038.1	$3,797.4	($240.8)	(6.0)
Optional Retirement Program	294.2	247.9	(46.3)	(15.7)
Higher Education Employees Group Insurance Contributions	1,068.2	969.0	(99.3)	(9.3)
Retirement and Group Insurance	61.8	63.6	1.8	2.9
Social Security and Benefit Replacement Pay	560.4	577.9	17.5	3.1
SUBTOTAL, EMPLOYEE BENEFITS	**$6,022.7**	**$5,655.8**	**($366.9)**	**(6.1)**
Bond Debt Service Payments	$7.6	$14.6	$7.0	92.2
Lease Payments	5.9	5.3	(0.6)	(10.3)
SUBTOTAL, DEBT SERVICE	**$13.5**	**$19.9**	**$6.4**	**47.3**
Less Interagency Contracts	$205.7	$82.6	($123.1)	(59.8)
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$76,416.0**	**$72,871.3**	**($3,544.7)**	**(4.6)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTES: Article totals exclude interagency contracts. Biennial change and percentage change are calculated on actual amounts before rounding. Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

FIGURE 179
EDUCATION APPROPRIATIONS AND FULL-TIME-EQUIVALENT POSITIONS
2012–13 BIENNIUM



Source: Legislative Budget Board.



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

Agencies in Article III of the General Appropriations Act, 2012–13 Biennium, include the Texas Education Agency and other public education agencies, all institutions of higher education, and the Teacher Retirement System of Texas.

MAJOR FUNDING ISSUES

The Eighty-second Legislature, Regular and First Called Sessions, 2011, appropriated $72.9 billion to fund education for the 2012–13 biennium, a decrease of $3.5 billion, or 4.6 percent from the 2010–11 biennial spending level.

Agencies of public education were appropriated $47.4 billion in All Funds for the 2012–13 biennium, a decrease of $2.8 billion, or 5.6 percent, from the 2010–11 biennial spending level. Appropriations of General Revenue Funds increased by $154.2 million from the previous biennium. This difference in the method of finance is attributed to the use of $3.3 billion in one-time federal stimulus funds for the Foundation School Program during the 2010–11 biennium, funds which were not available for the 2012–13 biennium.

Appropriations to support higher education total $19.8 billion in All Funds for the 2012–13 biennium, a decrease of $474.5 million from the 2010–11 biennial spending level. This amount includes $10.2 billion in General Revenue Funds, $2.2 billion in General Revenue–Dedicated Funds, and $7.4 billion in Federal Funds and Other Funds.

Education funding will support more than 4.6 million students in public schools and more than 1.4 million students in public institutions of higher education during the 2012–13 biennium.

In addition, appropriations to agencies in Article III for employee benefits and payroll-related costs total $5.7 billion, a decrease of $366.9 million from the 2010–11 biennial spending levels.

Note: Biennial change and percentage change have been calculated on actual amounts before rounding in all figures in this chapter. Figure totals may not sum because of rounding.

TEXAS EDUCATION AGENCY

The Texas Education Agency (TEA), established in 1949 by the Gilmer–Aikin Act, comprises an elected State Board of Education, an appointed State Board for Educator Certification, a Governor–appointed Commissioner of Education, and a staff of up to 826 full-time-equivalent (FTE) positions for the 2012–13 biennium.

The agency's stated mission is to provide leadership, guidance, and resources to help schools meet the educational needs of all students and prepare them for success in the global economy. The statewide public education system serves approximately 4.6 million students in average daily attendance at 8,044 campuses located in 1,029 independent school districts plus 482 charter school campuses.

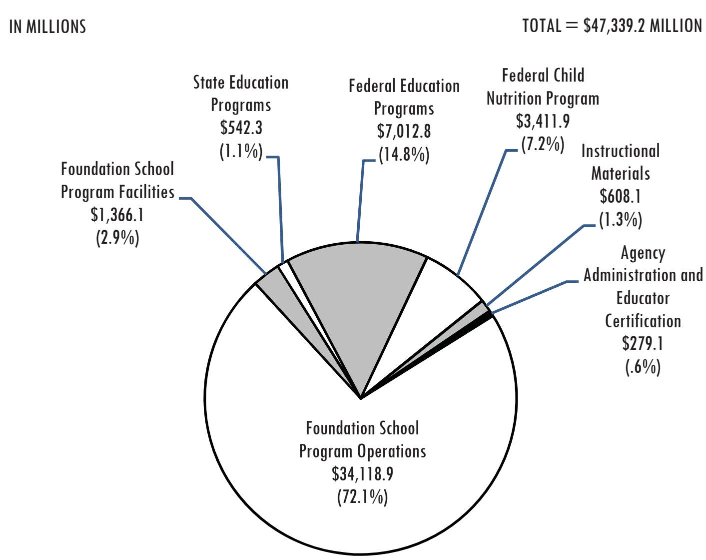
The Eighty–second Legislature, Regular Session and First Called Session, 2011, appropriated $47.3 billion in All Funds for public school programs and TEA administration for the 2012–13 biennium (**Figure 180**). This is an All Funds decrease of $2.8 billion, or 5.5 percent, from the 2010–11 biennial spending level.

The total 2012–13 appropriations to TEA include $30.5 billion (or 64.4 percent) in General Revenue Funds and General Revenue–Dedicated Funds, an increase of $154.0 million, or 0.5 percent, from the 2010–11 biennial spending level. The amount is attributable to an increase of $1.5 billion in General Revenue Funds supporting the Foundation School Program (FSP), offset by $1.3 billion in reductions in funding for state education programs outside the FSP.

Offsetting the net increase in General Revenue Funds is a $2.8 billion decrease in Federal Funds driven largely by the elimination of $4.1 billion in one-time federal funding received under the American Recovery and Reinvestment Act of 2009 (ARRA) during the 2010–11 biennium. This reduction was offset by $1.3 billion in increased funding under other federal grant programs, including increases in the Child Nutrition Program and a one-time appropriation of $830.8 million from the federal Education Jobs Fund in fiscal year 2012.

Of the ARRA funding spent in the 2010–11 biennium, $3.3 billion was used as a method of financing for the Foundation School Program and $361.6 million was used for instructional materials, expenditures that would have otherwise required additional outlay of General Revenue Funds in order to fund them at the same level. The remaining $467.0 million in federal ARRA funding comprised supplemental grants delivered to school districts primarily through Title I of the federal No Child Left Behind Act, 2001, (funds directed for services to economically disadvantaged students) and the federal Individuals with Disabilities Education Act (funds directed for special education services).

FIGURE 180
TEXAS EDUCATION AGENCY APPROPRIATIONS BY FUNCTION, ALL FUNDS, 2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

Appropriations from Other Funds decreased by $156.3 million for the 2012–13 biennium from the 2010–11 biennial spending level. This reduction reflects a projected decrease of $453.5 million in redistributed local revenue or recapture from property-wealthy school districts. The decrease is offset by an increase of $290.7 million from the 2010–11 biennium in projections of revenue from the Property Tax Relief Fund, which receives revenues from the franchise tax, motor vehicle sales tax, and tobacco sales taxes, and an increase in appropriations from the Permanent School Fund to cover the cost of administering that fund. **Figure 181** shows the change in public education revenue since fiscal year 2004 in current and constant dollars.

SIGNIFICANT APPROPRIATIONS

Appropriations to TEA for the 2012–13 biennium were made in three separate bills. Appropriations to support the Foundation School Program are in Senate Bill 2, Eighty-second Legislature, First Called Session, 2011. Appropriations to support all other TEA programs and agency administration were made in House Bill 1, Eighty-second Legislature, Regular Session, 2011. Additionally, House Bill 4, Eighty-second Legislature, Regular Session, includes additional appropriations supporting the Student Success Initiative and additional funds and 31 additional FTE positions for the administration of the Permanent School Fund. The 2012–13 General Appropriations Act (GAA), published in November 2011, includes all sources of appropriations to TEA.

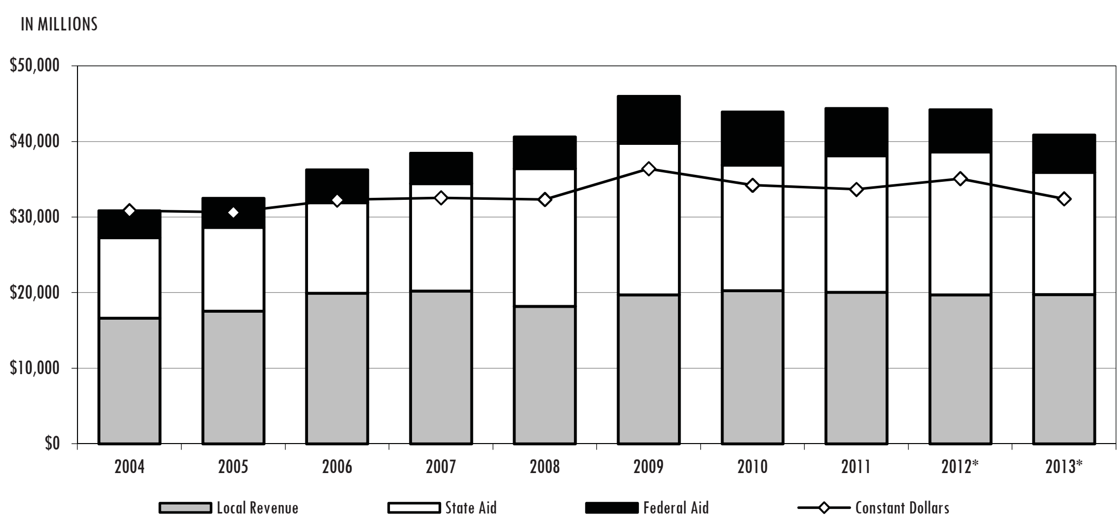
House Bill 4 also included reductions to TEA's 2010–11 budget, totaling $151.0 million in General Revenue Funds, and a $550 million appropriation from the General Revenue Fund to fully fund the state's 2010–11 biennial obligations in the Foundation School Program.

FOUNDATION SCHOOL PROGRAM

The Foundation School Program (FSP) is the principal vehicle for distributing state aid to school districts, which use state funds with local property tax revenue (and federal funding) to provide educational services. The FSP is not only the largest appropriation item for TEA, accounting for 75 percent of the agency's All Funds appropriation, it is also the largest single appropriation item in the state budget. In the 2012–13 GAA, FSP appropriations are stated in Strategy A.1.1, FSP – Equalized Operations, and A.1.2, FSP – Equalized Facilities, and in "set-aside" appropriations, which are state programs statutorily funded from the FSP and made in other strategies.

All Funds appropriations to the FSP for the 2012–13 biennium are $35.5 billion, representing a $1.9 billion decrease from the 2010–11 biennial spending level. Appropriations of General Revenue Funds account for $29.2 billion of this total, a $1.5 billion increase from the prior

FIGURE 181
PRE-K–12 PUBLIC EDUCATION REVENUE GROWTH
FISCAL YEARS 2004 TO 2013



*Projected.
Sources: Legislative Budget Board; Texas Education Agency; U.S. Department of Commerce.

biennium. The difference between All Funds and General Revenue Funds changes from the 2010–11 biennial base is primarily due to the use of $3.3 billion in Federal Funds (ARRA) to fund the FSP in the 2010–11 biennium.

Despite the $1.5 billion increase in General Revenue Funds from the 2010–11 biennial base, total FSP funding for the 2012–13 biennium is $4.0 billion less than what school district entitlement was projected to be for the 2012–13 biennium prior to the actions of the Eighty-Second Legislature. A number of factors greatly increased the projected state cost of the FSP for the 2012–13 biennium, as compared to the 2010–11 biennial spending level. **Figure 182** shows the major cost drivers for the FSP, which when combined are projected to add $7.8 billion to the state's school finance costs for the 2012–13 biennium, and shows fiscal actions taken by the Eighty-second Legislature to address the additional costs.

FIGURE 182
MAJOR FOUNDATION SCHOOL PROGRAM COST DRIVERS AND LEGISLATIVE ACTIONS, 2012–13 BIENNIUM

2012–13 COST DRIVERS OVER 2010–11 BASE	AMOUNTS (IN BILLIONS)
Replacement of one-time Federal Funds (ARRA) used in 2010–11	$3.3
Student enrollment growth	2.2
Settle-up costs: impact of use of district overpayments in 2010–11 biennium and cost of district underpayments in 2012–13 biennium	1.4
School district property value and revenue decline	0.9
TOTAL, 2012–13 COST DRIVERS	**$7.8**
EIGHTY-SECOND LEGISLATIVE ACTIONS	
Additional General Revenue Funds over base budget	$1.5
Foundation School Program August 2013 payment deferral	2.3
District entitlement reduction	4.0
TOTAL, EIGHTY-SECOND LEGISLATIVE ACTIONS	**$7.8**

SOURCE: Legislative Budget Board.

The largest driver was the use of $3.3 billion in one-time Federal Funds (ARRA) in the 2010–11 biennium. These funds replaced state funds as part of a statutory entitlement increase of $1.9 billion, but the use of the one-time stimulus funds left a $3.3 billion deficit in FSP funding for the 2012–13 biennium.

The cost of approximately 78,000 new students in each school year of the 2012–13 biennium would have added $2.2 billion in state costs, under the funding formulas passed by the Eighty-first Legislature. Throughout the prior decade, strong growth in property values generated enough additional local district tax revenue that state cost of additional students was either partly or wholly offset. However, for the 2012–13 biennium declining property values related to the economic recession are projected to require additional state funds to compensate for less available local revenue than the prior biennium.

Finally, two types of "settle-up" costs added to the cost of the FSP for the 2012–13 biennium. Declining property values also affected the 2010–11 biennium, lowering local revenue and placing a larger draw on state funds. Because school districts were paid based on higher property value estimates than actually occurred, the state must pay districts—or "settle up"—for prior year underpayments in fiscal year 2012. Additionally, during the 2010–11 biennium the state enjoyed the benefit of receiving overpayments from school districts which offset costs during that biennium but are not available for the 2012–13 biennium.

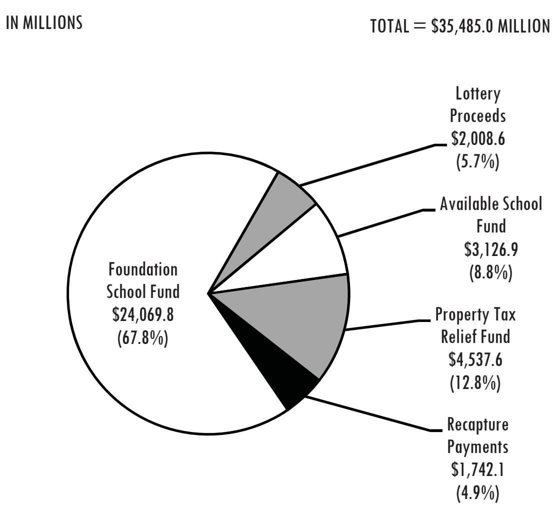
Figure 182 also shows the actions taken by the Eighty-second Legislature to address the $7.8 billion in additional state costs projected for the FSP. In addition to increasing General Revenue for the FSP by $1.5 billion over the 2010–11 biennial spending level, the Legislature deferred the August state aid payments to school districts and charter schools, estimated during the legislative session to be $2.3 billion, until September. This deferral will begin with the August 2013 payment, and thus reduced fiscal year 2013 appropriations. However, this deferral is expected to have minimal impact on district finances for the 2012–13 school year, as the payment is delayed by no more than two weeks.

Of the $7.8 billion in additional costs, $3.8 billion was addressed by additional General Revenue, either in increased 2012–13 biennial state funding ($1.5 billion) or a deferred August payment ($2.3 billion). The final legislative action was to reduce the projected cost of the FSP in the 2012–13 biennium by decreasing school district and charter school entitlement under the funding formulas by $4.0 billion. The legislation enacting these school finance changes was Senate Bill 1, passed by the Eighty-second Legislature in the First Called Session.

FUNDING SOURCES

Figure 183 shows all the methods of financing that fund the FSP in the 2012–13 biennium. As the figure shows, General Revenue Funds will account for an estimated 82 percent of the FSP appropriation through three revenue sources: the Available School Fund (ASF), Texas Lottery proceeds, and the Foundation School Fund, which is simply an amount distributed from the state's regular General Revenue Funds sufficient to fulfill the state's FSP funding obligation. An additional $4.5 billion is projected to come from the Property Tax Relief Fund (PTRF), comprised of certain revenue generated by the state's revised franchise tax, tobacco taxes, and a tax on used car sales. Lastly, recapture payments (budgeted as Appropriated Receipts) from property wealthy school districts are estimated to generate $1.7 billion and used to offset the state cost of the school finance system.

FIGURE 183
FOUNDATION SCHOOL PROGRAM APPROPRIATIONS BY METHOD OF FINANCING, 2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

As methods of financing the FSP, the ASF, Texas Lottery proceeds, PTRF and recapture payments are all estimated, and during the biennium they may rise or fall based on actual revenue collections. The Foundation School Fund is also estimated; however, it draws not from a specific revenue source but generally from the State Treasury. These estimated appropriations are under the umbrella of a sum-certain All Funds appropriation amount for the FSP. In practice, if revenue for the ASF, State Lottery proceeds, PTRF or recapture payments is higher than estimated, the General Revenue Fund draw through the Foundation School Fund decreases; conversely, if revenue is lower than expected, General Revenue Fund costs increase.

STATE AND LOCAL REVENUE CONTRIBUTION

The 2012–13 biennial FSP appropriation, in combination with an estimated $37.5 billion in local property tax revenue retained (not recaptured) at the school district level, and the August 2013 payment deferral represents the $75.0 billion total FSP entitlement for the 2012–13 biennium, as shown in **Figure 184**

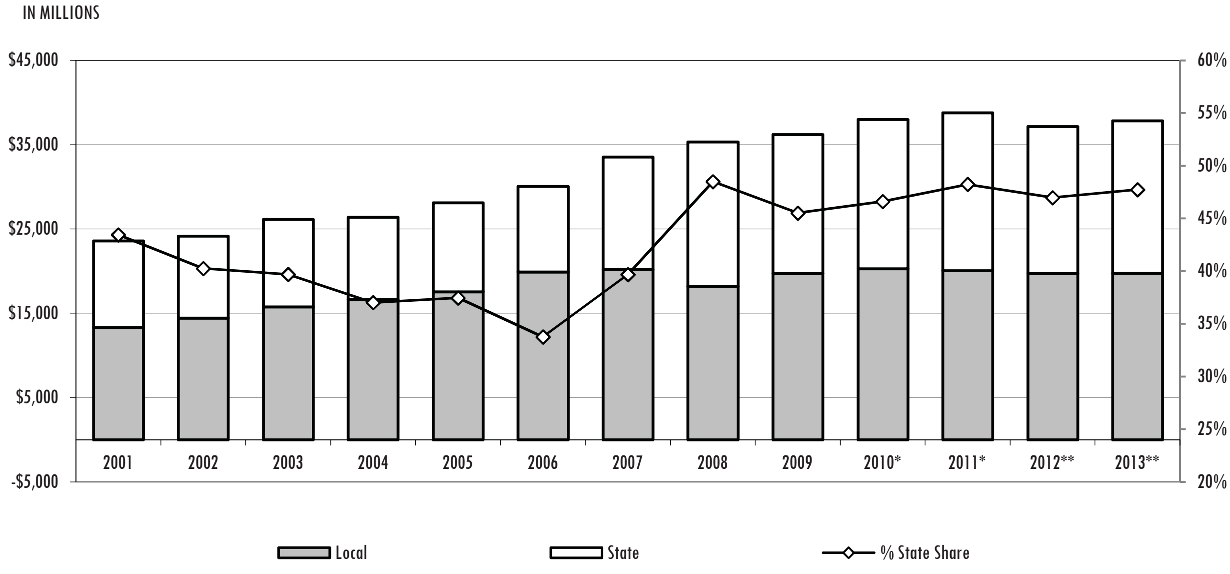
In a manner similar to a change in an estimated method of finance affecting the General Revenue Fund cost of the FSP, changes to the amount of local property tax revenue help determine the amount of state funding needed to meet district entitlement in the school finance system, and thus the state share of funding it.

Figure 184 shows that from fiscal years 2001 to 2006, strong property value growth, and resulting revenue growth, lowered state funding and the state share of the FSP from 43 percent in fiscal year 2001 to a low of 34 percent in fiscal year 2006. By this time, the reliance on local revenue to support the school finance system had pushed nearly half of districts to the maximum tax rate allowed under state law. School districts sued the state, arguing that the system constituted a statewide property tax, in violation of the Texas Constitution. In fiscal year 2006, the Supreme Court of Texas agreed, directing the Legislature to change the system to provide districts with meaningful discretion over their tax rates.

The Seventy-ninth Legislature, Third Called Session, 2006, responded by passing legislation that required districts to lower their maintenance and operating tax rates by 11.3 percent in fiscal year 2007 and 33.3 percent in fiscal year 2008, and replaced the lost local revenue with state aid. As **Figure 184** shows, this major reform increased the state share to just below 40.0 percent in fiscal year 2007 and to 48.5 percent in fiscal year 2008, the highest percentage of state share since 1985.

In fiscal year 2009, double-digit property value growth again exerted downward pressure on the state share, dropping it to 45.5 percent. During the 2010–11 biennium, the combination of sharply slowing property value growth and entitlement increases provided by the Eighty-first Legislature stabilized the state share in the 47 percent range. For the 2012–13 biennium, property value and related local revenue declines are projected to keep the state share in this range,

FIGURE 184
STATE AND LOCAL FOUNDATION SCHOOL PROGRAM FUNDING AND STATE SHARE, FISCAL YEARS 2001 TO 2013



*In each of these fiscal years, $1625 million in funds identified as state dollars were financed with federal State Fiscal Stabilization Funds provided under the American Recovery and Reinvestment Act of 2009.
**Estimated.
Source: Legislative Budget Board.

despite the $4 billion reduction in state funding from what districts would have otherwise received during these years.

FOUNDATION SCHOOL PROGRAM STRUCTURE

The FSP comprises a two-tiered structure to provide maintenance and operations funding for basic program costs and enrichment of that program, and a separate structure to provide state aid for district debt service, most commonly for facilities construction bonds. The system contains a set of funding formulas by which every school district's total revenue entitlement, local tax revenue and state aid, is determined. The formulas are established by the Legislature in the Texas Education Code and sometimes further specified in the GAA. District information, including property values, level of tax effort, the number and type of students, and certain district characteristics are entered into these formulas to compute entitlement. As discussed previously, the portion of this entitlement that is not covered by eligible local revenue is funded with state aid.

MAINTENANCE AND OPERATIONS

The bulk of district entitlement for maintenance and operations flows through the funding formula called the Basic Allotment, which is an amount of total state and local funding the state guarantees to districts per student in average daily attendance (ADA). This Basic Allotment is then adjusted for both district characteristics, such as an index to account for differing costs of education across school districts, and student characteristics, such as whether a student is determined to be entitled to bilingual education, compensatory education or special education services, among others. The additional funding earned by these student populations and by the district characteristics contribute to the calculation of an adjusted student count for each school district, called weighted average daily attendance (WADA).

In fiscal year 2006, when districts were required to compress their property tax rates by one-third over 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 the 2005–06 or 2006–07 school year, whichever amount was greater. This total revenue per WADA amount is commonly referred to as a district's "revenue target." If a district's (now compressed) local revenue and state aid through the Basic Allotment does not generate sufficient funding to meet this revenue target, the state provides hold harmless funding—termed Additional State Aid for Tax Relief (ASATR) by the TEA—to raise the school district's total revenue to the target.

The final major funding formula for maintenance and operations entitlement is the 17-cent enrichment tier, established in fiscal year 2006 to provide meaningful tax rate discretion to school districts. This tier guarantees that school districts generate at least the same amount of property tax revenue per penny per WADA as the Austin Independent School District (ISD) (estimated to be $59.97 in 2012) for the first six pennies levied above the district's compressed tax rate. Revenue generated above the Austin ISD yield is not subject to recapture. These six pennies are informally referred to as "golden pennies." The remaining 11 pennies are equalized at $31.95 per penny per WADA, are subject to recapture above this level, and are referred to as "copper" pennies.

PUBLIC SCHOOL FACILITIES

State funding to assist school districts in debt service costs related to public school facilities flows through two programs: the Instructions Facilities Allotment (IFA) and the Existing Debt Allotment (EDA). Both programs provide state aid to equalize Interest and Sinking (I&S) tax effort at rates of $35.00 per penny per student in ADA.

Although the basic structure of these programs is similar, there are some key differences between the IFA and EDA. IFA funding is limited to instructional facilities, whereas district debt service for any type of facility is potentially eligible for EDA support. The IFA is a sum-certain appropriation, with the Legislature making specific appropriation decisions regarding new grant awards. In contrast, debt service is automatically eligible for EDA funding in a given biennium if the district makes a payment during the prior biennium. EDA assistance is restricted to 29 cents of tax effort, a limit that does not apply to IFA.

FUNDING CHANGES BY THE EIGHTY-SECOND LEGISLATURE

The Eighty-second Legislature, First Called Session, 2011, passed Senate Bill 1, which included changes to the FSP funding formula. These changes reduce the independent school district and charter school entitlement by an estimated $2 billion in each fiscal year of the 2012–13 biennium below the level of entitlement to which school districts and charter schools would have been entitled under the law prior to the enactment of Senate Bill 1.

Senate Bill 1 establishes two mechanisms that effect the entitlement reductions. The first is the Regular Program Adjustment Factor (RPAF), which is a percentage applied to each school district or charter school's regular program allotment—the Basic Allotment formula funding received by students who are not eligible for weighted funding as a member of a special population like special education or bilingual education. In fiscal year 2012, the RPAF mechanism accounts for all of the $2 billion entitlement reduction, and is set at 92.39 percent. In fiscal year 2013, the RPAF increases to 98 percent and is responsible for one-quarter, or an estimated $500 million, of the $2 billion entitlement reduction. Certain school districts can have the RPAF "smoothed" or averaged between the two fiscal years. For the 2014–15 biennium, the RPAF is set at 98 percent, or a greater amount set by appropriation, not to exceed 100 percent, and the RPAF expires at the end of the biennium.

The second mechanism applies a percentage of 92.35 percent to each district's revenue target in fiscal year 2013. This has the effect of reducing hold harmless, or ASATR, payments to districts receiving such state aid. Districts with higher revenue targets and which are receiving substantial ASATR payments face the largest entitlement reductions through this mechanism. "Formula" districts, or districts that receive no ASATR and derive all of their state aid through the traditional funding formulas, are unaffected by the percentage applied to target revenue. In fiscal years 2014 to 2017, this percentage is established by appropriation. In fiscal year 2018, the target revenue system expires. Additionally, Senate Bill 1 states legislative intent that the state continue to reduce ASATR and increase the Basic Allotment from fiscal years 2014 to 2018.

State funding for facilities in the 2012–13 biennium for both the IFA and EDA totals an estimated $1.4 billion. This total represents full funding of ongoing obligations for both programs; no new IFA grants were funded.

MAJOR STATE PUBLIC EDUCATION APPROPRIATIONS OUTSIDE THE FOUNDATION SCHOOL PROGRAM

Outside the FSP, TEA administers several state and federally funded educational grant and support programs. The 2012–13 biennial appropriation for these programs and agency administration is $1.3 billion in General Revenue Funds, a decrease of $1.3 billion (51 percent) from 2010–11 biennial spending levels. Including All Funds, the 2012–13 biennial appropriation for non-FSP programs is $11.9 billion, a decrease of $839.8 million (7 percent). The difference between the All Funds and General Revenue Funds decreases results from an increase of $487.5 million in Federal Funds between biennia. This is primarily attributable to an increase in projected funding for the Child Nutrition Program and a decrease of $29.4 million in Interagency Contracts (Other Funds) between the Texas Workforce Commission (TWC) and TEA associated with a high quality early childhood education initiative that is administered directly through TWC for the 2012–13 biennium.

INSTRUCTIONAL MATERIALS

The largest single program from a funding perspective outside the FSP is the appropriation for instructional materials. For the 2012–13 biennium, appropriations for instructional materials total $608.1 million to be distributed through the Instructional Materials Allotment (IMA), pursuant to the provisions of Senate Bill 6, Eighty-second Legislature, First Called Session, 2011. Additionally, House Bill 4 directed TEA to spend $184 million in accumulated balances from the Instructional Materials Fund (General Revenue Funds) during fiscal year 2011 for the IMA, resulting in a total of $792.1 million available for instructional materials purchases for the 2012–13 biennium. The funding level aligns with the estimated cost to fully fund both continuing contracts—funds for replacement of consumable materials, lost or damaged materials, and materials for new students and new schools—and the cost of new materials under Proclamation 2011, the second half of the new English Language Arts and Reading materials available to school districts for the 2011–12 school year.

The enactment of Senate Bill 6 amends the manner in which instructional materials are purchased in Texas. One of the primary functions of the State Board of Education (SBOE) is the adoption of the state's curriculum standards, the Texas Essential Knowledge and Skills (TEKS), and the subsequent review and approval of instructional materials aligned with those standards. After TEKS standards for a subject are revised and adopted, the SBOE issues a Proclamation, or a call for new instructional materials in that subject. Once materials are reviewed and approved by the SBOE, under the old system, school districts would order materials from a list of approved items in the Proclamation, and the state would pay publishers for the materials.

The enactment of Senate Bill 6 amends that process by establishing the IMA, which provides each school district and charter school with an account into which funding is deposited based on ADA. School districts can use those funds to purchase approved instructional materials for any subject and certain technology. The legislation establishes that after the 2012–13 biennium, the appropriation for the IMA equals 50 percent of the distribution from the PSF to the ASF or a different amount as determined by the Legislature. For the 2012–13 biennium, the legislation specified an allocation of 40 percent of the distribution or a different amount. The $608.1 million appropriation level is lower than what the 40 percent allocation would have provided, but together with the $184 million in accumulated balances redirected in House Bill 4, it aligns with provisions in the bill directing school districts to prioritize the purchase of materials needed to adequately cover the curriculum elements for which students would be held accountable on new state assessments and the estimated cost of those materials. Additionally, Senate Bill 6 repeals statutory authority for the Technology Allotment, which was a separate allocation to school districts of $30 per ADA intended to subsidize technology costs totaling $270.9 million for the 2010–11 biennium, since the purchase of technology is an allowable use of the new IMA. School districts are permitted to carry forward IMA balances from year to year.

STUDENT SUCCESS INITIATIVE

Appropriations for the Student Success Initiative (SSI), TEA's primary instructional intervention program related to student performance on state assessments, are $41.0 million for the 2012–13 biennium, a decrease of $237.1 million from 2010–11 biennial spending levels. The SSI was originally 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 in order to be promoted to the next grade. Texas Education Code Section 28.0211 requires that school districts provide accelerated instruction to students in specified grades who fail to meet passing standards on state assessments. Statute further requires the Commissioner of Education to certify that sufficient funds have been appropriated for this purpose each year. The SSI is the program intended to meet these statutory requirements.

TEA Rider 56, which directs expenditure of these funds for the 2012–13 biennium, is revised from the comparable rider in the 2010–11 biennium to move away from allocating funding to specific programs and interventions. It provides broader authority for the agency to distribute funds to school districts for programs targeting the prevention of academic failure. The rider specifically cites several initiatives that were funded under the previous structure, but does not limit funding allocations to these programs. Programs cited include Algebra Readiness, Literacy Academies, Math

Academies, professional development, and middle grades initiatives. Collectively, these programs were designated $147.4 million through specific rider directives for the 2010–11 biennium. For the 2012–13 biennium, Rider 56 specifically designates that $4.5 million from the $41.0 million total be allocated for the Reasoning Mind program, which is a nonprofit organization, partnering with 30 to 40 schools to improve instruction in mathematics in grades 2 through 6 through the use of computer adaptive software, individualized instruction, and professional development in instructional strategies and the use of data for customized instruction. The rider does not specify funding for any other targeted initiatives.

PROGRAMS TARGETING MIDDLE AND HIGH SCHOOL STUDENTS

During the 2010–11 biennium, under the authority of TEA Rider 51, TEA administered the High School Completion and Success Initiative which included more than 15 programs aimed at dropout prevention and recovery and improving college readiness. Collectively, TEA spent approximately $72.2 million on all programs combined, and of those, the largest programs in terms of expenditures were the Texas Science, Technology, Engineering, and Mathematics Initiative (T-STEM), at $16.9 million, intensive summer programs aimed at transitioning to post-secondary education at $13.1 million, the Dropout Recovery Pilot Program at $9.7 million, and Early College High School at $8.1 million.

For the 2012–13 biennium, through TEA Riders 62, 64, and 66, the Legislature continues funding for a subset of the High School Completion and Success Initiative programs. Under Rider 62, funding for the Online College Preparation Technical Assistance Program is increased from $1.4 million to $4.0 million. Through this program, schools can select from a list of approved vendors providing support to students, parents, and high school counselors in the college and career preparation and application processes. Rider 64 directs $6.0 million to support both Early College High School and T-STEM. The Early College High Schools program provides grants to support districts and charter schools partnering with nearby institutions of higher education to allow students to earn a high school diploma and at least 60 hours of college credit simultaneously at no additional cost to the student. The T-STEM grant program supports middle and high schools focusing on rigorous instruction in science and mathematics with the goal of increasing the number of students studying and entering STEM-related fields. T-STEM programs target schools with high proportions of students at risk of dropping out. Rider 66 maintains level funding at $3.0 million for the Texas Academic Intervention and Monitoring program operated by the Boys and Girls Club, which provides mentoring and tutoring services.

Outside of programs formerly funded under the High School Completion and Success Initiative rider, other programs targeting students in middle and high school include the Texas Advanced Placement (AP) Initiative and Communities in Schools (CIS). The Texas AP Initiative is funded at $13.8 million for the 2012–13 biennium, a decrease of $11.9 million from the 2010–11 biennial spending level. The Texas AP Initiative directs funds to subsidize AP exam fees for high school students, to provide for professional development to teachers of AP courses, and to provide campus awards to schools with high student achievement on AP exams. The allocation of funding is prioritized according to the provisions of TEA Rider 59 first to fund exam fee subsidies, then professional development, and then campus awards. The enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, amends the Texas Education Code to limit exam fee subsidies to students demonstrating financial need, which accounts for a portion of the funding reduction.

The CIS program, which is affiliated with a national non-profit organization and administered at the state level by TEA, operates in 27 communities across Texas with the goals of improving school attendance, academic achievement, and behavior of students at risk of dropping out of school. Based on a case-management model, local CIS coordinators work with individual students to provide support and services according to an individualized needs assessment. For the 2012–13 biennium, TEA was appropriated $20.0 million in General Revenue Funds to support the program, a reduction of $12.1 million from the 2010–11 biennial spending level. In addition, the Legislature maintains an allocation of federal Temporary Assistance for Needy Families (TANF) of $9.7 million to provide services to TANF eligible students.

PREKINDERGARTEN GRANTS

Exclusive of FSP funding associated with eligible prekindergarten students in average daily attendance (estimated at $721.0 million for fiscal year 2012 and $740.0 million for fiscal year 2013), for the past several biennia, TEA has operated two grant programs aimed at providing or enhancing early childhood education programs. The Prekindergarten Early Start grants (PKES) (referred to as Prekindergarten Expansion grants prior to the 2010–11 biennium) provide funding to school districts to support the second half of a full-day prekindergarten program that meets certain criteria. Prekindergarten students are only eligible for a half day of funding under the FSP. The Eighty-second Legislature did not appropriate funds to continue this program in the 2012–13 biennium, which accounts for a decrease of $201.2 million in General Revenue Funds. During the 2010–11 biennium, 364 school districts and charter schools received PKES grants. Of those recipients, based on the three–tiered structure of the program in which each tier has a different grant period ranging from two-, three-, and five-year durations, 159 of those grantees' grant periods would have expired at the end of fiscal year 2011 regardless of the availability of funds for the 2012–13 biennium. The program served about 56,000 students in fiscal year 2011.

TEA Rider 54 directs $7.0 million in General Revenue Funds for the early childhood school readiness program, a reduction of $8.0 million from the 2010–11 biennial funding level. This funding supports high quality early childhood education programs and funds the administration of the School Readiness Certification System, a voluntary program through which public and private early childhood education providers may apply to be certified as successfully preparing students to enter Kindergarten.

EDUCATOR QUALITY INITIATIVES

The District Awards for Teacher Excellence (DATE) program is funded at $40.0 million for the 2012–13 biennium, a decrease of $332.5 million from the 2010–11 biennial funding level. DATE funds grants to school districts to support district-designed educator incentive pay programs that direct bonus pay to educators based on student achievement and other factors. Additionally, TEA Rider 53 directs that the $40.0 million DATE appropriation be used toward funding the following for the 2012–13 biennium: up to $5.0 million to implement standards on educator quality, up to $10.0 million to provide for an educator mentoring program, and up to $1.0 million to support Humanities Texas, a non-profit organization providing professional development for teachers in their first or second year of service.

The Eighty-second Legislature maintained level funding at $8.0 million for Teach for America (TFA), directing that those funds support the provision of at least 1,000 TEA teachers in Texas schools with a prioritization on teachers of mathematics if possible.

REGIONAL EDUCATION SERVICE CENTERS FORMULA FUNDING FOR CORE SERVICES

The appropriation to support core services at Regional Education Service Centers (ESCs) is $25.0 million for the 2012–13 biennium, a decrease of $17.8 million from the 2010–11 biennial spending level. Additionally, TEA Rider 39 directs the Commissioner of Education to revise the formula by which these funds are distributed to the 20 ESCs to favor those serving rural areas and small schools to a greater extent than in past biennia. ESCs vary significantly in the type of programs and services offered, ranging from operating cooperatives or shared service arrangements for administrative functions such as payroll management and accounting to acting as a provider of professional development for educators from various regions to providing technical assistance to school districts statewide.

In addition to state formula funds, ESCs may generate local funds through the sale of products such as curriculum management systems and/or charging fees for services to school districts and other entities, though as quasi-governmental non-profit entities, revenue received in excess of cost recovery for the product or service is generally reinvested in the operation of the ESC or the development of products and services. In fiscal year 2010, state funding accounted for about 14 percent of total revenue received by ESCs on average, with Federal Funds (primarily for Head Start) and local funds making up 48 percent and 38 percent respectively. The mix of funds available to any one ESC varies widely, with the proportion of total revenue made up of state funds ranging from less than 8 percent to nearly 25 percent among individual ESCs.

WINDHAM SCHOOL DISTRICT

The Windham School District (WSD) provides educational programming for inmates in the adult correctional system in Texas. The funding to support this function flows through TEA, though the agency does not have oversight of WSD operations. The appropriation to support WSD for the 2012–13 biennium is $95.0 million, a decrease of $33.1 million from the 2010–11 biennial spending level. Those funds support high school General Education Diploma (GED) and vocational and technical education programs in the prison system. WSD is also directed by rider to conduct two pilot programs during the 2012–13 biennium. The first program will pilot the use of computer adaptive technology for delivery of educational services, and the second program will focus on substance abuse treatment and behavioral modification programs.

EARLY HIGH SCHOOL GRADUATION SCHOLARSHIPS AND OTHER HIGHER EDUCATION TUITION EXEMPTION PROGRAMS

The Eighty-second Legislature did not appropriate funds to support the Early High School Graduation Scholarship program, the Educational Aide Tuition Exemption program, and the TANF Tuition Exemption program, a decrease of $43.2 million from the 2010–11 biennial spending levels. All three of these programs are administered by the Texas Higher Education Coordinating Board. The Early High School Graduation Scholarship program provides scholarships averaging $1,000 per student to Texas public high school students who graduate at least one semester early to be used at a Texas institute of higher education. The Educational Aide Tuition Exemption program subsidizes tuition for educational aides taking coursework through an educator preparation program in pursuit of teacher certification. The TANF Tuition Exemption program provides tuition subsidies for certain students at Texas institutes for higher education who are eligible for TANF assistance. These programs were suspended in late fiscal year 2011 due to a lack of funding.

AGENCY ADMINISTRATION

Appropriations to TEA for agency administration for the 2012–13 biennium total $279.1 million in All Funds, $123.6 million in General Revenue Funds, a decrease of $17.4 million in All Funds (5.9 percent) and $58.5 million in General Revenue (32.1 percent) from the 2010–11 biennial spending levels. The agency's cap on FTE positions is set at 826.0 for the 2012–13 biennium, a decrease of 212.8 from the 2010–11 biennial FTE cap of 1,038.8 positions. TEA began reductions in force in the winter of fiscal year 2011 in response to decreases made to the agency's fiscal year 2011 budget and in anticipation of further reductions in the 2012–13 biennial administrative operations budget. In total, 363 positions funded by General Revenue Funds were eliminated, with 16 of those eliminations resulting from the out-sourcing of driver training, 119 eliminations occurring through attrition, unfilled positions, or voluntary separation, and 228 eliminations occurring through layoffs (involuntary separation). The agency underwent an agency–wide reorganization to reallocate remaining resources.

OTHER PROGRAMS

A number of other state-funded programs are reduced or eliminated from the 2012–13 biennial budget. Programs eliminated include the Texas Reading, Math, and Science Initiative, Limited English Proficient Student Success Initiative, Optional Extended Year Program, Lifeskills Teen Parenting, Middle School Physical Education grants, and funding for Disciplinary Alternative Education Programs.

METHODS OF FINANCING PUBLIC EDUCATION

The TEA budget includes all three major types of state funds (General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds) as well as Federal Funds. Among the General Revenue Funds and Other Funds are several methods of financing the public education system with unique qualities or statutory or constitutional dedications.

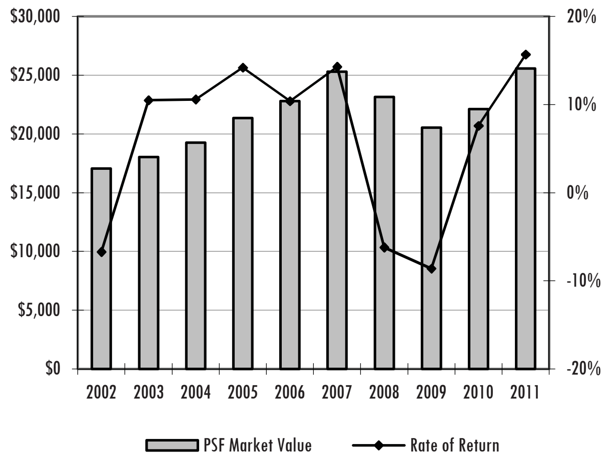
PERMANENT SCHOOL FUND

A unique aspect of public school funding in Texas is the provision of state funds from the Permanent School Fund (PSF), an endowment fund established by the Texas Constitution that consists of fixed income and equity holdings, state lands, mineral rights, and royalty earnings. The PSF is managed to be a permanent, perpetual source of funding of public education for present and future generations of Texans. Additionally, since 1983 the fund has provided for the guarantee of school district bonds, allowing districts to earn high bond ratings, which translates into lower interest rates and substantial cost savings to taxpayers. Legislation passed by the Eighty-second Legislature, 2011, extends the bond guarantee program to charter schools for the first time beginning in fiscal year 2012.

Figure 185 shows the changes to the fair market value and rate of return of the PSF for fiscal years 2002 to 2011. The fund showed strong growth during the late 1990s, with its value surpassing $22 billion in fiscal year 2000. The downturn in the financial markets over the subsequent two years took its toll on the fund, which lost $5 billion during that period. The fund recovered from fiscal years 2003 to 2007, earning double–digit positive annual returns, and by the end of fiscal year 2007 its value increased to $26.8 billion. However, financial market downturns in fiscal years 2008 and 2009 resulted in two years of a negative growth rate, with the fund posting a market value of just below $16 billion at the close of the second quarter of fiscal year 2009. Since then, the value of the fund has increased, closing fiscal year 2011 with a fair market value of $25.6 billion.

A limited amount of PSF funding is used as a method of financing the portion of the TEA administration budget dedicated to managing and overseeing the PSF. For the 2012–13 biennium, the total administrative appropriation

FIGURE 185
PERMANENT SCHOOL FUND FAIR MARKET VALUE AND TOTAL RATE OF RETURN, FISCAL YEARS 2002 TO 2011



SOURCE: Texas Education Agency.

from the PSF is $58.9 million, an increase of $35.8 million from the 2010–11 biennial spending levels. The increase results from an appropriation and associated increase in FTE positions to support the diversification of the fund into alternative asset classes and to fund an incentive–based compensation plan for PSF staff previously authorized by the Legislature and adopted by the SBOE.

AVAILABLE SCHOOL FUND (GENERAL REVENUE FUNDS)

The ASF is a constitutionally dedicated fund for the support of the public education system. It is funded from distributions from returns on investment of the PSF and also receives 25 percent of the state's motor fuels tax revenue, Prior to each legislative session, the SBOE sets a rate of total return on all investment assets of the PSF that determines an amount to be distributed to the ASF. It funds the state's instructional materials purchases (through a transfer to the state Instructional Materials Fund) and an annual per capita distribution to school districts (**Figure 186**).

The total rate of return adopted by the SBOE each biennium is based on the average market value of the PSF for the preceding 16 fiscal quarters, and is set with consideration of a policy of intergenerational equity, whereby the distribution rate cannot jeopardize the probability that the PSF will be able to support the public education of future generations of Texas students at a comparable level. Since the shift to the total rate of return methodology for determining the distribution, rates ranged from 4.5 percent for the 2004–05 and 2006–07 biennia to a low of 2.5 percent for the 2010–11 biennium, reflecting market conditions. For the 2012–13 biennium, the adopted rate of 4.2 percent is projected to yield about $943.2 million per fiscal year.

FIGURE 186
AVAILABLE SCHOOL FUND, FISCAL YEARS 2006 TO 2013

	REVENUES (IN MILLIONS)		EXPENDITURES (IN MILLIONS)			
FISCAL YEAR	MOTOR FUELS TAX	INVESTMENT INCOME	TEXTBOOK/ INSTRUCTIONAL MATERIALS ALLOTMENT TRANSFERS	TOTAL PER CAPITA APPORTIONMENT	TECHNOLOGY ALLOTMENT**	PSF TOTAL RATE OF RETURN
2006	$733.8	$896.4	$19.9***	$1,558.5	$0.0	4.5%
2007	$748.5	$901.1	$3.5	$1,633.7	$0.0	4.5%
2008	$761.1	$733.3	$272.9	$1,170.9	$31.3	3.5%
2009	$744.6	$741.4	$208.1	$1,093.1	$129.8	3.5%
2010	$744.8	$116.9	$201.8	$514.2	$132.7	2.5%
2011	$749.3	$1,115.3	$278.0	$1,445.4	$133.9	2.5%
2012*	$763.5	$1,096.7	$608.1	$1,249.9	$0.0	4.2%
2013*	$781.9	$1,097.3	$0.0	$1,877.0	$0.0	4.2%

*Projected.
**Prior to fiscal year 2008, the Technology Allotment was funded from the Telecommunications Infrastructure Fund. This fund was discontinued, and all revenues were exhausted in fiscal year 2008, when the balance of the Technology Allotment appropriation was paid from the Available School Fund. Beginning in fiscal year 2009, the Technology Allotment was funded entirely from the Available School Fund. Senate Bill 6, Eighty-second Legislature, First Called Session, 2011, repealed the Technology Allotment effective beginning with fiscal year 2012.
***In the 2006–07 biennium, $294.5 million from the Foundation School Fund (General Revenue Funds) and $309.6 million from the Economic Stabilization Fund (Other Funds) was used to fund instructional materials.
SOURCES: Legislative Budget Board; Comptroller of Public Accounts; Texas Education Agency.

The amounts reflected as investment income previously mentioned for the 2012–13 biennium also include an estimated $150 million per year in cash deposits from revenue derived from the management of land owned by the PSF by the General Land Office (GLO). These amounts are contingent on the transfer of funds by GLO, pursuant to the provisions of House Joint Resolution 109, Eighty-second Legislature, Regular Session, 2011 and subsequent to the voter approval of the associated constitutional amendment, which occurred in November 2011. The constitutional amendment also alters the definition of market value of the PSF for purposes of calculating the distribution to the ASF to include certain real assets and cash deposits held in the State Treasury on behalf of the fund. The effect of this provision is to increase the market value of the PSF, thereby increasing the amount estimated to be distributed to the ASF based on the 4.2 percent adopted total return rate. Amounts associated with revising the definition of market value are not included in the appropriation amount reflected above.

Appropriations from the ASF for the 2012–13 biennium include $1,545.4 million in anticipated revenues from the state motor fuels tax allocated to support the Instructional Materials Allotment and the FSP.

LOTTERY PROCEEDS (GENERAL REVENUE FUNDS)

Since 1997, net proceeds from the sale of Texas Lottery games, after paying the cost of administering the lottery and awarding prizes, are statutorily dedicated to funding the FSP. For the 2012–13 biennium, lottery proceeds account for $2.0 billion of the $34.6 billion in state funds appropriated to fund the FSP, an increase of $9.7 million over the 2010–11 biennium.

FOUNDATION SCHOOL FUND, FUND 193 (GENERAL REVENUE FUNDS)

The Foundation School Fund is an account within the General Revenue Fund that is used exclusively for the purpose of funding public education. It is primarily appropriated as a method of financing the FSP, though some appropriations for programs outside the FSP are made from the Foundation School Fund. It is not a dedicated fund, per se, but it is not appropriated to any agency other than TEA. For 2012–13, $24.4 billion in Foundation School Fund is appropriated to TEA, of which $24.1 billion is appropriated for the FSP.

GENERAL REVENUE

For the 2012–13 biennium, approximately $248.8 million in other General Revenue Funds (Fund 1) was appropriated to TEA to support certain programs outside the FSP and agency administration.

PROPERTY TAX RELIEF FUND (OTHER FUNDS)

The Property Tax Relief Fund (PTRF), established by legislation passed by the Seventy-ninth Legislature, Third Called Session, 2006, is a fund outside of the General Revenue Fund (Other Funds) that serves as a method of financing the FSP. The fund was established as part of the effort to compress school district maintenance and operations property tax rates by one-third and serves to finance a portion of the state cost of replacing that lost local revenue. The PTRF is funded with revenues resulting from a package of legislation that was also passed by the Seventy-ninth Legislature, Third Called Session, 2006, which altered the franchise (business margins) tax, motor vehicle sales and use tax, and taxes on tobacco products. The amounts deposited to the PTRF are essentially the amounts generated by the change in those taxes authorized by the Legislature, with the greatest contributions coming from the franchise tax. For the 2012–13 biennium, the PTRF accounts for $4.5 billion in state funds appropriated to fund the FSP, a projected increase of $290.7 million from the 2010–11 biennial spending level.

APPROPRIATED RECEIPTS (OTHER FUNDS)

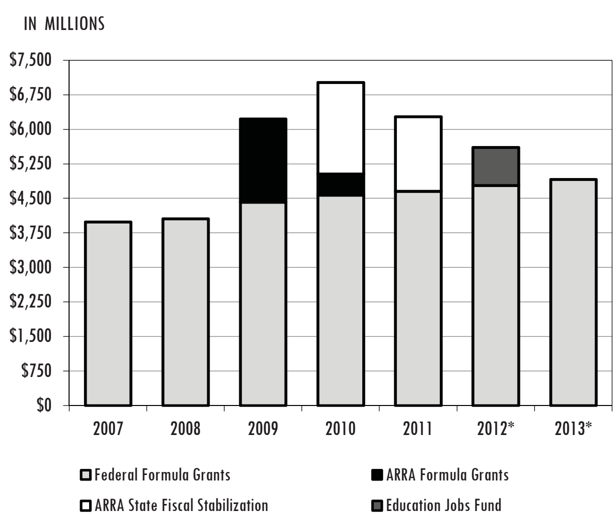
The final estimated method of finance supporting the FSP is Appropriated Receipts, which for TEA consists entirely of revenue from school districts subject to recapture. For the 2012–13 biennium, recapture receipts account for $1.7 billion of the FSP appropriation.

FEDERAL FUNDS

After growing significantly over the four years following the passage of the federal No Child Left Behind Act (NCLB) of 2001, the growth rate of non–emergency federal education funding to Texas slowed since the 2006–07 biennium. Excluding one-time appropriations from the Education Jobs Fund in the 2012–13 biennium and from ARRA in the 2010–11 biennium, Federal Funds appropriations for the 2012–13 biennium are estimated by TEA to be $479 million higher than those of the preceding biennium, totaling $9.7 billion. This $479 million net increase includes a $481 million increase for the Child Nutrition Programs and a net decrease of $1.6 million in other federal programs. Most other federal formula grants are projected to be fairly flat in the 2012–13 biennium compared to 2010–11 biennium, with funding changes in the 5 percent or less range. One change that accounts for the slight net decrease in formula grants other than the Child Nutrition Program is a shift from funding the Amachi youth mentoring program, operated by Big Brothers Big Sisters from Federal Funds (TANF) to funding from the General Revenue Fund.

Figure 187 shows appropriations of Federal Funds to TEA since fiscal year 2007 categorized as federal formula grants and three categories of emergency or one-time grants. Federal formula grants include long-standing major grants such as Title I for economically disadvantaged students and other grants under NCLB, the Individuals with Disabilities Education Act grant (IDEA—funding for special education), and the Child Nutrition Program. The emergency grants are subdivided as ARRA State Fiscal Stabilization, which was used as a method of financing the FSP and instructional materials in the 2010–11 biennium; ARRA formula grants which provided supplemental funding to school districts according to the provisions of Title I, IDEA, and other regular federal formula grants; and the Education Jobs Fund, which totals $830.8 million for the 2012–13 biennium and for which the stated purpose is to save or create jobs providing services in early childhood, primary, and secondary education.

FIGURE 187
FEDERAL EDUCATION FORMULA AND EMERGENCY FUNDING IN TEXAS
FISCAL YEARS 2007 TO 2013



*Projected
Source: Legislative Budget Board.

As **Figure 187** shows, in recent years, with the exception of a substantial increase of approximately 8 percent after fiscal year 2008, federal formula funding has grown at a fairly steady rate and is comparable to the rate of overall student growth. Of the $5.9 billion in one-time Federal Funds (ARRA) that was appropriated to TEA, approximately 30 percent of it comprised supplemental appropriations for Title I, IDEA, and other regular federal formula grants. TEA awarded the majority of this funding to school districts in fiscal year 2009, though school district expenditure of those funds was permissible through September 30, 2011.

TEXAS STUDENTS AND DISTRICTS

Texas' public school students and its school districts exhibit diversity with respect to a variety of factors that drive both funding and policy decisions within the state and create 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 2012–13 biennium are shown in **Figure 188.** The 2012–13 projections include a March 2011 update of estimates prepared by the Legislative Budget Board for the Eighty–second Legislature. Charter school ADA is included in the counts shown in **Figure 188**. For the 2010–11 school year, charter school ADA was 117,439.

During most of the 1990s, the ADA growth rate averaged 2 percent. The following decade was marked by lower growth

FIGURE 188
TEXAS PUBLIC SCHOOL AVERAGE DAILY ATTENDANCE
FISCAL YEARS 2004 TO 2013

FISCAL YEAR	SCHOOL YEAR	TOTAL ADA	PERCENTAGE CHANGE
2004	2003–04	4,008,528	1.8%
2005	2004–05	4,078,747	1.8%
2006	2005–06	4,181,278	2.5%
2007	2006–07	4,246,916	1.6%
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	4,556,179	1.9%
2012*	2011–12	4,634,263	1.7%
2013*	2012–13	4,711,961	1.7%

* Projected
Note: ADA counts include charter schools, and exclude all state-administered schools.
Sources: Legislative Budget Board; Texas Education Agency.

rates, interrupted by spikes in growth in fiscal years 2002, 2006, and, to a lesser extent, 2009. Excepting fiscal year 2006 as an anomalous year due to the impact 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 rendering private and home schooling a more or less viable option for more Texas families. For the 2012–13 biennium, TEA estimated the ADA growth rate at 1.7 percent annually over 2011 levels.

ETHNIC COMPOSITION

The diverse ethnic composition of Texas' school–age population is shown in **Figure 189**. By fiscal year 2011, total enrollment increased by nearly 19 percent from the fiscal year 2002 level. The rate of increase among non–Anglo students was nearly 38 percent over the 10-year period. Anglo enrollment in the 2010–11 school year was lower in raw numbers than it was 10 years earlier (1.5 million students in 2011 compared to 1.7 million students in 2002). Anglo students as a percentage of all students enrolled decreased from 41 percent in 2002 to 31 percent in 2011.

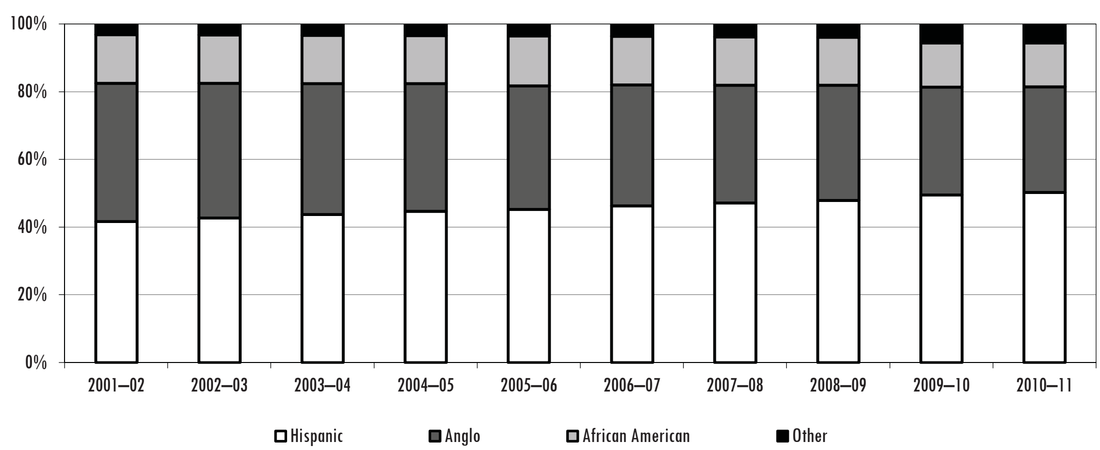
The most significant factor in the 10-year enrollment trend is the growth in the population of Hispanic students. Their number has increased by nearly 43 percent over the 10-year period—to almost 2.5 million students and a 50 percent share of the statewide student population in fiscal year 2011 (up from 42 percent of the total in 2002). In the 2001–02 school year, Hispanics surpassed Anglos as the largest ethnic group enrolled in Texas public schools.

Although African American student enrollment increased by 7 percent since fiscal year 2002, their percentage share of total students remained relatively constant over the period, fluctuating between 13 and 14 percent. The Other category increased by 115 percent in the 10-year period, and accounts for approximately 6 percent of total enrollment.

Some of the growth in the Other category is likely due to a change in the reporting of racial and ethnic categories at the federal level, also reflected in state data collections. Effective for data for the 2009–10 school year, students and parents can opt to select two or more racial/ethnic categories. Students for which more than one category is selected are categorized separately as "Two or More Races." Because data is unavailable in prior years to compare students in this category, they are included in the "Other" category. However, it is likely that a portion of these students would previously have identified with another non-Other category such as Anglo, African American, or Hispanic, which means that the relative increase in students included in Other includes some out-migration from other reported categories.

Beyond diversity expressed by the racial and ethnic composition of the Texas public school student population, there are other demographic factors more closely aligned with the state's school funding system. Within the context of the FSP, certain student characteristics result in weighted funding for school districts, including students' status as English language learners, economic disadvantage,

FIGURE 189
SCHOOL ENROLLMENT BY ETHNICITY
SCHOOL YEARS 2001–02 TO 2010–11



SOURCE: Texas Education Agency.

qualification for special education services, and participation in career and technical education programs. Of these groups, the two largest as a function of total students in ADA are English language learners (referred to as bilingual ADA) and economically disadvantaged students (referred to as the compensatory education count). Bilingual ADA has grown by about 48 percent in the 10-year period spanning the 2001–02 and 2010–11 school years, with approximately 16 percent of the total ADA receiving additional weighted funding for participation in special language programs. The count of students generating compensatory education funding has grown by about 42 percent in the same period, with about 65 percent of ADA considered economically disadvantaged. For context, total ADA has grown nearly 18 percent during the same period. In fiscal year 2011, about 9 percent of students received special education services, with services provided to students in resource room and mainstream settings generating about two-thirds of the special education allotment within the Foundation School Program. Approximately 21 percent of students enrolled in career and technology education courses in fiscal year 2011, generating additional funding for the portion of time spent in attendance in designated courses.

TEXAS STUDENT POPULATION IN COMPARISON TO OTHER STATES

Texas ranks second behind only California among the 50 states in the number of students enrolled in public schools. **Figure 190** compares enrollment growth in fall 2000 to fall 2009. With a 19.5 percent 10-year increase, an annual average of 2.0 percent, Texas enrollment is the fastest growing among the 15 most populous states over the past decade and fourth among all 50 states behind Nevada, Arizona, and Utah. **Figure 190** also shows that Texas ranked twenty-fifth among the states in student-teacher ratio (ranked from lowest to highest), with 14.6 students enrolled per teacher in fall 2009. This ranking compares favorably with the U.S. average of 15.0 students per teacher.

In terms of changes in the racial and ethnic composition of the student population over the 10-year period spanning the 2000–01 school year to the 2009–10 school year, Texas loosely reflects national trends. Nationally, during this period enrollment of Anglo students decreased by 8.3 percent and enrollment of African American students, Hispanic students, and students of other races/ethnicities increased by 1.4 percent, 40.8 percent, and 36.4 percent respectively. Over a similar period, Texas' Anglo enrollment decreased by 9.5

FIGURE 190
PUBLIC SCHOOL FALL ENROLLMENT 15 MOST POPULOUS STATES, SCHOOL YEARS 2000 AND 2009

STATE	ENROLLMENT FALL 2000	ENROLLMENT FALL 2009	10-YEAR GROWTH	PUPILS ENROLLED/ TEACHER FALL 2009	NATIONAL RANKING PUPIL/ TEACHER
Texas	**4,059,619**	**4,850,210**	**19.5%**	**14.6**	**25**
Georgia	1,444,937	1,667,685	15.4%	14.4	24
North Carolina	1,293,638	1,483,397	14.7%	14.1	22
Florida	2,434,821	2,634,522	8.2%	14.3	23
Virginia	1,144,915	1,245,340	8.8%	17.6	43
New Jersey	1,313,405	1,396,029	6.3%	12.1	5
Indiana	989,267	1,046,661	5.8%	16.8	41
Illinois	2,048,792	2,104,175	2.7%	15.2	32
California	6,140,814	6,263,449	2.0%	20.0	48
Washington	1,004,770	1,035,347	3.0%	19.4	46
Massachusetts	975,150	957,053	(1.9%)	13.7	18
Pennsylvania	1,814,311	1,786,103	(1.6%)	13.6	16
Ohio	1,835,049	1,764,297	(3.9%)	15.8	38 (tie)
New York	2,882,188	2,766,052	(4.0%)	12.9	9
Michigan	1,720,626	1,649,082	(4.2%)	17.8	44
U.S.	**47,203,539**	**49,373,307**	**4.6%**	**15.0**	

*A ranking of 1 indicates the lowest pupil-per-teacher ratio among the 50 states and the District of Columbia.
SOURCE: U.S. Department of Education.

percent and enrollment of African American students, Hispanic students, and students of other races/ethnicities increased by 6.8 percent, 43.0 percent, and 115.1 percent respectively.

Among the 10 states with the highest Hispanic student populations in the 2009–10 school year, Texas ranks fifth in the growth rate of Hispanic students over the previous 10 years, behind Georgia, Arizona, Colorado, and Florida. When all 50 states are considered, Texas has the fortieth highest growth rate in Hispanic student populations over the 10-year period. These analyses underscore that recent trends in Texas' student population reflect national trends and that the explosive growth in the Hispanic student population is not unique to Texas. However, the sheer size of the state's Hispanic student population relative to other states creates a differentiated policy environment when considering how the public education system addresses the needs of a diverse population.

SCHOOL DISTRICT CHARACTERISTICS

There were 1,029 regular school districts operating in Texas in fiscal year 2011. In addition, there were six special districts and 13 state-administered school districts (state schools and schools within the corrections system). State-administered and special districts do not fall within the regular reporting system and are not funded in the same manner as other districts through the FSP. In fiscal year 2011, there were also 201 charter school holders operating 482 open-enrollment charter school campuses. Charter schools are public schools that operate with fewer regulations than regular school districts. The total of 1,230 school districts and charter school operators in the state ranks Texas first among the 50 states in the number of operating school districts.

Texas is characterized by its large number of very small, primarily rural school districts and charter schools, counterbalanced by a handful of very large urban and suburban districts. In the 2010–11 school year, there were 847 districts and charters with fewer than 1,600 enrolled students, which represents about 69 percent of all districts but includes only 10 percent of all students. In contrast, the 18 districts with 50,000 or more enrolled students served 29 percent of all students. Houston Independent School District, the largest in Texas, enrolled 204,245 students in the 2010–11 school year, more than the combined total for the smallest 598 districts and charter schools. The remaining 61 percent of students enrolled in the 2010–11 school year were in the 365 districts with enrollments between 1,600 and 49,999 students.

Based on analysis of enrollment growth from fiscal years 2007 to 2011, 106 districts serving nearly 42 percent of the state's students increased faster than the state average for the period—meeting the definition for a "fast growth" district. In contrast, 312 districts serving 6.3 percent of students experienced declining enrollment growth. The remainder had stable enrollment or increased at about the average rate for the state.

A significant factor in school funding through the FSP is school district property wealth per weighted student. For the 2010–11 school year, school district property wealth averaged about $341,000 per weighted student and ranged from $20,007 per weighted student to $7.0 million per weighted student with 163 school districts with wealth per weighted student above $476,500 and therefore subject to recapture. School districts subject to recapture serve about 10 percent of the state's students. The majority of students, a little less than 60 percent, are served by school districts with wealth per weighted student between $200,000 and $476,500.

TEXAS PUBLIC SCHOOL EMPLOYEES

For the 2010–11 school year, Texas public schools employed 664,504 FTE positions. Of those positions, about half were teachers**. Figure 191** shows a breakdown of public school employees by function and subdivides those functions into "Instructional" and "Non-instructional" roles with instructional roles defined as functions that primarily serve students in the classroom. The figure shows that about three-fifths of public education employees fall into the instructional category as defined here, and those proportions have been similar for at least the past 10 years.

EDUCATOR SALARY

The average salary for Texas teachers in the 2009–10 school year was $48,261, up from $41,009 in the 2004–05 school year—ranking nationally at 31 and thirteenth among the 15 most populous states (**Figure 192)**. The national average salary for the same year was $55,202. Texas has the sixth highest average salary of the 15 southern states (**Figure 193**). All contiguous neighboring states pay lower average salaries than Texas, with the exception of Louisiana, where the average teacher salary began exceeding that of Texas in the 2008–09 school year. From school years 1999–2000 to 2009–10, Texas's average teacher salary increased by 28.5 percent (current dollars), placing it

FIGURE 191
FULL-TIME EQUIVALENT TEXAS PUBLIC SCHOOL EMPLOYEES BY PERSONNEL FUNCTION
SCHOOL YEARS 2010–11, 2006–07, AND 2002–03

PERSONNEL FUNCTION	2010–11 NUMBER OF FTE POSITIONS	2010–11 PERCENTAGE OF TOTAL	2006–07 FTE POSITIONS	2006–07 PERCENTAGE OF TOTAL	2002–03 FTE POSITIONS	2002–03 PERCENTAGE OF TOTAL
Instructional						
Teachers	334,930	50.4%	311,654	50.6%	288,655	50.4%
Instructional Support*	68,159	10.3%	66,268	10.8%	63,013	11.0%
TOTAL, INSTRUCTIONAL	**403,089**	**60.7%**	**377,921**	**61.4%**	**351,668**	**61.4%**
Non-instructional						
Administrative Staff	25,704	3.9%	21,631	3.5%	19,740	3.4%
Non-classroom support**	55,958	8.4%	48,615	7.9%	41,696	7.3%
Auxiliary Staff***	179,752	27.1%	167,537	27.2%	159,877	27.9%
TOTAL, NON-INSTRUCTIONAL	**261,415**	**39.3%**	**237,783**	**38.6%**	**221,313**	**38.6%**
GRAND TOTAL, FTE POSITIONS	**664,504**		**615,705**		**572,981**	
Ratio of Instructional to Non-instructional	1.5		1.6		1.6	

*Instructional support includes roles that provide direct services to students in a classroom setting such as Educational Aides and certain therapists.
**Non-classroom support includes roles that provide support services primarily outside the classroom such as librarians, counselors, diagnosticians, supervisors, and other professional roles.
***Auxiliary staff includes roles such as bus drivers, cafeteria workers, janitorial and grounds services.
SOURCE: Texas Education Agency.

FIGURE 192
AVERAGE TEACHER SALARIES, 15 MOST POPULOUS STATES (BASED ON U.S. CENSUS 2010)
SCHOOL YEAR 2009–10

50-STATE RANKING	STATE	AVERAGE SALARY
1	New York	$71,633
2	Massachusetts	$69,273
3	California	$68,203
4	New Jersey	$65,130
8	Illinois	$62,077
11	Pennsylvania	$59,156
12	Michigan	$57,958
14	Ohio	$55,958
18	Georgia	$53,112
19	Washington	$53,003
24	Virginia	$50,015
25	Indiana	$49,986
31	**Texas**	**$48,261**
36	North Carolina	$46,850
37	Florida	$46,708
U.S. AVERAGE		**$55,202**

SOURCE: National Education Association.

FIGURE 193
AVERAGE TEACHER SALARIES SOUTHERN STATES
SCHOOL YEAR 2009–10

50-STATE RANKING	STATE	AVERAGE SALARY
7	Maryland	$63,971
18	Georgia	$53,112
24	Virginia	$50,015
27	Kentucky	$49,453
30	Louisiana	$48,903
31	**Texas**	**$48,261**
32	Oklahoma	$47,691
33	Alabama	$47,571
34	South Carolina	$47,508
36	North Carolina	$46,850
37	Florida	$46,708
38	Arkansas	$46,700
40	Tennessee	$46,290
45	West Virginia	$45,959
48	Mississippi	$45,644
U.S. AVERAGE		**$55,202**

Source: National Education Association.

thirty-eighth among all states in growth compared to a national average of 32.0 percent.

STATE BOARD FOR EDUCATOR CERTIFICATION

The State Board for Educator Certification (SBEC), an appointed board whose functions are carried out under TEA's Educator Leadership and Quality Division, oversees a range of teacher credentialing, recruitment and retention, and professional conduct-related activities, including the accreditation of over 170 educator preparation programs. With few exceptions, SBEC functions are self-funded—paid from fees charged to educators and educator candidates for credentialing-related services.

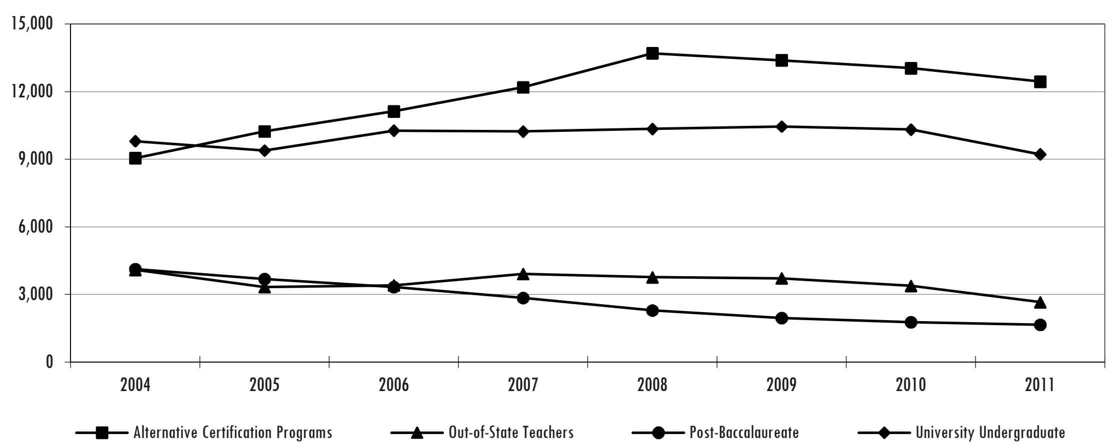
SBEC specifies the classes of educator certificates to be issued, the period for which a certificate is valid, and all rules relating to both initial issuance and renewal. To ensure that educators are properly certified, SBEC manages the development and oversees administration of numerous pedagogy (teaching skills), content-knowledge, and professional examinations. The Texas Examinations of Educator Standards (TExES) and their associated teaching certificates align educator certification standards with the Texas Essential Knowledge and Skills curriculum framework. In addition to the standard examinations, the agency also requires examinations for specific certificates: the Texas Oral Proficiency Test (education of students with limited English proficiency) and the Texas Assessment of Sign Communication (education of students with hearing impairment).

Figure 194 shows the number of individuals issued initial teaching certificates from fiscal year 2004 through fiscal year 2011. Overall the total number of initial certificates issued has declined for the past three years, by 2 percent to 3 percent from fiscal years 2008 to 2010 and a more significant drop of nearly 9 percent from fiscal years 2010 to 2011. As **Figure 194** shows, these declines are reflected in each certification route, but most significantly in university undergraduate programs.

Through fiscal year 2004, the most common route to obtaining a teaching certificate was to complete an educator preparation program as part of a four–year undergraduate program and then pass the relevant TExES examinations. However, the number of initial certifications earned through Alternative Certification Programs (ACPs) increased significantly and, in fiscal year 2005, surpassed those earned through undergraduate certification. ACPs allow 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 48 percent of the total number of new initial certificates for fiscal year 2011 compared with 35 percent granted to individuals pursuing certification through an undergraduate program.

Data analysis conducted by TEA indicates that the number of new hires outpaced the number of teachers lost through attrition in the period from the 2000–01 and the 2009–10

FIGURE 194
INITIAL TEACHING CERTIFICATES ISSUED BY CERTIFICATION ROUTE
FISCAL YEARS 2004 TO 2011



Source: Texas Education Agency.

school years. However, it is worth noting that the degree to which new hires exceed attrition is narrowing. Recent budget reductions at the state and local level and current economic conditions have implications for the teacher labor supply and may affect these trends in the short-term; but if the general trends continue, overall teacher supply may become a policy area of concern for future legislatures.

Additionally, the percentage of teachers teaching out of field overall (defined either as assignment to a subject or grade for which no credential is held or holding no credential at all) decreased from 15.2 percent in the 2007–08 school year to 13.1 percent in the 2009–10 school year. However, within certain subject areas and grade levels (particularly bilingual/English as a second Language and special education and various subject areas in the middle and secondary grades), the percentage of teachers teaching out of field remains high at 30 percent or greater.

EDUCATOR PROFESSIONAL CONDUCT

SBEC maintains and enforces a code of conduct for professional educators and ensures that applicants for educator certification pass criminal history record information (CHRI) reviews. Criminal history information resulting from CHRI reviews and complaints against educators are reviewed and, if necessary, investigated.

SBEC is statutorily required to screen new applicants for educator certification for criminal violations at both the national and state levels. SBEC contracts with the Department of Public Safety (DPS) to conduct fingerprint–based background checks in conjunction with the Federal Bureau of Investigation (FBI). First-time applicants for certification are charged a $42.25 fee for DPS and FBI analysis in addition to any fee applicants may pay a local law enforcement agency to capture fingerprints. TEA is also required to approve applicants for employment as teachers, librarians, educational aides, administrators, or counselors for open–enrollment charter schools following a national CHRI review.

The agency contracts with the State Office of Administrative Hearings to conduct hearings arising from complaints regarding educator conduct.

TEXAS PUBLIC SCHOOL EXPENDITURES IN COMPARISON WITH OTHER STATES

A comparison of public school expenditures per student in the 2009–10 school year is shown in **Figure 195** for the 15 most populous states. Texas spent an estimated $9,227 per student in current dollars in the 2009–10 school year, compared with a national average of $10,586, ranking the state thirty-seventh in the nation and twelfth among the 15 most populous states. In 1998, Texas peaked at twenty-fourth in the nation. The state's 2009–10 school year per-student spending level is less than three of its four contiguous neighbors: in the 2009–10 school year, Louisiana spent $10,750 per student, New Mexico spent $10,812, and Arkansas spent $11,171. Texas remained ranked ahead of Oklahoma, which spent $7,968 per student. The amounts shown in **Figure 195** are not adjusted for cost-of-education differences across states.

FIGURE 195
PUBLIC SCHOOL EXPENDITURES PER ENROLLED PUPIL, 15 MOST POPULOUS STATES, SCHOOL YEAR 2009–10

STATE	TOTAL $/PUPIL	NATIONAL RANKING
New Jersey	$16,967	1
New York	$16,922	2
Massachusetts	$14,766	6
Pennsylvania	$12,728	13
Michigan	$11,595	14
Illinois	$11,457	16
Virginia	$11,290	19
Georgia	$10,594	25
Indiana	$10,120	27
Washington	$9,900	28
Ohio	$9,528	34
Texas	**$9,227**	**37**
Florida	$8,963	41
California	$8,846	42
North Carolina	$8,529	44
U.S. AVERAGE	**$10,586**	

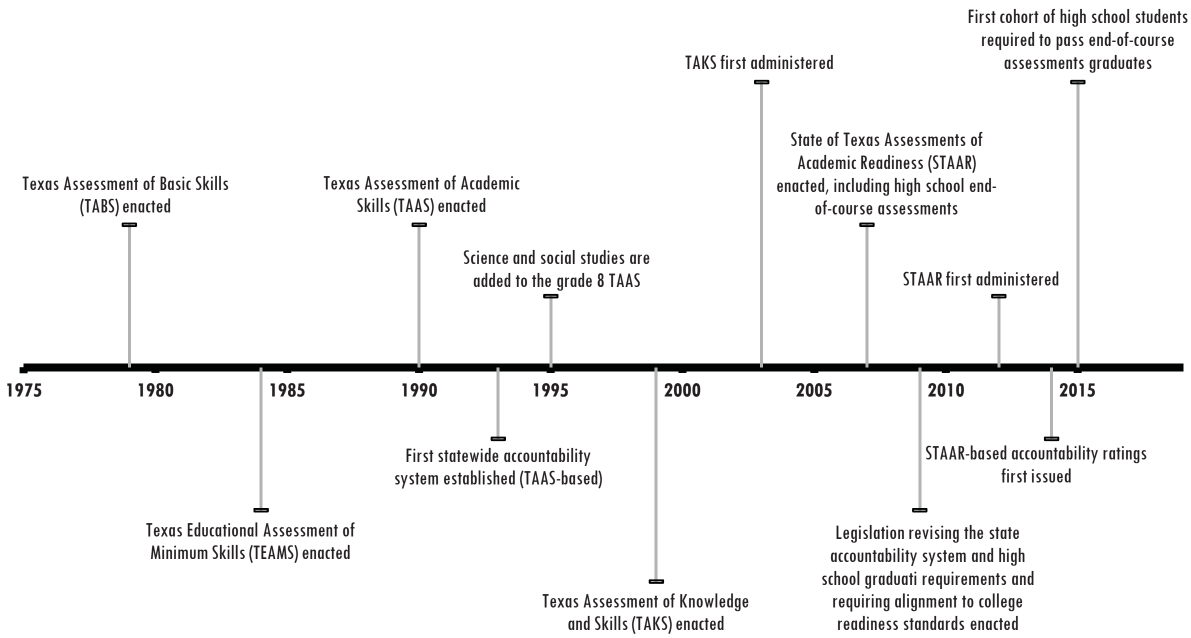
NOTE: All rankings referenced in this section are based on 50 states and the District of Columbia.
SOURCE: National Education Association.

PUBLIC SCHOOL ACCOUNTABILITY FOR STUDENT PERFORMANCE

Texas has been a leader in both statewide assessment and accountability for student performance in public education. **Figure 196** 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

FIGURE 196
TEXAS STATE ASSESSMENT AND ACCOUNTABILITY SYSTEM TIMELINE



Source: Legislative Budget Board.

Legislature in 1993 to hold Texas public schools accountable for student performance. The accountability ratings system was based on student performance on an annual student dropout rate and on performance on a set of assessments called the Texas Assessment of Academic Skills (TAAS), which included tests on reading, writing, math, and social studies. Each school district and campus was rated according to its ability to meet state passing standards on each test for all students and for certain disaggregated student groups—African American, Hispanic, Anglo, and economically disadvantaged—as well as its ability to meet state dropout standards. Each district and campus was given a rating of "exemplary," "recognized," "acceptable," or "unacceptable/low-performing."

The system was amended again in 2004 to align with the transition to a new assessments program, the Texas Assessments of Knowledge and Skills (TAKS), and to align with new federal performance standards set forth in the federal No Child Left Behind Act of 2001 (NCLB), by incorporating performance on the alternative assessments for special education students and using longitudinal completion rates instead of annual dropout rates. Initially, under the more rigorous standards of the new system, fewer districts and campuses achieved the "recognized" and "exemplary" ratings. For example, in 2007, there were 2,997 campuses that earned these ratings, about 70 percent of the campuses that earned them in 2002, the final year of the TAAS–based accountability era. However, by 2011, 4,049 campuses achieved the "recognized" and "exemplary" ratings.

In the 2011–12 school year, the state is again transitioning 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, which includes new assessments in grades 3 through 8 in reading, mathematics, science, social studies, and writing, and replaces the exit-level TAKS exam for high school students with subject-specific end-of-course assessments in foundation subjects, is intended to increase both relevance and rigor in the assessments program and to correlate performance on assessments in the lower grades with achievement of standards on end-of-course assessments in high school. Students entering grade 9 in the 2011–12 school year will be the first class required to meet passing standards for selected end-of-course assessments as a condition of graduation. School districts and campuses will not receive ratings under the accountability system based on student performance in the first year of STAAR implementation. The first STAAR-based ratings will be issued based on performance during the 2012–13 school year.

Most recently, through legislation passed by the Eighty-first Legislature, 2009, the accountability system was overhauled to add the achievement of college readiness standards as a criterion for achieving acceptable performance, to amend high school graduation requirements, to add additional criteria beyond student performance on assessments in judging campus and district performance, and to revise the system of interventions and sanctions for campuses and school districts with unsatisfactory performance. Many of the changes to the state accountability system included in this legislation take full effect, after a transition period, in the 2013–14 school year. The legislation also amends campus and district ratings themselves to include only ratings of "acceptable" or "unacceptable" performance—moving away from the prior four–level ratings system.

STUDENT PERFORMANCE ON STATE ASSESSMENTS

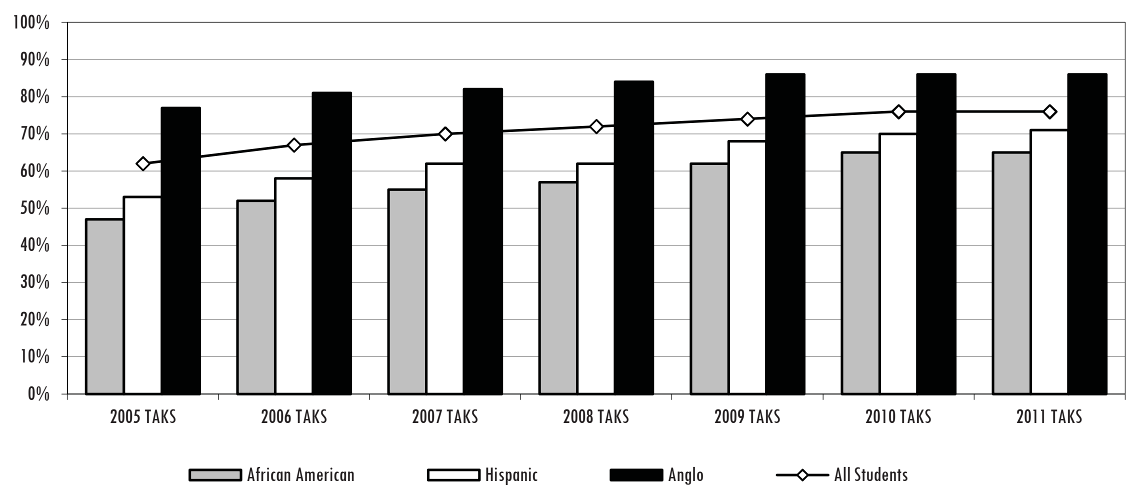
The 2002–03 school year was the first year the TAKS exams were administered. STAAR exams, including End of Course exams, replace the TAKS in the 2011–12 school year.

Following the introduction of the TAKS in 2003, student performance overall and disaggregated by ethnicity declined until 2005. As shown in **Figure 197**, subsequently, overall performance and the disaggregated performance of Anglo, Hispanic, and African American students all began an upward trend that has been sustained through 2011. The achievement gap between Anglo students and African American and Hispanic students also narrowed from 2005 to 2011. The gap between the percentage of Anglo students passing all tests taken compared to African American students since the introduction of the TAKS peaked in 2006 with Anglo students passing at a rate 30 percentage points higher than African American students. By 2011, that gap had narrowed to a 21 percentage point difference in performance. Similarly, the difference between Anglo students' TAKS passing rate and that of Hispanic students has narrowed from a 23 percentage point higher passing rate for Anglo students in 2005 to 15 percentage points in 2011.

PERFORMANCE OF TEXAS STUDENTS COMPARED WITH THE REST OF THE NATION

The National Assessment of Educational Progress (NAEP) is a set of exams given every two years to random samples of students in all 50 states and the District of Columbia to gauge relative performance of students in selected grades and subjects. It is the largest such assessment and the longest running, and as such, it serves as the basis for the U.S. Department of Education's Nation's Report Card. **Figure 198** compares NAEP scores in grades 4 and 8 reading and math for Texas and for the nation in 2003 and 2011. In math, Texas students have consistently exceeded the national average scale score, though Texas reading scores in both years hover just below that average. In both subjects in both grades, Texas has improved its scores over time by statistically significant margins. Examination of 50-states data indicates that other states made faster gains in grade 4 math than Texas over the period shown with the caveat that gains in all states

FIGURE 197
STUDENTS PASSING ALL TESTS, BY ETHNICITY
SCHOOL YEARS 2005–06 TO 2011–12



Source: Texas Education Agency.

FIGURE 198
NATIONAL ASSESSMENT OF EDUCATIONAL PROGRESS (NAEP), NATIONAL COMPARISON OF TEXAS STUDENTS' PERFORMANCE ON SELECTED ASSESSMENTS, 2003 AND 2011

		2003 AVERAGE SCALE SCORE		TEXAS RANK AMONG 50 STATES	2011 AVERAGE SCALE SCORE		TEXAS RANK AMONG 50 STATES
		U.S.	TEXAS	2003	U.S.	TEXAS	2009
Grade 4	Math	234	237	17	240	241	24
	Reading	216	215	36	220	218	36
Grade 8	Math	276	277	33	283	290	10
	Reading	261	259	36	264	261	36

Source: U.S. Department of Education.

were not necessarily statistically significant. It should be noted that NAEP is not necessarily aligned to Texas curriculum standards, and the scores of Texas students on this assessment can be used only to judge relative performance on the NAEP itself.

ADEQUATE YEARLY PROGRESS

The federal No Child Left Behind Act (NCLB) of 2001 requires that all public school districts, campuses, charter schools, and the state be evaluated annually for Adequate Yearly Progress (AYP). Each set of student groups—African American, Hispanic, Anglo, economically disadvantaged, special education, and limited English proficient—must meet the same performance and participation standards on the state reading and math exams as well as achieve certain attendance or graduation rates. If one or more student groups fail to meet one of these standards, the campus or district earns a "Did Not Meet AYP" rating.

Campuses and districts receiving Title I Federal Funds that earn a Did Not Meet AYP rating for two consecutive years are subject to interventions, including the requirement that students be offered the opportunity to transfer to another campus in the district that did meet AYP, with transportation costs paid from the district's Title I allotment. Title I campuses and districts not meeting AYP for three years also must offer students the opportunity to receive supplemental education services, also to be funded from Title I funds.

NCLB requires that states steadily increase the performance standards for the reading and math exams over time so that they reach 100 percent proficiency by the 2013–14 school year. In the 2010–11 school year, 605 school districts (49.3 percent) and 2,233 campuses (26.2 percent) failed to meet the AYP standard. Of these, 249 districts and 242 campuses are potentially subject to interventions during the 2011–12 school year for failing an AYP standard for two or more consecutive years. The 2011 results are a significant decrease in performance compared to 2010 results, in which 250 districts and 368 campuses failed to meet AYP. The decrease in performance is primarily attributable to the discontinuation of the Texas Projection Measure (TPM) in AYP evaluation for 2011. The TPM gave schools credit for improvement in student performance even if absolute passing standards were not achieved. Texas is one of 15 states approved by the federal government to include such a growth model in its evaluation of AYP. However, subsequent to policy discussions during the Eighty-second Legislative Session, TEA opted to suspend its use immediately.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, 2011, passed legislation that affects the agency. Significant legislation that was enacted includes: House Bill 1, House Bill 4, and Senate Bill 2, all of which are addressed under Significant Appropriations. In addition, the Eighty-second Legislature passed other bills affecting the agency and public education in Texas. The more significant bills are discussed here.

The enactment of Senate Bill 1, First Called Session, established two mechanisms within the school finance system to reduce school district and charter school entitlement in the 2012–13 biennium by $2 billion per year, or 5.6 percent, from what they otherwise would have earned. The mechanisms are the Regular Program Adjustment Factor (RPAF), which accounts for all of the entitlement reduction in fiscal year 2012 and approximately $500 million of the reduction the fiscal year 2013, and the percentage applied to districts' revenue targets, which accounts for an estimated $1.5 billion in reduction in fiscal year 2013. For the 2014–15 biennium, the RPAF is set at 98 percent or a greater amount by appropriation, not to exceed 100 percent, and it expires at the end of that biennium. The percentage reduction applied to revenue targets is set by appropriation in fiscal year 2014 and beyond, and the target revenue system as a whole expires at the start of fiscal year 2018. Additionally, Senate Bill 1 states legislative intent that the state continue to reduce revenue target hold harmless and increase the Basic Allotment from fiscal years 2014 to 2018.

Senate Bill 1 also defers the August Foundation School Program payment to school districts and charter schools to the following September, changes the method by which enrollments in the state virtual school network are funded, and revises the mechanism to prorate state aid and broadens it to apply to all districts and charter schools.

The enactment of Senate Bill 6, First Called Session, fundamentally changed the way in which Texas funds instructional materials by establishing the IMA. Under the IMA, school districts and charter schools receive funding on a per ADA basis with which they can purchase approved instructional materials and certain technological equipment. The legislation also repealed the state's Technology Allotment, which flowed $30 per ADA to school districts and charter schools for technology expenditures. The legislation defines the funding level of the IMA as 50 percent of the distribution from the PSF to the ASF beginning in fiscal year 2013, though it allows for a different amount by appropriation. The State Board of Education determines the rate at which funds are distributed from the PSF to the ASF prior to the start of each legislative session.

House Joint Resolution 109, Regular Session, proposed a constitutional amendment, which was approved by voters in November 2011, to change the definition of the market value of the Permanent School Fund (PSF) for purposes of determining the annual distribution to the Available School Fund (ASF) to include discretionary real assets investments and cash derived from property belonging to the fund and to allow the General Land Office (GLO) to deposit an amount not to exceed $300 million per fiscal year derived from land held by the PSF, but managed by GLO, to the ASF. The effect of expanding the definition of market value would be to increase the size of the base to which the total rate of return is applied, thereby increasing the distribution to the ASF relative to what it would have been prior to the change. The effect of allowing cash deposits from GLO directly to the ASF would be potentially to increase the amount of funding transferred to the ASF above that which is determined by the total rate of return, making additional funding available for appropriation each biennium.

TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

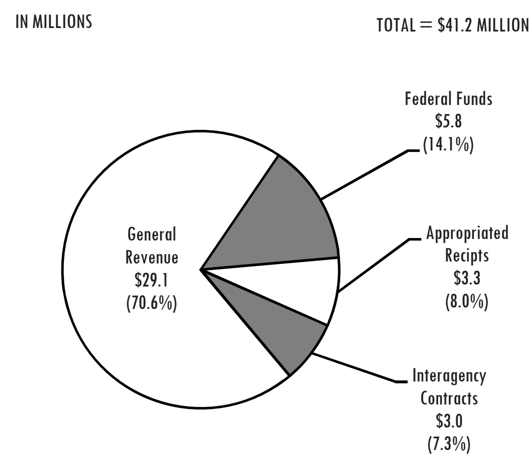
The Texas School for the Blind and Visually Impaired (TSBVI) was established by the Sixth Legislature in 1856 as the Texas Institution for the Blind. Renamed the Texas School for the Blind in 1915, the school operated under various boards of control until 1953, when oversight authority was given to the State Board of Education. In 1981, the Sixty-seventh Legislature established the school as a separate entity governed by a nine-member board appointed by the Governor. In 1989, the school was given its present name to better reflect the population it serves. The 45-acre campus is centrally located in Austin and operates a regular school year program for students with serious vision loss who need specialized and intensive services related to their visual impairments. The school is accredited by the Texas Education Agency as part of the public education system of Texas to serve as part of a continuum of statewide alternative placements for students who have a visual impairment.

The school's mission is to provide opportunities for children and youth who are blind, deafblind, or visually impaired (including those with additional disabilities) to develop the skills necessary to lead vocationally, personally, and socially satisfying and productive lives. The school provides full-time classroom and residential programs during the regular school year at its Austin campus to students age 6 to 21 who are unable to receive an appropriate public education from their local school districts.

2012–13 BIENNIAL APPROPRIATIONS

Appropriations for the 2012–13 biennium total $41.2 million in All funds and provide for 372.8 full-time-equivalent positions, which is a decrease of $52.1 million as compared to the 2010–11 biennial funding levels. These appropriations represent a decrease of $0.4 million in federal American Recovery and Reinvestment Act of 2009 funds, offset by an increase of $0.9 million in other federal funding, and a increase of $52.6 million in Other Funds for General Obligation (GO) bond proceeds. Included in the appropriations is $29.1 million in General Revenue Funds, an increase of $0.3 million from the 2010–11 biennial funding levels. Funding for estimated teacher pay increases that are statutorily required for parity with teacher salaries in the Austin Independent School District (AISD) decreased by $0.3 million General Revenue Funds because no increases to AISD salary schedules are anticipated for the 2012–13 biennium. **Figure 199** shows the school's four key revenue sources.

FIGURE 199
TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED PROJECTED FUNDING SOURCES 2012–13 BIENNIUM



Source: Texas School for the Blind and Visually Impaired.

Local school districts placing students at TSBVI are required by the Texas Education Code to share the cost of educating those students. The local district's share equals the dollar amount of maintenance and debt service taxes imposed by the district for that year divided by the average daily attendance in the district for the preceding year. The Commissioner of Education deducts the amount owed from the payment of Foundation School Funds payable to the district. Districts not receiving Foundation School Funds remit payment to the Commissioner of Education, who forwards it to TSBVI. These funds are appropriated to the school under the Appropriated Receipts method of financing, and are estimated to be approximately $670,000 for each fiscal year of the 2010–11 biennium.

Of the $3.0 million in Interagency Contracts, $2.6 million is additional Federal Funds transferred to the school from TEA's Individuals with Disabilities Education Act (IDEA) discretionary funds, to be used for general instruction and administrative purposes.

CAMPUS RENOVATIONS

TSBVI's campus was constructed in 1916, and several of the original buildings were previously renovated in the early 1970s. Since fiscal year 2005, the Texas Legislature has appropriated a total of $104.8 million in GO bond proceeds for a major renovation of the school's facilities. In collaboration with the Texas Facilities Commission, the school developed a comprehensive Master Facilities Plan to overhaul the school's instructional, vocational and residential facilities, as well as to provide new recreational, therapeutic and administrative resources. Completed construction projects include the main instructional building, cafeteria, the auditorium/fine arts building, the student activities/health center building, the natatorium, business information technology center, 12 new residential living facilities and the maintenance transportation operations and warehouse facility. In addition to building renovations, all campus utilities have been modernized to meet industry standards and roads and fire lanes were installed to meet fire code standards for trucks and emergency vehicles. The newly completed outreach conference center is becoming the prime destination for teachers of the visually impaired and parents from around the state seeking state-of-the-art training in the education of blind, deafblind, and visually impaired children. Construction on the vocational and elementary buildings is scheduled for completion in early 2012 with final construction of the gymnasium and track projects projected for completion by December, 2012. **Figure 200** shows an aerial view of the campus in 2009 at the start of campus renovations. **Figure 201** shows an aerial view of the completed campus construction projects (white buildings) as of April 2010.

STUDENT POPULATION

Referrals for admission to TSBVI must be originated by the student's local school district in collaboration with the student's parent. TSBVI cannot accept direct parent referrals. Students, age 6 to 21, who are residents of Texas and who have been identified by their local school districts as students with a visual impairment are eligible for consideration. The local (home) school district prepares an individual education plan (IEP) for each student identified as needing special education services, which identifies the goals and objectives for their academic course work. TSBVI requires the IEP for admission to the school and uses them to determine services for each student. Students live in campus houses, apartments, and dorms and return home on a weekly or monthly basis to

FIGURE 200
TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED START OF CAMPUS RENOVATIONS, 2009

SOURCE: Texas School for the Blind and Visually Impaired.

FIGURE 201
TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED, 80 PERCENT OF CAMPUS RENOVATIONS COMPLETED, 2010

A = Main Instructional Building
B = Outreach Building
C = Elementary Building
D = Independent Living Residences
E = Business/Information Resources Building
F = Warehouse/Operations Building
G = Natatorium
H = Cafeteria
I = Student Activities/Health Center Building
J = Fine Arts Buildings
K = Residential Building
L = Career Education Building

Source: Texas School for the Blind and Visually Impaired.

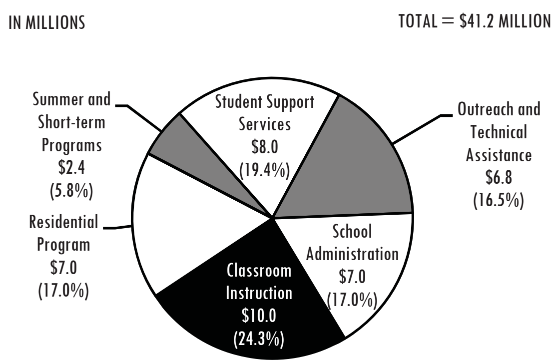
be with their families. Some students from the Austin area live at home and attend TSBVI as day students. TSBVI advocates the return of students to local (home) districts as soon as possible. The student's family, local school, and the staff of TSBVI decide together when a student is ready to make a successful transition. Based on a nine-month school year, the average length of TSBVI enrollment has varied over the last 5 years, but has been generally been between 31 and 36 months.

TSBVI serves directly on its campus approximately 8 percent of the total population of approximately 8,000 blind and visually impaired students in Texas. During the 2010–11 regular school year, the school served 165 students, 153 of which were residential program students. Of the students served in the 2010–11 regular school year program, 120, or 77 percent had multiple disabilities, including deaf, blindness, autism, and cerebral palsy. During the 2010–11 school year, 194 students were served by specialized short-term programs and the 2011 summer program served 334 students. Additionally, the school conducted 246 conferences and workshops and served approximately 7,534 participants. TSBVI also indirectly serves most of the 8,000 visually impaired students in the state through outreach support to school districts, education service centers, and parents.

PROGRAMS AND SERVICES

TSBVI staff work in conjunction with local school districts and the regional education service centers to provide a continuum of services to students with visual impairments. Students receive instruction that prepares them for high school graduation, for return to their local school districts, or for transition to further education, training or placement in local communities. The school serves these students and their wide array of needs through three major program areas: comprehensive full-time educational programs (K–12), summer and short-term programs, and statewide technical assistance outreach to students' home communities. The three program areas provide a seamless service delivery system for students, their families, and local school districts. **Figure 202** shows TSBVI's 2012–13 biennial appropriation by functional area.

FIGURE 202
TEXAS SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED APPROPRIATIONS BY PROGRAM AREA AND ADMINISTRATION
2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

Core curricular areas are expanded to include instructional and life skills components that are intended to provide students with the skills and education necessary to live independently. The instruction includes a variety of activities ranging from career education and technology to social interaction and independent living skills. The instructional and residential programs are accompanied by speech-language therapy, mobility training, health services, social work, and other support services.

For students ages 18 to 22, the school provides an Experiences in Transition program that focuses on transitioning young adults from school to the adult world. The course of study's setting simulates the adult environment in which they will be living. The program includes areas such as personal and household management, recreation and fitness, physical and mental health needs, and employment and transportation. A new job training program is available to train older students in a variety of specific market-driven, occupational skills geared to prepare students for entry level job positions. The school reported an increase in the number of students who are extending their education at TSBVI to its maximum eligibility age 22. According to TSBVI, 39 percent of enrolled students in 2011 were age 18 or older. Persons older than age 21 may receive services from the Department of Assistive and Rehabilitative Services.

The school's summer programs are only available to visually impaired students who attend their local districts during the school year and not TSBVI students. These programs supplement instruction that students receive in their home district during the regular school year, and include a broad array of content areas such as vocational, functional application of academic skills, independent living skills, social-emotional development, and adapted athletics. New technologies such as video streaming are being used by local school districts to build upon the skills learned at TSBVI. Short-term programs—brief, intensive training sessions of three to five days offered throughout the year—also are available to supplement local district instruction, and include subjects like adaptive technology, Braille, and tactile mathematics. Students coming into Special Programs enjoy the benefits of brief, periodic stays at TSBVI for intensive instruction in specialized skills such as assistive technology that some local school districts struggle to provide.

Outreach services to students, parents, and professionals in Texas are a statutorily required component of the school's role as a statewide demonstration, training, and staff-development resource facility. Services are provided through teacher and parent workshops, on-site consultations, conferences, and instructional materials. Additional services include training and technical assistance as well as developing and disseminating materials such as curriculum, instructional methodology and educational technology.

TEXAS SCHOOL FOR THE DEAF

The Texas School for the Deaf (TSD), established by the Legislature in 1856 and located in Austin, is a state agency providing public education for deaf students, including those with multiple disabilities. The 67.5 acre campus is the oldest continuously operating public school in Texas. The school is governed by a nine-member board appointed by the Governor and is directed to organize and operate like an independent school district's board of trustees.

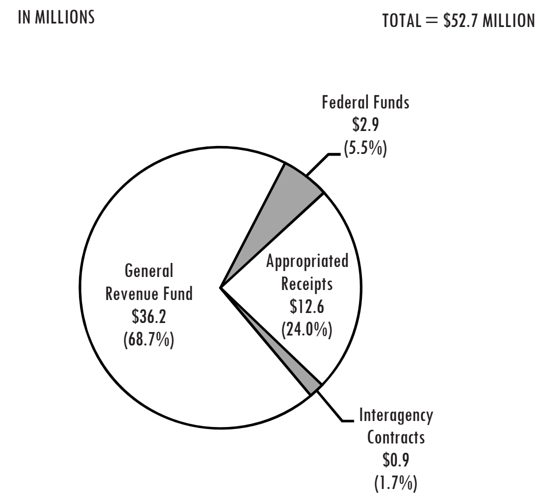
The school's mission is to provide direct educational services to students, ages 0 through 21, fostering learning in a positive and safe environment and addressing the unique needs of a diverse population of deaf students. TSD also serves as a statewide educational resource center on deafness by providing a variety of statewide outreach services to deaf students, their families, and professionals involved in deaf education.

2012–13 BIENNIAL APPROPRIATIONS

Appropriations for the 2012–13 biennium total $52.7 million in All Funds and provide for 462.2 full-time-equivalent positions, which is a decrease of $0.4 million compared to 2010–11 biennial funding levels. These appropriations represent a decrease of $0.8 million in federal American Recovery and Reinvestment Act of 2009 funds and $0.2 million for one-time federal E-Rate funding to update the school's network, offset by a projected increase in Appropriation Receipts. Included in the appropriations is $36.2 million in General Revenue Funds, of which $0.7 million is for ongoing repair and renovation of campus facilities. Funding for estimated teacher pay increases that are statutorily required for parity with teacher salaries in the Austin Independent School District (AISD) decreased by $0.3 million General Revenue Funds because no increases to AISD salary schedules are anticipated for the 2012–13 biennium. **Figure 203** shows the school's major revenue sources.

Local school districts placing students at TSD are required by the Texas Education Code to share the cost of education for those students, calculated as an amount of district property taxes collected per student in average daily attendance. The Commissioner of Education deducts the amount owed from the payment of Foundation School Funds payable to the district, and the funds are appropriated to the school under the Appropriated Receipts method of financing.

FIGURE 203
TEXAS SCHOOL FOR THE DEAF PROJECTED FUNDING SOURCES
2012–13 BIENNIUM



Source: Legislative Budget Board.

The $0.9 million in Interagency Contracts is additional Federal Funds transferred to the school from TEA's Individuals with Disabilities Education Act (IDEA) discretionary funds, to be used for general instruction and administrative purposes.

Funding for estimated teacher pay increases that are statutorily required for parity with teacher salaries in AISD was decreased by $0.3 million in General Revenue Funds because no increases to AISD salary schedules are anticipated for the 2012–13 biennium. Other decreases include $0.8 million in Federal Funds from the American Recovery and Reinvestment Act of 2009 and $0.2 million in Federal Funds from one-time E-rate funding.

STUDENT POPULATION

Students, ages 0 through 21, who are residents of Texas and who have a documented hearing loss are eligible to attend TSD. The school admits students referred by parents and those referred by local (home) school districts. In the 2010–11 school year, TSD served 541 students in regular school-year programs, a 5 percent increase from the previous year. There were 438 students in summer and short-term programs, which include family weekend retreats, early childhood education, and driver education. Approximately one-half of TSD students live on campus while attending classes, while the other half are nonresidential students who attend classes as day students. TSD provides daily transportation for most of the day students.

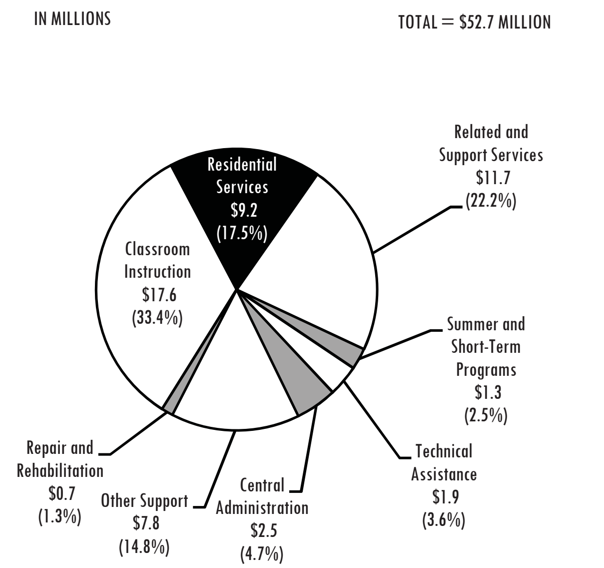
During the 2011 regular school year, 268 of the 541 enrollees were residential students and 265 students, or 22 percent of the total number of students enrolled had multiple disabilities. Students with multiple disabilities are defined by the school as students who have one or more disabilities, including emotional and behavioral needs, Attention Deficit Disorder or other health impaired disorders including autism spectrum. In addition, there is a continued increase of student participation in post-graduate transitional services including post-secondary education, vocational education, integrated employment (including supported employment), continuing and adult education, adult services, independent living, or community participation.

SCHOOL PROGRAMS AND SERVICES

TSD provides academic, extracurricular, and co-curricular educational services to deaf students. The school's programs have academic and career training components; both include specialized training for students with multiple disabilities. Independent living, social, and other life-skills training is provided to residential students in a "dormitory curriculum," which complements the academic programs. Support services, including counseling, physical therapy, occupational therapy and audiological and speech therapy, are provided to all students as needed. **Figure 204** shows the school's 2012–13 biennial appropriations by program area and administration.

In addition to residential and day educational programs, the school is required by statute to act as a primary statewide resource for promoting excellence in educational services for hearing-impaired students. TSD trained approximately 600 interpreters and teachers from across the state in communication skills workshops in fiscal year 2011. The school is also required to work in partnership with state and local agencies, including school districts, to serve the unmet and future needs of the deaf and hard of hearing. In fiscal year 2011, the school served 804 parents and professionals and 614 students throughout Texas in workshops, conferences, consultations and technical outreach and approximately 900,000 individuals received technical through emails, phone calls, publications and website visits.

FIGURE 204
TEXAS SCHOOL FOR THE DEAF APPROPRIATIONS BY PROGRAM AREA AND ADMINISTRATION
2012–13 BIENNIUM



SOURCE: Legislation Budget Board.

TEACHER RETIREMENT SYSTEM

The Teacher Retirement System of Texas (TRS) was established in 1937 and has two core responsibilities—to deliver retirement benefits, group insurance, and death, survivor, and disability benefits for employees of public school districts and institutions of higher education as authorized by the Texas Legislature, and to manage the trust funds that finance member benefits. The employee and state contribution rates are set by Texas law and appropriations received by TRS are determined by the Legislature.

APPROPRIATIONS

The Eighty-second Legislature, Regular Session, 2011, appropriated $3.6 billion for the 2012–13 biennium for pension and retiree healthcare benefits, a decrease of $240.8 million in All Funds from the 2010–11 biennial spending level. In addition, $151.5 million was authorized from the TRS Retirement System Trust Fund Account No. 960 for administrative operations, of which an estimated $25.0 million is earmarked to overhaul the agency's computerized benefit delivery system.

TRS' budget has three major components, public and higher education retirement, retiree healthcare, and administrative operations. General Revenue Funds and General Revenue–Dedicated Funds account for all retirement and healthcare funding; however, a direct appropriation for administrative operations is financed from the TRS Retirement System Trust Fund. The Eighty-second Legislature, Regular Session, 2011, authorized the use of $151.5 million in the Retirement System Trust Funds for administrative costs, which is an increase of $25.0 million from the 2010–11 biennial spending level. This authorization includes 475.3 full-time-equivalent (FTE) positions. The increase is provided to modernize the agency's financial and pension administration systems. The project is a six-year initiative identified as the TRS Enterprise Application Modernization program.

Amounts appropriated for administrative operations of the agency apply only to expenditures associated with management of the investments of the Retirement Trust Fund and payment of retirement benefits. Administrative expenses associated with other programs administered by the agency, such as TRS-Care (Retired Public Education Employee Group Insurance Program), TRS-ActiveCare (School Employee Group Insurance Program), and other functions are paid from trust funds or accounts associated with those programs and are not part of the appropriations process. The total administrative expenditure from non-appropriated funds for the administration of these other programs projected for fiscal year 2012 is $6.6 million, supporting 57.5 FTE positions, compared with actual expenditures from fiscal year 2011 of $5.6 million supporting 51 positions. According to TRS, the increase is attributable to an ongoing process of ensuring that the allocation of costs between administrative funding appropriated from the Retirement Trust Fund and administrative expenses covered by non-appropriated funds is proportionate. The positions supported by nonappropriated funds are not counted against the FTE cap established for the agency by the Legislature.

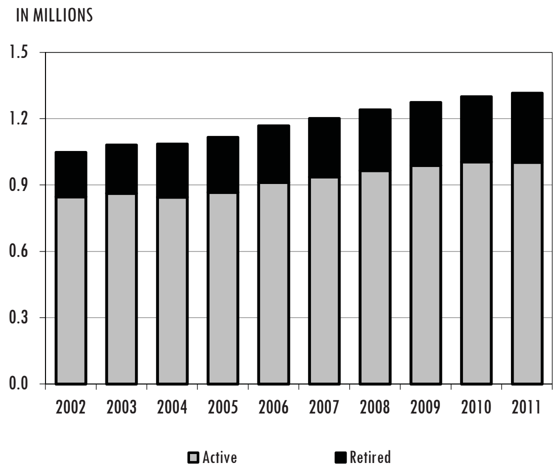
RETIREMENT PROGRAM

The TRS plan is a traditional defined benefit state retirement program and is the largest public retirement system in Texas in both membership and assets. It also remains among the largest retirement plans nationwide. The 2012–13 biennial state contributions for retirement total $3.2 billion in All Funds, a decrease of $146.5 million, or 4 percent less than the 2010–11 biennial spending levels. Factors contributing to the decrease in funding include a lower state contribution rate in fiscal year 2012, the assumption of no payroll growth and a limitation of unrestricted General Revenue Funds for pension benefit contributions from each community college district. Another factor contributing to the funding decline was a one-time supplemental deposit to the trust fund in the 2010–11 biennium.

As of August 31, 2011, there were 1,003,886 active members in the system, a decrease of 303 members below fiscal year 2010. Public school employees constitute approximately 85 percent of the TRS-covered payroll; higher education and state agency employees make up the remaining 15 percent. Annuitants accounted for 312,680 or 23.7 percent of total TRS membership as of August 31, 2011. **Figure 205** shows the growth of TRS membership, both active and retired, since fiscal year 2002.

TRS reports that 21,154 members retired in fiscal year 2011 and 16,706 members retired in fiscal year 2010. **Figure 206** shows annual TRS service retirements since 2002. Although the percentage increase in the number of service retirements fluctuates from year to year, the data show a general upward trend in retirement rates until fiscal year 2005. TRS experienced a higher than normal rate of retirement during fiscal year 2004, due in part to changes in federal rules governing Social Security benefits. Consequently, this likely contributed to the sharp decrease in the number of retirements in fiscal year 2005 and the modest decrease in

FIGURE 205
TEACHER RETIREMENT SYSTEM MEMBERSHIP
FISCAL YEARS 2002 TO 2011



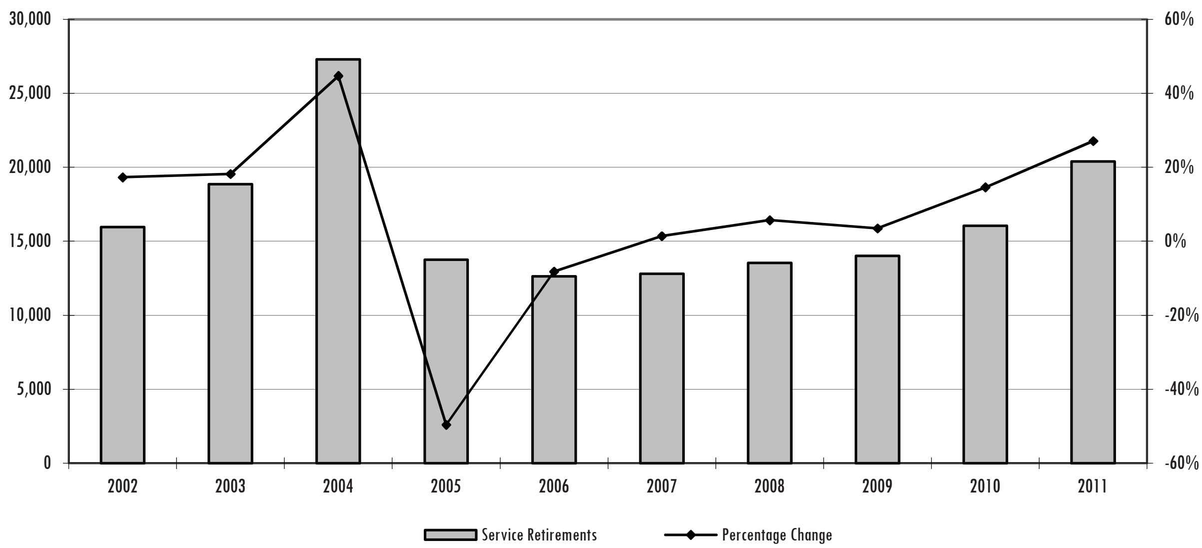
SOURCE: Teacher Retirement System of Texas.

fiscal year 2006. This trend may be partly attributable to changes made by the Seventy-ninth Legislature, 2005, to retirement eligibility and other related policies. Since 2006, retirements have resumed a steady upwards trend. From fiscal years 2010 to 2011, the average age at retirement increased from age 60.7 to age 61.0, compared to an average age at retirement of 60.1 in fiscal year 2002.

The Eighty-second Legislature, Regular Session, 2011, appropriated funds to provide for a state contribution rate of 6.0 percent of active member pay in fiscal year 2012 and 6.4 percent in fiscal year 2013 for public education and higher education employees as compared to 6.644 percent in the 2010–11 biennium. In addition to state contributions, active TRS members contribute at a rate of 6.4 percent of their annual compensation. **Figure 207** shows the state contribution rate over three biennia.

The Texas Constitution specifies that the state must contribute between 6 percent and 10 percent of total TRS-related payroll, except in an emergency declared by the Governor, and statute, prior to the actions of the Eighty-second Legislature, did not permit the state contribution rate to be set lower than the employee contribution rate. However, Senate Bill 1667, Eighty-second Legislature, Regular Session, 2011, amended law to temporarily suspend the requirement that the state contribution for public education and higher education retirement be no less than the contribution rate required by active members for fiscal year 2012. In addition, a rider in the 2012–13 General Appropriations Act (GAA), Article IX, Section 18.03 requires TRS to report to the Legislature on the impact of potential changes to the pension plan, including retirement eligibility, final average salary, benefit multiplier, and the creation of a hybrid defined contribution and defined benefit retirement plan.

FIGURE 206
ANNUAL SERVICE RETIREMENTS AND ANNUAL PERCENTAGE CHANGE IN NUMBER OF RETIREMENTS
FISCAL YEARS 2002 TO 2011



SOURCE: Teacher Retirement System of Texas.

FIGURE 207
TEACHER RETIREMENT SYSTEM STATE CONTRIBUTION RATE, 2008–09, 2010–11, AND 2012–13 BIENNIA

PERIOD	STATE CONTRIBUTION	MEMBER CONTRIBUTION** (PERCENTAGE OF MEMBER'S ANNUAL COMPENSATION)
2008–09 Biennium	6.580%	6.400%
2010–11 Biennium		
Fiscal Year 2010	6.644%*	6.400%
Fiscal Year 2011	6.644%*	6.400%
2012–13 Biennium		
Fiscal Year 2012	6.000%	6.400%
Fiscal Year 2013	6.400%	6.400%

*Reflects one-time supplemental payment directly into the TRS Retirement System Trust Fund.
**Member rate has remained at 6.4 percent since 1986.
Source: Teacher Retirement System of Texas.

PENSION PLAN HIGHLIGHTS

In accordance with TRS statute, an actuarial valuation is performed annually to report on the financial status of the pension plan and an additional valuation update is completed during each legislative session. Highlights of the pension plan include:

- The TRS Retirement System Trust fund gained value in the past year, with assets increasing from $95.7 billion as of August 31, 2010 to $107.4 billion as of August 31, 2011.
- As of August 31, 2011, the date of the most recent actuarial valuation, the TRS Retirement System Trust fund's ratio of actuarial assets, as a percentage of actuarial liabilities, was 82.7 percent which is lower than the 82.9 percentage level at August 31, 2010.
- The TRS annual rate of return on investments for the end of fiscal year 2011 was 15.47 percent on a market value basis and was due primarily to market growth, an almost 5 percentage point increase from the previous fiscal year's return of 10.7 percent. Adding value to the plan is the use of hedge funds and external managers.

The TRS Board of Trustees has the responsibility of administering retirement and related benefits to employees and beneficiaries of employees of public, state-support, educational institutions of Texas. The board has significant independence in the operation and management of retirement fund investment decisions. The board is composed of nine trustees who are appointed by the Governor with the approval of the Texas Senate. Trustees serve staggered six-year terms and include active and retired employees of public schools and higher education, complemented by appointees having relevant financial and investment expertise and experience.

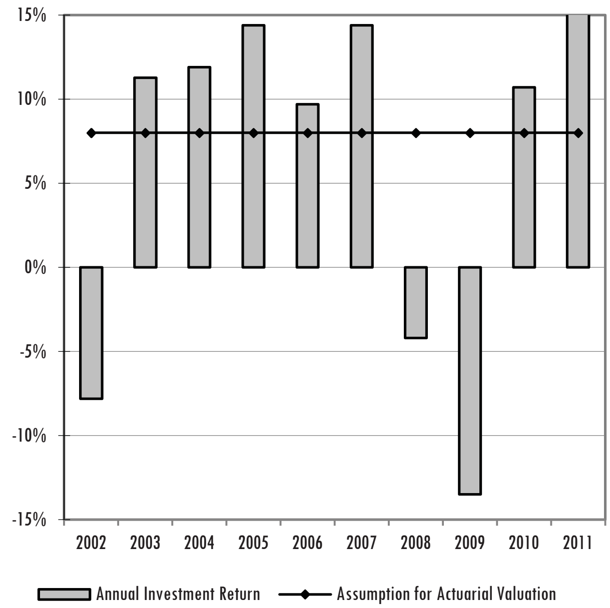
TRS TRUST FUND

During the 2008–09 biennium, TRS implemented a new investment strategy designed to improve long-term investment results, while reducing downside market risk. TRS invests system funds in equities, fixed-income securities, and other investment vehicles. At the end of fiscal year 2011, global equity investments (both public and private equity) comprised 61 percent of the system's investments, stable value investments (fixed, short-term, and hedge funds) comprised 21 percent, and real return investments (bonds, commodities, real estate and other real assets) comprised the remaining 18 percent.

As of August 31, 2011, the market value of the retirement fund was $107.4 billion. **Figure 208** shows the annual rate of return on investments for the retirement trust fund's assets since fiscal year 2002. Total portfolio assets gained 15.47 percent in fiscal year 2011. Investment performance is a major factor in determining the actuarial condition of the retirement system and is assumed at 8 percent annually.

The August 31, 2011 actuarial valuation of the TRS retirement trust fund assesses the unfunded actuarial liability at $24.1 billion, an increase of $1.2 billion from the prior year's valuation. The combined state rate (6.644 percent) and member contribution rate (6.4 percent) exceeds the normal cost of 10.6 percent. The TRS actuary reports the funding period at "never" because it exceeds the statutorily required 30-year funding period necessary for the system to be considered actuarially sound. Assuming the member contribution remains at 6.4 percent, the TRS actuary estimates the minimum rate at which the state would need to contribute to achieve the 30-year statutory funding period at 8.13 percent. The fund is projected to remain solvent until the year 2075. Note that the actuarial valuation incorporates a smoothing methodology that realizes asset gains and losses over a five-year period.

FIGURE 208
TRS RETIREMENT TRUST FUND ACTUAL ANNUAL RETURN ON INVESTMENT COMPARED TO ASSUMED ANNUAL RETURN, FISCAL YEARS 2002 TO 2011



Source: Teacher Retirement of System of Texas.

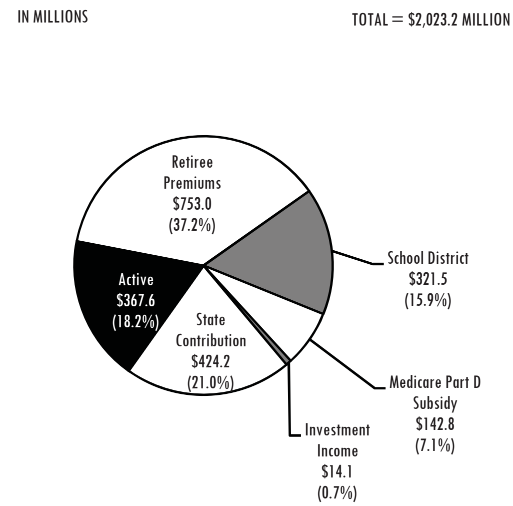
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEE GROUP INSURANCE PROGRAM (TRS-CARE)

The Legislature authorized the Texas Public School Retired Employee Group Insurance Program in 1985 and designated TRS as its administering agency. Referred to as TRS-Care, the program provides health insurance coverage for public education retirees who are not eligible to participate in the state higher education or state employee plans. The program's six major revenue sources are shown in **Figure 209**.

TRS-Care is funded on a pay-as-you go basis and funding of benefits is determined by the Texas Legislature. Appropriations for the TRS-Care program for the 2012–13 biennium meet the statutory requirement that the state contribute an amount equal to 1 percent of public education payroll for fiscal year 2012. The Eighty-second Legislature, Regular Session, 2011, amended state statute to allow the state contribution for retiree health insurance to be less than 1 percent of public education payroll and lowered the rate to 0.5 percent for fiscal year 2013.

Appropriations of General Revenue Funds to the TRS-Care retiree health insurance program for the 2012–13 biennium are $401.0 million, a decrease of $120.0 million from the program's total 2010–11 biennial state contributions. As of

FIGURE 209
TRS-CARE PROJECTED FUNDING SOURCES 2012–13 BIENNIUM



Source: Teacher Retirement System of Texas.

August 31, 2011, the TRS-Care trust fund balance is projected to close out fiscal year 2011 at $890.9 million. Included in the fund balance is $70.6 million in federal reimbursement Early Retiree Reinsurance Program (ERRP) funds. ERRP is part of the Affordable Care Act passed by Congress in 2010 to provide financial assistance to participating employment-based plans through reimbursement for a portion of the costs for health benefits for early retirees age 55 and older who are not yet eligible for Medicare. TRS anticipates receiving an additional $98.0 million in ERRP funding for fiscal year 2011 claims, subject to the availability of the federal dollars.

According to TRS, the projected TRS-Care fund balance remains solvent through fiscal year 2013. This projection incorporates ongoing enrollment in the program, including the continuing increase in Medicare lives compared to those not eligible and recent claims experience. Factors that may influence future projections include the effect of legislative changes, future enrollment patterns, changes in network savings resulting from changes in provider reimbursement schedules, and changes in future cost trends for medical and pharmaceutical expenses.

As shown in **Figure 209** retiree premiums for TRS-Care provide the largest share of revenue for the program, projected to be 37.2 percent for the 2012–13 biennium, followed by the state contribution at 21.0 percent, active employee contributions at 18.2 percent, school district contributions at 15.9 percent, investment income at 0.7 percent and subsidies earned from the federal Medicare Part D prescription drug plan at 7.1 percent. This projection indicates that the statutory requirement that the state provide no more than 50 percent of funding and that retiree premiums (which also allow for dependent coverage) provide no less than 30 percent will be met in the 2012–13 biennium. As of August 2011, there were 212,742 retirees and their dependents participating in the TRS-Care program, compared to 204,221 in August 2010.

The 2012–13 GAA requires that TRS conduct a study of the TSR-Care retiree health insurance plan and report to the Legislature on potential changes to improve the program's sustainability. In addition, a rider in the 2012–13 GAA, Article IX, Section 18.27 authorizes TRS to establish a pilot program for TRS participants in the group health benefits program to test alternatives to traditional fee-for-service payments based on nationally recognized quality of care standards and evidence-based best practices.

See **Figure 30** in Chapter 1 for additional discussion of plan benefits.

TEXAS PUBLIC SCHOOL ACTIVE EMPLOYEE GROUP INSURANCE PROGRAM (ACTIVECARE)

TRS-ActiveCare, authorized by the Seventy-seventh Legislature in 2001, is a self-funded statewide group health insurance program for public education employees. To be eligible for TRS-ActiveCare, you must be employed by a participating district/entity and be either an active, contributing TRS member or employed 10 or more regularly scheduled hours each week. TRS administers ActiveCare under contract with Blue Cross and Blue Shield of Texas (medical) and Medco Health Solutions (pharmacy). With few exceptions, school districts with fewer than 500 employees are required to participate in the ActiveCare program, while districts with more than 500 employees may join the program with proper notification to the TRS trustees. Of the 1,246 school districts, charter schools, and regional education service centers eligible to participate in TRS-ActiveCare, over 89.9 percent, or 1,120 now do so. As of September 1, 2011, TRS serves 270,490 employees and 188,110 dependents in the ActiveCare program. Health coverage and program administration are financed entirely with revenue from premiums paid by districts and participants, with TRS administrative costs budgeted at $2.5 million and funding 22 FTE positions for fiscal year 2012.

Current law requires that school districts offer a health insurance plan that provides comparable benefits to the HealthSelect plan available to state employees. The TRS-ActiveCare program now offers four tiers of coverage (ActiveCare 1, ActiveCare 1-HD, ActiveCare 2, and ActiveCare 3) with progressively richer benefits, with the ActiveCare 3 plan being comparable to HealthSelect. In addition, three health maintenance organizations are offered in certain service areas. A report compiled by TRS in fiscal year 2010, based on a district survey of coverage available to employees of the 157 nonparticipating school districts, found that 94 percent of these districts offer a comparable plan.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect TRS. Among the more significant legislation are House Bill 1061, House Bill 2561, Senate Bill 1667, and Senate Bill 1669.

The enactment of House Bill 1061 broadens the investment authority of the TRS Board of Trustees by authorizing the use of derivatives in its investment portfolio. The bill also authorizes the use of external managers to invest up to 30 percent of the TRS fund and allows for an increase in hedge funds allocations from 5 percent to 10 percent; both provisions expire September 1, 2019.

The enactment of House Bill 2561 establishes a standardized school year of September 1 through August 31 for determining service credit and creditable compensation, beginning with the 2012–13 school year.

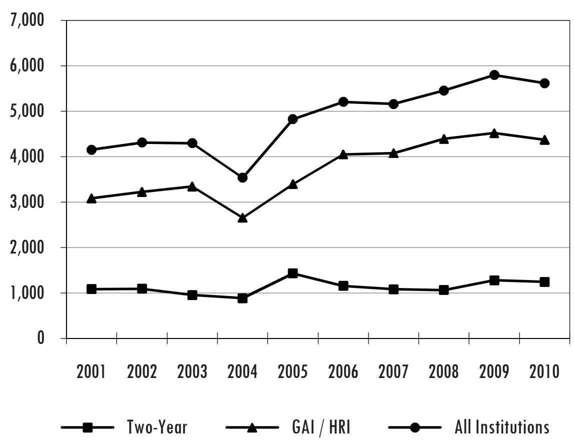
The enactment of Senate Bill 1667 allows the state contribution to the Teacher Retirement System Trust Fund for public education and higher education retirement to be less than contributions of active members for the fiscal ending August 31, 2012, and allows the state contribution to the TRS-Care retiree insurance program to be less than 1.0 percent of total active payroll for fiscal year ending August 31, 2013.

The enactment of Senate Bill 1669 repeals former exceptions that allowed service retirees to work on a full-time basis without loss of annuities in certain circumstances. The bill allows service retirees who retired before January 1, 2011 to work in Texas public education in any capacity without loss of monthly annuities. This bill allows any amount of work without loss of annuity only if the retiree has been separated from service with all Texas public education institutions for 12 full consecutive months immediately after retiring.

OPTIONAL RETIREMENT PROGRAM

The Optional Retirement Program (ORP) is a defined contribution plan established in 1967 as an alternative to the defined benefit retirement plan provided by the Teacher Retirement System of Texas (TRS) for public higher education faculty, librarians, and certain administrators and professionals. 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 one-time irrevocable choice between participation in ORP and TRS membership. **Figure 210** shows a 10-year trend in the number of employees eligible to elect participation in ORP, in two-year institutions as compared to four-year and health related institutions.

FIGURE 210
NUMBER OF EMPLOYERS ELIGIBLE TO ELECT OPTIONAL RETIREMENT PROGRAM, FISCAL YEARS 2001 TO 2010



Source: Texas Higher Education Coordinating Board.

APPROPRIATIONS

The 2012–13 biennial appropriation for ORP contributions is an estimated $247.9 million, which reflects a decrease of $46.3 million from the 2010–11 biennial spending level. The decrease is attributable primarily to a limitation of unrestricted General Revenue Funds for pension benefit contributions for public community and junior colleges. State rates are established biennially by the Texas Legislature and may fluctuate over time. The state's contribution rate for the 2012–13 biennium is based on a 6.0 percent rate and consists of General Revenue Funds and General Revenue–Dedicated Funds. Under the proportionality provision, employer contributions for ORP participants whose salaries are paid from non-General Revenue Funds or General Revenue–Dedicated Funds are paid from other funds. Participating institutions may also choose to use any funds to provide supplemental contributions for any ORP participant to bring the sum of the state contribution rate and any local supplementation up to a maximum contribution rate of 8.5 percent, the rate at which the state contributed to ORP in the 1990–91 biennium.

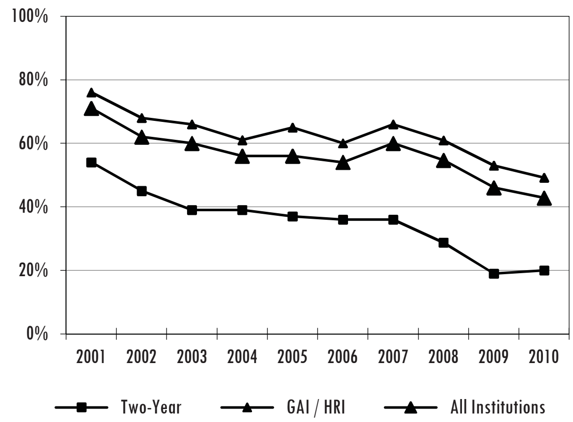
PROGRAMS AND GOVERNANCE

The ORP features one-year vesting and is a portable benefit that allows participants to maintain their retirement savings after separation from employment in Texas public higher education. ORP participants who terminate state employment prior to meeting the vesting requirement forfeit employer contributions made during that period of employment. Contribution amounts are based on a percentage of the employee's salary, currently 6.65 percent, as established by the Texas Legislature and invested by an employee through the purchase of individual investment contracts, authorized under Internal Revenue Code Section 403(b), from insurance and investment companies. The retirement benefit provided under ORP is based on the accumulated contributions and rate of return earned over the entire course of the employee's career.

ORP is not administered by TRS or the Employees Retirement System of Texas, but instead is a separate retirement mechanism. The Texas Higher Education Coordinating Board (THECB) oversees the program's rules; the Comptroller of Public Accounts, along with the various institutions, is responsible for the accounting duties; and each governing board administers its own ORP and selects qualified vendors of investment products for its eligible employees.

Participation in the program is limited to full-time faculty and certain administrators employed by Texas public institutions of higher education (including public community and technical colleges), the commissioners of education and higher education, and certain employees of THECB. 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 2010, there were 31,442 university and health-related institution employees and 8,161 employees of two-year institutions participating in the program. **Figure 211** shows a 10-year trend in the percentage of employees electing to participate in ORP.

FIGURE 211
PERCENTAGE OF EMPLOYEES ELECTING OPTIONAL RETIREMENT PROGRAM, FISCAL YEARS 2001 TO 2010



SOURCE: Texas Higher Education Coordinating Board.

HIGHER EDUCATION

INSTITUTIONS AND GOVERNANCE

Texas' system of public higher education encompasses 38 general academic teaching institutions and three lower-division institutions; 50 community and junior college districts; one technical college system with four main campuses; and nine health-related institutions operating eight state medical schools, three dental schools, two pharmacy schools, and numerous other allied health and nursing units.

This system is governed by the nine-member Texas Higher Education Coordinating Board (THECB) whose mission is to ensure an effective and efficient system of higher education by controlling costly duplication of academic programs and unnecessary construction projects. The board also ensures all Texans have access to high quality programs at different institutional levels and oversees the state's student financial aid programs. Additionally, there are seven Texas A&M University (TAMU) System agencies that provide research and other support and two constitutionally authorized funds to support new construction and excellence programs.

Based on 2010 figures reported by THECB, about 1.43 million students are enrolled in public institutions of higher education in Texas, an increase of 82,627 students above the fall 2009 enrollment. **Figure 212** compares enrollment for each type of higher education institution for fall 2009 and fall 2010.

FUNDING AND APPROPRIATIONS

The Eighty-second Legislature, Regular Session, 2011, appropriated $22.2 billion in All Funds to support higher education (including benefits) for the 2012–13 biennium. Excluding benefits, the Legislature appropriated a total of $19.8 billion in All Funds (see **Figure 212**) and $10.2 billion in General Revenue Funds, resulting in a reduction of $474.5 million in All Funds and $623 million in General Revenue Funds.

Appropriations for higher education provide $19.8 billion in funding for instruction, student services, and administration at general academic institutions, health-related institutions, community colleges, and technical colleges; special items that represent an institution's area of expertise or special need; student financial aid such as Toward Excellence, Access and Success (TEXAS) grants and the Texas B-On-Time Loan Program; and patient care at hospital or dental clinics operated by health-related institutions. Except for appropriations to THECB, the TAMU System agencies and the American Recovery and Reinvestment Act funds, Federal Funds are not included in appropriations for higher education.

Funding for higher education employee benefits totals $2.3 billion in All Funds, which includes $1.9 billion in General Revenue Funds. An appropriation of $593.1 million in General Revenue Funds for tuition revenue bond debt service is also included.

FIGURE 212
TOTAL HIGHER EDUCATION ENROLLMENT, FALL 2009 AND FALL 2010

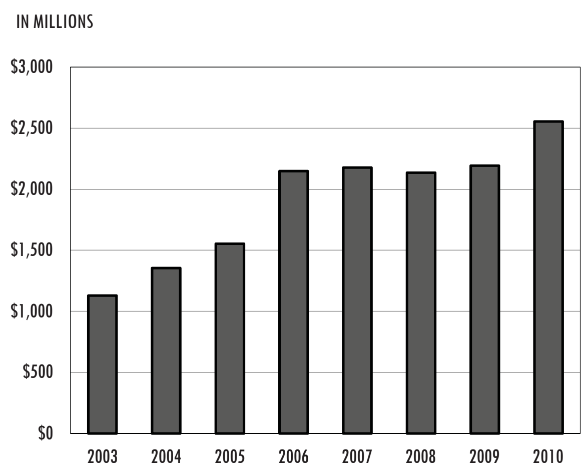
	2009 ENROLLMENT	2010 ENROLLMENT	PERCENTAGE OF TOTAL	ENROLLMENT CHANGE	PERCENTAGE OF TOTAL
Public					
General Academic Institutions	532,226	557,550	38.9	25,324	4.8
Community Colleges	677,389	730,228	50.9	52,839	7.8
Health-related Institutions	18,646	20,245	1.4	1,599	8.6
Subtotal, Public Institutions	**1,228,261**	**1,308,023**	**91.3**	**79,762**	**6.4**
Independent (Private)					
Senior Colleges	118,868	121,428	8.4	2,560	2.2
Junior Colleges	1,143	1,466	0.1	323	28.3
Health-related Institutions	2,708	2,690	0.1	(18)	(0.6)
Subtotal, Private Institutions	**122,719**	**125,584**	**8.7**	**2,865**	**0.7**
TOTAL, ALL TEXAS INSTITUTIONS OF HIGHER EDUCATION	**1,350,980**	**1,433,607**	**100.0**	**82,627**	**6.1**

Sources: Legislative Budget Board; Texas Higher Education Coordinating Board.

General Revenue formula funding in the 2012–13 biennium for institutions of higher education (general academics, health-related institutions, and community colleges) totaled $7,467.1 million. To provide access to higher education, the Texas Legislature appropriated $879.5 million for student financial aid to THECB.

Total tuition collections at general academic institutions have increased from $1.1 billion in 2003 to over $2.5 billion in 2010, as shown in **Figure 213**. This reflects increases in enrollment, statutory tuition (capped at $50 per semester hour in 2006) and the deregulation of designated tuition by the Seventy-eighth Legislature (House Bill 3015) in September of 2003.

FIGURE 213
TOTAL TUITION COLLECTIONS, GENERAL ACADEMIC INSTITUTIONS, FISCAL YEARS 2003 TO 2010



SOURCE: Texas Higher Education Coordinating Board.

SIGNIFICANT LEGISLATION

Several bills were passed by the Eighty-second Legislature, Regular Session, 2011, affecting higher education. Among the more significant legislation are House Bill 9, Senate Bill 5, and House Bill 1000.

The enactment of House Bill 9 requires THECB, in consultation with institutions of higher education, to incorporate the consideration of certain student success measures in its formula recommendations to the Legislature. For general academic teaching institutions, the success measures may include the number of bachelor degrees awarded, the number of bachelor degrees in critical fields awarded, the number of bachelor degrees awarded to at-risk students, and as determined by THECB, the six-year graduation rate predicted for those students based on the composition of the institution's student body. For public state colleges, the success measures must include various metrics regarding the number of completions of entry-level mathematics and English courses, number of undergraduates completing at least 30 semester credit hours, total number of associate and bachelor degrees awarded, and the total number of certificates awarded for various certification programs that THECB may consider pertinent to student success. Under provisions of the legislation, the impact of the success measures would not be more than 10 percent of the total amount of General Revenue Funds appropriated from base funds for undergraduate education recommended by the THECB.

The enactment of Senate Bill 5 amends various sections of statute as it relates to the administration and business affairs of public institutions of higher education. The legislation eliminates certain reporting requirements applicable to institutions of higher education and THECB. The legislation requires the Offices of the Governor and Legislative Budget Board to identify opportunities for cost savings and other related efficiencies when developing forms for Institutions of Higher Education to complete when submitting legislative appropriation requests. The legislation eliminates the requirement that institutions of higher education seek Bond Review Board's approval before they issue securities unless the General Revenue Funds of the state are being pledged. The legislation formally recognizes the Texas A&M University System Health Science Center.

The enactment of House Bill 1000, Eighty-second Legislature, Regular Session, 2011, established the specific eligibility and distribution criteria for appropriations from the National Research University Fund. To be eligible to receive NRUF appropriations for the 2012–13 biennium, an institution must meet two mandatory criteria and four of six optional criteria. The mandatory criteria are: (1) the institution is designated as an emerging research university within the THECB's Accountability System; and (2) the institution reported at least $45 million in restricted research expenditures in each of the preceding two fiscal years. Optional criteria include the following: (1) possession of an endowment fund with values in excess of $400 million; (2) awarding over 200 Doctor of Philosophy degrees per year; (3) having an entering freshman class of high academic achievement; (4) recognition of institution's research capability and scholarly attainment; (5) possession of a high-quality faculty; and (6) possession of high-quality graduate education programs.

HIGHER EDUCATION EMPLOYEES GROUP INSURANCE

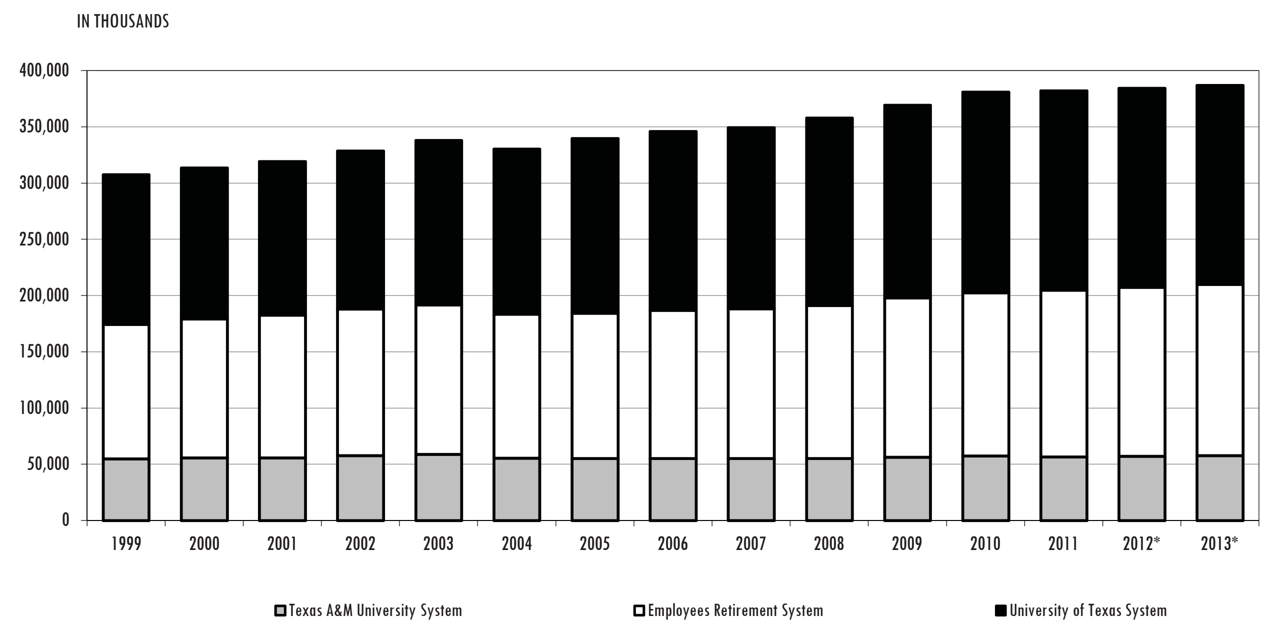
Higher Education Employees Group Insurance (HEGI) encompasses appropriations of state funds to individual institutions falling under one of three systems providing health benefits coverage to higher education employees: The University of Texas (UT) System, the Texas A&M University (TAMU) System, and the Employees Retirement System of Texas (ERS). The ERS Group Benefits Program serves all institutions of higher education except components of UT System and TAMU System. **Figure 214** shows the total number of each system's participants (actives, retirees, and dependents) from fiscal years 1999 to 2013. Since 1999, the total number of participants increased by approximately 26 percent.

Legislative appropriations for HEGI for the 2012–13 biennium total $969.0 million, which includes $967.6 million in General Revenue Funds and $1.4 million in Other Funds. The Other Funds contribution is appropriated to the Texas Transportation Institute and is funded from the State Highway Fund. The 2012–13 biennial appropriation is decreased $99.3 million in All Funds from the 2010–11 biennial spending level, or 9.3 percent. The 2010–11 biennial funding level reflects the enactment of House Bill 4, Eight-second Legislature, Regular Session, 2011, which decreased HEGI contributions in fiscal year 2011 by $56.2 million.

The 2012–13 biennial appropriation 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. State institutions of higher education are funded at 83.4 percent to 85.8 percent of "full" ERS premium rates, while local community college districts are funded at about 42.1 percent of "full" ERS premium rates. These premium contribution rates are increased by 1.29 percent in fiscal year 2012. The fiscal year 2012 premium contribution rates are increased by 5.42 percent to fund fiscal year 2013 appropriations.

For the 2012–13 biennium, an institution's allocation of General Revenue Funds is based on the relative number of employees at the institution enrolled in the health insurance program as of December 1, 2010. Funding is based on a sum-certain appropriations methodology in which state contributions to individual institutions are capped at the respective institution's line-item amount and where additional costs, if any, must be borne by individual

FIGURE 214
HIGHER EDUCATION EMPLOYEE HEALTH INSURANCE TOTAL PARTICIPATION, FISCAL YEARS 1999 TO 2013

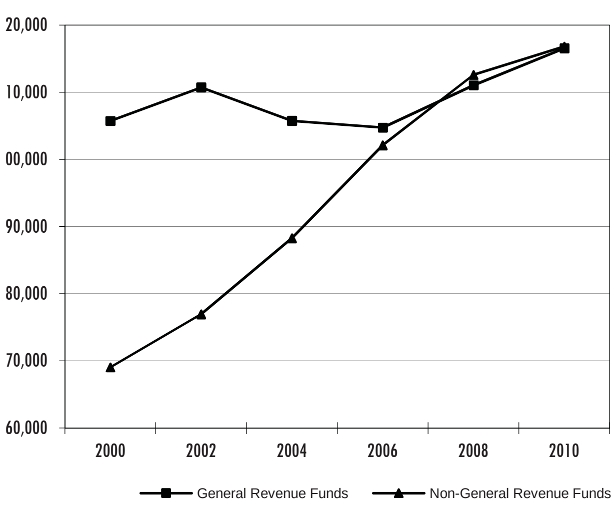


*Estimated.
Sources: The University of Texas System; Texas A&M University System; Employees Retirement System.

institutions out of other appropriated or local funds. However, the 2012–13 General Appropriations Act also authorizes ERS and the UT and TAMU systems to transfer HEGI appropriations among institutions within their respective group insurance programs to address needs related to General Revenue Fund group insurance premiums.

For all institutions of higher education except public community colleges, appropriations for HEGI are intended to provide state contributions to individual institutions' costs of health insurance premiums in a manner prescribed by proportional cost-sharing requirements. As such, institutions are required to pay all the health benefit costs for those employees having their salaries paid from sources other than the General Revenue Fund. Thus, as institutions continue to increase their share of funding from sources other than General Revenue Funds, the share of employees having their health benefits paid by state appropriations decreases proportionately. **Figure 215** shows in fiscal year 2010 the total number of active employees and retirees whose respective health benefits are paid by the institution was roughly equal to the total number of active employees and retirees paid by state General Revenue Funds.

FIGURE 215
GENERAL REVENUE AND NON-GENERAL REVENUE GROUP INSURANCE ENROLLMENT, FISCAL YEARS 2000 TO 2010



SOURCE: Legislative Budget Board.

The insurance contribution policy for ERS-covered institutions is the same as for non-higher education general state employees. For full-time employees, the state pays the employee-only premium in full and half the difference between the employee-only premium and the premium for dependent coverage. For full-time employees of the UT System, the state and UT System also pay the employee-only premium in full and half the difference between the employee-only premium and the premium for dependent coverage. For full-time employees of the TAMU System, the state and TAMU System pay about 78.5 percent of the employee-only premium and half of the difference between the employee-only premium and the premium for dependent coverage. Employees of the UT System and TAMU System receive an array of benefits similar to those offered to general state employees by ERS.

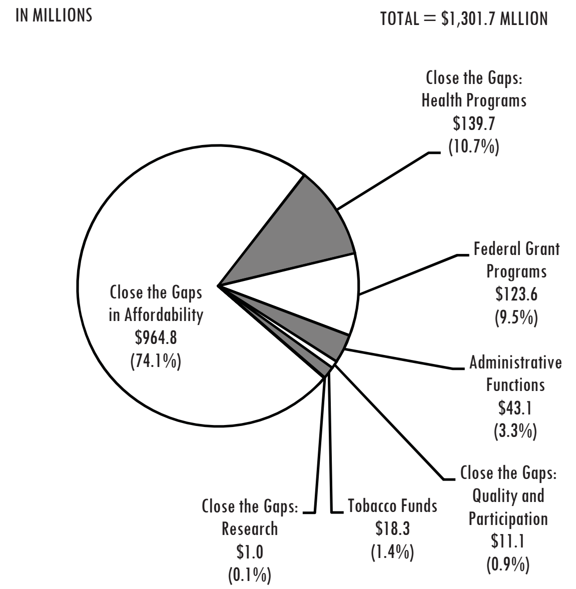
HIGHER EDUCATION COORDINATING BOARD

The Texas Higher Education Coordinating Board (THECB) was established in 1965 to provide leadership for and coordination of the public higher education system in Texas. The agency's mission is to provide the Legislature with advice and comprehensive planning capability for higher education, to coordinate the effective delivery of higher education, to administer programs efficiently, and to improve higher education for the people of Texas.

The agency's goals are to coordinate Texas higher education and to 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.

For the 2012–13 biennia, appropriations total $1,302 million in All Funds, a reduction of $453.3 million, and provide for 275.4 full-time-equivalent positions. **Figure 216** shows the funding breakout per agency goal. The two administrative goals have been consolidated into Administrative Functions. Of the appropriated amount, $1,141 million, or 87.6 percent, includes General Revenue Funds and General Revenue–Dedicated Funds. The 2012–13 biennial appropriation in All Funds is a $453.3 million decrease from the 2010–11 biennial spending levels. This decrease includes $294.8 million in General Revenue Funds and General Revenue–Dedicated Funds, primarily to financial aid programs. The remaining decrease in funding of approximately $158.5 million is primarily attributed to the following reductions or transfers: $80.0 million reduction in Federal Funds from the incentive funding, $32.9 million in transfers from the Health and Human Services Commission for the Children's Medicaid Loan Repayment Program; $16.1 million in transfers from the Texas Education Agency for the Early High School Graduation Program and $28.7 million in transfers for the Educational Aide Program.

FIGURE 216
HIGHER EDUCATION COORDINATING BOARD APPROPRIATIONS BY GOAL, 2012–13 BIENNIUM



Source: Texas Higher Education Coordinating Board.

CLOSE THE GAPS IN AFFORDABILITY

The Close the Gaps in Affordability goal constitutes 74 percent of the funding appropriated to THECB in All Funds and 85 percent in General Revenue Funds and General Revenue–Dedicated Funds. This goal includes the Student Financial Aid Program strategy, which comprises five financial aid programs—Towards Excellence, Access and Success (TEXAS Grants), Texas Educational Opportunity Grants, College Work Study, the B-On-Time Program, and the Tuition Equalization Grant Program (TEG). For the 2012–13 biennium, funding for the Student Financial Aid Program strategy is $879.5 million, a decrease of $125.9 million in General Revenue Funds and General Revenue–Dedicated Funds from the 2010–11 biennial spending levels for these consolidated programs. Although the programs are consolidated into one strategy, threshold-funding levels for each program are established through riders in the 2012–13 General Appropriations Act.

TEG helps needy Texas residents pay the difference between the tuition at a private college and a comparable public institution. For the 2012–13 biennium, funding for this program totals $168.8 million, a decrease of $43 million from the 2010–11 biennial spending levels. For the B-On-Time program, the threshold amount is $112 million for the biennium, which includes $31.4 million in General Revenue Funds and $80.6 million in designated tuition set asides. Funding decreased approximately $19.1 million in General Revenue Funds and $1.6 million in tuition set asides from the previous biennium (the 2010–11 funding amounts include a $23 million reduction tied to House Bill 4, Eighty-second Legislature, Regular Session, 2011). For TEXAS Grants, the threshold amount is $559.5 million for the 2012–13 biennium, a decrease of approximately $62.2 million from the 2010–11 biennial spending level. **Figure 217** shows the differences between these three programs. Appropriations to the Texas Educational Opportunity Grant Program and Work Study Program were $24 million and $15 million respectively, which equal the 2010–11 biennial spending levels.

Another strategy in the goal is the Texas Research Incentive Program, which matches certain gifts at emerging research universities. Funding for the program is $35.6 million, a decrease of $11.9 million from the 2010–11 biennial spending levels. The Top Ten Percent Scholarship program provides scholarships to qualifying students who graduate in the top 10 percent of their high school class. Funding for the program is $39.6 million, a decrease of $8.9 million from the 2010–11 biennial spending levels. The Teach for Texas Loan Repayment Program, which provides loan repayments to qualified teachers at preschool, primary, or secondary levels in Texas public schools, was funded at $1 million, which is a decrease of $10.5 million from the 2010–11 biennial spending levels.

CLOSE THE GAPS-RESEARCH

The one strategy in this goal, the Advanced Research Program, which is a competitive peer-reviewed grant program, was funded at $1 million for the 2012–13

FIGURE 217
FINANCIAL AID PROGRAMS, 2012–13 BIENNIUM

	TEXAS GRANTS	B-ON-TIME	TUITION EQUALIZATION GRANTS
Eligible Institutions	Public institutions	Public, private, or independent institutions	Private or independent institutions
Type of Financial Aid and Use	Grant can be used to pay any usual and customary cost of attendance.	Loan can be used to pay any usual and customary cost of attendance.	Grant can be used to pay any usual and customary cost of attendance.
Course Load	Three-fourths of a Full course load	Full course load (12 semester hours)	Three-fourths of a Full course load
Financial Need	Must show financial need	Must show financial need if funding is insufficient to meet demand	Must show financial need
Residency	Texas resident	Texas resident	Texas resident or National Merit Finalists
Grade Point Average (after first year)	Institution's GPA requirement	Institution's GPA requirement	Institution's GPA requirement
Grade Point Average (after Second year)	GPA 2.5 on 4.0 scale	GPA 2.5 on 4.0 scale	GPA 2.5 on 4.0 scale
Loan Forgiveness	NA	Yes, if 3.0 GPA on 4.0 scale and graduate within 4 to 5 years depending on degree program or with no more than 6 credit hours over degree requirements.	NA
Grant/Loan Amount	Average statewide amount of tuition and required fees a resident student enrolled full-time in a baccalaureate degree program would be charged at a general-academic teaching institution.	Average statewide amount of tuition and required fees a resident student enrolled full-time in an undergraduate degree program would be charged at a general-academic teaching institution.	Based on financial need but not to exceed a grant amount greater than 50% of the average state appropriation in the biennium preceding the biennium in which the grant is made for a full-time student or the equivalent at public senior colleges and universities, as determined by the board, or not to exceed 150% of this calculated amount, if the student establishes exceptional need. Source: 61.227(c) and (e).

NOTE: "full time" is not defined in statute as 12 hours; this is the THECB interpretation.
SOURCE: Texas Higher Education Coordinating Board.

biennium. This is a decrease of $15 million from the 2010–11 biennial spending levels.

CLOSE THE GAPS-HEALTH PROGRAMS

Appropriations for the health-related programs total $139.6 million for the 2012–13 biennium. This is a decrease of $73.0 million in General Revenue Funds and General Revenue–Dedicated Funds from the 2010–11 biennial spending levels. Programs affected by these reductions primarily include the Professional Nursing Shortage Reduction Program ($17 million), Family Practice Residency Program ($15.5 million), and Physician Loan Repayment Program ($17.3 million).

Included in this appropriation is funding for the Baylor College of Medicine. In 1969, the Sixty-first Legislature 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 Baylor College of Medicine receives is based on the average annual 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-second Legislature provided Baylor College of Medicine $75.9 million for the 2012–13 biennium. This is a decrease of $2.3 million from the 2010–11 biennial spending level. The Baylor College of Medicine also received funding for Graduate Medical Education totaling $10.3 million for the 2012–13 biennium, which is a decrease of $4.0 million from the 2010–11 biennial spending level.

Funding for the Professional Nursing Shortage Reduction Program is $30 million, a decrease of $17 million from the 2010–11 biennial spending level. The program includes three initiatives: (1) $4.9 million per fiscal year to institutions with nursing programs based on increases in numbers of nursing students graduating; (2) $6.9 million per fiscal year to institutions with graduation rates of 70 percent or greater (based on 2010 graduation rates) and increases in new enrollees (12 percent for fiscal year 2012 and 18 percent for fiscal year 2013) funded at a rate of $10,000 for each additional nursing student enrolled; and (3) an estimated $3.2 million per fiscal year to programs with graduation rates less than 70 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. The Family Practice Residency program was appropriated $5.6 million, a decrease of $15.5 million from the 2010–11 biennial spending level. Another program, the Physician Education Loan Repayment Program, decreased $17.3 million to $5.6 million from the 2010–11 biennial spending level. Funding for the Joint Admission Medical Program (JAMP) was decreased by $3.0 million, bringing the 2012–13 biennial funding level to $7.0 million. The program provides assistance to select economically disadvantaged undergraduates enrolled in Texas general academic institutions. Such designated JAMP students are provided with on-going educational support in preparation for medical school, including summer experiences on medical school campuses and medical college admissions test preparation. Successful students progress through the undergraduate curriculum and are guaranteed admission to a Texas medical school. The remaining reductions, approximately $14.0 million, are primarily related to programs that were not funded in the 2012–13 biennium. These programs include: Hospital Based Nursing Grants ($4.8 million), Primary Care Residency Program ($3.7 million) and Financial Aid for Professional Nursing Students ($1.8 million).

CLOSE THE GAPS-QUALITY AND PARTICIPATION

THECB was appropriated $11.1 million in General Revenue Funds for the 2012–13 biennium for the following four programs in the goal: Developmental Education program ($4 million), Centers for Teacher Education ($3 million), African American Museum ($.1 million), and Adult Basic Education Community College Grants ($4 million). The total appropriation is a decrease of $9.2 million from the 2010–11 biennial spending level. The remaining $29.3 million in reductions related to the goal are due to the discontinuation of certain programs, which include: funding for College Readiness Grants, funding for enrollment growth at four-year and two-year institutions, funding for new community college campuses, and funding for alternative teaching certifications programs at community colleges.

FEDERAL GRANT PROGRAMS

The total funding for the 2012–13 biennium is $123.6 million in Federal Funds. The largest of the five strategies in this goal is the Technical-Vocational Education Programs, which accounts for $73.7 million. These programs are funded by the federal Carl D. Perkins Vocational and Technical Education Act for the improvement of vocational and technical programs at postsecondary institutions. The funding is trusteed to THECB from the State Board of Education through the U.S. Department of Education.

TOBACCO FUNDS

Legislation passed by the Seventy-sixth Legislature, 1999, established 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 is trusteed Baylor College of Medicine's endowment fund as well as Baylor College of Medicine's share of the Permanent Health Fund. THECB also provides grants from the Permanent Fund for Higher Education Nursing, Allied Health and Other Health-Related Programs, and the Permanent Fund for Minority Health Research and Education. The total funding for the goal is $18.3 million.

ADMINISTRATIVE FUNCTIONS

THECB has two administrative goals: Close the Gaps in Higher Education and Indirect Administration, which are combined in **Figure 216** as Administrative Functions. The Close the Gaps in Higher Education goal includes funding for such activities as the College for Texans campaign, which provides financial aid information to students and parents, administration of the Advanced Research Program, and reviews of degree programs. The Indirect Administration goal includes the Commissioner of Higher Education's Office, accounting services, and network operations. The funding for the 2012–13 biennium totals $43.1 million in All Funds, which includes $24.2 million in General Revenue Funds and General Revenue–Dedicated Funds. This amount is a decrease of $8.2 million from the 2010–11 and $18.9 million in Other Funds, primarily Student Loan Funds, which decreased $1.2 million from the 2010–11 biennial spending level. The General Revenue Funds and General Revenue–Dedicated decrease includes approximately $4.4 million in General Revenue–Dedicated Funds for the B-On-Time Program and Physician Education Loan Program which were expended in administrative strategies in the 2010–11 biennium but not appropriated to the strategies for the 2012–13 biennium.

SIGNIFICANT LEGISLATION

Several bills were passed by the Eighty-second Legislature, Regular Session, 2011, that affect THECB. Among the most significant are House Bill 9, House Bill 2907, House Bill 2910, House Bill 3577, Senate Bill 28, and Senate Bill 851.

The enactment of House Bill 9 requires THECB, in consultation with institutions of higher education, to incorporate the consideration of certain student success measures in its formula recommendations to the Legislature. For general academic teaching institutions, the success measures must include the number of bachelor degrees awarded, the number of bachelor degrees in critical fields awarded, the number of bachelor degrees awarded to at-risk students, and as determined by THECB, the six-year graduation rate predicted for those students based on the composition of the institution's student body. For public state colleges, the success measures may include various metrics regarding the number of completions of entry level mathematics and English courses, number of undergraduates completing at least 30 semester credit hours, total number of associate and bachelor degrees awarded, and the total number of certificates awarded for various certification programs that THECB may consider pertinent to student success. Under provisions of the bill, the impact of the success measures would not be more than 10 percent of the total amount of general revenue appropriations of base funds for undergraduate education recommended by the THECB.

The enactment of House Bill 2907 modifies eligibility requirements regarding the Tuition Equalization Grant Program. Under provisions of the bill, to be eligible for a tuition equalization grant, a person must be a Texas resident as defined under Chapter 54 of the Texas Education Code rather than as defined by THECB. The student cannot receive an athletic scholarship while receiving a tuition equalization grant. Students may receive a tuition equalization grant after completion of their first year if they meet the institution's satisfactory academic progress requirements, and may receive future awards if they complete subsequent years meeting the program's specific requirements of completing 24 semester credit hours (18 hours if the person is enrolled in a graduate or professional degree program) per year while maintaining a grade point average (GPA) of at least 2.5 on a 4.0 scale. The student is also required to complete at least 75 percent of the semester credit hours attempted in their most recent full academic year.

The enactment of House Bill 2910 allows THECB, in partnership with higher education institutions, to enter into agreements with non-profit organizations to assist THECB in identifying and implementing effective methods for increasing degree completion rates. The legislation specifies areas THECB would examine, including developmental education, financial assistance, student support services and transfer or articulation agreements. The bill establishes the Texas Science, Technology, Engineering and Mathematics (T-STEM) Challenge Scholarship Program. Under provisions of the legislation, certain public junior colleges or public technical institutes would enter into partnerships with business and industry to identify local employment needs in Science, Technology, Engineering, and Math (STEM) fields and provide part-time employment for students participating in the STEM program. The legislation establishes eligibility criteria for students, including GPA and work requirements as well as being enrolled in a STEM program. Under provisions of the bill, a higher education institution must be a public junior college or public technical institute, admit at least 50 students into a STEM program each academic year, and develop partnerships with business and industry to identify local employment needs in STEM fields and provide part-time employment for students enrolled in a STEM program to participate in the program. THECB would award scholarships to qualifying students with at least 50 percent of the amount awarded from private funds.

The enactment of House Bill 3577 modifies eligibility requirements for the Texas Educational Opportunity Grant Program (TEOG). Under provisions of the legislation, a student who is eligible for both a TEOG and TEXAS Grant can receive an award through either of the programs but not both. Students are only entitled to receive the grant of the greater amount. Previously, students who met TEXAS Grant eligibility were not eligible to receive a TEOG even if they did not receive a TEXAS Grant.

The enactment of Senate Bill 28 makes several changes to the TEXAS Grant program. The primary change is that the legislation establishes a new set of academic standards for the priority award of these grants. Institutions would be required to award TEXAS Grants first to those students who meet these new standards. The legislation also establishes an additional priority threshold based on Expected Family Contribution and requires institutions to award TEXAS Grants to the neediest students first. Finally, the legislation allows students enrolled in certificate programs to be eligible for the grant and allows students who either enter military service from high school to retain eligibility for the initial grant.

The enactment of Senate Bill 851 requires THECB to provide a uniform priority application deadlines for applications for financial assistance for an academic year for general academic teaching institutions. The priority deadline does not serve as a determination of eligibility for state financial assistance, but otherwise eligible applicants who apply on or before the deadline shall be given priority consideration for available state financial assistance before other applicants. THECB is required to consult with financial aid personnel at institutions of higher education in adopting rules providing for the uniform deadline.

CONSTITUTIONAL AND RESEARCH FUNDS

Two constitutionally authorized funds provide money for new construction and excellence enhancement for Texas public higher education institutions: the Permanent University Fund (PUF) and the Higher Education Fund (HEF). The HEF and income from the PUF may be used to acquire land; construct, equip, repair, or rehabilitate buildings; and acquire capital equipment, library books, and library materials. Institutions may use a portion of the funds for payment of debt service on bonds issued for authorized purposes. Income from the PUF may also be used for excellence programs at certain institutions.

All institutions, whether under the PUF or the HEF, remain eligible to receive General Revenue Funds for capital equipment and for library books and materials. However, pursuant to Section VII of the Texas Constitution, no institution may receive additional General Revenue Funds for land acquisition, new construction, or major repairs and rehabilitations, with two exceptions: (1) General Revenue Funds may be used to replace uninsured losses caused by fire or natural disaster, and (2) these funds may be used if adopted by a two-thirds vote of the Legislature for projects that have a demonstrated need.

To assure efficient use of construction funds and the orderly development of physical plants, the Texas Constitution also authorizes the Legislature to approve or disapprove all new construction projects undertaken by institutions except The University of Texas at Austin, Texas A&M University, and Prairie View A&M University.

There are also five separate funds dedicated to fostering increased research capacity at eligible general academic institutions. The first three are the National Research University Fund (NRUF), a constitutionally authorized fund specifically dedicated to assisting certain emerging research universities attain national prominence as research universities; the Research Development Fund (RDF), a statutory fund intended to foster research capacity at eligible general academic institutions; and the Texas Competitive Knowledge Fund (TCKF), a fund established in the General Appropriations Act as a special item intended to support instructional excellence and research at certain general academic institutions.

The remaining two research funds, the Research University Development Fund and the Texas Research Incentive Program, are established in statute but were not funded by the Eighty-second Legislature. **Figure 218** shows a comparative overview of the seven funds noted above.

PERMANENT UNIVERSITY FUND

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 of 1876 established the PUF by appropriating land grants previously given to UT plus 1 million acres. In 1883, the PUF received another land grant of an additional 1 million acres. The fund now contains approximately 2.1 million acres located in 24 West Texas counties.

The fund's 2.1 million acres produce two lines of income: surface and mineral. The Texas Constitution requires all surface lease income be deposited to the Available University Fund (AUF). Mineral income and income from the sale of PUF lands remain in the PUF and are invested in equity, fixed-income, and derivative securities. Proposition 17, passed by the voters in 1999, and amended the Texas Constitution to authorize the UT Board of Regents to use a total return on investment assets from the PUF to be distributed to the AUF. The distribution determination must provide the AUF with a stable annual income stream while maintaining the purchasing power of the PUF. The estimated market value of the PUF corpus as of October 31, 2011 was $12.5 billion, reflecting growth of approximately 48.4 percent since fiscal year 2000. **Figure 219** shows the annual market value of the PUF corpus since fiscal year 2000.

Surface and investment income from the PUF flows into the AUF for use by the TAMU and UT Systems. The Texas Constitution designates two-thirds of the AUF for the UT System and one-third for the TAMU System. The first obligation of any income earned by the PUF is to pay the debt service (both principal and interest) on extant PUF bonds. During fiscal year 2011, for example, the UT System and the TAMU System paid AUF debt service of $157.0 million.

The residual income, after debt service, is dedicated to system office operations and excellence programs at UT-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 220** shows excellence funding totaled $258.9 million in fiscal year 2011.

FIGURE 218
COMPARISON OF CONSTITUTIONAL AND RESEARCH FUNDS, 2012–13 BIENNIUM

FUND	2012–13 APPROPRIATIONS	FUNCTION/PURPOSE	ELIGIBILITY	LEGAL BASIS	ALLOCATION METHODOLOGY
Available University Fund	$1,061.4 million (Estimated)	Texas Constitution: "….for the purpose of acquiring land ...constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under this Section..." Also:"....for the purpose of the support and maintenance of The Texas A&M University System administration, Texas A&M University, and Prairie View A&M University" and "The University of Texas at Austin and The University of Texas System".	Texas Constitution: For "support and maintenance": UT Austin, Texas A&M University, Prairie View University, UT System, A&M System For debt service: All components, including the TAMU System Agencies except Texas Veterinary Medical Diagnostic Laboratory (which per Education Code Section 88.701 "is a state agency under the jurisdiction and supervision of the board"), and excluding UT Pan American and UT Brownsville (because they receive HEF allocations - an institution cannot receive both AUF and HEF dollars).	Article VII, Section 18(a-j) of the Texas Constitution General Appropriations Act	Texas Constitution requires 1/3 of the annual AUF proceeds be transferred to the Texas A&M University System. Each System office determines how to apportion its share of the AUF between debt service and "support and maintenance", within guidelines specified by the Texas Constitution.
Higher Education Fund	$525.0 million	To support institutions ineligible for AUF support. Article VII, Section 17(a): "...for the purpose of acquiring land... constructing and equipping buildings ...major repair ....acquisition of capital equipment...other permanent improvements, or capital equipment used jointly for educational and general activities...."	Article VII, Section 17(c) provides an allowance to add a new institution by a 2/3 vote of both houses of the Legislature if the new institution is outside the UT and A&M Systems.	Article VII, Section 17(a-l) of the Texas Constitution Education Code, Section 62.002 General Appropriations Act	Article VII, Section 17(a) requires the HEF be allocated using an "equitable formula", defined in the Education Code (Section 62.021) as: "The allocation of funds under this subsection is made in accordance with an equitable formula consisting of the following elements: space deficit, facilities condition, institutional complexity, and a separate allocation for the Texas State Technical College System." THECB administers the HEF formula reallocation advisory process. Education Code (Section 62.021) provides a by-institution breakout of annual HEF appropriations.

FIGURE 218 (CONTINUED)
COMPARISON OF CONSTITUTIONAL AND RESEARCH FUNDS, 2012–13 BIENNIUM

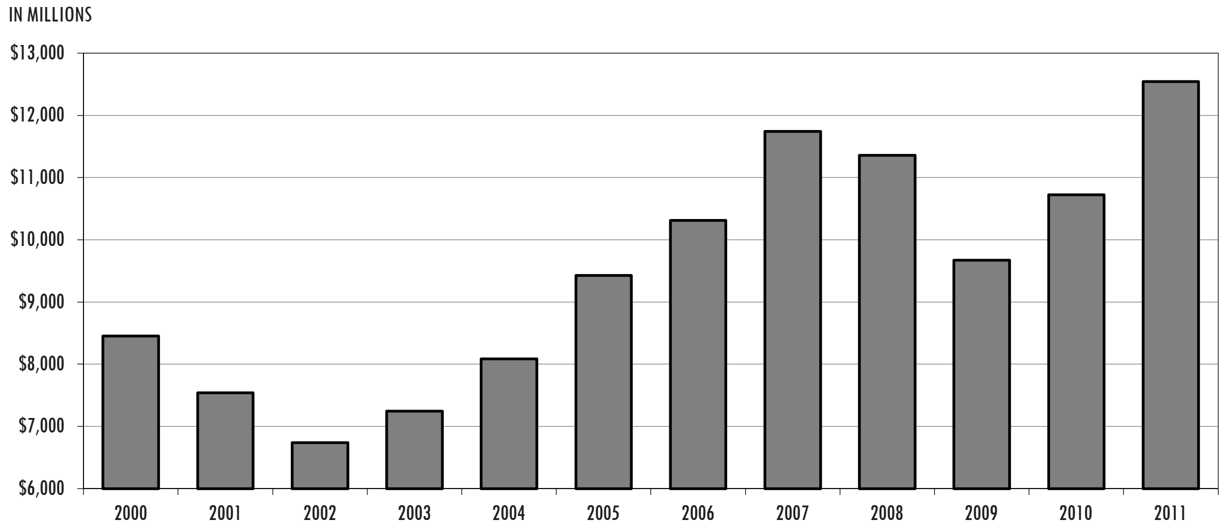
FUND	2012–13 APPROPRIATIONS	FUNCTION/PURPOSE	ELIGIBILITY	LEGAL BASIS	ALLOCATION METHODOLOGY
National Research University Fund	$12.4 million (Estimated)	Article VII, Section 20 (a): "..for the purpose of providing a dedicated, independent, and equitable source of funding to enable emerging research universities in this state to achieve national prominence as major research universities." Article VII, Section 20 (h): "...only for the support and maintenance of educational and general activities that promote increased research capacity at the university."	Designated an emerging research university by Texas Higher Education Coordinating Board. Reports at least $45 million in restricted research expenditures in each of the last 2 years. Plus four of the following additional criteria: 1) Endowments > $400 million; 2) Produces > 200 PhDs per year; 3) Selective entering Freshmen class; 4) Member of Phi Beta Kappa or equivalent; 5) Possesses high quality faculty; and 6) Demonstrated commitment to high-quality graduate education.	Article VII, Section 20 (a-h) of the Texas Constitution Education Code, Section 62.141 General Appropriation Act	Education Code, Section 62.146 (c): "......of the total amount appropriated from the fund for distribution in a state fiscal year, each eligible institution is entitled to a distribution in an amount equal to the sum of: (1) one-seventh of the total amount appropriated; and (2) an equal share of any amount remaining after distributions are calculated under Subdivision (1), not to exceed an amount equal to one-fourth of that remaining amount." Education Code, Section 62.146 (e):"If the number of institutions that are eligible for distributions in a state fiscal year is more than four, each eligible institution is entitled to an equal share of the total amount appropriated from the fund for distribution in that fiscal year."
Research Development Fund	$65.3 million	Education Code Section 62.091: "….to promote increased research capacity at eligible general academic teaching institutions."	Education Code Section 62.092: "'Eligible institution' means a general academic teaching institution, as defined by Section 61.003, other than The University of Texas at Austin, Texas A&M University, or Prairie View A&M University."	Education Code, Section 62.091 Note, the RDF as a stand-alone appropriation item has not been funded since the 2006–07 biennium. However, funds called the RDF have been appropriated directly into the bill patterns of each eligible General Academic Institution.	Education Code Section 62.095: "The amount shall be apportioned among the eligible institutions based on the average amount of restricted research funds expended by each institution per year for the three preceding state fiscal years."
Texas Competitive Knowledge Fund	$93.5 million	Section 56 of Higher Education Special Provisions, GAA, 2012–13 biennium: "….to support faculty for the purpose of instructional excellence and research."	University of Texas at Austin, University of Texas at Dallas, Texas A&M University, Texas Tech University, University of Houston	General Appropriations Act	The 2012–13 appropriation provided about $0.7 million to each eligible institution for every $10.0 million in unrestricted research expenditures as averaged over a 3-year period.

FIGURE 218 (CONTINUED)
COMPARISON OF CONSTITUTIONAL AND RESEARCH FUNDS, 2012–13 BIENNIUM

FUND	2012–13 APPROPRIATIONS	FUNCTION/PURPOSE	ELIGIBILITY	LEGAL BASIS	ALLOCATION METHODOLOGY
Research University Development Fund	None	Texas Education Code Section 62.051: "... to provide funding to research universities and emerging research universities for the recruitment and retention of highly qualified faculty and the enhancement of research productivity at those universities."	Education Code Section 62.051: "Eligible institution" means an institution of higher education designated as a research university or emerging research university under the coordinating board's accountability system."	Education Code, Section 62.051	Education Code Section 62.053: "....to eligible institutions based on the average amount of total research funds expended by each institution annually during the three most recent state fiscal years, according to the following rates: (1) at least $1 million for every $10 million of the average annual amount of those research funds expended by the institution, if that average amount for the institution is $50 million or more; and (2) at least $500,000 for every $10 million of the average annual amount of those research funds expended by the institution, if that average amount for the institution is less than $50 million."
Texas Research Incentive Program	None	Education Code, Section 62.122: "….to provide matching funds to assist eligible institutions in leveraging private gifts for the enhancement of research productivity and faculty recruitment."	Education Code, Section 62.121: "..."Eligible institution" means an institution of higher education designated as an emerging research university under the coordinating board's accountability system."	Education Code, Section 62.121 (House Bill 51, Eighty-first Regular Session)	Education Code, Section 62.123: "…is entitled to receive, out of funds appropriated for the purposes of the program for that fiscal year, a matching grant in an amount determined according to the following rates: (1) 50 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is $100,000 or more but not more than $999,999; (2) 75 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is $1 million or more but not more than $1,999,999; or (3) 100 percent of the amount of the gifts and endowments, if the total amount of gifts and endowments is $2 million or more.

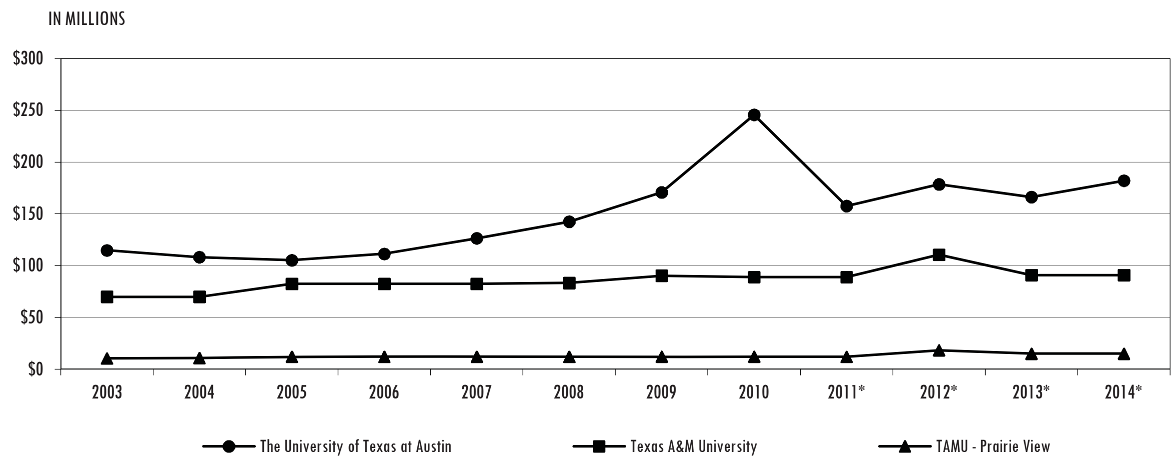
Source: Legislative Budget Board.

FIGURE 219
MARKET VALUE OF THE PERMANENT UNIVERSITY FUND, FISCAL YEARS 2000 TO 2011



Source: University of Texas Investment Management Company.

FIGURE 220
AVAILABLE UNIVERSITY FUND ALLOCATIONS FOR EXCELLENCE, FISCAL YEARS 2003 TO 2014



*Estimated.
Sources: Legislative Budget Board; The University of Texas System; Texas A&M University System.

The two systems' respective governing boards allocate PUF bond proceeds and AUF funds among their component institutions. The UT System is authorized to issue PUF bonds up to a total amount not to exceed 20 percent of the book value of the PUF; the TAMU System is authorized to issue up to 10 percent of the book value of the fund.

House Bill 2825, Eighty-second Legislature, Regular Session, 2011, changed the composition of the governing board for the University of Texas Investment Management Company, the firm investing and managing the PUF and other endowments, to require two appointees representing the Texas A&M University System. Further, House Bill 2825 requires at least one of the TAMU appointees and all of the remaining appointees to have knowledge and expertise in investments.

HIGHER EDUCATION FUND

The HEF was established by constitutional amendment as a counterpart to the PUF for those Texas public institutions of higher education constitutionally ineligible to receive proceeds from the PUF.

The 2012–13 biennial appropriations to the HEF total $525 million in General Revenue Funds. While the Texas Constitution requires the Legislature to review the HEF's formula allocation every 10 years, the Legislature may once every five years adjust the amount and the allocation of the constitutional appropriation for the next five years. For an adjustment to occur there must be a two-thirds majority vote and the reallocation may not impair any debt service obligation created by the issuance of HEF bonds or notes.

From fiscal years 1986 to 1995, the Legislature appropriated $100 million each year to the HEF for distribution to eligible institutions based on a formula allocation incorporating three elements: (1) space deficit, (2) facilities condition, and (3) institutional complexity. In 1993, the Seventy-third Legislature, Regular Session, increased the formula allocation to $175 million each year starting in fiscal year 1996. A new allocation for the $175 million distributed to universities was adopted in 1999 by the Seventy-sixth Legislature, Regular Session, as a result of recommendations from the Texas Higher Education Coordinating Board (THECB).

The Seventy-ninth Legislature, Regular Session, 2005, maintained the $175 million annual appropriation level for fiscal years 2006 and 2007 and increased the annual appropriation level to $262.5 million starting in fiscal year 2008. The Seventy-ninth Legislature, Regular Session, 2005, also reallocated the General Revenue Fund appropriations starting in fiscal year 2006 based on recommendations from THECB.

House Bill 51, Eighty-first Legislature, Regular Session, 2009, maintained the $262.5 million annual HEF appropriation level for fiscal years 2010 and 2011. Also, to ensure the equitable distribution of the HEF appropriation, House Bill 51 corrected the distribution of fiscal year 2009 and fiscal year 2010 HEF allocations by using revised formula calculations. Based on these revised formula calculations, House Bill 51 also factored in updated data elements to generate the annual HEF allocation for the five-year period starting in fiscal year 2011. In 2013, the Eighty-third Legislature will be able to update this allocation for the five-year period starting in fiscal year 2016. **Figure 221** shows each eligible institution's fiscal year 2008 allocation, corrective 2009 and 2010 allocations, and allocation for the five-year period starting in fiscal year 2011.

FIGURE 221
ANNUAL HIGHER EDUCATION FUND ALLOCATIONS TO ELIGIBLE INSTITUTIONS, FISCAL YEARS 2008 TO 2015

IN MILLIONS

ELIGIBLE INSTITUTION (BY SYSTEM)	2008 ALLOCATION	2009–10 CORRECTIVE ALLOCATION	2011 TO 2015 ALLOCATION
Lamar University	$11.2	$8.0	$8.3
Lamar Institute of Technology	-	1.8	2.3
Lamar State College–Orange	1.1	1.1	1.2
Lamar State College–Port Arthur	1.2	1.2	1.2
Sul Ross State University	2.0	2.1	1.6
Sul Ross State University Rio Grande College	0.4	0.4	0.4
Sam Houston State University	9.9	10.2	11.9
Texas State University–San Marcos	19.8	20.3	21.9
Total, Texas State University System	**$45.7**	**$45.1**	**$49.0**
Texas A&M University–Corpus Christi	$8.3	$8.5	$7.1
Texas A&M International University	3.1	3.2	3.8
Texas A&M University–Kingsville	5.1	5.2	5.0
Texas A&M University–Commerce	5.3	5.7	5.2
Texas A&M University–Texarkana	1.6	1.7	1.3
West Texas A&M University	4.8	4.9	4.7
Total, Texas A&M University System	**$28.2**	**$29.1**	**$27.1**

FIGURE 221 (CONTINUED)
ANNUAL HIGHER EDUCATION FUND ALLOCATIONS TO ELIGIBLE INSTITUTIONS, FISCAL YEARS 2008 TO 2015

IN MILLIONS ELIGIBLE INSTITUTION (BY SYSTEM)	2008 ALLOCATION	2009–10 CORRECTIVE ALLOCATION	2011 TO 2015 ALLOCATION
University of Houston	$35.3	$36.1	$35.9
University of Houston–Clear Lake	6.0	5.4	5.2
University of Houston–Downtown	9.6	9.5	7.4
University of Houston–Victoria	2.3	2.3	2.4
Total, University of Houston System	**$53.2**	**$53.3**	**$50.9**
The University of Texas–Pan American	$12.9	$13.2	$12.3
The University of Texas at Brownsville	4.2	4.3	5.1
Total, The University of Texas System	**$17.1**	**$17.5**	**$17.4**
Texas State Technical College System	$5.8	$5.8	$5.8
Midwestern State University	$3.4	$3.8	$3.6
Stephen F. Austin State University	7.0	6.9	8.4
Texas Southern University	11.2	11.3	8.9
Texas Woman's University	8.4	8.6	10.2
Total, Independent Universities	**$30.0**	**$30.6**	**$31.0**
Texas Tech University	$26.8	$27.4	$23.9
Texas Tech University Health Sciences Center	17.8	14.9	17.0
Angelo State University	3.6	3.7	3.7
Total, Texas Tech University System	**$48.3**	**$46.0**	**$44.7**
University of North Texas	$26.1	$27.1	$27.8
University of North Texas Health Sciences Center	8.1	8.0	8.8
Total, University of North Texas System	**$34.3**	**$35.1**	**$36.6**
TOTAL, ALL ELIGIBLE INSTITUTIONS	**$262.5**	**$262.5**	**$262.5**

Source: Legislative Budget Board.

House Bill 51 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.

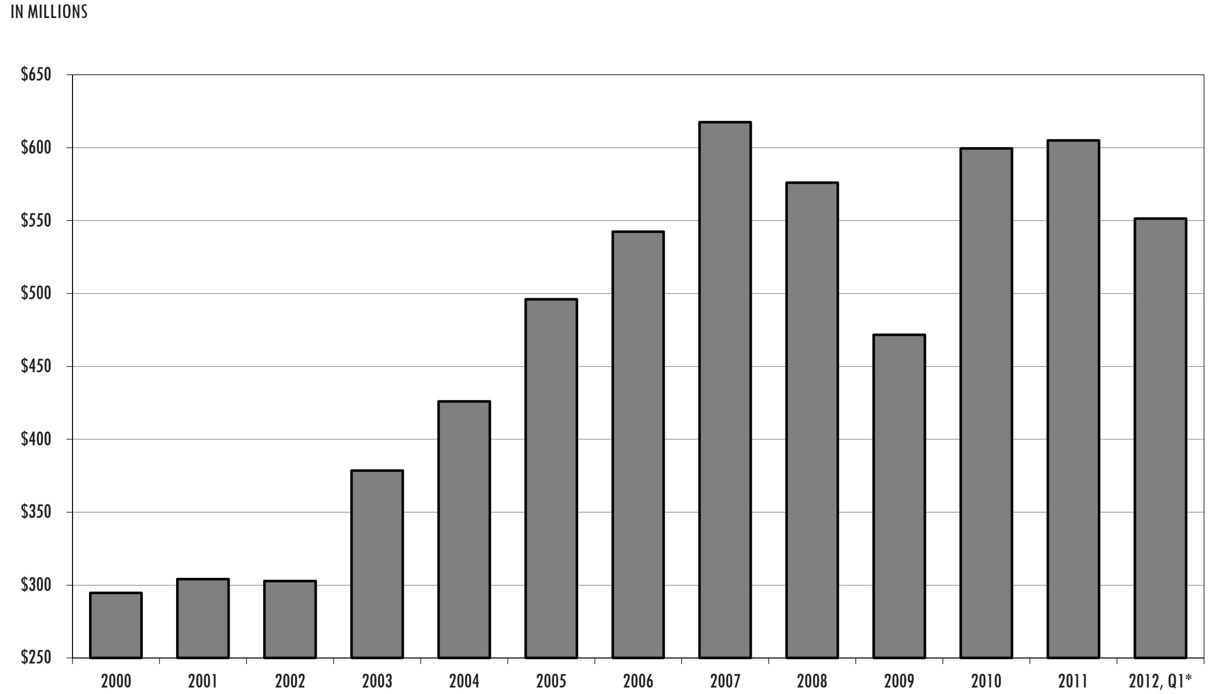
In 1995, the Texas Constitution was amended to authorize the creation and funding of a dedicated HEF corpus. Known as the Permanent Higher Education Fund (PHEF), this corpus is separate from the annual HEF allocation of General Revenue Funds. The PHEF was intended eventually to become a permanent endowment to support non-PUF eligible institutions. However, the PHEF corpus was rededicated with the voter passage of Proposition 4, which amended Article 7 of the Texas Constitution by establishing the National Research University Fund (NRUF). In 2009, 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.

NATIONAL RESEARCH UNIVERSITY FUND

The NRUF is intended to provide a source of funding to enable emerging research universities in Texas to achieve national prominence as major research universities.

Article VII of the Texas Constitution authorizes the Legislature to appropriate some or all of the total return on all investment assets of the NRUF for the purposes of the fund, except for two caveats: (1) the Legislature may not increase distributions from the fund if the purchasing power of investment assets for any rolling 10-year period is not preserved, and (2) the amount appropriated from the proceeds of the NRUF corpus in any fiscal year must be capped at 7 percent of the investment assets' average net fair market value. Until the NRUF has been invested long enough to determine its purchasing power over a 10-year period, the Legislature is authorized to use other means of preserving the purchasing power of the fund. **Figure 222**

FIGURE 222
NATIONAL RESEARCH UNIVERSITY FUND CORPUS VALUE,
FISCAL YEARS 2000 TO 2011, AND FIRST QUARTER OF FISCAL YEAR 2012



*Estimated.
Source: Texas Treasury Safekeeping Trust.

shows the annual market value of the NRUF and the superseded PHEF for fiscal years 2000 to 2011, and first quarter of fiscal year 2012.

The Eighty-second Legislature, Regular Session, 2011, appropriated $12.2 million in estimated NRUF proceeds to eligible institutions.

House Bill 1000, Eighty-second Legislature, Regular Session, 2011, establishes the specific eligibility and distribution criteria for the 2012–13 NRUF appropriations. To be eligible to receive NRUF appropriations, an institution must meet two mandatory criteria and four out of six optional criteria. The mandatory criteria are that the institution is designated as an emerging research university within the THECB's Accountability System, and that the institution reported at least $45 million in restricted research expenditures in each of the preceding two fiscal years. Optional criteria include the following: possession of an endowment fund values in excess of $400 million; awarding over 200 Doctor of Philosophy degrees per year; having an entering freshman class of high academic achievement; recognition of institution's research capability and scholarly attainment; possession of a high-quality faculty; and possession of high-quality graduate education programs.

As of March 2011, THECB reported that of the seven institutions designated as emerging research institutions, none met both the mandatory eligibility criteria, and only one institution met the minimum of four of six optional eligibility criteria. This report used data elements from fiscal years 2008 and 2009; THECB will issue a new report in early 2012 using data from fiscal years 2010 and 2011. Therefore, depending upon what is reported, it is possible one or more institutions will be eligible to receive NRUF appropriations in fiscal year 2012.

RESEARCH DEVELOPMENT FUND

The Eighty-second Legislature, Regular Session, 2011, appropriated $65.3 million to the RDF. Legislation passed by the Seventy-eighth Legislature, Regular Session, 2003, established the RDF effective September 1, 2005, to replace the University Research Fund and the Texas Excellence Fund, both of which expired at the end of fiscal year 2005. The RDF promotes increased research capacity at eligible general academic teaching institutions. Appropriations for the RDF are apportioned among eligible institutions according to a formula based on each institution's three-year average of restricted research expenditures. **Figure 223** compares the 2008–09, 2010–11, and 2012–13 biennial allocations for each eligible institution. Each eligible institution's share of the RDF is appropriated directly in each eligible institution's bill pattern.

FIGURE 223
RESEARCH DEVELOPMENT FUND ALLOCATIONS, 2008–09, 2010–11 AND 2012–13 BIENNIA

INSTITUTION	2008–09 BIENNIUM ALLOCATION	2010–11 BIENNIUM ALLOCATION	2012–13 BIENNIUM ALLOCATION
The University of Texas System			
The University of Texas at Arlington	$6,364,184	$6,560,347	$6,032,753
The University of Texas at Dallas	9,865,362	10,692,429	8,425,886
The University of Texas at El Paso	8,414,430	8,100,327	6,925,040
The University of Texas at Pan American	1,309,438	1,406,399	1,147,837
The University of Texas at Brownsville	1,382,278	1,270,551	902,512
The University of Texas of the Permian Basin	407,754	476,184	306,408
The University of Texas at San Antonio	5,962,738	6,464,796	5,491,297
The University of Texas at Tyler	239,260	433,424	434,073
Subtotal, UT System	**$33,945,444**	**$35,404,456**	**$29,665,806**
Texas A&M University System			
Texas A&M University at Galveston	$1,158,284	$774,064	$600,341
Tarleton State University	2,584,742	2,119,973	1,586,395
Texas A&M University - Corpus Christi	2,351,850	2,841,526	2,212,356
Texas A&M University - Kingsville	2,653,766	2,407,804	1,846,206
Texas A&M International University	43,640	66,318	253,245
West Texas A&M University	972,532	1,001,716	681,752
Texas A&M University - Commerce	236,302	414,287	436,752
Texas A&M University - Texarkana	-	-	9,009
Subtotal, A&M System	**$10,001,116**	**$9,625,687**	**$7,626,056**
University of Houston System			
University of Houston	$14,989,858	$12,123,237	$10,705,473
University of Houston-Clear Lake	212,526	142,453	108,392
University of Houston-Downtown	173,850	108,270	104,248
University of Houston-Victoria	1,674	-	2,253
Subtotal, University of Houston System	**$15,377,908**	**$12,373,959**	**$10,920,367**
Texas Tech University System			
Texas Tech University	10,958,746	9,249,762	8,327,601
Angelo State University	126,088	79,101	123,176
Subtotal, Texas Tech University System	**$11,084,834**	**$9,328,863**	**$8,450,777**

FIGURE 223 (CONTINUED)
RESEARCH DEVELOPMENT FUND ALLOCATIONS, 2008–09, 2010–11 AND 2012–13 BIENNIA

INSTITUTION	2008–09 BIENNIUM ALLOCATION	2010–11 BIENNIUM ALLOCATION	2012–13 BIENNIUM ALLOCATION
Texas State University System			
Lamar University	$466,478	$831,991	$820,010
Sam Houston State University	998,800	724,041	362,573
Texas State University - San Marcos	1,897,544	2,570,134	3,121,163
Sul Ross State University	608,076	552,104	304,041
Subtotal, Texas State University System	**$3,970,898**	**$4,678,269**	**$4,607,787**
Independent Universities			
Midwestern State University	$33,692	$15,743	$30,065
University of North Texas	3,714,460	3,044,395	2,495,448
Stephen F. Austin State University.	988,296	1,205,552	895,696
Texas Southern University	1,310,588	817,648	338,580
Texas Woman's University	435,592	325,115	266,152
Subtotal, Independent Universities	**$6,482,628**	**$5,408,453**	**$4,025,941**
TOTAL	**$80,862,828**	**$76,819,687**	**$65,296,734**

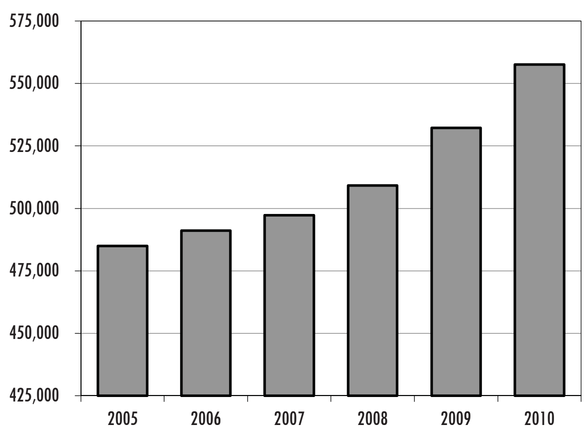
Source: Legislative Budget Board.

GENERAL ACADEMIC INSTITUTIONS

The general academic institutions consist of 38 public colleges and universities that provide baccalaureate, masters, professional, and doctoral degree programs. While all general academic institutions have common goals (instruction, research, and public service), each has a unique set of academic offerings and a unique regional or statewide mission. Texas A&M University–San Antonio, Texas A&M University–Central Texas and the University of North Texas–Dallas have separate bill patterns in the 2012–13 General Appropriations Act for the first time. Previously, these institutions operated as system centers before gaining independent status in fiscal year 2009.

Enrollment at the general academic institutions in fall 2010 was 557,550 students, an increase of 4.8 percent from the previous academic year. Enrollment has been increasing since 1997 following a slight decline in the early 1990s. **Figure 224** shows the enrollment trend from academic years 2005 to 2010 at the general academic institutions. **Figure 225** shows the percentage change in enrollment from academic years 2000 to 2010 at each general academic institution.

FIGURE 224
GENERAL ACADEMICS HEADCOUNT, ACADEMIC YEARS 2005 TO 2010



Source: Texas Higher Education Coordinating Board.

APPROPRIATIONS FOR THE 2012–13 BIENNIUM

The 2012–13 biennial All Funds appropriation for the general academic institutions and system offices totals $5.8 billion. This funding level is a decrease of 5.9 percent from the 2010–11 biennial spending level. Appropriations for the general academic teaching institutions and system offices include $4.1 billion in General Revenue Funds for the 2012–13 biennium, a decrease of 7.5 percent from the 2010–11 biennial spending level. General Revenue Funds account for approximately 69.5 percent of total state funding for these institutions and the six system offices; General Revenue–Dedicated Funds, which is primarily from tuition and fees, comprises 30.2 percent. **Figure 226** shows the All Funds appropriation level for each of the general academic systems. There are 48,220 full-time-equivalent positions appropriated for all general academic institutions and system offices for fiscal year 2012.

FORMULA FUNDING

Formula funding totals $2.9 billion in General Revenue Funds for the 2012–13 biennium. This amount is a decrease of 5 percent from the 2010–11 formula base. **Figure 227** shows the formula funding amounts by institution.

SPECIAL ITEM FUNDING

The Eighty-second Legislature, Regular Session, 2011, reduced appropriations of General Revenue Funds for existing special items by 25 percent from the requested amounts. Revenue neutral special items were exempt from this decrease. Small Business Development Center strategies were updated based on new revenue estimates, and are included in Article III, 2012–13 General Appropriations Act.

Additional appropriations of General Revenue Funds were provided for the following new and existing special items in the 2012–13 General Appropriations Act:

- $6.0 million for The University of Texas at Austin, Bureau of Economic Geology, contingent upon certification by the Comptroller of Public Accounts that this additional appropriation will be revenue neutral;
- $3.0 million for The University of Texas at Austin, College Readiness;
- $1.0 million for The University of Texas at Austin, Marine Science Institute;
- $1.0 million at The University of Texas at Austin, McDonald Observatory;
- $0.8 million for The University of Texas Pan American, McAllen Teaching Site;
- $1.5 million for The University of Texas San Antonio, Life Sciences Institute;

FIGURE 225
COMPARISON OF GENERAL ACADEMIC HEADCOUNT ENROLLMENTS, FISCAL YEARS 2000 AND 2010

INSTITUTION	2000	2010	PERCENTAGE CHANGE
The University of Texas at Arlington	20,424	32,975	61.5%
The University of Texas at Austin	49,996	51,195	2.4
The University of Texas at Dallas	10,945	17,128	56.5
The University of Texas at El Paso	15,224	22,051	44.8
The University of Texas at Pan American	12,760	18,744	46.9
The University of Texas at Brownsville	3,157	6,855	117.1
The University of Texas at Permian Basin	2,272	4,063	78.8
The University of Texas at San Antonio	18,830	30,258	60.7
The University of Texas at Tyler	3,592	6,446	79.5
Texas A&M University	44,026	49,129	11.6
Texas A&M University Galveston	1,363	1,867	37.0
Prairie View A&M University	6,609	8,781	32.9
Tarleton State University	7,545	9,340	23.8
Texas A&M Corpus Christi	6,823	10,033	47.0
Texas A&M Kingsville	5,942	6,586	10.8
Texas A&M International	3,038	6,853	125.6
West Texas A&M	6,775	7,839	15.7
Texas A&M Commerce	7,483	10,280	37.4
Texas A&M Texarkana	1,195	1,803	50.9
Texas A&M San Antonio	0	3,120	NA
Texas A&M Central Texas	0	2,317	NA
University of Houston	32,123	38,752	20.6
University of Houston Clear Lake	7,580	8,099	6.8
University of Houston Downtown	8,951	12,900	44.1
University of Houston Victoria	1,698	4,095	141.2
Midwestern State University	5,812	6,133	5.5
University of North Texas	27,054	36,067	33.3
University of North Texas at Dallas	0	2,084	NA
Stephen F. Austin State University	11,453	12,829	12.0
Texas Southern University	6,886	9,557	38.8
Texas Tech University	24,199	31,587	30.5
Angelo State University	6,290	6,860	9.1
Texas Woman's University	8,404	14,008	66.7
Lamar University	8,568	13,969	63.0
Sam Houston State University	12,348	17,236	39.6
Texas State University - San Marcos	22,423	32,572	45.3
Sul Ross State University	2,010	2,047	1.8
Sul Ross State University Rio Grande College	828	1,092	31.9
TOTAL	**414,626**	**557,550**	**34.5%**

SOURCE: Texas Higher Education Coordinating Board.

FIGURE 226
ALL FUNDS APPROPRIATIONS FOR GENERAL ACADEMIC INSTITUTIONS, (SYSTEM OFFICES, TEXAS STATE TECHNICAL COLLEGES AND LAMAR STATE COLLEGES), 2012–13 BIENNIUM

IN MILLIONS

INSTITUTION	APPROPRIATION
The University of Texas at Arlington	$288.6
The University of Texas at Austin	702.8
The University of Texas at Dallas	223.5
The University of Texas at El Paso	195.5
The University of Texas–Pan American	162.8
The University of Texas at Brownsville	57.6
The University of Texas of the Permian Basin	59.1
The University of Texas at San Antonio	260.5
The University of Texas at Tyler	66.2
The University of Texas System Office	18.2
Subtotal, The University of Texas System	**$2,034.8**
Texas A&M University (College Station)	$651.6
Texas A&M University at Galveston	37.8
Prairie View A&M University	122.6
Tarleton State University	83.9
Texas A&M University–Central Texas	30.6
Texas A&M University–Corpus Christi	110.3
Texas A&M University–Kingsville	75.4
Texas A&M University-San Antonio	37.1
Texas A&M International University	73.8
West Texas A&M University	72.8
Texas A&M University–Commerce	89.9
Texas A&M University–Texarkana	34.7
Texas A&M University System Office	4.5
Subtotal, Texas A&M University System	**$1,425.0**
University of Houston	$394.8
University of Houston–Clear Lake	71.9
University of Houston–Downtown	67.9
University of Houston–Victoria	39.8
University of Houston System Office	$51.7
Subtotal, University of Houston System	**$626.1**
Midwestern State University	$48.8
Stephen F. Austin State University	108.7
Texas Southern University	150.9
Texas Woman’s University	135.1
Subtotal, Independent Universities	**$443.5**
University of North Texas	$296.4
University of North Texas at Dallas	30.5
University of North Texas System Office	6.7
Subtotal, University of North Texas System	**$333.6**
Texas Tech University	$357.1
Angelo State University	64.0
Texas Tech University System Office	2.8
Subtotal, Texas Tech University System	**$423.9**
Lamar University	$111.9
Sam Houston State University	145.3
Texas State University–San Marcos	254.5
Sul Ross State University	37.8
Sul Ross State University Rio Grande College	12.1
Lamar Institute of Technology	28.7
Lamar State College–Orange	19.2
Lamar State College–Port Arthur	22.1
Texas State University System Office	4.4
Subtotal, Texas State University System	**$636.0**
TOTAL	**$5,922.9**

NOTE: Complete information about the Lamar State Colleges can be found in the Two-year Institutions section of this publication.
SOURCE: Legislative Budget Board.

FIGURE 227
GENERAL ACADEMIC INSTITUTIONS GENERAL REVENUE FORMULA FUNDING, 2012–13 BIENNIUM

IN MILLIONS

INSTITUTION	2012–13 FUNDING
The University of Texas at Arlington	$151.5
The University of Texas at Austin	393.3
The University of Texas at Dallas	122.9
The University of Texas at El Paso	100.9
The University of Texas–Pan American	80.0
The University of Texas at Brownsville	24.3
The University of Texas of the Permian Basin	15.2
The University of Texas at San Antonio	124.1
The University of Texas at Tyler	28.7
Texas A&M University	406.7
Texas A&M University at Galveston	18.3
Prairie View A&M University	38.2
Tarleton State University	38.2
Texas A&M University–Central Texas	10.6
Texas A&M University–Corpus Christi	45.1
Texas A&M University–Kingsville	31.7
Texas A&M University–San Antonio	12.4
Texas A&M International University	24.3
West Texas A&M University	35.2
Texas A&M University–Commerce	56.9
Texas A&M University–Texarkana	8.8
University of Houston	211.6
University of Houston–Clear Lake	40.2
University of Houston–Downtown	35.2
University of Houston–Victoria	18.8
Midwestern State University	25.0
Stephen F. Austin State University	54.5
Texas Southern University	39.6
Texas Woman's University	68.0
University of North Texas	165.1
University of North Texas at Dallas	9.9
Texas Tech University	192.5
Angelo State University	26.6
Lamar University	54.9
Sam Houston State University	67.1
Texas State University–San Marcos	131.0
Sul Ross State University	11.3
Sul Ross State University Rio Grande College	4.4
TOTAL, GENERAL ACADEMIC INSTITUTIONS	**$2,919.9**

NOTE: Does not include hold harmless amounts.
SOURCE: Legislative Budget Board.

- $3.0 million for the Tarleton State University, Multi-Institute Teaching Center;
- $4.2 million for the Texas A&M University – Texarkana, Downward Expansion;
- $4.2 million for the University of Houston Victoria, Downward Expansion
- $250,000 for the University of Houston Downtown, Community College Outreach;
- $2.0 million for Angelo State University, Allied Health; and
- $2.9 million for the University of North Texas System Office, Law School.

Appropriations of additional General Revenue Funds were provided for the following new and existing special items in House Bill 4, Eighty-second Legislature, Regular Session, 2011:

- $5.0 million for The University of Texas – Arlington, Regional Nursing Education Center;
- $3.0 million for The University of Texas – Dallas, Middle School Brain Years program;
- $1.7 million for The University of Texas – Permian Basin, College of Engineering; and
- $0.5 million for Texas A&M Corpus Christi, Engineering Program

Additional appropriations of General Revenue Funds were provided for Institutional Operations in Senate Bill 2, Eighty-second Legislature, First Called Session, 2011:

- $1.6 million for the Texas State University System Office;
- $7.0 million for Sul Ross State University;
- $5.0 million for the Lamar Institute of Technology; and
- $2.0 million for Texas State Technical College – Waco.

OTHER FUNDING

Unemployment insurance, workers' compensation insurance, and Academic Development Initiative funding were reduced 25 percent from requested amounts. The Texas Competitive Knowledge Fund was reduced 25 percent and was distributed to institutions using the average research expenditure data from fiscal years 2008, 2009, and 2010. The University of Texas at Dallas was included in the fund. Funding for the

Research Development Fund was reduced by 15 percent and was distributed to institutions based on the most recent research expenditure data. The Research Development Fund Goal was re-named Research Funds and the Texas Competitive Knowledge Fund strategy was moved into the Research Funds Goal.

Hold harmless funding of $37.5 million was included to ensure that no school received a decrease of more than 15 percent in General Revenue Funds from the 2010–11 General Revenue base, excluding tuition revenue bond debt service. For purposes of this hold harmless calculation, Federal Funds from the American Recovery and Reinvestment Act of 2009 (ARRA) were included as General Revenue Funds in the 2010–11 biennium formula, while Federal Funds (ARRA) for special items in the 2010–11 biennium were not included as General Revenue Funds.

Tuition Revenue Bond debt service appropriations at general academic institutions and system offices total $420.7 million, a decrease of 3.8 percent.

Funding for system office operations was decreased by 25 percent from requested amounts. Funding for system office operations at the Texas State System Office was adjusted to align with amounts appropriated to other system offices.

FUNDING MECHANISMS

General academic institutions receive direct appropriations through funding formulas and non-formula appropriations. Approximately $4.2 billion in All Funds, or 72.4 percent of the total appropriations for general academic institutions in fiscal years 2012 and 2013, is appropriated for formula funding (excluding hold harmless funding).

There are two main formulas and two supplemental formulas. The Instruction and Operations Formula ($3.4 billion or 81.5 percent) provides funding for faculty salaries, administration, student services, and other support based on weighted semester-credit hours and includes a Teaching Experience Supplement ($100.0 million or 2.3 percent), which provides additional funding for undergraduate semester-credit hours taught by tenured and tenure-track faculty. The Infrastructure Support formula ($683.2 million or 16.2 percent), which provides funding for physical plant and utilities based on Texas Higher Education Board (THECB) space projection model determination of predicted square feet needed for educational and general activities, also includes a supplement for institutions with a headcount of less than 10,000 students. The Eighty-first Legislature, Regular Session, 2009, passed legislation that amended the enrollment threshold to 10,000 students from 5,000 and implemented a phase-out of the supplement between 5,000 and 10,000 students. 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 a supplemental appropriation that decreases from $1.5 million with each additional student. The Eighty-second Legislature continued this policy. Within the Infrastructure Support formula, approximately 52 percent of infrastructure funding is allocated for utilities, and the remaining 48 percent is allocated for other maintenance and operations.

The Seventy-ninth Legislature, Regular Session, 2005, adopted and began to phase in a new cost-based funding matrix for the Instructions and Operations Formula. The matrix was fully implemented in the 2010–11 biennium. The matrix used for the 2012–13 biennium is based on the most recent expenditure study.

The Eighty-second Legislature, Regular Session, 2011, continued the policy of calculating Texas A&M University at Galveston's formula appropriation based on a recommendation from the 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 Instruction and Operations goal by 50 percent, and includes its ship space in the Infrastructure formula. The funding replaced four special items that previously had funded its statutory mission: Marine and Maritime Instructional Enhancement, Dredging of Dock Area, Marine Terminal Operations, and Ship Operation and Maintenance.

The method of finance for formula-funded appropriations for general academic institutions is based on an "All Funds" approach. In this approach, the difference between the total formula allocation and the estimated Other Educational and General Income (primarily statutory tuition and fees contributed by each institution) is funded with General Revenue Funds.

Approximately 27.6 percent of the direct 2012–13 biennial funding for general academic institutions and system offices is non-formula funding, representing $1.6 billion in All Funds. Non-formula funding includes Special Items, Workers' Compensation and Unemployment Insurance, Academic Development Initiative, Research Development Fund, Texas Competitive Knowledge Fund, Tuition Revenue

Bond debt service, hold harmless funding, and System Office Operations at the six system offices.

Special Item appropriations total $466.6 million in General Revenue Funds, General Revenue–Dedicated Funds, and Other Funds for the 2012–13 biennium. This amount includes Institutional Enhancement as well as direct appropriations to institutions for projects that are not funded by formula but are specifically identified by the Legislature for support. Funding for the Academic Development Initiative, Texas Competitive Knowledge Fund, and Research Development Fund are not included in the Special Item Goal.

The total 2012–13 biennial appropriation for tuition revenue bond debt service to the general academic institutions and system offices centers is $420.7 million in General Revenue Funds. Tuition revenue bonds must be authorized in statute. Once the bonds are authorized 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. Funding for the lease of facilities totals $3.0 million for the 2012–13 biennium.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect general academic institutions. Significant legislation includes the enactment of House Bill 9, House Bill 33, Senate Bill 5, Senate Bill 419, Senate Bill 1121, and Senate Bill 1909.

The enactment of House Bill 9 requires THECB to incorporate the consideration of certain student success measures in its formula recommendations to the Legislature. For general academic teaching institutions, other than a public state college, the success measures may include the number of bachelor degrees awarded, number of bachelor degrees in critical fields awarded, number of bachelor degrees awarded to at-risk students, and as determined by THECB, the six-year graduation rate of students of the institution who initially enrolled in the institution in the fall semester immediately following their graduation from a public high school in the state as compared to the six-year graduation rate predicted for those students based on the composition of the institution's student body. For public state colleges, the success measures must include various metrics regarding the number of completions of entry level mathematics and English courses, number of undergraduates completing at least 30 semester credit hours, total number of associate and bachelor degrees awarded, and total number of certificates awarded for various certification programs that THECB may consider pertinent to student success.

The impact of the success measures may be not more than 10 percent of the total amount appropriations of base General Revenue Funds for undergraduate education recommended by THECB. THECB's recommendation for base funding for undergraduate education based on student success measures may not reduce or otherwise affect funding recommendations for graduate education. THECB is required to compare the impact of the success measures on the formula for base funding to applying the measures to a separate formula.

THECB is required to submit a written report reviewing, comparing, and highlighting national and global best practices on: (1) improving student outcomes, including student retention, graduations, and graduation rates; and (2) higher education governance, administration, and transparency to the Joint Oversight Committee on Higher Education Governance, Excellence, and Transparency.

The enactment of House Bill 33 increases the amount of information on college textbooks available to students, at both public and private institutions of higher education. Not later than 30 days before the start of classes, an institution of higher education is required to provide, on the institution's website and with any course schedules provided in print, detailed information about each course's textbook requirements, including: retail price; author; publisher; copyright date; and International Standard Book Number. The legislation also places requirements on publishers to provide similar information to faculty concerning textbook selections and restricts the bundling of materials for sale in a single package.

The enactment of Senate Bill 5 amends various sections of statute as it relates to the administration and business affairs of public institutions of higher education. The legislation eliminates certain reporting requirements applicable to institutions of higher education and THECB. The legislation requires the Offices of the Governor and Legislative Budget Board to identify opportunities for cost savings and other related efficiencies when developing forms for Institutions of Higher Education to complete when submitting legislative appropriation requests. The legislation eliminates the requirement that institutions of higher education seek Bond Review Board's approval before they issue securities unless the general revenue of the state is being pledged. The legislation formally recognizes the Texas A&M University System Health Science Center.

The enactment of Senate Bill 419 implements a recommendation in the report, "Monitor Outcomes and Limit Course Offerings to Ensure Dual Credit Course Quality" in the Legislative Budget Board's *Government Effectiveness and Efficiency* report submitted to the Eighty-second Legislature, 2011. The legislation excludes the contact hours attributable to a joint high school and junior college credit course for which a high school student may receive course credit toward the physical education curriculum requirement.

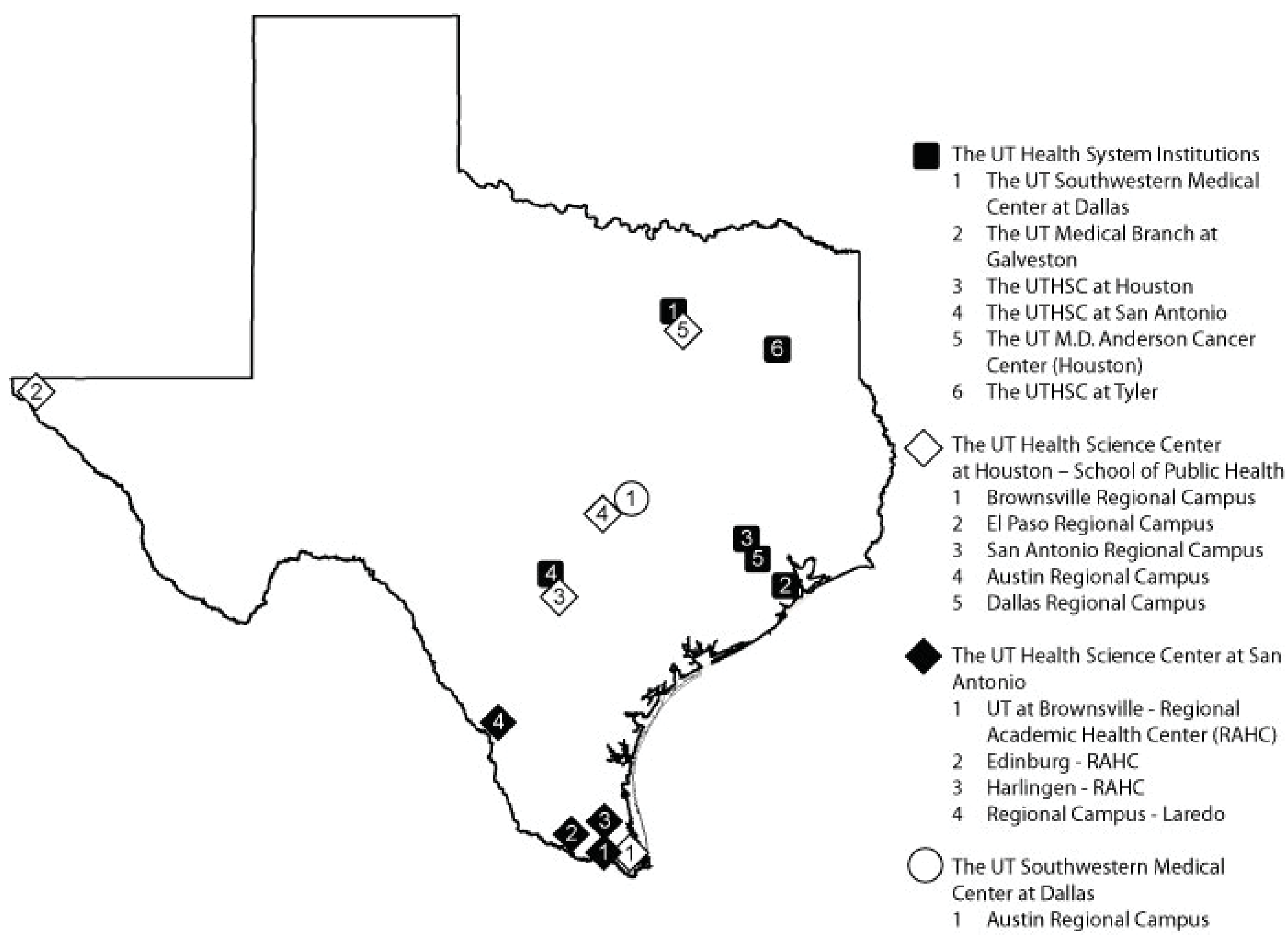
The enactment of Senate Bill 1121 authorizes Midwestern State University to increase student fees for the purpose of operating, maintaining, improving, equipping, and financing the university center and acquiring additions to the center if a majority of the students participating in a general election approved.

The enactment of Senate Bill 1909 amends statute pertaining to the partnership agreements between Texas Southmost College District and the University of Texas at Brownsville. The legislation removes reference to "partnership" and allows the university to enter into any agreement with Texas Southmost College District, including the facilitation of transfer course credit, the alignment of courses between the university and college and the use of facilities.

HEALTH-RELATED INSTITUTIONS

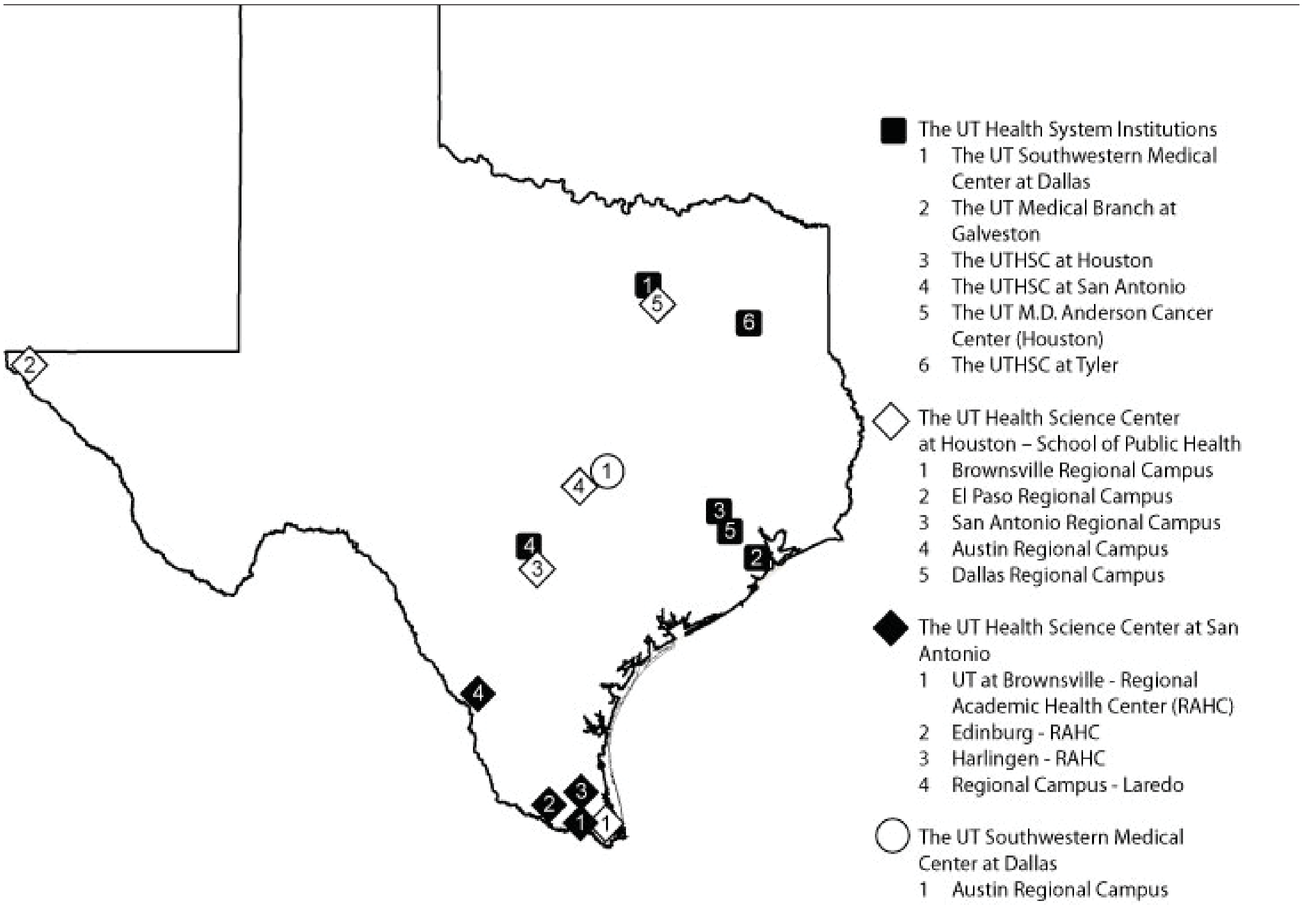
There are four university health science systems, and within those systems, a total of nine health-related institutions located across Texas. Each institution provides different services to its respective region of the state. All of the health science systems, except the University of North Texas Health Science Center at Fort Worth (UNTHSC), also have regional campuses. The other eight institutions are The University of Texas Southwestern Medical Center at Dallas (UTSWMC), The University of Texas Medical Branch at Galveston (UTMB), The University of Texas Health Science Center (UTHSC) at Houston, The UTHSC at San Antonio, The UT M.D. Anderson Cancer Center (UTMDACC), The UTHSC at Tyler, Texas A&M University System Health Science Center (TAMUSHSC), and Texas Tech University Health Sciences Center (TTUHSC) in Lubbock. The maps in **Figure 228** through **Figure 231** show, by the four university health science systems, the locations of the health-related institutions and their regional campuses. The institutions' mission is focused on four core functions: (1) to educate future health professionals and scientists; (2) to engage in basic and applied research; (3) to provide compassionate, scientifically based clinical care for the sick; and (4) to develop public and community health programs. These functions and their funding are linked to the following goals: Instruction/Operations; Provide Research Support; Provide Infrastructure Support; Provide Health Care Support; Provide Special Item Support; and Tobacco Funds.

FIGURE 228
THE UNIVERSITY OF TEXAS SYSTEM HEALTH-RELATED INSTITUTIONS, 2012–13 BIENNIUM



Source: The University of Texas Health System.

FIGURE 229
TEXAS A&M UNIVERSITY SYSTEM HEALTH SCIENCE CENTER, 2012–13 BIENNIUM



Source: Texas A&M University System Health Science Center.

Figure 232 shows appropriations for the health-related institutions by goal.

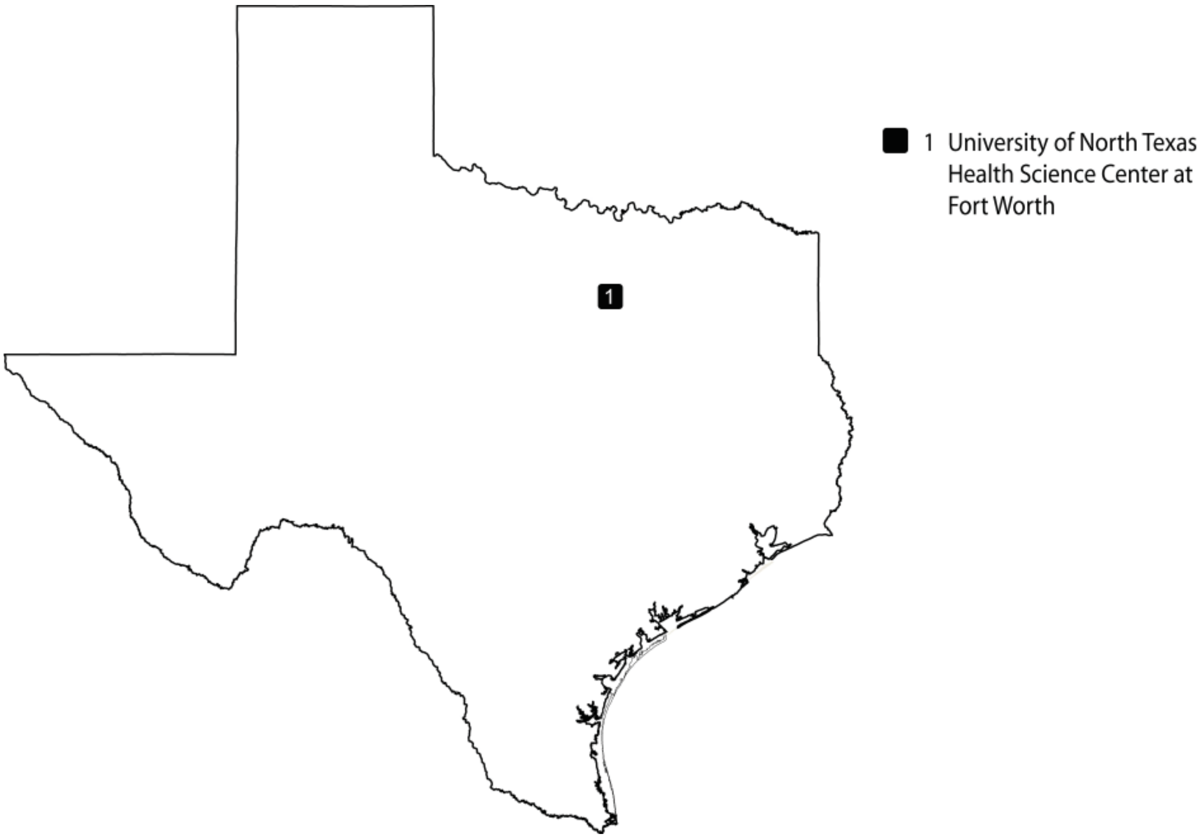
Enrollment at the health-related institutions was 20,245 students for fall 2010, which is a 8.6 percent increase when compared with fall 2009 enrollment of 18,646 students. **Figure 233** shows the enrollment at each institution and the percentage change from the previous year.

APPROPRIATIONS FOR 2012–13

Appropriations for the 2012–13 biennium to the health-related institutions total $8.1 billion in All Funds and provide for 28,237.9 full-time-equivalent positions in fiscal years 2012 and 2013. Of this amount, $2.5 billion, or 30.5 percent, is in General Revenue Funds and General Revenue–Dedicated Funds. General Revenue–Dedicated Funds include income from tuition and student fees. Amounts include funding appropriated from House Bill 4, Eighty-Second Legislature, Regular Session and Senate Bill 2, Eighty-second Legislature, First Called Session, 2011. The appropriations also include $5.6 billion in Other Funds, of which $5.5 billion, or 97.7 percent, is from Patient Income. Patient Income is revenue that an institution generates through the operation of a hospital, clinic, or a dental clinic (inpatient and outpatient charges). **Figure 234** shows the distribution of funding among the nine health-related institutions.

Overall, the 2012–13 biennial appropriations for the health-related institutions increased by $248.6 million in All Funds, or 3.2 percent, from the 2010–11 biennial spending levels. General Revenue decreased by $210.6 million, or 8.6 percent from the previous biennium. General Revenue–Dedicated Funds increased by a net $24 million, or 12.2 percent, that included a $27 million increase in Other Education and General Funds, and a decrease of $3 million in Trauma Facility and EMS Account No. 5111. The health-related institutions' appropriations for Patient Income increased by

FIGURE 230
UNIVERSITY OF NORTH TEXAS HEALTH SCIENCE CENTER AT FORT WORTH, 2012–13 BIENNIUM



SOURCE: University of North Texas Health Science Center at Fort Worth.

$534.4 million, or 10.8 percent, primarily because of an increase in patient care activities at UTMB and UTMDACC.

The Texas Higher Education Coordinating Board (THECB) contracts with the Baylor College of Medicine (BCOM), a private institution, to provide funding for the BCOM medical students. The BCOM receives funding based on the average cost per undergraduate medical student enrolled at UTMB and UTSWMC estimated to be $75.3 million for the 2012–13 Biennium.

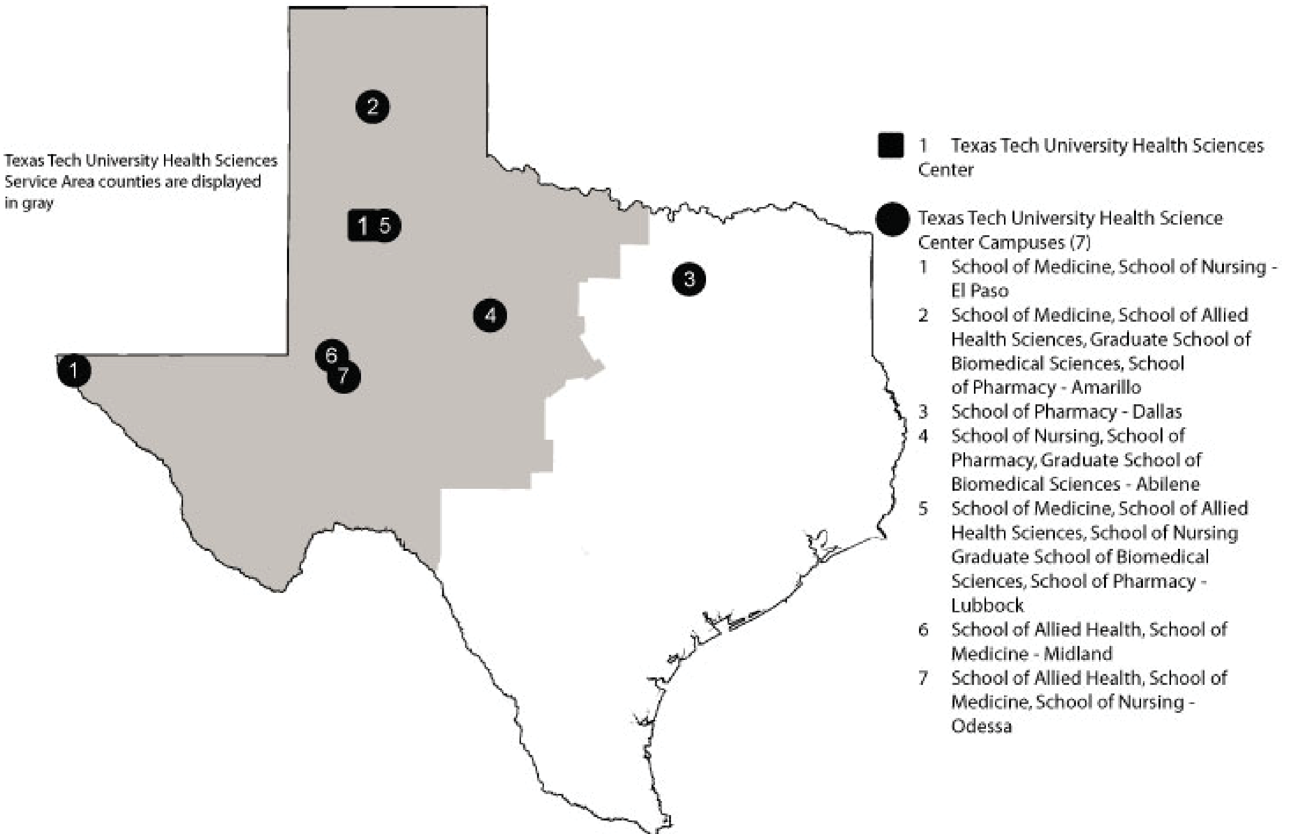
FORMULA FUNDING

Approximately $2 billion, or 24.8 percent, of All Funds appropriations to the health-related institutions for 2012–13 is included in the formula funding strategies. The formulas are intended to provide for an equitable allocation of funds among the health-related institutions and to establish the level of funding to adequately support higher education. The six formulas consist of the following:

- Instruction and Operations Support formula;
- Infrastructure Support formula;
- Research formula;
- Graduate Medical Education formula;
- Cancer Center Operations formula; and
- Chest Disease Center Operations formula.

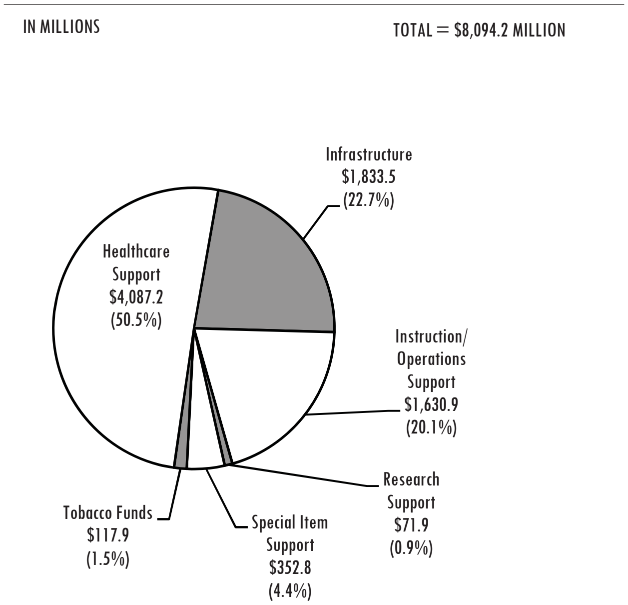
The method of financing for the Instruction and Operations Support formula and for the Infrastructure Support formula is based on General Revenue Funds and General Revenue–Dedicated Funds (Tuition and Fees). The difference between the total formula allocation and an institution's estimated tuition income is funded with General Revenue Funds. For the 2012–13 biennium, the Eighty-second Legislature, Regular Session, 2011, appropriated $1.4 billion in General Revenue Funds for all formulas for the health-related institutions, which is a $101.4 million decrease, including $51 million in American Recovery and Reinvestment Act Federal Funds from the 2010–11 biennium.

FIGURE 231
TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER, 2012–13 BIENNIUM



Source: Texas Tech University Health Sciences Center.

FIGURE 232
HEALTH-RELATED INSTITUTIONS APPROPRIATIONS BY GOAL AND ARTICLE XII, ALL FUNDS, 2012–13 BIENNIUM



Source: Legislative Budget Board.

Patient Income is allocated to the formula strategies for institutions that generate this method of financing. However, Patient Income is allocated in addition to amounts generated by the formulas and does not affect an institution's General Revenue Fund formula allocation. Patient Income totaling $474.7 million is appropriated to the formula strategies.

INSTRUCTION AND OPERATIONS SUPPORT FORMULA

The Instruction and Operations Support formula provides funding for the ongoing academic and administrative programs of the institutions. Approximately $928.2 million in funding is allocated on a per Full-time Student Equivalent (FTSE) basis. Funding weights are determined according to the students' instructional program. General Revenue Funds for the 2012–13 biennium account for 91.7 percent, or $851.6 million, of the formula; General Revenue–Dedicated Funds (mostly tuition and fees) account for 8.3 percent, or $76.6 million. In addition, instructional programs with enrollments of fewer than 200 students per campus receive supplemental formula funding, with small enrollment

FIGURE 233
FALL HEADCOUNT ENROLLMENT, ACADEMIC YEARS 2009 AND 2010

INSTITUTION	2009	2010	PERCENTAGE CHANGE
UT Southwestern Medical Center at Dallas	2,424	2,467	1.8%
UT Medical Branch at Galveston	2,430	2,660	9.5%
UT Health Science Center at Houston	3,969	4,485	13.0%
UT Health Science Center at San Antonio	3,223	3,270	1.5%
UT M. D. Anderson Cancer Center	214	248	15.9%
UT Health Science Center at Tyler*	NA	NA	NA
Texas A&M University System Health Science Center	1,844	1,958	6.2%
University of North Texas Health Science Center at Fort Worth	1,390	1,567	12.7%
Texas Tech University Health Sciences Center	3,152	3,590	13.9%
TOTAL	**18,646**	**20,245**	**8.6%**

*The University of Texas Health Science Center at Tyler does not offer formal instruction for state formula funding purposes.
SOURCE: Texas Higher Education Coordinating Board.

FIGURE 234
COMPARISON OF HEALTH-RELATED INSTITUTIONS APPROPRIATIONS, 2010–11 AND 2012–13 BIENNIA

IN MILLIONS	GENERAL REVENUE FUNDS			ALL FUNDS		
INSTITUTION	2010–11 BIENNIUM*	2012–13 BIENNIUM	PERCENTAGE CHANGE	2010–11 BIENNIUM	2012–13 BIENNIUM	PERCENTAGE CHANGE
UT Southwestern Medical Center at Dallas	$286.6	$249.3	(13.0)	$339.0	$278.3	(17.9)
UT Medical Branch at Galveston	586.7	472.2	(19.5)	1,252.6	$1,214.5	(3.0)
UT Health Science Center at Houston	278.5	294.3	5.7	356.6	347.9	(2.4)
UT Health Science Center at San Antonio	285.9	260.6	(8.9)	357.0	319.2	(10.6)
UT M. D. Anderson Cancer Center	316.3	298.4	(5.7)	4,614.0	5,043.4	9.3
UT Health Science Center at Tyler	68.7	71.9	4.7	170.6	176.0	3.2
Texas A&M University System Health Science Center	205.2	194.4	(5.3)	252.7	241.4	(4.5)
University of North Texas Health Science Center at Fort Worth	120.4	113.1	(6.0)	142.0	140.1	(1.3)
Texas Tech University Health Sciences Center	308.3	291.7	(5.4)	361.1	333.3	(7.7)
TOTAL	**$2,456.5**	**$2,245.9**	**(8.6)**	**$7,845.6**	**$8,094.1**	**3.2**

*The 2010–11 biennium Budgeted/Expended totals include supplemental funding in fiscal year 2011 from House Bill 4.
SOURCE: Legislative Budget Board.

programs receiving more funding per FTSE. The Instruction and Operations Support formula applies to all health-related institutions except The UTHSC at Tyler, which does not offer formal education instruction. Patient Income totaling $118.6 million is allocated to the formula strategies.

INFRASTRUCTURE SUPPORT FORMULA

The Infrastructure Support formula, which applies to all of the health-related institutions, provides funding for the maintenance and operation, including utilities, of the institutions' physical plants. Approximately $238.3 million in funding is distributed based on the estimated square footage at the institutions multiplied by a rate per square foot (estimated by THECB). General Revenue Funds for the 2012–13 biennium account for 93.1 percent, or $221.7 million of the formula, and General Revenue–Dedicated Funds account for 6.9 percent, or $16.5 million. The space projection model is based on the number and level of FTSEs; number of faculty; single or multiple programs and campuses; actual clinical space; and research and current educational and general expenditures. Patient Income totaling $347.1 million is appropriated to the formula strategies.

Because the space projection model does not account for hospital space, separate infrastructure funding for hospital space is included in the total funding for hospital and patient care activities at UTMB, UTMDACC, and UTHSC at Tyler.

RESEARCH FORMULA

The Research Support formula funds the medical and clinical research of the institutions. Approximately $62.9 million in General Revenue Funds are allocated to the health-related institutions, which include a base amount of research enhancement funding, currently $1.4 million per year, plus additional funding based on a percentage of research expenditures.

GRADUATE MEDICAL EDUCATION FORMULA

The Graduate Medical Education (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. Approximately $46 million in funding is allocated based on the number of residents at each health-related institution, and an additional $10.9 million is for the Baylor College of Medicine.

CANCER CENTER OPERATIONS FORMULA

The Eightieth Legislature, 2007, established in the 2008–09 General Appropriation Act (GAA) a pilot Cancer Center Operations formula for the UTMDACC, which has a statutory mission to eliminate cancer through patient care, research, education, and prevention. The Cancer Center Operations formula includes funding Cancer Center Operations with the reallocation of funds previously appropriated for Science Park operations and non-formula Patient Care Operations. 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 current biennium. For the 2012–13 biennium, this formula funding, no longer part of a pilot program, provided $212.5 million in General Revenue Funds based on the number of cancer patients served in 2010, which is a $11.2 million decrease from the previous biennium.

CHEST DISEASE CENTER OPERATIONS

The Eighty-first Legislature, Regular Session, 2009, established in the 2010–11 GAA a new Chest Disease Center Operations formula for UTHSC at Tyler. UTHSC at Tyler has a 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. Approximately $47.2 million in General Revenue Funds is appropriated for the 2012–13 biennium based on the number of its chest disease patients served in fiscal year 2010, which is a $2.5 million decrease from the previous biennium.

SPECIAL ITEMS

Special items total $344.2 million in General Revenue Funds and were reduced 20 percent from requested levels, except for medical school regional campuses, which were reduced 10 percent from requested levels. Special items are intended to represent a particular institution's area of expertise or special need. These areas include public service, research, residency programs, instruction and operations, and healthcare. The following are examples of special items included in the General Appropriations Act as adjusted by House Bill 4, Eighty-second Legislature, Regular Session, 2011:

- $13.7 million for the Center for Obesity, Diabetes and Metabolism Research at UTSWMC;
- $9.7 million for Primary Care Physician Services at UTMB;

- $8.4 million for heart disease and stroke research at UTHSC at Houston;
- $20.6 million for instruction and research programs in the Lower Rio Grande Valley provided by the Regional Academic Health Center at UTHSC at San Antonio;
- $3.2 million for Breast Cancer Research at UTMDACC;
- $31.6 million for the College of Medicine expansion at TAMUSHSC;
- $6.1 million for conducting paternity tests by the DNA Laboratory at UNTHSC for the Child Enforcement Division of the Office of the Attorney General; and
- $56.1 million for the School of Medicine expansion at TTUHSC in El Paso.

The Eighty-second Legislature, Regular Session, 2011, funded the following new items with House Bill 4 for a two year period beginning in fiscal year 2011 for Institutional Operations:

- $8 million to UTSWMC;
- $8 million to UTHSC at San Antonio;
- $8 million to UTMDACC;
- $8 million to TAMUSHSC;
- $5 million to UNTHSC; and
- $8 million to TTUHSC.

House Bill 4, Eighty-Second Legislature, Regular Session, 2011, appropriated funds included in amounts previously discussed to the following institutions for Institutional Operations and Debt Service for Tuition Revenue Bonds for the 2012–13 biennium:

- $12.6 million to UTSWMC;
- $19.9 million to UTMB including $11 million for tuition revenue bond debt service;
- $24.1 million to UTHSC at Houston including $2 million for the Texas Heart Institute for Adult Stem Cell Research and $1 million for Trauma Care;
- $16.8 million to UTHSC at San Antonio;
- $17.4 million to UTMDACC;
- $8.8 million to UTHSC at Tyler;
- $13 million to TAMUSHSC;
- $5.3 million to UNTHSC; and
- $20.1 million to TTUHSC.

In addition, included in special items is institutional enhancement funding, which allows each institution to address its unique needs and to ease diseconomies of scale at smaller institutions.

INSTRUCTION AND OPERATIONS SUPPORT

All of the health-related institutions, except for UTHSC at Tyler, which is limited to residency and postdoctoral training, provide educational programs. These institutions provide instruction in the following educational programs:

- Medical Education;
- Dental Education;
- Dental Hygiene;
- Biomedical Sciences Training;
- Allied Health Professions Training;
- Physician Assistants Studies;
- Nursing Education;
- Public Health and Rural Public Health Training;
- Pharmacy; and
- Residency Training.

Figure 235 shows the disciplines at each health-related institution. Within each discipline, a student may choose from a selection of majors, such as endodontics, oral and maxillofacial surgery, orthodontics, or pediatric dentistry within the College of Dentistry or choose a profession in family medicine, internal medicine, or pediatrics within the College of Medicine. For fiscal year 2010, approximately 5,412 degrees were awarded in all educational programs.

MEDICAL EDUCATION

The health-related institutions provide undergraduate medical education in the prevention, diagnosis, and treatment of diseases. The institutions offer students a four-year medical education experience that integrates hands-on clinical training, group discussion, and traditional classroom experience. The clinical years of the medical curriculum consist of individualized tutorials and apprenticeships in clinical practice, largely in hospital settings. The instruction is provided to students working alongside interns and residents. Students may choose from professions such as

FIGURE 235

DISCIPLINES AND RESIDENCY TRAINING AT THE HEALTH-RELATED INSTITUTIONS, 2012–13 BIENNIUM

	EDUCATIONAL PROGRAM									
INSTITUTION	MEDICAL	DENTAL	DENTAL HYGIENE	BIOMEDICAL SCIENCES	ALLIED HEALTH	PHYSICIAN ASSISTANT	NURSING	PUBLIC HEALTH/ RURAL PUBLIC HEALTH	PHARMACY	RESIDENCY TRAINING
UT Southwestern Medical Center at Dallas	X			X	X	X				X
UT Medical Branch at Galveston	X			X	X	X	X			X
UT Health Science Center at Houston	X	X	X	X	X		X	X		X
UT Health Science Center at San Antonio	X	X	X	X	X	X	X	X		X
UT M. D. Anderson Cancer Center					X					X
UT Health Science Center at Tyler*										X
Texas A&M University System Health Science Center	X	X	X	X			X	X	X	X
University of North Texas Health Science Center at Fort Worth	X			X	X	X		X		X
Texas Tech University Health Sciences Center	X			X	X	X	X		X	X

*The University of Texas Health Science Center at San Antonio offers courses in Public/Rural Health through a joint effort with The University of Texas Health Science Center (UTHSC) at Houston; degrees are conferred at UTHSC–Houston.
Source: Legislative Budget Board.

Family Medicine, Internal Medicine, Obstetrics and Gynecology, Pediatrics, Neurosurgery, Anesthesiology, and Radiology. For fiscal year 2010, there were 1,226 medical degrees awarded.

DENTAL EDUCATION

The health-related institutions provide academic programs leading to a Doctor of Dental Surgery, dental hygiene programs, and advanced education programs. Institutions offer students both didactic instruction that uses primarily a lecture format supplemented with laboratory instruction, and clinical instruction designed to provide patient-centered comprehensive care. The curriculum of the Doctor of Dental Surgery program is primarily structured to present basic science courses during the first two years, with some clinical experience beginning in the first year and increasing each year until it predominates in the junior and senior years. In fiscal year 2010, there were 255 degrees awarded in dentistry.

The advanced education programs are only offered to students who have graduated from a dental school. These programs consist of residencies and specialty certificate and graduate degree programs such as Orthodontics, Pediatric Dentistry, Endodontics, and Oral and Maxillofacial Surgery.

DENTAL HYGIENE

Institutions also offer certificates and bachelor degrees in dental hygiene. Dental hygienists, who provide patients with the instruction and treatment needed to improve and maintain their oral health, routinely provide the following patient care services:

- review of health history;
- oral inspection for disease;
- nitrous oxide administration;
- dental charting;
- application of fluorides and sealants;
- exposure of x-rays;
- scaling and root planning; and
- polishing the teeth.

Approximately 223 students were enrolled in the dental hygiene programs in fall 2010.

GRADUATE TRAINING IN BIOMEDICAL SCIENCES

The graduate program in biomedical sciences educates biomedical scientists for careers in basic and applied research and clinical practice in the biomedical sciences and health-related fields. Institutions provide students with opportunities to investigate and solve problems creatively, develop and test new ideas in the classroom, and communicate their ideas to others within the research-oriented medical community. Areas of graduate studies offered by institutions include Biological Chemistry, Cell Regulation, Clinical Psychology, Genetics and Development, and Immunology. For fall 2010, graduate school enrollment was approximately 3,167 students.

ALLIED HEALTH PROFESSIONS TRAINING

Health-related institutions educate allied health professionals who will be involved in the identification, evaluation, treatment, and prevention of diseases, injuries, and conditions. In addition, allied health professionals educate the public on prevention, wellness, and self-management for healthy lifestyles. According to the American Medical Association, there are 52 verifiable disciplines in allied health, with the institutions offering programs in more than 50 percent of these disciplines. Some of the degree programs offered by the institutions include Audiology, Speech-Language Pathology, Occupational Therapy, Physical Therapy, Emergency Medical Services, and Physician Assistant Studies. During fall 2010, enrollment for allied health programs was approximately 2,632 students.

PHYSICIAN ASSISTANTS STUDIES

The health-related institutions provide both undergraduate and graduate degrees and have aligned their programs with their medical education program to meet the expanding roles required of physician assistants. These programs combine both academic and clinical training to provide students with the necessary skills to practice medicine under the supervision of a licensed physician. The physician assistant is trained to take medical histories, perform physical examinations, interpret diagnostic tests, formulate a diagnosis, and implement a treatment plan for a variety of diseases or medical conditions. For fall 2010, enrollment for the physician assistants program was more than 659 students.

NURSING EDUCATION

The health-related institutions provide both undergraduate educational programs for training nurse generalists and educational programs for advanced practice nurses. While in school, students may take elective nursing courses in specialized nursing roles such as emergency, operating room, intensive care, geriatrics, and teen pregnancy. In addition, health-related institutions provide continuing education programs for nursing professionals and the interested public. For fall 2010, enrollment for the nursing program was approximately 3,609 students.

PUBLIC HEALTH/RURAL PUBLIC HEALTH

Public health education programs focus on promoting preventive care for public health needs, analyzing and solving rural public health problems, and developing alternative methods of delivering public health education. Through these educational programs, the health-related institutions prepare professionals for careers with state and local health departments, environmental and occupational health agencies, industry, and other organizations. Students may choose from degrees in fields such as Health Administration, Epidemiology, Environmental Health, Behavioral Sciences, and Biostatistics. During fall 2010, approximately 1,972 students were enrolled in a public health program.

PHARMACY PROGRAMS

TAMUSHSC's students are exposed to core professional curriculum including the biomedical sciences, pharmaceutical sciences, social, behavioral, and administrative pharmacy sciences, and pharmacy practice. The fourth year of the curriculum is devoted exclusively to Advanced Pharmacy Practice experience and Pharmacy Grand Rounds. TTUHSC's program is geared toward the practicing-level pharmacist. The first year of the program teaches patient communication skills, while the second year develops community pharmacy practice skills. The third year focuses on institutional pharmacy practice and beginning patient care, and the fourth year develops the students' abilities in advanced patient-care skills. To provide varied clinical experiences during the last two years of the curriculum, the institution assigns students to clinical rotations in various healthcare institutions such as hospitals, community pharmacies, nursing homes, and the Texas Department of Criminal Justice. In addition, TTUHSC developed a graduate pharmacy education residency program that provides post-graduate training to pharmacists who want to focus their practice in a specialty area such as pediatrics, geriatrics, mental health pharmacy, and oncology. For fiscal year 2010, there were 166 pharmacy degrees awarded.

RESIDENCY TRAINING

In addition to providing undergraduate medical education, the health-related institutions provide residency training, also called Graduate Medical Education, in the form of residency positions and fellowships as well as continuing education for practicing physicians and medical scientists. Residency training is the final period of formal education and training that a physician is required to complete prior to receiving state licensure, beginning independent practice, and obtaining board certification in Texas. Training lasts between three to seven years depending on the medical specialty. Of the 5,802 total residents, 4,674 or 80.6 percent of residents, were trained at health-related institutions and their affiliated hospitals and clinics for fiscal year 2010, with the remaining 1,128 or 19.4 percent were trained at the Baylor College of Medicine related hospitals.

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. Services provided by institutions may include capital planning, construction, building maintenance, custodial, transportation systems, and minor repairs and remodeling of physical facilities.

The Legislature also authorized the health-related institutions to issue tuition revenue bonds, which are for developing facilities for education, research, and service. The health-related institutions are appropriated General Revenue Funds to pay for debt service associated with these bonds. For the 2012–13 biennium, the Eighty-second Legislature, Regular Session, 2011, funded $166.5 million in General Revenue Funds for health-related institutions.

RESEARCH SUPPORT

All of the health-related institutions share the goal of conducting research. Research is conducted both 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 institutions facilitate research in four primary areas: (1) basic research, which creates a new understanding of normal mechanisms of health and the basis of disease; (2) clinical research, which includes the discovery of better methods of diagnosis, prevention, treatment, and cure of diseases, including all phases of clinical trials of new medical procedures; (3) outcomes research, which evaluates the consequences of treatments, procedures, and global issues of healthcare; and (4) applied and translational research, which takes new discoveries from other research areas and develops them into new products or procedures.

Combined research and development expenditures at the nine health-related institutions totaled $1.7 billion in fiscal year 2010. This represents an increase of 20.7 percent above fiscal year 2007 expenditures. **Figure 237** shows the expenditures for research and development at each health-related institution for fiscal years 2007 to 2010.

HOSPITAL OPERATIONS AND PATIENT CARE ACTIVITIES

Six of the health-related institutions provide patient care (inpatient and outpatient) at a hospital or dental clinic operated by the institution. The institutions that operate a hospital that receive appropriations of General Revenue Funds are UTMB, UTMDACC, and UTHSC at Tyler. Institutions that operate a dental clinic are UTHSC at Houston, UTHSC at San Antonio, and TAMUSHSC, which operates the Baylor College of Dentistry in Dallas. During fiscal year 2010, these institutions had more than

FIGURE 236
EXPENDITURE FOR RESEARCH AND DEVELOPMENT, FISCAL YEARS 2007 TO 2010

IN MILLIONS

INSTITUTION	2007	2008	2009	2010	PERCENTAGE CHANGE
UT Southwestern Medical Center at Dallas	$341.10	$371.1	$383.5	$395.3	15.9%
UT Medical Branch at Galveston	156.1	153.5	153.7	156.8	0.4
UT Health Science Center at Houston	191.7	197.3	217.6	240.8	25.6
UT Health Science Center at San Antonio	146.3	188.6	193.5	185.2	26.6
UT M. D. Anderson Cancer Center	444.9	488.7	510.3	547.0	22.9
UT Health Science Center at Tyler	13.6	13.7	14.3	14.4	5.9
Texas A&M University System Health Science Center	75.2	76.5	79.2	78.2	4.0
University of North Texas Health Science Center at Fort Worth	25.9	31.9	34.3	39.9	54.1
Texas Tech University Health Sciences Center	20.7	24.4	37.2	50.9	145.9
TOTAL	**$1,415.5**	**$1,545.7**	**$1,623.6**	**$1,708.5**	**20.7%**

NOTE: Percentage change reflects 2010 relative to 2007.
SOURCE: Texas Higher Education Coordinating Board.

10.7 million inpatient and outpatient admissions to state-owned hospitals and clinics.

UTMB and TTUHSC also provide healthcare for all the Texas Department of Criminal Justice (TDCJ) state-managed inmates. Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, allows TDCJ to enter into a contract to fully implement the managed healthcare plan and contract directly with government entities for similar healthcare services. The institutions provide the healthcare services for incarcerated offenders at the TDCJ facilities and at the TDCJ hospital, which is located on the campus of UTMB. The cost per incarcerated offender is estimated to be $7.67 and $7.65 per day for fiscal years 2012 and 2013, respectively.

The Juvenile Justice Department, formerly the Texas Youth Commission (TYC), contracts with UTMB to provide medical care for youth in its care. The medical cost per youth is estimated to be $19.42 and $19.46 per day for fiscal years 2012 and 2013, respectively.

TOBACCO FUNDS

The health-related institutions receive appropriations from interest earnings from endowments established in legislation passed by the Seventy-sixth Legislature, 1999. This legislation established the Permanent Health Fund for Higher Education and permanent endowments for each of the individual health-related institutions. **Figure 237** shows the tobacco settlement endowments and related appropriations for the health-related institutions. Estimated appropriations from the endowments total $117.9 million, for the 2012–13 biennium, based on estimated interest earnings of 4.5 percent each year and including $47 million in unexpended balance authority from fiscal year 2011.

The Permanent Health Fund for Higher Education is a $350 million endowment from which distributions are appropriated for programs that benefit medical research, health education, or treatment programs at the nine public health-related institutions and at the BCOM. Appropriations from this fund are distributed to the nine public health-related institutions and at the BCOM: 70 percent in equal amounts to each institution and 30 percent based on each institution's proportional expenditures on instruction, research, and charity care.

The nine individual health-related institution endowments total $525 million, from which the estimated distributions are appropriated to the institutions based on the original endowment amount. Funds from the individual endowments may be used only for research and other programs that benefit public health conducted by the institution for which the fund was established.

FIGURE 237
TOBACCO SETTLEMENT ENDOWMENTS AND PERMANENT FUNDS FOR HEALTH-RELATED INSTITUTIONS 2012–13 BIENNIUM

IN MILLIONS

INSTITUTION/ PERMANENT FUND	ENDOWMENT AMOUNT	APPROPRIATION*
UT Southwestern Medical Center at Dallas	$50.0	$5.5
UT Medical Branch at Galveston	$25.0	$3.7
UT Health Science Center at Houston	$25.0	$2.8
UT Health Science Center at San Antonio	$200.0	$33.2
UT M.D. Anderson Cancer Center	$100.0	$11.7
UT Health Science Center at Tyler	$25.0	$2.8
Texas A&M University System Health Science Center	$25.0	$2.6
University of North Texas Health Science Center at Fort Worth	$25.0	$2.9
Texas Tech University Health Sciences Center	$50.0	$11.1
Subtotal, Individual Endowments	**$525.0**	**$76.2**
Permanent Health Fund for Higher Education	$350.0	$41.7
TOTAL ENDOWMENTS/ PERMANENT FUNDS	**$875.0**	**$117.9**

*Includes unexpended balance amounts from fiscal year 2011.
Source: Legislative Budget Board.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect health-related institutions. Significant legislation includes the enactment of House Bill 2908, Senate Bill 1020, and Senate Bill 5.

The enactment of House Bill 2908 requires THECB to include in the five-year master plan an assessment of the adequacy of opportunities for graduates of Texas medical schools to enter graduate medical education in the state.

The enactment of Senate Bill 1020 requires THECB, in consultation with the board of regents of the Texas Tech University System, to conduct a study to examine the feasibility of establishing a dental school in El Paso as a component of the Texas Tech University Health Sciences Center. THECB shall report the results of the study to the Governor, Lieutenant Governor, Speaker of the House of Representatives, and the presiding officer of each legislative standing committee with primary jurisdiction over higher education by November 1, 2012.

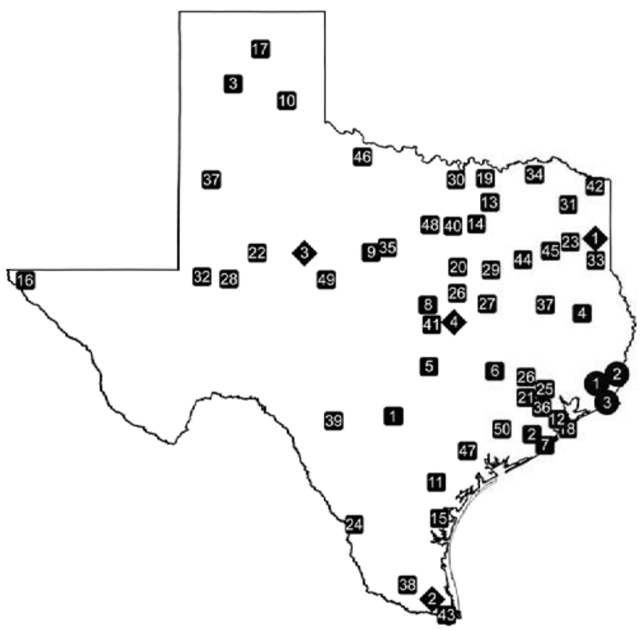
The enactment of Senate Bill 5 codifies and formally recognizes Texas A&M University System Health Science Center and includes the College of Medicine, College of Dentistry, School of Rural Public Health, College of Pharmacy, College of Nursing, School of Graduate Studies, Institute of Biosciences and Technology, Coastal Bend Health Education Center, and the Rural and Community Health Institute.

TWO-YEAR INSTITUTIONS

The two-year segment of public higher education comprises 50 community and junior college districts, four Texas State Technical College (TSTC) campuses, and three Lamar State Colleges (**Figure 238**). Community and junior colleges accounted for 95.8 percent of the 2010–11 base period contact hours generated by this group. TSTC components generated approximately 2.9 percent, and the three Lamar State Colleges generated the remaining 1.3 percent of contact hours.

The 2012–13 appropriations for the two-year institutions total $1.98 billion in All Funds, about $7.1 million (or about 0.4 percent) below the 2010–11 biennium funding level. General Revenue Funds account for 97 percent of the total. The Eighty-second Legislature, Regular Session, 2011, decreased All Funds appropriations by $10.8 million for the TSTC and the Lamar State Colleges. Community colleges were appropriated approximately $3.7 million more than the 2010–11 funding level. **Figure 239** compares the two-year institutions' 2012–13 biennium appropriations with the 2010–11 biennium expenditures.

FIGURE 238
TWO-YEAR INSTITUTIONS, 2011



PUBLIC COMMUNITY COLLEGES
1 Alamo Community College
2 Alvin Community College
3 Amarillo College
4 Angelina College
5 Austin Community College
6 Blinn College
7 Brazosport College
8 Central Texas College
9 Cisco Junior College
10 Clarendon College
11 Coastal Bend College
12 College of the Mainland
13 Collin County Community College
14 Dallas County Community College
15 Del Mar College
16 El Paso Community College
17 Frank Phillips College
18 Galveston College
19 Grayson County College
20 Hill College
21 Houston Community College
22 Howard College
23 Kilgore College
24 Laredo Junior College
25 Lee College
26 Lone Star College
27 McLennan Community College
28 Midland College
29 Navarro College
30 North Central Texas College
31 Northeast Texas Community College
32 Odessa College
33 Panola College
34 Paris Junior College
35 Ranger College
36 San Jacinto College
37 South Plains College
38 South Texas Community College
39 Southwest Texas Junior College
40 Tarrant County College
41 Temple College
42 Texarkana College
43 Texas Southmost College
44 Trinity Valley Community College
45 Tyler Junior College
46 Vernon College
47 Victoria College
48 Weatherford College
49 Western Texas College
50 Wharton County Junior College

TEXAS STATE TECHNICAL COLLEGES
1 Marshall
2 Harlingen
3 West Texas
4 Waco

LAMAR COLLEGES
1 Institute of Technology
2 Orange
3 Port Arthur

Source: Legislative Budget Board.

FIGURE 239
TWO-YEAR INSTITUTIONS' APPROPRIATIONS, 2010–11 AND 2012–13 BIENNIA

IN MILLIONS	GENERAL REVENUE FUNDS			ALL FUNDS		
	2010–11 BIENNIUM*	2012–13 BIENNIUM	PERCENTAGE CHANGE	2010–11 BIENNIUM	2012–13 BIENNIUM	PERCENTAGE CHANGE
Public Community/Junior Colleges	$1,728.8	$1,749.4	1.2	$1,745.7	$1,749.4	0.2
Texas State Technical College (TSTC)						
TSTC System Administration	$16.1	$4.6	(71.5)	$16.5	$5.3	(67.7)
TSTC Harlingen	35.9	35.2	(1.9)	51.0	49.1	(3.7)
TSTC West Texas	23.0	20.2	(12.1)	28.0	25.0	(10.7)
TSTC Marshall	8.8	8.5	(3.1)	11.4	11.0	(3.8)
TSTC Waco	48.5	55.2	13.9	68.1	73.6	8.0
Subtotal, TSTC	**$132.2**	**$123.7**	**(6.4)**	**$175.0**	**$164.0**	**(6.3)**
Lamar State Colleges						
Lamar Institute of Technology	$20.1	$21.4	6.1	$27.6	$28.7	4.1
Lamar State College–Orange	13.4	13.4	0.4	18.5	19.2	3.7
Lamar State College–Port Arthur	18.2	16.7	(8.6)	23.8	22.1	(7.0)
Subtotal, Lamar State Colleges	**$51.8**	**$51.5**	**(0.5)**	**$69.8**	**$70.0**	**0.2**
TOTAL, TWO-YEAR INSTITUTIONS	**$1,912.8**	**$1,924.6**	**0.6**	**$1,990.5**	**$1,983.4**	**(0.4)**

*Fiscal year 2010–11 reflect reductions resulting from lapsed fiscal year 2010 appropriations as well as the reductions associated with the enactment of House Bill 4, Eighty-second Legislature Regular Session, 2011.
Source: Legislative Budget Board.

Various funding mechanisms are used within the category of two-year institutions. The community and junior colleges receive state funding for administration and instructional costs based on a contact-hour formula. Facility costs are borne by the institution and are usually funded by ad valorem property taxes. **Figure 240** shows the differences in these funding mechanisms.

TEXAS STATE TECHNICAL COLLEGES AND LAMAR STATE COLLEGES

TSTC and the Lamar State Colleges, which do not have local taxing authority, receive broader-based state funding. TSTC and Lamar State Colleges each have a two-year contact-hour formula for operations. They are included in the General Academic Institutions' infrastructure formula and receive annual allocations from the Higher Education Fund. They are appropriated special items, tuition revenue bond debt service, unemployment and workers' compensation insurance, and hold harmless funding consistent with the methodology used for General Academic Institutions. Information about that funding can be found in the section for General Academic Institutions of this document.

PUBLIC COMMUNITY AND JUNIOR COLLEGES

The mission of the public community and junior colleges is to teach freshman and sophomore, and in a few cases upper division, courses in arts and sciences, vocational programs in skilled and semiskilled occupations, 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.

The 50 public community and junior college districts serve the needs of specific service areas and are supported by a combination of General Revenue Funds, local property taxes, and tuition and fees. In fiscal year 2010, General Revenue Funds, tax revenue and tuition/fee revenue respectively comprised 30.4 percent, 37.1 percent and 32.5 percent of major operating revenues. **Figure 241** shows the evolving proportion of these three major revenue sources, as well as their combined growth, since 1990.

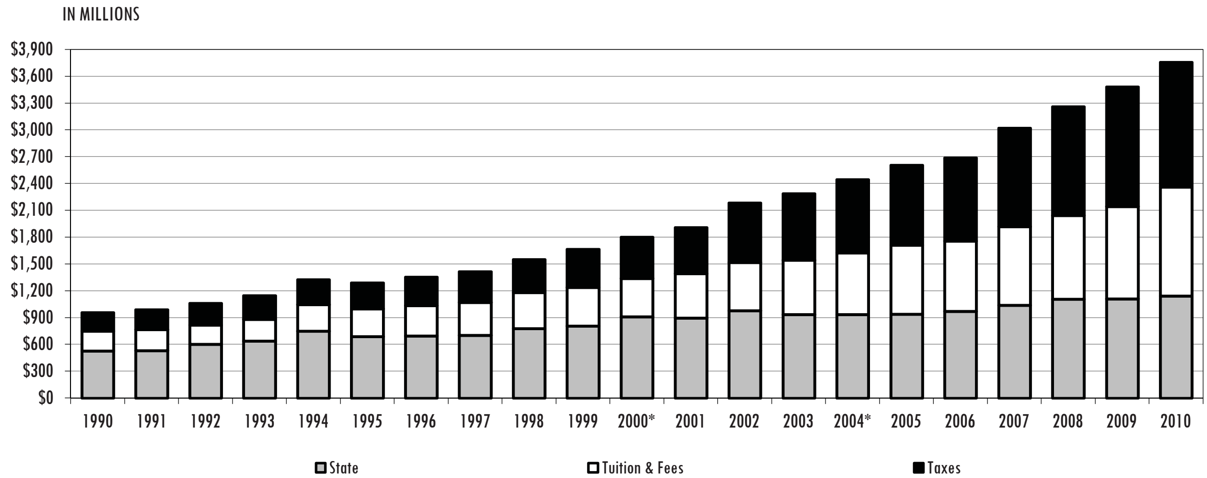
FIGURE 240
TWO-YEAR INSTITUTION FUNDING MECHANISMS 2011

COMMUNITY COLLEGES	TSTC/LAMAR COLLEGES
Instruction and Administration General Revenue Funds from the state are based on formulas for two-year institutions. Tuition and fee revenues and local tax revenues augment state General Revenue Funds for these costs.	**Instruction and Administration** General Revenue Funds from the state are based on formulas for two-year institutions. Tuition and fee revenues augment General Revenue Funds for these costs.
Academic Courses Approximately 71 percent of the total contact hours funded by General Revenue are academic courses.	**Academic Courses** Approximately 38.7 percent at the Lamar Colleges and 28.9 percent at TSTC of total contact hours funded by General Revenue are academic courses.
Technical Courses Approximately 23 percent of the total contact hours funded by General Revenue are vocational/technical courses.	**Technical Courses** Approximately 50.7 percent at the Lamar Colleges and 69.4 percent at TSTC of total contact hours funded by General Revenue Funds are vocational/technical courses.
Developmental Education Courses Approximately 6 percent of the total contact hours funded by General Revenue are developmental education courses.	**Developmental Education Courses** Approximately 10.6 percent at the Lamar Colleges and 1.7 percent at TSTC of the total contact hours funded by General Revenue are developmental education courses.
Physical Plant The state provides no funding for physical plant operations and maintenance. Local taxing districts are expected to provide support for physical plant needs. Community colleges are expected to receive approximately $1.39 billion in tax income in fiscal year 2010.	**Physical Plant** State funding based on the formula for general academic institutions. The Lamar Colleges will receive approximately $7.1 million and TSTC will receive $15.7 million in General Revenue Funds for physical plant and utilities for the 2012–13 biennium.
Facilities Local communities must provide facilities. Community colleges are not eligible to receive Higher Education Fund (HEF) allocations, Available University Fund allocations or state Tuition Revenue Bonds.	**Facilities** The Lamar Colleges receive approximately $4.2 million annually from HEF funds, and TSTC receives almost $5.8 million annually. The HEF monies are used to acquire land, construct and equip buildings, provide major building repair or rehabilitation, and acquire capital equipment and library materials.
Employee Benefits While community college employees are locally employed, community colleges participate in ERS' Group Benefits Program for health benefits and the TRS and ORP programs for retirement benefits. The state makes General Revenue Fund contributions for health and retirement benefits.	**Employee Benefits** Both the Lamar Colleges and TSTC institutions participate in ERS' Group Benefits Program for health benefits and the TRS and ORP programs for retirement benefits. The state makes General Revenue Fund contributions for the health and retirement benefits of those employees having their salaries paid with General Revenue Funds.
Tuition Fee Revenues Tuition and fee revenues are considered institutional funds and are not appropriated by the state. Tuition rates vary by institution. In fiscal year 2011, the in-district tuition rates plus fees averaged $66 per semester credit hour, but varied from $34 to $199 per semester credit hour.	**Tuition Fee Revenues** Certain tuition revenue is appropriated by the state. In fiscal year 2011, for resident students average tuition plus fees was $139 per semester credit hour at the Lamar Colleges and $143 per semester credit hour at TSTC.

Sources: Legislative Budget Board; Texas Higher Education Coordinating Board.

The state first appropriated funds to community colleges in the Forty-seventh Legislature, Regular Session, 1941, providing $0.7 million to 21 community colleges in the 1942–43 biennium. State law limits the appropriation of General Revenue Funds to the provision of administrative and instructional services in support of academic, technical, and vocational education. Locally raised funds, such as tax revenue and tuition and fee revenue, are not appropriated by the Texas Legislature and thus are not subject to this restriction.

FIGURE 241
TEXAS COMMUNITY COLLEGES MAJOR ANNUAL OPERATING REVENUE SOURCES (TAX, TUITION & FEES, AND STATE REVENUES), FISCAL YEARS 1990 TO 2010

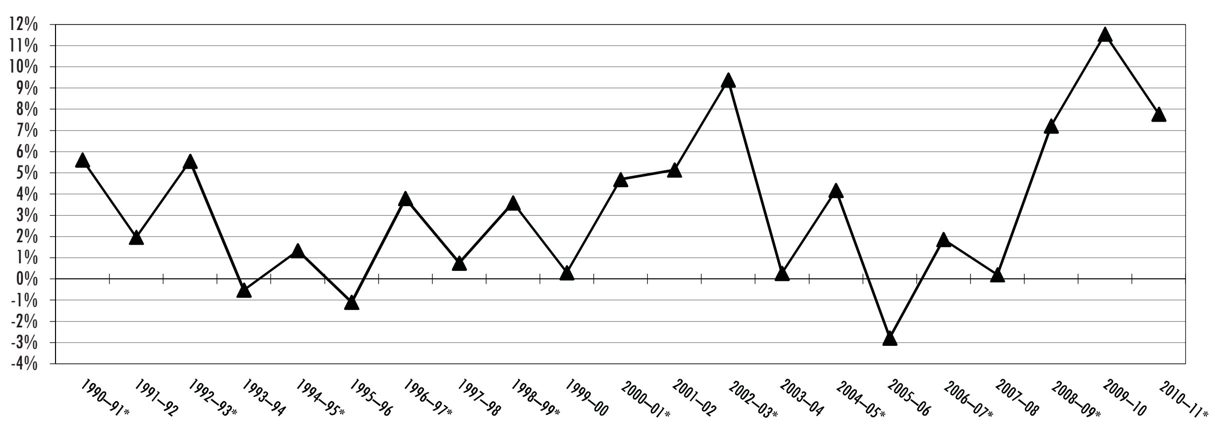


*Estimated.
SOURCE: Texas Higher Education Coordinating Board.

Since 1975, state funding has been distributed using a formula based on contact hours generated in a base period. Contact hours are a measure of educational output. A contact hour is a time unit of instruction used by community, technical, and state colleges consisting of 60 minutes, of which 50 minutes must be direct instruction.

A base period was composed of the contact hours generated in the summer and fall semesters in each even-numbered year and the spring semester in each odd-numbered year. The contact hours generated within the academic year between base periods were collected for informational purposes, and were not used in formula funding. A consequence of excluding alternating years of contact hour data was the evolution of a significant difference in contact hour generation between base period years and non-base period years. **Figure 242** shows this pattern charted over time; since fiscal year 1990, the average non-base year percentage change from the preceding year was 1.6 percent, while the average base year percentage change was 5.0 percent.

FIGURE 242
PERCENTAGE OF COMMUNITY COLLEGE CONTACT HOUR CHANGE FROM PREVIOUS YEAR, 1990–91 TO 2010–11 BIENNIA

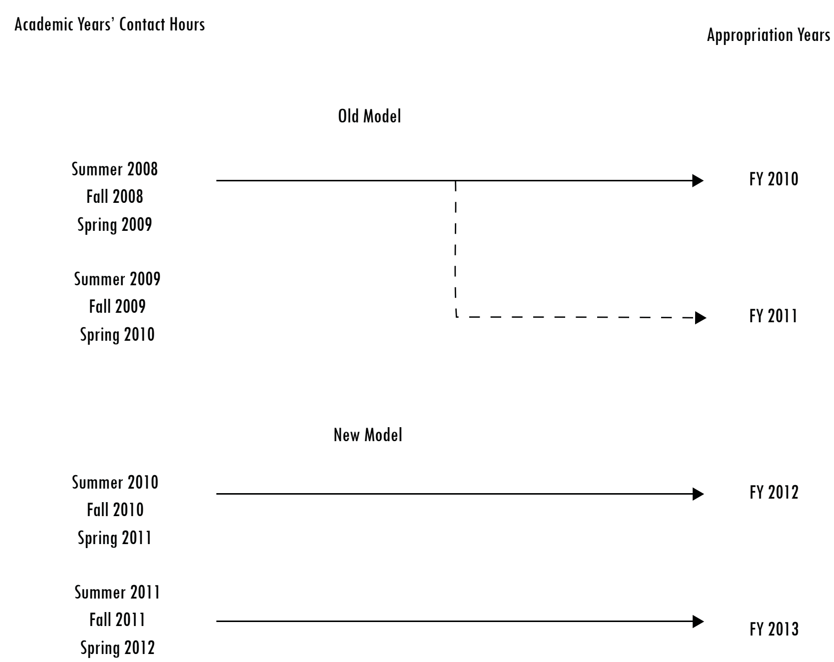


SOURCE: Texas Higher Education Coordinating Board.

To provide community colleges with an incentive to generate contact hours in a consistent manner every year, the Eighty-second Legislature added rider language to the community colleges bill pattern in the General Appropriations Act to require that the allocation of fiscal year 2013's formula funding for community college districts be based on the academic year immediately preceding the fiscal year. **Figure 243** compares the historical method of using contact hours with the new approach adopted by the Eighty-second Legislature.

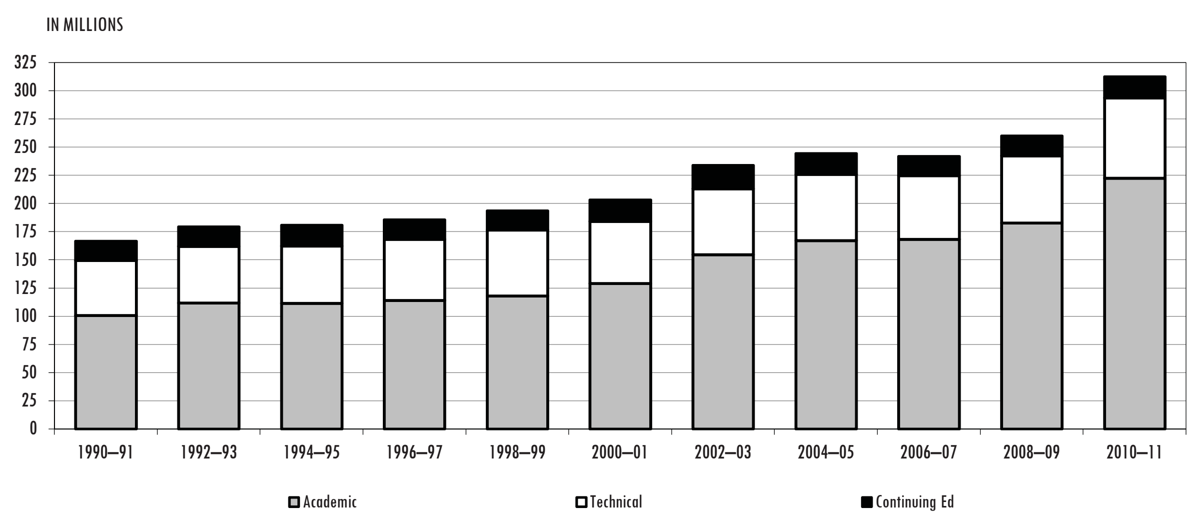
Figure 244 shows the overall number of contact hours generated per year increased about 88 percent since 1990–91. However, there has been a shift in the share of total

FIGURE 243
CONTACT HOUR DATA USED IN ALLOCATING FORMULA APPROPRIATIONS, 2011



Source: Legislative Budget Board.

FIGURE 244
TOTAL CONTACT HOURS, ACADEMIC YEARS 1990–91 TO 2010–11



Source: Texas Higher Education Coordinating Board.

contact hours generated toward academic contact hours, and away from technical contact hours. **Figure 244** shows technical contact hours composed about 29 percent of the total contact hours in the 1990–91 base period. By the 2010–11 base period, technical contact hours composed about 23 percent of the contact hour total. In the same period, academic contact hours grew from 60 percent of the total in the 1990–91 academic year to over 71 percent in the 2010–11 academic year.

APPROPRIATIONS AND REVENUES

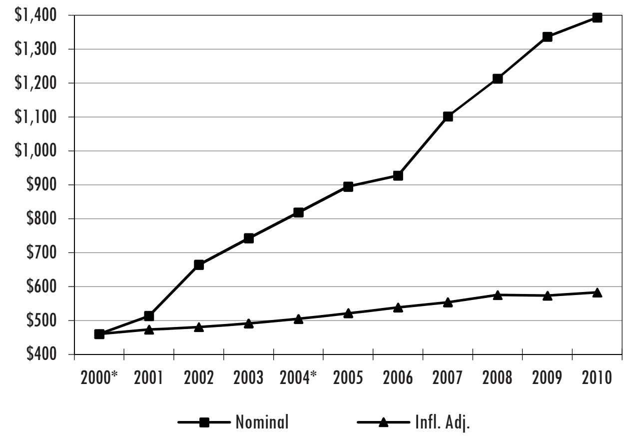
Appropriations for public community and junior colleges include $1,749.4 million in All Funds for the 2012–13 biennium, a slight increase of 0.2 percent (or $3.7 million) over the 2010–11 biennium. Approximately 99.0 percent of this total is accounted for by formula funding ($1,732.2 million), while the remainder supports eight ongoing special items ($11.8 million), a Small Institution Supplement ($4.5 million), and a Bachelor's of Applied Technology program at three districts ($0.9 million).

Other state contributions for public community and junior colleges include funding contributions for health and retirement benefits. These benefit contributions are not directly appropriated to the community colleges. The Eighty-second Legislature, Regular Session, 2011, provided $198.4 million in General Revenue Funds for the 2012–13 biennium to support public community and junior colleges' group health insurance costs for employees eligible to have their salaries paid from General Revenue Funds. The Legislature also contributed approximately $107.3 million in General Revenue Funds to support public community and junior colleges' retirement costs in the same biennium. In fiscal years 2012 and 2013, the Legislature limited General Revenue Funds contributions for retirement to no more than 6.0 percent and 6.4 percent, respectively, of each district's total annual appropriation of unrestricted General Revenue Funds.

In addition to these direct and indirect state contributions, administrative and instructional services are further supported by other institution revenues, primarily tax revenue and tuition and fees, which also support physical plant maintenance, construction, and furnishings.

Local property tax revenue is the largest source of non-state support for community college districts. **Figure 245** shows both nominal and inflation-adjusted tax revenue since 2000. Nominal tax revenue grew from $460.4 million in fiscal year 2000 to $1,393.1 million in fiscal year 2010, an increase of

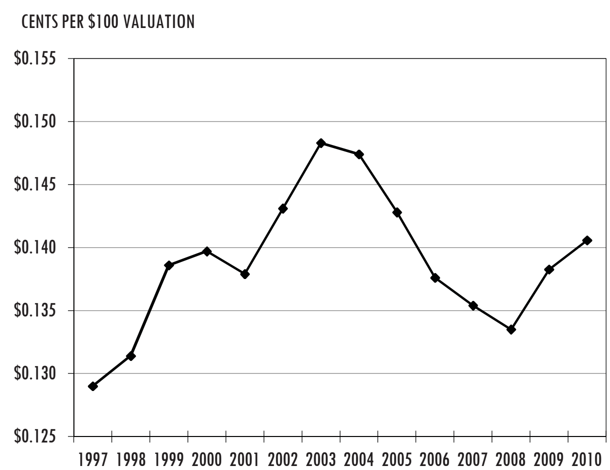
FIGURE 245
NOMINAL AND INFLATION—ADJUSTED TAX REVENUE, FISCAL YEARS 2000 TO 2010



*Estimated.
Source: Texas Higher Education Coordinating Board.

approximately 300 percent. When adjusted for inflation only, tax revenue grows from $460.4 million in fiscal year 2000 to $582.9 million in fiscal year 2010, an increase of 26.6 percent. **Figure 246** shows average tax rates since fiscal year 1997.

FIGURE 246
TEXAS COMMUNITY COLLEGES AD VALOREM TAX RATES, FISCAL YEARS 1997 TO 2010



Source: Texas Association of Community Colleges.

GOVERNANCE

A locally elected board governs each community college district, directing and controlling the district and setting tuition and fees within the limits of state law. As such, governing board decisions on basic financial issues may result in considerable diversity of outcomes among the 50 community college districts.

Unlike most other higher education entities, there is no statewide system or oversight agency to coordinate the various activities of Texas' 50 community college districts. However, statute does provide qualified authority to THECB to adopt policies, enact regulations, approve new degree programs, and establish certain general rules necessary for carrying out the duties of public community and junior colleges. The Eighty-second Legislature, 2011, added a new rider to THECB requiring the agency to fund a consultant to provide the Eighty-third Legislature with a blueprint for creating a system administration for community colleges.

ENROLLMENT

Texas public community colleges have experienced a significant increase in enrollment over the last eleven years. Enrollment at two-year public institutions accounted for well over half of the students in all public institutions of higher education in 2011. **Figure 247** shows the increase in enrollment in two-year institutions since 2000 in relation to enrollment growth over the same period experienced by general academic institutions.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect public community and junior college districts. Significant legislation includes the enactment of House Bill 1206, House Bill 1495, Senate Bill 1226, Senate Bill 1410 and Senate Bill 1909.

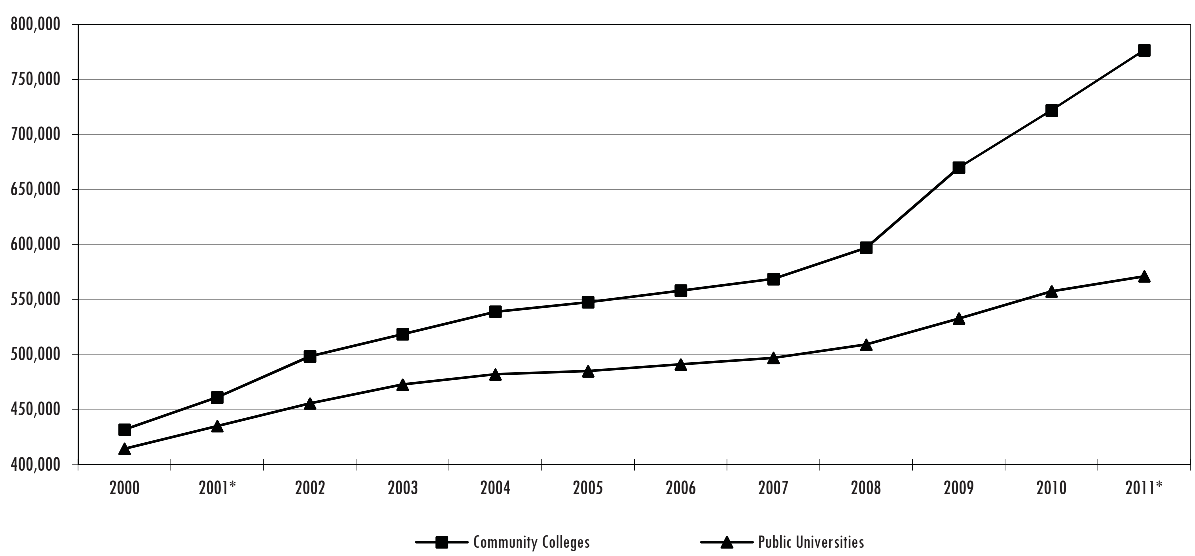
The enactment of House Bill 1206 requires all new community college board members to attend training offered by THECB within their first two years of service. The training is required to cover best practices in campus financial management and fiscal analysis.

The enactment of House Bill 1495 requires community colleges to comply with certain rules adopted by the Department of Information Resources. House Bill 1495 also exempts community colleges from participating in the electronic government project.

The enactment of Senate Bill 1226 requires annexation election ballots to include certain information, including the name of the district seeking to annex the territory, the district's taxing authority, and the district's current tax rate.

The enactment of Senate Bill 1909 amends existing statute to allow The University of Texas at Brownsville to enter into any agreement with Texas Southmost College and removes reference to any "partnership agreement" between the two institutions.

FIGURE 247
PUBLIC INSTITUTIONS OF HIGHER EDUCATION STUDENT HEADCOUNT, FISCAL YEARS 2000 TO 2011



*Estimated value for public universities.
SOURCE: Texas Higher Education Coordinating Board.

TEXAS A&M UNIVERSITY SYSTEM AGENCIES

The Texas A&M University (TAMU) System includes seven system agencies. The agencies provide an array of services to the state, including research, teaching, and public service. In terms of mission, the system agencies differ from other institutions of higher education in that each system agency focuses on one or two of the three traditional missions of higher education institutions (research, teaching, and service).

In several ways, state funding for the system agencies is similar to how other higher education institutions are funded. The system agencies have considerable flexibility in their respective budgeting and financial operations because they receive "lump sum" appropriations, like other institutions of higher education. They (with the exception of the Texas Veterinary Medical Diagnostic Laboratory) are eligible to receive Permanent University Fund proceeds. Like health-related and general academic institutions, the system agencies keep 100 percent of their respective indirect cost recovery income. Finally, the system agencies are funded in the same manner as other institutions of higher education for purposes of staff benefits, including employee group health insurance contributions.

There are two major funding differences between the system agencies and other higher education institutions. One difference is that the system agencies do not receive formula-based funding for operations. Also, while some system agencies may charge fees for their services, they do not generate tuition and fees in the same manner or quantity as other institutions of higher education. However, the system agencies do generate fees in several ways, which range from providing apiary inspection services for Texas honey producers to conducting drug testing procedures for the animal racing industry. This fee revenue is appropriated on an estimated basis to the system agencies.

APPROPRIATIONS AND FUNDING

Total appropriations for the TAMU System agencies are $1,013.7 million for the 2012–13 biennium. Appropriations of General Revenue Funds increased $101.8 million, or 34.4 percent, from the 2010–11 biennial spending level. This increase is due to a large supplemental appropriation ($121 million) in fiscal year 2011 to the Texas Forest Service for costs associated with fighting wildfires. General Revenue Funds comprise 39.2 percent of the system agencies' overall budget. Federal Funds account for $270.3 million or 26.7 percent of the system agencies' budget, most of which, $221 million, is allocated to the three engineering agencies (Texas Engineering Extension Service, Texas Engineering Experiment Station, and the Texas Transportation Institute).

The Eighty-second Legislature continued the practice of using formula-based funding for the agencies' infrastructure inside Brazos County (initiated in the 2010–11 biennium, by the Eighty-first Legislature). This funding methodology includes a Texas Higher Education Coordinating Board approved formula based on the space projection model used by the general academic institutions. The system agencies receive funding commensurate with the rate per square foot that Texas A&M University receives for its infrastructure funding. **Figure 248** shows a summary of the appropriations for the TAMU System agencies.

TEXAS AGRILIFE RESEARCH

Texas AgriLife Research (AL-RSRCH) was established through state and federal legislation in 1887 as a result of the federal Hatch Act. The agency's mission is to conduct research and oversee regulatory programs for the benefit of the agricultural industry and consumers of agricultural products. The agency works to ensure that environmental and natural resources are maintained and enhanced; a safe, wholesome, and affordable supply of agricultural products is available; and the state's economic vitality is upheld. The agency works closely with TAMU and maintains ties to many other higher education institutions and federal and international agencies.

To address Texas' geographic diversity and corresponding plant and animal variety, AL-RSRCH conducts research activities at 13 major research and extension centers throughout the state **(Figure 249)**. The agency integrates its programs with those of the Texas AgriLife Extension through co-location of staff at research and extension centers, cooperative planning, joint appointments, field days, and co-publications.

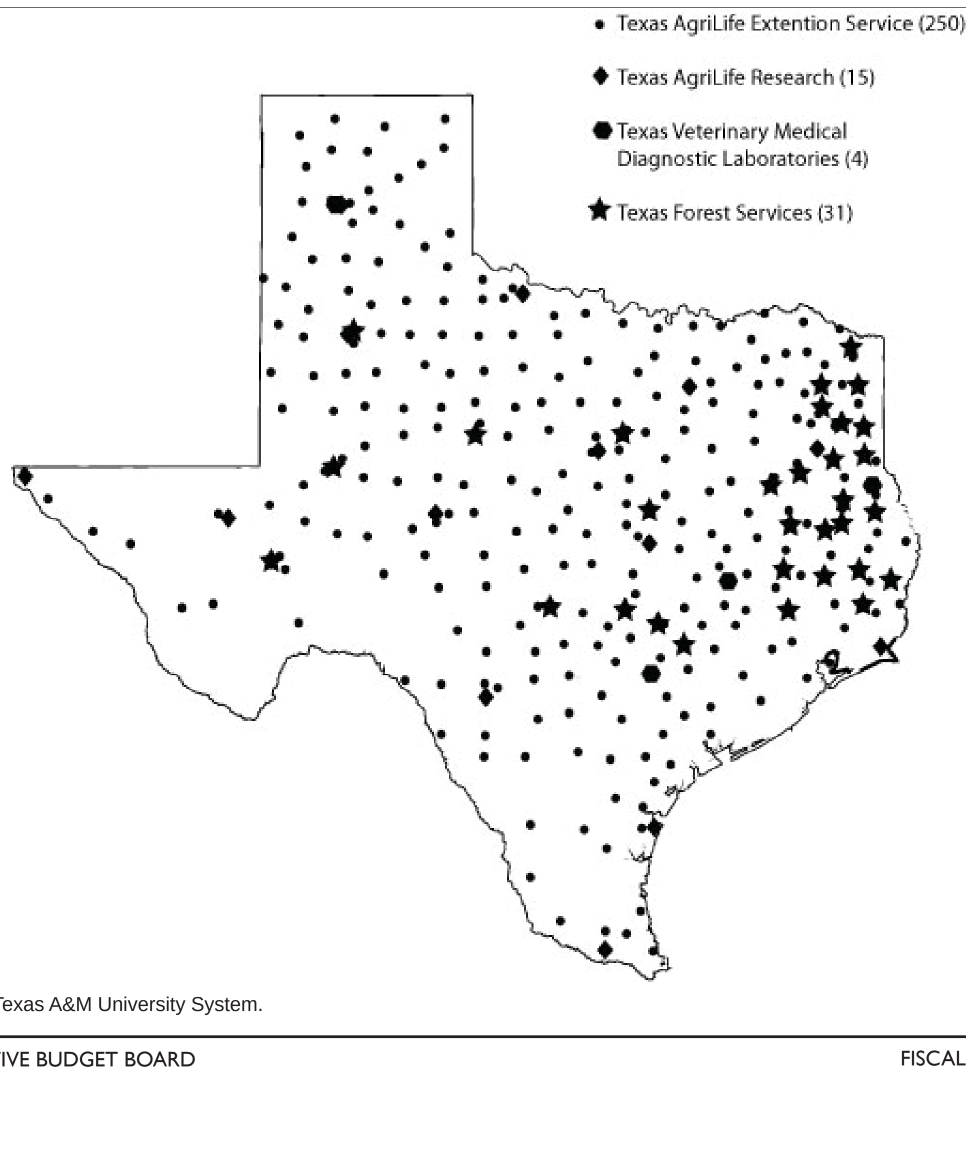
Appropriations for the 2012–13 biennium total $130.3 million in All Funds and provide for 985.9 full-time-equivalent (FTE) positions. General Revenue Funds and General Revenue–Dedicated Funds comprise $102.2 million of the appropriated amount. Pursuant to House Bill 4, Section 22, Eighty-second Legislature, Regular Session, included in these totals is $0.5 million in each fiscal year of the 2012–13 biennium contingent upon the Comptroller of Public Accounts' (CPA) certification of available General Revenue Funds of $1.0 million more than the CPA's Biennial

FIGURE 248
TEXAS A&M UNIVERSITY SYSTEM SERVICE AGENCY APPROPRIATIONS, 2010–11 AND 2012–13 BIENNIA

IN MILLIONS	GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS			ALL FUNDS		
INSTITUTION	2010–11 BIENNIUM	2012–13 BIENNIUM	PERCENTAGE CHANGE	2010–11 BIENNIUM	2012–13 BIENNIUM	PERCENTAGE CHANGE
Texas AgriLife Research	$109.4	$102.2	(6.6)	$137.6	$130.3	(5.3)
Texas AgriLife Extension	93.5	84.5	(9.6)	137.8	128.2	(7.0)
Texas Engineering Experiment Station	29.2	28.7	(1.7)	249.0	268.1	7.7
Texas Transportation Institute	1.8	1.3	(28.2)	96.1	99.3	3.4
Texas Engineering Extension Service	13.4	12.4	(7.7)	164.9	161.7	(1.9)
Texas Forest Service	100.4	187.9	87.8	108.8	196.4	80.5
Texas Veterinary Medical Diagnostic Laboratory	12.3	11.5	(6.6)	32.7	29.6	(9.5)
TOTAL, TEXAS A&M UNIVERSITY SYSTEM SERVICE AGENCIES	**$359.9**	**$428.4**	**19.0**	**$926.8**	**$1,013.7**	**9.4**

SOURCE: Legislative Budget Board.

FIGURE 249
TEXAS A&M UNIVERSITY SYSTEM AGRICULTURAL AGENCY LOCATIONS, FISCAL YEAR 2011



SOURCE: Texas A&M University System.

Revenue Estimate for the 2012–13 biennium. These funds are for supporting the agency's Vegetable and Fruit Improvement Center.

AL-RSRCH's goals are to promote agricultural competitiveness, environmental quality, agricultural product quality, and value-added/economic development. Agricultural competitiveness is addressed through livestock research and plant and crop research to strengthen agricultural products and improve their competitiveness. Environmental quality focuses on conserving natural resources through research into renewable resources and research that addresses air, soil, and water quality and biodiversity. Agricultural product quality focuses on enhancing the nutrition, quality, safety, and market efficiency of agricultural products and agricultural marketing research. Value-added/economic development is promoted through value-added research to enhance processing techniques and socioeconomic research to address economic, demographic, and social factors affecting Texas.

The agency 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 and has a 2012–13 biennial budget of approximately $0.5 million and is partially supported by fees. TAIS regulates honeybees to maintain a healthy and viable population of bees that benefits pollination needs, honey production and Texas agriculture as a whole. To achieve this objective, TAIS issues permits and certifications, conducts inspection operations, and limits honey bee migration through quarantine procedures. TAMU's Department of Entomology provides the testing services for TAIS.

The second regulatory service administered by AL-RSRCH involves the Office of the Texas State Chemist (OTSC), and is comprised of the Feed and Fertilizer Control Service (FFCS) and the Agriculture Analytical Service (AAS). FFCS regulates the distribution of approximately 15 million tons of feed and 3 million tons of fertilizer to ensure the products conform to Texas agriculture commercial feed and fertilizer codes. To achieve this objective, FFCS licenses distributors of feed and registers feed products in package sizes of five pounds or less, and registers all fertilizer distributors as well as manufacturers and distributors of ammonium nitrate materials. The entirety of the FFCS budget is generated by fee revenue, including contracts with the Federal Drug Administration (FDA) and the U.S. Department of Agriculture. OTSC supports 14 field investigators commissioned by the FDA. These investigators conduct facility audits, investigate animal deaths associated with feed, review product labels, and collect investigatory samples for analysis by the AAS. OTSC's 2012–13 biennial budget is approximately $8.3 million, which supports 48 FTE positions.

TEXAS AGRILIFE EXTENSION SERVICE

The Texas AgriLife Extension Service (AL-EXT) was established by legislative action and the acceptance of provisions of the federal Smith-Lever Act in 1915. The agency's mission is to educate Texans in agriculture, environmental stewardship, youth and adult life skills, leadership, and economic development. AL-EXT fulfills its mission through an educational process that draws from research focused on the needs and issues facing Texans.

Appropriations for the 2012–13 biennium total $128.2 million in All Funds and provide for 1,023 FTE positions. General Revenue Funds and General Revenue–Dedicated Funds comprise $84.5 million of the appropriated amount.

AL-EXT's goal is to promote education in health and safety, environmental stewardship, economic competitiveness, and leadership development. The agency conveys scientific information to the public, developed through the TAMU System, the U.S. Department of Agriculture, and private and public research organizations. In addition, AL-EXT conducts demonstrations to show the benefits of using practices derived from the latest scientific research. As the population of Texas moves from rural to urban areas, the agency is developing more programs to address urban concerns. Programs continue to address critical areas in agriculture and natural resources; youth, community, and leadership development; environmental quality; food safety; and health and well-being.

A statewide network of approximately 570 county extension agents along with program specialists located in research and extension centers **(Figure 249)** deliver issue-based, interdisciplinary educational programs to all 254 Texas counties. District extension administrators, who supervise personnel and programs, are housed in 13 research and extension centers across the state. Various departments at TAMU provide AL-EXT with specialists and direct program support for district and county activities.

Salaries for county extension agents are paid from county, state, and federal sources. The General Revenue Fund contributes approximately one-half the cost of agent salaries, with the counties providing approximately 30 percent and the federal government providing the remaining portion.

AL-EXT works in partnership with county courts across the state to provide competitive pay for county extension agents.

TEXAS ENGINEERING EXPERIMENT STATION

The Texas Engineering Experiment Station (TEES) was established in 1914 and has been part of the TAMU System since 1948. The agency's mission is to perform engineering and technology-oriented research and development to enhance the educational systems, economic development, and quality of life of the state and the nation. Headquartered in College Station, TEES has a close relationship with TAMU as well as regional divisions at 15 other universities and five community colleges. TEES conducts research in several areas including energy, health, the environment, and homeland security. Recent agency projects include the development of technology that monitors the electric grid to avoid power outages, an occurrence that costs Texas industry millions of dollars each year; the establishment of a nuclear security institute with the U.S. Department of Energy to develop technologies to guard against nuclear terrorism; and the development of new membrane filtration technology that cleans up contaminated water recovered from oil and gas wells to allow the water to be reused. The agency's Energy Systems Lab has helped Texans save over $300 million by increasing energy efficiency of buildings, including Dallas–Fort Worth Airport, the Texas Health and Human Services Commission, the U.S. Army Medical Command (Ft. Sam Houston), and city, county and private sector buildings. Eleven disciplinary divisions link TEES to academic departments in the College of Engineering at TAMU and 16 regional divisions link TEES to other institutions of higher education with technology-oriented research programs. Twenty-one multidisciplinary research centers serve federal and state agencies, industrial distributors, and other significant Texas engineering industries including aerospace, chemical processing, and energy **(Figure 250)**.

Appropriations for the 2012–13 biennium total $268.1 million in All Funds and provide for 840.7 FTE positions. General Revenue Funds and General Revenue–Dedicated Funds comprise $28.7 million of the appropriated amount. Included in this amount is $2.0 million appropriated through Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, for the Nuclear Power Institute. This funding is for training the next generation of nuclear power plant operators.

TEES uses its appropriations of General Revenue Funds as "seed money" in the early stages of projects. This preliminary funding facilitates the acquisition of equipment and the hiring of researchers until projects can compete for external funds. As external sources begin supplying support, state funds are shifted to new research initiatives. TEES returns more than $14 in external research awards for every $1 (General Revenue Funds) appropriated by the state. Federal and private grants and contracts, Interagency Contracts, and fee income compose the remainder of the agency's funding. The largest source of funding for TEES is $153.9 million in Federal Funds for the biennium. Other Funds, which include private sector contracts and Interagency Contracts, total $85.6 million for the 2012–13 biennium.

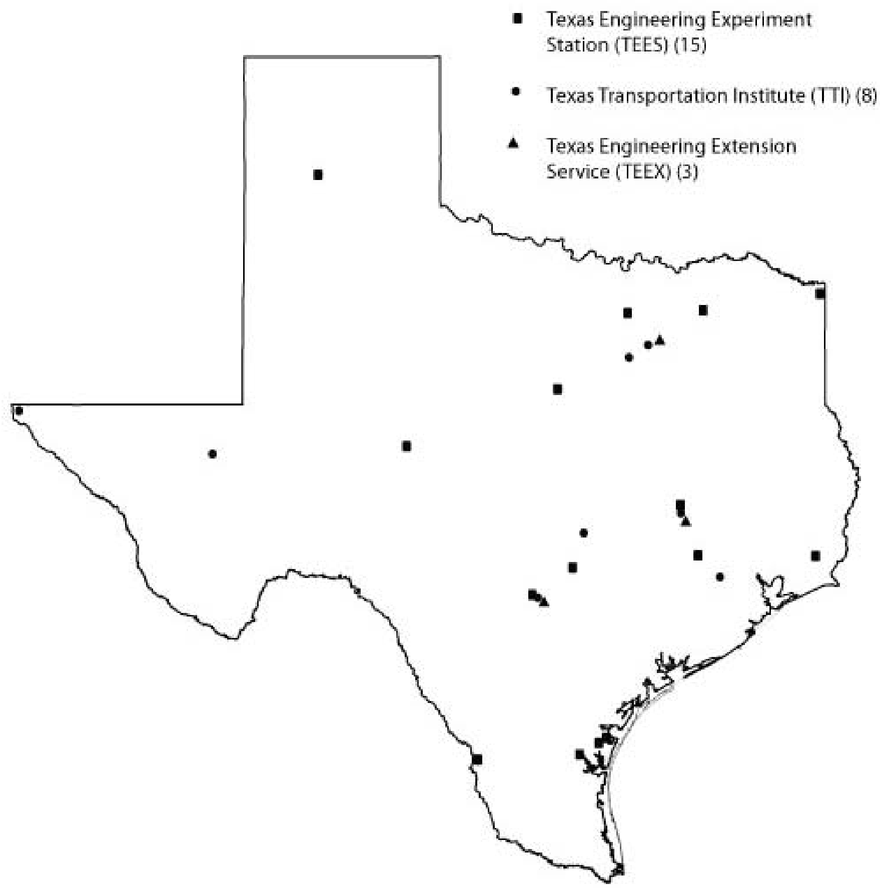
TEES' goal is to conduct basic and applied research in engineering and related fields that addresses critical issues, supports industrial and public systems, enhances higher education, and promotes economic development. TEES accomplishes this goal through the development of research divisions, multi-institutional outreach and collaboration, technology transfer, and educational programs. It supports research ranging from basic engineering sciences to applied industrial needs. Multi-institutional initiatives foster cooperation among the state's institutions of higher education and generate research partnerships that enhance the state's competitiveness for federal funds and strengthen its research capabilities. Through research commercialization, technology licensing, and technical-assistance efforts, TEES promotes entrepreneurship and economic development throughout the state. The agency also provides programs and opportunities that allow students to engage in engineering research and education at the secondary, undergraduate, and graduate levels. TEES also addresses the shortage of students pursuing degrees in STEM (Science, Technology, Engineering, and Math) fields by bringing high school math and science teachers as well as guidance counselors from Texas schools to Texas A&M University to help encourage and prepare their students to pursue STEM degrees.

TEES also provides technical expertise in calculating and verifying energy savings and emissions reductions from energy code and renewable energy programs for the Texas Emissions Reduction Plan administered by the Texas Commission on Environmental Quality. In addition, TEES provides training and technical assistance to homebuilders, local building code officials, and the building industry on Texas building energy codes.

TEXAS TRANSPORTATION INSTITUTE

The Texas Transportation Institute (TTI), established in 1950 by the TAMU System Board of Regents, conducts

FIGURE 250
TEXAS A&M UNIVERSITY SYSTEM ENGINEERING AGENCY LOCATIONS, 2011



Source: Texas A&M University System.

practical applied research that addresses a range of transportation challenges in Texas. The agency's mission is to solve transportation problems through research, to transfer technology, and to develop diverse human resources to meet the transportation challenges of tomorrow. TTI has made fundamental research breakthroughs in many areas that save lives, time and resources. In addition to its office in College Station and its research annex at TAMU's Riverside Campus in Brazos County, TTI maintains field offices in Arlington, Austin, Dallas, El Paso, Houston, and San Antonio. The agency also has 10 regional divisions at various Texas universities **(Figure 250)**. TTI conducts much of its research through its 11 national centers, which include the Center for Transportation Safety, the Center for Ports and Waterways, and the Transportation Economics Research Center.

The agency researches all transportation modes, including air, water, surface, rail, and pipeline. The agency also researches means to create effective and efficient multi-modal transportation systems. TTI's activities focus on the major transportation issues facing the state such as safety, mobility, financing, driver behavior, environmental quality, freight movement, security and infrastructure rehabilitation and maintenance.

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 the substantial testing that is required before installation. TTI also operates the state's full-scale evaluation facility for performance testing of erosion control materials used by the Texas Department of Transportation and a drive-in Environmental and Emissions Research Facility capable of accommodating tractor-trailers and buses.

Appropriations for the 2012–13 biennium total $99.3 million in All Funds. Of the agency's total appropriated amount, $13.3 million is appropriated from the State

Highway Fund. TTI uses its State Highway Funds as "seed money" to research new areas, purchase specialized capital equipment, and support professional development. General Revenue Funds comprise $1.3 million of the appropriated amount. This amount includes funding for the Center for Transportation Safety, the Center for Strategic Transportation Solutions, and a school bus seat belt program study. Most of the agency's funding is from sponsored research grants and contracts with private and governmental entities. Approximately 42.6 percent of the agency's funding is from Interagency Contracts; the Texas Department of Transportation provides most of these contracts. Appropriated Receipts, Federal Funds, and Research-related Indirect Cost Recovery comprise the remainder of the agency's funding.

TEXAS ENGINEERING EXTENSION SERVICE

The Texas Engineering Extension Service (TEEX) was established in 1948 to provide vocational and technical training services to the citizens of Texas. The agency's mission is 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. TEEX provides hands-on customized training and homeland security exercises to meet state and federal occupational certification training requirements and improve the skills of workers.

Appropriations for the 2012–13 biennium total $161.7 million in All Funds and provide for 608 FTE positions. General Revenue Funds comprise $12.4 million (or 7.6 percent) of the agency's total appropriations. Appropriated Receipts account for the largest share (about 43.5 percent) of the agency's total 2012–13 biennial revenue, followed by Federal Funds, which comprise about 29.9 percent of the agency's total 2012–13 biennial revenue.

The agency's goals are to provide training and technology-transfer assistance and emergency response. Each year the Texas Engineering Extension Service trains approximately 195,000 individuals through over 5,660 class offerings and technical assistance amounting to approximately 3 million student contact hours. To facilitate this training, TEEX coordinates with various state agencies, colleges, and universities to identify training needs, provide training programs, and make use of the latest technical information and instructional techniques. Public service programs fulfill mandated training requirements for certification in fire protection, law enforcement, and solid waste, water, and wastewater treatment. Industrial sector training includes programs in occupational safety, heavy equipment operation, power distribution, job safety, telecommunications, electronics, and economic development. TEEX programs serve companies, municipalities and public service agencies from across the nation, including training participants from 1,300 of Texas' 1,523 communities. TEEX provides training courses serving more than 6,500 companies, and more than 9,200 municipalities and public agencies nationwide.

TEEX is headquartered in College Station and maintains regional training centers in Mesquite and San Antonio. The Mesquite Office is the site of the Occupational Safety and Health Administration's Southwest Education Center, which provides occupational, construction, youth, maritime, and industrial safety training **(Figure 250).** TEEX is the designated state fire training agency for Texas, ensuring that fire fighters from the smallest towns to the largest cities receive in-depth, hands-on training in order to protect lives and infrastructure. The agency's Brayton Fire Training Field is the largest in the U.S. and includes full-scale buildings, towers, tanks industrial plant structures and a ship that are used during life-like training simulations. Adjacent to the fire field are TEEX's Emergency Operations Training Center, a state-of-the-art simulation and computer-based technologies training facility and Disaster City©, a search and rescue training facility that includes full-scale, collapsible structures and rubble piles designed for emergency responder and canine training.

TEEX operates Texas Task Force 1 (TX-TF1), which functions as a federal Urban Search and Rescue team under the Federal Emergency Management Agency's (FEMA) national urban search and rescue program and as Texas' only statewide search and rescue team under the direction of the Governor's Division of Emergency Management. TX-TF1 is comprised of more than 600 emergency response personnel from 80 organizations and departments across the state. TX-TF1 is able to respond to state and national disasters, including earthquakes, hurricanes, widespread tornadoes, and terrorist events. State and federal deployments of TX-TF1 have included emergency responder activities at the World Trade Center following the September 11, 2001, attacks, recovery efforts during the Columbia shuttle disaster, and rescue missions in New Orleans involving hurricanes Katrina and Rita. More recently, TX-FX1 was deployed on search and rescue activities following Hurricane Alex, the Joplin, Missouri tornado, and the Bastrop County fires.

TEEX also operates the National Emergency Response and Rescue Training Center (NERRTC) to provide proactive training on measures designed to reduce the potential damage inflicted by weapons of mass destruction and terrorist acts. Since its inception in 1998, NERRTC has offered hundreds of courses nationwide on issues related to weapons of mass destruction and responses to and prevention of terrorism. TEEX continues to secure federal funding for these emergency response and prevention training programs.

TEXAS FOREST SERVICE

The Texas Forest Service (TFS) was established in 1915. The agency's mission is to provide statewide leadership and professional assistance to ensure that the state's forest, tree, and related natural resources are used wisely, nurtured, protected, and perpetuated for the benefit of all Texans.

Appropriations for the 2012–13 biennium total $196.4 million in All Funds, and provide for 378.2 FTE positions. General Revenue Funds and General Revenue–Dedicated Funds comprise $187.9 million, or about 96 percent, of the appropriated amount. Included in these totals is $27 million in funding for the Rural Volunteer Fire Department Assistant Program. In addition, the Texas Forest Service was appropriated $121 million in General Revenue Funds during fiscal year 2011 to pay for costs incurred by the state associated with wildfires during fiscal years 2009 to 2012.

The agency's primary goal is to develop forest resources while protecting human lives and the environment from damage caused by natural and human factors. This goal is accomplished through (1) the wildfire and emergency program for wildfire prevention, detection, and suppression, and emergency response activities; (2) detection and control of forest insects and diseases; (3) leadership in forestry resource development and reforestation efforts; and (4) environmental enhancement through the management and conservation of forest resources.

The agency's largest strategy is its wildfire and emergency program, which is appropriated $25.8 million each year (excluding the $121 million in emergency appropriations associated with the costs of fighting fires) of the 2012–13 biennium. This amount includes $15.3 million each fiscal year in the Volunteer Fire Department Assistance Program through which the agency provides grants to local volunteer fire departments to provide fire protection across the state and help rural areas establish their own fire fighting capabilities by sharing the cost of firefighting equipment and training. This grant funding is part of the agency's goal to develop a more proactive approach to wildfire fighting through the Texas Wildfire Protection Plan. This plan focuses on assessment and monitoring, planning and preparedness, fire mitigation and prevention, statewide capacity building and incident response. It shifts the focus on firefighting in Texas from disaster response to disaster prevention. The plan seeks to prevent major wildfire disasters in Texas by providing enhanced firefighting infrastructure (both state and local) at the regional level.

In addition to wildfires, TFS provides a wide variety of emergency management services. As requested by the Texas Division of Emergency Management, TFS helps coordinate response efforts for hurricanes, floods, tornadoes and other disasters. The agency also conducts applied research in the field of forest insects and diseases and disseminates information to landowners who need help controlling forest insects and diseases, such as the southern pine beetle and oak wilt. The agency dedicates time to reforestation efforts, urban forestry programs, resource development assistance, windbreak development, ecosystem services, and community assistance. In addition, 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 VETERINARY MEDICAL DIAGNOSTIC LABORATORY

The Texas Veterinary Medical Diagnostic Laboratory (TVMDL) was established in 1967. Its mission is to promote animal health and protect agricultural, companion animal and public health interests in Texas and beyond by providing diagnostic services. The agency strives to enable productive use of the state's natural resources, protect the health of Texans by identifying diseases transmissible from animals to humans, and aid producers in bringing healthy animals and safe animal products to the market. It is also part of TVMDL's mission to facilitate the state's economic growth by providing necessary drug and residue tests for the Texas animal racing industry and health tests for national and international shipments of animals and animal products.

Appropriations for the 2012–13 biennium total $29.6 million in All Funds, and provide for 155 FTE positions. General Revenue Funds comprise $11.5 million of the appropriated amount. Other Funds appropriations, which include fees charged for diagnostic and drug-testing services, total $17.5 million for the biennium.

The majority of TVMDL's work focuses on helping animal owners and veterinarians diagnose and manage more than 2,000 routine livestock diseases. The agency performs this function through veterinary diagnostic services, export testing, and disease surveillance. Agency staff frequently make presentations at seminars and publish monthly columns in magazines. The agency also assumed the lead role in detecting, reporting and responding to potential high-consequence disease outbreaks among Texas' animal populations, including Foot and Mouth Disease, and Avian Influenza.

The agency cooperates in fostering health with its 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 USDA Veterinary Services. The College Station and Amarillo laboratories are full-service laboratories. All of the agency's diagnostic and testing facilities are accredited by the American Association of Veterinary Laboratory Diagnosticians. TVMDL is one of 12 core labs composing the National Animal Health Laboratory Network, a group of state and regional diagnostic laboratories. These labs are responsible for early detection, response and recovery from outbreaks of high consequence animal diseases **(Figure 249)**. The Amarillo laboratory, opened in 1975, is located in an intensive commercial cattle feeding area. In addition to cattle, it serves swine, horse, sheep, goat, and companion animal veterinarians in the area. The Center and Gonzales laboratories are located in the poultry rich regions of the state and service commercial poultry operations as well as small poultry farms.

7. JUDICIARY

As shown in ***Figure 251****, All Funds appropriations for the Judiciary for the 2012–13 biennium total $643.1 million, or 0.4 percent of all state appropriations. This amount is a decrease of $29.8 million, or 4.4 percent, from the 2010–11 biennium.* ***Figure 252*** *shows 2012–13 appropriations by method of financing and full-time-equivalent positions from fiscal year 2008 to 2013 for the Judiciary.*

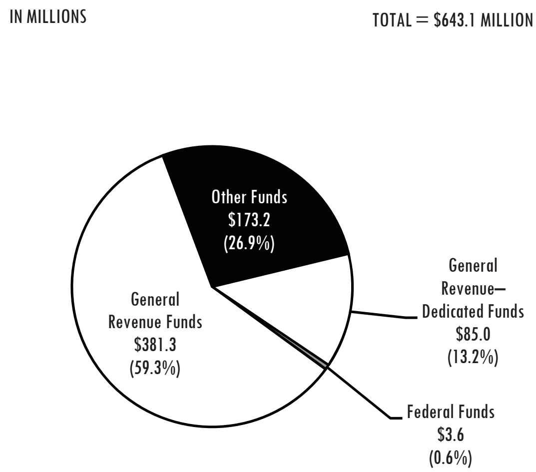
FIGURE 251
ALL FUNDS APPROPRIATIONS FOR THE JUDICIARY
2012–13 BIENNIUM

IN MILLIONS

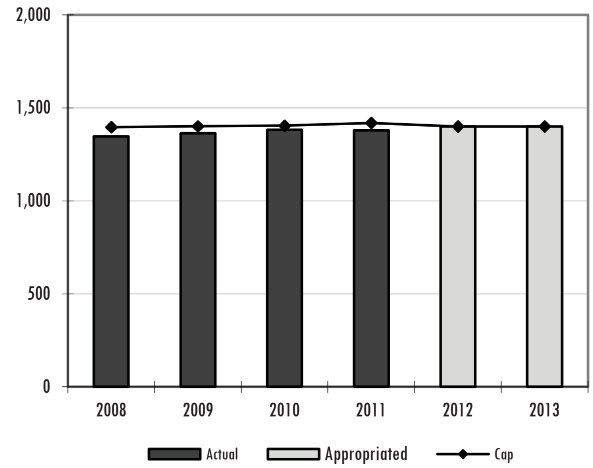
AGENCY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Supreme Court of Texas	$61.4	$64.0	$2.6	4.3
Court of Criminal Appeals	30.1	27.1	(3.0)	(10.1)
First Court of Appeals District, Houston	7.5	7.5	(0.0)	(0.4)
Second Court of Appeals District, Fort Worth	5.7	5.7	(0.0)	(0.5)
Third Court of Appeals District, Austin	5.0	5.0	(0.0)	(0.3)
Fourth Court of Appeals District, San Antonio	5.7	5.7	(0.0)	(0.2)
Fifth Court of Appeals District, Dallas	10.2	10.2	(0.0)	(0.2)
Sixth Court of Appeals District, Texarkana	2.7	2.7	(0.0)	(0.4)
Seventh Court of Appeals District, Amarillo	3.3	3.3	(0.0)	(0.2)
Eighth Court of Appeals District, El Paso	2.8	2.7	(0.0)	(0.3)
Ninth Court of Appeals District, Beaumont	3.3	3.3	(0.0)	(0.3)
Tenth Court of Appeals District, Waco	2.7	2.7	(0.0)	(0.2)
Eleventh Court of Appeals District, Eastland	2.7	2.7	(0.0)	(0.2)
Twelfth Court of Appeals District, Tyler	2.7	2.7	(0.0)	(0.4)
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	5.0	5.0	(0.0)	(0.2)
Fourteenth Court of Appeals District, Houston	7.5	7.5	(0.0)	(0.3)
Office of Court Administration, Texas Judicial Council	96.4	92.7	(3.7)	(3.8)
Office of Capital Writs	1.0	1.8	0.8	84.9
Office of the State Prosecuting Attorney	0.9	0.8	(0.1)	(11.9)
State Law Library	2.2	1.7	(0.4)	(20.7)
State Commission on Judicial Conduct	1.9	1.9	0.0	0.5
Judiciary Section, Comptroller's Department	291.7	276.9	(14.8)	(5.1)
SUBTOTAL, THE JUDICIARY	**$552.4**	**$533.6**	**($18.8)**	**(3.4)**
Retirement and Group Insurance	$111.7	$99.9	($11.8)	(10.5)
Social Security and Benefit Replacement Pay	20.0	20.0	(0.0)	(0.1)
SUBTOTAL, EMPLOYEE BENEFITS	**$131.7**	**$119.9**	**($11.8)**	**(8.9)**
Lease Payments	$4.9	$4.6	($0.4)	(7.6)
Less Interagency Contracts	16.1	14.9	(1.2)	(7.5)
TOTAL, ARTICLE IV – THE JUDICIARY	**$672.9**	**$643.1**	**($29.8)**	**(4.4)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTES: Article totals exclude interagency contracts. Biennial change and percentage change are calculated on actual amounts before rounding. Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

FIGURE 252
THE JUDICIARY APPROPRIATIONS AND FULL-TIME-EQUIVALENT POSITIONS
2012–13 BIENNIUM



SOURCE: Legislative Budget Board.



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

The Texas Constitution lays the foundation for the state's court system. Judicial power is vested in one Supreme Court of Texas, one Court of Criminal Appeals, 14 Courts of Appeals, and approximately 3,300 trial courts. The constitution establishes one constitutional county court in each of the state's 254 counties and authorizes the Texas Legislature to create and specify the jurisdictions of other courts as necessary. The Constitution also provides that each county shall have at least one, but not more than eight justice precincts. In each precinct, one or two justices of the peace are to be elected.

The Legislature has established 251 statutory county and probate courts in 97 counties. The legal jurisdiction of a statutory county court or probate court varies according to the provisions of the statute that created it. By general statute, the Legislature has also established municipal courts in every incorporated city in the state.

The Legislature funds salaries and operating costs for the Supreme Court of Texas, the Court of Criminal Appeals, and the 14 Courts of Appeals. Five judicial agencies are also funded by the state: the Office of Court Administration, Texas Judicial Council, which includes the Texas Indigent Defense Commission; the Court Reporters Certification, Process Server Review, and Guardianship Certification boards; the Office of the State Prosecuting Attorney; the Office of Capital Writs; the State Commission on Judicial Conduct; and the State Law Library. Salaries of associate judges and court assistants for specialized courts handling child-support collections and child-protection cases are funded through the Office of Court Administration. Salaries of district judges, visiting judges, and district attorneys, expenses of the district attorneys' offices, and witness fees and salary supplements for county court judges and county prosecutors are funded through the Judiciary Section of the Comptroller's Department.

MAJOR FUNDING ISSUES

The Eighty-second Legislature, Regular Session, 2011, appropriated $87.6 million for court operations at the 16 appellate courts. Appropriations for appellate court operations for the 2012–13 biennium were reduced by approximately 0.2 percent compared to the 2010–11 biennial spending levels. For the 2012–13 biennium, appropriations to the Supreme Court for Basic Civil Legal Services for low-income Texans total $49.3 million in All Funds, an increase of $4 million from 2010–11 spending levels. This increase is contingent on the outcome of litigation and the collection of revenues in excess of the 2012–13 Biennial Revenue Estimate from the Adult Entertainment Fee (see the Supreme Court for further discussion of this fee). For the Office of Court Administration, the Eighty-second Legislature appropriated $62.3 million in General Revenue–

NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding in all figures in this chapter. Figure totals may not sum because of rounding.

Dedicated Funds from the Fair Defense Account for criminal defense legal services for low-income Texans, a decrease of nearly $0.3 million or less than 1 percent compared to the 2010–11 biennial spending levels. Funding for Judicial Education grants, which is appropriated to the Court of Criminal Appeals, totals $17.1 million for the 2012–13 biennium, a decrease of $2.9 million or nearly 15 percent from the 2010–11 biennial spending levels. Finally, the Eighty-second Legislature, 2011, decreased appropriations for the Comptroller's Judiciary Section for Juror Pay by $3.2 million from the 2010–11 biennial spending levels, a decrease of 15 percent. For the 2012–13 biennium, appropriations for juror pay total $18.4 million in General Revenue Funds (see the Comptroller's Judiciary Section for further discussion of juror pay).

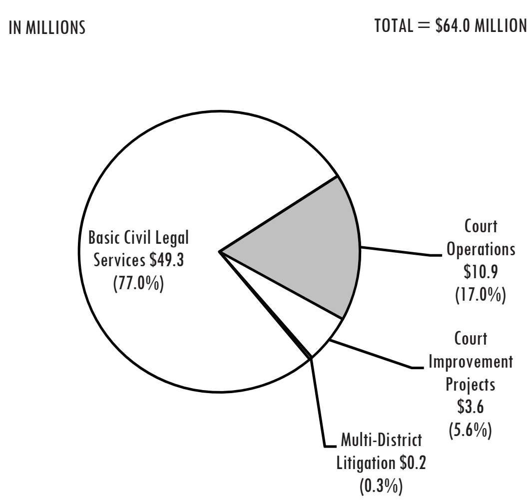
SUPREME COURT OF TEXAS

Established in 1845, the Supreme Court of Texas is comprised of a Chief Justice and eight justices. The court has statewide final appellate jurisdiction in civil and juvenile cases. It is also charged with original jurisdiction to issue writs and has final jurisdiction over the involuntary retirement or removal of judges.

Other responsibilities of the court include (1) the promulgation and enforcement of rules of civil procedure and evidence, (2) the licensing and supervision of attorneys in Texas, (3) the appointment of members of the Board of Law Examiners, (4) the processing of declarations of intent to study law and applications for admission to the Bar, (5) the supervision of the Office of Court Administration and the Court Reporters Certification Board, (6) the supervision of funding for programs providing civil legal services for indigents, and (7) the equalization of the dockets of the 14 Courts of Appeals. The court disposed of 3,875 matters in fiscal year 2010.

Appropriations for the 2012–13 biennium total $64.0 million in All Funds and provide for 72 full-time-equivalent positions (**Figure 253**). Funding for court operations totaling $10.1 million includes General Revenue Funds, Other Funds (Judicial Fund), and Appropriated Receipts.

FIGURE 253
SUPREME COURT OF TEXAS APPROPRIATIONS BY FUNCTION
2012–13 BIENNIUM



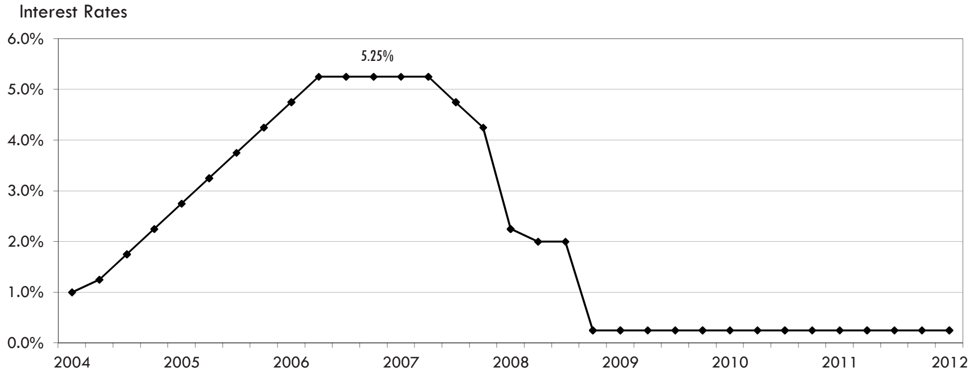
NOTE: Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

Funding for the Basic Civil Legal Services (BCLS) Program totals $49.3 million for the 2012–13 biennium. This amount includes: $17.6 million in General Revenue Funds; $22.7 million in fees deposited into the Judicial Fund; $5.0 million from an Interagency Contract with the Office of the Attorney General; and $4.0 million in General Revenue–Dedicated Funds (Sexual Assault Program). For the 2012–13 biennium, appropriations from All Funds for BCLS grants equals the 2010–11 biennial spending levels, plus an additional $4.0 million in General Revenue-Dedicated Funds from the Sexual Assault Program. This additional $4.0 million appropriation is contingent upon litigation involving the Adult Entertainment Fee being resolved in favor of the state as well as certification by the Comptroller of Public Accounts that the fee revenues exceed the amounts identified in the *2012–13 Biennial Revenue Estimate*.

State BCLS funding is only one component of total funds available for indigent civil legal services in Texas. The Supreme Court established the Texas Access to Justice Foundation (TAJF) in 1984 to manage grants to legal aid organizations. On behalf of the Supreme Court, TAJF manages both state BCLS grants and additional funding collected through the Texas Interest on Lawyers' Trust Accounts (IOLTA) program. The program generates revenue for legal aid by collecting interest earned on trust accounts. These accounts are comprised of retainers, filing and expert witness fees, deposits, settlements, or any receipts belonging to the client, rather than the attorney. Due to low interest rates, the Texas IOLTA program was forecasted to raise less revenue in the 2010–11 biennium than in past years. As shown in **Figure 254**, the interest rate earned on lawyers' trust accounts reached 5.25 percent in 2006, but began declining in 2007, reaching a historic low of 0.25 percent in December 2008. Based on Supreme Court rules, these trust accounts may not earn less than the Federal Funds Target Interest Rate. The Eighty-first Legislature, Regular Session, 2009, increased appropriations for BCLS grants by $20.0 million in General Revenue Funds as a one-time funding measure to offset the anticipated revenue loss to the Texas IOLTA program. The Eighty-second Legislature, 2011, maintained appropriations at the 2010–11 biennial spending levels in anticipation of interest rates remaining historically low through the 2012–13 biennium.

Using all sources of funding, Texas legal aid organizations dispose of approximately 33,000 cases each year. To qualify for basic civil legal services aid, an individual cannot have an income of more than $13,000 per year. However, certain

FIGURE 254
FEDERAL FUNDS TARGET RATE (QUARTERLY)
FISCAL YEARS 2004 TO 2012



NOTE: Interest rates are quarterly Federal Funds Target Rates, by rule the benchmark rate of return for lawyer trust accounts in Texas.
SOURCE: Texas Access to Justice Foundation.

victims of crime seeking civil legal services in relation to a specific injury may earn up to $19,500 per year.

The Permanent Judicial Commission for Children, Youth, and Families administers Federal Funds awarded to the court for court improvement projects (estimated at nearly $3.6 million for the 2012–13 biennium). The commission exists to strengthen courts for children, youth, and families in the child-protection system. Federal Funds are used to improve the judicial handling of child-protection cases through improvements in technology, attorney and judicial training, and court improvement pilot projects.

For the 2012–13 biennium, the court received funding of $0.2 million for grants to trial courts and appellate courts for additional court staff and technology to handle multi-district litigation cases such as asbestosis- and silicosis-related cases. This funding is a $0.2 million decrease from the 2010–11 biennial spending levels.

In 1999, the Seventy-sixth Legislature petitioned the Supreme Court of Texas to take a more active role in the equalization of dockets and the reduction of case backlogs among the 14 Courts of Appeals. The Legislature defined successful equalization as achieving a deviation of 10 percent or less in the rate of new cases filed each year per justice among all the Courts of Appeals. On a quarterly basis, the Supreme Court orders the transfer of cases from courts with high numbers of filings per justice to those courts with low numbers of filings per justice. In fiscal year 2010, the Supreme Court of Texas achieved equalization with an average deviation of 4.4 percent from the statewide average of 122 cases filed per justice.

COURT OF CRIMINAL APPEALS

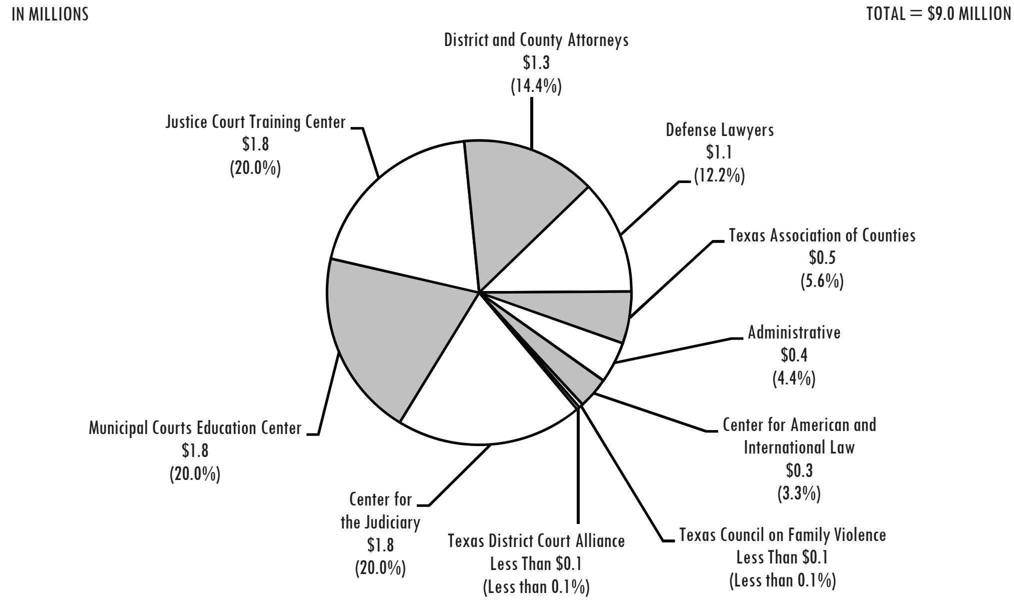
The Court of Criminal Appeals was established in 1891 and is composed of a Presiding Judge and eight judges. The court has statewide final appellate jurisdiction in criminal cases. It also has exclusive jurisdiction over appeals in death penalty cases and the power to issue writs. Other responsibilities of the court include the promulgation of rules of evidence and rules of appellate procedure for criminal cases. During fiscal year 2010, the court disposed of 211 cases on direct appeal, 1,650 petitions for discretionary review, 4,215 writs of habeas corpus, 747 original proceedings, and 1,434 motions.

Appropriations for the 2012–13 biennium total $27.1 million and provide for 68 full-time-equivalent positions. Funding for court operations totaling $10.0 million includes General Revenue Funds, Other Funds, Interagency Contracts, and Appropriated Receipts. The court supervises grant programs for judicial and court personnel training, which is funded primarily through the collection of court costs in criminal case convictions. Appropriations from the Judicial and Court Personnel Training Account total $17.1 million in General Revenue–Dedicated Funds for judicial education, or 63.1 percent of the 2012–13 biennial appropriations. In the 2012–13 biennium, $0.3 million each year is allocated for administrative costs, and funds a grant administrator and grant audits. Chapter 56, Texas Government Code specifies that no more than one-third of the judicial education allocation may be used for education of appellate, district, and county court judges, no more than one-third may be used for education of judges of justice courts, and no more than one-third may be used for the education of judges of municipal courts. Regular grantees include the following organizations:

- the Texas Center for the Judiciary, providing training for judges and clerks serving in statutory county, district, and appellate courts;
- the Texas Association of Counties, providing training for judges and clerks serving in constitutional county courts, wherein the functions performed by the judge are at least 40 percent judicial functions;
- the Texas Municipal Courts Education Center, providing training for judges and clerks serving municipal courts;
- the Texas Justice Court Training Center, providing training for justices of the peace and clerks and constables serving justice of the peace courts;
- the Texas District and County Attorneys Association, providing training for prosecutors, investigators, and other personnel representing the government in district- and county-level trial courts;
- the Texas Criminal Defense Lawyers Association, providing training for criminal defense attorneys regularly representing indigent defendants in criminal matters;
- the Center for American and International Law, providing training for judges, prosecutors, and criminal defense attorneys;
- the Texas Council on Family Violence, providing training for judges and justice system officials; and
- the Texas District Court Alliance, providing training for district clerks and court personnel.

In fiscal year 2011, grantee budgets totaled $10.0 million and 20,121 persons attended training **(Figure 255).** Appropriations for judicial education grants for the 2012–13 biennium decreased by approximately $2.9 million, or 15 percent, from the 2010–11 biennial spending levels.

FIGURE 255
JUDICIAL AND COURT PERSONNEL TRAINING, FISCAL YEAR 2011



SOURCES: Legislative Budget Board; Court of Criminal Appeals.

COURTS OF APPEALS

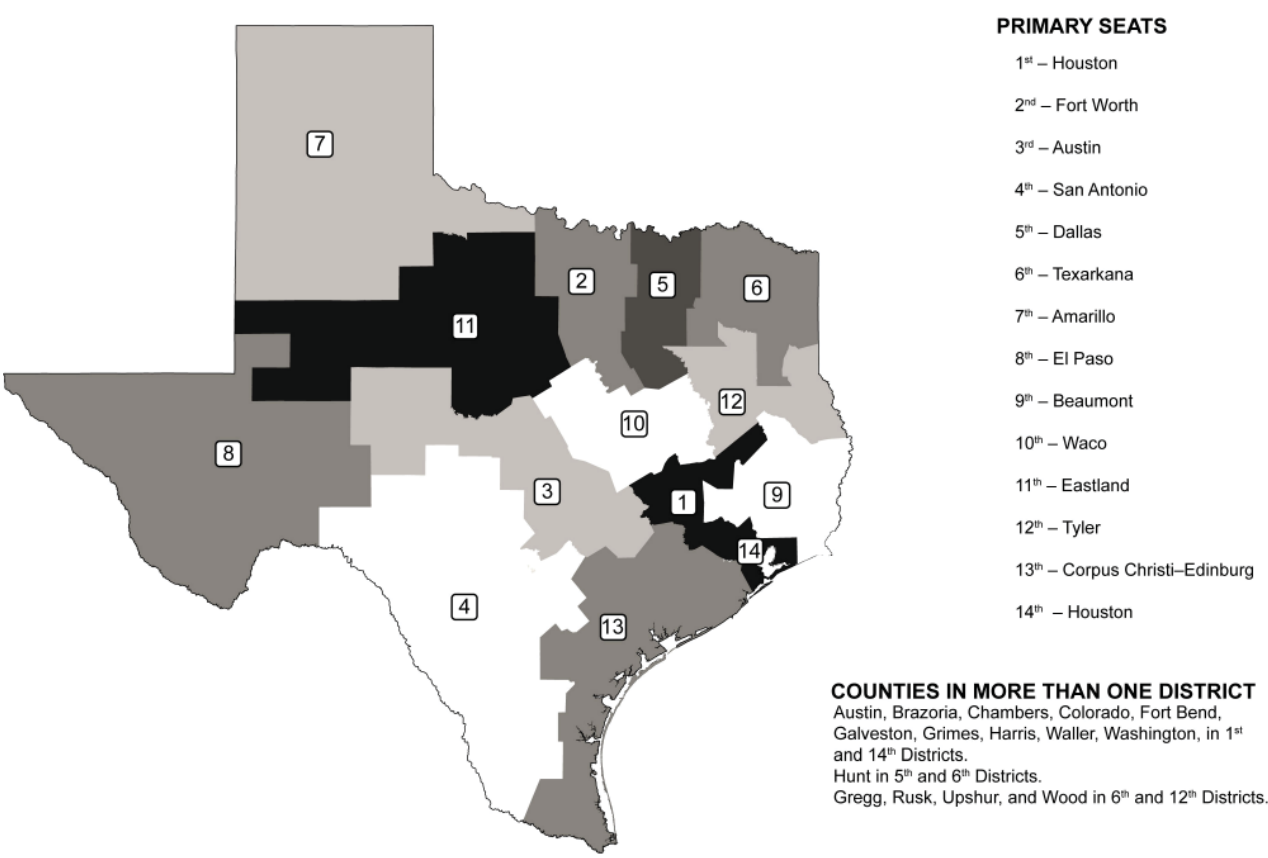
The Courts of Appeals have intermediate appellate jurisdiction in civil cases and in criminal cases other than those in which the death penalty has been assessed. The state is divided into 14 courts of appeals districts, with one court of appeals in each district, except the 1st and the 14th courts of appeals which are located in Houston, housed in the same building, and serve the same counties **(Figure 256)**. The courts are located in Fort Worth, Austin, San Antonio, Dallas, Texarkana, Amarillo, El Paso, Beaumont, Waco, Eastland, Corpus Christi, Edinburg, Tyler, and Houston. The Supreme Court of Texas is authorized to transfer cases between the courts of appeals to equalize the dockets and promote efficiency in the use of court resources. There are 80 justices distributed among the 14 courts of appeals; the number of justices at each court is set by statute and varies from 3 to 13.

During the 10-year period ending in fiscal year 2010, the total filings per year in the 14 courts of appeals decreased by 496, or 4.4 percent. During fiscal year 2010, there were 11,201 cases added to court dockets, and the courts disposed of 11,453 cases. Cases pending at the end of fiscal year 2010 decreased by 785, or 9.5 percent **(Figure 257)** over the 10-year period.

The Eighty-second Legislature, Regular Session, 2011, appropriated a total of $66.7 million in All Funds for the 14 Courts of Appeals for the 2012–13 biennium, which provide for 403.6 full-time-equivalent positions in fiscal year 2013. This amount includes $61.0 million in General Revenue Funds and $4.9 million from the Judicial Fund (Other Funds).

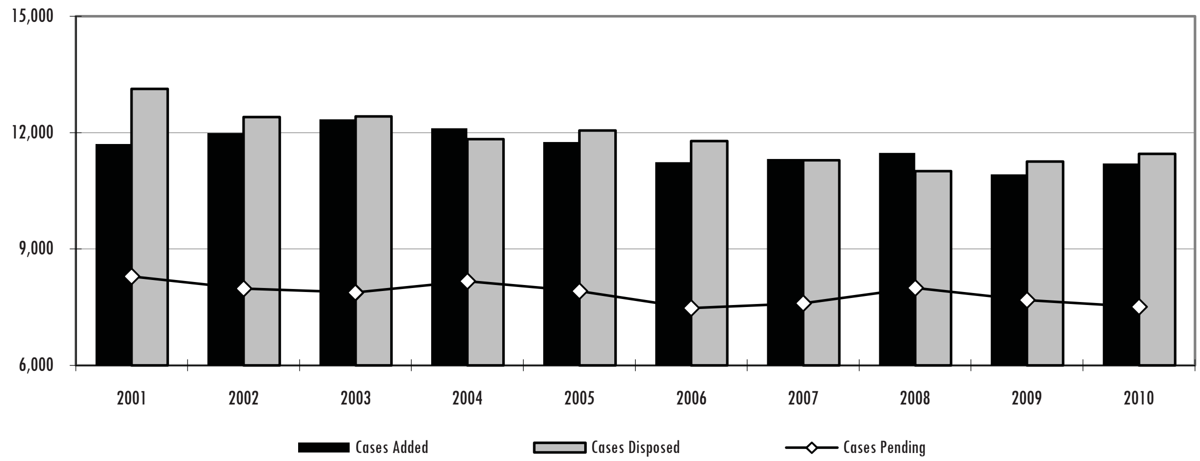
Appropriations for the 2012–13 biennium decreased by $0.1 million in General Revenue Funds, 0.2 percent, from the 2010–11 biennial spending levels of $61.1 million.

FIGURE 256
COURTS OF APPEALS DISTRICTS, FISCAL YEAR 2011



Source: Office of Court Administration.

FIGURE 257
COURTS OF APPEALS CASELOAD, FISCAL YEARS 2001 TO 2010



SOURCE: Office of Court Administration.

SIGNIFICANT LEGISLATION

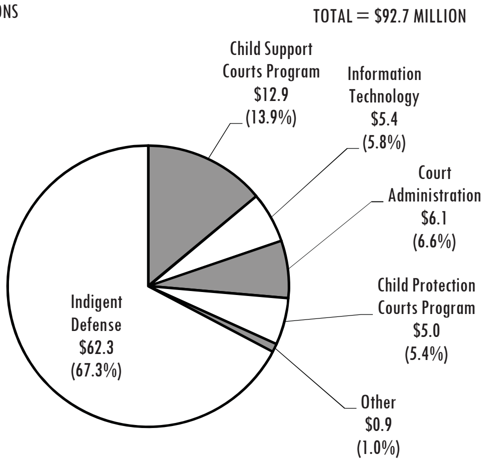
The Eighty-second Legislature, Regular Session, 2011, passed legislation that established a new appellate judicial system. Senate Bill 605 established an appellate judicial system for the Eighth Court of Appeals in El Paso. Appellate judicial systems give the commissioners court of each of the counties, within each appellate court district, discretion to set a court cost fee of no more than $5 for each civil suit filed in county courts, county courts at law, probate courts, or district courts to be collected for the benefit of the respective appellate court. Following enactment of this legislation by the Eighty-second Legislature, Regular Session, 2011, 12 of the 14 courts of appeals are authorized to establish an appellate judicial system. The two courts of appeals that do not have an appellate judicial system are the Sixth Court of Appeals in Texarkana and the Tenth Court of Appeals in Waco.

OFFICE OF COURT ADMINISTRATION, TEXAS JUDICIAL COUNCIL

The Office of Court Administration (OCA), established in 1977, operates under the direction of the Supreme Court of Texas. The agency provides resources and information for the efficient administration of the Judicial Branch of Texas. OCA supports several regulatory and policy-making boards and commissions, including the Texas Judicial Council, the Texas Indigent Defense Commission, and the Judicial Compensation Commission. OCA compiles judicial statistics; provides research and court services; and supports the state Specialty Courts Program. The Texas Judicial Council conducts studies of the judicial system and makes policy recommendations to the Governor, the Legislature, and the Supreme Court of Texas for improving the administration of justice in Texas. The council includes members of the Judiciary, the public, the Legislature, and the State Bar of Texas.

Appropriations to OCA for the 2012–13 biennium total $92.7 million and provide for 207.6 full-time-equivalent (FTE) positions **(Figure 258)**. Of total agency appropriations, $62.3 million in General Revenue–Dedicated Funds, or more than 67 percent of All Funds appropriations, is provided for indigent defense services from the Fair Defense Account. Appropriations for other agency functions total $21.5 million in General Revenue Funds, and an additional $8.9 million in Other Funds from an Interagency Contract with the Office of the Attorney General (OAG) consisting of pass-through Federal Funds for child support courts.

FIGURE 258
OFFICE OF COURT ADMINISTRATION APPROPRIATIONS BY FUNCTION, 2012–13 BIENNIUM



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

TEXAS INDIGENT DEFENSE COMMISSION

Legislation enacted by the Seventy-seventh Legislature, 2001, established the Task Force on Indigent Defense (TFID), to set standards and award grants to counties for criminal defense services. OCA provided administrative services to the TFID, which was a standing committee of the Texas Judicial Council. House Bill 1754, passed by the Eighty-second Legislature, Regular Session, 2011, established the Texas Indigent Defense Commission (TIDC), which replaced the TFID effective September 1, 2011. The commission continues to be a standing committee of the Texas Judicial Council and is composed of eight ex officio members, including the presiding judge of the Court of Criminal Appeals, the chief justice of the Supreme Court of Texas, and five additional members appointed by the Governor. The Legislature provided a sum certain appropriation of $62.3 million in General Revenue–Dedicated Funds (Fair Defense Account) for the 2012–13 biennium, which is a decrease of less than 1 percent from 2010–11 biennial funding levels when the agency had estimated appropriation authority for all receipts to the account. In the 2012–13 biennium, $59.7 million is available in grants to eligible counties for improving legal services for indigent criminal defendants. The Legislature also continued funding for innocence projects at four of the state's public law schools—Texas Tech University, the University of Houston, the University of Texas at Austin, and Texas Southern University. The 2012–13 biennium funding level is $100,000 per fiscal year for each school. The projects involve students reviewing criminal case convictions to exonerate the wrongfully convicted and to identify reforms to improve criminal defense practices.

Major revenue sources for the Fair Defense Account include: court costs; surety bond fees; state bar membership fees; and juror pay collections. The Seventy-ninth Legislature, Regular Session, 2005, passed legislation that funded increased juror pay by creating an additional $4 court cost in criminal convictions. The legislation directs the Comptroller of Public Accounts to deposit any unexpended balances in juror pay collections in excess of $10 million to the Fair Defense Account to be used by the TIDC to provide additional grants to counties. Deposits of excess juror pay collections to the Fair Defense Account are estimated to be $7 million in fiscal year 2011 and continue during the 2012–13 biennium.

Juror pay collections in excess of the $62.3 million sum certain appropriations from the Fair Defense Account are not appropriated to the agency and instead will accrue in account balances.

COLLECTION IMPROVEMENT PROGRAM

Funding for OCA's court administration function in the 2012–13 biennium totals $6.1 million, which includes $2.7 million in General Revenue Funds, including 23 FTE positions, for the Collection Improvement Program (CIP). Of this amount, $1.1 million and 8 FTE positions are provided as an increase from the 2010–11 biennial funding levels to reflect the transfer of auditing compliance with the CIP from the Comptroller of Public Accounts to OCA (see Significant Legislation, House Bill 2949, Regular Session and Senate Bill 1, First Called Session). The CIP is a set of principles and processes for managing cases when defendants are not prepared to pay all court costs, fees and fines at the point of assessment, and when defendants request a payment plan. In 2005, the Seventy-ninth Legislature, Regular Session, passed legislation that required cities with a population of 100,000 or more, and counties with a population of 50,000 or more, to implement collection improvement programs based on OCA's model program. Prior to the 2010 federal census, a total of 78 counties and cities were required to implement a program. Based on the 2010 federal census, an additional eight counties and five cities are required to implement a program, resulting in a total of 91 programs (62 counties and 29 cities). The 13 new programs must be implemented by April 1, 2012.

For fiscal year 2010, the agency estimates that $17.7 million in state revenues were generated as a result of mandated counties and cities partially or fully implementing the program. OCA estimates the mandated programs will generate at least this amount per fiscal year during the 2012–13 biennium. OCA will continue to provide training and consultation to improve the program and train new county and city collections staff during the 2012–13 biennium. In addition, the agency will seek to establish at least five voluntary collections programs each fiscal year in Texas counties and cities which fall beneath the mandatory population thresholds.

INFORMATION TECHNOLOGY

The agency works to improve information technology (IT) at all judicial levels in Texas. In addition to providing IT for its agency work and for the various entities attached to it administratively, OCA provides IT for the state's 16 appellate courts, the State Law Library, the Office of the State Prosecuting Attorney, the State Commission on Judicial Conduct (SCJC), and the Office of Capital Writs. These state entities use computers, desktop software, line-of-business software applications, Internet access, wide area and local area networks, and websites provided and maintained by OCA. The line-of-business software applications OCA maintains includes certification management for OCA's regulatory boards, case management for the child-protection and child-support specialty courts, case management for SCJC, and case management for appellate courts. Additionally, OCA provides administrative support to the Judicial Committee on Information Technology.

Appropriations for the 2012–13 biennium for IT total $5.4 million, which is a decrease of $4.6 million from 2010–11 biennial funding levels. Of this amount, $1.2 million is for providing information services to the trial courts. Ongoing IT programs in the 2012–13 biennium include support for the Texas Appeals Management and E-Filing System, which provides for electronic filing and document management in the appellate courts, specialty court case management systems, routine equipment replacement, and disaster recovery policy efforts.

SPECIALTY COURTS

Since 1993, OCA has been authorized to employ associate judges to hear child support enforcement cases under expedited timeframes set by federal requirements. The agency contracts with the OAG to obtain Federal Funds under Title IV-D of the Social Security Act to pay associate judge salaries and program operating expenses. Total appropriations for the Child Support Courts Program are $12.9 million in All Funds for the 2012–13 biennium and provide for a total of 86 FTE positions, which include 43 associate judges and 43 court coordinators. More than two-thirds of the funding, or $8.9 million, is pass-through Federal Funds.

The agency maintains 17 child protection courts whose primary expenses are the salaries of associate judges and assistants. The Child Protection Courts Program reduces the time children spend in temporary foster care by expediting the judicial administration of child abuse, neglect, and adoption cases. The program was designed to assist trial courts in rural areas and operates in 127 counties. Appropriations for the Child Protection Courts Program total $5 million for the 2012–13 biennium.

Associate judges in both child support and child protection courts are approved by the presiding judge of the respective administrative judicial region.

OCA supports three certification/regulatory entities within the Judicial Branch: the Court Reporters Certification Board, the Guardianship Certification Board, and the Process Server Review Board.

COURT REPORTERS CERTIFICATION BOARD

The Court Reporters Certification Board (CRCB) was established in 1977 to certify and regulate court reporters. CRCB functions include, but are not limited to, certification of individual court reporters, registration of court reporting firms, assessment and collection of fees, and enforcement of the rules and regulations governing the court reporting profession. As of August 2011, there were 2,571 active certified court reporters and 378 registered court-reporting firms in Texas.

The governing body consists of 13 members appointed by the Supreme Court of Texas. The Seventy-eighth Legislature, Regular Session, 2003, enacted legislation that approved recommendations of the Sunset Advisory Commission and transferred the appropriations for CRCB to OCA. OCA provides administrative support to CRCB in fulfilling its statutory responsibilities. Appropriations for the 2012–13 biennium total approximately $0.4 million and provide for 3 FTE positions. CRCB is funded by examination and certification fees it collects and deposits into the General Revenue Fund.

GUARDIANSHIP CERTIFICATION BOARD

Legislation passed by the Seventy-ninth Legislature, Regular Session, 2005, created the Guardianship Certification Board (GCB) to establish a certification process for private professional guardians and those who provide guardianship services to a ward of a guardianship program or to wards of the Department of Aging and Disability Services. GCB determines the qualifications for obtaining certification (with rules approved by the Supreme Court of Texas), issues certificates to those who meet the requirements, and adopts minimum standards for guardianship services, or other similar, but less restrictive, types of assistance or services. As with CRCB, the Legislature administratively attached GCB to OCA.

As of August 31, 2011, there were 357 certified guardians. The Eighty-second Legislature, Regular Session, 2011, continued funding of approximately $33,000 per fiscal year for the GCB for the 2012–13 biennium.

PROCESS SERVER REVIEW BOARD

The Process Server Review Board (PSRB) was appointed by the Supreme Court of Texas in 2005, when the court amended the Texas Rules of Civil Procedure to allow persons certified by order of the court to serve process, which is the delivery of a writ, summons, or other legal paper to the person required to respond. The mission of the nine-member PSRB is to improve the standards for persons authorized to serve process and to reduce the disparity among Texas civil courts for approving persons to serve process. The court ordered OCA to provide administrative support to PSRB. As of August 31, 2011, there were 6,352 certified process servers. The Eighty-second Legislature, Regular Session, 2011, continued funding of approximately $78,000 per fiscal year for the PSRB for the 2012–13 biennium. In addition, the Eighty-second Legislature, First Called Session, 2011, enacted legislation that allows fees collected from process servers to be used for the support of regulatory programs for process servers, guardians, and court reporters.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, 2011, passed House Bill 1614 (Regular Session) and Senate Bill 1 (First Called Session), which allows the Process Server Review Board to recommend fees to the Supreme Court of Texas that would be charged for process server certification and certification renewal. Senate Bill 1 also directs OCA to establish a certification division to oversee regulatory programs and allows fees collected from process servers to fund regulatory programs for process servers, guardians, and court reporters.

The Eighty-second Legislature, Regular Session, 2011, passed House Bill 1754, which changes the name of the Task Force on Indigent Defense to the Texas Indigent Defense Commission (TIDC). The TIDC is required to prepare its Legislative Appropriations Request separate from that of OCA, although the TIDC will remain administratively attached to OCA. The legislation also requires law school innocence projects to report annually on exonerations of persons represented by the project.

The Eighty-second Legislature, 2011, passed House Bill 2949 (Regular Session) and Senate Bill 1 (First Called Session) which moves the function of auditing compliance with the Collection Improvement Program (CIP) from the Comptroller of Public Accounts to OCA. OCA received two appropriations related to its new audit functions related to CIP: (1) $0.7 million in General Revenue Funds, including 8 FTE positions in House Bill 4 (Regular Session) for the purposes of auditing cities in the program; and, (2) $1.1 million in General Revenue Funds, including 8 FTE positions in Senate Bill 2 (Regular Session) for the purposes of auditing both cities and counties in the program.

The Eighty-second Legislature, First Called Session, 2011, passed House Bill 79, which establishes the Judicial Committee for Additional Resources to evaluate special cases or extraordinary events impacting the courts, and directs OCA to provide support to the committee and to accept gifts, grants, and donations in support of the program. In addition, the legislation requires the agency to conduct a study regarding the feasibility, efficiency, and potential cost of converting statutory county courts with civil case jurisdiction in excess of $200,000 into district courts. The agency should complete the study by January 1, 2013.

OFFICE OF CAPITAL WRITS

Legislation passed by the Eighty-first Legislature, Regular Session, 2009, established the Office of Capital Writs (OCW) to ensure quality legal representation for indigent death row inmates in post-conviction habeas corpus proceedings. A writ of habeas corpus provides new evidence that either proves an inmate's innocence, mitigating circumstances, or a violation of a person's constitutional rights during trial proceedings. A person convicted of a capital offense is also entitled to a direct appeal to the Court of Criminal Appeals, based upon the trial record.

Direct appeals for indigent inmates are intended to address errors, if any, in the original trial, and are handled by legal representation separate from the OCW. Typically, an attorney appointed to represent an indigent defendant in a capital trial will represent the person in the direct appeal to the Court of Criminal Appeals. In contrast, the OCW will file a writ of habeas corpus in the original convicting court, which must address the writ before the application proceeds to the Court of Criminal Appeals.

Appropriations for the 2012–13 biennium total $1.8 million in General Revenue–Dedicated Funds (Fair Defense Account) and provide for 9 full-time-equivalent positions. The OCW projects filing three habeas writ applications in fiscal year 2012 and nine writ applications in fiscal year 2013. The OCW expects that trial courts may grant one evidentiary hearing in fiscal year 2012 and three hearings in fiscal year 2013 as a result of the agency's efforts.

OFFICE OF THE STATE PROSECUTING ATTORNEY

The Office of the State Prosecuting Attorney (OSPA) was established in 1923 and is charged with representing the state in all proceedings before the Court of Criminal Appeals. The State Prosecuting Attorney, appointed by the Court of Criminal Appeals, may also represent the state in criminal cases before the 14 Courts of Appeals. In addition, the State Prosecuting Attorney may assist a district or county attorney in representing the state before a court of appeals if the State Prosecuting Attorney considers it necessary for the interest of the state, or if asked by the local prosecutor to do so.

Given its statewide impact, OSPA studies the opinions and decisions of the Court of Criminal Appeals. In addition, the agency monitors all opinions issued by the 14 Courts of Appeals that reverse a criminal conviction or modify the trial court's judgment. The agency focuses on the effect an appellate opinion will have on the state's overall jurisprudence and becomes involved as necessary to advance the state's interests. OSPA is the only agency empowered to take a statewide perspective on important issues arising in Texas criminal law and it functions as the primary source of guidance and assistance for many local prosecutors.

Appropriations for OSPA for the 2012–13 biennium total $0.8 million and provide for 4 full-time-equivalent positions. Agency funding includes $718,454 in General Revenue Funds, or 94 percent of All Funds, and $45,000 ($22,500 per fiscal year) available to prosecutors throughout the state that serve multiple counties. The Judiciary Section of the Comptroller of Public Accounts (Judiciary Section) disburses these office apportionments to eligible state prosecutors, including the State Prosecuting Attorney.

Appropriations for the 2012–13 biennium to OSPA decreased by $0.1 million, or 11.9 percent, from the 2010–11 biennial spending levels.

STATE LAW LIBRARY

The State Law Library was established in 1971 and is directed by statute to maintain 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. The library maintains approximately 125,000 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. It provides an online, computer-based legal research service for state agencies on an interagency contract basis.

Appropriations for the 2012–13 biennium for the State Law Library total $1.7 million and provide for 10.5 full-time-equivalent positions. General Revenue Funds comprise 98 percent of the appropriated amount. For the 2012–13 biennium, appropriations to the State Law Library decreased by approximately $0.4 million, which is a 20.7 percent decrease from the 2010–11 biennial spending levels. Prior to the 2012–13 biennium, the Law Library operated as a legal reference repository that provided legal reference services to state agencies, the courts (Supreme Court, Court of Criminal Appeals, and the Third Court of Appeals located in Austin), and the public. The 2012–13 funding levels provided by the Eighty-second Legislature should allow the Law Library to continue to provide legal reference services to state agencies and the courts, but may affect the level of services available to the public.

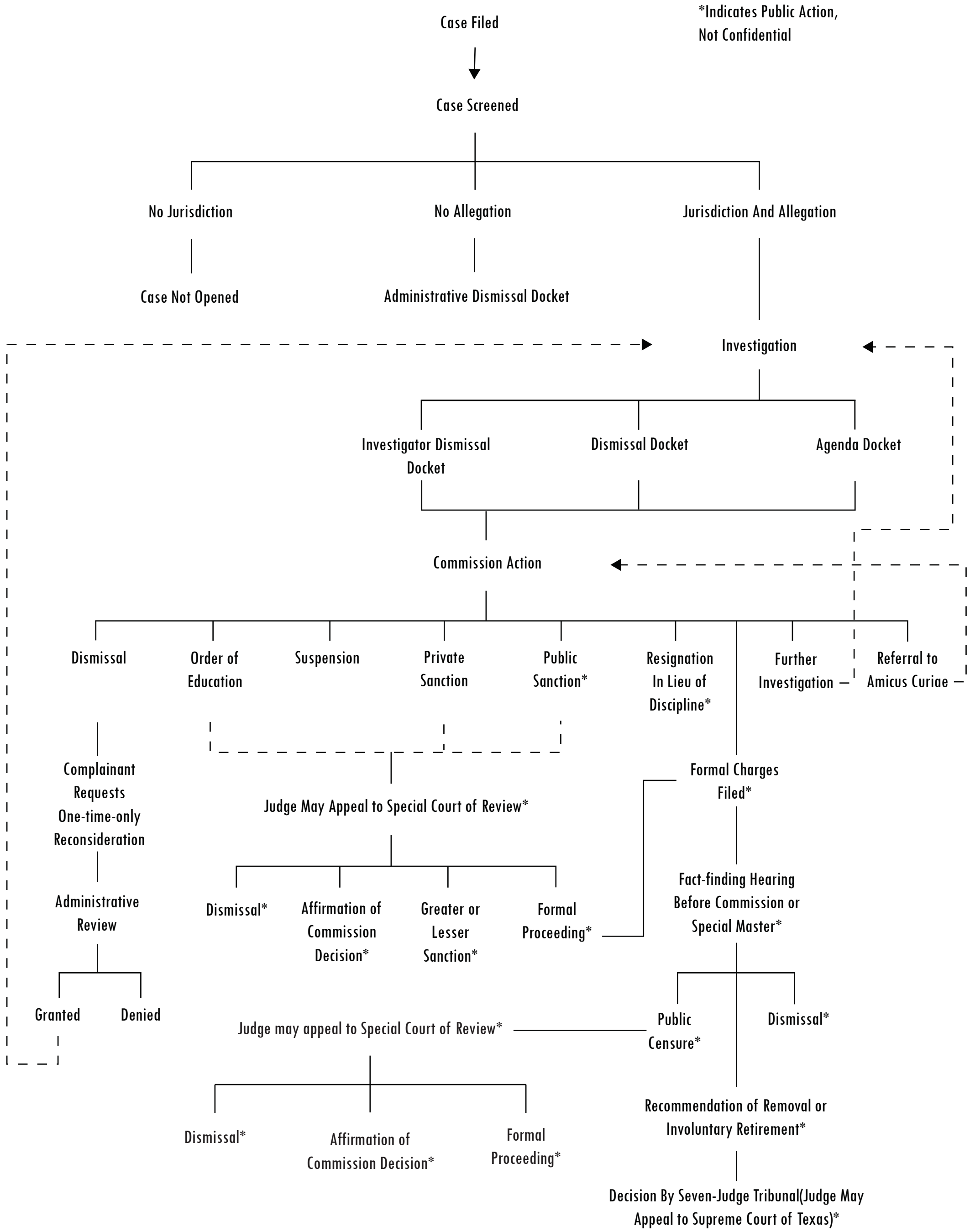
STATE COMMISSION ON JUDICIAL CONDUCT

The State Commission on Judicial Conduct (SCJC) was established by constitutional amendment in 1965 and consists of 13 members appointed by the Supreme Court of Texas, the State Bar of Texas, and the Governor. The agency's constitutional mandate is to investigate, and when it finds judicial misconduct or judicial incapacity, to take appropriate action, including discipline, education, censure, or the filing of formal proceedings that could result in removal from office. There are approximately 3,900 judges and judicial officers under the jurisdiction of SCJC.

The agency is governed by the Texas Constitution, the Texas Government Code, and the Procedural Rules for the Removal or Retirement of Judges promulgated by the Supreme Court of Texas. After an investigation SCJC can dismiss the complaint, issue an order of additional education, suspension, private or public sanction, or the judge may resign in lieu of disciplinary action. Any of the above decisions may be appealed by the judge to a panel of three appellate judges, known as a special court of review, which will preside over a trial de novo that is open to the public. Additionally, during informal proceedings SCJC may choose to initiate formal proceedings by filing formal charges against the judge. In the event of formal proceedings, all filings and proceedings in the case become public. Following the notice of formal charges a fact-finding hearing is conducted either before the commission or a special master appointed by the Supreme Court of Texas. Following a public trial or formal hearing, the commission or special master will report findings of fact to the commission, which will then vote for dismissal or public censure, or recommend 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. The special court of review may move for dismissal, affirm the commission's decision, or move for formal proceedings. **Figure 259** shows the complaint process.

For the 2012–13 biennium, the Eighty-second Legislature, Regular Session, 2011, appropriated $1.9 million in General Revenue Funds to SCJC. These funds provide for 14 full-time-equivalent positions. Appropriations for the 2012–13 biennium increased by approximately $9,000 from the 2010–11 biennial spending levels.

FIGURE 259
COMMISSION ON JUDICIAL CONDUCT COMPLAINT PROCESS, FISCAL YEAR 2011



*Indicates public action, not confidential.
Source: State Commission on Judicial Conduct.

JUDICIARY SECTION, COMPTROLLER'S DEPARTMENT

The mission of the Judiciary Section of the Comptroller's Department (Comptroller of Public Accounts) is to manage judicial branch expenditures, claims, and salary supplements that are not captured within the appropriations of the appellate courts or the judicial branch agencies. The Judiciary Section's responsibilities include paying the salaries of visiting and district court judges; the salaries and certain expenses of felony prosecutors and district attorneys; salary supplements of constitutional, statutory, and probate county judges; and assistant district or county attorney longevity pay, county attorney supplements, nonresident witness expenses and juror pay. The section also funds the operation of the Public Integrity Unit in the Travis County District Attorney's Office and the Special Prosecution Unit headquartered in Walker County.

Appropriations for the Judiciary Section for the 2012–13 biennium total $276.9 million. This amount includes $142.3 million in General Revenue Funds, or 51 percent (**Figure 260**). Appropriations from the Judicial Fund (Other Funds), a revenue source comprised mainly of criminal court costs and civil filing fees, provide most of remaining funds for the Judiciary Section ($121.9 million). Compared to the 2010–11 biennial spending levels, $5.7 million in additional funding from the Judicial Fund was used in lieu of General Revenue Funds as a method of finance for district judge salaries, prosecutor salaries, and salary supplements statutorily linked to district judge pay in the 2012–13 biennium.

JUDICIAL SALARIES AND PAYMENTS

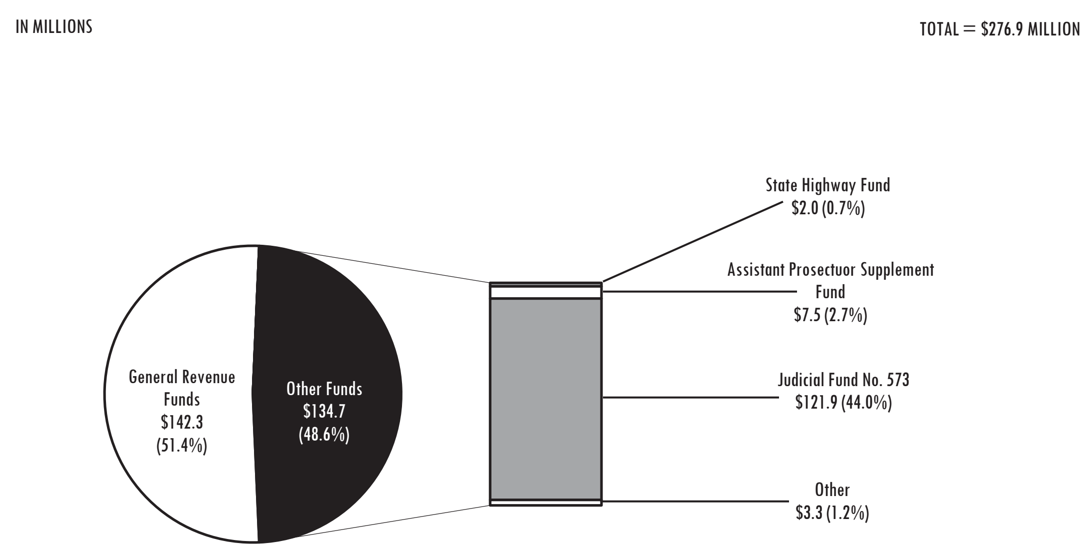
Out of total agency appropriations, $127.2 million, or 45.9 percent, is for judicial salaries and payments (**Figure 261**). The Eighty-second Legislature, Regular Session, 2011, provided $115.6 million for salaries of 456 district judges currently authorized by statute, which includes an increase of $1.2 million in All Funds from the 2010–11 biennial spending levels. District courts serve as the primary trial courts in the state, handling both civil and criminal cases. The state salary for a district court judge is $125,000.

Other judicial payments include payments for visiting judges serving in district and appellate courts ($10.1 million), judicial travel and per diem, and salary supplements for local administrative judges and judges presiding over multidistrict litigation involving claims for asbestos- or silica-related injuries.

PROSECUTOR SALARIES AND PAYMENTS

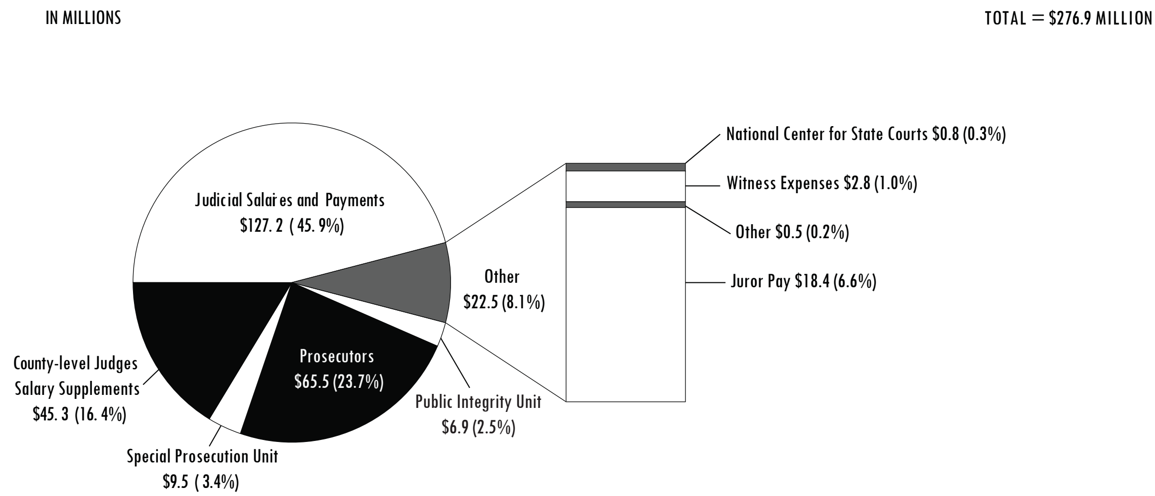
Prosecutor salaries and payments of $65.6 million comprise 23.7 percent of agency appropriations for the 2012–13 biennium (**Figure 261**). Amounts include salaries and salary

FIGURE 260
APPROPRIATIONS BY METHOD OF FINANCING
2012–13 BIENNIUM



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

FIGURE 261
APPROPRIATIONS BY FUNCTION
2012–13 BIENNIUM



Note: Totals may not sum due to rounding.
Source: Legislative Budget Board.

supplements for positions linked to the salary of a district judge: professional prosecutors, which include 149 district attorneys, criminal district attorneys and county attorneys prohibited from the private practice of law; seven prosecutors permitted to engage in private practice; the Oldham County Attorney, and salary supplements paid to 254 constitutional county attorneys ($49.7 million in All Funds).

Other amounts include $7.9 million from the General Revenue Fund for office apportionments for 157 felony prosecutors and the State Prosecuting Attorney, which is a decrease of $2.6 million from the 2010–11 biennial spending levels. 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-second Legislature provided $22,500 per office for felony prosecutors serving districts with populations of more than 50,000; $27,500 for felony prosecutors serving districts with populations of less than 50,000; and, $11,083 for the Harris County District Attorney.

The Public Integrity Unit (PIU) of the Travis County District Attorney's Office was established in 1978 to investigate and prosecute white-collar crime in state government. The Travis County District Attorney's Office has responsibility for a disproportionate share of offenses relating to state government because the seat of state government, Austin, is located within the county. In addition to handling general complaints involving criminal wrongdoing, PIU has two other purposes: to investigate allegations of fraud in the insurance industry, and to investigate and prosecute motor fuels tax fraud in a joint venture with the Comptroller of Public Accounts. PIU appropriations for the 2012–13 biennium total $6.9 million in General Revenue Funds and Other Funds (State Highway Fund).

In 1997, appropriations for the Special Prosecution Unit (SPU) were transferred from the Texas Department of Criminal Justice (TDCJ) to the Judiciary Section. The Criminal Division of SPU prosecutes crimes committed within the TDCJ prison system. The Seventy-sixth Legislature, Regular Session, 1999, passed legislation that established a Civil Division in the SPU responsible for initiating civil commitment proceedings against sexually violent predators who have completed prison terms. Additionally, the Eightieth Legislature, 2007, enacted legislation resulting in a new Juvenile Division to prosecute criminal offenses or delinquent conduct committed within Texas Youth Commission facilities. Appropriations for SPU total $9.5 million for the 2012–13 biennium in All Funds. Of this amount, $4.6 million is budgeted for the Civil Division for staff, expert witnesses, court reporters and other operating costs related to bringing 50 civil commitment cases to trial each fiscal year.

SPECIAL PROGRAMS

Legislation passed by the Seventy-ninth Legislature, 2005, provided funding to increase the minimum amount counties pay jurors from $6 to $40 per day after the first day of service, with the state reimbursing counties for $34 of the $40 amount. Biennial funding of $18.4 million in General Revenue Funds is a decrease of $3.2 million, or 15 percent, from the 2010–11 biennial spending levels. The Eighty-second Legislature, 2011, passed legislation to implement the reduction by authorizing the Comptroller of Public Accounts (CPA) to calculate reimbursements to amounts available in the Eighty-second Legislature, General Appropriations Act (GAA), 2012–13 biennium. The Judiciary Section has calculated that the state-paid portion of juror pay will decrease from $34 to $28 per day after the first day of service; however the legislation allows the CPA to apportion payments at different rates for each quarter of each fiscal year in the 2012–13 biennium.

The Eightieth Legislature, Regular Session, 2007, passed legislation that established a district court in Montgomery County with special jurisdiction over civil commitment proceedings of sexually violent predators and criminal offenses for persons failing to follow commitment requirements. The legislation also directed the state to pay the salaries of a court reporter, a court coordinator, and other operating expenses for the court. Funding for this purpose totals $0.4 million for the 2012–13 biennium, which is an increase of $87,869 from the 2010–11 biennial spending levels to cover increased program costs.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, 2011, passed bills affecting the administration of certain programs by the Comptroller of Public Accounts and expanding the county-level court system.

The enactment of Senate Bill 166 (Regular Session) establishes the Office of Violent Sex Offender Management to perform the functions relating to the sex offender civil commitment program that were formerly performed by the Council on Sex Offender Treatment. The legislation authorized the transfer of $6.8 million in General Revenue Funds from the Judiciary Section to the new office, which is administratively attached to the Department of State Health Services.

The enactment of House Bill 2330 (Regular Session) establishes the Wise County Court at Law No. 2 effective September 1, 2011. House Bill 79 (First Called Session) establishes the Webb County Court at Law No. 3, effective January 1, 2031, or on an earlier date as determined by a vote of the Commissioner's Court in Webb County. The annual recurring cost to the state for the salary supplement of a statutory county judge is $75,000 in Other Funds from the Judicial Fund.

The enactment of Senate Bill 1 (First Called Session) authorizes the CPA to calculate reimbursements to counties for juror pay based upon amounts available in the GAA. The legislation provides that the CPA may reimburse counties at different rates for each quarter of a fiscal year.

The enactment of House Bill 79 (First Called Session) clarifies that a local administrative judge in a county with more than five district courts is entitled to a $5,000 state salary supplement.

8. PUBLIC SAFETY AND CRIMINAL JUSTICE

*As shown in **Figure 262**, All Funds appropriations for Public Safety and Criminal Justice for the 2012–13 biennium total $11.5 billion, or 6.6 percent of all state appropriations. This amount reflects a decrease of $565.5 million, or 4.7 percent, from the 2010–11 biennium. **Figure 263** shows 2012–13 appropriations by method of financing and full-time-equivalent positions from fiscal years 2008 to 2013 for all public safety and criminal justice agencies.*

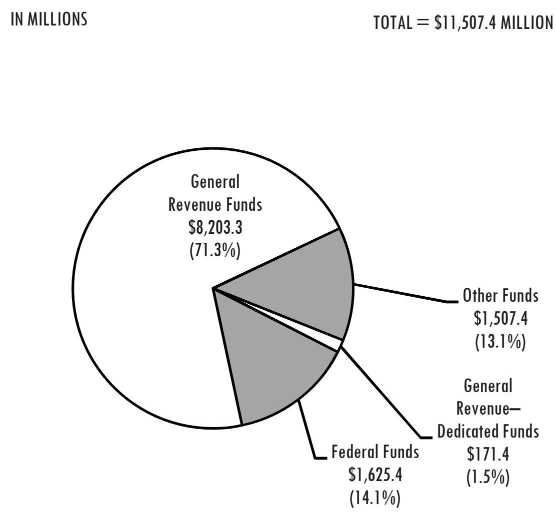
FIGURE 262
ALL FUNDS APPROPRIATIONS FOR PUBLIC SAFETY AND CRIMINAL JUSTICE
2012–13 BIENNIUM

IN MILLIONS

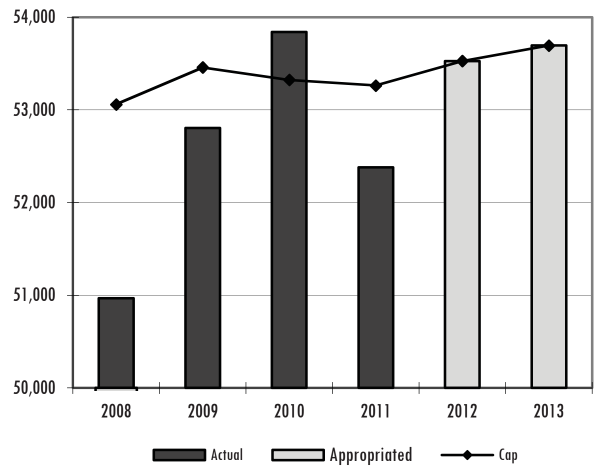
AGENCY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Adjutant General's Department	$212.4	$124.1	($88.3)	(41.6)
Alcoholic Beverage Commission	85.6	84.8	(0.8)	(0.9)
Department of Criminal Justice	6,209.0	6,102.3	(106.8)	(1.7)
Commission on Fire Protection	4.6	3.9	(0.7)	(14.4)
Commission on Jail Standards	2.0	1.9	(0.2)	(8.5)
Texas Juvenile Justice Department	0.0	497.2	497.2	NA
Juvenile Probation Commission	328.7	81.3	(247.4)	(75.3)
Commission on Law Enforcement Officer Standards and Education	6.4	5.6	(0.8)	(13.0)
Department of Public Safety	2,989.3	2,852.6	(136.7)	(4.6)
Youth Commission	449.1	85.5	(363.6)	(81.0)
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$10,287.1**	**$9,839.1**	**($448.1)**	**(4.4)**
Retirement and Group Insurance	1,136.6	1,121.0	(15.6)	(1.4)
Social Security and Benefit Replacement Pay	329.5	316.6	(12.9)	(3.9)
SUBTOTAL, EMPLOYEE BENEFITS	**$1,466.1**	**$1,437.6**	**($28.5)**	**(1.9)**
Bond Debt Service Payments	$469.0	$352.9	($116.1)	(24.8)
Lease Payments	4.0	3.9	(0.1)	(3.2)
SUBTOTAL, DEBT SERVICE	**$473.0**	**$356.8**	**($116.3)**	**(24.6)**
Less Interagency Contracts	$153.4	$126.0	($27.4)	(17.9)
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$12,072.9**	**$11,507.4**	**($565.5)**	**(4.7)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTES: Article totals exclude interagency contracts. Biennial change and percentage change are calculated on actual amounts before rounding. Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

FIGURE 263
PUBLIC SAFETY AND CRIMINAL JUSTICE APPROPRIATIONS AND FULL-TIME-EQUIVALENT POSITIONS
2012–13 BIENNIUM



Source: Legislative Budget Board.



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

Eight state agencies and commissions provide public safety and criminal justice services: the Adjutant General's Department, the Texas Alcoholic Beverage Commission, the Texas Department of Criminal Justice, the Texas Commission on Fire Protection, the Texas Commission on Jail Standards, the Texas Juvenile Justice Department, the Texas Commission on Law Enforcement Officer Standards and Education, and the Department of Public Safety.

MAJOR FUNDING ISSUES

Public Safety and Criminal Justice appropriations total $11.5 billion in All Funds for the 2012–13 biennium. Appropriations include $8.2 billion in General Revenue Funds, $0.2 billion in General Revenue–Dedicated Funds, $1.6 billion in Federal Funds, and $1.5 billion in Other Funds. Appropriations decreased by $565.5 million in All Funds from the 2010–11 biennial spending levels, which included additional reductions in fiscal years 2010 and 2011.

The Adjutant General's Department is appropriated $124.2 million in All Funds for the 2012–13 biennium. Appropriations include $26.5 million in General Revenue Funds and $10.5 million in Other Funds. Federal Funds are estimated to be $87.1 million. Appropriations include $6.9 million for youth education programs including the Starbase Program and the ChalleNGe Program, $4.6 million for debt service on revenue bonds from previous biennia, and $2.0 million for the State Military Tuition Assistance Program.

Appropriations for the Alcoholic Beverage Commission total $84.8 million in All Funds. Appropriations for the 2012–13 biennium include $44.5 million for enforcement activities, $8.3 million for licensing activities, $12.2 million for compliance activities, and $9.3 million for Ports-of-Entry.

The Texas Department of Criminal Justice (TDCJ) was appropriated $6.1 billion in All Funds for the 2012–13 biennium. The agency is appropriated $4.9 billion in All Funds for the incarceration and treatment of adult offenders in state institutions. According to the Legislative Budget Board January 2011 report, *Adult and Juvenile Correctional Population Projections, 2011–2016*, the projected average number of offenders incarcerated with these funds is 156,430 in fiscal year 2012 and 157,321 in fiscal year 2013. The agency is appropriated $50 million in General Obligation bond proceeds for the repair and rehabilitation of correctional facilities, excluding renovations to the Marlin Correctional Mental Health Facility.

TDCJ was appropriated $556.5 million in All Funds for community supervision programs. Appropriations for fiscal years 2012 and 2013 include $220.3 million for basic supervision, $241.4 million for diversion programs, $72.5

Note: Biennial change and percentage change have been calculated on actual amounts before rounding in all figures in this chapter. Figure totals may not sum because of rounding.

million for community corrections programs, and $22.3 million for the Treatment Alternatives to Incarceration Program.

TDCJ was appropriated $362.4 million in All Funds to operate the parole system. The projected average number of offenders under active parole supervision is 81,663 in fiscal year 2012 and 82,280 in fiscal year 2013. Appropriations include $212.8 million for parole supervision, $98.9 million for halfway houses and intermediate sanction facilities, and $50.8 million for the Board of Pardons and Paroles.

The Juvenile Justice Department (JJD) was established in fiscal year 2012 by the Eighty-second Legislature, Regular Session, 2011, by Senate Bill 653, which is the Sunset legislation that also abolishes the Texas Youth Commission (TYC) and the Juvenile Probation Commission (JPC). The two primary functions of JJD are to continue providing financial and professional assistance to local juvenile probation departments, and to ensure public safety by providing direct supervision of youth who are committed to the state services and facilities division of the agency. Beginning December 1, 2011, all appropriations to JPC and TYC and all agency full-time-equivalent (FTE) positions are transferred to JJD. Total appropriations allocated to the juvenile justice agencies for the 2012–13 biennium include $664.0 million in All Funds.

Appropriations to JPC for the 2012–13 biennium total $325.4 million in All Funds. JPC appropriations and FTE positions transfer to JJD on December 1, 2011 upon the abolishment of JPC.

Appropriations to TYC for the 2012–13 biennium total $339.0 million in All Funds. TYC appropriations and FTE positions transfer to JJD on December 1, 2011 upon abolishment of TYC.

The Department of Public Safety was appropriated $2.9 billion in All Funds for the 2012–13 biennium. Appropriations include $212.9 million for border security-related initiatives, including enhancements to Joint Operations and Intelligence Centers' communications infrastructure, additional vehicles, a high altitude surveillance aircraft, fiber optic scopes, various information technology improvements, crime records equipment, additional personnel, and extended work days (overtime) for commissioned officers. Approximately $1.4 billion in All Funds was appropriated for the agency's ongoing emergency management operations, and $430.4 million was for traffic and commercial vehicle enforcement efforts.

ADJUTANT GENERAL'S DEPARTMENT

The Adjutant General's Department (AGD) was established in 1840, abolished in 1856, and then reinstated in 1860. Its mission is to execute the Governor's constitutional and statutory responsibilities relating to the state's military forces, which consist of the Texas National Guard and the Texas State Guard. The Texas National Guard has two components: Texas Army National Guard and Texas Air National Guard. The agency provides mission-ready forces responsive to the community, the state, and the nation. AGD headquarters is located at Camp Mabry in Austin.

The U.S. Constitution provides the basic mandate for the maintenance of national and state military forces. It specifies that the President is commander-in-chief when the National Guard is called into service for the United States. The Texas Constitution names the Governor the commander-in-chief of the Texas National Guard, except when it is called into national service. The Governor appoints Texas' Adjutant General and two Assistant Adjutants General (one for the Texas Army National Guard and one for the Texas Air National Guard) to command the state's military forces.

AGD employs full-time state employees, full-time federal civil service employees, full-time active-duty military employees, and part-time citizen guard members as necessary to carry out its operations. Part-time National Guard members are paid to participate in military training one weekend a month, another 15 days annually, and additionally as needed. State Guard personnel train four days quarterly, another four days annually, and additionally as needed.

Appropriations to AGD for the 2012–13 biennium total \$124.2 million in All Funds, and provide for 663 full-time-equivalent (FTE) positions. Of the total appropriations, \$26.5 million, or 21.4 percent, is General Revenue Funds. The agency's appropriation represents a decrease of \$88.3 million in All Funds and \$3.1 million in General Revenue Funds from the 2010–11 biennial spending levels. Reductions include \$67.1 million in Federal Funds and \$19.6 million in General Obligation bond proceeds. AGD FTE positions decreased by 40 positions for the 2012–13 biennium.

AGD is responsible for the utilities, construction, repair, and maintenance of military facilities owned or licensed by the state that are located on state or federal property. These facilities include armories, Air Guard facilities, and Army aviation installations and are primarily utilized by the state's military forces for training personnel and for maintaining and storing equipment. During the 2012–13 biennium, the agency will maintain more than 600 facilities in 72 locations throughout Texas. The agency receives state appropriations each biennium for maintaining these facilities. The federal and state share of the maintenance costs is determined by a master cooperative agreement between the state and the federal National Guard Bureau.

The agency received appropriations of \$4.6 million in General Revenue Funds for debt service on revenue bonds from previous biennia for major maintenance and repairs of state military facilities. No new General Obligation bond proceeds were appropriated for the 2012–13 biennium. Appropriations for the State Military Tuition Assistance Program include \$2.0 million in General Revenue Funds for the 2012–13 biennium.

AGD was appropriated \$6.9 million in All Funds for the 2012–13 biennium and allocated 45.1 FTE positions for youth education programs including the federally funded Starbase Program and the ChalleNGe Program. The ChalleNGe Program is a five-month residential cooperative program between Texas and the National Guard Bureau, located in Sheffield, Texas, that is designed to improve the life skills and employment potential of 200 at-risk youth each year through military-style training. A one-year mentoring phase follows the residential phase for youth aged 16 to 18 who have dropped out of school and are drug free, unemployed, and not in trouble with the law.

In addition to state appropriations, AGD manages Federal Funds that are paid directly by the federal government to Texas National Guard personnel or are designated for other agency operating expenses. These direct Federal Funds totaled \$525.0 million (unaudited) in fiscal year 2011 and supported approximately 3,600 federal FTE positions and 22,000 guard members. Federal Funds are estimated to total \$87.1 million in the 2012–13 biennium.

TEXAS NATIONAL GUARD

The Texas National Guard (TXNG) has a dual mission: it may be ordered to active duty in the state by the Governor to provide trained and equipped military personnel to assist civil authorities in the protection of life and property and the preservation of law, order, and public safety in Texas; it is also a first-line reserve component of the U.S. Army and Air Force, and in that role 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. TXNG's air component also has the peacetime mission of supporting

U.S. Air Force operations and airlift missions around the world as required.

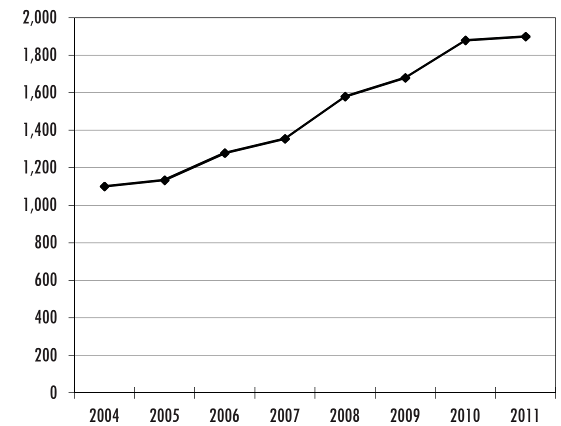
The U.S. Congress establishes the size and structure of the National Guard, while the Secretaries of the Army and the Air Force determine its composition and organization. The allocation of authorized military strength and Federal Funds are made to Texas by the federal National Guard Bureau.

During the 2010–11 biennium, Texas National Guard members provided emergency response for wildfire suppression, flood response and cold weather operations. In fiscal year 2011, TXNG participated in efforts to combat wildfire outbreaks, cutting 158 miles of road, flying 82 airborne missions using over 150,000 gallons of fuel, and dropping nearly 5 million gallons of water over affected areas. TXNG participated in statewide recovery efforts, rescue and relocation of residents, emergency relocation of medical patients, and the distribution of food and water. In addition to local and state projects, members of the TXNG are active in federal service being deployed to foreign nations.

TEXAS STATE GUARD

The Texas State Guard (TXSG) is an all-volunteer state reserve military force, subject to active duty when called by the Governor to serve Texas in time of emergency. TXSG provides trained and equipped individuals to supplement TXNG and replaces TXNG when that force is called into federal service. In fiscal year 2011, TXSG members spent approximately 4,600 duty days on state humanitarian, homeland security, emergency, and other state duty. TXSG participates in Operation Lone Star, a state emergency response exercise. In fiscal year 2011, TXSG members provided health services to over 9,000 people at seven sites along the Texas–Mexico border. Services provided during operation Lone Star by TXSG include providing prescriptions, dentistry, eye exams, screenings, immunizations, and medical visits. The Governor determines the size and structure of TXSG, in conjunction with the Adjutant General. Volunteers are between the ages of 17 and 60 and include retired personnel from all branches of the armed forces, as well as personnel with no prior military service. In fiscal year 2011, TXSG consisted of approximately 1,900 members, in military units typically collocated with TXNG units. The TXSG has grown significantly in size and mission over the past decade, with a growth rate of over 72 percent since fiscal year 2004, as shown in **Figure 264**. New TXSG members purchase their own uniforms and are issued equipment and supplies as resources are available.

FIGURE 264
TEXAS STATE GUARD MEMBERSHIP
FISCAL YEARS 2004 TO 2011



SOURCE: Adjutant General's Department.

During the 2010–11 biennium, TXSG volunteers provided assistance to a variety of state active-duty missions. TXSG actively participates in community programs statewide by providing a variety of services: security, traffic and crowd control for local events, searches for missing children, color and honor guards, and training support. As part of meeting emergency needs, TXSG manages and operates shelters and distribution centers, furnishes medical and legal support, provides communications services, and conducts chaplaincy duties.

ALCOHOLIC BEVERAGE COMMISSION

In 1935, after Prohibition had been repealed by an amendment to the Texas Constitution, the Texas Legislature passed the Texas Liquor Control Act. This Act created the Texas Liquor Control Board to enforce state liquor laws. The name of the agency was changed in 1970 to the Texas Alcoholic Beverage Commission (TABC), and in 1977 the Liquor Control Act was codified as the Texas Alcoholic Beverage Code. The code authorizes the agency to engage in the following activities:

- grant, refuse, suspend, or cancel permits and licenses in all phases of the alcoholic beverage industry;
- supervise, inspect, and regulate the manufacture, importation, exportation, transportation, sale, storage, distribution, and possession of alcoholic beverages;
- assess and collect excise taxes and fees on alcohol;
- investigate alleged violations of the Texas Alcoholic Beverage Code and assist in the prosecution of violators;
- seize illicit alcoholic beverages; and
- adopt quality standards for and approve labeling and sizes of containers for all alcoholic beverages sold in Texas.

TABC's mission is to promote public safety and serve the people of Texas through consistent, fair, and timely administration of the Texas Alcoholic Beverage Code while fostering education, voluntary compliance, and legal, responsible alcohol consumption. The agency's goals are to (1) regulate the distribution of alcoholic beverages; (2) process applications and issue licenses and permits for the sale and distribution of alcoholic beverages; and (3) collect fees and taxes. To accomplish these goals, the agency works to (1) deter and detect violations of the Texas Alcoholic Beverage Code by inspecting licensed establishments and investigating complaints; (2) ensure compliance with laws regarding ownership, performance, licenses, tax securities, and other licensing requirements; (3) monitor compliance with the Texas Alcoholic Beverage Code through inspections, investigations, and analysis of the alcoholic beverage industry; and (4) regulate the personal importation of alcoholic beverages and cigarettes through the state's ports-of-entry locations with Mexico.

The agency is governed by a three-member commission appointed by the Governor, with the advice and consent of the Senate. The agency is funded through fees, fines, and other revenues paid by the alcoholic beverage industry. As shown in **Figure 265**, the agency collected $254.1 million in fees, taxes, and other revenue in fiscal year 2011.

Appropriations for the 2012–13 biennium total $84.8 million, primarily in General Revenue Funds, and provide for 631.8 full-time-equivalent (FTE) positions. Appropriations for the 2012–13 biennium include an increase of $34,000 in General Revenue Funds from the 2010–11 biennial spending levels. TABC FTE positions decreased by 33.2 positions from the 2010–11 biennial levels. Funding of $6.3 million and 45.2 FTE positions is contingent upon the agency increasing revenues from fees and surcharges by $7.0 million in order to cover these appropriations.

ENFORCEMENT DIVISION

The Enforcement Division is responsible for regulating the distribution of alcoholic beverages by regulating licensees and permittees in their places of business. The division employs approximately 265 commissioned law enforcement officers, located in five district or regional offices and 39 area or outpost offices. The Enforcement Division inspects

FIGURE 265
ALCOHOLIC BEVERAGE COMMISSION REVENUE COLLECTIONS
FISCAL YEARS 2002 TO 2011

IN MILLIONS

REVENUE SOURCE	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Excise taxes	$162.6	$165.8	$167.3	$170.1	$178.3	$182.1	$190.9	$194.5	$191.7	$198.3
Alcoholic beverage permit and license fees	22.4	22.4	23.3	24.2	27.2	28.8	29.6	43.2	36.2	33.8
Surcharges	5.0	9.6	10.5	10.2	16.5	17.0	17.6	22.6	26.6	16.0
Other revenue	7.5	5.5	7.2	5.2	5.4	6.5	6.2	6.5	5.4	6.0
TOTAL	**$197.5**	**$203.3**	**$208.3**	**$209.7**	**$227.4**	**$234.4**	**$244.3**	**$266.8**	**$259.9**	**$254.1**

Source: Texas Alcoholic Beverage Commission.

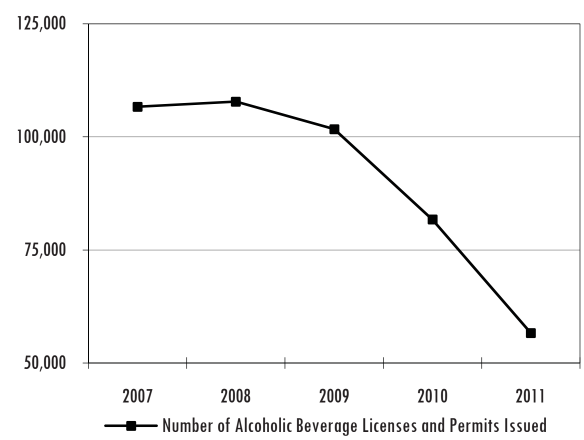
establishments engaged in the sale and distribution of alcoholic beverages to ensure they are properly licensed and conform to the administrative and criminal law enforcement provisions of the Texas Alcoholic Beverage Code. In fiscal year 2011, the agency conducted 94,281 inspections. Appropriations for enforcement activities for the 2012–13 biennium total $44.5 million (primarily General Revenue Funds) and provide for 297 FTE positions.

LICENSING DIVISION

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 division also works in conjunction with local, state, and federal agencies on criminal investigations. In fiscal year 2008, the license and permit period changed from a one-year to a two-year license and permit term. In fiscal year 2011, the agency issued 56,610 licenses and permits. Appropriations for processing license and permit applications for the 2012–13 biennium total $8.3 million in General Revenue Funds and provide for 77.1 FTE positions.

Figure 266 shows the trend in the number of alcoholic beverage licenses and permits issued from fiscal years 2006 to 2010. The reductions in permits issued in fiscal years 2010 and 2011 are largely the result of implementation of a two-year license renewal cycle, replacing the previous one-year cycle.

FIGURE 266
NUMBER OF ALCOHOLIC BEVERAGE LICENSES AND PERMITS ISSUED, FISCAL YEARS 2007 TO 2011



Source: Texas Alcoholic Beverage Commission.

TABC made several technology improvements in the 2010–11 biennium, including integrating mobile data computers in cars for enforcement agents, improving online systems to allow agent permit holders to renew permits online, developing an on-line cash credit law reporting system for wholesale distributors to report fraudulent payments by retailers, and automating all paper licensing paperwork for agency employee use.

COMPLIANCE DIVISION

The Compliance Division has 61 compliance officers throughout the state, working from 20 of the agency's field offices. These officers inspect new locations and seller training schools; monitor account record keeping; settle administrative cases related to finances; conduct inspections of licensed locations; conduct investigations; oversee field licensing functions; perform fee analysis of private club accounts; and audit excise taxpayers to ensure they are in compliance with the Texas Alcoholic Beverage Code and have reported and paid the proper amount of excise taxes and fees. Compliance Division personnel also conduct public education activities covering public safety issues and compliance requirements related to the sale and consumption of alcohol. During fiscal year 2011, the TABC compliance officers conducted 22,205 inspections and 1,645 audits or analyses. Division employees also provided formal instruction and other educational programs to 107,428 persons and processed 35,751 cash law and credit law notices of default. Of these compliance activities, 19,337 resulted in compliance and administrative actions.

Also funded as part of the compliance monitoring strategy is the agency's Tax Division, which 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 who belong to the wholesale and manufacturing tiers of the alcoholic beverage industry.

Appropriations for compliance monitoring for the 2012–13 biennium total $12.2 million (primarily General Revenue Funds) and provide for 93.5 FTE positions. TABC piloted a program in the 2010–11 biennium to allow compliance auditors to work from home to save funds that would have been spent on rent or office space and associated costs.

PORTS-OF-ENTRY SECTION

The Ports-of-Entry Section of the Compliance Division includes personnel who work at the international ports-of-entry between Texas and Mexico to enforce importation limits and to collect excise taxes on imported alcoholic beverages and cigarettes. The inspectors must place an excise tax stamp on each bottle and each package of cigarettes that is imported and enforce limitations on imports by seizing any alcoholic beverages in excess of the limits. In fiscal year 2011, there were more than 2.4 million alcoholic beverage containers and cigarette packages stamped, 7,492 bottles and cigarette packages confiscated, and $3.0 million in taxes and fees collected. Appropriations for operation of the ports-of-entry program for the 2012–13 biennium total $9.3 million in General Revenue Funds and provide for 107.9 FTE positions.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect TABC. House Bill 1936 and Senate Bill 1331 are among the most significant legislation.

The enactment of House Bill 1936 increases the administrative fee on alcoholic beverages from $0.50 cents to $3.00 per container, equalizes the importation limits between Texas residents and non-residents, increases the importation limit for Texans from one quart to one gallon of distilled spirits every 30 days, and allows for the importation of a personal collection of beer and/or distilled spirits by persons moving to Texas, with no taxes owed to the state and no licensing or paperwork required by TABC.

The enactment of Senate Bill 1331 provides immunity for possessing or consuming alcohol to a minor who calls 911 because someone is a possible victim of alcohol poisoning. The person(s) receiving immunity must be the first person to call for medical assistance, remain on the scene until medical assistance arrives, and cooperate with Emergency Medical Services and law enforcement. The legislation enhances the probation requirements for providing alcohol to a minor at a gathering that involved binge drinking or coerced drinking by adding the possibility of community service, alcohol awareness courses, and driver's license suspension.

DEPARTMENT OF CRIMINAL JUSTICE

The Texas Department of Criminal Justice (TDCJ) and its policy-making body, the Texas Board of Criminal Justice, were established in 1989 to bring the state's adult probation (now known as community supervision), prison, and parole supervision functions under a single governing board and agency structure. The Texas Adult Probation Commission, the parole supervision function of the Texas Board of Pardons and Paroles, and the Texas Department of Corrections were consolidated into one state agency to create TDCJ.

TDCJ's appropriations for the 2012–13 biennium total $6.1 billion in All Funds and provide for 40,071.4 full-time-equivalent (FTE) positions in each fiscal year. Of the total appropriation, $5.9 billion, or 96.5 percent, is General Revenue Funds and General Revenue–Dedicated Funds. The agency's appropriation decreased by $106.8 million in All Funds from the 2010–11 biennial spending level. All Funds reductions include $118.7 million for Correctional Managed Health Care, $3.2 million for community supervision, $10.0 million for education and vocational programs, $7.5 million for Texas Correctional Industries, and $10.7 million for indirect administration. Reductions were offset by increases in appropriations for parole supervision populations and increases in per diem rates for contract incarceration and parole residential facilities.

TDCJ's statutory mission is to provide public safety, promote positive change in offender behavior, reintegrate offenders into society, and assist victims of crime. To accomplish its mission, the agency has five goals: (1) divert offenders from prison; (2) incarcerate felons; (3) maintain adequate incarceration capacity; (4) care for offenders with special needs; and (5) operate a parole system.

AGENCY STRUCTURE

TDCJ is governed by the Texas Board of Criminal Justice. The nine non-salaried members of the board are appointed by the Governor for six-year terms. The board appoints the executive director, who is responsible for day-to-day operation and management of the agency. Administrative offices are in Austin and Huntsville.

TDCJ is organized into multiple divisions and organizational units. Five of the agency's divisions carry out its major responsibilities regarding offenders: the Community Justice Assistance Division, the Correctional Institutions Division, the Rehabilitation Programs Division, the Reentry and Integration Division, and the Parole Division. The Board of Pardons and Paroles is a separate entity that does not report to the Texas Board of Criminal Justice.

DIVERSION FROM TRADITIONAL INCARCERATION

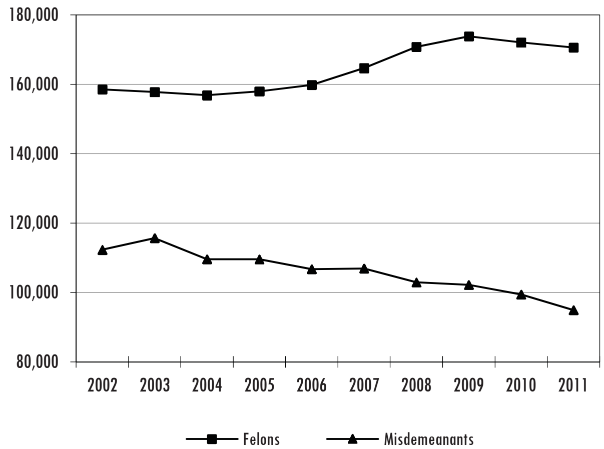
TDCJ was appropriated $556.5 million for the 2012–13 biennium to support community supervision and other community-based programs to divert offenders from traditional prison incarceration. Most of these funds will be distributed as state aid to local community supervision and corrections departments (CSCD) statewide. The 2012–13 biennial appropriation is based primarily on the Legislative Budget Board's (LBB) January 2011 report, *Adult and Juvenile Correctional Population Projections, 2011–2016.*

COMMUNITY JUSTICE ASSISTANCE DIVISION

The Community Justice Assistance Division (CJAD) supports the goal of diverting offenders from traditional prison incarceration through the use of community supervision and other community-based programs. The division is statutorily directed to propose rules for adoption by the Texas Board of Criminal Justice to establish (1) minimum standards for programs, facilities, equipment, and other operational components of CSCDs, which are local entities established by district judges for supervising and rehabilitating felony and misdemeanor offenders who are placed on community supervision; (2) a list and description of core services that should be provided by each CSCD; (3) methods for measuring the success of CSCD programs; (4) a format for community justice plans; and (5) minimum standards for the operation of substance abuse facilities and programs funded through CJAD. By statute, CJAD and the Texas Board of Criminal Justice are advised on matters of interest to the judiciary by the Judicial Advisory Council, 12 non-salaried members appointed by the Chief Justice of the Supreme Court of Texas and the Presiding Judge of the Texas Court of Criminal Appeals. CJAD's major responsibilities include (1) distributing state funds to CSCDs; (2) inspecting and evaluating CSCDs' financial, program compliance, and performance records; and (3) training and certifying community supervision officers. Texas has 121 CSCDs serving the state's 254 counties.

In fiscal year 2011, CSCDs employed an average of 3,412 community supervision officers to directly supervise and to provide services to a population of over 276,000 felony and misdemeanor offenders. **Figure 267** shows end-of-year community supervision populations since fiscal year 2002. TDCJ was appropriated $220.3 million for the basic

FIGURE 267
COMMUNITY SUPERVISION POPULATIONS
FISCAL YEARS 2002 TO 2011



NOTE: Population counts are as of August 31 of each fiscal year. During fiscal year 2010, TDCJ-CJAD transitioned from compiling aggregate population data from counties through the Monthly Community Supervision and Corrections Report (MCSCR) to generating monthly population reports based on detailed case-based data collected through the Community Supervision Tracking System/ Intermediate System (CSTS Intermediate System). Community supervision data through fiscal year 2009 are based on population counts reported to the MCSCR, and fiscal years 2010 and 2011 data are based on monthly reports generated from the CSTS Intermediate System.
SOURCE: Texas Department of Criminal Justice.

supervision of offenders on community supervision during the 2012–13 biennium.

In addition to basic supervision funding, TDCJ was appropriated $241.4 million for the 2012–13 biennium for awarding discretionary grants to CSCDs, counties, municipalities, and nonprofit organizations and for other purposes in accordance with Texas Government Code, Section 509.011. Discretionary grants allow CJAD to fund innovative community corrections proposals designed at the local level. Such programs increase diversions from traditional, more costly incarceration and improve the delivery of community supervision statewide. **Figure 268** shows the grant award categories funded for fiscal year 2011.

The agency was appropriated $72.5 million for the 2012–13 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 community justice plan to CJAD. The state aid, which provides localities with increased resources for the control,

FIGURE 268
COMMUNITY JUSTICE ASSISTANCE DIVISION
DISCRETIONARY GRANT FUNDING, FISCAL YEAR 2011

PROGRAM TYPE	GRANT PROGRAMS	GRANT AMOUNT (IN MILLIONS)
Community corrections facilities	40	$66.2
Drug courts	14	$2.3
Day reporting centers	3	$1.4
Sex offender caseloads	13	$3.6
Intensive supervision/ surveillance caseloads	5	$0.6
High risk/gang/youth/ culturally specific caseloads	10	$1.3
Substance abuse treatment caseloads and aftercare caseloads	29	$3.4
Substance abuse treatment programs	53	$8.8
Battering intervention and prevention programs	29	$1.3
Mental health initiative caseloads	35	$4.3
Caseload reduction grants	34	$14.1
TOTALS	**265**	**$107.2**

SOURCE: Texas Department of Criminal Justice.

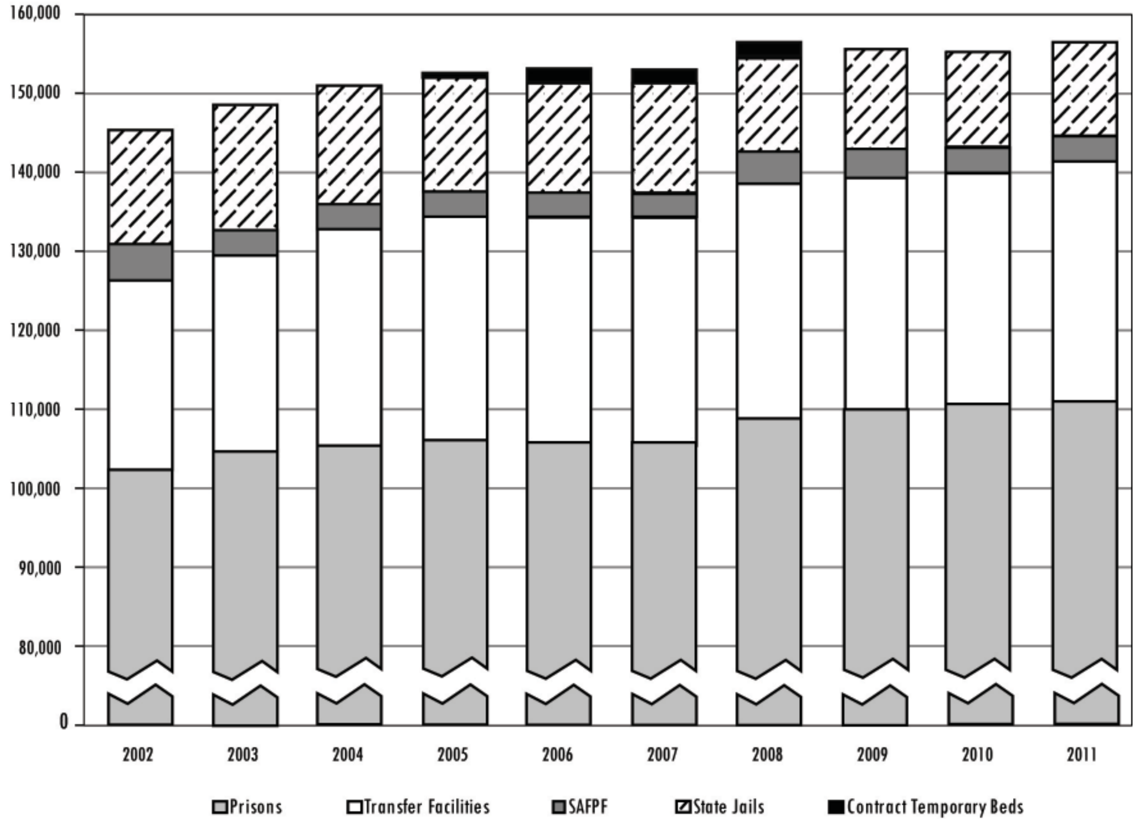
management, and rehabilitation of offenders, is typically used for the same types of programs presented in **Figure 268**.

INCARCERATION OF FELONS

For the 2012–13 biennium, $4.9 billion was appropriated to TDCJ for the purpose of confining, supervising, and rehabilitating adult felons incarcerated in TDCJ's correctional facilities. The funding was based on a projected average of 156,430 incarcerated offenders in fiscal year 2012 and 157,321 in fiscal year 2013. Appropriations for fiscal years 2012–13 include $2.1 billion for correctional security; $871.8 million for correctional managed-healthcare; 184.7 million for substance abuse treatment programs for incarcerated offenders; $316.1 million for private and contract facilities; and $132.4 million for Texas Correctional Industries.

The incarcerated population in TDCJ prisons increased from fiscal years 2002 to 2011, as shown in **Figure 269**. Although parole revocations continued to decrease (from 7,149 in

FIGURE 269
CORRECTIONAL POPULATIONS, FISCAL YEARS 2002 TO 2011



NOTES: SAFPF = Substance Abuse Felony Punishment Facilities. Population counts are as of August 31 of each fiscal year. On September 1, 2007, the Legislative Budget Board adopted a change in the way capacity and incarcerated populations are reported to include preparole transfer and work program facilities; this change resulted in an increase of approximately 2,800 in prison capacity and correctional populations. Effective June 1, 2011, the TDCJ implemented a methodology consistent with the Legislative Budget Board's methodology for calculating capacity. The state bed capacity on-line is the sum total of unit capacities and the internal operating capacity, which allows prison administrators to accommodate logistical and safety issues, is 96.0% of total unit capacities.
SOURCE: Texas Department of Criminal Justice.

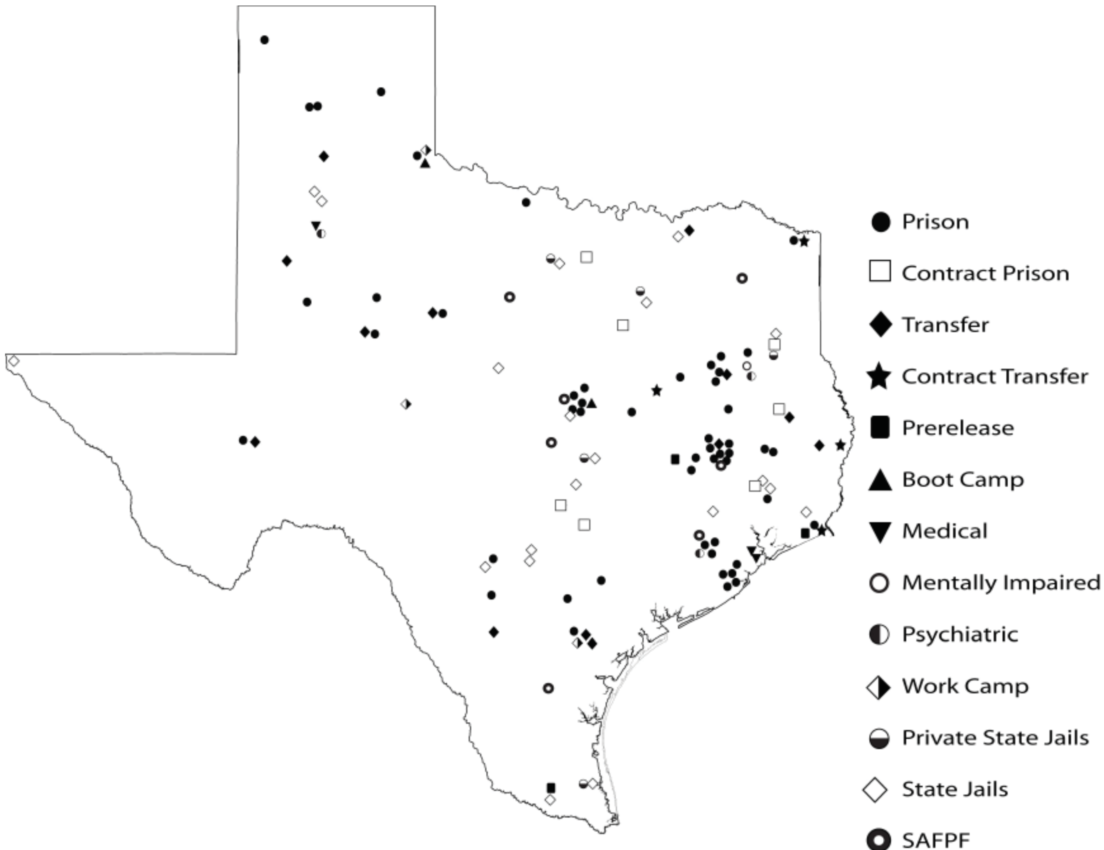
fiscal year 2009 to 6,678 in fiscal year 2010) and parole (31.1 percent) case approval rates remained steady, an increase in direct sentences (from 22,001 in fiscal year 2009 to 22,578 in fiscal year 2010) and felony probation revocations (from 12,937 in fiscal year 2009 to 13,602 in fiscal year 2010) indicate continued growth in the incarceration population and a need for contracted temporary capacity by the end of fiscal year 2013.

The LBB January 2011 report, *Adult and Juvenile Correctional Population Projections, 2011–2016*, projected that TDCJ would exceed its operating capacity in fiscal year 2013. To address the projected growth, the Eighty-second Legislature, Regular Session, 2011, appropriated $15.0 million for contracted temporary capacity for use only on the condition that TDCJ populations exceed 96 percent of total unit capacity.

CORRECTIONAL INSTITUTIONS DIVISION

The Correctional Institutions Division manages and operates the state jail and state prison systems. It provides for the healthcare, treatment, and management of adult offenders sentenced to state jail or prison. Incarcerated offenders are confined at 51 prison units, 20 state jails, 14 transfer facilities, and other types of correctional units across the state. The location of these facilities is shown in **Figure 270**. TDCJ correctional populations are shown in **Figure 269**. **Figure 271** provides the name, location, and bed capacity of each correctional unit.

FIGURE 270
TDCJ FACILITY LOCATIONS, FISCAL YEAR 2011



Source: Texas Department of Criminal Justice.

The Eighty-second Legislature ordered the closure of the Central Unit in Sugar Land by December 31, 2011. Closure of the unit reduced prison capacity by 1,060 beds and FTE positions by 290, and realized a General Revenue Fund savings of $25.2 million. Industries at the Central Unit like the soap factory and warehousing operations will be relocated to other facilities.

Upon entering the Correctional Institutions Division, an offender is classified and given a custody designation. Classifications in prisons range from General Population Level 5 (G5), or (J5) in State Jails, as the most serious risk, to General Population Level 1 (G1), or (J1) in State Jails, as the least serious risk. An additional classification of Administrative Segregation, or Special Management in State Jails, is used for offenders who must be separated from the general population because they pose a danger to themselves or others, are in danger from other offenders, or have a history of escape attempts.

An offender's classification depends on several factors, including current institutional behavior, previous institutional behavior, current offense, and sentence length. Classification determines where and with whom the offender will be housed, the amount of supervision needed, job assignments, and the amount of out-of-cell and recreational time permitted.

Within the Correctional Institutions Division, TDCJ operates the state jail system. State jails were established by the Seventy-third Legislature, 1993, for the confinement of offenders committing state jail felonies, a class of nonviolent felony offenses. The state jail capacity is 27,332 beds, and state jails house both state jail and transfer offenders. TDCJ state jail populations are shown in **Figure 269**.

An offender is also given an Individualized Treatment Plan (ITP) upon entering the Correctional Institutions Division. 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

FIGURE 271
PRISON FACILITIES AND CAPACITIES
FISCAL YEAR 2011

FACILITY	LOCATION	TYPE	BEDS
Allred	Iowa Park	Prison	3,722
Bartlett	Bartlett	State Jail - Private	1,049
Beto	Tennessee Colony	Prison	3,471
Boyd	Teague	Prison	1,357
Bradshaw	Henderson	State Jail - Private	1,980
Bridgeport	Bridgeport	Contract Prison	520
Bridgeport - Pre-Parole Transfer	Bridgeport	Pre-Parole - Private	200
Briscoe	Dilley	Prison	1,369
Byrd	Huntsville	Prison	1,365
Central	Sugar Land	Prison	1,060
Clemens	Brazoria	Prison	1,215
Clements	Amarillo	Prison	3,788
Cleveland	Cleveland	Contract Prison	520
Coffield	Tennessee Colony	Prison	4,139
Cole	Bonham	State Jail	900
Connally	Kenedy	Prison	2,905
Cotulla	Cotulla	Transfer	606
Crain	Gatesville	Prison	1,827
		Prison (SAFPF) 2	288
Dalhart	Dalhart	Prison	1,356
Daniel	Snyder	Prison	1,342
Darrington	Rosharon	Prison	1,931
Dawson	Dallas	State Jail - Private	2,216
Diboll	Diboll	Contract Prison	518
Dominguez	San Antonio	State Jail	2,276
Duncan	Diboll	Geriatric	606
East Texas	Henderson	Multi-Use (SAFPF) 2	616
		Multi-Use (DWI) 2	500
Eastham	Lovelady	Prison	2,474
Ellis	Huntsville	Prison	2,404
Estelle	Huntsville	Prison	3,148
		Prison (SAFPF) 2	212
Estes	Venus	Contract Prison	1,040
Ferguson	Midway	Prison	2,421
Formby	Plainview	State Jail	1,100
Fort Stockton	Fort Stockton	Transfer	606
Garza East	Beeville	Transfer	2,458
Garza West	Beeville	Transfer	2,278
Gist	Beaumont	State Jail	2,276

FIGURE 271 (CONTINUED)
PRISON FACILITIES AND CAPACITIES
FISCAL YEAR 2011

FACILITY	LOCATION	TYPE	BEDS
Glossbrenner	San Diego	SAFPF 2	612
Goodman	Jasper	Transfer	612
Goree	Huntsville	Prison	1,321
Gurney	Tennessee Colony	Transfer	2,128
Halbert	Burnet	SAFPF	425
		SAFPF (IPTC) 2	187
Hamilton	Bryan	Pre-Release	1,166
Havins	Brownwood	Pre-Release	20
		Pre-Release (IPTC) 2	576
Henley	Dayton	State Jail	384
		State Jail (SAFPF) 2	64
		State Jail (IPTC) 2	128
Hightower	Dayton	Prison	1,369
Hilltop	Gatesville	Prison	553
Hobby	Marlin	Prison	1,369
Hodge	Rusk	Mentally Impaired	989
Holliday	Huntsville	Transfer	2,128
Hospital Galveston 3	Galveston	Medical	0
Hughes	Gatesville	Prison	2,958
Huntsville	Huntsville	Prison	1,705
Hutchins	Dallas	State Jail	2,276
Jester I	Richmond	SAFPF 2	323
Jester III	Richmond	Prison	1,131
Jester IV	Richmond	Psychiatric	550
Johnston	Winnsboro	SAFPF 2	612
Jordan	Pampa	Prison	1,008
Kegans	Houston	State Jail	667
Kyle	Kyle	Contract Prison (IPTC) 2	350
		Contract Prison (SAFPF) 2	170
LeBlanc	Beaumont	Pre-Release	1,224
Lewis	Woodville	Prison	2,232
Lindsey	Jacksboro	State Jail - Private	1,031
Lockhart	Lockhart	Contract Prison	500
Lockhart Work - Pre-Parole Transfer	Lockhart	Pre-Parole - Private	500
Lopez	Edinburg	State Jail	1,100
Luther	Navasota	Prison	1,316
Lychner	Humble	State Jail	2,276
Lynaugh	Fort Stockton	Prison	1,374

FIGURE 271 (CONTINUED)
PRISON FACILITIES AND CAPACITIES
FISCAL YEAR 2011

FACILITY	LOCATION	TYPE	BEDS
Marlin	Marlin	Transfer	606
McConnell	Beeville	Prison	2,900
Michael	Tennessee Colony	Prison	3,285
Middleton	Abilene	Transfer	2,128
Mineral Wells - Pre-Parole Transfer	Mineral Wells	Pre-Parole - Private	2,100
Montford	Lubbock	Psychiatric	950
Moore, B.	Overton	Contract Prison	500
Moore, C.	Bonham	Transfer	1,224
Mt. View	Gatesville	Prison	645
Murray	Gatesville	Prison	1,339
Neal	Amarillo	Prison	1,690
Ney	Hondo	State Jail	280
		State Jail (IPTC) 2	296
Pack	Navasota	Prison	1,478
Plane	Dayton	State Jail	2,291
Polunsky	Livingston	Prison	2,900
Powledge	Palestine	Prison	1,137
Ramsey	Rosharon	Prison	1,891
Roach	Childress	Prison	1,842
Robertson	Abilene	Prison	2,900
Rudd	Brownfield	Transfer	612
Sanchez	El Paso	State Jail	1,100
Sayle	Breckenridge	SAFPF 2	632
Scott	Angleton	Prison	1,130
Segovia	Edinburg	Pre-Release	1,224
Skyview	Rusk	Psychiatric	562
Smith	Lamesa	Prison	2,234
Stevenson	Cuero	Prison	1,369
Stiles	Beaumont	Prison	2,897
Stringfellow	Rosharon	Prison	1,212
Telford	New Boston	Prison	2,872
Terrell, C.T.	Rosharon	Prison	1,603
Torres	Hondo	Prison	1,342
Travis Co.	Austin	State Jail	1,161
Tulia	Tulia	Transfer	606
Vance	Richmond	Prison	378
Wallace	Colorado City	Prison	1,433
Ware	Colorado City	Transfer	916

FIGURE 271 (CONTINUED)
PRISON FACILITIES AND CAPACITIES
FISCAL YEAR 2011

FACILITY	LOCATION	TYPE	BEDS
Wheeler	Plainview	State Jail	576
Willacy Co.	Raymondville	State Jail - Private	1,069
Woodman	Gatesville	State Jail	900
Wynne	Huntsville	Prison	2,621
Young	Dickinson	Medical	314

[1]Bed counts are as of August 31, 2011.
[2]Treatment program bed types: Substance Abuse Felony Punishment Facility (SAFPF), Driving While Intoxicated (DWI), and In-Prison Therapeutic Community (IPTC).
[3]Offenders are assigned temporarily to Hospital Galveston for medical purposes and maintain permanent beds in other facilities. Hospital Galveston beds are not considered capacity.
Source: Texas Department of Criminal Justice.

availability, and parole or discharge date. These programs and services are offered: counseling (includes substance abuse and sex offender treatment), adult basic education, special education, and vocational training (often in conjunction with Texas Correctional Industries).

Substance Abuse Felony Punishment Facilities (SAFPF) are secure correctional facilities that use a therapeutic community approach to substance abuse treatment that combines individual and group counseling. Offenders may be sentenced to SAFPF as a condition of community supervision, or an offender on parole may be sent to a SAFPF in lieu of revocation by the Board of Pardons and Paroles (BPP). 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. The bed capacity of the five stand-alone SAFPFs and the five co-located SAFPFs is 3,954. Correctional populations in SAFPFs are shown in **Figure 269.**

The In-Prison Therapeutic Community (IPTC) Program is used for eligible offenders who are within six months of parole release and have been identified by BPP as needing substance abuse treatment. IPTC is a six-month treatment program during incarceration. 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 9 to 12 months of outpatient counseling. Correctional populations in IPTCs are shown in **Figure 269.**

REHABILITATION PROGRAMS DIVISION

The Rehabilitation Programs Division (RPD) manages treatment within TDCJ-operated and contract facilities. Treatment programs under the RPD's authority include the Sex Offender Treatment Program, the Substance Abuse Treatment Program, the Youthful Offender Program, and the Faith-based Pre-release Program. Other offender-related services within the RPD operations are Chaplaincy, Controlled Substance Testing for Offenders, DNA Specimen Collection, and Volunteer Coordination. Appropriations administered by the RPD are contained in various strategies within the agency's budget structure.

CORRECTIONAL MANAGED HEALTHCARE

In 1993, the Seventy-third Legislature established a correctional managed-healthcare system for the delivery of healthcare to incarcerated offenders. In 1996, this system also began managing the delivery of psychiatric services to incarcerated offenders. In fiscal year 2004, the managed-healthcare system was expanded to include contract prisons and privately operated state jails.

The Eighty-second Legislature made significant revisions to the role of TDCJ and the Correctional Managed Health Care Committee (CMHCC). TDCJ now contracts directly with healthcare providers and monitors, in conjunction with the CMHCC, expenditures to ensure quality healthcare is delivered at an affordable cost. The CMHCC's role is to develop statewide policies for the delivery of offender healthcare, communicate with TDCJ and the Legislature regarding the financial needs of the correctional healthcare system, and to report to the Texas Board of Criminal Justice each quarter regarding the CMHCC's recommendations.

TDCJ currently contracts with the University of Texas Medical Branch at Galveston (UTMB) and Texas Tech University Health Sciences Center (TTUHSC) for managed-healthcare. UTMB provides care for incarcerated offenders in the eastern part of the state, where most facilities are located, and TTUHSC provides care in the western part of the state. TDCJ's appropriations include $871.8 million for healthcare and psychiatric services for the 2012–13 biennium.

The Eighty-second Legislature, 2011, significantly revised the process for reimbursement to healthcare providers. Reimbursement rates to TTUHSC inpatient and outpatient hospital services were limited to 100 percent of Medicare rates. Reimbursement rates to UTMB for inpatient and applicable outpatient hospital services were limited to UTMB Medicaid Tax Equity and Fiscal Responsibility Act (TEFRA) rates. These rates are higher than straight Medicaid rates as they include allowances for the costs associated with a teaching hospital and other special circumstance allowances. Reimbursement rates for hospital outpatient services not subject to Medicaid TEFRA rates were limited to straight Medicaid rates and UTMB physician's rates were limited to cost. Implementation of these rate limitations is expected to reduce state costs by $114.9 million in General Revenue Funds.

The enactment of House Bill 4, Eighty-second Legislature, Regular Session, 2011, provided a supplemental appropriation of $57 million in General Revenue Funds to the agency for fiscal year 2011 correctional managed-healthcare.

Telemedicine, a program that allows offender interaction with medical staff through a two-way videoconferencing device, is a cost effective measure used in delivering managed-healthcare. This program allows offenders located in remote areas of the state to have access to medical specialists without the cost of transporting the offenders.

REENTRY AND INTEGRATION DIVISION

The Reentry and Integration Division (RID) was established in fiscal year 2009 to effectively coordinate the transition of releasing offenders back into society. RID combines the Texas Correctional Office on Offenders with Medical or Mental Impairments (TCOOMMI) and an expanded reentry initiative that focuses state resources on reducing recidivism and addressing the needs of juvenile and adult offenders.

TCOOMMI was established by statute in 1987. It consists of representatives from 17 agencies and organizations providing advocacy and services for offenders with special needs. In addition, 10 non-salaried members, serving six-year terms, are appointed by the Governor. TCOOMMI provides an opportunity for collaboration between criminal justice, health and human services, and other affected organizations to provide continuity of care for offenders with special needs.

TCOOMMI contracts for offender programs in select communities across the state, targeting both 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 $37.9 million for the 2012–13 biennium to provide a comprehensive continuity-of-care system for special-needs offenders. Special-needs offenders include the elderly, those with physical disabilities, the terminally ill, the mentally ill, and the mentally retarded. These funds are administered by TCOOMMI.

MAINTENANCE OF ADEQUATE INCARCERATION CAPACITY

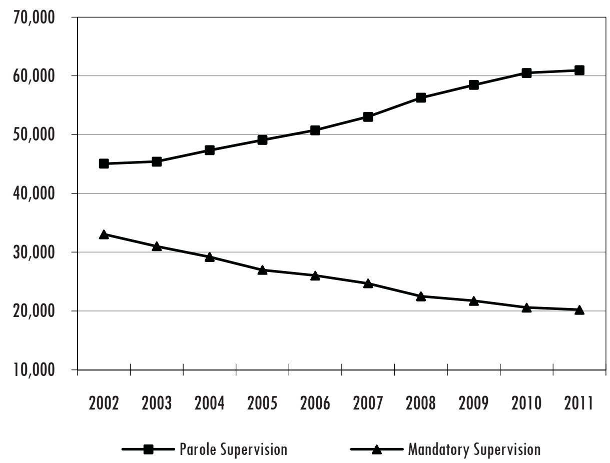
TDCJ operates more than 100 facilities that require maintenance and repairs. For the 2012–13 biennium, TDCJ was appropriated $50.0 million in General Obligation bond proceeds for the repair and rehabilitation of correctional facilities, excluding the Marlin Correctional Mental Health Facility. The agency is also appropriated $14.0 million in General Revenue Funds to provide continued lease-purchase payments on various correctional units.

PAROLE DIVISION

TDCJ was appropriated $311.6 million for the 2012–13 biennium for the Parole Division (PD). Of this total, $212.8 million is designated to fund parole supervision and parole release processing, and $98.9 million is for ensuring adequate surveillance and control of offenders on parole residing in residential facilities, including halfway houses and intermediate sanction facilities. The projected average number of offenders under active parole supervision is 81,663 in fiscal year 2012 and 82,280 offenders in fiscal year 2013.

The PD is responsible for providing supervision and rehabilitative services to offenders released from prison onto parole or mandatory supervision. During fiscal year 2011, PD had an average of 1,278 parole officers throughout its 66 district parole offices statewide. At the close of fiscal year 2011, parole officers actively supervised a population of 81,175 released offenders. **Figure 272** shows parole and mandatory supervision populations at the end of each fiscal year since 2002.

FIGURE 272
PAROLE AND MANDATORY SUPERVISION POPULATIONS, FISCAL YEARS 2002 TO 2011



NOTE: Population counts are as of August 31 of each fiscal year.
SOURCE: Texas Department of Criminal Justice.

INDIRECT ADMINISTRATION

Appropriations for central administration, information resources, and other support services for the 2012–13 biennium total $151.1 million. The Office of Inspector General, internal audit, legal services, executive services, contracts and procurement, public information and media services, victim services, budget and financial operations, administration, information resources, correctional training, and human resources are funded in indirect administration strategies.

OTHER OPERATIONS

Included in the 2012–13 biennial appropriations for prison operations is $316.1 million for TDCJ to continue contracting with seven contract prisons and five privately operated state jails. The contract prisons, located in Bridgeport, Cleveland, Diboll, Kyle, Lockhart, Overton, and Venus, incarcerate minimum-security offenders who are within two years of parole eligibility. Privately operated state jails are located in Bartlett, Dallas, Henderson, Jacksboro, and Raymondville.

As part of the rehabilitative process, Texas Correctional Industries (TCI) provides meaningful 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 are estimated to exceed $48.0 million in fiscal year 2011.

The Agribusiness Division operates and manages over 142,000 acres in 47 counties in Texas. The division has operations at 50 prison units. Production ranges from 30 varieties of edible crops to a cow and heifer herd in excess of 9,400 head.

The Windham School District is allocated $95.0 million for the 2012–13 biennium to provide accredited academic and vocational education to incarcerated offenders. This is a reduction of $33.1 million in General Revenue Funds, or 26 percent of 2010–11 biennial spending levels. These funds support high school General Education Diploma (GED) and vocational and technical education programs in the prison system. Funding for the Windham School District was appropriated to the Texas Education Agency, which allocates funds based on incarcerated offender student contact hours. TDCJ appropriations include $2.7 million for higher education academic and vocational training programs. Participating offenders are required to reimburse the state after release for the cost of college and vocational school programs.

BOARD OF PARDONS AND PAROLES

The Board of Pardons and Paroles (BPP) was established in 1936 by amendment to the Texas Constitution. The full-time salaried seven-member board is made up of members appointed for six-year terms by the Governor with the Senate's approval. Board members serve on parole panels to determine which prisoners are to be released on parole, determine conditions of parole and mandatory supervision, determine the revocation of parole and mandatory supervision, and perform other duties placed on the board by the Texas Constitution. Also serving on parole panels are 12 parole commissioners who assist board members in reviewing and deciding parole cases. The primary distinction between a board member and a parole commissioner is that only board members are vested with the responsibility of promulgating policy relative to parole and mandatory supervision considerations, voting on cases requiring the full vote of the board, and voting on clemency matters.

The parole review and release process includes identifying offenders eligible for parole or mandatory supervision. Texas Government Code, Chapter 508, and Title 37, Texas Administrative Code, Section 145.3, specify the eligibility requirements for the various classes of offenders. Code sections defining release eligibility have been amended, and offenders are required to meet parole eligibility based on the definition existing at the time of conviction. BPP sets the offender review within six months of the calculated parole eligibility date. BPP reviews the case summary, which outlines criminal, social, medical, psychological, and institutional adjustment history, to make a decision and to determine conditions of parole. Cases are screened for many issues, including protests, victim information, disciplinary conduct, and board-imposed special conditions. If approved for parole, the offender is released on the parole eligibility date or the date specified by BPP. If parole is denied, the offender cannot be reviewed for parole again for a minimum of one year, and must be reviewed again not later than five years from the date of the last denial. Local law enforcement is notified of the pending release.

Appropriations for BPP for the 2012–13 biennium total $50.8 million and 574.1 FTE positions to support the board's operations and the parole selection process. BPP appropriations are included in TDCJ's budget structure.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed various bills that affect the agency. Among the more significant legislation are House Bill 2649 and House Bill 1205.

The enactment of House Bill 2649 allows a judge to credit up to one-fifth of an offender's sentence based on the offender's diligent participation in educational, vocational, treatment, or work programs. House Bill 2649 became effective at the beginning of fiscal year 2012 and applies only to a person confined in a state jail facility for an offense committed on or after September 1, 2011.

The enactment of House Bill 1205 allows a judge to grant time credit to certain state jail felony and third degree felony offenders placed on community supervision for completion of a degree, full payment of court costs and fines, and/or successful completion of a treatment program. State jail felony and third degree felony offenders with intoxication, family violence, or reportable sex offenses would not be eligible for time credits nor would offenders who have not fully satisfied restitution payments to victims or were delinquent in paying fines, fees, or court costs. House Bill 1205 became effective at the beginning of fiscal year 2012 and applies only to a person placed on community supervision on or after September 1, 2011.

The Eighty-second Legislature, First Called Session, 2011, enacted two bills that impact TDCJ. Senate Bill 1 reduces the number of members of the Correctional Managed Health Care Committee from nine to six (including an ex officio non-voting member), shortens terms from six years to four years, authorizes TDCJ to contract directly with healthcare providers, and implements a healthcare fee of $100 (taken from the offender's commissary account) for offenders who initiate a visit to a healthcare provider. The fee covers all healthcare visits until the first anniversary of the imposition of the fee.

The enactment of Senate Bill 2 provides a contingency appropriation of $13.5 million in General Revenue Funds for the offender healthcare fee. The appropriation is an estimate of the amount that will be collected in the 2012–13 biennium, which will be reimbursed to the state.

COMMISSION ON FIRE PROTECTION

The Commission on Fire Protection (TCFP) was established in 1991 to develop professional standards and to enforce statewide fire laws to assist local governments in ensuring that the lives and property of the public and fire service providers are adequately protected from fires and related hazards. The agency was formed by consolidating two agencies—the Commission on Fire Protection Personnel Standards and Education and the Fire Department Emergency Board—and two fire-related functions from the Department of Insurance—the State Fire Marshal's Office and the Key Rate Section. In 1997, the operations of the State Fire Marshal's Office were transferred back to the Department of Insurance.

Appropriations to TCFP for the 2012–13 biennium total $3.9 million in All Funds and provide for 31 full-time-equivalent (FTE) positions. Of the total appropriations, $3.8 million, or 97.2 percent, is General Revenue Funds, with $0.1 million (estimated) in Appropriated Receipts. The agency's appropriation reflects a decrease of $0.7 million in General Revenue Funds from the 2010–11 biennial spending level. TCFP FTE positions decreased by 10 positions for the 2012–13 biennium. Funding for the 2012–13 biennium is limited to revenue collections and is contingent on the agency collecting at least $3.4 million above the amount appropriated through revenue generated by increased certification fees.

The agency's goals are to provide local governments and other entities with training resources and to enforce standards for fire service personnel education, facilities, and equipment. The two goals are accomplished by providing fire safety information and educational programs and certifying and regulating fire departments and fire personnel.

The agency's appropriations include $2.6 million in All Funds in the 2012–13 biennium for certifying and regulating fire departments and fire personnel. Certification and regulation activities include inspection and investigation of regulated entities; certification of full-time and part-time paid fire service personnel and volunteers who have sought certification by the agency; certification of fire service training facilities (includes course approval, curriculum development, and administration of performance and written tests); and performance of criminal background checks.

COMMISSION ON JAIL STANDARDS

The Texas Commission on Jail Standards (TCJS) was established in 1975 as the regulatory agency for all county jails and privately operated municipal jails in the state. Its mission is to empower local government to provide safe, secure, and suitable jail facilities by establishing proper rules and procedures while promoting innovative programs and ideas. The commission consists of nine members appointed by the Governor with the advice and consent of the Senate.

Appropriations for the 2012–13 biennium total $1.9 million and provide for 16 full-time-equivalent (FTE) positions. The appropriations include $1.8 million in General Revenue Funds, or 96.8 percent. The agency's appropriation includes a decrease of $0.2 million in General Revenue Funds and 3.0 FTE positions as compared to the 2010–11 biennial spending levels.

The agency's goal is to establish and enforce minimum standards for the provision and operation of jails, and it provides consultation, training, and technical assistance to help local governments comply with those standards. To achieve its goal and to comply with statutory responsibilities, the agency has six key functions:

- establish effective jail standards;
- inspect and enforce minimum standards;
- review construction plans;
- provide management consultation;
- audit facility populations and costs; and
- conduct the juvenile justice survey.

ESTABLISH EFFECTIVE JAIL STANDARDS

TCJS is responsible for 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.

INSPECT AND ENFORCE MINIMUM STANDARDS

In accordance with state statute, TCJS is required to inspect and report on the conditions of each county jail and privately operated municipal jail annually. This requirement is to ensure 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. **Figure 273** shows a historical listing of how many facilities TCJS has regulatory authority to monitor. As of September 1, 2011, of the 254 counties in Texas, there are 235 county-operated jails and 10 privately operated or combined facilities for a total of 245 facilities under TCJS purview.

FIGURE 273
FACILITIES TCJS HAS REGULATORY AUTHORITY FOR MONITORING
FISCAL YEARS 2005 TO 2012

FISCAL YEAR	COUNTY-OPERATED JAILS	PRIVATELY OPERATED FACILITIES	TOTAL
2005	230	18	248
2006	230	18	248
2007	230	26	256
2008	231	26	257
2009	231	17	248
2010	229	20	249
2011	235	10	245
2012	235	10	245

NOTE: The counts are at the beginning of each fiscal year.
SOURCE: Texas Commission on Jail Standards.

REVIEW CONSTRUCTION PLANS

State statute also requires TCJS to review and comment on plans for the construction, major modification, or renovation of county jails. The agency provides consultation and technical assistance to local governments for the most efficient, effective, and economic means of jail construction, while ensuring compliance with minimum standards.

PROVIDE MANAGEMENT CONSULTATION

TCJS provides local government officials with consultation and technical assistance for county jails. The agency receives and approves jail operation plans related to the minimum standards. Consultations and technical assistance include developing plans for (1) establishing an inmate classification system, (2) determining jail staffing patterns, (3) providing health services, (4) meeting sanitation needs, (5) creating 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 management training for county staff.

AUDIT FACILITY POPULATIONS AND COSTS

The agency collects monthly information on county jail populations and operational costs. This information is summarized and provided to state and local government agencies to assist in planning and predicting incarceration trends in the state. **Figure 274** shows a historical overview of the number of inmates in local facilities (county jails and privately operated facilities) starting in fiscal year 2003. 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 2012, there were a total of 69,085 inmates in facilities under TCJS purview, and overall, the facilities were at 73 percent of total jail capacity. Construction projects completed in fiscal year 2011 resulted in an increase of 2,168 beds. However, closure of older jail facilities and a reduction in the number of variance beds created a net decrease of 2,597 beds, or a 2.7 percent decrease in jail capacity at the beginning of fiscal year 2012.

CONDUCT THE JUVENILE JUSTICE SURVEY

Another statutory requirement of TCJS is to collect and process juvenile jail logs from municipal lockups and county jails on detained persons under age 17. The agency is also responsible for identifying and compiling a directory of all adult jails and municipal lockups with juvenile detention, correctional, or holdover centers collocated in the same building or on the same grounds. The federal Juvenile Justice and Delinquency Prevention Act requires states receiving federal funds under the Act to comply with certain requirements pertaining to juvenile detention facilities, adult jails, and municipal lockups collocated within the same building or on the same grounds.

OTHER AUTHORIZED FUNCTIONS

Under certain circumstances, TCJS is authorized to set and collect reasonable fees for (1) the review of and comment on construction documents for new facilities or expansion projects; (2) occupancy inspections; (3) annual inspections; and (4) re-inspections requested by the operator of a jail before previously cited compliance issues have been corrected. The agency may also impose fees on a private vendor that operates a correctional facility housing inmates from another state to offset the cost of regulating and providing technical assistance to the facility. If a facility fails to remedy deficiencies promptly relative to law or agency orders, rules, and procedures, the agency may prohibit the facility from housing inmates and require the county in which the facility is located to transfer inmates to a compliant detention facility.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect TCJS. Senate Bill 1687 and Senate Bill 1698 are among the most significant legislation.

The enactment of Senate Bill 1687 requires each jail under TCJS' jurisdiction to submit to TCJS by the fifth day of each month, a report containing the number of licensed jailers

FIGURE 274
COUNTY JAIL POPULATION AND CAPACITY AT THE BEGINNING OF EACH FISCAL YEAR
FISCAL YEARS 2005 TO 2012

	INMATES IN COUNTY FACILITIES				
FISCAL YEAR	LOCAL POPULATION	CONTRACT POPULATION	TOTAL POPULATION	TOTAL JAIL CAPACITY	PERCENTAGE OF TOTAL CAPACITY
2005	54,967	10,927	65,894	79,599	82.8
2006	58,111	12,936	71,047	80,455	88.3
2007	59,668	14,599	74,267	82,763	89.7
2008	59,529	12,932	72,461	85,241	85.0
2009	59,439	11,480	70,919	85,550	82.9
2010	60,169	11,491	71,660	91,235	78.5
2011	60,807	11,532	72,339	96,948	74.6
2012	59,085	10,000	69,085	94,351	73.2

Source: Texas Commission on Jail Standards.

who left employment at the jail during the previous month. TCJS is required to develop a form for the report.

The enactment of Senate Bill 1698 requires counties to report by the fifth day of each month the number of prisoners confined in county jails for which an immigration detainer has been issued by the U.S. Immigration and Customs Enforcement.

JUVENILE JUSTICE DEPARTMENT

The Juvenile Justice Department (JJD) was established in fiscal year 2012 by the Eighty-second Legislature, Regular Session, 2011, by Senate Bill 653, which is the Sunset legislation that also abolishes the Texas Youth Commission (TYC) and the Juvenile Probation Commission (JPC). The two primary functions of JJD are to continue providing financial and professional assistance to local juvenile probation departments, and to ensure public safety by providing direct supervision of youth who are committed to the state services and facilities division of the agency. The 13-member governing board of JJD is charged with prioritizing the use of local probation services over the commitment of juveniles to state facilities. The legislation also established a 13-member Advisory Council on Juvenile Services composed of JJD personnel and representatives of local probation departments, which is appointed by the JJD governing board. The advisory council is charged with reviewing the needs and problems of local juvenile probation departments, conducting long range planning, reviewing JJD standards, analyzing the costs of services, and making recommendations to the board.

Under the goal of Community Juvenile Justice, JJD maintains the functions that were previously under the authority of the Juvenile Probation Commission. Through financial assistance, professional training, and oversight, the agency helps to provide a comprehensive range of community-based probation services that ensure public safety, accountability, and assistance to youth in becoming productive, responsible, law-abiding citizens. JJD distributes grants to juvenile boards for maintaining and improving probation services, and works in partnership with local juvenile boards and probation departments to provide alternatives to the commitment of juveniles to state facilities. Additionally, the community juvenile justice division also establishes and enforces uniform probation standards, collects, analyzes, and disseminates information, and endeavors to improve communications between state and local entities within the juvenile justice system.

Under the goal of State Services and Facilities, JJD continues the functions that were previously under the authority of TYC. The state services division of JJD operates both institutional and community-based residential programs for juvenile offenders and supervises them on parole after their release from the programs. The state services and facilities division provides juveniles under its care with individualized education plans, rehabilitation treatment, life skills and employment training, and positive role models to facilitate successful community reintegration. Additionally, the agency contracts with private sector providers for specialized residential programs, group homes, vocational training programs, residential treatment centers, foster care, and nonresidential services.

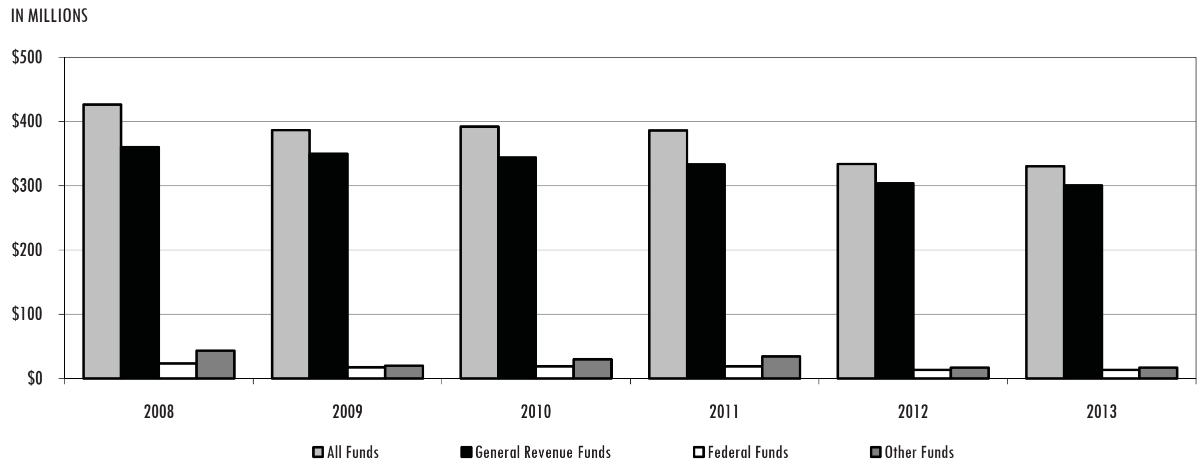
Appropriations allocated to JJD for the 2012–13 biennium provide $664 million in All Funds and 3,144.7 full-time-equivalent (FTE) positions in fiscal year 2012 and 3,060.9 FTE positions in fiscal year 2013. The appropriations include $604.2 million in General Revenue Funds, or 91 percent. Appropriations allocated to JJD are determined by combining total appropriations for TYC and JPC for the biennium. **Figure 275** shows JJD appropriations for fiscal years 2008 to 2013, as represented by combining TYC and JPC appropriations over those years. Half of TYC and JPC appropriations are allocated to TYC and JPC in the first quarter of fiscal year 2012 for the continued operation of those agencies and their eventual transition to JJD. Upon the transition date of December 1, 2011, all funds, records, property and equipment in the possession of TYC and JPC are transferred to JJD, as well as all memoranda of understanding that applied to each former agency.

Appropriations of All Funds for the 2012–13 biennium for the two former agencies decreased from the 2010–11 biennial spending levels. Appropriations for the community juvenile justice division of JJD for the 2012–13 biennium include an increase of $4.8 million in General Revenue Funds and 5.0 FTE positions from the 2010–11 biennial spending levels. Funding for State Services and Facilities decreased by $77.3 million in General Revenue Funds from the 2010–11 biennial spending level. The combined net impact on JJD for the 2012–13 biennium is a decrease of $72.5 million in General Revenue Funds and 553.2 FTE positions from the 2010–11 biennial spending levels.

COMMUNITY JUVENILE JUSTICE

The agency's financial assistance to local juvenile probation departments is disbursed primarily in the following areas: (1) Community Supervision; (2) Diversion Programs; (3) Local Post-adjudication Facilities; (4) Juvenile Justice Alternative Education Programs; and (5) The Harris County Boot Camp. The 2012–13 biennial appropriation totals $312.5 million in All Funds for these programs. The enactment of Senate Bill 653 also charges the agency with providing a comprehensive and unified statewide delivery system of prevention and intervention services to at-risk

FIGURE 275
JUVENILE JUSTICE DEPARTMENT APPROPRIATIONS
FISCAL YEARS 2008 TO 2013



Note: Appropriations are the combined total from the Texas Youth Commission and the Juvenile Probation Commission, fiscal years 2008 to 2013.
Source: Legislative Budget Board.

youth and their families, to the extent that funding is available.

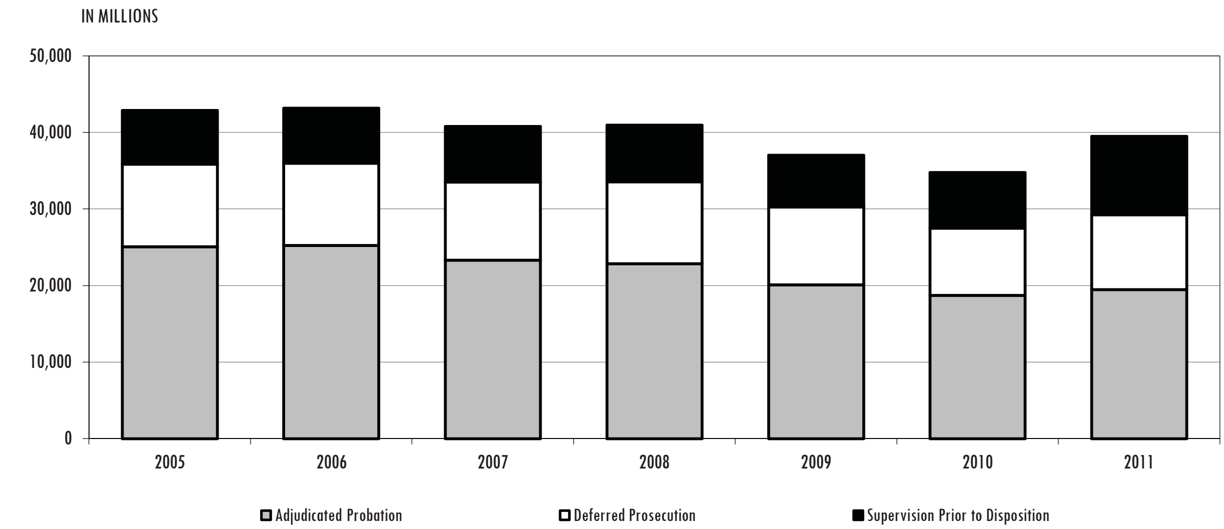
COMMUNITY SUPERVISION

JJD allocates grants to local probation departments to provide services such as delinquency prevention, deferred prosecution, and court-ordered probation services. Specialized programs include enhanced community-based services such as sex offender treatment and programming for misdemeanants no longer eligible for commitment to state facilities. Additionally, many departments operate Intensive Supervision Probation (ISP) programs, which utilize reduced caseloads and increased probation officer contact with juveniles as an alternative to residential placements. Special Needs Diversionary Programs (SNDP) support specialized caseloads addressing mentally impaired juveniles. The agency expects that 21 departments will maintain SNDP caseloads during the 2012–13 biennium. Community Supervision grants are also used for the administrative costs of promulgating standards for juvenile boards, probation officers, programs, and facilities and for maintaining a comprehensive regional training program for juvenile probation officers, detention workers, and juvenile boards.

Appropriations for Community Supervision total $170.8 million, which constitutes the majority of grants to juvenile probation departments and includes $14.0 million in Title IV-E Federal Grants. Federal Title IV-E funds reimburse local juvenile probation departments for qualifying delinquent children in cases when it is in the best interest of the child to be removed from the home. Community Supervision grants are distributed to counties based on historical funding, juvenile-age population, and number of referrals. The agency received a significant increase in state funding for Community Supervision in the 2008–09 biennium, which has been maintained over the previous two legislative sessions. **Figure 276** shows the end-of-month yearly average population (EMYAP) under juvenile supervision from fiscal years 2004 to 2011. Three categories determine the EMYAP under juvenile supervision: (1) EMYAP of juveniles supervised under deferred prosecution; (2) EMYAP of juveniles supervised under adjudicated probation; and (3) EMYAP of juveniles supervised prior to disposition. The EMYAP under juvenile supervision decreased each year from fiscal years 2006 and 2010, and is projected to remain stable in fiscal years 2012 and 2013.

Juveniles are primarily referred to a juvenile probation department by law enforcement, school personnel, municipal courts, and Justices of the Peace. Juveniles may be referred to a juvenile probation department for criminal offenses, probation violations, truancy, runaway, expulsion from a school disciplinary program, violations of a justice or municipal court order, and a variety of other behaviors. An individual juvenile may have multiple referrals; therefore, the number of referrals to juvenile probation departments in a given year will differ from the number of juveniles referred

FIGURE 276
END-OF-MONTH YEARLY AVERAGE POPULATION UNDER LOCAL COMMUNITY SUPERVISION, FISCAL YEARS 2004 TO 2011



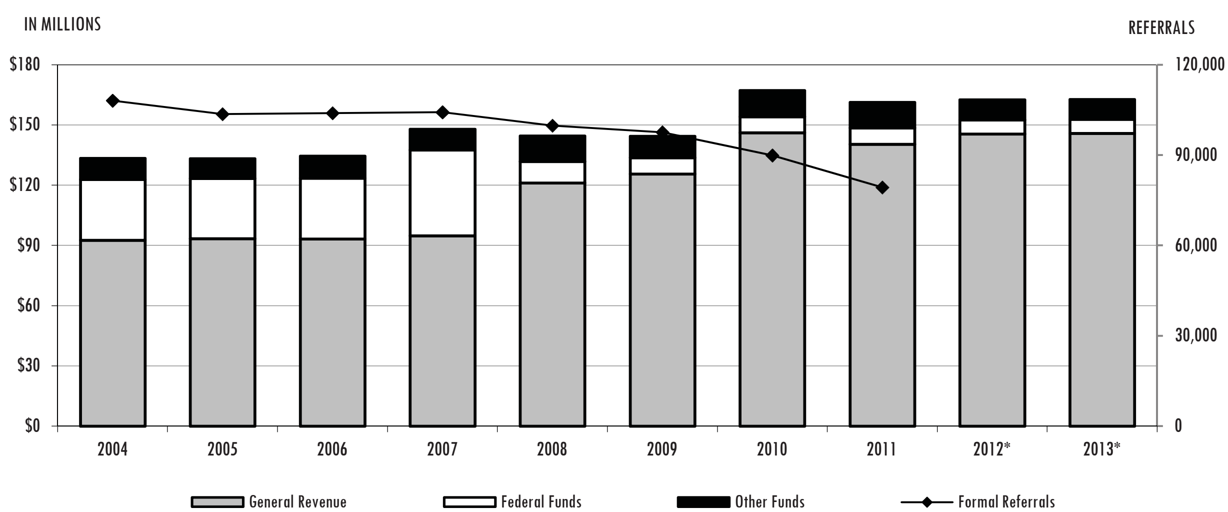
SOURCES: Legislative Budget Board; Juvenile Probation Commission.

that year. Not all referrals result in placement on juvenile probation. **Figure 277** shows state assistance to juvenile probation departments compared with the number of formal referrals from fiscal years 2004 to 2011, as well as appropriated state assistance in fiscal years 2012 and 2013. The annual number of referrals has decreased steadily since fiscal year 2007. The agency expects referrals to remain steady in the 2012–13 biennium.

DIVERSION PROGRAMS

Appropriations for Diversion Programs total $39.0 million, which is equal to the estimated expenditures during the 2010–11 biennium on the Community Corrections Diversion Program (CCDP). CCDP was established by the Eighty-first Legislature, 2009, to provide local juvenile probation departments with alternatives to committing youth to state facilities. Under the program, commitments to state facilities by local juvenile courts decreased to 1,111

FIGURE 277
STATE ASSISTANCE TO LOCAL JUVENILE PROBATION DEPARTMENTS AND REFERRALS, FISCAL YEARS 2004 TO 2013



*Referrals are not estimated for fiscal years 2012 and 2013.
SOURCES: Legislative Budget Board; Juvenile Probation Commission.

youth in fiscal year 2010, down from 1,592 youth during the previous fiscal year. Youth may also be committed to state facilities by parole revocation and technical violations of the terms of parole. **Figure 278** shows the number of commitments to state facilities by juvenile courts, and other forms of commitments such as revocations and technical violations, from fiscal years 2004 to 2011.

LOCAL POST-ADJUDICATION FACILITIES

Appropriations for local post-adjudication facilities provide grants for partial operating costs of 55 secure and nonsecure post-adjudication facilities operated by local governments. Residential post-adjudication placements provide an alternative to incarceration at the state level through placement in a secure or nonsecure facility for at-risk juveniles. Youth may also be housed in one of 53 pre-adjudication detention facilities around the state. Additionally, both the ISP and residential placement programs provide a higher level of monitoring of juveniles than basic supervision. **Figure 279** shows the end-of-month population (EMP) of juveniles in ISP (referenced under Community Supervision) and residential placements for fiscal years 2004 to 2011. The EMP of juveniles under ISP has fluctuated since fiscal year 2006, and the EMP of juveniles in residential placement has decreased since fiscal year 2007. Appropriations for Local Post-adjudication facilities total $83.5 million, which is equal to the estimated state expenditures for local residential placements during the 2010–11 biennium. The Harris County Boot Camp is also funded with $2.0 million for the 2012–13 biennium.

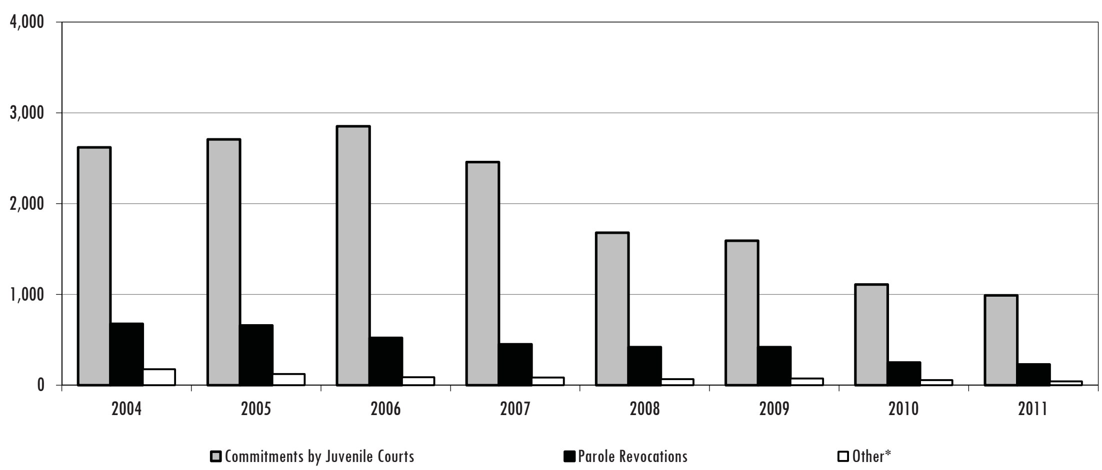
JUVENILE JUSTICE ALTERNATIVE EDUCATION PROGRAM

Following the revision of the Texas Education Code during the 1998–99 biennium, state funding to support the Juvenile Justice Alternative Education Program (JJAEP) was transferred from the Foundation School Program to JPC. JJD assumes responsibility for funding and monitoring JJAEPs in the 2012–13 biennium. JJAEPs provide off-campus alternative education programs for students removed from the classroom for disciplinary reasons. The 2012–13 appropriation totals $17.2 million for JJAEPs, and is based on estimates of the number of mandatory students to be served in the 2012–13 biennium. **Figure 280** shows the mandatory student attendance days in JJAEPs during the regular school year decreasing each year since the 2006–07 school year. All participating counties are reimbursed for students who must be expelled in accordance with Section 37.011(a) of the Texas Education Code. JJD is required to submit a performance assessment report concerning JJAEP student academic and behavioral success to the Legislative Budget Board and the Governor each biennium.

TRAINING, TECHNICAL ASSISTANCE AND MONITORING

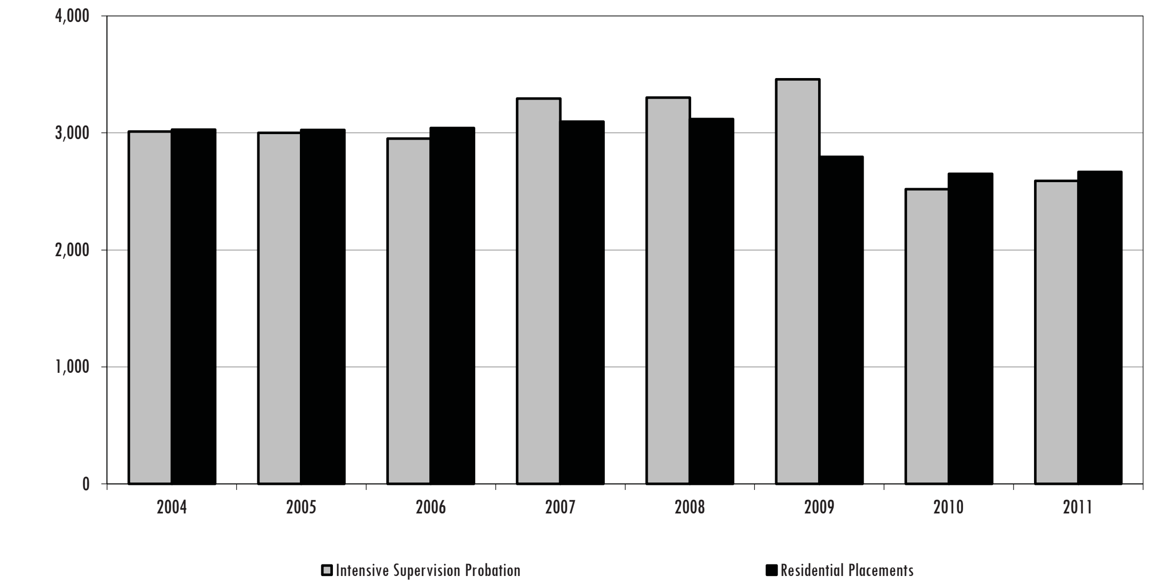
JJD provides training, certification, and technical assistance to local juvenile probation department staff members across the state. The agency sets minimum standards for juvenile

FIGURE 278
INTAKES TO STATE FACILITIES BY JUVENILE COURTS AND OTHER SOURCES
FISCAL YEARS 2004 TO 2011



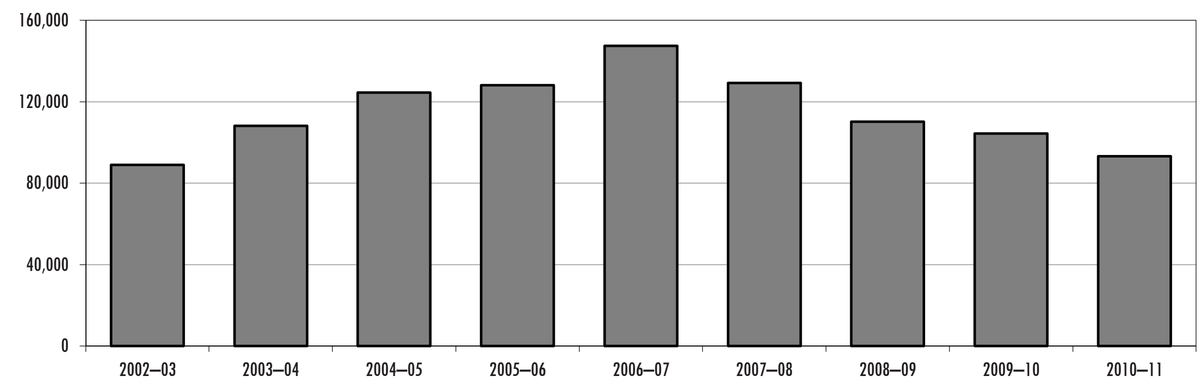
*Other commitments include juveniles returned to a secure facility for medical care, mental healthcare, and other non-disciplinary reasons. It also includes juveniles moved to a secure facility for a court hearing that does not result in a revocation.
Sources: Legislative Budget Board; Texas Youth Commission.

FIGURE 279
END-OF-MONTH POPULATION OF JUVENILES IN INTENSIVE SUPERVISION PROBATION AND RESIDENTIAL PLACEMENT FISCAL YEARS 2004 TO 2011



SOURCE: Juvenile Probation Commission.

FIGURE 280
MANDATORY STUDENT ATTENDANCE DAYS IN THE JUVENILE JUSTICE ALTERNATIVE EDUCATION PROGRAM DURING THE REGULAR SCHOOL YEAR, SCHOOL YEARS 2003 TO 2011



SOURCE: Juvenile Probation Commission.

probation officers and requires 40 hours of continuing education annually. Detention and residential employee staff members are also certified by JJD. As well as providing training to juvenile judges, JJD also offers legal and technical assistance to professionals working in the juvenile justice system. The Texas Family Code requires JJD to conduct annual inspections of each of the state's public or private detention facilities, juvenile post-adjudication secure correctional facilities, and nonsecure facilities. JJD expects to monitor 34 secure and 11 nonsecure county post-adjudication facilities and 53 pre-adjudication or detention facilities, all of which are eligible for financial assistance from the state, during the 2012–13 biennium. Appropriations for Training, Technical Assistance and Monitoring total $5.2 million in All Funds and 34.8 FTE positions, which includes an increase of 5.0 FTE positions from the 2010–11 biennium.

STATE SERVICES AND FACILITIES

The agency's primary functions related to State Services and Facilities are: (1) Assessment and Orientation; (2) Facility Operations; (3) Education; (4) Halfway House Operations; (5) Healthcare, Mental Health Services; and Healthcare Oversight; (6) General and Specialized Rehabilitation Treatment; (7) Contract Capacity; (8) Parole Services; and (9) the Office of the Inspector General. The State Services and Facilities function of JJD is appropriated $315.7 million for the 2012–13 biennium.

ASSESSMENT AND ORIENTATION

Assessment and Orientation operations are performed at the McLennan County State Juvenile Correctional Facility in Mart for male offenders and at the Ron Jackson State Juvenile Correctional Complex in Brownwood for female offenders. During the assessment and orientation process, staff conduct medical, educational, and psychological testing, produce complete social summaries, and recommend an initial facility assignment. Psychiatric consultants perform comprehensive evaluations for juvenile offenders who have been prescribed psychotropic medication within six months prior to admission to JJD, for juveniles assigned a minimum length-of-stay of one year or longer, and for other juvenile offenders referred by assessment staff. At the conclusion of a juvenile's stay at the assessment and orientation facilities, the juvenile is placed in one of JJD's residential programs. The Centralized Placement Unit staff decides where each juvenile offender will be placed. Appropriations for assessment and orientation total $5.5 million for the 2012–13 biennium and provide for 46.5 FTE positions.

INSTITUTIONAL SERVICES

There are two major categories of juveniles under the supervision of JJD. "Committed" juveniles are sent to JJD by the juvenile courts after adjudication. JJD is given custody of these juvenile offenders and administratively determines how long they will stay, what type of services they will receive, and when they will be allowed to leave. "Sentenced" offenders are given a specific sentence to JJD by the juvenile court under the determinate-sentencing statutes. A juvenile court may commit or sentence a youth to JJD for any felony offense or for violation of felony probation. The agency presently operates six secure facilities and nine halfway houses, for a total state-operated capacity of 1,717 beds. **Figure 281** shows youth capacity at each of its state-operated institutional facilities. Al Price Juvenile Correctional Facility, Crockett State School, and Ron Jackson State Juvenile Correctional Complex Unit II were closed in August 2011.

The determinate-sentencing law was adopted by the Seventieth Legislature in 1987, and the law's provisions were significantly modified effective January 1, 1996. Under the revised statute, youths 10 to 16 years of age may be sentenced to not more than 40 years for a capital, 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. There are 19 offenses eligible for a juvenile determinate sentence:

- murder;
- capital murder;
- attempted capital murder;
- manslaughter;
- intoxication manslaughter;
- aggravated kidnapping;
- aggravated sexual assault;
- arson resulting in bodily injury or death;
- aggravated robbery;
- habitual felony conduct;
- felony deadly conduct involving discharging a firearm;
- certain offenses involving controlled substances;
- injury to a child, elderly individual, or person with a disability;
- aggravated assault;
- criminal solicitation;
- indecency with a child;
- criminal solicitation of a minor;
- certain attempted violent offenses; and
- criminal conspiracy in the commission of any determinate sentence offense.

Legislation enacted by the Eightieth Legislature, 2007, requires JJD to establish a minimum length-of-stay for each juvenile offender without a determinate sentence. The legislation also establishes a minimum length-of-stay review panel to determine if a juvenile offender who completes an

FIGURE 281
JJD FACILITY CAPACITY, FISCAL YEARS 2006 TO 2013

INSTITUTION	2006	2007	2008	2009	2010	2011	2012	2013
Al Price State Juvenile Correctional Facility[1]	312	312	216	216	148	148	0	0
Corsicana Residential Treatment Center	198	198	187	187	145	145	155	155
Crockett State School[2]	264	264	208	208	208	208	0	0
Evins Regional Juvenile Center	240	240	176	176	176	176	152	152
Gainesville State School	340	340	288	288	288	288	304	304
Giddings State School	376	376	320	320	272	320	320	320
Marlin Orientation and Assessment Unit[3]	436	436	0	0	0	0	0	0
McLennan County State Juvenile Correctional Facility[4]	672	672	592	592	394	394	416	416
Ron Jackson State Juvenile Correctional Complex[5]	460	460	364	364	270	270	152	152
San Saba State School[6]	356	356	0	0	0	0	0	0
Sheffield Boot Camp[7]	128	128	0	0	0	0	0	0
Victory Field Correctional Academy[8]	336	336	336	336	96	0	0	0
West Texas State School[9]	240	240	240	240	48	0	0	0
Subtotal, State-run Secure Facilities	4,358	4,358	2,927	2,927	2,045	1,949	1,499	1,499
Halfway Houses	218	218	218	218	218	218	218	218
TOTAL CAPACITY, STATE-OPERATED FACILITIES	**4,576**	**4,576**	**3,145**	**3,145**	**2,263**	**2,167**	**1,717**	**1,717**

[1,2]Al Price Juvenile State School and Crockett State School were closed in August 2011.
[3]Marlin facility was transferred to the Texas Department of Criminal Justice in August 2007.
[4]McLennan County State Juvenile Correctional Facility units I and II were consolidated to a single unit in August 2011.
[5]Ron Jackson State Juvenile Correctional Complex Unit II was closed in August 2011.
[6]John Shero State Juvenile Correctional Facility (San Saba State School) was transferred to the Texas Department of Criminal Justice in August 2007.
[7]Sheffield Boot Camp closed in March 2008.
[8]Victory Field Correctional Academy closed in August 2010.
[9]West Texas State School closed in August 2010.
Source: Texas Youth Commission (JJD as of December 1, 2011).

original minimum length-of-stay is in need of further rehabilitation.

In fiscal year 2011, 8.8 percent of all juvenile offenders committed to JJD received a determinate sentence. Offenders receiving a determinate sentence usually have a longer length-of-stay than those with an indeterminate sentence. All juveniles committing determinate-sentence offenses are governed by the provisions in effect at the time the offense was committed.

The agency may release a sentenced offender to JJD parole supervision without court approval after 10 years for a capital offense, three years for a first-degree felony, two years for a second-degree felony, and one year for a third-degree felony offense. Following a transfer hearing and depending on an offender's conduct while institutionalized or paroled, the court may transfer an offender who is between the ages of 17 and 19 to confinement in TDCJ. Determinate-sentenced juveniles are transferred to TDCJ custody at age 19 if they have not already been discharged or transferred.

Appropriations for Facility Operations total $165.1 million in All Funds for the 2012–13 biennium and provide for 1,997.0 FTE positions in fiscal year 2012 and 1,913.2 FTE positions in fiscal year 2013. The projected average daily population in state-operated secure institutional programs is 1,372 (91.5 percent of state-operated secure facility capacity) in fiscal year 2012 and 1,289 in fiscal year 2013 (86 percent of state-operated secure facility capacity).

In addition to institutional programs, TYC operates nine halfway house programs in Austin, Corpus Christi, Dallas, El Paso, Fort Worth, Harlingen, McAllen, Roanoke, and San Antonio. Several of these programs provide specialized services for independent-living preparedness and for substance abusers and female offenders. Juvenile offenders receive aftercare follow-up programs at all halfway houses. Appropriations for Halfway House Operations total $20.4 million over the biennium, and the projected average daily population is 218 youth.

EDUCATION AND WORKFORCE PROGRAMS

The JJD state services and facilities division emphasizes improved educational levels and achievement of a high school diploma or General Equivalency Diploma as critical in reducing recidivism. **Figure 282** shows recidivism rates for JJD released juvenile offenders by year. JJD employs certified teachers for its academic and vocational programs, and focuses particularly on increasing the reading levels of youth in its care. Teacher salaries are funded from Foundation School Funds based on a per capita apportionment and from General Revenue Funds. Limited additional funding is available from supplemental federal grants for teacher salaries and for educational diagnosticians who deliver services in special areas such as special education and students with disabilities. JJD's workforce development programs offer juvenile offenders opportunities in vocational and skills development through the Career and Technology Education program and employment experience through Campus Work Programs and the Prison Industry Enhancement Program. Appropriations for Education and Workforce Programs for the 2012–13 biennium total $39.1 million in All Funds and provide for 310.8 FTE positions.

FIGURE 282
REINCARCERATION RATES BY FISCAL YEAR OF RELEASE, FISCAL YEARS 1999 TO 2007

FISCAL YEAR*	PERCENTAGE REINCARCERATED WITHIN 3 YEARS AFTER RELEASE
1999	51.0
2000	52.2
2001	47.6
2002	46.7
2003	50.1
2004	49.1
2005	43.3
2006	41.2**
2007	35.7**

*Fiscal year is the year the juveniles in the study cohort were released.
**The Legislative Budget Board calculated these rates; the Texas Youth Commission calculated all other rates using a slightly different methodology.
Sources: Legislative Budget Board; Texas Youth Commission.

HEALTHCARE AND MENTAL HEALTH SERVICES

JJD contracts with the University of Texas Medical Branch at Galveston and private providers for medical and mental healthcare for juveniles in its custody. The Eighty-second Legislature, Regular Session, 2011, appropriated $27.1 million in General Revenue Funds and 11.9 FTE positions for healthcare services and oversight for the 2012–13 biennium. In addition, appropriations for mental health services for the 2012–13 biennium total $2.5 million in General Revenue Funds.

REHABILITATION TREATMENT

All juveniles placed in JJD custody take part in general rehabilitation treatment programs. The agency's treatment programs address basic behavior by requiring offenders to learn the skills necessary to understand the choices and thinking that lead to criminal acts, to develop empathy for victims, and to develop appropriate values. Rewards and privileges are tied to a juvenile's compliance with specific rules. Intensive treatment is available for juvenile offenders with identified high- and medium-level specialized treatment needs. Specialized treatment includes programs for capital offenders, violent offenders, sex offenders, and offenders with chemical dependency and mental health needs. Appropriations for general rehabilitation treatment for the 2012–13 biennium total $17.5 million in General Revenue Funds and 171.9 FTE positions.

JJD provides specialized residential treatment for serious violent offenders, sex offenders, chemically dependent offenders, offenders with mental health impairments, and offenders with mental retardation. Specialized capital offender treatment is provided at the Giddings State School. Specialized violent offender treatment is provided at the Evins Regional Juvenile Center, the Gainesville State School, and the Ron Jackson State Juvenile Correctional Facility. Specialized treatment for sex offenders is provided at the Crockett State School, the Gainesville State School, the Giddings State School, the McLennan County State Juvenile Correctional Facility, and the Ron Jackson State Juvenile Correctional Complex. Specialized chemical dependency treatment is provided at the Evins Regional Juvenile Center, the Gainesville State School, the Giddings State School, the McLennan County State Juvenile Correctional Facility, the Ron Jackson State Juvenile Correctional Facility, the Schaeffer and York Halfway Houses, and the McFadden Ranch. The Corsicana Residential Treatment Center provides specialized treatment for severe mental health issues. Appropriations for specialized rehabilitation treatment for the 2012–13 biennium total $10.9 million in All Funds and 92.0 FTE positions.

CONTRACT CAPACITY

Contract care facilities are outside the JJD institutional system and provide specialized treatment. These facilities include 24-hour residential treatment and services for female offenders with infants, sex offenders, and individuals affected by chemical dependency. The number of contract care beds utilized depends on whether there is a sufficient number of JJD institutional beds available to serve the residential population and the specialized needs presented by the offender population. Appropriations for Contract Capacity total $13.0 million over the 2012–13 biennium. This funding provides an average daily population of 125 residential contract care beds in fiscal years 2012 and 2013, which is equal to the funded amount in the 2010–11 biennium.

PAROLE SERVICES

JJD operates a parole system for supervision of juveniles released from residential programs. The agency employs parole officers and contracts with juvenile probation departments and a private contractor to provide a level of supervision determined by the risk posed by the juvenile. A juvenile offender's parole may be revoked and the juvenile returned to a JJD institution if the offender violates the conditions of parole. Sentenced offenders who are paroled at age 19 are supervised by adult parole authorities. The administration of JJD community residential facilities and the supervision of juveniles on parole or in contract care programs is organized on a regional basis. Community reintegration is important to a juvenile offender's success and includes services such as family intervention, education, training, and aftercare programs. JJD is expanding its continuity of care services for paroled juveniles by working closely and sharing information with committing courts and local service providers and contracting with public and private entities to meet a broader range of needs. Appropriations for parole services for the 2012–13 biennium total $10.0 million in General Revenue Funds and 75.1 FTE positions.

OFFICE OF THE INSPECTOR GENERAL

The Eightieth Legislature, 2007, established the Office of Inspector General (OIG) at TYC to investigate crimes that occur involving youth under state supervision, in state contract facilities and crimes committed by employees of the agency. The Eighty-second Legislature, Regular Session, 2011, continued the functions of the OIG under the authority of JJD. The OIG operates the Incident Reporting Center, which includes a 24-hour hotline as a means for juveniles, family, staff, and others to report violations and crimes that occur in relation to JJD. When a call is received, the OIG determines if the incident is a criminal, administrative, youth rights, or youth care issue. The complaint is then forwarded to the appropriate division for review and investigation. Appropriations for the 2012–13 biennium total $4.1 million in General Revenue Funds and provide for 36.6 FTE positions.

OFFICE OF THE INDEPENDENT OMBUDSMAN

The Eightieth Legislature, 2007, established the Office of Independent Ombudsman (OIO) as a separate state agency to investigate, evaluate, and secure the rights of juveniles in TYC facilities and on TYC parole. The OIO continues its functions in collaboration with JJD during the 2012–13 biennium. The OIO provides families of JJD 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 JJD. The 2012–13 biennial appropriations for the OIO total $0.6 million in General Revenue Funds and provide for 4.6 FTE positions.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed Senate Bill 653, Sunset legislation which abolishes JPC and TYC and establishes JJD on December 1, 2011. Additional details are included in this report.

The following significant legislation was also enacted by the Eighty-second Legislature, Regular Session, 2011:

- Senate Bill 501 establishes an Interagency Council for Addressing Disproportionality. JJD will participate with other agencies to examine the disproportionate involvement of children who are members of a racial or ethnic minority group at each stage in the juvenile justice, child welfare, and mental health systems.

- Senate Bill 1106 requires schools and juvenile service providers to share some confidential information of certain multi-system youth for the purposes of verifying the identity of the youth and provide delinquency prevention and treatment services. A multi-system youth is a person under age 19 who received services from two or more juvenile service providers.

- Senate Bill 1209 allows a juvenile court that certifies a youth under age 17 to stand trial as an adult to be detained in a certified juvenile detention facility rather than a county jail pending trail. All juvenile boards must adopt a policy stating whether or not they will allow juveniles certified as adults to be held in a juvenile detention facility.

- Senate Bill 1489 establishes the criminal offense of Failure to Attend School under Education Code Section 25.094 as applicable only to children who are between ages 12 and 17. Youth who are age 10 or 11 must be processed in juvenile court under Texas Family Code Section 54.021.

- House Bill 2015 reclassifies the offense of prostitution committed by a juvenile as a Child in Need of Supervision (CINS) offense rather than delinquent conduct, and entitles the juvenile to have his or her records sealed.

- House Bill 2633 states that the Office of the Independent Ombudsman operates directly under the authority of the JJD governing board.

JUVENILE PROBATION COMMISSION

The Texas Juvenile Probation Commission (JPC) was established in 1981. The Eighty-second Legislature, Regular Session, 2011 passed Senate Bill 653, Sunset legislation which abolished the Juvenile Probation Commission on November 30, 2011. Senate Bill 653 also established the Texas Juvenile Justice Department (JJD) on December 1, 2011, which assumed the former JPC's duty to work in partnership with local juvenile boards and their juvenile probation departments to provide a comprehensive range of community-based probation services. The new juvenile justice agency is tasked with establishing a continuum of youth services that emphasizes keeping youth in their home communities and balances their rehabilitative needs with public safety. All property, funds, records, and equipment in the possession of JPC were transferred to JJD upon the establishment of the new agency.

Appropriations to JPC for the 2012–13 biennium provide $325.4 million in All Funds and 74.1 full-time-equivalent (FTE) positions. Of the total appropriations, $291.5 million, or 89.6 percent, is General Revenue Funds. The agency's total appropriation includes an increase of $4.8 million in General Revenue Funds and 5 FTE positions from the 2010–11 biennial spending levels. **Figure 283** shows the JPC appropriations for fiscal years 2008 to 2013.

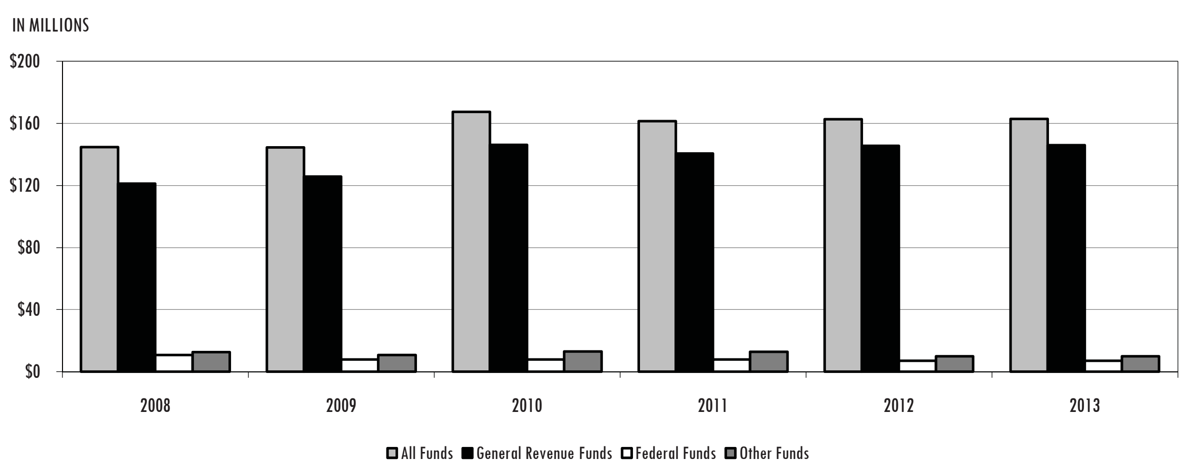
Half of JPC appropriations were made available to the agency in the first quarter of fiscal year 2012 for the continued operation and eventual transition of the agency to JJD. All remaining JPC funds and FTE positions transfer to JJD on December 1, 2011.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed Senate Bill 653, the agency's Sunset legislation, which makes the following notable amendments to the statutes related to JPC:

- JPC is abolished and JJD is established on December 1, 2011; and
- JJD merges the functions of JPC with the Texas Youth Commission under a single, 13-member governing board.

FIGURE 283
JUVENILE PROBATION COMMISSION APPROPRIATIONS
FISCAL YEARS 2008 TO 2013



NOTE: Half of JPC appropriations are made available to the agency in the first quarter of fiscal year 2012 for the continued operation and eventual transition of the agency to the Juvenile Justice Department. All remaining funds and FTEs with JPC transfer to JJD on December 1, 2011.
SOURCE: Legislative Budget Board.

COMMISSION ON LAW ENFORCEMENT OFFICER STANDARDS AND EDUCATION

The Texas Commission on Law Enforcement Officer Standards and Education (TCLEOSE) was established in 1965 by the Fifty-ninth Texas Legislature to develop standards for improving law enforcement in Texas. The commission is composed of nine members appointed by the Governor with the advice and consent of the Senate. The agency's mission is to ensure that Texas citizens are served by highly trained and ethical law enforcement and corrections personnel through screening, developing and monitoring resources for continuing education, and setting standards. The agency develops, maintains, and enforces minimum qualifications for the selection, training, and certification of law enforcement personnel and county correctional officers.

Appropriations for the 2012–13 biennium total $5.6 million for TCLEOSE, primarily in General Revenue–Dedicated Funds, and provide for 37.6 full-time-equivalent (FTE) positions. The agency's appropriations include a decrease of $0.8 million in All Funds from the 2010–11 biennial spending levels. Additional decreases include $0.6 million in General Revenue–Dedicated Funds for a continuing education program, which is now funded by a reciprocal increase in Appropriated Receipts collected from a fee assessed to all persons convicted of a criminal offense and an increase in peace officer certifications.

The agency's goals are to license and approve law enforcement development courses, to regulate standards and practices, and to provide technical assistance to its licensees. TCLEOSE accomplishes these goals by issuing licenses and certificates to individuals who demonstrate required competencies; managing the development, delivery, and quality of law enforcement training and education; revoking, suspending, or cancelling licenses; and reprimanding licensees for violations of statutes or TCLEOSE rules. The agency develops and maintains training courses, licenses and evaluates training academies and their instructors, and administers licensing examinations. The agency also conducts audits and investigations to enforce its rules and standards and to verify licensees' qualifications.

TCLEOSE administers professional programs for the licensing and continuing education of more than 98,196 active law enforcement and corrections personnel who hold more than 111,263 licenses and are employed by more than 2,588 state and local government agencies. Unlike peace officer standards and training commissions in most states, TCLEOSE does not operate a police academy. State and local governments may be licensed to operate training academies with a curriculum that must conform to basic standards. There are 105 licensed law enforcement academies in Texas plus 172 contractual training providers who offered more than 409 law enforcement training courses during fiscal year 2011. Three public and private institutions of higher education in conjunction with secondary schools provide preparatory college-level law enforcement programs. TCLEOSE maintains a statewide network of 74 facilities for administering licensing examinations. During fiscal year 2011, TCLEOSE administered 8,135 licensing exams and issued 22,338 new licenses.

TCLEOSE operates and maintains the Peace Officers Standards Education Internet Training (POSEIT) program. This program allows peace officers to take continuing education courses online. Beginning in fiscal year 2012, this system is funded through an increase to intermediate, advanced, and master peace officer and jailer certifications in amounts not to exceed $0.5 million during the biennium.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect TCLEOSE. House Bill 3823 and Senate Bill 545 are among the most significant legislation.

The enactment of House Bill 3823 establishes hiring standards, increases training standards, and adds other employment requirements to emergency service telecommunication professionals.

The enactment of Senate Bill 545 includes new procedures to correct employment termination forms of licensed peace officers and allows TCLEOSE to assess an administrative penalty against an agency head who fails to make a correction to an employment termination report.

DEPARTMENT OF PUBLIC SAFETY

The Texas Department of Public Safety (DPS) was established in 1935 by the Forty-fourth Legislature with the transfer of the State Highway Motor Patrol from the State Highway Department and the Texas Ranger Force from the Adjutant General's Department. Since that time, DPS has been assigned additional law enforcement and regulatory duties and more responsibility for disaster emergency management. Oversight of DPS is vested in the Public Safety Commission, a five-member board appointed by the Governor and confirmed by the Senate. Its mission is to serve the people of Texas by enforcing laws protecting and promoting public safety and providing for the prevention and detection of crime.

Appropriations for the 2012–13 biennium total $2.9 billion in All Funds and provide for 8,931.8 full-time-equivalent (FTE) positions in fiscal year 2012 and 9,180.8 FTE positions in fiscal year 2013. This is a $136.7 million decrease in All Funds from the 2010–11 biennial spending levels. Federal funding provided for disaster relief in fiscal year 2010 is the primary reason spending levels were higher in the 2010–11 biennium than appropriations made for the 2012–13 biennium.

Appropriations for the 2012–13 biennium include $242.1 million in General Revenue Funds and General Revenue–Dedicated Funds (8.5 percent of DPS' total appropriations) which is a decrease of $49.3 million from the 2010–11 biennial spending levels. Approximately 37.2 percent ($1.1 billion) of the agency's 2012–13 biennial appropriation is from the State Highway Fund (Other Funds).

The agency's 2012–13 biennial appropriation includes $212.9 million in All Funds for border security operations. The appropriation includes funding for overtime and operational costs for DPS and local law enforcement border security initiatives, joint operation and intelligence centers, additional DPS personnel, communications improvements, and various capital purchases (e.g., vehicles, information technology, surveillance aircraft, tactical vessels, fiber optic scopes). Funds for border security were also appropriated to the Texas Parks and Wildlife Department ($4.7 million) and Trusteed Programs within the Office of the Governor ($4.0 million).

The agency's 2012–13 biennial appropriation includes All Funds increases of $63.0 million for improving DPS' driver license processing, $5.0 million for electricity costs, $1.1 million for expanded electronic fingerprint capability, $1.0 million for handling anticipated growth in the number of concealed handgun applications, and $0.3 million to assist in obtaining criminal history record information on applicants to the State Board of Examiners for Speech-Language Pathology and Audiology. In addition to these increases, the agency received appropriations of $3.8 million in General Revenue Funds from unexpended balances being carried forward from fiscal year 2011 to fiscal year 2012 for security programs.

DPS accomplishes its mission of enforcing laws protecting and promoting public safety and providing for the prevention and detection of crime through four main goals: (1) Combat Crime and Terrorism; (2) Enhance Public Safety; (3) Emergency Management; and (4) Regulatory and Agency Services.

COMBAT CRIME AND TERRORISM

The Combat Crime and Terrorism goal is focused on protecting Texas from terrorist attacks, organized criminal activity, public corruption, and violent criminals by eliminating high-threat organizations, enhancing border and highway security, and conducting investigations that result in the incarceration of corrupt public officials and high-threat criminals. This is accomplished by DPS through specific strategies which are Organized Crime, Criminal Interdiction, Border Security, Local Border Security, Counterterrorism, Intelligence, Security Programs, and Criminal Investigations. Appropriations for Combat Crime and Terrorism strategies for the 2012–13 biennium total $348.2 million and provide for 1,719 FTE positions each fiscal year.

ENHANCE PUBLIC SAFETY

The Enhance Public Safety goal includes three strategies (Traffic Enforcement, Commercial Vehicle Enforcement, and Public Safety Communications) for the purpose of protecting the public through improved highway safety and public safety communications. Enhance Public Safety is appropriated $455.5 million for the 2012–13 biennium and 3,065 FTE positions each fiscal year.

EMERGENCY MANAGEMENT

The Emergency Management goal is addressed through four strategies which are Emergency Management Training and Preparedness, Emergency and Disaster Response Coordination, Disaster Recovery and Hazard Mitigation, and the State Operations Center. DPS' efforts through these strategies are intended to enhance emergency preparedness at the state and local levels, effectively administer homeland security and emergency management grant programs, and ensure a prompt, effective response to and recovery from natural and man-made disasters. Appropriations for the 2012–13 biennium for Emergency Management total $1.4 billion and provide for 258 FTE positions each fiscal year.

REGULATORY AND AGENCY SERVICES

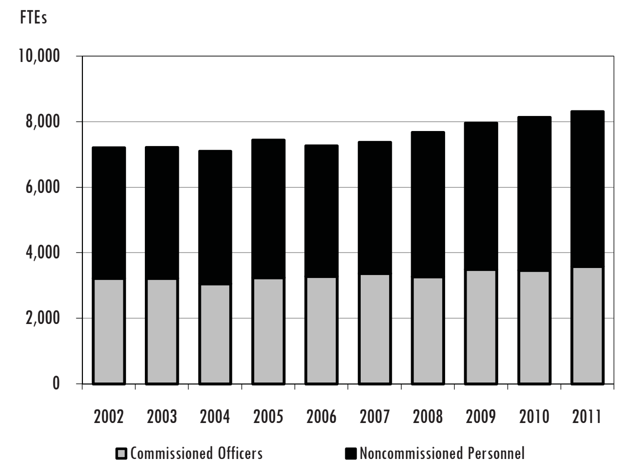
The Regulatory and Agency Services functions include strategies for DPS' Training Academy and Development, Crime Laboratory Services, Crime Records Services, Victim Services, Fleet Operations, Driver License Services, Driving and Motor Vehicle Safety, Regulatory Services Issuance, Regulatory Services Compliance, Regulatory Services Modernization, Headquarters Administration, Regional Administration, Information Technology, Financial Management, Human Capital Management, and Facilities Management. Appropriations for Regulatory and Agency Services total $672.0 million and FTE positions total 3,889.8 for fiscal year 2012 and 4,138.8 for fiscal year 2013. DPS indicates the purpose of these functions is to improve the services provided to all external and internal customers, and improve responsiveness, customer focus, and modern business practices in the delivery of all services to enhance public safety and promote the prevention of crime and terrorism in an ever-changing threat environment.

AGENCY STRUCTURE

In order to achieve its goals, DPS is organized into 11 major divisions: Texas Highway Patrol, Criminal Investigations, Texas Rangers, Intelligence and Counterterrorism, Emergency Management, Driver License, Regulatory Services, Finance, Information Technology, Law Enforcement Support, and Administration.

As shown in **Figure 284**, the total number of DPS FTE positions agency-wide increased from 7,209 in fiscal year 2002 to 8,312 in fiscal year 2011. As a part of the total FTE positions, the number of commissioned peace officers increased from 3,220 to 3,586 during the same period. The agency attributes the increase in commissioned officers to increased funding that has allowed for additional recruit schools and a larger number of trooper trainees in each recruit school class.

FIGURE 284
COMMISSIONED AND NONCOMMISSIONED STAFF
FISCAL YEARS 2002 TO 2011



SOURCE: Texas Department of Public Safety.

TEXAS HIGHWAY PATROL DIVISION

The Texas Highway Patrol Division (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 State Capitol and the Capitol Complex. THPD is the largest division in DPS and includes specialized field services for Highway Patrol and Commercial Vehicle Enforcement.

HIGHWAY PATROL SERVICE

The Highway Patrol Service (HPS) works to ensure safe travel by patrolling traffic on Texas' public roadways, taking appropriate enforcement action against violators, investigating vehicle accidents, assisting motorists, directing traffic, performing criminal interdiction, investigating fraudulent document cases, providing disaster-related assistance, and enhancing border operations along the Texas–Mexico border. HPS troopers also provide educational programs for Texas citizens about traffic safety, crime prevention, and laws relating to illegal drugs. For HPS purposes, the state is divided into six regions with a total of 19 district offices statewide. Regions are headquartered in Dallas (Region 1), Houston (Region 2), McAllen (Region 3), El Paso (Region 4), Lubbock (Region 5), and San Antonio (Region 6). During fiscal year 2011, HPS made 3.5 million traffic law violator contacts.

COMMERCIAL VEHICLE ENFORCEMENT SERVICE

The Commercial Vehicle Enforcement Service's (CVES) primary responsibility is weighing and checking commercial vehicle traffic operating on Texas highways to ensure compliance with statutory requirements regulating weight, motor carrier safety, registration, transportation of persons, hazardous material, and other property. CVES enforces the Texas Motor Carrier Safety statutes, which are the state's equivalent to federal interstate regulations for commercial traffic. CVES objectives include reducing commercial motor vehicle accidents through the enforcement of regulations, and protecting the state highways from unnecessary damage by securing compliance with laws regulating weight of commercial vehicles. During fiscal year 2011, CVES made 1.5 million contacts with motor carrier traffic law violators.

CRIMINAL INVESTIGATIONS DIVISION

The Criminal Investigations Division (CID) is responsible for conducting criminal enterprise investigations targeting those organized criminal groups that constitute the greatest threat to Texas. CID includes programs focused on drug trafficking, gang activity and other specialized investigations such as fraud, cargo theft, human trafficking, vehicle theft and illegal gambling. CID works closely with local, state, and federal agencies to identify and arrest high-threat criminals such as sex offenders and other violent fugitives. Other CID responsibilities include enforcement duties related to sex offender registration compliance and the monitoring of civilly committed sex offenders. CID also provides technical investigative support both within DPS and to other law enforcement agencies. Organizationally, CID is divided into four specialized sections: gang, drug, special investigations, and investigative support.

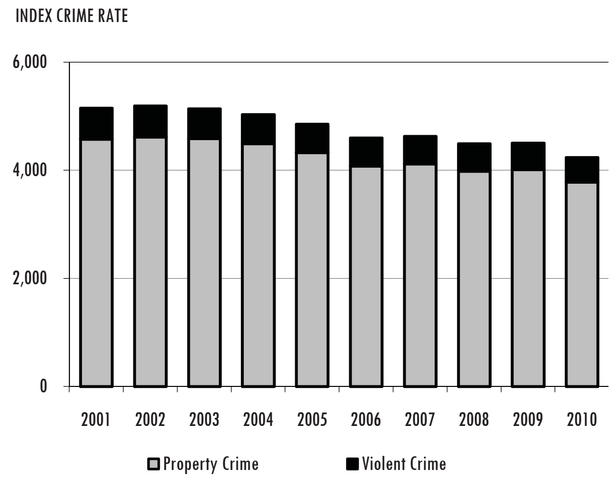
A nationally standardized measure of crime is the Index Crime Rate **(Figure 285)**. The Index Crime Rate consists of certain offenses and is adjusted for population. The seven index offenses are murder, forcible rape, robbery, aggravated assault, burglary, larceny–theft, and motor vehicle theft. The Index Crime Rate has shown a marked decrease in Texas since 1988 when it reached a high of 8,020 crimes per 100,000 population. In calendar year 2010, the most recent year for which data are available, the rate was 4,237 crimes per 100,000 population.

TEXAS RANGER DIVISION

The Texas Ranger Division's (TRD) primary responsibilities include major crime investigation, border security, and investigation of public corruption and criminal conduct by DPS employees. TRD specializes in and assists local police agencies with investigating felony offenses such as murder, sexual assault, and robbery. TRD also operates the Unsolved Crimes Investigation Team, which investigates murder cases or linked criminal transactions that are no longer active within other law enforcement agencies. TRD 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, and Explosive Ordnance Disposal Unit. During fiscal year 2011, criminal investigations by the Texas Rangers resulted in 1,698 arrests.

TRD coordinates border security operations through six Joint Operations and Intelligence Centers (JOICs) along the Texas–Mexico border and Coastal Bend area of Texas. JOICs collect border security information and analyze intelligence, while collaborating with state, local, and federal law enforcement authorities to conduct intelligence-directed border enforcement operations. The Eighty-second Legislature, 2011, appropriated $212.9 million to DPS for border security-related initiatives in various divisions, including enhancements to JOIC's communications infrastructure, additional vehicles, a high altitude surveillance aircraft, fiber optic scopes, various information technology improvements, crime records equipment, additional personnel, and extended work days (overtime) for commissioned officers.

FIGURE 285
INDEX CRIME RATE PER 100,000 POPULATION
CALENDAR YEARS 2001 TO 2010



SOURCE: Texas Department of Public Safety.

INTELLIGENCE AND COUNTERTERRORISM DIVISION

The function of the Intelligence and Counterterrorism Division (ICTD) is to serve as a statewide intelligence entity that leverages DPS' intelligence and fusion capabilities along with the capabilities of other intelligence entities. ICTD is actively engaged in the gathering and dissemination of criminal intelligence information related to terrorist activities in the furtherance of homeland security initiatives. It is also responsible for the Texas Fusion Center (located in Austin), which is an around-the-clock unit that works with federal, state, regional, and local law enforcement and serves as the state repository for homeland security information and incident reporting. The Texas Fusion Center provides real-time intelligence support to law enforcement and public safety authorities, and consolidates information and data on suspicious activities and threats from all jurisdictions and disciplines as well as the public.

TEXAS DIVISION OF EMERGENCY MANAGEMENT

The Texas Division of Emergency Management's (TDEM) primary function is to manage the disaster related responses and services for the state. 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 as well as state and local emergency responders. It coordinates state disaster response operations with local governments, federal agencies, volunteer groups, and private sector partners. During fiscal year 2011, TDEM coordinated the state response for 4,679 local incidents. 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.

Chapter 421, Texas Government Code, requires the Office of the Governor to allocate available federal and state grants and other funding related to homeland security to state and local agencies that perform homeland security activities. It also requires the Office of the Governor to designate a state administrative agency to oversee funding received by the state for homeland security. TDEM has been designated as the state administrative agency since fiscal year 2005. It administers millions of dollars in federal and state disaster recovery and hazard mitigation grants to local governments, school districts, and state agencies. As part of this role, TDEM also performs compliance monitoring, auditing, and inspections related to state homeland security.

DRIVER LICENSE DIVISION

The functions of the Driver License Division (DLD) are to enhance public safety and provide quality services by licensing qualified drivers and removing privileges from unsafe drivers, providing accurate records and documents in a timely manner to eligible customers, and supporting law enforcement and criminal justice partners. DLD administers the Administrative License Revocation program, including administering the process by which DPS suspends driver licenses of individuals arrested for the offense of Driving While Intoxicated. DLD is responsible for driver records, including processing and maintaining driver license records on approximately 16 million Texas drivers and 4 million identification card holders. It is also responsible for administering state and federal laws against negligent motor vehicle operators and owners using Texas highways. DLD ensures the competency of Texas drivers by testing new drivers and determining the eligibility of renewal applicants, and it administered more than 5.9 million driver license examinations during fiscal year 2011. The Eighty-second Legislature, 2011, appropriated an additional $64.1 million to DPS for the 2012–13 biennium specifically to improve the agency's driver licensing processing and electronic fingerprint capabilities.

REGULATORY SERVICES DIVISION

The Regulatory Services Division of DPS serves Texas citizens and businesses by providing service, guidance and protection through the issuance of licenses and the regulation of certain businesses. The regulatory programs at DPS include Private Security, Concealed Handgun Licensing, Controlled Substances Registration, Vehicle Inspection, and Metals Registration.

PRIVATE SECURITY PROGRAM

The DPS' Private Security Program (PSP) regulates the private security industry in Texas. State regulations for this industry include licensing private security companies and registering individuals employed by those licensed companies. The once stand-alone Texas state agency that licensed and regulated private security was created 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, 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 created 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 under Texas' Private Security Act. In addition, the Board devises rules for the administration of the Act.

CONCEALED HANDGUN LICENSING PROGRAM

DPS administers the Concealed Handgun Licensing Program under the authority of Texas Government Code Chapter 411, Subchapter H. DPS licenses individuals to carry concealed handguns within Texas, evaluates the eligibility of applicants through criminal history background checks, and monitors those currently licensed to ensure their continued eligibility. DPS also trains and certifies instructors who teach the required courses to applicants. DPS has 508,061 active license holders and 2,683 certified instructors. The Eighty-second Legislature, 2011, appropriated an additional $1.0 million to DPS for the 2012–13 biennium for handling anticipated growth in the number of concealed handgun applications.

CONTROLLED SUBSTANCES REGISTRATION PROGRAM

The Controlled Substances Registration Program (CSRP) within DPS was established as a result of the passage of the Texas Controlled Substances Act in 1973. CSRP involves the registration of all persons or institutions that manufacture, distribute, analyze, or dispense controlled substances in Texas. Registrants include practitioners (medical doctors, dentists, veterinarians, podiatrists, therapeutic optometrists), mid-level practitioners (advanced practice nurses and physicians' assistants), pharmacies, hospitals, manufacturers, researchers, teaching institutions, distributors, and analysts. There are approximately 75,000 registrants currently registered. The purpose of registering these individuals and institutions is to attempt to more effectively control the diversion of controlled substances from legitimate channels and to promote public health and welfare by controlling illegal drug trafficking.

VEHICLE INSPECTION PROGRAM

The DPS Vehicle Inspection Program (VIP) certifies vehicle inspectors and inspection stations, monitors and ensures compliance with inspection standards, and supervises vehicle emission programs designed to meet federal clean air requirements. VIP has the authority to deny certification of inspectors and stations as well as suspend or revoke station and inspector certification. VIP is also responsible for the sale and fulfillment of orders for inspection certificates. In fiscal year 2011, there were 33,869 certified inspectors in 10,668 licensed inspection stations that performed 18.5 million inspections.

METALS REGISTRATION PROGRAM

Pursuant to Chapter 1956 of the Texas Occupations Code, 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 in order to aide law enforcement in tracking entities and individuals who are buying and/or selling stolen material. The information collected in DPS' Metals Registration Program database contains a record of all reported metals transactions throughout Texas. DPS has the authority to deny applications for certificates of registration to entities that do not meet the criteria set forth by DPS. 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.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect DPS and the laws the agency is responsible for enforcing, 14 of which are discussed here.

The enactment of House Bill 378 adds tow trucks to the slow down or move over laws, which require drivers to slow down 20 miles per hour below the speed limit, or to vacate the lane closest to a stopped emergency vehicle that has emergency lights activated if the road has multiple lanes traveling in the same direction.

The enactment of House Bill 588 permits drivers subject to the Driver Responsibility Program (DPS administers the program per statute) to pay the entire three-year amount of surcharges owed for a violation in advance, rather than paying across all three years.

The enactment of House Bill 1075 creates a new category of missing person alerts which may be issued for missing persons with intellectual disabilities. Activation of this alert includes a requirement of documentation of a qualifying intellectual disability.

The enactment of House Bill 1353 modifies statute so that speed limits will now be the same during night and day driving, and eliminates separate speed limits for trucks. The maximum speed limit on state highways may be raised to 75 miles per hour if approved after a finding by the Texas Department of Transportation that the increased speed would be reasonable and safe following an engineering and traffic investigation.

The enactment of House Bill 1514 requires a veteran designation to be displayed on a driver license for applicants who provide proof of military service and honorable discharge.

The enactment of House Bill 2131 requires DPS to create a pass for expedited access to the state Capitol building. To be eligible, an applicant must meet the criteria to apply for a concealed handgun license, with the exception of handgun proficiency requirements.

The enactment of House Bill 2851 requires DPS to establish a deferral program for surcharges assessed under the Driver Responsibility Program to military personnel actively deployed outside the U.S. for the duration of the individual's deployment.

The enactment of House Bill 2981 restricts a driver from allowing a child under 18 to ride in a watercraft while it is being towed on a street or highway. This does not include watercraft being towed on a beach or in a parade.

The enactment of House Bill 3324 establishes the Texas Fusion Center Policy Council to assist DPS in monitoring fusion center activities in Texas. The council is required to establish a privacy advisory group, recommend best practices for fusion centers in Texas, and annually submit a report to the Governor and the Legislature regarding the council's progress.

The enactment of Senate Bill 14 requires voters to present a driver license, personal identification certificate, military identification, election identification certificate, U.S. citizenship certificate, passport, or concealed handgun license to participate in an election. DPS must create an election identification certificate to be issued by DPS for registered voters who do not have any of the other acceptable forms of photo identification. The election identification certificate will be distinguishable from a driver license or personal identification certificate, and will be issued free of charge to persons only if they do not hold any other acceptable form of identification, as listed in Texas Election Code 63.0101.

The enactment of Senate Bill 321 indicates employers may not prohibit employees who hold a Texas concealed handgun license or who otherwise lawfully possesses a firearm or ammunition from transporting or storing the firearm or ammunition in a locked, privately owned motor vehicle in a parking area the employer provides for employees. The legislation provides for certain exceptions.

The enactment of Senate Bill 662 requires the State Board of Examiners for Speech-Language Pathology and Audiology to require that an applicant for a license submit a complete and legible set of fingerprints to DPS for the purpose of obtaining criminal history record information from DPS and the Federal Bureau of Investigation. The board may not issue a license to a person who does not comply with the requirement.

The enactment of Senate Bill 1616 requires crime laboratories to preserve biological evidence used in the investigation or prosecution of a felony for at least 40 years, or until the applicable statute of limitations has expired if there is an unapprehended actor associated with the offense.

The enactment of Senate Bill 1636 requires law enforcement agencies to submit DNA evidence in active sexual assault cases to an accredited laboratory within 30 days of receipt. Once the evidence has been analyzed, the DNA must be compared by DPS to state and federal DNA databases. The legislation also requires law enforcement agencies to submit unanalyzed DNA evidence collected after September 1, 1996, to DPS for analysis.

In addition to the above cited bills passed during the regular session, the Eighty-second Legislature, First Called Session, 2011, passed Senate Bill 1, Article 72, which requires applicants for a driver license or identification certificate to provide proof that the applicant is lawfully present in the U.S. Applicants who are not U.S. citizens, legal permanent residents, or admitted to the U.S. as refugees or asylees are considered temporary visitors. Driver license and identification certificates issued to temporary visitors expire concurrent with the end of the applicant's lawful presence, or after one year if the legal stay is indefinite. Driver license and identification certificates issued to temporary visitors are to be in the same format and contain the same information as those issued to U.S. citizens and legal permanent residents.

YOUTH COMMISSION

The Texas Youth Council was established in 1957, although the first state school opened in Gatesville in January 1889. In 1983, the Legislature renamed the Texas Youth Council the Texas Youth Commission (TYC). The Eighty-second Legislature, Regular Session, 2011, enacted Senate Bill 653, Sunset legislation which abolished the Texas Youth Commission on November 30, 2011. Senate Bill 653 also established the Texas Juvenile Justice Department (JJD) on December 1, 2011, which assumed the former TYC's duty to promote public safety by operating juvenile correctional facilities and providing rehabilitation treatment. The new juvenile justice agency is tasked with establishing a continuum of youth services that emphasizes keeping youth in their home communities and balances their rehabilitative needs with public safety. All property, funds, records, and equipment in the possession of TYC were transferred to JJD upon the establishment of the new agency.

Appropriations to TYC for the 2012–13 biennium provide $339.0 million in All Funds and 2,986.8 FTE positions. Of the total appropriations, $313.1 million, or 92.4 percent, is General Revenue Funds. The agency's appropriation includes a decrease of $77.3 million in General Revenue Funds from the 2010–11 biennial spending level. TYC FTE positions were decreased by 553.2 positions for the 2012–13 biennium.

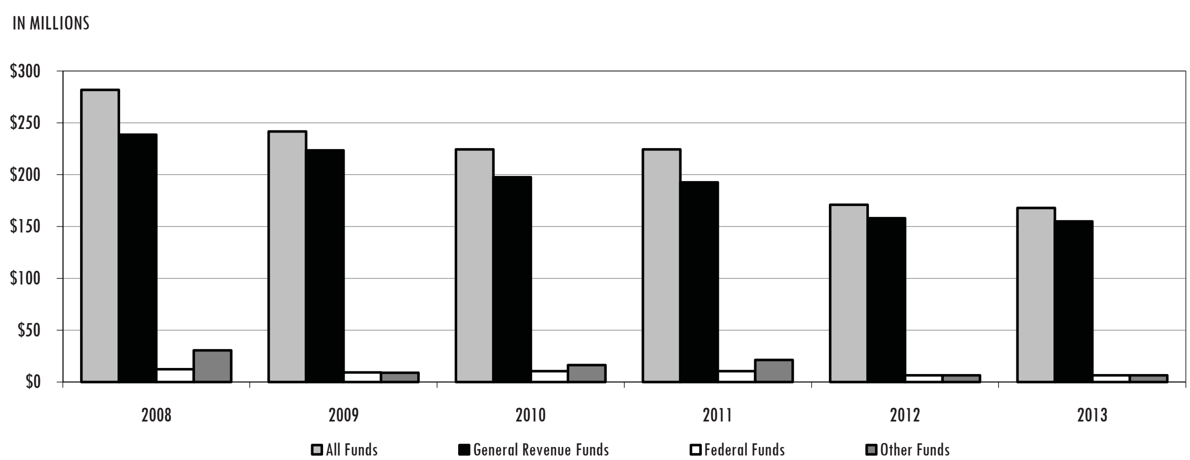
Figure 286 shows the TYC appropriations for fiscal years 2008 to 2013.

Half of TYC appropriations were made available to the agency in its first quarter of fiscal year 2012 for the continued operation and eventual transition of the agency to JJD. All remaining TYC funds and FTE positions transfer to JJD on December 1, 2011. Included in reductions is the closure of three facilities. TYC closed Al Price State Juvenile Correctional Facility, Crockett State School, and the Ron Jackson State Juvenile Correctional Facility Unit II, and consolidated the two units at the McLennan County State Juvenile Justice Facility.

OFFICE OF THE INSPECTOR GENERAL

The Eightieth Legislature, 2007, established the Office of Inspector General (OIG) to investigate crimes that occurred in TYC and contract facilities and crimes committed by TYC employees. Its functions were continued in full by the Eighty-second Legislature, under the authority of the governing board of the JJD. The OIG also operates the Incident Reporting Center, which includes a 24-hour hotline as a means for juveniles, family, staff, and others to report violations and crimes that occur in relation to state juvenile justice facilities. When a call is received, the OIG determines if the incident is a criminal, administrative, youth rights, or youth care issue. The complaint is then forwarded to the appropriate division for review and investigation.

FIGURE 286
TEXAS YOUTH COMMISSION APPROPRIATIONS
FISCAL YEARS 2008 TO 2013



NOTE: Half of TYC appropriations are made available to the agency in the first quarter of fiscal year 2012 for the continued operation and eventual transition of the agency to the Juvenile Justice Department. All remaining funds and FTEs with TYC transfer to JJD on December 1, 2011.
SOURCE: Legislative Budget Board.

Appropriations for the 2012–13 biennium total $4.1 million and provide for 36.6 FTE positions.

OFFICE OF THE INDEPENDENT OMBUDSMAN

The Eightieth Legislature, 2007, established the Office of Independent Ombudsman (OIO) as a separate state agency to investigate, evaluate, and secure the rights of juveniles in TYC facilities and on TYC parole. Its functions were continued in full by the Eighty-second Legislature. The OIO provides families of JJD 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 JJD. The 2012–13 biennial appropriations for the OIO total $0.6 million and provide for 4.6 FTE positions.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed Senate Bill 653, the agency's Sunset legislation, which makes the following notable amendments to the statutes related to TYC:

- TYC is abolished and the Juvenile Justice Department is established on December 1, 2011;
- JJD merges the functions of TYC and the Juvenile Probation Commission (JPC) under a single, 13-member governing board; and
- TYC or JJD is allowed to transfer closed TYC facilities, in counties with populations of fewer than 100,000 people, to the county or city where the facility is located.

9. NATURAL RESOURCES

*As shown in **Figure 287**, All Funds appropriations for Natural Resources for the 2012–13 biennium total $3.9 billion, or 2.2 percent of all state appropriations. This amount is an increase of $326.1 million, or 9.2 percent, from the 2010–11 biennium. **Figure 288** shows 2012–13 appropriations by method of financing and full-time-equivalent positions from fiscal year 2008 to 2013 for all natural resources agencies.*

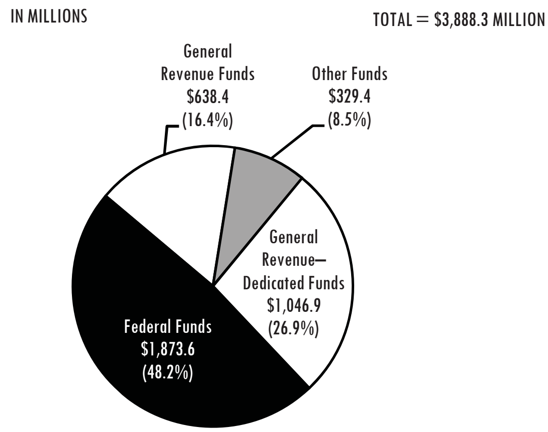
FIGURE 287
ALL FUNDS APPROPRIATIONS FOR NATURAL RESOURCES
2012–13 BIENNIUM

IN MILLIONS

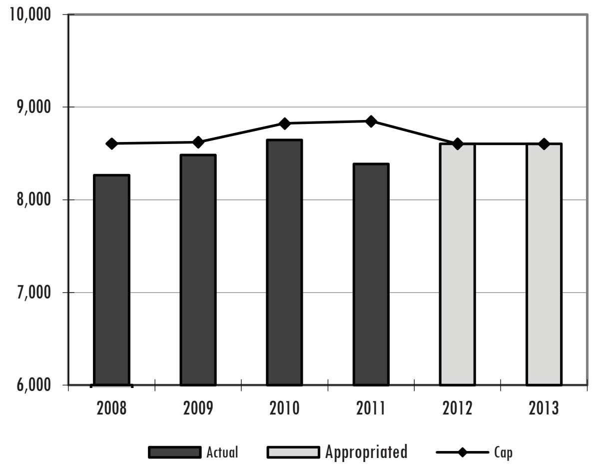
AGENCY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Agriculture	$913.8	$1,153.3	$239.5	26.2
Animal Health Commission	29.7	30.1	0.4	1.5
Commission on Environmental Quality	952.1	692.0	(260.1)	(27.3)
General Land Office and Veterans' Land Board	221.9	677.9	456.0	205.5
Low-level Radioactive Waste Disposal Compact Commission	0.0	1.2	1.2	NA
Parks and Wildlife Department	703.7	550.7	(153.0)	(21.7)
Railroad Commission	153.6	145.8	(7.8)	(5.1)
Soil and Water Conservation Board	53.9	40.1	(13.8)	(25.6)
Water Development Board	146.8	125.1	(21.6)	(14.7)
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	161.5	213.3	51.8	32.1
SUBTOTAL, NATURAL RESOURCES	**$3,336.9**	**$3,629.5**	**$292.6**	**8.8**
Retirement and Group Insurance	203.3	205.3	2.0	1.0
Social Security and Benefit Replacement Pay	72.1	68.2	(4.0)	(5.5)
SUBTOTAL, EMPLOYEE BENEFITS	**$275.5**	**$273.5**	**($2.0)**	**(0.7)**
Bond Debt Service Payments	$12.5	$19.9	$7.4	59.2
Lease Payments	7.8	7.0	(0.9)	(10.9)
SUBTOTAL, DEBT SERVICE	**$20.4**	**$26.9**	**$6.6**	**32.2**
Less Interagency Contracts	$70.5	$41.6	($29.0)	(41.0)
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$3,562.2**	**$3,888.3**	**$326.1**	**9.2**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTES: Article totals exclude interagency contracts. Biennial change and percentage change are calculated on actual amounts before rounding. Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

FIGURE 288
NATURAL RESOURCES APPROPRIATIONS AND FULL-TIME-EQUIVALENT POSITIONS
2012–13 BIENNIUM



Source: Legislative Budget Board.



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

Natural Resource agencies play a major role in the state's economy and in maintaining a healthy environment for Texans. State agencies in Texas charged with the responsibility of influencing the management and development of these resources do so through scientific research, education, preservation, regulation, and remediation. The largest agency in this function of state government is the Texas Department of Agriculture, which works to make Texas the nation's leader in agriculture, fortify the economy, empower rural communities, promote healthy lifestyles, and cultivate winning strategies for rural, suburban and urban Texas. The second largest agency in this function of government is the Texas Commission on Environmental Quality, which protects the state's human and natural resources in a manner consistent with economic development through the goals of clean air, clean water, and the safe management of waste.

In recent years, Texas has ranked first among the states in crude oil production and farmland acreage, third in farm income and has ranked fifth in state park acreage. The Legislature has invested significant resources to assess and monitor air and water quality throughout the state, has allocated funds to develop and maintain state and local parks so outdoor recreation opportunities are available to all Texans, and has provided a significant outlay to finance implementation of the State Water Plan.

MAJOR BUDGET ISSUES

The Eighty-second Legislature decreased appropriations to Natural Resource agencies by $397.8 million in General Revenue Funds and General Revenue–Dedicated Funds from the 2010–11 to the 2012–13 biennial spending levels. The reductions in funding can be categorized as grants; agency administration; direct services; debt service; regulatory services; and other. **Figure 289** lists the more significant reductions in General Revenue Funds and General Revenue–Dedicated Funds and **Figure 290** categorizes these reductions.

Funding reductions in grant programs constitute approximately 62 percent of the total reduction in General Revenue Funds and General Revenue–Dedicated Funds. Major reductions in grant programs include:

- a decrease of $98.3 million in funding to the Texas Commission on Environmental Quality (TCEQ) out of the General Revenue–Dedicated Texas Emissions Reduction Plan Account for diesel emission reduction and other grants provided through the Texas Emissions Reduction Plan;
- a decrease of $87.5 million in funding from the General Revenue–Dedicated Clean Air Account for the

Note: Biennial change and percentage change have been calculated on actual amounts before rounding in all figures in this chapter. Figure totals may not sum because of rounding.

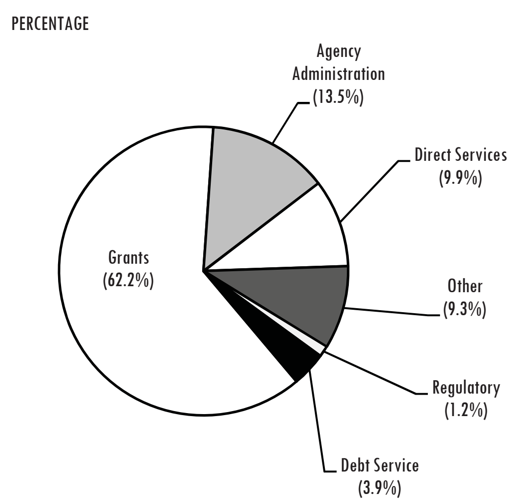
FIGURE 289
SIGNIFICANT REDUCTIONS OF GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS FOR NATURAL RESOURCE AGENCIES BY AGENCY, 2012–13 BIENNIUM

IN MILLIONS

AGENCY	PROGRAM NAME	GENERAL REVENUE FUNDS/ GENERAL REVENUE–DEDICATED FUNDS	CATEGORY
Department of Agriculture	Texas Agricultural Finance Authority Uncollectible Debt	$14.0	Agency Administration
	Boll Weevil Eradication	$13.0	Grants
Commission on Environmental Quality	Texas Emissions Reduction Program	$98.3	Grants
	Low-Income Vehicle Repair Assistance Program	$87.5	Grants
	Capital Budget	$11.6	Agency Administration
	Local Solid Waste Planning	$11.0	Grants
	Superfund Cleanups	$10.6	Direct Services
Parks and Wildlife Department	Capital Construction	$27.7	Other
	New Local Parks, Boating Access and Trails	$28.5	Grants
	Direct Services	$16.4	Direct Services
	Capital Budget	$12.4	Agency Administration
	Land Acquisition	$10.2	Other
Water Development Board	Water Bonds	$15.8	Debt Service

Source: Legislative Budget Board.

FIGURE 290
REDUCTIONS OF GENERAL REVENUE FUNDS AND GENERAL REVENUE–DEDICATED FUNDS FOR NATURAL RESOURCE AGENCIES BY CATEGORY, 2012–13 BIENNIUM



Source: Legislative Budget Board.

Low-Income Vehicle Repair Assistance, Retrofit, and Accelerated Vehicle Retirement Program;

- a decrease of $28.5 million in General Revenue Funds and General Revenue–Dedicated Funds to the Texas Parks and Wildlife Department (TPWD) for new local parks, boating access, and trails;
- a decrease of $13.0 million in General Revenue Funds to the Texas Department of Agriculture (TDA) for boll weevil eradication; and
- a decrease of $11.0 million in General Revenue–Dedicated Funds to TCEQ for local solid waste planning.

Major reductions in agency administration constitute approximately 14 percent of the total reduction in General Revenue Funds and General Revenue–Dedicated Funds, and include:

- a decrease of $14.0 million in General Revenue Funds to TDA for one-time payment of uncollectible debt at the Texas Agricultural Finance Authority;

- a decrease of $12.4 million in General Revenue Funds and General Revenue–Dedicated Fund to TPWD for capital budget items; and
- a decrease of $11.6 million in General Revenue and General Revenue–Dedicated appropriations to TCEQ for capital budget items.

Major reductions in direct services account for approximately 10 percent of the total decrease in General Revenue Funds and General Revenue–Dedicated Funds, including:

- a decrease of $16.4 million in General Revenue Funds and General Revenue–Dedicated Funds to TPWD for direct services, primarily in state park operations;
- a decrease of $10.6 million in General Revenue–Dedicated Funds to TCEQ for the cleanup of the state's most serious hazardous waste sites through the federal Superfund Program; and
- a decrease of $15.8 million in General Revenue Funds to the Texas Water Development Board (TWDB) for debt service on non-self supporting General Obligation water bonds.

Major reductions in other categories account for approximately 9 percent of the total decrease in General Revenue Funds and General Revenue–Dedicated Funds, including:

- a decrease of $27.7 million in General Revenue Funds and General Revenue–Dedicated Funds to TPWD primarily for one-time capital construction costs; and
- a decrease of $10.2 million in General Revenue–Dedicated Funds to TPWD for land acquisition costs.

The Eighty-second Legislature made certain appropriations to Natural Resources agencies subject to revenue generation, totaling $133.5 million in General Revenue Funds and General Revenue–Dedicated Funds. Of this total, the major components include:

- $39.7 million in General Revenue Funds to TDA to cover the full cost of the agency's regulatory programs;
- $33.4 million on General Revenue–Dedicated Funds to the Railroad Commission to cover the cost of the agency's oil- and gas-related programs;
- $11.8 million in General Revenue Funds to TDA to cover the full cost of the agency's marketing programs;
- $11.6 million in General Revenue Funds to the Animal Health Commission to recover approximately 52 percent of the state cost of animal disease and control programs, which benefit the animal agriculture industry;
- $16.0 million in General Revenue–Dedicated Funds to TCEQ for the Texas Emissions Reduction Program subject to revenue generated above the Comptroller of Public Accounts' Biennial Revenue Estimate for 2012–13; and
- $12.0 million in General Revenue–Dedicated Funds to TPWD for the State Park, Wildlife, Fishery, and Administrative Divisions subject to revenue generated above the Comptroller of Public Accounts' Biennial Revenue Estimate for 2012–13.

Other major budget issues affecting the Natural Resource agencies include:

- the transfer of the Texas Department of Rural Affairs (TDRA) to the General Land Office (GLO) and TDA. Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, transfers the disaster recovery functions of TDRA and the Texas Department of Housing and Community Affairs to GLO, resulting in an increase of $520.2 million in Federal Funds appropriations to GLO. The bill also transfers the non-disaster recovery functions of TDRA to TDA, resulting in an increase in appropriations of $9.7 million in General Revenue Funds and General Revenue–Dedicated Funds, and $165.6 million in All Funds to TDA.
- TWDB was appropriated $14.8 million in General Revenue Funds for debt service related to $300 million in non-self-supporting General Obligation water bonds the agency was authorized to issue, including $200 million in bond authority to issue bonds to implement the State Water Plan;
- TPWD was appropriated $32.4 million in bond proceeds for the repair and rehabilitation of statewide park facilities; and
- the Low-Level Radioactive Waste Disposal Compact Commission was established as an independent agency, with an appropriation of $1.2 million in General Revenue–Dedicated Funds.

DEPARTMENT OF AGRICULTURE

The Texas Department of Agriculture (TDA) was established in 1907 pursuant to Chapters 11 and 12 of the Texas Agriculture Code. The agency is headed by the Commissioner of Agriculture, a statewide elected official who serves a four-year term. The agency's mission is to partner with all Texans to make Texas the nation's leader in agriculture, fortify the economy, empower rural communities, promote healthy lifestyles, and cultivate winning strategies for rural, suburban and urban Texas through exceptional service and common threads of agriculture in our daily lives. The agency's duties include promoting Texas products locally, nationally, and internationally; assisting in the development of the agribusiness industry in Texas; regulating the sale, use, and disposal of pesticides and herbicides; controlling destructive plant pests and diseases; ensuring the accuracy of all weighing or measuring devices (e.g., grocery scales or gas pumps) used in commercial transactions; administering child and special nutrition programs; and promoting rural community and economic development.

TDA maintains five regional offices and 12 satellite offices throughout the state. Regional offices are located in Dallas, Houston, Lubbock, San Antonio, and San Juan, with satellite offices in El Paso and Ft. Worth. In addition, the agency operates three laboratories, and five livestock-export facilities.

Appropriations for the 2012–13 biennium total $1,153.3 million in All Funds and provide for 704.3 full-time-equivalent (FTE) positions. These appropriations include $1,039.1 million in Federal Funds (90.1 percent), which are primarily associated with the Special Nutrition Programs and Community Development Block Grants the agency administers, and $107.7 million in General Revenue Funds and General Revenue–Dedicated Funds (9.3 percent). The Eighty-second Legislature, 2011, decreased appropriations of General Revenue Funds and General Revenue–Dedicated Funds for TDA by $33.5 million, or 23.7 percent. Of the General Revenue Funds appropriated to TDA, $39.7 million is contingent on the generation of $51.5 million in revenue to make the agency's marketing and regulatory programs self-funding. Additionally, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, transferred funding for the non-disaster recovery functions of the Department of Rural Affairs (TDRA) to TDA, resulting in an increase of $9.7 million in General Revenue Funds and General Revenue–Dedicated Funds and $165.7 million in All Funds to TDA's appropriations.

The agency has six primary functions through which it fulfills its goals and performs its duties: (1) enable Texas farmers, ranchers, and agribusinesses to expand profitable markets for their agricultural products while protecting public health and natural resources; (2) protect consumers by establishing and enforcing standards; (3) ensure that goods offered to Texas consumers are properly measured, priced, and marketed; (4) provide funding and assistance on food and nutrition programs; (5) support and coordinate cooperative research relating to the production, use, and quality of Texas natural fibers and food protein products at Texas universities; and (6) rural affairs.

MARKETS AND PUBLIC HEALTH

The Markets and Public Health function consists of four programs: (1) Economic Development; (2) Regulate Pesticide Use; (3) Integrated Pest Management; (4) Produce Certification; and (5) Agricultural Production Development.

ECONOMIC DEVELOPMENT

Economic Development received $19 million in appropriations for the 2012–13 biennium, which includes providing for 98.8 FTE positions. This represents a decrease of $17.4 million, or 47.8 percent, as compared to 2010–11 biennial spending levels. TDA seeks to generate markets for Texas products through the following types of programs:

- Marketing and Promotion; and
- Rural Economic Development.

MARKETING AND PROMOTION PROGRAM

The Marketing and Promotion Program increases awareness of Texas products, culture, and communities through GO TEXAN, a comprehensive marketing effort. The program works to expand markets through program membership; focused marketing campaigns; and state, national and international promotions and events. In addition, a specific GO TEXAN program is geared towards helping Texas-based restaurants market themselves and connect with local food producers, while another markets Texas as a retirement destination.

The GO TEXAN Partner Program (GOTEPP) is a dollar-for-dollar, matching-fund promotion program. The purpose of the program is to increase consumer awareness and to expand the markets for Texas agricultural products by developing a general promotional and advertising campaign for specific Texas agricultural products based on requests submitted by eligible applicants. TDA, with the advice and consent of the GOTEPP Advisory Board, approves projects to be funded under this program. GO TEXAN membership or associate membership is required to participate in GOTEPP. For the 2012–13 biennium, the agency was appropriated $2.8 million in state funds to be matched by program participant funds, which is a biennial increase of $1.7 million as compared to 2010–11 biennial spending levels. At the end of fiscal year 2011, $1.7 million, including matching contributions made by grant applicants, had been spent to fund 51 projects.

TDA's other marketing programs relate to promoting agriculture, selling Texas' agricultural products, and assisting Texans engaged in agriculture to expand profitable markets for their products. Among these programs are the Market News Program and the Texas Agricultural Statistics Service, which provide market information on prices, supplies, and harvested acreage and production of various crops and agricultural products.

Beginning in fiscal year 2000, TDA entered into an interagency contract with the Department of State Health Services to allow TDA to administer the Oyster Industry Advertising and Promotion Program. The program provides information, education, and training for oyster wholesalers, retailers, and consumers on the safe and proper handling of oysters.

The Texas Shrimp Marketing Program promotes and markets Texas shrimp and educates the public about the Texas shrimp industry. The marketing efforts are funded by surcharges on shrimp boat licenses issued through the Texas Parks and Wildlife Department.

RURAL ECONOMIC DEVELOPMENT

The agency, operates programs that help increase tourism in rural areas, revitalize small towns, and encourage agricultural diversification. The agency also administers the Texas Capital Fund which provides funding to small cities and counties to encourage job creation and/or retention for low- and moderate-income individuals.

The agency through the Texas Agricultural Finance Authority (TAFA), provides financial assistance to eligible agribusinesses, rural businesses, and municipalities. TAFA includes four programs: (1) Agricultural Loan Guarantee Program; (2) Young Farmer Interest Rate Reduction Program; (3) Young Farmer Grant Program; and (4) Interest Rate Reduction Program. The Agricultural Loan Guarantee Program provides tiered loan limits, an interest rate rebate component, fixed interest rates, and a certified lender's program. The Young Farmer Interest Rate Reduction Program provides financial assistance through an interest rate reduction to eligible applicants who are between the ages of 18 and 46 to promote the creation and expansion of agricultural businesses. The Young Farmer Grant Program provides matching grants to eligible applicants who are between the ages of 18 and 46 to promote the creation and expansion of agricultural business. The Interest Rate Reduction Program fosters the creation and expansion of agricultural-based enterprises in the state.

REGULATE PESTICIDE USE

TDA is the lead agency responsible for enforcing state and federal regulations regarding the registration, distribution, and use of pesticides in Texas. This program certifies, licenses, and trains agricultural pesticide applicators. To maintain their licenses, applicators must participate in approved continuing-education training programs that are administered by the agency. The program also issues pesticide dealer licenses, registers pesticide products for use in Texas, and investigates complaints regarding pesticide use in Texas. Through the Right-to-Know Program, farmers and farm workers are trained in the proper use of agricultural chemicals. This program is mandated by the state Agricultural Hazard Communication Act and the federal Worker Protection Standard.

The Pesticide Laboratory in College Station tests food, soil, and other samples for pesticide residue. Field inspectors, case preparation officers, and attorneys in the Enforcement Section investigate and process violations involving pesticides and herbicides to minimize the misuse of agricultural chemicals. For the 2012–13 biennium, the agency expects to investigate 288 pesticide complaints.

TDA also maintains the Endangered Species Pesticide Protection Program, which obtains local input about pesticide use and other management practices near endangered-species habitats. TDA organizes regional teams to help identify where suitable habitats exist and to compile information about land use, crops grown, and chemicals typically applied in the immediate vicinity.

The Regulate Pesticide Use Program is appropriated $12.3 million for the 2012–13 biennium, which provides for 87.6 FTE positions. This represents a decrease of $0.3 million, or 2.7 percent, as compared to 2010–11 biennial spending levels.

INTEGRATED PEST MANAGEMENT

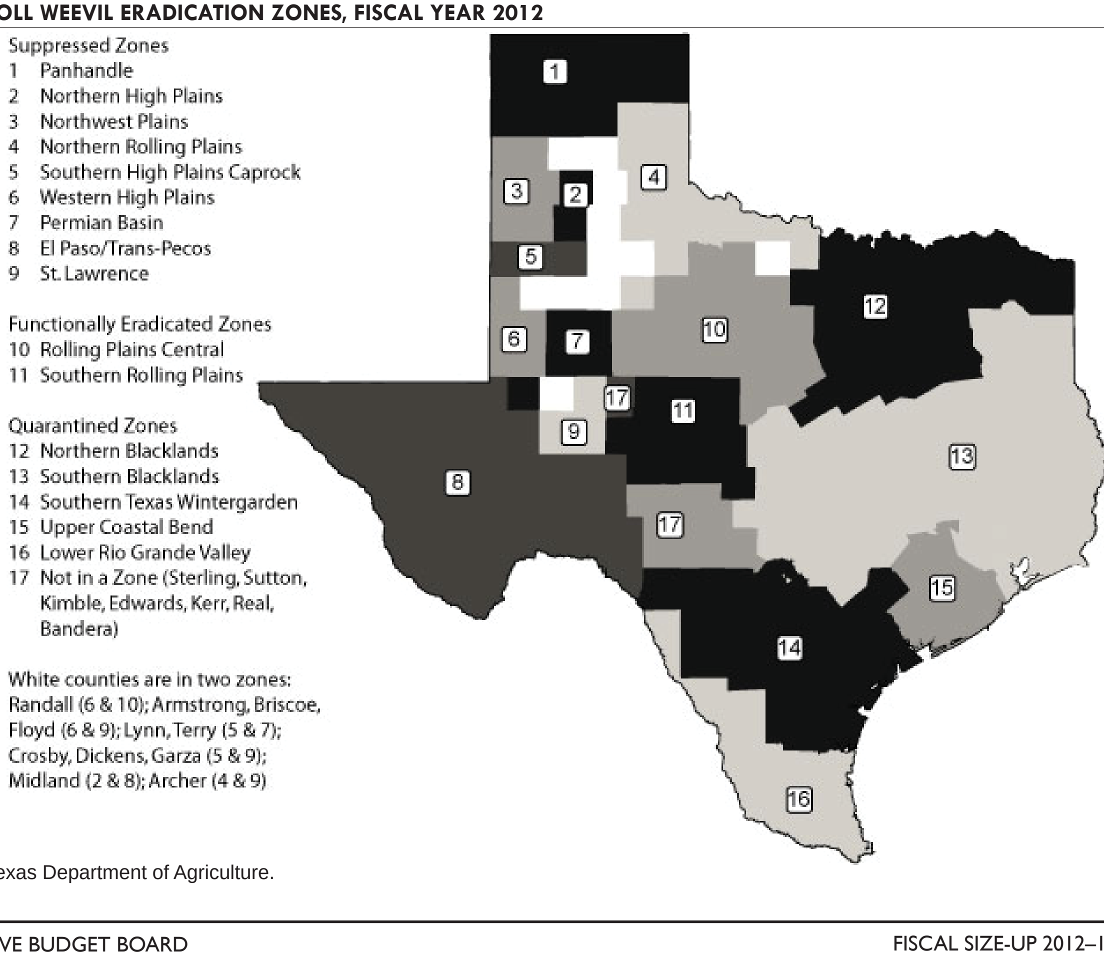
Integrated pest management is a farming system that curbs pest populations by using a variety of practices, including biological pest controls, pest-resistant crop plants, crop rotations, planting-date adjustments, crop residue destruction, and pesticides when insects or weeds reach economically damaging levels. Programs in this area include the Mexican Fruit Fly Program, which monitors the levels of infestation of the Mexican fruit fly; the Cotton Stalk Destruction Program, which assists cotton producers in suppressing boll weevil and pink bollworm populations by establishing area-wide stalk destruction deadlines recommended by producer committees; and the Boll Weevil Eradication Program. TDA oversees the Texas Boll Weevil Eradication Foundation, which is responsible for administering the Boll Weevil Eradication Program. TDA approves budgets, posts agendas, receives annual reports, conducts referenda to determine new eradication zones, and provides general oversight of foundation activities. At the end of fiscal year 2011, there were approximately 31,430 cotton growers in 16 eradication zones **(Figure 291)** participating in the program; of the 16 zones, 11 achieved functionally eradicated status. Direct appropriations total $15 million for boll weevil eradication for the 2012–13 biennium, which is a biennial decrease of $13.0 million.

The Integrated Pest Management Program is appropriated $19.5 million for the 2012–13 biennium, which provides for 36.3 FTE positions. This represents a decrease of $15.1 million, or 43.5 percent, as compared to 2010–11 biennial spending levels.

CERTIFY PRODUCE

TDA entered into an agreement with the U.S. Department of Agriculture (USDA) in May 1992 to create the Texas Cooperative Inspection Program, which conducts grading and standardization inspections of citrus, vegetables, tree nuts, and peanuts in Texas. TDA administers the program, including furnishing all personnel and handling financial matters. USDA ensures that program personnel are adequately trained and that inspections are conducted using appropriate USDA grades and procedures. The agency anticipates that it will inspect 2.7 billion pounds of fruits,

FIGURE 291
TEXAS BOLL WEEVIL ERADICATION ZONES, FISCAL YEAR 2012



SOURCE: Texas Department of Agriculture.

vegetables, and nuts each year. The Certify Produce Program is appropriated $0.4 million for the 2012–13 biennium, providing for 1.8 FTE positions. This represents a decrease of $28,287, or 7.3 percent, as compared to 2010–11 biennial spending levels.

AGRICULTURAL PRODUCTION DEVELOPMENT

The agency provides three major Agricultural Production Development Programs, including the Livestock Export Pens Program, the Seed Certification Program, and the Feral Hog Abatement Program.

LIVESTOCK EXPORT PENS PROGRAM

TDA has five 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 sixth facility, located in Houston at the George Bush Intercontinental Airport, is available by appointment for exports by air and sea only. In fiscal year 2011, there were 1,044,817 head of livestock and poultry exported through Texas facilities.

SEED CERTIFICATION PROGRAM

The Seed Certification Program works to maintain genetic purity and identity standards through the inspection of producers' or registrants' fields, facilities, seed, and plants. **Figure 292** and **Figure 293** show Texas' ranking among other states in the production of certain agricultural crops and livestock.

FERAL HOG ABATEMENT PROGRAM

The goal of the Feral Hog Abatement Program is to implement feral hog abatement technologies. The Seventy-ninth Legislature, Regular Session, 2005, established the program to address statewide damage to crops, fences, and small livestock. Damages are estimated to cost more than $500 million annually. The Eighty-second Legislature, 2011, appropriated $1 million to TDA for the Feral Hog Abatement Program. This represents a decrease of $0.1 million, or 4.9 percent, as compared to 2010–11 biennial spending levels.

STANDARDS ENFORCEMENT

TDA ensures the quality of consumer products before they are sold to the public. The agency protects producers and consumers through licensing and inspection. This is accomplished through four agency strategies: (1) Surveillance/Biosecurity Efforts; (2) Verification of Seed Quality; (3) Agricultural Commodity Regulation; and (4) Structural Pest

FIGURE 292
TEXAS CROP RANKINGS
CALENDAR YEAR 2010

US RANKING	CROP	PRODUCTION (IN THOUSANDS)	UNITS
1	Upland cotton	8,050	Bales
1	All cotton	8,082	Bales
1	Sorghum for silage	1,120	Tons
1	All hay	10,800	Tons
2	Peanuts	586,800	Pounds
2	Amer-pima cotton	16.5	Bales
2	Sorghum for grain	119,000	Bushels
2	Pecans	70,000	Pounds
2	Winter wheat	127,500	Bushels
3	Watermelons	6,225	CWT*
3	All citrus	335	Tons
3	Sugarcane	1,716	Tons
6	Rice (all lengths)	13,468	CWT*
7	Grapes	8.9	Tons
12	Corn for grain	301,600	Bushels

*CWT = hundredweight (unit of weight equal to 100 pounds).
SOURCE: Texas Department of Agriculture.

FIGURE 293
TEXAS LIVESTOCK RANKINGS
CALENDAR YEAR 2010

US RANKING	SPECIES OR CLASS
1	All Cattle
1	Beef Cows
1	Calf Crop
1	Cattle on Feed
1	All Sheep
1	All Goats
1	Angora Goats
3	Market Sheep & Lambs
6	Chicken - Broilers Raised
6	Chickens - Layers
7	Milk Cows
15	All Hogs

SOURCE: Texas Department of Agriculture.

Control. Appropriations for these four strategies total $18.6 million for the 2012–13 biennium, which provide for 170 FTE positions. This represents a decrease of $0.4 million, or 2.2 percent, as compared to 2010–11 biennial spending levels.

TDA also protects consumers and businesses by: (1) inspecting various weighing devices, including fuel pumps and grocery store scales; (2) verifying the content weight listed on the packaging of products through measurement testing; and (3) inspecting to verify that shelf prices for various consumer products are the same prices charged at checkout. The Inspect Measuring Devices Program received $10.3 million in appropriations for the 2012–13 biennium, which provides for 85.4 FTE positions. This represents a decrease of $0.9 million, or 7.6 percent, as compared to 2010–11 biennial spending levels.

SURVEILLANCE/BIOSECURITY EFFORTS

The Implement Surveillance and Biosecurity Efforts for Pests/Diseases Program focuses on protecting consumers by licensing and inspecting retailers, wholesalers, and distributors of all types of plants throughout Texas. The agency enforces quarantine restrictions that prevent destructive pests and plant diseases on nursery and floral products from being shipped out of quarantined areas or into pest-free areas within the state. In addition, the agency prevents destructive pests and plant diseases from being shipped into the state by periodically establishing road stations at strategic points along the Texas border to stop shipments of pest-infested plants into Texas. Other regulatory activities include administering the Fire Ant, the Pest Quarantine, and the Nematode and Disease Detection programs. The agency expects to conduct 9,500 nursery and floral establishment inspections each year of the 2012–13 biennium.

SEED-QUALITY VERIFICATION

The Seed Quality Verification Program staff administers the state's seed laws by operating laboratories for germination and purity testing, and greenhouse and field-testing facilities for determining varietal purity. Seeds offered for sale must be correctly tagged and labeled, an important protection for people who use the seeds for agricultural production. Seed testing is conducted in a laboratory in Giddings. The agency expects to analyze approximately 5,000 seed samples each year of the 2012–13 biennium.

AGRICULTURAL COMMODITY REGULATION

TDA's regulation of agricultural commodities currently focuses on three primary areas: egg quality, perishable commodities, and grain warehouses. TDA ensures that the eggs sold to Texas consumers meet the standards of quality established by TDA through licensing of dealer-wholesalers, processors, and brokers and through the inspection of eggs at the state's packing plants, distribution centers, and retail outlets. Dealer-wholesalers, processors, and brokers not complying with these standards are subject to a stop-sale order, which prohibits the sale of a shipment in a retail outlet. The agency expects to conduct 2,100 egg inspections each year of the 2012–13 biennium.

The Handling and Marketing of Perishable Commodities Program helps the agency ensure that producers and dealers of Texas-grown perishable commodities receive timely compensation for commodities they sell. Under this program, a dealer or buyer must be licensed and must pay an annual license fee. If a licensed dealer fails to pay for produce delivered, the producer and/or seller is allowed to recover a portion of damages from the Produce Recovery Fund, a special account funded with a portion of the license fees paid. During the 2010–11 biennium, nine reimbursements were made from the Produce Recovery Fund, for a total of $68,657.

TDA also monitors commodity warehouses to ensure that the commodities are properly stored, shipped, and handled. This allows producers to capitalize on favorable market conditions. The agency anticipates conducting 275 commodity-warehouse inspections/audits each year of the 2012–13 biennium.

STRUCTURAL PEST CONTROL

TDA is responsible for the licensing and regulation of structural pest control businesses. This regulation includes application of pesticides, use of pest control devices, pest inspections, and related activities in or adjacent to structures including but not limited to homes, schools, nursing homes, child day-care operations, hospitals, food processors, hotels, apartments and warehouses. The agency anticipates 5,000 new individual and business licenses to be issued in each year of the 2012–13 biennium.

ENSURE PROPER MEASUREMENT

Through their Inspect Measuring Devices Program, TDA protects consumers and businesses by ensuring that weighing and measuring devices perform within acceptable tolerances and that packages are properly labeled prior to sale. A wide variety of devices are inspected by TDA, ranging from fuel pumps at service stations and bulk meters used at airports for fueling airplanes to scales at grocery stores. Liquefied petroleum gas meters used to fill small tanks for backyard grills and those used to fill storage tanks at businesses or homes are also inspected. In addition, packing ranging from cereal boxes to packaged polyethylene sheeting is weighed or measured to determine whether the contents meet or exceed the quantity stated on the label. The agency also assures that the prices displayed on the shelf for consumer products are the same price consumers pay at the checkout counter.

TDA operates one metrology lab. Metrology refers to the certification of weights and measures standards that are backed by national and international standards. The metrology laboratory is located in Giddings. These laboratories calibrate all types of weights and weighing devices to meet the guidelines of the National Institute of Standards Technologies.

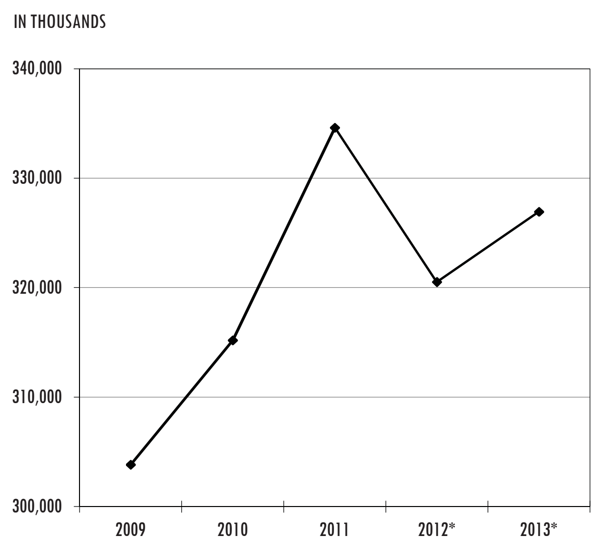
The agency expects to conduct approximately 132,982 weights and measures inspections each fiscal year of the 2012–13 biennium.

CHILD NUTRITION PROGRAMS

Child nutrition programs include the School Lunch, Breakfast, and After School Snack programs in Texas public schools. As the administering state agency for the child nutrition programs, TDA is responsible for processing claims for reimbursement, providing special marketing and procurement assistance to promote nutritious eating habits, conducting on-site compliance monitoring, and coordinating training through the 20 regional Education Service Centers. TDA administers the child nutrition programs through an interagency contract with Texas Education Agency (TEA), in which reimbursement payments for the programs continue to be budgeted at TEA. The Support Nutrition Programs in School Program is appropriated $73.4 million for the 2012–13 biennium, which provides for 120.9 FTE positions. This represents an increase of $17.2 million, or 30.7 percent, as compared to 2010–11 biennial spending levels.

Eight federal child nutrition and commodity distribution programs are administered by TDA. These programs, commonly referred to as the special nutrition programs, include the School Lunch, Breakfast and After School Snack programs in private schools and residential child care institutions; the Child and Adult Care Food Program; the Summer Food Services Program; the Special Milk Program; the Food Distribution Program; the Texas Commodity Assistance Program; and the Commodity Supplemental Food Program. The nutrition programs are administered to eligible participants in a variety of settings including day cares, schools, and parks and recreational programs through enrollment contracts with non-profit and private non-profit schools and public organizations. The commodity programs are responsible for allocating, ordering, and overseeing distribution of USDA donated commodities to schools, food banks, and other organizations for preparation of meals and distribution of food packages to eligible households. In fiscal year 2011, the programs provided more than approximately 1.1 billion meals and snacks and distributed more than $182 million worth of commodities donated by the USDA. **Figure 294** shows the average number of children and adults served meals through the Child and Adult Care Food Program Per Day from fiscal year 2009 to fiscal year 2013. The Nutrition Assistance program received $824.8 million in appropriations for the 2012–13 biennium and provided for 14.9 FTE positions. This represents an increase of $97.3 million, or 13.4 percent, as compared to 2010–11 biennial spending levels.

FIGURE 294
AVERAGE NUMBER OF CHILDREN AND ADULTS SERVED MEALS THROUGH THE CHILD AND ADULT CARE FOOD PROGRAM PER DAY
FISCAL YEARS 2009 TO 2013



*Anticipated.
SOURCE: Texas Department of Agriculture.

FOOD AND FIBERS RESEARCH

The goal of the food and fibers program is to promote the production, use, and quality of Texas' natural fibers and food protein products by supporting and coordinating cooperative research at state supported universities such as Texas A&M University, Texas Tech University, and The University of Texas at Austin. Appropriations for the 2012–13 biennium for the Food and Fibers programs are $0.8 million and are strictly for the Zebra Chip Disease Program. This disease is responsible for numerous losses in the Texas potato industry and has had a significant economic impact on potato producers. Appropriations to food and fiber research decreased by $5.9 million, or 88 percent, as compared to 2010–11 biennial spending levels.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect TDA. These bills include House Bill 1840 and Senate Bill 89.

The enactment of House Bill 1840 establishes the Texas Grain Producer Indemnity Board, which collects assessments from grain buyers to be deposited to a fund that may be held outside the State Treasury. The fund would be used to pay claims to grain producers who have delivered grain to a buyer under certain circumstances.

The enactment of Senate Bill 89 reduces the minimum proportion of students in a school district meeting eligibility requirements for the federal free and reduced price lunch program that triggers the requirement that school districts provide or arrange for a summer nutrition program from 60 percent to 50 percent.

The Eighty-second Legislature, First Called Session, passed Senate Bill 2 which transfers the non-disaster recovery functions of TDRA and all related appropriations to TDA, resulting in an increase to TDA's appropriations of $9.7 million in General Revenue Funds and General Revenue–Dedicated Funds and $165.7 million in All Funds.

ANIMAL HEALTH COMMISSION

The Texas Animal Health Commission (TAHC), established in 1949, is the successor to the Livestock Sanitary Commission of Texas, which was established by the Legislature in 1893. The agency's mission is to protect and enhance the health of Texas animal populations by preventing, controlling, and/or eliminating animal diseases and monitoring and promoting animal health and productivity.

Appropriations for the 2012–13 biennium total $30.1 million in All Funds and provide for 205 full-time-equivalent (FTE) positions. These appropriations include $22.3 million in General Revenue Funds, (74 percent), of which $9.9 million and 57.5 FTE positions are contingent upon the imposition and collection of new fees and the enactment of legislation expanding the agency's authority to assess and collect fees. House Bill 1992, Eight-second Legislature, Regular Session, 2011, provides the agency with the statutory authority to charge fees sufficient to fund the direct and indirect costs for all services the agency provides.

Additionally, TAHC receives Federal Funds from the Animal and Plant Health Inspection Service through the U.S. Department of Agriculture (USDA) and is part of cooperative agreements for the surveillance, control, and eradication of brucellosis; tuberculosis; trichomoniasis; Johne's disease; Texas fever ticks; classical swine fever in swine; transmissible spongiform encephalopathy disease such as scrapie in sheep and goats, chronic wasting disease in domestic cervidae, and bovine spongiform encephalopathy (mad cow disease) in cattle; and avian diseases such as low pathogenic avian influenza and high pathogenic avian influenza. Other federally funded cooperative agreements support swine health, Foreign Animal Disease Surveillance, and the National Animal Identification System programs.

The revenue target established for the agency in Senate Bill 1, Eighty-second Legislature, General Appropriations Act (GAA), 2012–13 Biennium, is approximately $4.9 million in each fiscal year or $9.9 million for the biennium. In July 2011, the Animal Health Commission, which consists of appointees from various animal agriculture industry representatives and producers, adopted proposals for new or increased fees that would generate (assuming 12 months of collections) approximately $400,000 annually.

The following two fees or fee increases took effect on September 1, 2011:

- a new Chronic Wasting Disease (CWD) Inspection fee ($100 per hour) for herds enrolled in the voluntary monitoring program for species (i.e., deer and elk) susceptible to CWD.
- a $2 increase, from $5 to $7 per certificate, in the Certificate of Veterinary Inspection fee required by statute for interstate movement of livestock.

Another fee increase took effect in June 2011, when the agency approved a change in the Fowl Registration fee, an annual fee which depends on flock size—for flocks of 999 or less, the fee ranges from $35 to $250, and for flocks of 1,000 or more, the fee ranges from $400 to $600—in May 2011. Finally, the annual registration fee for distributors or transporters of fowl is $600, and $800 for a combination seller, distributor or transporter of fowl.

More recently the agency discussed enacting laboratory fees for cattle and swine brucellosis tests and voluntary testing for diagnostics or private treaty sales which would take effect in January 2012, and adopted a cattle inspection fee of $1 per head for cattle of foreign origin. Together, these two fees could generate approximately $600,000 annually. However, since neither fee took effect on September 1, 2011, and the foreign (primarily cattle imports from Mexico) cattle import fee involves international trade issues and therefore may not prove a viable proposal, the revenue increase in fiscal year 2012 is expected to fall far short of the annual estimate.

In response to the lower revenue target TAHC established, the agency has closed two of its four cooperative state-federal laboratories; merged two field offices, a reduction first implemented as part of the 5 percent reduction requested by the Governor, the Lieutenant Governor and the Speaker of the House for the 2010–11 biennium; and reduced field and office staffing levels. The agency will continue to monitor federal funding levels and revenue generated by new or increased fees, and adjust spending levels accordingly during the 2012–13 biennium.

The agency's goal is to protect and enhance the health of Texas animal populations and to facilitate productivity and marketability while minimizing risks to human health. To accomplish this, the TAHC performs three primary functions: (1) Field Operations; (2) Diagnostic and Epidemiological Support; and (3) Promote Compliance.

FIELD OPERATIONS

Under the Field Operations strategy, TAHC uses several methods to prevent, monitor, diagnose, control, and eradicate diseases. These methods include conducting inspections at concentration points, such as livestock auctions and slaughterhouses; inspecting, testing, and quarantining herds and flocks; inspecting livestock shipments; issuing movement permits; maintaining federal and state databases containing animal, herd, and premises information; monitoring livestock movements; serving as a resource on disease and management problems for the livestock and poultry industry; depopulating certain infected herds or flocks; and registering certain poultry sellers, distributors, and transporters. Approximately 74.5 percent of the agency's funding is allocated to Field Operations, along with 66 FTE positions. During fiscal year 2010, the agency consolidated two area offices located along the Texas coast to a single location near Waller, Texas. According to the agency, the consolidation allows for improved management of the area and the provision of expanded emergency management services to the southeast Texas coast.

DIAGNOSTIC AND EPIDEMIOLOGICAL SUPPORT

TAHC staff are involved in a variety of diagnostic and epidemiological activities: (1) identifying parasite specimens submitted to the agency; (2) assisting and consulting with veterinarians to interpret tests and make disease diagnoses, develop disease control and eradication plans for herds, and advise agency management on disease trends, potential threats, and mitigation strategies; and (3) testing on blood, tissue, and milk samples submitted to the labs. During fiscal year 2011, more than 2.5 million samples were tested at laboratories located in Austin, Fort Worth, Lubbock, and Palestine. The agency operates its laboratories in conjunction with USDA. In response to reductions required in the 2010–11 biennium, a lower revenue target for the 2012–13 biennium and declining levels of federal support, the agency eliminated the laboratories located in Lubbock and Palestine. In addition, effective January 2012, the agency will charge a fee for Rapid Automated Presumptive tests and a submission fee for brucellosis tests.

PROMOTE COMPLIANCE

TAHC promotes voluntary compliance with legal requirements by providing education and information to local producers of livestock, exotic livestock, exotic fowl, and domestic fowl; to animal associations and clubs; to veterinarians; and to schools and educators. The agency also pursues legal remedies when voluntary compliance is not forthcoming.

In recent years, the main objective of TAHC strategies has been to detect, control, and eradicate various livestock diseases including but not limited to the following diseases:

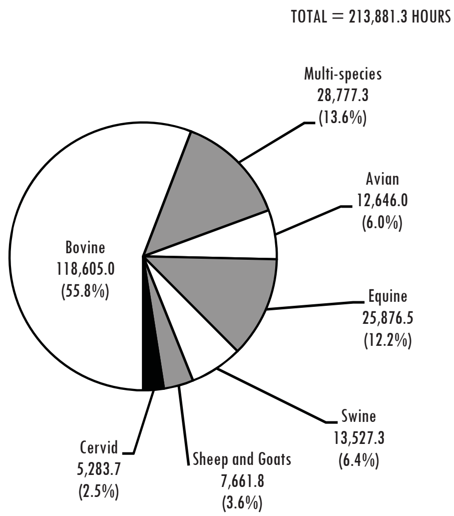
- brucellosis in cattle and swine;
- tuberculosis (TB) in cattle, goats, and cervidae (e.g., axis and siki deer);
- cattle fever ticks in cattle, deer, elk, and nilgai;
- pseudorabies in swine;
- scrapie in sheep and goats;
- equine infectious anemia in horses;
- equine piroplasmosis and equine herpes virus 1 in horses;
- chronic wasting disease;
- high pathogenic avian influenza;
- low pathogenic avian influenza;
- infectious laryngotracheitis; and
- exotic Newcastle disease.

At the request of the cattle industry, the agency developed and implemented rules for trichomoniasis, a venereal disease of cattle in fiscal year 2008. The disease, which results in embryonic loss, infertility, and reduced calf-crop, poses significant economic consequences for cattle producers.

An additional objective is to continually conduct surveillance for early detection of foreign animal diseases, should they be introduced into the state. Diseases of significant concern include, but are not limited to, mad cow disease, chronic wasting disease, foot and mouth disease, classical swine fever, highly pathogenic avian influenza, and exotic Newcastle disease. **Figure 295** shows a distribution by particular species of the amount of TAHC staff hours expended detecting, eradicating, and controlling these diseases.

One of the agency's primary objectives is to eliminate brucellosis from Texas herds. Brucellosis is an infectious bacterial disease that primarily affects cattle, swine, and goats, but that can be transmitted to humans. Federal regulations place severe restrictions on states that lack a brucellosis program. The State–Federal Brucellosis Eradication Program consists of eight primary activities: (1) voluntary surveillance testing at livestock markets and at slaughter plants; (2) testing for change of ownership; (3) blood and tissue sampling for diagnostic purposes at

FIGURE 295
STAFF HOURS EXPENDED ON EACH SPECIES
FISCAL YEAR 2011



Source: Texas Animal Health Commission.

slaughter; (4) testing of herds identified by surveillance as potentially infected; (5) area testing of high-risk herds; (6) epidemiological evaluating of infected herds to determine the source of infection; (7) retesting of previously quarantined and adjacent herds to assure freedom from disease; and (8) vaccination of sexually intact female animals in infected herds that are not being depopulated. A statewide field force of 54 animal health inspectors and veterinarians working from six offices strategically placed across the state is available to conduct inspections on-site at approximately 100 Texas livestock markets.

USDA set the goal for the United States to achieve "brucellosis-free" status by 1998. To be recognized as free of brucellosis, a state must have gone a minimum of 12 consecutive months since the release of quarantine on the last infected herd and have received a satisfactory review by USDA officials to assure that all of the other program standards have been met. As of May 2011, Texas achieved brucellosis-free status, in both state swine and cattle populations. Texas was the last state to be declared brucellosis-free for cattle and swine—for cattle in February 2008 and for swine in May 2011. Brucellosis-free status benefits livestock producers in that it eliminates certain restrictions on the interstate movement of breeding swine and cattle. Although Texas has achieved brucellosis-free status, brucellosis surveillance in the form of first-point testing and slaughter testing needs to continue for a number of years to ensure disease prevention. However, in response to budget reductions, effective August 1, 2011, the agency transitioned from a mandatory to a voluntary first-point testing program. According to the agency, a positive Brucellosis cattle herd was detected in Texas for the first time in more than five years in February 2011. Due to a change in USDA rules favoring a local risk-based disease management approach over reclassification to a lower status, Texas should not lose its Brucellosis free-status.

Texas regained TB Accredited-Free status in September 2006. The agency continues to conduct a high level of TB surveillance activities, which resulted in the discovery of a TB-infected dairy located in west Texas in fiscal year 2009. The agency tested over 65,000 head of cattle to ensure the disease had not spread to other dairies. The agency also protects the state's cattle population from reintroduction of the disease through strict interstate entry requirements. In recent years, Bovine TB has been found in dairy herds in New Mexico, Colorado, and California, a beef cattle herd in Oklahoma, a rodeo stock herd in Colorado, and in multiple cattle herds in both Minnesota and Michigan. All Texas dairy herds in the El Paso Milk Shed area have been depopulated as part of a planned buyout because of recurrent and persistent TB infection in the area.

The agency promulgates and enforces rules governing the entry of exotic livestock, including ratites (which include ostriches and emus) and cervidae (e.g., elk, red deer, axis and siki deer) into Texas because these animals may carry diseases that can be transmitted to domestic livestock and poultry. For example, exotic hoofed stock must test negative for both TB and brucellosis prior to entry into Texas, cervids are evaluated for compliance with CWD risk guidelines, and importers must possess both TAHC entry permits and certificates of veterinary inspection prior to entry.

Texas' swine brucellosis and pseudorabies elimination programs began in July 1990. TAHC utilizes state funds and USDA-provided funding for swine inspections, laboratory analysis, epidemiological investigations, quarantine, and depopulation activities conducted in these programs. Both of these diseases have been eradicated from domestic swine populations. However, Texas has very large populations of feral swine, and both brucellosis and pseudorabies are present in the feral swine populations. Spreading of the disease from feral swine to domestic swine herds is occurring. The agency conducts surveillance through market testing, herd testing, targeted surveillance of feral swine herds, and slaughter testing to detect and eliminate infection when it spreads to commercial swine herds.

The disease that prompted the Legislature to create the Texas Livestock Sanitary Commission, the forerunner of the Texas Animal Health Commission, was bovine piroplasmosis (Cattle Tick Fever), which fever ticks carry. The national effort to eradicate fever ticks and the associated disease from Texas and the United States began in 1906. While fever ticks were eradicated from the Unites States by 1943, a buffer zone, which is called the Cattle Fever Tick Eradication Quarantine Area, is maintained along the Rio Grande from Del Rio to the Gulf of Mexico to prevent re-establishment of fever ticks in Texas and other states. Fever ticks and bovine piroplasmosis are prevalent in Mexico. Incursions of ticks from Mexico into Texas occur frequently on stray or smuggled livestock and on wildlife hosts. The end result is that fever tick infestations frequently occur in Texas both within the quarantine area and in the free area of the state. These incursions threaten the marketability of Texas cattle if not quickly addressed. TAHC is also responsible for the control of various other animal and poultry diseases, such as equine infectious anemia (EIA). Although EIA poses no threat to humans, this disease causes debility and death in horses and other equine species. There has been a decrease in the number of EIA cases since the inception of the program in 1977. However, Texas continues to have the highest number of new EIA cases detected annually in the U.S. and continues to work with neighboring "at-risk" states to prevent the further spread of the disease. In addition, the agency enforces entry test requirements for horses entering Texas from other states.

Significant diseases of poultry such as avian influenza (AI), exotic Newcastle disease (END), and Infectious Laryngotracheitis occur sporadically. Prompt diagnosis and effective control efforts are essential to the well-being of the Texas poultry industry. Additionally, TAHC collaborates with USDA, the poultry industry, and wildlife officials to conduct surveillance in both domestic and wild bird populations for the highly pathogenic avian influenza strain H5N1, which is present in many Asian and European countries, has caused illness and death in some humans, and is of great concern to public health.

In fiscal year 2008, TAHC formalized a response mechanism for a foreign or emerging disease outbreak in the state or a natural or artificial disaster affecting livestock or poultry. The agency routinely evaluates the response utilizing the Emergency Management Steering Committee, which is composed of members from the agency and from USDA's Animal and Plant Health Inspection Services—Veterinary Services in Texas. All agency employees are now trained for animal-related emergency response, and are expected to respond to disease and natural disasters when called.

TAHC is a member of the state's Emergency Management Council and continues to work with the Governor's Division of Emergency Management and other stakeholders to refine and implement an effective response plan for foreign animal and emerging diseases. As part of this effort, TAHC and USDA veterinarians routinely conduct Foreign Animal Disease investigations to detect foreign or emerging diseases that may be introduced intentionally or unintentionally.

Since USDA began implementation of the National Animal Identification System (NAIS), TAHC, livestock producers, and members of producer organizations have worked with USDA to implement provisions of the animal identification system on a voluntary basis. The NAIS originally included three components: (1) premises identification; (2) animal identification; and (3) movement reporting/animal tracking. Premises identification is accomplished by registering locations where livestock are held, managed, or handled (e.g., farms and ranches, livestock markets, and slaughter facilities). Animal identification means the identification of animals with either an individual animal identification device, such as an ear tag, or identification of a group of animals with a group/lot identification number. Group/lot identification is used to identify a group of animals that stay together from birth to slaughter, such as pigs and poultry, and individual identification is used to identify cattle, sheep, goats and cervidae. Animal tracking involves reporting animal movement(s) to a database to enable rapid (within 48 hours) tracing during a disease event.

USDA originally established timelines and benchmarks for implementation of NAIS, but subsequently declared NAIS to be voluntary. Nationally, only three states require participation in some aspects of NAIS. Wisconsin and Indiana have enacted laws requiring registration of premises, and Michigan requires identification of all cattle sold, moved, or tested in the state.

Texas ranks third in the nation relative to the number of premises registered; only Wisconsin and Indiana, the two states with mandatory premise registration programs, registered more premises. However, because Texas has more livestock and premises than any other state, nationally Texas ranks thirty-second in percentage of premises registered.

The NAIS program nominally ended with the recent proposed federal rule for a new Animal Disease Traceability program. The new program would impose federal requirements for individual animal identification (ID) only for those animals transiting state borders, and also provides for the following: (1) specific details regarding what constitutes an official animal ID; (2) indicates that metal ID tags will be distributed to producers at no additional cost; (3) no specific requirement for premises registration; and (4) does not as yet include performance standards for animal traceability. At least initially, the proposed rule would likely apply to high-risk cattle only, although upon full implementation, all livestock species and horses would be subject to the traceability rule. According to the agency, the new traceability program would be largely state-determined, as the individual states would bear the primary responsibility for establishing and implementing the new traceability system.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed one bill that affects the Texas Animal Health Commission.

The enactment of House Bill 1992 authorizes the agency to set and collect fees for the following purposes:

- inspections of animals or facilities;
- testing of animals for disease;
- obtaining samples from animals for disease testing;
- disease prevention, control or eradication efforts;
- services related to the transport of livestock;
- control and eradication of ticks and other pests; and
- any other service for which the agency incurs a cost.

The provisions of House Bill 1992 are scheduled to expire on September 1, 2015.

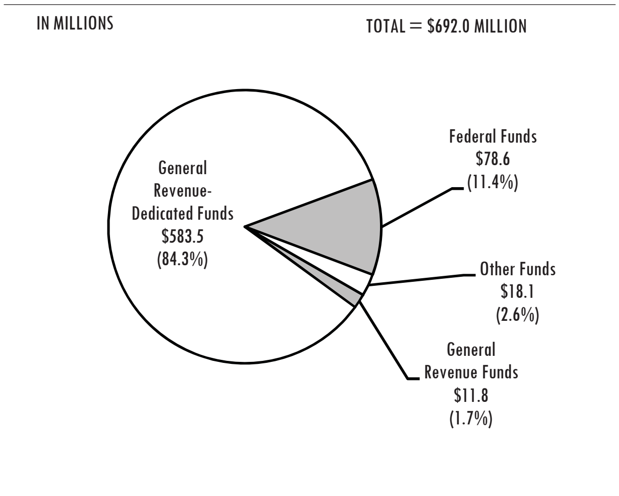
COMMISSION ON ENVIRONMENTAL QUALITY

The Texas Commission on Environmental Quality (TCEQ) was established on September 1, 1993, by consolidating the Texas Air Control Board and the Texas Water Commission pursuant to legislation enacted in 1991. TCEQ's three full-time commissioners are appointed by the Governor for six-year staggered terms. The Governor designates one member as the chair of the commission, and the commission employs an executive director to manage the agency.

TCEQ's mission is to protect the state's human and natural resources in a manner consistent with sustainable economic development and with the goals of clean air, clean water, and safe management of waste.

TCEQ's appropriations total $692 million in All Funds for the 2012–13 biennium, or a decrease of $260.1 million (27.3 percent), as compared to 2010–11 biennial spending levels, including $22.2 million in appropriations that are contingent upon revenue collections in excess of the Comptroller's *2012–13 Biennial Revenue Estimate*. These appropriations provide for 2,761.2 full-time-equivalent (FTE) positions, and they include $595.3 million in General Revenue Funds and General Revenue–Dedicated Funds (86 percent of All Funds). As **Figure 296** shows, the majority of the funding is General Revenue–Dedicated Funds, which are primarily generated from fees.

FIGURE 296
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY SOURCES OF FUNDING, 2012–13 BIENNIUM



SOURCE: Legislative Budget Board.

TCEQ's appropriations are allocated among several goals:

- Assessment, Planning, and Permitting;
- Drinking Water and Water Utilities;
- Enforcement and Compliance Support;
- Pollution Cleanup;
- River Compact Commissions; and
- Indirect Administration.

ASSESSMENT, PLANNING, AND PERMITTING

One of the agency's functions is to protect public health and the environment by accurately assessing environmental conditions and preventing or minimizing the level of contaminants released into the environment. This is accomplished by regulating activities and issuing permits to facilities with the potential to contribute to pollution levels and to individuals performing pollution management-related work. TCEQ is appropriated $376.4 million, or 54 percent of total agency All Funds appropriations, for the 2012–13 biennium for this purpose. This represents a decrease of $198.2 million, or 34.5 percent, as compared to 2010–11 biennial spending levels. Approximately 42 percent of the agency's workforce, 1,164.5 FTE positions, is engaged in related activities.

ASSESSMENT AND PLANNING

To reduce toxic releases in the state, TCEQ established an assessment and planning function to guide the state's regulatory framework. The agency performs assessment and planning in its three main areas: air, water, and waste. The three assessment and planning functions account for $290.7 million, or 42 percent, of the agency's All Funds appropriations.

AIR QUALITY ASSESSMENT AND PLANNING

TCEQ assesses the effect of air emissions and develops solutions for regional air quality problems. The agency established an extensive statewide monitoring network that includes between 215 and 229 air monitoring sites depending on the time of year and other factors. Many of these monitoring sites have multiple sampling instruments. The Texas network has approximately 1,200 individual samplers, half of which are predominantly controlled by TCEQ. Like the number of sites, the number of sampling instruments changes occasionally as interest in different parameters fluctuates. These stations contain specialized instrumentation that continuously measures air pollutant levels and meteorological conditions. The data from these stations are transmitted to the agency's headquarters in Austin and displayed in real time on the agency's website. Periodically, TCEQ uses air-sampling aircraft to gather upper air data to supplement the data gathered by the ground-based monitoring network.

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 for each area in the state designated by EPA as nonattainment for National Ambient Air Quality Standards (NAAQS). To bring such areas into compliance with federal standards, the agency develops control strategies such as vehicle emissions and inspection testing, point source emissions limitations including emissions cap and trade programs, and heavy-duty vehicle engine-idling restrictions. TCEQ uses computer models to test the effectiveness of various pollution-control strategies when determining what control measures would be effective and appropriate for an area. Once 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 the Houston–Galveston–Brazoria areas are currently designated nonattainment for the 1997 eight-hour ozone standard. The Beaumont–Port Arthur (BPA) area has been re-designated by the EPA to attainment. On October 20, 2010, the EPA published a final rule in the Federal Register (75 FR 64675), effective November 19, 2010, approving the re-designation request and maintenance plan for the 1997 eight-hour ozone standard and finalized a determination that the BPA area is in attainment of the revoked one-hour ozone standard. The EPA's determination to re-designate signifies that the BPA area has met all of the applicable Federal Clean Air Act requirements for the purpose of re-designation to attainment.

TCEQ is continuing planning efforts to address compliance with the 1997 eight-hour ozone standard as well as the 2008 eight-hour ozone standard in the Austin, Beaumont-Port Arthur, Corpus Christi, Dallas–Fort Worth, El Paso, Houston–Galveston–Brazoria, Longview–Tyler, San Antonio, Victoria, and Waco areas.

Figure 297 shows the air quality as measured in nonattainment and near-nonattainment areas during calendar years 2001 to 2010, reflecting a steady decrease in the frequency of the ozone standard being exceeded over the period. Since the 2007 to 2009 period, only the Dallas-Fort Worth Area has been slightly exceeding the eight-hour ozone standard of 85 parts per billion, while the Houston-Galveston-Brazoria area has been slightly below the standard.

The agency also assists the Texas Department of Public Safety in implementing the Vehicle Emissions Inspection and Maintenance Program (VEIMP). These inspections are required under the federal Clean Air Act because of the severity of each city's nonattainment status level. In addition, any area can participate in the VEIMP voluntarily. The VEIMP currently is implemented in 17 counties: Brazoria, Collin, Dallas, Denton, El Paso, Ellis, Fort Bend, Harris, Galveston, Johnson, Kaufman, Montgomery, Parker, Rockwall, Tarrant, Travis, and Williamson.

TCEQ also operates a Low-income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP),

FIGURE 297
EIGHT-HOUR OZONE DESIGN VALUE (PARTS PER BILLION)*

REGION	2001–03	2002–04	2003–05	2004–06	2005–07	2006–08	2007–09	2008–10
Dallas-Fort Worth	**100**	**98**	**95**	**96**	**95**	**91**	**86**	**86**
Houston-Galveston	**102**	**101**	**103**	**103**	**96**	**91**	84	84
Beaumont-Port Arthur	**91**	**92**	**88**	**85**	83	81	77	74
San Antonio	**89**	**91**	**86**	**87**	82	78	74	75
El Paso	79	78	76	78	79	78	75	71
Austin	84	**85**	82	82	80	77	75	74
Corpus Christi	80	80	75	72	70	71	69	71

*Based on data from regulatory monitors only.
Note: A design value of 85 parts per billion or higher, which is based on the three-year average of the annual fourth highest daily maximum eight-hour ozone average, exceeds the 1997 ozone standard (bold).
Source: Texas Commission on Environmental Quality.

which targets nonattainment status areas and near-nonattainment areas. The agency's appropriations in the Air Quality Assessment and Planning Strategy include $12.5 million for the LIRAP in the 2012–13 biennium. Of the LIRAP funding, $11.3 million is for incentive payments to eligible persons in participating counties for payments for replacing and/or repairing older, more polluting vehicles. The remaining $1.3 million is available for various county initiative programs aimed at reducing vehicle emissions. All of the VEIMP counties participate in the LIRAP except for El Paso.

The agency, through the Texas Emissions Reduction Plan (TERP) established by the Seventy-seventh Legislature, 2001, implements a grant program targeting nonattainment and near-nonattainment status areas to promote reduced emissions from on-road heavy-duty vehicles, non-road heavy-duty equipment, locomotives, marine vessels and stationary engines. TCEQ is appropriated $130.3 million, of which $16 million is contingent upon revenue to the General Revenue–Dedicated TERP Account exceeding the Comptroller's *2012–13 Biennial Revenue Estimate*, for TERP-related expenditures. This amount includes up to $14 million for a new regional air monitoring program and $114 million for diesel emissions reductions grants, of which $5.6 million is for implementing the Clean Fleet Program.

The Eighty-second Legislature, Regular Session, 2011, authorized specific appropriations for air quality-related activities, including $3.5 million for the 2012–13 biennium for grants for local air quality planning activities to reduce ozone levels. Areas eligible for the funding may include Austin, Beaumont, Corpus Christi, El Paso, Longview–Tyler–Marshall, San Antonio, Victoria, and Waco. In addition, $0.8 million is appropriated for research to obtain the data and information to refine and enhance any model used to demonstrate attainment with NAAQS and to assess air quality associated with other pollutants under the Federal Clean Air Act.

Appropriations for air quality assessment and planning total $217.9 million for the 2012–13 biennium and provide for 324.6 FTE positions. This represents a decrease of $170.1 million, or 43.8 percent, as compared to 2010–11 biennial spending levels.

WATER QUALITY PLANNING AND ASSESSMENT

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.

TCEQ has developed the capability of continuously monitoring water quality and reporting its findings at several locations. As of fiscal year 2012, the agency has 68 water monitoring sites and plans to add more sites as resources allow during the 2012–13 biennium. As with the air data sites, data from the water-monitoring sites is continuously transmitted to the agency's headquarters and is displayed in real time on the agency's website. TCEQ expects to complete 156 surface water assessments and 108 groundwater assessments during the 2012–13 biennium.

TCEQ is also responsible for developing plans to restore polluted bodies of water to acceptable water quality standards by developing total maximum daily loads (TMDL). TMDLs establish the maximum level of a pollutant that a body of water can assimilate and still meet water quality standards. The Soil and Water Conservation Board and other state agencies (e.g., the Texas Parks and Wildlife Department and institutions of higher education) assist TCEQ in TMDL development. TCEQ is responsible for overall TMDL development; the Soil and Water Conservation Board's responsibilities focus on TMDLs specifically affected by agricultural and silvicultural practices.

Other water assessment and planning programs include the Texas Clean Rivers Program, the EPA Nonpoint Source Pollution Grants Program, the Galveston Bay National Estuary Program, and the Dam Safety Program, which received $2.5 million in General Revenue funding for the 2012–13 biennium. Appropriations for water assessment total $57.2 million for the 2012–13 biennium and provide for 202.5 FTE positions. This represents a decrease of $11.0 million, or 16.2 percent, as compared to 2010–11 biennial spending levels.

WASTE PLANNING AND ASSESSMENT

The TCEQ monitors the generation, treatment, and storage of solid waste; tracks the capacity of waste disposal facilities; and provides technical assistance to municipal solid waste planning regions for the development and implementation of waste reduction plans. The Waste Permits Division collects and analyzes facility capacity data, provides technical assistance to the regulated community, and provides financial assistance to local and regional solid waste projects through the twenty-four Councils of Government (COGS). Each of the COGS maintains a Regional Solid Waste Management Plan and a local solid waste management plan. Each biennium, the COGS prepare a Regional Funding Plan to identify funding priorities in their regions and their solid waste management needs. The Permitting and Registration Support Division registers generators, receivers, transporters, and transfer facilities of industrial and hazardous waste. In addition, medical waste on-site treaters are registered. Appropriations for waste planning and assessment total $15.6 million for the 2012–13 biennium and provide for 26.8 FTE positions. This represents a decrease of $12 million, or 43.4 percent, as compared to 2010–11 biennial spending levels.

PERMITTING FUNCTIONS

TCEQ regulates discharges to air and water and the disposal of solid and hazardous waste. In addition to planning and conducting assessments to reduce toxic releases, several divisions handle permitting duties, including air, water, and waste permitting, as well as occupational licensing. The four permitting functions combined account for $79.8 million in All Funds appropriations, or 11.5 percent of the agency's budget.

AIR QUALITY PERMITTING

The Air Permitting Division is charged with issuing permits to facilities that release pollutants into the air. TCEQ regulates air quality through the federally designated Operating Permit Program and the state's New Source Review Permitting Program.

The Operating Permit Program ensures that facilities comply with Title V of the federal Clean Air Act amendments of 1990. Title V requires all major sites to apply for an operating permit that codifies and consolidates all applicable regulations at that site into one permit. TCEQ expects to issue approximately 1,600 permits in the 2012–13 biennium under this program, approximately the same amount as the 2010–11 biennium. The New Source Review Program ensures that new or expanding air-pollution-emitting facilities use best achievable control technology to control and reduce emissions and that emissions do not have adverse health effects on surrounding areas. TCEQ expects to review 11,200 permits, amendments, renewals, and standard exemptions during the 2012–13 biennium, or approximately the same as the 2010–11 biennium.

Appropriations for air quality permitting total $28.2 million in All Funds for the 2012–13 biennium and provide for 220.6 FTE positions. This represents a decrease of $1 million, or 3.4 percent, as compared to 2010–11 biennial spending levels.

WATER PERMITTING

The Water Quality Division reviews 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 more than 24,550 water quality permits during the 2012–13 biennium, or 5,751 more than during the 2010–11 biennium. The increase is attributed to a fluctuation in the anticipated renewal of industrial, construction, and municipal stormwater permits, which are renewed every five years.

The Water Availability Division processes permits to divert, use, or store surface water or to transfer surface water between basins. TCEQ anticipates reviewing 1,190 water rights permits during the 2012–13 biennium, or approximately 227 fewer than the 2010–11 biennium. The decrease is a result of widespread drought conditions across the state, which the agency expects to result in fewer temporary permit applications in 2012–13.

Through water resources permitting efforts, the agency oversees the Rio Grande, South Texas, and Concho River Watermaster programs. These programs are concerned specifically with the allocation and use of surface water within each respective river basin. 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 water permitting total $28.4 million for the 2012–13 biennium and provide for 210.1 FTE positions. This represents a decrease of $0.8 million, or 2.7 percent, as compared to 2010–11 biennial spending levels.

WASTE PERMITTING

TCEQ regulates all industries engaged in the generation, treatment, storage, and disposal of hazardous, industrial, and municipal waste. The issuance of permits provides a mechanism for ensuring that waste management protects human health and the environment. During the 2012–13 biennium, TCEQ expects to review 320 hazardous waste permit applications, or approximately the same level as during the prior biennium. The agency also expects to review 472 nonhazardous waste permit applications, or approximately the same level as during the prior biennium. Appropriations for Waste Permitting total $20.7 million for the 2012–13 biennium and provide for 130.5 FTE positions. This represents a decrease of $0.5 million, or 2.2 percent, as compared to 2010–11 biennial spending levels.

OCCUPATIONAL LICENSING

The Permitting and Registration Support Division conducts occupational licensing programs for: backflow prevention assembly testers; customer service inspectors; landscape irrigators; irrigation technicians and irrigation inspectors; leaking petroleum storage tank corrective action specialists and project managers; municipal solid waste facility supervisors; on-site 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 on-site supervisors; and visible emissions evaluator training providers. The division develops and holds training sessions, develops and administers proficiency examinations, approves basic and continuing education credits, issues occupational licenses, and monitors approximately 55,000 licenses. Appropriations for occupational licensing total $2.5 million for the 2012–13 biennium and provide for 22 FTE positions. This represents a decrease of $2.1 million, or 45.9 percent, as compared to 2010–11 biennial spending levels.

RADIOACTIVE MATERIALS MANAGEMENT

The Radioactive Materials Management Program and Underground Injection Control (UIC) Program accomplish their objectives through the licensing/permitting and regulatory oversight of in situ uranium recovery, radioactive waste processing and storage, low-level radioactive waste disposal, by-product material disposal, disposal of naturally occurring radioactive waste materials that are not related to oil and gas production, and UIC wells.

The major activities performed under the Radioactive Materials Program are regulation, compliance and enforcement, and radioactive material licensing of facilities involved in the storing, processing, and/or disposing of one or more of the following:

- uranium ore (including mining, extraction, and separation of ore);
- by-product material waste;
- low-level radioactive waste;
- non-oil and gas naturally occurring radioactive material; and
- radioactive waste generated from federal government activities.

Additionally, the Radioactive Materials Management Program is responsible for oversight of the reclamation of historic radioactive materials, burial sites and other sites contaminated with radioactive material, including former uranium recovery sites.

The objective of the UIC Program is to protect underground sources of drinking water (USDW) through permitting of underground injection of fluids. Regulation of wells used for underground injection must maintain the quality of fresh water to the extent consistent with public health and welfare and the operation of existing industries. The UIC Team is responsible for permitting of Class I, III, and V injection wells. Through permit issuance, the UIC Team regulates site location, construction, operation, maintenance, monitoring, and closure of the following classes of injection wells:

- Class I wells inject hazardous and non-hazardous wastewater below all USDWs;
- Class III wells inject fluids for recovery of minerals (e.g., uranium, sulfur, and sodium sulfate); and
- Class V (miscellaneous) wells are mostly shallow wells primarily used in cleaning up groundwater contamination.

On September 10, 2009, TCEQ issued a license to Waste Control Specialists, LLC (WCS), a private waste management company for the operation of a low-level radioactive waste disposal facility. There are two components to the low-level radioactive waste facility, namely the Compact Waste Disposal Facility (CWF) and the Federal Waste Disposal Facility (FWF). The CWF will accept commercial low-level radioactive waste from the Texas Compact (currently Texas and Vermont), which is overseen by the Low-Level Radioactive Waste Disposal Compact Commission (LLRWDCC). The FWF will accept low-level radioactive waste that is the responsibility of the federal government, upon successful selection under a disposal contract, and is required to be transferred to the U.S. Department of Energy upon decommissioning. (See Significant Legislation, Senate Bill 1605, and section in Chapter 9 on the Low-Level Radioactive Waste Disposal Compact Commission.) **Figure 298** provides a breakdown of the types of waste to be accepted at the CWF and the FWF.

Under 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 issuance of the commencement of construction authorization from the TCEQ Executive Director was also signed on January 7, 2011. WCS reported the start to construction of the LLRW facility on January 10, 2011. The TCEQ Executive Director must provide approval for disposal operations at the CWF to begin. The facility operator, WCS, is planning to begin CWF operations for Texas Compact waste in early calendar year 2012.

The agency is appropriated $5.9 million in All Funds for radioactive waste management activities during the 2012–13 biennium, which provides for 27.4 FTE positions. This represents a decrease of $0.8 million, or 12 percent, as compared to 2010–11 biennial spending levels. During the 2010–11 biennium, appropriations for operating costs of the LLRWDCC of $100,000 per fiscal year, were made through TCEQ. However, in 2012–13, LLRWDCC is appropriated operating funds directly.

DRINKING WATER AND WATER UTILITIES

The agency protects public health and the environment by assuring the delivery of safe drinking water, by providing regulation and oversight of water and sewer utilities, and by promoting regional water strategies. The agency's appropriations total $28.8 million in All Funds for the 2012–13 biennium, or 4.2 percent of agency appropriations for this purpose. This represents a decrease of $2.1 million, or 7.1 percent, as compared to 2010–11 biennial spending levels. Approximately 4 percent of the agency's workforce, 119.5 FTE positions, is engaged in activities related to these efforts.

SAFE DRINKING WATER

The Safe Drinking Water Program ensures that public drinking water is safe. By definition, a public drinking water system serves at least 15 connections or at least 25 persons for a minimum of 60 days per year. Approximately 6,800 public water systems serve over 25 million Texas residents. During the 2012–13 biennium, TCEQ expects to collect and analyze more than 79,400 water samples to monitor the safety and integrity of the state's public drinking water supply. Appropriations for the Safe Drinking Water Program total $21.2 million for the 2012–13 biennium. This represents a decrease of $1.6 million, or 6.7 percent, as compared to 2010–11 biennial spending levels.

FIGURE 298
COMPACT AND FEDERAL LOW-LEVEL RADIOACTIVE WASTE

COMPACT/COMMERCIAL WASTE	FEDERAL WASTE
Utility Sources • Nuclear power plants—operational waste and plant decommissioning waste	**Operational** • Federal facility waste generated by operations of the U.S. Department of Energy (DOE) at production facilities, research labs, and weapons facilities
Non-Utility Sources • Commercial industries • Academic institutions, including research and production reactors at universities • Medical facilities and research hospitals • Governmental entities including US Air Force and Army Installations	**Decommissioning** • Federal facility waste generated as a result of environmental remediation and cleanup at U.S. DOE sites and former weapon complex sites

Source: Texas Commission on Environmental Quality.

WATER UTILITIES OVERSIGHT

The agency regulates water and sewer utility providers with exclusive service areas under its water utilities oversight function. To ensure that customers have adequate utility services available at reasonable rates, TCEQ provides regulatory oversight of these providers. Agency responsibilities include the review of water and sewer utility rate applications, the review of water district bond applications, the oversight of water districts, technical assistance to utilities and consumers, and certificates of convenience and necessity (i.e., the review of service area boundaries). Appropriations for water utilities oversight total $7.6 million for the 2012–13 biennium. This represents a decrease of $8.4 million, or 5.3 percent, as compared to 2010–11 biennial spending levels.

ENFORCEMENT AND COMPLIANCE

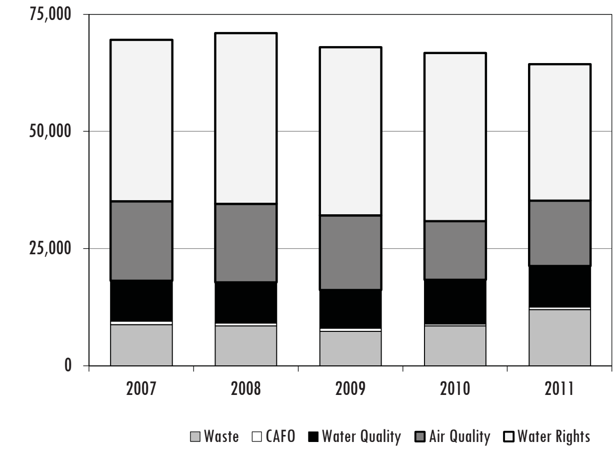
The agency protects public health and the environment by administering enforcement programs that promote voluntary compliance with environmental laws and regulations while providing strict, sure, and just enforcement when those laws are violated, and by encouraging pollution prevention and recycling. TCEQ received appropriations of $114.2 million, or 16.5 percent of its budget, for the 2012–13 biennium for enforcement and compliance and pollution prevention and recycling activities. This represents a decrease of $10.5 million, or 8.4 percent, as compared to 2010–11 biennial spending levels. In addition, 807.4 FTE positions, or approximately 29 percent of the agency's workforce, perform enforcement and compliance duties.

FIELD INSPECTIONS AND COMPLAINTS

TCEQ pursues compliance with environmental laws and regulations by conducting field investigations and responding to citizens' complaints. The agency maintains 16 regional offices and two satellite offices, as well as laboratories in Houston and Austin, to monitor and assess air and water quality, investigate facilities, respond to citizens' complaints, promote voluntary compliance through education and technical assistance, and respond to emergencies such as accidental releases of chemicals into the environment.

It is anticipated that regional staff will be performing over 130,000 investigations and responding to approximately 10,000 complaints from residents during the 2012–13 biennium. **Figure 299** shows the number and types of investigations performed by TCEQ from fiscal years 2007 to 2011. Appropriations for administering the field inspections and complaints activities total $87 million for the 2012–13 biennium. This represents a decrease of $1.8 million, or 2 percent, as compared to 2010–11 biennial spending levels.

FIGURE 299
TCEQ FIELD INVESTIGATIONS BY TYPE
FISCAL YEARS 2007 TO 2011



NOTE: CAFO = Concentrated Animal Feeding Operation.
SOURCE: Texas Commission on Environmental Quality.

ENFORCEMENT AND COMPLIANCE SUPPORT

The enforcement process responds to citizens' complaints, coordinates multimedia inspections, and prosecutes violators. The Enforcement Division determines penalties, tracks compliance 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-specified environmental projects.

TCEQ has several programs 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 that service to small local governments. It is confidential, except when there is an imminent threat to the environment. By keeping assistance confidential and separate from enforcement, the agency encourages entities to seek assistance and achieve compliance. Small Business Environmental Assistance (SBEA) offers compliance assistance through direct, on-site assistance; a toll free hotline answered by SBEA staff; active participation on agency rule, standard permit, and general permit teams; regulatory guidance development; and advisory committees. Appropriations for enforcement and compliance support total $22.4 million for the 2012–13 biennium. This represents a decrease of $2.3 million, or 9.5 percent, as compared to 2010–11 biennial spending levels.

POLLUTION PREVENTION AND RECYCLING

SBEA operates multiple statutory programs that help prevent pollution and reduce releases into the environment. Major pollution prevention programs include the following:

- the Waste Reduction Policy Act (Federal House Resolution 5835, Title VI, Pollution Prevention Act of 1990 and Texas Health and Safety Code, Section 361.501 to Section 361.510, Waste Reduction Policy Act of 1991), which requires hazardous waste generators and entities that report on Form R for the U.S. Environmental Protection Agency Toxics Release Inventory to develop pollution prevention plans and annually report their progress;
- hazardous household waste collection programs;
- the Pollution Prevention Advisory Committee, which advises the commission on pollution prevention and recycling programs;
- the Resource Exchange Network for Eliminating Waste Program, which establishes an exchange to market wastes for recycling, reuse, or composting;
- the Don't Mess With Texas Waters program, which will help discourage illegal dumping by providing a toll-free hotline citizens may call to report dumping;
- the Take Care of Texas Program, which encourages the public to reduce their environmental impact; and
- the Texas Clean School Bus Program, which provides grants to school districts and charter schools to cover installation costs of retrofit technologies that reduce particulate emissions inside the bus cabin.

Several state statutes require TCEQ to implement programs that encourage recycling:

- the Computer Equipment Recycling Program, which requires computer manufacturers in Texas to take back for proper management their own computer equipment, with SBEA tracking implementation, providing assistance to manufacturers and retailers, and preparing a report to the Legislature;
- the Television Recycling Program, which requires television manufacturers in Texas to take back televisions for proper management. SBEA will track implementation, provide assistance to manufacturers, retailers, and recyclers, and prepare reports for the Legislature;
- the Recycling Market Development Implementation Program, which requires TCEQ to work with other state agencies on state recycling efforts; and
- technical assistance on both understanding recycling regulations and establishing a recycling business.

For the 2012–13 biennium, the agency received an appropriation of $4.8 million for pollution prevention and recycling. This represents a decrease of $6.3 million, or 56.8 percent, as compared to the 2010–11 biennial spending levels.

POLLUTION CLEANUP

The agency also protects public health and the environment by identifying, assessing, and prioritizing contaminated sites. TCEQ's appropriation for pollution cleanup is $86.5 million, or 12.5 percent of the agency's budget. This represents a decrease of $40.3 million, or 31.8 percent, as compared to 2010–11 biennial spending levels. Approximately 7 percent of the agency's workforce, 206.5 FTE positions, is engaged in activities related to pollution cleanup.

STORAGE TANK ADMINISTRATION AND CLEANUP

The TCEQ regulates underground and aboveground petroleum storage tanks (PST), cleans up certain leaking tanks, and promotes prevention of pollution from PSTs. The agency maintains a registry for PSTs, enforces regulations, oversees cleanup activities, and offers technical assistance to tank owners and operators. In addition, the agency operates a State Lead program in which the state assumes responsibility for the cleanup of PSTs for which a responsible owner/operator cannot be located or identified. As of August 2011, there are approximately 169,000 underground storage tanks and 31,000 aboveground storage tanks registered at more than 71,000 facilities in Texas.

The Remediation Division oversees the cleanup of leaks from storage tanks and administers the reimbursement program for tank owners and operators. Certain tank owners and operators are reimbursed for the cleanup of leaking storage tanks out of fees assessed on the bulk delivery of gasoline to retailers. To be eligible for the reimbursement program, which began in 1989, tank owners and operators must meet specific criteria and deadlines, including the following: all corrective action work eligible for reimbursement must have been completed by August 31, 2011; the deadline for reimbursement claims to be filed is March 1, 2012; and the reimbursement program expires on September 1, 2012. The agency issued reimbursements totaling more than $1.15 billion for the investigation and cleanup of leaking petroleum storage tanks over the life of the program. More than 24,350 sites with leaking PSTs have been remediated to meet standards, and over 114,000 tanks have been removed from service. Approximately 20 new contaminated sites are reported each month.

Approximately 400 PST sites are expected to be cleaned up during the 2012–13 biennium. Appropriations for storage tank administration and cleanup total $40.2 million for the 2012–13 biennium. This represents a decrease of $17.7 million, or 30.6 percent, as compared to 2010–11 biennial spending levels.

HAZARDOUS MATERIALS CLEANUP

The Remediation Division administers the federal and state Superfund programs, the state's Voluntary Cleanup Program, and the state's Dry Cleaner Remediation Program. The federal Superfund Program identifies and ranks the most serious hazardous waste sites on the Federal National Priorities List (NPL). Currently there are 52 NPL sites in Texas. Those sites not eligible for the NPL may be included on TCEQ's State Superfund Registry. There are currently 50 sites in Texas proposed for listing or listed on the State Superfund Registry.

Since the inception of the Superfund Program in Texas, more than $434 million in state and federal funds have gone toward the cleanup of Superfund sites throughout the state. TCEQ expects to complete remedial actions at two state and federal sites during the 2012–13 biennium.

The Voluntary Cleanup Program provides a process through which sites can be cleaned up voluntarily in a timely manner while ensuring protection of human health and the environment. Once TCEQ has given final approval to cleanup activities conducted at a site, future landowners and lenders may be freed from liability caused by past contamination. Participation in the Voluntary Cleanup Program often leads to the beneficial reuse and economic redevelopment of previously blighted properties. During fiscal years 2010 and 2011, TCEQ issued 183 certificates of completion under the Voluntary Cleanup Program.

Numerous properties in Texas known as brownfields are not used or are underutilized because of the liability associated with pollutant contamination. TCEQ, in cooperation with local and federal partners, is attempting to facilitate cleanup, transferability, and revitalization of these Voluntary Cleanup Program properties through the development of regulatory, tax, and technical assistance tools. The objective is to return remediated property to productive use.

The Dry Cleaner Remediation Program was established in 2003. The Dry Cleaning Facility Release Account (General Revenue–Dedicated Funds) was established to pay for state conducted soil and groundwater cleanups at dry cleaner sites. Dry cleaner facility registration requirements, fees, performance standards, distributor registration, and revenue disbursements were also established. By the end of fiscal year 2011, 209 sites have been accepted in the program, and 42 of these sites have been remediated.

The Remediation Division also administers the Corrective Action Program. The Resource Conservation Recovery Act (RCRA)/Non-RCRA Industrial Corrective Action Program oversees soil and groundwater cleanup activities at industrial and hazardous waste facilities to ensure that the cleanups protect human health and the environment. Most facilities have multiple sites needing remediation. Cleanup is considered complete when the cleanup goals of all closure and/or remediation projects at industrial solid waste and municipal hazardous waste facilities have been achieved. In fiscal year 2011, cleanup was completed at 208 corrective action facilities. As of August 2011, the agency reports that there are 1,098 active sites involved in the Industrial Corrective Action Program.

As part of the Remediation Division, the Natural Resource Trustee Program works cooperatively with responsible parties and other state and federal natural resource agencies to restore natural resources that have been affected by oil spills and releases of hazardous materials. By the end of fiscal year 2011, the program has negotiated final natural resource restoration settlements at 42 sites, and an additional four sites have final settlements pending. In addition, the program continues to be involved in assessment and restoration projects associated with the British Petroleum Deepwater Horizon oil spill.

Appropriations for Hazardous Materials Cleanup total $46.4 million for the 2012–13 biennium and provide for 141.1 FTE positions. This represents a decrease of $22.6 million, or 32.8 percent, as compared to 2010–11 biennial spending levels.

RIVER COMPACT COMMISSIONS

Texas is a signatory to five interstate compacts that apportion river and stream waters flowing through Texas and other states. These compacts are the Canadian River Compact, the Pecos River Compact, the Red River Compact, the Rio Grande Compact, and the Sabine River Compact.

The shared mission of the Texas River Compact Commissions is to ensure that the people of Texas receive their share of river waters as allocated by the various compact agreements. Each river compact is administered by its own commission, which includes representatives of each signatory state and one presidential appointee. There are seven Texas River Compact Commissioners: six are appointed by the Governor and one, the Executive Director of TCEQ, serves in an ex-officio capacity in accordance with statutory provisions. Commissioners engage in activities designed to protect Texas' water interests and to ensure that Texas receives its share of water from the various compacts. Those activities include: (1) negotiating with signatory states to resolve disputes regarding compact interpretation; (2) investigating and monitoring water resource data collection; (3) conducting surveys to determine the effect of upstream water diversions on water deliveries; (4) working with state, federal, and local entities to address environmental and endangered species issues involving interstate waters; and (5) implementing programs to increase the quantity and improve the quality of water available to Texas.

Appropriations for the 2012–13 biennium for the River Compact Commissions total $0.8 million in General Revenue Funds and provide for 7 FTE positions, or about the same level as in 2010–11. In addition to these appropriations, TCEQ is required to allocate $114,900 out of its other 2012–13 appropriations for the River Compact Commissions' administrative and operating costs.

OTHER AGENCY FUNCTIONS

In addition to the activities and programs discussed above, TCEQ operates divisions that indirectly support the agency's three programmatic goals. The divisions are General Counsel, Alternative Dispute Resolution, Administrative Services, Chief Clerk, Internal Audit, Office of Public Assistance, and Office of Public Interest Counsel. The 2012–13 biennial appropriation for the indirect administration programs is $85.3 million, or 12.3 percent of agency All Funds appropriations. This represents a decrease of $9.1 million, or 9.6 percent, as compared to 2010–11 biennial spending levels.

SIGNIFICANT LEGISLATION

House Bill 2694, Eighty-second Legislature, Regular Session, 2011, the agency's Sunset legislation, continues TCEQ for 12 years until 2023. The bill also transfers the authority for groundwater protection recommendations regarding oil and gas activities (surface casing) from TCEQ to the Railroad Commission, including $0.8 million in appropriations per fiscal year of the 2012–13 biennium and 9 FTEs. The bill also extends the Petroleum Storage Tank delivery fee, which was set to expire on August 31, 2011, indefinitely, which is expected to result in an additional $54.2 million in revenue being deposited to the General Revenue–Dedicated Petroleum Storage Tank Remediation Account during the 2012–13 biennium. The bill also abolishes the On-Site Wastewater Treatment Research Council and transfers its already established duties to TCEQ.

In addition, House Bill 2694, Eighty-second Legislature, Regular Session, provides that a portion of the compact waste disposal fee allocated to the LLRWDCC be deposited to a newly General Revenue–Dedicated LLRWDCC Account created by the bill, which can only be appropriated to support the operations of the Compact Commission. Due to passage of Senate Bill 1605, Eighty-second Legislature, Regular Session, 2011, appropriations of $1.2 million out of the new LLRWDCC Account for the 2012–13 biennium made to TCEQ to support the LLRWDCC are transferred directly to the LLRWDCC because the legislation establishes the Compact Commission as a separate entity and prohibits funding for the LLRWDCC from being made as part of an appropriation to TCEQ.

The enactment of Senate Bill 20 and Senate Bill 385 , Eighty-second Legislature, Regular Session, 2011, both establish three new grant programs within TERP: the natural gas vehicle rebate program, a program to fund natural gas fueling stations, and an alternative fueling facilities program. Of TERP Account funds allocated to the emissions reduction incentive program, up to 16 percent is allocated to the natural gas vehicle rebate program, up to 4 percent is allocated to the refueling station program, and up to 2 percent is allocated for the alternative energy fueling facilities program. The bills also require that TCEQ establish two new grant programs for funding the purchase or lease of natural gas vehicles or engines and the establishment of natural gas refueling stations along the interstate highways between Houston, San Antonio, and Dallas, and Fort Worth.

The enactment of Senate Bill 329, Eighty-second Legislature, Regular Session, 2011, establishes a television recycling program at TCEQ. Affected television equipment manufacturers are required to register with TCEQ and pay a registration fee of $2,500 each year, in addition to providing information about their television equipment recycling activities. TCEQ was appropriated $0.3 million in fee revenues from General Revenue Funds to administer the program during the 2012–13 biennium. The bill requires that fees be deposited to the new General Revenue–Dedicated Television Recycling Account created by the bill; however, that new account was not exempted from funds consolidation, resulting in the fees instead being deposited to General Revenue Funds.

The enactment of Senate Bill 527, Eighty-second Legislature, Regular Session, 2011, eliminates the New Technology Research and Development (NTRD) program within TERP. The bill removes the statutory allocations of 87.5 percent and 9 percent for the ERI and NTRD programs, respectively, for the use of TERP Account funding. The bill also allows up to $3.4 million in TERP Account funding to be used for administration of the TERP program, whereas previously the agency was limited to using 2 percent of TERP funds for such purposes. The bill also establishes a new air monitoring program and specifies that not less than $3 million or more than $7 million shall be allocated to the new program in fiscal years 2012 and 2013, and not less than $1 million or more than $3 million shall be allocated in subsequent years to fund regional air monitoring programs in specific air quality regions of the state.

The enactment of Senate Bill 571, Eight-second Legislature, Regular Session, establishes a new registration and inspection program for active aggregate production operations and gives TCEQ the responsibility to administer the program. The agency is authorized to assess annual registration fees in an amount not to exceed $1,000 and assess penalties on those who fail to register with the program. The TCEQ is appropriated $0.5 million for the 2012–13 biennium in fee revenues to the Water Resource Management Account during the 2012–13 biennium and was provided an additional 4 FTE positions to administer the new program.

GENERAL LAND OFFICE AND VETERANS' LAND BOARD

The Texas Constitution established the General Land Office (GLO) in 1836 as the management agency for lands and mineral rights for the Republic of Texas. After Texas became a state in 1845, GLO became the designated agency to oversee state lands and mineral rights. Lands subject to state oversight include beaches, bays and estuaries, other submerged state-owned lands, parcels of upland property, and plains and dry-lands. The agency's responsibilities include managing oil, gas, and other resources; granting land-use contracts for public, private, and commercial uses of submerged state-owned coastal public lands; ensuring protection of natural resources on state real property; preserving and maintaining the Alamo complex; administering the Community Development Block Grant disaster recovery funding; preventing and responding to oil spills in Texas waters; and managing the Texas Veterans' Land Board (VLB), which was established in 1946. GLO is headed by the Land Commissioner, who is chosen by a statewide election.

The agency's mission is to serve Texas through prudent and innovative stewardship of historical records, natural resources, and state lands; to enhance revenue generation; provide benefit programs to veterans; and administer disaster recovery programs. GLO accomplishes its mission by: (1) enhancing the value of state assets and the revenue they generate through prudent management of state-owned land, minerals, and other assets; (2) improving and protecting the Texas environment and promoting wise use of resources while creating new markets and jobs through environmental initiatives in partnership with the public and private sectors; (3) administering VLB, which provides Texas veterans with self-supporting benefit programs that offer low-interest loans for land, homes, and home improvements as well as the opportunity to secure long-term nursing home care and an honorable final resting place; and (4) administering Community Development Block Grant funding to local communities affected by disasters for rebuilding housing and infrastructure.

The Eighty-second Legislature, Regular Session, 2011, appropriated $677.9 million in All Funds and provided for 713.2 full-time-equivalent (FTE) positions to GLO and VLB for the 2012–13 biennium. This represents an increase of $456 million, or 205.5 percent, as compared to 2010–11 biennial spending levels, mostly attributable to the transfer of disaster recovery Community Development Block Grant (CDBG) funds from the Texas Department of Rural Affairs (TDRA) and the Department of Housing and Community Affairs (TDHCA). The appropriated amount includes $23.2 million in General Revenue Funds and General Revenue–Dedicated Funds (3.4 percent).

Not included in the appropriations to GLO is $0.7 billion in funds outside the State Treasury for the sale and purchase of land, investments, and associated expenses; loans to Texas veterans for the purchase of land, housing, and home improvements; and funds related to the construction of cemeteries and skilled nursing care centers for Texas veterans.

ENHANCE STATE ASSETS

The agency generates revenue and improves the state asset holdings by managing state-owned lands. For the 2012–13 biennium, GLO is appropriated $36.8 million for this function, which is about 5.4 percent of the agency's appropriated budget. This represents a decrease of $9.1 million, or 19.7 percent, as compared to 2010–11 biennial spending levels.

ENERGY LEASE MANAGEMENT

GLO manages state lands and mineral-rights properties totaling 18.9 million acres, which include beaches, bays, estuaries, and other submerged lands out to 10.3 miles in the Gulf of Mexico; institutional acreage; grazing lands in West Texas; and timberlands in East Texas. In managing those properties, GLO leases drilling rights for oil and gas production on state lands, producing revenue and royalties. These proceeds are deposited to the Real Estate Special Fund Account (RESFA) and may be used for the acquisition of real property interests on behalf of the Permanent School Fund (PSF).

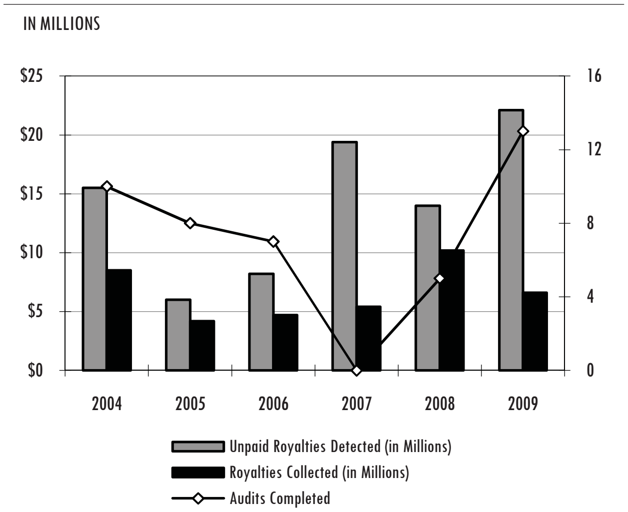
GLO manages the leasing and development of mineral interests through the following activities:

- evaluating the oil, gas, and hard mineral potential of state-owned mineral tracts;
- collecting, compiling, and distributing royalties and revenue from mineral leases;
- conducting mineral lease sales and evaluating proposed state Relinquishment Act leases; and
- inspecting active leases to verify production rates and to ensure that drilling operations comply with state environmental standards.

The agency also operates the Field Audit Program, which reviews oil, gas, and hard-mineral royalties on state leases to identify unpaid and underpaid royalties and penalties.

Figure 300 shows the number of royalty audits completed during fiscal years 2002 to 2011, the corresponding unpaid royalties detected, and amounts recovered by GLO staff.

FIGURE 300
ROYALTY AUDITS
FISCAL YEARS 2004 TO 2011



SOURCE: General Land Office and Veterans' Land Board.

Additionally, the agency allocates resources to prosecute claims for deficiencies in payments of mineral royalties and other revenue owed to the PSF for oil, gas, and hard-mineral leases, as well as for leases executed under the federal Relinquishment Act. Resources are also allocated for the prosecution of cases defending the title to PSF lands and mineral or royalty interests against claims filed by third parties.

GLO administers the State Power Program, an extension of the agency's in-kind oil and gas programs, which began in 1985. The State Power Program sells natural gas to state agencies at a price lower than that offered by local distribution companies and higher than cash royalties. In addition, GLO takes in-kind royalties and negotiates agreements with lessees to convert those royalties to other forms of energy, including electricity, for sale to public retail customers (PRC). PRCs include public school districts, state institutions of higher education, state agencies, and political subdivisions such as cities and counties. PRCs can save money on their utility bills while the state generates additional revenue for the Permanent School Fund.

The Energy Lease Management and Revenue Audit strategy received approximately $7.3 million in appropriations for the 2012–13 biennium (a decrease of $0.3 million, or 3.4 percent, as compared to 2010–11 biennial spending levels) and 48.2 FTE positions, while the Energy Marketing strategy received approximately $2.2 million in appropriations for the 2012–13 biennium and 12.9 FTE positions (a decrease of $5.2 million, or 70.4 percent, as compared to 2010–11 biennial spending levels). Appropriations for the 2012–13 biennium for Defense and Prosecution of PSF royalty and mineral lease interests are $6.3 million and provide for 27.8 FTE positions (a decrease of $0.4 million, or 5.6 percent, as compared to 2010–11 biennial levels).

UPLANDS AND COASTAL LEASING

GLO is responsible for promoting and conducting uplands and coastal leasing activities for the benefit of the PSF and state agency land, and for monitoring lease compliance. Uplands, or land located above the mean high tide line, are leased for agricultural purposes, grazing, hunting, recreational use, and oil and gas platform sites. Coastal leases include grants of interest to the Texas Parks and Wildlife Department (TPWD) or an eligible city or county for public recreational purposes; to TPWD for estuarine preserves; to any nonprofit, tax-exempt environmental organization approved by the School Land Board for managing a wildlife refuge; or to any scientific or educational organization or institution for conducting scientific research. Before a land-use contract is issued, GLO evaluates the proposal for consistency with state leasing policy and determines compensation due the state. The agency's revenue from uplands leases was $14.6 million in fiscal year 2010 and $10 million in fiscal year 2011. The agency's revenue from coastal leases was $4.8 million in fiscal year 2010 and $7.9 million in fiscal year 2011.

The Uplands Leasing strategy received approximately $1.6 million in appropriations for the 2012–13 biennium and 14.2 FTE positions, approximately equal to the 2010–11 biennial level. The Coastal Leasing strategy received $4.7 million in appropriations for the 2012–13 biennium and 37.1 FTE positions (a decrease of $0.4 million, or 8 percent, as compared to 2010–11 biennial spending levels).

ASSET MANAGEMENT

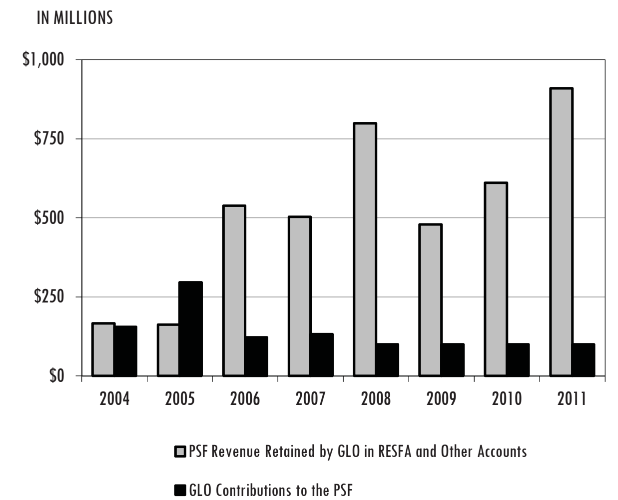
The purpose of the Asset Management Division is to evaluate PSF and state agency land and to dispose of selected tracts through sale or trade. The agency maintains an inventory of real property owned by state agencies and determines the properties' market value. Annually, the agency's Asset

Management Division identifies unused or underused real property owned by state agencies and recommends to the Governor options for the use or disposition of such property. GLO, with the approval of the Governor, sells or leases the unused and underused real property. Proceeds from the sale of state agency and PSF lands are deposited to the RESFA unless a state agency's statute or the Texas Constitution redirects the funds. Revenue from PSF land sales may be used for the acquisition of additional real property interests for the PSF. The agency may also sell land as the state's agent under specific legislative direction.

The School Land Board (SLB) is responsible for the management and development of all real property owned by the PSF. SLB is composed of the GLO commissioner and two public members. GLO provides administrative support. SLB uses the funds it generates 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.

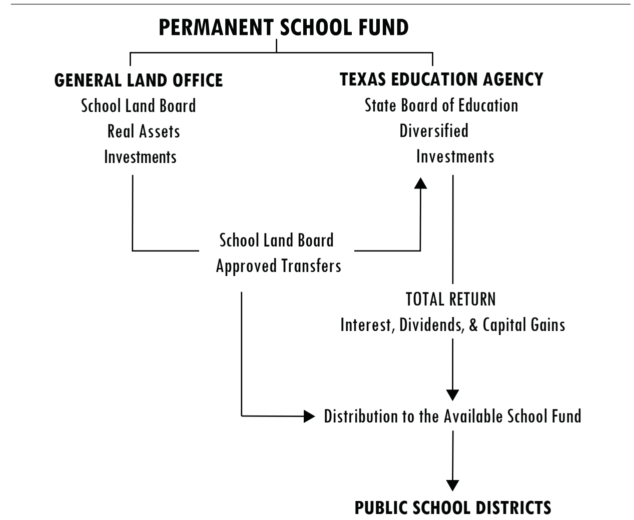
During the 2010–11 biennium, SLB acquired 1,921 acres of land. The cost associated with the acquisition of land and other development costs during the biennium totaled $13.6 million. There were 103 tracts of land totaling 4,290 acres sold at a net gain of $17.7 million (gross revenue of $156.2 million) during the biennium. Revenue from these land sales was deposited into the RESFA to be used by SLB to make further real estate investments. GLO also transferred $200 million to the corpus of the PSF for equity investment by the State Board of Education during the 2010–11 biennium. This transfer provided revenue generated by upland, coastal, and miscellaneous leases. **Figure 301** shows GLO contributions to the PSF for equity investment, excluding the revenue generated by upland, coastal, and miscellaneous leases and the revenue remaining in the agency's RESFA for fiscal years 2004 to 2011. **Figure 302** shows how revenue flows through the PSF to school districts. It should be noted that the primary focus of SLB and the Investment Advisory Committee has recently changed relative to previous years in that the strategic objective of the fund is diversification of assets by investment in real estate funds as opposed to the actual acquisition of real property to be held by the PSF. As a result, over the past two biennia, the SLB has approved the acquisition of relatively few specific tracts of land. It should also be noted that due to approval by voters of House Joint Resolution 109, Eighty-second Legislature, Regular Session, 2011, the SLB is now authorized to deposit funds directly to the Available School Fund (see Significant Legislation).

FIGURE 301
CONTRIBUTIONS TO THE PERMANENT SCHOOL FUND AND REAL ESTATE SPECIAL FUND ACCOUNT (RESFA) RECEIPTS, FISCAL YEARS 2004 TO 2011



NOTE: GLO Escrow Account amounts include mineral lease royalty revenues.
SOURCE: General Land Office and Veterans' Land Board.

FIGURE 302
PERMANENT SCHOOL FUND REVENUE FLOW CHART, OCTOBER 2011



SOURCE: Legislative Budget Board.

The Asset Management strategy received $13 million in appropriations for the 2012–13 biennium and 49.8 FTE positions. This represents a decrease at $3 million, or 18.6 percent, as compared to 2010–11 biennial spending levels.

The Appraisal and Surveying divisions carry out real estate appraisal and surveying activities for GLO, including identifying the location of state-owned land and minerals. The staff of the Surveying Division is instrumental in the resolution of boundary questions regarding state lands, Veterans' Land Board tracts, and other boundary determinations. The Appraisal Division staff provides information on market conditions and market values to ensure the best use of PSF land; the staff provides similar services for other state agencies to ensure that state properties are being used in the most economical way. The Surveying and Appraisal strategy received $1.4 million in appropriations for the 2012–13 biennium and 11.2 FTE positions. This represents a decrease of $0.2 million, or 8.3 percent, as compared to 2010–11 biennial spending levels.

The Eighty-second Legislature, Regular Session, 2011, passed legislation that placed GLO in charge of operations and maintenance of the Alamo Complex (See Significant Legislation). GLO has entered into an agreement with the Daughters of the Republic of Texas for the management, operation, and financial support of the Alamo. Revenues from the operation of the Alamo, grants, donations, and investment income will be deposited into the General Revenue–Dedicated Alamo Complex Account established by the legislation. GLO is authorized to use the Alamo Complex Account on expenses related to the Alamo.

The Preserve and Maintain the Alamo Complex strategy received $0.4 million in appropriations for the 2012–13 biennium and 2.0 FTE positions.

PROTECT THE ENVIRONMENT

Within the goal to protect the environment, the agency preserves environmental resources of the state and promotes wise use of these resources, while creating jobs in Texas. Appropriations for this goal total $78.7 million for the 2012–13 biennium, which represents over 11.6 percent of the agency's appropriated budget. The amount appropriated represents a decrease of $44.9 million, or 36.4 percent, as compared to 2010–11 biennial spending levels.

COASTAL MANAGEMENT AND EROSION CONTROL

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. As the lead agency for coastal issues, GLO developed the Coastal Management Program (CMP) in 1991 to meet federal coastal zone management guidelines, which the federal government approved in January 1997. The CMP identifies effective measures to address critical area protection and enhancement, coastal erosion response, dune protection, permit streamlining, shoreline access, water resource management, coastal education and outreach, and hazards response issues. The Coastal Coordination Council (CCC) administers the CMP.

The Land Commissioner in consultation with representatives from seven state agencies and four public appointees, has rule-making and grant-making authority for the CMP. The CMP awards 90 percent of the Federal Funds granted to universities, non-profits and coastal communities. GLO retains approximately 10 percent of CMP funds for program administration. GLO is also responsible for recruiting and coordinating activities of volunteers for beach cleanups along the Texas coast through its Adopt-a-Beach Program. During the fall 2011 cleanup, 9,133 volunteers removed 136 tons of trash from 180 miles of coastline. **Figure 303** shows the number of beach cleanup volunteers and tons of trash collected between winter 2006 and fall 2011.

FIGURE 303
ADOPT-A-BEACH PROGRAM
VOLUNTEER CLEANUPS
WINTER 2006 TO FALL 2011

SEASONAL PERIOD	BEACH CLEAN-UP VOLUNTEERS	TRASH COLLECTED (IN TONS)
Winter 2006	281	9.5
Spring 2006	4,715	97.6
Fall 2006	8,509	130.4
Winter 2007	442	8.8
Spring 2007	6,812	143.6
Fall 2007	9,604	189.8
Winter 2008	316	4.9
Spring 2008	5,392	98.5
Fall 2008	3,490	104.1
Winter 2009	585	5.6
Spring 2009	6,945	216.3
Fall 2009	8,224	216.8
Winter 2010	266	6.1
Spring 2010	6,790	131.9
Fall 2010	8,815	180.0
Winter 2011	346	6.5
Spring 2011	7,019	123.1
Fall 2011	9,133	136.0
TOTAL	**87,366**	**1,853.5**

SOURCE: General Land Office and Veterans' Land Board.

GLO is charged with addressing coastal erosion through the Coastal Erosion Planning and Response Act, which is funded in part by an Interagency Contract with the TPWD totaling $22.5 million supplied by the General Revenue (Sporting Goods Sales Tax) transfer to the State Parks Account and will provide approximately $17 million in state funds to local coastal communities during the 2012–13 biennium for coastal erosion response projects. The program funds projects to help preserve all vital assets and natural resources and to protect the economic future of the Texas Gulf Coast. During the 2010–11 biennium, 11 construction projects were completed. The agency estimates that seven potential construction projects will be completed during the 2012–13 biennium. Projects may consist of one or more of the following: shoreline protection; beach nourishment; and marsh, wetland, and dune restoration.

The federal Coastal Impact Assistance Program (CIAP) assists coastal states and coastal political subdivisions within those states that have either supported or been affected in some measure, directly or indirectly, from Outer Continental Shelf (OCS) oil and gas exploration and development activities. Many of the effects of OCS activities are felt onshore through an increased need for production and support facilities, air and water quality changes, and an increased demand for infrastructure and social systems due to an influx of OCS workforce. Typically, coastal states that support oil and gas drilling in their waters and coastal lands are also affected by these activities. CIAP is supported by revenue (Federal Funds) generated from offshore oil and gas lease royalties.

CIAP funds may be used only for one or more of the following purposes:

- projects and activities for the conservation, protection, or restoration of coastal areas, including wetlands;
- mitigation of damage to fish, wildlife, or natural resources;
- planning assistance and the administrative costs to comply with CIAP;
- implementation of a federally approved marine, coastal, or comprehensive conservation management plan; and
- mitigation of the impact of Outer Continental Shelf activities through funding of onshore infrastructure projects and public service needs.

The federal Energy Policy Act of 2005 amended the Outer Continental Shelf Lands Act (U.S.C. 1356a) to provide for the disbursement of $250 million each year from 2007 to 2010 to be divided among the coastal states of Alabama, Alaska, California, Louisiana, Mississippi, and Texas as part of the CIAP. The program assists states in mitigating the effects associated with oil and gas production on the Outer Continental Shelf. The overall objective for use of the state portion of CIAP funds has been to finance projects within the Texas coastal area that are consistent with the CIAP legislation and provide statewide, regional, or local benefits to the Texas economy and environment. The CIAP program was formerly administered by the U.S. Minerals Management Service (MMS). In June 2010, the MMS was reorganized and renamed the Bureau of Ocean Energy Management, Regulation and Enforcement. On October 1, 2011, the CIAP was transferred to the U.S. Fish and Wildlife Service.

A three-member Coastal Land Advisory Board makes recommendations to the Governor regarding the best use of state-level CIAP funds. The board prepares the Texas CIAP Plan for the Governor to submit to the federal agency administering the program. The Governor designated GLO as the administrative agency for CIAP. On April 16, 2007, the MMS released the state allocation of CIAP funds for fiscal years 2007 and 2008; Texas received $48.6 million in each fiscal year. Of this amount, $31.6 million was awarded to the state and $17 million was awarded to the 18 coastal counties. Texas will receive approximately $35.6 million per year from federal grant award years 2009 and 2010; of that amount, $23.2 million will be awarded to the state and $12.5 million will be awarded to the 18 coastal counties.

The Coastal Management strategy received appropriations of $22.5 million and 32.8 FTE positions for the 2012–13 biennium (a decrease of $22.2 million, or 49.7 percent, as compared to 2010–11 biennial spending levels). The Coastal Erosion Control Grants strategy received approximately $36.3 million in appropriations for the 2012–13 biennium and 22.1 FTE positions (a decrease of $21.6 million, or 37.3 percent, as compared with 2010–11 biennial spending levels). As mentioned above, of these amounts, the Legislature designated $11.2 million per fiscal year to come from the proceeds of the Sporting Goods Sales Tax transfer to the State Parks Account (General Revenue–Dedicated Funds) through an interagency contract with TPWD.

OIL SPILL PREVENTION AND RESPONSE

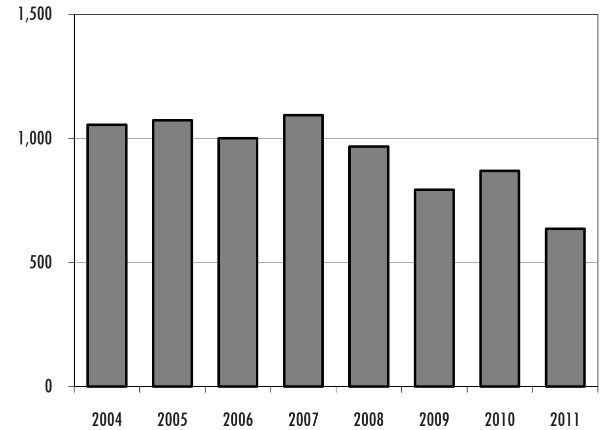
The Texas Oil Spill Prevention and Response Act of 1991 designated GLO as the lead state agency to implement marine oil-spill prevention measures and to respond to marine oil spills. The agency is charged with developing and implementing a comprehensive oil spill prevention and response program to monitor the integrity of oil transport through Texas coastal waters and to respond quickly and efficiently to oil spills. The Oil Spill Prevention and Response Division consists of two functional areas: prevention and response.

GLO addresses oil spill prevention in a number of ways. The Small Spill Education Program provides practical ways and tools to avoid spills at marine fuel docks and transfer locations. The Bilge Water Reclamation Facility Program provides a "no-cost" option for commercial fishermen to offload oil-contaminated bilge water for processing and recycling. GLO personnel also routinely conduct boat and vehicle patrols in harbor and port areas to deter unauthorized oil discharges. The law also provides for the assessment of administrative penalties for persons responsible for causing spills, and penalties are routinely levied and collected. Furthermore, owners and operators of facilities and vessels responsible for a discharge must analyze the factors leading to the discharge and submit a written statement outlining corrective actions they have taken and how they will prevent future discharges.

Response functions are implemented through the network of five regional field offices that respond to all reported oil spills. Located in Calhoun, Cameron, Harris, Jefferson, and Nueces counties, field personnel are available to respond to spills 24-hours a day, 365 days per year. In addition to representing the state's interest during spill response, field personnel inspect and audit oil-handling facilities, conduct spill exercises and drills, and monitor vessel/facility transfers. In fiscal year 2010 the program responded to 869 spills; during fiscal year 2011, 636 additional spills required responses. **Figure 304** shows GLO oil spill responses for fiscal years 2004 to 2011. The program receives funding from a 1⅓-cent fee (per barrel) on crude oil loaded or unloaded in Texas ports by vessel, and the proceeds are deposited to the Coastal Protection Account (General Revenue–Dedicated Funds).

In April 2010, the mobile offshore drilling unit Deepwater Horizon experienced a significant explosion, fire and subsequent sinking in the Gulf of Mexico. These discharges are estimated to have been in excess of thousands of barrels of oil per day and threatened natural resources in the Gulf. Under an unprecedented agreement by the Natural Resource Trustees for the Deepwater Horizon oil spill (Trustees), BP has agreed to provide $1 billion toward early restoration projects in the Gulf of Mexico to address injuries to natural resources caused by the spill. This early restoration agreement, the largest of its kind ever reached, represents a first step toward fulfilling BP's obligation to fund the complete restoration of injured public resources. The Trustees will use the money to fund projects such as the rebuilding of coastal marshes, replenishment of damaged beaches, conservation of sensitive areas for ocean habitat for injured wildlife, and restoration of barrier islands and wetlands that provide natural protection from storms.

FIGURE 304
OIL SPILL RESPONSES IN TEXAS COASTAL WATERS, FISCAL YEARS 2004 TO 2011



SOURCE: General Land Office and Veterans' Land Board.

The Oil Spill Response strategy received approximately $12.4 million in appropriations for the 2012–13 biennium and 38.7 FTE positions, approximately the same level as the 2010–11 biennium. Oil Spill Prevention received $7.5 million in appropriations and 60.7 FTE positions for the 2012–13 biennium (a decrease of $1.0 million, or 11.4 percent, as compared to 2010–11 biennial spending levels).

VETERANS' LAND BOARD

The agency's third goal, Veterans' Land Board (VLB), provides benefit programs to Texas veterans. This function received $42.2 million in appropriations and 42.7 FTE positions for the 2012–13 biennium, which is approximately 6.2 percent of the agency's appropriated budget. The appropriations represent a decrease of $10.2 million, or 19.5 percent, as compared to 2010–11 biennial spending levels.

VETERANS' BENEFITS PROGRAMS

The VLB, with two public members and the Land Commissioner as chair and administrator, was established by the Legislature in 1946 to administer a self-supporting program that provides low-interest, long-term loans of up to $80,000 to Texas veterans for the purchase of land. Since its inception, and as of August 2011, the program has made more than 123,908 land loans to Texas veterans.

Two other loan programs were subsequently established to aid veterans in purchasing and improving their homes. The Veterans' Housing Assistance Program allows an eligible veteran to borrow up to $325,000 to buy a home. Since it began in 1984, this program has made more than 824,439 home loans, as of August 2011. The Veterans' Home Improvement Program enables eligible veterans to borrow up to $25,000 for home improvements. Since 1986, the program has provided more than 3,946 home improvement loans, as of August 2011. Qualified Texas veterans may participate in all three programs. **Figure 305** shows the loan activity for fiscal years 2004 to 2011. The agency's programs are financed with fees and constitutionally authorized General Obligation bond proceeds that are repaid by the veterans participating in the programs.

FIGURE 305
VETERANS' LAND BOARD LOAN ACTIVITY
FISCAL YEARS 2004 TO 2011

FISCAL YEAR	LAND LOANS	HOUSING LOANS	HOME IMPROVEMENT LOANS
2004	521	7,033	51
2005	638	5,717	69
2006	631	3,550	34
2007	594	3,419	51
2008	598	3,497	42
2009	526	2,744	97
2010	571	1,405	169
2011	628	1,747	170

Source: General Land Office and Veterans' Land Board.

VLB also administers the Texas State Veterans' Home Program, which provides long-term care for qualified veterans, their spouses, and certain parents of deceased veterans. Day-to-day 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 employees who are responsible for ensuring that the contract operators are complying with the terms of the management agreement and delivering quality care; they also assist with marketing activities such as distributing information to the community and assisting potential residents and their families with admission application forms.

Beginning in fiscal year 2008 and subsequent to enactment of House Bill 3140, Eightieth Legislature, 2007, VLB operates a communications center to disseminate information on services available to veterans on behalf of both VLB and the Texas Veterans Commission (TVC).

There are now skilled nursing facilities for veterans in Big Spring, Bonham, El Paso, Floresville, McAllen, Temple, and Amarillo. An eighth home in Tyler opened in fall 2011. The program is a partnership between the U.S. Department of Veterans Affairs (VA), VLB, and private sector healthcare providers. It has significant administrative participation from TVC, Veterans County Service Officers, and veterans' organizations in the communities in which the homes are located. The homes provide skilled nursing care; specialized services such as physical, speech, and occupational therapy; and a wide range of recreational and educational activities. Operating costs for the skilled nursing homes are financed by the participating veterans' Social Security benefits, a VA per diem subsidy, Medicare/Medicaid payments, disability entitlements, private insurance, and personal income.

VLB has authorization to develop and operate up to seven state veterans' cemeteries. These cemeteries are designed, constructed, and equipped through grants from the VA. Once cemetery construction is completed, VLB owns and operates the cemetery and funds most of the cost of operations. These cemeteries serve veterans, their spouses, and their dependents that are not already served by one of the four national cemeteries in Texas. A cemetery in Killeen, the first state veterans' cemetery, opened in January 2006, while a second cemetery in Mission opened in December 2006, and a third opened in Abilene June 2009. The fourth state veterans' cemetery in Corpus Christi is under construction and scheduled for completion in early 2012.

Appropriations for the 2012–13 biennium for the Veterans' Loan Programs strategy total $23.9 million and provide for 164.9 FTE positions (an increase of $0.5 million, or 2.4 percent, as compared to 2010–11 biennial spending levels). The Veterans' Homes strategy received approximately $5.3 million in appropriations for the 2012–13 biennium and 42.3 FTE positions (a decrease of $0.4 million, or 6.7 percent, as compared to 2010–11 biennial spending levels); and the Veterans' Cemeteries strategy received $13.0 million in appropriations for the 2012–13 biennium, which includes $2.0 million in Federal Funds for construction, and provides for 35.5 FTE positions (a decrease of $10.4 million, or 44.4 percent, as compared to 2010–11 biennial spending levels).

DISASTER RECOVERY

Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, transferred functions relating to disaster recovery CDBG from TDRA and TDHCA to GLO. Disaster Recovery constitutes the agency's fourth goal, which is appropriated $520.2 million for the 2012–13 biennium, or 76.7 percent of the agency's budget, all of which are Federal Funds. The CDBG program includes a number of housing activities to assist households recovering from hurricanes Dolly and Ike. 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. At the end of the program, the state anticipates assisting more than 10,000 households.

The non-housing activities include infrastructure repairs, equipment acquisition and installation, as well as economic development. The local services are provided by firms specializing in design engineering, grant administration, and environmental services.

Appropriations for the 2012–13 biennium for the Rebuild Housing strategy total $17.8 million and provide for 51 FTE positions, while the Rebuild Infrastructure strategy receives $502.3 million and provides for 62 FTE positions.

SIGNIFICANT LEGISLATION

The enactment of House Bill 3726, Eighty-second Legislature, Regular Session, 2011 places the Alamo Complex under the jurisdiction of the General Land Office, and it makes the GLO responsible for the preservation, maintenance, and restoration of the complex and its contents. The bill directs GLO to enter into an agreement with the Daughters of the Republic of Texas for the management, operation, and financial support of the Alamo. The legislation also established an Alamo Complex Account in the General Revenue Fund, consisting of transfers made to the account, fees, and revenue from operations of the Alamo, grants, bequests, donations, and income earned on investments of money in the account. Article IX, Section 18.110 of the General Appropriations Act appropriates all funds in the Alamo Complex Account to GLO.

House Joint Resolution 109, Eighty-second Legislature, Regular Session, proposed a constitutional amendment, which was approved by voters on November 8, 2011, providing that discretionary real asset investments and cash in the State Treasury derived from property belonging to the PSF be included in the PSF market value calculation for purposes of the total return distribution made from the PSF to the Available School Fund (ASF). This provision is projected to result in approximately $75 million per fiscal year in additional funds being transferred from the PSF to the ASF in each fiscal year of the 2012–13 biennium. In addition, the resolution provides a provision that allows GLO to distribute up to $300 million per fiscal year in revenue derived from PSF land or properties directly to the Available School Fund, whereas previously GLO could only make contributions to the corpus of the PSF, with distributions from the PSF to the ASF being solely based on a distribution percentage set by the State Board of Education.

The enactment of Senate Bill 656, Eighty-second Legislature, Regular Session, abolished the Coastal Coordination Council (CCC) and transferred its functions to GLO, based on a recommendation contained in the review of the CCC by the Sunset Advisory Commission.

The enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, provides that the Governor may designate which state agency receives disaster recovery funds and provides for the transfer of all contracts, property, and funds to the designated agency. Subsequent to passage of the legislation, GLO was designated as the agency to distribute disaster recovery from Hurricanes Dolly and Ike. In addition, Senate Bill 2, Eighty-second Legislature, First Called Session, transferred all appropriations, FTE positions, riders, and performance measures for TDRA and TDHCA relating to CDBG disaster funding recovery to GLO.

TEXAS LOW-LEVEL RADIOACTIVE WASTE DISPOSAL COMPACT COMMISSION

The Texas Low Level Radioactive Waste Disposal Compact Commission (LLRWDCC) is an interstate compact approved by the Texas Legislature in 1993 and subsequently ratified by the U.S. Congress in 1998. Under the terms of the Compact, Texas is to be the host state for a disposal site for the Compact participants. Originally the Compact was to be among Texas, Maine, and Vermont. Maine subsequently withdrew from the Compact so the current members are Texas and Vermont. Six Texas commissioners were named in November, 2008, and two Vermont commissioners were named in early 2009.

The primary function of LLRWDCC is to make sure that the terms of the Compact language are followed. Those terms include making estimates for the quantity of waste generated within the Compact members 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 Compact are met. As a part of the function, LLRWDCC is authorized to grant permission to in-Compact generators to export waste to disposal sites outside the Compact and to enter into agreements that would allow out-of-Compact generators to dispose of waste in the Texas Compact for management or disposal under prescribed parameters.

The Compact provides that each party state is to provide financial support for LLRWDCC's activities prior to the date of facility operation. In fiscal years 2004 and 2005, the State of Vermont made installment payments to the state of Texas of $12.5 million, as required by the Compact to cover costs of the host state in permitting, monitoring, and administering the Compact, which includes costs incurred by the Texas Commission on Environmental Quality (TCEQ). These funds were deposited to the Low-Level Waste Account (General Revenue–Dedicated Funds). Once operations begin, which is expected to occur in early calendar year 2012, an additional payment of $12.5 million is expected from Vermont. In addition, a portion of fees generated from disposal operations are intended to support the necessary activities of LLRWDCC. House Bill 2694, Eighty-second Legislature, Regular Session, 2011, provides that this portion of the fees be deposited to a new General Revenue–Dedicated account, the LLRWDCC Account, to be used only for LLRWDCC costs.

When the LLRWDCC began its activities in early calendar year 2009, no Texas funds had been appropriated to support it. During the fiscal year ending on August 31, 2009, Compact Commission operations were financed through a contract with TCEQ and a proportional contribution by the State of Vermont. For the 2010–11 biennium, the LLRWDCC Commission's activities were funded partially by an appropriation of $100,000 out of the Low-Level Waste Account for each year of the biennium through the TCEQ.

For fiscal year 2012, the Legislature appropriated funds directly to the Compact Commission: $583,289 in General Revenue–Dedicated Funds from the Low-Level Waste Account; and for fiscal year 2013, $583,289 in General Revenue–Dedicated Funds from the LLRWDCC Account, which are contingent upon new revenues to the LLRWDCC Account once disposal fees at the site begin being collected. In addition, proportional contributions from the State of Vermont to cover LLRWDCC costs are expected to continue.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect LLRWDCC. House Bill 2694, Senate Bill 1605, and Senate Bill 1504 are among the most significant legislation.

The enactment of House Bill 2694, Eighty-second Legislature, Regular Session, provides that a portion of the compact waste disposal fee allocated to LLRWDCC be deposited to a new General Revenue–Dedicated LLRWDCC Account established by the legislation, which can only be appropriated to support the operations of the Compact Commission. Also because of passage of House Bill 2694 and a contingency rider contained in the General Provisions of the 2012–13 General Appropriations Act, appropriations to LLRWDCC in 2013 are from the LLRWDCC Account rather than from the Low-Level Waste Account, which would have been the agency's funding source absent the legislation. Due to the enactment of Senate Bill 1605, Eighty-second Legislature, Regular Session, 2011, and a contingency rider in the General Provisions of the 2012–13 General Appropriations Act, appropriations to the LLRWDCC Account for the 2012–13 biennium, which would have otherwise been made to the TCEQ to support LLRWDCC, are appropriated directly to LLRWDCC because the legislation establishes the Compact Commission as a separate entity and prohibits funding for LLRWDCC from being made as part of an appropriation to TCEQ. Senate Bill 1605 also make LLRWDCC subject to review, but not abolishment, under the Texas Sunset Act.

The enactment of Senate Bill 1504, Eighty-second Legislature, Regular Session, 2011, creates limits for imported low-level radioactive waste (LLRW) and defines "nonparty compact waste" and "waste of international origin." The legislation sets a maximum annual volume of LLRW that may be imported from nonparty compact waste generators that the license holder of the Texas compact waste disposal facility may accept for disposal. That limit is 50,000 total cubic feet per year and a limit of an average of 120,000 curies of nonparty compact waste per year, except that in the first year the license holder may accept 220,000 curies. Nonparty compact waste is limited to 30 percent of the total volume of the facility, and, of the remaining capacity, 80 percent is reserved for Texas and 20 percent for Vermont.

Senate Bill 1504 also sets a new surcharge for nonparty compact waste imported into the Texas compact waste disposal facility of 20 percent of the total contracted rate that is assessed by the license holder. The new surcharge revenues are to be deposited to Low-Level Waste Account. In addition, the bill provides for a fee for new states to join the Texas Compact as party states. For states joining on or after January 1, 2011, but before September 1, 2018, an initial payment to the state of $30 million is required, half of which is due on the date the state becomes a party to the compact and one-half due when the facility first accepts waste from the state. States joining between 2018 and 2023 would pay $50 million. The legislation provides that payments are nonrefundable even if a party state withdraws from the Compact. The surcharge on nonparty states waste is expected to result in revenues to the Low-Level Waste Account of $32.0 million for the 2012–13 biennium.

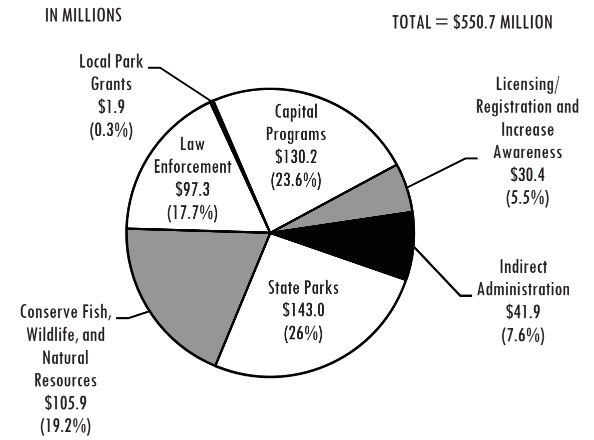
PARKS AND WILDLIFE DEPARTMENT

The Texas Parks and Wildlife Department (TPWD) was established in 1963 when the Fifty-eighth Legislature merged the State Parks Board and the Game and Fish Commission. In 1983, the Sixty-eighth Legislature, through the Wildlife Conservation Act, authorized the agency to manage fish and wildlife resources in all Texas counties. The legislation also increased the agency's governing body from a three-member commission to the present nine-member commission, all appointed by the Governor for six-year, staggered terms. The agency's mission is to manage and conserve the natural and cultural resources of Texas and to provide hunting, fishing, and outdoor recreational opportunities for the use and enjoyment of present and future generations.

Appropriations for the 2012–13 biennium total $550.7 million in All Funds and provide for 3,006.2 full-time-equivalent (FTE) positions in fiscal year 2012 and 3,006 FTE positions in fiscal year 2013. Appropriations reflect a decrease of $97.9 million in General Revenue Funds and General Revenue–Dedicated Funds, and $153 million from the 2010–11 biennial spending levels in All Funds. This comprises a 22 percent decrease, primarily in capital programs, including land acquisition, pass-through grants, including matching funds for local park grants, and state park operations.

The agency's goals are to (1) strengthen commitment to core constituencies such as hunters, anglers, park visitors, and other outdoor enthusiasts; (2) broaden efforts to reach new constituencies; and (3) protect fish and wildlife resources and manage the natural and cultural heritage of Texas. **Figure 306** shows 2012–13 biennium appropriations by major function, including conserving fish, wildlife, and natural resources ($105.9 million, or 19.2 percent of total appropriations) and operating state parks ($143 million, or 26 percent of total appropriations). Other major functions of TPWD include law enforcement, managing capital programs (infrastructure), licensing and registration, and public awareness and outreach. As part of its capital program budget, TPWD received $22.5 million, an increase of $5.9 million in General Revenue Funds (Sporting Goods Sales Tax), or 35.5 percent, from 2010–11 biennial spending levels to contract with the General Land Office (GLO) for coastal erosion projects.

FIGURE 306
PARKS AND WILDLIFE DEPARTMENT APPROPRIATIONS BY FUNCTION, 2012–13 BIENNIUM

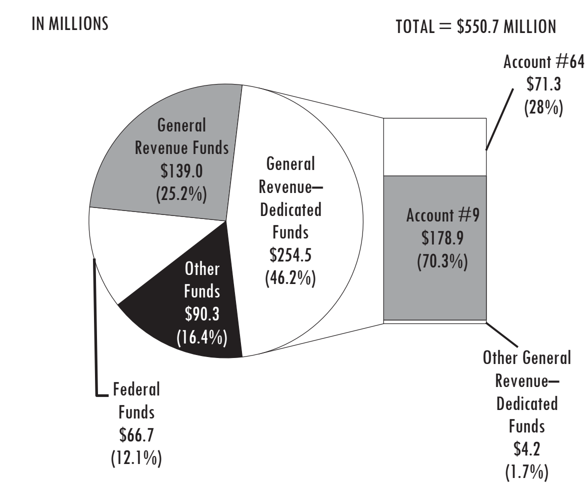


SOURCE: Legislative Budget Board.

MAJOR FUNDING SOURCES

Of the agency's total appropriations, $393.5 million, or 71.5 percent, consists of General Revenue Funds and General Revenue–Dedicated Funds. The majority of the agency's General Revenue–Dedicated Funds consists of fees collected from users such as hunters, anglers, boaters, and state park visitors. **Figure 307** shows agency appropriations for the 2012–13 biennium by funding source, including General Revenue–Dedicated Funds. Likewise, the bulk (55 percent) of the agency's General Revenue is comprised of the General

FIGURE 307
PARKS AND WILDLIFE FUNDING SOURCES 2012–13 BIENNIUM



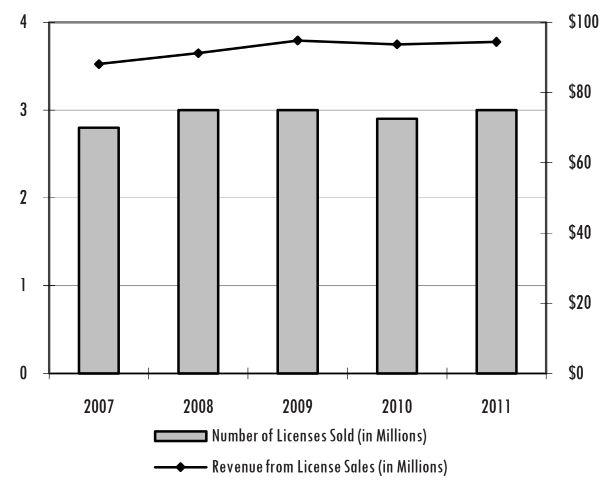
NOTES: Account 9 = Game, Fish, and Water Account (hunting and fishing license fees, boat registration, and title fees); Account 64 = State Parks Account (state parks entrance and facility use fees). Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

Revenue (Sporting Goods Sales Tax) allocation for three TPWD General Revenue–Dedicated accounts for state parks, local park grants, and certain conservation and capital projects.

HUNTING AND FISHING LICENSE REVENUE

Hunting and fishing license sales, the largest source of the user fees TPWD collects and deposits to the credit of the Game, Fish and Water Safety Account (General Revenue–Dedicated Funds), are shown in **Figure 308** for fiscal years 2007 to 2011. These amounts include sales of commercial licenses.

FIGURE 308
HUNTING AND FISHING LICENSE SALES
FISCAL YEARS 2007 TO 2011



SOURCE: Texas Parks and Wildlife Department.

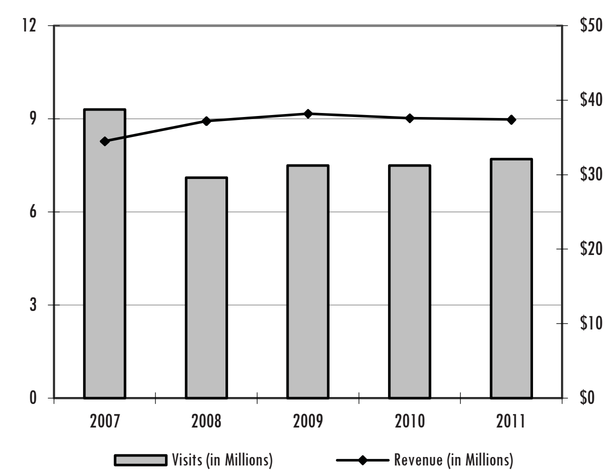
As shown in **Figure 308**, license sales have remained steady and range from 2.8 million in fiscal year 2007 to 3 million in fiscal year 2011. Revenue from license sales increased from $88.1 million in fiscal year 2007 to $94.4 million in fiscal year 2011, primarily due to a 5 percent increase for most recreational and commercial licenses and boat registration and titling fees. The increases were approved by the Texas Parks and Wildlife Commission (TPWC) in August 2009 and implemented in fiscal year 2010. The action resulted in an increase between $2 and $4 for most individual licenses and was the first increase since fiscal year 2004.

For the 2012–13 biennium, the Eighty-second Legislature, Regular Session, 2011, appropriated $3 million each fiscal year in receipts above the Comptroller's *2012–13 Biennial Revenue Estimate* (BRE) in the Game, Fish and Water Safety Account for the wildlife, fishery, program support, and administrative divisions. Statewide drought conditions have adversely affected the sale of hunting and fishing licenses. As of September 2011, the agency anticipates receipts to be approximately $750,000 more than BRE amounts for each fiscal year.

STATE PARK VISITATION REVENUE

Annual state park visits and revenue from paid park visits since fiscal year 2007 are shown in **Figure 309**. Changes in methodology used to count visitation were initiated in fiscal year 2008 in response to audit findings by the State Auditor's Office (SAO). Changes included TPWD phasing out usage of car counter estimates in favor of actual counts, resulting in lower visitation numbers for fiscal years 2008 and 2009. Typically, fluctuations can be expected in state park visits from year to year because of weather conditions during peak seasons or holiday weekends, which may include hurricanes, causing park closures or prolonged droughts discouraging visitations. According to the agency, changes in the economy can also affect park visits. For example, increases in park visits may occur during a down economy, as more people choose going to state parks close to home as vacation destinations when budgets are limited.

FIGURE 309
STATE PARKS REVENUE AND VISITS
FISCAL YEARS 2007 TO 2011



NOTE: The methodology used to count visits was changed in fiscal year 2008 in response to an SAO audit.
SOURCE: Texas Parks and Wildlife Department.

State park revenue has increased from $34.5 million in fiscal year 2007 to a high of $38.2 million in fiscal year 2009 and down to $37.4 million in fiscal year 2011. Park revenue increased in the 2008–09 biennium, when TPWD conducted a comprehensive fee analysis that resulted in targeted fee increases for individual parks. However, in fiscal year 2011 park revenue declined by 3.2 percent from fiscal year 2010 levels, primarily due to the impact of drought and wildfire conditions. According to the agency, low water levels in rivers and lakes have led to the reduction or elimination of water-based recreational activities. Reduced inflows and high temperatures have led to algae blooms in some lakes which have made water contact unsafe. Burn bans in 230 counties meant that campers could not have campfires or cook on open grills, activities that many visitors view as essential activities for camping.

For the 2012–13 biennium, the Eighty-second Legislature, Regular Session, 2011, appropriated $3 million each fiscal year in receipts above the Comptroller's BRE for the State Parks account to the State Parks Division. As of September 2011, the agency is uncertain of the revenue state parks may generate in excess of the BRE because of the adverse affect of hot weather and drought conditions on park visitation.

SPORTING GOODS SALES TAX ALLOCATION

State parks are not self-supporting and since fiscal year 1994 a portion of the sales tax revenue generated by sporting goods has been statutorily allocated to fund state park operations, capital, and local park grants. Prior to that, state and local parks were each allocated a one penny per pack tax on cigarettes, which proved to be a declining revenue source that bore no relationship to the mission of providing state park services.

Unlike taxes on specific items, the Comptroller of Public Accounts (CPA) estimates revenue from the sales tax on sporting goods based on the definition of sporting goods in the state Tax Code Section 151.801(e)2: "Sporting goods" means an item of tangible personal property designed and sold for use in a sport or sporting activity, excluding apparel and footwear except that which is suitable only for use in a sport or sporting activity, and excluding board games, electronic games and similar devices, aircraft and powered vehicles, and replacement parts and accessories for any excluded item.

The CPA derives estimates for sporting goods sales receipts using a national survey of the sporting goods market. As shown in **Figure 310**, according to CPA estimates, nearly two-thirds of Sporting Goods Sales Tax (SGST) revenue is generated from sales of bicycles and related supplies, hunting and firearms equipment, exercise equipment, and fish tackle. Although the types of sporting goods items listed in **Figure 310** may not always be used in state and local parks, surveys conducted by Texas A&M University have shown a relationship between the purchase of sports equipment and state park visitation.

The CPA estimate of SGST receipts grew by $1.6 million from $249.7 million to $251.3 million from the 2010–11 and 2012–13 biennia, a 0.6 percent increase across all categories. In the 2010–11 biennium, a few categories of items were added to the estimate: canoes and kayaks, helmets, lacrosse equipment, and a few more types of athletic shoes.

The Eightieth Legislature, 2007, passed legislation that removed the biennial cap on the statutory allocation of the SGST for TPWD and allowed the Legislature to set the cap in the General Appropriations Act (GAA). Prior to September 1, 2007, the biennial statutory allocation of SGST receipts to TPWD for state parks, local park grants, and certain conservation and capital projects was fixed at $64 million per biennium.

The same legislation from the Eightieth Legislature also authorized the Texas Historical Commission (THC) to receive SGST receipts, and provided a maximum statutory allocation to both entities: 94 percent to TPWD and 6 percent to THC. Further, statute provides that the amount of receipts TPWD and THC may receive is set by the amounts appropriated in the GAA, rather than a fixed amount or percentage.

For the 2012–13 biennium, the Legislature appropriated TPWD $82.3 million in SGST receipts, a decrease of $46.8 million from the 2010–11 biennial spending levels. As shown in **Figure 311**, SGST appropriations designated in the GAA for TPWD in the 2012–13 biennium include $52.1 million for state park operations, information technology and infrastructure administration; $22.4 million in pass-through funds to the GLO for coastal erosion projects; and $6.3 million for debt service on General Obligation (GO) bonds approved by the Eightieth and Eighty-first Legislatures for park repairs statewide, which is appropriated to the Texas Public Finance Authority.

SGST amounts estimated to be collected exceed amounts appropriated in the 2012–13 GAA by $159.1 million. Collections not appropriated to TPWD and THC are used to fund other General Revenue Fund appropriations.

FIGURE 310
ESTIMATED STATE SALES TAX REVENUE FROM THE SALE OF SPORTING GOODS, 2012–13 BIENNIUM

CATEGORY OF SPORTING GOOD	REVENUE (IN THOUSANDS)	PERCENTAGE OF TOTAL	CUMULATIVE PERCENTAGE
Bicycles and Supplies	$48,817	19.4	19.4
Hunting and Firearms Equipment	45,961	18.3	37.7
Exercise Equipment	44,658	17.8	55.5
Fishing Tackle	24,273	9.7	65.1
Golf Equipment	23,997	9.5	74.7
Camping	9,896	3.9	78.6
Snow Skiing Equipment	6,545	2.6	81.2
Billiards/Indoor Games	4,012	1.6	82.8
Tennis Equipment	3,960	1.6	84.4
Archery	3,708	1.5	85.9
Skin Diving and Scuba Gear	3,390	1.3	87.2
Canoes and Kayaks	3,219	1.3	88.5
Baseball/Softball	3,138	1.2	89.8
Wheel Sports	2,815	1.1	90.9
Hunting Apparel	2,584	1.0	91.9
Basketball	2,293	0.9	92.8
Golf Shoes	2,281	0.9	93.7
Baseball/Softball Shoes	2,269	0.9	94.6
Optics	1,765	0.7	95.3
Helmets	1,524	0.6	95.9
Bowling	1,502	0.6	96.5
Football Shoes	1,138	0.5	97.0
Football Equipment	1,029	0.4	97.4
Hiking Boots	993	0.4	97.8
Soccer Shoes	874	0.3	98.1
Soccer	649	0.3	98.4
Cycling Shoes	610	0.2	98.6
Bowling Shoes	537	0.2	98.8
Track Shoes	490	0.2	99.0
Hunting Boots	464	0.2	99.2
Hockey Equipment and Ice Skates	457	0.2	99.4
Ski Apparel	344	0.1	99.5
Lacrosse	302	0.1	99.7
Volleyball and Badminton	301	0.1	99.8
Water Skis	295	0.1	99.9
Racquetball Equipment	242	0.1	100.0
TOTAL	**$251,332**		

Sources: Legislative Budget Board; Comptroller of Public Accounts.

FIGURE 311
SPORTING GOODS SALES TAX IN THE GENERAL APPROPRIATIONS ACT, 2012–13 BIENNIAL REVENUE ESTIMATE

IN MILLIONS	MAXIMUM STATUTORY ALLOCATION (2012–13)		2012–13 GAA		UNDESIGNATED SGST RECEIPTS***
AGENCIES RECEIVING STATUTORY ALLOCATION	ALLOCATION	PERCENTAGE OF TOTAL	ALLOCATION	PERCENTAGE OF EACH STATUTORY ALLOCATION	ALLOCATION
Texas Parks and Wildlife Department	$236.3	94%	$82.3	35%	$154.0
Texas Historical Commission*	15.1	6%	10.0	66%	5.1
TOTAL	**$251.3**	**100%**	**$92.3**		**$159.1**

	MAXIMUM STATUTORY ALLOCATION TO TPWD = $236.3 MILLION (94%)		2012–13 GAA		UNDESIGNATED SGST RECEIPTS***
STATUTORY DISTRIBUTION TO TPWD GENERAL REVENUE–DEDICATED ACCOUNTS	ALLOCATION	PERCENTAGE OF TOTAL	ALLOCATION	PERCENTAGE OF EACH STATUTORY ALLOCATION	ALLOCATION
State Parks Account No. 64 Amounts appropriated: • state park operations, division support, and minor repair ($51.4 million); • coastal erosion projects ($22.4 million); • debt service ($6.3 million); • information resources ($0.6 million); • infrastructure administration ($0.1 million)	$174.9	74%	$80.8	46%	$94.1
Local Parks Accounts** 1) Texas Recreation and Parks Account	35.4	15%	0.9	3%	34.5
2) Large County and Municipality Recreation and parks Account	23.6	10%	0.6	3%	23.0
Conservation and Capital Account No. 5004	2.4	1%	0.0	0%	2.4
TOTAL	**$236.3**	**100%**	**$82.3**		**$154.0**

*THC amounts are appropriated out of General Revenue.
**The Texas Recreation and Parks Account is designated for small entities with populations less than 500,000 and the Large County and Municipality Recreation and Parks Account is designated for large entities with populations of 500,000 or more.
***Undesignated SGST receipts are classified as General Revenue, and are used to fund other General Revenue appropriations.
Notes: SGST= Sporting Goods Sales Tax; Totals may not sum due to rounding.
Sources: Legislative Budget Board; Comptroller of Public Accounts.

AGENCY ORGANIZATION

TPWD is primarily a field organization, with approximately 77 percent of its employees located at state parks, wildlife-management areas, fish hatcheries, research facilities, and field offices throughout the state. Agency programs are organized into six major divisions: Wildlife, Coastal Fisheries, Inland Fisheries, Law Enforcement, State Parks, and Infrastructure.

WILDLIFE DIVISION

The Wildlife Division's goal is to manage all wildlife resources for the common benefit of the public using sound biological principles. The agency currently operates 51 wildlife-management areas totaling more than 770,000 acres. These areas are used to develop and test management programs that can be applied on private lands. Public hunts are conducted at these sites when they are determined to be compatible with wildlife-management goals for the respective sites. Because nearly 90 percent of Texas land is privately owned, voluntary landowner incentive and technical assistance programs that encourage landowners to participate in wildlife-management plans are necessary to accomplish statewide conservation goals. As a result of these programs, the agency increased the percentage of privately owned land enrolled in wildlife management programs since 2001 from 9.7 percent to 17.9 percent as of August 31, 2011.

Wildlife-management objectives include increasing public hunting opportunities; increasing participation by targeted user groups (e.g., women and minorities) in activities such as hunting; increasing the private acreage under cooperative management agreements for wildlife resource enhancement; and conserving biological diversity in all wildlife habitats.

Appropriations for the Wildlife Division total $44.2 million in All Funds, which is a decrease of $26.6 million, or 37.6 percent, as compared to 2010–11 biennial spending levels. The majority of this reduction is from a decrease in federal pass-through grants to universities, municipalities and non-profits for enhancement of endangered species habitat ($21 million).

COASTAL AND INLAND FISHERIES DIVISIONS

The primary objective of the Coastal Fisheries and Inland Fisheries divisions is conserving the aquatic resources of the state to increase recreational and commercial fishing opportunities. The functions of these two divisions include monitoring natural resources and commercial and recreational resource users, identifying deficiencies and surpluses in the fish population, and developing and implementing measures to maintain balanced fish populations. The divisions also manage fish habitats in more than 800 public impoundments (confined bodies of water) covering 1.7 million acres, about 191,000 miles of rivers and streams, and 916 miles of tidewater coastline encompassing four million acres of saline waters. The divisions are responsible for protecting fish habitats in Texas, which includes the following activities:

- investigating fish kills and pollution incidents;
- providing information and permit recommendations to governing entities;
- seeking mitigation and restitution for environmental damages;
- regulating the removal of sand and gravel from state-owned streams;
- studying the probable impact of reservoir and other development projects, wastewater discharges, and hazardous waste disposal on aquatic resources, and making recommendations to the sponsoring or permitting agencies to help avoid or mitigate those repercussions; and
- coordinating bay and estuary studies that provide essential marine biological information.

TPWD manages eight hatcheries throughout the state that raise fry (fish that are less than one week old) and fingerlings (fish that are at least 1.2 inches in length). In fiscal year 2011, the hatcheries produced 40.9 million fingerlings: 13.4 million by the five freshwater hatcheries and 27.5 million by the three saltwater hatcheries. To date, the agency's fish hatcheries have stocked Texas waters with more than 3.7 billion fry and fingerlings to provide adequate recreational fishing. (The locations of inland and coastal fish hatcheries and field stations are shown in **Figure 312**.)

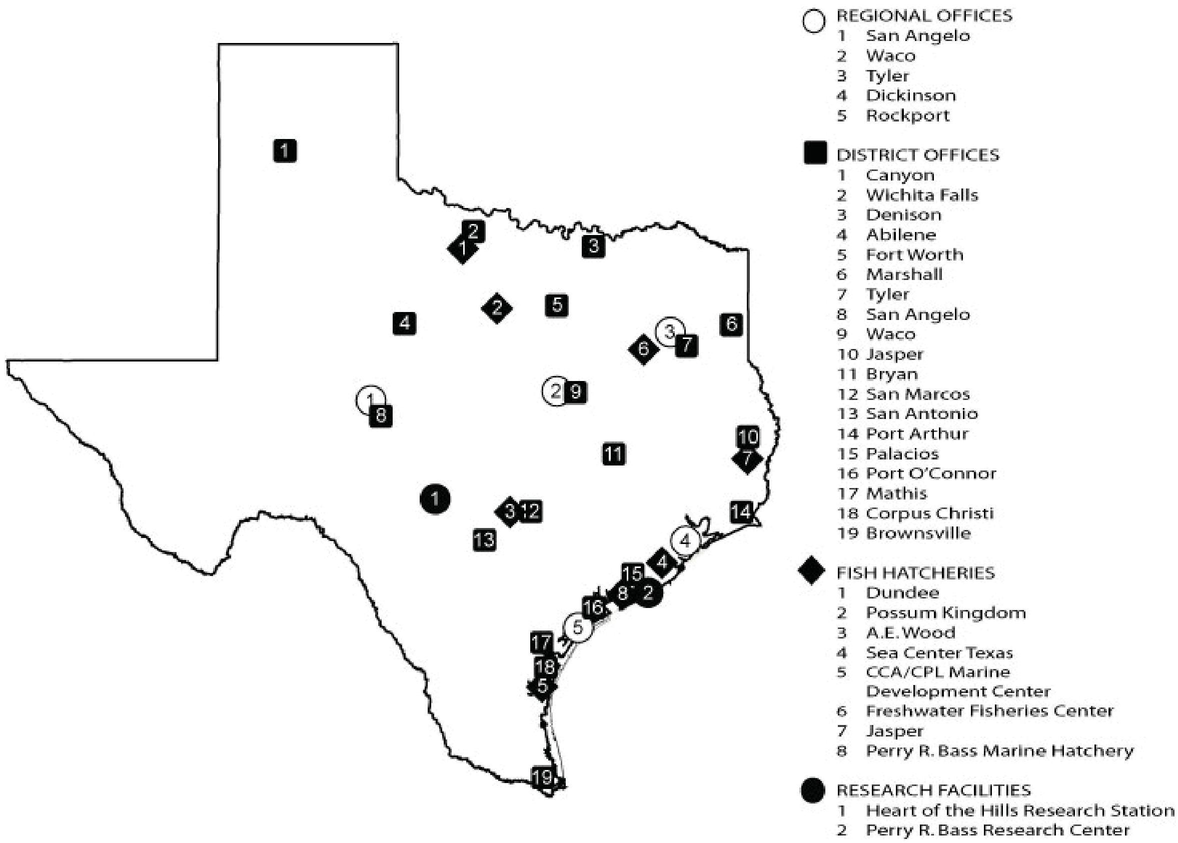
The Coastal Fisheries Division is responsible for making management recommendations regarding saltwater fish populations in Texas' bays and estuaries and along the Gulf of Mexico coastline. In addition, this division is responsible for developing and maintaining artificial reefs off the Texas Coast for the purpose of enhancing marine habitat and providing additional fishing and diving opportunities.

In fulfilling its responsibilities, the Coastal Fisheries Division is involved in the following major activities:

- assessing the status of finfish, shrimp, crab, and oyster populations;
- preparing management plans for fishery populations, including saltwater fishing regulations for commercial and recreational users that provide for optimal sustainable yields;
- identifying stock and engaging in the scientific monitoring of fishery populations through 10 field stations;
- using interviews with anglers, private boat and charter boat anglers, commercial boats, and commercial anglers to monitor the recreational harvest and commercial landings;
- monitoring finfish and shellfish population levels by taking more than 8,000 samples of saltwater fish per year and corresponding water-quality readings from bays and the Gulf of Mexico;
- researching coastal wetlands restoration and the restoration of damaged habitats; and
- maintaining and enhancing existing fishery stock by operating three marine fish hatcheries.

The Inland Fisheries Division is responsible for developing management recommendations regarding freshwater fish located in more than 800 public bodies of water, including

FIGURE 312
COASTAL AND INLAND FISHERIES, 2012–13 BIENNIUM



NOTE: CCA/CPL = Coastal Conservation Association/Central Power and Light Company.
SOURCE: Texas Parks and Wildlife Department.

harvest regulations and stocking recommendations. The division operates five fish hatcheries and has 17 field offices, including two research offices that monitor freshwater fish populations and habitat status.

The Inland Fisheries Division includes the following major activities:

- sampling fish populations and habitat in public reservoirs;
- surveying recreational anglers to determine catch and hours fished;
- managing noxious vegetation; and
- operating outreach and public education programs, primarily at the Texas Freshwater Fisheries Center in Athens.

Appropriations for the Coastal and Inland Fisheries Division in the 2012–13 biennium total $61.7 million in All Funds, which is a reduction of $24.2 million, or 28.2 percent, compared to 2010–11 biennial spending levels. Division reductions include decreases in Federal Funds for grants to restore habitat and infrastructure affecting fishery access destroyed by Hurricane Ike ($4.9 million); disaster grants to commercial oyster and shrimp fishermen ($2.7 million); and pass-through funds to GLO for artificial reef structures ($1.4 million). Reductions in General Revenue Funds and General Revenue–Dedicated Funds are primarily related to decreases in the suspension of crab, finfish and shrimp commercial license buybacks ($2.1 million).

STATE PARKS DIVISION

As of August 31, 2011, the Texas State Park System consists of 93 parks, natural areas, and historic sites, totaling about 621,000 acres. In fiscal year 2011, there were 7.7 million visits to these sites. Nationally, Texas ranks fifth in state park acreage, after Florida, New York, California, and Alaska. The State Parks Division's primary objectives are to ensure safe and cost-effective management of state parks; to increase educational opportunities at TPWD sites; and to satisfy state and local priorities for natural, cultural, and outdoor recreational resources.

Outdoor recreation planners point to the changing demographics of the state when evaluating trends in park visitations. Nearly 88 percent of the state's population lives in metropolitan areas and more than 64 percent live in the state's four major metropolitan areas: (1) Dallas/Fort Worth/Arlington; (2) Houston/Sugar Land/Baytown; (3) San Antonio; and (4) Austin/Round Rock. Further, older adults and minorities, two groups that are reportedly increasing at a faster rate than other population groups, participate less in traditional department programs like visiting state parks and recreational fishing than other population groups. As a result, when creating or developing new parks, TPWD focuses its efforts on sites within a 90-minute drive of the state's most populous cities. (See the Land and Water Resources Conservation and Recreation Plan, which was required by the TPWD Sunset legislation, Senate Bill 305, Seventy-seventh Legislature, 2001.)

In August 2011, the TPWC approved the purchase of 3,300 acres for a new state park near the City of Strawn, located 70 miles southwest of Fort Worth. The purchase is in accordance with the agency's Land and Water Resources Conservation and Recreation Plan, and is within 90 minutes driving distance from the metropolitan area. The land purchase was made with a portion of proceeds from the fiscal year 2007 sale of Eagle Mountain Lake for acquiring new park land ($9.3 million). During the 2012–13 biennium, no funding of General Revenue Funds or General Revenue–Dedicated Funds was appropriated for additional park purchases. However, the agency will continue to seek opportunities to purchase tracts or in holdings at existing park sites by using other methods of finance.

Volunteers and private organizations play a significant role in the daily operations of many state parks. Volunteers clean park facilities, schedule and staff special events, raise private funds, and promote parks and related services. In addition, the agency uses inmate labor to perform numerous tasks to help lower the costs of maintaining and operating state parks.

STATE PARKS

The Eighty-second Legislature, Regular Session, 2011, directed TPWD to evaluate whether some sites were more suited for management by local public entities, using criteria such as whether the site was wholly enclosed within a city limit. TPWD will make these assessments during the 2012–13 biennium and one holding, the Sebastopol House State Historic Site, transferred to the jurisdiction of the City of Seguin effective September 1, 2011.

Appropriations total $143 million in All Funds for state park operations, division support, and minor repair, a net decrease of $17.3 million, or 10.8 percent, as compared to 2010–11 biennial spending levels, which includes the following changes:

- $6 million in funding contingent on collections in excess of the BRE to the General Revenue–Dedicated State Parks Account to continue operations at several park sites and fund 60.3 FTE positions;
- $3.2 million in new dedicated funding for state park operations and maintenance from the $5 motor vehicle registration and renewal donation authorized by the enactment of House Bill 1301, Eighty-second Legislature, Regular Session, 2011;
- a decrease in funding for vehicle and equipment replacement cycles (a $9.1 million decrease);
- reductions in funding for park business development, cultural and natural resources, and minor repair projects (a $6.3 million decrease); and
- elimination/consolidation of regional administrative offices, down from eight to six regional offices (a $2.3 million decrease). The agency evaluated operational needs, the geographic distribution of parks and impacts to services before determining that the Kerrville and Lubbock offices would be closed effective June 2011. The remaining six regional offices are located in Fort Davis, Tyler, Houston, Rockport, Bastrop, and Waco and provide direct administration of state park field operations under the direction of management at Austin headquarters.

LOCAL PARK GRANTS

The State Parks Division also provides planning assistance and matching grants to local communities for the acquisition and development of local parks, public boat ramps, and regional trails. Any political subdivision in the state authorized by law to provide recreational opportunities for the general public, including cities, counties, and river authorities, is eligible to apply to TPWD for 50 percent matching grants for park projects costing up to $1 million.

Starting in fiscal year 1994, up to $31 million of the SGST was allocated to local parks per biennium through the Texas Recreation and Parks Account (General Revenue–Dedicated

Funds). The Eightieth Legislature, 2007, passed legislation that removed the biennial cap on the statutory allocation from the SGST for local parks and instead set the cap at amounts appropriated to TPWD in the GAA.

The Eighty-second Legislature, Regular Session, 2011, suspended grants for new local parks, boating access projects, regional trails, and other grants in the 2012–13 biennium, which is a decrease of $29.6 million in General Revenue Funds and General Revenue–Dedicated Funds, or 96.1 percent, as compared to 2010–11 biennial spending levels. The 2012–13 appropriations include $0.3 million in revenue (General Revenue Funds) from the Off-Highway Vehicle Trail and Recreational Area Program, contingent on the TPWC raising decal fees from $8 to $16.

LAW ENFORCEMENT DIVISION

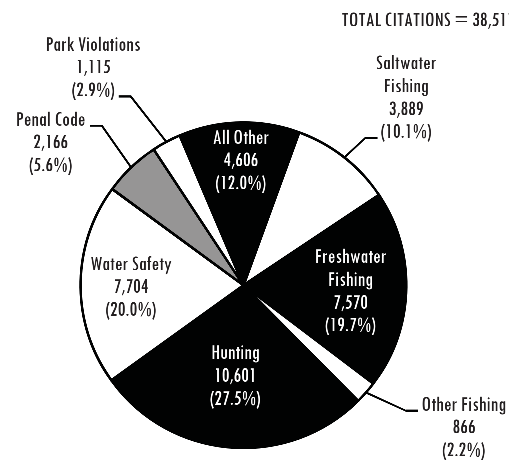
The Law Enforcement Division is responsible for enforcing all laws in the Texas Parks and Wildlife Code and certain sections of the Texas Penal Code, the Texas Water Code, and the Texas Antiquities Code. The division's objectives are to increase compliance with relevant state laws, decrease public water and hunting fatalities and boating accidents, increase hunting and fishing opportunities for targeted user groups, and minimize adverse effects on the state's fish and wildlife resources. The Law Enforcement Division operates 10 regional and 19 field offices that sell licenses, register boats, and disseminate information pertaining to local regions.

As of August 31, 2011, the division had approximately 499 game wardens throughout the state, with a cadet class of 33 scheduled to start in February 2012. As commissioned peace officers, game wardens are responsible for initiating enforcement action in response to any violation of state law that occurs in their presence and that constitutes a danger to life and property. The following are routine responsibilities of game wardens:

- patrolling daily to spot game law violations;
- patrolling to identify sport and commercial fishing violations and violations of the Texas Water Safety Act on inland and coastal waters;
- enforcing statutes and regulations applicable to air, water, and hazardous materials;
- issuing citations for illegal taking or dredging of state-owned sand, shell, or gravel; and
- issuing citations for violations of penal statutes, including criminal trespass and discharging a firearm from a public road.

Figure 313 shows the percentage of each type of citation issued by TPWD law enforcement officers in fiscal year 2011.

FIGURE 313
CITATIONS ISSUED BY PARKS AND WILDLIFE LAW ENFORCEMENT DIVISION, FISCAL YEAR 2011



SOURCE: Texas Parks and Wildlife Department.

Appropriations for the Law Enforcement Division total $97.3 million in All Funds for the 2012–13 biennium. The Eighty-second Legislature, 2011, appropriated $4.7 million from General Revenue Funds and General Revenue–Dedicated Funds to TPWD for border security efforts in 2012–13, which is an increase of $0.9 million, or 4.9 percent, compared to 2010–11 biennial spending levels. Amounts provide funding for 30 game wardens, operating costs, boats and weaponry. Although the game wardens are assigned to the Texas–Mexico border to provide assistance on border security initiatives, the wardens' principal duty is to enforce laws relating to wildlife and natural resources conservation and laws relating to boating and recreational water safety.

INFRASTRUCTURE DIVISION

TPWD established the Infrastructure Division in 1997 to manage repairs in the aging state parks infrastructure. The Division's duties in the 2012–13 biennium include managing infrastructure repairs statewide, including infrastructure for the wildlife, fishery, and law enforcement divisions. The Eighty-second Legislature, Regular Session, 2011, appropriated $32.4 million in GO bond proceeds for other ongoing repairs to the agency's facilities. Under provisions in the General Appropriations Act, the Legislative Budget Board must approve the agency's request for bond proceeds and project lists before bonds may be issued and project planning, scheduling and design can begin. Typically, major construction efforts begin in the third year of a 5-year life of a construction project.

For example, the Eighty-first Legislature, 2009, appropriated $28 million in GO bond proceeds for ongoing repairs to the agency's facility infrastructure. Of this amount, an estimated $20.5 million is allocated for statewide repairs at park facilities, $5.5 million is allocated for statewide repairs to wildlife, coastal fishery, and law enforcement facilities, and the remaining $1.9 million is allocated for repairs of the agency's headquarters. **Figure 314** shows the current status of these GO bond projects.

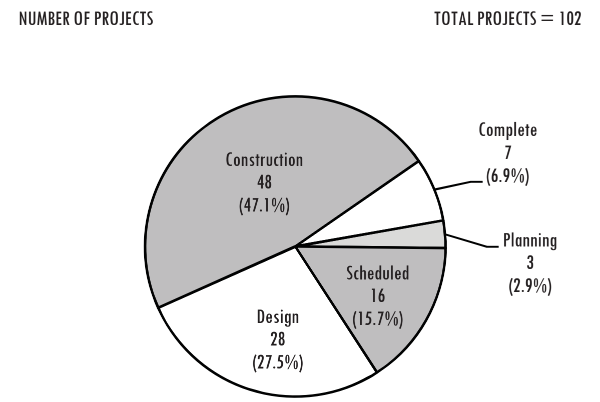
PARK INFRASTRUCTURE

The Eighty-first Legislature, Regular Session, 2009, appropriated $10 million in GO bonds for weather-related repairs at Mother Neff State Park, Palo Duro State Park, and Government Canyon State Natural Area in addition to the $20.5 million allocated for other park repairs statewide. The Eighty-second Legislature, Regular Session, 2011, deferred project unexpended balances at Mother Neff State Park ($5.7 million) and Palo Duro Canyon State Park ($2.5 million) from fiscal year 2011 to fiscal year 2013.

TPWD is also charged with managing repairs to the Battleship TEXAS, a historic dreadnought first commissioned in 1914, which is moored at the San Jacinto Battleground. The Eightieth Legislature, 2007, appropriated the agency $25 million in GO bond proceeds to both dry berth the ship and make related repairs. The project's bond financing was approved in May 2009 by the Bond Review Board.

Engineering assessments have found the ship to be in worse structural condition than anticipated, which has delayed the dry berth project while it is determined whether costs will exceed available funding. Also, Section 106 of the National Historic Preservation Act and provisions of the National Environmental Policy Act require federal agencies to review the state's effort to dry berth the historic ship. These historic and environmental federal reviews of the dry berth proposal are also expected to prolong the project. In anticipation of these delays, the Eighty-second Legislature, Regular Session, 2011, deferred appropriating $24.7 million in authorized, but unissued GO bond proceeds for the Battleship TEXAS from fiscal years 2011 to 2013.

FIGURE 314
GENERAL OBLIGATION BONDS, PROJECT STATUS AS OF AUGUST 31, 2011, 2012–13 BIENNIUM



NOTES: Appropriated 2010–11 Biennium = $28.0 million.
Bond financing was approved in March 2010.
Expended/Encumbered as of August 31, 2011 = $10.1 million.
Commercial paper issued as of August 31, 2011: $7.0 million.
SOURCES: Legislative Budget Board; Texas Parks and Wildlife Department.

WILDLIFE AND FISHERIES INFRASTRUCTURE

The agency was appropriated $749,951 for the 2012–13 biennium from the General Revenue–Dedicated Game, Fish and Water Safety Account to complete the construction of a new conservation building at Sea Center Texas. This amount is a decrease of $14.7 million from the 2010–11 biennial spending levels out of the Game, Fish and Water Safety Account and reflects the suspension of ongoing capital repairs to inland hatchery construction. The Seventy-eighth Legislature, Regular Session, 2003, passed legislation to authorize a $5 freshwater fish stamp for ongoing inland hatchery construction needs. The stamp was originally scheduled to expire at the end of fiscal year 2013, but the Eighty-second Legislature, 2011, Regular Session passed legislation to repeal the stamp's expiration and make it a permanent part of the agency's revenue structure.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect TPWD. The more significant legislation includes House Bill 790, House Bill 1300, House Bill 1301, Senate Bill 2, First Called Session, and Senate Bill 932.

The enactment of House Bill 790 amends the Texas Parks and Wildlife Code to repeal the expiration of the Freshwater Fishing Stamp on September 1, 2014 to make it a continuing part of the agency's revenue structure. Beginning in fiscal year 2015, an estimated $5.8 million per fiscal year would continue to be deposited to the credit of the General Revenue–Dedicated Game, Fish and Water Safety Account. Stamp sale proceeds are dedicated for the repair, maintenance, renovation, or replacement of freshwater fish hatcheries and the purchase of fish for stocking the public waters of the state.

The enactment of House Bill 1300 authorizes TPWD to designate companies as official corporate partners, and to conduct joint promotional fund-raising campaigns with these companies for the purpose of generating contributions for state site operations and maintenance. State sites include state parks, historic sites, natural areas, fish hatcheries, and wildlife management areas. Fund-raising proceeds may be used for other agency-designated priority projects or programs. The legislation requires the TPWC to establish rules that prohibit inappropriate commercial advertising in state parks and other sites in order to preserve their integrity and minimize distractions that interfere with visitor enjoyment of the sites. The legislation allows the agency to contract with companies to sell park passes in their retail locations, and to receive licensing fees from companies authorized by the agency to use the TPWD brand.

The enactment of House Bill 1301 establishes a system in which motorists can voluntarily donate $5 or more with their initial vehicle registration or renewals to TPWD. These donations may be used by TPWD for the operations and maintenance of state parks. Donations made with vehicle registration renewals would begin with registrations that expire January 1, 2012. Donations made with initial registrations would begin when the legislation is effective, September 1, 2011. A revenue gain of $1.6 million to the General Revenue–Dedicated State Parks Account is estimated for fiscal year 2013 and each fiscal year thereafter. For fiscal year 2012, estimated receipts are reduced by one-third because donations made with registration renewals would start in January 1, 2012, resulting in a projected gain of approximately $1.1 million for that fiscal year.

The enactment of Senate Bill 2, First Called Session, appropriates $0.9 million in General Revenue Funds for border security efforts, including $330,800 for operations and $578,959 for boats and weaponry.

The enactment of Senate Bill 932 amends portions of the Texas Parks and Wildlife Code related to public and private oyster beds. The legislation establishes a new subaccount in the General Revenue–Dedicated Game, Fish and Water and Safety Account for oyster shell recovery and replacement. The legislation authorizes TPWD to collect a fee of $0.20 (or an amount set by the TPWC) from a licensed commercial oyster fisherman for each box of oysters harvested from Texas waters. The legislation requires each box to be affixed with an oyster shell recovery tag at the time of harvest and to contain information required by the Texas Department of State Health Services. Funds in the new account will be used only for financing the recovery and enhancement of public oyster reefs.

RAILROAD COMMISSION

The three-member Railroad Commission of Texas (RRC), authorized by the Texas Constitution, was established in 1891 to regulate "railroads, terminals, wharves, and express companies." Members of the commission are full-time, statewide-elected officials.

The agency's responsibilities have changed significantly since its inception. Its current mission is to serve Texas by its stewardship of natural resources and the environment, concern for personal and community safety, and support of enhanced development and economic vitality for the benefit of Texans. The agency performs four goals that guide it in fulfilling its mission: Energy Resources; Safety Programs; Environmental Protection; and Technology Enhancements.

RRC has five regulatory divisions that oversee the Texas energy industry: the oil and gas division; gas utilities division; pipeline safety division; alternative energy division, including safety in the liquefied petroleum gas industry; and the surface mining of coal and uranium. In fiscal year 2010, Texas ranked first among the 50 states in the production of crude oil and in the production of marketed natural gas.

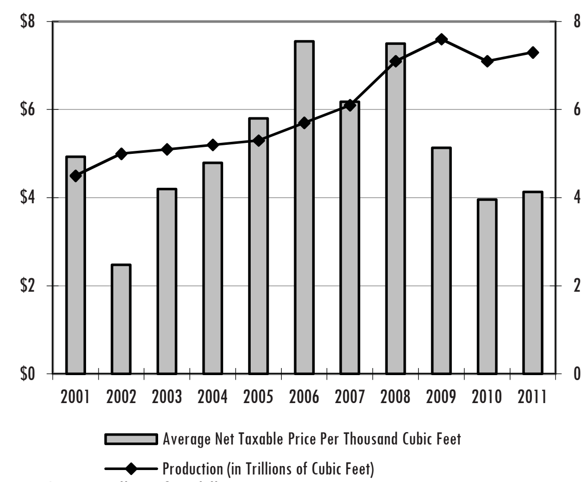
Appropriations to RRC for the 2012–13 biennium total $145.8 million in All Funds and provide for 772.1 full-time-equivalent (FTE) positions in each fiscal year. This represents a decrease of $7.8 million, or 5 percent, as compared to the 2010–11 biennial spending levels. The amount for the 2012–13 biennium includes $123.6 million in General Revenue Funds and General Revenue–Dedicated Funds (84.8 percent). Of the agency's appropriations from General Revenue–Dedicated Funds (Oil and Gas Regulation and Cleanup Account), $1.9 million and 21 FTE positions are provided for reducing permitting times and to prevent permitting backlogs are contingent upon revenues to the account exceeding the Comptroller of Public Accounts' *2012–13 Biennial Revenue Estimate*.

ENERGY RESOURCES

The agency supports the development, management, and use of Texas oil and gas energy resources, protecting correlative rights (legal rights protecting property over a portion of a gas or oil reservoir from excessive or wasteful withdrawal) and equal and fair energy access to all entities.

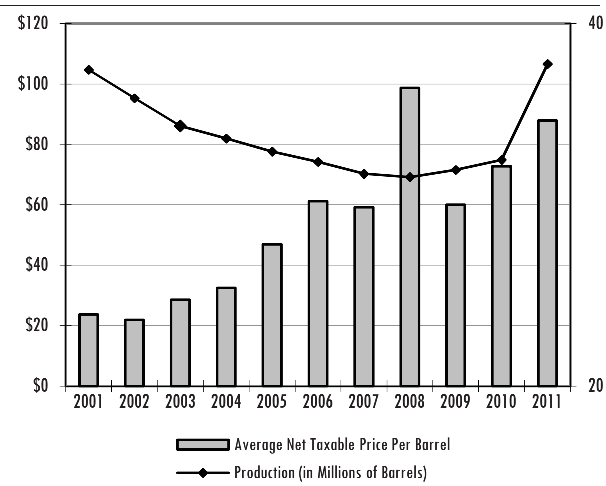
To carry out its regulatory responsibilities to prevent waste and protect the rights of others who may be affected, RRC grants drilling permits based on established spacing and density rules. It also assigns production limits on oil and gas wells and performs audits to ensure that those limits are not exceeded. The agency received approximately 2.4 million operator's production reports annually on 148,979 oil wells and 95,488 producing gas wells as of August 31, 2011. Production allowables (amounts which 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. **Figure 315** and **Figure 316** show gas and oil production and the average taxable price for each fiscal year from 2001 to 2011.

FIGURE 315
TEXAS GAS PRODUCTION
FISCAL YEARS 2001 TO 2011



SOURCE: Comptroller of Public Accounts.

FIGURE 316
TEXAS OIL PRODUCTION
FISCAL YEARS 2001 TO 2011



SOURCE: Comptroller of Public Accounts.

RRC is also responsible for the regulation of gas utilities. The agency audits utilities to ensure that the proper gas utility tax is paid and monitors rates charged customers for natural gas and services.

The Alternative Energy Division promotes propane as an environmentally and economically beneficial alternative fuel. State law requires that 50 percent of delivery-fee revenue be used for consumer rebate programs. The agency uses these funds as well as federal, state, and private-sector grants to develop competitive propane technologies, marketing activities, and educational materials related to propane's usefulness as a clean, economical, Texas-produced fuel.

The Alternative Energy Division is also responsible for regulating the safe transportation, storage, and use of Liquified Petroleum Gas, Compressed Natural Gas, and Liquified Natural Gas as alternative energy sources. The Division issues licenses and permits, provides safety training, conducts field inspections, investigates complaints and accidents, and responds to emergencies. Approximately 3,900 company licenses are issued and more than 12,000 safety inspections are performed annually.

Energy Resources is appropriated $30.4 million in All Funds for the 2012–13 biennium, or 20.9 percent of the agency's budget, which provides for 207.2 FTE positions. This represents a decrease of $16 million, or 34.5 percent, as compared to 2010–11 biennial spending levels.

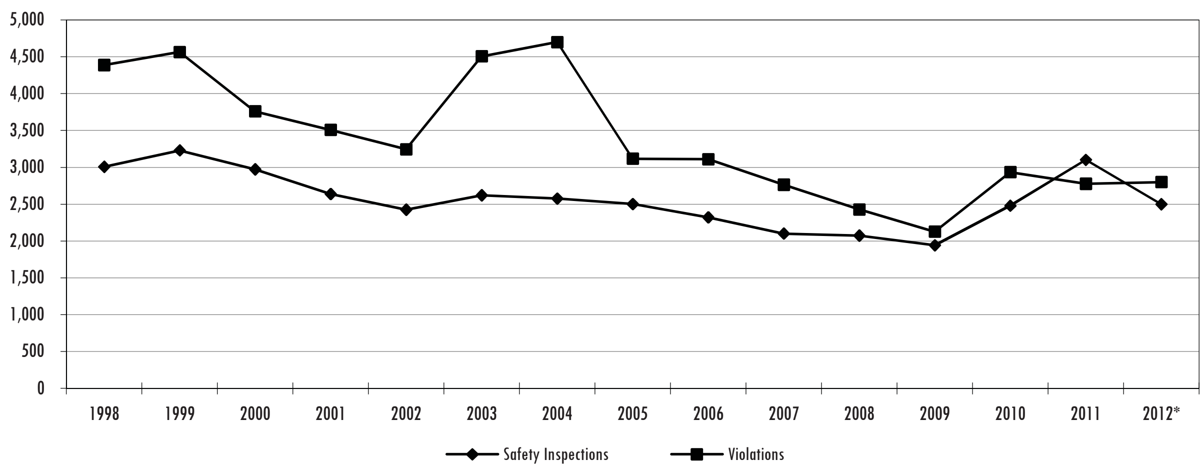
SAFETY PROGRAMS

By providing training, monitoring, and enforcement, the agency advances safety in the delivery and use of Texas petroleum products. The agency's Pipeline Safety Program regulates the safety of intrastate natural gas pipelines and hazardous liquid pipelines in Texas. 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.

The Pipeline Safety Division enforces pipeline operators' compliance with federal and state laws. The division issues licenses and permits, conducts field inspections and accident investigations, and responds to emergencies. **Figure 317** shows the number of safety inspections the agency has performed and the number of violations found through those inspections from fiscal years 1998 to 2012. The Pipeline Damage Prevention Program focuses on compliance and enforcement activities related to the movement of earth near pipeline facilities and gives educational awareness presentations to affected stakeholders statewide.

Safety Programs are appropriated $11.0 million in All Funds for the 2012–13 biennium, or 7.5 percent of total agency appropriations. This represents an increase of 3.9 percent as compared to 2010–11 biennial spending levels. The function encompasses approximately 175 of the agency's FTE positions.

FIGURE 317
RAILROAD COMMISSION SAFETY INSPECTIONS AND VIOLATIONS
FISCAL YEARS 1998 TO 2012



*Estimated.
SOURCE: Railroad Commission of Texas.

ENVIRONMENTAL PROTECTION

The agency ensures 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 through monitoring and inspections, and remediation, reclamation, and plugging of oil and gas wells. RRC addresses these responsibilities through a variety of activities:

- 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.

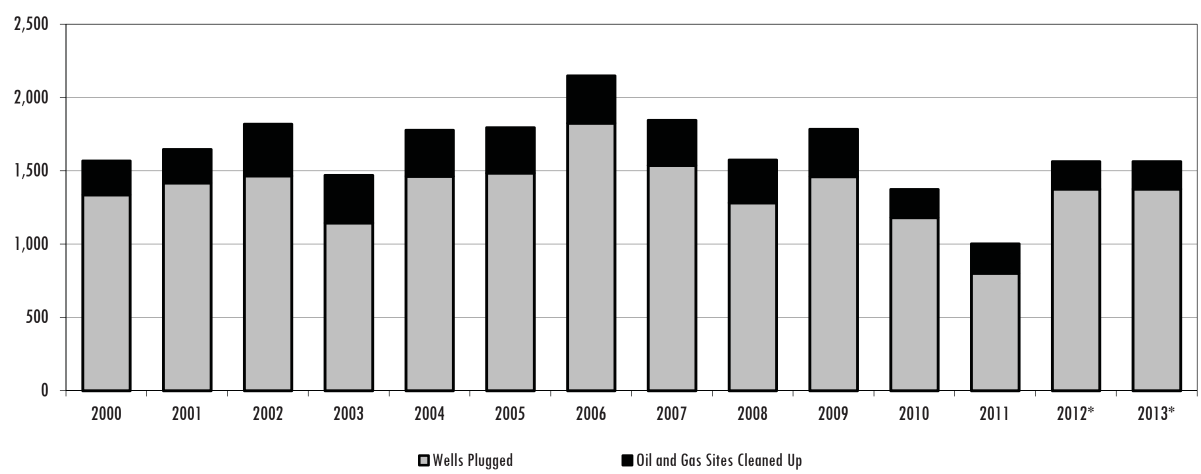
The Oil and Gas Regulatory and Cleanup (OGRC) Account was established in Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, replacing the previous Oil Field Cleanup Account. The account is supported entirely by fees, surcharges, and other payments collected from the oil and gas industry, and it is used by RRC to pay costs related to regulating and monitoring the oil and gas industry, plugging abandoned wells, and cleanup oil and gas sites. Since the inception of the oil field cleanup program in 1984 to July 2011, the agency has plugged 32,318 wells with the use of these state funds. The agency identified a backlog of approximately 7,869 unplugged and orphaned wells as of July 2011. The agency uses a priority rating system that includes four categories and 26 rated factors of human health, safety, environment, and wildlife to determine which wells pose the greatest risk to public safety and the environment.

The OGRC Account is also used to perform the cleanup of sites where abandoned oil and gas waste and other regulated substances are causing or are likely to cause pollution of surface or subsurface water. These site cleanups can range from simple tank-battery cleanups taking less than a day to complete to more complex cleanups requiring several years to properly evaluate, design, procure, and ultimately complete. As of August 2011, the agency has completed 4,697 cleanup activities since program inception and has a backlog of approximately 2,000 abandoned sites.

Figure 318 shows the number of wells plugged and the number of polluted oil and gas sites cleaned up using state funds since fiscal year 2003.

The agency's Operator Cleanup Program oversees cleanups performed by the regulated community, which primarily

FIGURE 318
WELLS PLUGGED AND OIL AND GAS SITES CLEANED UP USING STATE FUNDS
FISCAL YEARS 2000 TO 2013



*Estimated.
Source: Railroad Commission of Texas.

consists of responsible party operators. Third party, non-responsible person cleanups may be eligible to enter the agency's Voluntary Cleanup Program, which offers additional assurances from the agency that the cleanup is adequate.

The enactment of House Bill 2694, Eighty-second Legislature, Regular Session, 2011, transferred the Groundwater Advisory Unit (formerly Surface Casing Program) from the Texas Commission on Environmental Quality (TCEQ) to RRC. The program provides groundwater protection determination letters to oil and gas producers. There are three types of letters: Groundwater Protection, Groundwater Protection for Saltwater Disposal Wells and Groundwater Protection for Seismic Survey Operations.

The agency also regulates surface mining of coal/lignite, iron ore, and uranium exploration as well as the reclamation of abandoned mine lands. Reclamation of abandoned surface mines usually consists of earthwork burial or treatment of unsuitable spoil (usually acidic or radioactive spoil), installation of erosion- and water-control structures, and re-vegetation. Dangerous abandoned underground mine openings are usually closed by backfilling, capping (concrete or metal grating), or metal gating. The agency oversees contractors hired to perform these services.

Environmental Protection receives 68.2 percent of the agency's appropriations, or $99.4 million for the 2012–13 biennium, which provides for approximately 446 FTE positions (or 58 percent of the agency's workforce). This represents an increase of $8.1 million, or 8.8 percent, as compared to 2010–11 biennial spending levels.

TECHNOLOGICAL ENHANCEMENTS

RRC is committed to maximizing electronic access to government entities. The agency is responsible for collecting, maintaining, and preserving data submitted to it, providing efficient public access to this information, offering regulated industries a means to conduct their business electronically, and continuing the conversion of mainframe technologies to Internet-based technology.

RRC has been working to make all forms and reports available to be filed through the RRC Online System. The agency estimates a 90 percent user rate of the available online systems as of August 31, 2011.

Technological Enhancements received $5 million in appropriations for the 2012–13 biennium, or 3.4 percent of the agency's budget, and approximately 43 FTE positions. This represents a decrease of $0.2 million, or 3.7 percent, as compared to 2010–11 biennial spending levels.

SIGNIFICANT LEGISLATION

The enactment of House Bill 2694, Eighty-second Legislature, Regular Session, 2011, transfers the authority for groundwater protection recommendations regarding oil and gas activities (formerly surface casing) from the TCEQ to RRC, including $0.8 million in appropriations per fiscal year of the 2012–13 biennium and 9 FTEs.

The enactment of House Bill 3134, Eighty-second Legislature, Regular Session, 2011, provides that before the RRC may issue an order refusing to renew an oil or gas operator's organization report regarding the plugging of an inactive well, an authorized agency employee or person designated by RRC must determine whether the operator has failed to comply with statutory requirements and rules related to inactive wells. In addition, the legislation provides that the agency must provide notification to affected operators within specified time frames, and it provides the opportunity for operators to have a contested case hearing. The agency received an additional $0.4 million each fiscal year of the 2012–13 biennium and 6.0 FTE positions to implement this legislation.

The enactment of House Bill 3328, Eighty-second Legislature, Regular Session, 2011, requires RRC to adopt rules relating to the public disclosure of chemicals used in hydraulic fracturing of oil and gas wells. It also provides that the agency provide a process whereby oil and gas producers can designate certain chemicals as trade secrets, and it directs the agency on the dissemination of information in the event of an emergency relating to such chemicals.

The enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, established the new General Revenue Dedicated OGRC Account, replacing the previous General Revenue–Dedicated Oil Field Cleanup Account (OFCU) Account. All revenues previously deposited to the OFCU Account are now directed to the OGRC Account, except for penalties, which are directed instead to the General Revenue Fund. In addition, RRC is authorized to levy surcharges on those fees to cover the cost of appropriations for the agency's oil- and gas-related programs, a significant portion of which were previously supported by appropriations from undedicated General Revenue Funds. The legislation also allows the agency to use pipeline safety fees for gas utility regulation purposes, whereas such activities were also formerly funded by undedicated General Revenue Funds.

The enactment of Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, replaces appropriations made in House Bill 1, Eighty-second Legislature, Regular Session, 2011, of $33.4 million for the 2012–13 biennium from General Revenue Funds with appropriations out of the newly established OGRC Account, resulting in the agency being required to levy surcharges to cover these appropriations and related employee benefits. Senate Bill 2 also replaces the entire $41.2 million in appropriations from the Oil Field Cleanup Account for the 2012–13 biennium with appropriations from the Oil and Gas Regulation and Cleanup Account. In addition, Senate Bill 2, Eighty-second Legislature, First Called Session, provides an additional appropriation of $466,000 in General Revenue Funds for the 2012–13 biennium for the agency's gas utility compliance strategy, contingent upon pipeline safety fee revenues in excess of the Comptroller's *2012–13 Biennial Revenue Estimate*.

SOIL AND WATER CONSERVATION BOARD

The Texas State Soil and Water Conservation Board (TSSWCB) was established in 1939. Its mission is to work in conjunction with local soil and water conservation districts to encourage wise and productive use of natural resources.

Appropriations to TSSWCB for the 2012–13 biennium total $40.1 million in All Funds and provide for 72.1 full-time-equivalent positions. This represents a decrease of $12.7 million, or 24.1 percent, as compared to 2010–11 biennial spending levels. These appropriations include $28.1 million in General Revenue Funds (70.1 percent).

The agency has three goals: (1) to provide soil and water conservation assistance; (2) to control and abate agricultural and silvicultural nonpoint source pollution; and (3) to enhance the state's water supply.

SOIL AND WATER CONSERVATION ASSISTANCE

There are 216 soil and water conservation districts in the state, covering all of Texas. The agency provides districts with financial, technical, and program-management assistance for the development of district soil and water conservation programs. Financial assistance is offered through grant funding to pay salaries of district personnel involved in assisting owners and operators of agricultural and other lands in the design and application of conservation practices. Conservation assistance matching grants are also available to local districts to help offset operating costs.

The agency offers technical assistance and program-management assistance through education and outreach programs to the districts, providing them with information about water quality improvement measures, water yield enhancement methods, and soil and water conservation techniques. Agency field staff are located throughout the state to consult with local soil and water district directors and landowners to ensure that appropriate land and water conservation methods are in use. In addition, the agency works closely with the Natural Resource Conservation Service of the U.S. Department of Agriculture to assure districts' technical assistance needs are met.

TSSWCB assists districts with operations and maintenance of, structural repair to, and rehabilitation needs of flood control dams across the state. These dams are generally earthen structures that were built in the 1950s on private property with the help of the federal government to help prevent flooding. Of 2,000 flood control dams across the state, 1,438 are no longer effective because of the need for operations and maintenance assistance or structural repair.

Appropriations for Soil and Water Conservation Assistance total $11.8 million for the 2012–13 biennium, which represents a decrease of $8.4 million, or 41.6 percent, as compared to 2010–11 biennial spending levels. These appropriations include $4 million in General Revenue Funds to address structural repair needs to flood control dams across the state.

NONPOINT SOURCE POLLUTION ABATEMENT

The agency's second goal is to effectively administer a program for the abatement of nonpoint source pollution caused by agricultural and silvicultural uses of the state's soil and water resources consistent with the Texas Nonpoint Source Management Program. 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 accomplishes the second goal in two ways: implementing a statewide management plan for controlling nonpoint source pollution, and developing pollution abatement plans for designated agricultural areas. Appropriations for nonpoint source pollution abatement total $22.7 million for the 2012–13 biennium. This represents a decrease of $0.2 million, or 0.8 percent, as compared to 2010–11 biennial spending levels.

STATEWIDE MANAGEMENT PLAN

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.

POLLUTION ABATEMENT PLANS

The agency implements the Water Quality Management Plan Certification Program, which provides for the development, supervision, and monitoring of individual water quality management plans in designated areas. The water quality management plans are voluntarily developed by landowners to mitigate nonpoint source pollution on their land.

WATER SUPPLY ENHANCEMENT

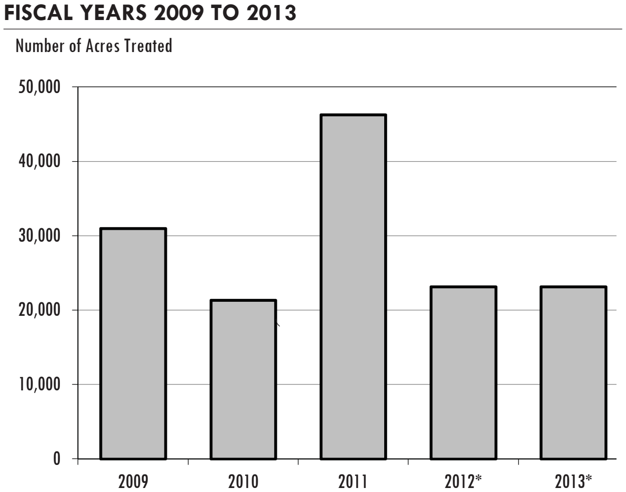
TSSWCB also protects and enhances the state's water supply, increases water conservation, and enhances water yields. Appropriations for this purpose total $4.3 million for the 2012–13 biennium. This represents a decrease of $3.9 million, or 47.9 percent, as compared to 2010–11 biennial spending levels.

WATER CONSERVATION AND ENHANCEMENT

Under its third goal, TSSWCB implements the Water Conservation and Enhancement strategy, also known as Brush Control, to increase water yields in specific watersheds of the state. During the 2012–13 biennium, General Revenue Funds comprised all of the appropriations for this strategy. The agency uses funds in the Water Conservation and Enhancement strategy to implement cost-share programs in which the state pays a maximum of 70 percent of the share of a brush control project, and the landowner pays the remaining costs. The agency plans to use funds during the 2012–13 biennium to continue work in areas that yield the highest amount of water. These project areas include six watersheds throughout the state.

Figure 319 shows the number of acres of brush treated through the Water Supply Enhancement program in fiscal years 2007 to 2009 and estimated amounts in fiscal years 2010 and 2011.

FIGURE 319
WATER SUPPLY ENHANCEMENT PROGRAM
FISCAL YEARS 2009 TO 2013



*Projected.
SOURCE: Texas State Soil and Water Conservation Board.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed House Bill 1808, which continues TSSWCB until September 1, 2023. Among other provisions, the legislation requires the agency to prioritize water supply enhancement projects based on a series of criteria and require the agency to perform follow-up inspections of water supply enhancement projects.

WATER DEVELOPMENT BOARD

The Texas Water Development Board (TWDB) was established in 1957. Its mission is to provide leadership, planning, financial assistance, information, and education for the conservation and responsible development of water for Texas.

Appropriations for the 2012–13 biennium total $125.1 million (All Funds) and provide for 370.4 full-time-equivalent (FTE) positions in fiscal year 2012 and fiscal year 2013. The appropriated amount includes $38.2 million in General Revenue Funds, or 30.5 percent of total agency All Funds appropriations. This represents a decrease of $16.3 million, or 29.6 percent, of General Revenue funding as compared to 2010–11 biennial spending levels.

Not included in the appropriations to TWDB is $2.0 billion in funds outside the appropriations process, including $240.6 million in the Water Development Fund II, $1,398.7 million in the Clean Water State Revolving Fund, and $363.3 million in the Drinking Water State Revolving Fund. The Water Development Fund II provides loans and grants for: the acquisition, improvement or construction of water-related projects such as water wells, retail distribution and wholesale transmission lines, pumping facilities, storage reservoirs and tanks, water treatment plants, and wastewater collection and treatment projects; the purchase of water rights; and flood control projects. The Clean Water State Revolving Fund provides reduced interest loans and grants for: wastewater projects that address compliance issues related to the federal Clean Water Act; nonpoint source projects; and estuary management projects. The Drinking Water State Revolving Fund provides low interest loans and grants for projects that ensure compliance with national primary drinking water standards. In addition to these amounts, the Eighty-second Legislature authorized TWDB to issue an additional $300 million in non-self supporting General Obligation (GO) bonds, primarily to finance projects associated with implementation of the State Water Plan.

TWDB has two goals: (1) to plan and guide the conservation, orderly and cost-effective development, and best management of the state's water resources for the benefit of all Texans; and (2) to provide cost-effective financing for the development of water supplies, water quality protection, and other water-related projects.

WATER RESOURCE PLANNING

TWDB develops and periodically updates a water plan that assesses the state's water needs for a 50-year period. This plan, which is published once every five years, provides an overview of the state's current and prospective water use and identifies water supplies and estimated facility needs and costs. It also describes water problems and opportunities, outlines significant environmental concerns and water issues, and offers policy and funding recommendations to the Legislature. In January 2007, TWDB released the 2007 State Water Plan entitled Water for Texas, which identifies more than 4,500 water management strategies and projects to meet future water needs. These strategies include water conservation, reuse, acquisition of available existing water supplies, and development of new water supplies. The next edition of the State Water Plan is anticipated to be released in January 2012. The agency has four objectives under the Water Resource Planning goal: (1) Data Collection; (2) Water Planning; (3) Conservation; and (4) Administration of the National Flood Insurance Program.

DATA COLLECTION AND DISSEMINATION

The planning process at TWDB is supported by ongoing collection of basic data. Data collection determines the location, quantity, and quality of surface and groundwater resources across the state. TWDB conducts both localized and regional groundwater studies and prepares reports on these studies for use by individuals, municipalities, industry, and other state agencies involved in developing and managing groundwater resources.

TWDB's data collection and dissemination activities include management of the Texas Natural Resource Information System (TNRIS). TNRIS serves as a clearinghouse for other state agencies and the public, providing access to natural resources and census data. The agency is also undertaking an initiative known as StratMap. StratMap digitizes geographic data maps, thereby enhancing public access to geographic data, serving a wide variety of data needs, and avoiding duplication of effort through coordination with federal, state, and local entities.

Appropriations for Data Collection and Dissemination total $13.4 million for the 2012–13 biennium, or 10.7 percent of total agency All Funds appropriations. This represents a decrease of $5.7 million, or 29.8 percent, as compared to 2010–11 biennial spending levels.

WATER PLANNING

In addition to its statewide planning activities, TWDB provides grants to local governments for the development and updating of regional water plans, which guide the use and management of an area's water supplies. The regional plans outline water management strategies to meet projected water supply needs and are incorporated into the State Water Plan. The appropriation for the agency's Water Planning activities totals $20.7 million for the 2012–13 biennium, or 16.6 percent of the agency's All Funds appropriations. This represents a decrease of $21.4 million, or 50.7 percent, as compared to 2010–11 biennial spending levels.

CONSERVATION PROGRAMS

Within the Water Conservation Education and Assistance strategy, TWDB promotes water conservation through educational and technical assistance programs, financial assistance, and evaluations of water and wastewater systems. Appropriations for this strategy total $3.1 million for the 2012–13 biennium. This represents a decrease of $0.2 million, or 6.9 percent, as compared to 2010–11 biennial spending levels. The agency provides assistance to municipal water suppliers as well as to agricultural interests. The appropriations include $1.9 million in Other Funds from the Agricultural Water Conservation Fund for agriculture water conservation grants.

NATIONAL FLOOD INSURANCE PROGRAM

In 2007, the Eightieth Legislature named TWDB as the state agency responsible for coordinating the National Flood Insurance Program (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 the communities to assist in meeting federal eligibility requirements for entrance into the NFIP and to assist the communities with maintaining their NFIP participation status. Appropriations for this strategy total $45.0 million for the 2012–13 biennium. This represents an increase of $8.7 million, or 23.9 percent, as compared to 2010–11 biennial spending levels.

WATER PROJECT FINANCING

Under its second goal, TWDB provides financial assistance for building or expanding water and wastewater infrastructure throughout the state. Under the State and Federal Financial Assistance and Economically Distressed Areas strategies, the agency administers various grant and loan programs.

FINANCIAL ASSISTANCE

Programs operated within the State and Federal Financial Assistance strategy provide financial assistance for water and wastewater infrastructure to communities and other entities. Major activities within this strategy include the Water Development Fund Program (also known as DFund I and DFund II), which is funded by GO bond proceeds; the Clean Water State Revolving Fund (CWSRF) and the Drinking Water State Revolving Fund (DWSRF), which are capitalized with Federal Funds and revenue bond and GO bond proceeds; and the Rural Water Assistance Fund Program.

WATER DEVELOPMENT FUND

Since 1957, Texans have approved constitutional amendments authorizing TWDB to issue approximately $4.2 billion in water development bonds. Through the end of fiscal year 2011, the agency had issued nearly $3.3 billion in GO bonds. Proceeds from the water development bonds provide financial assistance to Texas communities in the form of direct loans and state match of Federal Funds. Senate Joint Resolution 4 was passed by the Eighty-second Legislature, and subsequently approved by the voters in an election in November 2011, providing TWDB the authority to issue bonds from the DFund II in amounts such that the aggregate principal amount of outstanding bonds issued does not exceed $6.0 billion.

CLEAN WATER STATE REVOLVING FUND

TWDB operates the CWSRF. The CWSRF provides: reduced interest rate loans for wastewater projects addressing compliance issues consistent with the goals of the Clean Water Act; 1 percent and zero interest loans for wastewater projects addressing compliance issues in disadvantaged communities; linked deposits to local lending institutions to make loans to individuals for nonpoint source projects; and loans for estuary management projects. Since CWSRF's inception in 1988, TWDB received $1.7 billion in federal capitalization grants (i.e., Federal Funds for construction projects). State matching funds, leveraged with GO bond proceeds, have made approximately $5.5 billion available for loans. As of August 31, 2011, TWDB committed assistance to 334 different communities through 643 loans and grants to improve wastewater treatment facilities across the state. The agency also created a Clean Water Disadvantaged Communities Program within the CWSRF that provides even lower interest rates or loan forgiveness for communities meeting the respective criteria.

DRINKING WATER STATE REVOLVING FUND

TWDB operates the DWSRF Program, authorized under the federal Safe Drinking Water Act. Initiated in fiscal year 1996, the DWSRF includes federal capitalization grants matched with TWDB-issued GO bonds and loan repayments deposited back into the fund. The fund provides financial assistance primarily to ensure compliance with the national primary drinking water standards. Since inception of the DWSRF, the agency has been awarded capitalization grants totaling $1.1 billion. TWDB has made 143 loan commitments totaling $886.4 million for projects that will assist 103 communities through the DWSRF.

RURAL WATER ASSISTANCE FUND PROGRAM

The Rural Water Assistance Fund Program is funded from GO bond proceeds using the state Private Activity Bond cap. Private Activity Bonds are a financing tool that allows private sector investment in public projects. The benefits of this tool include interest rates lower than conventional taxable financing, lower delivered cost of service, and a readily available money supply. The program is designed to assist small rural utilities to obtain low-cost financing for water and wastewater projects.

Appropriations for State and Federal Financial Assistance for the 2012–13 biennium total $24.2 million, or 19.4 percent of agency appropriations. This represents a decrease of $2.0 million, or 7.5 percent, as compared to 2010–11 biennial spending levels. This total does not include the assistance made through the Water Development Fund, the CWSRF, and the DWSRF because these amounts are not part of TWDB's appropriation.

STATE WATER PLAN PROGRAMS

The Eighty-second Legislature, Regular Session, 2011, authorized TWDB to issue $200 million in existing bond authority during the 2012–13 biennium to finance projects associated with the implementation of the State Water Plan. The Legislature appropriated $8.8 million in General Revenue Funds for the related debt service. These projects, which address the future water needs identified in the State Water Plan, are implemented through three agency programs: (1) the State Participation Program; (2) the Water Infrastructure Fund (WIF) Program; and (3) the Economically Distressed Areas Program (EDAP).

WIF provides reduced-interest loan rates and deferral of annual principal and interest payments for State Water Plan projects funded through the Water Infrastructure Fund. WIF finances current project needs and pre-construction environmental and engineering studies.

Figure 320 shows the level of financial assistance TWDB expects to provide through the State Water Plan projects. The figure also shows the level of financial assistance TWDB expects to provide for non-State Water Plan EDAP projects, as well as the agency's other financial assistance programs during the 2012–13 biennium.

FIGURE 320
TEXAS WATER DEVELOPMENT BOARD STATE FINANCIAL ASSISTANCE PROGRAMS
2012–13 BIENNIUM

FUND/ELIGIBLE RECIPIENTS	TYPE OF FUNDS	ASSISTANCE LEVEL (IN MILLIONS)
Texas Water Development Fund Local government providers of water and wastewater services	TWDB General Obligation (GO) bond proceeds	$100.0
Rural Water Assistance Fund Rural Political Subdivisions, including nonprofit water supply corporations	TWDB GO bond proceeds using state Private Activity Bond cap	$45.0
State Water Plan - Water Infrastructure Program Local government providers of water and wastewater services Note: This program is a subset of the Texas Water Development Fund	TWDB GO bond proceeds	$100.0
Economically Distressed Areas Program Local government providers of water and wastewater services in areas determined to be economically distressed, including nonprofit water supply corporations	TWDB GO bond proceeds	$50.0
TOTAL STATE FINANCIAL ASSISTANCE		**$295.0**

Source: Texas Water Development Board.

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 million in GO bonds to provide affordable water and wastewater services in these areas. Of this amount, $12 million in GO bond authority remains. From 1993 to 1999, the federal government provided $300 million through the federal Colonia Wastewater Treatment Assistance Program (CWTAP) to complement the state's EDAP program.

As of August 31, 2011, TWDB has directed $844.1 million in funding through EDAP/CWTAP to provide water and wastewater improvements for the benefit of 535,552 residents, mostly in colonias located along the Texas–Mexico border. An additional 117,195 residents could be served through projects currently in the planning stages. The Eighty-second Legislature, Regular Session, 2011, authorized debt service for the issuance of $100 million in GO bonds for EDAP. The agency estimates that at the end of the 2012–13 biennium, the remaining authorized but unissued GO bond authority for EDAP will total $150 million.

The Economically Distressed Areas strategy is appropriated $2.5 million for the 2012–13 biennium for the administration of EDAP-related programs. This represents a decrease of $0.9 million, or 27.3 percent, as compared to 2010–11 biennial spending levels. EDAP assistance amounts from bond proceeds and Federal Funds are not included in this total because these amounts are not part of TWDB's appropriation.

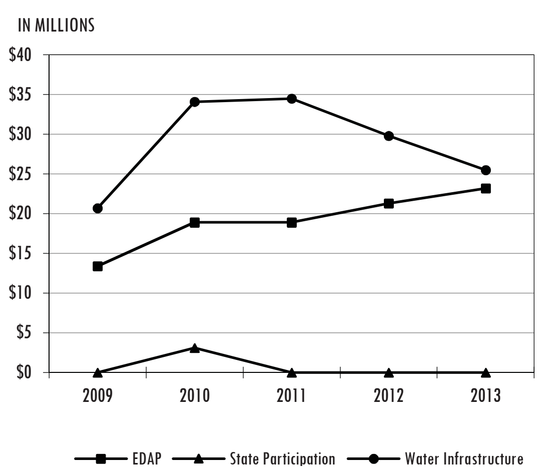
DEBT SERVICE

Much of the state funding for projects is financed through bonds. The issuance of bonds requires debt service to repay the principal and interest on the bonds. Debt service for most programs within the Water Development Fund, the CWSRF, and the DWSRF is fully recovered through loan repayments. This is not the case, however, with the bonds issued through EDAP, the State Participation Program, and the WIF. The debt service for these bonds, referred to as non-self-supporting GO bonds, is not fully recovered through loan repayments and requires General Revenue Funds to cover debt service requirements. In the case of EDAP, loan repayments are insufficient to cover debt service because the vast majority of assistance comes from grants and below-market-rate loans. The Eighty-second Legislature, Regular Session, 2011, appropriated $49.3 million for the 2012–13 biennium for debt service on EDAP bonds issued by the state, which includes $44.5 million in General Revenue Funds. This represents an increase of $6.6 million, or 15.5 percent, as compared to 2010–11 biennial spending levels.

Loan repayments made under the WIF are 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-second Legislature, Regular Session, 2011, appropriated $143.0 million for the 2012–13 biennium, which includes $55.3 million in General Revenue Funds. This represents an increase of $50.9 million, or 55.2 percent, as compared to 2010–11 biennial spending levels. Of this amount, $8.8 million is the debt service related to $200 million in bonds authorized by the Eighty-second Legislature, 2011, for WIF projects associated with implementation of the State Water Plan.

The funding for debt service of EDAP and WIF is not included in TWDB's appropriations, but is appropriated as "Debt Service Payments–Non-self-supporting GO Water Bonds." A summary of expected debt service needs for each of the three programs from fiscal years 2009 to 2013 is shown in **Figure 321**.

FIGURE 321
GENERAL REVENUE DEBT SERVICE PAYMENTS
FISCAL YEARS 2009 TO 2013



NOTE: EDAP = Economically Distressed Areas Program.
SOURCE: Legislative Budget Board.

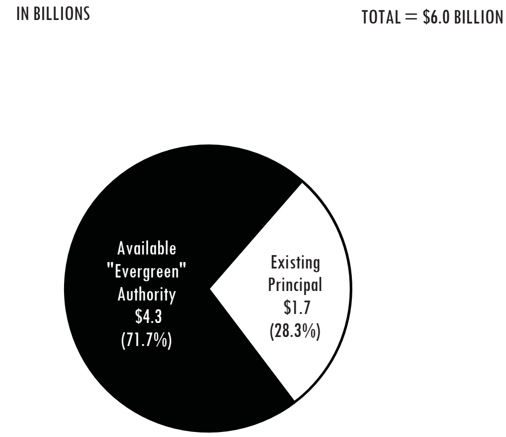
SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed legislation that affects TWDB. The more significant legislation includes Senate Bill 660 and Senate Joint Resolution 4.

The enactment of Senate Bill 660 is the agency's Sunset bill and made many changes to statute affecting TWDB, including requiring the agency to evaluate the state's progress in meeting its future water needs and preparing an analysis of how many state water plan projects received financial assistance from TWDB. The legislation also included a process whereby non-self-supporting GO bonds could be removed from the Constitutional Debt Limit calculation under certain circumstances.

Senate Joint Resolution 4 proposed a constitutional amendment which was passed by the Legislature and approved by the voters in an election in November 2011. The amendment authorizes TWDB to issue GO bonds for one or more accounts of the Texas Water Development Fund II such that the aggregate principal amount of bonds issued for the fund does not exceed $6 billion outstanding at any one time. As of August 31, 2011, the Water Development Board has $1.7 billion in outstanding principal from the Texas Water Development Fund II, therefore, this new authorization would give TWDB an additional $4.3 billion in constitutional bond authority. **Figure 322** shows the amount of new revolving constitutional debt authority available.

FIGURE 322
TEXAS WATER DEVELOPMENT FUND II
"EVERGREEN" CONSTITUTIONAL DEBT AUTHORITY



SOURCES: Legislative Budget Board; Texas Water Development Board.

10. BUSINESS AND ECONOMIC DEVELOPMENT

*As shown in **Figure 323**, All Funds appropriations for Business and Economic Development for the 2012–13 biennium total $23.7 billion, or 13.6 percent of all state appropriations. This amount is an increase of $464.2 million, or 2.0 percent, from the 2010–11 biennium. **Figure 324** shows 2012–13 appropriations by method of financing and full-time-equivalent positions from fiscal years 2008 to 2013 for all business and economic development agencies.*

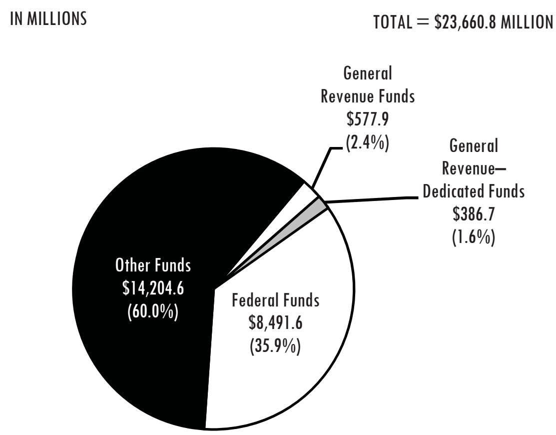
FIGURE 323
ALL FUNDS APPROPRIATIONS FOR BUSINESS AND ECONOMIC DEVELOPMENT
2012–13 BIENNIUM

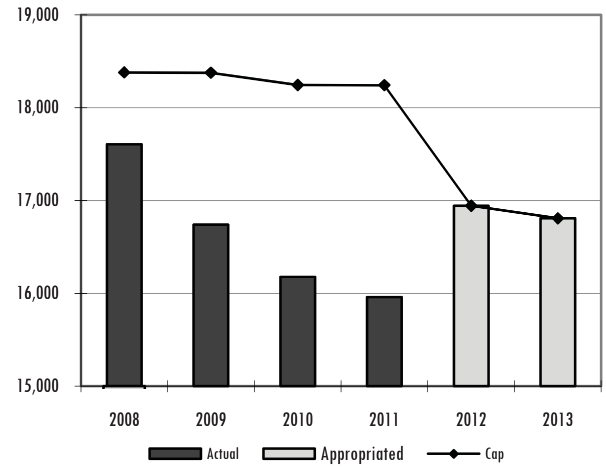
IN MILLIONS

AGENCY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Housing and Community Affairs	$2,756.2	$361.7	($2,394.6)	(86.9)
Texas Lottery Commission	450.4	379.2	(71.2)	(15.8)
Department of Motor Vehicles	281.5	293.6	12.0	4.3
Texas Department of Rural Affairs[3]	838.7	7.2	(831.5)	(99.1)
Department of Transportation	15,924.8	19,783.4	3,858.6	24.2
Texas Workforce Commission	2,399.0	2,207.4	(191.6)	(8.0)
Reimbursements to the Unemployment Compensation Benefit Account	62.3	55.9	(6.4)	(10.3)
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$22,713.1**	**$23,088.4**	**$375.3**	**1.7**
Retirement and Group Insurance	$472.3	$527.0	$54.7	11.6
Social Security and Benefit Replacement Pay	131.3	134.3	3.0	2.3
SUBTOTAL, EMPLOYEE BENEFITS	**$603.6**	**$661.3**	**$57.7**	**9.6**
Bond Debt Service Payments	$16.9	$25.8	$8.9	52.7
Lease Payments	2.3	2.3	0.1	4.1
SUBTOTAL, DEBT SERVICE	**$19.1**	**$28.1**	**$9.0**	**47.0**
Less Interagency Contracts	$139.2	$116.9	($22.2)	(16.0)
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$23,196.6**	**$23,660.8**	**$464.2**	**2.0**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
[3]Reflects provisions in Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, relating to appropriations, full-time-equivalent positions, riders and measures for the Texas Department of Rural Affairs in House Bill 1, Acts of the Legislature, Regular Session, 2011, for all non-disaster relief funding purposes being transferred to the Texas Department of Agriculture and all disaster relief funding being transferred to the General Land Office.
NOTES: Article totals exclude interagency contracts. Biennial change and percentage change are calculated on actual amounts before rounding. Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

FIGURE 324
BUSINESS AND ECONOMIC DEVELOPMENT APPROPRIATIONS AND FULL-TIME-EQUIVALENT POSITIONS
2012–13 BIENNIUM





Source: Legislative Budget Board.

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

Five state agencies provide services supporting the Texas economy through business development, transportation, and community infrastructure. These agencies include the Department of Housing and Community Affairs (TDHCA), the Texas Lottery Commission (TLC), the Department of Motor Vehicles (DMV), the Texas Department of Transportation (TxDOT), and the Texas Workforce Commission (TWC). The functions and non-disaster relief appropriations of a sixth Business and Economic Development agency, the Texas Department of Rural Affairs (TDRA), were transferred to the Texas Department of Agriculture on October 1, 2011. In addition, the disaster relief functions and appropriations for this agency were transferred to the General Land Office on September 1, 2011.

MAJOR FUNDING ISSUES

Several of the Business and Economic Development agencies experienced significant changes in funding levels for the 2012–13 biennium. The Eighty-second Legislature, in its Regular and First Called Sessions, 2011, appropriated these agencies $23.7 billion in All Funds for the 2012–13 biennium. This funding level is an increase of $464.2 million, or 2.0 percent from the 2010–11 biennial spending level.

This net increase in appropriations is attributable primarily to both an increase of $2.6 billion in bond proceeds and an additional $1.1 billion in State Highway Funds allocated to TxDOT over the 2012–13 biennium. Appropriations to many of the Business and Economic Development agencies decreased in comparison to the 2010–11 biennium. Several agencies experienced a decrease in Federal Funds from the one-time funding received through the American Recovery and Reinvestment Act of 2009 (ARRA) that is not available for the 2012–13 biennium. In addition, General Revenue Funds that were previously available for many programs in several agencies during the 2010–11 biennium were either reduced or eliminated. Pursuant to the enactment of House Bill 4 by the Eighty-second Legislature, Regular Session, 2011, the Business and Economic Development agencies also experienced an additional reduction to funds appropriated to the agencies in fiscal year 2011.

There was a net increase in All Funds appropriations to TxDOT for the 2012–13 biennium of $3.9 billion, or 24.2 percent, from the agency's 2010–11 biennial spending level. This increase in All Funds is attributable to an increase of

Note: Biennial change and percentage change have been calculated on actual amounts before rounding in all figures in this chapter. Figure totals may not sum because of rounding.

$3.9 billion in Other Funds and $180.9 million in General Revenue Funds, offset by a decrease of $241.5 million in Federal Funds, and $1.3 million in General Revenue–Dedicated Funds. The net increase in Other Funds is mainly comprised of an increase of $1.3 billion in State Highway Funds primarily for transportation system maintenance and preservation and an increase of $3.3 billion in Proposition 12 General Obligation bond proceeds for transportation planning and design, right-of-way acquisition, and contracts for highway improvement projects. An All Funds total of $1.7 billion in bond debt service payments is allocated to the agency for the 2012–13 biennium, of which $256.6 million in General Revenue Funds is provided for bond debt service payments on Proposition 12 General Obligation bonds. The total amount of Proposition 12 General Obligation bond proceeds, $4.1 billion, is allocated as follows:

- $1.1 billion for the completion of highway planning and improvement projects initiated in the 2010–11 biennium; and
- $3.0 billion to finance planning, right-of-way acquisition, and new construction contracts related to congestion relief, statewide connectivity, bridges, rehabilitation, and safety projects.

All Funds appropriations to DMV for the 2012–13 biennium are a net increase of $12.0 million, or 4.3 percent, from the agency's 2010–11 biennial spending level. The All Funds increase comprises a decrease of $1.2 million in General Revenue Funds and $0.4 million in Federal Funds, offset by an increase of $13.6 million in Other Funds. The net increase in Other Funds is attributable primarily to an increase in funds from the State Highway Fund for the transfer of regulation for oversize and overweight vehicles to DMV from TxDOT, as well as to provide increases in funding relating to vehicle dealer regulation and enhancements to the agency's vehicle titles and registrations systems. Although there was an overall increase in Other Funds, the agency experienced a decrease of $20.9 million in funds from the State Highway Fund for reductions in one-time expenditures completed in the 2010–11 biennium, operating costs, and a transfer of funding relating to the maintenance of certain information technology systems.

All Funds appropriations to TDHCA for the 2012–13 biennium are decreased by $2.4 billion, or 86.9 percent, from the agency's 2010–11 biennial spending level. The net decrease comprises a decrease of $2.4 billion in Federal Funds, a decrease of $29.7 million in General Revenue Funds, and an increase of $5.6 million in Other Funds. The net decrease in General Revenue Funds is due to a reduction in funding for the Housing Trust Fund and Homeless Housing and Services Program. The net decrease in Federal Funds is attributable to:

- a decrease of $1.1 billion in Federal Funds (ARRA) for Homeless Prevention, Tax Credit Assistance Program, Housing Tax Credit Exchange Program, Weatherization Program, and Community Service Block Grant funding;
- a decrease of $1.2 billion in Federal Funds (non-ARRA) due to a lower allotment of funds to Texas for Manufactured Housing Inspections, National Foreclosure Mitigation Counseling Program, Low-Income Home Energy Assistance, and Alternative Housing Pilot Funds; and
- a decrease of $17.8 million in Federal Funds pursuant to enactment of Senate Bill 2 by the Eighty-second Legislature, First Called Session, 2011, which required that all Community Development Block Grant (CDBG): Disaster Relief Funding for Texas allocated to TDHCA be transferred to the General Land Office (GLO) as of September 1, 2011.

Appropriations to TDRA for the 2012–13 biennium total $7.2 million in All Funds. Pursuant to enactment of Senate Bill 2 by the Eighty-second Legislature, First Called Session, 2011, all Community Development Block Grant: Disaster Relief Funding for Texas allocated to TDRA were transferred to GLO as of September 1, 2011. Also pursuant to enactment of Senate Bill 2 by the Eighty-second Legislature, First Called Session, 2011, all other appropriations, full-time-equivalent positions, riders, and performance measures related to TDRA were transferred to the Texas Department of Agriculture as of October 1, 2011.

All Funds appropriations to TWC for the 2012–13 biennium reflect a decrease of $191.6 million, or 8.0 percent, from the agency's 2010–11 biennial spending level. The net reduction is attributable to a decrease of $117.6 million in Federal Funds, a decrease of $60.6 million in General Revenue Funds, and a decrease of $13.4 million in Other Funds. The net decrease in Federal Funds consists of $152.5 million in ARRA funding no longer available to the agency, offset by a net increase of $34.9 million in Federal Funds (non-ARRA) over the 2012–13 biennium. The net decrease in General Revenue Funds is primarily attributable to a reduction in funding for programs, such as public-private partnerships to move Texans into the workforce and the Skills Development

Program, and the elimination of funding for the Project Reintegration of Offenders program.

All Funds appropriations to TLC for the 2012–13 biennium are decreased by $71.2 million, or 15.8 percent, from the agency's 2010–11 biennial spending level. The net decrease of $72.9 million in General Revenue–Dedicated Funds is primarily attributable to a $35.1 million savings due to the renegotiation of the Lottery Operator Contract payments and a $37.5 million decrease in funding for the Retailer Incentive Program used for paying sales performance retailer commissions. This reduction is offset by an increase of $1.7 million in General Revenue Funds for information technology enhancements for the regulation of charitable bingo. The increase in General Revenue Funds is contingent upon the agency increasing fees charged to bingo operators and lessors to generate the additional funding.

DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

The Texas Department of Housing and Community Affairs (TDHCA) was established in 1991 as a result of consolidation of the Texas Housing Agency and the Texas Department of Community Affairs. TDHCA's mission is to help Texans achieve an improved quality of life through the development of better communities.

APPROPRIATIONS

Appropriations for the 2012–13 biennium total $361.7 million in All Funds and provide for 366 full-time-equivalent (FTE) positions in fiscal year 2012 and 336 FTE positions in fiscal year 2013. General Revenue Funds account for $16.3 million, or 4.5 percent, of the appropriations.

All Funds appropriations to TDHCA for the 2012–13 biennium include a decrease of $2.4 billion, or 86.9 percent, from the agency's 2010–11 biennial spending level. The net decrease comprises a decrease of $2.4 billion in Federal Funds, a decrease of $29.7 million in General Revenue Funds, and an increase of $5.6 million in Other Funds. The net decrease in General Revenue Funds is due to a reduction in funding for the Housing Trust Fund (HTF) and Homeless Housing and Services Program. The net decrease in Federal Funds is attributable to a decrease of $1.1 billion in funds provided through the American Reinvestment and Recovery Act of 2009 (ARRA) for Homeless Prevention, Tax Credit Assistance Program, Housing Tax Credit Exchange Program, Weatherization Program, and Community Service Block Grant funding; a decrease of $1.2 billion in Federal Funds (non-ARRA) due to a lower allotment of funds to Texas for Manufactured Housing Inspections, National Foreclosure Mitigation Counseling Program, Low-Income Home Energy Assistance, and Alternative Housing Pilot Funds; and a decrease of $17.8 million in Federal Funds pursuant to enactment of Senate Bill 2 by the Eighty-second Legislature, First Called Session, 2011, which required that all Community Development Block Grant (CDBG): Disaster Relief Funding for Texas allocated to TDHCA be transferred to the General Land Office (GLO) as of September 1, 2011.

MISSION AND GOALS

TDHCA's goals are to (1) increase the availability of safe, decent, and affordable housing; (2) promote improved housing conditions for extremely-low-, very-low-, and low-income households by providing information and technical assistance; (3) improve the living conditions of the poor and homeless and reduce the cost of home energy for very low-income households; (4) ensure compliance with federal and state mandates; (5) regulate the manufactured housing industry; and (6) provide indirect administration.

TDHCA also issues mortgage revenue bonds, the majority of which 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. The bond proceeds are held outside the State Treasury and are not included in the General Appropriations Act. The outstanding balance owed by TDHCA to the bond investors mostly comprises the funds held outside the Treasury. TDHCA pays these investors as it receives loan repayments from homeowners and developers. Bond-financed programs are included under the Mortgage Revenue Bond–Single Family and Mortgage Revenue Bond–Multifamily strategies.

At the end of fiscal year 2011, TDHCA had approximately $2.4 billion in bonds outstanding. The agency anticipates that it will issue $250 million in Single Family Mortgage Revenue Bonds (SFMRBs) and $45 million in Multifamily Mortgage Revenue Bonds (MFMRBs) in fiscal year 2012. In fiscal year 2013, the agency anticipates that it will issue $120 million in SFMRBs and $45 million in MFMRBs.

AFFORDABLE HOUSING

For the 2012–13 biennium, the housing-related goal is supported by an appropriation of $122 million in All Funds. Through this goal, TDHCA finances both multifamily activities such as the development of rental properties and single family activities such as homeownership and home repair assistance. Most housing activities are made available through four federally funded or federally authorized programs that provide affordable housing to extremely-low-, very-low-, low-, and moderate-income families. **Figure 325** shows a breakdown of household incomes for a family of four at each income classification by metropolitan area. **Figure 326** shows, by multifamily and single-family designation, the number of units funded by program in fiscal year 2011 and the number of units anticipated to be funded in fiscal years 2012 and 2013.

The federal HOME Investment Partnerships (HOME) Program provides grants or loans for the construction of single 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

FIGURE 325
TARGETED HOUSEHOLDS BY AREA MEDIAN FAMILY INCOME*, FISCAL YEAR 2011

	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	**$59,500**	**$17,850**	**$29,750**	**$33,283**	**$47,600**
SAMPLE MSAs					
Austin–San Marcos MSA (Bastrop, Caldwell, Hays, Travis, and Williamson counties)	$74,900	$23,130	$38,550	$46,260	$61,680
Dallas MSA (Collin, Dallas, Denton, Ellis, Henderson, Hunt, Kaufman, and Rockwall counties)	$69,100	$21,270	$35,450	$42,540	$56,720
El Paso MSA (El Paso County)	$41,100	$14,580	$24,300	$29,160	$38,880
Houston MSA (Chambers, Fort Bend, Liberty, Harris, Montgomery, and Waller counties)	$66,000	$19,800	$33,000	$39,600	$52,800
San Antonio MSA (Bexar, Comal, Guadalupe, and Wilson counties)	$59,900	$17,970	$29,950	$35,940	$47,920
STATE OF TEXAS MEDIAN FOR NON-MSA COUNTIES	**$52,200**	**$16,650**	**$26,100**	**$31,395**	**$41,750**

*Based on family size of four members.
Source: Texas Department of Housing and Community Affairs.

FIGURE 326
MULTIFAMILY AND SINGLE-FAMILY UNITS BY PROGRAM, FISCAL YEARS 2011 TO 2013

	HOUSEHOLDS/UNITS 2011			HOUSEHOLDS/UNITS 2012			HOUSEHOLDS/UNITS 2013		
PROGRAM	MULTI-FAMILY	SINGLE FAMILY	TOTAL	MULTI-FAMILY	SINGLE FAMILY	TOTAL	MULTI-FAMILY	SINGLE FAMILY	TOTAL
Housing Trust Fund	58	318	320	0	206	206	0	206	206
HOME Program	262	580	842	262	580	842	262	580	842
Low income Housing Tax Credit Program	5,250	0	5,250	5,657	0	5,657	6,031	0	6,031
Mortgage Revenue Bond Program	0	2,345	2,345	750	2,002	2,752	1,000	2,002	3,002
Section 8 Program	0	1,048	1,048	0	1,100	1,100	0	1,100	1,100
TOTAL	**5,570**	**4,291**	**9,805**	**6,669**	**3,888**	**10,557**	**7,293**	**3,888**	**11,181**

Note: Some units received funding from multiple programs and may be counted more than once.
Source: Texas Department of Housing and Community Affairs.

disasters. By statute, 95 percent of TDHCA's HOME funds are available only to areas of the state that are mostly rural that do not receive HOME funds directly from the federal government. The remaining 5 percent of the funds are reserved for people with disabilities who reside in any part of the state. The HOME program targets extremely-low-, very-low-, and low-income families and requires matching funds.

The Section 8 Rental Assistance Program is a federal program in which qualified tenants typically pay 30 percent of their adjusted income for rent; the federal government pays the balance in an amount not to exceed fair market value. The program provides rental payments directly to landlords on behalf of extremely-low-, very-low-, and low-income families and individuals, including the elderly and persons with disabilities. The Section 8 Rental Assistance Program administered by TDHCA serves only a limited number of rural communities that do not have local public housing authorities.

The federal Housing Tax Credit (HTC) Program facilitates private investment in new construction or rehabilitation of affordable rental housing by providing tax credits to developers, which reduces their federal income tax liability. The value of these tax credits, which are typically sold to investors via syndications, allows developers to produce quality housing while offering reduced rent to income-qualified tenants. In return for the tax credits, owners must set aside a minimum of 20 percent of units for use by extremely-low- and very-low-income tenants; most owners set aside 100 percent of units for qualified low income families. TDHCA administers both credits (9 percent tax credits) that are allocated annually on a competitive basis and credits (4 percent tax credits) that are allocated to developments receiving private activity bond financing from TDHCA or another authorized issuer. The HTC program is open to nonprofit and for-profit developers and is available statewide. Appropriations for the HTC strategy are for only the administrative costs of this program.

Through its Single Family Mortgage Revenue Bond and Multifamily Mortgage Revenue Bond programs, TDHCA issues federally authorized, tax-exempt private activity bonds (PAB). TDHCA uses the resulting bond proceeds to offer loans to income-eligible first-time homebuyers and to developers of affordable multifamily housing. PAB investors are willing to accept a lower interest rate in return for a federal tax exemption associated with interest earned on the bonds. This allows TDHCA to offer below-market interest rates to participants of its loan programs. TDHCA's primary homeownership program, the First-Time Homebuyer (FTHB) Program, is financed through PABs. The FTHB Program is offered statewide and targets very low to moderate-income households. Some FTHB loans include down payment assistance. Another use of PABs is a federal tax reduction for new homeowners through the Mortgage Credit Certificate Program. TDHCA's Multifamily Bond (MFB) Program is also primarily funded through PABs. PAB loans are used to finance new construction or rehabilitation of high quality multifamily housing. In return for the low interest loan, a developer must set aside a portion of units for income-eligible tenants. While the MFB program is available statewide, these loans typically do not provide sufficient financing to be feasible in rural communities. Appropriations for mortgage revenue bond strategies are for only the administrative costs of these programs.

The HTF is the agency's only state-funded housing program. TDHCA is appropriated $11.7 million in General Revenue Funds for the HTF program for the 2012–13 biennium to provide loans and grants for the development of affordable housing for extremely-low-, very-low-, and low-income housing. TDHCA applies $3 million per year to support the legislatively mandated Texas Bootstrap Loan Program, a self-help loan program that targets economically distressed communities. Additionally, $1.2 million of the funds are transferred to the Texas Veterans Commission in support of veterans' housing. The remaining funds are used for a variety of purposes, including homeownership initiatives and barrier removal to provide nonprofits and local governments matching funds for non-TDHCA housing resources, and to fund construction under the Homeless Housing and Services Program.

Figure 327 shows a history of HTF appropriations. The program is available throughout the state.

FIGURE 327
HOUSING TRUST FUND APPROPRIATIONS
FISCAL YEARS 2009 TO 2013

IN MILLIONS

FISCAL YEAR	APPROPRIATION
2009	$5.8
2010	$11.0
2011	$11.0
2012	$5.9
2013	$5.9

SOURCE: Texas Department of Housing and Community Affairs.

INFORMATION AND TECHNICAL ASSISTANCE

The goal of providing information and technical assistance is appropriated $2.5 million in All Funds in the 2012–13 biennium. This goal has two strategies. The first strategy relates to the legislatively mandated Housing Resource Center (Housing Center), which serves as a clearinghouse of information about housing and community services programs statewide. The second strategy relates to providing Colonia residents and communities along the Texas–Mexico border technical assistance through TDHCA field offices and Colonia self-help centers. The majority of funding for this goal is from Appropriated Receipts received through administration fees from single-family mortgage revenue bond proceeds associated with the single-family bond programs, from the federal HOME funds administered by TDHCA, and from General Revenue Funds appropriated in association with the Affordable Housing Research and Information Program. The goal also receives federal and state Community Development Block Grant program funds from the Texas Department of Agriculture.

Funding for this goal is for primarily administrative costs for TDHCA's Housing Center and Office of Colonia Initiatives (OCI). The Housing Center provides information and technical assistance on the state's housing needs and on community services and affordable housing programs to consumers, developers, researchers, and the general public. The Housing Center is also responsible for developing legislatively required planning documents such as the State Low-Income Housing Plan. OCI provides concentrated technical assistance to border residents through field offices and Colonia self-help centers. The field offices provide information regarding TDHCA and other programs to local government entities, nonprofit and for-profit organizations, and residents. The Colonia self-help centers serve specified colonias through education and self-help programs. In addition, OCI administers the Texas Bootstrap Loan Program.

ASSISTANCE FOR THE POOR AND HOMELESS

The agency's goal of improving the living conditions of the poor and the homeless is supported by two strategies. The Poverty-related Funds strategy and the Energy-assistance Programs strategy are appropriated $205 million for the 2012–13 biennium. 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 strategies.

TDHCA administers the federal Community Services Block Grant Program and the Emergency Shelter Grant Program through its poverty-related funds 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 allocated through community action agencies, nonprofit organizations, and local governments and are available statewide. General Revenue Funds appropriated under this goal allow TDHCA to provide technical assistance to rural coalitions seeking federal funds. The Homeless Housing and Services Program supports homeless strategies in the state's eight largest cities. While the program has no dedicated funding source, TDHCA has identified $5 million in funds to be applied to the program in the 2012–13 biennium, including HTF funds and unexpended federal stimulus funds.

Grant funding for the Energy-assistance strategy comes from the federal Low Income Home Energy Assistance Program and the Weatherization Assistance for Low Income Persons Program. The strategy also receives Other Funds from energy efficiency contracts with regulated, investor-owned utilities.

TDHCA administers grants to local organizations for energy-related assistance to dwellings occupied by very-low-income persons and families. Home weatherization, energy-efficiency guidance, utility assistance, and financial intervention for energy crisis emergencies are provided. The goals of the programs are to reduce families' energy-related costs and provide healthier environments. The programs target those most vulnerable to extreme weather conditions such as the elderly, people with disabilities, and families with small children. The agency's energy-assistance programs are available statewide.

COMPLIANCE MONITORING

The goal of ensuring compliance with federal and state program mandates is supported by two strategies. The housing and federal grant-monitoring programs are appropriated $6.1 million for the 2012–13 biennium. The first strategy ensures that TDHCA-supported rental developments adhere to commitments made at the time of funding, including serving low-income households, charging restricted rents, and maintaining the physical condition of the property. To ensure compliance, TDHCA conducts onsite monitoring visits to review documentation and physically inspect the properties. The second strategy relates primarily to contracts TDHCA has with HOME Investment Partnerships Program subrecipients that are providing services such as home repair. TDHCA monitors to ensure promised benefits are being delivered to low-income households and that federal and state requirements are being met.

MANUFACTURED HOUSING

TDHCA's Manufactured Housing Division, which is governed by a separate board and executive director, is appropriated $10.5 million in Appropriated Receipts associated with title, inspection, and licensing fees for the 2012–13 biennium to support the goal of regulating the manufactured housing industry. This goal consists of four strategies: (1) providing timely and efficient statements of ownership and location and registration service; (2) conducting inspections of manufactured homes; (3) protecting the general public and consumers; and (4) providing processing of occupational licenses, registrations, or permit fees through TexasOnline. In addition, the Manufactured Housing Division is appropriated $0.6 million in Federal Funds for inspection oversight as a State Administrative Agency for the U.S. Department of Housing and Urban Development.

INDIRECT ADMINISTRATION

The agency is appropriated $14.8 million for the 2012–13 biennium for its Indirect Administration goal. This goal provides administrative services to support the functions of the agency through three strategies: Central Administration; Information Resource Technologies; and Operating/Support.

FEDERAL STIMULUS FUNDING

While the majority of Federal Funds received by the agency through ARRA were expended during the 2010–11 biennium ($969.6 million), TDHCA continues to administer Neighborhood Stabilization Program (NSP), made available through the Housing and Recovery Act of 2008 and subsequent congressional appropriations. This program provides funds to purchase foreclosed or abandoned homes to rehabilitate, resell, or redevelop those homes, thereby stabilizing neighborhoods and stemming the decline of home values. TDHCA received a total of $109 million in NSP funds. Funding for this program is provided through the U.S. Department of Housing and Urban Development (HUD).

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, First Called Session, 2011, passed Senate Bill 1, which contained various provisions affecting TDHCA. These provisions included extension of the agency for two years, changes to the HTC Program, changes to manufactured housing licensing and inspection requirements, codification of the Homeless Housing and Services Program, and the transfer of CDBG disaster recovery funds from the agency to the GLO upon the Governor's designation of the GLO as administrator of these funds. The legislation transfers all disaster related appropriations, FTES, riders, and measures related to CDBG at TDHCA to GLO September 1, 2011.

The enactment of House Bill 1818, Regular Session, extends the Texas Affordable Housing Corporation for 12 years.

Enactment of Senate Bill 992, Regular Session, amends current law relating to the allocation of loans made under the Bootstrap Self-Help Housing Program. Changes will allow more expeditious use of available funds by clarifying target areas throughout the state.

TEXAS LOTTERY COMMISSION

The Texas Lottery was established by the Seventy-second Legislature, 1991, and was administered by the office of the Comptroller of Public Accounts until 1993 when the Seventy-third Legislature created the Texas Lottery Commission (TLC). Responsibility for charitable Bingo administration was transferred to the Lottery Commission from the Texas Alcoholic Beverage Commission in 1994.

TLC consists of three members appointed by the Governor with the advice and consent of the Senate to serve six-year overlapping terms. The agency's mission is to generate revenue for the state through the responsible management and sale of entertaining lottery products and to provide authorized organizations the opportunity to raise funds for their charitable purposes by conducting Bingo.

APPROPRIATIONS

The agency's appropriations for the 2012–13 biennium total $379.2 million in All Funds (General Revenue Funds and General Revenue–Dedicated Funds) and provide for 310.5 full-time-equivalent (FTE) positions. Appropriations decreased by $71.2 million, or 15.8 percent, from the 2010–11 biennial spending levels primarily as a result of a re-negotiation of the lottery operator contract.

OPERATION OF THE TEXAS LOTTERY

One goal of the agency is to operate a lottery system that is self-supporting, produces revenue, and is free of criminal activity. The 2012–13 biennial All Funds appropriation for the agency's lottery-related strategies totals $347.1 million and provides for 280.6 FTE positions.

The agency's lottery-related activities include issuance of licenses to qualified lottery retailers, collection of retailer receipts, and enforcement of applicable state laws and agency rules. The agency estimates that it will issue or renew 19,350 retailer licenses during the 2012–13 biennium. Lottery-related activities also include developing lottery products and games, advertising and promoting the lottery, and recruiting business retailers and vendors to sell lottery tickets.

The agency is responsible for ensuring the quality and integrity of the lottery system as well as the physical security of operating sites. To enforce the Texas Lottery Act, the agency investigates possible criminal and regulatory violations relating to lottery games.

Proceeds from the sale of lottery tickets is the source of revenue used to pay for all costs of operation for the Texas Lottery, including the payment of lottery prizes, retailer commissions, and other costs for operation and administration of the lottery. The Texas Lottery Act limits the amount of these funds that may be expended for retailer commissions and agency administration to 12 percent of gross ticket revenues. The Texas Lottery Act also establishes a minimum retailer commission of 5 percent of gross ticket sales, which leaves a maximum of 7 percent of gross sales that may be expended for agency administration. In practice, total appropriations for agency administration have been approximately 5 percent. The agency is also appropriated an additional 0.5 percent of gross ticket sales each year for the purpose of paying sales performance retailer commissions. The agency transfers any unexpended administrative funds to the state's General Revenue Fund.

From fiscal years 2004 to 2011, TLC transferred more than $1 billion to the state each year. The Comptroller of Public Accounts estimates in the *2012–13 Biennial Revenue Estimate* that transfers to the state will decline in fiscal year 2012 and then increase slightly in fiscal year 2013. **Figure 328** shows the actual revenues deposited and estimated revenues from net annual proceeds after deductions for prizes and administrative costs. These funds are deposited in the state's General Revenue Fund for funding public education and other state programs.

Figure 329 shows a comparison of net revenues, prize payouts, and gross sales among the top seven lottery revenue-producing states for fiscal year 2010. Texas retained over $1 billion of the annual gross sales of lottery tickets, placing it fourth behind New York, Florida and California in retained revenues. The Texas Lottery awarded $2.3 billion in total prizes in 2010, placing it fourth among the top seven lottery revenue-producing states, following New York, Massachusetts, and Florida. When comparing total gross sales, Texas' total sales of $3.7 billion also ranks fourth behind New York, Massachusetts, and Florida.

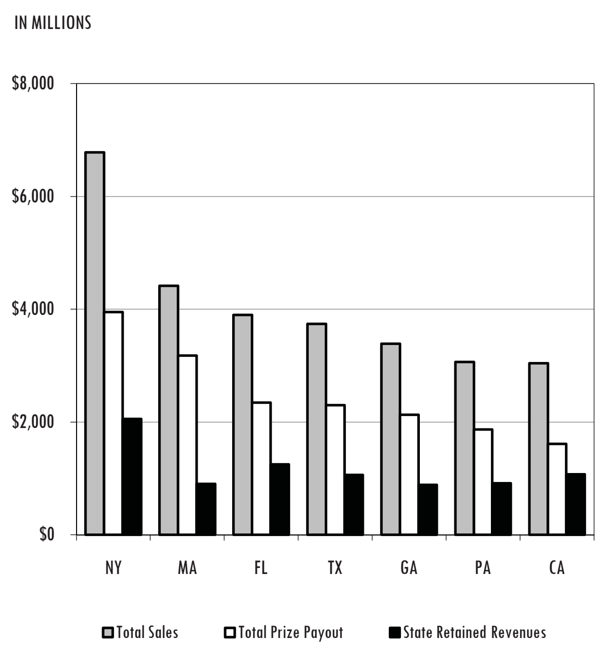
The Seventy-eighth Legislature, Regular Session, 2003, passed legislation authorizing the state to participate in a multi-jurisdictional lottery game. Texas began participating in the Mega Millions multi-state lottery game in December 2003. The Mega Millions lottery game generated approximately $418.5 million from ticket sales in Texas during the 2010–11 biennium.

FIGURE 328
LOTTERY COMMISSION CASH TRANSFERS TO THE GENERAL REVENUE FUND AND GENERAL REVENUE–DEDICATED FUNDS, FISCAL YEARS 2000 TO 2013

FISCAL YEAR	NET PROCEEDS (IN MILLIONS)
2000	$918.1
2001	$864.9
2002	$956.6
2003	$955.2
2004	$1,044.1
2005	$1,076.8
2006	$1,084.8
2007	$1,090.8
2008	$1,036.6
2009	$1,043.5
2010	$1,094.6
2011	$1,025.1
2012*	$1,002.5
2013*	$1,006.1

*Estimated by the Comptroller of Public Accounts. Fiscal years 2000 to 2013 include transfers to the state from sales and unclaimed prizes.
Sources: Legislative Budget Board; Comptroller of Public Accounts; Texas Lottery Commission.

FIGURE 329
LOTTERY SALES, PRIZES, AND REVENUE, FISCAL YEAR 2010



Source: Texas Lottery Commission.

In 2010 a cross-selling agreement was reached between Mega Millions member states and the Multi-State Lottery Association, which operates Powerball, to allow Mega Millions states to sell Powerball and Powerball states to sell Mega Millions. Texas began offering the Powerball game in January 2010, and the game generated approximately $192.7 million from ticket sales in Texas during the 2010–11 biennium. **Figure 330** shows the states that are currently cross-selling Powerball and Mega Millions, the states selling only Powerball or Mega Millions, and the non-lottery states.

The Eighty-first Legislature, Regular Session, 2009, passed legislation requiring TLC to develop and operate an instant ticket lottery game benefiting the Texas Veterans Commission's Fund for Veterans' Assistance. TLC began offering the instant ticket lottery game in November 2009. The game generated approximately $15.5 million for the Texas Veterans Commission during the 2010–11 biennium.

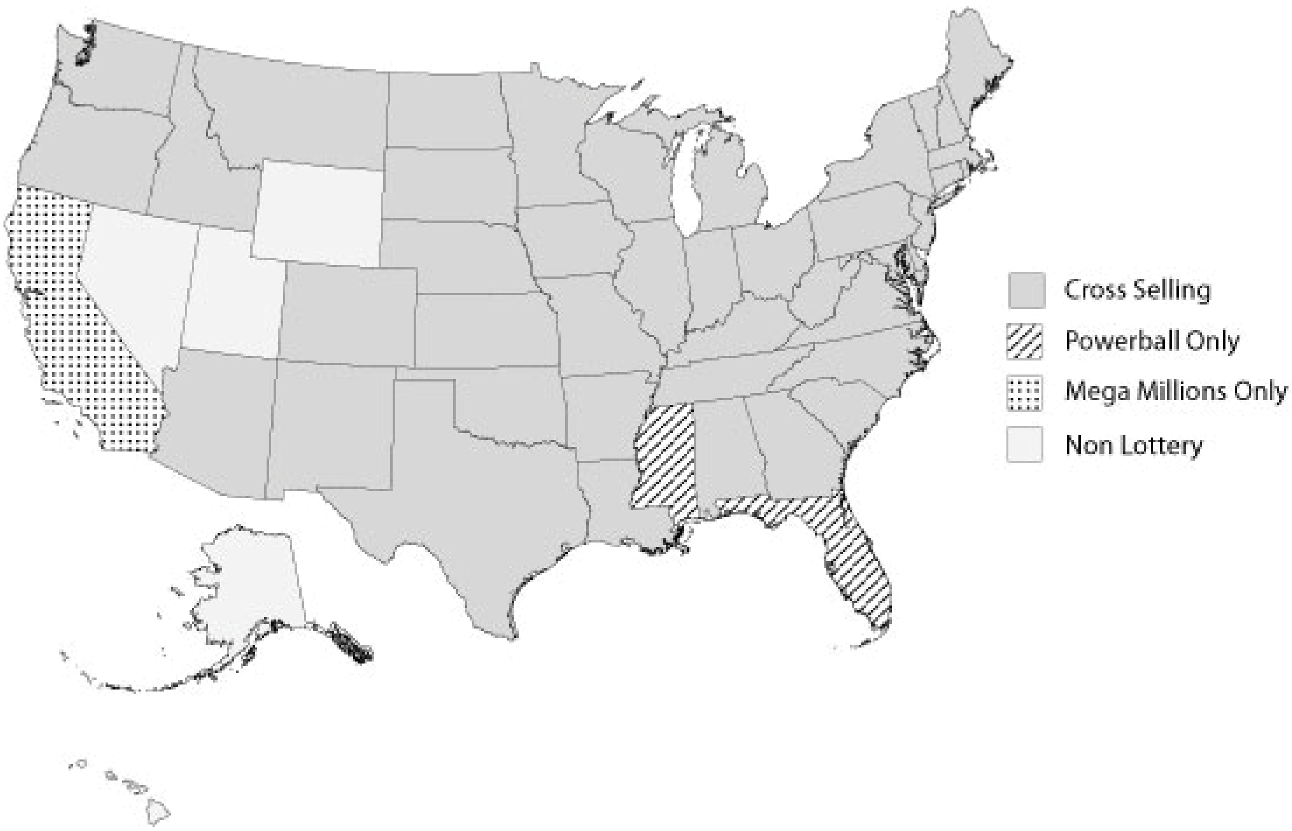
BINGO LAW ENFORCEMENT

The agency is appropriated $32.1 million for the 2012–13 biennium for charitable Bingo regulation and is authorized 29.9 FTE positions per year. The majority of funding for the agency's Bingo-related activities relates to the allocation of Bingo prize fees to counties and municipalities, as required by the Texas Occupations Code. These allocations are estimated to be $25.3 million for the 2012–13 biennium.

TLC strives to (1) enforce regulations applicable to charitable Bingo games, (2) ensure that these games are conducted fairly to provide authorized organizations the opportunity to raise funds for their charitable purposes by conducting Bingo, (3) ensure that all charitable Bingo funds are used for a lawful purpose, and (4) promote and maintain the integrity of the charitable Bingo industry throughout Texas. TLC estimates that charitable organizations will receive approximately $62 million from Bingo events during the 2012–13 biennium.

The agency's Bingo-related activities are performed under strategies for licensing of individuals and organizations, providing education and development, ensuring Bingo law compliance, and ensuring proper prize fee allocations and accounting. The agency estimates that approximately 85 individuals and organizations will receive new Bingo licenses during each year of the 2012–13 biennium. During this same period, the agency estimates that there will be 1,300 license renewals each fiscal year.

FIGURE 330
U.S. LOTTERY PARTICIPATION, FISCAL YEAR 2011



SOURCE: Texas Lottery Commission.

DEPARTMENT OF MOTOR VEHICLES

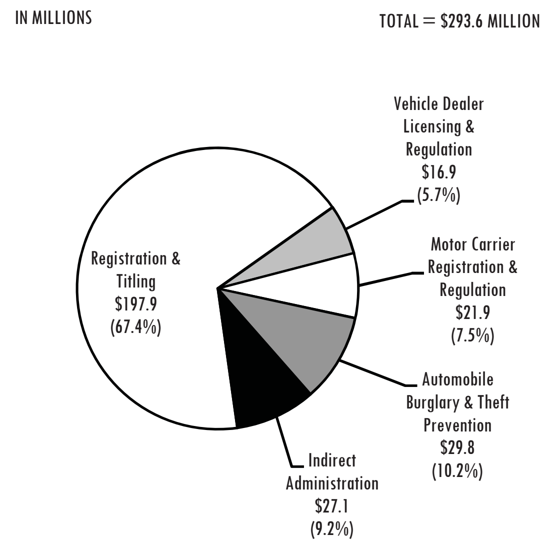
The Department of Motor Vehicles (DMV) was established by the Eighty-first Legislature, Regular Session, 2009, by transferring responsibilities for vehicle registration and titling, motor carrier registration and enforcement, motor vehicle dealer regulation, and the Automobile Burglary and Theft Prevention Authority from the Department of Transportation (TxDOT). With the enactment of legislation by the Eighty-second Legislature, Regular Session, 2011, the responsibilities for permitting and regulating oversize and overweight vehicles will be transferred to DMV from the Texas Department of Transportation (TxDOT) in fiscal year 2012.

The DMV is governed by a board that consists of nine members appointed by the Governor with the advice and consent of the Senate to serve six-year overlapping terms. The agency's mission is to promote and protect the interests of the motoring public and all residents in Texas.

APPROPRIATIONS

Appropriations to DMV for the 2012–13 biennium total $293.6 million in All Funds and provides for 763 full-time-equivalent (FTE) positions. The appropriations include $14.0 million in State Highway Funds for the 2012–13 biennium and 116 FTE positions to be transferred to DMV from TxDOT. Pursuant to the provisions of Senate Bill 1420, Eighty-second Legislature, Regular Session, 2011, and the General Appropriations Act, 2012–13 biennium, all funds and FTE positions appropriated to TxDOT for fiscal years 2012 and 2013 that are directly related to the permitting and regulation of oversize/overweight vehicles are to be transferred to DMV no later than January 1, 2012. Of the agency's total appropriations for the 2012–13 biennium, $29.8 million, or 10.2 percent, consists of General Revenue Funds for the Automobile Burglary and Theft Prevention Authority. The majority of the agency's appropriations consist of $263.4 million in Other Funds (89.7 percent of All Funds) from State Highway Fund No. 006 for motor vehicle registration and titling, vehicle dealer registration and regulation, motor carrier registration and regulation, and indirect administrative support of agency operations. **Figure 331** shows the agency's appropriations for the 2012–13 biennium by function.

FIGURE 331
DEPARTMENT OF MOTOR VEHICLES APPROPRIATIONS BY FUNCTION, 2012–13 BIENNIUM



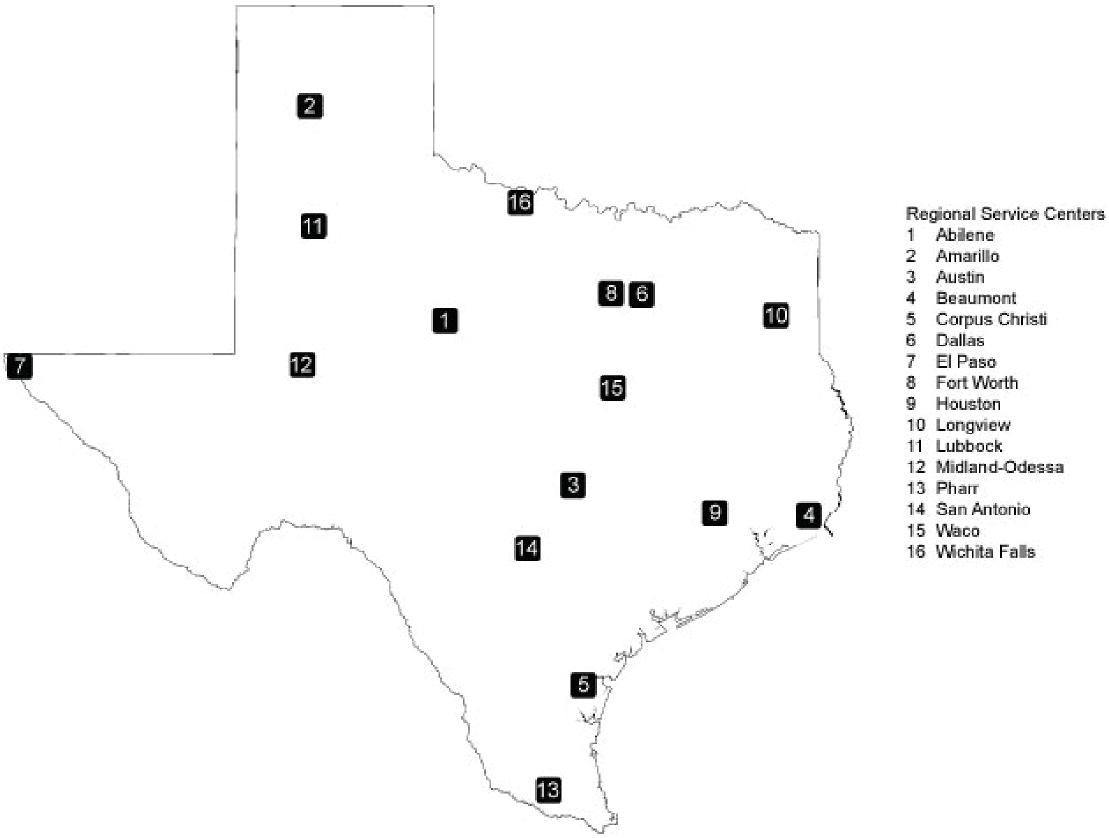
SOURCE: Legislative Budget Board.

REGISTRATION AND TITLING

The Eighty-second Legislature, Regular Session, 2011, appropriated $197.9 million, or 67.4 percent of total 2012–13 biennial appropriations, for vehicle registration and titling. The agency's Vehicle Titles and Registration Division works through 16 regional service centers (**Figure 332**) and in partnership with 254 county tax assessor-collectors to administer motor vehicle titles, register vehicles, distribute license plates and registration insignia stickers, distribute parking placards for persons with disabilities, and collect the related fees. DMV maintains a registration and titling system that provides an automated point-of-sale system used by the agency and the tax assessor-collectors in each county to account for the registration of motor vehicles, fees, and taxes and provides access to law enforcement to vehicle ownership information.

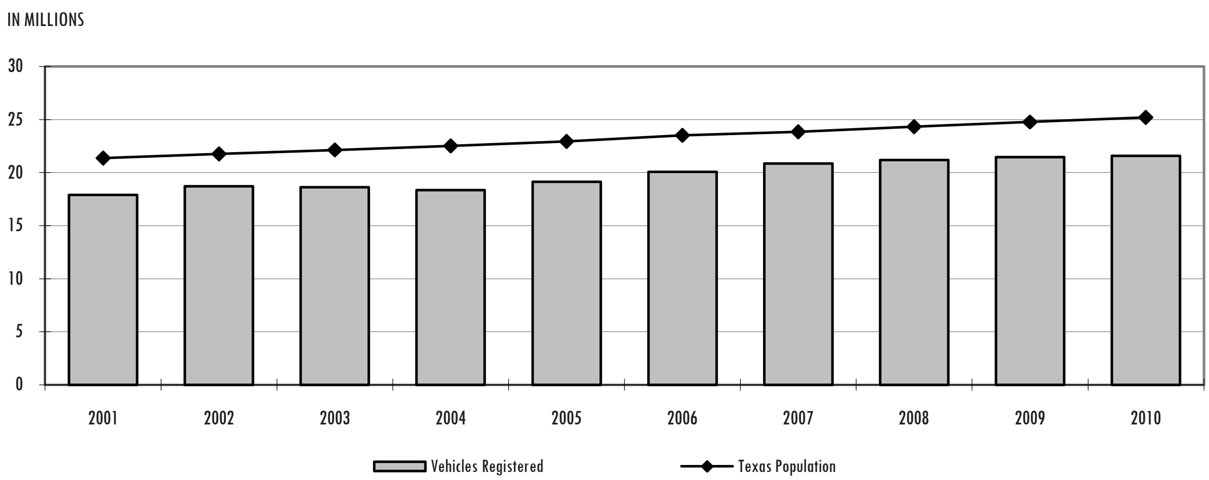
Figure 333 shows the changes in the number of vehicles registered in the state compared to the Texas population from fiscal years 2001 to 2010. In fiscal year 2010, there were approximately 21.6 million vehicles registered in Texas compared to 17.9 million in fiscal year 2001, which represents a 20.5 percent increase from fiscal years 2001 to 2010. During the same time period, the Texas population increased 18.1 percent from 21.4 million in fiscal year 2001 to 25.2 million in fiscal year 2010.

FIGURE 332
DEPARTMENT OF MOTOR VEHICLES REGIONAL SERVICE CENTERS, FISCAL YEAR 2011



SOURCE: Department of Motor Vehicles.

FIGURE 333
POPULATION COMPARED TO NUMBER OF VEHICLES REGISTERED, FISCAL YEARS 2001 TO 2010



SOURCES: U.S. Bureau of the Census; Department of Motor Vehicles.

VEHICLE DEALER LICENSING AND REGULATION

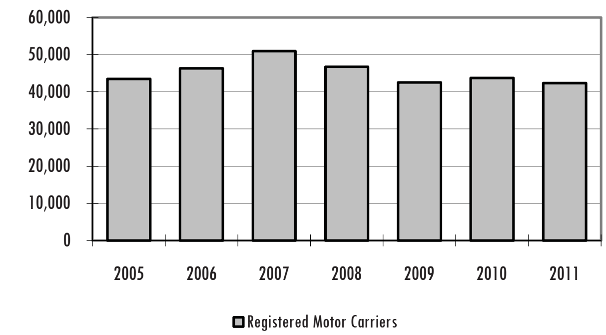
The 2012–13 biennial appropriations for motor vehicle dealer licensing and regulation total $16.8 million, or 5.7 percent of total appropriations. The appropriations provide for licensing motor vehicle dealers and enforcing the state's "Lemon Law." During fiscal year 2011, 20,614 licenses were issued to franchised and independent motor vehicle dealers; new motor vehicle manufacturers, distributors, and converters; representatives of new motor vehicle manufacturers, distributors, or converters; and lessors and lease facilitators, and salvage vehicle dealers in the state. Additionally, 802 Lemon Law complaints were closed and 185 motor vehicles were replaced, repurchased, or reacquired in accordance with the Lemon Law during the 2010–11 biennium.

MOTOR CARRIER REGISTRATION AND REGULATION

The 2012–13 biennial appropriations for motor carrier registration and regulation total $21.9 million, or 7.5 percent of the agency's total appropriations. This amount includes $14 million from appropriations made to TxDOT for the permitting and regulation of oversize/overweight vehicles that are to be transferred from TxDOT to DMV pursuant to the enactment of Senate Bill 1420, Eighty-second Legislature, Regular Session, 2011.

Motor carriers operating equipment with a gross vehicle weight of over 26,000 pounds, passenger bus operators, and household goods carriers operating in Texas are required to obtain a motor carrier registration with DMV. DMV also processes and investigates consumer complaints and provides mediation services to household goods movers and their customers. **Figure 334** shows the changes in the number of registered motor carriers from fiscal years 2005 to 2011. The number of motor carriers registered with the DMV has decreased since the implementation of the federal Unified Carrier Registration (UCR) Act of 2005 in calendar year 2007. Under this federal provision, intrastate carriers have the option of registering under the federal UCR rather than registering with single states.

FIGURE 334
NUMBER OF REGISTERED MOTOR CARRIERS, FISCAL YEARS 2005 TO 2011



SOURCE: Department of Motor Vehicles.

With the enactment of Senate Bill 1420, Eighty-second Legislature, Regular Session, 2011, DMV will assume the responsibilities for the permitting and regulation of oversize and overweight vehicles in fiscal year 2012. The permitting and regulation of movement of oversize and overweight vehicles and loads on the state's highways is intended to ensure the safety of the traveling public and to protect the integrity of highways and bridges by routing oversize/overweight vehicles and loads on roadways suitable for the dimension and weight of the vehicles. TxDOT reported issuing 1,091,502 oversize/overweight vehicle permits during the 2010–11 biennium and has projected that approximately 1,143,000 permits will be issued during the 2012–13 biennium.

AUTOMOBILE BURGLARY AND THEFT PREVENTION

The Eighty-second Legislature, Regular Session, 2011, appropriated $29.8 million for the Automobile Burglary and Theft Prevention Authority (ABTPA) in the 2012–13 biennium. The Automobile Theft Prevention Authority (ATPA) was established by the Seventy-second Legislature, 1991, to reduce vehicle theft in Texas. With enactment of legislation by the Eightieth Legislature, 2007, the scope of the ATPA was expanded to include prevention of automobile burglary. The ABTPA coordinates efforts within a network of law enforcement and judicial agencies, local prosecutors, the insurance industry, and citizens to reduce vehicle burglary and theft through grants that fund burglary and theft reduction initiatives, education, and public awareness. The ABTPA also communicates with officials from bordering Mexican states and enters into partnership agreements with them to reduce the number of stolen vehicles crossing the border between Texas and Mexico. Since its inception in 1991, the ABTPA has awarded 598 grants totaling $253.0 million. In fiscal year 2011, ABTPA awarded 28 grants totaling $13.4 million.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several significant bills that affect DMV. Among the more significant are House Bill 1541, House Bill 2357, Senate Bill 652, and Senate Bill 1420.

The enactment of House Bill 1541 requires the ABTPA to develop and use standard performance measures for each category of grants it provides and to allocate grant funds primarily based on the number of motor vehicles stolen or motor vehicle burglary or theft rates across the state. The legislation requires the ABTPA to ensure that grants are used to help increase the recovery rate of stolen motor vehicles, clearance rate of motor vehicle burglaries and thefts, and the number of persons arrested for motor vehicle burglary and theft. The legislation increases from $1 to $2 the fee automobile insurers are required to pay that is multiplied by the total number of motor vehicle years of insurance for policies delivered, issued, or renewed by the insurer. The legislation specifies that 50 percent of each fee collected may be appropriated only to the ABTPA.

The enactment of House Bill 2357 reorganizes and aligns vehicle title and registration statutes in the Texas Transportation Code and amends provisions and terminology in state law to facilitate the automation of titling and registration functions. The legislation authorizes the DMV board to adopt rules to implement an electronic titling system, which would contain the official record of vehicle ownership and applicable liens and allow for the conversion of paper documents into an electronic format. The legislation also authorizes DMV to accept electronic payments and to collect a processing fee for processing these transactions. The legislation requires DMV to post a complete schedule of registration fees and DMV forms on the Internet. The legislation requires the removal of the registration insignia and each license plate on any motor vehicle that is sold or transferred. On the sale or transfer of a vehicle to a dealer who holds a general distinguishing number, the registration period remaining at the time of the sale or transfer would expire at the time of sale or transfer. The legislation also provides authorization for fleet registration for trailers, the requirement to present identification for title or registration application, and cancellation or rescission of a title for a new vehicle when all parties agree by affidavit to rescind the sale of the vehicle. The legislation authorizes DMV to impose a civil penalty for violation of laws or DMV rules relating to the regulation of salvage vehicle dealers. The legislation requires DMV to consult with the Department of Public Safety to conduct a study on the consolidation of similar information collected separately by each agency to be completed no later than September 1, 2012.

The enactment of Senate Bill 652 amends the DMV's sunset provision by extending the agency's sunset date to September 1, 2019, from September 1, 2015.

The enactment of Senate Bill 1420 requires the transfer of the powers, duties, functions, programs, and activities of TxDOT relating to oversize and overweight vehicles under the Texas Transportation Code, Chapters 621, 622, and 623 to DMV no later than January 1, 2012. The legislation requires the transfer to include all TxDOT funds, personnel, furniture, computers, and other property associated with the powers, duties, functions, programs, and activities relating to oversize and overweight vehicles. The legislation provides for TxDOT to retain responsibility for certain oversize and overweight matters, including: setting maximum vehicle and load weights; the certification of vertical clearance of structures such as bridges or underpasses for purposes of operating vehicles; erecting signs regarding weight and load limits; and conducting engineering and traffic studies related to setting maximum width of a vehicle. The legislation transfers and re-appropriates to DMV in fiscal year 2012 any unobligated and unexpended balance of any appropriations made to TxDOT for the 2010–11 biennium that related to the transferred programs. The legislation authorizes DMV to enter into a memorandum of understanding (MOU) with a state agency, including TxDOT, if the board of the DMV determines the MOU is necessary or appropriate to implement the provisions of the legislation. The legislation specifies that the MOU may provide for the following: (1) the provision of office space, utilities, and other facility services; (2) the need for TxDOT full-time-equivalent positions to provide support services; and (3) the transfer of information technology to effectuate the transfer of functions from TxDOT to DMV.

TEXAS DEPARTMENT OF RURAL AFFAIRS

The Texas Department of Rural Affairs (TDRA), formerly known as the Office of Rural Community Affairs, was established by the Seventy-seventh Legislature, 2001, to support community and economic development, to promote access to healthcare in rural Texas, and to ensure the general welfare of rural communities in Texas. TDRA was established as a stand-alone executive branch agency that combined the Center for Rural Health Initiatives programs from the former Department of Health with the Community Development Block Grant (CDBG) program from the Texas Department of Housing and Community Affairs to assure a continuing focus on rural issues, to monitor governmental actions affecting rural Texas, and to coordinate rural programs run by state agencies.

The Eighty-second Legislature, First Called Session, 2011, passed legislation that transfers the CDBG disaster funds to the General Land Office on September 1, 2011 and transfers all other appropriations, FTEs, riders, and performance measures related to TDRA to the Texas Department of Agriculture on October 1, 2011.

For the 2012–13 biennium, the agency is appropriated $7.2 million in All Funds, of which $4.8 million is Federal Funds, $0.2 million is federal economic stimulus funds from the American Recovery and Reinvestment Act of 2009 (ARRA), $1.8 million is in General Revenue Funds, $0.4 million is Tobacco Settlement proceeds (General Revenue–Dedicated Funds and Other Funds), and $26,000 is Other Funds from Appropriated Receipts and interagency contracts. The agency is authorized to have 9.0 FTE positions in fiscal year 2012. The funds appropriated for fiscal year 2012 are to be used to provide for the phase out of agency operations prior to the transfer of functions to the Texas Department of Agriculture on October 1, 2011.

DEPARTMENT OF TRANSPORTATION

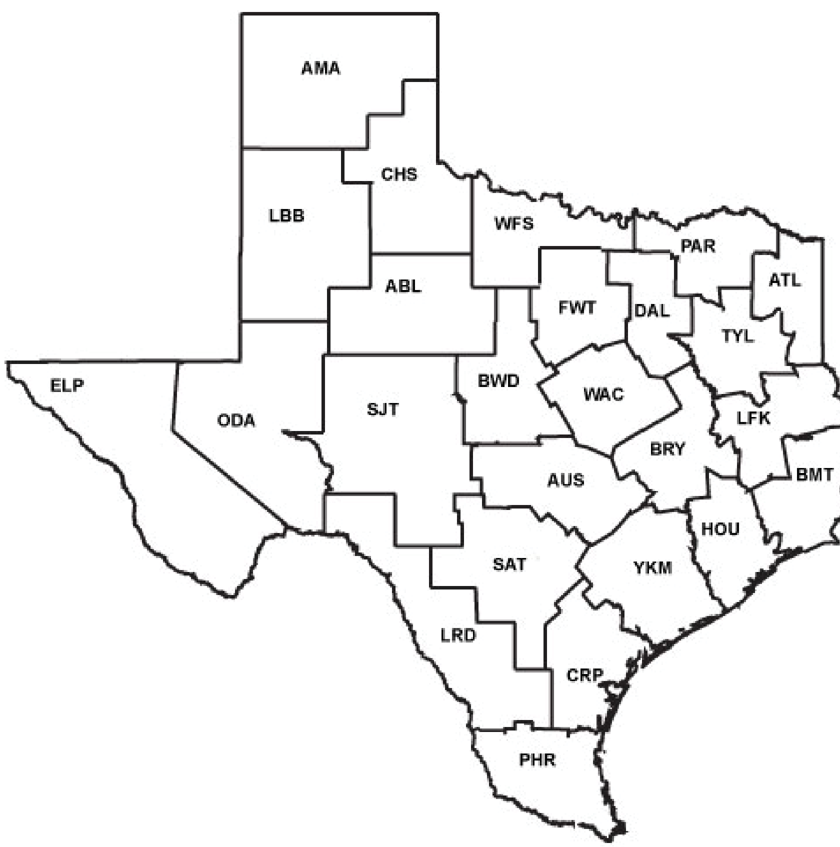
The Texas Department of Transportation (TxDOT) was established in 1991 with the merger of the State Department of Highways and Public Transportation, the Department of Aviation, and the Motor Vehicle Commission. The Texas Turnpike Authority (TTA) was merged into TxDOT by the Seventy-fifth Legislature in 1997. The TTA board of directors was later abolished by the Seventy-seventh Legislature in 2001, and the duties and responsibilities of the board were transferred to the Texas Transportation Commission (TTC). In 2005, the Seventy-ninth Legislature transferred all powers and duties of the Texas Railroad Commission associated with railroads and the regulation of railroads to TxDOT. In 2009, the Eighty-first Legislature transferred the responsibilities for vehicle titling and registration, motor carrier registration and enforcement, motor vehicle dealer regulation, and the Automobile Burglary and Theft Prevention Authority from TxDOT to a newly established Department of Motor Vehicles (DMV) in fiscal year 2010. Enactment of legislation by the Eighty-second Legislature, Regular Session, 2011, transferred the responsibilities for permitting and regulating oversize and overweight vehicles from TxDOT to DMV in fiscal year 2012.

GOVERNANCE AND MISSION

In 2003, the Seventy-eighth Legislature expanded TxDOT's governing body from a three-member to a five-member commission. Each member is appointed by the Governor with the advice and consent of the Senate for a six-year term. The Governor designates the commission's chair, who serves as the state's Commissioner of Transportation. The agency's executive director is selected by the five-member commission. The commission is also charged with dividing the state into not more than 25 districts to oversee the construction and maintenance of state highways and to perform other duties of TxDOT (see **Figure 335**).

The agency's mission is to provide safe and efficient movement of people and goods, enhance economic viability, and improve the quality of life for the people that travel in the state of Texas by maintaining existing roadways and

FIGURE 335
DEPARTMENT OF TRANSPORTATION DISTRICTS, FISCAL YEAR 2011



DISTRICTS	
ABL	Abilene
AMA	Amarillo
ATL	Atlanta
AUS	Austin
BMT	Beaumont
BWD	Brownwood
BRY	Bryan
CHS	Childress
CRP	Corpus Christi
DAL	Dallas
ELP	El Paso
FTW	Fort Worth
HOU	Houston
LRD	Laredo
LBB	Lubbock
LFK	Lufkin
ODA	Odessa
PAR	Paris
PHR	Pharr
SJT	San Angelo
SAT	San Antonio
TYL	Tyler
WAC	Waco
WFS	Wichita Falls
YKM	Yoakum

SOURCE: Texas Department of Transportation.

collaborating with private and local entities to plan, design, build, and maintain expanded transportation infrastructure.

APPROPRIATIONS

Appropriations for the 2012–13 biennium for TxDOT total $19.8 billion in All Funds, which is an increase of approximately $3.9 billion, or 24.2 percent, from the agency's 2010–11 biennial spending level. The increase is attributable to increases in appropriations from General Obligation (GO) bond proceeds and State Highway Funds for highway improvements and maintenance and preservation. Appropriations for the 2012–13 biennium provide for 12,087 full-time-equivalent (FTE) positions. Additionally, the agency has been authorized up to 1,200 FTE positions for its Summer Hire Program during the third and fourth quarters of each fiscal year.

MAJOR FUNDING SOURCES

State motor fuels tax and vehicle registration fee revenue deposited to State Highway Fund No. 006 and Federal Funds (primarily federal-aid highway reimbursements) have traditionally been the primary funding sources for highway infrastructure spending and other functions carried out by TxDOT. For many years, these funding sources provided for a "pay-as-you-go" system for highway infrastructure financing. Beginning with the enactment of legislation and voter approval of an amendment to the Texas Constitution in calendar year 2001, TTC became authorized for the first time to borrow money for transportation infrastructure improvements with debt obligations backed by state tax and fee revenue deposited to a newly created Texas Mobility Fund. Subsequent legislation passed in calendar years 2003, 2005, and 2007, and further amendments to the Texas Constitution expanded TTC's borrowing authority to include debt obligations backed by revenue deposited to State Highway Fund No. 006 and GO bonds backed by the full faith and credit of the state (payable from General Revenue Funds). **Figure 336** shows agency appropriations by funding source for the 2012–13 biennium. Appropriations from General Revenue Funds ($235.2 million) represent only 1.2 percent of the agency's biennial appropriations. Other Funds make up the majority of the agency's appropriation (67.8 percent), most of which consists of State Highway Funds (approximately $7.2 billion or 36.3 percent of All Funds) and bond proceeds (approximately $5.6 billion or 28.2 percent). Approximately 31 percent ($6.1 billion) of the agency's biennial appropriation comes from Federal Funds.

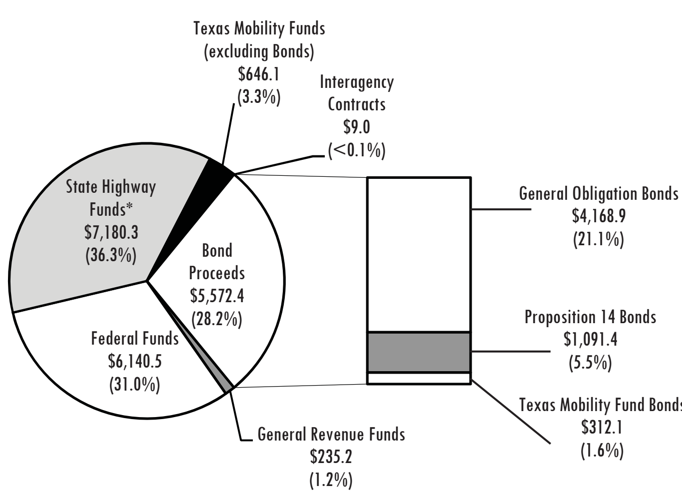
STATE HIGHWAY FUND NO. 006

Net revenue collections from motor fuels taxes and vehicle registration fees are the primary sources of state revenue deposited to State Highway Fund No. 006. These State Highway Fund revenue sources along with sales taxes on

FIGURE 336
DEPARTMENT OF TRANSPORTATION FUNDING SOURCES, 2012–13 BIENNIUM

IN MILLIONS

TOTAL = $19,783.4 MILLION



*Estimated. Includes Proceeds from State Highway 130 and State Highway 121 Toll Facility Agreements.
Note: Totals may not sum due to rounding.
Source: Legislative Budget Board.

motor fuel lubricants deposited to the fund are dedicated by the Texas 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. Other statutory fees deposited to State Highway Fund No. 006 that are not dedicated by the Texas Constitution include special vehicle permit fees, motor vehicle certificate of title fees, commercial transportation fees, and other fees primarily associated with administrative and regulatory functions carried out by DMV and TxDOT. Federal transportation receipts, bond proceeds, and receipts from certain toll facility agreements are also deposited to State Highway Fund No. 006. **Figure 337** shows the distribution of appropriations from State Highway Fund No. 006 (excluding federal receipts and bond proceeds) to TxDOT, other state agencies and institutions, and employee benefit costs. Direct appropriations of $7.2 billion to TxDOT represent approximately 77.1 percent of the total appropriations from State Highway Fund No. 006 for the 2012–13 biennium.

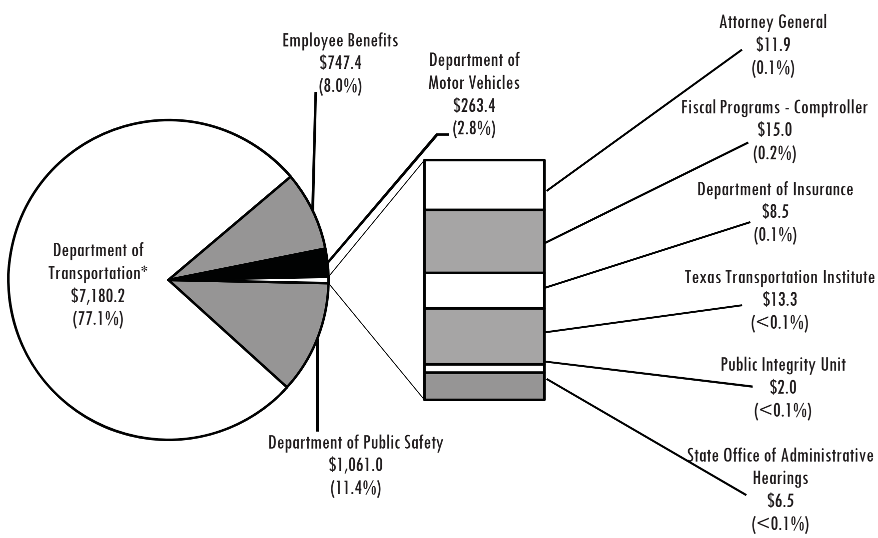
State motor fuels tax revenue has been funding highway infrastructure spending since the inception of a $0.01 per gallon tax on gasoline in 1923. In 1941, a $0.08 per gallon tax was applied to diesel fuel and a $0.04 per gallon tax was applied to liquefied gas. The current rate of $0.15 per gallon for liquefied gas was established in 1987, and the current rate of $0.20 per gallon for gasoline and diesel fuel was established in 1991.

After deductions for authorized refunds and the costs of collection, approximately one-fourth of all net motor fuels tax revenue is deposited to the Available School Fund for public education and one-fourth of net gasoline tax (up to $7.3 million in a fiscal year) is deposited to the County and Road District Highway Fund for distribution to the counties as required by the Texas Constitution and other state law. As a result, approximately three-fourths of net motor fuels tax receipts are deposited to State Highway Fund No. 006. The Comptroller of Public Accounts' (CPA) January 2011 Biennial Revenue Estimate forecasts deposits in the amounts of $4.6 billion from motor fuels taxes and $2.4 billion from motor vehicle registration fees to State Highway Fund No. 006 during the 2012–13 biennium. **Figure 338** shows how these and other sources of revenue deposited to the fund have changed since fiscal year 2005.

FIGURE 337
STATE HIGHWAY FUND APPROPRIATIONS, 2012–13 BIENNIUM

IN MILLIONS

TOTAL = $9,309.2 MILLION



*Estimated.
NOTE: Excludes State Highway Fund Revenue Bond Proceeds and Federal Highway Reimbursements.
SOURCE: Legislative Budget Board.

FIGURE 338
REVENUE DEPOSITED INTO STATE HIGHWAY FUND NO. 006, FISCAL YEARS 2005 TO 2013

IN MILLIONS

REVENUE SOURCE	2005	2006	2007	2008	2009	2010	2011	2012*	2013*
Motor Fuels Tax	$2,148.3	$2,194.2	$2,238.2	$2,275.9	$2,226.6	$2,227.0	$2,275.3	$2,274.4	$2,329.8
Motor Vehicle Registration Fees	$875.1	$932.7	$984.2	$1,024.0	$1,066.2	$1,111.3	$1,139.8	$1,179.0	$1,214.4
Motor Fuel Lubricants Sales Tax	$33.0	$34.9	$36.8	$38.9	$39.6	$40.4	$41.0	$41.8	$42.5
Federal Revenue	$3,321.3	$3,174.7	$2,072.3	$2,765.9	$2,707.5	$1,922.8	$2,124.4	$2,755.7	$2,852.9
Bond Proceeds	$0.0	$628.2	$1,000.6	$1,472.9	$0.0	$1,492.0	$0.0	$0.0	$0.0
Toll Facility Agreements	$0.0	$0.0	$0.0	$3,222.9	$0.0	$0.0	$458.0	$0.0	$0.0
Other Revenue	$329.6	$788.5	$573.3	$777.1	$954.4	$536.3	$358.6	$412.7	$412.5
Total	**$6,707.3**	**$7,753.2**	**$6,905.4**	**$11,577.7**	**$6,994.4**	**$7,329.7**	**$6,397.1**	**$6,663.6**	**$6,852.0**

*Estimated. The Motor Fuels Tax estimate for fiscal year 2013 does not reflect the enactment of Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, which delays the allocation of motor fuels tax receipts to the State Highway Fund for July and August 2013 (fiscal year 2013) until September 2013 (fiscal year 2014).
Note: Totals may not sum due to rounding. Excludes transfers from the Texas Mobility Fund.
Sources: Legislative Budget Board; Comptroller of Public Accounts.

STATE HIGHWAY FUND NO. 006 – TOLL PROJECT SUBACCOUNTS

Out of the agency's total 2012–13 appropriations from State Highway Fund No. 006, approximately $1.2 billion consists of proceeds from payments received by the state related to public and private toll facility agreements. Pursuant to state law, these proceeds are held in separate toll project subaccounts and may only be used to finance transportation and air quality projects in the area encompassing each respective toll project. The proceeds included the agency's 2012–13 biennial appropriations are derived from payments received by the state from the State Highway 121 and State Highway 130, Segments 5 and 6, toll facility agreements.

In fiscal year 2008, TxDOT entered into a toll facility agreement with the North Texas Tollway Authority (NTTA), a public entity, which authorized NTTA to design, build, operate, maintain, and collect tolls on State Highway 121 in Collin, Dallas, and Denton counties for a term of 50 years. Under the agreement, TxDOT received a lump sum payment of approximately $3.2 billion that was deposited to State Highway Fund No. 006 in fiscal year 2008 and is held in dedicated toll project subaccounts. These funds may be used only to finance transportation and air quality projects in the TxDOT district encompassing the State Highway 121 toll facility operated by NTTA. Total appropriations to TxDOT from State Highway Fund No. 006 for the 2012–13 biennium include approximately $1.2 billion from these proceeds for the planning and design, acquisition of rights-of-way, and construction of transportation projects in TxDOT's Dallas district.

In calendar year 2007, TxDOT entered into a concession comprehensive development agreement (CDA) with a private sector developer under which the developer assumed the responsibilities to design, construct, finance, operate, and maintain the State Highway 130, Segments 5 and 6, toll facility for 50 years. A CDA is an agreement with a private entity that typically provides for the design and construction of certain transportation projects but may also provide for the financing, acquisition, maintenance, and operation of transportation projects. Under a concession CDA, the private developer may agree to pay an up-front concession fee to the state and may agree to terms allowing for toll revenue sharing between the developer and the state in return for the right to operate and collect tolls on the facility. TxDOT received a $26 million concession payment in fiscal year 2008 for the State Highway 130, Segments 5 and 6, agreement, the proceeds of which are held in a dedicated toll project subaccount within State Highway Fund No. 006. Total payments to the state from concession fees and revenue sharing over the life of the contract are estimated to be $1.7 billion. The agency's appropriations from State Highway Fund No. 006 for the 2012–13 biennium include $6.3 million from the State Highway 130, Segments 5 and 6, concession fee payment to finance construction projects in TxDOT's Austin and San Antonio districts.

In fiscal year 2011, TxDOT entered into another toll facility agreement with NTTA for the development of the State Highway 161 toll project. Under the agreement, NTTA made an up-front payment to the state in the amount of $458 million for the right to develop, finance, design, construct, operate, and maintain the State Highway 161 toll project from Interstate 20 to State Highway 183 in Dallas County over a term of 52 years. Proceeds from the up-front payment are held in toll project subaccounts within State Highway Fund No. 006 pursuant to state law but are not included in the agency's State Highway Fund appropriations for the 2012–13 biennium.

FEDERAL FUNDS

Federal Funds account for 31 percent (approximately $6.1 billion) of the agency's total 2012–13 appropriations, most of which is for highway planning and construction ($5.7 billion or 92.4 percent of Federal Funds). Federal Funds also consist of funding for traffic safety programs ($124.5 million); public transportation ($120.7 million); general aviation, reliever, and non-primary commercial service airport improvements ($100 million); and interest payment subsidies for TxDOT bonds issued under the federal Build America Bonds program ($125.8 million).

The federal Highway Trust Fund (HTF) is the source of funding for most federal surface transportation programs including highway and mass transit programs. The HTF was established as a fund intended to finance highways with taxes paid by users of highways. Federal excise taxes are levied on gasoline, diesel, gasohol, special fuels (liquefied petroleum gas, natural gas, etc.), tires, truck and trailer sales, and heavy vehicle use (based upon weight). The primary sources of revenue deposited to the HTF are derived from federal motor fuels taxes assessed on gasoline at a rate of 18.4 cents per gallon and diesel at a rate of 24.4 cents per gallon. Revenues are distributed to two accounts within the HTF, the Highway Account and the Mass Transit Account.

The Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU), enacted in calendar year 2005, serves as the current authorization for the allocation of federal surface transportation funding to the states. Although SAFETEA-LU expired in September 2009, the programs and allocations established under SAFETEA-LU currently operate under a continuing resolution enacted by Congress. Formulas for distributing federal-aid funds for significant highway programs use the motor fuels and other excise taxes attributed to each state as distribution factors. The Federal Highway Administration analyzes state-generated reports on motor fuel and other alternative fuels consumed and taxed to develop final estimates of the federal tax revenues attributable to each state. SAFETEA-LU included provisions that would have guaranteed Texas, a motor fuel tax "donor state" that contributes more tax revenue to the federal Highway Trust Fund than it receives, a relative rate of return of 92 percent from the HTF Highway Account in fiscal year 2009. However, in February 2010, TxDOT reported that the state's actual rate of return is approximately 83 percent (70 percent for highways and 13 percent for mass transit).

Federal aid for transportation is typically distributed to states in the form of reimbursements of state expenditures for eligible projects. Historically, the state would finance 100 percent of the cost of transportation projects receiving federal aid. As work is completed and payments are made, the state is reimbursed for the costs of work completed in accordance with the federal–state participation matching ratios established for the various program categories. The federal Highway Trust Fund reimburses a portion of the cost of a participating project, usually 80 percent, throughout the life of that project.

The agency's Federal Funds appropriations for the 2012–13 biennium also include funding for bond debt service payments on state transportation bonds issued under the federal Build America Bonds (BAB) program authorized in 2009. The BAB program authorized state and local governmental entities to issue taxable bonds to finance capital projects and provided federal subsidies to offset the entities' borrowing costs. During the 2010–11 biennium, TTC issued approximately $3.5 billion in bonds under the BAB program to finance transportation infrastructure projects. The BAB program provides a direct federal subsidy in an amount equal to 35 percent of the total interest payments made to investors throughout the term of the debt. The total federal subsidy during life of the agency's BAB bond obligations is estimated to be $1.4 billion over 30 years, including $125.8 million in the 2012–13 biennium.

TEXAS MOBILITY FUND

State revenues and bond proceeds deposited to the Texas Mobility Fund (TMF) No. 365 represent 6.6 percent (approximately $958.2 million in Other Funds) of the agency's total 2012–13 biennial appropriations. The appropriations include approximately $312.1 million in TMF bond proceeds for transportation planning and design, acquisition of rights-of-way, and construction and approximately $646.1 million from state revenues deposited to the TMF for debt service payments on TMF bonds. The 2012–13 biennial appropriations also include $46.6 million in Federal Funds from BAB subsidy payments for TMF bond debt service.

The passage of legislation by the Seventy-seventh Legislature, Regular Session, 2001, and voter approval of an amendment to the Texas Constitution (Texas Constitution, Article 3, Section 49-k) in November 2001, created the TMF within the State Treasury and established the TTC as the administrator of the fund. Under the constitutional provision and its enabling legislation, the TTC is authorized to issue bonds and enter into related credit agreements that are payable from and secured by a pledge of and a lien on all or part of the money on deposit in the TMF. Additionally, the TTC is charged with administering the TMF as a revolving fund to provide a method of financing for the construction, reconstruction, acquisition, and expansion of state highways. This includes the cost of any necessary design and the cost of acquisition of rights-of-way, as determined by the TTC, and provides state participation in the payment of a portion of the cost of constructing and providing publicly owned toll roads and other public transportation projects in accordance with standards and procedures established by law. As of August 31, 2009, the TTC issued approximately $6.3 billion in TMF bonds.

Article 3, section 49-k of the Texas Constitution authorizes the Texas Legislature to dedicate to the TMF any taxes or other revenues that are not otherwise dedicated by the Texas Constitution, namely motor fuel taxes, motor lubricant sales taxes, and motor vehicle registration fees dedicated to the State Highway Fund. During the 2004–05 biennium, a portion of driver license point surcharges and $30 state traffic fines were deposited to the TMF. During the 2006–07 biennium, motor vehicle inspection fees and a portion of driver record information fees began being deposited to the TMF. Beginning in the 2008–09 biennium, driver license fees and motor vehicle certificate of title fees were deposited to the fund. The CPA's January 2011 Biennial Revenue Estimate forecasts revenues deposited to the TMF to be approximately $706.2 million for the 2012–13 biennium.

PROPOSITION 12 GENERAL OBLIGATION BONDS

The agency's 2012–13 biennial appropriations include $4.1 billion in Proposition 12 GO bond proceeds to fund transportation planning and design, right-of-way acquisition, construction, and highway maintenance and rehabilitation projects. Out of this amount, approximately $1.1 billion is appropriated for the completion of highway improvement projects initiated during the 2010–11 biennium. The Eighty-second Legislature, 2011, directed to the agency to allocate the remaining $3 billion in Proposition 12 GO bond proceeds as follows:

- $300 million for developing projects to improve mobility in the four most congested regions of the state;
- $500 million for major bridge projects;
- $600 million for metropolitan and urban mobility projects;
- $200 million for statewide connectivity projects to be selected by TTC; and
- $1.4 billion for statewide highway rehabilitation and safety projects.

The agency's appropriations for the 2012–13 biennium also provide $231.4 million in General Revenue Funds and $18.7 million in Federal Funds from BAB subsidies ($256.5 million in All Funds) for debt service payments on Proposition 12 GO bonds.

With voter approval of Senate Joint Resolution 64, Eightieth Legislature, 2007, (Texas Constitution, Article 3, section 49-p) under Proposition 12 in November 2007, and the enactment of House Bill 1, Eighty-first Legislature, First Called Session, 2009, TTC is authorized to issue Proposition 12 GO bonds in an aggregate amount not to exceed $5 billion to provide funding for highway improvement projects, including the acquisition of a highway, construction, reconstruction, major maintenance, design, and the acquisition of right-of-way. As of August 31, 2011, TTC has issued approximately $1 billion in Proposition 12 GO bonds. The agency's appropriations from Proposition 12 GO bond proceeds for the 2012–13 biennium account for the remaining $4 billion of the $5 billion total aggregate amount of Proposition 12 GO bonds authorized by the Texas Constitution.

PROPOSITION 14 STATE HIGHWAY FUND BONDING AUTHORITY

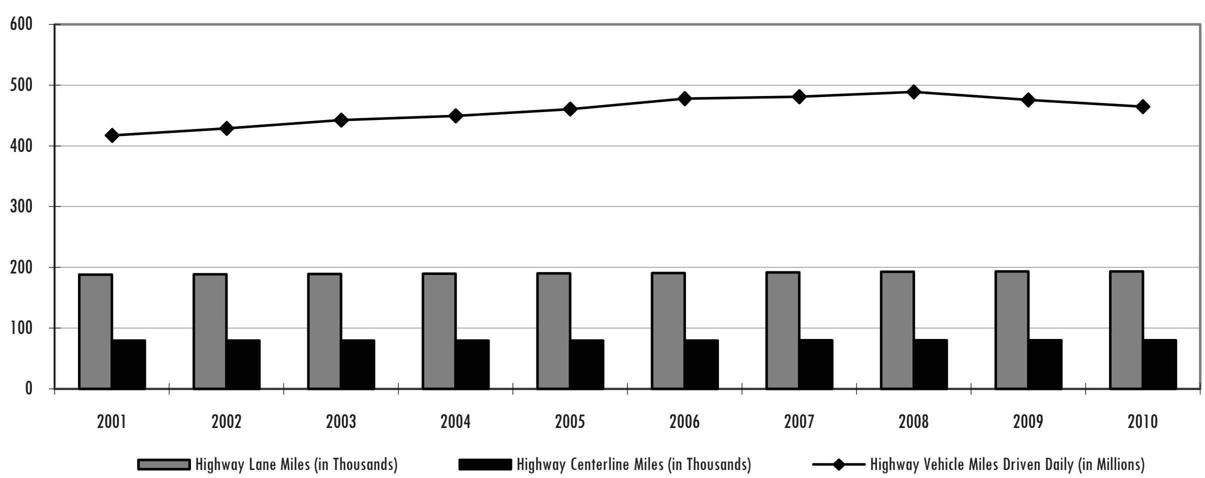
The agency's 2012–13 biennial appropriations include $1.2 billion in Proposition 14 bond proceeds for transportation planning, acquisition of rights-of-way, and highway construction and maintenance. With the enactment legislation by the Seventy-eighth Legislature, Regular Session, 2003, and voter approval of an amendment to the Texas Constitution under Proposition 14, 2003, (Texas Constitution, Article 3, Sections 49-m and 49-n), the TTC became authorized to issue highway tax and revenue anticipation notes in the event of a cash-flow shortfall in the State Highway Fund and to issue bonds secured by a pledge of and payable from revenue deposited to the credit of the State Highway Fund. Under current law, the TTC is authorized to issue State Highway Fund Revenue Bonds (Proposition 14 Bonds) and other public securities in an aggregate principal amount not to exceed $6 billion, with no more than $1.5 billion to be issued each year to finance state highway improvement and safety projects. As of August 31, 2011, the TTC has issued approximately $4.6 billion in Proposition 14 Bonds, the proceeds of which are deposited to the credit of State Highway Fund No. 006. The agency's appropriations for the 2012–13 biennium provide $703.7 million in State Highway Funds and $54.1 million in Federal Funds from BAB subsidies ($757.8 million in All Funds) for debt service payments on those bonds.

TEXAS HIGHWAY SYSTEM

State highway system mileage is accounted for in terms of centerline miles and lane miles. Centerline miles represent corridor mileage; lane miles represent the unidirectional single-vehicle, travel-way mileage on state-maintained roadways. The state highway system consists of approximately 80,000 centerline miles and carries approximately 73 percent of the state's motor vehicle traffic. Overall, individual components of the system include 28,441 miles of U.S. and state highways, which carry about 35 percent of all traffic; 40,939 miles of farm-to-market and ranch-to-market roads, which carry about 11 percent of all traffic; 3,231 miles of interstate highways, which carry 24 percent of all traffic; 7,041 miles of frontage roads, which carry four percent of all traffic; and 337 miles of parks and recreation roads, which carry less than 1 percent of all traffic. Approximately 113 centerline miles of tolled highways are in operation on the state highway system.

Figure 339 shows changes in the number of highway lane miles and centerline miles on the state highway system and the number of highway vehicle miles driven daily from fiscal year 2001 to fiscal year 2010. In fiscal year 2010, the state highway system consisted of approximately 193,334 lane miles compared to approximately 188,055 in fiscal year 2001. The amount of vehicle miles driven daily in fiscal year 2010 is estimated to be 464.5 million. Although the amount of daily vehicle miles driven has decreased from an estimated 488.8 million in fiscal year 2008, the amount of vehicle miles driven daily in fiscal year 2010 represents an increase of 11.4

FIGURE 339
HIGHWAY MILES AND VEHICLE MILES DRIVE DAILY, FISCAL YEARS 2001 TO 2010



SOURCE: Texas Department of Transportation.

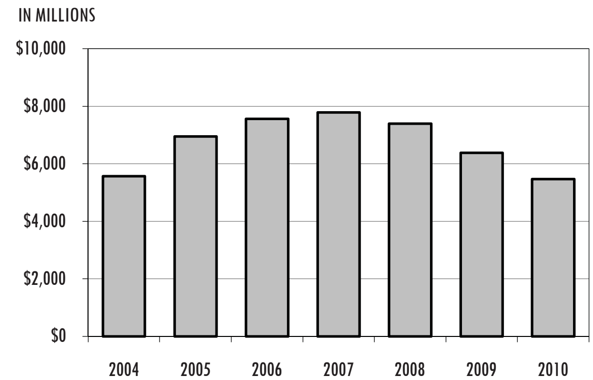
percent from the number of daily vehicle miles driven in fiscal year 2001 (approximately 417.1 million).

MAJOR FUNCTIONS AND PROGRAMS

Out of the agency's total appropriations of $19.8 billion for the 2012–13 biennium, approximately $17.2 billion (87.2 percent) is for transportation planning, transportation construction and improvements, and maintenance and preservation of the state's transportation systems. **Figure 340** shows the 2012–13 appropriations for these major functions and other programs administered by TxDOT. The agency's appropriations also include approximately $1.7 billion (8.7 percent of total appropriations) for debt service payments on bonds issued by TTC to finance highway improvements, system preservation, and highway safety projects.

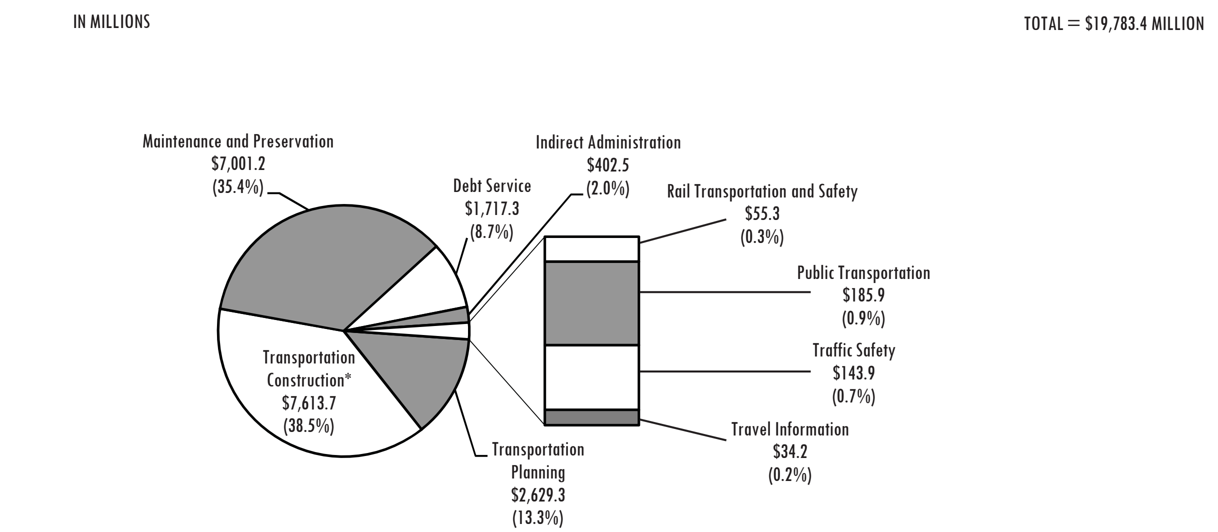
The agency's 2012–13 biennial appropriations for transportation construction and maintenance include approximately $10.6 billion for contract payments on existing and new multi-year construction and maintenance projects carried out by private sector contractors. As of August 31, 2011, the total amount of contract obligations on active construction projects was approximately $13.8 billion with life-to-date expenditures of $7.8 million leaving approximately $6 billion in contract obligations remaining. The agency's 2012–13 biennial appropriations also include $1.3 billion for routine maintenance work carried out by contractors and $1.5 billion for routine maintenance work performed by TxDOT employees. **Figure 341** shows the total construction and maintenance costs (including other applicable direct and indirect costs) from fiscal year 2004 to fiscal year 2010. Total construction and maintenance costs increased from $5.6 billion in fiscal year 2004 to $7.8 billion in fiscal year 2007. In fiscal year 2010, construction and maintenance costs totaled $5.5 billion.

FIGURE 341
TOTAL CONSTRUCTION AND MAINTENANCE COSTS, FISCAL YEARS 2004 TO 2010



NOTE: Includes other direct and indirect costs.
SOURCE: Texas Department of Transportation.

FIGURE 340
DEPARTMENT OF TRANSPORTATION APPROPRIATIONS BY FUNCTION, 2012–13 BIENNIUM



*Estimated.
SOURCE: Legislative Budget Board.

TRANSPORTATION PLANNING

The Eighty-second Legislature, Regular Session, 2011, appropriated $2.6 billion for the 2012–13 biennium for transportation planning and development. Appropriations for planning and development fund project planning, design, and management functions carried out by agency staff; contracted planning and design services; acquisition of rights-of-way; and research and development programs.

The planning and development of transportation construction projects is a complex process. First, the need for a transportation project is identified through the input and involvement of cities, counties, Metropolitan Planning Organizations (MPO), and citizen groups. To obtain federal funding for a project, current federal law requires each MPO to develop a local transportation improvement program, which is a four-year, prioritized program of transportation projects covering a metropolitan planning area in a manner consistent with the metropolitan transportation plan. Next, the TTC selects projects for inclusion in the Unified Transportation Plan, which is a 10-year planning document to guide and control project development for TxDOT in a feasible and economical manner, and in the Statewide Transportation Improvement Program, which is a multiyear, statewide, intermodal program of transportation projects that includes a financial implementation plan and that must be implemented within each three-year period after the adoption of the program. Then, TxDOT begins several simultaneous actions to develop projects, including conducting public hearings; undertaking feasibility and environmental studies, route and locations studies, traffic and revenue studies, and road inventory surveys; purchasing rights-of-way; designing construction plans; and performing a variety of other preliminary engineering functions.

Appropriations for the 2012–13 biennium for project planning, design, and management functions carried out by agency staff total $606.6 million. Appropriations by which the agency enters into contracts to carry out project planning and design functions total $727.4 million for the 2012–13 biennium.

The agency's appropriations for the 2012–13 biennium for transportation planning and development provide $1 billion for acquiring rights-of-way and other real property interests for transportation projects. Rights-of-way acquisition costs include all related contract expenses, adjustments of utility facilities directly affected by transportation construction projects, relocation expenses incurred for displaced residents and businesses, and no less than 90 percent of acquisition cost reimbursements for cities and counties that are authorized to acquire rights-of-way in the name of the state. During the 2010–11 biennium, the agency acquired 2,342 parcels of land and executed 393 agreements for the adjustment of utility facilities affected by TxDOT transportation projects.

The 2012–13 biennial appropriations for transportation planning also provide $44.2 million for research and development in cooperation with state-supported universities. The agency manages a cooperative research program for the improvement of transportation operations in the areas of safety, construction, pavements, maintenance, transportation planning, design, right-of-way, environmental considerations, traffic operations, and structures.

TRANSPORTATION CONSTRUCTION

The Eighty-second Legislature, Regular Session, 2011, appropriated $7.6 billion for transportation construction for the 2012–13 biennium, which is approximately 38.5 percent of TxDOT's total appropriations. Because TxDOT contracts with private firms for the construction and reconstruction of all roads, bridges, and other transportation facilities on the state highway system, payments to contractors account for approximately 85 percent ($6.5 billion) of 2012–13 biennial appropriations for transportation construction project expenditures. This function also includes the installation of various warning and protection devices at railroad/highway crossings off the state highway system on a match basis, of which 90 percent is funded by the state and 10 percent is funded by the railroad. The remaining 2012–13 appropriations for construction ($915.2 million) are budgeted to provide (1) state participation in transportation improvement projects carried out by local entities through grants to counties to pave roads in colonias located along the Texas–Mexico border, (2) pass-through financing to reimburse local governments for their participation in the development of state highway improvement projects, and (3) loans through the State Infrastructure Bank, a revolving loan fund within the State Highway Fund, to provide low-interest financing for eligible transportation projects. In the 2010–11 biennium, TxDOT contracted for 1,929 highway construction projects. The agency plans to award 1,240 contracts for highway construction projects in the 2012–13 biennium.

The 2012–13 biennial appropriations for construction also provide approximately $194 million for the agency's Aviation Division projects and services. The functions of the Aviation

Division include protecting, developing, and promoting public interest in aeronautics and Texas aviation. This includes assisting with the development and maintenance of a statewide system of modern airports and air navigation aids for public use. The division also acts as the agent of the state and each of the state's political subdivisions for the purposes of applying for, receiving, and disbursing federal funds for the state's general aviation, reliever, and non-primary commercial service airports. Additionally, the division conducts airport inspections as required by the Federal Aviation Administration to check for obstructions to aircraft operations and safety violations in relation to the condition of airports. Although the division had assumed the responsibilities and duties of the State Aircraft Pooling Board (SAPB) pursuant to an interagency contract agreement beginning in fiscal year 2004, the enactment of legislation by the Seventy-ninth Legislature, Regular Session, 2005, abolished the SAPB and transferred its powers and duties to TxDOT. TxDOT serves as a point of coordination for state officials and agencies to contract for the use of state aircraft to access remote and rural areas and to provide all necessary hangar space, maintenance, and services for the use of state aircraft.

The 2012–13 biennial appropriations provide approximately $173.4 million for airport facility grants that will be matched with local funds. Currently, 268 airports in Texas are eligible for grant funds administered by the Aviation Division. The agency projects the number of airports receiving grants in the 2012–13 biennium to be 89 in fiscal year 2012 and 52 in fiscal year 2013.

MAINTENANCE AND PRESERVATION

The Eighty-second Legislature, Regular Session, 2011, appropriated approximately $7 billion, or 35.4 percent of total appropriations, for the 2012–13 biennium for maintenance and preservation of state transportation systems. Transportation system maintenance is the agency's largest function in terms of the number of employees involved. The appropriations for the 2012–13 biennium provide for approximately 6,321 FTE positions, or 52.3 percent of total FTE positions for the 2012–13 biennium, for agency personnel directly involved in transportation system maintenance activities including maintenance of the state highway system, support of the Gulf Intracoastal Waterway, and maintenance and operation of two toll-free ferry systems.

TxDOT is responsible for the preservation, upkeep, and restoration of the state highway system. Highway system maintenance includes roadway surface repairs and improvements, road base repairs, bridge and drainage structure inspection and maintenance, and road sign and traffic signal installation and repair. Responsibilities also encompass litter cleanup, roadside mowing, rest area maintenance, and repair of damage caused by floods, hurricanes, and other disasters. The Eighty-second Legislature, Regular Session, 2011, appropriated $6.9 billion for state highway system maintenance and preservation in the 2012–13 biennium. This amount includes $5.4 billion for highway maintenance to be performed by private contractors (including $1.3 billion for contracted routine maintenance) and $1.5 billion for routine and preventive maintenance work to be performed by TxDOT personnel.

The agency uses a system of inspections and assessments to evaluate the condition of state-maintained roadway lane miles and 51,812 public bridges in Texas. The agency evaluates statewide pavement condition using a pavement condition score that considers qualities such as potholes, patches, cracking, and pavement smoothness. Pavement condition ratings range from "very good" to "very poor," where a rating of "good" or "very good" meets or exceeds all federal and state safety and structural requirements. Similarly, the agency assesses statewide bridge conditions using data collected during regularly scheduled bridge safety inspections. Bridges are considered to be in "good" condition if they are not determined to be "structurally deficient" or "functionally obsolete" based on terms and specifications established by the Federal Highway Administration. In fiscal year 2010, the agency determined that 87 percent of state-maintained lane miles and 80.3 percent of bridges were in "good or better" condition. The agency plans to resurface 45,627 highway lane miles and contract or perform 52,336 bridge inspections during the 2012–13 biennium.

Funding for maintenance also includes $1.7 million to support the Gulf Intracoastal Waterway (GIWW) and $95.9 million to operate and maintain two toll-free ferry systems. The agency serves as the non-federal sponsor of the GIWW, which extends 423 miles from the Sabine River to the Brownsville Ship Channel. The agency provides support for marine transportation and navigation along the GIWW by determining methods for dredging the waterway, locating sites for the disposal of dredged material, and providing funding to acquire such sites. The toll-free ferry systems connect Port Aransas to Aransas Pass (a 0.25-mile crossing) and Galveston Island to the Bolivar Peninsula (a 2.5-mile crossing). In fiscal year 2011, the eight-boat ferry system at Port Aransas transported approximately 2.1 million vehicles and the five-boat ferry system at Galveston transported approximately 1.4 million vehicles.

PUBLIC TRANSPORTATION

The Eighty-second Legislature, Regular Session, 2011, appropriated $185.9 million for the 2012–13 biennium to fund public transportation programs. The Federal Transit Act and state law both require TxDOT to support and promote public transportation by working with local governments, nonprofit entities, and the Federal Transit Administration (FTA). Funding for TxDOT's public transportation responsibilities consists of $65.2 million in State Highway Funds for agency administrative costs and state public transportation grants and $120.7 million in Federal Funds for the FTA State Planning and Research Grants Program, Metropolitan Planning Program, Non-urbanized Area Formula Program (Rural Systems), Elderly and Persons with Disabilities Program, Job Access and Reverse Commute Program, and New Freedom Program.

State public transportation grant funds are allocated to rural and urban transit districts based on a formula determined by the TTC and may be used for any approved public transportation project. TxDOT also acts as the state's administrator for 100 percent of the state's federal apportionments for the State Planning and Research Grants Program, Metropolitan Planning Program, and Elderly and Persons with Disabilities Program. In addition, TxDOT administers all federal apportionments to the state for the Non-urbanized Area Formula Program and the portions of the Job Access and Reverse Commute Program and New Freedom Program designated for small urbanized areas of fewer than 200,000 population and rural areas of fewer than 50,000 population. With the exception of federal apportionments for the State Planning and Research Grants Program and Metropolitan Planning Program, urbanized areas above 200,000 in population typically obtain federal funding directly from FTA through coordination with TxDOT. In fiscal year 2011, the agency issued 320 federal and state funding contracts to small urban transit districts, rural transit districts, MPOs, and other recipients including intercity bus operators and private for-profit and nonprofit transit operators that coordinate services for the elderly and disabled.

TRAFFIC SAFETY

The Eighty-second Legislature, Regular Session, 2011, appropriated $143.9 million for the 2012–13 biennium for traffic safety. TxDOT coordinates the Texas Traffic Safety Program and the State and Community Highway Safety Program and implements the Highway Safety Plan, which provides state and federal traffic safety grant funding in accordance with the National Highway Safety Act of 1966 and the Texas Traffic Safety Act of 1967. These programs reduce traffic accidents and resultant deaths, injuries, and property damage, as well as provide education, engineering, and enforcement efforts conducted in a partnership among federal, state, county, local jurisdictions, and nonprofit organizations. Additionally, TxDOT is responsible for collecting comprehensive data regarding motor vehicle accidents and maintaining a crash records information system that provides enhanced abilities to capture, manage, and disseminate timely and accurate data to improve the safety of Texas roadways. In fiscal year 2011, the agency provided funding through the traffic safety program to 247 entities, including 166 units of local government, 35 educational institutions, 37 non-profit organizations, and 9 state agencies.

TRAVEL INFORMATION

The Eighty-second Legislature, Regular Session, 2011, appropriated $34.2 million for the 2012–13 biennium to support the agency's travel information activities. The agency operates 12 facilities—11 travel information centers across the state and one information center located in the State Capitol complex—that provide transportation and travel information and services to the media and to the public. In fiscal year 2011, the travel information centers received approximately 2 million visitors. In addition, TxDOT publishes the monthly Texas Highways magazine, the state's official travel magazine. Approximately 2.1 million copies were sold in fiscal year 2011 with an average monthly circulation of 205,375 copies.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several significant bills that affect TxDOT. Among the more significant are Senate Bill 1420 (TxDOT Sunset legislation), House Bill 563, House Bill 1201, House Bill 1353, and Senate Bill 19.

SENATE BILL 1420 – SUNSET LEGISLATION

The enactment of Senate Bill 1420 continues TxDOT for four years by extending the agency's sunset date to September 1, 2015. The legislation requires TxDOT, in preparation for the agency's sunset review, to submit to the Sunset Advisory Commission a complete and detailed financial audit conducted by an independent certified public accountant.

The enactment of Senate Bill 1420 authorizes TxDOT to enter into comprehensive development agreements (CDA) related to seven specific highway projects and authorizes regional mobility authorities (RMA) to enter into CDAs for three specific highway projects. The legislation establishes procedures and specific timelines for the development of the CDA projects. The legislation also authorizes TxDOT to enter into design-build contracts for non-tolled highways, establishes a specific method for entering into such contracts, limits the use of design-build contracts to projects with a construction value of $50 million or more, and specifies no more than three design-build contracts can be entered into each fiscal year until the end of fiscal year 2015 (at which point this limitation will expire).

The enactment of Senate Bill 1420 establishes requirements and guidelines for the coordination of the state's transportation planning and programming processes. The legislation formally establishes TxDOT's Unified Transportation Program (UTP) in statute and establishes specific requirements for the development of the 24-year Statewide Transportation Plan, mid-range planning and project programming in the 10-year UTP, and a short-range work program based on the UTP containing all of the projects each TxDOT district proposes to implement during a four-year period. The legislation requires the Statewide Transportation Plan to contain specific, long-term transportation goals for the state and measurable targets for each goal, and to identify priority corridors, projects, or areas of the state that are of particular concern to TxDOT in meeting these goals. The legislation requires TxDOT to develop a participation plan for obtaining input from state and local entities and the public on the plan's goals and priorities, report annually on progress towards meeting these goals, and update the plan every four years or more frequently as necessary. The legislation requires TxDOT to prepare and publish a 20-year cash flow forecast by September 1 of each year. The legislation requires TxDOT and MPOs to work together to develop mutually acceptable funding assumptions to guide long-term transportation planning. The legislation requires TTC, in collaboration with local transportation entities, to make rules to establish criteria for selecting projects, definitions for UTP funding categories, and definitions for each phase of a major transportation project. The legislation requires TTC to establish criteria for designating major transportation projects and develop benchmarks for evaluating their progress and readiness to be implemented. The legislation also requires TTC, by rule, to specify formulas for allocating funds to TxDOT districts and MPOs for funding categories specified in statute, including preventive maintenance and rehabilitation, mobility, and congestion mitigation; and to determine the allocation of funds for all other funding categories based on applicable state and federal law. The legislation requires TxDOT to allocate funds to its districts based on these formulas and specifies that TxDOT may not exceed the cash flow forecast. The legislation also requires TxDOT to establish online project information and a transportation expenditure reporting systems that make information on TxDOT's transportation plans, projects, and expenditures accessible and searchable on the TxDOT website.

The enactment of Senate Bill 1420 requires a memorandum of understanding (MOU) between TxDOT and certain state agencies to specify a time period not to exceed 45 days during which a state agency reviews and provides comments on the environmental, historical, or archeological effect of a highway project. The legislation also authorizes TxDOT, a county, a regional tollway authority, or a RMA to enter into an agreement to provide funds to a state or federal agency to expedite the agency's performance of its duties related to the environmental review process. The legislation authorizes a local government sponsor to prepare an environmental review document for certain highway projects included in TxDOT's approved transportation programs or identified by the Commission as being eligible and sets forth instances in which TxDOT may charge a fee in an amount established by TTC and not to exceed the actual cost of reviewing an environmental documents for other projects. The legislation requires TxDOT to determine whether environmental review documents submitted by the sponsor are administratively complete and ready for technical review, sets forth review deadlines, and requires certain procedures to be followed if TxDOT declines to confirm the completeness of an environmental review document. The bill would require TxDOT to submit reports to TTC and the Legislature identifying the status of each project being processed under the review process and to publish and regularly update project status information on the TxDOT website. The legislation requires TxDOT to establish, by rule, a process to certify district environmental specialists to work on all documents related to state and federal environmental review processes and to make the certification process available to TxDOT employees.

The enactment of Senate Bill 1420 requires the transfer of the powers, duties, functions, programs, and activities of TxDOT relating to oversize and overweight vehicles under the Texas Transportation Code, Chapters 621, 622, and 623 to DMV no later than January 1, 2012. The legislation requires the transfer to include all TxDOT funds, personnel, furniture, computers, and other property associated with the powers, duties, functions, programs, and activities relating to oversize and overweight vehicles. The legislation provides for TxDOT to retain responsibility for certain oversize and overweight matters, including setting maximum vehicle and load weights; the certification of vertical clearance of structures such as bridges or underpasses for purposes of operating vehicles; erecting signs regarding weight and load limits; and conducting engineering and traffic studies related to setting maximum width of a vehicle. The legislation transfers and re-appropriates to DMV in fiscal year 2012 any unobligated and unexpended balance of any appropriations made to TxDOT for the 2010–11 biennium that related to the transferred programs. The legislation authorizes DMV to enter into a MOU with a state agency, including TxDOT, if the board of the DMV determines the MOU is necessary or appropriate to implement the provisions of the legislation. The legislation specifies that the MOU may provide for (1) the provision of office space, utilities, and other facility services; (2) the need for TxDOT full-time-equivalent positions to provide support services; and (3) the transfer of information technology to effectuate the transfer of functions from TxDOT to DMV.

The enactment of Senate Bill 1420 establishes outdoor advertising licensing and enforcement provisions for operators on rural roads that match requirements for operators on federal-aid highways. The legislation also requires TxDOT, by rule, to establish a process for tracking and reporting outdoor advertising complaints and providing information to the public about how to file a complaint. The legislation abolishes the Texas Highway Beautification Account in the General Revenue Fund and requires TxDOT to deposit all outdoor advertising fees into the State Highway Fund.

OTHER SIGNIFICANT LEGISLATION

The enactment of House Bill 563 amends various provisions in law relating the establishment of transportation reinvestment zones by local governments. The legislation authorizes a county or a municipality to establish a transportation reinvestment zone for any transportation project without the project being tied to the TxDOT pass-through financing program as required under previous law. The legislation requires TxDOT, at the option of the local government, to delegate full responsibility for the development, design, letting of bids, and construction of the project to the municipality or county.

The enactment of House Bill 1201 repeals statutory authority relating to the establishment, development, operation, financing, and acquisition of rights-of-way for the Trans-Texas Corridor. The legislation authorizes TTC to allow the operation of certain oversize/overweight vehicles on a designated exclusive lane if the use is supported by a traffic and engineering study. The legislation also authorizes TTC to establish a speed limit not to exceed 85 miles per hour on a part of the state highway system if the part of the state highway system is designed to accommodate travel at the higher speed limit and if, after a traffic and engineering study, the TTC determines that the higher speed limit is reasonable and safe for the highway.

The enactment of House Bill 1353 authorizes TTC to establish speed limits of up to 75 miles per hour on the state highway system if the higher speed limit is determined to be safe through a traffic and engineering study. The legislation also eliminates the statewide nighttime speed limit and truck speed limit differential. The legislation requires TxDOT to conceal or remove speed limit signs that do not comply with the provisions of the legislation and erect appropriate signs as soon as practicable after September 1, 2011.

The enactment of Senate Bill 19 establishes a process to determine the entity that will develop, finance, and construct a toll project to be located in the territory of a local toll project entity including a regional mobility authority, regional tollway authority, or a county toll road authority. The legislation specifies that the local toll project entity has the first option to develop, finance, and construct a toll project within its territory. The legislation establishes requirements for notification by the local toll project entity of its intent to exercise its option and timelines within which the entity must exercise the option after notification. The legislation specifies that if the local toll project entity fails or declines to exercise the option, then TxDOT has the option to undertake the toll project.

TEXAS WORKFORCE COMMISSION

The Texas Workforce Commission (TWC) was established in 1995 by the Seventy-fourth Legislature. In addition to replacing the Texas Employment Commission, the agency administers programs previously located in nine state agencies. TWC administers workforce training programs that provide services to both the state's workers and private employers. These services are intended to equip workers with the skills needed to foster economic development. TWC administers child-care subsidies for families dependent on cash assistance, as well as those at risk of becoming welfare-dependent, to help pay for child care while the recipient looks for and maintains employment. TWC also administers the state's unemployment insurance (UI) program, collecting payroll taxes from employers and providing unemployment compensation to qualified claimants.

The commission consists of three full-time members, representing employers, labor, and the public. The commissioners are appointed by the Governor with the advice and consent of the Senate and serve staggered six-year terms. The agency is administered by an executive director appointed by the commission.

MISSION AND GOALS

The agency's mission is to promote and support a workforce system that offers employers, individuals, and communities the opportunity to achieve and sustain economic prosperity.

The majority of TWC's strategies for fulfilling its mission fall under two goals:

1. Workforce Development—to support a workforce system that offers employers, individuals, and communities the opportunity to achieve and sustain economic prosperity; and
2. Program Accountability and Enforcement—to ensure workforce program accountability and reduce employment and housing discrimination.

OVERVIEW OF FUNDS

For the 2012–13 biennium, TWC has a total appropriation of $2.2 billion in All Funds, which provides for 3,408 full-time-equivalent positions in fiscal year 2012 and 3,312 in fiscal year 2013. More than two-thirds of the TWC appropriation takes the form of block grant allocations to local workforce development areas for workforce boards to deliver workforce and support services throughout the state.

All Funds appropriations to TWC for the 2012–13 biennium are a decrease of $191.6 million, or 8.0 percent, from the agency's 2010–11 biennial spending level. The net reduction is attributable to a decrease of $117.6 million in Federal Funds, a decrease of $60.6 million in General Revenue Funds, and a decrease of $13.4 million in Other Funds. The net decrease of $152.5 million in Federal Funds provided through the American Reinvestment and Recovery Act of 2009 (ARRA) which are no longer available to the agency, offset by a net increase of $34.9 million in Federal Funds (non-ARRA) for the 2012–13 biennium. The net decrease in General Revenue Funds is primarily attributable to a reduction in funding for programs, such as public-private partnerships to move Texans into the workforce and the Skills Development Program, and the elimination of funding for the Project Reintegration of Offenders (RIO) program.

Federal Funds account for $1.9 billion, or 86 percent, of the agency's total appropriation. The largest TWC federally funded program ($882.3 million) provides child-care services and subsidies to low-income families with employed parents. Other major TWC federally funded programs include: Workforce Investment Act (WIA) funds for job training and related activities for low-income adults and youth ($368.5 million); funds to administer the unemployment compensation program ($256.9 million); the state's Temporary Assistance for Needy Families (TANF) funds for job training and job retention ($178.9 million); and $90.8 million for the Employment Services Program for the general workforce. Unemployment compensation benefits paid to unemployed workers are separate from these appropriations.

Additional Federal Funds received by the agency include: $41.3 million in Trade Act Services for training and other services for laid-off workers included in federally certified trade petitions; $26.8 million for the Supplemental Nutrition Assistance Program (SNAP) to provide workforce and training services for recipients of supplemental nutrition assistance; $25.8 million remaining from ARRA, $7.1 million of which will fund capital budget projects, and $19.7 million of which will fund additional field positions to supplement existing Employment Services staff providing re-employment services to unemployment compensation claimants and those who have exhausted their unemployment benefits; $1.7 million for the Fair Housing Assistance Program; $5.0 million in Bureau of Labor Statistics funding to develop and report labor market information; $2.1 million for the Work Opportunity Tax Credit Program; $1.8 million for foreign Labor Certification program; and approximately

$900,000 for work completed for employment discrimination. **Figure 342** shows appropriations of Federal Funds for the various programs by percentage of total Federal Funds appropriated.

Of the agency's total appropriations, $223.6 million, or 10.1 percent, are in General Revenue Funds. These appropriations include $85.1 million to satisfy the requirement for the federal matching portion of the federal Child Care and Development Fund (CCDF) child-care grant, $55.5 million for federally required maintenance-of-effort (MOE) for the federal CCDF child-care grant, $13.7 million for federally required MOE to meet the state's eligibility for the federal TANF block grant, and $8.9 million to match federal SNAP matching funds.

The remaining General Revenue Fund appropriations include $48.5 million for the Skills Development Fund customized skills training program, $3.4 million for apprenticeship training, and $1.9 million for regulation of career schools and colleges.

Other TWC appropriations include $67.5 million in Interagency Contracts for child care for children in foster care and children needing protective services, and $8.0 million in General Revenue–Dedicated Funds for labor law inspections and enforcement.

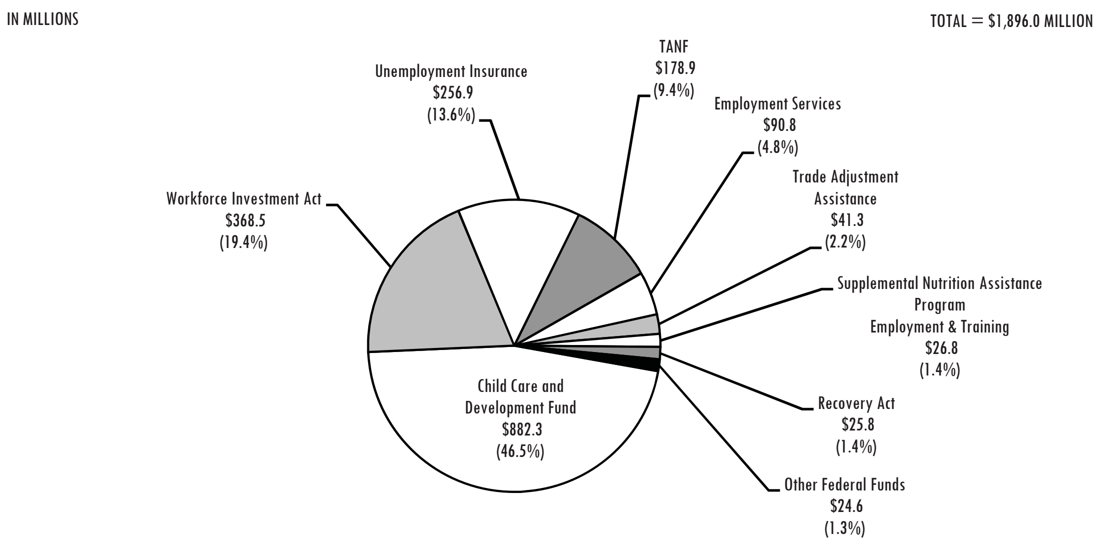
Additionally, $19.4 million in General Revenue Funds was eliminated from Project RIO for the 2012–13 biennium. TWC had partnered with the Texas Department of Criminal Justice and the Texas Youth Commission, providing those agencies with pass-though funding in addition to their appropriation, to serve individuals released from incarceration by providing them re-employment services and by providing a link to education, training, and employment pre- and post-release.

WORKFORCE DEVELOPMENT

A variety of workforce programs and services is offered through TWC as part of the agency's Workforce Development goal, including WIA programs, job training for TANF-eligible recipients, and general employment services and employment assistance for displaced manufacturing employees, offenders reentering society, and senior citizens, as well as apprenticeship programs.

The goal of the WIA programs is to improve the quality of the adult workforce, reduce welfare dependency, reemploy dislocated workers, and enhance economic productivity and competitiveness, as well to assist eligible youth to acquire skills, training, and support needed to successfully transition to careers and a productive adulthood. TWC allocates funds to local workforce development areas, whose workforce boards contract for training and workforce services and for maintenance of one-stop centers. TWC estimates that

FIGURE 342
TEXAS WORKFORCE COMMISSION FEDERAL FUNDS BY PROGRAM
2012–13 BIENNIUM



Source: Texas Workforce Commission.

38,148 adults will participate in WIA programs in fiscal year 2012 and 39,596 will participate in WIA programs in fiscal year 2013.

About 90 percent of the agency's TANF appropriations will be expended by local workforce development boards for job readiness and job-training services to an estimated 48,088 TANF-eligible recipients participating in the TANF Choices program in fiscal year 2012, and 49,278 in fiscal year 2013. SNAP assists clients who are not eligible for TANF cash assistance to obtain employment, education, or vocational training needed to become self-sufficient. This program is appropriated an estimated $34.6 million for the 2012–13 biennium; more than 78 percent of this budget is in Federal Funds.

The Employment Services Program provides services to the general workforce and is expected to serve approximately 1.8 million clients during each year of the biennium. While these job search and recruitment assistance services are physically provided through the state's network of Local Workforce Development Boards, over 620 TWC employees administer the Employment Services Program consistent with current federal requirements.

The Senior Community Service Employment Program is appropriated $13.2 million in Federal Funds for the 2012–13 biennium to fund public or community service jobs for economically disadvantaged citizens age 55 and older, to enhance individual economic self-sufficiency. TWC is appropriated $5.7 million for the 2012–13 biennium for apprenticeship training to prepare individuals for occupations in skilled trades and crafts. The program combines on-the-job training with job-related classroom instruction for more than 3,600 trainees per year.

Under the federal Trade Adjustment Assistance Act, TWC provides funding to workforce boards to provide training, case management, job search, and related services to qualified laid-off workers who are included in trade positions certified by the U.S. Department of Labor.

In addition to workforce services, TWC provides business services in support of its Workforce Development goal. The Skills Development Fund program and the Self-Sufficiency Fund program respond to the workforce needs of Texas employers and industry. Both programs provide grants to community colleges and technical schools to fund customized training programs tailored to new or existing jobs with local employers. The 2012–13 biennium appropriation for the Skills Development Fund programs is $48.5 million in General Revenue Funds and the Self-Sufficiency Fund programs have $5.2 million in TANF appropriations. All trainees participating in Self-Sufficiency Fund grant programs must be current or potential TANF recipients.

During the 2010–11 biennium, the agency was appropriated $15 million in General Revenue Funds to implement the Texas Back to Work (TBTW) program. This subsidized employment program is designed to assist first-time unemployment insurance claimants get back into the workforce. TWC defrays the cost to employers of wages through the subsidy, and to date, 18,000 program participants are in employment. While the Eight-second Legislature, First Called Session, 2011, established TBTW in Chapter 314 of the Texas Labor Code, a direct appropriation to the program was not made for the 2012–13 biennium.

TWC also provides child-care services for eligible recipients as part of its Workforce Development goal. Child-care services enhance education services and job training provided to public assistance recipients and low-income individuals with children by allowing the participants to remain employed or to complete education and skills training. Federal CCDF, TANF, and matching General Revenue Funds, as well as MOE appropriations to TWC total $1,023 million for the 2012–13 biennium. At this level of funding, the agency estimates that child care will be provided to an average of 110,845 children per day in fiscal year 2012 and 110,845 children per day in fiscal year 2013. Agency projections indicate that 8,896 children per day will come from families of clients participating in the TANF Choices program in fiscal year 2012 and 9,116 in fiscal year 2013 (**Figure 343**).

UNEMPLOYMENT INSURANCE

The agency administers the state's unemployment insurance program under its Workforce Development goal, collecting payroll taxes from the state's employers and providing 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. Unemployed individuals can make claims by telephone or by using an online filing application. The state's employers can also use

FIGURE 343
TEXAS WORKFORCE COMMISSION, SELECTED PERFORMANCE MEASURES
FISCAL YEARS 2007 TO 2013

	FISCAL YEAR						
MEASURE	**2007**	**2008**	**2009**	**2010**	**2011**	**2012***	**2013***
Entered Employment Rate	78.40%	80.51%	79.92%	71.94%	66.70%	68.00%	70.00%
Employment Retention Rate	82.24%	84.16%	83.61%	79.30%	81.00%	78.50%	79.00%
Percentage of Unemployment Insurance Claimants Paid Timely	97.71%	97.41%	95.13%	95.04%	96.73%	95.00%	95.00%
Average Number of Children Served per Day, Transitional and At-risk Services	113,386	106,841	106,838	103,930	103,232	101,949	101,729
Average Number of Children Served per Day, TANF Choices Services	10,412	8,219	7,742	8,669	8,302	8,896	9,116

*Estimated.
Source: Texas Workforce Commission.

an online system to file their payroll tax information with TWC.

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 Trust Fund for this activity through the Reimbursements to the Unemployment Compensation Benefit Account.

PROGRAM ACCOUNTABILITY AND ENFORCEMENT

To support the agency's Program Accountability and Enforcement goal, TWC receives General Revenue–Dedicated Funds for enforcing 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 also uses fee-generated General Revenue Funds to license and regulate career schools and colleges that offer vocational or continuing education.

Another aspect of accountability and enforcement involves enforcing civil rights laws. To enforce the Texas Commission on Human Rights Act and the Texas Fair Housing Act, the Civil Rights Division of TWC investigates complaints, reviews personnel policies and procedures of state agencies and institutions of higher education, reviews initial firefighter testing, reports statistics, and conducts training. Appropriations for those functions total $4.1 million for the 2012–13 biennium, more than half of which comes from contracts with the federal Department of Housing and Urban Development and the Equal Employment Opportunity Commission.

SIGNIFICANT LEGISLATION

The enactment of House Bill 2831, Eight-second Legislature, Regular Session, 2011, authorizes TWC to adjust unemployment eligibility periods by rule to pay extended benefits when 100 percent federal funding is authorized by Congress. With the enactment of this legislation, TWC will continue to take full advantage of federal funding to pay extended benefits to unemployed workers through the end of fiscal year 2011.

11. REGULATORY

*As shown in **Figure 344**, All Funds appropriations for regulatory agencies for the 2012–13 biennium total $677.8 million, or 0.4 percent of all state appropriations. This amount is a decrease of $58.2 million, or 7.9 percent, from the 2010–11 biennium. **Figure 345** shows 2012–13 appropriations by method of financing and full-time-equivalent positions from fiscal years 2008 to 2013 for all regulatory agencies.*

FIGURE 344
ALL FUNDS APPROPRIATIONS FOR REGULATORY
2012–13 BIENNIUM

IN MILLIONS

AGENCY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
State Office of Administrative Hearings	$18.6	$20.5	$1.9	10.3
Board of Chiropractic Examiners	1.2	1.2	0.0	0.8
Texas State Board of Dental Examiners	4.8	4.4	(0.4)	(9.3)
Funeral Service Commission	1.5	1.5	(0.0)	(2.6)
Board of Professional Geoscientists	1.3	1.2	(0.1)	(9.1)
Health Professions Council	3.3	1.7	(1.6)	(48.1)
Office of Injured Employee Counsel	15.5	15.5	0.0	0.0
Department of Insurance	251.3	220.6	(30.7)	(12.2)
Office of Public Insurance Counsel	2.1	2.1	(0.0)	(2.0)
Board of Professional Land Surveying	0.9	0.9	0.0	1.1
Department of Licensing and Regulation	48.0	47.7	(0.3)	(0.6)
Texas Medical Board	22.0	22.7	0.7	3.1
Texas Board of Nursing	18.4	18.6	0.2	0.9
Optometry Board	0.9	0.9	(0.0)	(1.7)
Board of Pharmacy	10.7	10.3	(0.4)	(3.6)
Executive Council of Physical Therapy & Occupational Therapy Examiners	2.1	2.2	0.1	4.9
Board of Plumbing Examiners	4.6	4.3	(0.2)	(4.6)
Board of Podiatric Medical Examiners	0.5	0.5	0.0	4.8
Board of Examiners of Psychologists	1.8	1.6	(0.2)	(8.9)
Racing Commission	17.0	19.2	2.2	12.9
Real Estate Commission	15.6	0.0	(15.6)	(100.0)
Residential Construction Commission	3.1	0.0	(3.1)	(100.0)
Securities Board	12.9	13.7	0.8	6.3
Public Utility Commission of Texas	187.9	178.8	(9.1)	(4.8)
Office of Public Utility Counsel	3.3	3.0	(0.3)	(8.8)
Board of Veterinary Medical Examiners	2.0	1.9	(0.0)	(1.2)
SUBTOTAL, REGULATORY	**$651.3**	**$595.1**	**($56.2)**	**(8.6)**
Retirement and Group Insurance	$71.5	$74.4	$2.9	4.1
Social Security and Benefit Replacement Pay	26.3	25.9	(0.4)	(1.6)
SUBTOTAL, EMPLOYEE BENEFITS	**$97.8**	**$100.3**	**$2.5**	**2.5**

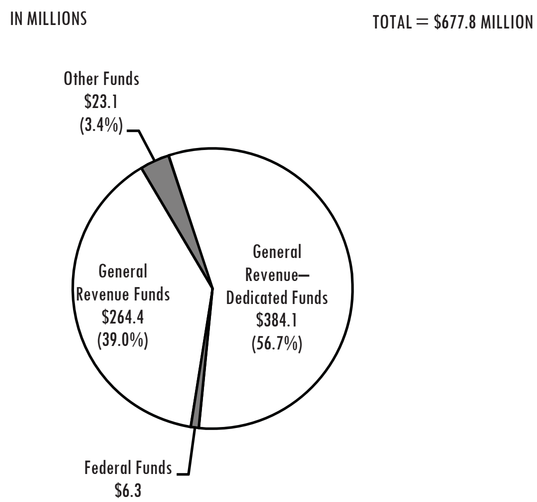
FIGURE 344 (CONTINUED)
ALL FUNDS APPROPRIATIONS FOR REGULATORY
2012–13 BIENNIUM

IN MILLIONS

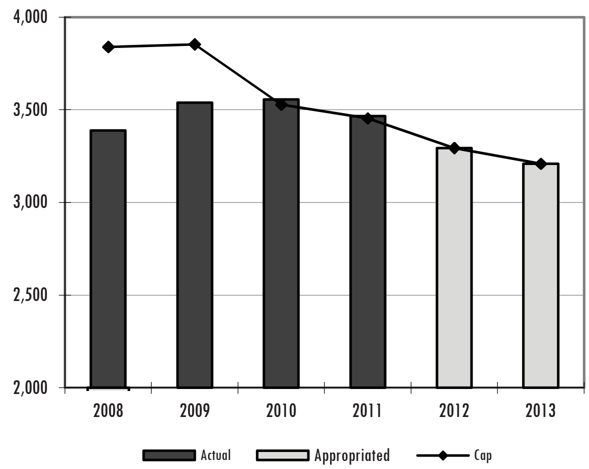
AGENCY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Lease Payments	$3.8	$2.6	($1.3)	(33.4)
SUBTOTAL, DEBT SERVICE	**$3.8**	**$2.6**	**($1.3)**	**(33.4)**
Less Interagency Contracts	$16.8	$20.1	$3.3	19.4
TOTAL, ARTICLE VIII – REGULATORY	**$736.1**	**$677.8**	**($58.2)**	**(7.9)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTES: Article totals exclude interagency contracts. Biennial change and percentage change are calculated on actual amounts before rounding. Totals may not sum due to rounding.
SOURCE: Legislative Budget Board.

FIGURE 345
REGULATORY APPROPRIATIONS AND FULL-TIME-EQUIVALENT POSITIONS
2012–13 BIENNIUM



SOURCE: Legislative Budget Board.



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

A wide range of industries and occupations are regulated by the 24 regulatory agencies included in Article VIII of the 2012–13 General Appropriations Act (GAA). Regulated industries include insurance, worker's compensation, health-related occupations, non-health-related occupations, telecommunications, electric utilities, securities, and pari-mutuel racing. The appropriations and indirect costs for 20 of the regulatory agencies are supported by fees generated from the industries and occupations they regulate. These agencies are subject to a special provision expressing legislative requirements that agency revenues cover the cost of agency appropriations as well as an amount equal to other direct and indirect costs appropriated elsewhere in the 2012–13 GAA.

Several major agencies included in the Regulatory Article are highlighted below.

MAJOR FUNDING ISSUES

The Eighty-second Legislature, Regular Session, 2011, and Eighty-second Legislature, First Called Session, 2011, decreased appropriations for agencies included in Article VIII by a net amount of $58.2 million in All Funds, or 7.9

NOTE: Biennial change and percentage change have been calculated on actual amounts before rounding in all figures in this chapter. Figure totals may not sum because of rounding.

percent, from the 2010–11 biennial spending levels. Many of the Regulatory agencies experienced a reduced or eliminated level of General Revenue Funding for agency programs compared to the 2010–11 biennial spending levels. Pursuant to the enactment of House Bill 4 by the Eighty-second Legislature, Regular Session, 2011, the Regulatory agencies also experienced an additional reduction to funds appropriated to the agencies in fiscal year 2011. The following is a summary of the more significant changes included in regulatory program areas for the 2012–13 biennium compared to prior biennium spending levels:

- a decrease of $67.4 million for the Low Income Discount Program at the Public Utility Commission;
- a decrease of $34.8 million for the Healthy Texas Program at the Department of Insurance;
- a decrease of $1.6 million to the Health Professions Council (HPC) for one-time implementation costs associated with the HPC Shared Regulatory Database project completed in the 2010–11 biennium for use by the Board of Dental Examiners, the Board of Plumbing Examiners, the Board of Examiners of Psychologists, the Optometry Board, the Board of Pharmacy, and the Board of Professional Land Surveying;
- a decrease of $1.0 million for reductions to Data Center Services costs at the Department of Licensing and Regulation, Health Professions Council, Department of Insurance, and the Public Utility Commission;
- an increase of $8.5 million from State Highway Fund No. 006 to the Department of Insurance for the transfer of TexasSure vehicle insurance verification system funding from the Department of Motor Vehicles;
- an increase of $5.7 million and up to 45 full-time-equivalent (FTE) positions to provide adequate regulation for the insurance and racing industries in the event that additional resources are needed; and
- an increase of $1.8 million in Interagency Contracts and 12.0 FTE positions at the State Office of Administrative Hearings to fund an anticipated increase in caseload referred from the Division of Workers Compensation at the Department of Insurance.

Due to the enactment of certain legislation, there is a decrease of $23.0 million in certain regulatory program areas for the 2012–13 biennium compared to prior biennium spending levels. Pursuant to enactment of Senate Bill 1000 by the Eighty-second Legislature, Regular Session, 2011, the Real Estate Commission is authorized to act outside of the appropriations process. In addition, provisions of Senate Bill 1291 by the Eighty-second Legislature, Regular Session, 2011, authorize the budget of certain divisions within the Department of Insurance to also operate outside of the appropriations process beginning in fiscal year 2013.

The following amounts are the decreases of All Funds for each of the affected agencies:

- $15.6 million and 99.0 FTE positions for the Real Estate Commission; and
- $7.4 million and 85.8 FTE positions for the Department of Insurance.

Appropriations for 11 health-related licensing agencies total $65.9 million in All Funds, which includes $62.6 million in fee-supported General Revenue Funds and General Revenue–Dedicated Funds for the 2012–13 biennium. These amounts do not include appropriations for the Health Professions Council, which is funded through required Interagency Contracts ($1.7 million for the 2012–13 biennium) established with the 11 health-related licensing agencies and three of the non-health-related licensing agencies. All Funds appropriations for these health-related licensing agencies decreased by $81,964 from the 2010–11 biennial spending levels.

Appropriations for the 12 non-health-related regulatory agencies total $527.4 million in All Funds, which includes $484.6 million in General Revenue Funds and General Revenue–Dedicated Funds for the 2012–13 biennium. Of the General Revenue Funds and General Revenue–Dedicated Funds amount, $465.9 million (96.1 percent) is generated by fees from the regulated industries and occupations. The 2012–13 appropriations are a decrease of $35.8 million, or 6.4 percent, in All Funds and $11.0 million, or 2.2 percent, in General Revenue Funds and General Revenue–Dedicated Funds from the 2010–11 biennial spending levels.

The Eighty-second Legislature, Regular Session, 2011, evaluated six Article VIII agencies through the Sunset review process: the Office of Injured Employee Counsel, Department of Insurance, Office of Public Insurance Counsel, Racing Commission, Public Utility Commission, and Office of Public Utility Counsel. All six of these agencies were continued as independent stand-alone agencies.

Seventeen of the 24 regulatory agencies participate in the TexasOnline Internet occupational licensing system. Agencies charge fees on licensees in their regulated occupation or industry to pay for the use of the TexasOnline system. These fees are appropriated through strategies in agency budgets that are both estimated and non-transferable. Approximately $5.2 million is appropriated for the 2012–13 biennium to support the online system.

A number of licensing agencies also conduct background and criminal history checks on individuals licensed in the state. Fees charged to licensees are subsequently appropriated through agency budgets to pay for these checks at either the Texas Department of Public Safety or through third-party vendors. Approximately $2.8 million is appropriated for the 2012–13 biennium for the sole purpose of paying the fee for these background and criminal history checks.

STATE OFFICE OF ADMINISTRATIVE HEARINGS

The State Office of Administrative Hearings (SOAH) was established in 1991 to hear contested cases for agencies that do not employ an administrative law judge to arbitrate such disputes. The agency is authorized under the Texas Administrative Procedure Act (Chapter 2001, Texas Government Code) and operates under the direction of the Chief Administrative Law Judge, whom the Governor appoints for a two-year term upon Senate confirmation.

SOAH's mission is to conduct fair, objective, prompt, and efficient hearings and alternative dispute resolution (ADR) proceedings and to provide fair, logical, and timely decisions. Conducting administrative hearings and preparing proposals for decisions and final orders comprise the agency's primary functions. The agency provides an independent forum for the resolution of contested cases arising from the enforcement of state regulations. SOAH's ADR function includes conducting mediated settlement conferences, arbitrations, and other alternative dispute resolution proceedings. An administrative law judge may refer cases to ADR or serve as an impartial third party for negotiated rulemaking.

The agency's internal structure includes seven teams that hear contested cases involving specific areas of regulatory law: Administrative License Revocation (ALR) and Field Enforcement; Alternative Dispute Resolution; Economics; Licensing and Enforcement; Natural Resources; Tax; and Utilities. The ALR program is conducted jointly 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. **Figure 346** shows certain key agency performance measures from fiscal years 2009 to 2013.

Appropriations for the 2012–13 biennium total $20.5 million in All Funds and provide for 127 full-time-equivalent (FTE) positions in each fiscal year. The appropriation includes $6.6 million in General Revenue Funds, or 32 percent, and covers the cost of hearings conducted for 33 agencies. SOAH serves 51 state agencies. SOAH also enters into hourly contracts with agencies not covered by its appropriations of General Revenue Funds to conduct contested case hearings at a rate of $100 per hour. The agency estimates approximately $7.1 million will be generated through Interagency Contracts in the 2012–13 biennium, which is a $1.8 million increase from the 2010–11 biennial spending level, resulting from projected case hours from the Attorney General's Office; the Office of the Comptroller of Public Accounts; the Department of Family and Protective Services; and the Department of Motor Vehicles. The Texas Commission on Environmental Quality will make a $1.0 million lump sum Interagency Contract payment each fiscal year during the biennium to cover the cost of its referred cases. Agency appropriations also include $6.4 million from the State Highway Fund to conduct ALR hearings for DPS.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed House Bill 2203, which adds five new counties to a three-year pilot program allowing property owners to appeal appraisal review board determinations for certain real or personal properties to SOAH. The pilot program is limited to 3,000 appeals and is intended to fund itself through the retention of filing fees and collection of costs from losing parties.

The enactment of Senate Bill 693, Regular Session, requires a groundwater conservation district to contract with SOAH to conduct a contested case hearing if requested by a permit applicant or other party to the hearing.

FIGURE 346
STATE OFFICE OF ADMINISTRATIVE HEARINGS PERFORMANCE MEASURES
FISCAL YEARS 2009 TO 2013

PERFORMANCE MEASURE	2009	2010	2011	2012*	2013*
Total Agencies Served	46	46	51	51	51
Total Cases Received**	36,537	40,270	40,948	40,090	40,090
Total Cases Disposed	35,369	40,478	41,496	42,673	42,673
Total Administrative License Revocation Cases Disposed	29,521	34,316	34,327	34,859	34,859
Total Alternative Dispute Resolution Cases Requested or Referred	115	144	140	155	155

*Estimated.
**Total includes all cases received, except for alternative dispute resolution cases.
Source: State Office of Administrative Hearings.

OFFICE OF INJURED EMPLOYEE COUNSEL

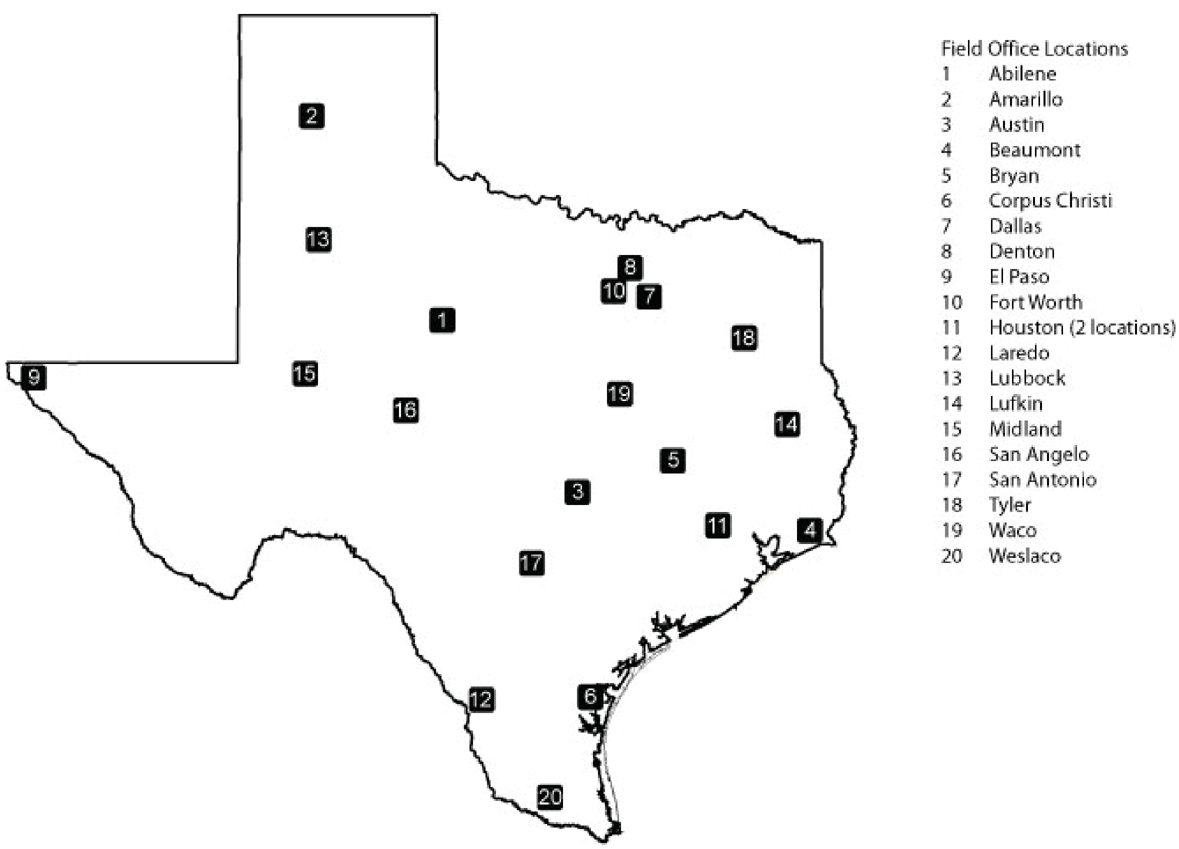
The Seventy-ninth Legislature, Regular Session, 2005, passed legislation that established the Office of Injured Employee Counsel (OIEC), which is administratively attached to the Texas Department of Insurance (TDI). OIEC is governed by a Public Counsel who is appointed by the Governor and confirmed by the Senate for a two-year term, which expires February 1 of each odd-numbered year. The mission of the agency is to assist, educate, and advocate on behalf of the injured employees of Texas.

Appropriations for the 2012–13 biennium total $15.5 million in General Revenue–Dedicated Funds from the Texas Department of Insurance Operating Fund and provide for 175 full-time-equivalent positions.

The agency carries out its mission through three goals. The first goal, Ombudsman Program, includes assisting injured employees through the administrative proceedings process. Ombudsmen and ombudsmen assistants are based in the agency's central office as well as in 21 field offices (**Figure 347**). Field offices are located in 20 cities around the state (two field offices are in Houston). 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 and the Customer Service Program work in concert to resolve disputes through early intervention and case development.

The agency achieves its second goal, Education and Referral, by sending the Rights and Responsibilities document to injured employees. This document contains an overview of an injured employee's rights and their responsibilities within the Texas workers' compensation system and includes the OIEC toll-free number. The agency also refers injured employees to programs, services, and licensing boards.

FIGURE 347
OFFICE OF INJURED EMPLOYEE COUNSEL FIELD OFFICES, 2011



SOURCE: Office of Injured Employee Counsel.

The third goal, Advocate for Injured Employees, includes participating in rulemaking by analyzing and commenting on TDI's Division of Workers' Compensation (DWC) rules in both the formal and informal phases of DWC's rulemaking efforts.

SIGNIFICANT LEGISLATION

Several bills were passed by the Eighty-second Legislature, Regular Session, 2011, affecting OIEC. Among the more significant legislation are House Bill 1774, House Bill 2089, and House Bill 2605.

The enactment of House Bill 1774 continues OIEC until September 1, 2017, and requires the agency to develop and implement a policy to encourage the use of appropriate alternative dispute resolution procedures to assist in the resolution of internal and external disputes under OIEC's jurisdiction.

Provisions within House Bill 2089 clarify that injured employees are entitled to timely and accurate benefits and requires TDI-DWC to develop procedures for recoupment of overpayment and underpayment of benefits to injured employees.

The enactment of House Bill 2605 continues TDI-DWC until September 1, 2017, and amends the workers compensation benefit review conferences, contested case hearings, medical fee dispute process, and appeals process.

The enactment of Senate Bill 809 extends the period to seek judicial review of medical fee and medical necessity disputes to 45 days after the date the decision is mailed to the parties.

TEXAS DEPARTMENT OF INSURANCE

With origins dating back to 1876, the Texas Department of Insurance (TDI) was established in its present form in 1991 to guarantee the availability of quality insurance products at reasonable prices and terms while promoting competition and ensuring solvency standards. TDI regulates various types of insurance, including life, health, title, property and casualty, and workers' compensation. The enactment of House Bill 7, Seventy-ninth Legislature, Regular Session, 2005, transferred the functions of the Workers' Compensation Commission to TDI and created the Division of Workers' Compensation (DWC) within TDI. The agency also has exclusive regulatory authority over health maintenance organizations. In addition, the State Fire Marshal is a part of TDI. **Figure 348** lists agent licensing and company certification data for fiscal years 2009 to 2013.

TDI is headed by the Commissioner of Insurance, a position appointed by the Governor for a two-year term and subject to Senate confirmation. The commissioner is charged with regulating the Texas insurance industry by administering and enforcing the Texas Insurance Code and other applicable laws. The commissioner is required by the Texas Insurance Code to raise revenues through a maintenance tax on insurer gross premiums and through fees sufficient to fund the agency's General Revenue Fund and General Revenue–Dedicated Fund appropriations. **Figure 349** shows the taxable premiums and maintenance tax assessment rates by line of insurance or entity for calendar year 2010. **Figure 350** compares assessment rates by Health Maintenance Organization type. The commissioner also represents the state as a member of the National Association of Insurance Commissioners, which provides opportunities for interstate coordination in the absence of federal regulation of interstate insurance transactions.

Agency appropriations for the 2012–13 biennium total $220.6 million in All Funds and provide for 1,704.0 full-time-equivalent (FTE) positions in fiscal year 2012 and 1,626.2 FTE positions in fiscal year 2013. Approximately $186.7 million, or 84.6 percent, of these appropriations are supported from maintenance tax revenues. Total appropriations decreased $30.7 million, or 12.2 percent, from the 2010–11 biennial spending levels. Most of the decrease ($34.8 million) is in the Healthy Texas Program, a program established during the Eighty-first Legislature, Regular Session, 2009, under which health benefit plan issuers may receive reimbursement for claims paid for individuals covered under qualifying group health plans. The Interagency Contract with the Health and Human Services Commission increased by $2.9 million for this program and the agency was granted unexpended balance authority across and within biennia for this program.

The enactment of Senate Bill 1291, Eighty-second Legislature, Regular Session, 2011, changed the budget process of certain divisions of TDI to become self-directed and semi-independent outside of the appropriations process, which decreased the agency's appropriations by $7.4 million and 85.8 FTE positions in fiscal year 2013. For the 2012–13 biennium, the agency's budget includes an increase of $4.4 million and 40.0 FTE positions for a new contingency regulatory response rider. Additionally, the agency's appropriations increased by $4.5 million from the State Highway Fund for the Texas Sure Motor Vehicle Financial Responsibility Verification Program, which was previously operated by TDI but funded by the Department of Motor Vehicles.

The agency carries out its mission through six goals. The first is to promote consumer access to affordable insurance products within a fair market. For the 2012–13 biennium, the agency is appropriated approximately $64.8 million in All Funds for activities that directly support this goal, such as promoting competition, increasing availability of coverage for the underserved, investigating and resolving complaints, and preventing insurer fraud.

Activities to promote competition include providing comparative rate and price information to consumers and

FIGURE 348
INSURANCE LICENSES ISSUED
FISCAL YEARS 2009 TO 2013

LICENSE/CERTIFICATION	2009	2010	2011	*2012	*2013
Licensed Agents	347,665	358,563	372,771	394,000	394,000
Regulated Companies and Carriers	1,960	1,939	1,925	1,950	1,950

*Based on Legislative Reporting System Estimates.
Source: Texas Department of Insurance.

FIGURE 349
TAXABLE INSURANCE PREMIUMS AND ASSESSMENT RATES CALENDAR YEAR 2010

INSURANCE COVERAGE/ENTITY	GROSS PREMIUMS (IN MILLIONS)	% ASSESSMENT RATES
Fire and allied lines	$10,251.2	0.31
Casualty and fidelity	$4,815.4	0.135
Motor vehicle	$15,178.6	0.06
Worker's compensation	$3,168.9	0.115
Life, accident, and health	$29,179.5	0.04
Prepaid Legal	$3.3	0.036
Title	$913.0	0.281
Third-party administrators	$1,384.1	0.045

Source: Texas Department of Insurance.

FIGURE 350
NUMBER OF HEALTH MAINTENANCE ORGANIZATION (HMO) ENROLLEES AND ASSESSMENT RATES FISCAL YEAR 2010

INSURANCE COVERAGE/ENTITY	ENROLLEES	ENROLLEE ASSESSMENT RATES
HMO–Multi-service	2,598,092	$1.26
HMO–Single Service	811,050	$0.42
HMO–Limited Service	595,086	$0.42

Source: Texas Department of Insurance.

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. TDI also regulates rates for the sale of automobile and residential insurance.

To increase the availability of insurance, TDI identifies underserved markets for automobile and homeowners insurance and encourages insurers to offer policies in these markets. In addition, the agency investigates consumer complaints, initiates enforcement actions to stop unlawful trade practices, investigates allegations of insurer fraud, and refers fraud cases to the Office of the Attorney General, the local District Attorney, or other appropriate agencies or law enforcement authorities for prosecution.

Additionally, this goal includes the long-term care insurance partnership program to reduce future reliance on Medicaid, the implementation of three-share premium assistance programs to increase access to private healthcare coverage for the uninsured, and the Healthy Texas program.

The agency's second goal is to promote the financial strength of the insurance industry and reduce undue loss cost. TDI is appropriated $29.2 million in All Funds for the 2012–13 biennium to analyze the financial condition of insurers operating in Texas and to provide safety education programs, inspect insurance loss programs offered to policyholders, and assure 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 which is administered by a special deputy receiver.

The third goal is to reduce the loss of life and property caused by fire. TDI is appropriated $8.1 million in All Funds for the biennium to support the State Fire Marshal's registration, licensing, investigation, and enforcement activities. Cigarette manufacturers are required to certify to the State Fire Marshal's Office that the cigarettes meet performance standards and the package must contain markings with this certification.

The Division of Workers' Compensation administers the fourth goal, which is to promote safe and healthy workplaces and to ensure the appropriate delivery of workers' compensation benefits. Appropriations of $66.2 million in All Funds are provided for the 2012–13 biennium. DWC administers this program through its 24 field offices, which provide claims services, customer services, and dispute resolution services. DWC certifies and regulates self-insured employers, monitors compliance and takes necessary enforcement action, and resolves indemnity and medical disputes. DWC offers appropriate incentives, education, consultation, and inspections related to worker safety. In addition, DWC administers the Subsequent Injury Fund (SIF). The SIF was established in 1947 to pay lifetime income benefits, and funding is provided through payments by insurance carriers from proceeds of on-the-job death claims in which no beneficiary survives the deceased employee. Central administration, information resources, and other support services comprise the agency's fifth goal. Appropriations of $47.9 million in All Funds support this goal for the 2012–13 biennium.

The agency's sixth goal is the new contingency regulatory response rider with $4.4 million in All Funds for the 2012–13 biennium. Appropriation of these funds is contingent upon the agency needing additional resources due to a significant change in insurance regulatory environment, demands for federal healthcare reform implementation, a weather related disaster in Texas, a public health crisis, such as a pandemic, a fire that has been declared as a disaster situation in the Texas, and non-weather related disasters.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, 2011, in both the Regular Session and the First Called Session, passed legislation that affect the agency. Significant legislation includes: House Bill 3, House Bill 1951, House Bill 2089, House Bill 2605, House Bill 2277, Senate Bill 1, Senate Bill 7, Senate Bill 809, and Senate Bill 1291.

The enactment of House Bill 3, Eighty-second Legislature, First Called Session, 2011, authorizes changes to Texas Windstorm Insurance Association (TWIA) operations in the areas of consumer protection, claims solvency, transparency, agency oversight, and lawsuit abuse prevention. The legislation provides for additional auditing and oversight of TWIA by TDI and requires TDI to establish an "Ombudsman Program" to provide information and education and assist TWIA policyholders with the claims processes. House Bill 3 establishes a legislative interim study committee to review alternative ways to provide insurance to the Texas seacoast territory and directs TDI and TWIA to jointly study whether a "single adjuster program" would improve claims paying efficiency of TWIA. Provisions of the legislation authorize the issuance of pre-event bonds, clarify certain funding and bonding provisions relating to the solvency of TWIA, and make the new provisions applicable to issuance of securities on or after the effective date of the legislation response to occurrences that take place on or after July 1, 2011.

The enactment of House Bill 1951, Eighty-second Legislature, Regular Session, 2011, continues TDI for 12 years by extending the agency's sunset date to September 1, 2023, and clarifies the duties and purpose of TDI to ensure fair treatment of consumers and fair competition in the insurance industry. The legislation refined certain functions of TDI in the areas of property and casualty rate filing review procedures, claims data collection, title insurance statistical reporting, and State Fire Marshal assessments of administrative penalties and inspections of state owned and leased buildings.

Provisions within House Bill 2089, Eighty-second Legislature, Regular Session, 2011, clarify that injured employees are entitled to timely and accurate benefits and requires TDI-DWC to develop procedures for recoupment of overpayment and underpayment of benefits to injured employees.

The enactment of House Bill 2277, Eighty-second Legislature, Regular Session, 2011, authorizes TDI to investigate suspected fraudulent life settlement acts and persons engaged in the business of life settlements; changes the requirements for antifraud plans and reporting of fraud; and provides for criminal and administrative sanctions for violations. The bill also authorizes TDI to conduct examinations of entities involved in the viatical settlement business.

The enactment of House Bill 2605, Eighty-second Legislature, Regular Session, 2011, continues TDI–DWC for six years by extending the agency's sunset date to September 1, 2017, and amends processes regarding designated doctors, benefit dispute resolution, the appeals process, and the DWC's Medical Quality Review Panel. The bill changes the types of hearings to be held at the DWC contested case hearings and the appeal of medical fee dispute decisions for non-network claims will be heard by the State Office of Administrative Hearings.

The enactment of Senate Bill 809, Eighty-second Legislature, Regular Session, 2011, extends the time to seek judicial review of medical fee and medical necessity disputes to 45 days after the date the decision is mailed to the parties.

Provisions of Senate Bill 1, Eighty-second Legislature, First Called Session, 2011, repeal the insurance tax credits for examination fees which would apply to examination fees or evaluations paid in calender year 2012 or 2013. The provision would expire on January 1, 2014.

Provisions of Senate Bill 7, Eighty-second Legislature, First Called Session, 2011, provide for the formation and governance of a Health Care Collaborative that will arrange for healthcare services for insurers, Health Maintenance Organizations, and other payors in exchange for payments in cash or in kind. The Health Care Collaborative may consist of various combinations of physicians, insurers, and other providers. The Health Care Collaborative will be certified by TDI with review by the Texas Attorney General and will be able to accept and distribute payments.

Provisions of Senate Bill 1291, Eighty-second Legislature, Regular Session, 2011, change TDI's examination function to be funded by a self-directed budget outside of the General Appropriations Act beginning in fiscal year 2013.

OFFICE OF PUBLIC INSURANCE COUNSEL

The Office of Public Insurance Counsel (OPIC) was established as a state agency in 1991 with the mission of representing the interests of insurance consumers in Texas. OPIC is headed by the Public Counsel, who is appointed by the Governor for a two-year term, subject to the consent of the Senate.

All Funds appropriations to the agency for the 2012–13 biennium total $2.1 million from fee-supported General Revenue Funds and provide for 15.0 full-time-equivalent positions. Of that amount, $191,670 each fiscal year is from an Interagency Contract with the Department of Insurance (TDI). These funds are allocated from the Texas Department of Insurance Operating Fund to provide consumers with insurance information to make informed decisions.

OPIC is required to generate sufficient revenue to cover its appropriations. The Texas Insurance Code provides funding for OPIC operations through annual assessments of $0.057 on each property, casualty, title (owner and mortgage), life, health, and accident insurance policy (individual or group) in force during each calendar year.

In support of its mission, OPIC's two goals are to advocate on behalf of Texas insurance consumers and to increase effective consumer choice. To achieve the first goal, OPIC participates as a party in hearings before the TDI involving insurance rates, rules, and policy forms; in judicial proceedings; and in other proceedings the Public Counsel determines 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 2012–13 biennium. In addition, OPIC may participate in judicial proceedings and recommends legislation that will positively affect consumer interests.

OPIC's efforts to increase effective consumer choice entail providing information to enhance consumers' awareness of their rights and responsibilities and educating them concerning the operation of Texas insurance markets. In support of this goal, OPIC staff give public presentations; deliver speeches; participate in panel discussions; prepare a consumer "bill of rights" for each personal line of insurance regulated by the state; and produce Health Maintenance Organization "report cards."

SIGNIFICANT LEGISLATION

The enactment of Senate Bill 647, Eighty-second Legislature, Regular Session, 2011, continues OPIC until September 1, 2023. The legislation also requires OPIC to develop and implement a policy to encourage the use of appropriate alternative dispute resolution procedures to assist in the resolution of internal and external disputes under OPIC's jurisdiction.

DEPARTMENT OF LICENSING AND REGULATION

The Texas Department of Licensing and Regulation (TDLR) was established in 1909 as the Bureau of Labor and Statistics and has become a regulatory umbrella for the licensing, certification, and enforcement of regulatory statutes involving diverse businesses, industries, general trades, and occupations. A seven-member commission appointed by the Governor with the consent of the Senate governs the agency.

TDLR's mission is to protect public safety and welfare through the fair regulation of mandated industries and through the education of consumers regarding their rights and obligations. The agency administers and enforces state laws that regulate the following entities: air conditioning and refrigeration contractors; architectural barriers; auctioneers; barbers; boiler inspections; combative sports; cosmetologists; discount health cards; electricians, including pool-related electrical maintenance technicians and contractors; elevators, escalators, and related equipment; for-profit legal service contracts; industrialized housing and buildings; licensed court interpreters; loss damage waivers; dog and cat breeders and dealers; property tax consultants and tax professionals; polygraph examiners; service contract providers; staff leasing services; employers of certain temporary common workers; tow trucks and vehicle storage facilities; identity recovery service providers; used automotive parts recyclers; vehicle booting by private entities; vehicle protection product warrantors; water-well drillers and pump installers; and weather modification businesses.

The 2012–13 biennial appropriation for TDLR includes an All Funds total of $47.7 million and 392.2 full-time-equivalent positions. The appropriation includes $45.0 million in fee-supported General Revenue Funds and General Revenue–Dedicated Funds, or 96.2 percent. Contingent on revenue collections and a finding of fact by the Comptroller of Public Accounts, the 2012–13 appropriations provide $30.9 million for enforcing regulations, issuing licenses, resolving complaints, and conducting investigations. The total appropriations reflect a reduction of $0.3 million in program funding and one-time implementation costs from the 2010–11 biennium. **Figure 351** shows the agency's level of performance in three key performance measures from fiscal years 2009 to 2013.

LICENSING AND ENFORCEMENT

The agency estimates that it will issue over 976,000 individual licenses, certifications, and registrations during the 2012–13 biennium. To protect the health and safety of consumers, TDLR inspects and investigates licensees and businesses. Agency investigators throughout the state routinely examine the operations and activities of persons conducting business under the agency's jurisdiction. As part of its enforcement function, TDLR performed 142,923 routine inspections and completed approximately 13,123 complaint investigations in fiscal year 2011. TDLR estimates that it will perform 249,089 routine inspections and complete 20,694 complaint investigations during the 2012–13 biennium.

TDLR develops and distributes information about agency licensing and complaint processes and operates a toll-free telephone line to inform consumers about the agency and its operations. The agency also administers the Architectural Barriers Program and the Auctioneer's Education Recovery Fund. The Architectural Barriers Program ensures that persons with disabilities are not denied access to new and renovated buildings and facilities. The Auctioneer's Education Recovery Fund protects consumers against financial loss caused by an auctioneer's non-payment of funds from the sale of goods and helps provide continuing education for auctioneers.

FIGURE 351
TEXAS DEPARTMENT OF LICENSING AND REGULATION PERFORMANCE MEASURES
FISCAL YEARS 2009 TO 2013

PERFORMANCE MEASURES	2009	2010	2011	2012*	2013*
Licenses Issued	460,862	482,347	479,275	488,171	488,171
Complaints Resolved	10,801	12,884	13,123	9,981	10,713
Jurisdictional Complaints Received	13,327	12,000	10,683	11,892	12,034
Full-time-equivalent Positions	350.74	375.7	359.7	392.2	392.2

*Estimated.
Source: Texas Department of Licensing and Regulation.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that establish and removed regulatory responsibilities for TDLR. The more significant legislation enacted includes:

- House Bill 1451, which authorizes TDLR to license and regulate dog and cat breeders and dealers;
- House Bill 3167, which amends the Texas Occupations Code to repeal the regulation of talent agencies and personnel services;
- Senate Bill 1168, which amends the Texas Occupations Code to repeal the certification process for personnel service owners and the regulation of personnel services.

RACING COMMISSION

Following ratification of the Texas Racing Act of 1986 by statewide referendum, the Texas Racing Commission (TRC) began operations in 1988. The commission consists of seven members appointed by the Governor with the consent of the Senate and two ex-officio members: the Chair of the Public Safety Commission and the Comptroller of Public Accounts, or their designees. Five commission members must represent the public and have knowledge of business or agribusiness; the other two appointed members must be knowledgeable about or experienced in greyhound racing or horseracing.

The agency's mission is to oversee the pari-mutuel racing industry and to foster an environment of trust and safety. Further, the agency is charged with stimulating participation by patrons and licensees to maximize the amount of money circulating through the industry and its constituent and ancillary businesses. As **Figure 352** shows, the total amount of the pari-mutuel wagering handle (the total amount wagered on racing) has decreased since 2007. The agency reports that increased competition from expanded gambling opportunities in neighboring states as well as illegal Internet wagering is contributing to this decrease.

Direct appropriations for the 2012–13 biennium total $17.9 million in fee-generated General Revenue–Dedicated Funds and provide for 62.3 full-time-equivalent (FTE) positions in each fiscal year. Also, contingent upon the opening of each new horse racetrack each fiscal year of the biennium, additional appropriations from General Revenue–Dedicated Funds are available to the agency: $303,600 and 5 FTE positions for regulatory functions and $332,037 for the Texas Bred Incentive Program. To receive these appropriations, the agency must collect the revenue from each new horse racetrack that begins operations during the 2012–13 biennium.

The agency carries out its mission through four goals. The first goal, to enforce racing regulation, includes regulating racetrack owners, administering the Texas Bred Incentive Program, supervising racing conduct, and providing health and drug testing of horses and greyhounds. There are currently six active horse racetracks and three active greyhound racetracks in the state. 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-breeding and greyhound-breeding industries.

The agency achieves its second goal, to regulate participation in racing, by administering the occupational-licensing program, which includes enforcement and regulation, and licensing of individuals through the TexasOnline Authority. The agency licenses all racetrack employees who can affect pari-mutuel racing. The agency ensures that all licensees meet the requirements to qualify for licensing.

The agency's third goal, to regulate pari-mutuel wagering in Texas, includes investigating illegal wagering and conducting compliance audits at the racetracks. The agency's responsibilities include increasing the Totalisator (tote) tests and pass rate for pari-mutuel compliance audits. The tote is a complex computer system that tallies and calculates the pari-mutuel wagers. A licensed racetrack contracts with one company to provide a computer system to tally and calculate the pari-mutuel wagers at its facilities.

FIGURE 352
TEXAS RACING COMMISSION SELECTED PERFORMANCE MEASURES
FISCAL YEARS 2007 TO 2013

PERFORMANCE MEASURE	2007	2008	2009	2010	2011	2012*	2013*
Total Racetrack Inspections	79	108	99	101	80	79	79
Total Texas-Bred Awards	22,144	17,786	16,543	13,454	11,901	12,500	12,500
Total New Occupational Licenses Issued	4,919	4,650	3,844	3,140	2,675	3,000	3,000
Total Pari-mutuel Handle (in millions)	$497.8	$463.9	$409.5	$365.8	$313.2	$347.4	$338.8
Total Take to State Treasury from Pari-mutuel Wagering on Live and Simulcast Races (in millions)	$4.5	$4.1	$3.7	$3.3	$3.0	$3.2	$3.1
Total Occupational Licensees Suspended or Revoked	220	172	175	183	114	147	147
Total Investigations Completed	294	220	229	240	208	175	175

*Estimated.
Source: Texas Racing Commission.

The agency's fourth goal provides indirect support through central administration and other support services.

SIGNIFICANT LEGISLATION

The enactment of House Bill 2271, Eight-second Legislature, 2011, continues the Texas Racing Commission for six years, clarifies TRC's authority and ability to revoke a racetrack license, authorizes TRC to require license holders to post security at any time, eliminates uncashed winning tickets as a source of TRC revenue, clarifies that all unlicensed entities are prohibited from accepting wagers placed by Texas residents, states that TRC should review the operations and management of all active racetrack licenses and requires TRC to designate each racetrack as either active or inactive. Additionally, the legislation requires TRC to license only racetrack employees who can affect pari-mutuel racing and requires the agency to obtain criminal history background checks on the licensees every three years.

The enactment of House Bill 254, Eight-second Legislature, 2011, establishes the Texas Derbies as annual horse races beginning on or after January 1, 2015.

STATE SECURITIES BOARD

The State Securities Board was created in 1957 by the Fifty-fifth Legislature and consists of five members appointed by the Governor and subject to Senate confirmation. The Securities Commissioner is appointed by the board. The agency's primary mission is to protect Texas investors. In accordance with its mission, the agency strives to ensure a free and competitive securities market for Texas, increase investor confidence, and encourage the formation of capital and the creation of new jobs.

Appropriations for the 2012–13 biennium total $13.7 million in All Funds (fee-generated General Revenue Funds), which is a $0.8 million increase from the 2010–11 biennial spending level for enforcement and inspections, providing for a $0.2 million increase in capital budget authority and 102 full-time-equivalent positions each year.

The agency's four major strategies—law enforcement, securities registration, dealer registration, and inspections—are organized to support its goal of protecting investors from fraud and misrepresentation while ensuring the availability of capital to business.

Law enforcement activities include investigating suspected violations of the Texas Securities Act and, if appropriate, promptly initiating administrative enforcement proceedings or referring matters for criminal prosecution or civil action. The Securities Board staff collects and summarizes evidence for cases adjudicated before State Office of Administrative Hearings administrative law judges and cases referred to the Office of the Attorney General in civil injunction actions.

The Securities Board reviews all applications to register securities for sale in the state to ensure investor access to full and fair disclosure of all relevant investment information. The agency ensures that offering terms are in compliance with the Texas Securities Act and Securities Board rules.

All securities dealers, their sales agents, and investment advisers in Texas must be registered with the Securities Board, unless the Texas Securities Act exempts them from registering, or they are preempted by federal law. The agency's dealer registration function examines applications for registration of dealers, investment advisers, and agents, and maintains an ongoing review process by examining amendments and renewals submitted by registrants.

Securities dealers and investment advisers must maintain certain records and make them available for review upon the request of the Securities Commissioner. The Securities Board also verifies continuing compliance with the Texas Securities Act through periodic inspections of registered firms.

In 1996, the U.S. Congress passed legislation that eliminated federal examinations for investment advisers managing less than $25 million in assets. In 2010, the U.S. Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act that eliminated federal examinations for investment advisers managing less than $100 million in assets making the Securities Board the only government agency responsible for examining this group of securities dealers in Texas. **Figure 353** shows the number of securities agents, dealers, advisers, and adviser representatives registered by the Securities Board from fiscal year 2002 to 2013, as well as the revenue deposited to the State Treasury from securities applications during that same period. The Securities Board estimates approximately $220.8 million in revenue deposits to the state treasury from securities applications during the 2012–13 biennium.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011 passed Senate Bill 652, which moved the Securities Board Sunset date from fiscal year 2013 to fiscal year 2015.

FIGURE 353
SELECTED PERFORMANCE MEASURES
STATE SECURITIES BOARD
FISCAL YEARS 2002 TO 2013

FISCAL YEAR	SECURITIES APPLICATIONS	SECURITIES REVENUE (IN MILLIONS)	DEALERS/ AGENTS	DEALER REVENUES (IN MILLIONS)
2002	29,427	$59.1	162,122	$44.5
2003	35,603	$56.5	162,671	$43.4
2004	39,913	$69.0	169,700	$70.9
2005	39,450	$75.7	181,602	$51.5
2006	44,292	$94.7	191,949	$54.3
2007	51,796	$109.9	209,494	$59.3
2008	50,252	$115.9	212,904	$61.5
2009	46,477	$87.4	214,029	$61.3
2010	46,953	$94.9	211,302	$69.8
2011	50,420	$110.4	229,482	$73.7
2012*	50,420	$110.4	290,000	$73.7
2013*	50,420	$110.4	290,000	$73.7

*Estimated.
Source: State Securities Board.

PUBLIC UTILITY COMMISSION OF TEXAS

The Public Utility Commission of Texas (PUC) was established in 1975 to regulate electric and telecommunications utilities and had jurisdiction over water utilities. In 1985, water utility regulation was moved to the Texas Water Commission (now the Texas Commission on Environmental Quality). The agency's mission is to protect customers, foster competition, and promote high-quality utility infrastructure. The agency is headed by three commissioners who are appointed by the Governor, subject to Senate confirmation, and serve full time for six-year, staggered terms. In addition, the agency has an executive director who manages its daily operations.

The Eighty-second Legislature, Regular Session, 2011, appropriated $178.8 million in All Funds to PUC for the 2012–13 biennium, which is a reduction from 2010–11 biennial spending levels by $9.1 million, or 4.8 percent. Of this appropriation, $167.4 million is in General Revenue–Dedicated Funds from the System Benefit Account, an increase of $2.5 million from the 2010–11 biennial spending levels, and is earmarked for programs related to electric-utility restructuring. The largest program, the Low-Income Discount Program (appropriated $73.6 million in fiscal year 2012 and $78.5 million in fiscal year 2013), provides a discount of up to 20 percent on electric bills during the months of May through September to low-income customers. The remaining System Benefit Account appropriation includes $1.5 million for continued public education funding, $12.0 million for electric market oversight contracts, and $1.6 million for administration related to wholesale and retail electric market oversight.

The 2012–13 biennial appropriation provides for 178 full-time-equivalent (FTE) positions in fiscal year 2012 and 170.6 FTE positions in fiscal year 2013. The appropriation supports the agency's two main goals: (1) ensuring fair competition, just and reasonable rates, and reliable high quality service; and (2) providing enforcement and education to both electric utility and telecommunications customers in a competitive environment.

RETAIL COMPETITION

Competitive markets in both the electric and telecommunications industries began developing in Texas in the 1990s as a result of federal and state legislation. This legislation authorized competition in telecommunications services and created a competitive electric wholesale market. In 1999, the Legislature passed legislation that restructured the electric utility industry, introduced retail competition, and established new laws to ensure protection of customers' rights.

Retail competition in the electric market began on January 1, 2002, for all customers of investor-owned utilities in the Electric Reliability Council of Texas (ERCOT) region. Residential and business customers in most areas of the state were provided the ability to choose a supplier of electricity. **Figure 354** shows the 20 most populous cities in Texas, the availability of retail competition in those cities, and the number of retail electric providers offering residential service at the beginning of fiscal year 2012.

FIGURE 354
AVAILABILITY OF RESIDENTIAL ELECTRIC CHOICE IN MOST–POPULOUS CITIES AS OF SEPTEMBER 1, 2011

CITY	POPULATION*	COMPETITION	RESIDENTIAL REP**
Houston	2,099,451	YES	66
San Antonio	1,327,407	NO	N/A
Dallas	1,197,816	YES	66
Austin	790,390	NO	N/A
Fort Worth	741,206	YES	66
El Paso	649,121	NO	N/A
Arlington	365,438	YES	66
Corpus Christi	305,215	YES	66
Plano	259,841	YES	66
Laredo	236,091	YES	66
Lubbock	229,573	NO	N/A
Garland	226,876	YES	66
Irving	216,290	YES	66
Amarillo	190,695	NO	N/A
Grand Prairie	175,396	YES	66
Brownsville	175,023	NO	66
Pasadena	149,043	YES	66
Mesquite	139,824	YES	66
McKinney	131,117	YES	66
McAllen	129,877	YES	66

*Population based upon U.S. Census Bureau estimates as of July 1, 2010.
**REP = Retail Electric Provider.
SOURCE: Public Utility Commission of Texas.

The Texas Legislature also established programs to educate consumers about choices in retail electric providers and established the Low-Income Discount Program to assist low-income electricity customers with electricity bills during the hottest months of the year, May to September. **Figure 355** shows the average discount provided to low-income customers and the average number of participants from the inception of the program in fiscal year 2002 to fiscal year 2011.

ELECTRIC RELIABILITY COUNCIL OF TEXAS

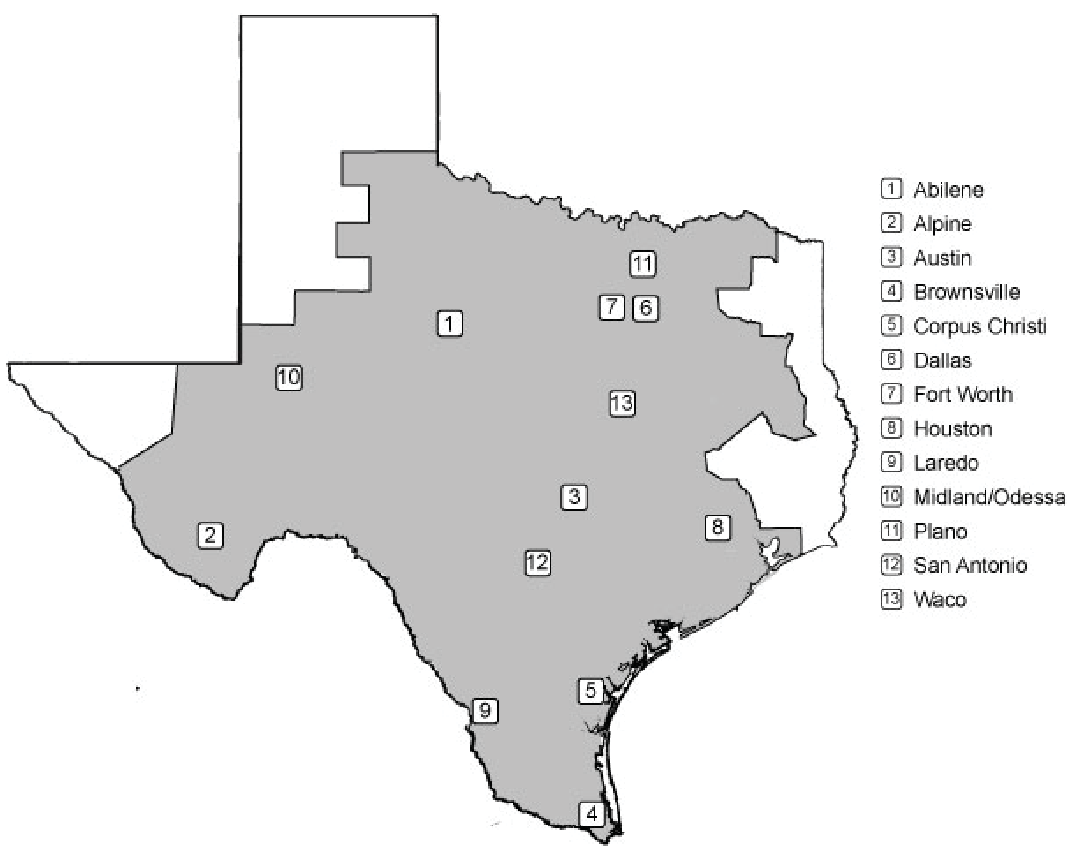
The ERCOT, which is located wholly within the borders of the state, provides 85 percent of the electric load in Texas. The Southwest Power Pool, the Southeastern Electric Reliability Council, and the Western Systems Coordinating Council provide service to the rest of the state. **Figure 356** shows the Texas Reliability Council boundaries. **Figure 357**

FIGURE 355
LOW INCOME DISCOUNT PROGRAM AVERAGES PER MONTH
FISCAL YEARS 2002 TO 2011

FISCAL YEAR	AVERAGE DISCOUNT	AVERAGE PARTICIPANTS
2002	$13.45	407,540
2003	$18.53	706,054
2004	$11.18	566,768
2005	$11.93	368,069
2006*	$0.00	0
2007	$24.90	353,017
2008	$37.80	365,205
2009	$37.03	424,615
2010	$32.23	505,610
2011	$23.27	563,144

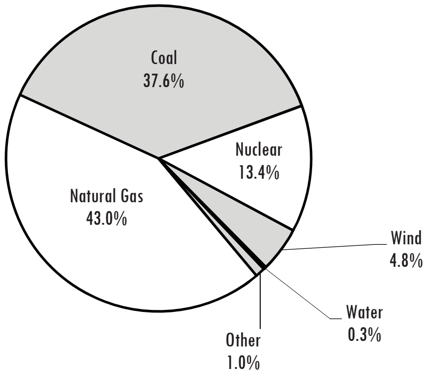
*Low-income Discount Program was not funded in fiscal year 2006.
SOURCE: Public Utility Commission of Texas.

FIGURE 356
ELECTRIC RELIABILITY COUNCIL OF TEXAS BOUNDARIES, FISCAL YEAR 2011



SOURCE: Electric Reliability Council of Texas.

FIGURE 357
ERCOT TERRITORY ENERGY MIX
FISCAL YEARS 2006 TO 2010



SOURCE: Electric Reliability Council of Texas.

shows the five-year average percentage of ERCOT energy as run by fuel type for fiscal years 2006 to 2010.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills affecting PUC. The more significant legislation enacted includes:

The enactment of Senate Bill 652 continues the PUC until fiscal year 2013 and places the agency under a limited scope Sunset review in the 2012–13 biennium.

The enactment of Senate Bill 980 provides that deregulated telecommunication companies and transitioning telecommunication companies are not required to file earnings reports, and repeals incumbent local exchange carrier filing requirements for customer-specific contracts. The legislation prohibits PUC from expanding additional extended areas of service or expanded local calling and provides incumbent local exchange carriers the option of maintaining tariffs with the PUC or withdrawing tariffs upon written notice to the PUC. The legislation defines Voice over Internet Protocol (VoIP), and prohibits state regulation of rates, service, terms, conditions, or market entry for IP-enabled services and VoIP.

Provisions of Senate Bill 1693 authorize the PUC, on the petition of an electric utility, to approve a periodic rate adjustment reflecting a more limited, prescribed set of costs through an expedited procedure.

The enactment of House Bill 2603 amends current law relating to the distribution of universal service funds to certain small and rural local exchange companies by authorizing these companies to opt into one of two support alternatives, other than monthly per line support, available from the Small and Rural Incumbent Local Exchange Company Universal Service Plan.

OFFICE OF PUBLIC UTILITY COUNSEL

The Office of Public Utility Counsel (OPUC) was created in 1983 to represent the interests of utility consumers in legal proceedings. Its mission is to ensure the availability of utility services at fair and reasonable rates in an increasingly competitive environment by providing representation to Texas residential and small-business utility consumers in proceedings before the Public Utility Commission of Texas, the Federal Energy Regulatory Commission, the Federal Communications Commission, and state and federal court. **Figure 358** shows the type and number of proceedings in which OPUC participated from fiscal years 2009 to 2011, and is estimated to participate in fiscal years 2012 and 2013. OPUC is headed by the Public Counsel, who is appointed by the Governor, subject to Senate confirmation, for a two-year term.

Appropriations to OPUC for the 2012–13 biennium total $3.0 million in All Funds (General Revenue Funds), which provides funding for 20.5 full-time-equivalent positions.

FIGURE 358
OPUC PROCEEDINGS
FISCAL YEARS 2009 TO 2013

PROCEEDING TYPE	2009	2010	2011	2012*	2013*
Electric Cases	51	45	33	20	20
Electric Projects	35	36	20	15	15
Telecommunication Cases	5	5	3	3	3
Telecommunication Projects	26	29	10	5	5

*Estimated.
Source: Office of Public Utility Counsel.

SIGNIFICANT LEGISLATION

Legislation passed by the Eighty-second Legislature, Regular Session, 2011, that affects OPUC includes Senate Bill 652, which continues the agency for 12 years.

HEALTH-RELATED LICENSING AGENCIES

Numerous boards and commissions license and regulate occupations and industries in Texas. **Figure 359** shows the number of licenses issued, complaints resolved, appropriations, and total full-time-equivalent positions allocated for fiscal years 2009 to 2013 for health-related licensing agencies that are not otherwise addressed in this section. Appropriations for these agencies total $65.9 million for the 2012–13 biennium and include $62.6 million in fee-supported General Revenue Funds and General Revenue–Dedicated Funds. These amounts do not include appropriations for the Health Professions Council, which is funded through required Interagency Contracts ($1.7 million for the 2012–13 biennium) established with the 11 health-related licensing agencies and three non-health-related licensing agencies.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect the health-related licensing agencies. The more significant legislation includes House Bill 680, Senate Bill 263, Senate Bill 189 and House Bill 414.

The enactment of House Bill 680 establishes a statute of limitation of seven years at the Texas Medical Board (TMB) for standard of care complaints. Provisions of the bill eliminate anonymous complaints and require the TMB to provide each respondent with the name and address of each complainant who is an insurance or pharmaceutical company. The legislation extends preliminary investigation timeline and informal settlement conference (ISC) notice requirements to a respondent from 30 to 45 days. The legislation also increases the ISC rebuttal deadline from five to 15 days prior to the ISC. Provisions of the legislation also require TMB to record an ISC proceeding upon receiving a respondent request to do so. In addition, legislation changes the process for disposition of contested State Office of Administrative Hearings (SOAH) cases to clarify that only the TMB has the authority to determine a sanction or penalty related to a SOAH Proposal for Decision and that the TMB may issue the final order based only on Administrative Law Judge's findings of fact and conclusions of law.

Provisions of Senate Bill 263 requires TMB to revoke a physician's license who has been placed on deferred adjudication community supervision for an offense related to the sexual or aggravated assault of a child, continuous sexual abuse of a child, or indecency with a child. The legislation authorizes the TMB to suspend or restrict a physician's license for an arrest related to the sexual or aggravated assault of a child or indecency with a child. Except on express determination, the TMB may not grant probation on a licensee with revoked or suspended license due to felony conviction for any of the offenses listed above.

The enactment of Senate Bill 189 requires physician licensure applicants who are not citizens or permanent residents to agree to practice in a medically underserved area (MUA) or a Health Professional Shortage Area (HPSA) for three years as a condition of licensure. The legislation does not prohibit the issuance of licenses to non-citizens or non-permanent residents who will practice in graduate medical education programs not located in an MUA or HPSA. The legislation authorizes the Texas Medical Board to adopt rules to implement statute and ensure compliance with MUA and HPSA agreements.

The enactment of House Bill 414 authorizes the Board of Veterinary Medical Examiners to license equine dental providers, to establish criteria that must be met in order to receive a license, and define the scope of practice of equine dental providers.

FIGURE 359
HEALTH-RELATED LICENSING AGENCIES ACTIVITIES AND FUNDING
FISCAL YEARS 2009 TO 2013

	2009 EXPENDED	2010 ESTIMATED	2011 BUDGETED	2012 APPROPRIATED	2013 APPROPRIATED
CHIROPRACTIC EXAMINERS, BOARD OF					
Licenses Issued	9,987	9,710	10,133	11,000	11,000
Complaints Resolved	213	246	298	250	250
All Funds Total	$481,121	$597,002	$616,804	$611,539	$611,539
Full-Time-Equivalent Positions	7.9	10.5	10.8	11.0	11.0
DENTAL EXAMINERS, TEXAS STATE BOARD OF					
Licenses Issued	50,990	50,129	58,658	52,150	53,675
Complaints Resolved	712	982	996	720	750
All Funds Total	$2,047,596	$2,788,131	$2,060,600	$2,198,001	$2,200,912
Full-Time-Equivalent Positions	32.3	32.5	36.0	36.0	36.0
FUNERAL SERVICE COMMISSION					
Licenses Issued	4,250	4,100	4,286	4,240	4,240
Complaints Resolved	240	223	215	240	240
All Funds Total	$672,544	$728,522	$777,307	$733,214	$733,213
Full-Time-Equivalent Positions	10.9	12.5	13.0	12.0	12.0
TEXAS MEDICAL BOARD					
Licenses Issued	46,854	49,869	48,995	53,610	54,822
Complaints Resolved	2,538	2,846	2,830	2,494	2,494
All Funds Total	$9,662,005	$10,596,439	$11,429,619	$11,354,329	$11,354,328
Full-Time-Equivalent Positions	133.4	147.3	162.5	165.0	165.0
TEXAS BOARD OF NURSING					
Licenses Issued	164,306	170,025	177,612	169,100	169,100
Complaints Resolved	12,854	14,429	15,318	7,500	7,500
All Funds Total	$8,531,090	$9,824,974	$8,598,995	$9,299,030	$9,292,064
Full-Time-Equivalent Positions	82.2	90.1	96.7	108.7	108.7
OPTOMETRY BOARD					
Licenses Issued	3,814	3,895	4,008	4,087	4,187
Complaints Resolved	149	152	145	145	145
All Funds Total	$421,947	$458,043	$486,199	$457,292	$470,793
Full-Time-Equivalent Positions	6.8	6.8	6.5	7.0	7.5
PHARMACY, BOARD OF					
Licenses Issued	44,436	44,555	43,403	44,474	44,609
Complaints Resolved	6,120	5,463	5,816	4,980	4,980
All Funds Total	$4,189,814	$5,793,255	$4,928,141	$5,205,227	$5,135,056
Full-Time-Equivalent Positions	60.8	67.9	72.0	78.0	78.0
PHYSICAL THERAPY AND OCCUPATIONAL THERAPY EXAMINERS, EXECUTIVE COUNCIL OF					
Licenses Issued	16,715	17,290	18,924	18,100	18,330
Complaints Resolved	506	471	394	450	450
All Funds Total	$1,139,472	$1,086,718	$1,055,707	$1,123,373	$1,123,372
Full-Time-Equivalent Positions	18.0	17.9	18.0	18.0	18.0

FIGURE 359 (CONTINUED)
HEALTH-RELATED LICENSING AGENCIES ACTIVITIES AND FUNDING
FISCAL YEARS 2009 TO 2013

	2009 EXPENDED	2010 ESTIMATED	2011 BUDGETED	2012 APPROPRIATED	2013 APPROPRIATED
PODIATRIC MEDICAL EXAMINERS, BOARD OF					
Licenses Issued	1,236	1,364	1,391	1,267	1,267
Complaints Resolved	50	58	75	80	80
All Funds Total	$243,281	$222,112	$235,616	$234,731	$244,756
Full-Time-Equivalent Positions	4.0	3.0	3.0	3.0	3.0
PSYCHOLOGISTS, BOARD OF EXAMINERS OF					
Licenses Issued	8,090	8,320	8,228	8,300	8,300
Complaints Resolved	222	197	190	200	200
All Funds Total	$814,155	$930,233	$835,599	$801,780	$806,980
Full-Time-Equivalent Positions	12.4	12.6	13.0	13.0	13.0
VETERINARY MEDICAL EXAMINERS, BOARD OF					
Licenses Issued	7,217	7,650	7,598	7,984	8,204
Complaints Resolved	343	540	474	400	400
All Funds Total	$845,176	$961,168	$1,000,608	$969,149	$969,150
Full-Time-Equivalent Positions	12.5	13.6	16.0	16.0	16.0

Sources: Legislative Budget Board; Board of Chiropractic Examiners; Texas State Board of Dental Examiners; Funeral Service Commission; Texas Medical Board; Texas Board of Nursing; Optometry Board; Board of Pharmacy; Executive Council of Physical Therapy and Occupational Therapy Examiners; Board of Podiatric Medical Examiners; Board of Examiners of Psychologists; Board of Veterinary Medical Examiners.

OTHER REGULATORY AGENCIES

Numerous boards and commissions license and regulate occupations and industries in Texas. **Figure 360** shows the number of licenses issued, complaints resolved, appropriations, and total full-time-equivalent positions for fiscal years 2009 to 2013 for non-health-related licensing agencies that are not discussed elsewhere in this chapter. Appropriations for these agencies total $6.4 million for the 2012–13 biennium, or a 5 percent decrease from 2010–11 biennial spending levels, and include $6.3 million in General Revenue Funds (98 percent) that are generated from fees. These amounts do not include appropriations for the Health Professions Council (HPC), which is funded through required Interagency Contracts ($1.7 million for the 2012–13 biennium) established with the three non-health-related licensing agencies and 11 health-related licensing agencies. The three non-health-related agencies have entered into an Interagency Contract with the HPC for maintenance costs relating to the new Health Professions Council Shared Regulatory Database established during the 2010–11 biennium.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed several bills that affect the non-health-related licensing agencies, the most significant of which is Senate Bill 1000. Provisions of the legislation authorize the Texas Real Estate Commission to operate as a self-directed semi-independent agency. The bill removes the agency from the legislative budgeting process and authorizes the agency to operate outside the provisions of the 2012–13 General Appropriations Act. The legislation directly appropriates an amount equal to 50 percent of the amount of the General Revenue Funds appropriated to each agency for fiscal year 2011 in each fiscal year of the 2012–13 biennium. Under the provisions of the legislation, the amount can be spent as the agency directs and will be repaid to the General Revenue Fund in the fiscal year in which it is appropriated.

FIGURE 360
NON-HEALTH-RELATED LICENSING AGENCIES ACTIVITIES AND FUNDING
FISCAL YEARS 2009 TO 2013

	2009 EXPENDED	2010 ESTIMATED	2011 BUDGETED	2012 APPROPRIATED	2013 APPROPRIATED
GEOSCIENTISTS, BOARD OF PROFESSIONAL					
Licenses Issued	5,061	5,079	4,977	5,000	5,000
Complaints Resolved	4	25	47	38	38
All Funds Total	$421,862	$671,825	$613,604	$584,080	$584,583
Full-Time-Equivalent Positions	6.2	6.0	8.0	8.0	8.0
LAND SURVEYING, BOARD OF PROFESSIONAL					
Licenses Issued	2,913	2,993	2,798	2,986	2,986
Complaints Resolved	60	50	28	57	57
All Funds Total	$406,768	$468,884	$415,061	$446,993	$446,993
Full-Time-Equivalent Positions	5.0	5.0	5.0	5.0	5.0
PLUMBING EXAMINERS, BOARD OF					
Licenses Issued	30,259	30,160	28,505	29,400	29,700
Complaints Resolved	866	1,022	837	850	850
All Funds Total	$1,893,323	$2,593,131	$1,958,050	$2,205,535	$2,136,535
Full-Time-Equivalent Positions	23.1	24.5	24.0	27.0	27.0

SOURCES: Legislative Budget Board; Board of Professional Geoscientists; Board of Professional Land Surveyors; Board of Plumbing Examiners.

12. THE LEGISLATURE

*As shown in **Figure 361**, All Funds appropriations for the Legislature for the 2012–13 biennium total $339.9 million, or 0.2 percent of all state appropriations. This amount is a decrease of $29.3 million, or 7.9 percent, from the 2010–11 biennium. General Revenue Funds account for almost 99.8 percent of these appropriations. **Figure 362** shows 2012–13 appropriations by method of financing for the Legislature.*

FIGURE 361
ALL FUNDS APPROPRIATIONS FOR THE LEGISLATURE
2012–13 BIENNIUM

IN MILLIONS

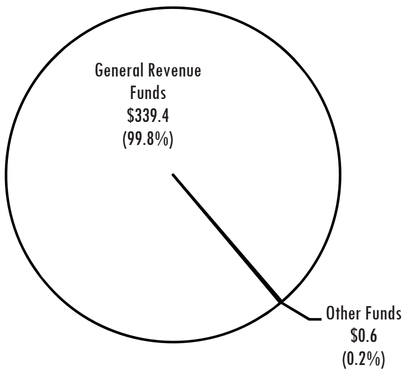
AGENCY	ESTIMATED/BUDGETED 2010–11	APPROPRIATED 2012–13	BIENNIAL CHANGE	PERCENTAGE CHANGE
Senate	$65.2	$58.5	($6.7)	(10.3)
House of Representatives	74.9	67.2	(7.7)	(10.3)
Legislative Budget Board	28.5	25.5	(3.0)	(10.4)
Sunset Advisory Commission	4.0	4.6	0.6	14.8
Legislative Council	76.7	68.8	(7.9)	(10.2)
Commission on Uniform State Laws	0.3	0.3	(0.0)	(9.8)
State Auditor's Office	42.4	37.1	(5.3)	(12.6)
Legislative Reference Library	3.2	2.8	(0.3)	(10.2)
SUBTOTAL, THE LEGISLATURE	**$295.1**	**$264.8**	**($30.3)**	**(10.3)**
Retirement and Group Insurance	$48.6	$51.6	$2.9	6.1
Social Security and Benefit Replacement Pay	16.4	16.3	(0.0)	(0.1)
SUBTOTAL, EMPLOYEE BENEFITS	**$65.0**	**$67.9**	**$2.9**	**4.5**
Lease Payments	$20.2	$16.2	($4.0)	(19.7)
Less Interagency Contracts	11.1	9.0	(2.1)	(18.8)
TOTAL, ARTICLE X – THE LEGISLATURE	**$369.2**	**$339.9**	**($29.3)**	**(7.9)**

NOTES: Article totals exclude interagency contracts. Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, table totals may not sum because of rounding.
SOURCE: Legislative Budget Board.

FIGURE 362
LEGISLATURE APPROPRIATIONS
ALL FUNDS
2012–13 BIENNIUM

IN MILLIONS

TOTAL = $339.9 MILLION



Source: Legislative Budget Board.

Texas became the twenty-eighth state of the Union on December 29, 1845. Subsequently, the Texas Legislature was created by the Texas Constitution in 1876. All powers of the state's legislative branch are vested in the Texas Senate and the Texas House of Representatives, which convene biennially in Austin for a 140-day regular session during odd-numbered years. The legislative order of business for a regular legislative session is outlined in the state constitution, with the first 30 days of the legislative session devoted to the introduction of bills and resolutions, consideration of emergency appropriations, and confirmation of interim appointees of the Governor to boards and commissions. During the second 30 days, the various committees of each respective chamber hold hearings to consider all bills and resolutions and other pending matters. The remainder of the legislative session is set aside for the Legislature to act on bills and resolutions. The Legislature may consider emergency matters submitted by the Governor throughout the legislative session. The Texas Constitution authorizes the Governor to call additional 30-day special sessions as needed, during which the Legislature may consider only the subjects submitted to it by the Governor.

Members of the Legislature receive an annual salary of $7,200. In addition, during regular and special sessions and while doing official business of the state such as attending interim committee hearings, members may receive reimbursement for actual mileage and per diem for living expenses.

MAJOR FUNDING ISSUES

Appropriations of General Revenue Funds for legislative agencies decreased by approximately 9.9 percent from the 2010–11 biennial spending levels.

Note: Biennial change and percentage change have been calculated on actual amounts before rounding in all figures in this chapter. Figure totals may not sum because of rounding.

SENATE

The Senate consists of 31 senators elected to staggered four-year terms of office. The Lieutenant Governor, the presiding officer (President) of the Senate, is elected statewide and serves a four-year term. In addition, at the beginning and close of each legislative session, the Senate is required to elect a member as President pro tempore who performs the duties of the Lieutenant Governor in his or her absence or incapacitation.

The Senate Committee on Administration implements all Senate policies and procedures. 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 activities of the Senate for the 2012–13 biennium total $58.5 million in General Revenue Funds.

The Texas Senate's primary duties include legislating all Texas laws and resolutions, approving the state budget, submitting all constitutional amendments to Texas voters, and confirming most gubernatorial appointees.

The Lieutenant Governor appoints all committee chairs and members of Senate standing and select committees, and refers all bills to the committees. There are approximately 23 standing, select, and joint committees, which during the interim—between legislative sessions—study selected topics, or charges, assigned by the Lieutenant Governor, and during the legislative session receive legislation for hearing and referral back to the full Senate for consideration. During the Eighty-second Legislature, Regular Session, 2011, the Senate passed 590 bills and joint resolutions, or 30 percent of the 1,984 bills and resolutions filed by the Senate. These amounts exclude 1,303 resolutions, which are passed in honor or acknowledgement of individuals and entities. In addition, during the First Called Session of the Eighty-second Legislature, the Senate passed six bills and 146 simple and concurrent resolutions.

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 a Speaker from its members to serve as the presiding officer.

The Committee on House Administration provides administrative support for all House operations. The committee employs a director and staff to handle the day-to-day operations of the House. Appropriations to fund activities of the House of Representatives for the 2012–13 biennium total $67.2 million in General Revenue Funds.

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. All legislation increasing state taxation must originate in the House.

The Speaker of the House (the Speaker) appoints all chairs and members of House standing and select committees and refers all bills to the committees for consideration. There are approximately 41 standing, select, and joint House committees, which during the interim—between legislative sessions—study selected topics, or charges, assigned by the Speaker and during the legislative session receive bills for hearing and referral back to the full House for consideration. Each bill passed out of committee is referred to the Calendars Committee, which schedules all legislation that is voted on by the full House of Representatives. During the Eighty-second Legislature, Regular Session, 2011, the House passed 800 bills and joint resolutions, or 20 percent of the 4,019 bills and resolutions filed by the House. These amounts exclude 2,834 resolutions, which are passed in honor or acknowledgement of individuals and entities. In addition, during the First Called Session of the Eighty-second Legislature, the House passed two bills and 294 simple and concurrent resolutions.

LEGISLATIVE BUDGET BOARD

The Legislative Budget Board (LBB) was established by statute in 1949, primarily to develop budget recommendations for legislative appropriations. The LBB's statutory responsibilities remained virtually unchanged until 1973 when the Legislature expanded the board's duties to include evaluation of agency programs and estimation of the probable costs of implementing legislation introduced in the legislative session. Membership of the 10-member board includes 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 the LBB staff. Funds for operating the LBB are provided through appropriations of General Revenue Funds to the Texas Senate and House of Representatives and are transferred to a special operating account each fiscal year. Appropriations to be transferred for the 2012–13 biennium total $8.1 million. In addition, the agency receives a direct appropriation of $17.4 million in General Revenue Funds, for a total biennial budget of $25.5 million in General Revenue Funds.

GENERAL APPROPRIATIONS BILL DRAFT AND LEGISLATIVE BUDGET ESTIMATES

At the beginning of each regular legislative session and during special sessions as required, the LBB director transmits copies of the board's recommended General Appropriations Bill draft and Legislative Budget Estimates (LBE) to all members of the Legislature and to the Governor. The General Appropriations Bill draft and LBE are products of a review process that includes a public hearing on each agency's budget request and an LBB staff analysis of each agency's expenditures and performance results. The LBE provides both historical expenditures and proposed appropriations for each state agency and institution of higher education.

Once the General Appropriations Bill is enacted, it is referred to as the General Appropriations Act (GAA). The GAA allocates each agency's appropriation by goals and strategies and establishes key performance targets for each strategy. In addition, the strategic planning and performance budgeting system requires agencies to report actual performance data each quarter so the LBB staff can monitor progress toward the achievement of established performance targets.

The LBB also determines the limit on the growth of appropriations from state tax revenue not dedicated by the Texas Constitution for the upcoming biennium. In addition, it determines the maximum amount that may be paid out of state funds for assistance grants to or on behalf of needy dependent children and their caretakers (i.e., Temporary Assistance for Needy Families).

BUDGET EXECUTION AUTHORITY

Texas Government Code, Section 317, provides the LBB with budget execution authority, which allows state expenditure decisions to be altered when a full legislature is not convened. This process begins when the Governor or the LBB proposes that funds appropriated to an agency be prohibited from expenditure, transferred from one agency to another, or retained by an agency to be used for a purpose other than originally intended. A budget execution order takes effect only if both the Governor and the LBB concur.

PERFORMANCE REVIEWS

The LBB is authorized to conduct performance reviews and evaluations of state agencies, public junior colleges, general academic teaching institutions, and school districts. The findings and recommendations resulting from reviews and related policy analyses are reported to the Legislature in the publication, Texas State Government Effectiveness and Efficiency, published at the beginning of each regular legislative session, and in other LBB publications published throughout the biennium. The Agency Performance Review team works with state agencies and stakeholders to produce analyses of policy options covering the spectrum of state government. These reports recommend statutory and budgetary changes that positively affect the budget, improve services, and apply innovative practices to state government operations. Recommendations are implemented through the GAA and through other legislation.

In addition to policy analyses, the School Performance Review team conducts comprehensive and targeted reviews of school districts' educational, financial, and operational services and programs. The review team produces 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 are implemented locally by the school district board members, administrators and the community. The Applied Research and Performance Audit team applies methods in demography, simulation modeling, auditing and statistical analysis to address a broad range of policy issues.

CRIMINAL JUSTICE DATA ANALYSIS TEAM

The Criminal Justice Data Analysis Team monitors Texas' adult and juvenile correctional populations. Further, the team projects adult and juvenile correctional populations, calculates recidivism rates for adult and juvenile correctional populations, and calculates cost-per-day information for criminal justice populations. In addition, the team conducts research projects based on significant legislative actions that may affect correctional populations.

FEDERAL FUNDS ANALYSIS

The LBB Federal Funds Analysis Team monitors and analyzes federal legislation, regulations, and guidance on issues that might affect the state budget, such as healthcare, education, human services, and transportation. The team publishes a newsletter, *Federal Funds Watch*, that provides the Texas Legislature with information on federal legislation and federal funding.

FISCAL NOTES

Fiscal notes identify the probable costs, savings, revenue gains, or revenue losses of each bill or resolution that is proposed by the Legislature. Under Senate Rules, a fiscal note must be attached to a bill or resolution prior to a final vote by a committee for the bill or resolution to be reported out of committee. Under House Rules, when a fiscal note is requested by a committee, the fiscal note must be attached to a bill before a committee hearing on that bill may be conducted. 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.

IMPACT STATEMENTS

In addition to fiscal notes, LBB staff prepare impact statements that provide the Legislature information about and analysis of certain bills being considered for enactment. There are seven types of impact statements provided by the LBB: criminal justice policy impact statements, equalized education funding impact statements, tax equity notes, actuarial impact statements, open-government impact statements, water development policy impact statements, and higher education impact statements. **Figure 363** shows the number of fiscal notes and impact statements prepared by the LBB for several legislative sessions.

FIGURE 363
LEGISLATIVE BUDGET BOARD FISCAL NOTES AND IMPACT STATEMENTS, LEGISLATIVE SESSIONS SEVENTY-SEVENTH TO EIGHTY-SECOND*

TYPE OF ANALYSIS	77TH 2001	78TH 2003	79TH 2005	80TH 2007	81ST 2009	82ND 2011	CHANGE FROM 81ST TO 82ND	PERCENTAGE CHANGE 81ST TO 82ND
Bills Filed	5,712	6,250	6,238	6,362	7,636	6,124	(1,512)	(19.8)
Fiscal Notes	9,354	8,621	8,422	9,410	10,324	8,412	(1,912)	(18.5)
Impact Statements:	2,012	1,793	1,905	1,400	1,846	1,065	(781)	(42.3)
Criminal justice impact statement	939	646	765	961	1,011	545	(466)	(46.1)
Equalized education statement	338	562	390	10	23	8	(15)	(65.2)
Tax/Fee equity note	418	215	101	22	482	340	(142)	(29.5)
Actuarial impact statement	168	122	165	118	51	57	6	11.8
Open government impact statement	33	29	49	19	9	9	0	0.0
Water development policy impact statement	88	78	242	260	267	97	(170)	(63.7)
Higher education impact statement	28	140	190	10	3	1	(2)	(66.7)
Dynamic Economic Impact Statement	0	1	3	0	0	8	8	NA
TOTAL, NOTES AND STATEMENTS	**11,366**	**10,414**	**10,327**	**10,810**	**12,170**	**9,477**	**(2,693)**	**(22.1)**

*Includes regular and special legislative sessions.
Sources: Legislative Budget Board; Legislative Reference Library.

Criminal justice policy impact statements identify the probable impact of proposed legislation on the state's juvenile and adult correctional populations. In support of this effort, the LBB maintains databases and simulation models relating to the criminal justice system, which are used to forecast correctional populations and to estimate the impact of specific legislation and policy alternatives in the area of adult corrections.

Equalized education funding impact statements, as well as other special reports on school finance, are prepared by the LBB for certain public education bills. School finance reports contain projected costs of current and proposed school funding formulas as well as the projected impact on system equity. Current and historical data by school district is also available through this reporting system.

Tax equity notes are prepared for certain revenue bills and assess the distributional impact of proposed revenue measures on Texas businesses and individuals.

Actuarial impact statements provide estimates of changes in public pension funds. The LBB produces these impact statements with assistance from the Pension Review Board.

Open-government impact statements show the estimated impact of proposed public-access legislation. Such legislation can involve either expressed or implied changes to both public access to government information or the transaction of public business by impacting open records law, open meetings law, or other law.

Water development policy impact statements provide estimates of changes resulting from the creation of water districts.

Higher education impact statements estimate the implications of creating or changing the classification, mission, or governance of an institution of higher education.

INFORMATION RESOURCES

The LBB staff is responsible for analyzing and evaluating agency Biennial Operating Plans and monitoring and providing oversight of information resource projects within agencies and universities by attending project meetings, coordinating committee meetings, and conducting on-site visits. In addition to these responsibilities, the LBB, the State Auditor's Office, and the Department of Information Resources staff serve in a joint capacity on the Quality Assurance Team, reviewing state agency information resource projects that cost at least $1 million and meet other established criteria. During fiscal year 2011, the Quality Assurance Team monitored 50 information technology projects representing more than $1.3 billion.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, First Called Session, 2011, passed Senate Bill 1, Section 34, which requires the LBB to hold a public hearing each fiscal year to receive invited testimony on the state's financial condition and information from the Comptroller of Public Accounts relating to revenue collections and projections, and economic indicators impacting current and projected revenue estimates. The legislation also requires that all budget documents provided to the Legislature by the LBB relating to an appropriations bill be posted on the LBB website in a searchable format. In addition, the legislation requires that a public hearing be held regarding any interim budget reduction request mandated by the Governor, the Lieutenant Governor, or a member of the Legislature, or any combination thereof, prior to implementation of the budget reduction plans by the state agencies or institutions of higher education.

SUNSET ADVISORY COMMISSION

The Texas Legislature established the Sunset Advisory Commission 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.

Funds for operating the Sunset Advisory Commission 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 2012–13 biennium total $4.6 million in General Revenue Funds.

Typically, state agencies undergo Sunset review once every 12 years. The Sunset Commission evaluates the operations of about 25 agencies every two years, in the interim prior to the legislative session that the agency is set to terminate. The Sunset staff reports its 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.

The Sunset Commission has conducted 451 reviews since 1977. As a result of this process the Legislature has abolished 78 agencies—37 were abolished altogether and 41 were abolished with their functions transferred to an existing or newly created agency. Changes enacted through the Sunset process to eliminate or improve state services have resulted in an overall positive fiscal impact of $945 million.

During the Eighty-second Legislature, 2011, legislation was considered affecting 29 entities based on recommendations from the Sunset Commission. Changes enacted through Sunset bills in fiscal year 2011 are projected to result in $161 million in savings and revenue gains over the next two fiscal years. Six entities were eliminated. The Texas Youth Commission and the Texas Juvenile Probation Commission were abolished and their functions merged into a single new agency, the Texas Juvenile Justice Department. The Legislature also abolished the Coastal Coordination Council, On-site Wastewater Treatment Research Council, and the Equine Research Account Advisory Committee. The Electronic Government Program Office of the Department of Information Resources expired without legislative action due to its inactive status.

The Legislature took actions to continue 15 agencies, many with significant changes. The agencies continued in 2011 include the Texas Department of Transportation, Texas Commission on Environmental Quality, and the Texas Department of Insurance. The Legislature also adopted legislation to implement changes to four entities that were subject to review, but not abolished under the Sunset Act—The Capital Metropolitan Transportation Authority, the Electric Reliability Council of Texas, the Office of Independent Ombudsman, and the Texas Water Development Board. An additional four agencies were continued for only two years and placed under Sunset review again for the 2012–13 biennium. This includes the Railroad Commission and the Public Utility Commission, whose Sunset bills failed to pass, and the Department of Information Resources and the Texas Department of Housing and Community Affairs, whose Sunset bills passed but were later vetoed by the Governor. During the 2012–13 biennium, the agency will conduct 24 reviews, as shown in **Figure 364**.

FIGURE 364
SUNSET REVIEW SCHEDULE, 2012–13 BIENNIUM

General Government
- Commission on the Arts
- Comptroller, Procurement and Support Services Division*
- Ethics Commission
- Facilities Commission
- Fire Fighters' Pension Commissioner
- Department of Information Resources
- Pension Review Board
- Preservation Board

Public Education
- Texas Education Agency

Higher Education
- Higher Education Coordinating Board

Judiciary
- State Commission on Judicial Conduct

Public Safety and Criminal Justice
- Correctional Managed Health Care Committee
- Board and Department of Criminal Justice
- Board of Pardons and Paroles
- Windham School District within the Department of Criminal Justice*

Natural Resources
- Railroad Commission

Business and Economic Development
- Department of Housing and Community Affairs*
- Lottery Commission
- Public Utility Commission*

Regulatory
- Board of Architectural Examiners
- Board of Professional Engineers

Other
- Self-Directed Semi-Independent Agency Project Act
- State Employee Charitable Campaign Policy Committee
- Port of Houston Authority

*Limited scope or special purpose review.
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 for the 2012–13 biennium total $68.8 million in General Revenue Funds.

The agency employs an Executive Director, who is responsible for employing professional and clerical staff and supervising their performance. The agency is responsible for the following statutorily defined duties:

- assisting the Legislature in drafting proposed legislation;
- providing data-processing services to aid the members and committees of the Legislature in accomplishing their duties;
- gathering and disseminating information for the Legislature;
- conducting other investigations, studies, and reports as may be deemed useful to the legislative branch of state government; and
- investigating departments, agencies, and officers and studying their functions and problems.

The agency also develops and implements plans for the continuing revision of state statutes, including simplifying classification, improving numbering, and clarifying the statutes without substantively changing them.

During legislative sessions, council staff drafts bills, resolutions, amendments, committee substitutes, and conference committee reports for both the Senate and the House. 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 several responsibilities relating to the redistricting process:

- prepares publications about the redistricting process, data, and law to assist those involved or interested in the redistricting process;
- provides technical and legal support to the Legislature, including development and support of district modeling computer systems and development of web information resources; and
- prepares and distributes maps to the Legislature of redistricting plans and current districts of the Texas House of Representatives, Texas Senate, Texas delegation to the U.S. House of Representatives, and the State Board of Education.

Between sessions, the agency assists standing and special legislative committees with research. The legal staff devotes the majority of its interim efforts to statutory revision projects that, when completed, are presented to the next regular session of the Legislature for consideration.

The Legislative Information Systems Division makes data-processing equipment and techniques available to the legislative branch. This division develops and operates automated systems that support the legislative process. It processes the text of draft documents, bills, resolutions, and House and Senate Journals and reports on bill status and legislative committee activity. It also supports automated budget analysis and the production of appropriations bills.

In addition, the division provides programming support for the fiscal notes system, tracks membership of boards and commissions, and designs accounting, payroll, and personnel systems for use by the Legislature and legislative branch agencies.

COMMISSION ON UNIFORM STATE LAWS

The Commission on Uniform State Laws was established in 1951 to promote uniformity in state laws in subject areas in which uniformity is desirable and practicable. The agency also promotes uniform judicial interpretation of all uniform state laws, advises the Legislature on adoption of uniform state laws, and sends staff members to national conferences on uniform state laws.

The Commission on Uniform State Laws consists of nine Governor-appointed members, the Executive Director of the Texas Legislative Council, and other members who qualify by service with the Commission or the National Conference of Commissioners on Uniform State Laws. The commission receives accounting, clerical, and other support services from the Texas Legislative Council. Appropriations to the Commission on Uniform State Laws for the 2012–13 biennium total $0.3 million in General Revenue Funds.

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. In addition to appointing the State Auditor, the Legislative Audit Committee approves SAO's annual audit plan and budget.

Appropriations for SAO for the 2012–13 biennium total $37.1 million in All Funds, which includes $27.5 million in General Revenue Funds, representing 74.2 percent of the agency's appropriations.

SAO's annual audit plan identifies all the audits, reviews, investigations, and other activities that the State Auditor may initiate during the state fiscal year. It includes both statutorily required and discretionary projects, which are developed based on a standardized risk assessment process.

AUDITS AND INVESTIGATIONS

Audits are performed in accordance with generally accepted government auditing standards, which include standards issued by the American Institute of Certified Public Accountants. SAO is authorized to perform four types of audits:

- economy and efficiency audits, which determine whether entities are managing and using their resources in an economical and efficient manner;
- effectiveness audits, which evaluate whether the objectives and intended benefits of a program are being achieved and whether the program is duplicative;
- financial audits, which evaluate whether accounting controls are adequate and whether the records, books, and accounts of state agencies, including institutions of higher education, and the financial statements for

the state as a whole accurately reflect their financial and fiscal operations; and

- compliance audits, which determine whether funds have been spent in accordance with the purpose for which the funds were appropriated and authorized by law. (Note: Performance measure audits, a type of compliance audit, are used to certify the accuracy of state agencies' and institutions' performance measures.)

SAO also investigates specific acts or allegations of impropriety and abuse of state funds and resources. All state agencies and higher education institutions are required to report suspected fraud or unlawful conduct to SAO.

STATE CLASSIFICATION OFFICE

The Position Classification Act of 1961 established the State Classification Office within the State Auditor's Office. The State Classification Office is responsible for maintaining and updating the State's Position Classification Plan (the Plan). As of September 1, 2011, the Plan included 927 classification titles covering approximately 153,000 full-time classified employees at state agencies. During the biennial budget process, the State Classification Office recommends the addition and deletion of job classification titles and the reallocation of salary groups assigned to specific classifications. The classification index in the GAA includes three salary schedules: Schedule A is for clerical and technical positions, Schedule B is for professional positions, and Schedule C is for law enforcement positions.

In addition, the State Classification Office performs classification compliance audits of positions to ensure conformity with the Plan, serves as a resource on state human resource management matters, and compiles and reports the number of full-time-equivalent state employees on an annual basis.

The State Classification Office also prepares a report on classified regular employee turnover. It is responsible for maintaining an online employee exit survey to obtain direct feedback from employees regarding reasons for leaving state employment. Analysis of this data is used to develop strategies to decrease the state's turnover rate. The State Auditor's Office, through the State Classification Office, also develops guidelines for state agencies to use when preparing the workforce plans that are included within their overall five-year strategic plans.

SIGNIFICANT LEGISLATION

The Eighty-second Legislature, Regular Session, 2011, passed House Bill 1000 and Senate Bill 341, which impact the State Auditor's Office.

House Bill 1000 requires the State Auditor's Office to audit the information submitted to the Texas Higher Education Coordinating Board (THECB) by higher education institutions for the purposes of establishing eligibility to receive distributions from the National Research University Fund (the Fund). House Bill 1000 also states that THECB may request that the State Auditor's Office conduct one or more audits are necessary after a higher education institution begins receiving distributions from the Fund.

Senate Bill 341 authorizes the State Auditor's Office to audit the Bexar Metropolitan Water District, at the Texas Commission on Environmental Quality's request.

The Eighty-second Legislature, First Called Session, 2011, passed House Bill 3, which authorizes the State Auditor's Office to audit the Texas Windstorm Insurance Association (TWIA). House Bill 3 also requires TWIA to annually file a statement summarizing transactions, conditions, operations, and affairs during the preceding year with the State Auditor's Office.

LEGISLATIVE REFERENCE LIBRARY

The Legislative Reference Library (LRL) was established by the Sixty-first Legislature, 1969, as an independent agency. The LRL is governed by the Legislative Library Board, a six-member board consisting of the Lieutenant Governor, the Speaker of the House of Representatives, the chair of the House Appropriations Committee, two members of the Senate appointed by the Lieutenant Governor, and one member of the House of Representatives appointed by the Speaker. Appropriations for the 2012–13 biennium total $2.8 million in All Funds, primarily consisting of General Revenue Funds.

The LRL contains Texas legal and public affairs materials and the statutes of all 50 states. It also houses the original legislative bill files dating from 1973. In addition, it has a large collection of Texas state documents and a unique collection of Texas periodicals. The LRL collects from a variety of source materials on state government and issues affecting the Texas Legislature.

The LRL generates and manages data in the Texas Legislative Information System—the Legislature's online bill-status system—and operates a statewide telephone service for obtaining legislative information during legislative sessions. Also, the library developed a number of in-house databases accessible through the Legislature's computer network that contain specialized information on Texas state government, including state boards and commissions, specific facts and statistics on the Texas Legislature, an online card catalog, and newspaper articles included in the legislative clipping service. Additional in-house databases provide access to the legislative bill files and indexes on how legislation affects statutes.

APPENDIX A – AGENCIES BY ARTICLE

ARTICLE I — GENERAL GOVERNMENT

Commission on the Arts
Office of the Attorney General
Bond Review Board
Cancer Prevention and Research Institute of Texas
Comptroller of Public Accounts
- Fiscal Programs – Comptroller of Public Accounts
- Social Security and Benefit Replacement Pay

Commission on State Emergency Communications
Employees Retirement System
Texas Ethics Commission
Facilities Commission
Public Finance Authority
Fire Fighters' Pension Commissioner
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
Office of State–Federal Relations
Veterans Commission

ARTICLE II — HEALTH AND HUMAN SERVICES

Department of Aging and Disability Services
Department of Assistive and Rehabilitative Services
Department of Family and Protective Services
Department of State Health Services
Health and Human Services Commission

ARTICLE III — AGENCIES OF EDUCATION

Public Education

Texas Education Agency
School for the Blind and Visually Impaired
School for the Deaf
Teacher Retirement System
Optional Retirement System

Higher Education

Higher Education Coordinating Board

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 – Pan American
The University of Texas at Brownsville
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

ARTICLE III — AGENCIES OF EDUCATION *(CONTINUED)*

University of Houston – Clear Lake

University of Houston – Downtown

University of Houston – Victoria

Midwestern State University

University of North Texas System Administration

University of North Texas

University of North Texas – 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 – San Marcos

Sul Ross State University

Sul Ross State University Rio Grande College

Two-year Institutions

Lamar Institute of Technology

Lamar University – Orange

Lamar University – 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

Public Community/Junior Colleges

Health-related Institutions

The University of Texas Southwestern Medical Center at Dallas

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

ARTICLE III — AGENCIES OF EDUCATION *(CONTINUED)*

Texas A&M University System Health Science Center

University of North Texas Health Science Center at Fort Worth

Texas Tech University Health Sciences Center

A&M University Services

Texas AgriLife Research

Texas AgriLife Extension Service

Texas Engineering Experiment Station

Texas Transportation Institution

Texas Engineering Extension Service

Texas Forest Service

Texas Veterinary Medical Diagnostic Laboratory

ARTICLE IV — THE JUDICIARY

Supreme Court of Texas

Court of Criminal Appeals

First Court of Appeals District, Houston

Second Court of Appeals District, Fort Worth

Third Court of Appeals District, Austin

Fourth Court of Appeals District, San Antonio

Fifth Court of Appeals District, Dallas

Sixth Court of Appeals District, Texarkana

Seventh Court of Appeals District, Amarillo

Eighth Court of Appeals District, El Paso

Ninth Court of Appeals District, Beaumont

Tenth Court of Appeals District, Waco

Eleventh Court of Appeals District, Eastland

Twelfth Court of Appeals District, Tyler

Thirteenth Court of Appeals District, Corpus Christi–Edinburg

Fourteenth Court of Appeals District, Houston

Office of Court Administration, Texas Judicial Council

Office of Capital 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

Adjutant General's Department

Alcoholic Beverage Commission

Department of Criminal Justice

Commission on Fire Protection

Commission on Jail Standards

Juvenile Justice Department

Commission on Law Enforcement Officer Standards and Education

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

Texas 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

ARTICLE VIII — REGULATORY *(CONTINUED)*

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

Board of Tax Professional Examiners

Public Utility Commission of Texas

Office of Public Utility Counsel

Board of Veterinary Medical Examiners

ARTICLE X — THE LEGISLATURE

Senate

House of Representatives

Legislative Budget Board

Sunset Advisory Commission

Legislative Council

Commission on Uniform State Laws

State Auditor's Office

Legislative Reference Library

APPENDIX B — SUMMARY OF STATE BUDGET BY BIENNIUM

The following notes apply to all methods of finance in this Appendix:

a. *As footnoted, amounts shown in appendices reflect provisions not only of House Bill 1, Eighty-second Legislature, Regular Session, 2011, but could also reflect those of House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to supplemental appropriations, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other appropriating legislation. Appropriations related to House Bill 4 are subject to the appropriation life stated therein and are not shortened by inclusion in Senate Bill 1, Eighty-first Legislature, 2009 or extended by inclusion in House Bill 1, Eighty-second Legislature, Regular Session, 2011.*
b. *Unless expressly provided by House Bill 4, Senate Bill 2, or other appropriating legislation, such appropriations are not subject to General Provisions contained in Article IX of Senate Bill 1, Eighty-first Legislature, 2009, or Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011.*

ALL FUNDS

TABLE B1
ALL FUNDS — STATEWIDE SUMMARY

FUNCTION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$5,026,325,872	$4,469,019,687	($557,306,185)	(11.1)
Article II – Health and Human Services	65,464,230,066	55,426,380,431	(10,037,849,635)	(15.3)
Article III – Agencies of Education	76,416,008,567	72,871,348,360	(3,544,660,207)	(4.6)
Article IV – The Judiciary	672,896,142	643,132,612	(29,763,530)	(4.4)
Article V – Public Safety and Criminal Justice	12,072,926,549	11,507,431,802	(565,494,747)	(4.7)
Article VI – Natural Resources	3,562,195,412	3,888,297,831	326,102,419	9.2
Article VII – Business and Economic Development	23,196,647,313	23,660,821,632	464,174,319	2.0
Article VIII – Regulatory	736,081,202	677,842,453	(58,238,749)	(7.9)
Article IX – General Provisions	0	0	0	NA
Article X – The Legislature	369,201,946	339,925,873	(29,276,073)	(7.9)
TOTAL, ALL FUNCTIONS	**$187,516,513,069**	**$173,484,200,681**	**($14,032,312,388)**	**(7.5)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B1—*(CONTINUED)*
ALL FUNDS — GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Commission on the Arts	$15,880,618	$7,841,544	($8,039,074)	(50.6)
Office of the Attorney General	1,129,897,807	1,058,060,324	(71,837,483)	(6.4)
Bond Review Board	1,148,513	973,935	(174,578)	(15.2)
Cancer Prevention and Research Institute of Texas	448,475,669	594,124,892	145,649,223	32.5
Comptroller of Public Accounts	499,590,259	426,875,810	(72,714,449)	(14.6)
Fiscal Programs - Comptroller of Public Accounts	1,091,256,529	790,970,072	(300,286,457)	(27.5)
Commission on State Emergency Communications	137,725,359	115,008,442	(22,716,917)	(16.5)
Employees Retirement System	16,176,080	16,176,080	0	0.0
Texas Ethics Commission	3,904,040	3,865,444	(38,596)	(1.0)
Facilities Commission	167,586,517	161,561,829	(6,024,688)	(3.6)
Public Finance Authority	6,625,752	5,657,832	(967,920)	(14.6)
Fire Fighters' Pension Commissioner	1,462,857	1,654,339	191,482	13.1
Office of the Governor	23,703,131	19,549,960	(4,153,171)	(17.5)
Trusteed Programs Within the Office of the Governor	876,550,533	578,154,653	(298,395,880)	(34.0)
Historical Commission	104,518,489	52,644,819	(51,873,670)	(49.6)
Department of Information Resources	638,769,039	542,235,866	(96,533,173)	(15.1)
Library & Archives Commission	77,237,870	40,849,457	(36,388,413)	(47.1)
Pension Review Board	1,371,815	1,408,003	36,188	2.6
Preservation Board	35,294,887	28,604,012	(6,690,875)	(19.0)
State Office of Risk Management	17,567,419	18,106,155	538,736	3.1
Workers' Compensation Payments	90,242,322	96,242,322	6,000,000	6.6
Secretary of State	72,198,465	95,435,001	23,236,536	32.2
Veterans Commission	47,121,600	55,200,218	8,078,618	17.1
SUBTOTAL, GENERAL GOVERNMENT	**$5,504,305,570**	**$4,711,201,009**	**($793,104,561)**	**(14.4)**
Retirement and Group Insurance	$204,321,002	$211,115,002	$6,794,000	3.3
Social Security and Benefit Replacement Pay	78,413,230	76,664,176	(1,749,054)	(2.2)
SUBTOTAL, EMPLOYEE BENEFITS	**$282,734,232**	**$287,779,178**	**$5,044,946**	**1.8**
Bond Debt Service Payments	$44,731,717	$136,656,046	$91,924,329	205.5
Lease Payments	23,155,077	22,027,736	(1,127,341)	(4.9)
SUBTOTAL, DEBT SERVICE	**$67,886,794**	**$158,683,782**	**$90,796,988**	**133.7**
Less Interagency Contracts	$828,600,724	$688,644,282	($139,956,442)	(16.9)
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$5,026,325,872**	**$4,469,019,687**	**($557,306,185)**	**(11.1)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Note: Article totals exclude interagency contracts.
Source: Legislative Budget Board.

TABLE B1—*(CONTINUED)*
ALL FUNDS — HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Aging and Disability Services	$13,641,741,218	$9,939,865,533	($3,701,875,685)	(27.1)
Department of Assistive and Rehabilitative Services	1,345,249,904	1,250,891,005	(94,358,899)	(7.0)
Department of Family and Protective Services	2,736,292,169	2,775,217,463	38,925,294	1.4
Department of State Health Services	6,134,535,537	5,776,864,054	(357,671,483)	(5.8)
Health and Human Services Commission	40,782,618,434	34,771,032,360	(6,011,586,074)	(14.7)
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$64,640,437,262**	**$54,513,870,415**	**($10,126,566,847)**	**(15.7)**
Retirement and Group Insurance	$1,105,440,724	$1,160,554,119	$55,113,395	5.0
Social Security and Benefit Replacement Pay	343,080,021	337,156,902	(5,923,119)	(1.7)
SUBTOTAL, EMPLOYEE BENEFITS	**$1,448,520,745**	**$1,497,711,021**	**$49,190,276**	**3.4**
Bond Debt Service Payments	$55,163,256	$56,855,547	$1,692,291	3.1
Lease Payments	13,876,756	12,452,745	(1,424,011)	(10.3)
SUBTOTAL, DEBT SERVICE	**$69,040,012**	**$69,308,292**	**$268,280**	**0.4**
Less Interagency Contracts	$693,767,953	$654,509,297	($39,258,656)	(5.7)
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$65,464,230,066**	**$55,426,380,431**	**($10,037,849,635)**	**(15.3)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Note: Article totals exclude interagency contracts.
Source: Legislative Budget Board.

TABLE B1—*(CONTINUED)*
ALL FUNDS — EDUCATION

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
PUBLIC EDUCATION				
Texas Education Agency	$50,119,391,873	$47,339,213,388	($2,780,178,485)	(5.5)
School for the Blind and Visually Impaired	93,388,870	41,245,345	(52,143,525)	(55.8)
School for the Deaf	53,083,657	52,695,245	(388,412)	(0.7)
SUBTOTAL, PUBLIC EDUCATION	**$50,265,864,400**	**$47,433,153,978**	**($2,832,710,422)**	**(5.6)**
PUBLIC HIGHER EDUCATION				
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$1,745,695,460	$1,749,380,723	$3,685,263	0.2
Lamar Institute of Technology	27,568,721	28,708,990	1,140,269	4.1
Lamar University - Orange	18,484,576	19,164,769	680,193	3.7
Lamar University - Port Arthur	23,780,405	22,119,709	(1,660,696)	(7.0)
SUBTOTAL, LAMAR STATE COLLEGES	**$69,833,702**	**$69,993,468**	**$159,766**	**0.2**
Texas State Technical College System Administration	$16,493,826	$5,351,461	($11,142,365)	(67.6)
Texas State Technical College - Harlingen	50,980,986	49,093,510	(1,887,476)	(3.7)
Texas State Technical College - West Texas	27,965,791	24,970,291	(2,995,500)	(10.7)
Texas State Technical College - Marshall	11,434,368	10,995,468	(438,900)	(3.8)
Texas State Technical College - Waco	68,111,562	73,596,786	5,485,224	8.1
SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES	**$174,986,533**	**$164,007,516**	**($10,979,017)**	**(6.3)**
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$1,990,515,695**	**$1,983,381,707**	**($7,133,988)**	**(0.4)**
GENERAL ACADEMIC INSTITUTIONS				
The University of Texas System Administration	$19,099,360	$18,147,200	($952,160)	(5.0)
The University of Texas at Arlington	275,081,581	288,654,156	13,572,575	4.9
The University of Texas at Austin	749,518,863	702,739,665	(46,779,198)	(6.2)
The University of Texas at Dallas	230,535,884	223,513,862	(7,022,022)	(3.0)
The University of Texas at El Paso	202,195,230	195,511,098	(6,684,132)	(3.3)
The University of Texas - Pan American	169,039,177	162,830,092	(6,209,085)	(3.7)
The University of Texas at Brownsville	61,910,963	57,628,718	(4,282,245)	(6.9)
The University of Texas of the Permian Basin	58,194,080	59,145,561	951,481	1.6
The University of Texas at San Antonio	273,182,023	260,495,772	(12,686,251)	(4.6)
The University of Texas at Tyler	71,137,295	66,147,545	(4,989,750)	(7.0)
Texas A&M University System Administrative and General Offices	20,701,573	4,501,868	(16,199,705)	(78.3)
Texas A&M University	700,537,434	651,599,219	(48,938,215)	(7.0)
Texas A&M University at Galveston	43,799,673	37,773,622	(6,026,051)	(13.8)
Prairie View A&M University	134,247,361	122,639,379	(11,607,982)	(8.6)
Tarleton State University	87,292,499	83,950,084	(3,342,415)	(3.8)
Texas A&M University - Central Texas	29,460,313	30,599,703	1,139,390	3.9
Texas A&M University - Corpus Christi	121,534,331	110,283,074	(11,251,257)	(9.3)
Texas A&M University - Kingsville	82,466,491	75,368,253	(7,098,238)	(8.6)

TABLE B1—*(CONTINUED)*
ALL FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas A&M University - San Antonio	$27,154,411	$37,125,363	$9,970,952	36.7
Texas A&M International University	83,231,209	73,816,324	(9,414,885)	(11.3)
West Texas A&M University	79,410,486	72,847,023	(6,563,463)	(8.3)
Texas A&M University - Commerce	99,558,312	89,920,628	(9,637,684)	(9.7)
Texas A&M University - Texarkana	41,409,091	34,754,968	(6,654,123)	(16.1)
University of Houston System Administration	12,665,157	51,668,462	39,003,305	308.0
University of Houston	450,003,385	394,815,403	(55,187,982)	(12.3)
University of Houston - Clear Lake	83,394,543	71,849,633	(11,544,910)	(13.8)
University of Houston - Downtown	88,104,670	67,926,822	(20,177,848)	(22.9)
University of Houston - Victoria	42,631,672	39,786,959	(2,844,713)	(6.7)
Midwestern State University	54,249,721	48,828,454	(5,421,267)	(10.0)
University of North Texas System Administration	9,789,067	6,732,226	(3,056,841)	(31.2)
University of North Texas	302,350,602	296,355,351	(5,995,251)	(2.0)
University of North Texas at Dallas	35,156,605	30,478,388	(4,678,217)	(13.3)
Stephen F. Austin State University	121,843,336	108,728,674	(13,114,662)	(10.8)
Texas Southern University	174,127,907	150,903,873	(23,224,034)	(13.3)
Texas Tech University System Administration	3,750,000	2,850,000	(900,000)	(24.0)
Texas Tech University	368,026,094	357,056,343	(10,969,751)	(3.0)
Angelo State University	68,450,875	64,053,866	(4,397,009)	(6.4)
Texas Woman's University	146,639,127	135,140,923	(11,498,204)	(7.8)
Texas State University System	2,124,240	4,450,000	2,325,760	109.5
Lamar University	121,909,453	111,926,905	(9,982,548)	(8.2)
Sam Houston State University	162,684,291	145,338,873	(17,345,418)	(10.7)
Texas State University - San Marcos	261,940,220	254,492,644	(7,447,576)	(2.8)
Sul Ross State University	34,008,142	37,804,020	3,795,878	11.2
Sul Ross State University Rio Grande College	13,112,804	12,127,383	(985,421)	(7.5)
SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS	**$6,217,659,551**	**$5,853,308,379**	**($364,351,172)**	**(5.9)**
HEALTH-RELATED INSTITUTIONS				-
The University of Texas Southwestern Medical Center at Dallas	$339,025,963	$278,284,511	($60,741,452)	(17.9)
The University of Texas Medical Branch at Galveston	1,252,556,677	1,214,546,039	(38,010,638)	(3.0)
The University of Texas Health Science Center at Houston	356,632,008	347,880,533	(8,751,475)	(2.5)
The University of Texas Health Science Center at San Antonio	357,022,348	319,153,560	(37,868,788)	(10.6)
The University of Texas M.D. Anderson Cancer Center	4,614,023,153	5,043,439,860	429,416,707	9.3
The University of Texas Health Science Center at Tyler	170,568,794	176,002,869	5,434,075	3.2

TABLE B1—*(CONTINUED)*
ALL FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas A&M University System Health Science Center	$252,705,800	$241,434,175	($11,271,625)	(4.5)
University of North Texas Health Science Center at Fort Worth	141,974,215	140,131,956	(1,842,259)	(1.3)
Texas Tech University Health Sciences Center	361,096,839	333,314,809	(27,782,030)	(7.7)
SUBTOTAL, HEALTH-RELATED INSTITUTIONS	**$7,845,605,797**	**$8,094,188,312**	**$248,582,515**	**3.2**
TEXAS A&M UNIVERSITY SERVICES				
Texas AgriLife Research	$137,560,226	$130,327,148	($7,233,078)	(5.3)
Texas AgriLife Extension Service	137,837,443	128,253,897	(9,583,546)	(7.0)
Texas Engineering Experiment Station	249,008,314	268,154,320	19,146,006	7.7
Texas Transportation Institute	96,056,916	99,288,013	3,231,097	3.4
Texas Engineering Extension Service	164,895,453	161,748,713	(3,146,740)	(1.9)
Texas Forest Service	108,765,979	196,355,520	87,589,541	80.5
Texas Veterinary Medical Diagnostic Laboratory	32,693,561	29,601,103	(3,092,458)	(9.5)
SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES	**$926,817,892**	**$1,013,728,714**	**$86,910,822**	**9.4**
Higher Education Fund	$525,000,000	$525,000,000	$0	NA
Available University Fund	1,059,019,952	1,061,449,668	2,429,716	0.2
National Research University Fund Earnings	0	12,400,000	12,400,000	NA
Higher Education Coordinating Board	1,755,022,519	1,301,687,813	(453,334,706)	(25.8)
SUBTOTAL, OTHER HIGHER EDUCATION	**$3,339,042,471**	**$2,900,537,481**	**($438,504,990)**	**(13.1)**
SUBTOTAL, HIGHER EDUCATION	**$20,319,641,406**	**$19,845,144,593**	**($474,496,813)**	**(2.3)**
EMPLOYEE BENEFITS				
Teacher Retirement System	$4,038,146,148	$3,797,393,090	($240,753,058)	(6.0)
Optional Retirement Program	294,169,521	247,905,975	(46,263,546)	(15.7)
Higher Education Employees Group Insurance Contributions	1,068,235,618	968,961,950	(99,273,668)	(9.3)
Retirement and Group Insurance	61,823,656	63,645,693	1,822,037	2.9
Social Security and Benefits Replacement Pay	560,373,470	577,908,771	17,535,301	3.1
SUBTOTAL, EMPLOYEE BENEFITS	**$6,022,748,413**	**$5,655,815,479**	**($366,932,934)**	**(6.1)**
DEBT SERVICE				
Bond Debt Service Payments	$7,579,835	$14,567,314	$6,987,479	92.2
Lease Payments	5,904,034	5,295,330	(608,704)	(10.3)
SUBTOTAL, DEBT SERVICE	**$13,483,869**	**$19,862,644**	**$6,378,775**	**47.3**
Less Interagency Contracts	$205,729,521	$82,628,334	($123,101,187)	(59.8)
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$76,416,008,567**	**$72,871,348,360**	**($3,544,660,207)**	**(4.6)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B1—(CONTINUED)
ALL FUNDS — THE JUDICIARY

ARTICLE IV – THE JUDICIARY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Supreme Court of Texas	$61,397,802	$64,008,829	$2,611,027	4.3
Court of Criminal Appeals	30,084,881	27,053,018	(3,031,863)	(10.1)
First Court of Appeals District, Houston	7,509,126	7,475,959	(33,167)	(0.4)
Second Court of Appeals District, Fort Worth	5,705,792	5,675,643	(30,149)	(0.5)
Third Court of Appeals District, Austin	4,972,022	4,959,371	(12,651)	(0.3)
Fourth Court of Appeals District, San Antonio	5,747,708	5,737,358	(10,350)	(0.2)
Fifth Court of Appeals District, Dallas	10,241,653	10,221,777	(19,876)	(0.2)
Sixth Court of Appeals District, Texarkana	2,698,712	2,688,915	(9,797)	(0.4)
Seventh Court of Appeals District, Amarillo	3,331,549	3,324,462	(7,087)	(0.2)
Eighth Court of Appeals District, El Paso	2,756,978	2,747,926	(9,052)	(0.3)
Ninth Court of Appeals District, Beaumont	3,324,082	3,315,055	(9,027)	(0.3)
Tenth Court of Appeals District, Waco	2,671,479	2,665,958	(5,521)	(0.2)
Eleventh Court of Appeals District, Eastland	2,693,546	2,688,857	(4,689)	(0.2)
Twelfth Court of Appeals District, Tyler	2,745,715	2,734,087	(11,628)	(0.4)
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	4,993,679	4,984,885	(8,794)	(0.2)
Fourteenth Court of Appeals District, Houston	7,531,383	7,510,202	(21,181)	(0.3)
Office of Court Administration, Texas Judicial Council	96,423,696	92,713,641	(3,710,055)	(3.8)
Office of Capital Writs	965,176	1,784,271	819,095	84.9
Office of the State Prosecuting Attorney	866,716	763,454	(103,262)	(11.9)
State Law Library	2,159,331	1,713,146	(446,185)	(20.7)
State Commission on Judicial Conduct	1,887,423	1,896,339	8,916	0.5
Judiciary Section, Comptroller's Department	291,717,638	276,939,389	(14,778,249)	(5.1)
SUBTOTAL, THE JUDICIARY	**$552,426,087**	**$533,602,542**	**$(18,823,545)**	**(3.4)**
Retirement and Group Insurance	$111,661,318	$99,902,248	($11,759,070)	(10.5)
Social Security and Benefit Replacement Pay	20,013,764	19,997,637	(16,127)	(0.1)
SUBTOTAL, EMPLOYEE BENEFITS	**$131,675,082**	**$119,899,885**	**$(11,775,197)**	**(8.9)**
Lease Payments	$4,943,290	$4,565,814	($377,476)	(7.6)
SUBTOTAL, DEBT SERVICE	**$4,943,290**	**$4,565,814**	**($377,476)**	**(7.6)**
Less Interagency Contracts	16,148,317	14,935,629	(1,212,688)	(7.5)
TOTAL, ARTICLE IV – THE JUDICIARY	**$672,896,142**	**$643,132,612**	**($29,763,530)**	**(4.4)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Note: Article totals exclude interagency contracts.
Source: Legislative Budget Board.

TABLE B1—*(CONTINUED)*
ALL FUNDS — PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Adjutant General's Department	$212,404,968	$124,149,748	($88,255,220)	(41.6)
Alcoholic Beverage Commission	85,598,980	84,796,515	(802,465)	(0.9)
Department of Criminal Justice	6,209,041,091	6,102,250,270	(106,790,821)	(1.7)
Commission on Fire Protection	4,553,581	3,899,658	(653,923)	(14.4)
Commission on Jail Standards	2,022,841	1,850,111	(172,730)	(8.5)
Texas Juvenile Justice Department	0	497,175,932	497,175,932	NA
Juvenile Probation Commission	328,708,501	81,299,066	(247,409,435)	(75.3)
Commission on Law Enforcement Officer Standards and Education	6,426,911	5,590,448	(836,463)	(13.0)
Department of Public Safety	2,989,282,750	2,852,580,510	(136,702,240)	(4.6)
Youth Commission	449,109,309	85,476,836	(363,632,473)	(81.0)
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$10,287,148,932**	**$9,839,069,094**	**($448,079,838)**	**(4.4)**
Retirement and Group Insurance	$1,136,626,905	$1,121,033,612	($15,593,293)	(1.4)
Social Security and Benefit Replacement Pay	329,493,140	316,550,987	(12,942,153)	(3.9)
SUBTOTAL, EMPLOYEE BENEFITS	**$1,466,120,045**	**$1,437,584,599**	**($28,535,446)**	**(1.9)**
Bond Debt Service Payments	$469,031,146	$352,891,587	($116,139,559)	(24.8)
Lease Payments	4,016,700	3,889,308	(127,392)	(3.2)
SUBTOTAL, DEBT SERVICE	**$473,047,846**	**$356,780,895**	**($116,266,951)**	**(24.6)**
Less Interagency Contracts	$153,390,274	$126,002,786	($27,387,488)	(17.9)
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$12,072,926,549**	**$11,507,431,802**	**($565,494,747)**	**(4.7)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Note: Article totals exclude interagency contracts.
Source: Legislative Budget Board.

TABLE B1—*(CONTINUED)*
ALL FUNDS — NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Agriculture	$913,821,914	$1,153,314,700	$239,492,786	26.2
Animal Health Commission	29,673,064	30,120,449	447,385	1.5
Commission on Environmental Quality	952,102,256	692,028,067	(260,074,189)	(27.3)
General Land Office and Veterans' Land Board	221,902,575	677,891,960	455,989,385	205.5
Low-level Radioactive Waste Disposal Compact Commission	0	1,166,578	1,166,578	NA
Parks and Wildlife Department	703,675,331	550,710,560	(152,964,771)	(21.7)
Railroad Commission	153,554,698	145,776,726	(7,777,972)	(5.1)
Soil and Water Conservation Board	53,913,253	40,085,693	(13,827,560)	(25.6)
Water Development Board	146,760,932	125,141,502	(21,619,430)	(14.7)
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	161,481,892	213,275,672	51,793,780	32.1
SUBTOTAL, NATURAL RESOURCES	**$3,336,885,915**	**$3,629,511,907**	**$292,625,992**	**8.8**
Retirement and Group Insurance	$203,346,237	$205,298,734	$1,952,497	1.0
Social Security and Benefit Replacement Pay	72,143,349	68,157,450	(3,985,899)	(5.5)
SUBTOTAL, EMPLOYEE BENEFITS	**$275,489,586**	**$273,456,184**	**($2,033,402)**	**(0.7)**
Bond Debt Service Payments	$12,513,002	$19,922,291	$7,409,289	59.2
Lease Payments	7,843,871	6,992,178	(851,693)	(10.9)
SUBTOTAL, DEBT SERVICE	**$20,356,873**	**$26,914,469**	**$6,557,596**	**32.2**
Less Interagency Contracts	$70,536,962	$41,584,729	($28,952,233)	(41.0)
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$3,562,195,412**	**$3,888,297,831**	**$326,102,419**	**9.2**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B1—*(CONTINUED)*
ALL FUNDS — BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Housing and Community Affairs	$2,756,246,358	$361,682,557	($2,394,563,801)	(86.9)
Texas Lottery Commission	450,448,214	379,206,836	(71,241,378)	(15.8)
Department of Motor Vehicles	281,528,500	293,558,453	12,029,953	4.3
Texas Department of Rural Affairs	838,735,304	7,214,011	(831,521,293)	(99.1)
Department of Transportation	15,924,789,825	19,783,358,166	3,858,568,341	24.2
Texas Workforce Commission	2,399,028,499	2,207,417,686	(191,610,813)	(8.0)
Reimbursements to the Unemployment Compensation Benefit Account	62,326,325	55,930,303	(6,396,022)	(10.3)
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$22,713,103,025**	**$23,088,368,012**	**$375,264,987**	**1.7**
Retirement and Group Insurance	$472,300,839	$527,012,722	$54,711,883	11.6
Social Security and Benefit Replacement Pay	131,289,277	134,253,744	2,964,467	2.3
SUBTOTAL, EMPLOYEE BENEFITS	**$603,590,116**	**$661,266,466**	**$57,676,350**	**9.6**
Bond Debt Service Payments	$16,862,280	$25,754,741	$8,892,461	52.7
Lease Payments	2,255,085	2,347,889	92,804	4.1
SUBTOTAL, DEBT SERVICE	**$19,117,365**	**$28,102,630**	**$8,985,265**	**47.0**
Less Interagency Contracts	$139,163,193	$116,915,476	($22,247,717)	(16.0)
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$23,196,647,313**	**$23,660,821,632**	**$464,174,319**	**2.0**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Note: Article totals exclude interagency contracts.
Source: Legislative Budget Board.

TABLE B1—*(CONTINUED)*
ALL FUNDS — REGULATORY

ARTICLE VIII – REGULATORY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
State Office of Administrative Hearings	$18,567,070	$20,475,396	$1,908,326	10.3
Board of Chiropractic Examiners	1,213,806	1,223,078	9,272	0.8
Texas State Board of Dental Examiners	4,848,731	4,398,913	(449,818)	(9.3)
Funeral Service Commission	1,505,829	1,466,427	(39,402)	(2.6)
Board of Professional Geoscientists	1,285,429	1,168,663	(116,766)	(9.1)
Health Professions Council	3,282,441	1,704,150	(1,578,291)	(48.1)
Office of Injured Employee Counsel	15,539,084	15,539,084	0	0.0
Department of Insurance	251,269,253	220,590,977	(30,678,276)	(12.2)
Office of Public Insurance Counsel	2,109,332	2,066,176	(43,156)	(2.0)
Board of Professional Land Surveying	883,945	893,986	10,041	1.1
Department of Licensing and Regulation	48,037,793	47,728,053	(309,740)	(0.6)
Texas Medical Board	22,026,058	22,708,657	682,599	3.1
Texas Board of Nursing	18,423,969	18,591,094	167,125	0.9
Optometry Board	944,242	928,085	(16,157)	(1.7)
Board of Pharmacy	10,721,396	10,340,283	(381,113)	(3.6)
Executive Council of Physical Therapy & Occupational Therapy Examiners	2,142,425	2,246,745	104,320	4.9
Board of Plumbing Examiners	4,551,181	4,342,070	(209,111)	(4.6)
Board of Podiatric Medical Examiners	457,728	479,487	21,759	4.8
Board of Examiners of Psychologists	1,765,832	1,608,760	(157,072)	(8.9)
Racing Commission	16,993,241	19,177,617	2,184,376	12.9
Real Estate Commission	15,607,813	0	(15,607,813)	(100.0)
Residential Construction Commission	3,091,357	0	(3,091,357)	(100.0)
Securities Board	12,871,966	13,679,568	807,602	6.3
Public Utility Commission of Texas	187,867,184	178,777,811	(9,089,373)	(4.8)
Office of Public Utility Counsel	3,297,594	3,007,406	(290,188)	(8.8)
Board of Veterinary Medical Examiners	1,961,776	1,938,299	(23,477)	(1.2)
SUBTOTAL, REGULATORY	**$651,266,475**	**$595,080,785**	**($56,185,690)**	**(8.6)**
Retirement and Group Insurance	$71,492,502	$74,402,252	$2,909,750	4.1
Social Security and Benefit Replacement Pay	26,334,245	25,912,854	(421,391)	(1.6)
SUBTOTAL, EMPLOYEE BENEFITS	**$97,826,747**	**$100,315,106**	**$2,488,359**	**2.5**
Lease Payments	$3,835,781	$2,555,856	($1,279,925)	(33.4)
SUBTOTAL, DEBT SERVICE	**$3,835,781**	**$2,555,856**	**($1,279,925)**	**(33.4)**
Less Interagency Contracts	$16,847,801	$20,109,294	$3,261,493	19.4
TOTAL, ARTICLE VIII – REGULATORY	**$736,081,202**	**$677,842,453**	**($58,238,749)**	**(7.9)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B1—*(CONTINUED)*
ALL FUNDS — GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	ESTIMATED/BUDGETED 2010–11	APPROPRIATED 2012–13	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Provisions	$0	$0	$0	NA
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$0**	**NA**

NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B1—*(CONTINUED)*
ALL FUNDS — THE LEGISLATURE

ARTICLE X – THE LEGISLATURE	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Senate	$65,173,477	$58,473,612	($6,699,865)	(10.3)
House of Representatives	74,949,403	67,228,763	(7,720,640)	(10.3)
Legislative Budget Board	28,497,026	25,539,626	(2,957,400)	(10.4)
Sunset Advisory Commission	3,982,487	4,572,376	589,889	14.8
Legislative Council	76,680,840	68,824,406	(7,856,434)	(10.2)
Commission on Uniform State Laws	285,109	257,200	(27,909)	(9.8)
State Auditor's Office	42,379,761	37,057,222	(5,322,539)	(12.6)
Legislative Reference Library	3,170,762	2,847,229	(323,533)	(10.2)
SUBTOTAL, THE LEGISLATURE	**$295,118,865**	**$264,800,434**	**($30,318,431)**	**(10.3)**
Retirement and Group Insurance	$48,629,582	$51,575,688	$2,946,106	6.1
Social Security and Benefit Replacement Pay	16,364,237	16,347,987	(16,250)	(0.1)
SUBTOTAL, EMPLOYEE BENEFITS	**$64,993,819**	**$67,923,675**	**$2,929,856**	**4.5**
Lease Payments	$20,182,295	$16,204,964	($3,977,331)	(19.7)
SUBTOTAL, DEBT SERVICE	**$20,182,295**	**$16,204,964**	**($3,977,331)**	**(19.7)**
Less Interagency Contracts	11,093,033	9,003,200	(2,089,833)	(18.8)
TOTAL, ARTICLE X – THE LEGISLATURE	**$369,201,946**	**$339,925,873**	**($29,276,073)**	**(7.9)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

APPENDIX B — SUMMARY OF STATE BUDGET BY BIENNIUM

GENERAL REVENUE FUNDS

TABLE B2
GENERAL REVENUE FUNDS — STATEWIDE SUMMARY

FUNCTION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$2,410,689,855	$2,068,818,998	($341,870,857)	(14.2)
Article II – Health and Human Services	21,691,007,738	22,900,148,538	1,209,140,800	5.6
Article III – Agencies of Education	46,796,003,928	45,916,833,626	(879,170,302)	(1.9)
Article IV – The Judiciary	418,890,778	381,263,413	(37,627,365)	(9.0)
Article V – Public Safety and Criminal Justice	8,619,471,308	8,203,304,006	(416,167,302)	(4.8)
Article VI – Natural Resources	839,489,740	638,405,600	(201,084,140)	(24.0)
Article VII – Business and Economic Development	495,110,808	577,945,479	82,834,671	16.7
Article VIII – Regulatory	291,611,631	264,359,112	(27,252,519)	(9.3)
Article IX – General Provisions	0	0	0	NA
Article X – The Legislature	368,608,208	339,363,073	(29,245,135)	(7.9)
TOTAL, ALL FUNCTIONS	**$81,930,883,994**	**$81,290,441,845**	**($640,442,149)**	**(0.8)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B2—*(CONTINUED)*
GENERAL REVENUE FUNDS — GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Commission on the Arts	$1,312,465	$3,571,961	$2,259,496	172.2
Office of the Attorney General	396,513,391	368,985,578	(27,527,813)	(6.9)
Bond Review Board	1,148,513	973,935	(174,578)	(15.2)
Cancer Prevention and Research Institute of Texas	203,094	0	(203,094)	(100.0)
Comptroller of Public Accounts	447,713,538	405,434,199	(42,279,339)	(9.4)
Fiscal Programs - Comptroller of Public Accounts	751,011,167	653,182,078	(97,829,089)	(13.0)
Commission on State Emergency Communications	0	0	0	NA
Employees Retirement System	16,176,080	16,176,080	0	0.0
Texas Ethics Commission	3,872,660	3,849,064	(23,596)	(0.6)
Facilities Commission	56,382,268	56,136,357	(245,911)	(0.4)
Public Finance Authority	1,056,752	519,586	(537,166)	(50.8)
Fire Fighters' Pension Commissioner	1,385,450	1,577,339	191,889	13.9
Office of the Governor	22,519,390	19,009,960	(3,509,430)	(15.6)
Trusteed Programs Within the Office of the Governor	274,899,169	118,507,598	(156,391,571)	(56.9)
Historical Commission	35,301,190	20,663,913	(14,637,277)	(41.5)
Department of Information Resources	1,486,270	14,691,391	13,205,121	888.5
Library and Archives Commission	39,004,215	14,238,515	(24,765,700)	(63.5)
Pension Review Board	1,346,815	1,388,003	41,188	3.1
Preservation Board	24,031,355	28,560,522	4,529,167	18.8
State Office of Risk Management	0	0	0	NA
Workers' Compensation Payments	0	0	0	NA
Secretary of State	36,012,765	37,393,833	1,381,068	3.8
Veterans Commission	13,695,794	13,608,820	(86,974)	(0.6)
SUBTOTAL, GENERAL GOVERNMENT	**$2,125,072,341**	**$1,778,468,732**	**($346,603,609)**	**(16.3)**
Retirement and Group Insurance	$160,387,275	$157,481,904	($2,905,371)	(1.8)
Social Security and Benefit Replacement Pay	63,481,507	59,793,681	(3,687,826)	(5.8)
SUBTOTAL, EMPLOYEE BENEFITS	**$223,868,782**	**$217,275,585**	**($6,593,197)**	**(2.9)**
Bond Debt Service Payments	$38,593,655	$51,046,945	$12,453,290	32.3
Lease Payments	23,155,077	22,027,736	(1,127,341)	(4.9)
SUBTOTAL, DEBT SERVICE	**$61,748,732**	**$73,074,681**	**$11,325,949**	**18.3**
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$2,410,689,855**	**$2,068,818,998**	**($341,870,857)**	**(14.2)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B2—*(CONTINUED)*
GENERAL REVENUE FUNDS — HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Aging and Disability Services	$4,318,007,582	$4,019,880,490	($298,127,092)	(6.9)
Department of Assistive and Rehabilitative Services	215,307,149	217,434,118	2,126,969	1.0
Department of Family and Protective Services	1,060,735,089	1,279,237,146	218,502,057	20.6
Department of State Health Services	2,161,409,549	2,138,738,041	(22,671,508)	(1.0)
Health and Human Services Commission	13,039,957,279	14,286,355,535	1,246,398,256	9.6
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$20,795,416,648**	**$21,941,645,330**	**$1,146,228,682**	**5.5**
Retirement and Group Insurance	$645,176,954	$695,646,804	$50,469,850	7.8
Social Security and Benefit Replacement Pay	188,385,451	200,888,580	12,503,129	6.6
SUBTOTAL, EMPLOYEE BENEFITS	**$833,562,405**	**$896,535,384**	**$62,972,979**	**7.6**
Bond Debt Service Payments	$48,151,929	$49,515,079	$1,363,150	2.8
Lease Payments	13,876,756	12,452,745	(1,424,011)	(10.3)
SUBTOTAL, DEBT SERVICE	**$62,028,685**	**$61,967,824**	**($60,861)**	**(0.1)**
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$21,691,007,738**	**$22,900,148,538**	**$1,209,140,800**	**5.6**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B2—*(CONTINUED)*
GENERAL REVENUE FUNDS — EDUCATION

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
PUBLIC EDUCATION				
Texas Education Agency	$30,322,901,124	$30,476,707,526	$153,806,402	0.5
School for the Blind and Visually Impaired	28,830,574	29,152,947	322,373	1.1
School for the Deaf	36,111,132	36,216,478	105,346	0.3
SUBTOTAL, PUBLIC EDUCATION	**$30,387,842,830**	**$30,542,076,951**	**$154,234,121**	**0.5**
PUBLIC HIGHER EDUCATION				
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$1,728,790,460	$1,749,380,723	$20,590,263	1.2
Lamar Institute of Technology	20,141,881	21,363,652	1,221,771	6.1
Lamar University - Orange	13,379,584	13,438,359	58,775	0.4
Lamar University - Port Arthur	18,247,526	16,676,606	(1,570,920)	(8.6)
SUBTOTAL, LAMAR STATE COLLEGES	**$51,768,991**	**$51,478,617**	**($290,374)**	**(0.6)**
Texas State Technical College System Administration	$16,122,329	$4,603,444	($11,518,885)	(71.4)
Texas State Technical College - Harlingen	35,862,333	35,177,742	(684,591)	(1.9)
Texas State Technical College - West Texas	22,972,902	20,195,085	(2,777,817)	(12.1)
Texas State Technical College - Marshall	8,795,246	8,519,429	(275,817)	(3.1)
Texas State Technical College - Waco	48,458,059	55,190,076	6,732,017	13.9
SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES	**$132,210,869**	**$123,685,776**	**($8,525,093)**	**(6.4)**
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$1,912,770,320**	**$1,924,545,116**	**$11,774,796**	**0.6**
GENERAL ACADEMIC INSTITUTIONS				
The University of Texas System Administration	$16,827,250	$15,931,200	($896,050)	(5.3)
The University of Texas at Arlington	171,697,428	183,867,794	12,170,366	7.1
The University of Texas at Austin	536,034,384	492,544,731	(43,489,653)	(8.1)
The University of Texas at Dallas	142,108,554	148,778,381	6,669,827	4.7
The University of Texas at El Paso	142,521,273	137,781,712	(4,739,561)	(3.3)
The University of Texas - Pan American	115,707,790	110,889,522	(4,818,268)	(4.2)
The University of Texas at Brownsville	51,100,517	47,424,781	(3,675,736)	(7.2)
The University of Texas of the Permian Basin	47,639,722	48,816,240	1,176,518	2.5
The University of Texas at San Antonio	186,961,792	178,547,264	(8,414,528)	(4.5)
The University of Texas at Tyler	56,673,893	51,804,728	(4,869,165)	(8.6)
Texas A&M University System Administrative and General Offices	11,478,504	4,473,868	(7,004,636)	(61.0)
Texas A&M University	487,991,523	458,011,060	(29,980,463)	(6.1)
Texas A&M University at Galveston	36,736,318	30,964,674	(5,771,644)	(15.7)
Prairie View A&M University	102,383,638	90,923,868	(11,459,770)	(11.2)
Tarleton State University	62,999,263	59,464,473	(3,534,790)	(5.6)
Texas A&M University - Central Texas	24,007,601	25,352,928	1,345,327	5.6
Texas A&M University - Corpus Christi	93,966,271	81,624,416	(12,341,855)	(13.1)
Texas A&M University - Kingsville	60,610,859	54,030,202	(6,580,657)	(10.9)

TABLE B2—*(CONTINUED)*
GENERAL REVENUE FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas A&M University - San Antonio	$21,438,200	$29,287,597	$7,849,397	36.6
Texas A&M International University	67,735,925	58,009,521	(9,726,404)	(14.4)
West Texas A&M University	57,622,391	53,282,160	(4,340,231)	(7.5)
Texas A&M University - Commerce	67,888,967	66,581,226	(1,307,741)	(1.9)
Texas A&M University - Texarkana	31,084,147	30,370,655	(713,492)	(2.3)
University of Houston System Administration	12,665,157	51,668,462	39,003,305	308.0
University of Houston	311,616,152	257,331,674	(54,284,478)	(17.4)
University of Houston - Clear Lake	58,807,555	46,454,050	(12,353,505)	(21.0)
University of Houston - Downtown	56,441,987	39,973,395	(16,468,592)	(29.2)
University of Houston - Victoria	32,315,073	27,651,821	(4,663,252)	(14.4)
Midwestern State University	37,434,162	33,382,015	(4,052,147)	(10.8)
University of North Texas System Administration	4,789,067	6,732,226	1,943,159	40.6
University of North Texas	194,672,599	191,274,119	(3,398,480)	(1.7)
University of North Texas at Dallas	30,330,149	28,165,402	(2,164,747)	(7.1)
Stephen F. Austin State University	84,817,662	75,640,135	(9,177,527)	(10.8)
Texas Southern University	125,878,414	104,685,201	(21,193,213)	(16.8)
Texas Tech University System Administration	3,750,000	2,850,000	(900,000)	(24.0)
Texas Tech University	261,015,662	253,976,808	(7,038,854)	(2.7)
Angelo State University	48,095,474	45,861,337	(2,234,137)	(4.6)
Texas Woman's University	104,666,337	92,467,100	(12,199,237)	(11.7)
Texas State University System	2,124,240	4,450,000	2,325,760	109.5
Lamar University	77,990,428	70,849,905	(7,140,523)	(9.2)
Sam Houston State University	85,061,409	79,609,576	(5,451,833)	(6.4)
Texas State University - San Marcos	168,720,167	164,894,925	(3,825,242)	(2.3)
Sul Ross State University	28,832,045	32,758,471	3,926,426	13.6
Sul Ross State University Rio Grande College	10,662,338	9,364,932	(1,297,406)	(12.2)
SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS	**$4,333,902,287**	**$4,078,804,555**	**($255,097,732)**	**(5.9)**
HEALTH-RELATED INSTITUTIONS				
The University of Texas Southwestern Medical Center at Dallas	$286,599,806	$249,279,177	($37,320,629)	(13.0)
The University of Texas Medical Branch at Galveston	586,704,245	472,189,151	(114,515,094)	(19.5)
The University of Texas Health Science Center at Houston	278,466,261	294,281,302	15,815,041	5.7
The University of Texas Health Science Center at San Antonio	285,919,332	260,615,042	(25,304,290)	(8.9)
The University of Texas M.D. Anderson Cancer Center	316,274,242	298,435,072	(17,839,170)	(5.6)
The University of Texas Health Science Center at Tyler	68,656,721	71,856,579	3,199,858	4.7

TABLE B2—*(CONTINUED)*
GENERAL REVENUE FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas A&M University System Health Science Center	$205,234,148	$194,402,799	($10,831,349)	(5.3)
University of North Texas Health Science Center at Fort Worth	120,369,543	113,121,832	(7,247,711)	(6.0)
Texas Tech University Health Sciences Center	308,265,168	291,713,120	(16,552,048)	(5.4)
SUBTOTAL, HEALTH-RELATED INSTITUTIONS	**$2,456,489,466**	**$2,245,894,074**	**($210,595,392)**	**(8.6)**
TEXAS A&M UNIVERSITY SERVICES				
Texas AgriLife Research	$108,442,641	$101,233,060	($7,209,581)	(6.6)
Texas AgriLife Extension Service	93,421,095	84,437,039	(8,984,056)	(9.6)
Texas Engineering Experiment Station	27,420,670	27,791,758	371,088	1.4
Texas Transportation Institute	1,786,250	1,282,500	(503,750)	(28.2)
Texas Engineering Extension Service	13,423,471	12,388,837	(1,034,634)	(7.7)
Texas Forest Service	38,994,278	158,979,948	119,985,670	307.7
Texas Veterinary Medical Diagnostic Laboratory	12,326,913	11,519,113	(807,800)	(6.6)
SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES	**$295,815,318**	**$397,632,255**	**$101,816,937**	**34.4**
Higher Education Fund	$525,000,000	$525,000,000	$0	NA
Available University Fund	0	0	0	NA
National Research University Fund Earnings	0	0	0	NA
Higher Education Coordinating Board	1,324,025,818	1,053,522,035	(270,503,783)	(20.4)
SUBTOTAL, OTHER HIGHER EDUCATION	**$1,849,025,818**	**$1,578,522,035**	**($270,503,783)**	**(14.6)**
SUBTOTAL, HIGHER EDUCATION	**$10,848,003,209**	**$10,225,398,035**	**($622,605,174)**	**(5.7)**
EMPLOYEE BENEFITS				
Teacher Retirement System	$3,721,648,969	$3,431,139,479	($290,509,490)	(7.8)
Optional Retirement Program	249,841,016	205,341,297	(44,499,719)	(17.8)
Higher Education Employees Group Insurance Contributions	1,066,913,010	967,556,924	(99,356,086)	(9.3)
Retirement and Group Insurance	51,589,368	54,070,178	2,480,810	4.8
Social Security and Benefits Replacement Pay	456,936,472	471,706,602	14,770,130	3.2
SUBTOTAL, EMPLOYEE BENEFITS	**$5,546,928,835**	**$5,129,814,480**	**($417,114,355)**	**(7.5)**
DEBT SERVICE				
Bond Debt Service Payments	$7,325,020	$14,248,830	$6,923,810	94.5
Lease Payments	5,904,034	5,295,330	(608,704)	(10.3)
SUBTOTAL, DEBT SERVICE	**$13,229,054**	**$19,544,160**	**$6,315,106**	**47.7**
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$46,796,003,928**	**$45,916,833,626**	**($879,170,302)**	**(1.9)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B2—*(CONTINUED)*
GENERAL REVENUE FUNDS — THE JUDICIARY

ARTICLE IV – THE JUDICIARY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Supreme Court of Texas	$32,998,620	$27,509,377	($5,489,243)	(16.6)
Court of Criminal Appeals	9,369,789	9,260,148	(109,641)	(1.2)
First Court of Appeals District, Houston	6,841,226	6,826,859	(14,367)	(0.2)
Second Court of Appeals District, Fort Worth	5,131,692	5,121,543	(10,149)	(0.2)
Third Court of Appeals District, Austin	4,498,222	4,489,571	(8,651)	(0.2)
Fourth Court of Appeals District, San Antonio	5,216,801	5,205,258	(11,543)	(0.2)
Fifth Court of Appeals District, Dallas	9,389,753	9,369,877	(19,876)	(0.2)
Sixth Court of Appeals District, Texarkana	2,500,829	2,496,015	(4,814)	(0.2)
Seventh Court of Appeals District, Amarillo	3,069,275	3,063,262	(6,013)	(0.2)
Eighth Court of Appeals District, El Paso	2,501,728	2,497,026	(4,702)	(0.2)
Ninth Court of Appeals District, Beaumont	3,059,882	3,053,855	(6,027)	(0.2)
Tenth Court of Appeals District, Waco	2,465,425	2,461,058	(4,367)	(0.2)
Eleventh Court of Appeals District, Eastland	2,492,646	2,487,957	(4,689)	(0.2)
Twelfth Court of Appeals District, Tyler	2,547,815	2,542,187	(5,628)	(0.2)
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	4,519,879	4,511,085	(8,794)	(0.2)
Fourteenth Court of Appeals District, Houston	6,870,019	6,855,424	(14,595)	(0.2)
Office of Court Administration, Texas Judicial Council	23,706,166	21,526,380	(2,179,786)	(9.2)
Office of Capital Writs	457,431	0	(457,431)	(100.0)
Office of the State Prosecuting Attorney	797,816	718,454	(79,362)	(9.9)
State Law Library	2,075,331	1,674,646	(400,685)	(19.3)
State Commission on Judicial Conduct	1,887,423	1,896,339	8,916	0.5
Judiciary Section, Comptroller's Department	162,323,427	142,268,298	(20,055,129)	(12.4)
SUBTOTAL, THE JUDICIARY	**$294,721,195**	**$265,834,619**	**($28,886,576)**	**(9.8)**
Retirement and Group Insurance	$104,620,259	$96,298,949	($8,321,310)	(8.0)
Social Security and Benefit Replacement Pay	14,606,034	14,564,031	(42,003)	(0.3)
SUBTOTAL, EMPLOYEE BENEFITS	**$119,226,293**	**$110,862,980**	**($8,363,313)**	**(7.0)**
Lease Payments	$4,943,290	$4,565,814	($377,476)	(7.6)
SUBTOTAL, DEBT SERVICE	**$4,943,290**	**$4,565,814**	**($377,476)**	**(7.6)**
TOTAL, ARTICLE IV – THE JUDICIARY	**$418,890,778**	**$381,263,413**	**($37,627,365)**	**(9.0)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B2—*(CONTINUED)*
GENERAL REVENUE FUNDS — PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Adjutant General's Department	$29,619,922	$26,515,051	($3,104,871)	(10.48)
Alcoholic Beverage Commission	83,633,293	83,667,515	34,222	0.04
Department of Criminal Justice	5,914,728,244	5,889,016,537	(25,711,707)	(0.43)
Commission on Fire Protection	4,463,581	3,789,658	(673,923)	(15.10)
Commission on Jail Standards	1,962,841	1,790,111	(172,730)	(8.80)
Texas Juvenile Justice Department	0	452,369,909	452,369,909	NA
Juvenile Probation Commission	286,733,524	72,801,216	(213,932,308)	(74.61)
Commission on Law Enforcement Officer Standards and Education	118,584	324,208	205,624	173.40
Department of Public Safety	238,734,718	103,165,241	(135,569,477)	(56.79)
Youth Commission	390,423,488	78,992,337	(311,431,151)	(79.77)
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$6,950,418,195**	**$6,712,431,783**	**($237,986,412)**	**(3.42)**
Retirement and Group Insurance	$934,439,236	$891,622,029	($42,817,207)	(4.58)
Social Security and Benefit Replacement Pay	264,699,097	245,637,097	(19,062,000)	(7.20)
SUBTOTAL, EMPLOYEE BENEFITS	**$1,199,138,333**	**$1,137,259,126**	**($61,879,207)**	**(5.16)**
Bond Debt Service Payments	$465,898,080	$349,723,789	($116,174,291)	(24.94)
Lease Payments	4,016,700	3,889,308	(127,392)	(3.17)
SUBTOTAL, DEBT SERVICE	**$469,914,780**	**$353,613,097**	**($116,301,683)**	**(24.75)**
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$8,619,471,308**	**$8,203,304,006**	**($416,167,302)**	**(4.83)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B2—*(CONTINUED)*
GENERAL REVENUE FUNDS — NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Agriculture	$139,887,363	$100,626,617	($39,260,746)	(28.1)
Animal Health Commission	20,267,420	22,303,076	2,035,656	10.0
Commission on Environmental Quality	28,797,969	11,794,145	(17,003,824)	(59.0)
General Land Office and Veterans' Land Board	18,910,544	1,646,780	(17,263,764)	(91.3)
Low-level Radioactive Waste Disposal Compact Commission	0	0	0	NA
Parks and Wildlife Department	204,740,700	139,030,231	(65,710,469)	(32.1)
Railroad Commission	56,056,831	29,905,003	(26,151,828)	(46.7)
Soil and Water Conservation Board	41,168,753	28,085,693	(13,083,060)	(31.8)
Water Development Board	55,076,684	38,221,334	(16,855,350)	(30.6)
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	115,584,072	99,811,903	(15,772,169)	(13.6)
SUBTOTAL, NATURAL RESOURCES	**$680,490,336**	**$471,424,782**	**($209,065,554)**	**(30.7)**
Retirement and Group Insurance	$121,460,620	$123,480,428	$2,019,808	1.7
Social Security and Benefit Replacement Pay	18,826,877	18,273,534	(553,343)	(2.9)
SUBTOTAL, EMPLOYEE BENEFITS	**$140,287,497**	**$141,753,962**	**$1,466,465**	**1.0**
Bond Debt Service Payments	$10,868,036	$18,234,678	$7,366,642	67.8
Lease Payments	7,843,871	6,992,178	(851,693)	(10.9)
SUBTOTAL, DEBT SERVICE	**$18,711,907**	**$25,226,856**	**$6,514,949**	**34.8**
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$839,489,740**	**$638,405,600**	**($201,084,140)**	**(24.0)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B2—*(CONTINUED)*
GENERAL REVENUE FUNDS — BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Housing and Community Affairs	$45,984,157	$16,287,410	($29,696,747)	(64.6)
Texas Lottery Commission	30,389,156	32,092,450	1,703,294	5.6
Department of Motor Vehicles	31,004,538	29,823,740	(1,180,798)	(3.8)
Texas Department of Rural Affairs	18,095,623	236,673	(17,858,950)	(98.7)
Department of Transportation	54,322,932	235,224,793	180,901,861	333.0
Texas Workforce Commission	284,224,095	223,583,629	(60,640,466)	(21.3)
Reimbursements to the Unemployment Compensation Benefit Account	0	0	0	NA
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$464,020,501**	**$537,248,695**	**$73,228,194**	**15.8**
Retirement and Group Insurance	$9,811,455	$10,708,601	$897,146	9.1
Social Security and Benefit Replacement Pay	2,692,314	2,549,685	(142,629)	(5.3)
SUBTOTAL, EMPLOYEE BENEFITS	**$12,503,769**	**$13,258,286**	**$754,517**	**6.0**
Bond Debt Service Payments	$16,331,453	$25,090,609	$8,759,156	53.6
Lease Payments	2,255,085	2,347,889	92,804	4.1
SUBTOTAL, DEBT SERVICE	**$18,586,538**	**$27,438,498**	**$8,851,960**	**47.6**
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$495,110,808**	**$577,945,479**	**$82,834,671**	**16.7**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B2—*(CONTINUED)*
GENERAL REVENUE FUNDS — REGULATORY

ARTICLE VIII – REGULATORY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Licensing and Regulation	$45,982,599	$45,670,208	($312,391)	(0.7)
Texas Medical Board	17,729,290	18,354,794	625,504	3.5
Texas Board of Nursing	16,087,973	16,255,098	167,125	1.0
Optometry Board	859,928	837,443	(22,485)	(2.6)
Board of Pharmacy	10,705,936	10,324,823	(381,113)	(3.6)
Executive Council of Physical Therapy & Occupational Therapy Examiners	1,981,071	2,085,391	104,320	5.3
Board of Plumbing Examiners	4,450,703	4,252,070	(198,633)	(4.5)
Board of Podiatric Medical Examiners	449,388	473,087	23,699	5.3
Board of Examiners of Psychologists	1,597,036	1,444,684	(152,352)	(9.5)
Racing Commission	1,500,000	0	(1,500,000)	(100.0)
Real Estate Commission	14,988,213	0	(14,988,213)	(100.0)
Residential Construction Commission	3,091,357	0	(3,091,357)	(100.0)
Department of Savings and Mortgage Lending	0	0	0	NA
Securities Board	12,871,966	13,679,568	807,602	6.3
Public Utility Commission of Texas	20,311,178	9,110,101	(11,201,077)	(55.1)
Office of Public Utility Counsel	3,297,594	3,007,406	(290,188)	(8.8)
Board of Veterinary Medical Examiners	1,958,008	1,934,531	(23,477)	(1.2)
SUBTOTAL, REGULATORY	**$248,318,462**	**$221,538,725**	**($26,779,737)**	**(10.8)**
Retirement and Group Insurance	$29,979,171	$30,282,800	$303,629	1.0
Social Security and Benefit Replacement Pay	11,150,067	10,740,734	(409,333)	(3.7)
SUBTOTAL, EMPLOYEE BENEFITS	**$41,129,238**	**$41,023,534**	**($105,704)**	**(0.3)**
Lease Payments	$2,163,931	$1,796,853	($367,078)	(17.0)
SUBTOTAL, DEBT SERVICE	**$2,163,931**	**$1,796,853**	**($367,078)**	**(17.0)**
TOTAL, ARTICLE VIII – REGULATORY	**$291,611,631**	**$264,359,112**	**($27,252,519)**	**(9.3)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B2—(CONTINUED)
GENERAL REVENUE FUNDS — GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Provisions	$0	$0	$0	NA
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$0**	**NA**

Source: Legislative Budget Board.

TABLE B2—(CONTINUED)
GENERAL REVENUE FUNDS — THE LEGISLATURE

ARTICLE X – THE LEGISLATURE	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Senate	$65,173,477	$58,473,612	($6,699,865)	(10.3)
House of Representatives	74,949,403	67,228,763	(7,720,640)	(10.3)
Legislative Budget Board	28,497,026	25,539,626	(2,957,400)	(10.4)
Sunset Advisory Commission	3,982,487	4,572,376	589,889	14.8
Legislative Council	76,680,840	68,824,406	(7,856,434)	(10.2)
Commission on Uniform State Laws	285,109	257,200	(27,909)	(9.8)
State Auditor's Office	30,708,990	27,507,222	(3,201,768)	(10.4)
Legislative Reference Library	3,154,762	2,831,229	(323,533)	(10.3)
SUBTOTAL, THE LEGISLATURE	**$283,432,094**	**$255,234,434**	**($28,197,660)**	**(9.9)**
Retirement and Group Insurance	$48,629,582	$51,575,688	$2,946,106	6.1
Social Security and Benefit Replacement Pay	16,364,237	16,347,987	(16,250)	(0.1)
SUBTOTAL, EMPLOYEE BENEFITS	**$64,993,819**	**$67,923,675**	**$2,929,856**	**4.5**
Lease Payments	$20,182,295	$16,204,964	($3,977,331)	(19.7)
SUBTOTAL, DEBT SERVICE	**$20,182,295**	**$16,204,964**	**($3,977,331)**	**(19.7)**
TOTAL, ARTICLE X – THE LEGISLATURE	**$368,608,208**	**$339,363,073**	**($29,245,135)**	**(7.9)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

APPENDIX B — SUMMARY OF STATE BUDGET BY BIENNIUM

GENERAL REVENUE–DEDICATED FUNDS

TABLE B3
GENERAL REVENUE–DEDICATED FUNDS — STATEWIDE SUMMARY

FUNCTION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$622,900,314	$843,047,923	$220,147,609	35.3
Article II – Health and Human Services	959,659,845	967,497,178	7,837,333	0.8
Article III – Agencies of Education	2,489,251,077	2,495,346,416	6,095,339	0.2
Article IV – The Judiciary	63,345,065	85,025,731	21,680,666	34.2
Article V – Public Safety and Criminal Justice	75,357,208	171,360,706	96,003,498	127.4
Article VI – Natural Resources	1,243,607,504	1,046,857,428	(196,750,076)	(15.8)
Article VII – Business and Economic Development	466,864,009	386,689,254	(80,174,755)	(17.2)
Article VIII – Regulatory	385,023,752	384,130,675	(893,077)	(0.2)
Article IX – General Provisions	0	0	0	NA
Article X – The Legislature	0	0	0	NA
TOTAL, ALL FUNCTIONS	**$6,306,008,774**	**$6,379,955,311**	**$73,946,537**	**1.2**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Commission on the Arts	$8,793,356	$1,814,583	($6,978,773)	(79.4)
Office of the Attorney General	188,289,446	195,553,621	7,264,175	3.9
Bond Review Board	0	0	0	NA
Cancer Prevention and Research Institute of Texas	42,000	24,000	(18,000)	(42.9)
Comptroller of Public Accounts	0	0	0	NA
Fiscal Programs - Comptroller of Public Accounts	46,235,289	104,786,584	58,551,295	126.6
Commission on State Emergency Communications	134,239,716	111,971,932	(22,267,784)	(16.6)
Employees Retirement System	0	0	0	NA
Texas Ethics Commission	0	0	0	NA
Facilities Commission	5,174,948	6,490,388	1,315,440	25.4
Public Finance Authority	4,836,000	3,057,676	(1,778,324)	(36.8)
Fire Fighters' Pension Commissioner	0	0	0	NA
Office of the Governor	0	0	0	NA
Trusteed Programs Within the Office of the Governor	213,829,084	320,827,429	106,998,345	50.0
Historical Commission	389,400	5,105,664	4,716,264	1,211.2
Department of Information Resources	0	0	0	NA
Library and Archives Commission	11,541	0	(11,541)	(100.0)
Pension Review Board	0	0	0	NA
Preservation Board	0	0	0	NA
State Office of Risk Management	0	0	0	NA
Workers' Compensation Payments	0	0	0	NA
Secretary of State	8,837,662	1,834,440	(7,003,222)	(79.2)
Veterans Commission	11,600	12,000	400	3.4
SUBTOTAL, GENERAL GOVERNMENT	**$610,690,042**	**$751,478,317**	**$140,788,275**	**23.1**
Retirement and Group Insurance	$4,875,963	$4,961,708	$85,745	1.8
Social Security and Benefit Replacement Pay	1,885,183	1,859,811	(25,372)	(1.3)
SUBTOTAL, EMPLOYEE BENEFITS	**$6,761,146**	**$6,821,519**	**$60,373**	**0.9**
Bond Debt Service Payments	$5,449,126	$84,748,087	$79,298,961	1,455.3
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$5,449,126**	**$84,748,087**	**$79,298,961**	**1,455.3**
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$622,900,314**	**$843,047,923**	**$220,147,609**	**35.3**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B3—(CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS — HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Aging and Disability Services	$109,629,249	$123,625,249	$13,996,000	12.8
Department of Assistive and Rehabilitative Services	26,981,219	25,926,806	(1,054,413)	(3.9)
Department of Family and Protective Services	15,327,696	46,392,403	31,064,707	202.7
Department of State Health Services	787,956,640	742,736,832	(45,219,808)	(5.7)
Health and Human Services Commission	0	8,087,828	8,087,828	NA
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$939,894,804**	**$946,769,118**	**$6,874,314**	**0.7**
Retirement and Group Insurance	$13,567,815	$14,550,444	$982,629	7.2
Social Security and Benefit Replacement Pay	6,197,226	6,177,616	(19,610)	(0.3)
SUBTOTAL, EMPLOYEE BENEFITS	**$19,765,041**	**$20,728,060**	**$963,019**	**4.9**
Bond Debt Service Payments	$0	$0	$0	NA
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$959,659,845**	**$967,497,178**	**$7,837,333**	**0.8**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — EDUCATION

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
PUBLIC EDUCATION				
Texas Education Agency	$418,569	$649,000	$230,431	55.1
School for the Blind and Visually Impaired	0	0	0	NA
School for the Deaf	0	0	0	NA
SUBTOTAL, PUBLIC EDUCATION	**$418,569**	**$649,000**	**$230,431**	**55.1**
PUBLIC HIGHER EDUCATION				
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$0	$0	$0	NA
Lamar Institute of Technology	7,026,644	7,345,338	318,694	4.5
Lamar University - Orange	4,875,929	5,726,410	850,481	17.4
Lamar University - Port Arthur	4,747,409	5,443,103	695,694	14.7
SUBTOTAL, LAMAR STATE COLLEGES	**$16,649,982**	**$18,514,851**	**$1,864,869**	**11.2**
Texas State Technical College System Administration	$371,497	$748,017	$376,520	101.4
Texas State Technical College - Harlingen	14,268,123	13,915,768	(352,355)	(2.5)
Texas State Technical College - West Texas	4,573,311	4,775,206	201,895	4.4
Texas State Technical College - Marshall	2,486,999	2,476,039	(10,960)	(0.4)
Texas State Technical College - Waco	18,496,312	18,406,710	(89,602)	(0.5)
SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES	**$40,196,242**	**$40,321,740**	**$125,498**	**0.3**
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$56,846,224**	**$58,836,591**	**$1,990,367**	**3.5**
GENERAL ACADEMIC INSTITUTIONS				
The University of Texas System Administration	$0	$0	$0	NA
The University of Texas at Arlington	99,544,565	104,786,362	5,241,797	5.3
The University of Texas at Austin	203,175,074	210,194,934	7,019,860	3.5
The University of Texas at Dallas	73,902,392	74,735,481	833,089	1.1
The University of Texas at El Paso	54,257,081	54,959,386	702,305	1.3
The University of Texas - Pan American	50,448,111	51,483,144	1,035,033	2.1
The University of Texas at Brownsville	10,270,338	10,203,937	(66,401)	(0.6)
The University of Texas of the Permian Basin	10,153,771	10,329,321	175,550	1.7
The University of Texas at San Antonio	78,194,498	81,948,508	3,754,010	4.8
The University of Texas at Tyler	13,686,400	14,342,817	656,417	4.8
Texas A&M University System Administrative and General Offices	9,223,069	28,000	(9,195,069)	(99.7)
Texas A&M University	194,931,245	184,789,626	(10,141,619)	(5.2)
Texas A&M University at Galveston	6,714,220	6,808,948	94,728	1.4
Prairie View A&M University	31,863,723	31,715,511	(148,212)	(0.5)
Tarleton State University	23,018,364	24,485,611	1,467,247	6.4
Texas A&M University - Central Texas	5,452,712	5,246,775	(205,937)	(3.8)
Texas A&M University - Corpus Christi	26,308,558	28,658,658	2,350,100	8.9

TABLE B3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas A&M University - Kingsville	$20,743,629	$21,338,051	$594,422	2.9
Texas A&M University - San Antonio	5,716,211	7,837,766	2,121,555	37.1
Texas A&M International University	14,449,349	15,531,029	1,081,680	7.5
West Texas A&M University	20,857,129	19,564,863	(1,292,266)	(6.2)
Texas A&M University - Commerce	29,344,128	23,339,402	(6,004,726)	(20.5)
Texas A&M University - Texarkana	4,114,223	4,384,313	270,090	6.6
University of Houston System Administration	0	0	0	NA
University of Houston	129,680,228	137,483,729	7,803,501	6.0
University of Houston - Clear Lake	23,417,549	25,395,583	1,978,034	8.4
University of Houston - Downtown	30,264,387	27,953,427	(2,310,960)	(7.6)
University of Houston - Victoria	9,883,366	12,135,138	2,251,772	22.8
Midwestern State University	15,912,994	15,446,439	(466,555)	(2.9)
University of North Texas System Administration	0	0	0	NA
University of North Texas	100,805,298	105,081,232	4,275,934	4.2
University of North Texas at Dallas	4,826,456	2,312,986	(2,513,470)	(52.1)
Stephen F. Austin State University	35,525,799	33,088,539	(2,437,260)	(6.9)
Texas Southern University	47,027,769	46,218,672	(809,097)	(1.7)
Texas Tech University System Administration	0	0	0	NA
Texas Tech University	98,116,061	103,079,535	4,963,474	5.1
Angelo State University	17,654,127	18,192,529	538,402	3.0
Texas Woman's University	40,098,242	42,673,823	2,575,581	6.4
Texas State University System	0	0	0	NA
Lamar University	37,445,892	41,077,000	3,631,108	9.7
Sam Houston State University	71,500,172	65,729,297	(5,770,875)	(8.1)
Texas State University - San Marcos	88,567,369	89,597,719	1,030,350	1.2
Sul Ross State University	4,941,096	5,045,549	104,453	2.1
Sul Ross State University Rio Grande College	2,342,952	2,762,451	419,499	17.9
SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS	**$1,744,378,547**	**$1,759,986,091**	**$15,607,544**	**0.9**
HEALTH-RELATED INSTITUTIONS				
The University of Texas Southwestern Medical Center at Dallas	$22,514,152	$18,054,614	($4,459,538)	(19.8)
The University of Texas Medical Branch at Galveston	23,120,930	24,797,153	1,676,223	7.2
The University of Texas Health Science Center at Houston	35,777,999	35,483,172	(294,827)	(0.8)
The University of Texas Health Science Center at San Antonio	16,488,403	17,234,857	746,454	4.5
The University of Texas M.D. Anderson Cancer Center	48,597,071	55,476,185	6,879,114	14.2

TABLE B3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
The University of Texas Health Science Center at Tyler	$512,055	$569,200	$57,145	11.2
Texas A&M University System Health Science Center	13,306,322	24,908,409	11,602,087	87.2
University of North Texas Health Science Center at Fort Worth	12,596,783	16,295,862	3,699,079	29.4
Texas Tech University Health Sciences Center	23,553,492	27,695,220	4,141,728	17.6
SUBTOTAL, HEALTH-RELATED INSTITUTIONS	**$196,467,207**	**$220,514,672**	**$24,047,465**	**12.2**
TEXAS A&M UNIVERSITY SERVICES				
Texas AgriLife Research	$950,000	$950,000	$0	NA
Texas AgriLife Extension Service	46,992	18,000	(28,992)	(61.7)
Texas Engineering Experiment Station	1,785,036	904,418	(880,618)	(49.3)
Texas Transportation Institute	0	0	0	NA
Texas Engineering Extension Service	0	0	0	NA
Texas Forest Service	61,388,596	28,912,000	(32,476,596)	(52.9)
Texas Veterinary Medical Diagnostic Laboratory	0	0	0	NA
SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES	**$64,170,624**	**$30,784,418**	**($33,386,206)**	**(52.0)**
Higher Education Fund	$0	$0	$0	NA
Available University Fund	0	0	0	NA
National Research University Fund Earnings	0	0	0	NA
Higher Education Coordinating Board	111,572,621	87,256,791	(24,315,830)	(21.8)
SUBTOTAL, OTHER HIGHER EDUCATION	**$111,572,621**	**$87,256,791**	**($24,315,830)**	**(21.8)**
SUBTOTAL, HIGHER EDUCATION	**$2,173,435,223**	**$2,157,378,563**	**($16,056,660)**	**(0.7)**
EMPLOYEE BENEFITS				
Teacher Retirement System	$188,794,770	$209,600,575	$20,805,805	11.0
Optional Retirement Program	44,328,505	42,564,678	(1,763,827)	(4.0)
Higher Education Employees Group Insurance Contributions	0	0	0	NA
Retirement and Group Insurance	0	0	0	NA
SocIal Security and Benefits Replacement Pay	82,274,010	85,153,600	2,879,590	3.5
SUBTOTAL, EMPLOYEE BENEFITS	**$315,397,285**	**$337,318,853**	**$21,921,568**	**7.0**
DEBT SERVICE				
Bond Debt Service Payments	$0	$0	$0	NA
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$2,489,251,077**	**$2,495,346,416**	**$6,095,339**	**0.2**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — THE JUDICIARY

ARTICLE IV – THE JUDICIARY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Supreme Court of Texas	$0	$4,000,000	$4,000,000	NA
Court of Criminal Appeals	0	16,674,868	16,674,868	NA
First Court of Appeals District, Houston	0	0	0	NA
Second Court of Appeals District, Fort Worth	0	0	0	NA
Third Court of Appeals District, Austin	0	0	0	NA
Fourth Court of Appeals District, San Antonio	0	0	0	NA
Fifth Court of Appeals District, Dallas	0	0	0	NA
Sixth Court of Appeals District, Texarkana	0	0	0	NA
Seventh Court of Appeals District, Amarillo	0	0	0	NA
Eighth Court of Appeals District, El Paso	0	0	0	NA
Ninth Court of Appeals District, Beaumont	0	0	0	NA
Tenth Court of Appeals District, Waco	0	0	0	NA
Eleventh Court of Appeals District, Eastland	0	0	0	NA
Twelfth Court of Appeals District, Tyler	0	0	0	NA
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	0	0	0	NA
Fourteenth Court of Appeals District, Houston	0	0	0	NA
Office of Court Administration, Texas Judicial Council	62,561,451	62,287,844	(273,607)	(0.4)
Office of Capital Writs	507,745	1,784,271	1,276,526	251.4
Office of the State Prosecuting Attorney	0	0	0	NA
State Law Library	0	0	0	NA
State Commission on Judicial Conduct	0	0	0	NA
Judiciary Section, Comptroller's Department	0	0	0	NA
SUBTOTAL, THE JUDICIARY	**$63,069,196**	**$84,746,983**	**$21,677,787**	**34.4**
Retirement and Group Insurance	$180,367	$183,266	$2,899	1.6
Social Security and Benefit Replacement Pay	95,502	95,482	(20)	(0.0)
SUBTOTAL, EMPLOYEE BENEFITS	**$275,869**	**$278,748**	**$2,879**	**1.0**
Lease Payments	$0	$0	$0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
TOTAL, ARTICLE IV – THE JUDICIARY	**$63,345,065**	**$85,025,731**	**$21,680,666**	**34.2**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Adjutant General's Department	$0	$0	$0	NA
Alcoholic Beverage Commission	0	0	0	NA
Department of Criminal Justice	4,591,910	1,035,899	(3,556,011)	(77.4)
Commission on Fire Protection	0	20,000	20,000	NA
Commission on Jail Standards	0	0	0	NA
Texas Juvenile Justice Department	0	0	0	NA
Juvenile Probation Commission	0	0	0	NA
Commission on Law Enforcement Officer Standards and Education	5,530,787	4,111,809	(1,418,978)	(25.7)
Department of Public Safety	52,641,363	138,957,639	86,316,276	164.0
Youth Commission	0	0	0	NA
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$62,764,060**	**$144,125,347**	**$81,361,287**	**129.6**
Retirement and Group Insurance	$10,566,938	$21,514,430	$10,947,492	103.6
Social Security and Benefit Replacement Pay	2,026,210	5,720,929	3,694,719	182.3
SUBTOTAL, EMPLOYEE BENEFITS	**$12,593,148**	**$27,235,359**	**$14,642,211**	**116.3**
Bond Debt Service Payments	$0	$0	$0	NA
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$75,357,208**	**$171,360,706**	**$96,003,498**	**127.4**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Agriculture	$1,260,043	$7,023,471	$5,763,428	457.4
Animal Health Commission	0	0	0	NA
Commission on Environmental Quality	788,040,534	583,528,430	(204,512,104)	(26.0)
General Land Office and Veterans' Land Board	22,363,235	21,518,558	(844,677)	(3.8)
Low-level Radioactive Waste Disposal Compact Commission	0	1,166,578	1,166,578	NA
Parks and Wildlife Department	286,727,716	254,491,864	(32,235,852)	(11.2)
Railroad Commission	56,177,678	93,685,872	37,508,194	66.8
Soil and Water Conservation Board	0	0	0	NA
Water Development Board	0	0	0	NA
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	0	0	0	NA
SUBTOTAL, NATURAL RESOURCES	**$1,154,569,206**	**$961,414,773**	**($193,154,433)**	**(16.7)**
Retirement and Group Insurance	$50,455,010	$49,706,180	($748,830)	(1.5)
Social Security and Benefit Replacement Pay	38,583,288	35,736,475	(2,846,813)	(7.4)
SUBTOTAL, EMPLOYEE BENEFITS	**$89,038,298**	**$85,442,655**	**($3,595,643)**	**(4.0)**
Bond Debt Service Payments	$0	$0	$0	NA
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$1,243,607,504**	**$1,046,857,428**	**($196,750,076)**	**(15.8)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B3—(CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS — BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Housing and Community Affairs	$0	$0	$0	NA
Texas Lottery Commission	420,059,058	347,114,386	(72,944,672)	(17.4)
Department of Motor Vehicles	0	0	0	NA
Texas Department of Rural Affairs	4,624,883	183,630	(4,441,253)	(96.0)
Department of Transportation	1,259,406	0	(1,259,406)	(100.0)
Texas Workforce Commission	11,193,440	11,157,075	(36,365)	(0.3)
Reimbursements to the Unemployment Compensation Benefit Account	19,172,719	17,338,394	(1,834,325)	(9.6)
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$456,309,506**	**$375,793,485**	**($80,516,021)**	**(17.6)**
Retirement and Group Insurance	$7,231,170	$7,591,923	$360,753	5.0
Social Security and Benefit Replacement Pay	3,323,333	3,303,846	(19,487)	(0.6)
SUBTOTAL, EMPLOYEE BENEFITS	**$10,554,503**	**$10,895,769**	**$341,266**	**3.2**
Bond Debt Service Payments	$0	$0	$0	NA
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$466,864,009**	**$386,689,254**	**($80,174,755)**	**(17.2)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B3—(CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS — REGULATORY

ARTICLE VIII – REGULATORY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
State Office of Administrative Hearings	$0	$0	$0	NA
Department of Banking	0	0	0	NA
Board of Chiropractic Examiners	0	0	0	NA
Office of Consumer Credit Commissioner	0	0	0	NA
Credit Union Department	0	0	0	NA
Texas State Board of Dental Examiners	0	0	0	NA
Funeral Service Commission	0	0	0	NA
Board of Professional Geoscientists	0	0	0	NA
Health Professions Council	0	0	0	NA
Office of Injured Employee Counsel	15,539,084	15,539,084	0	0.0
Department of Insurance	127,567,570	119,031,755	(8,535,815)	(6.7)
Office of Public Insurance Counsel	0	0	0	NA
Board of Professional Land Surveying	0	0	0	NA
Department of Licensing and Regulation	259,430	262,081	2,651	1.0
Texas Medical Board	4,179,286	4,235,027	55,741	1.3
Texas Board of Nursing	0	0	0	NA
Optometry Board	0	0	0	NA
Board of Pharmacy	0	0	0	NA
Executive Council of Physical Therapy & Occupational Therapy Examiners	0	0	0	NA
Board of Plumbing Examiners	0	0	0	NA
Board of Podiatric Medical Examiners	0	0	0	NA
Board of Examiners of Psychologists	0	0	0	NA
Racing Commission	15,493,241	19,177,617	3,684,376	23.8
Real Estate Commission	240,000	0	(240,000)	(100.0)
Residential Construction Commission	0	0	0	NA
Department of Savings and Mortgage Lending	0	0	0	NA
Securities Board	0	0	0	NA
Public Utility Commission of Texas	164,882,584	167,373,619	2,491,035	1.5
Office of Public Utility Counsel	0	0	0	NA
Board of Veterinary Medical Examiners	0	0	0	NA
SUBTOTAL, REGULATORY	**$328,161,195**	**$325,619,183**	**($2,542,012)**	**(0.8)**
Retirement and Group Insurance	$40,712,414	$43,275,000	$2,562,586	6.3
Social Security and Benefit Replacement Pay	14,478,293	14,477,489	(804)	(0.0)
SUBTOTAL, EMPLOYEE BENEFITS	**$55,190,707**	**$57,752,489**	**$2,561,782**	**4.6**
Lease Payments	$1,671,850	$759,003	($912,847)	(54.6)
SUBTOTAL, DEBT SERVICE	**$1,671,850**	**$759,003**	**($912,847)**	**(54.6)**
TOTAL, ARTICLE VIII – REGULATORY	**$385,023,752**	**$384,130,675**	**($893,077)**	**(0.2)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B3—(CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS — GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	ESTIMATED/BUDGETED 2010–11	APPROPRIATED 2012–13	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Provisions	$0	$0	$0	NA
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$0**	**NA**

SOURCE: Legislative Budget Board.

TABLE B3—(CONTINUED)
GENERAL REVENUE–DEDICATED FUNDS — THE LEGISLATURE

ARTICLE X – THE LEGISLATURE	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Senate	$0	$0	$0	NA
House of Representatives	0	0	0	NA
Legislative Budget Board	0	0	0	NA
Sunset Advisory Commission	0	0	0	NA
Legislative Council	0	0	0	NA
Commission on Uniform State Laws	0	0	0	NA
State Auditor's Office	0	0	0	NA
Legislative Reference Library	0	0	0	NA
SUBTOTAL, THE LEGISLATURE	**$0**	**$0**	**$0**	**NA**
Retirement and Group Insurance	$0	$0	$0	NA
Social Security and Benefit Replacement Pay	0	0	0	NA
SUBTOTAL, EMPLOYEE BENEFITS	**$0**	**$0**	**$0**	**NA**
Lease Payments	$0	$0	$0	NA
SUBTOTAL, DEBT SERVICE	$0	$0	$0	NA
TOTAL, ARTICLE X – THE LEGISLATURE	**$0**	**$0**	**$0**	**NA**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

APPENDIX B — SUMMARY OF STATE BUDGET BY BIENNIUM

FEDERAL FUNDS

TABLE B4
FEDERAL FUNDS — STATEWIDE SUMMARY

FUNCTION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$1,200,585,578	$671,167,217	($529,418,361)	(44.1)
Article II – Health and Human Services	42,216,838,972	31,053,872,571	(11,162,966,401)	(26.4)
Article III – Agencies of Education	14,014,636,357	10,935,329,879	(3,079,306,478)	(22.0)
Article IV – The Judiciary	4,990,698	3,600,000	(1,390,698)	(27.9)
Article V – Public Safety and Criminal Justice	1,894,952,440	1,625,356,897	(269,595,543)	(14.2)
Article VI – Natural Resources	1,230,156,842	1,873,624,731	643,467,889	52.3
Article VII – Business and Economic Development	12,004,089,824	8,491,595,862	(3,512,493,962)	(29.3)
Article VIII – Regulatory	7,178,662	6,302,201	(876,461)	(12.2)
Article IX – General Provisions	0	0	0	NA
Article X – The Legislature	0	0	0	NA
TOTAL, ALL FUNCTIONS	**$72,573,429,373**	**$54,660,849,358**	**($17,912,580,015)**	**(24.7)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Commission on the Arts	$3,528,300	$2,151,000	($1,377,300)	(39.0)
Office of the Attorney General	471,410,547	416,231,450	(55,179,097)	(11.7)
Bond Review Board	0	0	0	NA
Cancer Prevention and Research Institute of Texas	50,000	0	(50,000)	(100.0)
Comptroller of Public Accounts	4,309,639	0	(4,309,639)	(100.0)
Fiscal Programs - Comptroller of Public Accounts	292,538,401	3,401,410	(289,136,991)	(98.8)
Commission on State Emergency Communications	2,834,250	2,556,510	(277,740)	(9.8)
Employees Retirement System	0	0	0	NA
Texas Ethics Commission	0	0	0	NA
Facilities Commission	0	0	0	NA
Public Finance Authority	0	0	0	NA
Fire Fighters' Pension Commissioner	0	0	0	NA
Office of the Governor	0	0	0	NA
Trusteed Programs Within the Office of the Governor	300,822,926	115,486,812	(185,336,114)	(61.6)
Historical Commission	2,984,302	1,730,702	(1,253,600)	(42.0)
Department of Information Resources	0	0	0	NA
Library & Archives Commission	29,628,450	17,968,665	(11,659,785)	(39.4)
Pension Review Board	0	0	0	NA
Preservation Board	11,000,000	0	(11,000,000)	(100.0)
State Office of Risk Management	0	0	0	NA
Workers' Compensation Payments	0	0	0	NA
Secretary of State	13,365,023	41,900,287	28,535,264	213.5
Veterans Commission	20,182,725	19,101,534	(1,081,191)	(5.4)
SUBTOTAL, GENERAL GOVERNMENT	**$1,152,654,563**	**$620,528,370**	**($532,126,193)**	**(46.2)**
Retirement and Group Insurance	$35,691,062	$38,397,548	$2,706,486	7.6
Social Security and Benefit Replacement Pay	11,553,533	11,380,285	(173,248)	(1.5)
SUBTOTAL, EMPLOYEE BENEFITS	**$47,244,595**	**$49,777,833**	**$2,533,238**	**5.4**
Bond Debt Service Payments	$686,420	$861,014	$174,594	25.4
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$686,420**	**$861,014**	**$174,594**	**25.4**
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$1,200,585,578**	**$671,167,217**	**($529,418,361)**	**(44.1)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Aging and Disability Services	$9,108,036,947	$5,733,771,898	($3,374,265,049)	(37.0)
Department of Assistive and Rehabilitative Services	1,066,264,167	970,523,040	(95,741,127)	(9.0)
Department of Family and Protective Services	1,646,620,085	1,435,755,558	(210,864,527)	(12.8)
Department of State Health Services	2,750,975,379	2,488,012,720	(262,962,659)	(9.6)
Health and Human Services Commission	27,043,469,571	19,838,666,634	(7,204,802,937)	(26.6)
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$41,615,366,149**	**$30,466,729,850**	**($11,148,636,299)**	**(26.8)**
Retirement and Group Insurance	$446,613,209	$450,268,051	$3,654,842	0.8
Social Security and Benefit Replacement Pay	148,470,688	130,064,126	(18,406,562)	(12.4)
SUBTOTAL, EMPLOYEE BENEFITS	**$595,083,897**	**$580,332,177**	**($14,751,720)**	**(2.5)**
Bond Debt Service Payments	$6,388,926	$6,810,544	$421,618	6.6
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$6,388,926**	**$6,810,544**	**$421,618**	**6.6**
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$42,216,838,972**	**$31,053,872,571**	**($11,162,966,401)**	**(26.4)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — EDUCATION

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
PUBLIC EDUCATION				
Texas Education Agency	$13,298,491,946	$10,520,619,770	($2,777,872,176)	(20.9)
School for the Blind and Visually Impaired	5,430,126	5,855,880	425,754	7.8
School for the Deaf	4,233,990	2,921,862	(1,312,128)	(31.0)
SUBTOTAL, PUBLIC EDUCATION	**$13,308,156,062**	**$10,529,397,512**	**($2,778,758,550)**	**(20.9)**
PUBLIC HIGHER EDUCATION				
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$16,905,000	$0	($16,905,000)	(100.0)
Lamar Institute of Technology	400,196	0	(400,196)	(100.0)
Lamar University - Orange	229,063	0	(229,063)	(100.0)
Lamar University - Port Arthur	785,470	0	(785,470)	(100.0)
SUBTOTAL, LAMAR STATE COLLEGES	**$1,414,729**	**$0**	**($1,414,729)**	**(100.0)**
Texas State Technical College System Administration	$0	$0	$0	NA
Texas State Technical College - Harlingen	850,530	0	(850,530)	(100.0)
Texas State Technical College - West Texas	419,578	0	(419,578)	(100.0)
Texas State Technical College - Marshall	152,123	0	(152,123)	(100.0)
Texas State Technical College - Waco	1,157,191	0	(1,157,191)	(100.0)
SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES	**$2,579,422**	**$0**	**($2,579,422)**	**(100.0)**
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$20,899,151**	**$0**	**($20,899,151)**	**(100.0)**
GENERAL ACADEMIC INSTITUTIONS				
The University of Texas System Administration	$0	$0	$0	NA
The University of Texas at Arlington	3,839,588	0	(3,839,588)	(100.0)
The University of Texas at Austin	10,309,405	0	(10,309,405)	(100.0)
The University of Texas at Dallas	14,524,938	0	(14,524,938)	(100.0)
The University of Texas at El Paso	2,681,876	0	(2,681,876)	(100.0)
The University of Texas - Pan American	2,241,274	0	(2,241,274)	(100.0)
The University of Texas at Brownsville	540,108	0	(540,108)	(100.0)
The University of Texas of the Permian Basin	400,587	0	(400,587)	(100.0)
The University of Texas at San Antonio	8,025,733	0	(8,025,733)	(100.0)
The University of Texas at Tyler	777,002	0	(777,002)	(100.0)
Texas A&M University System Administrative and General Offices	0	0	0	NA
Texas A&M University	10,292,036	0	(10,292,036)	(100.0)
Texas A&M University at Galveston	349,135	0	(349,135)	(100.0)
Prairie View A&M University	0	0	0	NA
Tarleton State University	1,274,872	0	(1,274,872)	(100.0)
Texas A&M University - Central Texas	0	0	0	NA
Texas A&M University - Corpus Christi	1,259,502	0	(1,259,502)	(100.0)
Texas A&M University - Kingsville	1,112,003	0	(1,112,003)	(100.0)

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas A&M University - San Antonio	$0	$0	$0	NA
Texas A&M International University	658,885	0	(658,885)	(100.0)
West Texas A&M University	930,966	0	(930,966)	(100.0)
Texas A&M University - Commerce	2,325,217	0	(2,325,217)	(100.0)
Texas A&M University - Texarkana	6,210,721	0	(6,210,721)	(100.0)
University of Houston System Administration	0	0	0	NA
University of Houston	8,707,005	0	(8,707,005)	(100.0)
University of Houston - Clear Lake	1,169,439	0	(1,169,439)	(100.0)
University of Houston - Downtown	1,398,296	0	(1,398,296)	(100.0)
University of Houston - Victoria	433,233	0	(433,233)	(100.0)
Midwestern State University	902,565	0	(902,565)	(100.0)
University of North Texas System Administration	5,000,000	0	(5,000,000)	(100.0)
University of North Texas	6,872,705	0	(6,872,705)	(100.0)
University of North Texas at Dallas	0	0	0	NA
Stephen F. Austin State University	1,499,875	0	(1,499,875)	(100.0)
Texas Southern University	1,221,724	0	(1,221,724)	(100.0)
Texas Tech University System Administration	0	0	0	NA
Texas Tech University	8,894,371	0	(8,894,371)	(100.0)
Angelo State University	2,701,274	0	(2,701,274)	(100.0)
Texas Woman's University	1,874,548	0	(1,874,548)	(100.0)
Texas State University System	0	0	0	NA
Lamar University	6,473,133	0	(6,473,133)	(100.0)
Sam Houston State University	6,122,710	0	(6,122,710)	(100.0)
Texas State University - San Marcos	4,652,684	0	(4,652,684)	(100.0)
Sul Ross State University	235,001	0	(235,001)	(100.0)
Sul Ross State University Rio Grande College	107,514	0	(107,514)	(100.0)
SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS	**$126,019,925**	**$0**	**($126,019,925)**	**(100.0)**
HEALTH-RELATED INSTITUTIONS				
The University of Texas Southwestern Medical Center at Dallas	$16,614,303	$0	($16,614,303)	(100.0)
The University of Texas Medical Branch at Galveston	6,745,161	0	(6,745,161)	(100.0)
The University of Texas Health Science Center at Houston	24,173,646	0	(24,173,646)	(100.0)
The University of Texas Health Science Center at San Antonio	19,224,332	0	(19,224,332)	(100.0)
The University of Texas M.D. Anderson Cancer Center	634,206	0	(634,206)	(100.0)
The University of Texas Health Science Center at Tyler	80,210	0	(80,210)	(100.0)

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas A&M University System Health Science Center	$15,014,608	$0	($15,014,608)	(100.0)
University of North Texas Health Science Center at Fort Worth	3,438,054	0	(3,438,054)	(100.0)
Texas Tech University Health Sciences Center	11,075,479	0	(11,075,479)	(100.0)
SUBTOTAL, HEALTH-RELATED INSTITUTIONS	**$96,999,999**	**$0**	**($96,999,999)**	**(100.0)**
TEXAS A&M UNIVERSITY SERVICES				
Texas AgriLife Research	$15,933,582	$15,933,582	$0	NA
Texas AgriLife Extension Service	25,302,708	25,302,708	0	NA
Texas Engineering Experiment Station	137,281,801	153,857,672	16,575,871	12.1
Texas Transportation Institute	17,405,197	18,757,193	1,351,996	7.8
Texas Engineering Extension Service	48,387,893	48,387,894	1	0.0
Texas Forest Service	7,349,101	7,429,568	80,467	1.1
Texas Veterinary Medical Diagnostic Laboratory	594,001	594,000	(1)	(0.0)
SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES	**$252,254,283**	**$270,262,617**	**$18,008,334**	**7.1**
Higher Education Fund	$0	$0	$0	NA
Available University Fund	0	0	0	NA
National Research University Fund Earnings	0	0	0	NA
Higher Education Coordinating Board	197,332,508	123,636,426	(73,696,082)	(37.3)
SUBTOTAL, OTHER HIGHER EDUCATION	**$197,332,508**	**$123,636,426**	**($73,696,082)**	**(37.3)**
SUBTOTAL, HIGHER EDUCATION	**$693,505,866**	**$393,899,043**	**($299,606,823)**	**(43.2)**
EMPLOYEE BENEFITS				
Teacher Retirement System	$0	$0	$0	NA
Optional Retirement Program	0	0	0	NA
Higher Education Employees Group Insurance Contributions	0	0	0	NA
Retirement and Group Insurance	8,832,085	8,286,741	(545,344)	(6.2)
Social Security and Benefits Replacement Pay	3,888,441	3,428,099	(460,342)	(11.8)
SUBTOTAL, EMPLOYEE BENEFITS	**$12,720,526**	**$11,714,840**	**($1,005,686)**	**(7.9)**
DEBT SERVICE				
Bond Debt Service Payments	$253,903	$318,484	$64,581	25.4
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$253,903**	**$318,484**	**$64,581**	**25.4**
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$14,014,636,357**	**$10,935,329,879**	**($3,079,306,478)**	**(22.0)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — THE JUDICIARY

ARTICLE IV – THE JUDICIARY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Supreme Court of Texas	$4,990,698	$3,600,000	($1,390,698)	NA
Court of Criminal Appeals	0	0	0	NA
First Court of Appeals District, Houston	0	0	0	NA
Second Court of Appeals District, Fort Worth	0	0	0	NA
Third Court of Appeals District, Austin	0	0	0	NA
Fourth Court of Appeals District, San Antonio	0	0	0	NA
Fifth Court of Appeals District, Dallas	0	0	0	NA
Sixth Court of Appeals District, Texarkana	0	0	0	NA
Seventh Court of Appeals District, Amarillo	0	0	0	NA
Eighth Court of Appeals District, El Paso	0	0	0	NA
Ninth Court of Appeals District, Beaumont	0	0	0	NA
Tenth Court of Appeals District, Waco	0	0	0	NA
Eleventh Court of Appeals District, Eastland	0	0	0	NA
Twelfth Court of Appeals District, Tyler	0	0	0	NA
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	0	0	0	NA
Fourteenth Court of Appeals District, Houston	0	0	0	NA
Office of Court Administration, Texas Judicial Council	0	0	0	NA
Office of Capital Writs	0	0	0	NA
Office of the State Prosecuting Attorney	0	0	0	NA
State Law Library	0	0	0	NA
State Commission on Judicial Conduct	0	0	0	NA
Judiciary Section, Comptroller's Department	0	0	0	NA
SUBTOTAL, THE JUDICIARY	**$4,990,698**	**$3,600,000**	**($1,390,698)**	**(27.9)**
Retirement and Group Insurance	$0	$0	$0	NA
Social Security and Benefit Replacement Pay	0	0	0	NA
SUBTOTAL, EMPLOYEE BENEFITS	**$0**	**$0**	**$0**	**NA**
Lease Payments	$0	$0	$0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
TOTAL, ARTICLE IV – THE JUDICIARY	**$4,990,698**	**$3,600,000**	**($1,390,698)**	**(27.9)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Adjutant General's Department	$154,245,977	$87,118,697	($67,127,280)	(43.5)
Alcoholic Beverage Commission	995,662	839,000	(156,662)	(15.7)
Department of Criminal Justice	43,235,291	36,492,096	(6,743,195)	(15.6)
Commission on Fire Protection	0	0	0	NA
Commission on Jail Standards	0	0	0	NA
Texas Juvenile Justice Department	0	20,034,611	20,034,611	NA
Juvenile Probation Commission	16,094,550	3,500,000	(12,594,550)	(78.3)
Commission on Law Enforcement Officer Standards and Education	0	0	0	NA
Department of Public Safety	1,635,237,511	1,448,223,000	(187,014,511)	(11.4)
Youth Commission	21,073,599	3,179,747	(17,893,852)	(84.9)
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$1,870,882,590**	**$1,599,387,151**	**($271,495,439)**	**(14.5)**
Retirement and Group Insurance	$16,208,395	$17,360,466	$1,152,071	7.1
Social Security and Benefit Replacement Pay	5,336,017	5,441,482	105,465	2.0
SUBTOTAL, EMPLOYEE BENEFITS	**$21,544,412**	**$22,801,948**	**$1,257,536**	**5.8**
Bond Debt Service Payments	$2,525,438	$3,167,798	$642,360	25.4
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$2,525,438**	**$3,167,798**	**$642,360**	**25.4**
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$1,894,952,440**	**$1,625,356,897**	**($269,595,543)**	**(14.2)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B4—(CONTINUED)
FEDERAL FUNDS — NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Agriculture	$767,456,140	$1,039,120,973	$271,664,833	35.4
Animal Health Commission	9,405,126	7,817,373	(1,587,753)	(16.9)
Commission on Environmental Quality	113,508,057	78,565,344	(34,942,713)	(30.8)
General Land Office and Veterans' Land Board	64,750,267	550,554,027	485,803,760	750.3
Low-level Radioactive Waste Disposal Compact Commission	0	0	0	NA
Parks and Wildlife Department	137,767,177	66,851,775	(70,915,402)	(51.5)
Railroad Commission	22,223,992	17,937,921	(4,286,071)	(19.3)
Soil and Water Conservation Board	12,744,500	12,000,000	(744,500)	(5.8)
Water Development Board	69,778,892	68,464,806	(1,314,086)	(1.9)
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	0	0	0	NA
SUBTOTAL, NATURAL RESOURCES	**$1,197,634,151**	**$1,841,312,219**	**$643,678,068**	**53.7**
Retirement and Group Insurance	$22,091,270	$22,391,488	$300,218	1.4
Social Security and Benefit Replacement Pay	10,257,636	9,703,036	(554,600)	(5.4)
SUBTOTAL, EMPLOYEE BENEFITS	**$32,348,906**	**$32,094,524**	**($254,382)**	**(0.8)**
Bond Debt Service Payments	$173,785	$217,988	$44,203	25.4
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$173,785**	**$217,988**	**$44,203**	**25.4**
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$1,230,156,842**	**$1,873,624,731**	**$643,467,889**	**52.3**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Housing and Community Affairs	$2,678,637,523	$308,208,058	($2,370,429,465)	(88.5)
Texas Lottery Commission	0	0	0	NA
Department of Motor Vehicles	717,375	342,000	(375,375)	(52.3)
Texas Department of Rural Affairs	814,673,109	6,778,730	(807,894,379)	(99.2)
Department of Transportation	6,381,941,253	6,140,447,872	(241,493,381)	(3.8)
Texas Workforce Commission	2,013,504,866	1,895,950,904	(117,553,962)	(5.8)
Reimbursements to the Unemployment Compensation Benefit Account	0	0	0	NA
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$11,889,474,126**	**$8,351,727,564**	**($3,537,746,562)**	**(29.8)**
Retirement and Group Insurance	$89,113,931	$111,173,634	$22,059,703	24.8
Social Security and Benefit Replacement Pay	24,972,306	28,030,532	3,058,226	12.2
SUBTOTAL, EMPLOYEE BENEFITS	**$114,086,237**	**$139,204,166**	**$25,117,929**	**22.0**
Bond Debt Service Payments	$529,461	$664,132	$134,671	25.4
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$529,461**	**$664,132**	**$134,671**	**25.4**
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$12,004,089,824**	**$8,491,595,862**	**($3,512,493,962)**	**(29.3)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — REGULATORY

ARTICLE VIII – REGULATORY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
State Office of Administrative Hearings	$0	$0	$0	NA
Department of Banking	0	0	0	NA
Board of Chiropractic Examiners	0	0	0	NA
Office of Consumer Credit Commissioner	0	0	0	NA
Credit Union Department	0	0	0	NA
Texas State Board of Dental Examiners	0	0	0	NA
Funeral Service Commission	0	0	0	NA
Board of Professional Geoscientists	0	0	0	NA
Health Professions Council	0	0	0	NA
Office of Injured Employee Counsel	0	0	0	NA
Department of Insurance	5,321,985	4,533,442	(788,543)	(14.8)
Office of Public Insurance Counsel	0	0	0	NA
Board of Professional Land Surveying	0	0	0	NA
Department of Licensing and Regulation	0	0	0	NA
Texas Medical Board	0	0	0	NA
Texas Board of Nursing	0	0	0	NA
Optometry Board	0	0	0	NA
Board of Pharmacy	0	0	0	NA
Executive Council of Physical Therapy & Occupational Therapy Examiners	0	0	0	NA
Board of Plumbing Examiners	0	0	0	NA
Board of Podiatric Medical Examiners	0	0	0	NA
Board of Examiners of Psychologists	0	0	0	NA
Racing Commission	0	0	0	NA
Real Estate Commission	0	0	0	NA
Residential Construction Commission	0	0	0	NA
Department of Savings and Mortgage Lending	0	0	0	NA
Securities Board	0	0	0	NA
Public Utility Commission of Texas	746,192	623,863	(122,329)	(16.4)
Office of Public Utility Counsel	0	0	0	NA
Board of Veterinary Medical Examiners	0	0	0	NA
SUBTOTAL, REGULATORY	**$6,068,177**	**$5,157,305**	**($910,872)**	**(15.0)**
Retirement and Group Insurance	$800,600	$844,163	$43,563	5.4
Social Security and Benefit Replacement Pay	309,885	300,733	(9,152)	(3.0)
SUBTOTAL, EMPLOYEE BENEFITS	**$1,110,485**	**$1,144,896**	**$34,411**	**3.1**
Lease Payments	$0	$0	$0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
TOTAL, ARTICLE VIII – REGULATORY	**$7,178,662**	**$6,302,201**	**($876,461)**	**(12.2)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	ESTIMATED/BUDGETED 2010–11	APPROPRIATED 2012–13	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Provisions	$0	$0	$0	NA
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$0**	**NA**

SOURCE: Legislative Budget Board.

TABLE B4—*(CONTINUED)*
FEDERAL FUNDS — THE LEGISLATURE

ARTICLE X – THE LEGISLATURE	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Senate	$0	$0	$0	NA
House of Representatives	0	0	0	NA
Legislative Budget Board	0	0	0	NA
Sunset Advisory Commission	0	0	0	NA
Legislative Council	0	0	0	NA
Commission on Uniform State Laws	0	0	0	NA
State Auditor's Office	0	0	0	NA
Legislative Reference Library	0	0	0	NA
SUBTOTAL, THE LEGISLATURE	**$0**	**$0**	**$0**	**NA**
Retirement and Group Insurance	$0	$0	$0	NA
Social Security and Benefit Replacement Pay	0	0	0	NA
SUBTOTAL, EMPLOYEE BENEFITS	**$0**	**$0**	**$0**	**NA**
Lease Payments	$0	$0	$0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
TOTAL, ARTICLE X – THE LEGISLATURE	**$0**	**$0**	**$0**	**NA**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor’s vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

APPENDIX B — SUMMARY OF STATE BUDGET BY BIENNIUM

OTHER FUNDS

TABLE B5
OTHER FUNDS — STATEWIDE SUMMARY

FUNCTION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Article I – General Government	$792,150,125	$885,985,549	$93,835,424	11.8
Article II – Health and Human Services	596,723,511	504,862,144	(91,861,367)	(15.4)
Article III – Agencies of Education	13,116,117,205	13,523,838,439	407,721,234	3.1
Article IV – The Judiciary	185,669,601	173,243,468	(12,426,133)	(6.7)
Article V – Public Safety and Criminal Justice	1,483,145,593	1,507,410,193	24,264,600	1.6
Article VI – Natural Resources	248,941,326	329,410,072	80,468,746	32.3
Article VII – Business and Economic Development	10,230,582,672	14,204,591,037	3,974,008,365	38.8
Article VIII – Regulatory	52,267,157	23,050,465	(29,216,692)	(55.9)
Article IX – General Provisions	0	0	0	NA
Article X – The Legislature	593,738	562,800	(30,938)	(5.2)
TOTAL, ALL FUNCTIONS	**$26,706,190,928**	**$31,152,954,167**	**$4,446,763,239**	**16.7**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B5—*(CONTINUED)*
OTHER FUNDS — GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Commission on the Arts	$2,246,497	$304,000	($1,942,497)	(86.5)
Office of the Attorney General	73,684,423	77,289,675	3,605,252	4.9
Bond Review Board	0	0	0	NA
Cancer Prevention and Research Institute of Texas	448,180,575	594,100,892	145,920,317	32.6
Comptroller of Public Accounts	47,567,082	21,441,611	(26,125,471)	(54.9)
Fiscal Programs - Comptroller of Public Accounts	1,471,672	29,600,000	28,128,328	1911.3
Commission on State Emergency Communications	651,393	480,000	(171,393)	(26.3)
Employees Retirement System	0	0	0	NA
Texas Ethics Commission	31,380	16,380	(15,000)	(47.8)
Facilities Commission	106,029,301	98,935,084	(7,094,217)	(6.7)
Public Finance Authority	733,000	2,080,570	1,347,570	183.8
Fire Fighters' Pension Commissioner	77,407	77,000	(407)	(0.5)
Office of the Governor	1,183,741	540,000	(643,741)	(54.4)
Trusteed Programs Within the Office of the Governor	86,999,354	23,332,814	(63,666,540)	(73.2)
Historical Commission	65,843,597	25,144,540	(40,699,057)	(61.8)
Department of Information Resources	637,282,769	527,544,475	(109,738,294)	(17.2)
Library & Archives Commission	8,593,664	8,642,277	48,613	0.6
Pension Review Board	25,000	20,000	(5,000)	(20.0)
Preservation Board	263,532	43,490	(220,042)	(83.5)
State Office of Risk Management	17,567,419	18,106,155	538,736	3.1
Workers' Compensation Payments	90,242,322	96,242,322	6,000,000	6.6
Secretary of State	13,983,015	14,306,441	323,426	2.3
Veterans Commission	13,231,481	22,477,864	9,246,383	69.9
SUBTOTAL, GENERAL GOVERNMENT	**$1,615,888,624**	**$1,560,725,590**	**($55,163,034)**	**(3.4)**
Retirement and Group Insurance	$3,366,702	$10,273,842	$6,907,140	205.2
Social Security and Benefit Replacement Pay	1,493,007	3,630,399	2,137,392	143.2
SUBTOTAL, EMPLOYEE BENEFITS	**$4,859,709**	**$13,904,241**	**$9,044,532**	**186.1**
Bond Debt Service Payments	$2,516	$0	($2,516)	(100.0)
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$2,516**	**$0**	**($2,516)**	**(100.0)**
Less Interagency Contracts	$828,600,724	$688,644,282	($139,956,442)	(16.9)
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$792,150,125**	**$885,985,549**	**$93,835,424**	**11.8**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B5—*(CONTINUED)*
OTHER FUNDS — HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Aging and Disability Services	$106,067,440	$62,587,896	($43,479,544)	(41.0)
Department of Assistive and Rehabilitative Services	36,697,369	37,007,041	309,672	0.8
Department of Family and Protective Services	13,609,299	13,832,356	223,057	1.6
Department of State Health Services	434,193,969	407,376,461	(26,817,508)	(6.2)
Health and Human Services Commission	699,191,584	637,922,363	(61,269,221)	(8.8)
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$1,289,759,661**	**$1,158,726,117**	**($131,033,544)**	**(10.2)**
Retirement and Group Insurance	$82,746	$88,820	$6,074	7.3
Social Security and Benefit Replacement Pay	26,656	26,580	(76)	(0.3)
SUBTOTAL, EMPLOYEE BENEFITS	**$109,402**	**$115,400**	**$5,998**	**5.5**
Bond Debt Service Payments	$622,401	$529,924	($92,477)	(14.9)
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$622,401**	**$529,924**	**($92,477)**	**(14.9)**
Less Interagency Contracts	$693,767,953	$654,509,297	($39,258,656)	(5.7)
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$596,723,511**	**$504,862,144**	**($91,861,367)**	**(15.4)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B5—(CONTINUED)
OTHER FUNDS — EDUCATION

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
PUBLIC EDUCATION				
Texas Education Agency	$6,497,580,234	$6,341,237,092	($156,343,142)	(2.4)
School for the Blind and Visually Impaired	59,128,170	6,236,518	(52,891,652)	(89.5)
School for the Deaf	12,738,535	13,556,905	818,370	6.4
SUBTOTAL, PUBLIC EDUCATION	**$6,569,446,939**	**$6,361,030,515**	**($208,416,424)**	**(3.2)**
PUBLIC HIGHER EDUCATION				
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$0	$0	$0	NA
Lamar Institute of Technology	0	0	0	NA
Lamar University - Orange	0	0	0	NA
Lamar University - Port Arthur	0	0	0	NA
SUBTOTAL, LAMAR STATE COLLEGES	**$0**	**$0**	**$0**	**NA**
Texas State Technical College System Administration	$0	$0	$0	NA
Texas State Technical College - Harlingen	0	0	0	NA
Texas State Technical College - West Texas	0	0	0	NA
Texas State Technical College - Marshall	0	0	0	NA
Texas State Technical College - Waco	0	0	0	NA
SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES	**$0**	**$0**	**$0**	**NA**
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$0**	**$0**	**$0**	**NA**
GENERAL ACADEMIC INSTITUTIONS				
The University of Texas System Administration	$2,272,110	$2,216,000	($56,110)	(2.5)
The University of Texas at Arlington	0	0	0	NA
The University of Texas at Austin	0	0	0	NA
The University of Texas at Dallas	0	0	0	NA
The University of Texas at El Paso	2,735,000	2,770,000	35,000	1.3
The University of Texas - Pan American	642,002	457,426	(184,576)	(28.8)
The University of Texas at Brownsville	0	0	0	NA
The University of Texas of the Permian Basin	0	0	0	NA
The University of Texas at San Antonio	0	0	0	NA
The University of Texas at Tyler	0	0	0	NA
Texas A&M University System Administrative and General Offices	0	0	0	NA
Texas A&M University	7,322,630	8,798,533	1,475,903	20.2
Texas A&M University at Galveston	0	0	0	NA
Prairie View A&M University	0	0	0	NA
Tarleton State University	0	0	0	NA
Texas A&M University - Central Texas	0	0	0	NA
Texas A&M University - Corpus Christi	0	0	0	NA
Texas A&M University - Kingsville	0	0	0	NA

TABLE B5—(CONTINUED)
OTHER FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas A&M University - San Antonio	$0	$0	$0	NA
Texas A&M International University	387,050	275,774	(111,276)	(28.7)
West Texas A&M University	0	0	0	NA
Texas A&M University - Commerce	0	0	0	NA
Texas A&M University - Texarkana	0	0	0	NA
University of Houston System Administration	0	0	0	NA
University of Houston	0	0	0	NA
University of Houston - Clear Lake	0	0	0	NA
University of Houston - Downtown	0	0	0	NA
University of Houston - Victoria	0	0	0	NA
Midwestern State University	0	0	0	NA
University of North Texas System Administration	0	0	0	NA
University of North Texas	0	0	0	NA
University of North Texas at Dallas	0	0	0	NA
Stephen F. Austin State University	0	0	0	NA
Texas Southern University	0	0	0	NA
Texas Tech University System Administration	0	0	0	NA
Texas Tech University	0	0	0	NA
Angelo State University	0	0	0	NA
Texas Woman's University	0	0	0	NA
Texas State University System	0	0	0	NA
Lamar University	0	0	0	NA
Sam Houston State University	0	0	0	NA
Texas State University - San Marcos	0	0	0	NA
Sul Ross State University	0	0	0	NA
Sul Ross State University Rio Grande College	0	0	0	NA
SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS	**$13,358,792**	**$14,517,733**	**$1,158,941**	**8.7**
HEALTH-RELATED INSTITUTIONS				
The University of Texas Southwestern Medical Center at Dallas	$13,297,702	$10,950,720	($2,346,982)	(17.6)
The University of Texas Medical Branch at Galveston	635,986,341	717,559,735	81,573,394	12.8
The University of Texas Health Science Center at Houston	18,214,102	18,116,059	(98,043)	(0.5)
The University of Texas Health Science Center at San Antonio	35,390,281	41,303,661	5,913,380	16.7
The University of Texas M.D. Anderson Cancer Center	4,248,517,634	4,689,528,603	441,010,969	10.4
The University of Texas Health Science Center at Tyler	101,319,808	103,577,090	2,257,282	2.2

TABLE B5—*(CONTINUED)*
OTHER FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Texas A&M University System Health Science Center	$19,150,722	$22,122,967	$2,972,245	15.5
University of North Texas Health Science Center at Fort Worth	5,569,835	10,714,262	5,144,427	92.4
Texas Tech University Health Sciences Center	18,202,700	13,906,469	(4,296,231)	(23.6)
SUBTOTAL, HEALTH-RELATED INSTITUTIONS	**$5,095,649,125**	**$5,627,779,566**	**$532,130,441**	**10.4**
TEXAS A&M UNIVERSITY SERVICES				
Texas AgriLife Research	$12,234,003	$12,210,506	($23,497)	(0.2)
Texas AgriLife Extension Service	19,066,648	18,496,150	(570,498)	(3.0)
Texas Engineering Experiment Station	82,520,807	85,600,472	3,079,665	3.7
Texas Transportation Institute	76,865,469	79,248,320	2,382,851	3.1
Texas Engineering Extension Service	103,084,089	100,971,982	(2,112,107)	(2.0)
Texas Forest Service	1,034,004	1,034,004	0	NA
Texas Veterinary Medical Diagnostic Laboratory	19,772,647	17,487,990	(2,284,657)	(11.6)
SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES	**$314,577,667**	**$315,049,424**	**$471,757**	**0.1**
Higher Education Fund	$0	$0	$0	NA
Available University Fund	1,059,019,952	1,061,449,668	2,429,716	0.2
National Research University Fund Earnings	0	12,400,000	12,400,000	NA
Higher Education Coordinating Board	122,091,572	37,272,561	(84,819,011)	(69.5)
SUBTOTAL, OTHER HIGHER EDUCATION	**$1,181,111,524**	**$1,111,122,229**	**($69,989,295)**	**(5.9)**
SUBTOTAL, HIGHER EDUCATION	**$6,604,697,108**	**$7,068,468,952**	**$463,771,844**	**7.0**
EMPLOYEE BENEFITS				
Teacher Retirement System	$127,702,409	$156,653,036	$28,950,627	22.7
Optional Retirement Program	0	0	0	NA
Higher Education Employees Group Insurance Contributions	1,322,608	1,405,026	82,418	6.2
Retirement and Group Insurance	1,402,203	1,288,774	(113,429)	(8.1)
Social Security and Benefits Replacement Pay	17,274,547	17,620,470	345,923	2.0
SUBTOTAL, EMPLOYEE BENEFITS	**$147,701,767**	**$176,967,306**	**$29,265,539**	**19.8**
DEBT SERVICE				
Bond Debt Service Payments	$912	$0	($912)	(100.0)
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$912**	**$0**	**($912)**	**(100.0)**
Less Interagency Contracts	$205,729,521	$82,628,334	($123,101,187)	(59.8)
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$13,116,117,205**	**$13,523,838,439**	**$407,721,234**	**3.1**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Note: Article totals exclude interagency contracts.
Source: Legislative Budget Board.

TABLE B5—*(CONTINUED)*
OTHER FUNDS — THE JUDICIARY

ARTICLE IV – THE JUDICIARY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Supreme Court of Texas	$23,408,484	$28,899,452	$5,490,968	23.5
Court of Criminal Appeals	20,715,092	1,118,002	(19,597,090)	(94.6)
First Court of Appeals District, Houston	667,900	649,100	(18,800)	(2.8)
Second Court of Appeals District, Fort Worth	574,100	554,100	(20,000)	(3.5)
Third Court of Appeals District, Austin	473,800	469,800	(4,000)	(0.8)
Fourth Court of Appeals District, San Antonio	530,907	532,100	1,193	0.2
Fifth Court of Appeals District, Dallas	851,900	851,900	0	0.0
Sixth Court of Appeals District, Texarkana	197,883	192,900	(4,983)	(2.5)
Seventh Court of Appeals District, Amarillo	262,274	261,200	(1,074)	(0.4)
Eighth Court of Appeals District, El Paso	255,250	250,900	(4,350)	(1.7)
Ninth Court of Appeals District, Beaumont	264,200	261,200	(3,000)	(1.1)
Tenth Court of Appeals District, Waco	206,054	204,900	(1,154)	(0.6)
Eleventh Court of Appeals District, Eastland	200,900	200,900	0	0.0
Twelfth Court of Appeals District, Tyler	197,900	191,900	(6,000)	(3.0)
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	473,800	473,800	0	0.0
Fourteenth Court of Appeals District, Houston	661,364	654,778	(6,586)	(1.0)
Office of Court Administration, Texas Judicial Council	10,156,079	8,899,417	(1,256,662)	(12.4)
Office of Capital Writs	0	0	0	NA
Office of the State Prosecuting Attorney	68,900	45,000	(23,900)	(34.7)
State Law Library	84,000	38,500	(45,500)	(54.2)
State Commission on Judicial Conduct	0	0	0	NA
Judiciary Section, Comptroller's Department	129,394,211	134,671,091	5,276,880	4.1
SUBTOTAL, THE JUDICIARY	**$189,644,998**	**$179,420,940**	**($10,224,058)**	**(5.4)**
Retirement and Group Insurance	$6,860,692	$3,420,033	($3,440,659)	(50.2)
Social Security and Benefit Replacement Pay	5,312,228	5,338,124	25,896	0.5
SUBTOTAL, EMPLOYEE BENEFITS	**$12,172,920**	**$8,758,157**	**($3,414,763)**	**(28.1)**
Lease Payments	$0	$0	$0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
Less Interagency Contracts	16,148,317	14,935,629	(1,212,688)	(7.5)
TOTAL, ARTICLE IV – THE JUDICIARY	**$185,669,601**	**$173,243,468**	**($12,426,133)**	**(6.7)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B5—*(CONTINUED)*
OTHER FUNDS — PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Adjutant General's Department	$28,539,069	$10,516,000	($18,023,069)	(63.2)
Alcoholic Beverage Commission	970,025	290,000	(680,025)	(70.1)
Department of Criminal Justice	246,485,646	175,705,738	(70,779,908)	(28.7)
Commission on Fire Protection	90,000	90,000	0	0.0
Commission on Jail Standards	60,000	60,000	0	0.0
Texas Juvenile Justice Department	0	24,771,412	24,771,412	NA
Juvenile Probation Commission	25,880,427	4,997,850	(20,882,577)	(80.7)
Commission on Law Enforcement Officer Standards and Education	777,540	1,154,431	376,891	48.5
Department of Public Safety	1,062,669,158	1,162,234,630	99,565,472	9.4
Youth Commission	37,612,222	3,304,752	(34,307,470)	(91.2)
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$1,403,084,087**	**$1,383,124,813**	**($19,959,274)**	**(1.4)**
Retirement and Group Insurance	$175,412,336	$190,536,687	$15,124,351	8.6
Social Security and Benefit Replacement Pay	57,431,816	59,751,479	2,319,663	4.0
SUBTOTAL, EMPLOYEE BENEFITS	**$232,844,152**	**$50,288,166**	**$17,444,014**	**7.5**
Bond Debt Service Payments	$607,628	$0	($607,628)	(100.0)
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$607,628**	**$0**	**($607,628)**	**(100.0)**
Less Interagency Contracts	$153,390,274	$126,002,786	($27,387,488)	(17.9)
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$1,483,145,593**	**$1,507,410,193**	**$24,264,600**	**1.6**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B5—*(CONTINUED)*
OTHER FUNDS — NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Agriculture	$5,218,368	$6,543,639	$1,325,271	25.4
Animal Health Commission	518	0	(518)	(100.0)
Commission on Environmental Quality	21,755,696	18,140,148	(3,615,548)	(16.6)
General Land Office and Veterans' Land Board	115,878,529	104,172,595	(11,705,934)	(10.1)
Low-level Radioactive Waste Disposal Compact Commission	0	0	0	NA
Parks and Wildlife Department	74,439,738	90,336,690	15,896,952	21.4
Railroad Commission	19,096,197	4,247,930	(14,848,267)	(77.8)
Soil and Water Conservation Board	0	0	0	NA
Water Development Board	21,905,356	18,455,362	(3,449,994)	(15.7)
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	45,897,820	113,463,769	67,565,949	147.2
SUBTOTAL, NATURAL RESOURCES	**$304,192,222**	**$355,360,133**	**$51,167,911**	**16.8**
Retirement and Group Insurance	$9,339,337	$9,720,638	$381,301	4.1
Social Security and Benefit Replacement Pay	4,475,548	4,444,405	(31,143)	(0.7)
SUBTOTAL, EMPLOYEE BENEFITS	**$13,814,885**	**$14,165,043**	**$350,158**	**2.5**
Bond Debt Service Payments	$1,471,181	$1,469,625	($1,556)	(0.1)
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$1,471,181**	**$1,469,625**	**($1,556)**	**(0.1)**
Less Interagency Contracts	$70,536,962	$41,584,729	($28,952,233)	(41.0)
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$248,941,326**	**$329,410,072**	**$80,468,746**	**32.3**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B5—*(CONTINUED)*
OTHER FUNDS — BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Department of Housing and Community Affairs	$31,624,678	$37,187,089	$5,562,411	17.6
Texas Lottery Commission	0	0	0	NA
Department of Motor Vehicles	249,806,587	263,392,713	13,586,126	5.4
Texas Department of Rural Affairs	1,341,689	14,978	(1,326,711)	(98.9)
Department of Transportation	9,487,266,234	13,407,685,501	3,920,419,267	41.3
Texas Workforce Commission	90,106,098	76,726,078	(13,380,020)	(14.8)
Reimbursements to the Unemployment Compensation Benefit Account	43,153,606	38,591,909	(4,561,697)	(10.6)
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$9,903,298,892**	**$13,823,598,268**	**$3,920,299,376**	**39.6**
Retirement and Group Insurance	$366,144,283	$397,538,564	$31,394,281	8.6
Social Security and Benefit Replacement Pay	100,301,324	100,369,681	68,357	0.1
SUBTOTAL, EMPLOYEE BENEFITS	**$466,445,607**	**$497,908,245**	**$31,462,638**	**6.7**
Bond Debt Service Payments	$1,366	$0	($1,366)	(100.0)
Lease Payments	0	0	0	NA
SUBTOTAL, DEBT SERVICE	**$1,366**	**$0**	**($1,366)**	**(100.0)**
Less Interagency Contracts	$139,163,193	$116,915,476	($22,247,717)	(16.0)
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$10,230,582,672**	**$14,204,591,037**	**$3,974,008,365**	**38.8**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B5—(CONTINUED)
OTHER FUNDS — REGULATORY

ARTICLE VIII – REGULATORY	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
State Office of Administrative Hearings	$12,028,683	$13,869,900	$1,841,217	15.3
Department of Banking	0	0	0	NA
Board of Chiropractic Examiners	85,000	80,000	(5,000)	(5.9)
Office of Consumer Credit Commissioner	0	0	0	NA
Credit Union Department	0	0	0	NA
Texas State Board of Dental Examiners	256,094	256,094	0	0.0
Funeral Service Commission	116,000	116,000	0	0.0
Board of Professional Geoscientists	0	0	0	NA
Health Professions Council	3,282,441	1,704,150	(1,578,291)	(48.1)
Office of Injured Employee Counsel	0	0	0	NA
Department of Insurance	45,745,041	19,892,764	(25,852,277)	(56.5)
Office of Public Insurance Counsel	96,000	383,340	287,340	299.3
Board of Professional Land Surveying	10,800	10,800	0	0.0
Department of Licensing and Regulation	1,795,764	1,795,764	0	0.0
Texas Medical Board	117,482	118,836	1,354	1.2
Texas Board of Nursing	2,335,996	2,335,996	0	0.0
Optometry Board	84,314	90,642	6,328	7.5
Board of Pharmacy	15,460	15,460	0	0.0
Executive Council of Physical Therapy & Occupational Therapy Examiners	161,354	161,354	0	0.0
Board of Plumbing Examiners	100,478	90,000	(10,478)	(10.4)
Board of Podiatric Medical Examiners	8,340	6,400	(1,940)	(23.3)
Board of Examiners of Psychologists	168,796	164,076	(4,720)	(2.8)
Racing Commission	0	0	0	NA
Real Estate Commission	379,600	0	(379,600)	(100.0)
Residential Construction Commission	0	0	0	NA
Department of Savings and Mortgage Lending	0	0	0	NA
Securities Board	0	0	0	NA
Public Utility Commission of Texas	1,927,230	1,670,228	(257,002)	(13.3)
Office of Public Utility Counsel	0	0	0	NA
Board of Veterinary Medical Examiners	3,768	3,768	0	0.0
SUBTOTAL, REGULATORY	**$68,718,641**	**$42,765,572**	**($25,953,069)**	**NA**
Retirement and Group Insurance	$317	$289	($28)	(8.8)
Social Security and Benefit Replacement Pay	396,000	393,898	(2,102)	(0.5)
SUBTOTAL, EMPLOYEE BENEFITS	**$396,317**	**$394,187**	**($2,130)**	**NA**
Lease Payments	$0	$0	$0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
Less Interagency Contracts	$16,847,801	$20,109,294	3,261,493$	19.4
TOTAL, ARTICLE VIII – REGULATORY	**$52,267,157**	**$23,050,465**	**($29,216,692)**	**(55.9)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE B5—*(CONTINUED)*
OTHER FUNDS — GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	ESTIMATED/BUDGETED 2010–11	APPROPRIATED 2012–13	BIENNIAL CHANGE	PERCENTAGE CHANGE
General Provisions	$0	$0	$0	NA
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$0**	**NA**

SOURCE: Legislative Budget Board.

TABLE B5—*(CONTINUED)*
OTHER FUNDS — THE LEGISLATURE

ARTICLE X – THE LEGISLATURE	ESTIMATED/BUDGETED 2010–11[1]	APPROPRIATED 2012–13[2]	BIENNIAL CHANGE	PERCENTAGE CHANGE
Senate	$0	$0	$0	NA
House of Representatives	0	0	0	NA
Legislative Budget Board	0	0	0	NA
Sunset Advisory Commission	0	0	0	NA
Legislative Council	0	0	0	NA
Commission on Uniform State Laws	0	0	0	NA
State Auditor's Office	11,670,771	9,550,000	(2,120,771)	(18.2)
Legislative Reference Library	16,000	16,000	0	0.0
SUBTOTAL, THE LEGISLATURE	**$11,686,771**	**$9,566,000**	**($2,120,771)**	**(18.1)**
Retirement and Group Insurance	$0	$0	$0	NA
Social Security and Benefit Replacement Pay	0	0	0	NA
SUBTOTAL, EMPLOYEE BENEFITS	**$0**	**$0**	**$0**	**NA**
Lease Payments	$0	$0	$0	NA
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**NA**
Less Interagency Contracts	$11,093,033	$9,003,200	($2,089,833)	(18.8)
TOTAL, ARTICLE X – THE LEGISLATURE	**$593,738**	**$562,800**	**($30,938)**	**(5.2)**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

APPENDIX C — SUMMARY OF STATE BUDGET BY FISCAL YEAR

The following notes apply to all methods of finance in this Appendix:

a. *As footnoted, amounts shown in appendices reflect provisions not only of House Bill 1, Eighty-second Legislature, Regular Session, 2011, but could also reflect those of House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to supplemental appropriations, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other appropriating legislation. Appropriations related to House Bill 4 are subject to the appropriation life stated therein and are not shortened by inclusion in Senate Bill 1, Eighty-first Legislature, 2009 or extended by inclusion in House Bill 1, Eighty-second Legislature, Regular Session, 2011.*

b. *Unless expressly provided by House Bill 4, Senate Bill 2, or other appropriating legislation, such appropriations are not subject to General Provisions contained in Article IX of Senate Bill 1, Eighty-first Legislature, 2009, or Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011.*

ALL FUNDS

TABLE C1
ALL FUNDS — STATEWIDE SUMMARY

FUNCTION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Article I – General Government	$2,360,661,143	$2,665,664,729	$2,523,840,617	$1,945,179,070
Article II – Health and Human Services	31,840,420,093	33,623,809,973	32,244,698,000	23,181,682,431
Article III – Agencies of Education	37,695,100,957	38,720,907,610	38,365,776,495	34,505,571,865
Article IV – The Judiciary	335,000,836	337,895,306	321,254,842	321,877,770
Article V – Public Safety and Criminal Justice	6,150,989,831	5,921,936,718	5,763,120,271	5,744,311,531
Article VI – Natural Resources	1,811,508,483	1,750,686,929	2,136,382,030	1,751,915,801
Article VII – Business and Economic Development	11,317,356,691	11,879,290,622	12,442,252,159	11,218,569,473
Article VIII – Regulatory	365,717,294	370,363,908	339,937,885	337,904,568
Article IX – General Provisions	0	0	0	0
Article X – The Legislature	179,077,487	190,124,459	162,168,923	177,756,950
TOTAL, ALL FUNCTIONS	**$92,055,832,815**	**$95,460,680,254**	**$94,299,431,222**	**$79,184,769,459**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C1—*(CONTINUED)*
ALL FUNDS — GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Commission on the Arts	$7,754,096	$8,126,522	$3,920,772	$3,920,772
Office of the Attorney General	534,437,122	595,460,685	550,039,880	508,020,444
Bond Review Board	588,038	560,475	486,967	486,968
Cancer Prevention and Research Institute of Texas	224,443,669	224,032,000	297,062,446	297,062,446
Comptroller of Public Accounts	257,764,406	241,825,853	214,126,710	212,749,100
Fiscal Programs - Comptroller of Public Accounts	406,486,524	684,770,005	432,508,310	358,461,762
Commission on State Emergency Communications	71,478,274	66,247,085	57,185,753	57,822,689
Employees Retirement System	8,088,040	8,088,040	8,088,040	8,088,040
Texas Ethics Commission	1,993,197	1,910,843	1,932,722	1,932,722
Facilities Commission	78,730,108	88,856,409	112,066,470	49,495,359
Public Finance Authority	1,396,986	5,228,766	3,262,313	2,395,519
Fire Fighters' Pension Commissioner	764,176	698,681	827,169	827,170
Office of the Governor	12,664,523	11,038,608	10,174,980	9,374,980
Trusteed Programs Within the Office of the Governor	460,105,562	416,444,971	461,990,065	116,164,588
Historical Commission	57,077,585	47,440,904	37,371,375	15,273,444
Department of Information Resources	304,387,571	334,381,468	281,444,697	260,791,169
Library & Archives Commission	36,827,409	40,410,461	25,220,349	15,629,108
Pension Review Board	711,036	660,779	704,002	704,001
Preservation Board	13,362,442	21,932,445	19,115,656	9,488,356
State Office of Risk Management	9,039,505	8,527,914	9,053,077	9,053,078
Workers' Compensation Payments	43,871,161	46,371,161	47,871,161	48,371,161
Secretary of State	44,711,496	27,486,969	69,220,241	26,214,760
Veterans Commission	21,545,919	25,575,681	31,290,086	23,910,132
SUBTOTAL, GENERAL GOVERNMENT	**$2,598,228,845**	**$2,906,076,725**	**$2,674,963,241**	**$2,036,237,768**
Retirement and Group Insurance	$98,949,939	$105,371,063	$101,242,769	$109,872,233
Social Security and Benefit Replacement Pay	39,189,575	39,223,655	38,350,833	38,313,343
SUBTOTAL, EMPLOYEE BENEFITS	**$138,139,514**	**$144,594,718**	**$139,593,602**	**$148,185,576**
Bond Debt Service Payments	$14,599,238	$30,132,479	$51,997,637	$84,658,409
Lease Payments	11,861,135	11,293,942	11,395,487	10,632,249
SUBTOTAL, DEBT SERVICE	**$26,460,373**	**$41,426,421**	**$63,393,124**	**$95,290,658**
Less Interagency Contracts	$402,167,589	$426,433,135	$354,109,350	$334,534,932
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$2,360,661,143**	**$2,665,664,729**	**$2,523,840,617**	**$1,945,179,070**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C1—*(CONTINUED)*
ALL FUNDS — HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Aging and Disability Services	$6,775,437,380	$6,866,303,838	$6,218,343,767	$3,721,521,766
Department of Assistive and Rehabilitative Services	686,544,316	658,705,588	622,490,173	628,400,832
Department of Family and Protective Services	1,362,123,619	1,374,168,550	1,395,092,121	1,380,125,342
Department of State Health Services	3,117,767,069	3,016,768,468	2,896,793,924	2,880,070,130
Health and Human Services Commission	19,522,503,812	21,260,114,622	20,681,647,761	14,089,384,599
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$31,464,376,196**	**$33,176,061,066**	**$31,814,367,746**	**$22,699,502,669**
Retirement and Group Insurance	$528,771,225	$576,669,499	$557,718,824	$602,835,295
Social Security and Benefit Replacement Pay	169,563,214	173,516,807	169,303,989	167,852,913
SUBTOTAL, EMPLOYEE BENEFITS	**$698,334,439**	**$750,186,306**	**$727,022,813**	**$770,688,208**
Bond Debt Service Payments	$22,813,809	$32,349,447	$27,769,665	$29,085,882
Lease Payments	7,526,864	6,349,892	6,364,988	6,087,757
SUBTOTAL, DEBT SERVICE	**$30,340,673**	**$38,699,339**	**$34,134,653**	**$35,173,639**
Less Interagency Contracts	$352,631,215	$341,136,738	$330,827,212	$323,682,085
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$31,840,420,093**	**$33,623,809,973**	**$32,244,698,000**	**$23,181,682,431**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C1—(CONTINUED)
ALL FUNDS — EDUCATION

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
PUBLIC EDUCATION				
Texas Education Agency	$24,724,554,059	$25,394,837,814	$25,426,596,428	$21,912,616,960
School for the Blind and Visually Impaired	59,588,050	33,800,820	20,747,673	20,497,672
School for the Deaf	27,258,700	25,824,957	26,960,214	25,735,031
SUBTOTAL, PUBLIC EDUCATION	**$24,811,400,809**	**$25,454,463,591**	**$25,474,304,315**	**$21,958,849,663**
PUBLIC HIGHER EDUCATION				
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$892,185,492	$853,509,968	$874,690,361	$874,690,362
Lamar Institute of Technology	13,059,514	14,509,207	16,850,485	11,858,505
Lamar University - Orange	9,162,395	9,322,181	9,528,137	9,636,632
Lamar University - Port Arthur	11,388,612	12,391,793	11,064,644	11,055,065
SUBTOTAL, LAMAR STATE COLLEGES	**$33,610,521**	**$36,223,181**	**$37,443,266**	**$32,550,202**
Texas State Technical College System Administration	$13,115,091	$3,378,735	$2,675,374	$2,676,087
Texas State Technical College - Harlingen	25,648,529	25,332,457	24,695,239	24,398,271
Texas State Technical College - West Texas	14,330,832	13,634,959	12,472,965	12,497,326
Texas State Technical College - Marshall	5,873,115	5,561,253	5,487,985	5,507,483
Texas State Technical College - Waco	35,136,931	32,974,631	37,792,070	35,804,716
SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES	**$94,104,498**	**$80,882,035**	**$83,123,633**	**$80,883,883**
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$1,019,900,511**	**$970,615,184**	**$995,257,260**	**$988,124,447**
GENERAL ACADEMIC INSTITUTIONS				
The University of Texas System Administration	$9,656,760	$9,442,600	$9,073,600	$9,073,600
The University of Texas at Arlington	141,319,253	133,762,328	146,631,514	142,022,642
The University of Texas at Austin	391,220,754	358,298,109	351,366,506	351,373,159
The University of Texas at Dallas	114,353,776	116,182,108	113,099,041	110,414,821
The University of Texas at El Paso	105,194,205	97,001,025	97,651,916	97,859,182
The University of Texas - Pan American	86,991,851	82,047,326	81,293,483	81,536,609
The University of Texas at Brownsville	32,834,971	29,075,992	28,789,377	28,839,341
The University of Texas of the Permian Basin	31,144,314	27,049,766	30,408,175	28,737,386
The University of Texas at San Antonio	141,256,597	131,925,426	130,084,887	130,410,885
The University of Texas at Tyler	37,171,155	33,966,140	33,046,290	33,101,255
Texas A&M University System Administrative and General Offices	8,918,952	11,782,621	2,250,934	2,250,934
Texas A&M University	351,992,120	348,545,314	325,287,544	326,311,675
Texas A&M University at Galveston	22,994,666	20,805,007	18,868,811	18,904,811
Prairie View A&M University	67,087,086	67,160,275	61,254,078	61,385,301
Tarleton State University	44,063,670	43,228,829	41,925,884	42,024,200
Texas A&M University - Central Texas	15,326,887	14,133,426	15,292,151	15,307,552
Texas A&M University - Corpus Christi	62,334,123	59,200,208	55,340,952	54,942,122
Texas A&M University - Kingsville	41,749,913	40,716,578	37,626,511	37,741,742

TABLE C1—*(CONTINUED)*
ALL FUNDS — EDUCATION *(CONTINUED)*

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Texas A&M University - San Antonio	$12,844,734	$14,309,677	$18,555,585	$18,569,778
Texas A&M International University	42,846,268	40,384,941	36,874,200	36,942,124
West Texas A&M University	40,217,302	39,193,184	36,363,359	36,483,664
Texas A&M University - Commerce	50,233,803	49,324,509	44,875,542	45,045,086
Texas A&M University - Texarkana	20,824,689	20,584,402	17,360,371	17,394,597
University of Houston System Administration	2,742,617	9,922,540	25,975,144	25,693,318
University of Houston	225,452,713	224,550,672	197,161,901	197,653,502
University of Houston - Clear Lake	41,809,786	41,584,757	35,872,114	35,977,519
University of Houston - Downtown	43,665,930	44,438,740	33,907,698	34,019,124
University of Houston - Victoria	21,497,540	21,134,132	19,874,556	19,912,403
Midwestern State University	27,487,769	26,761,952	24,366,738	24,461,716
University of North Texas System Administration	4,121,978	5,667,089	3,366,113	3,366,113
University of North Texas	149,214,228	153,136,374	147,939,996	148,415,355
University of North Texas at Dallas	16,189,359	18,967,246	15,232,838	15,245,550
Stephen F. Austin State University	62,492,512	59,350,824	54,282,906	54,445,768
Texas Southern University	94,612,609	79,515,298	75,363,476	75,540,397
Texas Tech University System Administration	1,950,000	1,800,000	1,425,000	1,425,000
Texas Tech University	183,358,505	184,667,589	178,276,038	178,780,305
Angelo State University	34,807,256	33,643,619	32,008,480	32,045,386
Texas Woman's University	72,705,445	73,933,682	67,471,535	67,669,388
Texas State University System	1,076,286	1,047,954	3,025,000	1,425,000
Lamar University	60,833,952	61,075,501	55,908,637	56,018,268
Sam Houston State University	84,314,668	78,369,623	72,568,313	72,770,560
Texas State University - San Marcos	130,976,019	130,964,201	127,081,274	127,411,370
Sul Ross State University	17,326,526	16,681,616	22,415,279	15,388,741
Sul Ross State University Rio Grande College	6,701,247	6,411,557	6,061,669	6,065,714
SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS	**$3,155,914,794**	**$3,061,744,757**	**$2,932,905,416**	**$2,920,402,963**
HEALTH-RELATED INSTITUTIONS				
The University of Texas Southwestern Medical Center at Dallas	$171,312,236	$167,713,727	$145,410,150	$132,874,361
The University of Texas Medical Branch at Galveston	595,926,427	656,630,250	609,792,774	604,753,265
The University of Texas Health Science Center at Houston	185,905,189	170,726,819	185,872,565	162,007,968
The University of Texas Health Science Center at San Antonio	180,435,757	176,586,591	173,553,271	145,600,289
The University of Texas M.D. Anderson Cancer Center	2,180,052,993	2,433,970,160	2,481,783,678	2,561,656,182
The University of Texas Health Science Center at Tyler	86,885,522	83,683,272	90,162,635	85,840,234

TABLE C1—*(CONTINUED)*
ALL FUNDS — EDUCATION *(CONTINUED)*

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Texas A&M University System Health Science Center	$121,042,457	$131,663,343	$125,611,407	$115,822,768
University of North Texas Health Science Center at Fort Worth	67,989,637	73,984,578	74,950,802	65,181,154
Texas Tech University Health Sciences Center	177,084,035	184,012,804	176,576,635	156,738,174
SUBTOTAL, HEALTH-RELATED INSTITUTIONS	**$3,766,634,253**	**$4,078,971,544**	**$4,063,713,917**	**$4,030,474,395**
TEXAS A&M UNIVERSITY SERVICES				
Texas AgriLife Research	$69,597,146	$67,963,080	$65,208,273	$65,118,875
Texas AgriLife Extension Service	71,040,894	66,796,549	64,126,948	64,126,949
Texas Engineering Experiment Station	115,657,766	133,350,548	135,099,661	133,054,659
Texas Transportation Institute	47,857,960	48,198,956	49,152,186	50,135,827
Texas Engineering Extension Service	81,953,000	82,942,453	80,927,830	80,820,883
Texas Forest Service	54,662,290	54,103,689	158,780,808	37,574,712
Texas Veterinary Medical Diagnostic Laboratory	16,063,381	16,630,180	14,912,958	14,688,145
SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES	**$456,832,437**	**$469,985,455**	**$568,208,664**	**$445,520,050**
Higher Education Fund	$262,500,000	$262,500,000	$262,500,000	$262,500,000
Available University Fund	534,873,141	524,146,811	507,006,715	554,442,953
National Research University Fund Earnings	0	0	6,200,000	6,200,000
Higher Education Coordinating Board	839,613,611	915,408,908	753,508,249	548,179,564
SUBTOTAL, OTHER HIGHER EDUCATION	**$1,636,986,752**	**$1,702,055,719**	**$1,529,214,964**	**$1,371,322,517**
SUBTOTAL, HIGHER EDUCATION	**$10,036,268,747**	**$10,283,372,659**	**$10,089,300,221**	**$9,755,844,372**
EMPLOYEE BENEFITS				
Teacher Retirement System	$1,947,530,476	$2,090,615,672	$1,923,859,371	$1,873,533,719
Optional Retirement Program	145,556,418	148,613,103	123,952,988	123,952,987
Higher Education Employees Group Insurance Contributions	543,728,398	524,507,220	471,701,364	497,260,586
Retirement and Group Insurance	29,648,006	32,175,650	30,368,020	33,277,673
Social Security and Benefits Replacement Pay	275,469,639	284,903,831	284,154,532	293,754,239
SUBTOTAL, EMPLOYEE BENEFITS	**$2,941,932,937**	**$3,080,815,476**	**$2,834,036,275**	**$2,821,779,204**
DEBT SERVICE				
Bond Debt Service Payments	$2,023,687	$5,556,148	$6,461,840	$8,105,474
Lease Payments	3,381,260	2,522,774	2,882,705	2,412,625
SUBTOTAL, DEBT SERVICE	**$5,404,947**	**$8,078,922**	**$9,344,545**	**$10,518,099**
Less Interagency Contracts	$99,906,483	$105,823,038	$41,208,861	$41,419,473
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$37,695,100,957**	**$38,720,907,610**	**$38,365,776,495**	**$34,505,571,865**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C1—*(CONTINUED)*
ALL FUNDS — THE JUDICIARY

ARTICLE IV – THE JUDICIARY	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Supreme Court of Texas	$32,805,833	$28,591,969	$34,050,665	$29,958,164
Court of Criminal Appeals	14,690,411	15,394,470	13,526,509	13,526,509
First Court of Appeals District, Houston	3,747,813	3,761,313	3,737,980	3,737,979
Second Court of Appeals District, Fort Worth	2,815,932	2,889,860	2,837,822	2,837,821
Third Court of Appeals District, Austin	2,445,919	2,526,103	2,479,685	2,479,686
Fourth Court of Appeals District, San Antonio	2,794,198	2,953,510	2,868,680	2,868,678
Fifth Court of Appeals District, Dallas	5,104,825	5,136,828	5,110,889	5,110,888
Sixth Court of Appeals District, Texarkana	1,281,287	1,417,425	1,344,458	1,344,457
Seventh Court of Appeals District, Amarillo	1,641,970	1,689,579	1,662,231	1,662,231
Eighth Court of Appeals District, El Paso	1,342,925	1,414,053	1,373,963	1,373,963
Ninth Court of Appeals District, Beaumont	1,640,548	1,683,534	1,657,528	1,657,527
Tenth Court of Appeals District, Waco	1,272,016	1,399,463	1,332,979	1,332,979
Eleventh Court of Appeals District, Eastland	1,319,297	1,374,249	1,344,429	1,344,428
Twelfth Court of Appeals District, Tyler	1,377,834	1,367,881	1,367,044	1,367,043
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	2,458,535	2,535,144	2,492,443	2,492,442
Fourteenth Court of Appeals District, Houston	3,690,165	3,841,218	3,755,102	3,755,100
Office of Court Administration, Texas Judicial Council	47,703,624	48,720,072	44,978,482	47,735,159
Office of Capital Writs	0	965,176	922,135	862,136
Office of the State Prosecuting Attorney	459,952	406,764	381,727	381,727
State Law Library	1,046,290	1,113,041	856,573	856,573
State Commission on Judicial Conduct	953,569	933,854	948,170	948,169
Judiciary Section, Comptroller's Department	144,616,380	147,101,258	138,442,363	138,497,026
SUBTOTAL, THE JUDICIARY	**$275,209,323**	**$277,216,764**	**$267,471,857**	**$266,130,685**
Retirement and Group Insurance	$55,295,806	$56,365,512	$48,978,280	$50,923,968
Social Security and Benefit Replacement Pay	9,995,320	10,018,444	9,989,156	10,008,481
SUBTOTAL, EMPLOYEE BENEFITS	**$65,291,126**	**$66,383,956**	**$58,967,436**	**$60,932,449**
Lease Payments	$2,468,899	$2,474,391	$2,280,068	$2,285,746
SUBTOTAL, DEBT SERVICE	**$2,468,899**	**$2,474,391**	**$2,280,068**	**$2,285,746**
Less Interagency Contracts	$7,968,512	$8,179,805	$7,464,519	$7,471,110
TOTAL, ARTICLE IV – THE JUDICIARY	**$335,000,836**	**$337,895,306**	**$321,254,842**	**$321,877,770**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor’s vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C1—*(CONTINUED)*
ALL FUNDS — PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Adjutant General's Department	$139,613,810	$72,791,158	$62,442,375	$61,707,373
Alcoholic Beverage Commission	44,028,716	41,570,264	42,258,995	42,537,520
Department of Criminal Justice	3,074,844,060	3,134,197,031	3,043,732,009	3,058,518,261
Commission on Fire Protection	2,351,168	2,202,413	1,949,829	1,949,829
Commission on Jail Standards	1,024,506	998,335	925,056	925,055
Texas Juvenile Justice Department	0	0	166,775,915	330,400,017
Juvenile Probation Commission	167,269,942	161,438,559	81,299,066	0
Commission on Law Enforcement Officer Standards and Education	3,187,213	3,239,698	2,763,693	2,826,755
Department of Public Safety	1,632,275,149	1,357,007,601	1,462,386,662	1,390,193,848
Youth Commission	224,579,203	224,530,106	85,476,836	0
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$5,289,173,767**	**$4,997,975,165**	**$4,950,010,436**	**$4,889,058,658**
Retirement and Group Insurance	$552,031,645	$584,595,260	$534,505,066	$586,528,546
Social Security and Benefit Replacement Pay	165,142,825	164,350,315	158,401,611	158,149,376
SUBTOTAL, EMPLOYEE BENEFITS	**$717,174,470**	**$748,945,575**	**$692,906,677**	**$744,677,922**
Bond Debt Service Payments	$228,069,380	$240,961,766	$181,231,199	$171,660,388
Lease Payments	2,041,515	1,975,185	1,951,551	1,937,757
SUBTOTAL, DEBT SERVICE	**$230,110,895**	**$242,936,951**	**$183,182,750**	**$173,598,145**
Less Interagency Contracts	$85,469,301	$67,920,973	$62,979,592	$63,023,194
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$6,150,989,831**	**$5,921,936,718**	**$5,763,120,271**	**$5,744,311,531**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C1—*(CONTINUED)*
ALL FUNDS — NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Agriculture	$456,732,390	$457,089,524	$560,976,350	$592,338,350
Animal Health Commission	14,814,401	14,858,663	15,226,341	14,894,108
Commission on Environmental Quality	475,529,447	476,572,809	351,391,149	340,636,918
General Land Office and Veterans' Land Board	107,624,455	114,278,120	536,214,599	141,677,361
Low-level Radioactive Waste Disposal Compact Commission	0	0	583,289	583,289
Parks and Wildlife Department	390,792,637	312,882,694	282,799,868	267,910,692
Railroad Commission	80,672,981	72,881,717	74,683,509	71,093,217
Soil and Water Conservation Board	27,680,724	26,232,529	20,042,847	20,042,846
Water Development Board	75,300,166	71,460,766	62,621,879	62,519,623
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	74,974,485	86,507,407	104,565,158	108,710,514
SUBTOTAL, NATURAL RESOURCES	**$1,704,121,686**	**$1,632,764,229**	**$2,009,104,989**	**$1,620,406,918**
Retirement and Group Insurance	$97,521,647	$105,824,590	$99,366,030	$105,932,704
Social Security and Benefit Replacement Pay	35,736,099	36,407,250	34,484,805	33,672,645
SUBTOTAL, EMPLOYEE BENEFITS	**$133,257,746**	**$142,231,840**	**$133,850,835**	**$139,605,349**
Bond Debt Service Payments	$5,863,113	$6,649,889	$10,453,790	$9,468,501
Lease Payments	4,023,955	3,819,916	3,815,546	3,176,632
SUBTOTAL, DEBT SERVICE	**$9,887,068**	**$10,469,805**	**$14,269,336**	**$12,645,133**
Less Interagency Contracts	$35,758,017	$34,778,945	$20,843,130	$20,741,599
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$1,811,508,483**	**$1,750,686,929**	**$2,136,382,030**	**$1,751,915,801**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor’s vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Note: Article totals exclude interagency contracts.
Source: Legislative Budget Board.

TABLE C1—*(CONTINUED)*
ALL FUNDS — BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Housing and Community Affairs	$1,493,378,785	$1,262,867,573	$183,770,152	$177,912,405
Texas Lottery Commission	225,169,834	225,278,380	188,928,105	190,278,731
Department of Motor Vehicles	112,474,250	169,054,250	169,191,700	124,366,753
Texas Department of Rural Affairs	454,384,422	384,350,882	7,214,011	0
Department of Transportation	7,490,803,604	8,433,986,221	10,478,758,866	9,304,599,300
Texas Workforce Commission	1,285,952,570	1,113,075,929	1,111,492,176	1,095,925,510
Reimbursements to the Unemployment Compensation Benefit Account	32,157,949	30,168,376	28,974,523	26,955,780
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$11,094,321,414**	**$11,618,781,611**	**$12,168,329,533**	**$10,920,038,479**
Retirement and Group Insurance	$227,574,768	$244,726,071	$252,419,955	$274,592,767
Social Security and Benefit Replacement Pay	65,720,450	65,568,827	67,570,366	66,683,378
SUBTOTAL, EMPLOYEE BENEFITS	**$293,295,218**	**$310,294,898**	**$319,990,321**	**$341,276,145**
Bond Debt Service Payments	$5,646,000	$11,216,280	$11,807,995	$13,946,746
Lease Payments	1,135,235	1,119,850	1,279,316	1,068,573
SUBTOTAL, DEBT SERVICE	**$6,781,235**	**$12,336,130**	**$13,087,311**	**$15,015,319**
Less Interagency Contracts	$77,041,176	$62,122,017	$59,155,006	$57,760,470
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$11,317,356,691**	**$11,879,290,622**	**$12,442,252,159**	**$11,218,569,473**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C1—*(CONTINUED)*
ALL FUNDS — REGULATORY

ARTICLE VIII – REGULATORY	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
State Office of Administrative Hearings	$9,310,030	$9,257,040	$10,240,907	$10,234,489
Board of Chiropractic Examiners	597,002	616,804	611,539	611,539
Texas State Board of Dental Examiners	2,788,131	2,060,600	2,198,001	2,200,912
Funeral Service Commission	728,522	777,307	733,214	733,213
Board of Professional Geoscientists	671,825	613,604	584,080	584,583
Health Professions Council	2,513,779	768,662	855,879	848,271
Office of Injured Employee Counsel	7,471,374	8,067,710	7,769,542	7,769,542
Department of Insurance	106,238,894	145,030,359	114,737,337	105,853,640
Office of Public Insurance Counsel	1,068,088	1,041,244	1,033,088	1,033,088
Board of Professional Land Surveying	468,884	415,061	446,993	446,993
Department of Licensing and Regulation	24,366,801	23,670,992	23,898,322	23,829,731
Texas Medical Board	10,596,439	11,429,619	11,354,329	11,354,328
Texas Board of Nursing	9,824,974	8,598,995	9,299,030	9,292,064
Optometry Board	458,043	486,199	457,292	470,793
Board of Pharmacy	5,793,255	4,928,141	5,205,227	5,135,056
Executive Council of Physical Therapy & Occupational Therapy Examiners	1,086,718	1,055,707	1,123,373	1,123,372
Board of Plumbing Examiners	2,593,131	1,958,050	2,205,535	2,136,535
Board of Podiatric Medical Examiners	222,112	235,616	234,731	244,756
Board of Examiners of Psychologists	930,233	835,599	801,780	806,980
Racing Commission	8,469,881	8,523,360	9,592,323	9,585,294
Real Estate Commission	7,945,066	7,662,747	0	0
Residential Construction Commission	3,091,357	0	0	0
Securities Board	7,122,559	5,749,407	6,839,784	6,839,784
Public Utility Commission of Texas	107,414,217	80,452,967	87,529,804	91,248,007
Office of Public Utility Counsel	1,670,781	1,626,813	1,503,703	1,503,703
Board of Veterinary Medical Examiners	961,168	1,000,608	969,149	969,150
SUBTOTAL, REGULATORY	**$324,403,264**	**$326,863,211**	**$300,224,962**	**$294,855,823**
Retirement and Group Insurance	$33,908,491	$37,584,011	$35,687,616	$38,714,636
Social Security and Benefit Replacement Pay	12,874,326	13,459,919	12,972,169	12,940,685
SUBTOTAL, EMPLOYEE BENEFITS	**$46,782,817**	**$51,043,930**	**$48,659,785**	**$51,655,321**
Lease Payments	$2,217,345	$1,618,436	$1,471,703	$1,084,153
SUBTOTAL, DEBT SERVICE	**$2,217,345**	**$1,618,436**	**$1,471,703**	**$1,084,153**
Less Interagency Contracts	$7,686,132	$9,161,669	$10,418,565	$9,690,729
TOTAL, ARTICLE VIII – REGULATORY	**$365,717,294**	**$370,363,908**	**$339,937,885**	**$337,904,568**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C1—(CONTINUED)
ALL FUNDS — GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	EXPENDED 2010	BUDGETED 2011	APPROPRIATED 2012	APPROPRIATED 2013
General Provisions	$0	$0	$0	$0
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$0**	**$0**

NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C1—(CONTINUED)
ALL FUNDS — THE LEGISLATURE

ARTICLE X – THE LEGISLATURE	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Senate	$31,571,042	$33,602,435	$27,966,884	$30,506,728
House of Representatives	35,711,083	39,238,320	31,634,296	35,594,467
Legislative Budget Board	14,072,888	14,424,138	12,769,813	12,769,813
Sunset Advisory Commission	1,940,116	2,042,371	2,286,188	2,286,188
Legislative Council	35,203,160	41,477,680	31,184,358	37,640,048
Commission on Uniform State Laws	145,346	139,763	128,600	128,600
State Auditor's Office	21,621,842	20,757,919	18,528,611	18,528,611
Legislative Reference Library	1,500,739	1,670,023	1,366,990	1,480,239
SUBTOTAL, THE LEGISLATURE	**$141,766,216**	**$153,352,649**	**$125,865,740**	**$138,934,694**
Retirement and Group Insurance	$23,504,117	$25,125,465	$24,682,700	$26,892,988
Social Security and Benefit Replacement Pay	8,172,697	8,191,540	8,166,168	8,181,819
SUBTOTAL, EMPLOYEE BENEFITS	**$31,676,814**	**$33,317,005**	**$32,848,868**	**$35,074,807**
Lease Payments	$12,225,890	$7,956,405	$7,955,915	$8,249,049
SUBTOTAL, DEBT SERVICE	**$12,225,890**	**$7,956,405**	**$7,955,915**	**$8,249,049**
Less Interagency Contracts	$6,591,433	$4,501,600	$4,501,600	$4,501,600
TOTAL, ARTICLE X – THE LEGISLATURE	**$179,077,487**	**$190,124,459**	**$162,168,923**	**$177,756,950**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

APPENDIX C — SUMMARY OF STATE BUDGET BY FISCAL YEAR

GENERAL REVENUE FUNDS

TABLE C2
GENERAL REVENUE FUNDS — STATEWIDE SUMMARY

FUNCTION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Article I – General Government	$1,190,584,302	$1,220,105,553	$1,074,975,284	$993,843,714
Article II – Health and Human Services	10,072,804,298	11,618,203,440	13,288,277,041	9,611,871,497
Article III – Agencies of Education	22,725,553,600	24,070,450,328	24,607,201,999	21,309,631,627
Article IV – The Judiciary	211,442,469	207,448,309	191,055,487	190,207,926
Article V – Public Safety and Criminal Justice	4,264,609,712	4,354,861,596	4,102,221,877	4,101,082,129
Article VI – Natural Resources	440,731,569	398,758,171	319,626,093	318,779,507
Article VII – Business and Economic Development	239,745,681	255,365,127	287,521,211	290,424,268
Article VIII – Regulatory	149,535,649	142,075,982	131,627,241	132,731,871
Article IX – General Provisions	0	0	0	0
Article X – The Legislature	178,765,149	189,843,059	161,887,523	177,475,550
TOTAL, ALL FUNCTIONS	**$39,473,772,429**	**$42,457,111,565**	**$44,164,393,756**	**$37,126,048,089**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Commission on the Arts	$1,002,787	$309,678	$1,222,115	$2,349,846
Office of the Attorney General	163,193,031	233,320,360	192,341,329	176,644,249
Bond Review Board	588,038	560,475	486,967	486,968
Cancer Prevention and Research Institute of Texas	203,094	0	0	0
Comptroller of Public Accounts	229,107,704	218,605,834	203,300,247	202,133,952
Fiscal Programs - Comptroller of Public Accounts	363,680,966	387,330,201	325,454,392	327,727,686
Commission on State Emergency Communications	0	0	0	0
Employees Retirement System	8,088,040	8,088,040	8,088,040	8,088,040
Texas Ethics Commission	1,970,007	1,902,653	1,924,532	1,924,532
Facilities Commission	28,992,195	27,390,073	28,159,842	27,976,515
Public Finance Authority	531,873	524,879	259,793	259,793
Fire Fighters' Pension Commissioner	726,766	658,684	788,669	788,670
Office of the Governor	11,945,782	10,573,608	9,904,980	9,104,980
Trusteed Programs Within the Office of the Governor	160,692,861	114,206,308	78,743,037	39,764,561
Historical Commission	19,774,314	15,526,876	11,130,922	9,532,991
Department of Information Resources	753,043	733,227	7,415,700	7,275,691
Library & Archives Commission	21,082,508	17,921,707	7,293,688	6,944,827
Pension Review Board	696,036	650,779	694,002	694,001
Preservation Board	11,410,073	12,621,282	19,093,911	9,466,611
State Office of Risk Management	0	0	0	0
Workers' Compensation Payments	0	0	0	0
Secretary of State	26,048,248	9,964,517	27,569,964	9,823,869
Veterans Commission	6,967,845	6,727,949	6,818,914	6,789,906
SUBTOTAL, GENERAL GOVERNMENT	**$1,057,455,211**	**$1,067,617,130**	**$930,691,044**	**$847,777,688**
Retirement and Group Insurance	$77,701,429	$82,685,846	$75,473,459	$82,008,445
Social Security and Benefit Replacement Pay	31,729,781	31,751,726	29,914,962	29,878,719
SUBTOTAL, EMPLOYEE BENEFITS	**$109,431,210**	**$114,437,572**	**$105,388,421**	**$111,887,164**
Bond Debt Service Payments	$11,836,746	$26,756,909	$27,500,332	$23,546,613
Lease Payments	11,861,135	11,293,942	11,395,487	10,632,249
SUBTOTAL, DEBT SERVICE	**$23,697,881**	**$38,050,851**	**$38,895,819**	**$34,178,862**
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$1,190,584,302**	**$1,220,105,553**	**$1,074,975,284**	**$993,843,714**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor’s vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Aging and Disability Services	$2,030,747,883	$2,287,259,699	$2,518,945,680	$1,500,934,810
Department of Assistive and Rehabilitative Services	108,701,965	106,605,184	108,573,354	108,860,764
Department of Family and Protective Services	504,810,835	555,924,254	633,783,342	645,453,804
Department of State Health Services	1,066,646,156	1,094,763,393	1,066,564,616	1,072,173,425
Health and Human Services Commission	5,933,215,321	7,106,741,958	8,493,636,248	5,792,719,287
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$9,644,122,160**	**$11,151,294,488**	**$12,821,503,240**	**$9,120,142,090**
Retirement and Group Insurance	$308,641,156	$336,535,798	$335,158,596	$360,488,208
Social Security and Benefit Replacement Pay	93,041,402	95,344,049	101,150,786	99,737,794
SUBTOTAL, EMPLOYEE BENEFITS	**$401,682,558**	**$431,879,847**	**$436,309,382**	**$460,226,002**
Bond Debt Service Payments	$19,472,716	$28,679,213	$24,099,431	$25,415,648
Lease Payments	7,526,864	6,349,892	6,364,988	6,087,757
SUBTOTAL, DEBT SERVICE	**$26,999,580**	**$35,029,105**	**$30,464,419**	**$31,503,405**
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$10,072,804,298**	**$11,618,203,440**	**$13,288,277,041**	**$9,611,871,497**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — EDUCATION

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
PUBLIC EDUCATION				
Texas Education Agency	$14,538,925,135	$15,783,975,989	$16,682,984,583	$13,793,722,943
School for the Blind and Visually Impaired	14,888,059	13,942,515	14,701,474	14,451,473
School for the Deaf	18,990,899	17,120,233	18,814,664	17,401,814
SUBTOTAL, PUBLIC EDUCATION	**$14,572,804,093**	**$15,815,038,737**	**$16,716,500,721**	**$13,825,576,230**
PUBLIC HIGHER EDUCATION				
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$875,280,492	$853,509,968	$874,690,361	$874,690,362
Lamar Institute of Technology	9,157,674	10,984,207	13,187,031	8,176,621
Lamar University - Orange	6,456,291	6,923,293	6,726,582	6,711,777
Lamar University - Port Arthur	8,723,561	9,523,965	8,345,818	8,330,788
SUBTOTAL, LAMAR STATE COLLEGES	**$24,337,526**	**$27,431,465**	**$28,259,431**	**$23,219,186**
Texas State Technical College System Administration	$12,905,094	$3,217,235	$2,301,722	$2,301,722
Texas State Technical College - Harlingen	18,030,423	17,831,910	17,592,191	17,585,551
Texas State Technical College - West Texas	11,631,689	11,341,213	10,097,664	10,097,421
Texas State Technical College - Marshall	4,470,646	4,324,600	4,259,975	4,259,454
Texas State Technical College - Waco	24,480,932	23,977,127	28,592,770	26,597,306
SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES	**$71,518,784**	**$60,692,085**	**$62,844,322**	**$60,841,454**
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$971,136,802**	**$941,633,518**	**$965,794,114**	**$958,751,002**
GENERAL ACADEMIC INSTITUTIONS				
The University of Texas System Administration	$8,536,650	$8,290,600	$7,965,600	$7,965,600
The University of Texas at Arlington	89,654,610	82,042,818	94,448,405	89,419,389
The University of Texas at Austin	280,311,126	255,723,258	247,397,392	245,147,339
The University of Texas at Dallas	74,087,625	68,020,929	76,170,725	72,607,656
The University of Texas at El Paso	74,843,834	67,677,439	68,822,630	68,959,082
The University of Texas - Pan American	58,477,464	57,230,326	55,480,654	55,408,868
The University of Texas at Brownsville	27,203,957	23,896,560	23,706,578	23,718,203
The University of Texas of the Permian Basin	25,352,646	22,287,076	25,259,695	23,556,545
The University of Texas at San Antonio	97,338,979	89,622,813	89,254,368	89,292,896
The University of Texas at Tyler	29,687,753	26,986,140	25,896,880	25,907,848
Texas A&M University System Administrative and General Offices	4,061,508	7,416,996	2,236,934	2,236,934
Texas A&M University	240,877,929	247,113,594	229,328,294	228,682,766
Texas A&M University at Galveston	19,127,886	17,608,432	15,498,067	15,466,607
Prairie View A&M University	51,262,854	51,120,784	45,549,924	45,373,944
Tarleton State University	31,325,371	31,673,892	29,760,680	29,703,793
Texas A&M University - Central Texas	12,646,022	11,361,579	12,707,887	12,645,041
Texas A&M University - Corpus Christi	47,924,719	46,041,552	41,077,915	40,546,501
Texas A&M University - Kingsville	30,942,953	29,667,906	27,103,318	26,926,884

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Texas A&M University - San Antonio	$10,162,605	$11,275,595	$14,640,060	$14,647,537
Texas A&M International University	34,899,707	32,836,218	29,047,148	28,962,373
West Texas A&M University	29,475,817	28,146,574	26,753,272	26,528,888
Texas A&M University - Commerce	34,033,851	33,855,116	33,305,541	33,275,685
Texas A&M University - Texarkana	15,546,093	15,538,054	15,245,865	15,124,790
University of Houston System Administration	2,742,617	9,922,540	25,975,144	25,693,318
University of Houston	153,099,259	158,516,893	129,132,679	128,198,995
University of Houston - Clear Lake	29,638,906	29,168,649	23,313,520	23,140,530
University of Houston - Downtown	27,951,817	28,490,170	20,020,006	19,953,389
University of Houston - Victoria	16,154,017	16,161,056	13,827,568	13,824,253
Midwestern State University	18,732,570	18,701,592	16,762,807	16,619,208
University of North Texas System Administration	2,540,970	2,248,097	3,366,113	3,366,113
University of North Texas	96,677,959	97,994,640	95,956,315	95,317,804
University of North Texas at Dallas	14,095,135	16,235,014	14,076,345	14,089,057
Stephen F. Austin State University	44,114,346	40,703,316	37,797,001	37,843,134
Texas Southern University	68,634,144	57,244,270	52,541,654	52,143,547
Texas Tech University System Administration	1,950,000	1,800,000	1,425,000	1,425,000
Texas Tech University	129,019,059	131,996,603	127,276,377	126,700,431
Angelo State University	24,499,031	23,596,443	22,921,535	22,939,802
Texas Woman's University	51,217,386	53,448,951	46,290,355	46,176,745
Texas State University System	1,076,286	1,047,954	3,025,000	1,425,000
Lamar University	39,412,550	38,577,878	35,576,330	35,273,575
Sam Houston State University	42,048,977	43,012,432	39,843,239	39,766,337
Texas State University - San Marcos	83,555,300	85,164,867	82,391,669	82,503,256
Sul Ross State University	14,607,429	14,224,616	19,896,246	12,862,225
Sul Ross State University Rio Grande College	5,371,282	5,291,056	4,680,909	4,684,023
SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS	**$2,194,920,999**	**$2,138,981,288**	**$2,052,753,644**	**$2,026,050,911**
HEALTH-RELATED INSTITUTIONS				
The University of Texas Southwestern Medical Center at Dallas	$143,600,161	$142,999,645	$130,938,462	$118,340,715
The University of Texas Medical Branch at Galveston	278,611,136	308,093,109	246,003,540	226,185,611
The University of Texas Health Science Center at Houston	143,591,670	134,874,591	159,162,503	135,118,799
The University of Texas Health Science Center at San Antonio	142,320,678	143,598,654	138,696,688	121,918,354
The University of Texas M.D. Anderson Cancer Center	163,817,032	152,457,210	157,954,635	140,480,437
The University of Texas Health Science Center at Tyler	36,646,951	32,009,770	40,305,012	31,551,567
Texas A&M University System Health Science Center	96,571,127	108,663,021	103,738,798	90,664,001

TABLE C2—(CONTINUED)
GENERAL REVENUE FUNDS — EDUCATION (CONTINUED)

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
University of North Texas Health Science Center at Fort Worth	$56,763,002	$63,606,541	$59,235,376	$53,886,456
Texas Tech University Health Sciences Center	147,342,201	160,922,967	156,183,577	135,529,543
SUBTOTAL, HEALTH-RELATED INSTITUTIONS	**$1,209,263,958**	**$1,247,225,508**	**$1,192,218,591**	**$1,053,675,483**
Texas A&M University Services				
Texas AgriLife Research	$55,026,605	$53,416,036	$50,661,229	$50,571,831
Texas AgriLife Extension Service	48,528,424	44,892,671	42,218,519	42,218,520
Texas Engineering Experiment Station	13,918,140	13,502,530	14,918,380	12,873,378
Texas Transportation Institute	1,092,500	693,750	641,250	641,250
Texas Engineering Extension Service	6,860,702	6,562,769	6,247,892	6,140,945
Texas Forest Service	19,751,375	19,242,903	140,093,022	18,886,926
Texas Veterinary Medical Diagnostic Laboratory	6,369,853	5,957,060	5,871,963	5,647,150
SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES	**$151,547,599**	**$144,267,719**	**$260,652,255**	**$136,980,000**
Higher Education Fund	$262,500,000	$262,500,000	$262,500,000	$262,500,000
Available University Fund	0	0	0	0
National Research University Fund Earnings	0	0	0	0
Higher Education Coordinating Board	642,879,049	681,146,769	584,623,588	468,898,447
SUBTOTAL, OTHER HIGHER EDUCATION	**$905,379,049**	**$943,646,769**	**$847,123,588**	**$731,398,447**
SUBTOTAL, HIGHER EDUCATION	**$5,432,248,407**	**$5,415,754,802**	**$5,318,542,192**	**$4,906,855,843**
EMPLOYEE BENEFITS				
Teacher Retirement System	$1,798,828,197	$1,922,820,772	$1,731,613,220	$1,699,526,259
Optional Retirement Program	123,929,075	125,911,941	102,670,649	102,670,648
Higher Education Employees Group Insurance Contributions	543,088,839	523,824,171	471,017,382	496,539,542
Retirement and Group Insurance	24,747,818	26,841,550	25,782,596	28,287,582
Social Security and Benefits Replacement Pay	224,597,797	232,338,675	231,889,936	239,816,666
SUBTOTAL, EMPLOYEE BENEFITS	**$2,715,191,726**	**$2,831,737,109**	**$2,562,973,783**	**$2,566,840,697**
DEBT SERVICE				
Bond Debt Service Payments	$1,928,114	$5,396,906	$6,302,598	$7,946,232
Lease Payments	3,381,260	2,522,774	2,882,705	2,412,625
SUBTOTAL, DEBT SERVICE	**$5,309,374**	**$7,919,680**	**$9,185,303**	**$10,358,857**
Less Interagency Contracts				
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$22,725,553,600**	**$24,070,450,328**	**$24,607,201,999**	**$21,309,631,627**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — THE JUDICIARY

ARTICLE IV – THE JUDICIARY	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Supreme Court of Texas	$16,627,468	$16,371,152	$13,800,939	$13,708,438
Court of Criminal Appeals	4,782,865	4,586,924	4,630,074	4,630,074
First Court of Appeals District, Houston	3,404,463	3,436,763	3,413,430	3,413,429
Second Court of Appeals District, Fort Worth	2,528,882	2,602,810	2,560,772	2,560,771
Third Court of Appeals District, Austin	2,207,019	2,291,203	2,244,785	2,244,786
Fourth Court of Appeals District, San Antonio	2,527,341	2,689,460	2,602,630	2,602,628
Fifth Court of Appeals District, Dallas	4,678,875	4,710,878	4,684,939	4,684,938
Sixth Court of Appeals District, Texarkana	1,179,854	1,320,975	1,248,008	1,248,007
Seventh Court of Appeals District, Amarillo	1,510,296	1,558,979	1,531,631	1,531,631
Eighth Court of Appeals District, El Paso	1,213,125	1,288,603	1,248,513	1,248,513
Ninth Court of Appeals District, Beaumont	1,506,948	1,552,934	1,526,928	1,526,927
Tenth Court of Appeals District, Waco	1,168,412	1,297,013	1,230,529	1,230,529
Eleventh Court of Appeals District, Eastland	1,218,847	1,273,799	1,243,979	1,243,978
Twelfth Court of Appeals District, Tyler	1,278,884	1,268,931	1,271,094	1,271,093
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	2,221,635	2,298,244	2,255,543	2,255,542
Fourteenth Court of Appeals District, Houston	3,356,190	3,513,829	3,427,713	3,427,711
Office of Court Administration, Texas Judicial Council	13,326,183	10,379,983	10,757,118	10,769,262
Office of Capital Writs	0	457,431	0	0
Office of the State Prosecuting Attorney	425,502	372,314	359,227	359,227
State Law Library	1,004,290	1,071,041	837,323	837,323
State Commission on Judicial Conduct	953,569	933,854	948,170	948,169
Judiciary Section, Comptroller's Department	82,781,118	79,542,309	72,424,832	69,843,466
SUBTOTAL, THE JUDICIARY	**$149,901,766**	**$144,819,429**	**$134,248,177**	**$131,586,442**
Retirement and Group Insurance	$51,774,063	$52,846,196	$47,248,637	$49,050,312
Social Security and Benefit Replacement Pay	7,297,741	7,308,293	7,278,605	7,285,426
SUBTOTAL, EMPLOYEE BENEFITS	**$59,071,804**	**$60,154,489**	**$54,527,242**	**$56,335,738**
Lease Payments	$2,468,899	$2,474,391	$2,280,068	$2,285,746
SUBTOTAL, DEBT SERVICES	**$2,468,899**	**$2,474,391**	**$2,280,068**	**$2,285,746**
TOTAL, ARTICLE IV – THE JUDICIARY	**$211,442,469**	**$207,448,309**	**$191,055,487**	**$190,207,926**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Adjutant General's Department	$15,099,281	$14,520,641	$13,625,026	$12,890,025
Alcoholic Beverage Commission	42,786,679	40,846,614	41,694,495	41,973,020
Department of Criminal Justice	2,925,120,416	2,989,607,828	2,945,615,142	2,943,401,395
Commission on Fire Protection	2,296,168	2,167,413	1,894,829	1,894,829
Commission on Jail Standards	994,506	968,335	895,056	895,055
Texas Juvenile Justice Department	0	0	151,793,561	300,576,348
Juvenile Probation Commission	146,221,644	140,511,880	72,801,216	0
Commission on Law Enforcement Officer Standards and Education	91,669	26,915	162,104	162,104
Department of Public Safety	118,197,743	120,536,975	65,209,870	37,955,371
Youth Commission	197,727,522	192,695,966	78,992,337	0
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$3,448,535,628**	**$3,501,882,567**	**$3,372,683,636**	**$3,339,748,147**
Retirement and Group Insurance	$454,641,493	$479,797,743	$424,991,261	$466,630,768
Social Security and Benefit Replacement Pay	132,870,863	131,828,234	122,948,129	122,688,968
SUBTOTAL, EMPLOYEE BENEFITS	**$587,512,356**	**$611,625,977**	**$547,939,390**	**$589,319,736**
Bond Debt Service Payments	$226,520,213	$239,377,867	$179,647,300	$170,076,489
Lease Payments	2,041,515	1,975,185	1,951,551	1,937,757
SUBTOTAL, DEBT SERVICE	**$228,561,728**	**$241,353,052**	**$181,598,851**	**$172,014,246**
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$4,264,609,712**	**$4,354,861,596**	**$4,102,221,877**	**$4,101,082,129**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Agriculture	$81,645,117	$58,242,246	$52,651,269	$47,975,348
Animal Health Commission	9,980,320	10,287,100	11,111,934	11,191,142
Commission on Environmental Quality	14,566,943	14,231,026	6,084,078	5,710,067
General Land Office and Veterans' Land Board	12,861,737	6,048,807	823,390	823,390
Low-level Radioactive Waste Disposal Compact Commission	0	0	0	0
Parks and Wildlife Department	111,662,972	93,077,728	68,671,533	70,358,698
Railroad Commission	28,747,517	27,309,314	14,962,180	14,942,823
Soil and Water Conservation Board	21,413,974	19,754,779	14,042,847	14,042,846
Water Development Board	26,639,471	28,437,213	18,257,274	19,964,060
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	56,104,409	59,479,663	51,073,337	48,738,566
SUBTOTAL, NATURAL RESOURCES	**$363,622,460**	**$316,867,876**	**$237,677,842**	**$233,746,940**
Retirement and Group Insurance	$58,650,361	$62,810,259	$59,316,443	$64,163,985
Social Security and Benefit Replacement Pay	9,373,458	9,453,419	9,203,091	9,070,443
SUBTOTAL, EMPLOYEE BENEFITS	**$68,023,819**	**$72,263,678**	**$68,519,534**	**$73,234,428**
Bond Debt Service Payments	$5,061,335	$5,806,701	$9,613,171	$8,621,507
Lease Payments	4,023,955	3,819,916	3,815,546	3,176,632
SUBTOTAL, DEBT SERVICE	**$9,085,290**	**$9,626,617**	**$13,428,717**	**$11,798,139**
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$440,731,569**	**$398,758,171**	**$319,626,093**	**$318,779,507**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Housing and Community Affairs	$23,184,101	$22,800,056	$8,110,265	$8,177,145
Texas Lottery Commission	15,256,883	15,132,273	16,047,957	16,044,493
Department of Motor Vehicles	15,330,638	15,673,900	14,911,870	14,911,870
Texas Department of Rural Affairs	9,245,710	8,849,913	236,673	0
Department of Transportation	20,148,412	34,174,520	117,312,045	117,912,748
Texas Workforce Commission	143,975,888	140,248,207	111,790,590	111,793,039
Reimbursements to the Unemployment Compensation Benefit Account	0	0	0	0
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$227,141,632**	**$236,878,869**	**$268,409,400**	**$268,839,295**
Retirement and Group Insurance	$4,678,638	$5,132,817	$5,081,303	$5,627,298
Social Security and Benefit Replacement Pay	1,342,937	1,349,377	1,275,263	1,274,422
SUBTOTAL, EMPLOYEE BENEFITS	**$6,021,575**	**$6,482,194**	**$6,356,566**	**$6,901,720**
Bond Debt Service Payments	$5,447,239	$10,884,214	$11,475,929	$13,614,680
Lease Payments	1,135,235	1,119,850	1,279,316	1,068,573
SUBTOTAL, DEBT SERVICE	**$6,582,474**	**$12,004,064**	**$12,755,245**	**$14,683,253**
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$239,745,681**	**$255,365,127**	**$287,521,211**	**$290,424,268**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — REGULATORY

ARTICLE VIII – REGULATORY	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
State Office of Administrative Hearings	$3,306,539	$3,231,848	$3,305,957	$3,299,539
Department of Banking	0	0	0	0
Board of Chiropractic Examiners	551,002	577,804	571,539	571,539
Office of Consumer Credit Commissioner	0	0	0	0
Credit Union Department	0	0	0	0
Texas State Board of Dental Examiners	2,604,037	1,988,600	2,069,954	2,072,865
Funeral Service Commission	670,522	719,307	675,214	675,213
Board of Professional Geoscientists	671,825	613,604	584,080	584,583
Health Professions Council	0	0	0	0
Office of Injured Employee Counsel	0	0	0	0
Department of Insurance	35,646,646	36,988,011	38,418,468	38,714,548
Office of Public Insurance Counsel	1,020,088	993,244	841,418	841,418
Board of Professional Land Surveying	463,484	409,661	441,593	441,593
Department of Licensing and Regulation	23,430,878	22,551,721	22,869,399	22,800,809
Texas Medical Board	8,760,891	8,968,399	9,177,397	9,177,397
Texas Board of Nursing	8,312,078	7,775,895	8,131,032	8,124,066
Optometry Board	419,624	440,304	411,971	425,472
Board of Pharmacy	5,785,525	4,920,411	5,197,497	5,127,326
Executive Council of Physical Therapy & Occupational Therapy Examiners	1,006,042	975,029	1,042,696	1,042,695
Board of Plumbing Examiners	2,541,403	1,909,300	2,160,535	2,091,535
Board of Podiatric Medical Examiners	216,972	232,416	231,531	241,556
Board of Examiners of Psychologists	845,835	751,201	719,742	724,942
Racing Commission	1,500,000	0	0	0
Real Estate Commission	7,635,266	7,352,947	0	0
Residential Construction Commission	3,091,357	0	0	0
Department of Savings and Mortgage Lending	0	0	0	0
Securities Board	7,122,559	5,749,407	6,839,784	6,839,784
Public Utility Commission of Texas	10,022,407	10,288,771	4,558,048	4,552,053
Office of Public Utility Counsel	1,670,781	1,626,813	1,503,703	1,503,703
Board of Veterinary Medical Examiners	959,284	998,724	967,265	967,266
SUBTOTAL, REGULATORY	**$128,255,045**	**$120,063,417**	**$110,718,823**	**$110,819,902**
Retirement and Group Insurance	$14,528,143	$15,451,028	$14,559,243	$15,723,557
Social Security and Benefit Replacement Pay	5,566,935	5,583,132	5,381,069	5,359,665
SUBTOTAL, EMPLOYEE BENEFITS	**$20,095,078**	**$21,034,160**	**$19,940,312**	**$21,083,222**
Lease Payments	$1,185,526	$978,405	$968,106	$828,747
SUBTOTAL, DEBT SERVICE	**$1,185,526**	**$978,405**	**$968,106**	**$828,747**
TOTAL, ARTICLE VIII – REGULATORY	**$149,535,649**	**$142,075,982**	**$131,627,241**	**$132,731,871**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	EXPENDED 2010	BUDGETED 2011	APPROPRIATED 2012	APPROPRIATED 2013
General Provisions	$0	$0	$0	$0
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$0**	**$0**

SOURCE: Legislative Budget Board.

TABLE C2—*(CONTINUED)*
GENERAL REVENUE FUNDS — THE LEGISLATURE

ARTICLE X – THE LEGISLATURE	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Senate	$31,571,042	$33,602,435	$27,966,884	$30,506,728
House of Representatives	35,711,083	39,238,320	31,634,296	35,594,467
Legislative Budget Board	14,072,888	14,424,138	12,769,813	12,769,813
Sunset Advisory Commission	1,940,116	2,042,371	2,286,188	2,286,188
Legislative Council	35,203,160	41,477,680	31,184,358	37,640,048
Commission on Uniform State Laws	145,346	139,763	128,600	128,600
State Auditor's Office	14,726,071	15,982,919	13,753,611	13,753,611
Legislative Reference Library	1,492,739	1,662,023	1,358,990	1,472,239
SUBTOTAL, THE LEGISLATURE	**$134,862,445**	**$148,569,649**	**$121,082,740**	**$134,151,694**
Retirement and Group Insurance	$23,504,117	$25,125,465	$24,682,700	$26,892,988
Social Security and Benefit Replacement Pay	8,172,697	8,191,540	8,166,168	8,181,819
SUBTOTAL, EMPLOYEE BENEFITS	**$31,676,814**	**$33,317,005**	**$32,848,868**	**$35,074,807**
Lease Payments	$12,225,890	$7,956,405	$7,955,915	$8,249,049
SUBTOTAL, DEBT SERVICE	**$12,225,890**	**$7,956,405**	**$7,955,915**	**$8,249,049**
TOTAL, ARTICLE X – THE LEGISLATURE	**$178,765,149**	**$189,843,059**	**$161,887,523**	**$177,475,550**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

APPENDIX C — SUMMARY OF STATE BUDGET BY FISCAL YEAR

GENERAL REVENUE–DEDICATED FUNDS

TABLE C3
GENERAL REVENUE–DEDICATED FUNDS — STATEWIDE SUMMARY

FUNCTION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Article I – General Government	$295,938,418	$326,961,896	$594,502,255	$248,545,668
Article II – Health and Human Services	478,394,752	481,265,093	505,314,630	462,182,548
Article III – Agencies of Education	1,208,243,231	1,281,007,846	1,277,809,176	1,217,537,240
Article IV – The Judiciary	29,466,850	33,878,215	43,361,532	41,664,199
Article V – Public Safety and Criminal Justice	56,462,492	18,894,716	85,423,087	85,937,619
Article VI – Natural Resources	601,683,510	641,923,994	529,318,872	517,538,556
Article VII – Business and Economic Development	233,242,691	233,621,318	192,915,677	193,773,577
Article VIII – Regulatory	202,594,325	182,429,427	193,423,209	190,707,466
Article IX – General Provisions	0	0	0	0
Article X – The Legislature	0	0	0	0
TOTAL, ALL FUNCTIONS	**$3,106,026,269**	**$3,199,982,505**	**$3,422,068,438**	**$2,957,886,873**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Commission on the Arts	$3,985,409	$4,807,947	$1,471,157	$343,426
Office of the Attorney General	91,927,391	96,362,055	107,982,194	87,571,427
Bond Review Board	0	0	0	0
Cancer Prevention and Research Institute of Texas	30,000	12,000	12,000	12,000
Comptroller of Public Accounts	0	0	0	0
Fiscal Programs - Comptroller of Public Accounts	22,752,274	23,483,015	90,141,292	14,645,292
Commission on State Emergency Communications	71,113,126	63,126,590	54,389,243	57,582,689
Employees Retirement System	0	0	0	0
Texas Ethics Commission	0	0	0	0
Facilities Commission	2,611,625	2,563,323	4,437,921	2,052,467
Public Finance Authority	493,590	4,342,410	1,587,235	1,470,441
Fire Fighters' Pension Commissioner	0	0	0	0
Office of the Governor	0	0	0	0
Trusteed Programs Within the Office of the Governor	89,165,738	124,663,346	303,694,215	17,133,214
Historical Commission	200,000	189,400	2,552,832	2,552,832
Department of Information Resources	0	0	0	0
Library & Archives Commission	11,541	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
Workers' Compensation Payments	0	0	0	0
Secretary of State	7,827,967	1,009,695	838,005	996,435
Veterans Commission	6,600	5,000	6,000	6,000
SUBTOTAL, GENERAL GOVERNMENT	**$290,125,261**	**$320,564,781**	**$567,112,094**	**$184,366,223**
Retirement and Group Insurance	$2,366,913	$2,509,050	$2,391,637	$2,570,071
Social Security and Benefit Replacement Pay	942,181	943,002	931,726	928,085
SUBTOTAL, EMPLOYEE BENEFITS	**$3,309,094**	**$3,452,052**	**$3,323,363**	**$3,498,156**
Bond Debt Service Payments	$2,504,063	$2,945,063	$24,066,798	$60,681,289
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$2,504,063**	**$2,945,063**	**$24,066,798**	**$60,681,289**
TOTAL, ARTICLE I – GENERAL GOVERNMENT	**$295,938,418**	**$326,961,896**	**$594,502,255**	**$248,545,668**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Aging and Disability Services	$55,064,625	$54,564,624	$62,062,625	$61,562,624
Department of Assistive and Rehabilitative Services	13,926,885	13,054,334	12,963,403	12,963,403
Department of Family and Protective Services	7,663,848	7,663,848	40,696,202	5,696,201
Department of State Health Services	392,110,097	395,846,543	371,985,401	370,751,431
Health and Human Services Commission	0	0	7,543,914	543,914
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$468,765,455**	**$471,129,349**	**$495,251,545**	**$451,517,573**
Retirement and Group Insurance	$6,548,937	$7,018,878	$6,961,797	$7,588,647
Social Security and Benefit Replacement Pay	3,080,360	3,116,866	3,101,288	3,076,328
SUBTOTAL, EMPLOYEE BENEFITS	**$9,629,297**	**$10,135,744**	**$10,063,085**	**$10,664,975**
Bond Debt Service Payments	$0	$0	$0	$0
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$478,394,752**	**$481,265,093**	**$505,314,630**	**$462,182,548**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — EDUCATION

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
PUBLIC EDUCATION				
Texas Education Agency	$320,396	$98,173	$324,000	$325,000
School for the Blind and Visually Impaired	0	0	0	0
School for the Deaf	0	0	0	0
SUBTOTAL, PUBLIC EDUCATION	**$320,396**	**$98,173**	**$324,000**	**$325,000**
PUBLIC HIGHER EDUCATION				
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$0	$0	$0	$0
Lamar Institute of Technology	3,501,644	3,525,000	3,663,454	3,681,884
Lamar University - Orange	2,477,041	2,398,888	2,801,555	2,924,855
Lamar University - Port Arthur	2,379,581	2,367,828	2,718,826	2,724,277
SUBTOTAL, LAMAR STATE COLLEGES	**$8,358,266**	**$8,291,716**	**$9,183,835**	**$9,331,016**
Texas State Technical College System Administration	$209,997	$61,500	$373,652	$374,365
Texas State Technical College - Harlingen	6,767,576	7,500,547	7,103,048	6,812,720
Texas State Technical College - West Texas	2,279,565	2,293,746	2,375,301	2,399,905
Texas State Technical College - Marshall	1,250,346	1,236,653	1,228,010	1,248,029
Texas State Technical College - Waco	9,498,808	8,997,504	9,199,300	9,207,410
SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES	**$20,006,292**	**$20,189,950**	**$20,279,311**	**$20,042,429**
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$28,364,558**	**$28,481,666**	**$29,463,146**	**$29,373,445**
GENERAL ACADEMIC INSTITUTIONS				
The University of Texas System Administration	$0	$0	$0	$0
The University of Texas at Arlington	47,825,055	51,719,510	52,183,109	52,603,253
The University of Texas at Austin	100,810,223	102,364,851	103,969,114	106,225,820
The University of Texas at Dallas	32,482,122	41,420,270	36,928,316	37,807,165
The University of Texas at El Paso	26,318,495	27,938,586	27,444,286	27,515,100
The University of Texas - Pan American	25,952,112	24,495,999	25,584,116	25,899,028
The University of Texas at Brownsville	5,090,906	5,179,432	5,082,799	5,121,138
The University of Texas of the Permian Basin	5,391,081	4,762,690	5,148,480	5,180,841
The University of Texas at San Antonio	39,295,291	38,899,207	40,830,519	41,117,989
The University of Texas at Tyler	6,706,400	6,980,000	7,149,410	7,193,407
Texas A&M University System Administrative and General Offices	4,857,444	4,365,625	14,000	14,000
Texas A&M University	97,587,112	97,344,133	91,667,283	93,122,343
Texas A&M University at Galveston	3,517,645	3,196,575	3,370,744	3,438,204
Prairie View A&M University	15,824,232	16,039,491	15,704,154	16,011,357
Tarleton State University	11,463,427	11,554,937	12,165,204	12,320,407
Texas A&M University - Central Texas	2,680,865	2,771,847	2,584,264	2,662,511
Texas A&M University - Corpus Christi	13,149,902	13,158,656	14,263,037	14,395,621
Texas A&M University - Kingsville	9,694,957	11,048,672	10,523,193	10,814,858

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — EDUCATION *(CONTINUED)*

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Texas A&M University - San Antonio	$2,682,129	$3,034,082	$3,915,525	$3,922,241
Texas A&M International University	7,094,151	7,355,198	7,689,165	7,841,864
West Texas A&M University	9,810,519	11,046,610	9,610,087	9,954,776
Texas A&M University - Commerce	14,759,747	14,584,381	11,570,001	11,769,401
Texas A&M University - Texarkana	2,067,875	2,046,348	2,114,506	2,269,807
University of Houston System Administration	0	0	0	0
University of Houston	65,146,449	64,533,779	68,029,222	69,454,507
University of Houston - Clear Lake	11,001,441	12,416,108	12,558,594	12,836,989
University of Houston - Downtown	14,315,817	15,948,570	13,887,692	14,065,735
University of Houston - Victoria	4,910,290	4,973,076	6,046,988	6,088,150
Midwestern State University	7,987,634	7,925,360	7,603,931	7,842,508
University of North Texas System Administration	0	0	0	0
University of North Texas	49,475,727	51,329,571	51,983,681	53,097,551
University of North Texas at Dallas	2,094,224	2,732,232	1,156,493	1,156,493
Stephen F. Austin State University	16,878,291	18,647,508	16,485,905	16,602,634
Texas Southern University	24,756,741	22,271,028	22,821,822	23,396,850
Texas Tech University System Administration	0	0	0	0
Texas Tech University	48,161,014	49,955,047	50,999,661	52,079,874
Angelo State University	8,606,951	9,047,176	9,086,945	9,105,584
Texas Woman's University	19,613,511	20,484,731	21,181,180	21,492,643
Texas State University System	0	0	0	0
Lamar University	18,799,446	18,646,446	20,332,307	20,744,693
Sam Houston State University	36,142,981	35,357,191	32,725,074	33,004,223
Texas State University - San Marcos	43,460,346	45,107,023	44,689,605	44,908,114
Sul Ross State University	2,484,096	2,457,000	2,519,033	2,526,516
Sul Ross State University Rio Grande College	1,222,451	1,120,501	1,380,760	1,381,691
SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS	**$860,119,100**	**$884,259,447**	**$873,000,205**	**$886,985,886**
HEALTH-RELATED INSTITUTIONS				
The University of Texas Southwestern Medical Center at Dallas	$13,451,166	$9,062,986	$8,996,328	$9,058,286
The University of Texas Medical Branch at Galveston	10,765,494	12,355,436	12,406,504	12,390,649
The University of Texas Health Science Center at Houston	18,253,031	17,524,968	17,711,217	17,771,955
The University of Texas Health Science Center at San Antonio	8,097,255	8,391,148	8,602,992	8,631,865
The University of Texas M.D. Anderson Cancer Center	23,578,751	25,018,320	26,454,044	29,022,141
The University of Texas Health Science Center at Tyler	248,429	263,626	284,200	285,000

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — EDUCATION *(CONTINUED)*

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Texas A&M University System Health Science Center	$5,172,581	$8,133,741	$12,386,274	$12,522,135
University of North Texas Health Science Center at Fort Worth	6,307,396	6,289,387	8,106,584	8,189,278
Texas Tech University Health Sciences Center	10,963,738	12,589,754	13,435,189	14,260,031
SUBTOTAL, HEALTH-RELATED INSTITUTIONS	**$96,837,841**	**$99,629,366**	**$108,383,332**	**$112,131,340**
TEXAS A&M UNIVERSITY SERVICES				
Texas AgriLife Research	$475,000	$475,000	$475,000	$475,000
Texas AgriLife Extension Service	42,542	4,450	9,000	9,000
Texas Engineering Experiment Station	904,418	880,618	452,209	452,209
Texas Transportation Institute	0	0	0	0
Texas Engineering Extension Service	0	0	0	0
Texas Forest Service	30,759,596	30,629,000	14,456,000	14,456,000
Texas Veterinary Medical Diagnostic Laboratory	0	0	0	0
SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES	**$32,181,556**	**$31,989,068**	**$15,392,209**	**$15,392,209**
Higher Education Fund	$0	$0	$0	$0
Available University Fund	0	0	0	0
National Research University Fund Earnings	0	0	0	0
Higher Education Coordinating Board	40,987,811	70,584,810	86,699,791	557,000
SUBTOTAL, OTHER HIGHER EDUCATION	**$40,987,811**	**$70,584,810**	**$86,699,791**	**$557,000**
SUBTOTAL, HIGHER EDUCATION	**$1,058,490,866**	**$1,114,944,357**	**$1,112,938,683**	**$1,044,439,880**
EMPLOYEE BENEFITS				
Teacher Retirement System	$87,375,137	$101,419,633	$101,419,633	$108,180,942
Optional Retirement Program	21,627,343	22,701,162	21,282,339	21,282,339
Higher Education Employees Group Insurance Contributions	0	0	0	0
Retirement and Group Insurance	0	0	0	0
Social Security and Benefits Replacement Pay	40,429,489	41,844,521	41,844,521	43,309,079
SUBTOTAL, EMPLOYEE BENEFITS	**$149,431,969**	**$165,965,316**	**$164,546,493**	**$172,772,360**
DEBT SERVICE				
Bond Debt Service Payments	$0	$0	$0	$0
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
Less Interagency Contracts	$0	$0	$0	$0
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$1,208,243,231**	**$1,281,007,846**	**$1,277,809,176**	**$1,217,537,240**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — THE JUDICIARY

ARTICLE IV – THE JUDICIARY	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Supreme Court of Texas	$0	$0	$4,000,000	$0
Court of Criminal Appeals	0	0	8,528,684	8,146,184
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	29,331,355	33,230,096	29,774,951	32,512,893
Office of Capital Writs	0	507,745	922,135	862,136
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, THE JUDICIARY	**$29,331,355**	**$33,737,841**	**$43,225,770**	**$41,521,213**
Retirement and Group Insurance	$87,807	$92,560	$88,074	$95,192
Social Security and Benefit Replacement Pay	47,688	47,814	47,688	47,794
SUBTOTAL, EMPLOYEE BENEFITS	**$135,495**	**$140,374**	**$135,762**	**$142,986**
Lease Payments	$0	$0	$0	$0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
TOTAL, ARTICLE IV – THE JUDICIARY	**$29,466,850**	**$33,878,215**	**$43,361,532**	**$41,664,199**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Adjutant General's Department	$0	$0	$0	$0
Alcoholic Beverage Commission	0	0	0	0
Department of Criminal Justice	2,326,805	2,265,105	517,949	517,950
Commission on Fire Protection	0	0	10,000	10,000
Commission on Jail Standards	0	0	0	0
Texas Juvenile Justice Department	0	0	0	0
Juvenile Probation Commission	0	0	0	0
Commission on Law Enforcement Officer Standards and Education	2,673,004	2,857,783	2,029,373	2,082,436
Department of Public Safety	45,402,314	7,239,049	69,673,070	69,284,569
Youth Commission	0	0	0	0
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$50,402,123**	**$12,361,937**	**$72,230,392**	**$71,894,955**
Retirement and Group Insurance	$5,048,814	$5,518,124	$10,329,916	$11,184,514
Social Security and Benefit Replacement Pay	1,011,555	1,014,655	2,862,779	2,858,150
SUBTOTAL, EMPLOYEE BENEFITS	**$6,060,369**	**$6,532,779**	**$13,192,695**	**$14,042,664**
Bond Debt Service Payments	$0	$0	$0	$0
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
TOTAL, ARTICLE V - PUBLIC SAFETY AND CRIMINAL JUSTICE	**$56,462,492**	**$18,894,716**	**$85,423,087**	**$85,937,619**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Agriculture	$1,025,521	$234,522	$4,819,921	$2,203,550
Animal Health Commission	0	0	0	0
Commission on Environmental Quality	377,720,797	410,319,737	297,069,478	286,458,952
General Land Office and Veterans' Land Board	11,086,947	11,276,288	10,756,646	10,761,912
Low-level Radioactive Waste Disposal Compact Commission	0	0	583,289	583,289
Parks and Wildlife Department	139,353,754	147,373,962	126,618,277	127,873,587
Railroad Commission	29,542,636	26,635,042	46,911,592	46,774,280
Soil and Water Conservation Board	0	0	0	0
Water Development Board	0	0	0	0
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	0	0	0	0
SUBTOTAL, NATURAL RESOURCES	**$558,729,655**	**$595,839,551**	**$486,759,203**	**$474,655,570**
Retirement and Group Insurance	$23,874,788	$26,580,222	$24,422,581	$25,283,599
Social Security and Benefit Replacement Pay	19,079,067	19,504,221	18,137,088	17,599,387
SUBTOTAL, EMPLOYEE BENEFITS	**$42,953,855**	**$46,084,443**	**$42,559,669**	**$42,882,986**
Bond Debt Service Payments	$0	$0	$0	$0
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$601,683,510**	**$641,923,994**	**$529,318,872**	**$517,538,556**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Housing and Community Affairs	$0	$0	$0	$0
Texas Lottery Commission	209,912,951	210,146,107	172,880,148	174,234,238
Department of Motor Vehicles	0	0	0	0
Texas Department of Rural Affairs	2,058,351	2,566,532	183,630	0
Department of Transportation	629,703	629,703	0	0
Texas Workforce Commission	5,571,874	5,621,566	5,580,991	5,576,084
Reimbursements to the Unemployment Compensation Benefit Account	9,905,825	9,266,894	8,982,102	8,356,292
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$228,078,704**	**$228,230,802**	**$187,626,871**	**$188,166,614**
Retirement and Group Insurance	$3,500,995	$3,730,175	$3,636,754	$3,955,169
Social Security and Benefit Replacement Pay	1,662,992	1,660,341	1,652,052	1,651,794
SUBTOTAL, EMPLOYEE BENEFITS	**$5,163,987**	**$5,390,516**	**$5,288,806**	**$5,606,963**
Bond Debt Service Payments	$0	$0	$0	$0
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$233,242,691**	**$233,621,318**	**$192,915,677**	**$193,773,577**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — REGULATORY

ARTICLE VIII – REGULATORY	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
State Office of Administrative Hearings	$0	$0	$0	$0
Department of Banking	0	0	0	0
Board of Chiropractic Examiners	0	0	0	0
Office of Consumer Credit Commissioner	0	0	0	0
Credit Union Department	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	7,471,374	8,067,710	7,769,542	7,769,542
Department of Insurance	62,755,496	64,812,074	64,107,266	54,924,489
Office of Public Insurance Counsel	0	0	0	0
Board of Professional Land Surveying	0	0	0	0
Department of Licensing and Regulation	131,041	128,389	131,041	131,040
Texas Medical Board	1,782,489	2,396,797	2,117,514	2,117,513
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 & 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	6,969,881	8,523,360	9,592,323	9,585,294
Real Estate Commission	120,000	120,000	0	0
Residential Construction Commission	0	0	0	0
Department of Savings and Mortgage Lending	0	0	0	0
Securities Board	0	0	0	0
Public Utility Commission of Texas	96,366,009	68,516,575	81,234,862	86,138,757
Office of Public Utility Counsel	0	0	0	0
Board of Veterinary Medical Examiners	0	0	0	0
SUBTOTAL, REGULATORY	**$175,596,290**	**$152,564,905**	**$164,952,548**	**$160,666,635**
Retirement and Group Insurance	$19,006,234	$21,706,180	$20,723,709	$22,551,291
Social Security and Benefit Replacement Pay	6,959,982	7,518,311	7,243,355	7,234,134
SUBTOTAL, EMPLOYEE BENEFITS	**$25,966,216**	**$29,224,491**	**$27,967,064**	**$29,785,425**
Lease Payments	$1,031,819	$640,031	$503,597	$255,406
SUBTOTAL, DEBT SERVICE	**$1,031,819**	**$640,031**	**$503,597**	**$255,406**
TOTAL, ARTICLE VIII – REGULATORY	**$202,594,325**	**$182,429,427**	**$193,423,209**	**$190,707,466**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	EXPENDED 2010	BUDGETED 2011	APPROPRIATED 2012–11	APPROPRIATED 2013
General Provisions	$0	$0	$0	$0
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$0**	**$0**

SOURCE: Legislative Budget Board.

TABLE C3—*(CONTINUED)*
GENERAL REVENUE–DEDICATED FUNDS — THE LEGISLATURE

ARTICLE X – THE LEGISLATURE	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Senate	$0	$0	$0	$0
House of Representatives	0	0	0	0
Legislative Budget Board	0	0	0	0
Sunset Advisory Commission	0	0	0	0
Legislative Council	0	0	0	0
Commission on Uniform State Laws	0	0	0	0
State Auditor's Office	0	0	0	0
Legislative Reference Library	0	0	0	0
SUBTOTAL, THE 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**
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
TOTAL, ARTICLE X – THE LEGISLATURE	**$0**	**$0**	**$0**	**$0**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

APPENDIX C — SUMMARY OF STATE BUDGET BY FISCAL YEAR

FEDERAL FUNDS

TABLE C4
FEDERAL FUNDS — STATEWIDE SUMMARY

FUNCTION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Article I – General Government	$489,263,882	$711,321,696	$356,591,118	$314,576,099
Article II – Health and Human Services	20,992,958,484	21,223,880,488	18,189,569,703	12,864,302,868
Article III – Agencies of Education	7,427,665,309	6,586,971,048	5,814,005,430	5,121,324,449
Article IV – The Judiciary	3,077,132	1,913,566	1,800,000	1,800,000
Article V – Public Safety and Criminal Justice	1,076,623,808	818,328,632	814,978,303	810,378,594
Article VI – Natural Resources	633,678,269	596,478,573	1,116,182,541	757,442,190
Article VII – Business and Economic Development	6,045,809,317	5,958,280,507	4,550,078,620	3,941,517,242
Article VIII – Regulatory	3,756,204	3,422,458	3,363,669	2,938,532
Article IX – General Provisions	0	0	0	0
Article X – The Legislature	0	0	0	0
TOTAL, ALL FUNCTIONS	**$36,672,832,405**	**$35,900,596,968**	**$30,846,569,384**	**$23,814,279,974**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C4—(CONTINUED)
FEDERAL FUNDS — GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Commission on the Arts	$1,652,800	$1,875,500	$1,075,500	$1,075,500
Office of the Attorney General	235,938,541	235,472,006	211,084,629	205,146,821
Bond Review Board	0	0	0	0
Cancer Prevention and Research Institute of Texas	50,000	0	0	0
Comptroller of Public Accounts	3,743,017	566,622	0	0
Fiscal Programs - Comptroller of Public Accounts	18,581,612	273,956,789	2,112,626	1,288,784
Commission on State Emergency Communications	20,000	2,814,250	2,556,510	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
Fire Fighters' Pension Commissioner	0	0	0	0
Office of the Governor	0	0	0	0
Trusteed Programs Within the Office of the Governor	176,983,109	123,839,817	57,743,406	57,743,406
Historical Commission	1,845,451	1,138,851	865,351	865,351
Department of Information Resources	0	0	0	0
Library & Archives Commission	11,552,769	18,075,681	13,502,182	4,466,483
Pension Review Board	0	0	0	0
Preservation Board	1,746,082	9,253,918	0	0
State Office of Risk Management	0	0	0	0
Workers' Compensation Payments	0	0	0	0
Secretary of State	3,750,806	9,614,217	33,522,923	8,377,364
Veterans Commission	10,126,287	10,056,438	9,550,240	9,551,294
SUBTOTAL, GENERAL GOVERNMENT	**$465,990,474**	**$686,664,089**	**$332,013,367**	**$288,515,003**
Retirement and Group Insurance	$17,245,116	$18,445,946	$18,456,501	$19,941,047
Social Security and Benefit Replacement Pay	5,772,379	5,781,154	5,690,743	5,689,542
SUBTOTAL, EMPLOYEE BENEFITS	**$23,017,495**	**$24,227,100**	**$24,147,244**	**$25,630,589**
Bond Debt Service Payments	$255,913	$430,507	$430,507	$430,507
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$255,913**	**$430,507**	**$430,507**	**$430,507**
TOTAL ARTICLE I – GENERAL GOVERNMENT	**$489,263,882**	**$711,321,696**	**$356,591,118**	**$314,576,099**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Aging and Disability Services	$4,638,754,142	$4,469,282,805	$3,613,456,027	$2,120,315,871
Department of Assistive and Rehabilitative Services	545,512,066	520,752,101	482,454,391	488,068,649
Department of Family and Protective Services	842,555,633	804,064,452	713,706,528	722,049,030
Department of State Health Services	1,441,269,235	1,309,706,144	1,238,906,419	1,249,106,301
Health and Human Services Commission	13,234,914,537	13,808,555,034	11,857,046,518	7,981,620,116
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$20,703,005,613**	**$20,912,360,536**	**$17,905,569,883**	**$12,561,159,967**
Retirement and Group Insurance	$213,541,123	$233,072,086	$215,555,937	$234,712,114
Social Security and Benefit Replacement Pay	73,428,094	75,042,594	65,038,611	65,025,515
SUBTOTAL, EMPLOYEE BENEFITS	**$286,969,217**	**$308,114,680**	**$280,594,548**	**$299,737,629**
Bond Debt Service Payments	$2,983,654	$3,405,272	$3,405,272	$3,405,272
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$2,983,654**	**$3,405,272**	**$3,405,272**	**$3,405,272**
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$20,992,958,484**	**$21,223,880,488**	**$18,189,569,703**	**$12,864,302,868**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — EDUCATION

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
PUBLIC EDUCATION				
Texas Education Agency	$7,020,410,629	$6,278,081,317	$5,607,001,215	$4,913,618,555
School for the Blind and Visually Impaired	2,685,186	2,744,940	2,927,940	2,927,940
School for the Deaf	2,224,082	2,009,908	1,460,931	1,460,931
SUBTOTAL, PUBLIC EDUCATION	**$7,025,319,897**	**$6,282,836,165**	**$5,611,390,086**	**$4,918,007,426**
PUBLIC HIGHER EDUCATION				
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$16,905,000	$0	$0	$0
Lamar Institute of Technology	400,196	0	0	0
Lamar University - Orange	229,063	0	0	0
Lamar University - Port Arthur	285,470	500,000	0	0
SUBTOTAL, LAMAR STATE COLLEGES	**$914,729**	**$500,000**	**$0**	**$0**
Texas State Technical College System Administration	$0	$0	$0	$0
Texas State Technical College - Harlingen	850,530	0	0	0
Texas State Technical College - West Texas	419,578	0	0	0
Texas State Technical College - Marshall	152,123	0	0	0
Texas State Technical College - Waco	1,157,191	0	0	0
SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES	**$2,579,422**	**$0**	**$0**	**$0**
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$20,399,151**	**$500,000**	**$0**	**$0**
GENERAL ACADEMIC INSTITUTIONS				
The University of Texas System Administration	$0	$0	$0	$0
The University of Texas at Arlington	3,839,588	0	0	0
The University of Texas at Austin	10,099,405	210,000	0	0
The University of Texas at Dallas	7,784,029	6,740,909	0	0
The University of Texas at El Paso	2,681,876	0	0	0
The University of Texas - Pan American	2,241,274	0	0	0
The University of Texas at Brownsville	540,108	0	0	0
The University of Texas of the Permian Basin	400,587	0	0	0
The University of Texas at San Antonio	4,622,327	3,403,406	0	0
The University of Texas at Tyler	777,002	0	0	0
Texas A&M University System Administrative and General Offices	0	0	0	0
Texas A&M University	10,292,036	0	0	0
Texas A&M University at Galveston	349,135	0	0	0
Prairie View A&M University	0	0	0	0
Tarleton State University	1,274,872	0	0	0
Texas A&M University - Central Texas	0	0	0	0
Texas A&M University - Corpus Christi	1,259,502	0	0	0
Texas A&M University - Kingsville	1,112,003	0	0	0

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — EDUCATION *(CONTINUED)*

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Texas A&M University - San Antonio	$0	$0	$0	$0
Texas A&M International University	658,885	0	0	0
West Texas A&M University	930,966	0	0	0
Texas A&M University - Commerce	1,440,205	885,012	0	0
Texas A&M University - Texarkana	3,210,721	3,000,000	0	0
University of Houston System Administration	0	0	0	0
University of Houston	7,207,005	1,500,000	0	0
University of Houston - Clear Lake	1,169,439	0	0	0
University of Houston - Downtown	1,398,296	0	0	0
University of Houston - Victoria	433,233	0	0	0
Midwestern State University	767,565	135,000	0	0
University of North Texas System Administration	1,581,008	3,418,992	0	0
University of North Texas	3,060,542	3,812,163	0	0
University of North Texas at Dallas	0	0	0	0
Stephen F. Austin State University	1,499,875	0	0	0
Texas Southern University	1,221,724	0	0	0
Texas Tech University System Administration	0	0	0	0
Texas Tech University	6,178,432	2,715,939	0	0
Angelo State University	1,701,274	1,000,000	0	0
Texas Woman's University	1,874,548	0	0	0
Texas State University System	0	0	0	0
Lamar University	2,621,956	3,851,177	0	0
Sam Houston State University	6,122,710	0	0	0
Texas State University - San Marcos	3,960,373	692,311	0	0
Sul Ross State University	235,001	0	0	0
Sul Ross State University Rio Grande College	107,514	0	0	0
SUBTOTAL, GENERAL ACADEMIC INSTITUTIONS	**$94,655,016**	**$31,364,909**	**$0**	**$0**
HEALTH-RELATED INSTITUTIONS				
The University of Texas Southwestern Medical Center at Dallas	$10,227,426	$6,386,877	$0	$0
The University of Texas Medical Branch at Galveston	6,745,161	0	0	0
The University of Texas Health Science Center at Houston	15,026,974	9,146,672	0	0
The University of Texas Health Science Center at San Antonio	13,383,215	5,841,117	0	0
The University of Texas M.D. Anderson Cancer Center	634,206	0	0	0
The University of Texas Health Science Center at Tyler	80,210	0	0	0
Texas A&M University System Health Science Center	9,646,458	5,368,150	0	0
University of North Texas Health Science Center at Fort Worth	2,314,556	1,123,498	0	0

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — EDUCATION *(CONTINUED)*

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Texas Tech University Health Sciences Center	$8,516,361	$2,559,118	$0	$0
SUBTOTAL, HEALTH-RELATED INSTITUTIONS	**$66,574,567**	**$30,425,432**	**$0**	**$0**
TEXAS A&M UNIVERSITY SERVICES				
Texas AgriLife Research	$7,966,791	$7,966,791	$7,966,791	$7,966,791
Texas AgriLife Extension Service	12,651,354	12,651,354	12,651,354	12,651,354
Texas Engineering Experiment Station	61,114,637	76,167,164	76,928,836	76,928,836
Texas Transportation Institute	8,531,959	8,873,238	9,205,984	9,551,209
Texas Engineering Extension Service	24,193,893	24,194,000	24,193,947	24,193,947
Texas Forest Service	3,634,317	3,714,784	3,714,784	3,714,784
Texas Veterinary Medical Diagnostic Laboratory	297,002	296,999	297,000	297,000
SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES	**$118,389,953**	**$133,864,330**	**$134,958,696**	**$135,303,921**
Higher Education Fund	0	0	0	0
Available University Fund	0	0	0	0
National Research University Fund Earnings	0	0	0	0
Higher Education Coordinating Board	96,088,804	101,243,704	61,810,663	61,825,763
SUBTOTAL, OTHER HIGHER EDUCATION	**$96,088,804**	**$101,243,704**	**$61,810,663**	**$61,825,763**
SUBTOTAL, HIGHER EDUCATION	**$396,107,491**	**$297,398,375**	**$196,769,359**	**$197,129,684**
EMPLOYEE BENEFITS				
Teacher Retirement System	$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	4,227,855	4,604,230	3,967,686	4,319,055
Social Security and Benefits Replacement Pay	1,915,405	1,973,036	1,719,057	1,709,042
SUBTOTAL, EMPLOYEE BENEFITS	**$6,143,260**	**$6,577,266**	**$5,686,743**	**$6,028,097**
DEBT SERVICE				
Bond Debt Service Payments	$94,661	$159,242	$159,242	$159,242
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$94,661**	**$159,242**	**$159,242**	**$159,242**
Less Interagency Contracts				
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$7,427,665,309**	**$6,586,971,048**	**$5,814,005,430**	**$5,121,324,449**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — THE JUDICIARY

ARTICLE IV – THE JUDICIARY	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Supreme Court of Texas	$3,077,132	$1,913,566	$1,800,000	$1,800,000
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	0	0	0	0
Office of Capital 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, THE JUDICIARY	**$3,077,132**	**$1,913,566**	**$1,800,000**	**$1,800,000**
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**
TOTAL, ARTICLE IV – THE JUDICIARY	**$3,077,132**	**$1,913,566**	**$1,800,000**	**$1,800,000**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Adjutant General's Department	$112,247,025	$41,998,952	$43,559,349	$43,559,348
Alcoholic Beverage Commission	445,762	549,900	419,500	419,500
Department of Criminal Justice	21,408,391	21,826,900	18,246,048	18,246,048
Commission on Fire Protection	0	0	0	0
Commission on Jail Standards	0	0	0	0
Texas Juvenile Justice Department	0	0	6,679,750	13,354,861
Juvenile Probation Commission	8,047,275	8,047,275	3,500,000	0
Commission on Law Enforcement Officer Standards and Education	0	0	0	0
Department of Public Safety	912,768,939	722,468,572	726,768,479	721,454,521
Youth Commission	10,495,457	10,578,142	3,179,747	0
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$1,065,412,849**	**$805,469,741**	**$802,352,873**	**$797,034,278**
Retirement and Group Insurance	$7,662,920	$8,545,475	$8,322,538	$9,037,928
Social Security and Benefit Replacement Pay	2,606,500	2,729,517	2,718,993	2,722,489
SUBTOTAL, EMPLOYEE BENEFITS	**$10,269,420**	**$11,274,992**	**$11,041,531**	**$11,760,417**
Bond Debt Service Payments	$941,539	$1,583,899	$1,583,899	$1,583,899
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$941,539**	**$1,583,899**	**$1,583,899**	**$1,583,899**
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$1,076,623,808**	**$818,328,632**	**$814,978,303**	**$810,378,594**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Agriculture	$371,131,271	$396,324,869	$499,312,470	$539,808,503
Animal Health Commission	4,833,563	4,571,563	4,114,407	3,702,966
Commission on Environmental Quality	70,556,085	42,951,972	39,167,519	39,397,825
General Land Office and Veterans' Land Board	30,737,424	34,012,843	472,560,861	77,993,166
Low-level Radioactive Waste Disposal Compact Commission	0	0	0	0
Parks and Wildlife Department	90,571,248	47,195,929	34,122,870	32,728,905
Railroad Commission	8,539,375	13,684,617	10,633,965	7,303,956
Soil and Water Conservation Board	6,266,750	6,477,750	6,000,000	6,000,000
Water Development Board	35,459,764	34,319,128	34,274,424	34,190,382
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	0	0	0	0
SUBTOTAL, NATURAL RESOURCES	**$618,095,480**	**$579,538,671**	**$1,100,186,516**	**$741,125,703**
Retirement and Group Insurance	$10,468,370	$11,622,900	$10,967,126	$11,424,362
Social Security and Benefit Replacement Pay	5,049,628	5,208,008	4,919,905	4,783,131
SUBTOTAL, EMPLOYEE BENEFITS	**$15,517,998**	**$16,830,908**	**$15,887,031**	**$16,207,493**
Bond Debt Service Payments	$64,791	$108,994	$108,994	$108,994
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$64,791**	**$108,994**	**$108,994**	**$108,994**
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$633,678,269**	**$596,478,573**	**$1,116,182,541**	**$757,442,190**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Housing and Community Affairs	$1,454,816,006	$1,223,821,517	$156,909,387	$151,298,671
Texas Lottery Commission	0	0	0	0
Department of Motor Vehicles	51,675	665,700	171,000	171,000
Texas Department of Rural Affairs	442,368,080	372,305,029	6,778,730	0
Department of Transportation	3,008,269,833	3,373,671,420	3,361,910,893	2,778,536,979
Texas Workforce Commission	1,084,452,755	929,052,111	955,648,691	940,302,213
Reimbursements to the Unemployment Compensation Benefit Account	0	0	0	0
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$5,989,958,349**	**$5,899,515,777**	**$4,481,418,701**	**$3,870,308,863**
Retirement and Group Insurance	$43,106,997	$46,006,934	$53,916,556	$57,257,078
Social Security and Benefit Replacement Pay	12,546,576	12,425,730	14,411,297	13,619,235
SUBTOTAL, EMPLOYEE BENEFITS	**$55,653,573**	**$58,432,664**	**$68,327,853**	**$70,876,313**
Bond Debt Service Payments	$197,395	$332,066	$332,066	$332,066
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$197,395**	**$332,066**	**$332,066**	**$332,066**
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$6,045,809,317**	**$5,958,280,507**	**$4,550,078,620**	**$3,941,517,242**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — REGULATORY

ARTICLE VIII – REGULATORY	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
State Office of Administrative Hearings	$0	$0	$0	$0
Department of Banking	0	0	0	0
Board of Chiropractic Examiners	0	0	0	0
Office of Consumer Credit Commissioner	0	0	0	0
Credit Union Department	0	0	0	0
Texas State Board of Dental Examiners	0	0	0	0
Funeral Service Commission	0	0	0	0
Board of Professional Geoscientists	0	0	0	0
Health Professions Council	0	0	0	0
Office of Injured Employee Counsel	0	0	0	0
Department of Insurance	3,055,264	2,266,721	2,266,721	2,266,721
Office of Public Insurance Counsel	0	0	0	0
Board of Professional Land Surveying	0	0	0	0
Department of Licensing and Regulation	0	0	0	0
Texas Medical Board	0	0	0	0
Texas Board of Nursing	0	0	0	0
Optometry Board	0	0	0	0
Board of Pharmacy	0	0	0	0
Executive Council of Physical Therapy & 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
Real Estate Commission	0	0	0	0
Residential Construction Commission	0	0	0	0
Department of Savings and Mortgage Lending	0	0	0	0
Securities Board	0	0	0	0
Public Utility Commission of Texas	177,548	568,644	541,666	82,197
Office of Public Utility Counsel	0	0	0	0
Board of Veterinary Medical Examiners	0	0	0	0
SUBTOTAL, REGULATORY	**$3,232,812**	**$2,835,365**	**$2,808,387**	**$2,348,918**
Retirement and Group Insurance	$373,958	$426,642	$404,525	$439,638
Social Security and Benefit Replacement Pay	149,434	160,451	150,757	149,976
SUBTOTAL, EMPLOYEE BENEFITS	**$523,392**	**$587,093**	**$555,282**	**$589,614**
Lease Payments	$0	$0	$0	$0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
TOTAL, ARTICLE VIII – REGULATORY	**$3,756,204**	**$3,422,458**	**$3,363,669**	**$2,938,532**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Source: Legislative Budget Board.

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	EXPENDED 2010	BUDGETED 2011	APPROPRIATED 2012	APPROPRIATED 2013
General Provisions	$0	$0	$0	$0
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$0**	**$0**

SOURCE: Legislative Budget Board.

TABLE C4—*(CONTINUED)*
FEDERAL FUNDS — THE LEGISLATURE

ARTICLE X – THE LEGISLATURE	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Senate	$0	$0	$0	$0
House of Representatives	0	0	0	0
Legislative Budget Board	0	0	0	0
Sunset Advisory Commission	0	0	0	0
Legislative Council	0	0	0	0
Commission on Uniform State Laws	0	0	0	0
State Auditor's Office	0	0	0	0
Legislative Reference Library	0	0	0	0
SUBTOTAL, THE 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**
Lease Payments	$0	$0	$0	$0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
TOTAL, ARTICLE X – THE LEGISLATURE	**$0**	**$0**	**$0**	**$0**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor’s vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
SOURCE: Legislative Budget Board.

APPENDIX C — SUMMARY OF STATE BUDGET BY FISCAL YEAR

OTHER FUNDS

TABLE C5
OTHER FUNDS — STATEWIDE SUMMARY

FUNCTION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Article I – General Government	$384,874,541	$407,275,584	$497,771,960	$388,213,589
Article II – Health and Human Services	296,262,559	300,460,952	261,536,626	243,325,518
Article III – Agencies of Education	6,333,638,817	6,782,478,388	6,666,759,890	6,857,078,549
Article IV – The Judiciary	91,014,385	94,655,216	85,037,823	88,205,645
Article V – Public Safety and Criminal Justice	753,293,819	729,851,774	760,497,004	746,913,189
Article VI – Natural Resources	135,415,135	113,526,191	171,254,524	158,155,548
Article VII – Business and Economic Development	4,798,559,002	5,432,023,670	7,411,736,651	6,792,854,386
Article VIII – Regulatory	9,831,116	42,436,041	11,523,766	11,526,699
Article IX – General Provisions	0	0	0	0
Article X – The Legislature	312,338	281,400	281,400	281,400
TOTAL, ALL FUNCTIONS	**$12,803,201,712**	**$13,902,989,216**	**$15,866,399,644**	**$15,286,554,523**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C5—*(CONTINUED)*
OTHER FUNDS — GENERAL GOVERNMENT

ARTICLE I – GENERAL GOVERNMENT	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Commission on the Arts	$1,113,100	$1,133,397	$152,000	$152,000
Office of the Attorney General	43,378,159	30,306,264	38,631,728	38,657,947
Bond Review Board	0	0	0	0
Cancer Prevention and Research Institute of Texas	224,160,575	224,020,000	297,050,446	297,050,446
Comptroller of Public Accounts	24,913,685	22,653,397	10,826,463	10,615,148
Fiscal Programs - Comptroller of Public Accounts	1,471,672	0	14,800,000	14,800,000
Commission on State Emergency Communications	345,148	306,245	240,000	240,000
Employees Retirement System	0	0	0	0
Texas Ethics Commission	23,190	8,190	8,190	8,190
Facilities Commission	47,126,288	58,903,013	79,468,707	19,466,377
Public Finance Authority	371,523	361,477	1,415,285	665,285
Fire Fighters' Pension Commissioner	37,410	39,997	38,500	38,500
Office of the Governor	718,741	465,000	270,000	270,000
Trusteed Programs Within the Office of the Governor	33,263,854	53,735,500	21,809,407	1,523,407
Historical Commission	35,257,820	30,585,777	22,822,270	2,322,270
Department of Information Resources	303,634,528	333,648,241	274,028,997	253,515,478
Library & Archives Commission	4,180,591	4,413,073	4,424,479	4,217,798
Pension Review Board	15,000	10,000	10,000	10,000
Preservation Board	206,287	57,245	21,745	21,745
State Office of Risk Management	9,039,505	8,527,914	9,053,077	9,053,078
Workers' Compensation Payments	43,871,161	46,371,161	47,871,161	48,371,161
Secretary of State	7,084,475	6,898,540	7,289,349	7,017,092
Veterans Commission	4,445,187	8,786,294	14,914,932	7,562,932
SUBTOTAL, GENERAL GOVERNMENT	**$784,657,899**	**$831,230,725**	**$845,146,736**	**$715,578,854**
Retirement and Group Insurance	$1,636,481	$1,730,221	$4,921,172	$5,352,670
Social Security and Benefit Replacement Pay	745,234	747,773	1,813,402	1,816,997
SUBTOTAL, EMPLOYEE BENEFITS	**$2,381,715**	**$2,477,994**	**$6,734,574**	**$7,169,667**
Bond Debt Service Payments	$2,516	$0	$0	$0
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$2,516**	**$0**	**$0**	**$0**
Less Interagency Contracts	$402,167,589	$426,433,135	$354,109,350	$334,534,932
TOTAL ARTICLE I – GENERAL GOVERNMENT	**$384,874,541**	**$407,275,584**	**$497,771,960**	**$388,213,589**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C5—*(CONTINUED)*
OTHER FUNDS — HEALTH AND HUMAN SERVICES

ARTICLE II – HEALTH AND HUMAN SERVICES	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Aging and Disability Services	$50,870,730	$55,196,710	$23,879,435	$38,708,461
Department of Assistive and Rehabilitative Services	18,403,400	18,293,969	18,499,025	18,508,016
Department of Family and Protective Services	7,093,303	6,515,996	6,906,049	6,926,307
Department of State Health Services	217,741,581	216,452,388	219,337,488	188,038,973
Health and Human Services Commission	354,373,954	344,817,630	323,421,081	314,501,282
SUBTOTAL, HEALTH AND HUMAN SERVICES	**$648,482,968**	**$641,276,693**	**$592,043,078**	**$566,683,039**
Retirement and Group Insurance	$40,009	$42,737	$42,494	$46,326
Social Security and Benefit Replacement Pay	13,358	13,298	13,304	13,276
SUBTOTAL, EMPLOYEE BENEFITS	**$53,367**	**$56,035**	**$55,798**	**$59,602**
Bond Debt Service Payments	$357,439	$264,962	$264,962	$264,962
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$357,439**	**$264,962**	**$264,962**	**$264,962**
Less Interagency Contracts	$352,631,215	$341,136,738	$330,827,212	$323,682,085
TOTAL, ARTICLE II – HEALTH AND HUMAN SERVICES	**$296,262,559**	**$300,460,952**	**$261,536,626**	**$243,325,518**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C5—*(CONTINUED)*
OTHER FUNDS — EDUCATION

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
PUBLIC EDUCATION				
Texas Education Agency	$3,164,897,899	$3,332,682,335	$3,136,286,630	$3,204,950,462
School for the Blind and Visually Impaired	42,014,805	17,113,365	3,118,259	3,118,259
School for the Deaf	6,043,719	6,694,816	6,684,619	6,872,286
SUBTOTAL, PUBLIC EDUCATION	**$3,212,956,423**	**$3,356,490,516**	**$3,146,089,508**	**$3,214,941,007**
PUBLIC HIGHER EDUCATION				
TWO-YEAR INSTITUTIONS				
Public Community/Junior Colleges	$0	$0	$0	$0
Lamar Institute of Technology	0	0	0	0
Lamar University - Orange	0	0	0	0
Lamar University - Port Arthur	0	0	0	0
SUBTOTAL, LAMAR STATE COLLEGES	**$0**	**$0**	**$0**	**$0**
Texas State Technical College System Administration	$0	$0	$0	$0
Texas State Technical College - Harlingen	0	0	0	0
Texas State Technical College - West Texas	0	0	0	0
Texas State Technical College - Marshall	0	0	0	0
Texas State Technical College - Waco	0	0	0	0
SUBTOTAL, TEXAS STATE TECHNICAL COLLEGES	**$0**	**$0**	**$0**	**$0**
SUBTOTAL, TWO-YEAR INSTITUTIONS	**$0**	**$0**	**$0**	**$0**
GENERAL ACADEMIC INSTITUTIONS				
The University of Texas System Administration	$1,120,110	$1,152,000	$1,108,000	$1,108,000
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	1,350,000	1,385,000	1,385,000	1,385,000
The University of Texas - Pan American	321,001	321,001	228,713	228,713
The University of Texas at Brownsville	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	3,235,043	4,087,587	4,291,967	4,506,566
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

TABLE C5—*(CONTINUED)*
OTHER FUNDS — EDUCATION *(CONTINUED)*

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Texas A&M University - San Antonio	$0	$0	$0	$0
Texas A&M International University	193,525	193,525	137,887	137,887
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 - San Marcos	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	**$6,219,679**	**$7,139,113**	**$7,151,567**	**$7,366,166**
HEALTH-RELATED INSTITUTIONS				
The University of Texas Southwestern Medical Center at Dallas	$4,033,483	$9,264,219	$5,475,360	$5,475,360
The University of Texas Medical Branch at Galveston	299,804,636	336,181,705	351,382,730	366,177,005
The University of Texas Health Science Center at Houston	9,033,514	9,180,588	8,998,845	9,117,214
The University of Texas Health Science Center at San Antonio	16,634,609	18,755,672	26,253,591	15,050,070
The University of Texas M.D. Anderson Cancer Center	1,992,023,004	2,256,494,630	2,297,374,999	2,392,153,604
The University of Texas Health Science Center at Tyler	49,909,932	51,409,876	49,573,423	54,003,667
Texas A&M University System Health Science Center	9,652,291	9,498,431	9,486,335	12,636,632

TABLE C5— *(CONTINUED)*
OTHER FUNDS — EDUCATION *(CONTINUED)*

ARTICLE III – EDUCATION	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
University of North Texas Health Science Center at Fort Worth	$2,604,683	$2,965,152	$7,608,842	$3,105,420
Texas Tech University Health Sciences Center	10,261,735	7,940,965	6,957,869	6,948,600
SUBTOTAL, HEALTH-RELATED INSTITUTIONS	**$2,393,957,887**	**$2,701,691,238**	**$2,763,111,994**	**$2,864,667,572**
TEXAS A&M UNIVERSITY SERVICES				
Texas AgriLife Research	$6,128,750	$6,105,253	$6,105,253	$6,105,253
Texas AgriLife Extension Service	9,818,574	9,248,074	9,248,075	9,248,075
Texas Engineering Experiment Station	39,720,571	42,800,236	42,800,236	42,800,236
Texas Transportation Institute	38,233,501	38,631,968	39,304,952	39,943,368
Texas Engineering Extension Service	50,898,405	52,185,684	50,485,991	50,485,991
Texas Forest Service	517,002	517,002	517,002	517,002
Texas Veterinary Medical Diagnostic Laboratory	9,396,526	10,376,121	8,743,995	8,743,995
SUBTOTAL, TEXAS A&M UNIVERSITY SERVICES	**$154,713,329**	**$159,864,338**	**$157,205,504**	**$157,843,920**
Higher Education Fund	$0	$0	$0	$0
Available University Fund	534,873,141	524,146,811	507,006,715	554,442,953
National Research University Fund Earnings			6,200,000	6,200,000
Higher Education Coordinating Board	59,657,947	62,433,625	20,374,207	16,898,354
SUBTOTAL, OTHER HIGHER EDUCATION	**$594,531,088**	**$586,580,436**	**$533,580,922**	**$577,541,307**
SUBTOTAL, HIGHER EDUCATION	**$3,149,421,983**	**$3,455,275,125**	**$3,461,049,987**	**$3,607,418,965**
EMPLOYEE BENEFITS				
Teacher Retirement System	$61,327,142	$66,375,267	$90,826,518	$65,826,518
Optional Retirement Program	0	0	0	0
Higher Education Employees Group Insurance Contributions	639,559	683,049	683,982	721,044
Retirement and Group Insurance	672,333	729,870	617,738	671,036
Social Security and Benefits Replacement Pay	8,526,948	8,747,599	8,701,018	8,919,452
SUBTOTAL, EMPLOYEE BENEFITS	**$71,165,982**	**$76,535,785**	**$100,829,256**	**$76,138,050**
DEBT SERVICE				
Bond Debt Service Payments	$912	$0	$0	$0
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$912**	**$0**	**$0**	**$0**
Less Interagency Contracts	$99,906,483	$105,823,038	$41,208,861	$41,419,473
TOTAL, ARTICLE III – AGENCIES OF EDUCATION	**$6,333,638,817**	**$6,782,478,388**	**$6,666,759,890**	**$6,857,078,549**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C5—*(CONTINUED)*
OTHER FUNDS — THE JUDICIARY

ARTICLE IV – THE JUDICIARY	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Supreme Court of Texas	$13,101,233	$10,307,251	$14,449,726	$14,449,726
Court of Criminal Appeals	9,907,546	10,807,546	367,751	750,251
First Court of Appeals District, Houston	343,350	324,550	324,550	324,550
Second Court of Appeals District, Fort Worth	287,050	287,050	277,050	277,050
Third Court of Appeals District, Austin	238,900	234,900	234,900	234,900
Fourth Court of Appeals District, San Antonio	266,857	264,050	266,050	266,050
Fifth Court of Appeals District, Dallas	425,950	425,950	425,950	425,950
Sixth Court of Appeals District, Texarkana	101,433	96,450	96,450	96,450
Seventh Court of Appeals District, Amarillo	131,674	130,600	130,600	130,600
Eighth Court of Appeals District, El Paso	129,800	125,450	125,450	125,450
Ninth Court of Appeals District, Beaumont	133,600	130,600	130,600	130,600
Tenth Court of Appeals District, Waco	103,604	102,450	102,450	102,450
Eleventh Court of Appeals District, Eastland	100,450	100,450	100,450	100,450
Twelfth Court of Appeals District, Tyler	98,950	98,950	95,950	95,950
Thirteenth Court of Appeals District, Corpus Christi-Edinburg	236,900	236,900	236,900	236,900
Fourteenth Court of Appeals District, Houston	333,975	327,389	327,389	327,389
Office of Court Administration, Texas Judicial Council	5,046,086	5,109,993	4,446,413	4,453,004
Office of Capital Writs	0	0	0	0
Office of the State Prosecuting Attorney	34,450	34,450	22,500	22,500
State Law Library	42,000	42,000	19,250	19,250
State Commission on Judicial Conduct	0	0	0	0
Judiciary Section, Comptroller's Department	61,835,262	67,558,949	66,017,531	68,653,560
SUBTOTAL, THE JUDICIARY	**$92,899,070**	**$96,745,928**	**$88,197,910**	**$91,223,030**
Retirement and Group Insurance	$3,433,936	$3,426,756	$1,641,569	$1,778,464
Social Security and Benefit Replacement Pay	2,649,891	2,662,337	2,662,863	2,675,261
SUBTOTAL, EMPLOYEE BENEFITS	**$6,083,827**	**$6,089,093**	**$4,304,432**	**$4,453,725**
Lease Payments	$0	$0	$0	$0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
Less Interagency Contracts	$7,968,512	$8,179,805	$7,464,519	$7,471,110
TOTAL, ARTICLE IV – THE JUDICIARY	**$91,014,385**	**$94,655,216**	**$85,037,823**	**$88,205,645**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C5—*(CONTINUED)*
OTHER FUNDS — PUBLIC SAFETY AND CRIMINAL JUSTICE

ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Adjutant General's Department	$12,267,504	$16,271,565	$5,258,000	$5,258,000
Alcoholic Beverage Commission	796,275	173,750	145,000	145,000
Department of Criminal Justice	125,988,448	120,497,198	79,352,870	96,352,868
Commission on Fire Protection	55,000	35,000	45,000	45,000
Commission on Jail Standards	30,000	30,000	30,000	30,000
Texas Juvenile Justice Department	0	0	8,302,604	16,468,808
Juvenile Probation Commission	13,001,023	12,879,404	4,997,850	0
Commission on Law Enforcement Officer Standards and Education	422,540	355,000	572,216	582,215
Department of Public Safety	555,906,153	506,763,005	600,735,243	561,499,387
Youth Commission	16,356,224	21,255,998	3,304,752	0
SUBTOTAL, PUBLIC SAFETY AND CRIMINAL JUSTICE	**$724,823,167**	**$678,260,920**	**$702,743,535**	**$680,381,278**
Retirement and Group Insurance	$84,678,418	$90,733,918	$90,861,351	$99,675,336
Social Security and Benefit Replacement Pay	28,653,907	28,777,909	29,871,710	29,879,769
SUBTOTAL, EMPLOYEE BENEFITS	**$113,332,325**	**$119,511,827**	**$120,733,061**	**$129,555,105**
Bond Debt Service Payments	$607,628	$0	$0	$0
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$607,628**	**$0**	**$0**	**$0**
Less Interagency Contracts	$85,469,301	$67,920,973	$62,979,592	$63,023,194
TOTAL, ARTICLE V – PUBLIC SAFETY AND CRIMINAL JUSTICE	**$753,293,819**	**$729,851,774**	**$760,497,004**	**$746,913,189**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C5—*(CONTINUED)*
OTHER FUNDS — NATURAL RESOURCES

ARTICLE VI – NATURAL RESOURCES	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Agriculture	$2,930,481	$2,287,887	$4,192,690	$2,350,949
Animal Health Commission	518	0	0	0
Commission on Environmental Quality	12,685,622	9,070,074	9,070,074	9,070,074
General Land Office and Veterans' Land Board	52,938,347	62,940,182	52,073,702	52,098,893
Low-level Radioactive Waste Disposal Compact Commission	0	0	0	0
Parks and Wildlife Department	49,204,663	25,235,075	53,387,188	36,949,502
Railroad Commission	13,843,453	5,252,744	2,175,772	2,072,158
Soil and Water Conservation Board	0	0	0	0
Water Development Board	13,200,931	8,704,425	10,090,181	8,365,181
Debt Service Payments - Non-Self Supporting G.O. Water Bonds	18,870,076	27,027,744	53,491,821	59,971,948
SUBTOTAL, NATURAL RESOURCES	**$163,674,091**	**$140,518,131**	**$184,481,428**	**$170,878,705**
Retirement and Group Insurance	$4,528,128	$4,811,209	$4,659,880	$5,060,758
Social Security and Benefit Replacement Pay	2,233,946	2,241,602	2,224,721	2,219,684
SUBTOTAL, EMPLOYEE BENEFITS	**$6,762,074**	**$7,052,811**	**$6,884,601**	**$7,280,442**
Bond Debt Service Payments	$736,987	$734,194	$731,625	$738,000
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$736,987**	**$734,194**	**$731,625**	**$738,000**
Less Interagency Contracts	$35,758,017	$34,778,945	$20,843,130	$20,741,599
TOTAL, ARTICLE VI – NATURAL RESOURCES	**$135,415,135**	**$113,526,191**	**$171,254,524**	**$158,155,548**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C5—*(CONTINUED)*
OTHER FUNDS — BUSINESS AND ECONOMIC DEVELOPMENT

ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
Department of Housing and Community Affairs	$15,378,678	$16,246,000	$18,750,500	$18,436,589
Texas Lottery Commission	0	0	0	0
Department of Motor Vehicles	97,091,937	152,714,650	154,108,830	109,283,883
Texas Department of Rural Affairs	712,281	629,408	14,978	0
Department of Transportation	4,461,755,656	5,025,510,578	6,999,535,928	6,408,149,573
Texas Workforce Commission	51,952,053	38,154,045	38,471,904	38,254,174
Reimbursements to the Unemployment Compensation Benefit Account	22,252,124	20,901,482	19,992,421	18,599,488
SUBTOTAL, BUSINESS AND ECONOMIC DEVELOPMENT	**$4,649,142,729**	**$5,254,156,163**	**$7,230,874,561**	**$6,592,723,707**
Retirement and Group Insurance	$176,288,138	$189,856,145	$189,785,342	$207,753,222
Social Security and Benefit Replacement Pay	50,167,945	50,133,379	50,231,754	50,137,927
SUBTOTAL, EMPLOYEE BENEFITS	**$226,456,083**	**$239,989,524**	**$240,017,096**	**$257,891,149**
Bond Debt Service Payments	$1,366	$0	$0	$0
Lease Payments	0	0	0	0
SUBTOTAL, DEBT SERVICE	**$1,366**	**$0**	**$0**	**$0**
Less Interagency Contracts	$77,041,176	$62,122,017	$59,155,006	$57,760,470
TOTAL, ARTICLE VII – BUSINESS AND ECONOMIC DEVELOPMENT	**$4,798,559,002**	**$5,432,023,670**	**$7,411,736,651**	**$6,792,854,386**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C5—*(CONTINUED)*
OTHER FUNDS — REGULATORY

ARTICLE VIII – REGULATORY	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2013[2]
State Office of Administrative Hearings	$6,003,491	$6,025,192	$6,934,950	$6,934,950
Department of Banking	0	0	0	0
Board of Chiropractic Examiners	46,000	39,000	40,000	40,000
Office of Consumer Credit Commissioner	0	0	0	0
Credit Union Department	0	0	0	0
Texas State Board of Dental Examiners	184,094	72,000	128,047	128,047
Funeral Service Commission	58,000	58,000	58,000	58,000
Board of Professional Geoscientists	0	0	0	0
Health Professions Council	2,513,779	768,662	855,879	848,271
Office of Injured Employee Counsel	0	0	0	0
Department of Insurance	4,781,488	40,963,553	9,944,882	9,947,882
Office of Public Insurance Counsel	48,000	48,000	191,670	191,670
Board of Professional Land Surveying	5,400	5,400	5,400	5,400
Department of Licensing and Regulation	804,882	990,882	897,882	897,882
Texas Medical Board	53,059	64,423	59,418	59,418
Texas Board of Nursing	1,512,896	823,100	1,167,998	1,167,998
Optometry Board	38,419	45,895	45,321	45,321
Board of Pharmacy	7,730	7,730	7,730	7,730
Executive Council of Physical Therapy & Occupational Therapy Examiners	80,676	80,678	80,677	80,677
Board of Plumbing Examiners	51,728	48,750	45,000	45,000
Board of Podiatric Medical Examiners	5,140	3,200	3,200	3,200
Board of Examiners of Psychologists	84,398	84,398	82,038	82,038
Racing Commission	0	0	0	0
Real Estate Commission	189,800	189,800	0	0
Residential Construction Commission	0	0	0	0
Department of Savings and Mortgage Lending	0	0	0	0
Securities Board	0	0	0	0
Public Utility Commission of Texas	848,253	1,078,977	1,195,228	475,000
Office of Public Utility Counsel	0	0	0	0
Board of Veterinary Medical Examiners	1,884	1,884	1,884	1,884
SUBTOTAL, REGULATORY	**$17,319,117**	**$51,399,524**	**$21,745,204**	**$21,020,368**
Retirement and Group Insurance	$156	$161	$139	$150
Social Security and Benefit Replacement Pay	197,975	198,025	196,988	196,910
SUBTOTAL, EMPLOYEE BENEFITS	**$198,131**	**$198,186**	**$197,127**	**$197,060**
Lease Payments	$0	$0	$0	$0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
Less Interagency Contracts	$7,686,132	$9,161,669	$10,418,565	$9,690,729
TOTAL, ARTICLE VIII – REGULATORY	**$9,831,116**	**$42,436,041**	**$11,523,766**	**$11,526,699**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
NOTE: Article totals exclude interagency contracts.
SOURCE: Legislative Budget Board.

TABLE C5—*(CONTINUED)*
OTHER FUNDS — GENERAL PROVISIONS

ARTICLE IX – GENERAL PROVISIONS	EXPENDED 2010	BUDGETED 2011	APPROPRIATED 2012	APPROPRIATED 2013
General Provisions	$0	$0	$0	$0
TOTAL, ARTICLE IX – GENERAL PROVISIONS	**$0**	**$0**	**$0**	**$0**

Source: Legislative Budget Board.

TABLE C5—*(CONTINUED)*
OTHER FUNDS — THE LEGISLATURE

ARTICLE X – THE LEGISLATURE	EXPENDED 2010	BUDGETED 2011[1]	APPROPRIATED 2012[2]	APPROPRIATED 2012[2]
Senate	$0	$0	$0	$0
House of Representatives	0	0	0	0
Legislative Budget Board	0	0	0	0
Sunset Advisory Commission	0	0	0	0
Legislative Council	0	0	0	0
Commission on Uniform State Laws	0	0	0	0
State Auditor's Office	6,895,771	4,775,000	4,775,000	4,775,000
Legislative Reference Library	8,000	8,000	8,000	8,000
SUBTOTAL, THE LEGISLATURE	**$6,903,771**	**$4,783,000**	**$4,783,000**	**$4,783,000**
Retirement and Group Insurance	$0	$0	$0	$0
Social Security and Benefit Replacement Pay	0	**0**	0	0
SUBTOTAL, EMPLOYEE BENEFITS	**$0**	**$0**	**$0**	**$0**
Lease Payments	$0	$0	$0	$0
SUBTOTAL, DEBT SERVICE	**$0**	**$0**	**$0**	**$0**
Less Interagency Contracts	$6,591,433	$4,501,600	$4,501,600	$4,501,600
TOTAL, ARTICLE X – THE LEGISLATURE	**$312,338**	**$281,400**	**$281,400**	**$281,400**

[1]Reflects provisions in House Bill 4, Eighty-second Legislature, Regular Session, 2011, relating to appropriation changes made in fiscal year 2011.
[2]Reflects certain appropriation adjustments made in Article IX of House Bill 1, Eighty-second Legislature, Regular Session, 2011, Governor's vetoes, House Bill 4, Eighty-second Legislature, Regular Session, 2011, Senate Bill 2, Eighty-second Legislature, First Called Session, 2011, and other legislation passed by the Eighty-second Legislature which make or change appropriations.
Note: Article totals exclude interagency contracts.
Source: Legislative Budget Board.

APPENDIX D – HOUSE COMMITTEE ON APPROPRIATIONS

EIGHTY-SECOND LEGISLATURE
2012– 13

JIM PITTS, CHAIR, Representative District 10, Waxahachie

SYLVESTER TURNER, VICE-CHAIR, Representative District 139, Houston

Jimmie Don Aycock, Representative District 54, Killeen

Angie Chen Button, Representative District 112, Garland

Warren Chisum, Representative District 88, Pampa

Myra Crownover, Representative District 64, Denton

Drew Darby, Representative District 72, San Angelo

Dawnna Dukes, Representative District 46, Austin

Craig Eiland, Representative District 23, Galveston

Helen Giddings, Representative District 109, Dallas

Lance Gooden, Representative District 4, Athens

Scott Hochberg, Representative District 137, Houston

Eric Johnson, Representative District 100, Dallas

Susan King, Representative District 71, Abilene

Dee Margo, Representative District 78, El Paso

Armando Martinez, Representative District 39, Weslaco

Ruth Jones McClendon, Representative District 120, San Antonio

Doug Miller, Representative District 73, New Braunfels

Geanie W. Morrison, Representative District 30, Victoria

John Otto, Representative District 18, Dayton

Diane Patrick, Representative District 94, Arlington

Debbie Riddle, Representative District 150, Tomball

Charles Schwertner, Representative District 20, Georgetown

Mark Shelton, Representative District 97, Fort Worth

Raul Torres, Representative District 33, Corpus Christi

Michael “Mike” Villarreal, Representative District 123, San Antonio

John Zerwas, Representative District 28, Richmond

APPENDIX E – SENATE COMMITTEE ON FINANCE

EIGHTY-SECOND LEGISLATURE
2012–13

STEVE OGDEN, CHAIR, Senatorial District 5, Bryan

JUAN "CHUY" HINOJOSA, VICE-CHAIR, Senatorial District 20, McAllen

Robert Deuell, M.D., Senatorial District 2, Greenville

Robert Duncan, Senatorial District 28, Lubbock

Kevin Eltife, Senatorial District 1, Tyler

Craig Estes, Senatorial District 30, Wichita Falls

Eddie Lucio, Jr., Senatorial District 27, Brownsville

Jane Nelson, Senatorial District 12, Flower Mound

Dan Patrick, Senatorial District 7, Houston

Kel Seliger, Senatorial District 31, Amarillo

Florence Shapiro, Senatorial District 8, Plano

Royce West, Senatorial District 23, Dallas

John Whitmire, Senatorial District 15, Houston

Tommy Williams, Senatorial District 4, The Woodlands

Judith Zaffirini, Senatorial District 21, Laredo

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APPENDIX G – ABBREVIATIONS AND ACRONYMS

AAA—Area Agencies on Aging

AAS—Agriculture Analytical Service

ABTPA—Automobile Burglary and Theft Prevention Authority

ACP—Alternative Certification Program; Texas Address Confidentiality Program

ADA—average daily attendance

ADR—alternative dispute resolution

AGD—Adjutant General's Department

AI—avian influenza

AISD—Austin Independent School District

AL-EXT—Texas AgriLife Extension Service

ALR—Administrative License Revocation (Division)

AL-RSRCH—Texas AgriLife Research

AP—Advanced Placement

APS—Adult Protective Services (Program)

ARRA—American Recovery and Reinvestment Act

ASATR—Additional State Aid for Tax Relief

ASF—Available School Fund

ATPA—Automobile Theft Prevention Authority

AUF—Available University Fund

AYP—Adequate Yearly Progress

BAB—Build America Bond (program)

BCLS—Basic Civil Legal Services

BCOM—Baylor College of Medicine

BEST—Blindness, Education, Screening and Treatment (Program)

BET—Business Enterprises of Texas (Program)

BPA—Beaumont–Port Arthur Area

BPP—Board of Pardons and Paroles

BRAC—Base Realignments and Closures

BRB—Bond Review Board

BRE—Biennial Revenue Estimate

BRP—benefit replacement pay

CAPPS—Centralized Accounting and Payroll/Personnel System

CAS—Community Attendant Services

CBA—Community-based Alternatives

CCA—Coastal Conservation Association

CCC—Coastal Coordination Council

CCDF—Child Care and Development Fund

CCDP—Community Corrections Diversion Program

CCTS—Capitol Complex Telephone System

CDA—comprehensive development agreements

CDBG—Community Development Block Grant

CDL—constitutional debt limit

CHIP—Children's Health Insurance Program

CHRI—criminal history record information

CIAP—Coastal Impact and Assistance Program

CID—Criminal Investigations Division

CINS—Child in Need of Supervision

CIP—Collection Improvement Program

CIS—Communities in Schools

CJAD—Community Justice Assistance Division

CJD—Criminal Justice Division

CLASS—Community Living and Support Services (Waiver Program)

CMHCC—Corretional Managed Health Care Committee

COGS—Councils of Government

CPA—Comptroller of Public Accounts

CPA/CPL—Coastal Conservation Association/Central Power and Light Company

CPRIT—Cancer Prevention and Research Institute of Texas

CPS—Child Protective Services (Program)

CRCB—Court Reporter Certification Board

CSCD—Community Supervision and Corrections Department

CSEC—Commission on State Emergency Communications

CSRP—Controlled Substances Registration Program

CTTS—Centralized Texas Turnpike System

CVES—Commercial Vehicle Enforcement Service

CWA—Clean Water Act

CWD—Chronic Wasting Disease

CWF—Compact Waste Diposal 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

DAS—debt affordability study

DATE—District Awards for Teacher Excellence

DBMD—Deaf Blind/Multiple Disability (Waiver Program)

DCS—Data Center Services

DFPS—Department of Family and Protective Services

DIR—Department of Information Resources

DLD—Driver License Division

DMV—Department of Motor Vehicles

DPS—Department of Public Safety

DSH—disproportionate share hospital

DSHS—Department of State Health Services

DWC—Division of Workers' Compensation

DWSRF—Drinking Water State Revolving Fund

ECI—(Interagency Council on) Early Childhood Intervention

EDA—existing debt allotment

EDAP—Economically Distressed Areas Program

EFMAP—Enhanced Federal Medical Assistance Percentage

EIA—U.S. Energy Information Administration; equine infectious anemia

EMP—end-of-month population

EMYAP—end-of-month yearly average population

END—exotic Newcastle disease

ENHANCE 911 Act—Ensuring Needed Help Arrives near Callers Employing 911 Act

EPA—U.S. Environmental Protection Agency

EPO—exclusive provider organization

ERRP—Eary Retiree Reinsurance Program

ERS—Employees Retirement System

ESC—Education Service Centers

ESF—Economic Stabilization Fund

ESFS—European Financial Stability Facility

ESRD—end-stage renal disease

FBI—Federal Bureau of Investigation

FDA—Food and Drug Administration

FEAC—Family Employment Assistance Counselors

FEMA—Federal Emergency Management Agency

FFCS—Feed and Fertilizer Control Service

FFPC—Fire Fighters' Pension Commissioner

FMAP—federal medical assistance percentage

FPL—Federal Poverty Level

FQHC—federally qualified health centers

FSP—Foundation School Program

FTE—full-time-equivalent (positions)

FTHB—First-Time Homebuyer Program

FTSE—full-time student equivalent

FWF—Federal Waste Disposal Facility

GAA—General Appropriations Act

GBP—Group Benefits Program

GCB—Guardianship Certification Board

GDP—gross domestic product

GED—general education diploma

GIWW—Gulf Intra-coastal Waterway

GLO—General Land Office

GME—Graduate Medical Education (Formula)

GO—General Obligation (bonds)

GOBPP—Governor's Office of Budget, Planning and Policy

GOTEPP—GO TEXAS Partner Program

GPA—grade point average

GSP—gross state product

HAVA—Help America Vote Act

HCS—Home and Community-based Services (Waiver Program)

HDTRA—Heartland Disaster Tax Relief Act of 2008

HEF—Higher Education Fund

HEGI—Higher Education Employees Group Insurance

HERA—Housing and Economic Recovery Act of 2008

HHS—health and human services

HHSC—Health and Human Services Commission

HIV—Human Immunodeficiency Virus

HMO—health maintenance organization

HOME—HOME Investment Partnerships

HPC—Health Professions Council

HPS—Highway Patrol Service

HPSA—Health Professional Shortage Area

HRIS—Human Resource Information System

HTC—Housing Tax Credit (Program)

HTF—Highway Trust Fund

HUB—Historically Underutilized Business Program

ICF-MR—intermediate care facilities for persons with mental retardation

ICTD—Intelligence and Counterterrorism Division

ID—(personal) identification

IDEA—Individuals with Disabilities Education Act

IEP—individual education plan

IFA—instructional facilities allotment

IGT—intergovernmental transfers

IHP—(Federal Assistance to) Individuals and Households Program

IMA—Instructional Materials Allotment

IOLTA—interest on lawyers' trust accounts

IP—internet protocol

IPTC—In-Prison Therapy Community (Program)

I&S—Interest and Sinking

ISAS—Integrated Statewide Administrative System

ISC—informal settlement conference

ISD—independent school district

ISP—intensive supervision probation

IT—information technology

JAMP—Joint Admission Medical Program

JJAEP—Juvenile Justice Alternative Education Program

JJD—Juvenile Justice Department

JOIC—Joint Operations and Intelligence Centers

JPC—Juvenile Probation Commission

LBB—Legislative Budget Board

LBE—Legislative Budget Estimates

LECOS—Law Enforcement and Custodial Officer Supplement

LIRAP—Low-income Vehicle Repair, Retrofit and Accelerated Vehicle Retirement Program

LLRW—Low-level radioactive waste

LLRWDCC—Low-level Radioactive Waste Disposal Compact Commission

LoanSTAR—Loans to Save Taxes and Resources

LPG—liquefied petroleum gas

LRA—less restrictive alternatives

LRL—Legislative Reference Library

LSTA—(Federal) Library Services and Technology Act

MDCP—Medically Dependent Children's Program

MFB—Multifamily Bond

MFMRB—Multifamily Mortgage Revenue Bonds

MH—mental health

MLPP—Master Lease Purchase Program

MMS—Minerals Management Service

MOE—maintenance-of-effort

MOU—memorandum of understanding

MPO—metropolitan planning organization

MR—mental retardation

MRA—Mental Retardation Authorities

MUA—medically underserved area

NAAQS—National Ambient Air Quality Standards

NAEP—National Assessment of Educational Progress

NAIS—National Animal Identification System

NCLB—No Child Left Behind (Act)

NERRTC—National Emergency Response and Rescue Training Center

NFIP—National Flood Insurance Program

NG911—Next Generation 9-1-1

NLS—National Library Service (for the Blind and Physically Handicapped)

NPL—National Priorities List

NRUF—National Research University Fund

NSP—Neighborhood Stabilization Program

NTTA—North Texas Tollway Authority

OAG—Office of the Attorney General

OCA—Office of Court Administration

OCI—Office of Colonia Initiatives

OCS—Outer Continental Shelf

OCW—Office of Capital Writs

OFCU—Oil Field Cleanup (Fund)

OGRC—Oil and Gas Regulatory and Cleanup

OIEC—Office of Injured Employee Counsel

OIG—Office of Inspector General

OIO—Office of the Independent Ombudsman

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

OTSC—Office of the State Chemist

OVSOM—Office of Violent Sex Offender Management

PAB—private activity bond

PACE—Program for All-inclusive Care for the Elderly

PBM—Pharmacy Benefit Manager

PCA—Permanency Care Assistance

PCCM—primary care case management

PD—Parole Division

PHC—Primary Home Care

PHEF—Permanent Higher Education Fund

PIU—Public Integrity Unit

PKES—Prekindergarten Early Start

PPO—Preferred Provider Organization

PRA—personal responsibility agreement

PRB—Pension Review Board

PRC—public retail customer

PSAP—public safety answering point

PSF—Permanent School Fund

PSP—Private Security Program

PSRB—Process Server Review Board

PST—petroleum storage tank

PTRF—Property Tax Relief Fund

PUC—Public Utility Commission

PUF—Permanent University Fund

PVS—Property Value Study

QE1—quantitative easing

QECB—Qualified Energy Conservation Board

RCRA—Resource Conservation Recovery Act

RDF—Research Development Fund

RESFA—Real Estate Special Fund Account

RID—Reentry and Integration Division

RIO—Reintegration of Offenders, as Project RIO

RMA—regional mobility authorities

RPAF—Regular Program Adjustment Factor

RPC—Regional Planning Commissions

RPD—Rehabilitation Programs Division

RRC—Railroad Commission

RZEDB—Recovery Zone Economic Development Bond

RZFB—Recovery Zone Facility Bond

SAFETEA-LU—Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users

SAFPF—Substance Abuse Felony Punishment Facility

SAPB—State Aircraft Pooling Board

SAPT—Substance Abuse Prevention and Treatment

SAO—State Auditor's Office

SBEA—Small Business Environmental Assistance

SBOE—State Board of Education

SCJC—State Commission on Judicial Conduct

SDU—State Disbursement Unit

SECO–State Energy Conservation Office

SFMRB—Single Family Mortgage Revenue Bonds

SGST—Sporting Goods Sales Tax

SIF—Subsequent Injury Fund

SKIP—State Kids Insurance Program

SLB—School Land Board

SNAP—Supplemental Nutrition Assistance Program

SNDP—Special Needs Diversionary Programs

SOAH—State Office of Administrative Hearings

SORM—State Office of Risk Management

SOS—Secretary of State

SPA—State Property Accounting System

SPB—State Preservation Board

SPRS—Standardized Payroll/Personnel Reporting System

SPU—Special Prosecution Unit

SSDI—Social Security Disability Insurance

SSI—Supplemental Security Income; Student Success Initiative

SSLC—State Supported Living Centers

STAAR—State of Texas Assessments of Academic Readiness

STAR—State of Texas Access Reform (Program)

STD—sexually transmitted diseases

STEM—Science, Technology, Engineering, and Math)

TAAS—Texas Assessment of Academic Skills

TABC—Texas Alcoholic Beverage Commission

TAFA—Texas Agricultural Finance Authority

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

TAMUSHSC—Texas A&M University System Health Science Center

TANF—Temporary Assistance for Needy Families

TAP—Transition Assistance Program

TB—tuberculosis

TBTW—Texas Back to Work

TCA—Texas Commission on the Arts

TCEQ—Texas Commission on Environmental Quality

TCFP—Texas Commission on Fire Protection

TCI—Texas Correctional Industries

TCID—Texas Center for Infectious Disease

TCJS—Texas Commission on Jail Standards

TCKF—Texas Competitive Knowledge Fund

TCLEOSE—Texas Commission on Law Enforcement Officer Standards and Education

TCOOMMI—Texas Correctional Office on Offenders with Mental and 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

TDRA—Texas Department of Rural Affairs

TEA—Texas Education Agency

TEAM—TRS Enterprise Application Modernization

TEC—Texas Ethics Commission

TEES—Texas Engineering Experiment Station

TEEX—Texas Engineering Extension (Service)

TEG—Tuition Equalization Grant (Program)

TEKS— Texas Essential Knowledge and Skills

TEOG—Texas Educational Opportunity Grant Program

TERP—Texas Emissions Reduction Plan

TESRS—Texas Emergency Services Retirement System

TEXAS—Toward Excellence, Access, and Success (Program)

TExES—Texas Examinations of Educator Standards

TFC—Texas Facilities Commission; Texas Film Commission

TFID—Task Force on Indigent Defense

TFS—Texas Forest Service

THC—Texas Historical Commission

THECB—Texas Higher Education Coordinating Board

THPD—Texas Highway Patrol Division

TIDC—Texas Indigent Defense Commission

TINS—Texas Identification Number System

TLC—Texas Lottery Commission

TLFFRA—Texas Local Fire Fighters' Retirement Act

TMB—Texas Medical Board

TMDL—total maximum daily load

TMF—Texas Mobility Fund

TMFPA—Texas Medicaid Fraud Prevention Act

TMO—Texas Music Office

TMPC—Texas Military Preparedness Commission

TNRIS—Texas Natural Resources Information System

TPASS—Texas Procurement and Support Services

TPFA—Texas Public Finance Authority

TPM—Texas Projection Measure

TPWC—Texas Parks and Wildlife Commission

TPWD—Texas Parks and Wildlife Department

TRAIL—Texas Records and Information Locator

TRC—Texas Racing Commission

TRD—Texas Rangers Division

TRS—Teacher Retirement System

TSBVI—Texas School for the Blind and Visually Impaired

TSD—Texas School for the Deaf

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 (Challenge Scholarship Program)

TTA—Texas Turnpike Authority

TTC—Texas Transportation Commission

TTI—Texas Transportation Institute

TTUHSC—Texas Tech University Health Sciences Center

TVC—Texas Veterans Commission

TVMDL—Texas Veterinary Medical Diagnostic Laboratory

TWC—Texas Workforce Commission

TWDB—Texas Water Development Board

TWIA—Texas Windstorm Insurance Association

TxDOT—Texas Department of Transportation

TXMAS—Texas Multiple Award Schedules

TXNG—Texas National Guard

TX-TX1—Texas Taks Force 1

TYC—Texas Youth Commission

UCC—Uniform Commercial Code

UCR—Unified Carrier Registration

UIC—Underground Injection Control (Program)

UNTHSC—University of North Texas Health Science Center at Fort Worth

UPL—Upper Payment Limit (Program)

USAS—Uniform Statewide Accounting System

USDA—U.S. Department of Agriculture

USDW—underground sources of drinking water

USPS—Uniform Statewide Payroll/Personnel System

UT—(The) University of Texas (System)

UTHSC—The University of Texas Health Science Center

UTMB—The University of Texas Medical Branch at Galveston

UTP—Unified Transportation Program

UTSWMC—The University of Texas Southwestern Medical Center at Dallas

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VA—Veterans Affairs

VAP—voting age population

VEIMP—Vehicle Emissions Inspections and Maintenance Program

VIP—Vehicle Inspection Program

VLB—Veterans' Land Board

VoIP—Voice over Internet Protocol

VR—vocational rehabilitation

WADA—weighted average daily attendance

WCS—Waste Control Specialists

WIA—Workforce Investment Act

WIC—Women, Infants and Children (Program)

WIF—Water Infrastructure Fund

WSD—Windham School District