

## LEGISLATIVE BUDGET BOARD

# An Overview of Selected Cost Drivers in the State Budget

PRESENTED TO THE SENATE FINANCE COMMITTEE

LEGISLATIVE BUDGET BOARD STAFF

SEPTEMBER 2014

# Budget Drivers

**Budget Drivers:** Economic, demographic, or legal factors and trends that, absent intervening changes to state/federal policy or law, will influence funding increases (or decreases) to programs that comprise the state budget.

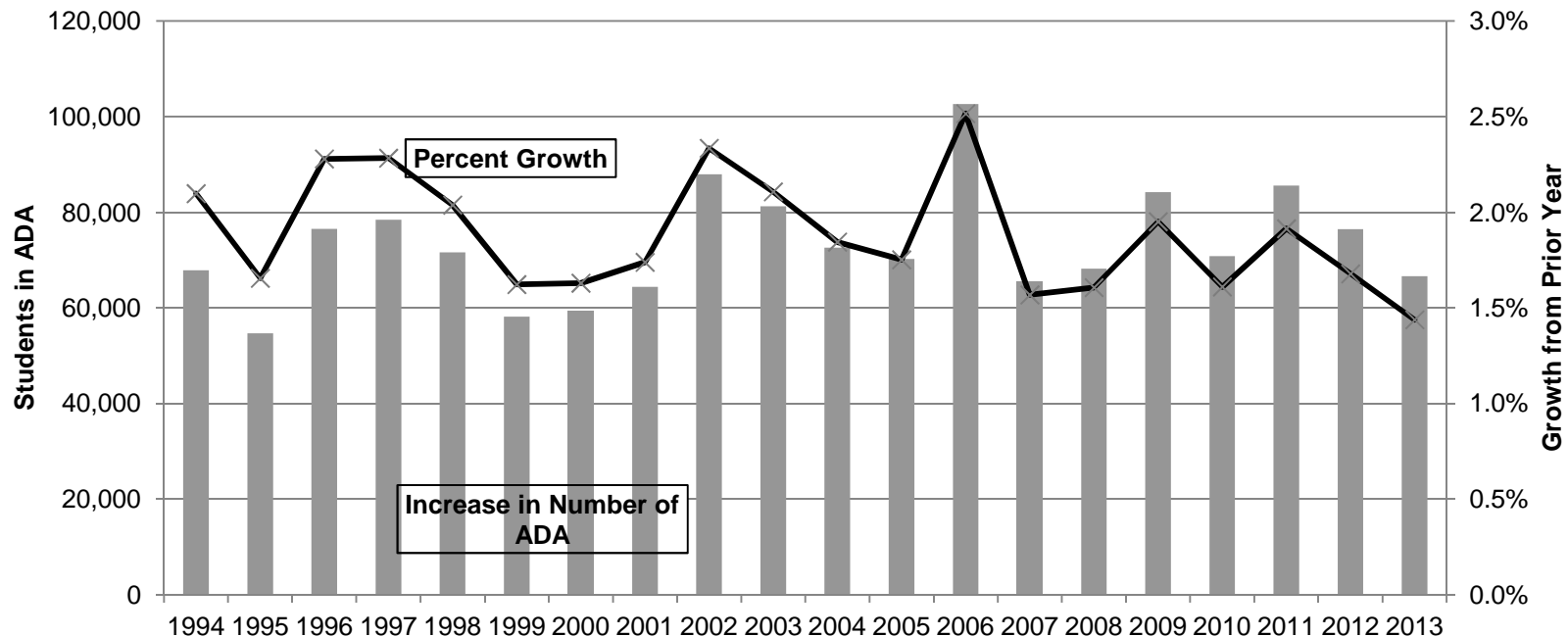
<b>Selected Budget Drivers</b>	<b>2014-15 All Funds Appropriation (in billions)</b>
Public Education (FSP)	\$40.4
Higher Education	\$17.9
Medicaid	\$56.2
Mental Health	\$3.3
Transportation	\$22.1
Water	\$2.1
<u>ERS / TRS / HEGI</u>	<u>\$10.7</u>
<b>Total, Selected Budget Drivers</b>	<b>\$152.7</b>
As % of Total 14-15 All Funds Budget of \$200.4 Billion	76.2%

# Public Education: Foundation School Program (FSP) Drivers

**Student Enrollment.** As student enrollment increases, overall entitlement increases, the full cost of which is borne by the state.

- ❑ 10-year average growth: just under **1.8%**, or **80,000-85,000** new students per year.
- ❑ 2014-15 Biennium: Growth assumed at **1.7%**, at a projected cost of **\$2.2 billion**.
- ❑ 2012-13 School Year: **1.4% growth**

**Growth in Public School Average Daily Attendance (ADA)**

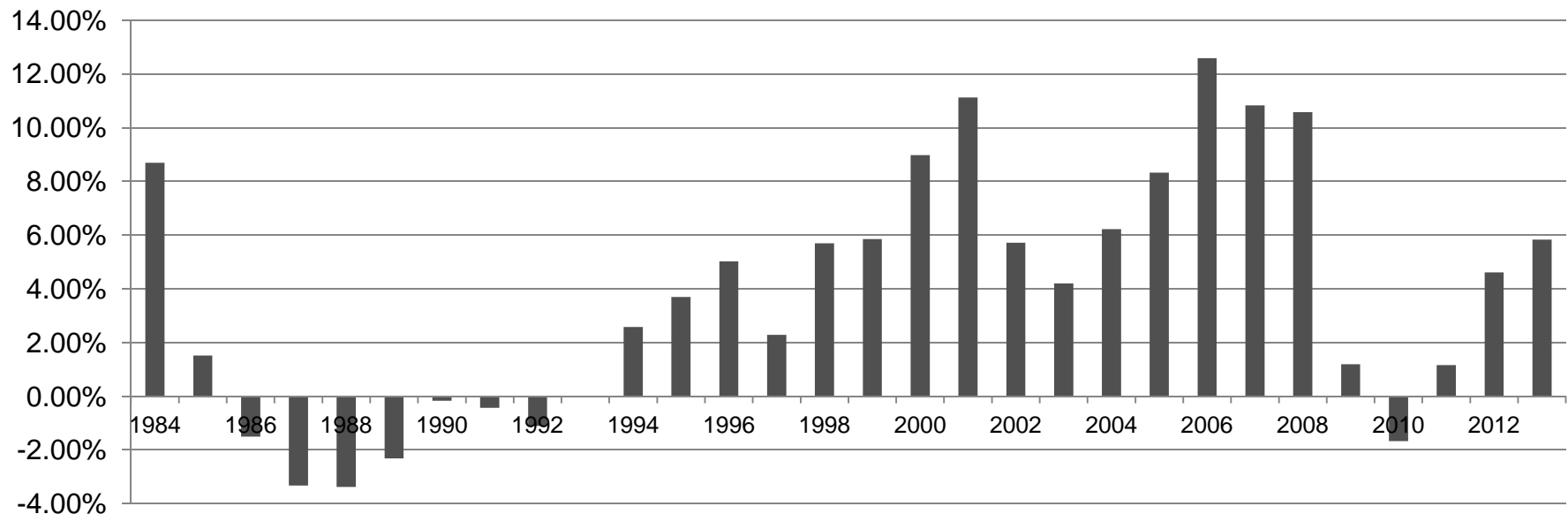


# Foundation School Program (FSP) Drivers

**School District Property Values (DPV).** An increase in school district property value growth increases local share of the FSP entitlement and decreases the costs to the state.

- ❑ At ~\$19 billion in total M&O collections, each 1% growth in collections results in ~\$190 million in more local revenue in system, much of which will offset state FSP costs.
- ❑ 20-year average DPV change: **+5.67%**
- ❑ Tax Year 2013: **+5.83%**

## School District Property Values, 1984-2013



# Foundation School Program (FSP) Drivers

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- **Settle-up Costs**

- Schools are paid based on estimates of student counts, local property values, and other budget drivers, and the state “settles-up” with them in the following school year.

- **Austin ISD Yield Growth**

- The first six pennies of property tax levied in the enrichment tier is guaranteed to yield the same amount of revenue per weighted student as Austin ISD. FY 2015 yield is **\$61.86** per penny per WADA, at an estimated state cost of **\$1.1 billion**.
- Austin ISD currently has a stable student population and rising property values, which leads to a higher yield in the enrichment tier for districts statewide. Higher yields increase state costs.

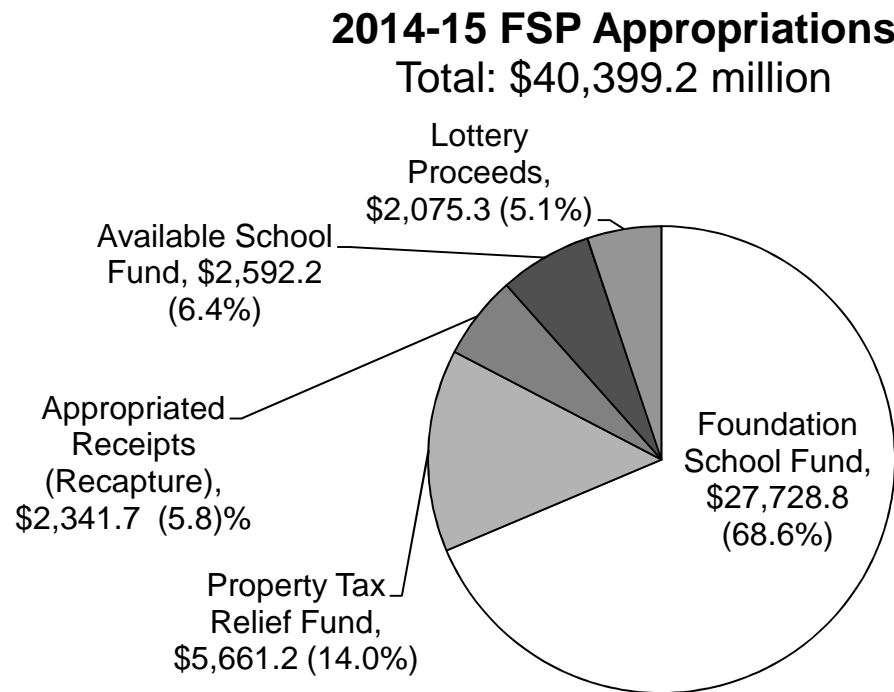
- **Other Regular Costs**

- District Tax Effort. Adds to state guaranteed yield costs in enrichment tier.
- Facilities costs. Automatic roll-forward of debt eligibility for state assistance through the Existing Debt Allotment (EDA).

# FSP Methods of Finance

The FSP receives a **sum-certain All Funds appropriation** from 4 revenue streams dedicated to supporting public education and the Foundation School Fund, which draws on unrestricted General Revenue.

Each of the five methods of finance is estimated. If revenue from the dedicated resources increases, the draw on unrestricted General Revenue Funds decreases and vice versa.



# FSP Budget Drivers in the 2014-15 GAA

2014-15 Cost Drivers Over 2012-13 Base	Cost/(Savings) to State (in Billions)
<b>Student Enrollment Growth</b> Projected Growth: 85,000 in fiscal year 2014 87,000 in fiscal year 2015	\$2.2
<b>School District Property Value and Revenue Increase</b> Projected Growth: Tax Year 2012: +4.71% Tax Year 2013: +4.77% Tax Year 2014: +4.03%	(\$2.8)
<b>Settle-up Costs:</b> impact of one-time cost of district underpayments paid in 2012-13 and recovery of fiscal year 2013 overpayments in fiscal year 2014	(\$0.8)
<b>Other Costs</b> (e.g. enrichment growth assumptions, facilities costs, other)	\$0.5
<b>Total, 2014-15 Cost Drivers</b>	<b>(\$0.9)</b>

# FSP Budget Drivers: Outlook

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## Major formula levers – most set in GAA

- ❑ Basic Allotment: Statutory floor of \$4,765, but may be higher by appropriation
- ❑ Tier 1 Equalized Wealth Level (EWL): Statutorily linked to Basic Allotment
- ❑ Hold harmless reduction percentage: set in GAA, set to expire in FY2018
- ❑ Austin ISD (Golden Penny) Yield: increases with Austin ISD wealth per WADA
- ❑ Copper Penny Yield: Statutorily set at \$31.95; Tier 2 EWL at \$319,500
- ❑ Tax Rate Compression Percentage: Established by appropriation

## Other Factors

Changes in student population and types of students: English-language learners, economically disadvantaged.

Reliability of FSP revenue streams: Available School Fund, Property Tax Relief Fund

School Finance Lawsuit



# Higher Education: Texas Public Higher Education Institutions

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- **50 Community and Junior Colleges - \$1.79 billion (amounts are All Funds in 2014-15 biennium)**

Fall 2013 Unduplicated Headcount Enrollment – 701,000

- **38 General Academic Institutions (including law schools) - \$6.33 billion**

Fall 2013 Unduplicated Headcount Enrollment – 585,000

- **Ten Health Related Institutions - \$2.80 billion**

- Ten medical schools
- Dental, Pharmacy, Allied Health, and Nursing schools

Fall 2013 Unduplicated Headcount Enrollment – 22,000

- **One Texas State Technical College System with four main campuses - \$170.4 million**

Fall 2013 Unduplicated Headcount Enrollment– 11,000

- **Three Lamar State Colleges - \$68.9 million**

Fall 2013 Unduplicated Headcount Enrollment – 8,000

State Funding for Institutions of Higher Education is not based on enrollment data, but is generally based on weighted semester credit hours, contact hours, full time equivalent students, and other operations.

# General Formula Funding Mechanics

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■ Formulas are a distribution method for higher education funding. Higher education formulas do not create a statutory or constitutional entitlement, and funding levels are solely a matter of appropriation.

■ **Formula Method of Finance.**

□ General Academics and Health Related Institutions are funded through an All Funds methodology. This means that General Revenue and GR-Dedicated (also commonly referred to as Other Educational and General Income (E&G)) are used to fund the formulas. “Other E&G” includes revenue generated by statutory tuition, interest on funds in the state treasury, and various fees. (Board Authorized Tuition is distributed after formula calculation, therefore does not affect the amount of General Revenue.)

□ Unlike other institutions, formula funding for community colleges is funded entirely with General Revenue and does not include tuition and fee revenue as part of the method of finance.

■ **Other E&G Set Asides.** Some E&G income is set aside for specific purposes. Specific amounts are unavailable for formula purposes and, consequently, as a formula method of finance. For example, institutions set aside a portion of their tuition to provide Texas Public Education Grants.

# General Academic Institutions Formulas

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- The General Academic Institutions (GAI) Instruction and Operations Formula is based on Semester Credit Hours (SCH) during a three-semester base period. The SCH are weighted by discipline and by level of instruction. The Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.
- The GAI Infrastructure Formula allocates funding for physical plant support and utilities and is based on predicted square feet. As with the SCH rate, the Legislature sets the rate based on available funding, including consideration of changes in space and other factors.

## Historical Formula Appropriations for General Academic Institutions, Lamar State Colleges, and Texas State Technical Colleges

IN MILLIONS	2010-11 Appropriations		2012-13 Appropriations		2014-15 Appropriations	
	Formula General Revenue	Annual All Funds Rate	Formula General Revenue	Annual All Funds Rate	Formula General Revenue	Annual All Funds Rate
Instruction and Operations - GAI	\$2,743	\$62.19	\$2,451	\$53.71	\$2,665	\$54.86
Infrastructure Support – GAI, Lamar, and TSTC	552	6.21	492	5.25	522	5.56
Instruction and Administration - Lamar	31	4.04	29	3.29	30	3.44
Instruction and Administration - TSTC	94	5.28	85	4.54	90	N/A
<b>Total</b>	<b>\$3,420</b>		<b>\$3,057</b>		<b>\$3,306</b>	

\*Amounts above provide appropriated levels of funding for each biennium. Amounts include formula ARRA funds and funds that were reduced during the 2010-11 biennium for the 5% and 2.5% reduction

\*Included in the 2014-15 GAI I&O totals are amounts trusted through the Higher Education Coordinating Board's bill pattern related to UT Brownsville Transition Funding.

# Health Related Institutions Formulas

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- The Health Related Institutions (HRI) Instruction and Operations Formula is based on Full Time Student Equivalents (FTSE) during a three-semester base period. The SCH are weighted by discipline, and the Legislature sets the rate based on available funding, including consideration of enrollment changes and other factors.
- The HRI Infrastructure Support Formula allocates funding for physical plant support and utilities based on the predicted square feet at the institutions. As with the I&O rate, the Legislature sets the rate based on available funding, including consideration of changes in space and other factors.
- The Research Enhancement Formula provides support for medical and clinical research of the institutions, and are allocated using a base amount plus a percentage of research expenditures from the most recent fiscal year.
- The Graduate Medical Education (GME) Formula provides funding on a per medical resident basis in an accredited program.
- The University of Texas M.D. Anderson Cancer Center (UTMDACC) Cancer Center Operations Formula is a mission specific formula that provides support for UTMDACC based on Texas cancer patients served.
- The University of Texas Health Science Center at Tyler (UTHSC-T) Chest Disease Center Operations is a mission specific formula that provides support for UTHSC-T based on the number of new primary chest disease diagnoses in Texas each year.

Note: Baylor College of Medicine (BCOM) receives funding for its undergraduate medical students, by statute, based on the average cost per undergraduate medical student enrolled at The University of Texas Medical Branch and The University of Texas Southwestern Medical Center. BCOM receives Graduate Medical Education funding through the HRI GME formula.

# Historical Formula Appropriations for Health Related Institutions

IN MILLIONS	2010-11 Appropriations		2012-13 Appropriations		2014-15 Appropriations	
	Formula General Revenue	Annual All Funds Rate	Formula General Revenue	Annual All Funds Rate	Formula General Revenue	Annual All Funds Rate
Instruction and Operations	\$1,054	\$11,129	\$923	\$8,874	\$1,093	\$9,527
Infrastructure Support	250	7.96	222	6.55	236	6.63
Research Enhancement	71	1.48 percent	63	1.1 percent	69	1.22 percent
Graduate Medical Education	79	6,653	57	4,682	66	5,122
Cancer Center Operations	235	2,774	212	1,849	248	1,944
Chest Disease Center Operations	52	389	47	340	55	378
<b>Total</b>	<b>\$1,741</b>		<b>\$1,524</b>		<b>\$1,767</b>	

\*Amounts above provide appropriated levels of funding for each biennium. Amounts include formula ARRA funds and funds that were reduced during the 2010-11 biennium for the 5% and 2.5% reduction

\*Included in these totals are amounts appropriated for Baylor College of Medicine through the Higher Education Coordinating Board's bill pattern.

# Public Community/Junior Colleges Formula Funding

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Beginning in the 2014-15 biennium, the Legislature implemented a new outcomes-based model for the Instructional and Administrative formula that includes three funding components: core operations, success points, and contact hours. Unlike general academic institutions, formula funding is funded entirely with General Revenue and does not include tuition and fee revenue as part of the method of finance.

■ **Core Operations**—each district receives \$1.0 million per biennium to help cover basic operating costs, regardless of size or geographic location.

■ **Success Points** (10 percent of remaining formula funding)—funding is based on a three year average of success points earned by students at each community college. Students are able to earn success points through eleven individual metrics, which are listed on the following page.

■ **Contact Hours** (90 percent of remaining formula funding)—a contact hour is a time unit of measure that represents an hour of scheduled academic or technical class time, 50 minutes of which must be instructional. Contact hour funding is based on each community college's share of total weighted base year contact hours.

# Historical Formula Appropriations for Public Community/Junior Colleges

IN MILLIONS	2010-11 Appropriations		2012-13 Appropriations		2014-15 Appropriations	
	Formula General Revenue	Annual All Funds Rate	Formula General Revenue	Annual All Funds Rate	Formula General Revenue	Annual All Funds Rate
Instruction and Operations	\$1,829.1	\$3.51	\$1,736.7	\$2.77	N/A	N/A
Contact Hour	N/A	N/A	N/A	N/A	\$1,547.8	\$2.65
Success Points	N/A	N/A	N/A	N/A	\$172.0	\$185.12
Core Funding	N/A	N/A	N/A	N/A	\$50.0	\$0.5 million per district
<b>Total</b>	<b>\$1,829.1</b>		<b>\$1,736.7</b>		<b>\$1,769.9</b>	

\*Amounts above provide appropriated levels of funding for each biennium. Amounts include formula ARRA funds and funds that were reduced during the 2010-11 biennium for the 5% and 2.5% reduction.

\*2014-15 amounts include contingent formula funding appropriations for Texas Southmost College.



# Other Higher Education State Funding

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- **Non-Formula Funding - \$3.05 billion (amounts are All Funds in the 2014-15 biennium)**

- Special Items, including Institutional Enhancement
- Research Development Fund
- Texas Competitive Knowledge Fund
- Tuition Revenue Bond and Other Debt Service
- System Office Operations

- **Constitutional Funds - \$1.90 billion**

- Available University Fund (AUF)
- Higher Education Fund (HEF)
- Available National Research University Fund (NRUF)

# Other Higher Education State Funding

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## ▪ Higher Education Coordinating Board - \$1.49 billion

- Financial Aid Programs (ex. Texas Grants, B-On-Time Program)
- Research Programs (ex. Texas Research Incentive Pgm., Advanced Research Pgm.)
- Health Programs (ex. Physician's Education Loan Repayment Pgm., Joint Admission Medical Pgm.)
- Other Funding (ex. Federal grant programs, administrative funding)

## ▪ Texas A&M System Agencies - \$913.9 million

- Texas A&M Agrilife Research
- Texas A&M Agrilife Extension Service
- Texas A&M Engineering Experiment Station
- Texas A&M Transportation Institute
- Texas A&M Engineering Extension Service
- Texas A&M Forest Service
- Texas A&M Veterinary Medical Diagnostic Laboratory

# Medicaid

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Medicaid is a jointly funded State/Federal program that provides insurance primarily to low-income families, non-disabled children, pregnant women, the elderly, and people with disabilities.

With a **\$56.2 billion All Funds appropriation** for the 2014-15 biennium, it is the largest item of appropriation in the state budget.

- The Health and Human Services Commission (HHSC) is the single state agency responsible for the state's Medicaid program, but services are administered by a variety of state agencies.
- The distribution between federal and state funds is primarily based on **Federal Medical Assistance Percentage (FMAP)**.
- There are other matching rates for certain services, client groups, and administrative costs ranging from 50 percent to 100 percent.

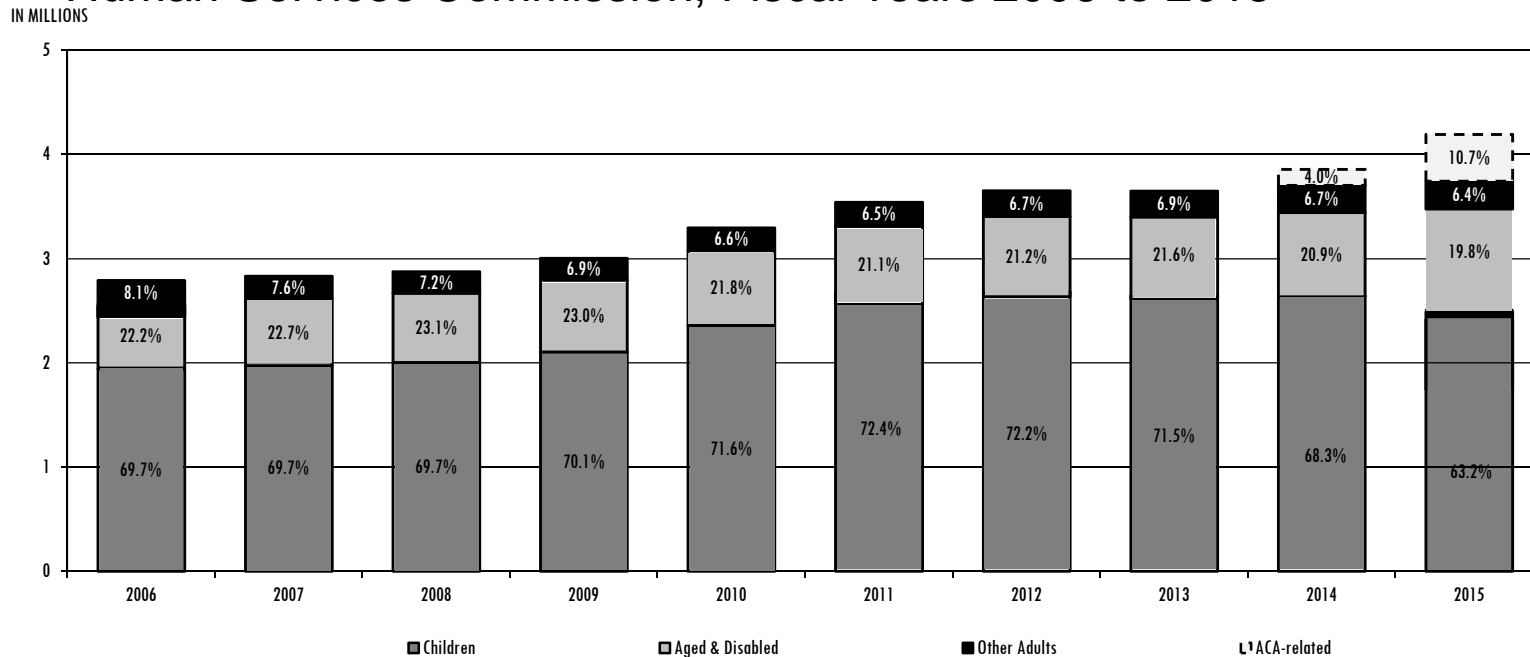
# Medicaid Budget Drivers: Caseload and Cost

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- Medicaid is an entitlement program: any eligible person who enrolls may receive services. As caseloads increase (due to population growth, economic factors, policy changes), Medicaid expenditures increase.
- Medicaid expenditures also increase as a result of cost growth (tied to rate changes, medical inflation, higher utilization, or increased acuity).
- The state's portion of these costs is primarily dictated by FMAP.
- A state's FMAP is based on a state's three-year average per capita income relative to the national per capita income. FMAP cannot be below 50%.
- FMAP for FFY 2014 is **58.69%**; FMAP for FFY 2015 is **58.05%**.

# Medicaid Budget Drivers: Acute Care Caseloads at HHSC

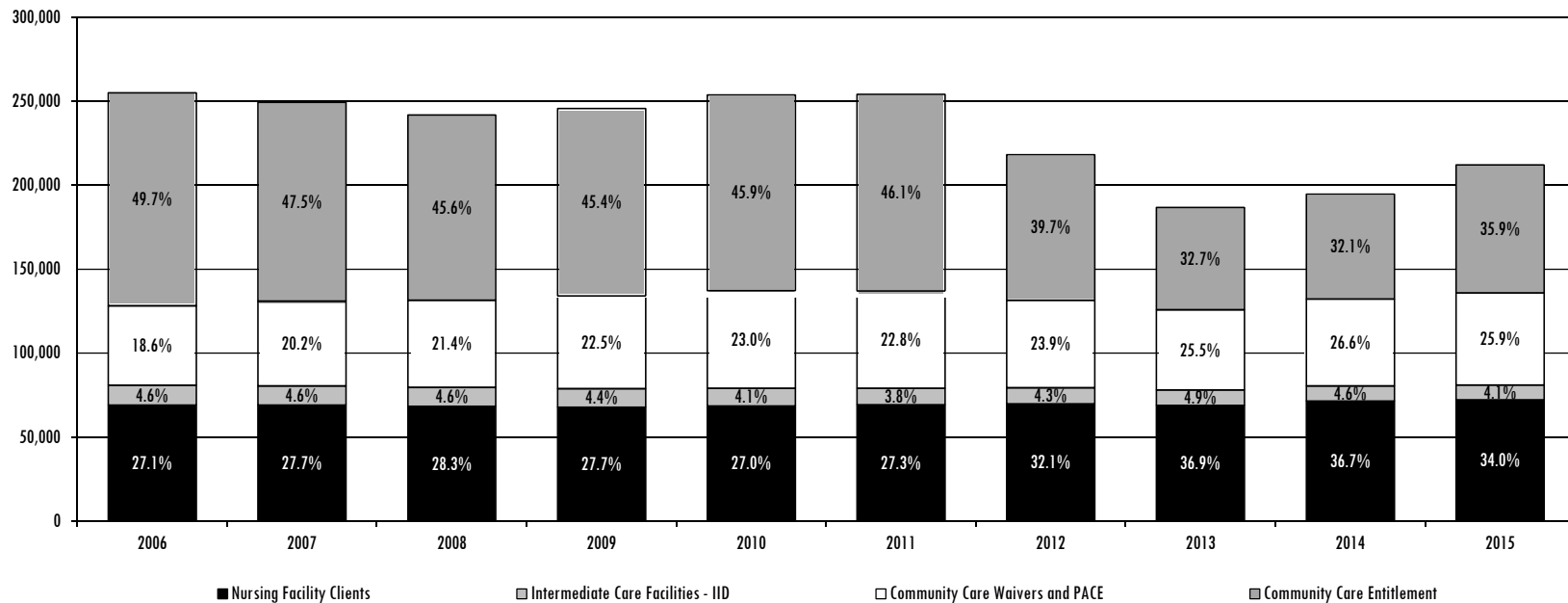
Acute Care Medicaid Average Monthly Caseload at the Health and Human Services Commission, Fiscal Years 2006 to 2015



NOTE: Represents average monthly number of clients receiving Medicaid acute care health insurance services through the Health and Human Services Commission. Aged and Disabled includes clients enrolled in STAR+PLUS. Other Adults includes TANF Adults, Pregnant Women, and Medically Needy clients. Affordable Care Act (ACA)-related includes children to be transferred from CHIP to Medicaid and additional average monthly caseload due to the extension of the eligibility recertification period to 12 months. FY 2014-15 are caseloads included in the 2014-15 GAA. SOURCES: Legislative Budget Board, Health and Human Services Commission

# Medicaid Budget Drivers: LTC Caseloads at DADS

Long-Term-Care Medicaid Average Monthly Caseloads at the Department of Aging and Disability Services, Fiscal Years 2006 to 2015



NOTE: Community Care Entitlement includes Primary Home Care, Community Attendant Services, Day Activity and Health Services, and Habilitation 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; Intermediate Care Facilities - IID (ICFs/IID) includes private ICFs/IID and State Supported Living Centers. Not adjusted for Nursing Facility Carve-in, Habilitative Services in STAR+PLUS, or STAR+PLUS expansion, services that will be provided at HHSC in FY 2015.

SOURCES: Legislative Budget Board, Department of Aging and Disability Services

# Medicaid Client Services Expenditures

	FY2010-11	FY2012-13	Percentage Change	FY 2014-15	Percentage Change
<b>GR</b>	\$ 15,198,903,107	\$ 20,796,996,950	36.8%	\$ 22,032,197,513	5.9%
<b>GR-D</b>	\$ 105,142,958	\$ 128,550,706	22.3%	\$ 110,000,000	-14.4%
<b>OF</b>	\$ 232,071,933	\$ 474,265,193	104.4%	\$ 666,454,033	40.5%
<b>FF</b>	\$ 32,644,168,248	\$ 30,537,831,061	-6.5%	\$ 33,366,378,096	9.3%
<b>AF</b>	\$ 48,180,286,246	\$ 51,937,643,910	7.8%	\$ 56,175,029,642	8.2%

FY2010-2013 are actual expenditures. FY 2014-15 are appropriated funding levels in the 2014-15 General Appropriations Act.

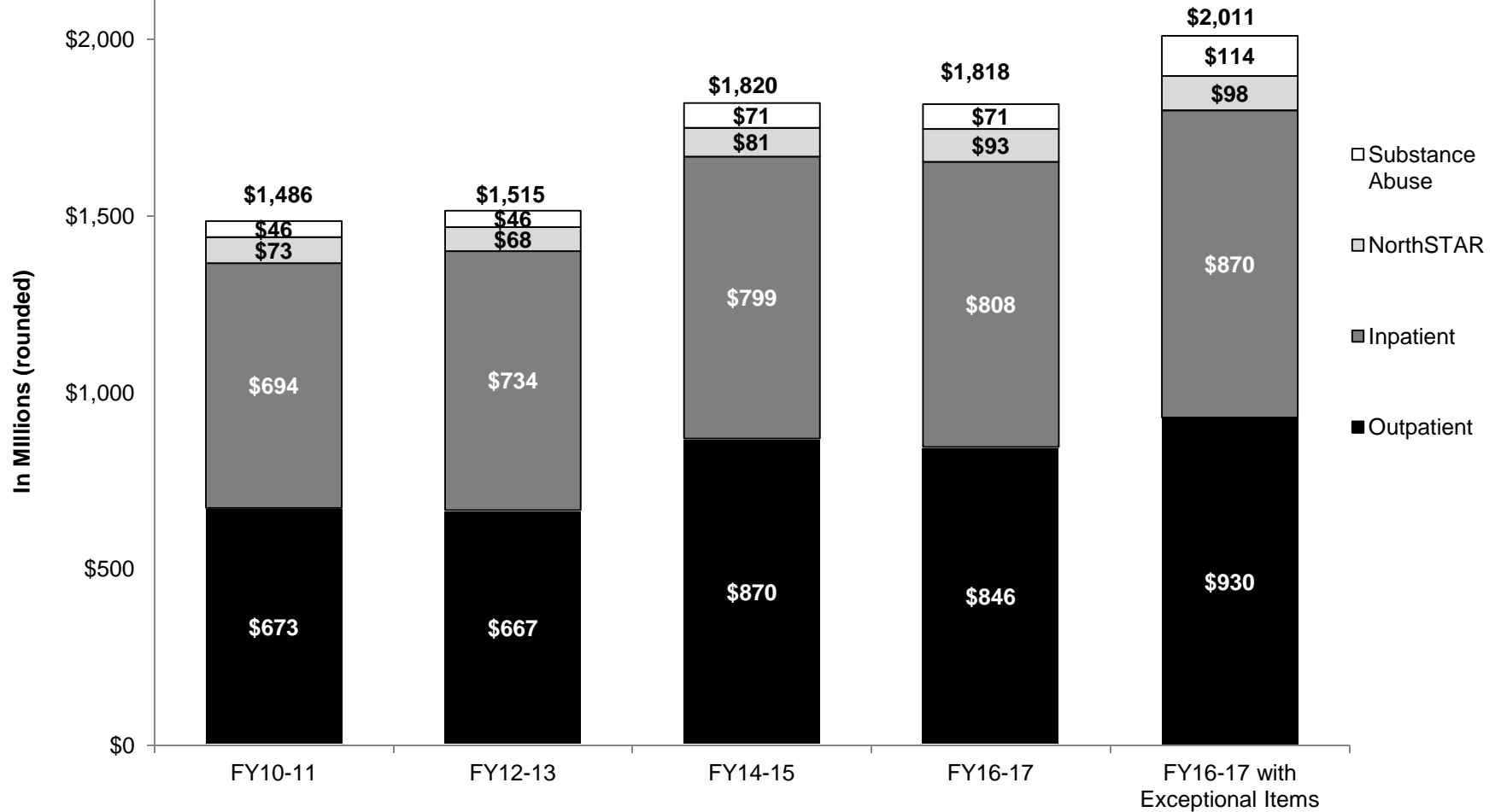
# Mental Health Funds

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- The 83<sup>rd</sup> Legislature appropriated \$2.4 billion in General Revenue (\$3.3 billion in All Funds) for mental health and substance abuse services to fifteen agencies across all articles, a 20 percent increase above the 2012-13 biennium expenditures.
- The Department of State Health Services (DSHS) was appropriated \$1.8 billion in General Revenue for mental health and substance abuse services, which was 76.4% of the total General Revenue Funds appropriated for this purpose.
- The 83<sup>rd</sup> Legislature funded an expansion of mental health services, including funding the wait lists.
- There is currently no wait list for Mental Health Services for Adults or Children.



## Texas Department of State Health Services (DSHS) Mental Health and Substance Abuse General Revenue Funds State Fiscal Years 2010-17



Data Source: FY2010-2012 data is from DSHS Operating Budget. FY2014-2017 is from the DSHS Legislative Appropriation Request for the FY2016-17 Biennium.

Note: FY2010-FY2013 are expended funds; FY2014-FY2015 are budgeted/appropriated funds. FY2016-2017 are requested funds. FY2016-2017 is also shown with the agency's requested exceptional items.

# Mental Health Expansion Funding

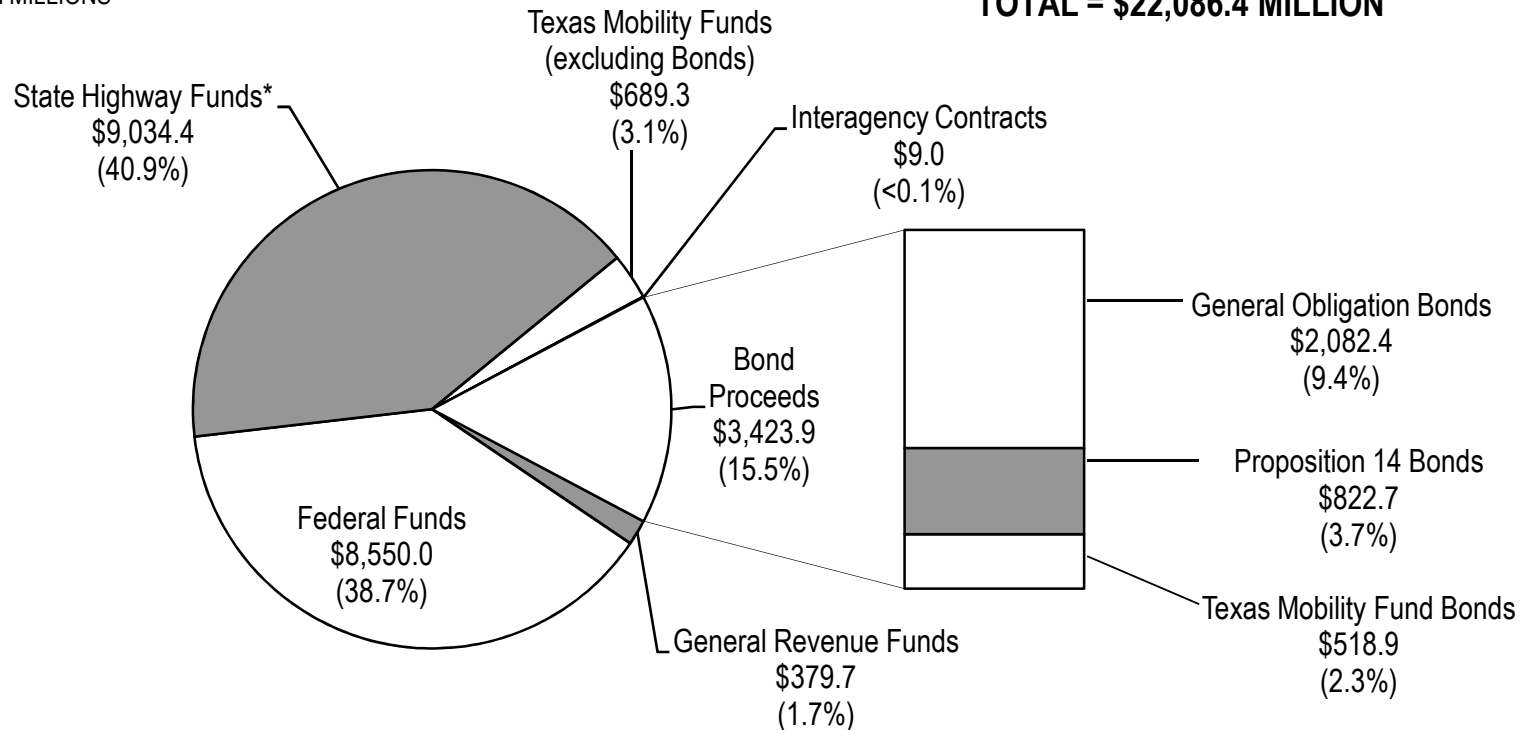
## General Appropriations Act FY14-15 Biennium

<b>DSHS Mental Health Expansion Item</b>	<b>GR-Related</b>	<b>All Funds</b>
School-based training on prevention/early identification	\$ 5,000,000	\$ 5,000,000
Public awareness campaign	\$ 1,600,000	\$ 1,600,000
Crisis Services	\$ 25,000,000	\$ 25,000,000
Community Mental Health Treatment Services for youth and adults	\$ 20,000,000	\$ 20,000,000
Youth Empowerment Services (YES) Waiver	\$ 24,375,000	\$ 58,611,348
Collaborative Projects (public/private partnerships)	\$ 25,000,000	\$ 25,000,000
Projected Costs for Underserved Clients at LMHAs	\$ 17,000,000	\$ 17,000,000
NorthSTAR	\$ 6,000,000	\$ 6,000,000
Veteran's Mental Health (Rider)	\$ 4,000,000	\$ 4,000,000
Harris County Contracted Beds	\$ 2,400,000	\$ 2,400,000
Harris County Jail Diversion Pilot Program	\$ 10,000,000	\$ 10,000,000
Contingency for SB 1475, Jail-Based Competency Restoration	\$ 3,050,250	\$ 3,050,250
Patient Safety Initiative (SB 152)	\$ 1,300,000	\$ 1,300,000
State Hospital Resident Stipends	\$ 2,000,000	\$ 2,000,000
Mental Health for Children - wait list	\$ 2,095,600	\$ 2,095,600
Mental Health for Adults - wait list	\$ 46,103,128	\$ 46,103,128
Substance abuse capacity expansion	\$ 4,941,828	\$ 4,941,828
Substance abuse provider rate increase	\$ 10,696,478	\$ 10,696,478
Substance abuse set aside slots for DFPS	\$ 10,136,707	\$ 10,136,707
Behavioral health - Oxford House	\$ 1,140,000	\$ 1,140,000
Behavioral health - Relinquishment slots	\$ 2,056,262	\$ 2,056,262
Behavioral health - Rental Assistance	\$ 20,017,406	\$ 24,840,940
Bonds for State Hospitals	\$ -	\$ 10,000,000
Psychiatric Nursing Assistants	\$ 14,790,336	\$ 14,790,336
HHSC enterprise - State Hospital Laundry Facility Equipment	\$ 253,260	\$ 253,260
Victory Fields renovation	\$ 4,429,436	\$ 4,429,436
<b>Total - DSHS Mental Health Expansion</b>	<b>\$ 263,385,691</b>	<b>\$ 312,445,573</b>

# Transportation: TxDOT Funding Sources for the 2014-15 Biennium

IN MILLIONS

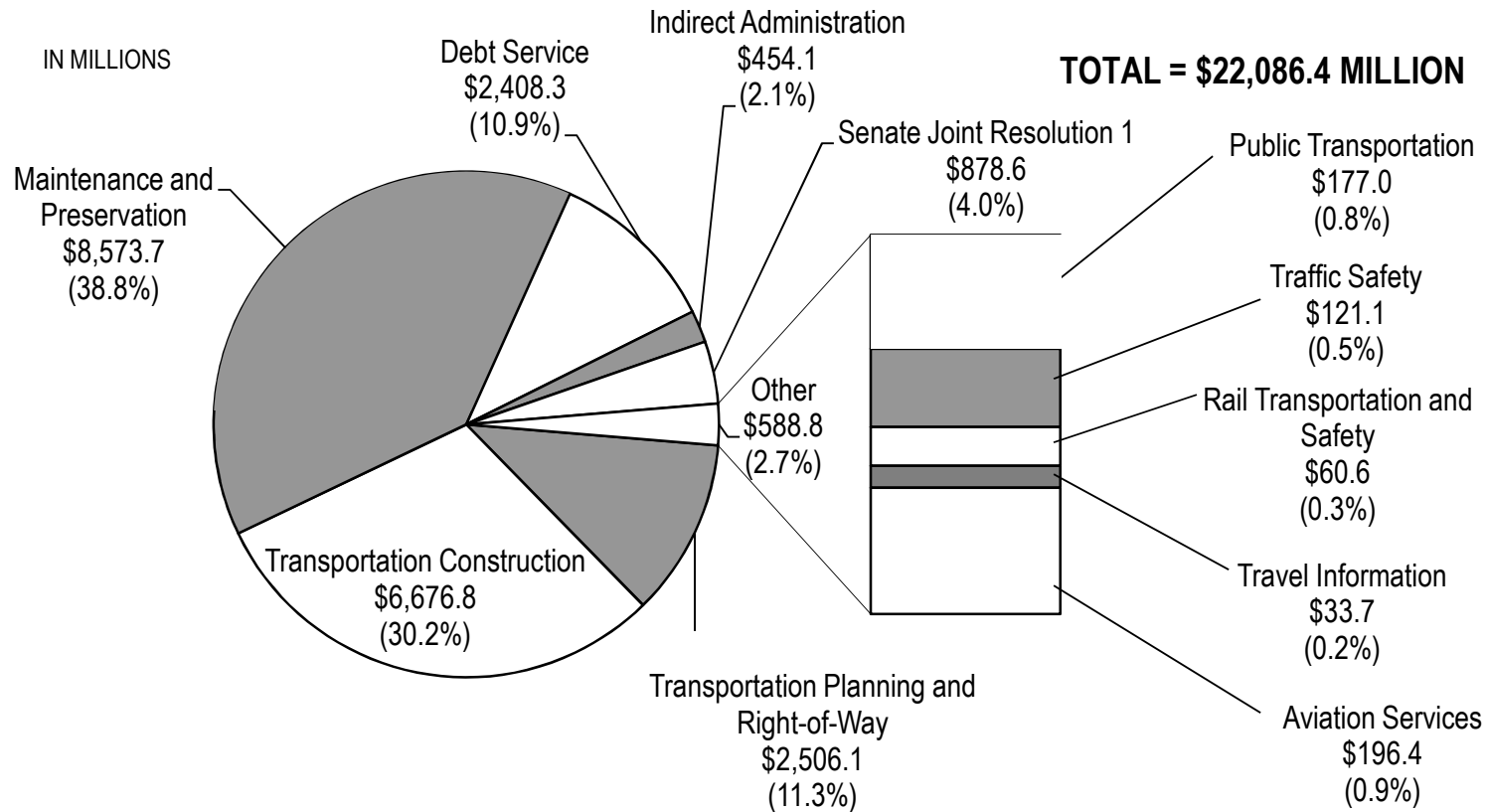
TOTAL = \$22,086.4 MILLION



NOTE: State Highway Funds include estimated revenue from Senate Joint Resolution 1, 83<sup>rd</sup> Legislature, Third Called Session, and excludes revenue bond proceeds and federal highway reimbursements held in the State Highway Fund.

SOURCE: Legislative Budget Board.

# TxDOT Appropriations by Function 2014–15 Biennium (All Funds)



NOTE: Senate Joint Resolution 1, 83rd Legislature, Third Called Session, proceeds may only be used for construction, maintenance, and acquisition of rights-of-way for non-tolled public roadways.

SOURCE: Legislative Budget Board.

# Transportation Funding Highlights, 83rd Legislature

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- HB 1025, 83rd Regular Session, Fiscal Year 2013 Supplemental Appropriations
  - \$225 million from General Revenue for maintenance and safety projects on the state highway system to address damage caused by increased oversized and overweight vehicle traffic in energy sectors.
  - \$225 million from General Revenue to provide grants for county transportation infrastructure projects in counties affected by increased energy sector activity (SB 1747, 83rd Legislature, Regular Session).
  - Replaced \$134.75 in State Highway Fund (Fund 6) appropriations to the Department of Public Safety (DPS) with General Revenue
- 2014-15 General Appropriations Act (GAA) replaced \$265.25 million in Fund 6 appropriations to DPS with General Revenue for the 2014-15 biennium.

# Transportation Funding Highlights, 83rd Legislature (continued)

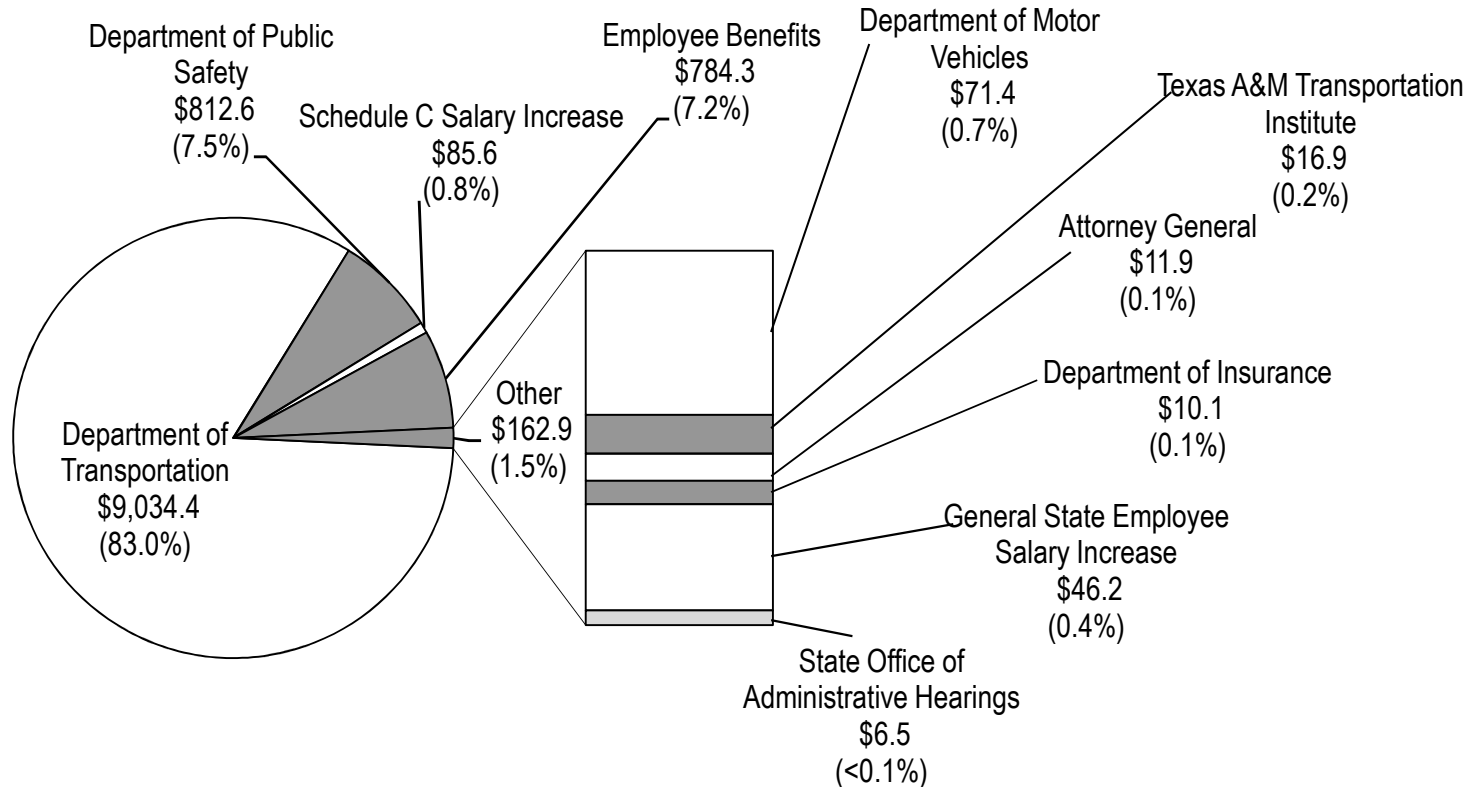
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- Proposition 1, 2014 (SJR 1, 83<sup>rd</sup> Legislature, 3<sup>rd</sup> C.S.)
  - Proposed amendment to the Texas Constitution would direct one-half of the current transfer of General Revenue to the Economic Stabilization Fund (ESF) to Fund 6 to be used for construction, maintenance, and acquisition of rights-of-way for non-tolled public roadways.
  - Election on the proposition is to be held on November 4, 2014 (fiscal year 2015).
  - If approved by voters, the first transfer to Fund 6 (estimated to be \$1.7 billion) will occur in fiscal year 2015.

# State Highway Fund Appropriations for the 2014–15 Biennium

IN MILLIONS

**TOTAL = \$10,879.8 MILLION**



**NOTES:**

1. Department of Transportation includes estimated revenue from Senate Joint Resolution 1, 83<sup>rd</sup> Legislature, Third Called Session, and excludes revenue bond proceeds and federal highway reimbursements held in the State Highway Fund.
2. Schedule C Salary Increase includes salary and additional employee benefits for commissioned peace officers at the Department of Public Safety.

SOURCE: Legislative Budget Board.

# State Highway Fund Appropriations to Agencies Other Than TxDOT for the 2014–15 Biennium

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- **Office of the Attorney General (\$11.9 million)** - Funding provides legal services on behalf of the Department of Transportation and the Department of Public Safety (includes right-of-way acquisition proceedings and representation in lawsuits).
- **Texas A&M Transportation Institute (\$16.9 million)** - Funding supports highway safety and other transportation related research.
- **Department of Public Safety (\$812.6 million)** - Funding is provided to police the state highway system and administer state traffic and safety laws on public roads as authorized by Article 8, §7-a, Texas Constitution, and Transportation Code §222.001.
- **Department of Motor Vehicles (\$71.4 million)** - Appropriations support motor vehicle registration and titling, vehicle dealer registration and regulation, motor carrier registration and regulation, and agency administration.
- **State Office of Administrative Hearings (\$6.5 million)** - Funding is provided for hearings for the Department of Public Safety's Administrative License Revocation Program.

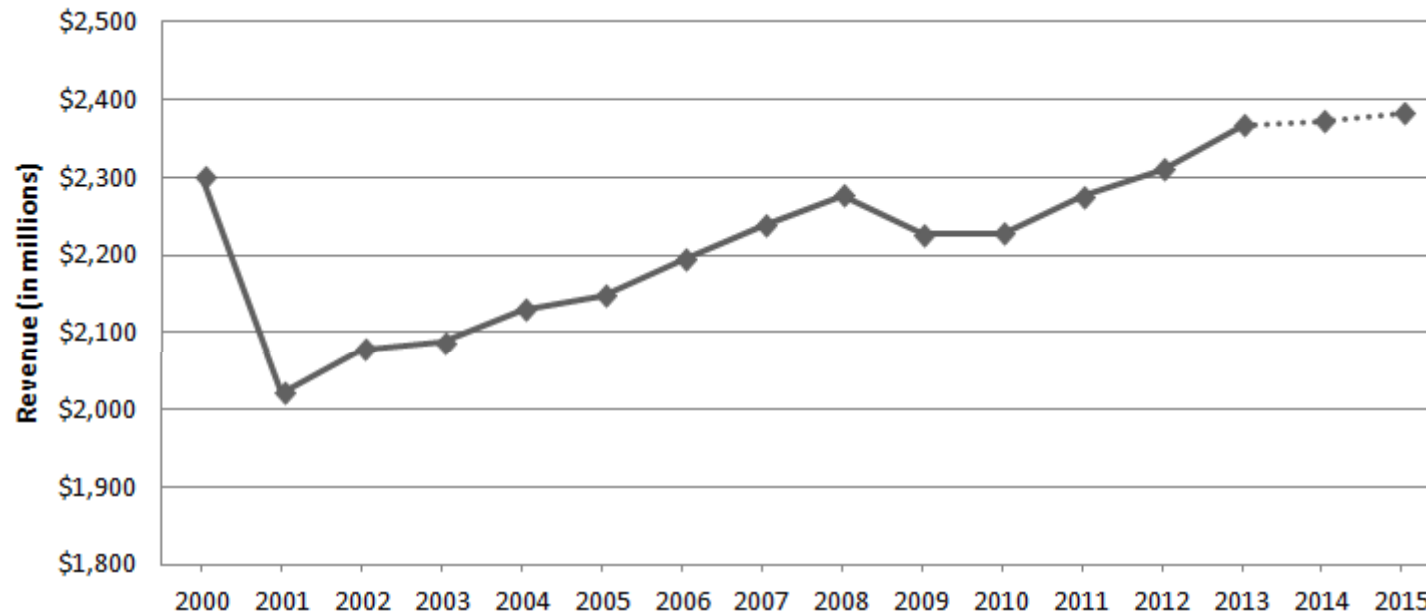


# State Highway Fund Appropriations to Agencies Other Than TxDOT for the 2014-15 Biennium (continued)

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- **Department of Insurance (\$10.1 million)** - Funding supports TexasSure, the state's vehicle insurance verification system, a database allowing law enforcement and tax collector/assessors to instantly identify whether drivers possess valid auto insurance. Pursuant to Transportation Code §502.357, an additional \$1.00 fee is assessed on vehicle registrations (deposited to the State Highway Fund) and may be appropriated to the Department of Insurance and/or other designated implementing agencies to implement the insurance verification system program.
- **General State Employee Salary Increase (\$46.2 million)** - A proportionate amount of State Highway Funds is appropriated to pay for salary increases for general state employees with salaries paid from State Highway Funds (including TxDOT).
- **Schedule C Salary Increase (\$85.6 million)** - A proportionate amount of State Highway Fund is appropriated for a pay increase for troopers at the Department of Public Safety.
- **Employee Benefits (\$784.3 million)** - Employee benefits are paid proportionately by fund, and therefore a proportionate amount of the State Highway Fund is provided for insurance, retirement, Social Security, and benefit replacement pay costs for employees and retirees from the agencies identified above as receiving State Highway Fund appropriations (excluding the Department of Insurance).

# State Motor Fuels Tax Deposits to the State Highway Fund, Fiscal Years 2000 to 2015

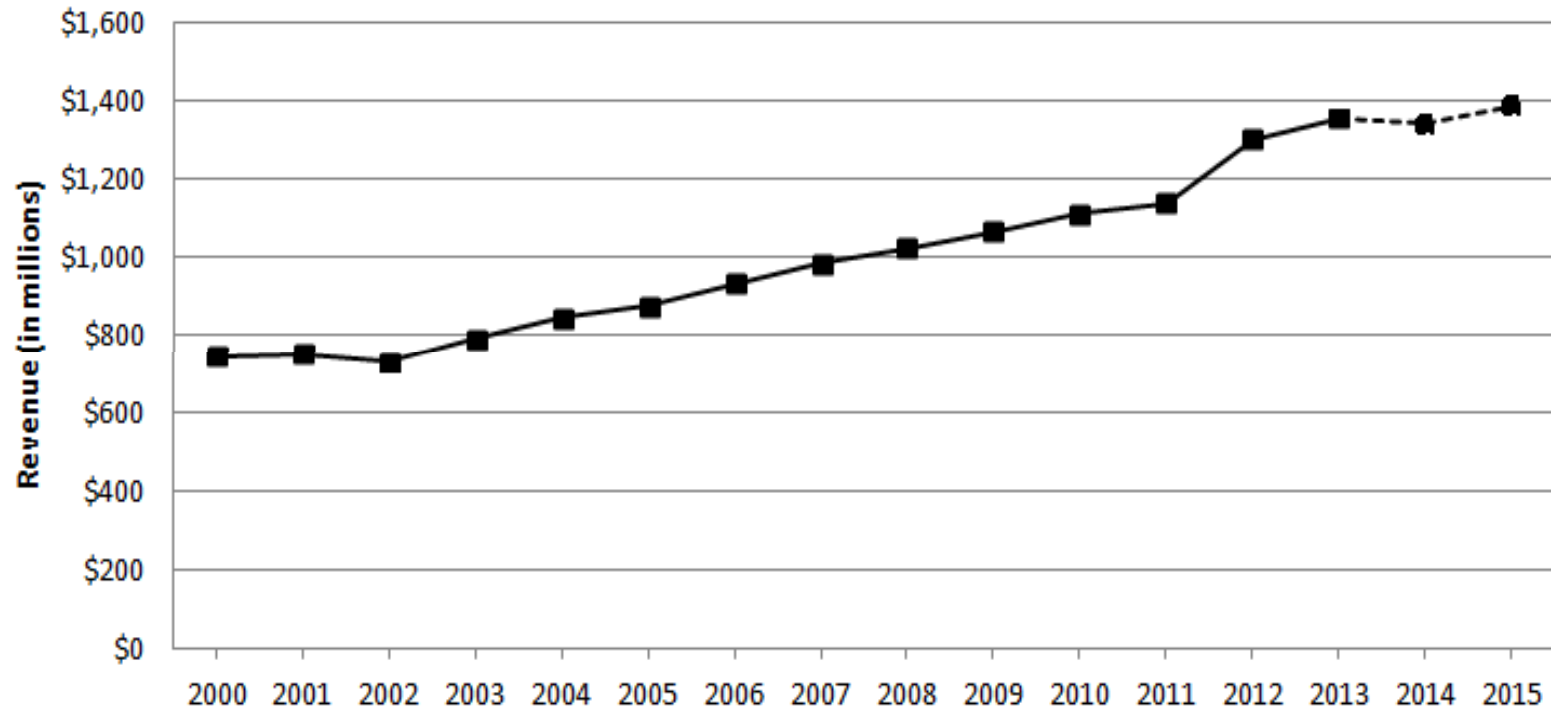


NOTES:

1. Fiscal years 2014 and 2015 are estimated. Includes allocations to the State Highway Fund from Gasoline Tax, Diesel Fuel Tax, and Liquefied Petroleum Gas and Compressed Natural Gas Tax.
2. Fiscal year 2000 reflects the delayed transfer of motor fuels tax allocations to the State Highway Fund for the months of June and July 1999 (fiscal year 1999) until September 1999 (fiscal year 2000).

SOURCE: Comptroller of Public Accounts.

# Vehicle Registration Fee Revenue to the State Highway Fund, Fiscal Years 2000 to 2015



NOTE: Fiscal years 2014 and 2015 are estimated.

SOURCE: Comptroller of Public Accounts.

# Department of Transportation Bond Programs

<b>In Millions</b>	<b>Texas Mobility Fund</b>	<b>Prop. 14 (SHF)</b>	<b>Prop. 12 G.O. Bonds</b>	<b>Total</b>
Total Bond Authorization	\$7,200.0	\$6,000.0	\$5,000.0	\$18,200.0
Authorization Used	\$6,316.2	\$5,299.9	\$2,098.6	\$13,714.7
Authorization Remaining	\$883.8	\$700.1	\$2,901.4	\$4,485.3

**NOTES:**

1. There is no constitutional or statutory cap on Texas Mobility Fund bonds; capacity is limited by statutory debt service coverage requirements and the Comptroller of Public Account's certification of sufficient revenue deposited in the Texas Mobility Fund.
2. TxDOT reports that remaining Proposition 14 and Proposition 12 bond authority has been programmed for transportation projects.

SOURCE: Department of Transportation.

# Department of Transportation Bond Debt Service

In Millions	2014-15 Budgeted	2016-17 Requested	Difference	Method of Finance
Texas Mobility Fund	\$868.2	\$786.6	(\$81.6)	TMF
Prop. 14	\$604.2	\$795.7	\$191.5	SHF
Prop. 12 G.O.	\$313.5	\$699.9	\$386.4	GR
<b>Total Bond Debt Service</b>	<b>\$1,785.9</b>	<b>\$2,282.2</b>	<b>\$496.3</b>	<b>All Funds</b>

NOTES:

1. 2014-15 budgeted debt service includes \$168.6 million for the cash defeasance of Texas Mobility Funds in FY 2014.
2. Debt service amounts are net of Federal Funds for bonds issued as Build America Bonds.

SOURCE: Department of Transportation.

# Estimated Transportation Expenditure Needs

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- TxDOT reports that \$10.8 billion in highway investment per year is needed to maintain roads and capacity at 2010 levels, based on a 2011 report by the 2030 Committee.
- Energy sector road repair and maintenance needs are estimated to be an additional \$1 billion per year based on research conducted by the Texas A&M Transportation Institute.
- TxDOT estimates a shortfall of \$5 billion per year between the expenditure needs and the current construction and maintenance budget (excluding bond programs and regional toll revenue).

# Water:

## Texas Water Development Board Agency

### Mission and Goals

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- **Mission**—to provide leadership, planning, financial assistance, information, and education for the conservation and responsible development of water for Texas.
  
- **Goals**
  - ❑ 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.
  
  - ❑ To provide cost-effective financing for the development of water supplies, water quality protection, and other water-related projects.

# Water Resources Planning

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- The Water Development Board (TWDB) develops and periodically updates a State Water Plan (SWP) that:
  - ❑ assesses the state's water needs for a 50 year period with information compiled from 16 submitted regional water plans and other sources;
  - ❑ provides an overview of the state's current and prospective water use and identifies water supplies and estimated facility needs and costs; and
  - ❑ describes water problems and opportunities, outlines significant environmental concerns and water issues, and offers policy and funding recommendations to the Legislature.



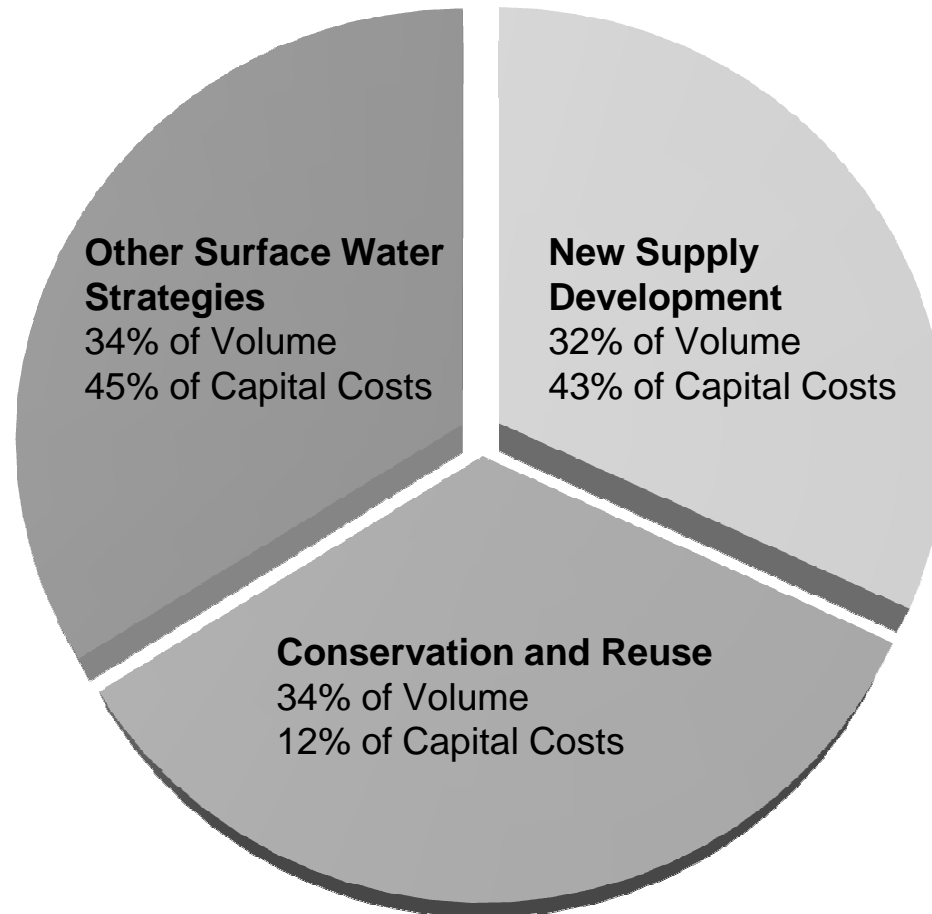
# State Water Plan

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- The 2012 SWP identified \$231 billion in needed capital costs for water supplies, water treatment and distribution, wastewater collection, and flood control over the next 50 years.
- Of this amount \$53.1 billion was for Water Management Strategies (WMS), and \$26.9 billion in projects were identified as needing state financial assistance. WMS examples are:
  - Constructing new reservoirs
  - Desalination plants
  - Water recycling/reuse centers
  - Aquifer Storage and Recovery
  - Increasing water conservation efforts
- If implemented, these WMS projects are anticipated to provide 9.0 million acre-feet in additional water supplies by 2060.

# WMS Projects in the 2012 SWP

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Source: Texas Water Development Board

# TWDB Project Financing Programs

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- Financial assistance is provided for building or expanding water and wastewater infrastructure throughout the state by administering various grant and loan programs.
  - ❑ **Water Development Fund Program**—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.
  - ❑ **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.
  - ❑ **Drinking Water State Revolving Fund**—Provides low interest loans and grants for projects that ensure compliance with national primary drinking water standards.
  - ❑ **Rural Water Assistance Fund**—Provides bond proceeds from the private sector investing in public projects that are used to assist small rural utilities to obtain low-cost financing for water and wastewater projects, thereby providing lower interest rates than conventional taxable financing.

## TWDB Project Financing (continued)

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- Other water wastewater financing programs that require the issuance of debt and have historically required some General Revenue for debt service include:
  - ❑ **State Participation Plan (SPP)**—allows the TWBD to assume temporary ownership of eligible projects and recover principal, interest and issuance costs on a deferred timetable (i.e. until a sufficient rate base develops in the project area to allow local participants to purchase the state’s interest).
  - ❑ **Water Infrastructure Fund Program (WIF)**—Provides reduced -interest loan rates and deferral of annual principal and interest payments for projects including current project needs and pre-construction environmental and engineering studies.
  - ❑ **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.
- The EDAP program continues to require General Revenue for debt service because funding includes grants to local governments; however, the SPP and WIF have become fully self-supporting.

# SWIFT / SWIRFT

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- The Eighty-Third Legislature enacted three pieces of legislation relating to water infrastructure financing:
  - House Bill 4—statutorily established the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT).
  - Senate Joint Resolution 1—approved by voters November 5, 2013—created the SWIFT and SWIRFT and constitutionally dedicated any money in the funds.
  - House Bill 1025—appropriated the \$2 billion to the TWDB for SWIFT.

# SWIFT / SWIRFT

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- The objective of the SWIFT/SWIRFT is to provide financial assistance to ensure adequate future water supplies for Texas.
- Supports low-interest loans and longer repayment terms than other available financing.
- Does not include any grant funding.
- TWDB aims to leverage \$27 billion in loan funding over 50 years through SWIFT/SWIRFT and ensure perpetuity of original \$2 billion.
- Texas Treasury Safekeeping Trust Company will manage investment of the SWIFT/SWIRFT.

# Implementation of SWIFT / SWIRFT

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- SWIFT/SWIRFT funds will be used for existing TWDB programs as provided by legislation:
  - Water Infrastructure Fund
  - Rural Water Assistance Fund
  - State Participation Program
  - Agricultural Water Conservation Fund

# Financial Assistance Through SWIFT/SWIRFT

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- SWIFT/SWIRFT mechanism expected to provide for:
  - ❑ Up to a 50 percent discount on interest rates available to the TWDB
  - ❑ Up to 30-year amortization
  - ❑ Deferral of loan repayment for principal and interest
  - ❑ At least 20 percent of SWIFT to support water conservation and reuse projects
  - ❑ At least 10 percent of SWIFT to support project serving rural communities and Texas farmers
  - ❑ All Funding will go to political subdivisions and nonprofit water supply corporations



## SWIFT/SWIRFT (continued)

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- SWIFT/SWIRFT will act as a source of revenue or security for paying principal and interest on TWDB-issued bonds and bond enhancement agreements
- Will finance or re-finance projects in SWP.
- Will make loans below prevailing rates.
- \$2 billion from ESF to be used in conjunction with \$6 billion in GO bond authorization (82<sup>nd</sup> Legislature) to generate the \$27 billion in SWP assistance over next 50 years.
- No General Revenue to be used for debt service--program requires that GO bonds be self-supporting.

# SWIFT/SWIRFT and the State Budget

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- As the SWIFT/SWIRFT funds are managed by the Texas Treasury Safekeeping Trust Company, no additional appropriations to the TWDB are expected to be required in the future, apart from those relating to administrative costs of the agency.
- SWIFT/SWIRFT will not affect Constitutional Debt Limit.
  - Revenue bonds issues through SWIFT/SWIRFT will be self-supporting and not contain a pledge of the state's full faith and credit.
  - GO Bonds issued through \$6 billion evergreen authorization and used for SWP projects are required by HB 4 to be self-supporting.

# Timeline for SWIFT Implementation

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- **November 5, 2013**—Voters passed Proposition 6
- **December 1, 2013**—Stakeholders group submitted prioritization standards to TWDB
- **Summer 2014**—Draft SWIFT rules published
- **September 1, 2014**—Regional planning groups submitted final prioritized list of regional projects
- **March 1, 2015**—Deadline to Adopt SWIFT Rules
- **Spring 2015**—TWDB initiates solicitation process/projects submitted
- **Summer 2015**—TWDB prioritization process/projects to be funded identified
- **Summer 2015**—Initial Leveraging of SWIRFT

# ERS Retirement

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- The Employees Retirement System (ERS), as provided by the Texas Constitution, Art. XVI, Sec. 67(b)(2) and Government Code, Chapters 814 and 815, administers ERS Retirement as a defined benefit plan, meaning that the amount of a member's benefit is based on a statutory formula, not the amount of contributions made.
  
- Defined benefit plans rely on contributions and investment returns to cover the cost of benefits for members and plan administrative expenses.
  
- As of August 31, 2013, participants in ERS Retirement include:
  - ❑ 133,669 active members; and
  - ❑ 91,367 retirees.

Source: Legislative Budget Board and Employees Retirement System

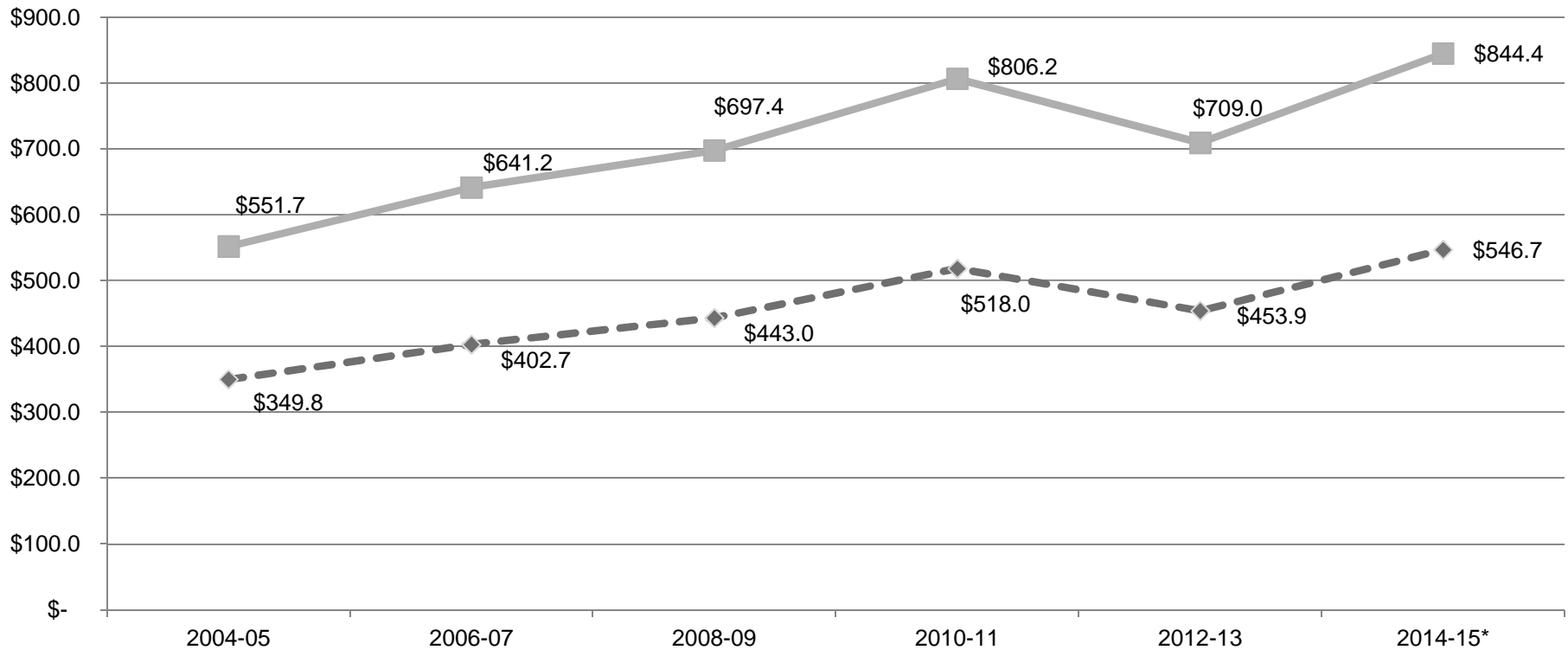
# ERS Retirement Expenditures/Appropriations

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- For the current biennium, the base state contribution is 6.5 percent of payroll in fiscal year (FY) 2014, which was increased to 7.5 percent using unexpended and unobligated balances in Retirement and Group Insurance remaining as of August 31, 2013 and 7.5 percent of payroll in FY 2015. This is combined with an agency contribution of 0.5 percent for a total state contribution of 8.0 percent in both fiscal years of the 2014-15 biennium.
- The 2014-15 biennium appropriation for these contributions totals approximately \$844.4 million in All Funds. Of this amount, approximately \$546.7 million is out of General Revenue-related funds. This is an increase of \$135.4 million in All Funds and \$92.8 million in General Revenue-related funds over the 2012-13 spending levels. The agency contribution is projected to generate approximately \$55.5 million in additional funding during the 2014-15 biennium.
- The actuarially sound contribution (ASC) rate for FY 2014 was 18.73 percent and is projected by ERS to be 19.27 percent in FY 2015. The member contribution of 6.6 percent in FY 2014 and 6.9 percent in FY 2015, when combined with the 8.0 percent state contribution is below the ASC rate by 4.13 percent in FY 2014 and is estimated to be below the ASC rate by 4.37 percent in FY 2015.

# ERS Retirement Expenditures/Appropriations

## ERS Retirement Expended and Appropriated by Biennium (in Millions)



\*Note: 2014-15 biennium reflect appropriated amounts in the 2014-15 General Appropriations Act, including the increase in UB funds from FY 2013.

Source: Legislative Budget Board

◆ General Revenue Related    ■ All Fund

# Employees Group Benefit Program

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- The Texas Employees Group Benefits Act, Chapter 1551, Texas Insurance Code, assigns the administration of the Group Benefits Program (GBP) to the Employees Retirement System (ERS) Board of Trustees.
- As of August 31, 2013, participants of the GBP include the following:
  - ❑ 226,181 employees;
  - ❑ 100,054 retirees;
  - ❑ 206,403 dependents; and
  - ❑ 1,674 COBRA.
- Plan paid \$2.5 billion (estimated) in health care claims in FY 2013.
- Plan participants paid approximately \$555 million in out-of-pocket costs, such as copays and coinsurance.
- The state funds 100 percent of the monthly premium for full-time employees and 50 percent of dependent coverage, with members paying the other 50 percent of the dependent coverage.

Source: Legislative Budget Board and Employees Retirement System

# GBP Expenditures/Appropriations

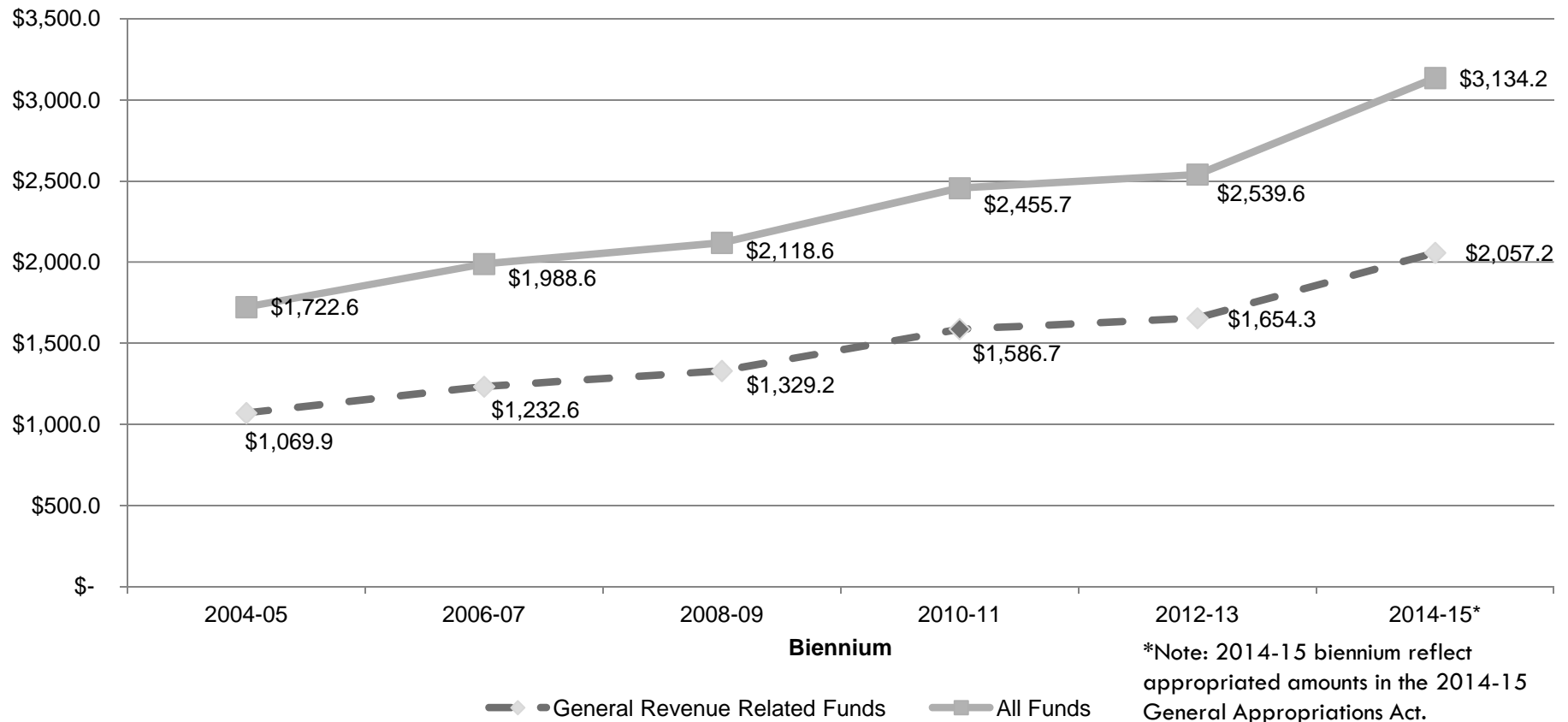
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- ERS Insurance costs included in the state budget for the 2014-15 biennium are approximately \$3,134.2 million in All Funds. Of this amount, approximately \$2,057.2 million is out of General Revenue-related funds. This is an increase of \$594.6 million in All Funds and \$402.9 in General Revenue-related funds over the 2012-13 spending levels.
- The increase is primarily due to a 7.33 percent increase in the state contribution in FY 2014 and a 7.36 percent increase in FY 2015 to fund an 8.0 percent benefit cost trend (which aligned with the trend identified in the ERS Legislative Appropriations Request). The Contingency Reserve Fund, which is authorized by Insurance Code, Sec. 1551.211 is expected to cover any additional costs.



# Group Benefits Program Expenditures

## Group Benefit Program Expended/Budgeted and Appropriated by Biennium (In Millions)



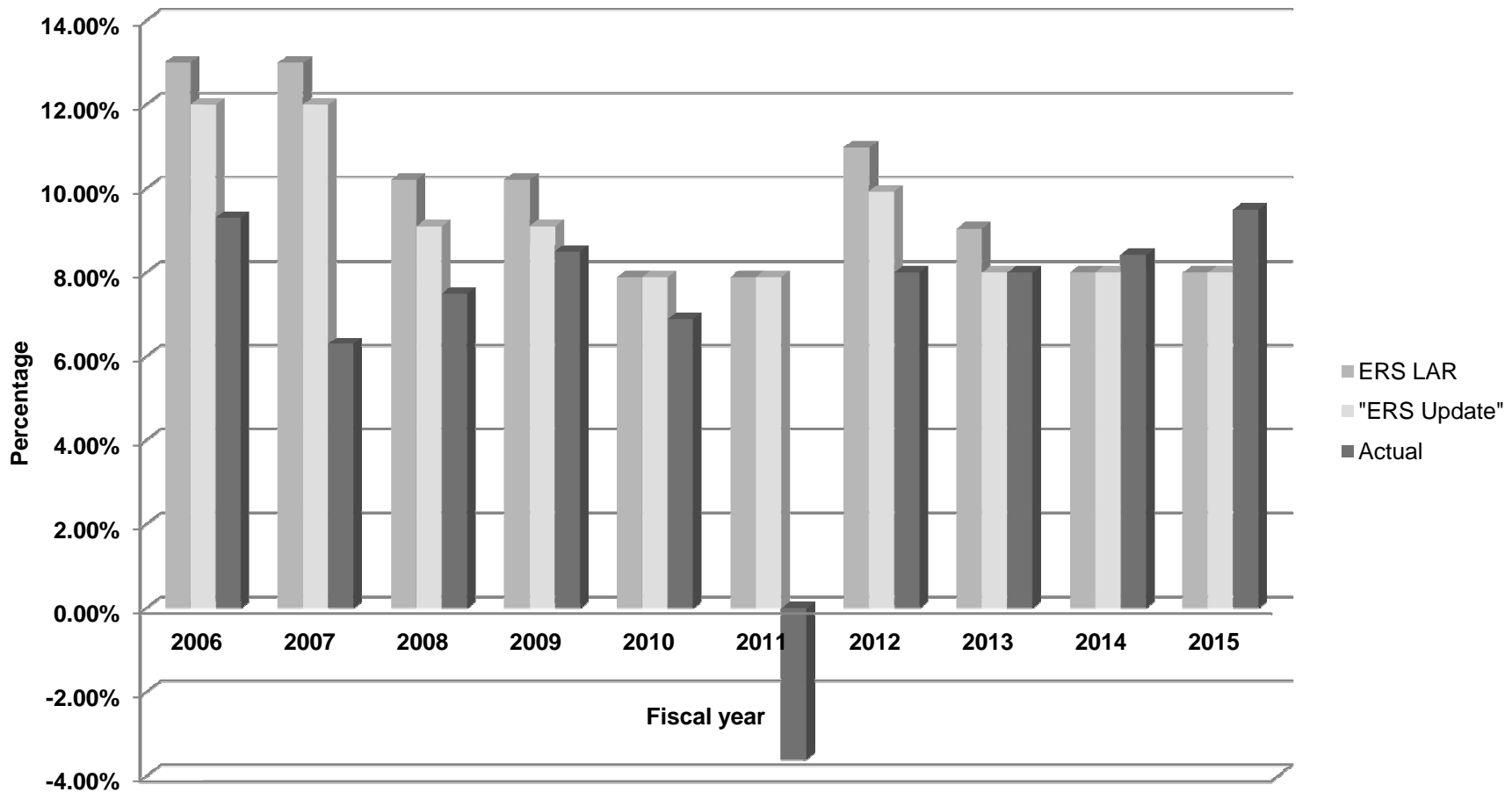
Source: Legislative Budget Board

# HealthSelect Benefit Cost Trend

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- The major cost driver for the GBP is the benefit cost trend.
  - ❑ The benefit cost trend is the rate at which GBP health benefits costs are increasing annually.
  - ❑ The benefit cost trend is a combination of hospital costs, prescription drug costs, and other medical expenses.
  
- The actual trend has averaged approximately 8.0 percent over the last 10 years.
  - ❑ The benefit cost trend was significantly reduced in FY 2011 as a result of benefit changes made by the ERS Board of Trustees due to budgetary constraints.
  - ❑ The projected cost trend in FY 2015 of 9.5 percent is primarily related to significantly increased prescription drug costs, specifically for compound drugs.

# HealthSelect Benefit Cost Trend by Fiscal Year



*Note FY 2015 Actual is projected*

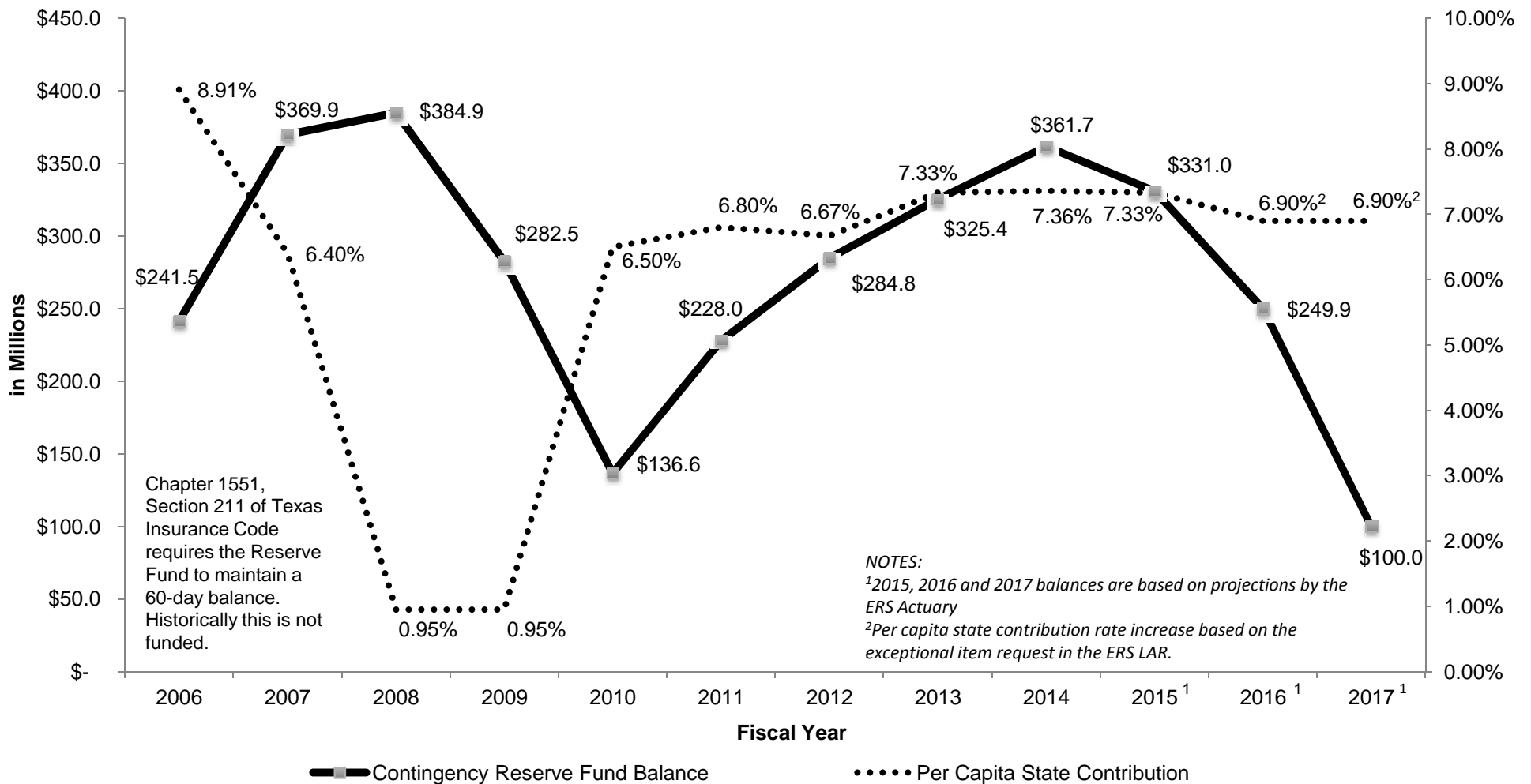
Source: Legislative Budget Board and Employees Retirement System.

# Contingency Reserve Fund Balance

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- The contingency reserve fund, established by Insurance Code, Section 1551.211, receives all revenues for the GBP, including state and member contributions, the one percent employer contribution, the tobacco user fee, federal subsidies, prescription drug rebates, and investment income, and makes expenditures to cover GBP-related claims costs.
- Statute requires the fund to maintain a 60-day reserve fund balance, which the legislature has historically not funded.

# Contingency Reserve Fund Balance and Per Capita State Contribution Change



Source: Legislative Budget Board and Employees Retirement System.

## Benefit Growth Factors

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Statewide benefit growth factors (assumptions) are applied to benefit appropriations/expenditures to project future benefit costs.

Factors may include:

- Changes in insurance premium rates/per capita state contribution rate;
- Retirement of state employees (group insurance only);
- Across the board pay raises;
- Underlying payroll (merit increases) and FTE growth; and
- State contribution rate changes for retirement.

# State Employee Benefit Appropriations

State employee benefits are an estimated appropriation made at the end of each article in benefits-related bill patterns in the 2014-15 General Appropriations Act (GAA).

## RETIREMENT AND GROUP INSURANCE

	For the Years Ending	
	August 31, 2014	August 31, 2015
<b>Method of Financing:</b>		
General Revenue Fund, estimated	\$ 85,415,386	\$ 94,633,222
General Revenue Dedicated Accounts, estimated	2,479,989	2,745,497
Federal Funds, estimated	24,032,962	26,432,282
<u>Other Funds</u>		
Other Special State Funds, estimated	421,155	468,305
State Highway Fund No. 006, estimated	761,260	843,848
Subtotal, Other Funds	\$ 1,182,415	\$ 1,312,153
<b>Total, Method of Financing</b>	<b>\$ 113,110,752</b>	<b>\$ 125,123,154</b>
<b>Items of Appropriation:</b>		
<b>A. Goal: EMPLOYEES RETIREMENT SYSTEM</b>		
<b>A.1.1. Strategy: RETIREMENT CONTRIBUTIONS</b> Retirement Contributions. Estimated.	\$ 28,241,591	\$ 32,586,452
<b>A.1.2. Strategy: GROUP INSURANCE</b> Group Insurance Contributions. Estimated.	\$ 84,869,161	\$ 92,536,702
<b>Total, Goal A: EMPLOYEES RETIREMENT SYSTEM</b>	<b>\$ 113,110,752</b>	<b>\$ 125,123,154</b>
<b>Grand Total, RETIREMENT AND GROUP INSURANCE</b>	<b>\$ 113,110,752</b>	<b>\$ 125,123,154</b>

Source: Page I-92 of the 2014-15 GAA.

# Higher Education Employees Group Insurance

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- Higher Education Employee Group Insurance (HEGI) is a separate, sum certain General Revenue appropriation that provides state contributions for health insurance benefits for higher education employees. Additional costs for health insurance benefits, if any, must be borne by individual institutions out of other appropriated or local funds.
- ERS provides coverage for employees of all institutions of higher education except The University of Texas and Texas A&M University Systems, which provide their own coverage.
- The appropriation for HEGI is based on the number of eligible employees 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. For the 2014-15 biennium, institutions of higher education are funded at 87 percent to 89.4 percent of “full” ERS premium rates, while local community college districts are funded at 50 percent of “full” ERS premium rates.



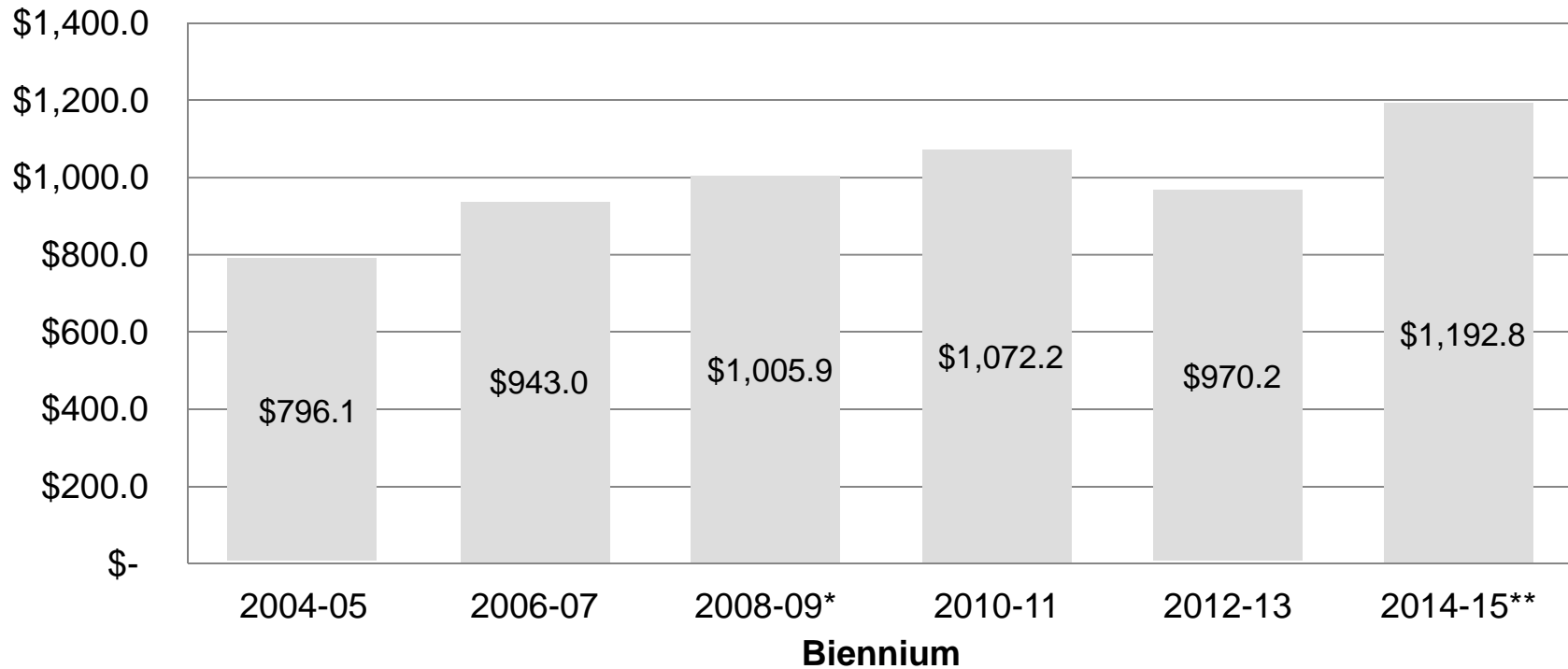
# Higher Education Employees Group Insurance

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- For all institutions of higher education except public community colleges, appropriations for HEGI are intended to provide state contributions for health insurance for employees whose salaries are paid by General Revenue.
- For employees whose salaries are paid from Other Educational and General Income (primarily tuition and fee revenue), health insurance costs are represented in the Staff Group Insurance Strategy of each institution's bill pattern and are estimated for informational purposes only.
- For community colleges, HEGI appropriations provide premium contributions for eligible employees whose salaries may be paid with appropriated funds regardless of whether such salaries are actually paid from appropriated funds.

# HEGI Expenditures

**HEGI All Funds Expended/Budgeted and Appropriated by  
Biennium  
(In Millions)**



Notes:

\*Includes supplemental appropriations from HB 4586, 81R, restoring vetoed community college HEGI appropriations.

\*\*2014-15 biennium reflect appropriated amounts in the 2014-15 General Appropriations Act.

# HEGI Appropriation

HEGI contributions are appropriated in a separate bill pattern that includes a line item for each institution in the 2014-15 GAA.

## HIGHER EDUCATION EMPLOYEES GROUP INSURANCE CONTRIBUTIONS

	For the Years Ending	
	August 31, 2014	August 31, 2015
	<u>          </u>	<u>          </u>
<b>Method of Financing:</b>		
<u>General Revenue Fund</u>		
General Revenue Fund	\$ 572,682,911	\$ 614,638,215
General Revenue - Insurance Companies Maintenance Tax and Insurance Department Fees	1,876,660	2,013,911
Subtotal, General Revenue Fund	<u>\$ 574,559,571</u>	<u>\$ 616,652,126</u>
State Highway Fund No. 006	<u>782,842</u>	<u>840,105</u>
<b>Total, Method of Financing</b>	<u>\$ 575,342,413</u>	<u>\$ 617,492,231</u>
<b>This bill pattern represents an estimated 100% of this agency's estimated total available funds for the biennium.</b>		
<b>Items of Appropriation:</b>		
<b>A. Goal: STATE CONTRIBUTION, UT SYSTEM</b>		
Group Insurance, State Contribution, UT System.		
<b>A.1.1. Strategy: UT - ARLINGTON</b> The University of Texas at Arlington.	\$ 11,936,629	\$ 12,811,584
<b>A.1.2. Strategy: UT - AUSTIN</b> The University of Texas at Austin.	\$ 26,424,674	\$ 28,361,603
<b>A.1.3. Strategy: UT - DALLAS</b> The University of Texas at Dallas.	\$ 9,529,945	\$ 10,228,490
<b>A.1.4. Strategy: UT - EL PASO</b>	\$ 12,760,044	\$ 13,695,355

Source: Page III-37 of the 2014-15 GAA.

# TRS Budget Drivers, Retirement

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## Retirement

**1.State Contribution Rate:** 6.8 percent of active member payroll in both years of 2014-15 biennium

General Revenue appropriation in 2014-15: \$3.3 billion

## 2.Payroll Growth

Fiscal Year 2014 actual trend: 3.9% for Public Ed and 4.8% for Higher Ed

Five-year average is approximately 2.0 percent and 5.0 percent

## 3.Other Methods of Finance

Active Employee Contribution Rate: 6.4 percent in 2014, 6.7 percent in 2015

New 1.5 percent contribution from school districts not in Social Security

# TRS Retirement Overview

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Created in 1937; established by the Texas Constitution

Covers all public education and higher education employees; mandatory participation (Optional Retirement Program alternative for higher education employees)

Defined benefit pension plan design; lifetime benefit based on years of service and average salary

Legislature determines benefit plan design, including eligibility and funding

1.4 million members in Fiscal Year 2013:

1. Active Members – 1,021,412

2. Annuitants – 348,228

\$8.1 billion retirement benefits paid in Fiscal Year 2013

# TRS Budget Drivers, Health Benefits

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## Health Benefits: TRS-Care

**1.State Contribution Rate:** 1.0 percent of payroll in 2014-15  
(statutory)

General Revenue appropriation in 2014-15: \$495.1 million

**2.Health Care Costs:** Projections for 2016-17 include 7.0 percent medical and 7.0 percent drug growth trend

### **3.Eligibility and Plan Design**

### **4.Other Methods of Finance**

Retiree contributions, varies by years of service and Medicare coverage

Active employees: 0.65 percent of payroll

District employees: 0.55 percent of payroll

Federal subsidies

# TRS-Care Overview

Self-funded statewide health benefit program for public school retirees.

In 1985, the Legislature enacted the Texas Public School Retired Employees Group Benefits Act.

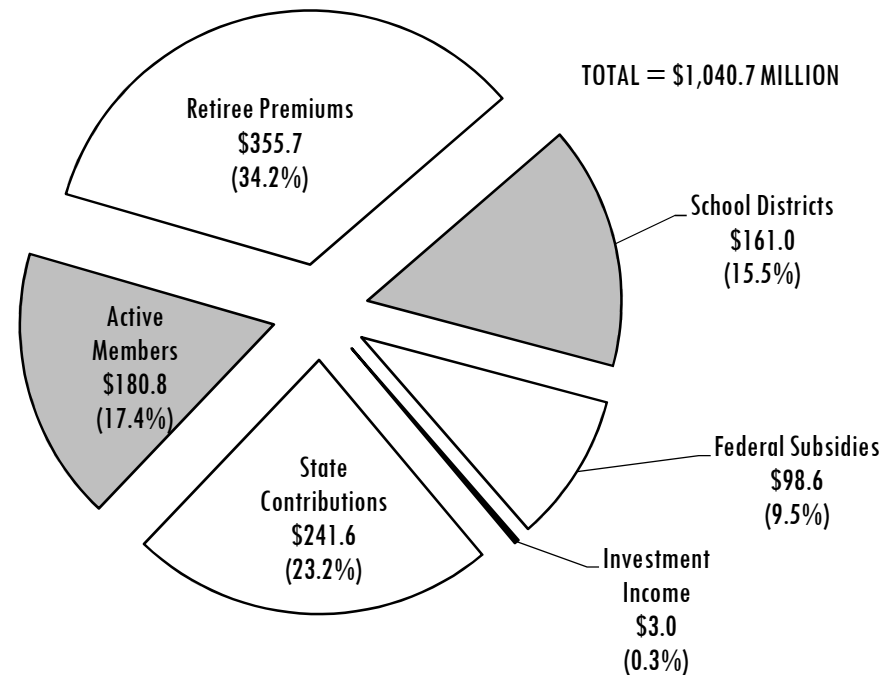
Third-party administration of medical and pharmaceutical benefits

Plan design has separate plans with varying deductibles, co-pays, and premium costs.

243,100 participants as of April 2014

\$1.2 billion total plan costs paid for health benefits in Fiscal Year 2013

TRS-CARE TRUST FUND CONTRIBUTIONS  
FISCAL YEAR 2013  
(IN MILLIONS)



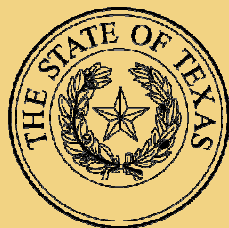
Source: Teacher Retirement System of Texas.

**TRS-CARE Financial History and Projection through FY2018**  
as of February 28, 2014

Fiscal Year	Contributions								Expenditures				Ending Balance (Incurred Basis)
	Retiree Contributions	State Contributions	Supplemental Appropriation	Active Employee Contributions	District Contributions	Investment Income	CMS& Part D Subsidies	ERRP Subsidy	Medical Incurred	Drug Incurred	Medicare Advantage Premiums	Admin Costs	
FY 1986	\$0	\$0	\$250,000	\$17,625,194	\$0	\$572,153	\$0	\$0	\$0	\$0	\$0	\$362,371	\$18,084,976
FY 1987	\$22,617,624	\$25,931,680	\$0	\$18,522,629	\$0	\$2,568,998	\$0	\$0	\$50,988,845	\$7,044,825	\$0	\$3,941,936	\$25,750,301
FY 1988	\$23,948,600	\$31,357,632	\$0	\$19,598,520	\$0	\$5,703,832	\$0	\$0	\$16,157,649	\$12,441,672	\$0	\$4,614,755	\$73,144,809
FY 1989	\$25,428,632	\$37,420,711	\$0	\$20,789,215	\$0	\$8,802,914	\$0	\$0	\$32,926,324	\$15,458,710	\$0	\$5,212,073	\$111,989,174
FY 1990	\$37,556,561	\$44,369,915	\$0	\$22,184,958	\$0	\$13,098,835	\$0	\$0	\$50,171,919	\$19,835,965	\$0	\$7,186,851	\$152,004,708
FY 1991	\$46,563,787	\$47,277,743	\$0	\$23,638,871	\$0	\$15,801,047	\$0	\$0	\$82,697,189	\$28,683,081	\$0	\$8,258,029	\$165,647,857
FY 1992	\$56,395,797	\$50,392,512	\$0	\$25,196,592	\$0	\$17,314,372	\$0	\$0	\$74,307,953	\$33,829,694	\$0	\$8,862,560	\$197,946,923
FY 1993	\$65,154,653	\$54,029,406	\$0	\$27,014,703	\$0	\$17,181,190	\$0	\$0	\$101,627,864	\$40,700,513	\$0	\$10,067,359	\$208,931,140
FY 1994	\$80,128,944	\$56,912,083	\$0	\$28,456,041	\$0	\$16,467,438	\$0	\$0	\$108,284,693	\$45,712,060	\$0	\$11,668,828	\$225,230,065
FY 1995	\$89,006,331	\$59,849,850	\$0	\$29,924,925	\$0	\$16,841,673	\$0	\$0	\$122,054,551	\$50,782,093	\$0	\$12,219,847	\$235,796,353
FY 1996	\$82,622,236	\$63,634,087	\$0	\$31,817,043	\$0	\$16,818,747	\$0	\$0	\$135,982,304	\$57,074,921	\$0	\$13,593,578	\$224,037,663
FY 1997	\$87,657,784	\$67,616,395	\$0	\$33,808,197	\$0	\$16,202,440	\$0	\$0	\$148,823,489	\$62,530,982	\$0	\$14,097,454	\$203,870,554
FY 1998	\$91,390,173	\$72,210,190	\$0	\$36,105,095	\$0	\$15,260,517	\$0	\$0	\$156,537,913	\$76,256,158	\$0	\$14,616,678	\$171,425,780
FY 1999	\$96,474,107	\$76,488,424	\$0	\$38,244,213	\$0	\$9,762,741	\$0	\$0	\$184,398,533	\$93,459,890	\$0	\$14,905,196	\$99,631,646
FY 2000	\$120,227,960	\$85,505,637	\$0	\$42,738,069	\$0	\$6,923,485	\$0	\$0	\$203,029,971	\$110,903,247	\$0	\$16,837,127	\$24,256,451
FY 2001	\$131,213,445	\$90,118,787	\$76,281,781	\$45,059,394	\$0	\$5,824,134	\$0	\$0	\$250,691,898	\$139,774,848	\$0	\$18,237,767	(\$35,950,521)
FY 2002	\$143,797,748	\$94,792,026	\$285,515,036	\$47,378,092	\$0	\$7,140,560	\$0	\$0	\$287,729,918	\$163,979,754	\$0	\$19,017,292	\$71,945,978
FY 2003	\$162,954,010	\$98,340,798	\$124,661,063	\$49,170,399	\$0	\$3,394,956	\$0	\$0	\$368,462,963	\$203,281,400	\$0	\$21,690,329	(\$82,967,487)
FY 2004	\$248,552,679	\$198,594,194	\$298,197,463	\$99,297,097	\$79,457,387	\$4,840,982	\$0	\$0	\$366,840,457	\$214,514,500	\$0	\$26,332,200	\$238,285,158
FY 2005	\$322,780,191	\$202,397,566	\$64,172,167	\$101,198,783	\$80,914,228	\$11,300,868	\$0	\$0	\$431,036,095	\$229,522,988	\$0	\$33,333,010	\$327,156,868
FY 2006	\$326,844,982	\$215,666,940	\$0	\$140,183,511	\$118,607,527	\$21,435,792	\$34,611,607	\$0	\$427,553,404	\$259,532,887	\$0	\$34,434,969	\$462,985,967
FY 2007	\$323,957,945	\$238,190,720	\$0	\$154,823,968	\$136,008,512	\$32,671,539	\$52,329,617	\$0	\$437,519,747	\$304,773,401	\$0	\$35,878,194	\$622,796,927
FY 2008	\$328,505,433	\$254,722,174	\$0	\$165,569,413	\$141,672,630	\$29,252,347	\$59,486,239	\$0	\$498,767,038	\$334,742,500	\$0	\$39,656,301	\$728,839,324
FY 2009	\$329,723,191	\$267,471,299	\$0	\$173,856,344	\$149,562,613	\$17,482,143	\$61,530,735	\$0	\$531,239,020	\$353,893,845	\$0	\$43,184,393	\$800,148,391
FY 2010	\$332,481,933	\$279,250,547	\$0	\$181,512,856	\$155,918,241	\$11,679,229	\$70,795,686	\$0	\$575,539,788	\$395,817,017	\$0	\$45,465,776	\$814,964,302
FY 2011	\$345,164,271	\$282,782,431	\$0	\$183,808,580	\$158,724,010	\$8,168,640	\$66,258,008	\$70,629,797	\$608,461,321	\$384,017,059	\$0	\$47,151,354	\$890,870,304
FY 2012	\$363,348,030	\$271,925,242	\$0	\$176,751,407	\$154,607,926	\$5,189,934	\$71,575,942	(\$2,941,996)	\$687,987,585	\$454,143,825	\$0	\$48,181,723	\$741,013,656
FY 2013	\$355,685,504	\$139,213,557	\$102,363,704	\$180,824,522	\$160,952,396	\$3,041,001	\$98,628,841	\$0	\$686,321,003	\$496,229,923	\$1,075,388	\$47,048,587	\$551,048,281
FY 2014	\$369,552,238	\$285,630,274	\$36,058,148	\$185,659,678	\$165,174,071	\$2,514,052	\$130,359,585	\$0	\$648,103,387	\$558,899,877	\$27,169,788	\$46,008,643	\$445,814,632
FY 2015	\$377,491,208	\$291,342,880	\$0	\$189,372,872	\$168,316,004	\$1,541,113	\$135,528,945	\$0	\$729,930,354	\$651,509,613	\$59,845,959	\$55,020,963	\$113,100,765
FY 2016	\$384,437,651	\$297,169,737	\$0	\$193,160,329	\$171,520,776	\$230,683	\$144,057,162	\$0	\$773,725,303	\$724,771,918	\$77,031,478	\$54,347,402	(\$326,198,997)
FY 2017	\$390,319,384	\$303,113,132	\$0	\$197,023,536	\$174,789,643	\$0	\$153,031,272	\$0	\$819,352,398	\$804,648,148	\$88,993,966	\$53,845,125	(\$874,761,667)
FY 2018	\$396,024,480	\$309,175,395	\$0	\$200,964,007	\$178,123,887	\$0	\$162,100,872	\$0	\$867,817,639	\$891,659,489	\$102,509,783	\$51,848,189	(\$1,542,208,125)

Source: Teacher Retirement System





## LEGISLATIVE BUDGET BOARD

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