

December 12, 2013

The Honorable Rick Perry, Governor
The Honorable David Dewhurst, Lieutenant Governor
The Honorable Joseph R. Straus, III, Speaker of the House
Members of the 83rd Legislature

Ladies and Gentlemen:

In accordance with the Texas Government Code, Section 403.0131, I present herewith the detailed tables for the revenue estimate that I used to certify the General Appropriations Act for the 2014-15 biennium and other appropriations bills approved by the 83rd Legislature.

The estimates in this document include actual state revenue collections and disbursements through Aug. 31, 2013, the end of fiscal 2013, as well as the estimated fiscal impacts from all legislation passed by the 83rd Legislature. After accounting for statutory transfers, adjustments and balances on hand at the close of the 2012-13 biennium, the state will have a total of \$98.89 billion in General Revenue-related funds available to finance appropriations in the 2014-15 biennium. This available revenue supports General Revenue spending of \$96.31 billion for the 2014-15 biennium, producing an expected General Revenue-related biennial ending balance of \$2.58 billion.

This ending balance includes \$964 million, the expected balance on Aug. 31, 2015 from my revenue estimate for the Third Called Session, coupled with the net effect of an assortment of fiscal adjustments expected during the 2014-15 biennium. Also included, and not appropriated for use in 2014-15, is another \$453 million resulting from fiscal 2013 net revenue collections exceeding estimated amounts, and also the effect of significantly less-than-expected state agency spending (approximately \$1.2 billion in unused funds) upon closing the fiscal 2012-13 biennium.

Turning to the economy, the U.S. and Texas are growing, although at different rates. Texas has recovered 100 percent of the jobs lost during the recession and added 597,000 beyond the previous peak in August 2008. In contrast, while growing, the U.S. is still at an employment level 1.5 million lower than that immediately prior to the onset of the recession — now six years ago. The Texas unemployment rate — as low as 4.3 percent in early 2007 — is now at 6.2 percent and continuing to slowly recede.

The economic forecast underlying this revenue estimate projects Texas will continue adding jobs in fiscal years 2014 and 2015, although not at the pace of 2011, 2012 or 2013. Recent data, both for the state and the U.S., point to employment patterns showing continued growth but at a reduced pace. Over the 2014-15 biennium, Texas nonfarm employment is expected to increase by an average of 2.1 percent each year. Adjusted for inflation, Texas' gross state product is expected to grow by an average of 3.6 percent annually in fiscal 2014 and 2015, slightly exceeding the nation's expected growth rate of 2.8 percent annually.



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It should be noted that oil (and natural gas) exploration and production figured prominently in the state's economic and fiscal fortunes these past few years. Oil prices have remained firm from late 2009 to the present; the number of drilling rigs operating is near an all-time high; and the Eagle Ford Shale and new Permian Basin plays continue development with accompanying increases in production. Fiscally, this level of activity contributed substantially to the \$2.51 billion transfer to the Economic Stabilization Fund (ESF) I made late last month. Further, following voter approval last month, I have transferred \$2.00 billion from the ESF to the State Water Infrastructure Fund for Texas. In fiscal 2015, I expect to make an additional \$1.38 billion transfer to the ESF from oil and natural gas severance tax revenue, as well as a \$1.38 billion transfer to the State Highway Fund assuming voter approval in November 2014 of such distributions. I am projecting the ESF will end the 2014-15 biennium, assuming no further appropriations, with a balance of \$8.07 billion.

The Texas economy has recovered and is sustainably expanding; however, events throughout the world are, as is always the case, of great concern. A broad Eurozone recession, something I have brought to your attention previously, did in fact unfold. While recovery appears to have sluggishly begun, growth in Europe is quite weak. China is recovering from an economic slowdown, but is not back to the level of economic performance seen prior to 2008. And the continuing political gridlock in Washington is still, generating an unwanted economic headwind, a negative effect not only on the purchasing decisions of households, but of businesses as well. The most likely scenario for our state during the 2014-15 biennium continues to be one of slow, steady expansion.

I shall continue to monitor the Texas economy and revenues closely, and I shall keep you informed of any significant events as they arise.

Sincerely,

Susan Combs

Enclosure

cc: Ursula Parks, Director, Legislative Budget Board



The 2014-15 Certification Revenue Estimate

The State of Texas will have an estimated \$98,885 million available for general purpose spending in the 2014-15 biennium, 8.9 percent more than the corresponding amount of funds available for 2012-13. This figure represents the sum of the 2012-13 ending balance, 2014-15 tax revenue, and 2014-15 non-tax revenue, less estimated transfers to the Economic Stabilization Fund (ESF) and State Highway Fund (SHF), and adjustments to General Revenue dedicated account balances.

The state's tax system is the main source of General Revenue-related funding. Tax collections in 2014-15 will generate \$88,256 million, and non-tax revenue sources will produce an additional \$11,185 million. Factoring in the estimated \$5,505 million ending balance carried forward from 2012-13, these three sources will total \$104,946 million. Against this amount, \$5,421 million must be placed in reserve for future transfers to the ESF and the State Highway Fund, and \$640 million must be deducted for various adjustments to General Revenue dedicated account balances.

Taking all state revenue sources into account, the state is expected to collect \$208,153 million in revenue for all state funds in 2014-15.

Texas Economic Outlook

The Comptroller's state economic forecast projects continued growth for the Texas economy—despite national Gross Domestic Product (GDP) and employment growth rates that are weaker than those of other recent economic recoveries, and the possibility of further economic disruptions resulting from international economic instability and/or national political gridlock.

The recent recession began later in Texas, was much less severe, and ended sooner than in the overall U.S. economy. In fiscal 2009, Texas' nonfarm employment declined by 1.7 percent and real (inflation-adjusted) Gross State Product (GSP) contracted by 1.4 percent. In contrast, U.S. nonfarm employment declined by 3.5 percent and U.S. GDP fell by 3.4 percent. Pre-recession Texas employment peaked in August 2008 at 10,635,700, and then fell by 422,100—or 4.0 percent—to its low point in December 2009. Texas nonfarm employment surpassed its pre-recession peak in September 2011, and since the pre-recession peak has added an additional 597,000 jobs. As of October 2013, Texas nonfarm employment was 11,232,700. For the nation, pre-recession employment peaked in January 2008 at 138,056,000, and declined by 8,736,000—6.3 percent—to its trough in February 2010. In contrast to Texas, the national economy has yet to regain all of the jobs lost during the recession, and as of October 2013 national employment was 1,502,000 below the pre-recession peak.

The Comptroller forecasts Texas nonfarm employment growth of 2.2 percent in fiscal 2014 and 2.1 percent in 2015. The growth rate for Texas real GSP is expected to be 3.7 percent in fiscal 2014, followed by 3.4 percent growth in 2015. (See Table 4.)

Texas Continues to Outpace National Job Growth. In fiscal 2013, the Texas economy

continued its four-year post-recession expansion, adding 315,300¹ nonfarm jobs, an increase of 2.9 percent from 2012. Private sector employment grew by 3.4 percent, while government employment (federal, state, and local) grew by 0.6 percent. In addition to adding more jobs than any state last year, Texas had the lowest unemployment rate among the 10 most populous states as of August 2013. The comparatively vibrant economic conditions during a slow national recovery has resulted in an influx of new residents into Texas, adding 215,000 net new residents (inbound arrivals less outbound residents) during the year, and has motivated previously discouraged job seekers to rejoin the labor force to search for work. Even with the growing labor force, the Texas economy produced enough jobs to allow the unemployment rate to fall from an average of 7.1 percent in fiscal 2012 to 6.5 percent in 2013. The Texas unemployment rate has remained below the national rate since January 2007 and is expected to continue to do so. In fiscal 2014 the Texas unemployment rate is projected to fall to an average of 6.1 percent, and to 6.0 percent in 2015.

Personal income in Texas grew steadily through the 2012-13 biennium, but at a tepid pace compared to previous recoveries. In fiscal 2013 personal income grew by 4.9 percent, and is projected to grow by 4.0 percent in 2014 and by 4.2 percent in 2015.

Texas' population is expected to increase by about 896,000 over the 2014-15 biennium, an average annual growth rate of about 1.7 percent, to reach an average of 27.3 million in fiscal 2015. Half of the biennial population growth is expected to come from net new residents, and the other half from natural increase (resident births minus resident deaths).

Texas Industry Performance. All of the eleven major industries² of the Texas economy had net employment growth during fiscal 2013. Goods-producing industries (manufacturing, mining/logging, and construction) expanded by 3.7 percent, significantly faster than the 2.8 percent growth rate of service-providing industries. Growth in the goods-producing industries was led by construction (up 35,400 jobs) and mining and logging (18,200), while service-providing job growth was led by professional and business services (59,000). Trade, transportation and utilities (56,700), leisure and hospitality (53,900), and education and health services (43,700) also had large increases. The industry that saw the largest percentage gain in employment was mining and logging (6.9 percent), while government had the smallest (0.6 percent).

Manufacturing. The Texas manufacturing industry lost a substantial number of jobs during the recession, but rebounded with gains of 18,300 in 2011 and 29,500 in 2012, and with smaller gains in fiscal 2013. The modest growth in 2013 (up 9,300 jobs) masked

¹ Unless otherwise stated, fiscal year Texas employment figures in this report are based on the average of Texas Workforce Commission monthly employment estimates (for fiscal years 2013 and earlier) or an average of the Comptroller's quarterly employment projections (fiscal 2014-15).

² These industries are defined as "supersectors" by the U.S. Bureau of Labor Statistics, but referred to as major industries in this report. They include Mining/Logging, Construction, Manufacturing, Trade/Transportation/Utilities, Information, Financial Activities, Professional and Business Services, Education and Health Services, Leisure and Hospitality, Other Services, and Government.

larger changes within manufacturing's durable and nondurable goods sectors. Durable goods employment was up 13,200, led by gains in fabricated metal products (5,700) and machinery (4,400). Transportation equipment also increased significantly (1,600). Overall, durable goods employment grew by 2.3 percent. Nondurable goods manufacturing, on the other hand, saw an employment decrease of 3,900 (1.3 percent), with food manufacturing showing the largest decline (3,200). The largest percentage decline was in paper products, at 4.6 percent. The only nondurable goods sectors to see employment growth in fiscal 2013 were chemicals (up 1.9 percent) and petroleum and coal products (0.6 percent).

According to the U.S. Census Bureau, the value of Texas exports in fiscal 2013 was a record \$272 billion, a 4.0 percent increase from 2012. Texas is the nation's leading exporting state, a position held since 2002. Those exports are a major boost to Texas manufacturing, notably for companies producing chemicals, computers and electronics, petroleum products, industrial machinery, and transportation equipment.

The state's manufacturing employment averaged 867,400 in fiscal 2013, up from 858,200 in 2012. Employment is expected to continue growing in the 2014-15 biennium, by an average of 1.7 percent per year, to reach 897,600 in fiscal 2015.

Mining and Logging. Texas is home to many of the nation's oil and natural gas companies, and the mining and logging industry (predominately oil and natural gas related activity) has been an important factor in Texas' post-recession economic performance.

During the recent economic recession, mining and logging employment declined by 20 percent to reach a low point of 191,700 in October 2009. Since then, industry jobs have increased by more than 50 percent to reach 288,900 in August 2013, the highest level ever. The 35-year slide in Texas oil production ended in 2008, and production has since surged, supported by firm market prices for oil and the broad implementation of improved exploration and drilling technologies. The number of operating drilling rigs in Texas has remained well above 800 for over two years. And because of the higher production and prices, state revenue from the oil and natural gas production taxes reached nearly \$4.5 billion in fiscal 2013.

As in fiscal 2011 and 2012, mining and logging had the highest rate of job growth among the major industries in fiscal 2013, at 6.9 percent, adding 18,200 jobs. The state's two fastest growing metropolitan areas in fiscal 2013 were Odessa and Midland, both with economies dominated by the energy industry. Odessa's employment increased by 5.2 percent and Midland's by 4.6 percent from August 2012 to August 2013, considerably faster than the state's total nonfarm job growth of 2.5 percent over that period.

After strong mining and logging job growth for three consecutive years, growth is projected to flatten over the 2014-15 biennium. Employment is expected to grow at an average annual rate of 0.6 percent over the biennium, and average 286,500 in fiscal 2015.

Construction. The Texas construction industry lost over 17 percent of its workers from April 2008 to April 2011, with rapid declines during the early and middle months of the economic recession followed by approximately two more years with little job growth or mild losses. Employment began to recover in fiscal 2012, increasing by 15,300. In 2013 construction gained another 35,400 jobs (up 6.1 percent) to average 613,400.

Housing activity has also increased substantially. Total single-family building permits issued in the year ending August 2013 were up 19 percent from the year ending August 2012, while multi-family permits were up 7 percent. According to Multiple Listing Service data from the Texas A&M Real Estate Center, the median sale price for an existing Texas single-family home rose 11 percent over the last year, from \$160,600 in August 2012 to \$177,500 in August 2013. In August 2013 the inventory of existing homes for sale declined to only 4.1 months, a substantial improvement from the recent high of 8.2 months in mid-2011.

Nonresidential construction activity also is improving. McGraw-Hill Construction reports that the total nonresidential building area (offices, fabrication facilities, and warehouses) constructed in Texas in fiscal 2013 increased by more than 28 percent over the square footage built in 2012, while the value of that construction rose by 16 percent. In addition, the value of Texas non-building construction (e.g., highways, power/heat/cooling facilities, water/sewer systems, and bridges) increased by 13 percent over that period.

Construction employment is expected to increase over the 2014-15 biennium at an average annual rate of 4.6 percent, to reach an average of 671,500 in fiscal 2015.

Service-Providing Industries. Texas' service-providing industries, accounting for over 84 percent of the state's total nonfarm employment, had job growth of 2.8 percent in fiscal 2013, following annual increases of 2.1 and 2.2 percent in 2011 and 2012, respectively. Service-providing industries accounted for 80 percent of the nonfarm jobs added in 2013, and all eight service-providing industries saw job increases.

Professional and Business Services. The professional and business services industry was the service-providing industry with both the largest absolute and largest percentage gains in employment, increasing by 59,000 jobs or 4.2 percent in fiscal 2013. The industry, with 13 percent of the state's nonfarm employment, accounted for almost 19 percent of the job growth in 2013. Employment in the professional, scientific, and technical services sector increased at a rate of 3.4 percent, adding 21,000 jobs. The management, administrative, support, waste management, and remediation services sector grew at a rate of 4.9 percent, to add 37,900 jobs. That sector includes temporary help agencies, and many of its jobs are temporary and/or part-time positions. Total professional and business services employment averaged 1,449,700 in fiscal 2013. Industry employment is projected to increase at an average annual rate of 3.9 percent over the 2014-15 biennium, to average 1,563,400 in fiscal 2015.

Education and Health Services. Texas employment in the education and health services industry, composed of the private education, health care, social assistance, and

child day care services sectors, averaged 1,493,900 in fiscal 2013, a gain of 43,700 jobs or 3.0 percent from 2012. The relatively small private education services sector added 2,900 jobs (1.8 percent), while the much larger health care and social assistance sector grew at a 3.2 percent rate and added 40,700 jobs. Industry employment is expected to grow at an average annual rate of 2.4 percent over the 2014-15 biennium, to average 1,565,000 in 2015, with education projected to decline slightly and health services growing by 2.8 percent annually.

Financial Activities. The financial activities industry is composed of the finance and insurance sector and the real estate and rental and leasing sector. Finance and insurance is the larger sector, employing 487,400 in fiscal 2013, a 2.2 percent increase from 2012. Real estate and rental and leasing increased employment at a 2.1 percent rate to reach 181,900 in 2013. Overall, financial activities employment grew by 2.2 percent in 2013, adding 14,100 jobs. Employment is projected to increase by 2.5 percent annually in the 2014-15 biennium, and average 703,500 in fiscal 2015.

Trade, Transportation, and Utilities. The trade, transportation and utilities industry, the state's largest industry employer with 20 percent of total nonfarm jobs in fiscal 2013, added 56,700 jobs (up 2.6 percent) during the year. Employment in the retail trade, wholesale trade, and transportation and warehousing sectors increased from 2012 levels, while utilities employment decreased slightly. Overall, industry employment averaged 2,216,100 in 2013 and is projected to grow at an average annual rate of 1.9 percent over the 2014-15 biennium to reach an average of 2,302,800 in fiscal 2015.

Information. The information industry is a collection of diverse sectors, representing established sectors of the economy (newspaper publishing, data processing, television broadcasting, and wired telephone services) as well as some newer sectors (cellular telephone providers, Internet and DSL providers, and software). Following an employment peak in 2000, industry employment decreased in every fiscal year until 2012, when it increased by 0.6 percent (up 1,200 jobs). Employment increased again in fiscal 2013, adding an additional 1,300 positions, to average 197,900, a growth rate of 0.7 percent. Growth over the 2014-15 biennium is projected to be weak, averaging 0.5 percent per year, and employment is expected to average 200,100 in fiscal 2015.

Leisure and Hospitality. The leisure and hospitality industry experienced strong employment growth in fiscal 2013, adding 53,900 jobs (up 5.0 percent) and accounting for more than 17 percent of total nonfarm employment gains. Industry employment in 2013 averaged 1,125,800, more than 10 percent of total nonfarm employment. Industry employment is expected to grow at an average annual rate of 2.5 percent over the 2014-15 biennium, and average 1,182,900 in fiscal 2015.

Other Services. The "other services" industry is a varied mix of business activities encompassing repair and maintenance services; laundry services; religious, political, and civic organizations; funeral services; parking garages; beauty salons; and a wide range of personal services. Overall, industry employment increased by 12,200 (up 3.2 percent) to average 389,200 in fiscal 2013. Employment is projected to increase at an average annual

rate of 1.9 percent over the 2014-15 biennium, to average 403,900 in fiscal 2015.

Government. Following jobs losses in fiscal 2011 and 2012, aggregate (i.e., federal, state, and local) government employment expanded by 0.6 percent in fiscal 2013. Employment in state government increased by 2,900 (up 0.8 percent) and local government employment increased by 11,400 (0.9 percent), while federal government employment fell by 2,800 (1.4 percent). Total government employment in Texas increased by 11,500 in 2013, to average 1,803,200. Employment is projected to increase at an average annual rate of 0.2 percent over the 2014-15 biennium, to average 1,811,800 in fiscal 2015.

Forecast Concerns. While the economic situation in the major European countries is better than it was a year ago (and much better than it was two years ago), the near-term outlook is still uncertain, and the fundamental structural weaknesses and deficiencies of the Eurozone have not been addressed. According to Eurostat, the statistical office of the European Union, real GDP growth for the Eurozone in the second quarter of 2013 was 0.3 percent, the first positive quarterly change since the third quarter of 2011.

However, Eurozone growth slowed to just 0.1 percent in the third quarter of 2013 and BBC news described the recovery as extremely tentative. Unemployment remains very high at 12.1 percent in October 2013 for the entire Eurozone, and rates in the struggling economies of Spain and Greece are significantly higher, 26.7 percent and 27.3 percent, respectively. The economic headwind for the U.S. brought about by an economically sluggish Eurozone, and present for several years now, has not abated. In addition, while China is recovering from an economic slowdown, it is not back to the economic performance levels seen prior to 2008.

In the Middle East, the escalation and expansion of the Syrian civil war to neighboring countries may be a possibility, and the political and economic impact of nuclear development in Iran and political/social unrest elsewhere are ongoing concerns. Such events, if associated with a significant curtailing of oil exports from that region, could propel the price of oil to uncomfortable—perhaps unsustainable—levels for U.S. and Texas consumers and businesses.

The seemingly intractable political disagreements with regard to how the federal government will address fiscal policy issues, as well as regulatory policies for business and the implementation of the Affordable Care Act—conditions which tend to make businesses and households cautious with their investment and spending decisions—are ongoing. Although another government shutdown, or delay or default in the payment of U.S. government obligations, are not likely outcomes, the potential for such outcomes cannot be dismissed. Recent history would indicate all federal fiscal policy uncertainties will not be resolved quickly and will continue to be debated through the 2014-15 biennium.

Within Texas, the economic toll of the ongoing drought may grow as competition for water resources among agricultural, energy exploration, and urban interests intensifies.

On the positive side, pent-up demand is still boosting automobile and housing sales. U.S. households have reduced their debt levels and are showing renewed, albeit moderate, optimism about the economy. The energy industry has burgeoned, most notably in Texas, leading to jobs both upstream and downstream. Overall, job growth in the U.S. remains positive despite the concerns noted above. Inflation remains a non-issue and national economic forecasters believe that the Federal Reserve Bank will seek to keep interest rates low at least through fiscal 2014.

The 2012-13 Ending Balance

The ending certification balance for 2012-13 was \$5,505 million after setting aside a required \$2,515 million transfer to the Economic Stabilization Fund related to 2013 tax collections and transferred in fiscal 2014.

The Economic Stabilization Fund (ESF)

As required by the Texas Constitution, a total of \$2,515 million was set aside from fiscal 2013 receipts and was transferred to the ESF in November 2013. This transfer, which represented a portion of the receipts from the oil and natural gas production taxes, was not included in the General Revenue-related funds available for 2014-15 biennial appropriations. The ESF reserve for transfers totaled \$4,394 million for the 2012-13 biennium.

It should be noted that the result of the November 2013 constitutional amendment election in which voters approved certain water funding issues is reflected in the ESF's estimated August 31, 2015 balance due to the \$2,000 million transfer from the ESF to the State Water Implementation Fund for Texas in November 2013.

Additionally, this estimate assumes the November 2014 constitutional amendment election regarding transportation funding and the ESF will be approved by voters. As such, the fiscal 2015 transfer of oil and natural gas revenue into the ESF is expected to be \$1,383 million. The remaining \$1,383 million of the total of \$2,767 million available for transfer is expected to be deposited into the State Highway Fund.

With respect to the 2014-15 revenues, the portion of oil and natural gas production tax collections reserved for transfers to the ESF and the State Highway Fund (SHF) should total \$5,421 million over the biennium. Again, as required by the Texas Constitution, these estimated transfers to the ESF and SHF have been deducted from available revenues and balances.

At the end of the 2014-15 biennium on August 31, 2015—before the Fall 2015 required transfer of fiscal 2015 revenues—the ESF balance should total \$8,070 million.

Tax Revenue

The state's tax system is the main source of General Revenue-related funding. Tax collections are expected to yield \$88,256 million during the 2014-15 biennium, contributing 89 percent of total net revenues. Compared with the \$81,029 million collected in the 2012-13 biennium, total General Revenue-related tax collections in 2014-15 are expected to increase by 8.9 percent.

Since 1988, state sales tax revenues have accounted for more than half of all state General Revenue-related tax collections. In the 2014-15 biennium, sales tax collections are expected to be \$54,393 million, a 62 percent share of the tax collection total. The motor vehicle sales and rental taxes, at \$8,147 million, and the franchise tax, at \$5,697 million, are the next largest sources of General Revenue in 2014-15. Note that additional revenues from the latter two taxes are dedicated to the Property Tax Relief Fund.

SB1, 82nd Legislature, 1st Called Session (2011), included provisions requiring taxpayers in August 2013 (the last month of fiscal 2013) to pay a portion of the sales, alcoholic beverage, and motor fuel taxes that ordinarily would have been paid in September 2013 (the first month of fiscal 2014). In addition, motor fuel tax allocations from the General Revenue Fund to the State Highway Fund that ordinarily would have been made in July and August of 2013 would be made in September 2014. These provisions were repealed (SB 559, 83rd Legislature, Regular Session, 2013) prior to implementation, and, consequently, never took effect.

Sales and Use Taxes. In fiscal 2013, General Revenue-related sales and use tax collections totaled \$25,842 million, a 7.2 percent increase from 2012 receipts of \$24,100 million. Growth moderated from the 12.6 percent gain in 2012 due largely to a leveling off in receipts from the oil and natural gas production sector, as well as subdued growth in retail sales. While oil and natural gas mining activity remains vigorous, sales tax receipts from the mining sector—after growing by 72.2 percent in fiscal 2011 and by another 58.0 percent in 2012—remained essentially flat in 2013, growing by only 0.2 percent.

Growth in sales tax revenues was led instead by activity in the manufacturing and construction sectors. Fiscal 2013 receipts from manufacturing rose by 14.3 percent over 2012, and from construction by 12.5 percent. Sales tax collections from the retail trade sector rose 3.7 percent in fiscal 2013, and accounted for 35 percent of total sales tax collections. Receipts from information (telecommunications) services grew 10.1 percent, and for restaurants growth was 6.3 percent.

Sales tax revenue growth is expected to further moderate in the 2014-15 biennium. The elevated level of oil and natural gas-related sales tax receipts, propelled by the development of the Eagle Ford Shale and drilling in the Permian Basin, is expected to continue but not to grow. Growth will be led by continued gains in housing construction activity. Only subdued growth in sales tax receipts from retail trade is expected in view of

low inflation levels and employment growth of only slightly more than 2 percent annually.

Additionally, net sales tax collections will be reduced by a new exemption for items used in research and development (HB 800, 83rd Legislature, Regular Session, 2013) and by sales tax refunds for items used in the provision of cable and telecommunications services (HB 1133, 83rd Legislature, Regular Session, 2013).

Sales taxes are expected to generate \$54,393 million in General Revenue-related revenue in the 2014-15 biennium. Compared to \$49,942 million in sales tax collections in the 2012-13 biennium, this will represent an 8.9 percent increase in available biennial sales tax revenues.

Franchise Tax. Franchise tax collections in fiscal 2013 for all funds were \$4,799 million, a gain of 5.1 percent from fiscal 2012, the third consecutive annual increase, and the largest amount collected for the franchise tax during any fiscal year. For the 2012-13 biennium, tax collections were \$9,363 million, 20.2 percent above 2010-11 collections of \$7,789 million. The economic recovery that began in the summer of 2009, and has continued since, was the principal reason for the strong performance of the tax during 2012-13.

In the 2014-15 biennium, franchise tax revenue is expected to decline by 0.7 percent from 2012-13, to \$9,295 million. There are two reasons for this small decline. First, the rapid expansions of the tax base (margin) which occurred during the early years of the economic recovery are mostly behind us. Businesses are likely to experience cost pressures from tightening labor markets, the need for new investment, and continued domestic and international competition. Second, actions by the 83rd Texas Legislature will provide tax relief to businesses subject to this tax. Those actions included, among others, a temporary reduction in the tax rate applicable to fiscal 2014 reports; an additional rate reduction in 2015 (see explanatory note to Table 2); and a franchise tax credit for research activities conducted in Texas. Provisions were also enacted that give taxpayers in certain lines of business tax relief through a lower tax rate or more generous deductions for calculating tax liability.

Franchise tax revenue is split between the General Revenue Fund (GR) and the Property Tax Relief Fund (PTRF) according to a procedure specified by the Legislature at the time the tax revision was enacted in 2006. The procedure allocates to GR the amount of revenue equal to what the tax would have brought in if the tax revisions of 2006 had not occurred as estimated by the Comptroller. Any amount in excess of the GR estimate is credited to the PTRF. That procedure was modified by the 83rd Legislature in HB 800, which established research and development incentives in the sales and franchise taxes. HB 800 required that all revenue loss from the bill's provisions be charged to GR including the revenue loss associated with the franchise tax credit created by the bill. Under that modified procedure, the estimated amount for the 2014-15 biennium to be credited to GR is \$5,697 million, and the amount to be credited to the PTRF is \$3,599 million.

Motor Vehicle Sales and Rental Taxes. The Texas motor vehicle sales and use tax (including seller-financed sales) applies to the retail sales of new and used motor vehicles at a rate of 6.25 percent of the sale's total consideration. Also included in this group of related taxes are the motor vehicle rental tax (10 percent of gross receipts on rentals of 30 days or less, or 6.25 percent of gross receipts on rentals of 31 to 180 days), and the manufactured housing sales and use tax (5 percent of 65 percent of the sales price of a new manufactured home).

Motor vehicle sales in fiscal 2013 continued to increase after making a dramatic post-recession comeback during 2011 and 2012 following a dramatic plunge in 2009 as the recession began to fully affect Texas. Fueled by pent-up consumer and business demand, manufacturer and dealer incentives, and continuing improvement in the Texas job market, motor vehicle sales tax collections were up 9.0 percent in fiscal 2013.

The number and value of new and used motor vehicle sales are expected to continue growing through fiscal 2015. General Revenue-related collections from the motor vehicle sales tax were \$3,594 million in 2013, and are expected to be \$3,787 million in 2014 and \$3,836 million in 2015. For the 2014-15 biennium collections are expected to reach \$7,623 million, an increase of 10.6 percent from 2012-13. This follows the dramatic post-recession rebound in 2012-13 of 33.0 percent over 2010-11.

Motor vehicle rental tax collections, the other major element in this tax category, were \$236 million in fiscal 2013, up by 7.1 percent from 2012. For the 2014-15 biennium, rental taxes are expected to generate \$498 million, an 9.2 percent increase from 2012-13 collections of \$456 million.

General Revenue-related collections from this entire group of motor vehicle-related taxes reached \$7,373 million in the 2012-13 biennium, an increase of 32.3 percent from 2010-11. For the 2014-15 biennium, tax collections are expected to reach \$8,147 million, an increase of 10.5 percent from 2012-13.

Oil & Natural Gas Taxes. The taxes in this group consist of the oil production tax, levied at 4.6 percent of value; the natural gas production tax, levied at 7.5 percent of value; and the oil regulation tax, levied at 3/16th of one cent per barrel of oil produced in the state.

Texas oil production peaked almost 40 years ago in 1972, when calendar year production reached 1,263 million barrels. After a decades-long decline in production volumes and reaching a low of 343 million barrels in calendar 2007, the trend reversed its course and increased to 595 million barrels by 2012, largely due to the development of the Eagle Ford Shale in South Texas.

In January 2002, the average oil price³ was \$17.54 per barrel. From there oil prices steadily moved on a long-term upward path, which ended when they dramatically, and briefly, spiked in June 2008 at an all-time monthly high of \$131.34. From that point prices began a precipitous decline to \$32.64 by February 2009, during the recession. Prices recovered and began a steady climb to average \$93.20 in fiscal 2013, 5.8 percent below the fiscal year record of \$98.95 per barrel set in 2008.

Due to rising production and firm market prices, fiscal 2013 oil production and regulation tax revenue increased to \$2,991 million, an all-time record, surpassing 2012 collections of \$2,103 million by 42.2 percent. Although the U.S. economy's growth remains tepid, the demand for oil in the Eurozone countries, India, and particularly China has weakened, and domestically-produced oil supplies continue to rise, oil prices on world markets are expected to be stable in 2014, then to gradually decline through 2015.

The average oil price in fiscal 2014 is expected to be \$93.98 per barrel, then decline to \$86.71 in 2015. With Texas oil production increasing, and prices relatively stable in the near term, oil production and regulation taxes are expected to generate \$6,500 million in the 2014-15 biennium, compared to collections of \$5,094 million in 2012-13, a 27.6 percent increase.

Natural gas prices were very low throughout the 1980's and 1990's, near \$2 per Mcf⁴. Following the trend in crude oil, natural gas prices began to rise during the second half of fiscal 2000, to average \$2.63 for the year. In July 2008 the monthly average price reached its highest level ever, at \$11.63, then fell by three-fourths later in that year.

Natural gas prices fell as the U.S and world economies cooled, with a fiscal 2009 average of \$5.11, and a 2010 average of \$3.91. Despite the slowing economy, production remained strong, and storage levels soared. Natural gas in storage reached more than 3.8 trillion cubic feet (Tcf) in fiscal years 2010 through 2013. Demand growth is primarily in the power generation and manufacturing areas; production and storage levels are remaining stable. In fiscal 2014 natural gas prices are expected to average \$3.30, rising to \$3.42 in 2015.

With the development of the Barnett Shale in North Texas, the state's natural gas production has been on an upward path since 2006, exceeding more than seven Tcf each year from 2008 forward. Improvements in drilling technology have been an important factor in the production growth. The number of operating natural gas drilling rigs in Texas swung from a high of 756 in September 2008 to a low of 243 in July 2009, and after a small rebound fell again to 113 in October 2013, as high oil prices keep the drilling focus on liquid-rich plays. The number of operating oil drilling rigs is over 700.

³ In this section, the prices for oil and natural gas refer to the **taxable** price for those products subject to the Texas taxes on production in this state.

⁴ All natural gas prices in this section are per Mcf, or thousands of cubic feet.

General Revenue-related natural gas production tax collections in the 2012-13 biennium were \$3,030 million. While drilling activity has temporarily cooled in the Barnett Shale in response to weak natural gas prices, current interest in more liquid-rich plays such as the Eagle Ford has accelerated. As a result, tax collections are expected to reach \$2,994 million in the 2014-15 biennium, a decrease of 1.2 percent from 2012-13.

Insurance Taxes. Most of the insurance purchased in Texas is subject to two types of taxes: insurance premium taxes and insurance maintenance taxes. While the tax base for each is generally the amount of gross premiums written, the rates vary depending upon the type of insurance.

Insurance maintenance taxes are used to fund regulatory costs, with the tax rates adjusted annually based on each regulatory agency's appropriation and unexpended balance from the previous year. Insurance premium tax collections are deposited into the General Revenue Fund and are available for general purpose spending. The rate for life, accident, and health insurance is 1.75 percent; the rate for property and casualty insurance is 1.6 percent; the rate for title insurance is 1.35 percent; and the rate for unauthorized, surplus lines and independently procured insurance is 4.85 percent.

Beginning in fiscal 2009, premium tax revenues have been reduced by two temporary factors: Texas Windstorm Insurance Association (TWIA) assessment credits and Certified Capital Company (CAPCO) premium tax credits. Following Hurricanes Dolly in July 2008 and Ike in September 2008, TWIA imposed assessments of \$229 million on insurers. A maximum of 20 percent (\$46 million) of these assessments were available as premium tax credits in any fiscal year. As of fiscal 2013, \$223 million in assessment credits have been redeemed, leaving \$6 million available. An estimated \$3 million of these credits will be used in fiscal 2014 and a further \$3 million in fiscal 2015, exhausting the pool of available credits. CAPCO investment premium tax credits, pursuant to legislation passed in 2001 and 2003, were also first available to take in fiscal 2009. These credits, available at a rate of \$50 million per year, will run through fiscal 2017.

Tax revenue from all insurance taxes for all funds totaled \$2,707 million in the 2008-09 biennium and \$2,674 million in 2010-11, a decrease of 1.2 percent. However, insurance tax revenue jumped 21.9 percent in 2012-13 to \$3,260 million, in part due to the transition of the Texas Medicaid program from fee-for-service coverage (not taxable) to managed care (Medicaid managed care premiums are subject to the insurance premium tax).

Fiscal 2014 tax collections are projected to decline slightly, due to timing issues in the collection of premium taxes, but fiscal 2015 revenue is expected to increase to \$1,742 million. Total 2014-15 biennium collections are estimated to be \$3,466 million, a 6.3 percent increase over 2012-13.

Motor Fuel Taxes. This group includes gasoline and diesel fuel, each taxed at the rate of 20 cents per gallon; and propane, liquefied natural gas, and compressed natural gas, all

taxed at the rate of 15 cents per equivalent gallon. In fiscal 2013, collections from motor fuel taxes for all funds grew by 1.6 percent over 2012, with revenue from the gasoline tax up by 1.3 percent and from the diesel tax up by 2.7 percent.

Collections from motor fuel taxes for all funds in the 2012-13 biennium were \$6,391 million, and in the 2014-15 biennium collections are expected to grow by 1.7 percent to reach \$6,498 million. After deducting for transfers to State Highway Fund, General Revenue-related collections from motor fuel taxes for the 2014-15 biennium are expected to rise by 1.7 percent from 2012-13, from \$1,714 million to \$1,744 million.

Cigarette, Cigar, and Tobacco Products Taxes. On January 1, 2007, pursuant to HB 5, 79th Legislature, 3rd Called Session (2006), the cigarette tax rate increased by one dollar to a total of \$1.41 per pack of 20 cigarettes. The additional revenue attributable to that rate increase was dedicated to the Property Tax Relief Fund (PTRF), while the revenue from the cigarette tax at the former rate (\$0.41 per pack) remains dedicated to the General Revenue Fund (GR).

Cigarette distributors receive a discount on their cigarette tax stamps for affixing the stamps to the product. The 82nd Legislature (SB 1, 1st Called Session) lowered this stamp discount from 3 percent to 2.5 percent; however in the 83rd Legislature (HB 3536, Regular Session) the discount was returned to 3 percent for distributors who remit a newly created non-settling manufacturer fee. Price increases, ongoing health concerns, the increasing number of restrictions on public smoking, and growth in the use of substitutes such as electronic cigarettes and smokeless tobacco have exerted a significant downward force on cigarette consumption.

Effective in fiscal 2010, the tax on tobacco products other than cigarettes and cigars (snuff; and chewing, pipe and roll-your-own tobacco) was converted from an ad valorem rate (40 percent of the manufacturer's list price) to a rate based on a product's list weight (HB 2154, 81st Legislature, Regular Session). The tax rate in 2010 was set at \$1.10 per ounce, and the rate increased by 3 cents per ounce every September to the current and final rate of \$1.22 per ounce. Of the additional revenue attributable to the weight-based taxation method, 50 percent is dedicated to the Physician Education Loan Repayment Program Account (in GR) and the remaining revenue is available for general purpose spending.

In the 2014-15 biennium, collections for all funds from the cigarette and cigar and tobacco products taxes are expected to total \$2,906 million, 4.0 percent below collections of \$3,026 million in 2012-13. From 2014-15 revenue, \$1,178 million will be available for General Revenue-related spending, while \$1,658 million will be dedicated to the PTRF and \$70 million will be dedicated to the Physician Education account.

Alcoholic Beverage Taxes. Texas imposes several taxes on alcoholic beverages. The taxes on beer, liquor, wine, malt liquor (ale), and airline/passenger train beverages are based on the volume or quantity sold, while the taxes on mixed beverages are value-based. The 83rd Legislature (HB 3572, Regular Session) reduced the rate for the mixed

beverage gross receipts tax (imposed on the beverage seller) from 14 percent to 6.7 percent, and, further, imposed on the beverage purchaser a mixed beverage sales tax at a rate of 8.25 percent, the combination of which, after allowing for any changes in consumer behavior, is intended to be revenue-neutral for state and local governments.

The 14 percent mixed beverage tax, in recent years, accounted for over three-quarters of alcoholic beverage tax revenue; the combined mixed beverage taxes are expected to continue this trend. Collections from the combined mixed beverage taxes are expected to reach \$1,640 million in the 2014-15 biennium, 9.4 percent above 2012-13 mixed beverage gross receipts tax collections.

Combined alcoholic beverage tax collections, all of which are deposited to General Revenue, are expected to be \$2,057 million in the 2014-15 biennium, up 7.9 percent from collections of \$1,907 million in 2012-13.

Utility Taxes. In addition to other taxes, investor-owned utilities pay several state utility taxes on their gross receipts, the collections from which are deposited to the General Revenue Fund. The gas, electric, and water utility tax is the largest, comprising roughly 83 percent of all utility tax revenue in the 2012-13 biennium. Collections from this tax were \$739 million in 2012-13, a 7.2 percent decline from the \$796 million collected in 2010-11. In the 2014-15 biennium, collections are expected to decline by 5.5 percent to \$699 million, due to the net impact of small increases in electricity generation and nominal declines in retail electricity prices.

Public utility gross receipts assessments are paid by electric and telecommunications utilities. In the 2012-13 biennium, revenue collections were \$109 million, down slightly from 2010-11. Revenues for the 2014-15 biennium are expected to be \$109 million, unchanged from the previous biennium. Gas pipeline tax revenues, levied on the receipts of natural gas utilities, totaled \$37 million in the 2012-13 biennium and are expected to be \$40 million in the 2014-15 biennium, an increase of 6.1 percent.

Overall, utility tax revenues in the 2014-15 biennium are expected to be \$847 million, a decline of 4.4 percent from 2012-13 collections of \$886 million.

Hotel Occupancy Tax. The hotel occupancy tax is imposed on a person who pays for a room or space in a hotel costing \$15 or more each day. The rate is set at 6 percent of the total cost of a room. The tax covers hotels, motels and bed and breakfasts, as well as condominiums, apartments and houses rented for less than 30 consecutive days.

Fiscal 2013 hotel occupancy tax collections of \$441 million were 9.9 percent above 2012 collections, continuing the rebound seen in the two previous years. Tax collections in the 2012-13 biennium, at \$843 million, were 24.0 percent above 2010-11, and 2014-15 collections are expected to grow by 11.2 percent to reach \$937 million.

Other Taxes. The state's remaining taxes include taxes on such disparate subjects as cement, sulphur, coin-operated machines, oil-well services, attorneys, and bingo rental

receipts. Other tax collections are expected to generate \$299 million in General Revenue-related collections in the 2014-15 biennium, down 2.9 percent from collections of \$308 million in 2012-13.

Non-Tax Revenue

In addition to the \$88,256 million in tax revenue estimated for the 2014-15 biennium, the state's General Revenue-related funds are expected to receive \$11,185 million in non-tax revenue, a 9.5 percent decrease from the \$12,356 million collected in 2012-13. The major non-tax revenue sources are licenses, fees, fines and penalties; state lottery proceeds; and proceeds from the state's investments, particularly distributions from the Permanent School Fund to the Available School Fund for public education spending.

Licenses, fees, fines and penalties. Texas collects revenue from charges levied on business and personal activities, such as for transportation (e.g., vehicle registrations and drivers licenses), business regulation (professional licenses), natural resources (environmental permits), parks and wildlife (parks fees and hunting/fishing licenses), education (university tuition), and court charges. General Revenue-related collections from these sources in the 2014-15 biennium are expected to reach \$2,646 million, an increase of 11.6 percent from 2012-13 collections of \$2,371 million.

Lottery Proceeds. Texas lottery sales in fiscal 2013 were \$4,376 million, an increase of 4.4 percent from 2012 sales of \$4,191 million. Powerball sales in Texas during 2013 increased 73 percent, surpassing the other draw games. Sales of Daily 4 tickets also increased at a double-digit rate. Instant ("scratch-off") games, which account for nearly three-fourths of all lottery sales, increased by 4.4 percent.

Sixty-three percent of total lottery sales revenue was returned to players as prizes in fiscal 2013, and \$1,033 million was transferred to the Foundation School Fund. An additional \$5.7 million went to the Texas Veterans Commission, under terms of a 2009 law authorizing a lottery game to benefit veterans. Retailers receive a 5 percent sales commission, with a bonus for tickets that are redeemed for large jackpots. The lottery's administrative costs are legally capped at 7 percent, but actual costs remained between 4 and 5 percent.

Unusually large jackpots spurred sales in fiscal 2013, but lottery sales revenues are expected to return to normal levels in 2014. The Texas lottery, in operation since 1992, is a mature operation, with gradual erosion of per capita participation balanced by the growth in the population of potential players. Large jackpots can create waves of sales, but with an expectation of average jackpots the transfers to the Foundation School Fund are projected to total \$2,075 million in the 2014-15 biennium, a decline of 2.5 percent from the \$2,129 million transferred in 2012-13.

Interest and Investment Income. General Revenue-related interest and investment income in the 2014-15 biennium is expected to decrease by 27.4 percent to \$1,665 million from \$2,293 million in 2012-13. The \$28 billion Permanent School Fund (PSF)

historically produces nearly all of the investment income accruing to General Revenue-related funds.

Two main factors will cause the lower interest income in the 2014-15 biennium. First, in November 2003, voters approved an amendment to the Texas Constitution to change the way funds are transferred from the PSF to the Available School Fund (ASF) for use in providing aid to school districts. Under the old system, only earnings from interest and dividend proceeds were transferred. With the change, a disbursement system known as “total return” was put in place. The distribution percentage rate from the PSF is adopted biennially by the State Board of Education (SBOE). In the 2012-13 biennium, the distribution rate was 4.2 percent, and for the 2014-15 biennium the SBOE has adopted a distribution rate of 3.3 percent. Second, in 2013 the ASF received a non-recurring \$300 million distribution from the General Land Office of revenue derived from school lands.

Remaining Non-Tax Revenues. In addition to the three revenue sources discussed above, the non-tax revenue category includes the settlement of claims (primarily tobacco settlement proceeds); federal payments to the state for treating indigent patients; third-party payments from private vendors in the state-federal Medicaid program; the sales of goods and services; land income; and contributions to employee benefits.

In fiscal 1999, Texas began receiving regularly scheduled court settlement payments from tobacco product manufacturers. Beginning in fiscal 2000, payments were adjusted for changes in the national consumer price index, the settling tobacco companies’ U.S. cigarette sales, and those companies’ domestic operating profits. In the 2014-15 biennium, Texas tobacco settlement receipts are expected to total \$916 million, a 4.5 percent decline from the \$959 million collected in 2012-13. Tobacco settlement payments have been affected negatively by cigarette tax increases imposed by federal, state, and local governments. The resulting higher consumer prices have accelerated the decline in cigarette consumption, reducing the sales volume of the settling cigarette manufacturers and thereby lowering settlement payments.

The Disproportionate Share (DSH), Upper Payment Limit (UC), and Delivery System Reform Incentive Pool (DSRIP) programs are designed to help pay for indigent care at state and local hospitals. These programs have been used to draw down federal funds to help pay for the health care of individuals who have no third party coverage. In the aggregate, funding from DSH, UC, and DSRIP is expected to be \$333 million in the 2014-15 biennium, an 18.9 percent decrease from the \$410 million received in 2012-13. The General Revenue portion of federally-mandated and state-supplemental Medicaid vendor drug rebates is expected to increase by 5.6 percent in the 2014-15 biennium, to a total of \$1,192 million, compared to the \$1,129 million received in 2012-13.

Revenue to All Funds

Revenue collections from all funds are expected to total \$208,153 million in the 2014-15 biennium, a 7.5 percent increase from the \$193,677 million collected in the 2012-13 biennium. Of this amount, General Revenue-related collections are expected to total \$99,441 million, 6.5 percent above the \$93,385 million in corresponding collections in

2012-13. Dedicated federal income in 2014-15 is estimated to account for \$73,916 million, 12.9 percent above the \$65,452 million received in 2012-13.

Most of the federal funds will be used for health and human services, highway construction and maintenance, and public education programs. A second large source of all funds revenue is the State Highway Fund's share of motor fuels tax revenue. This fund is constitutionally dedicated to activities associated with the state highway system.

Total estimated revenues do not include certain local funds that are appropriated but not deposited into the State Treasury, but they do include certain revenues that are deposited in the State Treasury but not appropriated, such as royalties deposited to the Permanent School Fund.

TABLE 1

General Revenue-Related Funds By Source

(In Millions of Dollars)

	2012-13	2014-15	Percent Change
Tax Collections			
Sales Taxes	\$ 49,942	\$ 54,393	8.9 %
Motor Vehicle Sales and Rental Taxes	7,373	8,147	10.5
Motor Fuel Taxes	1,714	1,744	1.7
Franchise Tax	5,501	5,697	3.5
Insurance Taxes	3,258	3,463	6.3
Natural Gas Production Tax	3,030	2,994	(1.2)
Cigarette and Tobacco Taxes	1,184	1,178	(0.5)
Alcoholic Beverage Taxes	1,907	2,057	7.9
Oil Production and Regulation Taxes	5,094	6,500	27.6
Inheritance Tax	(11)	0	(100.0)
Utility Taxes	886	847	(4.4)
Hotel Occupancy Tax	843	937	11.2
Other Taxes	308	299	(2.9)
Total Tax Collections	<u>\$ 81,029</u>	<u>\$ 88,256</u>	8.9 %
Non-Tax Collections			
Licenses, Fees, Fines, and Penalties	\$ 2,371	\$ 2,646	11.6 %
Interest and Investment Income	2,293	1,665	(27.4)
Lottery Proceeds	2,129	2,075	(2.5)
Sales of Goods and Services	227	235	3.5
Settlement of Claims	1,141	1,051	(7.9)
Land Income	67	28	(58.2)
Contributions to Employee Benefits	0	0	3.5
Other Revenue Sources	4,128	3,486	(15.6)
Total Non-Tax Collections	<u>\$ 12,356</u>	<u>\$ 11,185</u>	(9.5) %
Total Net Revenue	\$ 93,385	\$ 99,441	6.5 %
Balances and Adjustments			
Beginning Fund 1 Balance	\$ 921	\$ 5,345	
Beginning Funds 2 and 3 Balances	215	161	
Change in GR-Dedicated Account Balances	705	(640)	
Reserve for Transfers to Economic Stabilization and State Highway Funds	(4,394)	(5,421)	
Total Balances and Adjustments	<u>\$ (2,553)</u>	<u>\$ (556)</u>	
Total General Revenue-Related Funds Available for Certification	<u>\$ 90,832</u>	<u>\$ 98,885</u>	8.9 %

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE 2

General Revenue-Related Spending in the 2014-15 Biennium

(In Millions of Dollars)

General Appropriations Act *	\$ 94,609
Method of Finance Reclassifications and Other Adjustments, net **	555
Emergency Appropriations and Reductions, and Other Legislation Making Appropriations, net ***	<u>1,146</u>
Total	<u><u>\$ 96,310</u></u>

* Conference Committee Report for SB 1, 83rd Legislature, Regular Session.

** Includes net amounts associated with the method of finance reclassification in SB 1 and also includes the cost to General Revenue to replace losses of revenue to the Property Tax Relief Fund relating to the passage of HB 800, HB 2451, and HB 500, 83rd Legislature, Regular Session. Disbursement of costs associated with the contingency in Section 2 of HB 500 (171.0022(d)) is assumed to occur in fiscal 2015 upon certification, on or after September 1, 2014, that sufficient revenue is available.

*** Includes appropriations made in HB 10, HB 1025, and HB 3188, 83rd Legislature, Regular Session.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE 3

General Revenue-Related Balances and Available Revenues

(In Millions of Dollars)

Fiscal 2014 Balances

Beginning General Revenue Fund Cash	\$ 8,555	
Less: Dedicated Oil Overcharge Account	(81)	
Less: Dedicated Lottery Account	(249)	
Less: Texas Enterprise Account	(218)	
Less: Emerging Technology Account	(94)	
Less: Constitutionally Dedicated Victims of Crime Accounts	(33)	
Less: Texas Military Revolving Account	(0)	
Less: Federal Elections Improvement Account	(18)	
Less: Judicial and Court Personnel Training Fund Account	(3)	
Less: Reserve for Economic Stabilization Fund Transfer	(2,515)	
Beginning Balances in Funds 2 and 3	161	
Balances Available for Certification		\$ 5,505

Fiscal 2014-15 Revenues

Estimated Tax Collections	\$ 88,256	
Estimated Non-Tax Collections	11,185	
Total Estimated Net Revenues		\$ 99,441

Fiscal 2014-15 Other Adjustments

Change in Dedicated General Revenue Account Balances	\$ (640)	
Reserve for Economic Stabilization and State Highway Funds Transfers	(5,421)	
		\$ (6,061)

Total Fiscal 2014-15 Estimated Available Revenues and Balances**\$ 98,885**

Less: Fiscal 2014-15 Estimated Expenditures

(96,310)**Fiscal 2014-15 Ending Certification Balance****\$ 2,575**

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE 4

Texas Economic History and Outlook for Fiscal Years 2006 to 2015

Fall 2013 Forecast

	2006	2007	2008	2009	2010	2011	2012	2013*	2014*	2015*
TEXAS ECONOMY										
Gross State Product (Billion 2005 \$)	1,002	1,059	1,082	1,067	1,105	1,145	1,198	1,248	1,294	1,339
<i>Annual Percent Change</i>	3.6	5.7	2.2	(1.4)	3.6	3.7	4.7	4.1	3.7	3.4
Gross State Product (Billion \$)	1,033	1,123	1,208	1,150	1,197	1,300	1,382	1,466	1,544	1,623
<i>Annual Percent Change</i>	8.6	8.7	7.5	(4.7)	4.0	8.7	6.3	6.1	5.3	5.1
Personal Income (Billion \$)	808	867	953	920	945	1,018	1,065	1,117	1,161	1,210
<i>Annual Percent Change</i>	9.1	7.3	9.8	(3.4)	2.7	7.8	4.6	4.9	4.0	4.2
Nonfarm Employment (Thousands)	9,981	10,309	10,580	10,401	10,288	10,516	10,793	11,109	11,349	11,589
<i>Annual Percent Change</i>	3.3	3.3	2.6	(1.7)	(1.1)	2.2	2.6	2.9	2.2	2.1
Resident Population (Thousands)	23,327	23,772	24,250	24,737	25,190	25,585	26,006	26,442	26,887	27,338
<i>Annual Percent Change</i>	2.6	1.9	2.0	2.0	1.8	1.6	1.6	1.7	1.7	1.7
Unemployment Rate (Percent)	5.1	4.4	4.6	6.9	8.2	8.1	7.1	6.5	6.1	6.0
Taxable Oil Price (\$ per Barrel)	61.19	59.13	98.95	60.66	72.75	87.91	91.99	93.20	93.98	86.71
Taxable Natural Gas Price (\$ per Mcf)	7.54	6.17	7.47	5.11	3.91	4.07	3.77	3.39	3.30	3.42
U.S. ECONOMY										
Gross Domestic Product (Billion 2009 \$)	14,529	14,807	14,939	14,427	14,679	14,977	15,396	15,639	16,002	16,515
<i>Annual Percent Change</i>	2.8	1.9	0.9	(3.4)	1.7	2.0	2.8	1.6	2.3	3.2
Consumer Price Index (1982-84=100)	200	205	214	214	217	222	228	232	236	239
<i>Annual Percent Change</i>	3.9	2.3	4.3	0.2	1.5	2.4	2.6	1.7	1.7	1.3
U.S. Treasury 10-Year Note Yield (Percent)	4.8	4.7	3.9	3.2	3.4	3.0	1.9	2.1	2.8	3.1

* Estimated or projected

SOURCES: Susan Combs, Texas Comptroller of Public Accounts; and IHS Global, Inc.

TABLE A-1

Estimated General Revenue-Related Balances, Revenues, Disbursements, and Appropriation Authority

	Thousands of Dollars	
	2014	2015
Revenues and Beginning Fund Balances		
General Revenue-Related Adjusted Fund Balance *	\$ 5,505,450	\$ 3,675,995
General Revenue-Related Revenues **	49,232,387	50,208,198
Adjustment to Dedicated Account Balances	(646,051)	5,556
Total Revenues and Beginning Fund Balances	<u>54,091,786</u>	<u>53,889,748</u>
Probable Disbursements and Other Adjustments		
Disbursements for Foundation School Programs	16,128,848	16,629,329
State Instructional Materials Disbursements	419,335	419,335
Other Probable Disbursements	31,100,693	31,612,013
Reserve for Transfers to the Economic Stabilization and State Highway Funds	2,766,915	2,653,876
Total Probable Disbursements and Other Adjustments	<u>50,415,791</u>	<u>51,314,554</u>
Estimated Ending Certification Balance, August 31	<u>\$ 3,675,995</u>	<u>\$ 2,575,195</u>
Appropriation Authority		
Prior-Year Authority	\$ 2,842,870	
Current-Year Authority	<u>47,648,876</u>	
Total Appropriation Authority	<u>\$ 50,491,746</u>	

* Excludes constitutionally restricted accounts, dedicated lottery proceeds, and oil overcharge balances.

** Excludes constitutionally restricted motor fuels transfer to the State Highway Fund.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-2

Estimated General Revenue-Related Revenues and Balances Available for Certification

	Thousands of Dollars	
	2012-13	2014-15
Beginning Fund Balances		
Consolidated General Revenue Fund Adjusted Balance	\$ 921,062	\$ 5,344,770
Available School Fund Balance	10,857	17,273
State Instructional Materials Fund Balance	203,888	143,407
Total Beginning Fund Balances	<u>1,135,806</u>	<u>5,505,450</u>
Revenue		
General Revenue Fund	88,910,598	95,623,435
Available School Fund	2,343,061	1,677,012
State Instructional Materials Fund	2,612	1,274
Foundation School Account	2,129,125	2,138,864
Total Revenues	<u>93,385,395</u>	<u>99,440,585</u>
Other Adjustments		
Change in General Revenue-Dedicated Account Balances	704,869	(640,496)
Reserve for Transfers to the Economic Stabilization and State Highway Funds	(4,393,852)	(5,420,791)
Total Other Adjustments	<u>(3,688,983)</u>	<u>(6,061,287)</u>
Total General Revenue-Related Revenues and Balances	<u><u>\$ 90,832,218</u></u>	<u><u>\$ 98,884,748</u></u>

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-3

Sources of Estimated General Revenue-Related Funds

Object Code	Description	Thousands of Dollars	
		2014	2015
General Revenue Fund			
3004	Motor Vehicle Sales and Use Tax	\$ 3,639,013	\$ 3,686,320
3005	Motor Vehicle Rental Tax	247,451	250,668
3007	Gasoline Tax	2,435,402	2,442,708
3008	Diesel Fuel Tax	805,218	809,244
3016	Motor Vehicle Sales and Use Tax—Seller Financed	147,755	149,676
3024	Driver's License Point Surcharges	68,000	68,000
3027	Driver Record Information Fees	200	200
3102	Limited Sales and Use Tax	26,701,750	27,583,309
3110	Inheritance Tax	0	0
3111	Boat and Boat Motor Sales and Use Tax	53,020	55,141
3114	Escheated Estates	445,713	459,795
3130	Franchise/Business Margins Tax	2,825,240	2,871,419
3139	Hotel Occupancy Tax	462,124	474,769
3175	Professional Fees	72,455	73,096
3186	Securities Fees	93,588	93,588
3201	Insurance Premium Taxes	1,590,414	1,608,133
3219	Insurance Maintenance Tax - Workers' Compensation Division	52,936	53,201
3230	Public Utility Gross Receipts Assessment	54,665	53,845
3233	Gas, Electric and Water Utility Tax	352,839	345,782
3250	Mixed Beverage Tax	505,713	376,181
3251	Mixed Beverage Sales Tax	294,607	463,208
3253	Liquor Tax	76,298	77,519
3258	Beer Tax	103,743	103,743
3275	Cigarette Tax	407,134	442,501
3278	Cigars and Tobacco Products Tax	162,289	166,145
3290	Oil Production Tax	3,261,270	3,235,448
3291	Natural Gas Production Tax	1,559,598	1,434,702
3849	Tobacco Suit Settlement Receipts	461,795	454,667
3854	Interest—Other, General, Non-Program	1,650	1,997
3950	Allocations to General Revenue from Special Funds	14,750	18,224
3952	Allocation of UC, UPL and Disproportionate Share Revenues	166,318	166,318
	Other General Revenue Fund Revenue	2,635,911	2,659,309
	Less: Tax Allocation to State Highway Fund	(2,372,743)	(2,381,537)
	Subtotal, General Revenue Fund	47,326,116	48,297,319
School Funds *			
3851	Interest on State Deposits/Investments, General, Non-Program	685	761
3910	Allocation from Permanent School Fund to Available School Fund	837,783	837,783
3922	State Gain from Lottery Proceeds	1,035,518	1,039,775
	Other School Funds Revenue	32,285	32,560
	Subtotal, School Funds	1,906,271	1,910,879
Total Estimated Net General Revenue-Related Funds		\$ 49,232,387	\$ 50,208,198

* Includes net revenue for Available School Fund, State Instructional Materials Fund, and the Foundation School Fund Account.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-4

Estimated General Revenue-Dedicated Accounts Revenue

Account Number	Account	Thousands of Dollars	
		2014	2015
9	Game, Fish, and Water Safety	\$ 129,891	\$ 129,993
27	Coastal Protection	7,874	8,642
64	State Parks	41,172	41,013
151	Clean Air	103,625	105,645
153	Water Resource Management	63,471	63,722
225	University of Houston Current	73,298	74,027
226	University of Texas - Pan American Current	24,974	25,349
238	University of Texas at Dallas Current	41,698	42,946
242	Texas A&M University Current	82,126	82,126
244	University of Texas at Arlington Current	52,559	53,924
248	University of Texas at Austin Current	98,478	99,461
249	University of Texas at San Antonio Current	47,455	48,876
250	University of Texas at El Paso Current	25,356	25,359
255	Texas Tech University Current	49,462	46,277
258	University of North Texas Current	47,815	48,290
259	Sam Houston State University Current	28,415	28,981
260	Texas State University - San Marcos Current	44,014	44,014
273	Federal Health & Health Lab Funding Excess Revenue	196,997	196,997
421	Criminal Justice Planning	22,150	21,486
469	Compensation to Victims of Crime	81,459	79,628
549	Waste Management	31,178	31,070
550	Hazardous and Solid Waste Remediation Fee	24,502	24,635
655	Petroleum Tank Storage Remediation	23,105	23,317
5000	Solid Waste Disposal Fees	9,072	8,915
5007	Commission on Emergency Communications	18,300	18,300
5025	Lottery *	314,506	315,801
5050	9-1-1 Service Fees	63,222	65,288
5064	Volunteer Fire Department Assistance	30,140	30,117
5071	Emissions Reduction Plan **	96,055	75,307
5073	Fair Defense	32,489	31,638
5080	Quality Assurance	58,222	58,222
5094	Operating Permit Fees	34,500	34,500
5111	Designated Trauma Facility & EMS	95,653	95,653
5155	Oil and Gas Regulation and Cleanup	60,649	53,114
	Other Accounts	866,906	862,367
Total Estimated General Revenue-Dedicated Accounts		\$ 3,020,788	\$ 2,995,000

* Net of proceeds to Foundation School Program and other dedicated accounts.

** Revenue collections do not include transfers from State Highway Fund.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-5

Estimated Federal Income, by Fund and Account

Fund or Account Number	Fund or Account	Thousands of Dollars	
		2014	2015
1	General Revenue Fund *	\$ 23,476,205	\$ 24,762,220
6	State Highway Fund	3,462,145	4,227,822
9	Game, Fish, and Water Safety Account	45,526	45,526
37	Federal Child Welfare Service Account	428,302	428,302
92	Federal Disaster Account	507,407	454,917
117	Federal Public Welfare Administration Account	126,640	126,640
127	Community Affairs Federal Account	201,754	201,781
148	Federal Health, Education and Welfare Account	3,161,872	3,160,372
171	Federal School Lunch Account	1,910,705	2,055,073
221	Federal Civil Defense and Disaster Relief Account	73,321	44,743
222	Department of Public Safety Federal Account	2,000	2,000
273	Federal Health & Health Lab Funding Excess Revenue Account	953,251	963,150
369	Federal American Recovery & Reinvestment Act Fund	240,087	234,659
421	Criminal Justice Planning Account	42,000	42,000
449	Adjutant General Federal Account	81,340	79,713
469	Compensation to Victims of Crime Account	28,000	28,000
549	Waste Management Account	6,785	6,785
5026	Workforce Commission Federal Account	899,675	900,970
5091	Office of Rural Community Affairs Federal Account	78,790	81,828
	Other Funds and Accounts	176,812	166,958
Total Estimated Federal Income		\$ 35,902,617	\$ 38,013,459

* Federal receipts deposited to the General Revenue Fund are dedicated for Medicaid and other specific federal programs.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-6

Estimated Other Funds Revenue

Fund or Account Number	Fund or Account	Thousands of Dollars	
		2014	2015
6	State Highway Fund	\$ 4,134,641	\$ 4,192,439
11	Available University Fund	663,158	657,361
193	Foundation School Account/Local Recapture – Attendance Credits	1,123,531	1,218,174
304	Property Tax Relief Fund	2,657,358	2,641,932
365	Texas Mobility Fund	403,483	397,666
573	Judicial Fund	94,485	97,486
	Disproportionate Share Revenue/State & Local Hospitals	2,630,354	2,500,964
	Appropriated Receipts	488,586	490,371
	Other Funds	2,158,936	2,229,342
Total Estimated Other Funds Revenue		\$ 14,354,532	\$ 14,425,735

Note: Excludes certain local funds that are appropriated but not deposited in the State Treasury and deposits by semi-independent agencies. Includes certain state revenues deposited in the State Treasury but not appropriated. Excludes federal income.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-7

Estimated All Funds Revenue, Excluding Trust Funds

Source	Thousands of Dollars	
	2014	2015
General Revenue-Related	\$ 49,232,387	\$ 50,208,198
General Revenue-Dedicated	3,020,788	2,995,000
Federal Income	35,902,617	38,013,459
Other Funds	14,354,532	14,425,735
Total Estimated All Funds Revenue	\$ 102,510,324	\$ 105,642,392

Note: Excludes local funds and deposits by semi-independent agencies. Includes certain state revenues deposited in the State Treasury but not appropriated.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-8

Estimated Allocations and Transfers from the General Revenue Fund

	Thousands of Dollars	
	2014	2015
Allocations and Transfers to Other Funds		
Available School Fund	\$ 796,788	\$ 799,837
State Highway Fund – Motor Fuel Taxes	2,372,743	2,381,537
State Highway Fund – Severance Taxes *	0	1,383,457
County and Road District Highway Fund	7,300	7,300
Economic Stabilization Fund	2,514,823	1,383,457
Teacher Retirement System Trust Fund (excl. health insurance)	1,566,081	1,673,587
Total Allocations and Transfers to Other Funds	<u>7,257,734</u>	<u>7,629,176</u>
Allocations and Transfers to Other Dedicated Accounts		
Parks and Wildlife	17,342	17,400
Motor Fuel Enforcement Allocation	25,696	25,822
State Parks Account-Sporting Goods Sales Tax (SGST)	56,746	55,419
Texas Recreation and Parks Account-SGST	5,150	5,164
Parks and Wildlife Capital Account-SGST	0	0
Large County & Municipality Recreation and Parks Account-SGST	3,469	3,459
Texas Historical Commission-SGST	5,060	5,117
Foundation School Account	1,753,982	1,717,568
Hotel Occupancy Tax – Economic Development	38,510	39,564
Texas Department of Insurance Operating Account	131,465	132,037
Total Allocations and Transfers to Other Dedicated Accounts	<u>2,037,420</u>	<u>2,001,550</u>
Total Allocations and Transfers from General Revenue	<u>\$ 9,295,154</u>	<u>\$ 9,630,725</u>

Details of the Economic Stabilization Fund – Cash Basis Reporting

	Thousands of Dollars	
	2014	2015
Beginning Balance	\$ 6,170,184	\$ 6,655,978
Transfers and Interest Income		
Oil Production Tax Transfer	1,843,253	1,023,524
Natural Gas Production Tax Transfer	671,570	359,933
Unencumbered Balance Transfer	0	0
Interest Income	26,941	31,053
Total Transfers and Interest Income	<u>2,541,764</u>	<u>1,414,510</u>
Appropriations	<u>2,055,970</u>	<u>0</u>
Ending Balance	<u>\$ 6,655,978</u>	<u>\$ 8,070,489</u>

* Assumes November 2014 voter approval of SJR 1, 83rd Legislature, 3rd Called Session.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-9

Available School Fund and State Instructional Materials Fund Estimated Balances, Revenues and Expenditures

	Thousands of Dollars	
	2014	2015
Beginning Cash Balances		
Available School Fund	\$ 17,273	\$ 24,900
State Instructional Materials Fund	143,407	0
Total Cash Balances	<u>160,680</u>	<u>24,900</u>
Estimated Revenues		
<i>Available School Fund</i>		
Total Return Allocation from Permanent School Fund	837,783	837,783
Interest on State Deposits/Investments, General, Non-Program	685	761
Allocation from General Revenue Fund	796,788	799,837
Total Estimated Available School Fund Revenues	<u>1,635,256</u>	<u>1,638,381</u>
<i>State Instructional Materials Fund</i>		
Sale of Textbooks	0	0
Interest on State Deposits/Investments, General, Non-Program	572	692
Other Revenue	5	5
Total Estimated State Instructional Materials Fund Revenue	<u>577</u>	<u>697</u>
Total Estimated Revenues and Cash Balances	<u>\$ 1,796,513</u>	<u>\$ 1,663,978</u>
Estimated Expenditures		
Instructional Materials *	\$ 419,335	\$ 419,335
Administration—State Instructional Materials Fund	2,219	2,217
Administration—Available School Fund	0	0
Per Capita Apportionment		
4,718,017 (prior year ADA) @ \$286	1,350,059	
4,803,515 (prior year ADA) @ \$259		1,242,150
Total Estimated Expenditures	<u>1,771,613</u>	<u>1,663,702</u>
Ending Balance	<u>\$ 24,900</u>	<u>\$ 276</u>

* Represents only state revenue.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-10

Foundation School Program and Other School Programs Funded Through State General Revenue-Related Funds, the Property Tax Relief Fund, and Local Funds

	Thousands of Dollars	
	2014	2015
Cost of Public School Programs		
State Share of the Foundation School Program*	\$ 18,769,070	\$ 19,254,125
State Share of Other School Programs	17,136	17,136
Local Recapture--Attendance Credits*	1,123,531	1,218,174
Local Funds Assignment and Other Local Funds*	20,540,741	21,523,406
Total Cost of Public School Programs	\$ 40,450,478	\$ 42,012,841
State and Local Funding		
<i>State Funds</i>		
Available School Fund	\$ 1,350,059	\$ 1,242,150
Foundation School Account--Opening Balance	88,901	0
Foundation School Account--Occupation Taxes	1,753,982	1,717,568
Foundation School Account--Lottery Proceeds	1,035,518	1,039,775
General Revenue	11,900,388	12,629,836
Property Tax Relief Fund	2,657,358	2,641,932
Total State Funds	18,786,206	19,271,261
<i>Local Funds</i>		
Local Recapture--Attendance Credits*	1,123,531	1,218,174
Local Funds Assignment and Other Local Funds	20,540,741	21,523,406
Total Local Funds	21,664,272	22,741,580
Total State and Local Funding	\$ 40,450,478	\$ 42,012,841

Funding Sources of the Property Tax Relief Fund

	Thousands of Dollars	
	2014	2015
Beginning Balance	\$ 0	\$ 0
Revenues		
3004 Motor Vehicle Sales and Use Tax	20,328	20,593
3130 Franchise/Business Margins Tax	1,841,331	1,757,294
3275 Cigarette Tax	779,051	846,728
3278 Cigars and Tobacco Products Tax	15,654	16,213
3851 Interest on State Deposits/Investments, General, Non-Program	994	1,104
Total Revenues	2,657,358	2,641,932
Net Transfers	0	0
Appropriations	2,657,358	2,641,932
Ending Balance	\$ 0	\$ 0

* As appropriated in SB 1 and HB 1025, 83rd Legislature, Regular Session.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-11

Sources of State Highway Fund Revenue

Object Code	Description	Thousands of Dollars	
		2014	2015
State Revenue			
3010	Motor Fuel Lubricants Sales Tax	\$ 43,275	\$ 44,034
3014	Motor Vehicle Registration Fees	1,341,237	1,388,127
3018	Special Vehicle Permits Fees	107,871	110,273
3752	Sale of Publications/Advertising	6,570	6,750
3767	Supplies/Equipment/Services – Federal/Other	160,000	160,000
3851	Interest on State Deposits/Investments, General, Non-Program	14,034	9,908
3901	Motor Fuel Taxes Allocations	2,372,743	2,381,537
	Severance Taxes Allocations *	0	1,383,457
	Other Revenue	88,911	91,810
	Total State Revenue	<u>4,134,641</u>	<u>5,575,896</u>
Federal Income			
3001	Federal Receipts Matched–Transportation Programs	3,427,145	4,192,822
3701	Federal Receipts Not Matched–Other Programs	35,000	35,000
	Total Federal Income	<u>3,462,145</u>	<u>4,227,822</u>
	Total State Highway Fund Revenue	<u>\$ 7,596,786</u>	<u>\$ 9,803,718</u>

* Assumes November 2014 voter approval of SJR 1, 83rd Legislature, 3rd Called Session.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-12

State Revenue, By Source and Fiscal Year

General Revenue-Related

	Thousands of Dollars			
	2012 Actual	2013 Actual	2014 Estimated	2015 Estimated
Tax Collections				
Sales Taxes	\$ 24,100,152	\$ 25,842,158	\$ 26,754,780	\$ 27,638,460
Motor Vehicle Sales and Rental Taxes	3,529,032	3,843,891	4,047,104	4,099,678
Motor Fuel Taxes	858,326	855,430	870,357	873,190
Franchise Tax	2,707,761	2,793,648	2,825,240	2,871,419
Insurance Taxes	1,495,155	1,763,205	1,722,302	1,740,593
Natural Gas Production Tax	1,534,630	1,495,203	1,559,598	1,434,702
Cigarette and Tobacco Taxes	564,812	619,539	569,423	608,646
Alcoholic Beverage Taxes	929,700	976,894	1,007,737	1,049,684
Oil Production and Regulation Taxes	2,103,268	2,990,890	3,262,777	3,237,061
Inheritance Tax	(484)	(10,293)	0	0
Utility Taxes	450,907	434,871	427,166	419,682
Hotel Occupancy Tax	401,411	441,132	462,124	474,769
Other Taxes	157,851	150,175	152,631	146,461
Total Tax Collections	\$ 38,832,523	\$ 42,196,744	\$ 43,661,239	\$ 44,594,345
Revenue By Source				
Tax Collections	\$ 38,832,523	\$ 42,196,744	\$ 43,661,239	\$ 44,594,345
Licenses, Fees, Fines, and Penalties	1,217,355	1,153,556	1,328,477	1,317,093
Interest and Investment Income	984,953	1,308,358	833,490	831,088
Lottery Proceeds	1,096,490	1,032,635	1,035,518	1,039,775
Sales of Goods and Services	115,204	111,524	117,314	117,314
Settlement of Claims	549,647	590,890	529,158	521,510
Land Income	25,548	41,710	14,055	14,055
Contributions to Employee Benefits	125	87	112	107
Other Revenue Sources	2,057,659	2,070,388	1,713,024	1,772,911
Total Net Revenue	\$ 44,879,503	\$ 48,505,892	\$ 49,232,387	\$ 50,208,198

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-13

Percent Change in State Revenue, By Source and Fiscal Year General Revenue-Related

	2012 Actual	2013 Actual	2014 Estimated	2015 Estimated
Tax Collections				
Sales Taxes	12.6 %	7.2 %	3.5 %	3.3 %
Motor Vehicle Sales and Rental Taxes	19.5	8.9	5.3	1.3
Motor Fuel Taxes	3.6	(0.3)	1.7	0.3
Franchise Tax	1.1	3.2	1.1	1.6
Insurance Taxes	10.9	17.9	(2.3)	1.1
Natural Gas Production Tax	38.3	(2.6)	4.3	(8.0)
Cigarette and Tobacco Taxes	(6.8)	9.7	(8.1)	6.9
Alcoholic Beverage Taxes	7.8	5.1	3.2	4.2
Oil Production and Regulation Taxes	42.8	42.2	9.1	(0.8)
Inheritance Tax	(126.8)	2,028.7	(100.0)	0.0
Utility Taxes	(1.5)	(3.6)	(1.8)	(1.8)
Hotel Occupancy Tax	15.1	9.9	4.8	2.7
Other Taxes	38.3	(4.9)	1.6	(4.0)
Total Tax Collections	<u>13.6 %</u>	<u>8.7 %</u>	<u>3.5 %</u>	<u>2.1 %</u>
Revenue By Source				
Tax Collections	13.6 %	8.7 %	3.5 %	2.1 %
Licenses, Fees, Fines, and Penalties	3.0	(5.2)	15.2	(0.9)
Interest and Investment Income	(11.5)	32.8	(36.3)	(0.3)
Lottery Proceeds	13.8	(5.8)	0.3	0.4
Sales of Goods and Services	5.8	(3.2)	5.2	0.0
Settlement of Claims	(5.1)	7.5	(10.4)	(1.4)
Land Income	139.0	63.3	(66.3)	0.0
Contributions to Employee Benefits	(20.8)	(30.8)	29.4	(4.5)
Other Revenue Sources	26.4	0.6	(17.3)	3.5
Total Net Revenue	<u>12.9 %</u>	<u>8.1 %</u>	<u>1.5 %</u>	<u>2.0 %</u>

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-14

State Revenue, By Source and Biennium General Revenue-Related

	Thousands of Dollars		
	2010-11 Actual	2012-13 Actual	2014-15 Estimated
Tax Collections			
Sales Taxes	\$ 40,960,576	\$ 49,942,310	\$ 54,393,240
Motor Vehicle Sales and Rental Taxes	5,574,736	7,372,923	8,146,782
Motor Fuel Taxes	1,643,836	1,713,757	1,743,547
Franchise Tax	5,326,176	5,501,409	5,696,659
Insurance Taxes	2,670,769	3,258,360	3,462,895
Natural Gas Production Tax	1,835,256	3,029,833	2,994,300
Cigarette and Tobacco Taxes	1,179,675	1,184,352	1,178,069
Alcoholic Beverage Taxes	1,671,266	1,906,594	2,057,421
Oil Production and Regulation Taxes	2,481,511	5,094,158	6,499,838
Inheritance Tax	1,888	(10,777)	0
Utility Taxes	936,465	885,778	846,848
Hotel Occupancy Tax	679,606	842,543	936,893
Other Taxes	174,191	308,026	299,092
Total Tax Collections	\$ 65,135,951	\$ 81,029,266	\$ 88,255,584
Revenue By Source			
Tax Collections	\$ 65,135,951	\$ 81,029,266	\$ 88,255,584
Licenses, Fees, Fines, and Penalties	2,359,520	2,370,911	2,645,570
Interest and Investment Income	1,140,895	2,293,311	1,664,578
Lottery Proceeds	1,963,607	2,129,125	2,075,293
Sales of Goods and Services	217,970	226,728	234,628
Settlement of Claims	1,128,703	1,140,538	1,050,668
Land Income	18,844	67,259	28,110
Contributions to Employee Benefits	327	212	219
Other Revenue Sources	3,171,873	4,128,047	3,485,935
Total Net Revenue	\$ 75,137,690	\$ 93,385,395	\$ 99,440,585

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-15

Percent Change in State Revenue, By Source and Biennium General Revenue-Related

	2010-11 Actual	2012-13 Actual	2014-15 Estimated
Tax Collections			
Sales Taxes	(3.5) %	21.9 %	8.9 %
Motor Vehicle Sales and Rental Taxes	(5.3)	32.3	10.5
Motor Fuel Taxes	0.7	4.3	1.7
Franchise Tax	(5.8)	3.3	3.5
Insurance Taxes	(1.3)	22.0	6.3
Natural Gas Production Tax	(55.2)	65.1	(1.2)
Cigarette and Tobacco Taxes	5.9	0.4	(0.5)
Alcoholic Beverage Taxes	5.7	14.1	7.9
Oil Production and Regulation Taxes	6.9	105.3	27.6
Inheritance Tax	(75.1)	(670.8)	(100.0)
Utility Taxes	(8.4)	(5.4)	(4.4)
Hotel Occupancy Tax	(4.9)	24.0	11.2
Other Taxes	12.1	76.8	(2.9)
Total Tax Collections	<u>(6.1) %</u>	<u>24.4 %</u>	<u>8.9 %</u>
Revenue By Source			
Tax Collections	(6.1) %	24.4 %	8.9 %
Licenses, Fees, Fines, and Penalties	(12.5)	0.5	11.6
Interest and Investment Income	(29.0)	101.0	(27.4)
Lottery Proceeds	(1.0)	8.4	(2.5)
Sales of Goods and Services	1.5	4.0	3.5
Settlement of Claims	2.4	1.0	(7.9)
Land Income	(9.2)	256.9	(58.2)
Contributions to Employee Benefits	(97.9)	(35.3)	3.5
Other Revenue Sources	18.7	30.1	(15.6)
Total Net Revenue	<u>(5.7) %</u>	<u>24.3 %</u>	<u>6.5 %</u>

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-16

State Revenue, By Source and Fiscal Year

All Funds, Excluding Trust Funds

	Thousands of Dollars			
	2012 Actual	2013 Actual	2014 Estimated	2015 Estimated
Tax Collections				
Sales Taxes	\$ 24,191,241	\$ 25,943,807	\$ 26,840,354	\$ 27,724,696
Motor Vehicle Sales and Rental Taxes	3,559,231	3,878,380	4,084,004	4,137,821
Motor Fuel Taxes	3,169,240	3,221,502	3,243,100	3,254,727
Franchise Tax	4,564,731	4,798,699	4,666,571	4,628,713
Insurance Taxes	1,496,251	1,764,153	1,723,659	1,741,950
Natural Gas Production Tax	1,534,630	1,495,203	1,559,598	1,434,702
Cigarette and Tobacco Taxes	1,428,103	1,598,089	1,399,301	1,506,736
Alcoholic Beverage Taxes	929,700	976,894	1,007,737	1,049,684
Oil Production and Regulation Taxes	2,103,268	2,990,890	3,262,777	3,237,061
Inheritance Tax	(484)	(10,293)	0	0
Utility Taxes	450,907	434,871	427,166	419,682
Hotel Occupancy Tax	401,411	441,132	462,124	474,769
Other Taxes	250,889	247,719	237,001	230,831
Total Tax Collections	\$ 44,079,119	\$ 47,781,046	\$ 48,913,392	\$ 49,841,372
Revenue By Source				
Tax Collections	\$ 44,079,119	\$ 47,781,046	\$ 48,913,392	\$ 49,841,372
Federal Income	32,922,040	32,530,326	35,902,617	38,013,459
Licenses, Fees, Fines, and Penalties	7,595,067	7,919,649	8,293,902	8,169,216
Interest and Investment Income	1,098,905	1,182,874	1,084,043	1,098,061
Lottery Proceeds	1,830,916	1,893,285	1,573,034	1,579,499
Sales of Goods and Services	362,749	225,926	380,932	380,953
Settlement of Claims	559,832	609,961	538,524	530,870
Land Income	1,372,264	1,325,665	1,174,006	1,199,905
Contributions to Employee Benefits	126	87	112	107
Other Revenue Sources	4,820,035	5,567,563	4,649,762	4,828,950
Total Net Revenue	\$ 94,641,053	\$ 99,036,382	\$ 102,510,324	\$ 105,642,392

Note: Excludes local funds and deposits by semi-independent agencies. Includes certain state revenues deposited in the State Treasury but not appropriated.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-17

Percent Change in State Revenue, By Source and Fiscal Year All Funds, Excluding Trust Funds

	2012 Actual	2013 Actual	2014 Estimated	2015 Estimated
Tax Collections				
Sales Taxes	12.6 %	7.2 %	3.5 %	3.3 %
Motor Vehicle Sales and Rental Taxes	19.5	9.0	5.3	1.3
Motor Fuel Taxes	2.1	1.6	0.7	0.4
Franchise Tax	16.1	5.1	(2.8)	(0.8)
Insurance Taxes	10.9	17.9	(2.3)	1.1
Natural Gas Production Tax	38.3	(2.6)	4.3	(8.0)
Cigarette and Tobacco Taxes	(8.4)	11.9	(12.4)	7.7
Alcoholic Beverage Taxes	7.8	5.1	3.2	4.2
Oil Production and Regulation Taxes	42.8	42.2	9.1	(0.8)
Inheritance Tax	(126.8)	2,028.7	(100.0)	0.0
Utility Taxes	(1.5)	(3.6)	(1.8)	(1.8)
Hotel Occupancy Tax	15.1	9.9	4.8	2.7
Other Taxes	24.7	(1.3)	(4.3)	(2.6)
Total Tax Collections	<u>13.4 %</u>	<u>8.4 %</u>	<u>2.4 %</u>	<u>1.9 %</u>
Revenue By Source				
Tax Collections	13.4 %	8.4 %	2.4 %	1.9 %
Federal Income	(14.3)	(1.2)	10.4	5.9
Licenses, Fees, Fines, and Penalties	(3.6)	4.3	4.7	(1.5)
Interest and Investment Income	6.2	7.6	(8.4)	1.3
Lottery Proceeds	9.3	3.4	(16.9)	0.4
Sales of Goods and Services	28.1	(37.7)	68.6	0.0
Settlement of Claims	(4.8)	9.0	(11.7)	(1.4)
Land Income	(6.1)	(3.4)	(11.4)	2.2
Contributions to Employee Benefits	(19.9)	(31.6)	29.4	(4.5)
Other Revenue Sources	18.6	15.5	(16.5)	3.9
Total Net Revenue	<u>0.4 %</u>	<u>4.6 %</u>	<u>3.5 %</u>	<u>3.1 %</u>

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-18

State Revenue, By Source and Biennium All Funds, Excluding Trust Funds

	Thousands of Dollars		
	2010-11 Actual	2012-13 Actual	2014-15 Estimated
Tax Collections			
Sales Taxes	\$ 41,109,289	\$ 50,135,048	\$ 54,565,050
Motor Vehicle Sales and Rental Taxes	5,607,802	7,437,611	8,221,825
Motor Fuel Taxes	6,146,173	6,390,742	6,497,827
Franchise Tax	7,788,980	9,363,430	9,295,284
Insurance Taxes	2,674,345	3,260,405	3,465,609
Natural Gas Production Tax	1,835,256	3,029,833	2,994,300
Cigarette and Tobacco Taxes	2,948,271	3,026,192	2,906,037
Alcoholic Beverage Taxes	1,671,266	1,906,594	2,057,421
Oil Production and Regulation Taxes	2,481,511	5,094,158	6,499,838
Inheritance Tax	1,888	(10,777)	0
Utility Taxes	936,465	885,778	846,848
Hotel Occupancy Tax	679,606	842,543	936,893
Other Taxes	344,226	498,608	467,832
Total Tax Collections	<u>\$ 74,225,077</u>	<u>\$ 91,860,164</u>	<u>\$ 98,754,764</u>
Revenue By Source			
Tax Collections	\$ 74,225,077	\$ 91,860,164	\$ 98,754,764
Federal Income	75,287,103	65,452,366	73,916,076
Licenses, Fees, Fines, and Penalties	14,739,502	15,514,717	16,463,118
Interest and Investment Income	2,093,185	2,281,779	2,182,104
Lottery Proceeds	3,309,399	3,724,201	3,152,533
Sales of Goods and Services	691,144	588,675	761,885
Settlement of Claims	1,145,238	1,169,793	1,069,394
Land Income	2,222,403	2,697,929	2,373,911
Contributions to Employee Benefits	327	213	219
Other Revenue Sources	7,914,672	10,387,598	9,478,712
Total Net Revenue	<u>\$ 181,628,048</u>	<u>\$ 193,677,435</u>	<u>\$ 208,152,716</u>

Note: Excludes local funds and deposits by semi-independent agencies. Includes certain state revenues deposited in the State Treasury but not appropriated.

Note: Totals may not sum because of rounding.

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-19

Percent Change in State Revenue, By Source and Biennium All Funds, Excluding Trust Funds

	2010-11 Actual	2012-13 Actual	2014-15 Estimated
Tax Collections			
Sales Taxes	(3.5) %	22.0 %	8.8 %
Motor Vehicle Sales and Rental Taxes	(5.6)	32.6	10.5
Motor Fuel Taxes	0.2	4.0	1.7
Franchise Tax	(10.5)	20.2	(0.7)
Insurance Taxes	(1.2)	21.9	6.3
Natural Gas Production Tax	(55.2)	65.1	(1.2)
Cigarette and Tobacco Taxes	(1.8)	2.6	(4.0)
Alcoholic Beverage Taxes	5.7	14.1	7.9
Oil Production and Regulation Taxes	6.9	105.3	27.6
Inheritance Tax	(75.1)	(670.8)	(100.0)
Utility Taxes	(8.4)	(5.4)	(4.4)
Hotel Occupancy Tax	(4.9)	24.0	11.2
Other Taxes	3.4	44.8	(6.2)
Total Tax Collections	<u>(6.3) %</u>	<u>23.8 %</u>	<u>7.5 %</u>
Revenue By Source			
Tax Collections	(6.3) %	23.8 %	7.5 %
Federal Income	31.9	(13.1)	12.9
Licenses, Fees, Fines, and Penalties	(15.4)	5.3	6.1
Interest and Investment Income	(42.7)	9.0	(4.4)
Lottery Proceeds	4.1	12.5	(15.4)
Sales of Goods and Services	(25.2)	(14.8)	29.4
Settlement of Claims	2.9	2.1	(8.6)
Land Income	20.9	21.4	(12.0)
Contributions to Employee Benefits	(97.9)	(34.9)	2.8
Other Revenue Sources	15.7	31.2	(8.7)
Total Net Revenue	<u>6.0 %</u>	<u>6.6 %</u>	<u>7.5 %</u>

SOURCE: Susan Combs, Texas Comptroller of Public Accounts.