
Bond Appendix

The State of Texas

May 2024

CONTENTS

1. STATE GOVERNMENT	1
Organization	1
Division of Powers	1
The Legislative Department	1
The Executive Department	2
Statewide Ballot Measures and Election Information	4
The Judicial Department	4
2. FISCAL MATTERS	5
Accounting System	5
Appropriations and Budgeting	5
Legislative Budget Board	6
Non-legislative Powers with Respect to Appropriations	7
Economic Stabilization Fund	8
Transfers to the ESF	8
Fund Cap	8
Temporary Transfers to the General Revenue Fund	8
Appropriation of ESF	9
Investment of the ESF	9
Intrafund and Interfund Borrowing	10
Tax and Revenue Anticipation Notes	10
Audits	10
General Investment Authority and Portfolio	11
Authorized Investments	11
Investment Policies	14
Texas Treasury Safekeeping Trust Company	15

3. STATE REVENUES AND EXPENDITURES.....	16
Current Treasury Investments.....	16
Liquidity.....	17
Identity of Funds	18
Revenue Sources	18
Limitations on Taxing Powers.....	21
Constitutional and Legislative Changes.....	21
Historical Revenues, Expenditures, and Cash Condition.....	22
State Budget Information.....	33
2024-25 Budget.....	33
Revenue Forecasts: Fiscal Years 2020-2024.....	34
4. STATE DEBT	36
Introduction	36
State General Obligation Debt—Annual Debt Service Requirements	37
State Revenue Bonds	37
Recent Developments Affecting State Debt.....	38
Selected Data Concerning State Debt	41
5. ECONOMIC INFORMATION	45
Business Activities	45
Geographic Variations.....	45
Employment and Unemployment—Historical Review.....	46
Personal Income.....	51
Oil and Gas	54
An Overview of Texas Industries by NAICS Sector	58
Mining and Logging.....	58
Construction	58
Trade, Transportation, and Utilities.....	59

Manufacturing	60
Information	61
Professional and Business Services.....	62
Education and Health Services.....	62
Financial Activities	62
Leisure and Hospitality Services.....	62
Other Services.....	62
Government.....	63
Regional Metropolitan Variations	63
Property Values.....	64
Agriculture.....	65
Agricultural Cash Receipts	65
Agriculture Demographics	66
Top Agricultural Exports	66
2024 Wildfires.....	67
6. DEMOGRAPHIC INFORMATION	68
Geography and Cities	68
State Population.....	68
7. EDUCATION.....	71
Primary and Secondary Education	71
Total Actual Education Revenues	72
Budgeted State Education Funding 2024–25 Biennium	72
Educational Achievement	73
Higher Education.....	73
8. RETIREMENT SYSTEMS.....	78
Postemployment Health Care and Life Insurance Benefits.....	81
9. TEXAS TRADE	84

10. LITIGATION.....	87
11. INFORMATION SECURITY.....	92
Overview – Office of the Chief Information Security Officer	92
Laws Relating to Cybersecurity	92
Federated IT	92
Security Services Provided to Agencies and Institutions of Higher Education.....	93
Cybersecurity Operations	93
Managed security Services Program (MSS)	93
Texas.gov Digital Identity Solution.....	94
Texas InfoSec Academy.....	95
Statewide Portal for Enterprise Cybersecurity Threat, Risk and Incident Management (SPECTRIM)	95
Legislative Reporting.....	95
Communications	96
Texas Cybersecurity Council	97
Texas Information Sharing and Analysis Organization (Tx-ISAO).....	97
Vendor Security and Data Management	97
Incident Response and Reporting	98
End-user Awareness training	99
Geopolitical Tensions Activities.....	100
Prohibited Technologies.....	100
12. CONTINUITY OF OPERATIONS AND RECENT EVENTS	101
Recent Events	101
13. TEXAS-MEXICO BORDER	102

About this Bond Appendix

This Bond Appendix provides a general description of the State of Texas (State) and certain information relevant to the financial condition of the State. Information is provided as of the date this Bond Appendix is issued, except as otherwise expressly noted herein.

This Bond Appendix is intended (a) to be attached to or incorporated by reference in offering documents (Official Statements) prepared by state agencies to offer bonds or other securities, when authorized by the Comptroller of Public Accounts (Comptroller), and (b) to be provided to the Municipal Securities Rulemaking Board (MSRB) in satisfaction of contractual annual continuing disclosure obligations of the Comptroller made in connection with prior state agency bond offerings. The Bond Appendix is not intended to be exhaustive.

State financial information is provided by state agencies and officials from official records. Other information has been derived from sources which the Comptroller deems reliable. The State makes no representation regarding the accuracy or completeness of any information in this Bond Appendix, or the absence of changes in such information or adverse events after the date of the information. Descriptions of general revenue of the State or revenue from any particular source in this Bond Appendix does not imply that any specific securities are payable from such revenues. As a result of rounding, certain tables in this Bond Appendix may contain immaterial inaccuracies.

Historical information in this Bond Appendix is not intended to predict future events or continuing trends, and the State makes no representation that past experience will continue in the future. Statements in this Bond Appendix that do not describe past or present events, conditions, or other facts are forward-looking statements. Forward-looking statements include forecasts, projections, predictions, expectations, anticipation, hopes, beliefs, intentions, and strategies for the future. All forward-looking statements in this Bond Appendix have been made and are based on available information, assumptions and estimates as of the date of the specified date of the forecast or other forward-looking statement and do not necessarily reflect current expectations. They are inherently subject to various known and unknown risks and uncertainties, including the possible invalidity of underlying assumptions and estimates; possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions; force majeure; and actions taken or omitted to be taken by third parties, including consumers, taxpayers, and legislative, judicial, and other governmental authorities and officials. Assumptions may involve judgments about future economic and market conditions and future legislative, executive, and business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the State. The Comptroller assumes no obligation to update any such forward-looking statements. Actual results could differ from those in forward-looking statements, and the difference could be material. Accordingly, readers should not place undue reliance on forward-looking statements included in this Bond Appendix.

Bond Appendix references to website addresses are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless otherwise stated, such websites and the related information or links are not incorporated into, and are not part of, this Bond Appendix, including for purposes of Rule 15c2-12 of the U.S. Securities and Exchange Commission. The Comptroller does not control or guarantee the accuracy, completeness, or currency of any website not maintained by the Comptroller.

The data represented in this report is available in accessible data form (Excel):

<https://comptroller.texas.gov/programs/systems/treasury-ops/docs/bond-appendix.xlsx>

Incorporation by Reference

To enable state agencies to issue bonds payable from general revenue of the State in public offerings, the Comptroller has contractually undertaken to provide financial statements, included in the State of Texas Annual Comprehensive Financial Report (ACFR), previously referred to as the Comprehensive Annual Financial Report, and certain other annual financial and operating data to the MSRB annually. The Comptroller's undertaking has been amended to include an obligation to provide to the MSRB timely notice of the incurrence or amendment of certain financial obligations of the State, if material, and of certain events under such financial obligations, if they reflect financial difficulties. The Comptroller may voluntarily file other notices with the MSRB from time to time to supplement or modify this Bond Appendix.

This Bond Appendix should be read in conjunction with the most recent ACFR and all committed and voluntary notices, if any, that the Comptroller has provided to the MSRB since the end of the last fiscal year included in the ACFR, all of which are incorporated herein by reference. No representation is made that such documents contain all facts material to an evaluation of the ability of the State to make timely payment of debt service. Copies of the ACFR and any such notice may be viewed on the MSRB's Electronic Municipal Market Access (EMMA) system at <http://www.emma.msrb.org> using the EMMA Advanced Search function and entering the term "State of Texas Comptroller" in the Issuer Name field within the Security Information search filter.

1. STATE GOVERNMENT

ORGANIZATION

The State was admitted to the Union as the 28th State on December 29, 1845, approximately nine years after its secession from the Republic of Mexico in 1836. The current Constitution of the State of Texas (the Constitution) was adopted in 1876, succeeding earlier Constitutions of 1845, 1861, 1866 and 1869.

DIVISION OF POWERS

The Constitution divides the powers of the government of the State into three distinct departments: the legislative, the executive and the judicial. Under the terms of the Constitution, no person in any one department may exercise any power attached to another department unless specifically authorized to do so by the Constitution.

THE LEGISLATIVE DEPARTMENT

The legislative power of the State is vested in a House of Representatives and a Senate, which together constitute the Legislature of the State. The House of Representatives consists of 150 members who are elected for terms of two years. The Senate consists of 31 members who are elected for four-year terms. After congressional and legislative redistricting, which occurs every 10 years, each member must run for re-election. At that time, the members must draw lots to determine which half of the Senate serves on a 2-4-4 or 4-4-2 year term rotation until the next redistricting. Proceedings in the House of Representatives are presided over by the Speaker of the House, who is selected by the members of the House of Representatives from among their ranks. Proceedings in the Senate are presided over by the Lieutenant Governor, who is elected by a statewide vote, as described under the caption “The Executive Department,” below. In the absence of the Lieutenant Governor, the President pro tempore of the Senate, a position determined by Senate members at the start of each session, presides over the Senate.

Regular sessions of the Legislature are held every two years in odd numbered years and may not exceed 140 days in duration. Special sessions of the Legislature may be convened by the Governor at any time. A special session of the Legislature may not exceed 30 days in duration and may address only those subjects designated by the Governor.

At the beginning of each regular session of the Texas Legislature, the Texas Constitution requires the Comptroller of Public Accounts to submit a statement, known as the Biennial Revenue Estimate (BRE), showing the state’s financial condition and estimating the revenue it can expect to receive during the next two-year budget period. The BRE forms the basis of each successive state budget. Legislators must ensure that total appropriations do not exceed the amount predicted to be available in the BRE. For the fiscal year 24-25 biennium, the legislature will have \$188.23 billion in general revenue-related funds available for general purpose spending. The Comptroller also informed the legislature the ending balance for the fiscal year 22-23 biennium will result in an ending general revenue-related balance for \$32.69 billion. The ending balance does not account for any 2022-2023 supplemental appropriations the Legislature may make.

The 88th Regular Legislative Session convened on January 10, 2023. The House of Representatives elected Representative Dade Phelan as speaker.

The 88th Regular Legislative Session concluded May 29, 2023. There were four subsequent special legislative sessions, which ended on December 5, 2023.

THE EXECUTIVE DEPARTMENT

The Executive Department of the State is composed of the Governor, the Lieutenant Governor, the Comptroller of Public Accounts, the Commissioner of the General Land Office, the Attorney General and the Secretary of State, all of whom are elected with the exception of the Secretary of State, who is appointed by the Governor.

There are other elected state officials, including the Commissioner of the Department of Agriculture and the three Commissioners of the Railroad Commission, which has regulatory jurisdiction over certain public utilities, transportation and the oil and gas industry.

The *Governor* is elected for a term of four years and is eligible to seek re-election for an unlimited number of terms. The Constitution requires the Governor to cause the laws of the State to be faithfully executed and to conduct all business of the State with other states and the United States. The Constitution also requires the Governor to present a message on the condition of the State to the Legislature at the commencement of each session of the Legislature and at the end of the term in office, and to recommend to the Legislature measures deemed expedient. The Governor has the power to veto any bill or concurrent resolution passed by the Legislature and to veto specific items in appropriation bills, but the Legislature may override any veto, including a line-item veto of an appropriation, by a two-thirds vote within a certain time frame. If the Governor's office becomes vacant, he is succeeded in office by the Lieutenant Governor, who continues as Governor until the next general election. The current Governor is Greg Abbott who was sworn-in for his third term as Governor in January 2023.

The *Lieutenant Governor* is elected for a term of four years and is eligible to seek re-election for an unlimited number of terms. The Governor and the Lieutenant Governor are elected separately and may be members of different political parties. The Lieutenant Governor is the President of the Senate and is empowered to cast the deciding vote in the event the Senate is equally divided on any question. The Lieutenant Governor determines Senate committees, appoints committee chairs and members, and decides the order of bill consideration and parliamentary questions. The Lieutenant Governor also performs the duties of the Governor during any period that the Governor is unable or refuses to do so or is absent from the State. If the office of the Lieutenant Governor becomes vacant, a successor is elected by the members of the Senate from their ranks. Until a successor is elected, or if the Lieutenant Governor is absent or temporarily unable to act, the duties of the Lieutenant Governor are performed by the President pro tempore of the Senate. The current Lieutenant Governor is Dan Patrick who was sworn-in for his third term as Lieutenant Governor in January 2023.

The *Comptroller of Public Accounts* (Comptroller) is elected for a term of four years and is the chief accounting officer of the State. The Comptroller is generally responsible for maintaining the accounting records of the State and collecting taxes and other revenues due to the State, although

other state officials share responsibility for both of these functions. The Comptroller is required by statute to prepare an annual statement of the funds of the State and of the state's revenues and expenditures for the preceding fiscal year. In addition, the Constitution requires the Comptroller to submit to the Governor and the Legislature, at the commencement of each regular session of the Legislature, an itemized estimate of the anticipated revenues that will be received by the State during the succeeding biennium based upon existing laws. The Constitution also requires the Comptroller to submit supplemental statements at any special session of the Legislature and at such other times as may be necessary to show probable changes. The State Constitution also requires the Comptroller to certify that any appropriations bill passed by the Legislature falls within available revenues before the bill goes to the Governor for his signature. The Comptroller's responsibilities have been expanded by the Legislature and/or the voters to include the following: the Property Value Study and Methods and Assistance Program review of appraisal districts, the administration of the Texas Tuition Promise Fund, Treasury Operations, the State Energy Conservation Office, administration of the Texas ABLE program, the establishment and oversight of the Texas Bullion Depository, the establishment and operation of the Opioid Council and the Broadband Development Office. The current Comptroller is Glenn Hegar who was sworn-in for his third term as Comptroller in January 2023.

The *Commissioner of the General Land Office* is elected for a term of four years. The Commissioner of the General Land Office is generally responsible for administering the public lands owned by the State. The Commissioner of the General Land Office serves as the chairman of the School Land Board, which has authority over the sale and lease of state-owned lands, and as chairman of the Veterans' Land Board. The Commissioner of the General Land Office also serves as the chairman of boards that control the exploration for oil, gas and other minerals on State lands. The current Commissioner of the General Land Office is Dawn Buckingham who was sworn-in for her first term as Land Commissioner in January 2023.

The *Attorney General* is elected for a term of four years and is the chief legal officer of the State. The Attorney General is required to prosecute and defend all actions in the Supreme Court or the Courts of Appeals in which the State may be interested. The Attorney General also is required, upon request, to advise the Governor, the head of any department of the state government and certain other state and county officials upon any question touching the public interest or concerning their official duties. The Attorney General is the exclusive representative of state agencies, and other attorneys may be retained only if the Attorney General is unable to provide the specific service in question. Attorney General Ken Paxton was sworn in for his third term as Attorney General in January 2023.

The *Secretary of State* is appointed by the Governor, with the advice and consent of the Senate, and serves during the term of service of the Governor by whom he or she is appointed. The Secretary of State is required to maintain official records of all laws and all official acts of the Governor and to perform such other duties as are required by law. The Legislature has made the Secretary of State generally responsible for the supervision of elections and for corporate and other similar filings. On January 5, 2023, Governor Abbott appointed Jane Nelson to serve as Secretary of State.

STATEWIDE BALLOT MEASURES AND ELECTION INFORMATION

The most recent primary election date was March 5, 2024. The most recent uniform election date was May 4, 2024. The election date for primary runoff elections is May 28, 2024.

THE JUDICIAL DEPARTMENT

The judicial power of the State is vested in a Supreme Court, a Court of Criminal Appeals, 14 courts of appeals, numerous district courts and various lower courts. The Supreme Court is the appellate court of last resort in all cases except criminal matters and, in addition, has original jurisdiction over actions for mandamus against state officials and certain other matters. The Court of Criminal Appeals has final appellate jurisdiction over all criminal matters. The courts of appeals are intermediate level appellate courts and have jurisdiction over both civil and criminal cases. The justices and judges of all courts in the State are elected. Terms of office are six years in the case of the members of the Supreme Court, the Court of Criminal Appeals and the courts of appeals, and four years for judges of lower courts.

2. FISCAL MATTERS

ACCOUNTING SYSTEM

The State operates on a fiscal year basis, which begins on September 1 and ends on August 31. The State's appropriation period is a biennium covering two fiscal years.

During the 1987 session, the Legislature imposed uniform accounting and financial reporting procedures on all state agencies and provided that accounting for state agencies is reported in accordance with generally accepted accounting principles (GAAP). Sections 2101.012 through 2101.014, Government Code, require the Comptroller, with the review of the State Auditor, to prescribe uniform accounting and financial reporting procedures. The Comptroller is also required by section 403.013, Government Code, to prepare a report to the Governor containing financial information of all state agencies prepared in accordance with GAAP. This report is due annually on the last day of February and is in addition to the cash report also required under this section that is due annually on the first Monday in November. The cash report contains a statement of state funds and accounts, revenues and expenditures during the preceding fiscal year on a cash basis. An audited *State of Texas Annual Comprehensive Financial Report*, previously referred to as the *State of Texas Comprehensive Annual Financial Report*, was produced for the first time in 1990 and will continually be used for the February report cited. The 1990-2022 reports all received the "Certificate of Achievement for Excellence in Financial Reporting" awarded by the Government Finance Officers Association.

The State is required by law to maintain its accounting and reporting on a cash basis, under which revenues are recorded when received and expenditures are recognized as disbursements when made. However, implementation of the Uniform Statewide Accounting System (USAS) on September 1, 1993 provided the ability for state agencies to maintain the state accounting system on a modified accrual basis in accordance with GAAP, as well as on a cash basis.

The State's central accounting system, USAS, records financial information both on a cash basis and under GAAP. USAS is the primary source of fiscal control and financial information for the State. Some agencies utilize USAS as their internal accounting system, while others are required to reconcile internal accounting records and record the information in the state system via reporting requirements.

APPROPRIATIONS AND BUDGETING

The Constitution requires an appropriation for any funds to be drawn out of the treasury. Certain appropriations are made by the Constitution and do not require further legislative action, although the Legislature frequently makes a parallel appropriation. All other appropriations must be made through a bill passed by the Legislature and approved by the Governor or passed by the Legislature over the Governor's veto. Legislative appropriations are limited by the Constitution to a period of two years. Generally, appropriations are made by the Legislature separately for each fiscal year of the biennium, but an appropriation can be made for the biennium or for a part of the biennium other than a fiscal year. Claims must be filed against an appropriation within two years after the

end of the fiscal year for which the appropriation is made, except for construction appropriations, against which claims may be made for up to four years.

Article III, section 49a of the Constitution, the so-called “pay-as-you-go” provision, provides that an appropriation is not valid if it exceeds the amount of cash and estimated revenues of the fund from which such appropriation is to be paid.

The Constitution requires the Comptroller to submit to the Governor and the Legislature, at the commencement of each regular session of the Legislature, a statement that contains, among other things, an itemized estimate of anticipated revenues, based on laws then in effect, that will be received by the State during the succeeding biennium. The Constitution also requires the Comptroller to submit supplementary statements at any special session of the Legislature and at such other times as may be necessary to show probable changes. No appropriations bill passed by the Legislature may be sent to the Governor for consideration until the Comptroller has certified that the amounts appropriated are within the amounts estimated to be available in the affected funds.

Budgeting for the State is handled through the Governor’s Office of Budget, Planning, and Policy (GOBPP) and the Legislative Budget Board (LBB). By statute, the Governor has been made the chief budget officer of the State, which is a function carried out by staff members who constitute the GOBPP. The Legislature has its own budget agency in the LBB. The GOBPP and the LBB generally cooperate with respect to matters pertaining to preparation of budgets and prepare uniform instructions and forms for budget requests. The Governor and the LBB each make separate submissions to the Legislature—the Governor’s usually in the form of a budget proposal and the LBB’s in the form of a draft appropriations bill to be submitted for consideration by the Legislature. The Governor is authorized by statute to submit a draft appropriations bill, or the bill may be introduced in the Legislature along with the bill prepared by the LBB.

The State has used a performance-based budget preparation process, which appropriates funds at the strategy level, since the 1994-95 biennium. Agency budgets are tied to goals and objectives that include strategies to meet these goals and objectives with measurable outputs and efficiencies. The system provides the State’s decision makers with enhanced knowledge to maximize state funds.

LEGISLATIVE BUDGET BOARD

The Legislative Budget Board is composed of the Lieutenant Governor, the Speaker of the House of Representatives, four members of the House of Representatives (including the chairs of the House Appropriations Committee and the House Ways and Means Committee) and four members of the Senate (including the chairs of the Senate Finance Committee and the Senate State Affairs Committee). The traditional role of the LBB has been to formulate a proposed budget for presentation to the Legislature as discussed under “Appropriations and Budgeting” above. In recent years, however, the role of the LBB has been expanded by statute and by practice. It now frequently carries out quasi-legislative functions relating to state finances when the Legislature is not in session.

NON-LEGISLATIVE POWERS WITH RESPECT TO APPROPRIATIONS

The Governor is authorized by statute to make findings of any fact specified by the Legislature in any appropriations bill as a contingency to the expenditure of funds. Accordingly, the Governor has some minimal discretion to prevent the expenditure of funds, exercisable in situations in which an appropriation made by the Legislature is conditioned upon the occurrence of a given event or the existence of a given fact.

The Legislature has provided a means of dealing with fiscal emergencies under which the Governor is empowered to authorize expenditures from a general appropriation made by the Legislature specifically for emergencies. The Legislature is not obligated to appropriate any amount for such purpose, but customarily does so.

The Governor may not authorize the expenditure of the emergency funds unless a certification is made to the Comptroller that an emergency and imperative public necessity requiring the use of such funds exists and the Comptroller determines that no other funds are available for such purpose. Any expenditure so authorized by the Governor may only be used in those instances in which no other funds are available due to exhaustion of appropriations and for specific purposes previously appropriated by the Legislature.

The Legislature, in the second called session held during the summer of 1987, enacted a budget execution law which gave the Governor, subject to the review of the LBB the ability to make changes in legislative appropriations during periods when the Legislature is not in session. The statute was amended in 1991, giving both the Governor and the LBB the authority to make proposals which require that a state agency be prohibited from spending an appropriation, which require that an agency be obligated to expend an appropriation, or which affect the manner in which part or all of an appropriation made by the Legislature to an agency may be distributed or redistributed. In addition, the Governor or LBB, upon making a determination that an emergency exists, may propose that an appropriation made to a state agency be transferred to another agency, that an appropriation be retained by the agency but used for a different purpose or that the time when an appropriation be made available to a state agency be changed. Funds that are dedicated by the Constitution may be withheld upon the Governor's or LBB's proposal but may not be transferred to other state agencies except an agency which is entitled to receive appropriations from those funds under the terms of the Constitution. Federal funds appropriated by the Legislature may be transferred only as permitted by federal law.

The Governor's or LBB's use of the budget execution provision is subject to publication and, in certain instances, public hearing requirements. In addition, before the Governor's proposal may be executed, it must be ratified by action of the LBB or if proposed by the LBB, by action of the Governor. During the LBB's ratification process, the proposal may be changed and ratified or rejected, or recommendations for changes in the proposal may be made. The affirmative vote of a majority of the members of the LBB from each house of the Legislature is necessary for the adoption of any budget execution order.

Except under the circumstances described in preceding paragraphs, appropriations or adjustments of appropriations may be authorized only by the Legislature.

ECONOMIC STABILIZATION FUND

The Economic Stabilization Fund (ESF), also known as the state Rainy Day Fund, was established in September 1989 under Article III, Section 49-g of the Texas Constitution as a special reserve fund in the state treasury. The constitutional provision directs the Comptroller to transfer certain revenues to the ESF after each fiscal year; establishes a fund cap; allows temporary transfers from the ESF to address any general revenue fund cash deficiency; and allows the legislature to appropriate amounts from the ESF for any purpose at any time.

TRANSFERS TO THE ESF

The Comptroller's office is required to make transfers to the ESF within 90 days after the end of each fiscal year. These transfers are typically performed in late November. The Comptroller is required to transfer the following amounts to the ESF after each fiscal year up to the fund cap:

- 37.5 percent of the amount by which net oil and gas production (severance) tax collections in the fiscal year exceeded fiscal 1987 collections; and
- After the last fiscal year in a biennium, 50 percent of any unencumbered General Revenue surplus at the end of the biennium; and
- The Legislature may also appropriate additional funds to the ESF.

Prior to fiscal year 2015, 75 percent of net oil and gas production taxes in excess of fiscal 1987 collections were required to be transferred to the ESF after each fiscal year. Effective with fiscal year 2015, a constitutional amendment authorized one half of that amount (37.5 percent) to be transferred to the State Highway Fund unless otherwise limited by the legislature. The requirement to transfer a portion of the net oil and gas production taxes to the State Highway Fund will expire December 31, 2034, unless the legislature extends the requirement.

Under Government Code Section 316.092, prior to making these transfers, the Comptroller determines the sufficient balance of the ESF for the biennium. If at the time of the net transfer, the balance of the fund is below the established sufficient balance, the Comptroller is required to increase the net oil and gas production tax collections transferred to the ESF as necessary to produce a sufficient balance. Section 316.092 requires the sufficient balance be equal to 7 percent of the certified General Revenue-related appropriations made for that fiscal biennium. The sufficient balance for the 2024-25 biennium is \$11.2 billion.

FUND CAP

The ESF is capped each biennium at an amount equal to 10 percent of General Revenue (excluding interest, other investment income and borrowings from special funds) deposited during the previous biennium. The cap for the 2024-25 biennium is \$26.4 billion.

TEMPORARY TRANSFERS TO THE GENERAL REVENUE FUND

The Comptroller is authorized to transfer funds from the ESF to the General Revenue Fund to prevent, or eliminate a temporary cash deficiency, but must return the transferred amount as soon

as practicable, no later than the end of the biennium in which the transfer occurred. The ESF receives the investment earnings on the balance as if the funds were not transferred. See Table A-15 for historical information related to cash flow management and the use of intrafund and interfund transfers.

APPROPRIATION OF ESF

The legislature may appropriate money from the ESF by a two-thirds vote of the members present in each house for any purpose at any time.

The legislature may appropriate money from the fund by a three-fifths vote to (a) address a deficit that develops after the adoption of a budget, but only for purposes previously appropriated, or (b) to make appropriations for a biennium in which the Comptroller forecasts a decline in revenues from the prior biennium (but not more than the actual decline), determined without regard to enacted changes in any tax base or rate.

Since 1989, the Legislature has appropriated ESF funds for a variety of state funding purposes, including health and human services, disaster assistance, healthcare for state retirees, economic development, the foundation school program, state parks, state water plan, and transportation. In 2019, the 86th Legislature passed Senate Bill 500 appropriating \$6.2 billion in ESF funds to state agencies including \$1.8 billion for disaster relief, \$1.1 billion for teacher retirement contributions and \$211.0 million to fund the Texas Tomorrow Fund. In 2021, the 87th Legislature passed House Bill 2 appropriating \$531.1 million in fiscal year 2021 for capital projects and disaster recovery. As of February 29, 2024, \$319.5 million remains in outstanding appropriation authority.

On November 7, 2023, voters approved Proposition 5 (H.J.R 3, 88th Legislature), which beginning in fiscal year 2024, appropriates all ESF interest, dividends, and investment earnings earned in the preceding fiscal year to the Texas University Fund (TUF). The fiscal year 2024 appropriation is capped at \$100 million and beginning in fiscal year 2025, the amount appropriated will be the amount of the previous year's appropriation, increased by the lesser of the change in the Consumer Price Index or 2.0 percent.

INVESTMENT OF THE ESF

The Comptroller is required to invest the ESF in the same manner as other state funds. Interest and other income earned on ESF fund balances is retained in the ESF up to the cap. In addition, Texas Government Code Section 404.0241 directs the Comptroller to invest a portion of the ESF balance that exceeds the legislatively determined sufficient balance in accordance with the general prudent investment standard. Effective June 18, 2023, Senate Bill 1246, adopted by the 88th Legislature requires at least one-tenth of the ESF is invested in a manner to ensure the liquidity of that amount, and that the balance of the fund is sufficient to meet its cash flow requirements.

The Comptroller reviews and adjusts the investment portfolio periodically to ensure the balance is adequate to meet the cash flow requirements of the ESF. As of February 29, 2024, the ESF balance was \$20.2 billion, of which \$15.3 billion was invested under the prudent investment standard.

INTRAFUND AND INTERFUND BORROWING

The Comptroller has authority under Texas Government Code Section 403.092 to transfer available cash, excluding constitutionally dedicated revenues, as needed through intrafund and interfund transfers. The balances available for intrafund and interfund transfers may be used to meet the required disbursements of the General Revenue Fund. These transfers effectively allow the Comptroller to borrow cash balances held in special accounts or funds to manage the cash flow requirements of the General Revenue Fund caused by timing differences between cash expenditures and cash receipts.

Intrafund transfers occur when the Comptroller makes available cash accessible from any account to any other account in the General Revenue Fund. Interfund transfers occur when the Comptroller transfers available cash, excluding constitutionally dedicated revenues, from any fund managed by or in the custody of the Comptroller. If the Comptroller transfers available cash, the Comptroller is required to return the available cash to the account or fund from which it was transferred as soon as practicable with interest earnings allocated as if the transfer had not occurred.

See Temporary Transfers to the General Revenue Fund under the Economic Stabilization Fund section for additional information regarding temporary transfers from the Economic Stabilization Fund to the General Revenue Fund.

See Table A-15 for historical information related to cash flow management and the use of interfund transfers.

TAX AND REVENUE ANTICIPATION NOTES

The Comptroller is authorized to issue Tax and Revenue Anticipation Notes on behalf of the State under legislation, which became effective in October 1986. Under Texas Government Code Subchapter H (§404.121 et. seq), notes may be issued solely to coordinate the State's cash flow within a fiscal year and must mature and be paid in full during the biennium in which the notes are issued.

Before issuing any notes, the Comptroller must prepare a forecast of the cash flow shortfall for the State's General Revenue Fund based on the most recent estimate of revenues prepared by the Comptroller and must submit the forecast to the State's Cash Management Committee.

The Cash Management Committee is composed of the Governor, Lieutenant Governor, and the Comptroller of Public Accounts as voting members, and the Speaker of the House of Representatives as a non-voting member. The amount of notes issued by the Comptroller may not exceed the amount approved by the Cash Management Committee, which, in turn, may not approve the issuance of notes in an amount in excess of the temporary cash shortfall projections. Data on Tax and Revenue Anticipation Notes issued may be found in Table A-15.

AUDITS

The State Auditor is appointed by the Legislative Audit Committee, composed of the Lieutenant Governor, the Speaker of the House of Representatives, the chairmen of the House Appropriations

Committee and the House Ways and Means Committee, the chairman of the Senate Finance Committee and one member of the Senate appointed by the Lieutenant Governor. The State Auditor serves at the will of the Legislative Audit Committee. The State Auditor is charged with the responsibility of devising and recommending the audit plan for the State for each fiscal year to the Audit Committee for approval. The Auditor may conduct financial audits, compliance audits, economy and efficiency audits, effectiveness audits, special audits and investigations of state agencies and institutions of higher education. The State Auditor shall prepare a written report for each audit conducted and file a copy with the Governor, Lieutenant Governor, Speaker of the House of Representatives, Secretary of State, Legislative Reference Library, each member of the governing body and administrative head of the audited entity and members of the Legislature on a committee with oversight responsibility for the entity or program that is the subject of the report. If improprieties are found, the State Auditor, after consulting with the agency head, shall immediately report to the Governor, the committee and the appropriate legal authority. The State Auditor does not audit the constitutionally required “cash basis” report prepared by the Comptroller. However, since fiscal 1987, the Comptroller is required by law to issue a statewide annual financial report that conforms to generally accepted accounting principles (GAAP) for state governments. The State of Texas Annual Comprehensive Financial Report, previously referred to as the State of Texas Comprehensive Annual Financial Report, is required to be audited by the State Auditor. The audited version of the 2023 report was issued on February 29, 2024. Copies of the audited annual financial report are available to the public by writing to the Fiscal Management Division, Comptroller of Public Accounts, P.O. Box 13528, Austin, TX 78711 or by visiting the State Comptroller’s website at: <https://comptroller.texas.gov/transparency/reports/comprehensive-annual-financial/>.

GENERAL INVESTMENT AUTHORITY AND PORTFOLIO

The Comptroller is responsible for holding and investing state funds and other funds as required by law. The Comptroller invests funds in investments authorized by statute and consistent with the Texas State Comptroller Investment Policy, dated November 2023. The size of the Treasury investment pool varies, depending on seasonal variations in revenues and expenditures and the amount of Tax and Revenue Anticipation Notes issued pursuant to Texas Government Code Subchapter H (§404.121 et. seq). Between September 1, 2018 and August 31, 2023, the pool has ranged between \$30.1 billion and \$93.1 billion; for fiscal year 2024, through February 29, 2024, the pool has ranged from \$72.9 billion to \$91.3 billion.

AUTHORIZED INVESTMENTS

- a) The Comptroller may determine and designate the amount of state funds to be deposited in time deposits in State depositories. The percentage of state funds to be deposited in state depositories shall be based on the interest rates available in competing investments, the demand for funds from Texas banks, and the state's liquidity requirements.
- b) State funds not deposited in state depositories shall be invested by the Comptroller in: (1) direct security repurchase agreements; (2) reverse security repurchase agreements; (3) direct obligations of or obligations the principal and interest of which are guaranteed by the United States; (4) direct obligations of or obligations guaranteed by agencies or

instrumentalities of the United States government; (5) bankers' acceptances that: (A) are eligible for purchase by the Federal Reserve System; (B) do not exceed 270 days to maturity; and (C) are issued by a bank whose other comparable short-term obligations are rated in the highest short-term rating category, within which there may be subcategories or gradations indicating relative standing including such subcategories or gradations as "rating category" or "rated" by a nationally recognized statistical rating organization, as defined by Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 by the Securities and Exchange Commission; (6) commercial paper that: (A) does not exceed 365 days to maturity; and (B) except as provided by Subsection (i), is issued by an entity whose other comparable short-term obligations are rated in the highest short-term rating category by a nationally recognized statistical rating organization; (7) contracts written by the Treasury in which the Treasury grants the purchaser the right to purchase securities in the Treasury's marketable securities portfolio at a specified price over a specified period and for which the treasury is paid a fee and specifically prohibits naked-option or uncovered option trading; (8) direct obligations of or obligations guaranteed by the Inter-American Development Bank, the International Bank for Reconstruction and Development (the World Bank), the African Development Bank, the Asian Development Bank, and the International Finance Corporation that have received the highest long-term rating categories for debt obligations by a nationally recognized statistical rating organization; (9) bonds issued, assumed, or guaranteed by the State of Israel; (10) obligations of a state or an agency, county, city, or other political subdivision of a state; (11) mutual funds secured by obligations that are described by Subdivisions (1) through (6) or by obligations consistent with Rule 2(a)-7 (17 C.F.R. Section 270.2(a)-7, promulgated by the Securities and Exchange Commission, including pooled funds: (A) established by the Texas Treasury Safekeeping Trust Company; (B) operated like a mutual fund; (C) with portfolios consisting only of dollar-denominated securities; (12) foreign currency for the sole purpose of facilitating investment by state agencies that have the authority to invest in foreign securities; (13) asset-backed securities, as defined by the Securities and Exchange Commission in Rule 2a-7 (17 C.F.R. Section 270.2a-7), that are rated at least A or its equivalent by a nationally recognized statistical rating organization and that have a weighted-average maturity of five years or less; and (14) corporate debt obligations that are rated at least A or its equivalent by a nationally recognized statistical rating organization and mature in five years or less from the date on which the obligations were "acquired," as defined by the Securities and Exchange Commission in Rule 2a-7 (17 C.F.R. Section 270.2a-7).

- c) Investments in direct security repurchase agreements and reverse security repurchase agreements may be: (1) placed through financial institutions doing business in this state or through primary dealers as approved by the Federal Reserve System; or (2) made directly with a state agency with the authority to invest in repurchase agreements.

For purposes of this section, "agency of the state" or "state agency" means: (1) an office, department, commission, board, or agency that is part of any branch of state government; (2) an institution of higher education as defined by Section 61.003, Education Code; or (3) a nonprofit corporation acting on behalf of an entity described by Subdivision (1) or (2).

Notwithstanding any other law, the term of any reverse security repurchase agreement made by the comptroller may not exceed 90 days after the date the reverse security

repurchase agreement is delivered. Money received by the comptroller under the terms of a reverse security repurchase agreement may be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

A direct security repurchase agreement or reverse security repurchase agreement made by the comptroller under this section may be submitted for clearing and settlement to a covered clearing agency, as defined by the Securities and Exchange Commission in Rule 17Ad-22 (17 C.F.R. Section 240.17Ad-22).

- d) The Comptroller may contract with a depository for the payment of interest on time or demand deposits at a rate not to exceed a rate that is lawful under an Act of Congress and rules and regulations of the board of governors of the Federal Reserve System, the board of directors of the Federal Deposit Insurance Corporation, the National Credit Union Administration Board, and the Federal Home Loan Banking Board.
- e) The Treasury may not purchase any of the following types of investments: (1) obligations the payment of which represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations the payment of which represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
- f) The Comptroller by rule may define derivative investments other than those described by Subsection (e). The Treasury may not purchase investments defined by rule adopted under this subsection in an amount that at the time of purchase will cause the aggregate value of the investments to exceed five percent of the Treasury's total investments.
- g) To the extent practicable, the Comptroller shall give first consideration to Texas banks when investing in direct security repurchase agreements.
- h) The Comptroller may not use state funds to invest in or purchase obligations of a private corporation or other private business entity doing business in Northern Ireland unless the corporation or other entity: (1) adheres to fair employment practices; and (2) does not discriminate on the basis of race, color, religion, sex, national origin, or disability.
- i) Notwithstanding Subsection (b)(6)(B), the Comptroller may purchase commercial paper with a rating lower than the rating required by that paragraph to provide liquidity for commercial paper issued by the Comptroller or an agency of the State.
- j) If the Comptroller is required by law to invest funds other than as provided by this section, and if other law does not establish a conflicting standard governing that investment, the Comptroller shall invest those funds under the restrictions and procedures for making the investments that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the prevailing circumstances, would follow in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

- k) The Comptroller may contract with private professional investment managers to assist the Comptroller in investing funds under the care, custody, and control of the Comptroller.
- l) The Comptroller may lend securities under procedures established by the Comptroller. The procedures must be consistent with industry practice and must include a requirement to fully secure the loan with cash, obligations described by Subsections (b) (1)-(6), or a combination of cash and the described obligations. Notwithstanding any law to the contrary, cash may be reinvested in the items permitted under Subsection (b) or mutual funds, as defined by the Securities and Exchange Commission in Rule 2a-7 (17 C.F.R. Section 270.2a-7).
- m) In entering into a direct security repurchase agreement or a reverse security repurchase agreement, the Comptroller may agree to accept cash on an overnight basis in lieu of the securities, obligations, or participation certificates identified in Section 404.001 (3). Cash held by the State under this subsection is not a deposit of state or public funds for purposes of any statute, including this subchapter or Subchapter D, that requires a deposit of state or public funds to be collateralized by eligible securities.
- n) Notwithstanding any other law to the contrary, any government investment pool created to function as a money market mutual fund and managed by the Comptroller or the Texas Treasury Safekeeping Trust Company may invest the funds it receives in investments that are “eligible securities,” as defined by the Securities and Exchange Commission in Rule 2a-7 (17 C.F.R. Section 270.2a-7), if it maintains a dollar-weighted average portfolio maturity of 90 days or less, with the maturity of each portfolio security calculated in accordance with Rule 2a-7 (17 C.F.R. Section 270.2a-7), and meets the diversification requirements of Rule 2a-7.

INVESTMENT POLICIES

The Comptroller’s principal investment and management objectives are as follows: (1) preservation of capital and protection of principal, first; (2) maintenance of sufficient liquidity to meet operating needs, second; and (3) maximization of return, third. The Comptroller will preserve capital and protect principal by investing in a diversified pool of assets of high credit quality. Interest rate risk will be managed by maintaining a weighted-average maturity of no more than two (2) years.

Whenever practicable, the Comptroller and the Texas Treasury Safekeeping Trust Company will award investment transactions on a competitive basis by soliciting at least two bids and then placing purchase and sale orders with brokers to achieve best execution. All transactions will be fully documented by the individual executing the trade and confirmed by a second investment staff member.

The Comptroller enters into only fully collateralized repurchase agreements. The Comptroller’s Master Repurchase Agreement governs all transactions. Repurchase agreement collateral is limited to those securities authorized for outright purchase by the Comptroller. All such collateral is held for safekeeping at the Federal Reserve Bank of Dallas, San Antonio Branch, in the name of the Comptroller of Public Accounts or at an approved third-party institution with which the Comptroller has executed a custodial undertaking agreement in connection with a master

repurchase agreement. Collateral is monitored daily to ensure that margin requirements are maintained. Margin excesses or deficits will be corrected on a timely basis, generally no later than the next business day. Repurchase agreement transactions must be placed only with primary government securities dealers approved by the Federal Reserve System or state or national banks doing business in the State of Texas.

TEXAS TREASURY SAFEKEEPING TRUST COMPANY

In addition, the Comptroller of Public Accounts is the sole director, officer and shareholder of the Texas Treasury Safekeeping Trust Company (the "Trust Company"). The Trust Company was established to provide direct access to the services of the Federal Reserve System and to enable the Comptroller to manage and invest public funds and securities more efficiently and economically. The Trust Company also enters into contracts to provide funds management services to state agencies and local governments. In accordance with section 404.115 of the Texas Government Code, the Comptroller has appointed Mike Reissig as Chief Executive Officer of the Trust Company. His appointment became effective October 1, 2019.

The Comptroller currently manages numerous separate portfolios by and through the Trust Company, which is authorized to operate the TexPool portfolios, the local government investment pools comprised of TexPool, the largest, and TexPool Prime. The State Treasurer organized TexPool in 1989, and its balances have ranged from \$11 billion to \$35.7 billion in the last few years. Since May 12, 1997, the day-to-day administration of TexPool has been outsourced. These activities are currently managed for the Comptroller by Federated Hermes. The types of authorized investments within TexPool are U.S. Government Securities, Agencies and Instrumentalities, Repurchase Agreements, Reverse Repurchase Agreements and Money Market Mutual Funds. The types of authorized investments within TexPool Prime are U.S. Government Securities, Agencies and Instrumentalities, Repurchase Agreements, Reverse Repurchase Agreements, Certificates of Deposit, Commercial Paper and Money Market Mutual Funds. As of May 1, 2024, TexPool had 2,854 members and a fund balance of \$ 35.2 billion; TexPool Prime had 575 members and a fund balance of \$ 15.5 billion. TexPool and TexPool Prime are AAAM money market funds rated by Standard and Poor's. TexPool's average maturity is 40 days and TexPool Prime is 42 days as of May 1, 2024.

3. STATE REVENUES AND EXPENDITURES

CURRENT TREASURY INVESTMENTS

As of May 1, 2024, the beginning balance in the Treasury was \$81.0 billion, of which \$1.1 billion is invested by the Comptroller at the discretion of the State Permanent School Fund, Permanent University Fund, and employee pension funds. As of such date, the fair value of Treasury investments by category was as follows:

Table A-1
Current Treasury Investments

Investment Type	Fair Value (in millions)	Percent of Total
Bank Deposits	584	0.72%
Treasury Bills	21,552	26.53%
Treasury Notes	12,483	15.37%
Treasury TIPS	0	0.00%
Treasury FRNs	1,526	1.88%
Corporate Bonds	2,131	2.62%
Covered Bonds	0	0.00%
Asset Backed Securities	6,292	7.75%
Money Market Funds	2,361	2.91%
Agency Notes	2,536	3.12%
Agency Discount Notes	0	0.00%
Supranational	2,270	2.79%
Supranational Discount Notes	0	0.00%
Repurchase Agreements	8,753	10.78%
Lottery Award Annuities	215	0.27%
Mortgage Backed Securities	5,936	7.31%
SBA Securities	3	0.00%
Commercial Paper	14,444	17.78%
Israel Bond	140	0.17%
Cash	1	0.00%
Trust Stock	1	0.00%
Reverse Repurchase Agreements	-3	0.00%
Totals (1)	81,225	100.00

(1) Totals may not sum due to rounding

Source: Texas Treasury Safekeeping Trust Company

These securities do not include any prohibited securities. The average remaining term of these securities (excluding securities matched to state lottery prize liabilities) is 311 days. Information on the Trust Company Investment Policies and Investments may be found on the Trust Company's website at www.ttstc.com.

LIQUIDITY

Under Texas Government Code Section 404.027, the Comptroller has entered into agreements to provide liquidity for certain state agency debt obligations issued for governmental purposes, so long as they do not conflict with the liquidity needs of the state treasury. The agreements commit the State of Texas to purchase commercial paper securities to refund maturing commercial paper securities, if they cannot be rolled, and demand securities tendered for purchase, if they cannot be remarketed. Such securities, if purchased, would be held as investments in the state treasury, as authorized under Government Code Section 404.024 until such time as they may be refinanced or remarketed. The liquidity agreements do not guarantee the payment of state agency debt obligation principal or interest.

As of April 30, 2024, the Comptroller provided liquidity for the obligations in the table below.

Obligations	Total Commitment (Principal and Interest)	Final Date
Texas Department of Housing and Community Affairs Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2005 Series A (weekly demand)	\$6,928,061	August 31, 2025
Texas Department of Housing and Community Affairs Single Family Mortgage Revenue Bonds, 2007 Series A (weekly demand)	\$3,194,666	August 31, 2025
Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Cancer Prevention and Research Institute of Texas Project) Series A and Series B	\$375,819,672	August 31, 2025
Texas Public Finance Authority Revenue Commercial Paper Note Program (Texas Facilities Commission Projects), Series 2016A (Taxable) and Series 2016B (Tax-Exempt)	\$214,754,098	August 31, 2025
Texas Public Finance Authority Commercial Paper Revenue Notes, Series 2019A and Taxable Series 2019B	\$214,754,098	August 31, 2025
Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B (Multi-Modal Bonds)	\$151,721,311	August 31, 2025
Texas Veterans Land Board State of Texas Veterans Bonds, Taxable Series 2023A	\$253,483,607	August 31, 2025
TOTAL PROGRAM COMMITMENT	\$1,220,655,513	

IDENTITY OF FUNDS

An understanding of the relative importance of each of the state's revenue sources requires a brief explanation of the state's fund accounting process. As stated above, there are several hundred different funds within the Treasury. The General Revenue Fund, due to its character and the large number of programs financed through it, provides an indication of the state's financial condition. In fiscal 2023, Consolidated General Revenue accounted for most of the state's total net revenue (see Table A-4). The category of state funds that provides a broader understanding of the state's financial condition consists of non-trust funds, which includes the General Revenue Fund, other operating and disbursing funds, constitutionally created funds, federal funds, pledged and bond funds and other special funds. The remaining funds consist of trust funds and accounts that are held in trust for specific state programs, such as sales tax revenues that must be distributed to local governments in the State and suspense accounts to hold money pending identification of where the actual deposit should be made. Trust and suspense accounts are generally excluded from the discussion of revenues and expenditures.

To provide the maximum use of state funds, the 72nd Legislature Regular Session, 1991 (72nd Legislature) enacted legislation mandating state fund consolidation. The Comptroller of Public Accounts, with the concurrence of the Treasurer, was directed to abolish or merge eligible funds into the General Revenue Fund on or before August 31, 1993. Under § 403.094, Government Code, numerous state funds, excluding constitutionally dedicated, bond related and trust funds, were consolidated into accounts within the General Revenue Fund on August 31, 1993. The consolidated funds maintained their identity through account numbers. Although the merged funds became referred to as "accounts," they experienced no substantive changes from consolidation. Merging the funds provided a one-time gain of approximately \$1.2 billion for the General Revenue Fund.

In addition, the 72nd Legislature, by law, required that the consolidated accounts retain their statutory dedications for specific purposes until August 31, 1995, at which time they would be abolished. This allowed revenues that were removed from statutory dedication to become available for spending through the Legislative general appropriation process. In 1995, the 74th Legislature, Regular Session, enacted HB 3050, which rededicated certain funds, accounts and revenues that were scheduled for abolishment at the end of fiscal 1995. Subsequent Legislatures have enacted bills providing for the abolishment or dedication of newly created or rededicated funds and accounts in an effort to limit the creation of excessive dedications of revenue and allow the Legislature the maximum use of state revenues.

REVENUE SOURCES

Tax collections totaling \$82.1 billion provided the state's primary source of income in fiscal 2023 (see Table A-5). The largest categories of tax collections include Sales Tax, Motor Vehicle Sales/Rental, Franchise, Oil Production, Insurance, Motor Fuel, and Natural Gas Production taxes. Federal receipts (which accounted for 36.6 percent of total revenue and totaled \$68.7 billion in fiscal 2023) came in second, while State Health Service Fees and Rebates totaling \$10.9 billion in fiscal 2023 provided a distant third largest revenue source to the State. The State has no personal

or corporate income tax, although the State does impose a franchise tax based on taxable margin, defined as gross receipts less either cost of goods sold or compensation.

Table A-2 shows the rates and tax bases for major state taxes collected in the State of Texas for the fiscal year beginning September 1, 2023.

Table A-2
Major State Taxes

<u>Tax</u>	<u>Rate and Base</u>
Sales Taxes	<p>Limited Sales and Use: 6.25 percent of the retail sale price of taxable tangible personal property and selected services.</p> <p>Boat and Boat Motor: 6.25 percent of the total consideration paid for a boat or boat motor; \$15 tax for each boat or boat motor brought into the State by a new resident.</p> <p>Texas Emissions Reduction Plan Surcharge: 1.5 percent of the sale or lease price of all off-road, heavy-duty diesel equipment (other than some implements of husbandry).</p>
Natural Gas Production Tax	<p>7.5 percent of the market value of natural gas produced in the State.</p> <p>4.6 percent of the market value of condensate produced in the State.</p>
Oil Production Tax	4.6 percent of the market value of oil produced in the State.
Motor Fuel Taxes	<p>Motor Fuel: 20¢ per gallon of gasoline or diesel fuel (eligible transit companies qualify for a refund of 1¢ per gallon on gasoline and 1/2¢ per gallon on diesel fuel).</p> <p>Compressed Natural Gas and Liquefied Natural Gas: 15¢ per gallon.</p>
Motor Vehicle Sales and Use, Rental, and Manufactured Housing Sales Taxes	<p>Sales and Use: 6.25 percent of vehicle sales price, less any trade-in; \$90 tax for each motor vehicle brought into the State by a new resident; \$10 tax paid by donee for each gift of a motor vehicle; \$5 tax paid by each party in an even exchange of two motor vehicles; 1.0 percent or 2.5 percent Texas Emissions Reduction Plan surcharge on certain diesel truck purchases.</p> <p>Rental: 10 percent of gross receipts on rentals of 30 days or less; 6.25 percent on rentals of 31 to 180 days.</p> <p>Manufactured Housing Sales: 5 percent of 65 percent of the sales price on the initial sale or use of a new manufactured home.</p>
Cigarette, Cigar and Tobacco Products Taxes	<p>Cigarettes:</p> <p>\$70.50 per 1,000 cigarettes weighing 3 pounds or less per 1,000 (\$1.41 per pack of 20).</p> <p>Cigars and Tobacco Products:</p> <ol style="list-style-type: none"> (1) Cigar rates vary with weight per 1,000 cigars, constituents, and price: From 1¢ per 10 cigars weighing 3 pounds or less per 1,000 to \$15 per 1,000 cigars weighing over 3 pounds per 1,000. (2) Snuff, chewing tobacco, pipe tobacco, and roll-your-own tobacco: \$1.22 per ounce based on the manufacturer's list weight.
Franchise Tax	Rates applicable to reports due on or after January 1, 2016: 0.75 percent of taxable margin (for taxable entities not primarily engaged in wholesale or retail trade), or 0.375 percent of taxable

Tax Rate and Base

margin (for taxable entities primarily engaged in wholesale or retail trade). Taxpayers with total revenue of \$20 million or less may elect to pay tax on revenue apportioned to Texas at a rate of 0.331 percent.

Alcoholic Beverage Taxes **Malt Beverage:** \$6.00 per 31 gallon barrel.

Liquor: \$2.40 per gallon.

Wine:

Alcohol volume 14 percent or less – 20.4¢ per gallon.

More than 14 percent – 40.8¢ per gallon.

Sparkling wine – 51.6¢ per gallon.

Mixed Beverage: 6.7 percent of the permittees gross receipts and a retail sales tax of 8.25 percent.

Insurance Premium Taxes **Life Insurance and Health Maintenance Organizations:** 0.875 percent of the first \$450,000 in taxable gross life premiums or HMO taxable gross receipts, and 1.75 percent of taxable gross life premiums or HMO taxable gross receipts in excess of \$450,000.

Property and Casualty Insurance: 1.6 percent of gross premiums written in Texas.

Accident and Health Insurance: 1.75 percent of gross premiums written in Texas.

Unauthorized, Independently Procured, and Surplus Lines Insurance: 4.85 percent of gross premiums written for insureds whose home state is Texas.

Licensed Captive Insurance Companies: 0.5 percent of gross premiums written to insure the operational risks of affiliates and controller unaffiliated businesses. The minimum amount due is \$7,500 per tax report year. The maximum amount due is \$200,000 per tax report year.

Inheritance Taxes **Title Insurance:** 1.35 percent of gross premiums written in Texas.

None: Federal Law incrementally phased out the State's share of the federal tax until it was fully eliminated for deaths occurring in calendar 2005 and beyond.

Utility Taxes **Public Utility Gross Receipts Assessment:** One sixth of 1.0 percent of gross receipts

Gas, Electric and Water Utility:

(1) Cities 1,000 – 2,499 population – 0.581 percent of gross receipts;

(2) Cities 2,500 – 9,999 population – 1.070 percent of gross receipts;

(3) Cities 10,000 population or more – 1.997 percent of gross receipts.

Gas Utility Pipeline: 0.5 percent of gross income (gross receipts less the cost of natural gas sold) of gas utilities.

Hotel Occupancy Tax 6 percent of room rate paid by occupant.

Source: Texas Comptroller of Public Accounts.

LIMITATIONS ON TAXING POWERS

The Constitution prohibits the State from levying ad valorem taxes on property.

The Constitution also limits the rate of growth of appropriations from tax revenues not dedicated by the Constitution during any biennium to the estimated rate of growth for the State's economy. The Legislature may avoid the constitutional limitation if it finds, by a majority vote of both houses, an emergency exists.

The Constitution authorizes the Legislature to provide by law for the implementation of this restriction, and the Legislature, pursuant to such authorization, has defined the estimated rate of growth in the State's economy to mean the estimated increase in state personal income.

CONSTITUTIONAL AND LEGISLATIVE CHANGES

On November 5, 2019, voters approved a constitutional amendment which dedicates and appropriates state sales and use taxes on sporting goods to the Texas Parks and Wildlife Department (TPWD) and the Texas Historical Commission (THC). The 2024-25 Certification Revenue Estimate (CRE) projects \$256.275 million in such state sales and use tax proceeds will be allocated to the TPWD and THC in fiscal year 2024.

On November 3, 2015, voters approved a constitutional amendment which, beginning in fiscal year 2018, directs the Comptroller to deposit to the credit of the State Highway Fund \$2.5 billion of the net revenue derived from the state sales and use tax in excess of \$28 billion. This amendment also directs the Comptroller, beginning in fiscal year 2020, to deposit to the credit of the State Highway Fund thirty-five percent (35 percent) of the revenues collected from the tax imposed on the sale, use or rental of a motor vehicle that exceeds \$5 billion. The 88th Legislature (Regular Session, 2023) passed Senate Concurrent Resolution 2, which extended both funding components of Proposition 7 – sales and use tax and motor vehicle sales and rental tax revenues – for ten years beyond their original expiration dates. Accordingly, the state's sales and use tax transfers into the State Highway Fund will be extended through August 31, 2042, while the motor vehicle sales and rental tax portion will be extended through August 31, 2039. The 2024-25 CRE projects that in fiscal year 2024 the State Highway Fund will receive \$2.5 billion from sales taxes and an additional \$673.56 million from motor vehicle sales taxes.

In 2023, the 88th Sessions of the Legislature authorized significant one-time funding of several programs through various funding mechanisms, including seven constitutional amendments approved by the voters on November 7, 2023. These programs include, but are not limited to: Broadband Infrastructure Fund (\$1.5 billion), Centennial Parks Conservation Fund (\$1 billion), Texas Water Fund and the New Water Supply for Texas Fund (\$1 billion), Texas Energy Fund (\$5 billion), Texas University Fund (\$3 billion, plus on-going funding from certain ESF earnings), Teacher Retirement System (\$3.4 billion in COLA and \$1.6 in one-time stipends), Property Tax Relief (\$12.3 billion for the FY24-25 biennia), and Border Security (\$6.6 billion). (See "FISCAL MATTERS – ECONOMIC STABILIZATION FUND-Appropriation of ESF," "STATE BUDGET INFORMATION – 2024-2025 Budget," "EDUCATION" "RETIREMENT SYSTEMS" and "TEXAS MEXICO BORDER," herein.)

HISTORICAL REVENUES, EXPENDITURES, AND CASH CONDITION

Table A-3 contains information concerning the cash position for the Consolidated General Revenue Fund as of the end of the State's five latest fiscal years.

Table A-3
Statement of Cash Position for the Consolidated General Revenue Fund ⁽¹⁾
Years Ended August 31

	2019	2020	2021 ⁽²⁾	2022	2023
CASH BALANCE – September 1					
Cash in State Treasury	\$ 4,472,895,460	\$ 8,412,774,932	\$ 7,119,744,141	\$ 14,408,806,585	\$ 33,733,947,588
Cash in Petty Cash Accounts	10,179,338	10,546,547	10,546,789	10,521,977	10,836,865
TOTAL CASH BALANCE	4,483,074,799	8,423,321,479	7,130,290,930	14,419,328,562	33,744,784,453
NET REVENUE					
Tax Collections	57,240,897,493	54,524,071,005	58,084,146,274	73,408,481,192	77,723,809,872
Federal Income	37,774,034,609	41,869,784,610	43,299,357,594	52,621,929,815	51,121,511,368
Licenses, Fees, Fines and Penalties	3,998,273,079	3,851,558,016	3,801,156,615	4,056,199,680	4,117,910,126
State Health Service Fees and Rebates	7,087,931,884	7,497,445,421	6,794,087,504	10,284,816,381	10,919,541,083
Net Lottery Proceeds	2,510,143,199	2,391,653,302	2,954,627,489	3,058,250,726	3,349,723,696
Land Income	16,165,441	14,300,924	43,172,265	18,714,037	16,595,619
Interest and Investment Income	171,572,376	50,743,615	14,009,890	120,365,061	1,549,732,304
Settlements of Claims	619,295,671	596,374,198	724,552,103	625,024,315	597,422,202
Escheated Estates	693,354,839	715,456,256	792,564,461	1,011,742,238	1,090,933,286
Sales of Goods and Services	191,012,665	184,024,916	204,347,155	219,628,973	213,096,493
Other Revenue	3,460,199,939	3,150,532,520	3,446,433,890	4,188,734,096	5,359,732,043
TOTAL NET REVENUE	113,762,881,194	114,845,944,784	120,158,455,240	149,613,886,513	156,060,008,091
OTHER SOURCES					
Bond and Note Proceeds	-	-	-	-	-
Sale/Redemption of Investments	-	-	53,021,227	-	-
Deposits to Trust and Suspense	5,022,593	833,547	12,696,542	3,485,873	20,867,929
Departmental Transfers	1,020,210,289	1,036,437,014	1,124,870,229	1,323,556,815	1,533,781,552
Operating Fund Transfers	33,628,993,342	39,774,920,382	39,790,358,097	45,374,160,838	48,520,757,586
Residual Equity Transfers	-	2,395	13,764	-	-
Other Sources	16,576	10,075	28,395	42,538	423,801
TOTAL OTHER SOURCES	34,654,242,801	40,812,203,412	40,980,988,254	46,701,246,064	50,075,830,868
TOTAL NET REVENUE AND OTHER SOURCES	\$ 148,417,123,995	\$ 155,658,148,197	\$ 161,139,443,494	\$ 196,315,132,577	\$ 206,135,838,960

(1) Consolidated General Revenue contains activity and balances for the General Revenue Fund and dedicated accounts in General Revenue.

(2) Beginning cash balances have been restated due to reclassification of funds and accounts.

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 1

Table A-3
Statement of Cash Position for the Consolidated General Revenue Fund ⁽¹⁾ (concluded)
Years Ended August 31

	2019	2020	2021 ⁽²⁾	2022	2023
NET EXPENDITURES					
General Government	\$ 3,384,180,169	\$ 3,494,823,543	\$ 3,633,997,367	\$ 3,968,474,285	\$ 4,282,999,794
Education	32,474,685,190	36,989,515,622	35,867,657,205	38,712,617,041	38,377,514,493
Employee Benefits	4,499,076,492	4,495,409,137	3,810,115,143	4,550,624,400	6,026,152,412
Health and Human Services	51,620,783,581	55,068,651,357	55,304,844,221	66,987,772,247	68,589,568,922
Public Safety and Corrections	5,081,955,235	4,814,895,862	2,462,522,701	4,480,187,428	6,621,093,193
Transportation	18,051,304	18,475,202	17,588,417	21,740,952	26,455,749
Natural Resources/ Recreational Services	1,753,794,760	2,236,507,351	2,861,513,805	3,059,782,516	3,255,631,282
Regulatory Agencies	274,433,802	266,667,442	247,516,225	260,197,779	279,881,680
Lottery Winnings Paid ⁽³⁾	684,278,393	541,325,778	766,764,047	751,829,532	952,584,533
Debt Service – Interest	203,652,258	178,313,946	164,338,259	158,969,206	136,375,595
Capital Outlay	402,963,016	424,777,991	383,929,324	638,387,249	839,728,100
TOTAL NET EXPENDITURES	100,397,854,201	108,529,363,232	105,520,786,713	123,590,582,635	129,387,985,752
OTHER USES					
Purchase of Investments	95,212	95,289	100,112	90,681	125,157,382
Trust and Suspense Payments	24,397	21,153	6,555	38,480	31,450
Teacher and Employee Retirement Payments	3,822,219	3,405,994	4,745,703	5,866,467	5,510,668
Departmental Transfers	865,415,569	864,501,248	831,519,515	1,147,340,686	1,250,771,876
Operating Fund Transfers	42,828,161,277	47,131,659,726	47,065,156,872	51,806,826,573	60,326,968,401
Other Uses	15,752,113	15,580,499	12,121,150	20,490,465	15,748,760
Debt Service – Principal	366,119,535	406,551,848	415,944,430	418,755,586	381,878,052
TOTAL OTHER USES	44,079,390,323	48,421,815,756	48,329,594,337	53,399,408,939	62,106,066,590
TOTAL NET EXPENDITURES AND OTHER USES	144,477,244,524	156,951,178,988	153,850,381,050	176,989,991,574	191,494,052,342
To Petty Cash Accounts	367,209	242	(24,812)	314,887	(421,351)
AUGUST 31	\$ 8,423,321,479	\$ 7,777,424,852	\$ 14,419,328,562	\$ 33,744,784,453	\$ 48,386,149,720
CASH IN STATE TREASURY	8,412,774,932	7,766,878,063	14,408,806,585	33,733,947,588	48,375,734,206
CASH IN PETTY CASH ACCOUNTS	10,546,547	10,546,789	10,521,977	10,836,865	10,415,514

(1) Consolidated General Revenue contains activity and balances for the General Revenue Fund and dedicated accounts in General Revenue.

(2) Beginning cash balances have been restated due to reclassification of funds and accounts.

(3) Does not include payments made by retailers.

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 1

Table A-4 provides information concerning the cash condition of the State’s Consolidated General Revenue Fund, special revenue funds and trust and suspense funds as of the end of the State’s latest fiscal year, ending August 31, 2023, and for the total of all of the State’s funds and accounts as of such date. The information in the table does not include cash held in certain funds maintained by state-operated institutions of higher education (see “Education—Higher Education”) or certain other funds that are not accounted for through the Comptroller of Public Accounts.

Table A-4
Statement of Cash Position
Year Ended August 31, 2023

	Total Consolidated			
	General Revenue ⁽¹⁾	Special Revenue	All Other Funds	Total All Funds
CASH BALANCE –				
SEPTEMBER 1, 2022				
Cash in State Treasury	\$ 33,733,947,588	\$ 29,706,402,956	\$ 11,715,730,021	\$ 75,156,080,566
Cash in Petty Cash Accounts	10,836,865	1,206,300	56,000	12,099,165
	<u>33,744,784,453</u>	<u>29,707,609,256</u>	<u>11,715,786,021</u>	<u>75,168,179,731</u>
NET REVENUE				
Tax Collections	77,723,809,872	4,421,747,885	2,531,310,876	84,676,868,634
Federal Income	51,121,511,368	17,585,529,629	404,562,100	69,111,603,096
Licenses, Fees, Fines and Penalties	4,117,910,126	2,545,498,779	302,295,626	6,965,704,531
State Health Service Fees and Rebates	10,919,541,083	0	612,543,984	11,532,085,067
Net Lottery Proceeds	3,349,723,696	0	0	3,349,723,696
Land Income	16,595,619	3,780,822,020	6,167,215	3,803,584,853
Interest and Investment Income	1,549,732,304	2,651,205,086	430,411,182	4,631,348,572
Settlements of Claims	597,422,202	33,610,341	252,701,022	883,733,565
Escheated Estates	1,090,933,286	0	0	1,090,933,286
Sales of Goods and Services	213,096,493	94,831,737	241,124,412	549,052,642
Other Revenue	5,359,732,043	615,716,368	17,214,906,545	23,190,354,956
TOTAL NET REVENUE	<u>156,060,008,091</u>	<u>31,728,961,846</u>	<u>21,996,022,962</u>	<u>209,784,992,899</u>
OTHER SOURCES				
Bond and Note Proceeds	0	1,153,860,865	0	1,153,860,865
Sale/Redemption of Investments	0	2,802,879,064	6,568,740,342	9,371,619,406
Deposits to Trust and Suspense	20,867,929	192,851,279	20,872,628,161	21,086,347,369
Departmental Transfers	1,533,781,552	32,009,728	585,722	1,566,377,002
Operating Fund Transfers	48,520,757,586	18,426,441,852	16,727,183,993	83,674,383,431
Other Sources	423,801	500	0	424,301
TOTAL OTHER SOURCES	<u>50,075,830,868</u>	<u>22,608,043,288</u>	<u>44,169,138,217</u>	<u>116,853,012,373</u>
TOTAL NET REVENUE AND				
OTHER SOURCES	<u>\$ 206,135,838,960</u>	<u>\$ 54,337,005,134</u>	<u>\$ 66,165,161,179</u>	<u>\$ 326,638,005,273</u>

(1) Consolidated General Revenue contains activity and balances for the General Revenue Fund and dedicated accounts in General Revenue.

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 1

Table A-4
Statement of Cash Position
Year Ended August 31, 2023
(concluded)

	Consolidated General			
	Revenue ⁽¹⁾	Special Revenue	All Other Funds	Total All Funds
NET EXPENDITURES				
General Government	\$ 4,282,999,794	\$ 1,330,848,260	\$ 5,347,227,730	\$ 10,961,075,784
Education	38,377,514,493	11,974,649,551	169,971,904	50,522,135,948
Employee Benefits	6,026,152,412	601,865,829	4,917,166,850	11,545,185,090
Health and Human Services	68,589,568,922	4,843,285,660	2,262,914,969	75,695,769,550
Public Safety and Corrections	6,621,093,193	18,348,508	29,054	6,639,470,756
Transportation	26,455,749	13,739,256,143	270,885,039	14,036,596,931
Natural Resources/Recreational Services	3,255,631,282	1,328,127,340	51,472,605	4,635,231,227
Regulatory Services	279,881,680	73,292,388	26,455,648	379,629,716
Lottery Winnings Paid ⁽²⁾	952,584,533	0	0	952,584,533
Debt Service – Interest	136,375,595	1,024,951,977	20,110,445	1,181,438,016
Capital Outlay	839,728,100	883,859,295	12,461,453	1,736,048,848
TOTAL NET EXPENDITURES	129,387,985,752	35,818,484,951	13,078,695,696	178,285,166,399
OTHER USES				
Purchase of Investments	125,157,382	10,146,569,069	6,717,740,829	16,989,467,280
Trust and Suspend Payments	31,450	0	13,616,386,604	13,616,418,055
Teacher and Employee Retirement Payments	5,510,668	0	15,704,471,235	15,709,981,903
Departmental Transfers	1,250,771,876	259,178,038	2,302,755	1,512,252,669
Operating Fund Transfers	60,326,968,401	7,610,476,381	13,845,784,065	81,783,228,848
Other Uses	15,748,760	2,000	0	15,750,760
Debt Service – Principal	381,878,052	1,603,142,181	0	1,985,020,233
TOTAL OTHER USES	62,106,066,590	19,619,367,670	49,886,685,489	131,612,119,748
TOTAL NET EXPENDITURES AND OTHER USES	191,494,052,342	55,437,852,621	62,965,381,185	309,897,286,147
Net Increase/(Decrease) To Petty Cash Accounts	(421,351)	1,500	0	(419,851)
CASH BALANCE – AUGUST 31, 2023	\$ 48,386,149,720	\$ 28,606,763,270	\$ 14,915,566,015	\$ 91,908,479,005
CASH IN STATE TREASURY	48,375,734,206	28,605,555,470	14,915,510,015	91,896,799,691
CASH IN PETTY CASH ACCOUNTS	10,415,514	1,207,800	56,000	11,679,314

(1) Consolidated General Revenue contains activity and balances for the General Revenue Fund and dedicated accounts in General Revenue.

(2) Does not include payments made by retailers.

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 1

Table A-5 provides information concerning net revenues for state funds, other than trust or suspense funds, for each of the State’s five latest fiscal years. The information in the table does not include certain revenues collected by state-operated institutions of higher education (see “Education - Higher Education”) and certain other revenues that are not accounted for through the Comptroller.

Table A-5
NET REVENUE BY SOURCE
All Funds Excluding Trust
Years Ended August 31

	2019	% Change	2020	% Change	2021	% Change
TAX COLLECTIONS BY MAJOR TAX						
Sales Tax	\$ 34,023,916,225	6.5%	\$ 34,099,115,139	0.2%	\$ 36,019,605,414	5.6%
Motor Vehicle Sales / Rental Taxes	5,010,592,018	0.7	4,815,240,348	(3.9)	5,730,933,538	19.0
Motor Fuel Taxes	3,743,004,327	1.9	3,524,712,191	(5.8)	3,596,891,570	2.0
Franchise Tax	4,217,868,701	14.4	4,418,420,390	4.8	4,529,829,616	2.5
Oil Production Tax	3,886,823,879	14.6	3,229,346,924	(16.9)	3,449,131,602	6.8
Insurance Taxes	2,599,024,669	3.6	2,741,653,397	5.5	2,699,643,241	(1.5)
Cigarette and Tobacco Taxes	1,410,390,955	6.8	1,299,013,633	(7.9)	1,397,304,315	7.6
Natural Gas Production Tax	1,685,680,675	17.8	925,472,744	(45.1)	1,568,541,762	69.5
Alcoholic Beverages Taxes	1,369,402,271	6.0	1,125,321,869	(17.8)	1,257,444,097	11.7
Hotel Occupancy Tax	636,110,128	5.8	470,702,524	(26.0)	487,815,057	3.6
Utility Taxes	471,361,566	4.2	478,154,826	1.4	538,814,591	12.7
Other Taxes	326,546,683	3.4	252,664,439	(22.6)	197,528,512	(21.8)
TOTAL TAX COLLECTIONS	\$ 59,380,722,097	6.8%	\$ 57,379,818,422	-3.4%	\$ 61,473,483,316	7.1%
REVENUE BY SOURCE						
Total Tax Collections	\$ 59,380,722,097	6.8%	\$ 57,379,818,422	(3.4)%	\$ 61,473,483,316	7.1%
Federal Income	41,904,474,352	5.8	58,116,753,533	38.7	81,940,095,823	41.0
Licenses, Fees, Fines and Penalties	6,542,086,693	1.0	6,241,255,968	(4.6)	6,346,921,276	1.7
State Health Service Fees and Rebates	7,087,931,884	(6.7)	7,497,445,421	5.8	6,794,087,504	(9.4)
Net Lottery Proceeds	2,510,143,199	12.6	2,391,653,302	(4.7)	2,954,627,489	23.5
Land Income	2,251,225,581	9.2	1,809,260,539	(19.6)	2,147,842,115	18.7
Interest and Investment Income	2,504,408,847	35.4	2,529,037,070	1.0	1,975,495,905	(21.9)
Settlements of Claims	646,534,920	18.8	624,354,317	(3.4)	761,238,736	21.9
Escheated Estates	693,354,839	9.0	715,456,256	3.2	792,564,461	10.8
Sales of Goods and Services	278,865,166	(2.2)	254,791,196	(8.6)	321,237,003	26.1
Other Revenue	4,141,654,625	26.2	4,016,496,511	(3.0)	4,988,860,626	24.2
TOTAL NET REVENUE	\$ 127,941,402,202	6.5%	\$ 141,576,322,535	10.7%	\$ 170,496,454,255	20.4%

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 3

Table A-5
NET REVENUE BY SOURCE
All Funds Excluding Trust
Years Ended August 31
(concluded)

	2022	% Change	2023	% Change
TAX COLLECTIONS BY MAJOR TAX				
Sales Tax	\$ 42,971,903,533	19.3%	\$ 46,581,071,515	8.4%
Motor Vehicle Sales / Rental Taxes	6,449,088,180	12.5	6,821,746,791	5.8
Motor Fuel Taxes	3,783,903,672	5.2	3,832,081,402	1.3
Franchise Tax	5,672,908,453	25.2	6,820,183,255	20.2
Oil Production Tax	6,361,687,478	84.4	5,931,042,193	(6.8)
Insurance Taxes	3,121,923,353	15.6	4,064,627,400	30.2
Cigarette and Tobacco Taxes	1,210,716,010	(13.4)	1,218,337,223	0.6
Natural Gas Production Tax	4,469,945,456	185.0	3,350,372,977	(25.0)
Alcoholic Beverages Taxes	1,643,972,348	30.7	1,771,634,548	7.8
Hotel Occupancy Tax	699,939,242	43.5	777,851,281	11.1
Utility Taxes	556,661,720	3.3	625,196,081	12.3
Other Taxes	268,094,522	35.7	351,413,092	31.1
TOTAL TAX COLLECTIONS	\$ 77,210,743,966	25.6%	\$ 82,145,557,758	6.4%
REVENUE BY SOURCE				
Total Tax Collections	\$ 77,210,743,966	25.6%	\$ 82,145,557,758	6.4%
Federal Income	72,738,692,426	(11.2)	68,707,040,997	(5.5)
Licenses, Fees, Fines and Penalties	6,531,677,073	2.9	6,663,408,905	2.0
State Health Service Fees and Rebates	10,284,816,381	51.4	10,919,541,083	6.2
Net Lottery Proceeds	3,058,250,726	3.5	3,349,723,696	9.5
Land Income	4,311,839,588	100.8	3,797,417,639	(11.9)
Interest and Investment Income	2,438,012,637	23.4	4,200,937,390	72.3
Settlements of Claims	662,336,095	(13.0)	631,032,543	(4.7)
Escheated Estates	1,011,742,238	27.7	1,090,933,286	7.8
Sales of Goods and Services	314,128,504	(2.2)	307,928,230	(2.0)
Other Revenue	4,782,601,594	(4.1)	5,975,448,411	24.9
TOTAL NET REVENUE	\$ 183,344,841,228	7.5%	\$ 187,788,969,938	2.4%

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 3

Table A-6 sets forth information concerning per capita tax collections from all sources for all funds, other than trust or suspense funds, the percentage change in tax collections from year to year, and the relationship between tax collections and personal income for the fiscal years indicated.

Table A-6
TEXAS PER CAPITA STATE TAX COLLECTIONS
All Funds Excluding Trust
Years Ended August 31

Fiscal Year	Total State Tax Collections	Average State Population	Per Capita State Tax Collections	Percent Change	Taxes as a Percent of Personal Income
2019	\$ 59,380,722,097	\$ 28,830,638	\$ 2,060	5.6 %	3.8 %
2020	57,379,818,422	29,183,745	1,966	(4.5)	3.6
2021	61,473,483,316	29,511,094	2,083	5.9	3.6
2022	77,210,743,966	29,963,286	2,577	23.7	4.2
2023	82,145,557,758	30,476,193	2,695	4.6	4.2

SOURCES: Tax collection data were compiled by the Texas Comptroller of Public Accounts from the Annual Cash Reports. Population estimates and personal income figures are from the Comptroller's 2023 Fall Economic Forecast.

Table A-7 sets forth information concerning expenditures by the State, categorized by function, for each of the State’s five latest fiscal years. The information in the table refers to state funds other than trust or suspense funds. It does not include certain expenditures of state-operated institutions of higher education (see “Education - Higher Education”) or certain other expenditures that are not accounted for through the Comptroller.

Table A-7
NET EXPENDITURES BY FUNCTION
All Funds Excluding Trust
Years Ended August 31

	2019	% Change	2020	% Change	2021	% Change
General Government						
Executive	\$ 3,037,755,515	5.4%	\$ 3,164,501,194	4.2%	\$ 4,216,129,623	33.2%
Legislative	150,782,198	8.4	138,644,393	(8.0)	153,730,151	10.9
Judicial	333,904,175	(7.9)	410,681,419	23.0	371,518,193	(9.5)
Total	<u>3,522,441,889</u>	<u>4.1%</u>	<u>\$ 3,713,827,006</u>	<u>5.4%</u>	<u>\$ 4,741,377,966</u>	<u>27.7%</u>
Education	37,653,386,603	2.4	42,869,127,042	13.9	44,820,507,542	4.6
Employee Benefits	4,961,176,028	4.2	4,971,901,851	0.2	5,077,119,987	2.1
Health and Human Services	51,872,582,114	2.9	57,197,407,462	10.3	66,856,818,567	16.9
Public Safety and Corrections	5,192,922,771	(3.4)	4,876,770,970	(6.1)	4,782,106,747	(1.9)
Transportation	10,494,409,664	5.5	12,646,843,329	20.5	12,698,706,404	0.4
Natural Resources/Recreational Services	2,811,844,456	2.4	3,116,094,817	10.8	3,764,188,806	20.8
Regulatory Services	335,951,893	7.5	330,781,656	(1.5)	329,978,588	(0.2)
Lottery Winnings Paid ⁽¹⁾	684,278,393	9.0	541,325,778	(20.9)	766,764,047	41.6
Debt Service – Interest	1,645,179,403	3.3	1,661,253,007	1.0	1,391,756,793	(16.2)
Capital Outlay	850,792,312	42.1	1,192,395,754	40.2	1,321,153,344	10.8
TOTAL NET EXPENDITURES	<u>\$ 120,024,965,527</u>	<u>3.0%</u>	<u>\$ 133,117,728,673</u>	<u>10.9%</u>	<u>\$ 146,550,478,791</u>	<u>10.1%</u>

(1) Does not include payments made by retailers.

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 7

Table A-7
NET EXPENDITURES BY FUNCTION
All Funds Excluding Trust
Years Ended August 31
(concluded)

	2022	% Change	2023	% Change
General Government				
Executive	\$ 5,428,281,579	28.8%	\$ 4,997,523,025	(7.9)%
Legislative	150,947,435	(1.8)	172,380,969	14.2
Judicial	375,558,186	1.1	443,944,060	18.2
Total	<u>\$ 5,954,787,200</u>	<u>25.6%</u>	<u>\$ 5,613,848,054</u>	<u>(5.7)%</u>
Education	49,467,791,218	10.4	50,352,164,044	1.8
Employee Benefits	5,622,231,837	10.7	6,628,018,240	17.9
Health and Human Services	74,570,523,013	11.5	73,432,854,582	(1.5)
Public Safety and Corrections	5,997,822,439	25.4	6,639,441,701	10.7
Transportation	12,293,362,012	(3.2)	13,765,711,892	12.0
Natural Resources/Recreational Services	4,130,964,470	9.7	4,583,758,623	11.0
Regulatory Services	344,801,551	4.5	353,174,068	2.4
Lottery Winnings Paid ⁽¹⁾	751,829,532	(1.9)	952,584,533	26.7
Debt Service – Interest	1,095,568,264	(21.3)	1,161,327,571	6.0
Capital Outlay	1,528,100,663	15.7	1,723,587,395	12.8
TOTAL NET EXPENDITURES	<u><u>\$ 161,757,782,198</u></u>	<u><u>10.4%</u></u>	<u><u>\$ 165,206,470,703</u></u>	<u><u>2.1%</u></u>

(1) Does not include payments made by retailers.

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 7

Table A-8 sets forth information concerning state expenditures, for all funds, other than trust or suspense funds, categorized by category, for each of the State’s five latest fiscal years. The information in the table does not include certain expenditures of state-operated institutions of higher education (see “Education - Higher Education”) or certain other expenditures not accounted for through the Comptroller.

Table A-8
NET EXPENDITURES BY EXPENDITURE CATEGORY
All Funds Excluding Trust
Years Ended August 31

EXPENDITURE CATEGORY	2019	% Change	2020	% Change	2021	% Change
Public Assistance Payments	\$ 48,333,647,270	3.3%	\$ 53,530,561,772	10.8%	\$ 58,860,884,317	10.0%
Intergovernmental Payments						
Foundation School Program Grants	20,786,139,846	(2.6)	24,419,933,802	17.5	24,444,288,955	0.1
Other Public Education Grants	6,566,086,044	20.0	5,776,450,769	(12.0)	6,679,740,938	15.6
Grants to Higher Education	1,136,002,301	(0.3)	1,216,060,863	7.0	1,241,640,768	2.1
Other Grants	2,569,885,778	(2.4)	2,981,085,127	16.0	3,864,229,253	29.6
Highway Construction and Maintenance	6,654,605,181	4.3	8,622,570,229	29.6	8,406,422,212	(2.5)
Capital Outlay	850,792,312	42.1	1,192,395,754	40.2	1,321,153,344	10.8
Cost of Goods Sold	973,610,910	22.6	613,753,472	(37.0)	412,995,667	(32.7)
Salaries and Wages	12,443,728,758	2.3	12,882,607,456	3.5	13,066,293,342	1.4
Employee Benefits						
Employee Benefit Payments	3,854,218,157	5.4	3,847,451,328	(0.2)	3,730,718,860	(3.0)
Payroll Related Costs	3,973,225,295	3.6	3,976,860,149	0.1	4,060,851,298	2.1
Professional Service and Fees	3,507,969,077	0.0	4,070,284,443	16.0	4,483,123,910	10.1
Travel	202,017,040	7.9	154,694,111	(23.4)	113,222,567	(26.8)
Supplies and Materials	973,040,560	(3.1)	1,909,990,385	96.3	1,477,339,372	(22.7)
Communication and Utilities	500,753,988	(0.4)	547,547,834	9.3	567,644,984	3.7
Repairs and Maintenance	1,207,380,074	3.0	1,260,174,600	4.4	1,266,898,251	0.5
Rentals and Leases	344,479,457	3.7	366,944,055	6.5	443,710,674	20.9
Printing and Reproduction	74,305,186	20.9	64,483,414	(13.2)	78,297,901	21.4
Debt Service – Interest	1,645,179,403	3.3	1,661,253,007	1.0	1,391,756,793	(16.2)
Lottery Winnings Paid ⁽¹⁾	684,278,393	9.0	541,325,778	(20.9)	766,764,047	41.6
Claims and Judgments	104,785,409	(4.6)	112,097,638	7.0	94,985,242	(15.3)
Other Expenditures	2,638,835,088	(0.8)	3,369,202,688	27.7	9,777,516,096	190.2
TOTAL NET EXPENDITURES	\$ 120,024,965,527	3.0%	\$ 133,117,728,673	10.9%	\$ 146,550,478,791	10.1%

(1) Does not include payments made by retailers.

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 8

Table A-8
NET EXPENDITURES BY EXPENDITURE CATEGORY
All Funds Excluding Trust
Years Ended August 31
(concluded)

EXPENDITURE CATEGORY	2022	% Change	2023	% Change
Public Assistance Payments	\$ 69,794,497,032	18.6%	\$ 69,962,482,499	0.2%
Intergovernmental Payments				
Foundation School Program Grants	23,673,735,441	(3.2)	23,794,598,654	0.5
Other Public Education Grants	12,182,248,859	82.4	12,817,243,196	5.2
Grants to Higher Education	1,258,508,907	1.4	1,254,891,757	(0.3)
Other Grants	3,568,387,927	(7.7)	4,632,083,891	29.8
Highway Construction and Maintenance	7,921,956,697	(5.8)	8,871,484,682	12.0
Capital Outlay	1,528,100,663	15.7	1,723,587,395	12.8
Cost of Goods Sold	751,022,424	81.8	1,044,174,031	39.0
Salaries and Wages	13,957,111,316	6.8	14,888,744,095	6.7
Employee Benefits				
Employee Benefit Payments	5,685,271,488	52.4	5,363,350,071	(5.7)
Payroll Related Costs	4,046,391,688	(0.4)	4,135,288,471	2.2
Professional Service and Fees	4,776,918,817	6.6	6,115,324,468	28.0
Travel	236,664,418	109.0	297,771,893	25.8
Supplies and Materials	1,354,246,078	(8.3)	1,256,945,253	(7.2)
Communication and Utilities	572,461,057	0.8	615,810,794	7.6
Repairs and Maintenance	1,344,811,853	6.1	1,417,494,881	5.4
Rentals and Leases	419,553,646	(5.4)	481,219,643	14.7
Printing and Reproduction	90,764,912	15.9	98,025,337	8.0
Debt Service – Interest	1,095,568,264	(21.3)	1,161,327,571	6.0
Lottery Winnings Paid ⁽¹⁾	751,829,532	(1.9)	952,584,533	26.7
Claims and Judgments	134,139,620	41.2	92,539,251	(31.0)
Other Expenditures	6,613,591,557	(32.4)	4,229,498,337	(36.0)
TOTAL NET EXPENDITURES	\$ 161,757,782,198	10.4%	\$ 165,206,470,703	2.1%

(1) Does not include payments made by retailers.

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 8

STATE BUDGET INFORMATION

2024-25 BUDGET

In January 2023, the State Legislature began its 88th Regular Session. During the Regular Session, the 88th Legislature adopted a budget totaling \$320.2 billion in all-funds appropriations for the 2024-2025 biennium. In November 2023, the State Legislature adopted Senate Bill 3 during the 4th Special Session which appropriated an additional \$1.5 billion for border security infrastructure and operations. The net effect results in a \$8.4 billion, or 2.7 percent, overall budget increase.

Table A-9 compares the budget for the 2024-2025 biennium to the actual budgeted expenditures for the 2022-23 biennium. 2024-2025 appropriation totals include the net effect of House Bill 1 (General Appropriations Act), passed during the 88th Regular Session, and Senate Bill 3, passed during the 4th Special Session of the 88th Legislature. 2024-2025 contingent appropriations made in Article IX that have been activated are reflected in the functional articles. 2022-2023 totals include the net effect of Senate Bill 30 (supplemental appropriations), passed during the 88th Regular Session, including appropriations in Article I directed to the following established funds: Texas Water Fund (\$1.0 billion); Flood Infrastructure Fund (\$624.9 million, also appropriated as an Other Fund in Article VI); Clean Water State Revolving Fund (\$51.1 million); Drinking Water State Revolving Fund (\$73.9 million); Texas University Fund (\$3.0 billion); Texas Historical Commission Fund (\$300.0 million); and State Preservation Board Fund (\$200.0 million). These estimates are preliminary and are subject to change based on future actions of the State Legislature including passage of legislation authorizing contingent appropriations, and final reconciliations by the staff of the Legislative Budget Board.

Table A-9
The Budget for Texas State Government for the 2024-2025 Biennium
Compared to Expended / Budgeted Expenditures for the 2022-2023 Biennium
All Funds (In Millions)

All Functions	Expended/ Budgeted 2022-23	Appropriated 2024-25	Biennial Change	Percentage Change
Article I – General Government	\$21,940.9	\$14,009.6	(\$7,931.3)	-36.1%
Article II – Health and Human Services	\$112,799.2	\$102,404.7	(\$10,394.5)	-9.2%
Article III – Agencies of Education	\$103,881.2	\$118,897.4	\$15,016.3	14.5%
Public Education	\$72,027.7	\$89,091.7	\$17,064.1	23.7%
Higher Education	\$31,853.5	\$29,805.7	(\$2,047.8)	-6.4%
Article IV – The Judiciary	\$992.5	\$1,222.5	\$230.0	23.2%
Article V – Public Safety and Criminal Justice	\$14,339.4	\$19,384.0	\$5,044.6	35.2%
Article VI – Natural Resources	\$12,073.9	\$8,784.1	(\$3,289.8)	-27.2%
Article VII – Business and Economic Development	\$46,058.5	\$46,043.4	(\$15.1)	0.0%
Article VIII – Regulatory	\$830.6	\$5,927.0	\$5,096.4	613.6%
Article IX – General Provisions	\$0.0	\$4,546.1	\$4,546.1	N/A
Article X – The Legislature	\$433.5	\$489.8	\$56.3	13.0%
Total, All Functions	\$313,349.6	\$321,708.8	\$8,359.1	2.7%

Notes:

(1) 2024-25 appropriation totals include the net effect of House Bill 1 (General Appropriations Act), passed during the 88th Regular Session, and Senate Bill 3, passed during the 4th Special Session of the 88th Legislature. 2024-25 contingent appropriations made in Article IX that have been activated are reflected in the functional articles. 2022-23 totals include the net effect of Senate Bill 30 (supplemental appropriations), passed during the 88th Regular Session, including appropriations in Article I directed to the following established funds: Texas Water Fund (\$1.0 billion); Flood Infrastructure Fund (\$624.9 million, also appropriated as an Other Fund in Article VI); Clean Water State Revolving Fund (\$51.1 million); Drinking Water State Revolving Fund (\$73.9 million); Texas University Fund (\$3.0 billion); Texas Historical Commission Fund (\$300.0 million); and State Preservation Board Fund (\$200.0 million). These estimates are preliminary and are subject to change based on future actions of the State Legislature including passage of legislation authorizing contingent appropriations, and final reconciliations by the staff of the Legislative Budget Board.

(2) Article totals exclude Interagency Contracts.

(3) Biennial change and percentage change are calculated on actual amounts before rounding. Therefore, figure totals may not sum due to rounding.

Source: Legislative Budget Board, Comptroller of Public Accounts.

REVENUE FORECASTS: FISCAL YEARS 2020-2024

Table A-10 sets forth information concerning estimated revenues for 2024 fiscal year set in the 2024-25 Certification Revenue Estimate (CRE), along with actual collections for comparable revenues for the State's 2020-2023 fiscal years. The information is for all funds, excluding trust and local funds.

Table A-10
Actual and Forecasted Revenue, All Funds Excluding Trust and Local Funds (1)
Fiscal Year Ending August 31
(Amounts in Thousands)

Tax Collection by Major Tax	2020 Actual	2021 Actual	2022 Actual	2023 Actual (2)	2024 Estimated
Tax Collections					
Sales Taxes	34,099,115	36,019,605	42,971,904	46,581,072	47,862,082
Motor Vehicle Sales and Rental Taxes	4,815,240	5,730,934	6,449,088	6,821,747	6,962,348
Motor Fuel Taxes	3,524,712	3,596,892	3,783,904	3,832,081	3,880,154
Franchise Tax	4,418,420	4,529,830	5,672,908	6,820,183	6,795,400
Oil Production Tax	3,229,347	3,449,132	6,361,687	5,931,042	6,008,777
Insurance Taxes	2,741,653	2,699,643	3,121,923	4,064,627	4,221,880
Cigarette and Tobacco Taxes	1,299,014	1,397,304	1,210,716	1,218,337	1,085,700
Natural Gas Production Tax	925,473	1,568,542	4,469,945	3,350,373	2,492,999
Alcoholic Beverages Taxes	1,125,322	1,257,444	1,643,972	1,771,635	1,854,100
Hotel Occupancy Tax	470,703	487,815	699,939	777,851	816,688
Utility Taxes	478,155	538,815	556,662	625,196	615,078
Other Taxes	252,664	197,529	268,095	351,413	333,186
Total Tax Collections	\$57,379,818	\$61,473,483	\$77,210,744	\$82,145,558	\$82,928,392
Revenue By Source					
Tax Collections	57,379,818	61,473,483	77,210,744	82,145,558	82,928,392
Federal Income	58,116,754	81,940,096	72,738,692	68,707,041	63,966,876
Licenses, Fees, Fines, and Penalties	6,241,256	6,346,921	6,531,677	6,663,409	6,703,591
State Health Service Fees and Rebates	7,497,445	6,794,088	10,284,816	10,919,541	10,963,232
Net Lottery Proceeds	2,391,653	2,954,627	3,058,251	3,349,724	2,884,691
Land Income	1,809,261	2,147,842	4,311,840	3,797,418	3,087,051
Interest and Investment Income	2,529,037	1,975,496	2,438,013	4,200,937	3,363,703
Settlements of Claims	624,354	761,239	662,336	631,033	550,818
Escheated Estates	715,456	792,564	1,011,742	1,090,933	1,025,000
Sales of Goods and Services	254,791	321,237	314,129	307,928	291,730
Other Revenue	4,016,497	4,988,858	4,782,601	5,975,448	6,251,506
Total Net Revenue	\$141,576,323	\$170,496,451	\$183,344,840	\$187,788,970	\$182,016,590

Totals may not sum due to rounding.

Sources:

(1) Texas Comptroller of Public Accounts, 2024-2025 Revenue Estimate:

<https://comptroller.texas.gov/transparency/reports/certification-revenue-estimate/>

(2) Monthly State Revenue Watch, Historical Data: <https://www.comptroller.texas.gov/transparency/revenue/watch/>

The revised revenue estimate for the 2024-25 biennium was released in the 2024-25 Certification Revenue Estimate and was prepared in accordance with accordance with Texas Government Code Section 403.0131. This revised estimate is available on the Comptroller’s website at: <https://comptroller.texas.gov/transparency/reports/certification-revenue-estimate/2024-25/>

The 2024-25 Certification Revenue Estimate was based on an econometric model of the Texas economy created by the Comptroller, using extensive databases relating to state and local economic conditions and demographic statistics. These models are supplemented by economic services such as S&P Global Insight, which provides the national economic data used in the state forecast. Similar models have been used in preparing prior revenue estimates.

The State of Texas finished fiscal 2023 with a \$48.4 billion positive cash balance in the Consolidated General Revenue Fund. Since fiscal year 1993, Texas has ended each fiscal year with a positive balance in its Consolidated General Revenue Fund.

Table A-11 sets forth information concerning cash balances for the five latest fiscal years.

Table A-11
ENDING CASH BALANCE
All Funds
Years Ended August 31 (Amounts in Thousands)

	2019	2020	2021	2022	2023
General Revenue Fund 0001	\$ 2,212,500	\$ (160,062)	\$ 6,520,566	\$ 25,096,524	\$ 36,203,021
General Revenue Dedicated	6,200,275	7,926,940	7,888,240	8,637,423	12,172,713
Consolidated General Revenue	8,412,775	7,766,878	14,408,807	33,733,948	48,375,734
Non-Consolidated Funds and Petty Cash Accounts	30,942,746	34,026,853	49,856,659	41,434,232	43,532,745
All Funds	\$ 39,355,521	\$ 41,793,731	\$ 64,265,465	\$ 75,168,180	\$ 91,908,479

ANNUAL PERCENTAGE CHANGE IN ENDING CASH BALANCES

General Revenue Fund 0001	260.5%	(107.2)%	4,173.8%	284.9%	44.3%
General Revenue Dedicated	6.0	27.8	(0.5)	9.5	40.9
Consolidated General Revenue	88.1	(7.7)	85.5	134.1	43.4
Non-Consolidated Funds and Petty Cash Accounts	13.3	10.0	46.5	(16.9)	5.1
All Funds	23.8%	6.2%	53.8%	17.0%	22.3%

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 2

4. STATE DEBT

INTRODUCTION

Except as specifically authorized, the Constitution generally prohibits the creation of debt by or on behalf of the State, with certain exceptions: (i) debt created to supply casual deficiencies in revenues which do not total more than \$200,000 at any time, (ii) debt to repel invasion, suppress insurrection, defend the State in war, and (iii) as authorized by the Constitution. In addition, the Constitution prohibits the Legislature from lending the credit of the State to any person, including municipalities, or pledging the credit of the State in any manner for the payment of the liabilities of any individual, association of individuals, corporation or municipality. The limitations of the Constitution do not prohibit the issuance of revenue bonds, since the Texas courts (like the courts of most states) have held that certain obligations do not create a “debt” within the meaning of the Constitution. State agencies have issued revenue bonds payable from the revenues produced by various facilities or from lease payments appropriated by the Legislature. Furthermore, obligations which are payable from funds expected to be available during the current budget period do not constitute “debt” within the meaning of the Constitution. Short-term obligations, like the Tax and Revenue Anticipation Notes issued by the Comptroller which mature within the biennial budget period in which they were issued, are not deemed to be debt within the meaning of the State constitutional prohibition.

By constitutional amendment, from time to time the voters of the State may authorize the issuance of general obligation (G.O.) indebtedness for which the full faith, credit and taxing power of the State are pledged. For self-supporting G.O. debt, no further legislative action is required after the legislature and voters authorize the debt issuance. For not self-supporting G.O. debt, the legislature must appropriate funds for debt service before the debt can be issued.

Various state agencies have the authority to issue G.O. debt. The Texas Veterans’ Land Board (VLB) is authorized to issue G.O. bonds to finance the purchase of land and housing by veterans. The Texas Water Development Board (TWDB) is authorized to issue G.O. bonds to make funds available to municipalities and certain other governmental units for the conservation and development of water resources; the acquisition and development of water storage facilities for the filtration, treatment and transportation of water; water quality enhancement purposes; flood control purposes and water-efficient irrigation systems. Additionally, TWDB is authorized to incur unlimited contractual obligations to the United States (U.S.) for the acquisition and development of water storage facilities in reservoirs constructed by the U.S. These contractual obligations are declared by the Constitution to be general obligations of the State.

The Texas Agricultural Finance Authority (TAFA) is authorized to issue G.O. bonds to provide financial assistance for the expansion, development and diversification of production, processing and marketing of Texas agricultural products. Additionally, TAFA is authorized to issue G.O. bonds for a farm and ranch land acquisition program. The 81st Legislature transferred the TAFA issuance authority to the Texas Public Finance Authority (TPFA). The Texas Parks and Wildlife Department (TPWD) is authorized to issue G.O. bonds to finance the acquisition and development of state parks. The Texas Higher Education Coordinating Board (THECB) is authorized to issue G.O. bonds to finance student loans.

The TPFA is authorized to issue G.O. bonds to finance the acquisition, construction and equipping of new facilities as well as major repair or renovation of existing facilities, for certain state agencies.

The TPFA is also authorized to issue G.O. bonds on behalf of the Texas Parks and Wildlife Department, the Texas Military Preparedness Commission and the Cancer Prevention Research Institute of Texas.

The Texas Transportation Commission (TTC) is authorized to issue G.O. bonds on behalf of the Texas Department of Transportation (TXDOT) to finance the acquisition, construction, maintenance, reconstruction and expansion of state highways, and the participation by the State in the costs of constructing publicly owned toll roads.

STATE GENERAL OBLIGATION DEBT—ANNUAL DEBT SERVICE REQUIREMENTS

Much of the State's outstanding general obligation bonded indebtedness is designed to be self-supporting, even though the full faith and credit of the State is pledged for its repayment. Revenues from land and housing programs are expected to be sufficient to repay principal and interest on all outstanding VLB bonds.

Although they are G.O. bonds, revenues from student loans are pledged to repay the principal and interest on outstanding THECB bonds. Debt service requirements for the Texas Military Preparedness Commission's Texas Military Value Revolving Loan Fund will be paid from revenues received from the program's loans. The TTC G.O. bonds (Mobility Fund) will be paid from dedicated revenue; however, if revenues are insufficient, the debt will be paid from the State's general revenues.

Most G.O. bonds issued by TPFA are not self-supporting. The debt service on the not self-supporting bonds is paid from the State's general revenue fund.

Certain public colleges and universities are authorized to issue Constitutional Appropriation Bonds, the debt service for which is payable from the Higher Education Fund appropriations as required by the Constitution, without limitation as to principal amount, except that the debt service on the bonds may not exceed 50 percent of the amount appropriated each year. Although Constitutional Appropriation Bonds are not explicitly a general obligation or full faith and credit bond, the stated pledge has the same effect. Debt service for these bonds is paid from an annual constitutional appropriation to qualified institutions of higher education from the first monies coming into the State Treasury not otherwise dedicated by the Constitution.

STATE REVENUE BONDS

The TPFA is authorized to issue revenue bonds payable from general revenue including both lease-revenue bonds to finance the construction, acquisition or renovation of state office buildings as well as equipment revenue bonds. Additionally, the TPFA is authorized to issue revenue bonds payable from general revenue on behalf of the TPWD and the Military Facilities Commission. The 81st Legislature authorized the TPFA to issue up to \$2.5 billion to finance excess losses of the

Texas Wind Insurance Association (TWIA) resulting from a catastrophic event. The 84th Legislature reduced the total amount TPFA could issue for TWIA to \$1 billion.

In addition to the foregoing revenue obligations issued by state agencies, other state programs may be financed with revenue bonds or similar obligations payable from revenues generated by the specific authorized programs rather than from the general revenues of the State or its taxing power. Among the state entities authorized to issue such revenue bonds are the TWDB, the Texas Agricultural Finance Authority, the Texas Department of Housing and Community Affairs, the Texas Department of Economic Development – Office of the Governor, the TPFA, VLB and Texas colleges and universities (described below). The TXDOT is also authorized to issue revenue bonds for the Texas Turnpike Authority and the State Highway Fund.

Texas colleges and universities are authorized to issue bonds for capital construction assistance projects (CCAPs) (formally known as tuition revenue bonds (TRBs)) payable from certain revenues of the applicable college or university; however, historically the State has appropriated funds to the schools in an amount equal to all, or a portion of, the debt service on these revenue bonds issued.

In addition to authorized CCAP bonds, The University of Texas System and The Texas A&M University System are authorized to issue Permanent University Fund (PUF) bonds payable from the interest in the Available University Fund.

RECENT DEVELOPMENTS AFFECTING STATE DEBT

During the 88th Regular Session, the Legislature passed Senate Bill (SB) 28, which creates the New Water Supply for Texas Fund, effective September 1, 2023. SB 28 also creates the statewide water public awareness account, effective September 1, 2023, to educate residents of the State about water, including through supporting local and regional water education programs. The bill additionally creates the Texas Water Fund to work with existing Board financing programs. In November 2023, the voters approved a constitutional amendment under Senate Joint Resolution 75 (88RS) to enact provisions of SB 28 relating to the Texas Water Fund. These provisions became effective January 1, 2024.

The 88th Legislature appropriated \$143,000,000 to the Department of Motor Vehicles for the Camp Hubbard Renewal Project to be financed through lease revenue bonds issued by the Texas Public Finance Authority (House Bill 1, 88th Legislature, RS (2023) Art VII-16, Rider 11).

On June 12, 2023, the Governor signed House Bill (HB) 1515 relating to the continuation and functions of the Texas Economic Development and Tourism Office and the winding up and liquidation of the Project Development and Small Business Incubator Program. Any money in the product development fund and small business fund may be used for debt service, bond redemption, or any costs associated with debt service or bond redemption. The bonds, previously issued to support product development and small businesses, were called on July 12, 2023.

On May 10, 2023, the Governor signed SB 1055, pursuant to which Stephen F. Austin State University was abolished on September 1, 2023, and was re-created as Stephen F. Austin State University, a member of The University of Texas System. The Board of Regents of The University of Texas System is substituted for the Board of Regents of Stephen F. Austin State University on

any contracts and obligations, including bonds, and acts in the place of the Board of Regents of Stephen F. Austin State University or the Texas Public Finance Authority, as applicable, to the extent permitted by law. Effective July 28, 2023, the University of Texas System's Board of Regents assumed management and operational control of Stephen F. Austin State University.

The 87th Legislature passed HB 2219 authorizing the Texas Transportation Commission (TTC) to issue new Texas Mobility Fund (TMF) obligations, before January 1, 2027, in an amount equal to 60 percent of the outstanding principal amount of TMF obligations existing on May 1, 2021. The amount authorized to be issued is estimated at \$3.57 billion. The bill repeals statutory authority to issue TMF obligations to provide funding for publicly owned toll roads.

The 87th Legislature passed SB 1465 authorizing the continued operation of the Texas Leverage Fund Program under the new name of the Texas Small and Rural Community Success Fund Program. SB 1465 also authorizes the issuance of revenue bonds by the Texas Economic Development Bank to provide funding for economic development purposes. HB 1522 was passed authorizing the transfer of Midwestern State University to the Texas Tech University System.

During the 87th Legislature, a rider was approved authorizing the Texas Agricultural Finance Authority (TAFA) to service debt, pay administrative costs and cover any loan defaults through appropriations out of the Texas Agricultural Fund.

The 87th Legislature passed HB 1904 allowing the Texas Water Development Board Water Infrastructure Fund to be used to make transfers to the Financial Assistance Account for the purposes described in the Texas Constitution Article III Section 49-d-8, other than for the purposes described in the Texas Water Code Sections 17.957 (State Participation Account) and 17.958 (Economically Distressed Areas Program Account).

Additionally, the 87th Legislature passed SB 2230 authorizing the issuance of debt for the Comptroller of Public Accounts to purchase a building currently housing and to be operated by the Texas Bullion Depository. The 87th Legislature appropriated \$23,689,160 to the Health and Human Services Commission for deferred maintenance at state hospitals and state supported living centers to be financed through the Texas Public Finance Authority (House Bill 2, 87th Legislature, RS (2021)).

During the 87th Legislature Third Called Special Session, SB 52 authorized approximately \$3.35 billion in CCAP bonds for institutions of higher education to finance construction and improvement of infrastructure and related facilities.

The 86th Legislature authorized additional G.O. debt that was approved by the voters at the November 5, 2019, general election. This includes HJR 12 for an additional \$3 billion in bonding authority to finance cancer research up to a maximum of \$6 billion and SJR 79 for \$200 million in evergreen bonding authority for the Texas Water Development Board to provide financial assistance for the development of certain water projects in economically distressed areas.

Additionally, the 86th Legislature passed HB 1052 authorizing the TWDB to use the state participation account of the water development fund to provide financial assistance for the development of certain facilities in an amount not to exceed \$200 million.

HJR 4, passed by the 86th Legislature and approved by the voters on November 5, 2019, amended Article III of the Texas Constitution creating the Flood Infrastructure Fund as a special fund in the State Treasury outside the general revenue fund to be used to provide financing for drainage, flood mitigation, or flood control projects. The Texas Legislature passed two related bills, SB 7 and SB 8, which address flood control and mitigation.

In the General Appropriations Act, the 86th Legislature authorized the issuance of \$475.2 million of additional revenue bonds and appropriated those bond proceeds to the Texas Facilities Commission for phase two of the North Austin and Capitol Complex projects. The bonds are anticipated to be repaid with lease payments and are subject to biennial appropriation by the Legislature of funds available for payment. Lease payments were appropriated to the Texas Facilities Commission for the 2020-2021 biennium (Rider 16, I-46).

The 86th Legislature appropriated \$208.8 million to the Health and Human Services Commission for deferred maintenance at state hospitals and state supported living centers, to be financed through the Texas Public Finance Authority (Rider 2, II-48). Also, the Department of Transportation was authorized to issue revenue bonds, not to exceed \$326 million, to construct and equip the Austin Campus Consolidation project on land owned by the agency in southeast Austin. The bonds are to be issued by the Texas Public Finance Authority (Rider 42, VII-29).

Article III, Section 49-j of the Texas Constitution prohibits the State Legislature from authorizing additional state debt payable from the general revenue fund, including authorized but unissued bonds and lease purchase contracts in excess of \$250,000 but excluding debt reasonably expected to be paid from other sources, if the resulting maximum annual debt service in any state fiscal year on such state debt payable from the general revenue fund exceeds five percent of an amount equal to the average amount of general revenue fund revenues for the three immediately preceding fiscal years, excluding revenues constitutionally dedicated for purposes other than payment of state debt. The Constitutional Debt Limit (CDL) for outstanding debt was 0.99 percent as of August 31, 2023. With the inclusion of authorized but unissued debt, the CDL ratio was 1.95 percent. Although backed by the full faith and credit of the State, debt service for self-supporting G.O. bonds are reasonably expected to be paid from other revenue sources and is therefore not expected to create a draw on general revenue.

SELECTED DATA CONCERNING STATE DEBT

Table A-12 sets forth certain information concerning the debt service requirements of general obligation and other constitutionally authorized indebtedness of the State as well as revenue bonds payable from the State's General Revenue Fund for fiscal years 2024 and beyond.

**General Obligation Bond Debt Service and Revenue Bond
Debt Service Payable from General Revenue (1)
Reported as of February 29, 2024 (2)
Table A-12
(in thousands)**

Fiscal Year	General Obligation Bonds	General Obligation Bonds	General Obligation Bonds	General Obligation Bonds	Total General Obligation Bonds (4)	Revenue Bonds	Revenue Bonds	Total Revenue Bonds	Total
	Self Supporting Principal (3)	Self Supporting Interest (3)	Payable from General Revenue Principal	Payable from General Revenue Interest		Payable from General Revenue Principal (5)	Payable from General Revenue Interest (5)		
2024	251,150	201,038	164,670	128,377	745,235	7,045	10,412	17,457	762,692
2025	599,045	385,653	398,750	245,450	1,628,897	39,735	20,086	59,821	1,688,718
2026	611,715	362,750	394,890	227,751	1,597,107	39,730	18,962	58,692	1,655,799
2027	518,445	348,126	387,750	209,549	1,463,870	39,310	17,805	57,115	1,520,985
2028	590,800	326,719	387,430	191,939	1,496,888	39,310	16,615	55,925	1,552,813
2029	581,085	305,426	382,070	175,630	1,444,211	39,310	15,389	54,699	1,498,911
2030	555,075	286,225	374,950	160,054	1,376,304	39,310	14,144	53,454	1,429,758
2031	559,080	268,340	369,360	145,656	1,342,436	39,310	12,879	52,189	1,394,624
2032	543,585	249,113	343,880	132,065	1,268,642	39,310	11,651	50,961	1,319,603
2033	559,820	227,528	334,105	118,810	1,240,263	39,305	10,454	49,759	1,290,022
2034	616,515	204,076	329,035	105,651	1,255,277	39,300	9,231	48,531	1,303,808
2035	553,600	181,082	318,410	92,477	1,145,570	39,300	7,987	47,287	1,192,857
2036	570,135	159,758	315,795	80,199	1,125,887	39,300	6,726	46,026	1,171,912
2037	584,440	135,778	291,690	68,425	1,080,333	39,300	5,446	44,746	1,125,079
2038	653,105	119,204	274,680	57,379	1,104,368	39,300	4,151	43,451	1,147,819
2039	683,540	87,843	258,290	46,882	1,076,554	39,295	2,846	42,141	1,118,695
2040	328,345	52,956	256,175	36,744	674,220	26,570	1,785	28,355	702,575
2041	320,925	42,259	189,545	26,822	579,551	18,155	1,074	19,229	598,780
2042	280,595	31,584	189,970	19,462	521,610	6,155	616	6,771	528,381
2043	264,690	23,285	108,370	12,403	408,747	6,155	308	6,463	415,210
2044	256,560	15,710	99,695	7,539	379,503	-	-	-	379,503
2045	243,815	8,239	40,800	3,674	296,528	-	-	-	296,528
2046	43,730	3,364	40,800	1,837	89,731	-	-	-	89,731
2047	21,345	2,113	-	-	23,458	-	-	-	23,458
2048	18,315	1,631	-	-	19,946	-	-	-	19,946
2049	14,540	1,197	-	-	15,737	-	-	-	15,737
2050	11,570	885	-	-	12,455	-	-	-	12,455
2051	8,925	629	-	-	9,554	-	-	-	9,554
2052	7,015	414	-	-	7,429	-	-	-	7,429
2053	5,665	226	-	-	5,891	-	-	-	5,891
2054	2,835	73	-	-	2,908	-	-	-	2,908
2055	320	6	-	-	326	-	-	-	326
	\$ 10,860,325	\$ 4,033,228	\$ 6,251,110	\$ 2,294,772	\$ 23,439,435	\$ 654,505	\$ 188,567	\$ 843,072	\$ 24,282,507

1 There are no outstanding capital appreciation bonds payable from general revenue.

2 Pursuant to Texas Administrative Code, Title 34, Part IX, Chapter 181, Subchapter A, Rule 181.5 issuers are required to submit a final report within 60 days after the delivery of state securities and receipt of state security proceeds. As a result, reported data may not include certain issues due to timing.

3 Debt service figures for the Veterans Land and Housing Assistance Bonds include the estimated payments on \$3.10 billion of variable-rate debt outstanding as of February 29, 2024.

4 As of February 29, 2024, \$15.16 billion of general obligation bonds were authorized but unissued, \$11.79 billion of which are designed to be self-supporting. Debt service in any year for Higher Education Constitutional Appropriation bonds may not exceed 50% of the amount appropriated to the Higher Education Fund by the legislature.

5 On February 29, 2024, the Texas Public Finance Authority had \$141.9 million of Series 2019A revenue commercial paper outstanding not included in the numbers above that is payable from general revenue.

Source: Texas Bond Review Board

Table A-13 sets forth information concerning the principal amount of G.O. bonds and revenue bonds payable from the State’s General Revenue Fund for selected years and the amount of debt service paid from the General Revenue Fund on such bonds. The table includes debt service information (data) on outstanding G.O. or revenue bonds paid from state general revenue as well as sources other than state general revenue. The information contained in the table does not reflect outstanding PUF bonds or bonds guaranteed by the Texas Permanent School Fund or the debt service on such bonds. The State’s Tax and Revenue Anticipation Notes do not constitute debt within the meaning of the State Constitution and are therefore not shown in the Table.

Table A-13
General Obligation Bonds and Revenue Bonds
Payable from General Revenue
Fiscal Year Ending August 31, 2023

	2019	2020	2021	2022	2023
Principal Amount Outstanding (Millions) ⁽¹⁾	\$18,425	\$18,440	\$18,268	\$18,023	\$18,105
Principal Amount Per Capita ⁽¹⁾	\$639	\$632	\$620	\$604	\$600
Principal Amount as a Percentage of Personal Income ⁽¹⁾	1.19%	1.14%	1.06%	0.99%	0.94%
Annual Debt Service Paid from General Revenue (Millions) ⁽²⁾	\$570	\$585	\$580	\$578	\$518
Debt Service Paid from General Revenue as a Percentage of Available General Revenue Fund Revenues ⁽²⁾	1.03%	1.08%	1.00%	0.78%	0.68%
Annual Debt Service Paid from General Revenue Per Capita ⁽²⁾	\$19.77	\$20.05	\$19.67	\$19.37	\$17.16
Debt Service Paid from General Revenue as a Percentage of Personal Income ⁽²⁾	0.037%	0.036%	0.034%	0.032%	0.027%

(1) Includes general obligation bonds which, although legally secured by a general obligation pledge of the State, are expected to be repaid with sources outside of the State's general fund. Due to statutory or contractual restrictions, these amounts are dedicated for specific purposes and are not considered available.

(2) Includes debt service which is paid out of the State's general revenue fund.

Source: Texas Bond Review Board, Texas Comptroller of Public Accounts

Table A-14 shows the amount of General Revenue in the State’s most recent fiscal year that was available after constitutional allocations and other restrictions. The Total Unrestricted Revenues Available supports bond debt service payments and general revenue appropriations.

All allocations and transfers are shown in the year in which the actual allocation or transfer occurred. Restrictions for transfers to the Economic Stabilization Fund and State Highway Fund are classified as constitutional in a separate line item.

Table A-14
General Revenue Fund Revenues Available After
Constitutional Allocations and Other Restrictions
Year Ended August 31, 2023

REVENUE SOURCE	General Revenue Fund 0001 ⁽¹⁾	Restrictions From Constitutional Allocations	Other Restrictions ⁽²⁾	Unrestricted Revenues Available
Sales Tax	\$ 44,927,647,915			\$ 44,927,647,915
Motor Vehicle Sales / Rental Taxes	6,786,722,424			6,786,722,424
Motor Fuel Taxes ⁽³⁾	3,832,081,402	3,782,474,689	19,865,075	29,741,639
Franchise Tax	4,774,145,619			4,774,145,619
Oil Production Tax	5,931,042,193	1,507,642,781		4,423,399,412
Insurance Taxes	4,063,389,067	956,631,107	159,441,432	2,947,316,529
Cigarette and Tobacco Taxes	527,451,340			527,451,340
Natural Gas Production Tax	3,350,372,977	933,355,419		2,417,017,558
Alcoholic Beverages Taxes	1,771,634,548	-		1,771,634,548
Hotel Occupancy Tax	777,851,281		88,035,922	689,815,359
Utility Taxes	625,196,081	138,792,959		486,403,122
Other Taxes	216,201,488	53,314,154	-	162,887,334
TOTAL TAX COLLECTIONS	\$ 77,583,736,336	\$ 7,372,211,108	\$ 267,342,429	\$ 69,944,182,799
Total Tax Collections (above)	\$ 77,583,736,336	\$ 7,372,211,108	\$ 267,342,429	\$ 69,944,182,799
Federal Income	41,071,330,227		40,923,424,693	147,905,535
Licenses, Fees, Fines and Penalties	1,731,203,964	38,278	487,597	1,730,678,089
State Health Service Fees and Rebates	10,919,541,083			10,919,541,083
Land Income	6,802,548			6,802,548
Interest and Investment Income	1,479,011,871			1,479,011,871
Settlements of Claims	582,301,155			582,301,155
Escheated Estates	1,090,933,286			1,090,933,286
Sales of Goods and Services	206,455,469			206,455,469
Other Revenue	839,543,298			839,543,298
Highway Fund / ESF Transfer ⁽⁴⁾		7,274,988,706		(7,274,988,706)
Highway Fund Motor Vehicle Sales Tax ⁽⁵⁾		624,353,308		(624,353,308)
Highway Fund Sales Tax Transfer ⁽⁵⁾		2,500,000,000		(2,500,000,000)
Sporting Goods Sales Tax - Parks and Wildlife / Historical Commission ⁽⁶⁾		248,769,294		(248,769,294)
TOTAL NET REVENUE, ALLOCATIONS AND RESTRICTIONS	\$ 135,510,859,236	\$ 18,020,360,694	\$ 41,191,254,719	\$ 76,299,243,823

(1) Tobacco suit settlement receipts and other revenues received in General Revenue Account 5040 are included in the General Revenue Fund 0001 totals. Account 5040 was created to receive settlement money resulting from the final judgment in the State of Texas v. the American Tobacco Company et. al. All monies received are considered unrestricted.

(2) Due to statutory or contractual restrictions, these amounts are dedicated for specific purposes and are not considered available.

(3) An amount equal to 75% of dedicated revenues from unclaimed motorboat fuels tax is appropriated to Parks and Wildlife. To the extent committed appropriations exceed actual collections, such amounts are available from undedicated GR.

(4) As required by Article III, Section 49-g of the Texas Constitution, transfers to the State Highway Fund 0006 and to the Economic Stabilization Fund 0599.

(5) As required by Article VIII, Section 7-c of the Texas Constitution, transfer to the State Highway Fund 0006.

(6) As required by Article VIII, Section 7-d of the Texas Constitution, transfer to Parks and Wildlife and Historical Commission.

Totals may not sum due to rounding.

Source: Comptroller of Public Accounts Annual Cash Report, Table 11

Table A-15 contains information concerning the amount of short-term obligation for cash management purposes issued by the Comptroller, and the amount of interfund borrowing utilized for the last eight fiscal years, including the current fiscal year. Tax and Revenue Anticipation Notes and commercial paper issued by the Comptroller, which mature within the biennial budget period in which they were issued, do not constitute “debt” within the meaning of the Constitution.

**Table A-15
Cash Management**

	Series	Tax and Revenue Anticipation Notes Issued (in millions)	Commercial Paper Notes Issued (in millions)	Maximum Interfund Borrowing ⁽¹⁾ (in millions)	Total (in millions)
2014	2013	7,200	-	-	7,200
2015	2014	5,400	-	-	5,400
2016	n/a	-	-	1,900	1,900
2017	n/a	-	-	6,200	6,200
2018	2017	5,400	-	3,100	8,500
2019	2018	7,200	-	-	7,200
2020	2019	8,000	-	-	8,000
2021	2020	7,200	-	-	7,200
2022	n/a	-	-	-	0
2023	n/a	-	-	-	0
2024 ⁽²⁾	n/a	-	-	-	0

(1) Numerous funds were consolidated into General Revenue Fund 0001 on August 31, 1993. Intrafund and interfund borrowing are options to address daily cash flow deficits as needed. See "State Revenues and Expenditures-Identity of Funds" for a description of funds consolidation.

(2) Tax and Revenue Anticipation Notes are not expected to be issued for fiscal 2024. It is anticipated that intrafund borrowing will be used to address daily cash flow deficits during the fiscal year, as needed.

Source: Texas Comptroller of Public Accounts, Treasury Operations

5. ECONOMIC INFORMATION

Within the Economic Information section, references to “the past year” and “the last 12 months” refer to the 12-month period ending February 29, 2024.

BUSINESS ACTIVITIES

In its early history, the State of Texas was identified with agriculture and ranching and, through much of the last century, with the oil and gas industry. The growth of service-providing industries and exports has left a diversified Texas economy more similar to the national economy.

With diverse economic engines and a strong housing market, Texas has remained ahead of the nation in economic performance. However, even with diversification, Texas’ mix of industries retains substantial concentration in energy.

From February 2023 to February 2024, the Texas economy gained 291,000 nonfarm jobs to reach 14,104,000. This job increase is the largest among all the fifty states. Private-sector employment rose by 1.9 percent, while government employment (federal, state, and local) gained 3.2 percent.

GEOGRAPHIC VARIATIONS

The vast size of the State, together with cultural, climatic, and geological differences within its borders, produces great variations in the economies of different regions of Texas. East Texas is a largely non-metropolitan region, in which the primary economy is based on agricultural activities and the production and processing of coal, petroleum and wood. The Dallas-Fort Worth Metroplex is mostly metropolitan, with diversified manufacturing, financial, communications, and commercial sectors. The Panhandle, Permian Basin and Concho Valley are relatively sparsely populated areas of the State, with economies still drawing heavily from agriculture and petroleum production. The border area stretching from El Paso to Brownsville is characterized by agriculture, tourism, and its economic ties to Mexico. The Gulf Coast is the most populous region of the State and has an economy centered on energy and health services, petrochemical industries, and commercial activities resulting from maritime trade, manufacturing, and agriculture. The economy of central Texas is grounded in the public and private service sectors, technology, communications, and recreation/tourism.

Because the economic bases differ from region to region, economic developments, such as the strength of the U.S. economy, international politics and export markets, or changes in oil prices or defense spending, affect the economy of each region differently.

The following table reflects actual (2017-23) economic activity in the State, as included in the 2023 fall economic forecast prepared and released by the Comptroller for the 2024-2025 Certification Revenue Estimate.

Table A-16
Texas Economic History and Outlook for Calendar Years
Fall 2023 Economic Forecast

TEXAS ECONOMY	2017	2018	2019	2020	2021	2022	2023
Real Gross State Product (Billion 2012\$)	1,659.5	1,728.3	1,779.8	1,747.6	1,815.1	1,876.3	1,959.5
Annual % Change	2.4	4.1	3.0	-1.8	3.9	3.4	4.4
Gross Domestic Product (Billion Current \$)	1,673.2	1,809.4	1,858.8	1,789.9	2,051.8	2,356.0	2,480.4
Annual % Change	6.0	8.1	2.7	-3.7	14.6	14.8	5.3
Personal Income (Billion Current \$)	1,387.9	1,482.7	1,560.5	1,624.5	1,767.7	1,858.4	1,977.0
Annual % Change	7.1	6.8	5.2	4.1	8.8	5.1	6.4
Nonfarm Employment (Thousands)	12,232.7	12,523.4	12,813.6	12,273.6	12,720.5	13,461.4	13,928.5
Annual % Change	1.8	2.4	2.3	-4.2	3.6	5.8	3.5
Resident Population (Thousands)	28,241.8	28,570.3	28,919.4	29,264.2	29,609.9	30,092.2	30,599.0
Annual % Change	1.3	1.2	1.2	1.2	1.2	1.6	1.7
Unemployment Rate (%)	4.4	3.9	3.5	7.7	5.6	3.9	4.0
U. S. ECONOMY	2017	2018	2019	2020	2021	2022	2023*
Gross Domestic Product (Billion 2012\$)	18,076.7	18,609.1	19,036.1	18,509.1	19,609.8	20,014.1	20,450.9
Annual % Change	2.2	2.9	2.3	-2.8	5.9	2.1	2.2
Consumer Price Index (1982-84=100)	245.1	251.1	255.7	258.9	271.0	292.6	304.5
Annual % Change	2.1	2.4	1.8	1.3	4.7	8.0	4.1
Prime Interest Rate (%)	4.1	4.9	5.3	3.5	3.3	4.9	8.2

Source: Texas Comptroller of Public Accounts and S&P Global-IHS Markit.

EMPLOYMENT AND UNEMPLOYMENT—HISTORICAL REVIEW

Since the end of the Great Recession in 2008, Texas has generally added jobs at a faster rate than the other large states. Compared to other states, Texas employment remained resilient throughout the pandemic. Although Texas lost a significant number of jobs early in the pandemic, employment in the state has steadily regained ground on a year-over-year basis. Texas ranks first among all the states in employment growth over the 12-month period ending February 2024. In 2024, the pace of growth is slowing, both nationally and in Texas, as the Federal Reserve continues to create tighter economic conditions to address inflation; however the labor market remains strong.

Table A-17 shows jobs data of the 10 most populous states. Texas ranked first among all these states in terms of the number of jobs added from February 2023 to February 2024.

Table A-17
Nonfarm Employment Change in the
Ten Most Populous States
Thousands of Jobs

State	Number of Nonfarm Jobs February 2023	Number of Nonfarm Jobs February 2024	Jobs Added	Annual Change (%)
California	17,791.4	17,971.1	179.7	1.0%
Texas	13,812.3	14,103.7	291.4	2.1%
Florida	9,661.4	9,887.6	226.2	2.3%
New York	9,669.6	9,802.6	133.0	1.4%
Pennsylvania	6,060.7	6,131.7	71.0	1.2%
Illinois	6,109.3	6,122.8	13.5	0.2%
Ohio	5,603.4	5,632.7	29.3	0.5%
North Carolina	4,909.9	4,981.5	71.6	1.5%
Georgia	4,889.3	4,938.2	48.9	1.0%
Michigan	4,434.9	4,472.3	37.4	0.8%

Source: U.S. Bureau of Labor Statistics

Note: February 2024 jobs are preliminary.

Table A-18 sets forth information concerning civilian employment in the State, as well as comparable information for the United States as a whole, in the years indicated.

Table A-18
Historical Review of State and U.S. Unemployment Rates

Year	Texas			U.S.		
	Texas Civilian Labor Force	Texas Total Employment	Unemployment Rate (%)	U.S Civilian Labor Force	U.S. Total Employment	Unemployment Rate (%)
2000	10,388,337	9,932,973	4.4	142,583,000	136,891,000	4.0
2001	10,539,140	10,014,830	5.0	143,734,000	136,933,000	4.7
2002	10,742,014	10,061,049	6.3	144,863,000	136,485,000	5.8
2003	10,910,636	10,176,554	6.7	146,510,000	137,736,000	6.0
2004	10,998,258	10,336,114	6.0	147,401,000	139,252,000	5.5
2005	11,172,694	10,561,373	5.5	149,320,000	141,730,000	5.1
2006	11,335,112	10,770,786	5.0	151,428,000	144,427,000	4.6
2007	11,441,054	10,940,176	4.4	153,124,000	146,047,000	4.6
2008	11,677,743	11,110,499	4.9	154,287,000	145,362,000	5.8
2009	11,944,138	11,043,167	7.5	154,142,000	139,877,000	9.3
2010	12,260,100	11,255,444	8.2	153,889,000	139,064,000	9.6
2011	12,499,595	11,498,869	8.0	153,617,000	139,869,000	8.9
2012	12,639,465	11,794,975	6.7	154,975,000	142,469,000	8.1
2013	12,832,035	12,022,272	6.3	155,389,000	143,929,000	7.4
2014	13,006,202	12,333,076	5.2	155,922,000	146,305,000	6.2
2015	13,090,961	12,503,464	4.5	157,130,000	148,834,000	5.3
2016	13,346,836	12,728,898	4.6	159,187,000	151,436,000	4.9
2017	13,473,991	12,888,025	4.3	160,320,000	153,337,000	4.4
2018	13,714,126	13,178,793	3.9	162,075,000	155,761,000	3.9
2019	13,927,670	13,434,744	3.5	163,539,000	157,538,000	3.7
2020	13,941,490	12,872,070	7.7	160,742,000	147,795,000	8.1
2021	14,292,315	13,486,624	5.6	161,204,000	152,581,000	5.3
2022	14,672,312	14,093,906	3.9	164,287,000	158,291,000	3.6
2023	15,067,153	14,472,524	3.9	167,116,000	161,037,000	3.6

Source: U.S. Bureau of Labor Statistics

Prior to the outbreak of COVID-19, Texas had avoided three of the nation’s six recessions since the early 1970s, though the State had its own recession in 1986. In 2023, Texas’ nominal gross domestic product (GDP) was \$2.74 trillion according to preliminary estimates from the U.S. Bureau of Economic Analysis (BEA). Texas, if it were then a nation, would be the eighth largest economy in the world.

Largely because of the State’s comparatively youthful workforce and an international border region with particularly high unemployment rates, Texas’ statewide jobless rate exceeded the national average in most years from 1985 through 2006. However, the State’s unemployment rate fell below that of the nation in early 2007 and remained below the national rate until November 2016. Since that time, the Texas unemployment rate has, on average, not differed significantly from that of the nation.

Table A-19 shows monthly Texas nonfarm employment by industry and the Texas unemployment rate since January 2018. The Texas unemployment rate was 3.9 percent in February 2024, down from 4.0 percent in February 2023. The U.S. unemployment rate rose from 3.6 percent to 3.9 percent over that same time period.

Table A-19
Nonfarm Employment by Month
(In Thousands)

Year	Month	Mining and Logging	Construction	Manufacturing	Trade, Transportation, and Utilities	Information	Financial Activities	Professional and Business Services	Education and Health Services	Leisure and Hospitality Services	Government	Total	Unemployment Rate
2019	January	254.7	761.7	901.2	2,490.0	206.9	790.2	1,779.7	1,717.2	1,822.7	1,959.1	12,683.4	3.7
	February	254.4	765.6	902.6	2,490.4	208.0	792.4	1,784.6	1,722.9	1,830.8	1,964.7	12,716.4	3.7
	March	254.2	766.2	904.1	2,488.7	209.3	794.4	1,783.0	1,727.8	1,831.6	1,969.3	12,728.6	3.6
	April	254.9	769.8	905.5	2,490.1	210.5	797.4	1,794.8	1,730.2	1,833.2	1,969.1	12,755.5	3.5
	May	255.0	771.0	907.0	2,492.4	211.2	799.8	1,801.0	1,736.7	1,838.4	1,973.5	12,786.0	3.4
	June	253.2	773.6	909.6	2,497.0	211.5	802.1	1,807.5	1,741.3	1,839.4	1,976.6	12,811.8	3.4
	July	250.7	776.7	910.6	2,502.8	209.0	804.1	1,812.9	1,744.4	1,845.0	1,978.8	12,835.0	3.5
	August	248.4	779.1	911.2	2,505.4	211.8	806.4	1,817.3	1,752.2	1,847.0	1,983.3	12,862.1	3.5
	September	245.3	783.4	911.7	2,508.2	211.6	808.4	1,819.3	1,754.9	1,851.0	1,984.9	12,878.7	3.5
	October	242.5	782.1	907.5	2,512.1	212.0	808.8	1,820.1	1,755.0	1,852.7	1,988.8	12,881.6	3.5
	November	239.5	783.1	911.3	2,521.2	212.4	811.7	1,825.9	1,760.2	1,858.8	1,992.2	12,916.3	3.5
	December	236.1	781.5	910.9	2,522.3	212.5	813.5	1,826.1	1,759.9	1,866.1	1,991.5	12,920.4	3.5
2020	January	235.4	781.1	910.8	2,522.1	212.8	815.9	1,830.3	1,771.5	1,869.2	1,998.4	12,947.5	3.5
	February	234.5	780.4	910.2	2,520.8	212.8	818.7	1,836.4	1,775.5	1,870.6	2,003.2	12,963.1	3.6
	March	232.9	780.3	909.4	2,517.7	211.2	818.6	1,831.4	1,773.6	1,829.5	2,005.5	12,910.1	5.0
	April	207.1	723.2	854.1	2,317.8	194.1	792.7	1,688.6	1,596.8	1,190.9	1,952.0	11,517.3	12.8
	May	187.9	731.2	856.9	2,368.5	193.5	794.9	1,700.7	1,646.6	1,356.1	1,921.2	11,757.5	11.6
	June	177.1	731.0	859.0	2,424.6	193.7	795.9	1,720.0	1,682.3	1,485.4	1,926.0	11,995.0	10.1
	July	171.6	718.8	852.0	2,431.5	193.2	794.6	1,733.8	1,677.0	1,467.1	1,959.2	11,998.8	9.3
	August	170.3	719.8	853.4	2,447.3	193.8	797.2	1,752.9	1,678.4	1,498.3	1,985.6	12,097.0	8.1
	September	169.5	717.9	854.9	2,464.5	199.1	798.6	1,755.0	1,684.1	1,545.5	1,984.6	12,173.7	7.7
	October	170.5	720.0	857.1	2,496.8	198.6	803.2	1,775.9	1,697.3	1,583.3	1,951.0	12,253.7	7.1
	November	171.1	722.8	859.0	2,496.2	197.8	806.6	1,794.9	1,703.4	1,602.7	1,947.5	12,302.0	7.0
	December	172.2	722.3	861.7	2,499.8	197.8	809.4	1,809.3	1,710.0	1,618.9	1,951.3	12,352.7	6.9
2021	January	174.0	721.0	862.2	2,505.5	200.6	812.7	1,818.9	1,713.2	1,631.4	1,952.9	12,392.4	6.7
	February	173.9	712.5	861.4	2,508.3	201.1	813.9	1,814.2	1,707.0	1,612.1	1,948.4	12,352.8	6.6
	March	176.6	734.4	868.4	2,526.9	201.9	822.0	1,846.6	1,718.9	1,648.9	1,947.5	12,492.1	6.4
	April	178.3	733.2	865.5	2,521.7	202.8	823.3	1,859.4	1,724.4	1,673.3	1,956.4	12,538.3	6.2
	May	178.8	731.5	867.6	2,537.3	204.5	825.6	1,877.8	1,726.5	1,693.8	1,954.8	12,598.2	6.0
	June	179.4	733.4	871.5	2,549.6	206.5	827.6	1,892.1	1,738.4	1,710.3	1,960.2	12,669.0	5.8
	July	181.7	736.7	875.8	2,565.0	209.2	834.1	1,909.2	1,747.1	1,733.1	1,974.3	12,766.2	5.6
	August	181.7	739.2	879.5	2,570.7	210.8	837.4	1,922.9	1,747.8	1,745.7	1,966.6	12,802.3	5.3
	September	182.0	740.6	880.3	2,584.3	212.4	839.1	1,938.0	1,744.8	1,758.4	1,972.0	12,851.9	5.1
	October	184.4	750.9	890.0	2,617.7	215.9	850.8	1,982.9	1,757.3	1,778.8	1,972.8	13,001.5	4.9
	November	186.7	755.8	894.4	2,628.0	215.9	854.8	1,996.9	1,759.9	1,786.4	1,972.0	13,050.8	4.6
	December	188.3	761.0	899.2	2,649.6	218.2	858.6	2,009.1	1,763.5	1,805.9	1,975.5	13,128.9	4.5
2022	January	188.7	760.2	900.3	2,648.3	220.1	860.6	2,007.0	1,763.7	1,808.1	1,977.3	13,134.3	4.3
	February	191.4	764.3	905.7	2,684.7	221.9	863.4	2,022.5	1,769.0	1,815.5	1,977.6	13,216.0	4.1
	March	193.0	768.5	912.8	2,689.2	224.2	866.6	2,035.8	1,775.2	1,820.1	1,979.7	13,265.1	3.9
	April	196.2	773.2	919.9	2,700.2	226.2	872.8	2,056.6	1,787.4	1,839.5	1,980.0	13,352.0	3.8
	May	198.6	778.4	923.7	2,699.2	228.8	876.6	2,066.3	1,794.2	1,848.7	1,980.6	13,395.1	3.8
	June	198.9	779.7	926.0	2,697.0	230.0	876.3	2,070.8	1,797.8	1,852.3	1,985.7	13,414.5	3.8
	July	202.4	787.9	932.6	2,714.5	234.9	884.9	2,096.2	1,814.0	1,871.4	1,994.3	13,533.1	3.8
	August	204.0	791.7	935.5	2,721.9	234.8	888.2	2,104.7	1,821.4	1,880.2	1,996.8	13,579.2	3.8
	September	206.0	795.6	939.4	2,731.4	236.0	891.1	2,107.0	1,830.6	1,887.4	1,998.9	13,623.4	3.9
	October	207.6	796.2	940.9	2,732.1	236.3	894.5	2,113.0	1,835.4	1,893.9	2,005.3	13,655.2	4.0
	November	208.3	799.8	943.4	2,725.2	237.6	894.7	2,115.6	1,844.2	1,903.1	2,008.2	13,680.1	4.0
	December	209.7	803.9	944.7	2,737.2	237.0	895.0	2,115.7	1,845.6	1,906.2	2,012.8	13,707.8	4.1
2023	January	211.9	813.1	948.0	2,744.9	237.4	898.2	2,121.3	1,861.2	1,936.9	2,016.6	13,789.5	4.1
	February	213.7	812.6	948.6	2,748.1	237.4	899.9	2,119.2	1,870.7	1,939.9	2,022.2	13,812.3	4.0
	March	215.1	816.6	950.3	2,751.5	237.2	901.5	2,120.5	1,878.7	1,946.0	2,027.6	13,845.0	4.0
	April	213.6	815.8	951.9	2,756.8	236.2	902.2	2,120.0	1,879.4	1,942.4	2,034.7	13,853.0	4.0
	May	214.3	817.4	954.5	2,761.3	235.2	903.0	2,118.5	1,888.3	1,946.4	2,040.0	13,878.9	4.0
	June	214.9	821.2	959.1	2,764.3	234.2	905.2	2,123.0	1,898.0	1,957.3	2,044.2	13,921.4	3.9
	July	214.1	821.1	956.7	2,762.0	233.7	904.5	2,120.2	1,889.9	1,954.2	2,044.5	13,900.9	3.9
	August	213.9	824.3	958.6	2,765.4	233.0	905.8	2,118.2	1,898.5	1,959.7	2,059.4	13,936.8	3.9
	September	213.2	829.6	960.8	2,768.1	232.2	906.1	2,116.7	1,905.9	1,967.7	2,062.2	13,962.5	3.9
	October	211.8	829.0	960.3	2,780.9	233.9	909.5	2,117.1	1,913.8	1,973.6	2,071.8	14,001.7	3.9
	November	210.1	835.6	960.4	2,774.6	233.7	909.3	2,127.3	1,919.4	1,967.1	2,074.9	14,012.4	3.9
	December	214.3	837.9	962.0	2,777.2	232.4	908.4	2,122.1	1,921.7	1,980.5	2,078.0	14,034.5	3.9
2024	January	208.9	837.0	966.2	2,769.6	232.4	912.1	2,132.2	1,926.3	1,985.6	2,083.6	14,053.9	3.9
	February	209.1	844.8	971.5	2,766.7	233.2	916.4	2,144.1	1,935.6	1,994.6	2,087.7	14,103.7	3.9

Notes:
All figures are seasonally adjusted.
Totals may not sum due to rounding.
Source: Texas Workforce Commission

Information concerning historical average annual Texas nonfarm employment by industry and unemployment rates in the years indicated is contained in Table A-20 and Table A-21.

Table A-20
Total Nonfarm Employment and Unemployment
(In Thousands)

Year	Natural Resources & Mining	Construction	Manufacturing	Transportation, Trade, Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure, Hospitality, & Other Services	Government	Total	Unemployment Rate
1990	163.9	346.0	944.7	1,564.8	177.7	458.8	649.0	676.1	858.7	1,285.7	7,125.4	6.4
1991	170.7	348.3	933.8	1,565.1	178.3	450.3	663.0	711.5	873.3	1,310.0	7,204.3	7.0
1992	160.4	345.8	926.6	1,572.4	176.1	447.6	672.7	744.5	896.9	1,357.9	7,300.9	7.7
1993	157.8	355.3	940.6	1,611.9	178.5	457.0	707.6	779.7	925.9	1,401.0	7,515.3	7.2
1994	156.0	379.4	964.8	1,663.4	184.0	469.6	759.6	811.8	957.7	1,440.0	7,786.3	6.6
1995	151.8	409.6	994.0	1,710.8	195.7	472.2	803.4	851.9	996.6	1,472.7	8,058.7	6.1
1996	152.1	437.4	1,015.8	1,747.2	206.7	483.9	851.9	888.0	1,024.8	1,483.8	8,291.6	5.8
1997	161.6	468.3	1,044.7	1,790.5	228.0	505.9	931.6	934.4	1,068.2	1,509.8	8,643.0	5.4
1998	162.4	505.5	1,078.2	1,852.2	240.6	537.1	1,005.3	961.3	1,101.1	1,530.3	8,974.0	5.0
1999	143.4	537.2	1,066.1	1,902.1	252.4	558.0	1,056.6	977.3	1,135.4	1,561.5	9,190.0	4.7
2000	146.2	567.2	1,072.0	1,957.6	273.0	567.7	1,117.3	1,002.9	1,169.0	1,588.8	9,461.7	4.4
2001	156.2	580.6	1,030.0	1,967.4	270.8	577.7	1,113.8	1,041.3	1,193.2	1,613.4	9,544.4	5.0
2002	148.4	568.1	952.0	1,930.2	250.1	579.9	1,075.4	1,082.8	1,206.2	1,653.7	9,446.8	6.3
2003	149.1	551.7	903.8	1,898.2	234.4	585.7	1,067.8	1,119.4	1,217.6	1,673.8	9,401.5	6.7
2004	155.0	544.5	894.4	1,928.2	225.5	595.6	1,110.6	1,150.4	1,241.4	1,683.0	9,528.6	6.0
2005	167.8	567.2	901.2	1,975.9	223.6	609.8	1,172.5	1,184.7	1,257.8	1,712.3	9,772.8	5.5
2006	187.3	605.3	928.7	2,031.0	222.1	628.4	1,252.8	1,216.9	1,291.3	1,735.9	10,099.7	5.0
2007	208.7	647.9	939.4	2,094.0	221.3	644.1	1,315.5	1,255.6	1,338.8	1,764.9	10,430.2	4.4
2008	230.4	673.1	929.3	2,123.0	217.5	647.2	1,351.8	1,289.7	1,372.7	1,810.2	10,644.9	4.9
2009	202.3	597.8	843.0	2,040.0	204.4	628.1	1,268.5	1,336.6	1,369.7	1,853.3	10,343.7	7.5
2010	206.4	564.6	817.2	2,029.7	195.7	625.5	1,292.7	1,381.2	1,371.6	1,893.2	10,377.8	8.2
2011	237.4	564.1	841.7	2,085.8	195.8	641.1	1,359.1	1,413.9	1,412.4	1,857.1	10,608.4	8.0
2012	270.9	584.2	870.8	2,152.0	197.4	661.8	1,431.0	1,446.9	1,472.6	1,830.3	10,917.9	6.7
2013	289.1	613.0	876.5	2,217.1	201.3	684.1	1,491.6	1,486.3	1,540.4	1,845.4	11,244.8	6.3
2014	311.2	651.7	888.1	2,291.1	202.2	700.6	1,564.6	1,521.6	1,601.8	1,864.6	11,597.5	5.2
2015	272.4	683.8	879.7	2,367.8	201.0	719.0	1,617.8	1,577.1	1,662.4	1,888.7	11,869.7	4.5
2016	213.3	700.6	847.3	2,402.1	203.1	736.4	1,650.4	1,625.4	1,714.0	1,925.1	12,017.7	4.6
2017	222.0	712.3	853.1	2,434.2	203.9	761.0	1,687.8	1,666.5	1,747.2	1,944.1	12,232.1	4.3
2018	246.4	740.0	882.4	2,473.0	205.8	778.9	1,748.5	1,698.9	1,793.1	1,956.4	12,523.4	3.9
2019	249.1	774.5	907.7	2,501.8	210.5	802.4	1,805.6	1,742.1	1,842.4	1,977.5	12,813.6	3.5
2020	191.6	737.4	870.0	2,459.1	199.9	804.0	1,769.7	1,699.9	1,577.8	1,966.0	12,275.4	7.7
2021	180.5	737.7	876.5	2,564.0	208.3	833.5	1,905.9	1,737.5	1,715.6	1,963.3	12,722.8	5.6
2022	200.4	783.4	927.0	2,706.7	230.7	880.5	2,075.8	1,806.6	1,860.4	1,991.7	13,463.2	3.9
2023	213.6	823.7	955.9	2,760.8	234.7	904.0	2,122.6	1,893.5	1,955.7	2,048.3	13,912.8	3.9

Notes:
Totals may not sum due to rounding.
Source: Texas Workforce Commission

**Table A-21
Distribution of Nonfarm Employment
(In Percent)**

Year	Natural Resources & Mining	Construction	Manufacturing	Transportation, Trade, Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure, Hospitality, & Other Services	Government	Total
1990	2.30	4.86	13.26	21.96	2.49	6.44	9.11	9.49	12.05	18.04	100.00
1991	2.37	4.83	12.96	21.72	2.47	6.25	9.20	9.88	12.12	18.18	100.00
1992	2.20	4.74	12.69	21.54	2.41	6.13	9.21	10.20	12.28	18.60	100.00
1993	2.10	4.73	12.52	21.45	2.38	6.08	9.42	10.37	12.32	18.64	100.00
1994	2.00	4.87	12.39	21.36	2.36	6.03	9.76	10.43	12.30	18.49	100.00
1995	1.88	5.08	12.33	21.23	2.43	5.86	9.97	10.57	12.37	18.27	100.00
1996	1.83	5.28	12.25	21.07	2.49	5.84	10.27	10.71	12.36	17.90	100.00
1997	1.87	5.42	12.09	20.72	2.64	5.85	10.78	10.81	12.36	17.47	100.00
1998	1.81	5.63	12.01	20.64	2.68	5.99	11.20	10.71	12.27	17.05	100.00
1999	1.56	5.85	11.60	20.70	2.75	6.07	11.50	10.63	12.35	16.99	100.00
2000	1.55	5.99	11.33	20.69	2.89	6.00	11.81	10.60	12.36	16.79	100.00
2001	1.64	6.08	10.79	20.61	2.84	6.05	11.67	10.91	12.50	16.90	100.00
2002	1.57	6.01	10.08	20.43	2.65	6.14	11.38	11.46	12.77	17.51	100.00
2003	1.59	5.87	9.61	20.19	2.49	6.23	11.36	11.91	12.95	17.80	100.00
2004	1.63	5.71	9.39	20.24	2.37	6.25	11.66	12.07	13.03	17.66	100.00
2005	1.72	5.80	9.22	20.22	2.29	6.24	12.00	12.12	12.87	17.52	100.00
2006	1.85	5.99	9.20	20.11	2.20	6.22	12.40	12.05	12.79	17.19	100.00
2007	2.00	6.21	9.01	20.08	2.12	6.18	12.61	12.04	12.84	16.92	100.00
2008	2.16	6.32	8.73	19.94	2.04	6.08	12.70	12.12	12.90	17.01	100.00
2009	1.96	5.78	8.15	19.72	1.98	6.07	12.26	12.92	13.24	17.92	100.00
2010	1.99	5.44	7.87	19.56	1.89	6.03	12.46	13.31	13.22	18.24	100.00
2011	2.24	5.32	7.93	19.66	1.85	6.04	12.81	13.33	13.31	17.51	100.00
2012	2.48	5.35	7.98	19.71	1.81	6.06	13.11	13.25	13.49	16.76	100.00
2013	2.57	5.45	7.79	19.72	1.79	6.08	13.26	13.22	13.70	16.41	100.00
2014	2.68	5.62	7.66	19.76	1.74	6.04	13.49	13.12	13.81	16.08	100.00
2015	2.29	5.76	7.41	19.95	1.69	6.06	13.63	13.29	14.01	15.91	100.00
2016	1.77	5.83	7.05	19.99	1.69	6.13	13.73	13.53	14.26	16.02	100.00
2017	1.81	5.82	6.97	19.90	1.67	6.22	13.80	13.62	14.28	15.89	100.00
2018	1.97	5.91	7.05	19.75	1.64	6.22	13.96	13.57	14.32	15.62	100.00
2019	1.94	6.04	7.08	19.52	1.64	6.26	14.09	13.60	14.38	15.43	100.00
2020	1.56	6.01	7.09	20.03	1.63	6.55	14.42	13.85	12.85	16.02	100.00
2021	1.42	5.80	6.89	20.15	1.64	6.55	14.98	13.66	13.48	15.43	100.00
2022	1.49	5.82	6.89	20.10	1.71	6.54	15.42	13.42	13.82	14.79	100.00
2023	1.54	5.92	6.87	19.84	1.69	6.50	15.26	13.61	14.06	14.72	100.00

Notes:
Totals may not sum due to rounding.
Source: Texas Workforce Commission

PERSONAL INCOME

Personal income has maintained a positive trend since 2016, as illustrated in Table A-22. Underlying the personal income gains is population growth that has been fueled by net migration and a relatively high birth rate. According to the U.S. Census Bureau, from July 2022 to July 2023 Texas' population increased by 473,000, more than that of any other state, with approximately 25 percent of the growth from natural change (births minus deaths) and 75 percent from net migration. Four of the nation's 15 most rapidly growing large cities are in Texas, as well as five of the 15 cities that had the largest absolute increase in population between 2017 and 2018. Texas' population is estimated to have grown by 1.6 percent between July 2022 and July 2023 to 30.5 million.

Information concerning total personal income for residents of the State in the years indicated is set forth in Table A-22.

Table A-22
Personal Income of Texas Residents

Year	Personal Income (Millions)	Percent Change From Prior Year
1991	311,370	4.6%
1992	336,646	8.1%
1993	356,399	5.9%
1994	376,614	5.7%
1995	402,805	7.0%
1996	433,165	7.5%
1997	472,178	9.0%
1998	514,883	9.0%
1999	543,798	5.6%
2000	591,738	8.8%
2001	631,080	6.6%
2002	639,443	1.3%
2003	664,815	4.0%
2004	696,381	4.7%
2005	754,776	8.4%
2006	827,440	9.6%
2007	878,902	6.2%
2008	968,499	10.2%
2009	923,471	-4.6%
2010	982,053	6.3%
2011	1,074,858	9.5%
2012	1,142,888	6.3%
2013	1,173,747	2.7%
2014	1,257,640	7.1%
2015	1,281,170	1.9%
2016	1,276,331	-0.4%
2017	1,367,826	7.2%
2018	1,463,790	7.0%
2019	1,536,597	5.0%
2020	1,611,228	4.9%
2021	1,789,719	11.1%
2022	1,879,420	5.0%
2023	1,995,594	6.2%

Source: U.S. Bureau of Economic Analysis

Information on per capita personal income for residents of Texas and the United States follows in Table A-23 for the years indicated.

Table A-23
Per Capita Personal Income

Year	Texas Per Capita Personal Income	Texas Percent Change From Prior Year	U.S. Per Capita Personal Income	U.S. Percent Change From Prior Year	Texas as a Percentage of U.S.
1990	\$17,455	6.3%	\$19,621	5.1%	89.0%
1991	\$17,897	2.5%	\$20,030	2.1%	89.4%
1992	\$18,956	5.9%	\$21,090	5.3%	89.9%
1993	\$19,624	3.5%	\$21,733	3.0%	90.3%
1994	\$20,287	3.4%	\$22,575	3.9%	89.9%
1995	\$21,246	4.7%	\$23,607	4.6%	90.0%
1996	\$22,397	5.4%	\$24,771	4.9%	90.4%
1997	\$23,919	6.8%	\$25,993	4.9%	92.0%
1998	\$25,543	6.8%	\$27,493	5.8%	92.9%
1999	\$26,452	3.6%	\$28,592	4.0%	92.5%
2000	\$28,253	6.8%	\$30,551	6.9%	92.5%
2001	\$29,601	4.8%	\$31,548	3.3%	93.8%
2002	\$29,481	-0.4%	\$31,801	0.8%	92.7%
2003	\$30,176	2.4%	\$32,659	2.7%	92.4%
2004	\$31,097	3.1%	\$34,183	4.7%	91.0%
2005	\$33,136	6.6%	\$35,669	4.3%	92.9%
2006	\$35,422	6.9%	\$37,843	6.1%	93.6%
2007	\$36,879	4.1%	\$39,588	4.6%	93.2%
2008	\$39,841	8.0%	\$40,854	3.2%	97.5%
2009	\$37,234	-6.5%	\$39,307	-3.8%	94.7%
2010	\$38,910	4.5%	\$40,557	3.2%	95.9%
2011	\$41,937	7.8%	\$42,649	5.2%	98.3%
2012	\$43,863	4.6%	\$44,237	3.7%	99.2%
2013	\$44,396	1.2%	\$44,401	0.4%	100.0%
2014	\$46,739	5.3%	\$46,287	4.2%	101.0%
2015	\$46,760	0.0%	\$48,060	3.8%	97.3%
2016	\$45,862	-1.9%	\$48,971	1.9%	93.7%
2017	\$48,518	5.8%	\$51,004	4.2%	95.1%
2018	\$51,341	5.8%	\$53,309	4.5%	96.3%
2019	\$53,247	3.7%	\$55,547	4.2%	95.9%
2020	\$55,114	3.5%	\$59,151	6.5%	93.2%
2021	\$60,543	9.9%	\$64,427	8.9%	94.0%
2022	\$62,585	3.4%	\$65,473	1.6%	95.6%
2023	\$65,422	4.5%	\$68,531	4.7%	95.5%

Source: U.S. Bureau of Economic Analysis

The following table sets forth personal income by source, for Texas and the U.S., in the fourth calendar quarter of 2023.

Table A-24
Sources of Personal Income
Quarter IV of 2023

Source Wages and Salaries:	Sources of Personal		Sources of Personal	
	Income (Texas) Total (Billion \$)	Income (Texas) Percent	Income (U.S.) Total (Billion \$)	Income (U.S.) Percent
Agricultural Services and Farm	3.7	0.2	115.0	0.5
Mining	84.7	4.2	172.1	0.7
Utilities	13.2	0.7	137.9	0.6
Construction	110.1	5.4	1,005.4	4.3
Manufacturing	119.0	5.9	1,432.0	6.1
Trade	170.3	8.4	1,683.0	7.2
Transportation and Warehousing	83.7	4.1	689.8	3.0
Information	32.7	1.6	580.2	2.5
Finance and Insurance	98.1	4.8	1,133.1	4.9
Real estate	29.7	1.5	391.0	1.7
Professional and technical services	166.9	8.2	1,888.0	8.1
Management Services	34.5	1.7	453.0	1.9
Administrative and Waste Services	71.9	3.5	720.4	3.1
Educational Services	16.3	0.8	280.9	1.2
Health Care and Social Assistance	139.1	6.8	1,872.1	8.0
Arts, Entertainment, and Recreation	11.4	0.6	244.2	1.0
Accommodation and food services	50.0	2.5	586.6	2.5
Other Services	48.4	2.4	570.9	2.5
Government				
Federal Civilian	30.4	1.5	442.3	1.9
Military	15.9	0.8	163.7	0.7
State and Local	141.3	7.0	1,818.8	7.8
Property and Interest Income	405.8	20.0	4,649.4	20.0
Transfer Payments	307.2	15.1	4,086.7	17.5
Contributions for Social Insurance	(148.9)	(7.3)	(1,832.2)	(7.9)
Residence Adjustment	(3.0)	(0.2)	4.1	0.0
Total Personal Income	2,032.3	100.0	23,288.5	100.0

Notes:

Totals may not sum due to rounding.

Data presented as annual averages.

Source: U.S. Bureau of Economic Analysis

OIL AND GAS

Texas' industrial mix retains a substantial concentration in the energy sector. While Texas has historically been one of the leading producers of oil and gas, renewable energy sources now also play an important role in the state's energy profile, which includes wind, solar and biomass. In 2022, Texas produced approximately 15 percent of the U.S. total electricity generation from all renewable sources and led the U.S. in producing more than one-fourth of the nation's total utility-scale wind-powered electricity generation¹. Texas also remains a major exporter of Liquefied Natural Gas ("LNG"), particularly with the EU's growing dependence on western LNG exports along with Asia's growing demand.

As illustrated in the data presented on the following pages, activity in the energy sector, particularly oil and gas, can be quite volatile due to the impact of external factors affecting global supply and demand, including: geopolitical tensions, business cycles and recessions, major weather events such as winter storms that affect demand and tropical storms that can affect supply in the Gulf of Mexico, as well as technological innovations such as horizontal drilling and hydraulic fracturing that open new sources of production.

Some key factors influencing the volatility of oil and natural gas production, drilling activity and prices over the past few decades include:

- Improved fracking and horizontal drilling technology, which revolutionized the industry in the early 2000's for the first time since the 1980's oil-bust, starting with natural gas drilling in the Barnett Shale and then spreading to other U.S. oil shale plays, including the Eagle Ford and the Permian Basin in Texas
- The 2008 financial crisis, which led to the Great Recession in the U.S. and protracted economic slowdowns throughout much of Europe, suppressing global demand
- Hurricanes in the Gulf of Mexico, particularly in 2005 and 2017, and winter storms in 2021, which led to major supply disruptions
- The COVID pandemic and lockdowns beginning in March 2020, resulting in a dramatic economic slowdown at the onset, less travel, and extended lockdowns in China, which suppressed global demand
- Russia's invasion of Ukraine in February 2022 and subsequent sanctions on Russian oil exports, impacting supply and demand from western Europe
- The renewed Israel-Hamas conflict beginning in the fall of 2023.

¹ Source: U.S. Energy Information Administration

Table A-25 sets forth historical information concerning oil and natural gas production within the State and average taxable prices paid for oil and gas produced within the State for the years indicated.

**Table A-25
Oil and Natural Gas Production**

Year	Texas Oil Production (Million Bbl)	Percentage Change in Texas Oil Production	Percentage of United States Oil Production	Average Taxable Price Per Bbl	(1) Texas Marketed Gas Production (Trillion SCF)	(1) Percentage Change in Texas Gas Production	(1) Percentage Change in Marketed Production	Average Taxable Price Per MCF
1993	619	(4.8)	24.8	16.23	4.97	3.3	26.2	1.89
1994	591	(4.6)	24.3	15.08	5.05	1.5	25.6	1.61
1995	560	(5.3)	23.4	16.45	5.05	0.0	25.9	1.45
1996	543	(2.9)	23.0	20.41	5.13	1.7	25.9	2.07
1997	537	(1.2)	22.8	18.76	5.17	0.7	26.0	2.17
1998	505	(5.9)	22.1	12.36	5.23	1.2	26.2	1.83
1999	449	(11.0)	20.9	17.39	5.05	(3.3)	25.5	2.08
2000	443	(1.3)	20.8	28.72	5.28	4.5	26.2	3.75
2001	424	(4.3)	20.0	23.74	5.28	0.0	25.7	3.85
2002	406	(4.4)	19.4	24.36	5.14	(2.7)	25.9	2.89
2003	401	(1.3)	19.4	29.38	5.24	2.0	26.3	4.71
2004	393	(2.0)	19.7	38.95	5.07	(3.4)	26.0	5.44
2005	393	(0.0)	20.7	52.77	5.28	4.1	27.9	7.27
2006	392	(0.0)	21.1	61.52	5.55	5.1	28.6	6.17
2007	391	(0.3)	21.1	68.53	6.12	10.4	30.3	6.30
2008	406	3.8	22.2	96.57	6.96	13.7	33.0	7.85
2009	399	(1.6)	20.4	57.48	6.82	(2.0)	31.5	3.32
2010	427	6.9	21.3	76.10	6.72	(1.5)	30.0	4.12
2011	530	24.1	25.6	91.72	7.11	5.9	29.6	4.27
2012	726	37.0	30.4	92.49	7.48	5.1	29.6	2.95
2013	928	27.9	33.9	95.86	7.63	2.1	29.9	3.67
2014	1,160	24.9	36.1	87.57	7.99	4.6	29.0	4.39
2015	1,262	8.8	36.6	44.88	7.89	(1.2)	27.4	2.01
2016	1,169	(7.4)	36.1	39.48	7.23	(8.4)	25.4	1.89
2017	1,276	9.2	37.4	48.7	7.22	0.0	24.7	2.80
2018	1,612	26.4	40.3	60.3	8.04	11.3	24.4	2.84
2019	1,864	15.6	41.5	55.35	9.38	16.6	25.7	1.94
2020	1,773	(4.9)	42.8	36.77	9.81	4.6	26.9	1.27
2021	1,745	(1.6)	42.4	66.8	9.95	1.4	26.6	3.74
2022	1,847	5.8	42.5	95.34	10.83	8.8	27.5	5.75
2023	2,013	9.0	42.6	76.93	11.54	6.6	27.9	2.27

Notes:

Oil Production includes condensates.

(1) Historical figures updated to reflect Texas onshore and offshore marketed natural gas production.

MCF = 1,000 cubic feet

SCF = standard cubic feet

Sources: Texas Comptroller of Public Accounts and U.S. Energy Information Administration. Average taxable price is calculated by the Comptroller of Public Accounts based on actual tax receipts.

Two frequently used barometers of oil and gas exploration activity are rotary drilling rig usage and the number of wells drilled. The following table sets forth historical information concerning these two statistics.

Table A-26 sets forth historical information concerning annual rotary rig activity and total wells drilled in the State for the years indicated.

**Table A-26
Petroleum Drilling Activity**

Year	Texas Average		Total Wells Drilled	Wells	
	Annual Rotary Rig Activity	Rig Activity Percent Change		Completed Oil	Completed Gas
1998	303	(15.4)	11,057	4,509	4,907
1999	227	(25.1)	6,662	2,049	3,566
2000	343	51.1	8,854	3,111	4,580
2001	462	34.7	9,995	3,082	5,787
2002	338	(26.8)	9,877	3,268	5,474
2003	449	32.8	10,420	3,111	6,336
2004	506	12.7	11,587	3,446	7,118
2005	614	21.3	11,154	3,454	7,197
2006	746	21.5	13,339	4,761	8,534
2007	834	11.8	13,778	5,084	8,643
2008	898	7.7	16,615	6,208	10,361
2009	432	(51.9)	14,585	5,860	8,706
2010	659	52.5	9,477	5,392	4,071
2011	838	27.2	8,391	5,380	3,008
2012	899	7.3	14,535	10,936	3,580
2013	835	(7.1)	24,166	19,249	4,917
2014	882	5.6	28,585	24,999	3,585
2015	430	(51.2)	18,383	15,578	2,787
2016	236	(45.1)	9,967	7,813	2,129
2017	430	82.2	6,439	5,394	1,022
2018	514	19.5	10,414	8,588	1,813
2019	462	(10.1)	8,817	7,046	1,753
2020	207	(55.2)	13,250	10,485	2,561
2021	225	8.7	8,242	6,527	1,523
2022	347	54.2	10,280	8,207	1,859
2023	339	(2.3)	11,771	8,971	2,538

Sources: Texas Railroad Commission and Baker Hughes Incorporated

Table A-27 sets forth information concerning the number of producing wells and the estimated proven reserves of oil and natural gas within the State.

Table A-27
Texas Natural Gas and Oil-Producing Wells
And Estimated Proven Reserves

Year	Producing Oil Wells	Estimated Oil Proved Reserves (Million Bbl)	Producing Gas Wells	Estimated Dry Gas Proved Reserves (Trillion CF)
1988	196,580	7,043	49,577	38.167
1989	190,821	6,966	50,017	38.381
1990	194,962	7,106	49,989	38.192
1991	196,292	6,797	49,825	36.174
1992	193,310	6,441	49,839	35.093
1993	186,342	6,171	50,794	34.718
1994	179,955	5,847	52,614	35.974
1995	177,397	5,743	53,612	36.542
1996	175,277	5,736	55,052	38.270
1997	175,475	5,687	56,736	37.761
1998	170,288	4,927	58,436	37.584
1999	162,620	5,339	59,088	40.157
2000	161,097	5,273	60,486	42.082
2001	159,357	4,944	63,598	43.527
2002	155,865	5,015	65,686	44.297
2003	153,461	4,583	68,488	45.730
2004	151,205	4,613	72,237	49.955
2005	151,286	4,919	76,510	56.507
2006	151,832	4,871	83,218	61.836
2007	153,223	5,122	88,311	72.091
2008	156,588	4,555	96,502	77.546
2009	157,807	5,006	101,097	80.424
2010	158,451	5,674	101,653	88.997
2011	161,402	7,014	101,831	98.165
2012	167,864	9,614	102,218	86.924
2013	179,797	10,468	103,445	90.349
2014	190,331	12,272	104,074	97.154
2015	193,807	11,759	103,526	78.866
2016	178,927	12,859	101,339	81.224
2017	187,139	15,936	99,471	105.618
2018	187,401	18,043	98,709	126.131
2019	186,841	18,622	101,084	113.736
2020	183,242	15,612	100,623	102.370
2021	178,982	17,031	98,963	133.169
2022	172,645	n/a	98,878	n/a
2023	173,333	n/a	99,323	n/a

Notes:

n/a = not available

Reserves are as of December 31 of each year.

Sources: Texas Railroad Commission and U.S. Energy Information Administration

AN OVERVIEW OF TEXAS INDUSTRIES BY NAICS SECTOR

Table A-19 shows monthly seasonally adjusted Texas nonfarm employment estimates for major industries. Much of the following industry discussion is based on those estimates. Seasonally adjusted numbers are used wherever possible. However, employment levels and changes for sectors within an industry generally are not seasonally adjusted.

Nine of the 11 major nonfarm industries in the Texas economy experienced net job gains from February 2023 to February 2024. Employment in the goods-producing industries increased by 2.6 percent, while employment in the service-providing industries increased by 2.0 percent. Employment grew in two of the goods-producing industries (construction and manufacturing) led by a 32,200 increase in construction employment. Seven of the eight service-providing industries experienced employment growth, led by Government, which saw a 65,500 increase in employment for the year.

MINING AND LOGGING

Mining industry employment peaked in December 2014 at 321,900 and then declined steadily, reaching a low of 204,200 in September 2016. Industry employment then grew consistently for more than two years to reach 255,500 in January 2019. During the pandemic, industry employment fell sharply in fiscal 2020 but began to recover in the early months of fiscal 2021. February 2024 mining employment of 209,100 was down by 2.2 percent from the February 2023 level.

In addition to substantial exploration activities within the State and in the Gulf of Mexico, Texas is headquarters for many of the nation's largest oil and natural gas refining and distribution companies and has many energy-related jobs in other industries. As in the mining industry, employment in those industries and sectors has increased significantly over the years.

CONSTRUCTION

Construction industry employment in Texas rose by 4.0 percent from February 2023 to February 2024, gaining 32,200 jobs to reach 844,800. Employment in construction of buildings experienced both the largest change in employment (12,900) and the largest rate of growth at 7.2 percent.

In the past 12 months, total housing construction activity was lower than the same period in 2023. Single-family building permits issued in the year ending in February 2024, at 155,826, were up 8.7 percent from the same period one year earlier. Building permits for multi-family units decreased by 33.4 percent (74,507 units in February 2024, down from 111,802 units in February 2023). According to Multiple Listing Service data from the Texas A&M Real Estate Center, the median sales price for an existing Texas single-family home rose by 2.5 percent, from \$325,000 in February 2023 to \$3330,000 in February 2024. In February 2024, Texas had a 3.6-month inventory of existing homes, up from 2.6 months in February 2023, and a substantial decline from the high of 8.5 months in mid-2011. For the month of February year-over-year, single-family permits increased by 3,843 units, while multi-family permits fell by 4,637.

TRADE, TRANSPORTATION, AND UTILITIES

The trade, transportation and utilities industry, the state's largest employer with 19.6 percent of total nonfarm jobs in February 2024, gained 28,700 jobs (1.1 percent) over the year. Employment in all three industry sectors (retail trade, wholesale trade, and transportation, warehousing and utilities) increased during the year. Transportation, warehousing, and utilities employment was up 1.0 percent (7,200). Wholesale trade employment grew by 8,900 (1.4 percent), and employment in the retail trade sector increased by 12,600 (0.9 percent). In all, the trade, transportation, and utilities industry provided 2,766,700 Texas jobs in February 2024.

As evidence of the importance of trade to the State economy, the Port of Houston had total shipment volume of 266.5 million tons in the most recently reported year (2021). Houston's port surpassed the Port of South Louisiana (224.7 million tons), once the nation's busiest port. The Port of Houston is also the nation's largest port for foreign trade, handling 84 percent more tonnage than the second largest port. Among the ten busiest U.S. ports in 2020, three were in Texas. After Houston, the other two were Corpus Christi at third and Beaumont at eighth.

The Dallas/Fort Worth area is a major regional distribution center for Texas and surrounding states and has the second busiest airport in the nation, with 35.3 million passenger enplanements during 2022. Houston's IAH is the 15th busiest airport in the U.S., with passenger enplanements of 19.8 million in 2022.

Sales tax collections, of which more than 50 percent come from households, are an indicator of retail sales activity in the State. In 2020, the State brought in \$33.5 billion in sales tax revenue, a 3.1 percent decline from calendar year collections in 2019. Sales tax collections picked up in 2021, as the state brought in \$38.6 billion.

Table A-28 shows annual historical retail sales data for Texas for 1995 through the first three quarters of 2023. As the Census Bureau no longer publishes retail sales numbers for states, the Texas numbers are from the Texas Comptroller's office and are based on gross retail sales, including hotel/motel accommodation and food services.

Table A-28
Retail Sales

Year	Texas Gross Retail	
	Sales Total (Millions)	Percent Change from Prior Year
1995	198,835	5.4
1996	216,302	8.8
1997	232,711	7.6
1998	244,911	5.2
1999	265,074	8.2
2000	298,614	12.7
2001	307,070	2.8
2002	290,719	-5.3
2003	306,342	5.4
2004	340,363	11.1
2005	364,788	7.2
2006	380,303	4.3
2007	394,884	3.8
2008	435,256	10.2
2009	389,524	-10.5
2010	399,398	2.5
2011	432,915	8.4
2012	460,846	6.5
2013	487,031	5.7
2014	524,353	7.7
2015	521,008	-0.6
2016	519,814	-0.2
2017	534,555	2.8
2018	570,067	6.6
2019	595,922	4.5
2020	578,108	-3.0
2021	775,712	34.2
2022	811,472	4.6
2023*	585,085	-0.4

Note:

*2023 data represents the first three quarters in 2023.

Percent change from the prior year represents the change from the first three quarters of 2022.

Source: Texas Comptroller of Public Accounts

MANUFACTURING

The Texas manufacturing industry gained 20,500 jobs over the past year, an increase of 2.2 percent. Durable goods employment was up 18,600, with the largest increases in the fabricated metals (8,200) and transportation equipment (3,900) manufacturing sectors. Overall, durable goods employment increased by 3.1 percent. Nondurable-goods manufacturing employment grew by 1,900 (0.6 percent), with the largest increase in the beverage and tobacco products

manufacturing sector (1,900 jobs, 9.0 percent). Total manufacturing employment in November 2023 was 971,500.

Table A-29 shows Texas manufacturing employment by industry in February 2024.

Table A-29
Manufacturing Employment by Industry
February 2024

Manufacturing Sector	Employment (Thousands)	Percentage of Manufacturing Employment
Durable Goods		
Wood Products	27.0	2.8
Minerals (nonmetallic) and Concrete	41.8	4.3
Primary Metals	21.8	2.3
Fabricated Metals	138.2	14.3
Machinery, except Computers	96.3	10.0
Computers and Electronics	105.2	10.9
Electrical Equipment & Appliances	23.6	2.4
Transportation Equipment	107.8	11.1
Furniture	24.5	2.5
Miscellaneous Durables	36.0	3.7
Total Durable Goods	622.2	64.3
Nondurable Goods		
Food Manufacturing	109.8	11.3
Beverages	23.0	2.4
Printing	24.5	2.5
Petroleum and Coal Products	21.4	2.2
Chemicals	85.0	8.8
Plastics and Rubber	44.5	4.6
Other Nondurables, incl. Apparel	37.3	3.9
Total Nondurable Goods	345.5	35.7
Total	967.7	100.0

Notes:

Data in this table not seasonally adjusted.

Totals may not sum due to rounding.

Source: Texas Workforce Commission

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 (cell phone service providers, Internet providers, and software). The telecommunications sector saw the largest increase in employment over the year (600 jobs, 0.7 percent). Total industry employment decreased by 1.8 percent (-4,200) to reach 233,200 in February 2024.

PROFESSIONAL AND BUSINESS SERVICES

Employment in the professional and business services industry increased by 21,100 (1.0 percent) from February 2023 to February 2024. Employment changes varied considerably among industry sectors, with the largest increases in professional, scientific, and technical services (14,900 jobs). In terms of percentage changes, the services to buildings and dwellings sector saw the largest rate increase at 4.5 percent. Total professional and business services employment was 2,134,000 in February 2024.

EDUCATION AND HEALTH SERVICES

The education and health services industry, composed of the private education services and health care and social assistance sectors, gained 64,900 jobs between February 2023 and February 2024, an increase of 3.5 percent. The relatively small educational services sector saw an increase of 3,400 jobs (1.4 percent). Employment in the much larger health care and social assistance sector grew by 4.1 percent (65,900 jobs). In all, Texas education and health services employment increased to 1,935,600 in February 2024.

FINANCIAL ACTIVITIES

From February 2023 to February 2024, overall employment in the financial activities industry grew by 1.8 percent (16,500 jobs). The finance and insurance sector grew by 10,600 (1.6 percent) while the real estate and rental and leasing sector grew by 5,600 (2.2 percent), driven by a 6.4 percent gain in agencies, brokerages, and other insurance related activities sector. Credit intermediation (which includes financial institutions such as banks) is the industry's largest sector, employing 289,500 as of February 2024. Total Texas financial activities industry employment reached 916,400 in February 2024.

LEISURE AND HOSPITALITY SERVICES

Employment in the leisure and hospitality industry increased by 33,200 (2.3 percent) from February 2023 to February 2024. Most of the industry's job gains occurred in the food services and drinking places sector, which added 24,200 jobs (2.1percent). Total leisure and hospitality employment in February 2024 was 1,476,000, representing 10.5 percent of total Texas employment.

OTHER SERVICES

The other services industry is a varied mix of business activities including repair and maintenance services; laundry services; religious; political and civic organizations; funeral services; parking garages; beauty salons; and a wide range of personal services. Religious, grantmaking, civic, professional, and similar organizations employment increased by 6.8 percent, the highest rate among other services sectors. In all, other services industry employment grew by 21,500 to reach 488,700 in February 2024.

GOVERNMENT

Government saw a year over year employment increase of 65,500, or 3.2 percent. Federal government employment increased by 6,300, led by a 3.2 percent employment increase in Department of Defense, including ship building and hospitals. State government education services added 8,200 jobs, while all other state government lost 200 jobs. Local government employment increased by 46,000, led by a 24,700 increase in local government educational services. Total government employment in Texas was 2,087,700 in February 2024, 15.0 percent of total Texas employment.

REGIONAL METROPOLITAN VARIATIONS

The economic mix of industries is distributed unevenly across the State, and consequently, the State's metropolitan areas are affected differently by economic changes in the nation and the world. Most of the employment gains over the past year (80.7 percent) occurred in just four metropolitan statistical areas (MSAs): Dallas-Fort Worth, Houston, Austin, and San Antonio. The combined net employment in those four MSAs increased 2.4 percent, while employment in the remainder of the State increased at 1.5 percent. Employment in the state increased by 2.1 percent.

Houston area employment increased by 88,000 (2.6 percent), the largest increase among the state's four largest MSAs (235,100 jobs) over the past year. Employment increased in two of the three of the goods-producing industries; Manufacturing employment increased by 3.3 percent followed by construction which rose by 0.5 percent. Mining and logging employment lost 500 jobs, a 0.7 percent decline from the previous year. Service-providing industries saw employment growth over the past year of 2.6 percent, with education and health services (5.3 percent, 23,400 jobs), other services (4.8 percent, 6,000 jobs), and government (4.4 percent, 19,600 jobs) having the highest rates of increase.

Dallas/Fort Worth area employment saw the second largest increase in jobs (80,400 jobs, 1.9 percent) between February 2023 and February 2024. Employment in the Dallas area grew by 1.7 percent, while the Fort Worth area grew at a rate of 2.0 percent. Area growth was led by other services (6.5 percent) and mining, logging, and construction (4.2 percent).

Austin area employment grew at a rate of 3.1 percent (Texas growth was 2.1 percent) over the past year, led by a 7.1 percent increase in the other services sector. Mining, logging, and construction (5.3 percent) and private education and health services (4.9 percent) followed the other services sector to round out the top three sectors in the area. The information sector was the only Austin area sector that did not experience job growth between February 2023 and February 2024. This sector saw a 6.0 percent decline in employment (-3,300 jobs). The Austin area was the State's fastest-growing metropolitan area over the past decade, as well as the nation's fastest growing metro area among those with population above 200,000 according to the U.S. Census Bureau.

From February 2023 to February 2024, employment growth in San Antonio increased by 2.2 percent over the past year. Job gains were led by other services (5.5 percent), construction (4.9 percent), and leisure and hospitality (4.5 percent).

Among all the State's metropolitan areas, Midland (2.9 percent), Amarillo (3.4 percent), and College Station-Bryan (3.5 percent) had the State's lowest unemployment rates in February 2024. Of the State's six largest metropolitan areas, Austin-Round Rock (3.7 percent) had the lowest rate, followed by San Antonio at 4.1 percent and Dallas-Fort Worth at 4.2 percent. McAllen-Edinburg-Mission had the highest unemployment rate among the state's metro areas, at 6.2 percent. This is followed by Beaumont-Port Arthur (5.9 percent), and Brownsville-Harlingen (5.8 percent).

PROPERTY VALUES

State-wide property values in Texas increased in 2022. Taxable values increased 5.32 percent from 2022 to 2023. The total taxable property value in Texas on January 1, 2023, was \$3.990 trillion according to records maintained by the Comptroller's Property Tax Assistance Division.

Property value changes from 2022 to 2023 were varied between property categories. The total market value of single-family homes increased by 15.00 percent, to \$2.81 trillion. Multi-family residential property values increased by 16.60 percent from 2022, to \$371.5 billion. The value of residential inventory – new, unsold homes held for sale – increased 29.43 percent from 2022 to 2023 reflecting a decrease in demand combined with an increase in the supply of these residential properties due to recent economic conditions.

The value of commercial and industrial real property was \$940.2 billion, an increase of 10.94 percent. Commercial and industrial personal property increased 17.17 percent to \$400.3 billion. The value of oil and gas reserves increased from \$218.3 billion in 2022 to \$259.3 billion in 2023, an 18.76 percent increase.

These values are based on the 2023 School District Property Value Study preliminary certification date of January 31, 2024. The final certification of the January 1, 2023 values is expected in August, 2024.

Table A-30
Taxable Value of Property
in Texas School Districts

Year	Billions	Percent Change
2003	1,043.82	4.31%
2004	1,109.85	6.32%
2005	1,204.54	8.53%
2006	1,355.22	12.51%
2007	1,505.45	11.09%
2008	1,668.89	10.86%
2009	1,686.05	1.03%
2010	1,654.84	-1.85%
2011	1,689.00	2.06%
2012	1,769.85	4.79%
2013	1,877.05	6.06%
2014	2,039.59	8.66%
2015	2,128.66	4.37%
2016	2,239.42	5.20%
2017	2,408.03	7.52%
2018	2,593.89	7.73%
2019	2,851.87	9.95%
2020	3,029.29	6.23%
2021	3,209.38	5.95%
2022	3,789.34	18.07%
2023	3,990.85	5.32%

Source: Texas Comptroller of Public Accounts,
Property Tax Assistance Division

AGRICULTURE

Texas is among the nation’s top producers of agricultural products, and the business of agricultural production is a big part of the Texas economy. In Texas, the food and fiber system comprises all economic activities linked to the production of agriculture including manufacturing, retail sales, transportation and wholesale distribution. According to the United States Department of Agriculture, Texas had more farms (12.1 percent of U.S. total) and acres of farmland (14.3 percent of U.S. total) than any other state in 2022.

AGRICULTURAL CASH RECEIPTS

In 2022, the top 10 agricultural producing States, in terms of cash receipts were (in descending order): California, Iowa, Nebraska, Texas (#4), Illinois, Minnesota, Kansas, Indiana, North Carolina and Wisconsin.

Texas’ total cash receipts for all agricultural commodities in Texas were an estimated \$29.7 billion in 2022, according to the USDA. The State’s top five agricultural commodities and their estimated cash receipts were:

1. Cattle and calves (\$11.6 billion)
2. Dairy products, milk (\$4.2 billion)
3. Broilers (\$4.2 billion)
4. Cotton lint, upland (\$2.5 billion)
5. Chicken eggs (\$1.2 billion)

Of those commodities, Texas' ranking among the States is:

- #3 in cattle and calves (38.8 percent of Texas receipts for all commodities; 13.4 percent of U.S. receipts for cattle and calves)
- #4 in dairy products, milk (14.2 percent of Texas receipts for all commodities; 7.4 percent of U.S. receipts for dairy products, milk)
- #5 in broilers (14.0 percent of Texas receipts for all commodities; 8.3 percent of U.S. receipts for broilers)
- #1 in cotton lint, upland (8.5 percent of Texas receipts for all commodities; 38.1 percent of U.S. receipts for cotton lint, upland)
- #5 in chicken eggs (4.0 percent of Texas receipts for all commodities; 6.1 percent of U.S. receipts for corn)

AGRICULTURE DEMOGRAPHICS

According to the USDA National Agricultural Statistics Service, Texas had 230,662 farms in 2022 totaling nearly 125.5 million acres – an average of 544 acres per farm. The USDA's 2022 Census of Agriculture (conducted every five years) estimated the percentage of farmland acreage per use:

- Pastureland, 70.5 percent
- Cropland, 22.2 percent
- Woodland, 5.3 percent
- Other, 2.0 percent

The 2022 USDA census also estimated that of the 402,876 Texas agriculture producers, 61 percent were male and 39 percent were female.

TOP AGRICULTURAL EXPORTS

According to U.S. trade data provided by the Texas Governor's Office of Economic Development and Tourism, Texas's agricultural exports were valued at \$17.2 billion in 2022.

Five countries accounted for 62.1 percent of that total:

1. Mexico, \$5.1 billion (29.6 percent)
2. China, \$2.7 billion (15.9 percent)
3. Canada, \$1.4 billion (8.0 percent)
4. South Korea, \$741.5 million (4.3 percent)
5. Vietnam, \$726.0 million (4.2 percent)

The five commodity categories with the highest export value were cotton (\$4.2 billion); meat and edible chop (\$3.2 billion); grains (\$2.6 billion); beverages, wine and vinegar (\$1.9 billion); and

edible fruit and nuts (\$969.3 million). The top three categories of commodities exported to each of the top five countries were as follows:

Mexico

1. Meat and edible chop, \$1.6 billion
2. Cotton, \$527.4 million
3. Grains, \$440.0 million

China

1. Cotton, \$1.5 billion
2. Grains, \$706.6 million
3. Meat and edible chop, \$291.3 million

Canada

1. Edible fruit and nuts, \$513.2 million
2. Edible vegetables, roots and tubers, \$286.9 million
3. Miscellaneous food, \$112.1 million

South Korea

1. Meat and edible chop, \$453.3 million
2. Beverages, wine and vinegar, \$192.5 million
3. Cotton, \$36.7 million

Vietnam

1. Cotton, \$695.8 million
2. Meat and edible chop, \$23.4 million
3. Miscellaneous food, \$2.1 million

2024 WILDFIRES

Between late February and mid-March 2024, catastrophic wildfires destroyed more than 1.2 million acres in the Texas Panhandle, the center of the Texas beef industry. Although livestock, grazing land, infrastructure and other losses are still being tallied, early estimates of the total economic cost of this wildfire event range from \$100 million to \$220 million.

6. DEMOGRAPHIC INFORMATION

Within the Demographic Information section, United States and Texas population figures are from the U.S. Census Bureau (except where noted) as reported at the time of this publication. Texas' 25 Metropolitan Statistical Areas are based on U.S. Office of Management and Budget definitions as of August 2017. It should be noted that population estimates for non-decennial census years have been rounded to the nearest thousand.

GEOGRAPHY AND CITIES

The State of Texas is in the West South-Central United States and is bordered on the south by Mexico and the Gulf of Mexico and on the east, north, and west by the States of Louisiana, Arkansas, Oklahoma, and New Mexico. The State is the second largest by size among the States of the United States, covering approximately 268,596 square miles (including both land and water area).

The capital of Texas is Austin (with a population of 974,000 as of July 2022), and the largest city is Houston (2,303,000). Other major cities include Arlington (395,000), Corpus Christi (316,000), Dallas (1,300,000), El Paso (677,000), Fort Worth (957,000), Lubbock (264,000), Laredo (256,000), Plano (290,000), and San Antonio (1,473,000). Houston, San Antonio, Dallas, and Austin are respectively the fourth, seventh, ninth, and tenth most populous cities in the United States.

Over two-thirds of Texas' population (68 percent) in July 2023 resided in the four largest Metropolitan Statistical Areas: Dallas-Fort Worth-Arlington (8,100,000), Houston-The Woodlands-Sugar Land (7,510,000), San Antonio-New Braunfels (2,704,000) and Austin-Round Rock (2,473,000).

STATE POPULATION

Texas' population grew by 2.8 million between the April 1980 census and April 1990 census, an average annual growth rate of 1.8 percent, twice the national rate of 0.9 percent. Estimates prepared by the Texas Demographic Center (TDC), at the University of Texas at San Antonio, show that migration accounted for 34 percent of Texas' population growth during the 1980s, while in the preceding 1970-1980-decade migration accounted for 58 percent of the growth.

Between April 1990 and April 2000, Texas' population grew by 3.9 million, an average of 2.1 percent per year, compared to United States growth of 1.2 percent. Migration was a more important growth factor for Texas in the 1990s, accounting for 50 percent of the decade's population gains.

Between April 2000 and April 2010, Texas' population grew by 4.3 million to reach 25.1 million, an average annual increase of 1.9 percent, compared to the United States' population in April 2010 of 308.7 million and its average annual growth rate of 0.9 percent. Migration accounted for 46 percent of Texas' population gains during the decade.

As of July 2023, Texas' population grew by more than 5 million to 30.5 million, an average annual increase of 1.6 percent from July 2010. The United States' population grew by over 25 million to 334.9 million as of July 2023, an average annual increase of 0.6 percent from July 2010.

However, according to the U.S. Census Bureau, the U.S. population grew by only 0.2 percent between 2020 and 2021. This represents the slowest rate of growth since the founding of the nation. The reasons for the slow rate of growth include COVID-19, declining birth rates and decreased international migration. Texas managed to exhibit a 1.1 percent growth rate during the same time period. This was attributed to growth in net migration (both domestic and international) and natural increase (the number of births exceeding the number of deaths).

Over twenty-nine years ago, in July 1994, Texas surpassed New York to become the nation's second most populous state, a ranking that became official with the release of the April 2000 census figures. As of July 2022, Texas had 10.4 million more residents than New York State. Table A-31 provides an historical review of the total Texas population since 1970.

The median age of Texas' population was 35.5 years in July 2022, 3.4 years younger than the national median of 38.9 years. Only Utah (31.9 years), and the District of Columbia (34.8 years), had a younger median age than Texas. Table A-32 sets forth information concerning the composition of Texas' population by age group, along with comparable information for the United States.

Texas' population of persons less than 18 years of age in July 2022 was 7,456,000, the second largest population in this age group among the states. This rank applied as well for the college-age population (18 to 24), which stood at 3,026,000; the young adult population (25 to 44) at 8,541,000; and the older adult population (45 to 64) at 6,979,000. Texas' population of persons age 65 and older, at 4,027,000, ranked 3rd among the states.

Texas' population has become increasingly urban. In the year 1900, the Census Bureau categorized 17 percent of Texas' residents as urban, compared to a national average of 40 percent. By 2010, 85 percent of Texas' residents lived in urban areas, while a smaller share of the nation's population, (81 percent) was categorized as urban. As of July 2023, close to 91 percent of Texas' population lived in its 26 metropolitan statistical areas.

The US Census Bureau estimated that the racial and ethnic population shares for Texas as of July 1, 2022 were as follows: 40 percent non-Hispanic White, 40 percent Hispanic, 12 percent non-Hispanic Black, and 8 percent non-Hispanic "Other." Between July 2010 and July 2022, the number of non-Hispanic "Other" Texans (primarily Asian and Pacific Islanders and Native Americans) increased by 66 percent and the number of Hispanic Texans increased by 27 percent.

Table A-31 sets forth information concerning the changes in Texas' total population since the 1980 census.

**Table A-31
Historical Review of Texas Population**

Month	Year	Texas Resident Population	Average Annual Percent Change	Population Rank Among States
April	1980	14,229,191	2.4	3
April	1990	16,986,510	1.8	3
April	2000	20,851,820	2.1	2
April	2010	25,145,561	1.9	2
July	2010	25,242,000	1.5	2
July	2011	25,646,000	1.6	2
July	2012	26,084,000	1.7	2
July	2013	26,480,000	1.5	2
July	2014	26,964,000	1.8	2
July	2015	27,470,000	1.9	2
July	2016	27,914,000	1.6	2
July	2017	28,295,000	1.4	2
July	2018	28,629,000	1.2	2
July	2019	28,996,000	1.3	2
July	2020	29,218,000	0.8	2
July	2021	29,528,000	1.1	2
July	2022	30,030,000	1.6	2
July	2023	30,503,000	1.6	2

Source: U.S. Census Bureau, Population Division (NST-EST2023-POP)

Table A-32 sets forth historical age group statistics for Texas and the United States.

**Table A-32
Share of Texas and United States Populations by Age Group**

Age Group	Texas Share April 2000	Texas Share April 2010	Texas Share April 2020	Texas Share July 2022	U.S. Share April 2000	U.S. Share April 2010	U.S. Share April 2020	U.S. Share July 2022
0-4	7.8%	7.7%	6.6%	6.3%	6.8%	6.5%	5.8%	5.6%
5-17	20.4%	19.7%	18.8%	18.5%	18.9%	17.5%	16.4%	16.2%
18-24	10.6%	10.1%	10.0%	10.1%	9.7%	9.9%	9.4%	9.4%
25-44	31.1%	28.0%	28.2%	28.4%	30.2%	26.6%	26.6%	26.8%
45-54	12.5%	13.7%	12.3%	12.2%	13.4%	14.6%	12.4%	12.1%
55-64	7.7%	10.4%	11.3%	11.0%	8.6%	11.8%	12.9%	12.6%
Over 64	9.9%	10.4%	12.8%	13.4%	12.4%	13.0%	16.5%	17.3%

Note: Percentage totals may not sum due to rounding.

Source: U.S. Census Bureau, Population Division (SC-EST2022-AGESEX-09)

7. EDUCATION

PRIMARY AND SECONDARY EDUCATION

Texas public schools are administered locally by elected school boards and on the state level by the State Board of Education, the State Commissioner of Education, and the Texas Education Agency (TEA). The State Board of Education is the state's policy-making and planning body for the public school system. Members of the State Board of Education are elected for staggered four-year terms. The State Commissioner of Education is appointed by the Governor, confirmed by the Senate and is the executive head of the Texas Education Agency.

All children between the ages of 6 and 18 are required to attend school. School districts are required to offer pre-kindergarten programs only for three-year olds and four-year olds that meet eligibility requirements under state law. School districts are required to offer full- or half-day kindergarten programs for all five-year-olds.

Texas Students: School Year 2022-23

- 5,518,432 total Texas student enrollment
- 52.9 percent Hispanic
- 25.7 percent White
- 12.8 percent African American
- 5.1 percent Asian
- 3.0 percent two or more Races
- 0.3 percent American Indian
- 0.2 percent Native Hawaiian/Other Pacific Islander

Texas Educators: School Year 2022-23

- 371,778 full-time equivalent teachers
- 83,120 professional support staff
- 25,301 campus administrators
- 9,501 central administrators
- 86,235 paraprofessionals
- 188,375 auxiliary staff
- \$60,705 average teacher salary

Texas Primary and Secondary Public Education: School Year 2022-23

- 1,209 school districts including 188 charter operators
- 9,054 campuses including 905 charters
- 4,923 elementary schools
- 1,823 high schools
- 1,475 middle schools
- 600 combined elementary and secondary schools
- 233 junior high schools

Note: These numbers do not include private schools

The State shares the cost of public primary and secondary education with local districts. State funding for primary and secondary education is provided through the Permanent School Fund, the Available School Fund and the Foundation School Program (FSP). The Permanent School Fund is an endowment fund consisting of state lands, the sale of lands, and royalty earnings. The fund is available for investment only; the investment income is deposited along with one-quarter of the motor fuels tax in the Available School Fund for distribution to school districts. Under the terms of the State Constitution, the Permanent School Fund may not be used for appropriation, but it may be used to guarantee bonds issued by school districts.

The bulk of funding for Texas’s public schools comes from the Foundation School Program (FSP), a guaranteed yield school finance system comprised of state revenues and local property tax funds. The FSP allocates state funds to public schools according to a system of formulas based on various district and student characteristics. A series of allotments ensure that each school district can provide an adequate instructional program to meet the needs of its students, regardless of its local property tax base.

The FSP is the largest appropriation item for TEA and the largest single appropriation item in the state budget. Public education is the largest function of Texas state government, receiving 35.0 percent of all General Revenue Funds appropriations.

Texas has two debt tax rate equalization programs, the Instructional Facilities Allotment program, started in 1997, to assist low property wealth districts with new debt, and the Existing Debt Allotment Program, started in 1999, to help districts service existing debt. Both programs distribute state aid to equalize local interest and sinking tax efforts up to \$40.00 per penny per student in average daily attendance. The Instructional Facilities Allotment program is a sum-certain appropriation, with the Legislature making appropriation decisions regarding new grant awards each biennium. For Existing Debt Allotment, debt service is automatically eligible for support if a district makes a payment during the previous biennium. Existing Debt Allotment support is restricted to 29 cents of interest and sinking tax effort.

TOTAL ACTUAL EDUCATION REVENUES

The Texas Education Agency’s report, 2022-2023 Actual Financial Data, shows actual public school district revenues from local, state, and federal sources totaling more than \$56.4 billion.

That total represents:

- \$28.7 billion from local tax revenues
- \$23.1 billion from state sources
- \$2.2 billion from federal sources

BUDGETED STATE EDUCATION FUNDING 2024–25 BIENNIUM

FSP funding for the 2024–25 biennium includes:

- \$34.9 billion in General Revenue Funds
- \$62.7 billion in All Funds through the FSP

Major funding items for public education for the 2024-25 biennium include:

- Fully funds the Foundation School Program (FSP) under current law, including increases of \$3.2 billion to fund projected enrollment growth, \$2.4 billion for increases in the golden penny yield, and \$60.0 million for the New Instructional Facilities Allotment.
- Increases funding to districts and charter schools for technology and instructional materials by \$307 million.

EDUCATIONAL ACHIEVEMENT

According to the U.S. Census Bureau 2022 American Community Survey, 86.1 percent of the state's population, age 25 and older, were high school graduates or higher, as compared to an 89.6 percent share for the nation. In addition, 33.9 percent of the state's population age 25 and older had received a bachelor's degree or higher, as compared to a national share of 35.7 percent.

HIGHER EDUCATION

The State of Texas has 148 public and independent institutions of higher education:

- 50 public community college districts (with multiple campuses),
- 37 public four-year universities and upper division centers,
- 6 campuses in the Texas State Technical College System (including three extension centers),
- 10 public health-related institutions,
- 3 public two-year, lower-division Lamar state colleges,
- 38 independent four-year colleges and universities,
- 1 independent medical school,
- 1 independent junior college, and
- 2 independent chiropractic institutions.

In addition, there are ten multi-institution teaching centers that offer courses at one central location or at several sites. Multi-institution teaching centers are partnerships between institutions of higher education and may include public community and technical colleges, public universities, and independent colleges and universities.

In 2013, the Texas Legislature, authorized the University of Texas System (UT System) to make changes to its institutional structure. The UT System elected to merge two institutions in South Texas (UT-Brownsville and UT-Pan American) into UT-Rio Grande Valley. The UT System established a new medical school as part of the UT-Rio Grande Valley and the Dell Medical School at UT-Austin—both welcoming their first classes in June 2016. Since 2017, the Legislature included both schools in health-related institutions (HRI) formula appropriations.

On September 1, 2023, pursuant to SB 1055, 88th Regular Session, Stephen F. Austin State University was abolished and re-created as Stephen F. Austin State University, a member of The University of Texas System. Effective July 28, 2023, the University of Texas System's Board of Regents assumed management and operational control of Stephen F. Austin State University. The Board of Regents of The University of Texas System was substituted for the Board of Regents of

Stephen F. Austin State University on any contracts and obligations, including bonds, and acts in the place of the Board of Regents of Stephen F. Austin State University or the Texas Public Finance Authority, as applicable, to the extent permitted by law.

Certified statewide enrollment in all colleges and universities in the fall of 2022, the most recent semester for which data is available, was 1,494,667. Higher education in the State at public and, to a lesser extent, private institutions is supervised by the Texas Higher Education Coordinating Board, which has authority over program offerings and the use of certain funds appropriated by the Legislature for higher education. The higher education institutions are under the control of separate boards of regents.

Public higher education in the State is funded through a combination of tuition, student fees and other local funds (including gifts from benefactors), income from constitutional funds (the Permanent University Fund via the Available University Fund, the Higher Education Fund, and the Texas University Fund (formerly, the National Research University Fund, as discussed in more detail below), appropriations made by the Legislature, and tuition revenue bonds.

There are two types of tuition at public institutions: statutory (set and regulated by the Legislature, currently \$50 per semester credit hour) and designated. Prior to 2003, governing boards of institutions of higher education could set a designated tuition rate within statutory limits set by the Legislature. Effective with the 2003 fall semester, Section 54.0513, Education Code, allows the governing boards to charge any amount for designated tuition and vary amounts by program and course level, and to set different rates “to increase graduation rates, encourage efficient use of facilities, or enhance employer performance.” Designated tuition levels vary widely by institution.

In addition to tuition, the boards of regents of the various colleges and universities set many student fees. An additional nonresident tuition is set annually by the Texas Higher Education Coordinating Board and is calculated to result in a total nonresident rate that is equal to the average nonresident tuition charged by the five most populous states, excluding Texas.

The 88th Legislature appropriated \$28.1 billion in all funds for higher education for the 2024-2025 biennium, an increase of \$268.0 million from the 2022-2023 biennium. General Revenue Funds and General Revenue-Dedicated Funds total \$21.7 billion for an increase of \$4.6 billion from the 2022-2023 biennium.

Funding levels for 2024-2025 include:

- TEXAS Grant Program, \$950.3 million
- Tuition Equalization Grant Program, \$195.8 million
- Student Financial Aid to be allocated to TEXAS Grants, Tuition Equalization Grants, Texas Leadership Scholars Program and TEXAS Transfer Grants, \$149.3 million
- Professional Nursing Shortage Reduction Program, \$18.9 million
- Texas Educational Opportunity Grant Program-Community Colleges, \$222.0 million
- Texas Educational Opportunity Grant Program-State/Technical, \$22.2 million
- Graduate Medical Education, \$233.1 million
- Texas Child Mental Health Care Consortium, \$280.5 million
- Other Healthcare Workforce Programs, \$124.8 million

The 87th Legislature, 3rd called session, passed SB 52, which authorized the use of capital construction assistance bonds, formerly referred to as tuition revenue bonds, for specific campus construction projects at public institutions, health science centers, and university systems throughout the State, in the total amount of \$3.3 billion.

In 2011, the 82nd Legislature enacted HB 9, which required the Texas Higher Education Coordinating Board to incorporate student success measures into the agency's funding recommendations for higher education institutions to the Legislature. Under the legislation, no more than 10 percent of general revenue appropriated to undergraduate institutions from base funds will be distributed based on student success measures.

Beginning in 2003, in conjunction with the deregulation of designated tuition, the State enacted several changes to the Education Code relating to tuition set-asides, which are intended to lessen the financial burden of higher education costs on students demonstrating need. One prominent set-asides provision requires governing boards to set aside 20 percent of designated tuition charged above \$46 per semester credit hour for resident undergraduate and graduate financial assistance. Financial assistance funded through tuition set-asides may include grants, scholarships, work-study programs, student loans, and student loan repayment assistance. The following is a list of set-aside programs and their corresponding statutory authority in the Texas Education Code:

- B-On-Time Loan, 56.0092
- Dental School Tuition, 61.910(a)
- Doctoral Incentive Loan Repayment, 56.095
- HB 3015 (Designated Tuition) Graduate, 56.012(a)
- HB 3015 (Designated Tuition) Undergraduate, 56.011(a)
- Graduate Medical School Tuition, 61.0594(a)
- TPEG (Statutory Tuition) Graduate, 56.033
- TPEG (Statutory Tuition) Undergraduate, 56.033

In 2003, the State also enacted Subchapter Q, Chapter 56, Education Code, creating the Texas B-On-Time Loan program, referenced as a recipient of set-asides funds above. Under this program, students at public and private institutions of higher education have received no-interest student loans, provided that they complete the recommended or advanced high school program; in 2007 the Legislature extended the eligibility to include students that complete an equivalent program. If a student who received a loan graduates from an institution of higher education in the customary amount of time allotted for the degree (i.e., four years for most bachelor degree programs) and has a cumulative grade point average of 3.0 on a four-point scale, the loan will be forgiven. In 2015, lawmakers passed legislation that phased out the B-On-Time Loan program by 2020 and eliminated the 5 percent set-aside requirement for designated tuition that funded that particular program.

In 2007, the state established the Texas Tuition Promise Fund, also known as the Texas Tomorrow Fund II, as authorized in Subchapter H, Chapter 54, Texas Education Code. The plan opened for enrollment in 2008 and is a prepaid tuition undergraduate education program financed by fund assets. The plan is not guaranteed by the State of Texas. Contract purchasers may buy "units" worth one percent of one year's tuition and required fees at today's rates that are redeemable at the time the student enrolls in the institution for an equivalent percentage of costs.

As of August 31, 2023, the Texas Tuition Promise Fund (Plan) had 40,473 active contracts and had a surplus of Assets over Liabilities of \$297,386,580 with a funded ratio of 134 percent. As of August 31, 2022, the surplus was \$214,782,653 with a funded ratio of 122.1 percent.

The Texas Tomorrow Fund, also known as the Texas Guaranteed Tuition Plan, opened for enrollment in 1996. On November 4, 1997, Article VII, Section 19 was added to the Texas Constitution guaranteeing plan benefits with the full faith and credit of the State of Texas. The plan closed for new enrollment in 2003; however, there were 19,874 active contracts as of August 31, 2023. The fund had a surplus as of August 31, 2023 of \$6,768,351, compared to an unfunded liability as of August 31, 2022 of \$239,359,749. The Texas Guaranteed Tuition Plan's funded ratio was 102 percent as of August 31, 2023, an increase of 53.1 percent from the prior year's ratio of 48.9 percent as of August 31, 2022.

In 2023, the 88th Legislature included an appropriation of \$243,800,000 in SB 30 from the General Revenue Fund to the Texas Tomorrow Fund for the purpose of paying contract obligations and program expenses.

The Permanent University Fund (PUF) is a permanent endowment fund with a market value of \$35,355,396,346 (unaudited) as of March 31, 2024, according to the UT System, which administers the PUF. Income from the PUF is dedicated first to payment of debt service of PUF bonds, which may be used for capital improvement at certain institutions in the UT and Texas A&M University (TAMU) systems. The amount of PUF bonds that may be issued is limited to 30 percent of the book value of the PUF, which was \$30,427,896,120 (unaudited) as of March 31, 2024. The residual amount of income of the PUF, after debt service, is dedicated to excellence programs for The University of Texas at Austin, Texas A&M University (College Station) and Prairie View A&M University.

Under Section 66.08, Texas Education Code, the UT System Board of Regents may delegate investment authority and contract with a nonprofit corporation, allowing them to invest funds under the control and management of the board, including the PUF. The corporation may not engage in any business other than investing funds designated by the board under the contract. In March 1996, the University of Texas Investment Management Company (UTIMCO) was created as a 501(c) (3) investment-management corporation whose sole purpose is the management of investment assets under the fiduciary care of the UT System Board of Regents. UTIMCO, the first external investment corporation formed by a public university system, oversees investments of approximately \$74.57 billion (unaudited) as of March 31, 2024, including the PUF. UTIMCO is governed by a nine-member Board of Directors appointed by the UT System Board of Regents.

In November 1999, voters approved a constitutional amendment that allows the UT System Board of Regents to transfer the income from the PUF into the Available University Fund, including the gains from the sale of securities. The amendment includes safeguards designed to ensure that this change in policy does not affect the long-term ability of the PUF to support the two university systems as well as authorizes the UT System Board of Regents to manage any kind of investment of the PUF in accordance with the standards of a "prudent investor." This change allowed the UT System Board of Regents to take into consideration the investment of all the assets of the Fund, rather than a single investment, when making investment decisions. This allowed the Fund to increase its earnings over time without risking the Fund's principal.

The Higher Education Fund was established to provide support to institutions that are ineligible for PUF monies. Proceeds from the Higher Education Fund may be used for construction, land acquisition and to acquire capital equipment, and library books and library equipment. The 2024-2025 General Revenue appropriation for the HEF is \$787.5 million.

In a constitutional amendment election held in November 2009, Proposition 4 created the National Research University Fund to assist the State in developing more public universities into national research universities. The 88th Legislature passed HB 1595 that redesignates the National Research University Fund (NRUF) as the Texas University Fund (TUF) to provide funding to certain institutions of higher education that meet set criteria to support research efforts. Following a constitutional election held in November 2023, voters approved a constitutional amendment providing \$3.0 billion in General Revenue Funds to the TUF starting January 1, 2024. This transfer was made and combined with the existing balance of the NRUF, which was approximately \$897.5 million as of December 31, 2023 (unaudited), and brought the balance of the TUF to \$4,008,013,718 as of March 31, 2024 (unaudited). HB 1595 also provided for an annual contribution to the TUF from investment earnings in the Economic Stabilization Fund, as discussed in herein (See ECONOMIC STABILIZATION FUND - Appropriation of ESF).

Eligible universities must spend a minimum of \$20.0 million in research funding per state fiscal year during the preceding three state fiscal years and must award at least 45 research-related doctoral degrees per academic year during the preceding three academic years. Texas A&M University and the University of Texas at Austin, both PUF beneficiaries, are ineligible for funding through TUF. Under these requirements, the following universities are eligible to receive distribution from the TUF:

- Texas State University (San Marcos).
- Texas Tech University (Lubbock).
- University of Houston (Houston).
- University of North Texas (Denton).

Other institutions also may become eligible for distributions from the TUF in the future.

The 88th Legislature passed HB 8, which establishes a public junior college state finance program to revise the state funding formula for community colleges to include a base tier formula and a performance tier formula. The performance tier formula is based on student outcomes related to obtaining a degree, certificate or other credential or transferring to a general academic institution.

8. RETIREMENT SYSTEMS

The State administers three defined-benefit retirement systems: the Teacher Retirement System of Texas (TRS), the Employees Retirement System of Texas (ERS) and the Judicial Retirement System of Texas (JRS). The State also administers three other defined-benefit plans and contributes to one defined-contribution plan. Further information on these plans as of the dates indicated may be found in Note 9 of the State of Texas Fiscal Year 2023 Annual Comprehensive Financial Report. In addition, state employees, except those compensated on a fee basis, are covered under the federal Social Security System. Political subdivisions of the State may voluntarily provide coverage for their employees under the State's agreement with the federal Social Security Administration.

TRS is the largest of the three retirement systems, with 1,512,053 current members and 489,921 retirement recipients as of August 31, 2023. TRS provides benefits to all employees of the public school system within the State as well as faculty and staff members of state-supported institutions of higher education. In addition, TRS administers the Texas Public School Retired Employees Group Insurance Program, which was established by legislation enacted in June 1985. This program provides healthcare benefits to Texas public school retirees. On September 1, 2002, TRS began administering the Texas Active School Employees Uniform Group Benefits Program, which provides healthcare benefits to active employees of school districts participating in the program.

ERS covers State employees and members of the Law Enforcement and Custodial Officers Supplemental Retirement Plan (LECOS) and, as of August 31, 2023, had 139,958 active contributing members for ERS and 31,744 for LECOS. ERS then had 124,504 annuitants and LECOS had 16,368 annuitants. ERS also administers the Texas Employees Group Benefits Program, which provides insurance coverage to active and retired state employees and their families and employees of certain Texas higher education institutions. JRS provides benefits to judicial officers of the State and has 625 active contributing members and 843 annuitants for JRS Plan One and Two. JRS is administered by ERS although, technically, it is a separate legal entity.

TRS and ERS are maintained on an actuarial basis. As of August 31, 2023, the unfunded actuarial accrued liability (UAAL) of the TRS plan as a whole was \$57.9 billion. The UAAL increased \$6.2 billion during the year largely due to unfavorable investment performance during the year and larger than expected salary increases. Even with these events, the UAAL is anticipated to be fully amortized by 2052. As of August 31, 2023, ERS had an UAAL of \$14 billion for funding purposes for the plan. The State's liability for both plans is reported using GASB Statement No. 68, which defines the requirements for the financial reporting of the employer. The TRS fair value of investments, as of August 31, 2023, was \$186.6 billion. The ERS fair value of pooled investments as of August 31, 2023, was \$35.6 billion.

GASB Statement No. 67 sets the rules for the financial reporting for the State. The State's portion of the net pension liability under the TRS plan as of the measurement date of August 31, 2022 reported in the State of Texas Fiscal Year 2023 Annual Comprehensive Financial Report was 64.02 percent or \$38 billion. The net pension liability for the State under the ERS plan, as reported in the 2023 ERS Annual Comprehensive Financial Report, was \$14.7 billion.

Prior to 1985, JRS was maintained on a pay-as-you-go basis. However, legislation enacted in 1985 divided JRS into two plans by changing the name of the existing plan and establishing a second, separate plan. The new plan, known as JRS Plan Two, is maintained on an actuarially sound basis and covers individuals who become judicial officers after August 31, 1985. The unfunded actuarial liability of JRS Plan Two as of August 31, 2023, was \$(7.8) million for funding purposes with a net pension liability of \$86 million. The old plan, known as JRS Plan One, is maintained on a pay-as-you-go basis and covers judicial officers who were active on August 31, 1985, or had retired on or before that date.

Contributions to the retirement systems are made by both the State and covered employees. The Constitution mandates a state contribution rate of not less than 6 percent or more than 10 percent of payroll for ERS and TRS; member contributions may not be less than 6 percent of payroll. The state contribution rate may, and has in the past, result in total contributions insufficient to cover the determined actuarial accrued liability. However, the Legislature may appropriate additional funds as are actuarially determined to be needed to fund benefits authorized by law.

The State's fiscal 2023 contribution rates to the retirement systems were: ERS at 10 percent, JRS Plan Two at 15.663 percent and TRS at 8 percent of payroll. Member fiscal 2023 contribution rates were: 9.5 percent for ERS and JRS Plan Two and 8 percent for TRS. State and member contributions to the TRS plan will gradually increment to 8.25 percent by fiscal year 2025. Contributions require legislative appropriations. The 88th Legislature passed House Bill (HB) 1, also known as the General Appropriations Act, which increased state contributions for the LECOS Plan from .5 percent to 1.75 percent and the JRS Plan Two from 15.663 percent to 19.25 percent, respectively, starting in fiscal 2024. This session also approved across the board salary increases in fiscal 2024 and 2025.

State laws prohibit by statute, benefit improvements in the ERS, JRS and TRS systems that would cause the period required to amortize the UAAL of the plans to exceed 31 years or more. As of the August 31, 2023 TRS actuarial valuation, the amortization of the TRS UAAL was 29 years based on increased employer and member contributions rates as of the passage of Senate Bill (SB) 12 of the 86th Legislature. The 87th Legislature changed the funding structure of the ERS plan from a fixed-contribution structure to an actuarially determined structure by introducing a level-dollar contribution structure called legacy payments.

Additionally, the bill created a new cash balance benefit retirement plan, also known as a defined benefit structure, for ERS and LECOS members hired or elected after August 31, 2022. Among other features, the defined benefit structure has a 6 percent employee contribution rate, a minimum guaranteed interest credit, and a state match of the account balance at retirement. In 2023, the 88th Legislature approved SB 1245 that created a similar cash balance benefit plan for judges that are sworn into office on or after September 1, 2024 in the JRS Plan Two.

HB 1 continued legacy payments for ERS of \$510 million for fiscal years 2024 and 2025. The 88th Legislature also passed SB 30 in May 2023 which authorized \$165 million to make up the legacy payment shortfall for FY2023 and an additional amount of \$900 million to further amortize the ERS unfunded actuarial liability. LECOS and JRS Plan Two also received additional amounts of \$772 million and \$99 million, respectively, to pay down the unfunded actuarial liability. As a result of these payments, both plans are considered fully funded.

The 88th Legislature also passed SB 10 and House Joint Resolution (HJR) 2 to provide two types of benefit enhancements to eligible retirees, beneficiaries and alternate payees who are receiving a monthly annuity from TRS. SB 10 is a one-time stipend for eligible annuitants who reached age 70 by August 31, 2023. These stipends were paid in September 2023. HJR 2 is a cost-of-living adjustment (COLA) based on retirement dates of eligible annuitants who retired on or before August 31, 2020 and began to be paid in January 2024. HB 1393 created a new payment option for retirees. Retirees may take an actuarially reduced initial benefit at retirement in exchange for an automatic increase of 2 percent per year. Because it is actuarially reduced, this additional retiree option has no impact on the ERS plan funding results.

Table A-33 sets forth selected financial information concerning each of the three state-operated retirement systems for the fiscal year ended August 31, 2023.

Table A-33
Selected Financial Information Regarding State-Operated Retirement Systems
(Amounts in Thousands)

	Teacher Retirement System	Employees Retirement System	Judicial Retirement System Plan II
Contributions, Investment Income & Other Revenue	\$16,656,251	\$5,137,394	\$59,566
Benefits and Refunds Paid	\$13,672,094	\$3,073,756	\$40,458
Plan Net Position Available for Benefits	\$187,170,536	\$34,049,730	\$585,551
Plan Net Position Available for Benefits to Benefits and Refunds Paid Ratio	13.69:1	11.08:1	14.47:1
Payout to Revenue Ratio	1.22:1	1.67:1	1.47:1

Sources: Annual Comprehensive Financial Report for Fiscal Year ended August 31, 2023, Employees Retirement System of Texas; Annual Comprehensive Financial Report for Fiscal Year ended August 31, 2023, Teacher Retirement System of Texas

The State’s retirement systems were created and are operated pursuant to statutes enacted by the Legislature. The Legislature has the authority to modify these statutes and, accordingly, contribution rates, benefits, benefit levels of each system, as it deems appropriate, including the provisions limiting changes that increase the amortization period for unfunded actuarial liability of any plan. The State’s retirement systems are not subject to the funding and vesting requirements of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), although Congress has from time to time considered legislation that would regulate pension funds of public bodies.

The allocation percentages and/or amounts for the State’s pension plans for the August 31, 2023 measurement period will be released, upon audit completion, as part of the State of Texas Fiscal Year 2024 Annual Comprehensive Financial Report.

POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the state administers four defined benefit other postemployment benefit (OPEB) plans, which provide health care and life insurance benefits for retired employees, their spouses, and beneficiaries. Benefits are authorized by statute and contributions are determined by the General Appropriations Act. The OPEB plan administrators are: Employees Retirement System of Texas (ERS), Teacher Retirement System of Texas (TRS), Texas A&M University System (A&M), and the University of Texas System (UT). Further information on these plans including methods and assumptions used by the actuary to project benefit payments may be found in Note 11 of the State of Texas Fiscal Year 2023 Annual Comprehensive Financial Report or the respective OPEB plan administrators' financial reports.

ERS administers the State Retiree Health Plan that provides OPEB benefits for state retirees with at least 10 years of combined state service under any of the programs in the Proportionate Retirement Program, including TRS employees. Retirees from institutions of higher education who elected to participate in the Texas Higher Education Coordinating Board's defined contribution plan, the Optional Retirement Program, are also eligible for these benefits, providing that their contributions have not been withdrawn. Public school district retirees that are members of TRS are also eligible for such benefits.

TRS administers a program that provides OPEB benefits to public school district retirees with at least 10 years of service. The Texas Public School Retired Employees Group Insurance Program provides a basic level of coverage for eligible retirees and optional coverage for eligible retirees and their dependents. Basic coverage includes participation in a major medical group health insurance plan with deductibles based upon enrollment in Part A or Part B of Medicare or non-Medicare participants may pay premiums to participate in one of the two standard plans with more comprehensive benefits. Funding is provided by retiree premium contributions from the state, active employees, and participating employers based on active employee compensation. As of the measurement date, the State of Texas, active school employee and participating employer contribution rates are 1.25 percent, 0.65 percent, and 0.75 percent of school district payroll, respectively.

A&M and UT provide separate OPEB benefits to their retirees, surviving spouses, and beneficiaries. Substantially all of the employees under these university systems that reach normal retirement age while working for the State may become eligible for the health and life insurance benefits.

The State made monthly contributions for OPEB benefits. Contribution rates are shown below in Table A-34 for the ERS, A&M, and UT plans. Costs are estimated by an actuary for claims expected to be paid during the year. The retiree contributes any premium over and above state contributions.

Table A-34
State Contribution Rates - Retiree Health and Basic Life Premium

Level of Coverage	ERS ¹	Texas A&M	
		University	University of Texas
Retiree Only	\$625	\$815	\$675
Retiree/Spouse	\$1,341	\$1,377	\$1,029
Retiree/Children	\$1,104	\$1,206	\$902
Retiree/Family	\$1,820	\$1,606	\$1,258

1. TRS employees are plan members of the ERS OPEB plan.

Sources: Annual Comprehensive Financial Report for Fiscal Year ended August 31, 2023, Employees Retirement System of Texas; Annual Comprehensive Financial Report for Fiscal Year ended August 31, 2023, State of Texas

GASB Statement No. 75 sets the rules for the financial reporting for the State. GASB Statement No. 75 improved accounting and financial reporting by identifying the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Obtaining this additional information will require actuarial valuations and a calculation of an amount in excess of the annual contributions based on current funding methods. The inclusion of these disclosure requirements to the financial statements does not signify any plans by the State to change its current funding of OPEB, which is on a pay-as-you-go basis and determined as of a measurement date.

The cost of the state’s health care and life insurance benefits is financed on a pay-as-you-go-basis. The expenditures are recognized when reimbursements are made for claims paid by non-state entities or when premiums are paid.

Table A-35 includes the OPEB liability and expenditures recognized for each of the OPEB plans that the State participates as of the indicated measurement dates. The allocation percentages and amounts for the State’s OPEB plans for the August 31, 2023 measurement date will be released, upon audit completion, as part of the State of Texas Fiscal Year 2024 Annual Comprehensive Financial Report; therefore, the most recently available Collective Net OPEB liabilities regarding both the ERS and TRS OPEB plans are presented in Table A-35.

Table A-35
Postemployment Health Care and Life Insurance

Benefits Provided Through	Measurement Date	Collective Net OPEB Liability (Thousands) ¹	Number of Retirees:	Cost (Thousands)
Employees Retirement System	8/31/2023	\$26,717,530	139,641	\$844,788
Teacher Retirement System ²	8/31/2023	22,138,305	188,218	889,593
Total		\$48,855,835	327,859	\$1,734,381

Benefits Provided Through	Measurement Date	State's Proportion of OPEB Liability (Thousands)	Number of Retirees:	Cost (Thousands)
University of Texas System	12/31/2022	\$9,768,107	31,104	\$249,000
Texas A&M University System	9/1/2022	3,919,177	11,156	81,800
Total		\$13,687,284	42,260	\$330,800

1. The amounts reported for ERS and TRS are the collective liability amounts, not the State's proportionate share. The allocation percentages and amounts for the State for the August 31, 2023 measurement period will be released, upon audit completion, as part of the State's FY 2024 Annual Comprehensive Financial Report.

2. Public School District Employees

Sources: Annual Comprehensive Financial Report for Fiscal Year ended August 31, 2023, Employees Retirement System of Texas; Annual Comprehensive Financial Report for Fiscal Year ended August 31, 2023, Teacher Retirement System of Texas; Annual Comprehensive Financial Report for Fiscal Year ended August 31, 2023, State of Texas

9. TEXAS TRADE

Texas' location, geography and diverse economy offer unique trade opportunities. The state plays a significant role in the nation's international commerce.

Mexico is by far Texas' largest trading partner. In 2023, Texas exports to Mexico totaled \$129.51 billion, nearly 30 percent of the state's total exports. Texas imports from Mexico were valued at \$142.72 billion, over 37 percent of the state's total imports. Canada and China are also major trading partners for Texas businesses. See Table A-36.

Table A-36		
State of Texas International Imports/Exports (2023)		
Exports of Goods Produced in Texas (Top Ten Countries)		
	Total Value of Exported Goods (billions)	Percent of Texas Total
Mexico	\$129.51	29.1%
Canada	\$35.88	8.1%
Netherlands	\$26.58	6.0%
China	\$26.47	6.0%
Korea, South	\$21.06	4.7%
Japan	\$13.45	3.0%
Singapore	\$12.95	2.9%
United Kingdom	\$12.51	2.8%
Taiwan	\$11.56	2.6%
Brazil	\$10.52	2.4%
Top 10 Export Countries Total	\$300.50	67.6%
		Percent of U.S. Total
Texas Total Exports	\$444.61	22.0%
U.S. Total Exports	\$2,019.16	
Imports of Goods Destined for Texas Consumption (Top Ten Countries)		
	Total Value of Imported Goods (billions)	Percent of Texas Total
Mexico	\$142.72	37.4%
Canada	\$37.00	9.7%
China	\$32.69	8.6%
Japan	\$18.03	4.7%
Vietnam	\$16.12	4.2%
Germany	\$10.83	2.8%
Korea, South	\$10.70	2.8%
Taiwan	\$9.60	2.5%
India	\$7.85	2.1%
Malaysia	\$7.50	2.0%
Top 10 Import Countries Total	\$293.03	76.7%
		Percent of U.S. Total
Texas Total Imports	\$382.09	12.4%
U.S. Total Imports	\$3,084.11	
Total Texas International Imports & Exports	\$826.70	16.2%
Total U.S. International Imports & Exports	\$5,103.27	
Source: U.S. Census Bureau, USA Trade Online, State Import Export Data for 2023		

The variety of goods produced in Texas for export is extensive. Using the North American Industry Classification System (NAICS) 4-digit commodity code, the U.S. Census Bureau lists 113 commodities with measurable value that were produced in Texas for export in 2023. The top 15 of these commodities represented about 81 percent of Texas’ international exports in that year.

Texas export values of oil and gas has risen tremendously in recent years, from \$74.49 billion in 2019 to \$139.90 billion in 2023, a 187.9 percent increase. During this period, oil and gas rose from 22.7 percent to 32.7 percent of total Texas exports. However, despite this five-year increase, oil and gas value fell from \$161.1 in 2022 to \$139.90 in 2023. See Table A-37.

<p style="text-align: center;">Table A-37 Exports of Products Originating in Texas 2023 Top 15 Commodities based on 4-digit NAICS Codes* (billions)</p>								
Rank	4-digit NAICS Code	NAICS Commodity Name	2019	2020	2021	2022	2023	Percent of 2023
1	2111	Oil and Gas	\$74.49	\$63.09	\$107.71	\$161.21	\$139.90	31.5%
2	3241	Petroleum and Coal Products	\$49.29	\$34.74	\$55.97	\$83.64	\$70.02	15.7%
3	3251	Basic Chemicals	\$22.09	\$18.83	\$25.52	\$32.20	\$29.83	6.7%
4	3344	Semiconductors and Other Electronic Components	\$15.97	\$17.31	\$19.33	\$20.96	\$20.47	4.6%
5	3252	Resin, Synthetical Rubber, Artificial and Synthetic Fibers/Filaments	\$16.20	\$15.09	\$18.80	\$22.31	\$19.64	4.4%
6	3341	Computer Equipment	\$16.28	\$12.04	\$14.11	\$15.15	\$12.17	2.7%
7	3364	Aerospace Products and Parts	\$11.48	\$7.27	\$8.44	\$10.05	\$11.11	2.5%
8	3363	Motor Vehicle Parts	\$10.70	\$8.54	\$9.59	\$10.25	\$8.87	2.0%
9	3342	Communications Equipment	\$7.47	\$6.80	\$7.71	\$8.29	\$8.29	1.9%
10	3359	Electrical Equipment and Components	\$6.29	\$5.14	\$6.31	\$7.78	\$8.01	1.8%
11	3345	Navigational, Measuring, Medical, Medical, Electromedical, and Control Instruments	\$5.78	\$4.94	\$4.87	\$6.11	\$7.26	1.6%
12	3332	Industrial Machinery	\$4.75	\$5.59	\$7.58	\$7.83	\$7.10	1.6%
13	3331	Agriculture, Construction, and Mining Machinery	\$5.60	\$3.79	\$3.82	\$4.43	\$6.39	1.4%
14	3329	Other Fabricated Metal Products	\$5.71	\$4.99	\$5.45	\$5.66	\$6.36	1.4%
15	3339	Other General Purpose Machinery	\$4.88	\$3.93	\$3.99	\$5.15	\$5.54	1.2%
TOTAL Texas Exports			\$328.58	\$277.38	\$377.88	\$487.42	\$444.61	
<p>*NAICS is the standard used by federal government statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. Source: U.S. Census Bureau, USA Trade Online, State Export Data for 2023 - Texas Origin of Movement by 4-digit NAICS Code</p>								

All international trade enters or leaves the U.S. through an official port of entry. Texas has 34 official ports of entry, including seaports, airports and border crossings. These ports offer customs operations and facilitate the movement of imports and exports to and from locations across the state and the nation. Products produced in Texas for international consumption may or may not leave the country through a Texas port and products shipped into the U.S. through a Texas port may be destined for another state. Texas’ ports, whether accessible via air, land or sea, contribute

to the state and local economies each in a distinctive way and across multiple industries. See Table A-38.

Table A-38 Texas Ports All International Trade Through Texas Ports Total Imports and Exports for 2023			
	Total Exports Value (millions)	Total Imports Value (millions)	Total Trade Value (millions)
Total Trade through Texas Ports	\$517,824	\$506,007	\$1,023,831
Total U.S. Trade	\$2,019,160	\$3,084,110	\$5,103,270
Texas Ports as a Percent of U.S. Trade	25.6%	16.4%	20.1%
International Trade through Texas Ports for 2023			
Port of Entry	Total Exports Value	Total Imports Value	Total Trade Value
Laredo	\$123,569,514,693	\$197,041,310,507	\$320,610,825,200
Houston	\$124,074,367,358	\$102,900,509,039	\$226,974,876,397
Corpus Christi	\$80,214,247,630	\$5,401,032,381	\$85,615,280,011
Ysleta	\$25,775,747,864	\$50,758,285,997	\$76,534,033,861
Dallas-Fort Worth	\$27,563,437,685	\$37,114,153,345	\$64,677,591,030
Hidalgo	\$16,935,146,038	\$28,932,779,167	\$45,867,925,205
Eagle Pass	\$11,533,240,584	\$25,607,992,332	\$37,141,232,916
Beaumont	\$20,611,028,910	\$3,630,881,114	\$24,241,910,024
Brownsville	\$12,972,542,878	\$10,411,981,772	\$23,384,524,650
Port Arthur	\$11,830,214,127	\$11,212,357,126	\$23,042,571,253
El Paso	\$14,755,182,154	\$7,666,713,443	\$22,421,895,597
Houston Intercontinental Airport	\$9,852,671,210	\$7,220,648,300	\$17,073,319,510
Freeport	\$11,728,726,182	\$4,876,897,142	\$16,605,623,324
Texas City	\$8,152,473,140	\$2,013,286,966	\$10,165,760,106
Sabine	\$9,521,904,834	\$4,130,909	\$9,526,035,743
Galveston	\$2,928,000,387	\$4,930,492,693	\$7,858,493,080
Del Rio	\$2,226,208,624	\$3,512,574,307	\$5,738,782,931
Port Lavaca	\$823,656,211	\$206,734,563	\$1,030,390,774
Austin	\$476,721,194	\$451,137,118	\$927,858,312
San Antonio	\$867,626,915	\$51,258,480	\$918,885,395
Roma	\$191,846,738	\$645,818,937	\$837,665,675
Fabens	\$221,655,209	\$514,646,958	\$736,302,167
Progreso	\$404,942,298	\$187,449,520	\$592,391,818
Rio Grande City	\$61,215,146	\$470,469,022	\$531,684,168
Presidio	\$191,523,824	\$242,320,970	\$433,844,794
Fort Worth Alliance Airport	\$154,083,357	\$260,105	\$154,343,462
Amarillo	\$151,740,674	\$84,635	\$151,825,309
Orange	\$30,746,708	\$0	\$30,746,708
Addison Airport, Dallas	\$2,310,779	\$233,094	\$2,543,873
Dallas Love Field, Dallas	\$756,160	\$280,769	\$1,036,929
Valley International Airport, Harlingen	\$532,002	\$234,268	\$766,270
Lubbock	\$26,089	\$99,516	\$125,605
Midland International Airport	\$30,404	\$0	\$30,404
Sugar Land Regional Airport	\$0	\$0	\$0
* Note: In previous years Ysleta was included with El Paso.			
Source: U.S. Census Bureau, USA Trade Online, Port Level Data for 2023			

10. LITIGATION

The State of Texas is a party to various cases concerning its governmental functions and operations but unrelated to the security for bonds or other securities offered by the State of Texas or its agencies pursuant to Official Statements to which the Comptroller has authorized this Bond Appendix to be attached or incorporated by reference. In the opinion of the Texas Comptroller, based on case information provided by the Texas Attorney General, none of the cases, if finally decided adversely to the State, could possibly have a materially adverse effect on the long-term financial condition of the State, except for the briefly described following cases:

- *Steward, et al. v. Perry, et al.* [U. S. District Court, Western District of Texas, San Antonio Division; No. 5:10-cv-1025.] This is an institutional reform class action brought on behalf of “all Medicaid-eligible persons over twenty-one years of age with intellectual or developmental disabilities or a related condition in Texas who currently or will in the future reside in nursing facilities, or who are being, will be, or should be screened for admission to nursing facilities.” Plaintiffs and the U.S. Department of Justice seek declaratory and permanent injunctive relief on the provision of services to the class. Plaintiffs allege that Defendants fail to properly assess and serve the Plaintiff class in violation of various federal laws including the Americans with Disabilities Act, the Rehabilitation Act, the Social Security Act, and the Nursing Home Reform Amendments. A bench trial occurred from October 15, 2018, to November 15, 2018. In October 2022, the court issued an order allowing the parties to advise the court of any material changes over the previous years that a party believed should be brought to the court’s attention. The parties anticipate the court will schedule a hearing after it has completed its findings.
- *M.D., et al. v. Abbott, et al.* [U.S. District Court, Southern District of Texas, Corpus Christi Division; Cause No. 2:11-CV-00084.] This is an institutional reform class action on behalf of foster children in Texas’s permanent managing conservatorship (“PMC”). Plaintiffs allege that the current foster care system fails to adequately care for and serve the foster children, violating their Fourteenth Amendment right to substantive due process. The Fifth Circuit Court of Appeals vacated the district court’s initial class-certification order in 2012. On remand, in 2013 the district court certified a class of over 12,000 foster children, and three sub-classes. The court held a two-week bench trial in December 2014. In December 2015, the court’s decision found constitutional violations as to all three sub-classes. The decision enjoined Defendants (i.e., the State) from placing PMC children in unsafe placements, including foster group homes, without 24-hour awake-night supervision. The court also appointed a special master to devise an Implementation Plan, which the court would later incorporate in a final order. In December 2017, Special Master Kevin Ryan filed his Implementation Plan and in January 2018, the district court issued a final injunction incorporating most of the Plan’s recommendations.

On October 18, 2018, a Fifth Circuit panel issued a non-dispositive opinion affirming the district court’s liability rulings on policies addressing caseworker caseloads (general class) and monitoring and oversight (LFC subclass) but reversed the liability rulings as policies related to placement array (LFC subclass) and foster-group homes (FGH subclass). The panel invalidated all of the injunctive remedies directed solely at the latter two categories,

validated some policies related to the first two categories and certain “crossover” provisions, vacated the permanent injunction in its entirety, and ordered a limited remand for the district court to make modifications to the injunction consistent with the court’s opinion. On November 20, 2018, the district court issued an order containing a modified injunction, several provisions of which Defendants appealed. On December 21, 2018, the Fifth Circuit panel issued an order clarifying that implementation of the entire injunctive order was stayed, pending the Defendants’ appeal. On July 8, 2019, the Fifth Circuit panel issued a final judgment affirming the modified injunction in part, vacating several provisions and affirming others with added changes, and remanding to the district court to implement the modified injunction. The panel denied the Plaintiffs’ motion to lift the stay prior to issuance of the mandate.

The July 8, 2019 panel decision vacated an order requiring the Texas Department of Family and Protective Services (“DFPS”) to create an integrated computer system containing a vast number of PMC children’s records, and a provision related to the role of “I-See-You” workers. It affirmed other provisions, including one expanding awake-night supervision to all LFC placements containing more than six children, and another provision allowing the monitors and district court to effectively design the workload studies for caseworkers, inspectors, and investigators.

Following the panel decision, Defendants provided implementation plans to the court Monitors. Plaintiffs subsequently filed a motion for order to show cause as to why Defendants should not be held in contempt for allegedly failing to comply with the court’s order requiring 24/7 supervision. The court held a hearing on Plaintiff’s contempt motion in November 2019 and entered an order holding Defendants in contempt for failure to comply with the 24/7 supervision requirement and imposed \$150,000 in fines on Defendants. Defendants appealed part of the court’s contempt order requiring prior court approval before DFPS can conduct placement moves in order to comply with the 24/7 requirement.

In November 2019, Defendants appealed an order that purported to limit Defendants’ discretion to remove children from placements requiring awake-night supervision. Defendants argued on appeal that the modified injunction did not permit the court to impose this prior-notice requirement and a no-removal injunction. The Fifth Circuit agreed with Defendants and overturned the trial court’s no-removal injunction.

Plaintiffs moved for contempt, alleging Defendants were not complying with several remedial orders in the modified injunction. An evidentiary show-cause hearing was held. In December 2020, the trial court found Defendants in contempt and ordered Defendants to certify compliance with one certain remedial order in order to avoid sanctions consisting of prospective fines amounting to \$75,000/day, and to certify compliance with certain other remedial orders for which the court did not then designate prospective sanction amounts. On December 31, 2020, Defendants certificated compliance with remedial order no. 22, the remedial order for which the court had previously specified prospective sanction amounts. Defendants certified compliance with the remaining remedial orders on January 16, 2021. The district court held a compliance hearing on May 5-6, 2021 and did not impose any sanctions or issue any findings of contempt at that hearing.

At the June 6, 2022 status conference, the court covered: The Monitors' report on child fatalities and updated report on the Refuge for DMST; the status of the State's work implementing of the expert panel's recommendations; and the status of DFPS's and Texas HHSC's compliance with several of the court's remedial orders. While the court indicated that it would consider fines for contempt for both agencies related to placements at the Refuge for DMST, no fines or sanctions were imposed during the January 27, 2023 hearing. Plaintiffs filed a contempt motion in June and amended it on October 13, 2023, to ask that the court impose a partial receivership over parts of the State's foster care system, particularly those portions that deal with investigations of abuse and neglect, and those that address children being housed temporarily in unlicensed settings. At a hearing conducted December 4-6, 2023, the court announced from the bench that it did not intend to impose a receivership over any portion of the State's foster care system but did not rule on Plaintiff's amended motion. On January 10, 2024, the Court Monitors filed their Seventh Report to the court.

On February 2, 2024, the court entered an order stating that the Court Monitors have certified that DFPS "is in full compliance as to Remedial Order 1 [CPS Professional Development] and Remedial Order B4 [Investigator Caseloads]." The court stated it would nonetheless continue to exercise jurisdiction over these remedial orders for three years. On February 13, 2024, Defendants filed a motion for relief from judgment. The motion seeks relief from Remedial Orders 1 (regarding CPS Professional Development), 2 (graduated caseloads for new caseworkers), 13 and 14 (timeliness of certain classes of abuse and neglect investigations), 15 (timeliness of completion of other classes of investigations), 16 and 17 (completion of investigation documentation), 18 and 19 (notification letters to referents of certain investigations), 37 (reporting of abuse and neglect), and B3 and B4 (investigator caseloads). The Court intends to hear the motion for relief at the next regular status conference, which is set for June 26-27, 2024.

On April 1, the Court Monitors filed an update regarding the number of children who had experienced stays in an unlicensed setting (*i.e.*, Children Without Placement, or CWOP) during 2023. The update alleges the manner in which Defendant DFPS counts CWOP overnight stays is insufficient. On April 15, 2024, the court entered an order holding defendant Cecile Young, in her official capacity as Executive Director of HHSC, in contempt for violations of Remedial Orders 3 and 10. Remedial Orders 3 and 10 address the timeliness and thoroughness of investigations of allegations of abuse and neglect. The contempt order imposes penalties of \$50,000 per day per remedial order. The contempt order sets a compliance hearing for June 26, 2024, which could result in the reinstatement of abated fines. On April 16, 2024, the State appealed the contempt order to the Fifth Circuit Court of Appeals and moved to stay enforcement of the contempt order with the district court. The district court denied the motion for stay and the state appealed. On April 17, 2024, the Fifth Circuit granted an administrative stay of the contempt order. and ordered that "district court proceedings are temporarily stayed pending further order of this court." If the proceedings are not stayed by the Fifth Circuit, in addition to the June 26-27, 2024 status conference, the district court is expected to continue conducting status conferences. In addition, the Court Monitors' work is ongoing, for which they submit invoices on a monthly basis.

- *Ward, et al. v. Young* [U.S. District Court, Western District of Texas, Austin Division; No. 1:16-cv-00917.] This is an institutional reform class action brought on behalf of two groups of plaintiffs: pre-trial detainees who were declared incompetent to stand trial (Incompetency Class), and individuals found not guilty by reason of insanity after a criminal trial (Insanity Class). Both classes assert Fourteenth Amendment substantive due process claims, arguing that their prolonged detentions in Texas jails prior to placement in state-operated mental health hospitals violates the Constitution. The Defendant is Cecile Erwin Young, sued in her official capacity as the Acting Executive Commissioner of the Texas Health and Human Services Commission (HHSC), because HHSC operates the state forensic hospital system. On March 29, 2022, the district court issued an order certifying the Incompetency Class; the district court refused to certify the Insanity Class. Neither party appealed that order. Both parties filed motions for summary judgment in March 2024. No trial date has been set.
- *State of Texas, et al. v. Chiquita Brooks-LaSure, et al.*, [U.S. District Court, Eastern District of Texas, Tyler Division; No. 6:23-cv-00161.] This case challenges a February 2023 interpretive bulletin issued by the Centers for Medicare and Medicaid Services (“CMS”). The Social Security Act and CMS’s regulations permit state and local governments to impose broad-based assessments on healthcare providers and use those funds as part of the non-federal share of Medicaid spending. The assessment may be no more than 6 percent of the providers’ net revenue derived from patient care, and the state and local governments may not, directly or indirectly, hold the providers harmless for any portion of their assessment. These Local Provider Participation Funds (“LPP Funds”) contributed approximately 17.7 percent, or \$3 billion, of the State’s non-federal share of Medicaid spending in fiscal 2022. The bulletin CMS issued states that arrangements among providers, not involving state or local governments, to exchange funds among themselves constituted indirect government payments that violated the hold-harmless restriction. It also states that each State is responsible for policing the existence of such arrangements and must furnish all relevant information regarding those arrangements to CMS upon its request. CMS began an audit of the Smith County Hospital District that includes the district’s use of LPP Funds and a focus on whether the arrangements described in the bulletin exist. CMS has since announced audits of three other Texas jurisdictions focused on that issue.

The State and HHSC filed this lawsuit to challenge the bulletin as an improper reading of the law and promulgated in violation of the Administrative Procedure Act. The suit seeks a declaration setting aside the bulletin and enjoining its enforcement against Texas and its local governments. Should the bulletin remain in effect, CMS would have the power to disallow non-federal funds raised through LPP Funds, allowing it to recoup the federal funds spent to match such previous non-federal funds and refuse to match such non-federal funds in the future. At current rates, that would amount to roughly \$6 billion in federal matching funds per year, not including recoupment of federal funds spent in past years. (There is no statute of limitations on the federal government’s recoupment of disallowed funding.) The court on June 30, 2023, issued a preliminary injunction barring CMS from

relying on the bulletin while the case is pending, including through enforcement, oversight, review, and reimbursement activities.

- *Richard Allen Devillier, et al. v. The State of Texas*, [U.S. District Court, Southern District of Texas, Galveston Division, No. 3:20-cv-00223.] This is a class-action suit arising from flooding in East Texas during Tropical Storms Harvey and Imelda. Plaintiffs, including owners of residential, farm, ranch, and commercial property in Chambers, Liberty, and Jefferson Counties, claim that the design, construction, operation, and maintenance of IH-10 between SH 61 and Walden Road, including the installation of a concrete median, caused flooding of their properties north of IH-10 during Tropical Storms Harvey and Imelda. Plaintiffs brought inverse condemnation claims against the State under Article I, Section 17 of the Texas Constitution, and under the Fifth Amendment to the United States Constitution. Plaintiffs also alleged a federal due process claim. The district court denied the State's motions to dismiss and the parties engaged in written discovery, depositions, and briefing, and participated in a class certification hearing before Magistrate Judge Andrew Edison on June 14, 2022. The State appealed the district court's denial of its motions to dismiss to the Fifth Circuit, which dismissed the federal causes of action and Fifth Amendment claims with prejudice and without remand to the state court. On March 17, 2023, plaintiffs filed a petition for certiorari in the United States Supreme Court. The Court granted plaintiffs' petition on September 29, 2023. The question presented in the Supreme Court was: "May a person whose property is taken without compensation seek redress under the self-executing takings clause [of the Fifth Amendment] even if the legislature has not affirmatively provided them with a cause of action?" In an October 3, 2023 status conference, Judge Edison stayed and administratively closed the case until the U.S. Supreme Court resolves the appeal. Oral arguments were conducted at the Supreme Court on January 16, 2024. The plaintiffs' inverse condemnation claims under the Texas Constitution remain pending before the trial court. Plaintiffs have sought to certify a class of over a thousand members and indicated that they intend to seek at least one million dollars for each member of the proposed class.
- Various litigation is pending related to the Texas-Mexico Border. This includes *US v. Abbott*, pending in the U.S. District Court, Western District of Texas, Austin Division [No. 1:23-cv-00853] with appeals to the Fifth Circuit Court of Appeals. This also includes *Department of Homeland Security v. Texas* also pending in the U.S. District Court, Western District of Texas, Austin Division [No. 2:23-cv-00055] with appeals to the Fifth Circuit Court of Appeals.

11. INFORMATION SECURITY

OVERVIEW – OFFICE OF THE CHIEF INFORMATION SECURITY OFFICER

The State's first Chief Information Security Officer (CISO) was hired in 2004, and since then the state CISO has evolved into the Office of the Chief Information Security Officer (OCISO) team. The OCISO provides statewide information security program guidance to state agencies, institutions of higher education and other governmental entities. Led by the state of Texas Chief Information Security Officer, the team works to set state information security policies and standards, publish guidance on best practices, improve incident response preparedness, monitor and analyze incidents, coordinate security services and promote information sharing throughout the public sector cybersecurity community. In 2023, the Legislature passed Senate Bill 621, codifying the position of Chief Information Security Officer for the State of Texas.

LAWS RELATING TO CYBERSECURITY

Texas Government Code Chapters 2054 and 2059 dictate the statutory requirements relating to cybersecurity.

- Texas Government Code Chapter 2059 specifically addresses the State's Network Security Operations and created the Department of Information Resources (DIR) Network Security Operations Center (NSOC). The NSOC is overseen by the Cybersecurity Operations team, and they have responsibility for identifying internal and external threats, reporting, and general security in a state of disaster, as well as many other responsibilities.

Texas Business and Commerce Code Chapter 521 provides a definition of Personally Identifying Information and outlines the requirements for notifying individuals in the event of a breach of such information.

Texas Penal Code Chapter 33 defines computer crimes and offenses.

Texas Administrative Code (TAC) Chapter 202

- Texas Government Code authorizes DIR to create administrative rules to further specify information security requirements. TAC Chapter 202 outlines these requirements and is a baseline of security standards, controls and related responsibilities for state agencies and institutions of higher education.
- TAC Chapter 202 is regularly revised to ensure the information security standards align with modern best practices. TAC 202 was updated to align with current national standards in January 2022.

FEDERATED IT

Texas is established as a non-cabinet government and accordingly each independent agency and institution of higher education within the State of Texas functions autonomously regarding IT and

security operations. While DIR provides certain oversight, guidance and enterprise reporting, each entity is ultimately responsible for their own IT operations.

SECURITY SERVICES PROVIDED TO AGENCIES AND INSTITUTIONS OF HIGHER EDUCATION

CYBERSECURITY OPERATIONS

The DIR Cyber Operations Team operates out of the Network Security Operations Center (NSOC) and monitors the internet traffic of entities that utilize the state's network for suspicious activity and alerts organizations when potential security incidents are identified.

- Network Security Monitoring, Alerting, and Analysis Services. These services provide early warning for attempted intrusions, distributed denial-of-service, and cyber-attacks, as well as alerts to authorities that facilitate appropriate countermeasures.
- Network Intrusion Prevention Service (IPS). This service proactively identifies, and blocks known threats to network security. The IPS not only watches network traffic, but also takes immediate action based on the network administrator's set of rules.

MANAGED SECURITY SERVICES PROGRAM (MSS)

- Network Penetration Testing. A pen test identifies and evaluates network and system vulnerabilities that are susceptible to attack from possibly malicious sources and analyzes system configurations, web applications and technical weaknesses. DIR funds pen tests for state agencies to ensure that a significant portion of all agencies are tested annually.
- Web and Mobile Application Penetration Testing. Texas Government Code Section 2054.516 requires agencies and public institutions of higher education to obtain a penetration test and remediate any discovered vulnerabilities prior to launching a web or mobile application that processes sensitive personal information. DIR has dedicated funds to cover approximately 19 of these penetration tests for eligible customers. These tests use a defined methodology that includes both automated and manual processes to identify application vulnerabilities such as SQL injection susceptibility, buffer overflow, session hijacking, information leakage, and more.
- Texas Cybersecurity Framework (TCF) Security Assessments. Texas Government Code Section 2054.515 requires each state agency to conduct an information security assessment at least once every two years and report the results to DIR and to state leadership, as requested. DIR offers security assessments to state agencies and public institutions of higher education via the MSS program at no cost to the customer. Security Assessments are also available, for a fee, to other eligible customers including local governments and public-school districts. The TCF consists of 42 security objectives within 5 functional areas (Identify, Detect, Protect, Respond, Recover). These assessments evaluate the maturity

level of each security objective and provide recommendations for improving the security maturity and posture of the organization.

- **Security Monitoring and Device Management (SMDM).** SMDM Services manage and monitor security devices, which includes managed firewalls (including web application firewalls), host-based intrusion prevention systems, endpoint device management, intrusion detection/prevention systems, and malware detection/prevention systems. SMDM also includes Security Information and Event Management, threat research, and analysis and Security Operations Center (SOC) services. SMDM includes the installation, configuration, and management of associated equipment.
- **Incident Response.** Incident Response Services assist Customers in the event of a security incident. Services include response to and resolution of security incidents (e.g., damaging events, computer intrusions, service disruption, security compromises and inadvertent data disclosure or loss) and digital forensics, (e.g., performing recovery and investigation of material or artifacts found in Customer's digital device). Incident Response Services also include proactive security response preparedness through development of security response plans.
- **Risk and Compliance.** Risk and Compliance Services help the Customer identify, remediate, monitor, and manage enterprise risks through Services such as network penetration testing and security vulnerability assessments. Risk and Compliance Services also assist Customers in validating and meeting compliance requirements of state, federal or industry regulations.

TEXAS.GOV DIGITAL IDENTITY SOLUTION

As a result of the 86th legislative session, DIR received funding to implement a Statewide Risk-Based Multifactor Authentication (MFA) program. This program, known as the Texas Digital Identity Solution (TDIS), provides a voluntary service that has a specific set of Identity Access Management (IAM) features. The service is available to state agencies and institutions of higher education. As resources permit, MFA should be applied to the high-risk network devices, systems, remote access, and user accounts.

MFA is the practice of authenticating users through the verification of two or more authentication factors. This provides an additional layer of security that serves as a failsafe if the primary method of authentication were to be compromised by a malicious actor. MFA prompts users attempting to login with a username and password to authenticate with a second step. This second step can be a push notification of a registered cell phone using a security app, or by entering a code received via text, voice call, or email.

MFA products tend to come with additional capabilities to secure the network and systems, which may include Single Sign-On (SSO) and other security features. Within an MFA implementation, attackers can no longer access the target network through stolen credentials (e.g., single-authentication username and password).

The Digital Identity Solution suite of capabilities include:

- User identity and access administration
- Strong authentication using multi-factor and adaptive authentication
- Integration templates to accelerate agency and user onboarding
- Centralized employee dashboard and self-service
- Logging and reporting
- Secure configuration based on state information security requirements

TEXAS INFOSEC ACADEMY

The Texas InfoSec Academy is a DIR-funded program to help state agency and institutions of higher education prepare their IT and security staff to meet today's challenges by providing industry-standard cybersecurity certification examination preparation courses and exam vouchers. The InfoSec Academy also offers secure coding training to state agency application developers.

STATEWIDE PORTAL FOR ENTERPRISE CYBERSECURITY THREAT, RISK AND INCIDENT MANAGEMENT (SPECTRIM)

To help tie together the overall state security program, DIR has implemented a governance, risk, and compliance software tool available to all state agencies and institutions of higher education. The SPECTRIM portal provides tools for managing and reporting security incidents, conducting risk assessments, managing organizational policies, inventorying infrastructure, templates for agency security planning activities, and more.

LEGISLATIVE REPORTING

As the state technology agency, DIR serves as a representative to state leadership concerning state agencies' information security challenges. DIR is specifically charged with producing several information security related reports including the:

- Biennial Report on Information Security: Texas Government Code Section 2054.133(f) requires DIR to submit a biennial report evaluating agencies' information security programs to state leadership.
- Cybersecurity Report: Texas Government Code Section 2054.0591 requires DIR to submit a report to state leadership that evaluates the resources available to address the operational and financial impacts of a cybersecurity event, a review of existing cybersecurity legislation, and provide recommendations for improving cybersecurity within the State.
- IT Infrastructure Report: Texas Government Code Section 2054.068 requires DIR to collect an inventory of agencies' servers, cloud services, mainframes, and other IT infrastructure information and to produce a report that identifies the high security and

operational risk agencies, as well as the resources needed to remediate their associated risks.

- Prioritization of Cybersecurity and Legacy Modernization (PCLS) projects: Texas Government Code Section 2054.069 requires DIR to provide the Legislative Budget Board with a prioritized list of agency projects to modernize legacy systems or improve cybersecurity.
- Texas Cybersecurity Strategic Plan: DIR developed a long-term strategic vision for enterprise-wide cybersecurity to assist agencies in their own planning efforts. The high-level plan outlines five strategic goals that agencies can use to align their long-term security program initiatives.

COMMUNICATIONS

DIR provides regular communications to public sector security staff regarding threat intelligence, alerts and best practices in a variety of formats including:

- Texas Cybersecurity Bi-weekly Newsletter: a bi-weekly newsletter that provides an overview of the most relevant recent cybersecurity topics including vulnerabilities, breaches, and other news.
- Security Officer mail list and Texas Information Sharing and Analysis Organization (TX-ISAO) Portal: DIR hosts mailing lists with which agency security staff can pose questions to the public sector security community. The ISAO portal is also used to send out alerts and information to its members.
- Cybersecurity Awareness Month: October is the designated Cybersecurity Awareness Month, during which time best practices and general security awareness activities are promoted throughout the State via contests and other venues.
- Annual Information Security Forum (ISF): Each year, DIR hosts an annual Information Security Forum for public sector security staff. The forum brings together security staff from across Texas to listen to relevant presentations and network with colleagues.
- Monthly Security Meetings: DIR hosts a monthly interagency security workgroup meeting every month to provide statewide updates to public sector staff. Tabletop security scenarios are presented at each meeting.
- MS-ISAC & EI-ISAC Participation: DIR and other state agencies participate in the Multi-State (and Elections Infrastructure) Information Sharing and Analysis Center programs to assist with cybersecurity information sharing and intelligence. The State receives information from MS-ISAC relating to vulnerabilities discovered through the vulnerability management program and alerts from the MS-ISAC Security Operations Center.

TEXAS CYBERSECURITY COUNCIL

The Texas Cybersecurity Council was created by Texas Government Code Section 2054.512 to develop enduring partnerships between private industry and public sector organizations to ensure that critical infrastructure and sensitive information are protected, to develop an exemplary cybersecurity workforce to protect technology resources from increasing threats and develop strategies and solutions that ensure that Texas continues to lead in areas of cybersecurity at a national level.

TEXAS INFORMATION SHARING AND ANALYSIS ORGANIZATION (TX-ISAO)

Section 2054.0594, Government Code, requires DIR to establish an Information Sharing and Analysis Organization to provide a mechanism for state and non-state entities in Texas to share actionable and timely information regarding cybersecurity threats, best practices, and remediation strategies, while advancing the cybersecurity capabilities and resilience of the State.

In 2019, DIR partnered with the Texas A&M University System and the University of Texas at San Antonio to provide Security Operations Center (SOC) services, as well as educational services to TX-ISAO members. In 2020, DIR created a multiphase plan for expanding services and information sharing, while concurrently working to build private/public partnerships via the TX-ISAO.

The TX-ISAO acts as a trusted hub for collection and sharing cyber risk information among public and private sector organizations. Members of the TX-ISAO have access to organizational and industry-specific cyber intelligence, including information about current cyber threats, attack vectors, indicators of compromise, and other relevant security information. The TX-ISAO receives cyber threat information from its members, analyzes trends, and issues notifications to improve security awareness. The TX-ISAO is available to all Texas organizations, whether public, private, or non-profit, at no cost to the organization.

VENDOR SECURITY AND DATA MANAGEMENT

The 87th Legislative Session directed DIR to create the Texas Risk and Authorization Management Program (TX-RAMP) for cloud vendors. The purpose of the program is to ensure cloud vendors providing services to state agencies, institutions of higher education, and public junior colleges have security controls in place to protect state data. DIR will prescribe services subject to the program, and requirements for vendors to attain certification. State agencies are required to only enter or renew contracts for cloud computing services that comply with TX-RAMP beginning January 1, 2022.

In addition, state agencies are required to include provisions in contracts requiring any vendor with access to agency data to meet security controls as the agency determines appropriate based on the sensitivity of its data.

Agencies with more than 150 full-time employees are required to designate a full-time data management officer that will coordinate with the state chief data officer, establish the agency's data governance program, manage the agency's data assets, and establish related processes and

procedures. The data management officer shall coordinate with the agency's information security officer, records management officer, and Texas State Library and Archives Commission to implement best practices, increase awareness of records management programs, and ensure the records management programs are implemented for all types of data storage media. The data management officer shall post to the Texas Open Data Portal at least three high value data sets.

Agencies are also required to classify the data produced from or used by information resources technology projects and determine appropriate data security and retention requirements for each classification.

INCIDENT RESPONSE AND REPORTING

Texas Administrative Code Section 202 requires each state agency and institution of higher education to provide timely reporting of certain types of security incidents to DIR which, depending on the threat or level of risk to the State, could mean emergency reporting. Timely reporting is required (48 hours by statute but preferably within 24 hours) for incidents that may:

- Propagate to other state systems (emergency reporting);
- Result in criminal violations that shall be reported to law enforcement;
- Involve the unauthorized disclosure or modification of confidential information, e.g., sensitive personal information; or
- Be an unauthorized incident that compromises, destroys, or alters information systems, applications, or access to such systems or applications in any way (ransomware).

DIR has developed a comprehensive Incident Response Team Redbook to assist public sector entities with developing their own incident response plans. Additionally, DIR has collaborated with the state's emergency management organizations to develop a statewide incident response plan to be leveraged in the event a cybersecurity incident reaches a certain threshold of potential impact.

State agencies that experience a breach of sensitive or confidential information are required to submit a follow up assessment of the incident no later than 10 days after the closure of the incident. The post-incident reporting includes a root cause analysis and impact assessment.

The 88th Legislative Session expanded incident reporting requirements to include local government entities. This reporting requirement does not apply to Independent Organizations certified by the Public Utility Commission of Texas, under Section 39.151 of the Utilities Code.

The 87th Legislative Session also added several initiatives to assist with responding to events and sharing threat information across Texas:

- Texas Volunteer Incident Response Team (VIRT): The VIRT's purpose is to provide rapid response assistance to state agencies, institutions of higher education, and local government entities. DIR establishes the criteria for volunteers and will enter into contracts with volunteers that include terms to protect data. DIR may also provide training and compensation for travel. DIR has established the framework for operationalizing the VIRT and is accepting applications.

- Regional Cybersecurity Working Groups: DIR has established a framework for regional cybersecurity working groups to allow state agencies, local governments, regional planning commissions, public and private institutions of higher education, the private sector, and the incident response team to assist with responding to a cybersecurity event in Texas.
- Regional Security Operations Center (RSOC): DIR has established a Regional Security Operations Center program to address common weaknesses and best practice deficiencies as determined through DIR’s ongoing work with local governments. This initiative has established a pilot RSOC at Angelo State University to allow for “boots on the ground” close to local governments that may need assistance with major cybersecurity incidents quickly. University students will offset staffing costs and will receive real-world training for the much-needed cybersecurity professionals of the future. In addition, the RSOC will assist local governments, including independent school districts, across the State in the following areas:
 - Policies and planning;
 - Education and program support;
 - Infrastructure and IT improvements;
 - Ongoing monitoring at endpoints;
 - Enhanced response capabilities; and
 - Incident response preparedness and tabletop exercises.
- In the 88th Legislative Session, DIR received additional funding to expand to two additional RSOCs, which are located at the University of Texas at Austin and the University of Texas Rio Grande Valley.
- Mandatory School District Incident Reporting: Independent School Districts and Open Enrollment Charter Schools are required to report any cyber-attack or other cybersecurity incident against the cyberinfrastructure that constitutes a breach of system security. DIR and the Texas Education Agency implemented a system to collect the reports and to coordinate the anonymous sharing of related information between participating schools and the State.

END-USER AWARENESS TRAINING

DIR offers an end-user training program that is designed to educate end-users throughout any organization about security awareness and compliance. This is a resource that bolsters Texas public sector information security awareness programs.

The 86th Legislative Session made changes to Texas Government Code Chapter 2054 regarding end-user security awareness training. DIR is required to certify a minimum of five security training programs and post those programs on its website. State and local government organizations are required to utilize one of the certified security training programs to annually train staff who use a computer for 25 percent or more for their duties. Requirements around contractor training and reporting were also included. The law also included provisions making training and reporting mandatory for contractors who have access to state systems and data.

DIR has defined and established specific requirements for certification of security training programs. In addition, DIR developed and established an application process for vendors and organizations to submit their security training programs for certification. DIR posted the list of certified programs for fiscal year 2023-2024 on August 31, 2023.

DIR has certified 111 programs for fiscal year 2024. Vendors and organizations that have certified training programs will be required to re-certify their content on an annual basis. Organizations that develop their own training program and certify that program can opt to share that program with other organizations. This allows both vendor-provided and no-cost options to state and local government organizations.

GEOPOLITICAL TENSIONS ACTIVITIES

In late February 2022, Governor Abbott directed DIR and the Texas Department of Public Safety to use all available resources to safeguard the state's critical infrastructure and assist local jurisdictions with their needs. The Governor outlined several critical actions to increase the state's cybersecurity posture including enhancing information sharing, enhancing cyber intrusion detection, increasing incident preparedness, and maximizing attack resilience. In response to this directive DIR has provided geopolitical intelligence, decreased the thresholds for threat reporting, engaged the information security community on the ongoing cyber threats, instituted additional blocking to help mitigate potentially malicious traffic, and has provided regular updates to state and local stakeholders. In addition to the ongoing geopolitical threats, the State continues to coordinate with State, Federal, and industry partners to combat the ongoing cyber-criminal and advanced persistent threat actors.

PROHIBITED TECHNOLOGIES

TikTok is a video-sharing mobile application with more than 85 million users in the United States. The director of the FBI recently warned that the Chinese government can control TikTok's content algorithm, allowing it to perpetrate influence operations within the United States. In fact, the use of TikTok on federal-government devices is already prohibited by agencies like the U.S. Department of State, the Department of Defense, and the Department of Homeland Security.

In December 2022, the Governor directed that every state agency in Texas ban its officers and employees from downloading or using TikTok on any of its government-issued devices. This TikTok ban extends to all state-issued cell phones, laptops, tablets, desktop computers, and other devices capable of internet connectivity.

DIR and Texas Department of Public Safety (TxDPS) have issued a model plan for state agencies regarding the use of TikTok.

The 88th Legislative Session expanded upon the Governor's directives with SB 1893, which requires that government entities adopt policies prohibiting the installation or use of certain social media applications, one of which is TikTok, on government devices.

12. CONTINUITY OF OPERATIONS AND RECENT EVENTS

Pursuant to Texas Labor Code Section 412.054 each state agency is required to develop and submit to the State Office of Risk Management an agency-level continuity of operations plan to keep the agency operational in case of disruptions to production, finance, administration or other essential operations. Such plans may be implemented during the occurrence or imminent threat of events such as extreme weather, natural disasters and infectious disease outbreaks.

RECENT EVENTS

On May 6, 2024, the Governor updated a state of disaster proclamation first issued on April 30, 2024, certifying the severe storms and flooding that began on April 26, 2024, and included heavy rainfall, flash flooding, river flooding, large hail, and hazardous wind gusts that caused widespread and severe property damage, injury, and loss of life, including more than 50 state roads and highways that were damaged or remained impassable. The Governor has declared emergencies in 91 counties in Central and Southeast Texas. Local, state, and federal officials continue rescue operations and damage assessment related to the storms.

13. TEXAS-MEXICO BORDER

On May 31, 2021, the Governor issued a state of disaster proclamation certifying that the surge of individuals unlawfully crossing the Texas-Mexico border posed an ongoing and imminent threat of widespread and severe damage, injury, and loss of life and property for certain counties and all state agencies affected by the disaster, and on June 25 and 30, 2021, the Governor modified the proclamation to add and delete affected counties. This declaration was last renewed effective April 16, 2024 and extends to 58 counties and all state agencies affected by the disaster.

In 2021, the Governor launched Operation Lone Star, a program that includes several measures to enhance border security operations, design and construction of a wall along the Texas-Mexico border, the deployment of marine floating barriers along the Rio Grande River, and grant funding for Texas cities and counties, through 13 state agencies including the Texas Department of Public Safety, the Texas National Guard, and the Texas Military Department. The program has been implemented through several pieces of legislation passed by the 87th and 88th Sessions of the Legislature and various Executive Orders. Funding has been provided through legislative appropriations, as well as disaster related transfer authority provided in General Appropriations Act, Article IX, Section 14.04, which allows the Governor and LBB to direct transfers of general revenue appropriations between agencies.

This funding, totaling \$10.1 billion to date, is summarized below and included in the data and discussion in Section 3: STATE REVENUES AND EXPENDITURES – State Budget Information.

June 16, 2021	Direct Transfer	\$250,000,000
April 29, 2022	Direct Transfer	\$495,300,000
July 6, 2022	Direct Transfer	\$30,000,000
October 27, 2022	Direct Transfer	\$874,600,000

June 8, 2021	87 th Regular Session HB9	\$1,800,000,000
June 18, 2023	88 th Regular Session HB1	\$5,105,700,000
December 18, 2023	88th 4th Called Session SB3	\$1,540,000,000

Please refer to Section 10. LITIGATION for a discussion of litigation related to the Texas-Mexico Border.