A REVIEW OF THE TEXAS ECONOMY FROM THE OFFICE OF **GLENN HEGAR**, TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

FEBRUARY 2019

FISCAL NOTES

ALSO INSIDE THIS ISSUE:

Texas' Public Pensions

By Spencer Grubbs and Amanda Williams

GROWING LIABILITIES COULD AFFECT STATE FINANCES

Pension plans are a helpful tool for government agencies seeking to recruit and retain qualified workers. While the public sector is rarely able to match private-sector wages, it can at least offer pensions that are relatively attractive by current standards.

Yet many state and local governments across the U.S. are struggling with growing pension costs and liabilities, and Texas governments are no exception. The enormous costs and liabilities of large public pension systems could have serious financial effects on governments. If left unchecked over time, pension costs may affect their credit ratings, which in turn could drive up their borrowing costs and deepen any financial difficulties.

HOW GOVERNMENT PENSIONS WORK

According to the Urban Institute, state and local governments in the U.S. offer nearly 4,000 pension plans to nearly 20 million active and retired employees. As one would expect, there are far more local government pension plans than state plans, but the latter have many more members, due in part to the fact that many state plans cover local government employees. State plans account for nearly 90 percent of all state and local government beneficiaries.

A pension provides monthly payments to employees upon retirement, generally based on their pre-retirement income and years of service to the employer. Both the employer and employee typically contribute a percentage of salary each month to a fund until the employee is "vested" — eligible to receive

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A Message from the Comptroller

In the U.S., government workers generally are entitled to pensions upon retirement — pensions offering guaranteed benefits of the type that used to be common in the workplace, but aren't any more. The availability of so-called defined benefit plans provides governments with a recruiting tool that helps to offset, at least in part, salaries that are generally lower than those available in the private sector.

About 20 million active and retired employees across the nation depend on government pensions. The cost of their plans, however, has become a huge and growing expense. Pension obligations contributed to several city bankruptcies in recent years and have created significant financial problems for some states.

While Texas hasn't yet encountered a "doomsday" scenario with pension costs, long-term trends are troubling. At present, Texas' seven statewide pension plans for public employees face about $55 billion in unfunded liabilities — the amount they'll owe to their current members that can't be covered by the plan's assets, based on current contribution rates and estimated future earnings.

In this issue of *Fiscal Notes*, we examine the mechanics of public pensions in detail and report on the current outlook for their long-term viability. It's a timely reminder, as the Legislature gets to work on the next state budget, that the state's financial obligations extend well beyond the two-year budget cycle.

We also look at business incubators, organizations that help new companies find their footing with workspaces, investor leads and various types of professional assistance. Dozens of incubators around Texas assist entrepreneurs with their first steps into the business world, often in exchange for a small share of equity in the new company. They've helped create thousands of Texas jobs and play an important role in maintaining our state's competitive edge.

As always, I hope you enjoy this issue!

GLENN HEGAR
Texas Comptroller of Public Accounts

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pension benefits from the fund after working a certain number of years — and has retired.

Pension plans generally employ one of two designs — *defined benefit* and *defined contribution* plans — or a combination of the two called a *hybrid* plan. These types differ in characteristics such as participation and contribution requirements and the value of benefits retirees receive.

Defined benefit (DB) plans are "traditional" pension plans. The employer establishes a retirement fund for all employees, manages its investments and uses a formula to determine each employee's specific benefit amount upon retirement. Participation in a DB plan typically is mandatory, and benefit payments are guaranteed by the employer, which is responsible for investing the fund and bearing any related risk.

Defined contribution (DC) plans, also sponsored by employers, offer employees optional enrollment in individual retirement accounts such as 401(k)s. Both employees and employers may contribute to these accounts, although government employers generally do not. With a DC plan, much of the investment responsibility — and risk — rests with individual employees, who must select among plan options. Benefit amounts are not specified, but instead are based on the amount contributed and investment returns. Retirement payments thus depend on investment performance.

Hybrid plans typically involve mandatory contributions to both a DB and a DC plan, distributing the risk between employee and employer. The DB component provides employees with a guaranteed monthly annuity while the DC component gives them some control over their investment portfolios. As with traditional DB plans, employee participation in public hybrid plans usually is mandatory.

While defined benefit plans are almost extinct in the private sector, most state and local governments still offer them.

Another "hybrid" variation is the "cash balance plan," which resembles a DB plan but with employer and employee contributions maintained in individual accounts rather than a pooled trust fund. The defined benefit, in turn, is stated in terms of an investment account balance at retirement, similar to a 401(k), rather than a defined monthly payment.

While DB plans are almost extinct in the private sector, most state and local governments still offer them. As of March 2018, according to the U.S. Bureau of Labor Statistics, 86 percent of all state and local government employees in the U.S. had access to a DB plan, while 37 percent could participate in a DC plan. About 89 percent of all state and local employees with access to a DB plan actually participated in it, versus just 45 percent of those with access to a DC plan.

The number of state governments offering *only* DB plans to their employees has fallen, however, while the number offering hybrid plans has increased. At least 19 states have adopted hybrid or cash balance pension plans for at least some state workers, in an effort to distribute risk more evenly between employers and employees and better manage growing pension costs (**Exhibit 1**).

DETERMINING PENSION HEALTH

A sustainable public pension system offering defined benefits, the most common type, must balance its revenue (contributions and investment income) with its expenses (benefits and administrative costs). This balance can be assessed in a number of ways; the most basic is to compare a plan's assets to its liabilities — the amount ultimately owed to its members. If the amount owed exceeds available assets, it has what's called an *unfunded actuarial accrued liability* (UAAL). Put simply, public pension plans accumulate unfunded liabilities in every year in which their actual costs exceed their projected costs or revenue fails to meet projections.

EXHIBIT 1

STATEWIDE HYBRID RETIREMENT PLANS IN THE U.S.			
STATE	**RETIREMENT SYSTEM**	**PLAN TYPE**	**YEAR OF PLAN APPROVAL**
Arizona	Arizona Public Safety Personnel Retirement System	Combined DB + DC	2016
California	California State Teachers' Retirement System	Cash Balance	1995 for part-time and adjuncts; 2000 for full-time educators
Colorado	Colorado Fire and Police Pension Association	Combined DB + DC	2004
Connecticut	Connecticut State Employees Retirement System	Combined DB + DC	2017
Georgia	Georgia Employees' Retirement System	Combined DB + DC	2008
Indiana	Indiana Public Retirement System	Combined DB + DC	1955
Kansas	Kansas Public Employees Retirement System	Cash Balance	2012
Kentucky	Kentucky Retirement Systems	Cash Balance	2013
Michigan	Michigan Public School Employees' Retirement System	Combined DB + DC	2010
Nebraska	Nebraska Public Employees Retirement System	Cash Balance	2002
Ohio	Ohio Public Employees Retirement System	Combined DB + DC	2002
Ohio	State Teachers Retirement System of Ohio	Combined DB + DC	2001
Oregon	Oregon Public Employees Retirement System	Combined DB + DC	2003
Pennsylvania	Pennsylvania State Employees' Retirement System	Combined DB + DC	2017
Pennsylvania	Pennsylvania Public School Employees' Retirement System	Combined DB + DC	2017
Rhode Island	Rhode Island Employees' Retirement System	Combined DB + DC	2011
Tennessee	Tennessee Consolidated Retirement System	Combined DB + DC	2013
Texas	Texas County and District Retirement System	Cash Balance	1967
Texas	Texas Municipal Retirement System	Cash Balance	1947
Utah	Utah Retirement Systems	Combined DB + DC	2010
Virginia	Virginia Retirement System	Combined DB + DC	2012
Washington	Washington State Department of Retirement Systems	Combined DB + DC	1996

Note: Combined DB + DC is a hybrid plan combining defined benefit and defined contribution portions. A Cash Balance plan maintains employee and employer contributions in an investment account.
Source: National Association of State Retirement Administrators

According to a 2018 report by the Pew Charitable Trusts, unfunded liabilities for America's state retirement systems totaled *$1.4 trillion* in 2016.

The *funded ratio* is a plan's assets divided by its liabilities, expressed as a percentage. Although public pension plans typically aim to achieve full funding (i.e., a 100 percent funded ratio) in the long run, the traditionally accepted standard for a reasonably healthy plan is 80 percent or more. The *amortization period* is an estimate of when a plan will become fully funded, based on its contribution rates and investment returns.

Setting a pension plan on track to pay down its UAAL requires the use of *actuarial assumptions*, or long-term estimates of future liabilities. Because these assumptions rarely match actual experience, most public pension systems evaluate and adjust them, if necessary, annually. Two actuarial assumptions play particularly important roles.

The first, the *actuarially determined contribution*, is the total contribution rate (from both employer and employees) needed to fund the normal cost of benefits and pay down any unfunded liabilities over a certain period, usually around 30 years.

The second, the *assumed rate of return*, predicts the amount of investment earnings generated by the fund's

According to the Pew Charitable Trusts, unfunded liabilities for America's state retirement systems totaled *$1.4 trillion* in 2016.

assets. According to the National Association of State Retirement Administrators, an assumed rate of return that is "significantly wrong in either direction will cause a misallocation of resources and unfairly distribute costs among generations of taxpayers."

In November 2018, the estimated median assumed rate of return for U.S. public pension investments was 7.38 percent. Yet a 2018 study of 44 state pension systems by the Pew Charitable Trusts found that *actual* 10-year total investment returns ranged from 3.8 percent to 6.8 percent, with an average of 5.5 percent.

PUBLIC PENSIONS IN TEXAS

The Texas Constitution authorizes the Legislature to create retirement systems for state and local public employees and officials. Texas currently has 93 public retirement systems, seven statewide and 86 local, each with an appointed board of trustees.

Exhibit 2 lists the seven statewide plans and their membership.

Of the seven statewide retirement plans, the Texas County and District Retirement System and Texas Municipal Retirement System both offer cash balance plans; the remainder offer DB plans. Together, the state systems serve more than 2.5 million members including public school employees, emergency personnel and state employees. The Employees Retirement System (ERS) acts as the administrative and investment body for its own plan as well as plans serving judicial and law enforcement officers.

While none of Texas' statewide retirement systems have a current funded ratio of 100 percent, five are at 80 percent or more and two are between 65 and 79 percent. The state's Pension Review Board (PRB), which oversees all Texas public retirement systems, considers a system actuarially sound if it can eliminate its unfunded liability in a period of 30 years or less. Four of the seven plans, however, have amortization periods greater than 30 years **(Exhibit 3**); two have "infinite" amortization periods, meaning that, based on their current actuarial assumptions and contribution rates, they will *never* have enough money to pay for the current and future retirement benefits they owe.

None of Texas' statewide retirement systems have a current funded ratio of 100 percent.

EXHIBIT 3

TEXAS PUBLIC STATEWIDE RETIREMENT SYSTEMS' FINANCIAL HEALTH*

PLAN	FUNDED RATIO	AMORTIZATION PERIOD (YEARS)	UNFUNDED LIABILITY	UNFUNDED LIABILITY PER MEMBER
TCDRS	89.1%	12.3	$3,564,247,486	$12,113
TMRS	87.4	18.8	3,997,991,175	17,356
TESRS	80.2	30.0	24,439,317	2,612
TRS	80.5	32.2	35,470,751,873	22,958
JRS II	90.8	63.0	42,753,509	39,116
ERS	70.1	INFINITE	11,257,958,076	31,155
LECOS	66.0	INFINITE	475,887,077	7,045

*Data as received from the Pension Review Board as of December 2018. Effective dates vary.
Source: Texas Comptroller of Public Accounts, Public Pension Search Tool

EXHIBIT 2

TEXAS PUBLIC STATEWIDE RETIREMENT SYSTEMS, AUG. 31, 2018

PLAN	MEMBERSHIP	PLAN TYPE	ELIGIBLE EMPLOYEES
Employees Retirement System of Texas **(ERS)**	361,351	DB	State employees and elected officials
Judicial Retirement System of Texas Plan Two **(JRS II)**	1,093	DB	State judges and justices who took office after Aug. 31, 1985
Law Enforcement and Custodial Officer Supplemental Retirement Fund **(LECOS)**	67,554	DB	Commissioned law enforcement officers and Texas Department of Criminal Justice custodial officers who have direct contact with inmates
Teacher Retirement System of Texas **(TRS)**	1,545,057	DB	Public school and higher education employees
Texas County and District Retirement System **(TCDRS)**	294,243	Hybrid; cash balance	Employees of state counties and districts
Texas Emergency Services Retirement System **(TESRS)**	9,358	DB	Volunteer firefighters and emergency personnel
Texas Municipal Retirement System **(TMRS)**	230,353	Hybrid; cash balance	Employees of state municipalities

Note: Combined DB + DC is a hybrid plan combining defined benefit and defined contribution portions. A Cash Balance plan maintains employee and employer contributions in an investment account.
Source: Texas Comptroller of Public Accounts, Public Pension Search Tool

TRS AND ERS

The Teacher Retirement System (TRS) and ERS are Texas' largest public retirement systems, serving about 1.5 million and 350,000 members respectively. (It should be noted that ERS members also may choose to participate in a supplemental 401(k)/457 program to increase their retirement benefits.)

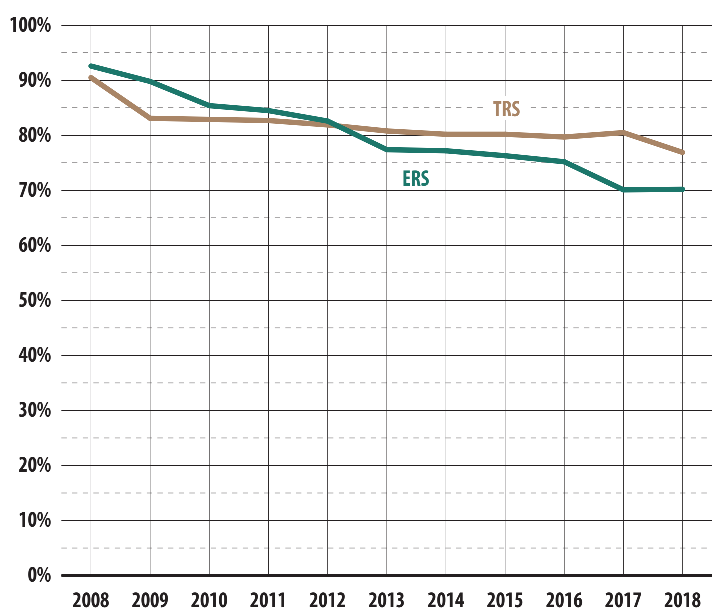
Together, TRS and ERS serve more than three-quarters of all state and local employees, dependents and retirees in Texas. During the last 10 years, the funded ratios of both systems have declined (**Exhibit 4**).

Based on PRB standards, neither TRS nor ERS is actuarially sound, with amortization periods of more than 30 years. The amortization period for TRS has been increasing since 2013 when it was at 28 years, while ERS' has been "infinite" for all but two years since 2008.

Funded ratios and amortization periods are determined primarily by the rate of return on investments and contribution rates. *Assumed* rates of return are determined by the systems' boards of trustees, based on their expectations for investment returns. The assumed rate of return for both ERS and TRS was 8 percent for many years, but in 2017 ERS reduced

EXHIBIT 4

ERS AND TRS FUNDED RATIOS, 2008-2018



Sources: Employees Retirement System of Texas and Teacher Retirement System of Texas its assumption to 7.5 percent; TRS went to 7.25 percent in 2018.

The *actual* average rates of return, however, have consistently fallen short of 8 percent and even the revised assumptions. As of 2018, the 20-year rate of return was 6.48 percent for ERS and 7.0 percent for TRS.

To secure future pensions, contributions will have to increase, benefits will need to be reduced — or both.

The Legislature sets each system's contribution rates, although the Texas Constitution requires the employer rate to be set at between 6 and 10 percent of total employee payroll. A measure introduced in the 2019 legislative session, Senate Joint Resolution 4 by Sen. Menéndez, proposes a constitutional amendment to raise the minimum to 7 percent.

Contribution rates have risen for both TRS and ERS in the last 10 years, but not enough to ensure sufficient funds to pay promised benefits (**Exhibit 5**). In the exhibit, note that ERS reports the actuarially determined contribution rate (ADC), which represents the combined employee and employer contribution rates needed to make the system sound. TRS reports only the actuarially determined employer contribution rate (ADEC).

ERS reports that another 3.62 percent of payroll contributed each year would return the plan to "actuarial soundness."

For 2018, ERS reports that another 3.62 percent of payroll contributed each year would return the plan to "actuarial soundness"; TRS would require another 1.82 percent of payroll. ERS' employer contribution rate, however, is currently at 9.5 percent, and individual agencies contribute another 0.5 percent, so the state is already at the 10 percent constitutional limit.

WHAT'S NEXT?

In recent years, the state has implemented changes to shore up the finances of ERS and TRS, but additional actions may be needed to reduce the gap between their assets and liabilities. These include changing plan designs, increasing state and/or member contributions, making additional state payments to the funds or reducing benefits for future participants.

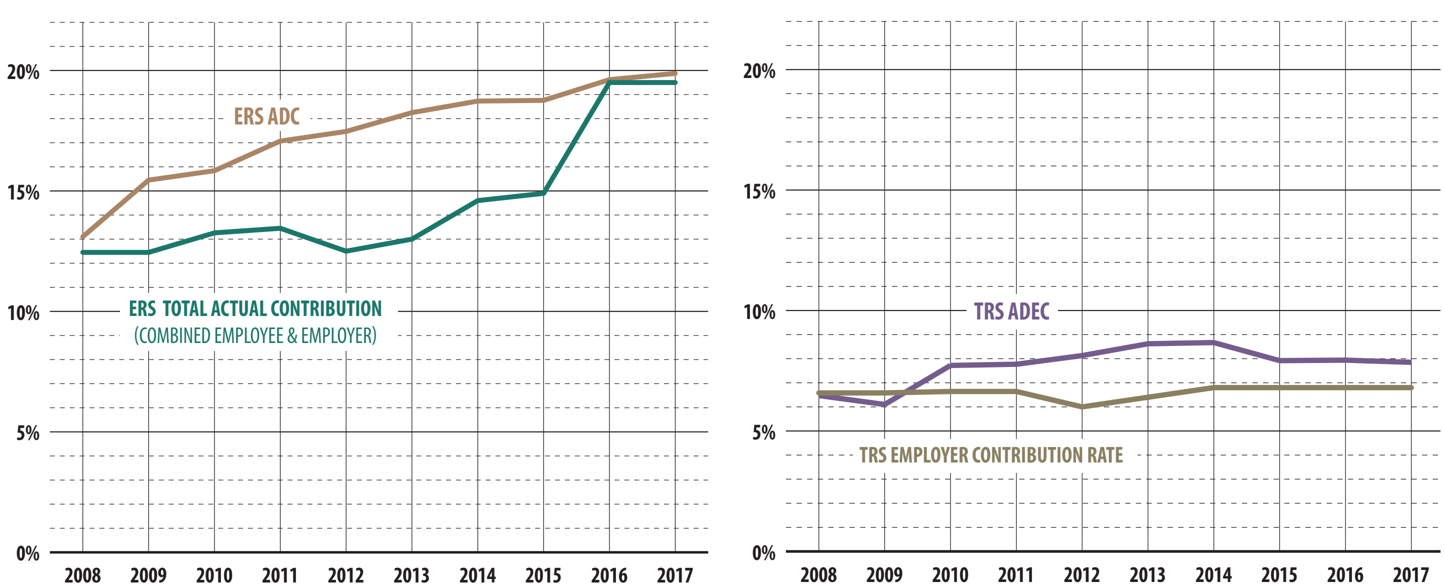
Any major change to Texas' public pension systems will be legislatively challenging, but action now to address shortfalls would help the state avoid the financial difficulties that have plagued other governments throughout the nation. **FN**

Want to know more about local and state pension plans in Texas? Visit the Comptroller's Public Pension Search Tool at comptroller.texas.gov/application.php/pension.

Note: TRS and ERS statements of additional payroll contributions needed to return the TRS and ERS plans to actuarial soundness are forward-looking statements, based on available data as of the statements' dates, and are subject to unknown variables and changes over time (including future contribution rates, investment returns and plan or membership changes). Actual results could differ and the difference could be material.

EXHIBIT 5

CONTRIBUTION RATE COMPARISONS, ERS AND TRS, 2008-2017



Sources: Employees Retirement System of Texas and Teacher Retirement System of Texas

Business Incubators

Getting a business off the ground is a big job. Only about half of businesses with employees survive at least five years, and some cite a 90 percent failure rate for startups, depending on your definition of success.

But entrepreneurs can increase their chances of success through *business incubators*, organizations offering resources such as mentoring, networking, investor contacts, workspace and expert assistance, to help guide their ideas to fruition. Business incubators generally offer their services to business startups in exchange for a portion of equity in the new company.

"For every Mark Zuckerberg or Michael Dell, there are large numbers of people who try and fail," says Peter Klein, W.W. Caruth Chair and professor of entrepreneurship and corporate innovation at Baylor University's Hankamer School of Business in Waco. "We hear and see so much about the winners that we often forget how extremely tough it is to launch a successful business. That's why incubators and university training programs have been started and have received a lot of focus in recent years."

Jamie Rhodes, founder and chair of the Alliance of Texas Angel Networks, says the best incubators fulfill two vital roles: educating novice entrepreneurs and successfully launching startups. The former, he notes, is easier than the latter.

"Entrepreneurs must know what questions investors need answered if they expect the investors to write a check," Rhodes says. Savvy investors want to know

Business incubators offer resources such as mentoring, networking, investor contacts, workspace and expert assistance.

if entrepreneurs have intellectual property that can be protected against competition — and how much funding they'll need to get to a positive cash flow. "Also, they need an ecosystem of accountants, bankers and lawyers who understand startups," he says.

Incubators began blossoming in the 1980s. The latest figures from the International Business Innovation Association show 1,400 in the U.S. They're among 9,122 entities supporting entrepreneurship nationwide, including co-working spaces and *accelerators*, programs offering incubator-like services to more established companies; one entrepreneur has described the difference as serving companies in "childhood" versus "adolescence."

A directory maintained by the Office of the Texas Governor listed 193 Texas incubators and other entrepreneurial resources in 2017 (**Exhibit 1**). Unsurprisingly, these resources are concentrated in the state's largest metropolitan areas. The list isn't comprehensive, however, excluding resources offered by local governments, for example.

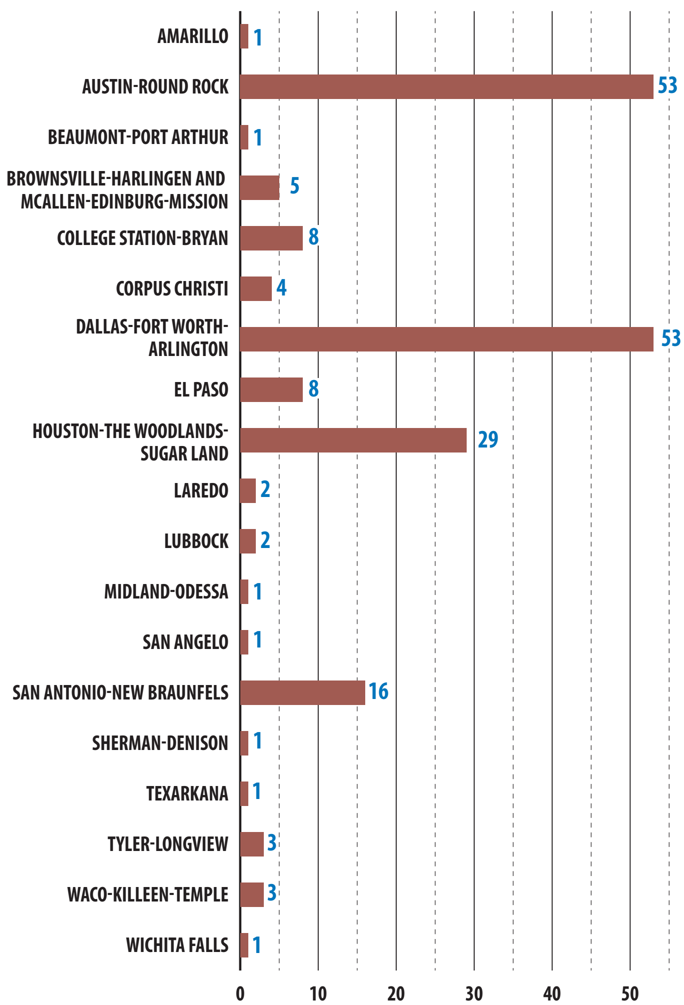
A PIONEER IN AUSTIN

The Austin Technology Incubator (ATI), part of the IC^2 Institute at the University of Texas at Austin, was launched three decades ago. Mitch Jacobson, ATI's director, says it's the nation's oldest continuously operating nonprofit incubator. The incubator has accepted 120 of the 1,000-plus companies it has vetted in the last 13 years, taking a 2 percent share of equity in each.

ATI has changed with the Austin business scene, evolving into an entity that focuses on providing the city's technology sector with resources such as networking, mentoring and assistance with fundraising. Its clientele includes nascent companies in biotech and life sciences; waste, re-use and recycling; and sustainable

EXHIBIT 1

ENTREPRENEURIAL RESOURCES IN TEXAS BY LOCATION



Note: The list is not comprehensive and does not include local government resources.
Source: Texas Office of the Governor

infrastructure, including clean energy and new transportation technologies.

"If you're working with an organization like ATI that knows what they're doing and has all these connections, we can help move that ball down the field faster than you can on your own," says Jacobson. "That's why these networks exist."

MITCH JACOBSON
DIRECTOR,
AUSTIN TECHNOLOGY INCUBATOR

On the other hand, Jacobson says, part of ATI's work is helping entrepreneurs realize when their idea *isn't* going to succeed, allowing them to fail faster so they can move on.

"If we see things going awry, we will help shut these companies down as fast as we can, so that these entrepreneurs can move on to other things and stop wasting their time and stop wasting their money," he says. "Failure isn't a bad thing. It hurts, and sometimes you feel like you wasted time and money, but you learn a lot from it."

The State Energy Conservation Office (SECO) in the Comptroller's office was one of the original funders of ATI's Clean Energy Incubator. The partnership has been in place since 2001, with a $450,000 commitment under its current contract.
The payoff has been substantial. For fiscal 2018, companies in ATI's Clean Energy Incubator portfolio reported raising $20.2 million in capital and earning nearly $2.8 million in revenues. They also reported 67.5 employees and nearly $9.8 million in total economic impact in Texas.

"SECO wants to keep the pipeline full of Texas clean energy technologies, but we lack a structured vetting process," says SECO Director Dub Taylor. "This is where the incubators come in — they provide evaluation, mentoring and connection to valuable networks of investors and customers."

COLLABORATIVE COMMUNITIES

ATI isn't the only successful incubator in Texas, of course.

Jerry White, the recently retired director of the Caruth Institute for Entrepreneurship at Southern Methodist University's Cox School of Business, compares his school's incubator, which opened in June 2018, to a FedEx Office Print and Ship. The SMU Incubator offers entrepreneurial students a dedicated collaborative workspace far more conducive to startup success than a dorm room or apartment.

"What we've created is a centralized entrepreneurial place that brings together heretofore fragmented efforts around campus into a centralized location," White says. "When we first envisioned it, we saw it as a way to foster collaboration between disparate programs and disciplines at SMU."

CARLOS MARTINEZ-VELA

CEO,
HUB OF HUMAN INNOVATION

The Hub of Human Innovation, a nonprofit founded in 2011 as a business incubator, is building a community of innovation and entrepreneurship in El Paso, says Carlos Martinez-Vela, its chief executive officer. The Hub is funded by the city of El Paso with additional support from corporate and individual sponsors.

Martinez-Vela, an MIT graduate originally from Monterrey, Mexico, observes that "because we are a border region — not in spite of that fact — we can do something very unique here. We're in a place where there are a lot of binational, bicultural and bilingual people. Those attributes, along with the complementarity of economies, create an environment for creativity and innovation to flourish."

Among the companies based at the incubator is Beacon Hill VR, which works on industrial applications of virtual and augmented reality. Ivan Gris, Beacon Hill VR chief technology officer and co-founder, says the Hub has provided important resources, guidance and opportunities.

Beacon Hill VR initially sought a co-working space, but found that the incubator also offered mentorships and "great networking opportunities" in Juarez and El Paso, Gris says. The Hub provided the fledgling company with co-working space and a platform to share and demonstrate its research, technical achievements and software products to the community.

Beacon Hill VR also received guidance on applying for grants and introductions to other developers and tech startups in the area, Gris says. On the business side, the incubator both introduced the entrepreneurs to potential investors and helped them prepare for pitching.

"There's great value in the serendipitous conversations that happen in a place like the Hub," Martinez-Vela says. One such interaction led the Hub and Beacon Hill VR partnership to create an outreach program and mixed-reality lab for students, entrepreneurs and small businesses — an idea that grew out of a conversation about emerging educational programs at top-tier universities that incorporate virtual reality and augmented reality, he says.

Together, the company and its incubator developed an initiative to provide the community with access to high-end augmented- and virtual-reality devices as well as a series of open, online courses to help new developers or potential users learn and adopt the technology. It will provide a space for software developers to learn and test holographic applications, and allow small and medium-sized businesses to try out the technology for training, simulation or product design. It's also a way to identify and develop talent in augmented and virtual reality, "an emerging field where experts and developers are difficult to find," Martinez-Vela says.

An incubator's performance should be measured by the success of the companies it cultivates.

The Hub received a $10,000 grant for the project from Microsoft, which recently opened a community engagement office in El Paso. The incubator made a matching contribution through the use of space and staff time.

"Entrepreneurs who are serious about growing or starting their business should definitely seek an incubator," Gris says. "Although the incubator by itself will not replace the hard work behind any successful business launch, it will help by suggesting people, mentors, investors, educational materials, events, grants and many other opportunities."

MEASURING SUCCESS

ATI's Jacobson says an incubator's performance should be measured by the success of the companies it cultivates, including their job creation, economic impact and ability to stay in business, go public or be acquired. The 120 companies ATI has assisted have raised more than $1.3 billion from investors and created more than a thousand jobs. All but 18 have "graduated," moving into the broader business world. Nine went public and 14 were acquired by other companies.

The Hub in El Paso tracks the number of companies and entrepreneurs it has helped, how many remain in business and their revenues and payroll, says Martinez-Vela. As of mid-December 2018, the organization had helped 71 companies and entrepreneurs, and at that point 40 to 50 were still in business. It also had 14 active member companies, most of them in the early stages. In the quarter ending Sept. 30, 2018, Hub member companies reported revenues totaling $277,000.

"Innovation and entrepreneurship are long-term endeavors," Martinez-Vela says. "By creating a supportive environment and a community, we increase the likelihood of survival and success, but we can't guarantee it. It's a fact that the majority of startups fail, and that is the nature of the ebbs and flows of a free-market economy." **FN**

State Revenue Watch

This table presents data on net state revenue collections by source. It includes most recent monthly collections, year-to-date (YTD) totals for the current fiscal year and a comparison of current YTD totals with those in the equivalent period of the previous fiscal year.

These numbers were current at press time. For the most current data as well as downloadable files, visit **comptroller.texas.gov/transparency.**

Note: Texas' fiscal year begins on Sept. 1 and ends on Aug. 31.

NET STATE REVENUE — All Funds Excluding Trust

(AMOUNTS IN THOUSANDS)

Monthly and Year-to-Date Collections: Percent Change From Previous Year

Tax Collections by Major Tax	JANUARY 2019	YEAR TO DATE: TOTAL	YEAR TO DATE: CHANGE FROM PREVIOUS YEAR
SALES TAX	$2,833,223	$14,048,045	7.92%
PERCENT CHANGE FROM JANUARY 2018	6.01%		
MOTOR VEHICLE SALES AND RENTAL TAXES	425,720	2,066,538	-1.27%
PERCENT CHANGE FROM JANUARY 2018	-0.47%		
MOTOR FUEL TAXES	305,070	1,553,816	2.14%
PERCENT CHANGE FROM JANUARY 2018	0.16%		
FRANCHISE TAX	-12,403	-205,908	-34.60%
PERCENT CHANGE FROM JANUARY 2018	-86.40%		
OIL PRODUCTION TAX	274,513	1,598,980	36.99%
PERCENT CHANGE FROM JANUARY 2018	-3.31%		
INSURANCE TAXES	25,213	106,905	-10.55%
PERCENT CHANGE FROM JANUARY 2018	7.77%		
CIGARETTE AND TOBACCO TAXES	106,098	551,009	10.42%
PERCENT CHANGE FROM JANUARY 2018	-2.56%		
NATURAL GAS PRODUCTION TAX	152,947	763,647	33.39%
PERCENT CHANGE FROM JANUARY 2018	24.32%		
ALCOHOLIC BEVERAGES TAXES	124,025	561,629	7.52%
PERCENT CHANGE FROM JANUARY 2018	8.99%		
HOTEL OCCUPANCY TAX	39,664	241,840	6.04%
PERCENT CHANGE FROM JANUARY 2018	18.35%		
UTILITY TAXES[1]	85,025	211,132	10.04%
PERCENT CHANGE FROM JANUARY 2018	5.01%		
OTHER TAXES[2]	25,735	118,097	16.80%
PERCENT CHANGE FROM JANUARY 2018	5.19%		
TOTAL TAX COLLECTIONS	**$4,384,829**	**$21,615,728**	**9.62%**
PERCENT CHANGE FROM JANUARY 2018	**6.80%**		

Revenue By Source	JANUARY 2019	YEAR TO DATE: TOTAL	YEAR TO DATE: CHANGE FROM PREVIOUS YEAR
TOTAL TAX COLLECTIONS	$4,384,829	$21,615,728	9.62%
PERCENT CHANGE FROM JANUARY 2018	6.80%		
FEDERAL INCOME	3,544,340	17,462,859	0.36%
PERCENT CHANGE FROM JANUARY 2018	-12.06%		
LICENSES, FEES, FINES AND PENALTIES	838,246	2,925,449	3.21%
PERCENT CHANGE FROM JANUARY 2018	14.32%		
STATE HEALTH SERVICE FEES AND REBATES[3]	1,025,433	3,340,641	-10.93%
PERCENT CHANGE FROM JANUARY 2018	-28.65%		
NET LOTTERY PROCEEDS[4]	226,404	1,114,807	23.08%
PERCENT CHANGE FROM JANUARY 2018	-9.27%		
LAND INCOME	156,590	1,050,964	33.13%
PERCENT CHANGE FROM JANUARY 2018	2.68%		
INTEREST AND INVESTMENT INCOME	446,163	976,976	63.41%
PERCENT CHANGE FROM JANUARY 2018	24.82%		
SETTLEMENTS OF CLAIMS	12,128	479,911	0.26%
PERCENT CHANGE FROM JANUARY 2018	214.84%		
ESCHEATED ESTATES	8,944	105,028	36.89%
PERCENT CHANGE FROM JANUARY 2018	-99.98%		
SALES OF GOODS AND SERVICES	19,085	109,147	-7.60%
PERCENT CHANGE FROM JANUARY 2018	-36.84%		
OTHER REVENUE	106,432	452,120	-16.25%
PERCENT CHANGE FROM JANUARY 2018	34.90%		
TOTAL NET REVENUE	**$10,768,594**	**$49,633,629**	**5.13%**
PERCENT CHANGE FROM JANUARY 2018	**-3.77%**		

[1] Includes public utility gross receipts assessment, gas, electric and water utility tax and gas utility pipeline tax.

[2] Includes taxes not separately listed, such as taxes on oil well services, coin-operated amusement machines, cement and combative sports admissions as well as refunds to employers of certain welfare recipients.

[3] Includes various health-related service fees and rebates that were previously in "license, fees, fines and penalties" or in other non-tax revenue categories.

[4] Gross sales less retailer commission and the smaller prizes paid by retailers.

Notes: Totals may not add due to rounding.

Excludes local funds and deposits by certain semi-independent agencies.

Includes certain state revenues that are deposited in the State Treasury but not appropriated.

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