Appendix A

The State of Texas

May 2017

CONTENTS

The data represented in this report is available in accessible data form (Excel):
https://www.comptroller.texas.gov/programs/systems/treasury-ops/docs/bond-appendix.xlsx

About this Bond Appendix

This Appendix A (this "Bond Appendix") provides a general description of the State of Texas (the "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 (the "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 are based on available information, assumptions and estimates as of the date of the forecast or other forward looking statement. 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.

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 each, and 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.

The 85th Regular Legislative Session began on January 10, 2017 and will conclude on May 29, 2017.

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 first term as Governor in January 2015.

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 first term as Lieutenant Governor in January 2015.

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, and the establishment and oversight of the Texas Bullion Depository. The current Comptroller is Glenn Hegar who was sworn-in for his first term as Comptroller in January 2015.

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 George P. Bush who was sworn-in for this first term as Land Commissioner in January 2015.

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. The current Attorney General is Ken Paxton who was sworn-in for his first term as Attorney General in January 2015.

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. Secretary of State Carlos Cascos announced his departure from the post in December 2016. Governor Abbott has appointed as his successor Rolando Pablos, who was sworn in to office in January 2017.

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 *Texas Comprehensive Annual Financial Report* was produced for the first time in 1990 and will continually be used for the February report cited. The 1990-2015 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.

In an effort to improve the budgeting process, a performance-based budget preparation process, which appropriates funds at the strategy level, was implemented and utilized to prepare proposed budgets beginning with 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 (FY); 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, including 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, which percentage may be adjusted upward as described below, 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 FY2015, 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 FY2015, a constitutional amendment authorized one half of that amount (37.5 percent) to be transferred to the State Highway Fund (SHF) unless otherwise limited by the legislature. The requirement to transfer a portion of the net oil and gas production taxes to the SHF will expire September 1, 2025, unless the legislature extends the requirement.

Under Government Code Section 316.092, prior to each legislative session, a combined legislative committee determines the balance of the ESF that it anticipates to be sufficient in the next biennium. The legislature may enact an adjustment to the committee's determination. 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 percentage of net oil and gas production tax collections transferred to the ESF as necessary to produce a sufficient balance.

The Select Joint Committee on the Economic Stabilization Fund Balance adopted a sufficient balance of $7.0 billion for FY 2015-2017 and $7.5 billion for FY 2018-2019. There can be no assurance that the amount determined to be a sufficient balance for the ESF will be funded or, if funded, will in fact be sufficient to offset shortfalls in revenue in any biennium or, before transferred for that purpose, will not be appropriated and expended for other purposes.

FUND CAP

The ESF is capped during each biennium at an amount equal to 10 percent of General Revenue (excluding interest and other investment income and borrowings from special funds) deposited during the previous biennium. The state has never reached the cap. The cap for the 2016-2017 biennium is $16.2 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 in that fund, but must return the transferred amount as soon as possible and not later than the end of the biennium in which the transfer occurred. The fund receives the investment earnings on the fund 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 in the ESF:

- by a two-thirds vote of the members present in each house for any purpose at any time; and
- by a three-fifths vote of the members present in each house (a) to 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 the ESF was established in 1989, the Legislature has appropriated ESF funds for a variety of state funding purposes, including health and human services matters, disaster assistance, healthcare for state retirees, economic development, the foundation school program, state parks operations, state water plan, and transportation funding. Most recently, the 83rd Legislature appropriated $3.94 billion consisting of $2 billion to the State Water Implementation Fund to implement legislation funding the State Water Plan and $1.75 billion for the August 2013 Foundation School Program payment.

INVESTMENT OF THE ESF

The Comptroller is required to deposit or invest the ESF in the same manner as other state funds with interest and other income earned on ESF fund balances is retained in the ESF up to the cap. In addition, Government Code Section 404.0241 directs the Comptroller to invest the portion of the ESF balance that exceeds the legislatively determined sufficient balance in accordance with the general prudent investment standard. 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 28, 2017, the ESF balance was $10.2 billion, of which $2.1 billion was invested under the prudent investment standard.

INTERFUND BORROWING

Under Texas Government Code, Section 403.092, the Comptroller is authorized to make interfund transfers of available cash, excluding constitutionally dedicated revenues, between funds that are managed by or in the custody of the Comptroller in order to avoid temporary cash deficiencies in the General Revenue Fund. This procedure effectively allows the Comptroller to borrow against cash balances held in special funds to finance deficiencies in the General Revenue Fund caused by timing differences between cash receipts and cash expenditures. Any available cash transferred to the General Revenue Fund must be returned to the fund from which it was taken as soon as practicable. To maintain the equity of the fund from which available cash was transferred, earned interest is allocated as if the transfer had not been made. Data on the amount of interfund borrowing may be found in Table A-15.

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 Texas Comprehensive Annual Financial Report is required to be audited by the State Auditor. The audited version of the 2016 report was issued on February 28, 2017. Copies of the audited annual financial report are available to the public by writing to the Fiscal Integrity 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 October 2015. The size of the Treasury investment pool ranges from approximately $25 billion to $41 billion depending on seasonal variations in revenues and expenditures.

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 270 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 made with state or national banks doing business in this state or with primary dealers as approved by the Federal Reserve System. Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered. Money received 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.

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 Paul Ballard as Chief Executive Officer of the Trust Company. His appointment became effective February 1, 2003.

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 $21 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 Investors Inc. 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, 2017, TexPool had 2,409 members and a fund balance of $18.1 billion; TexPool Prime had 250 members and a fund balance of $4.1 billion. TexPool and TexPool Prime are AAAm money market funds rated by Standard and Poor’s. TexPool’s average maturity is 41 days and TexPool Prime is 43 days as of May 1, 2017.

3. STATE REVENUES AND EXPENDITURES

CURRENT TREASURY INVESTMENTS

As of May 1, 2017, the beginning balance in the Treasury was $24.9 billion, of which $3.7 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	585	2.35%
Treasury Bills	2,194	8.81%
Treasury Notes	651	2.62%
Treasury TIPS	265	1.06%
Treasury FRNs	0	0.00%
Corporate Bonds	1,815	7.29%
Covered Bonds	150	0.60%
Asset Backed Securities	2,338	9.40%
Money Market Funds	1,528	6.14%
Agency Notes	1,200	4.82%
Agency Discount Notes	100	0.40%
Supranational	2,155	8.66%
Supranational Discount Notes	0	0.00%
Repurchase Agreements	1,715	6.89%
Lottery Award Annuities	596	2.40%
Mortgage Backed Securities	2,118	8.51%
SBA Securities	27	0.11%
Commercial Paper	7,421	29.82%
Israel Bond	65	0.26%
Cash	0	0.00%
Trust Stock	1	0.00%
Reverse Repurchase Agreements	-36	-0.14%
Totals (1)	24,890	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 509 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 may enter into an agreement 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 Comptroller's office provides liquidity to purchase commercial paper to refund maturing commercial paper, if it cannot be rolled, and demand obligations tendered for purchase, if they cannot be remarketed. The Comptroller would hold such obligations 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, 2017 the office provided liquidity for the following obligations:

Obligations	Total Commitment (Par and Interest)	Expiration Date
Texas Department of Housing and Community Affairs Taxable Junior Lien Single Family Variable Rate Mortgage Revenue Bonds, Series 2004A (weekly demand)	4,154,423	August 31, 2017
Texas Department of Housing and Community Affairs Single Family Variable Rate Mortgage Revenue Refunding Bonds, Series 2004B (weekly demand)	30,040,086	August 31, 2017
Texas Department of Housing and Community Affairs Single Family Variable Rate Mortgage Revenue Bonds, Series 2004D (weekly demand)	20,389,540	August 31, 2017
Texas Department of Housing and Community Affairs Single Family Variable Rate Mortgage Revenue Refunding Bonds, Series 2005A (weekly demand)	27,669,209	August 31, 2017
Texas Department of Housing and Community Affairs Single Family Mortgage Revenue Bonds, Series 2007A (weekly demand)	32,745,040	August 31, 2017
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	322,191,781	August 31, 2017
Texas Public Finance Authority State of Texas Tax-Exempt Commercial Paper Revenue Notes, Series 2003	107,397,260	August 31, 2017
Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes, Series 2008	252,383,562	August 31, 2017

Texas Public Finance Authority Revenue Commercial Paper Note Program (Texas Facilities Commission Projects), Series 2016A (Taxable) and Series 2016B (Tax-Exempt)	80,547,945	August 31, 2017
Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B (Multi-Modal Bonds)	151,726,027	August 31, 2017
TOTAL PROGRAM COMMITMENT	$1,029,244,873	

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 2016, 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 House Bill 3050, which re-dedicated 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

Federal receipts provided the State's primary source of income in fiscal 2016 (see Table A-5). The sales tax (which accounted for 58.3% of total tax revenue) came in second, while licenses, fees, fines and penalties provided a distant third largest revenue source to the State. Motor vehicle sales/rental taxes, franchise taxes and motor fuels taxes came in as the fourth, fifth and sixth largest respectively. The remainder of the State's revenue was derived primarily from insurance taxes, net lottery proceeds, oil production tax, cigarette and tobacco taxes, interest and investment income, alcoholic beverages taxes, land income, and other revenue sources. 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, 2016.

Table A-2

Major State Taxes

Tax	Rate and Base
Sales Taxes	**Limited Sales and Use:** 6.25 percent of the retail sale price of taxable tangible personal property and selected services.
	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.
	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).
Natural Gas Production Tax	7.5 percent of the market value of natural gas produced in the State; 4.6 percent of the market value of condensate produced in the State
Oil Production Tax	4.6 percent of the market value of oil produced in the State.
Motor Fuel Taxes	**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).
	Compressed Natural Gas and Liquefied Natural Gas: 15¢ per gallon.
Motor Vehicle Sales and Use, Rental, and Manufactured Housing Sales Taxes	**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.
	Rental: 10 percent of gross receipts on rentals of 30 days or less; 6.25 percent on rentals of 31 to 180 days.

Tax	Rate and Base
	Manufactured Housing Sales: 5 percent of 65 percent of the sales price on the initial sale or use of a new manufactured home.
Cigarette, Cigar and Tobacco Products Taxes	**Cigarettes:** $70.50 per 1,000 cigarettes weighing 3 pounds or less per 1,000 ($1.41 per pack of 20). **Cigars and Tobacco Products:** (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 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	**Beer:** $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. **Malt Liquor (Ale):** 19.8¢ per gallon. **Mixed Beverage:** 6.7 percent of the permitees 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.

Tax	Rate and Base
	Unauthorized, Independently Procured, and Surplus Lines Insurance: 4.85 percent of gross premiums written for insurees 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 IMPACTING FUTURE FISCAL YEARS

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%) of the revenues collected from the tax imposed on the sale, use or rental of a motor vehicle that exceeds $5 billion. These provisions expire August 31, 2032 and August 31, 2029 respectively, however, the legislature may extend the allocations in ten year increments by adopting a resolution approved by a majority of each house.

HISTORICAL REVENUES, EXPENDITURES, AND CASH CONDITION

Table A-3 contains information concerning the cash position for the Consolidated General Revenue Fund for 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

	2012	2013	2014	2015	2016
CASH BALANCE – September 1					
Cash in State Treasury	$ 2,629,414,943	$ 1,988,757,273	$ 8,556,426,230	$ 10,969,399,328	$ 11,119,548,910
Cash in Petty Cash Accounts	7,927,699	8,439,483	9,198,291	9,225,505	9,907,225
Prior Period Adjustments (2)	1,509,396	0	0	0	0
	2,638,852,038	1,997,196,756	8,565,624,521	10,978,624,834	11,129,456,136
NET REVENUE					
Tax Collections	41,337,350,053	44,768,843,583	48,284,058,834	48,910,385,502	46,546,681,772
Federal Income	28,266,640,222	29,201,753,868	30,706,433,285	33,485,449,644	35,445,562,721
Licenses, Fees, Fines and Penalties	5,663,241,533	5,822,455,657	6,491,811,542	7,640,263,095	9,492,111,901
Interest and Investment Income	19,878,041	73,947,085	100,775,663	86,454,292	69,895,550
Net Lottery Proceeds	1,830,916,003	1,893,285,121	1,878,111,901	1,893,534,374	2,219,964,919
Sales of Goods and Services	159,978,391	165,488,179	188,676,366	192,450,242	179,866,335
Settlements of Claims	558,112,743	596,085,184	559,966,966	523,923,121	597,125,634
Land Income	41,027,874	53,908,881	52,913,987	43,444,568	18,187,457
Contribution to Employees Benefits	126,448	86,521	86,983	55,560	54,779
Other Revenue	4,160,635,102	4,444,476,477	4,233,233,798	5,130,881,159	5,415,240,054
TOTAL NET REVENUE	82,037,906,412	87,020,330,557	92,496,069,325	97,906,841,557	99,984,691,121
OTHER SOURCES					
Bond and Note Proceeds	5,000,000	0	(5,000,000)	5,000,000	0
Sale/Redemption of Investments	2,307,555	1,170,587	4,244,799	14,137,500	1,500,000
Deposits to Trust and Suspense	8,805,350	14,548,649	6,714,348	9,941,537	9,109,735
Departmental Transfers	833,075,596	906,739,261	922,255,896	930,410,898	1,094,453,914
Operating Fund Transfers	36,665,253,329	36,457,770,469	37,159,830,709	37,658,886,639	39,911,599,686
Residual Equity Transfers	1,551	4,311	1,000	5,368	-
Other Sources	116,421	233,264	11,689	13,480	32,000
TOTAL OTHER SOURCES	37,514,559,801	37,380,466,541	38,088,058,441	38,618,395,423	41,016,695,335
TOTAL NET REVENUE AND OTHER SOURCES	$ 119,552,466,213	$ 124,400,797,098	$ 130,584,127,766	$ 136,525,236,980	$ 141,001,386,456

(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

	2012	2013	2014	2015	2016
NET EXPENDITURES					
General Government	$ 2,611,650,991	$ 2,515,040,533	$ 2,668,044,568	$ 2,792,569,096	$ 2,951,241,935
Education	30,547,883,536	26,680,189,159	30,569,780,490	32,614,156,305	33,755,752,153
Employee Benefits	2,922,005,611	3,003,422,510	3,350,471,668	3,558,029,086	4,111,415,789
Health and Human Services	38,005,054,577	38,653,634,026	41,613,552,318	46,205,690,550	50,597,763,208
Public Safety and Corrections	3,752,373,282	3,716,507,835	3,964,111,744	4,129,026,730	4,772,232,611
Transportation	18,145,866	22,337,163	89,568,506	78,401,973	98,756,700
Natural Resources/					
Recreational Services	1,613,580,272	1,579,566,322	1,644,422,915	1,897,895,250	1,834,636,958
Regulatory Agencies	288,992,399	299,974,585	541,833,821	421,476,662	553,275,730
Lottery Winnings Paid (3)	619,034,021	661,198,706	602,686,641	554,014,258	672,822,128
Debt Service – Interest	201,768,977	205,957,882	222,169,619	240,504,933	244,891,511
Capital Outlay	287,166,396	338,109,453	265,499,101	254,072,795	381,817,555
TOTAL NET EXPENDITURES	80,867,655,928	77,675,938,174	85,532,141,390	92,745,837,638	99,974,606,277
OTHER USES					
Purchase of Investments	144,432	9,220,419	5,494,079	6,693,165	1,583,825
Trust and Suspense Payments	9,511	8,316	18,115	10,438	16,649
Teacher and Employee Retirement					
Payments	2,532,409	2,693,264	2,415,216	2,328,052	3,855,214
Departmental Transfers	757,747,799	812,797,457	866,400,841	866,500,662	1,023,625,103
Operating Fund Transfers	38,370,757,444	39,102,429,705	41,498,094,357	42,451,898,711	44,696,985,338
Residual Equity Transfers	15	4,311	0	0	0
Other Uses	11,518,205	20,475,731	21,883,903	17,435,200	16,255,642
Debt Service – Principal	184,267,537	209,560,764	244,706,767	284,383,532	301,776,721
TOTAL OTHER USES	39,326,977,351	40,157,189,967	42,639,013,277	43,629,249,760	46,044,098,493
TOTAL NET EXPENDITURES	120,194,633,280	117,833,128,141	128,171,154,667	136,375,087,399	146,018,704,770
Net Increase/(Decrease)	511,784	758,808	27,214	681,720	(14,358)
CASH BALANCE –	$ 1,997,196,755	$ 8,565,624,521	$ 10,978,624,834	$ 11,129,456,136	$ 6,112,123,464
CASH IN STATE TREASURY	1,988,757,273	8,556,426,230	10,969,399,328	11,119,548,910	6,102,230,596
CASH IN PETTY CASH	8,439,483	9,198,291	9,225,505	9,907,225	9,892,868

(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 for the State's latest fiscal year ending August 31, 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, 2016

	Total Consolidated General Revenue(1)	Special Revenue	All Other Funds	Total All Funds
CASH BALANCE – SEPTEMBER 1, 2015				
Cash in State Treasury	$ 11,119,548,910	$ 19,363,995,364	$ 6,668,825,180	$ 37,152,369,454
Cash in Petty Cash Accounts	9,907,225	698,808	79,000	10,685,033
	11,129,456,136	19,364,694,172	6,668,904,180	37,163,054,487
NET REVENUE				
Tax Collections	46,546,681,772	1,929,544,452	2,145,019,914	50,621,246,138
Federal Income	35,445,562,721	4,028,272,459	283,334,711	39,757,169,891
Licenses, Fees, Fines and Penalties	9,492,111,901	2,124,678,220	142,997,248	11,759,787,369
Interest and Investment Income	69,895,550	1,292,400,172	218,730,285	1,581,026,006
Net Lottery Proceeds	2,219,964,919	0	0	2,219,964,919
Sales of Goods and Services	179,866,335	113,180,588	545,956,507	839,003,430
Settlements of Claims	597,125,634	54,848,396	5,605,634	657,579,663
Land Income	18,187,457	1,121,348,736	0	1,139,536,193
Contribution to Employees Benefits	54,779	0	8,167,082,980	8,167,137,759
Other Revenue	5,415,240,054	631,907,012	5,231,402,663	11,278,549,728
TOTAL NET REVENUE	99,984,691,121	11,296,180,034	16,740,129,942	128,021,001,097
OTHER SOURCES				
Bond and Note Proceeds	0	2,267,743,463	0	2,267,743,463
Sale/Redemption of Investments	1,500,000	2,742,448,578	6,335,055,855	9,079,004,433
Deposits to Trust and Suspense	9,109,735	118,916,772	12,102,419,881	12,230,446,387
Departmental Transfers	1,094,453,914	23,772,817	494,595	1,118,721,326
Operating Fund Transfers	39,911,599,686	22,007,402,410	13,398,660,665	75,317,662,761
Residual Equity Transfers	0	0	0	0
Other Sources	32,000	1,658	0	33,658
TOTAL OTHER SOURCES	41,016,695,335	27,160,285,697	31,836,630,996	100,013,612,028
TOTAL NET REVENUE AND OTHER SOURCES	$ 141,001,386,456	$ 38,456,465,731	$ 48,576,760,938	$ 228,034,613,125

(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, 2016
(concluded)

	Consolidated General Revenue(1)	Special Revenue	All Other Funds	Total All Funds
NET EXPENDITURES				
General Government	$ 2,951,241,935	$ 120,570,083	$ 4,962,267,711	$ 8,034,079,729
Education	33,755,752,153	2,208,846,117	229,140,404	36,193,738,673
Employee Benefits	4,111,415,789	391,166,184	5,686,239,131	10,188,821,103
Health and Human Services	50,597,763,208	137,191,575.55	3,154,439,815.73	53,889,394,599.02
Public Safety and Corrections	4,772,232,611	56,874,487.22	30,876.84	4,829,137,974.70
Transportation	98,756,700	9,509,981,748.64	0.00	9,608,738,448.44
Natural Resources/Recreational Services	1,834,636,958	1,013,041,264.90	377,452.18	2,848,055,675.09
Regulatory Agencies	553,275,730	58,211,488.32	2,174,927.72	613,662,145.68
Lottery Winnings Paid(2)	672,822,128	0.00	0.00	672,822,128.22
Debt Service – Interest	244,891,511	882,715,229.23	27,711,084.85	1,155,317,825.03
Capital Outlay	381,817,555	217,283,951.18	5,903,981.07	605,005,487.66
TOTAL NET EXPENDITURES	99,974,606,277	14,595,882,129.29	14,068,285,383.77	128,638,773,790.12
OTHER USES				
Purchase of Investments	1,583,825	4,944,277,813.08	3,804,608,346.81	8,750,469,984.89
Trust and Suspense Payments	16,649	0	8,292,084,980.78	8,292,101,629.82
Teacher and Employee Retirement Payments	3,855,214	0.00	12,221,037,726.01	12,224,892,940.32
Departmental Transfers	1,023,625,103	68,788,936	1,575,745	1,093,989,783
Operating Fund Transfers	44,696,985,338	17,967,091,451	11,481,910,346	74,145,987,135
Residual Equity Transfer	0	0	0	0
Other Uses	16,255,642	0	0	16,255,642
Debt Service – Principal	301,776,721	1,585,115,498	334,550,000	2,221,442,220
TOTAL OTHER USES	46,044,098,493	24,565,273,699	36,135,767,144	106,745,139,335
TOTAL NET EXPENDITURES AND OTHER USES	146,018,704,770	39,161,155,828	50,204,052,528	235,383,913,126
Net Increase/(Decrease) To Petty Cash Accounts	(14,358)	(1,658)	0	(16,015)
CASH BALANCE – AUGUST 31, 2016	$ 6,112,123,464	$ 18,660,002,417	$ 5,041,612,590	$ 29,813,738,471
CASH IN STATE TREASURY	6,102,230,596	18,659,305,267	5,041,533,590	29,803,069,453
CASH IN PETTY CASH ACCOUNTS	9,892,868	697,150	79,000	10,669,018

(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 and opening balances 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

	2012	% Change	2013	% Change	2014	% Change
TAX COLLECTIONS BY MAJOR TAX						
Sales Taxes	$ 24,191,240,632	12.6%	$ 25,943,807,086	7.2%	$ 27,385,709,242	5.6%
Motor Vehicle Sales / Rental Taxes	3,559,231,370	19.5	3,878,379,684	9.0	4,209,952,925	8.5
Motor Fuel Taxes	3,169,239,669	2.1	3,221,502,038	1.6	3,315,952,089	2.9
Franchise Tax	4,564,730,635	16.1	4,798,699,188	5.1	4,732,261,872	(1.4)
Insurance Taxes	1,496,251,178	10.9	1,764,153,450	17.9	1,947,908,252	10.4
Natural Gas Production Tax	1,534,630,438	38.3	1,495,202,962	(2.6)	1,899,581,526	27.0
Cigarette and Tobacco Taxes	1,428,102,956	(8.4)	1,598,089,091	11.9	1,342,454,822	(16.0)
Alcoholic Beverages Taxes	929,700,476	7.8	976,893,685	5.1	1,053,231,009	7.8
Oil Production Tax	2,103,268,285	42.8	2,990,890,113	42.2	3,874,070,862	29.5
Inheritance Tax	(483,557)	(126.8)	(10,293,450)	2,028.7	11,543	100.1
Utility Taxes	450,907,026	(1.5)	434,870,937	(3.6)	478,188,876	10.0
Hotel Occupancy Tax	401,411,015	15.1	441,131,849	9.9	485,384,563	10.0
Other Taxes	250,888,626	24.7	247,719,032	(1.3)	267,853,959	8.1
TOTAL TAX COLLECTIONS	$ 44,079,118,749	13.4%	$ 47,781,045,666	8.4%	$ 50,992,561,539	6.7%
REVENUE BY SOURCE						
Total Tax Collections	$ 44,079,118,749	13.4%	$ 47,781,045,666	8.4%	$ 50,992,561,539	6.7%
Federal Income	32,922,040,458	(14.3)	32,530,326,029	(1.2)	34,266,042,884	5.3
Licenses, Fees, Fines and Penalties	7,607,685,311	(3.4)	7,919,704,761	4.1	8,497,084,352	7.3
Interest and Investment Income	1,098,930,226	6.2	1,182,874,186	7.6	1,463,131,137	23.7
Net Lottery Proceeds	1,830,916,003	9.3	1,893,285,121	3.4	1,878,111,901	(0.8)
Sales of Goods and Services	362,751,310	28.1	225,926,149	(37.7)	262,340,778	16.1
Settlements of Claims	559,831,674	(4.8)	609,960,852	9.0	575,202,495	(5.7)
Land Income	1,372,263,670	(6.1)	1,325,664,892	(3.4)	1,863,363,858	40.6
Contributions to Employee Benefits	126,448	(19.9)	86,521	(31.6)	86,983	0.5
Other Revenue Sources	4,827,723,946	18.8	5,574,338,463	15.5	5,144,367,991	(7.7)
TOTAL NET REVENUE	$ 94,661,387,794	0.4%	$ 99,043,212,641	4.6%	$104,942,293,918	6.0%

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)

	2015	% Change	2016	% Change
TAX COLLECTIONS BY MAJOR TAX				
Sales Taxes	$ 28,910,857,486	5.6%	$ 28,245,800,650	(2.3)%
Motor Vehicle Sales / Rental Taxes	4,514,186,360	7.2	4,616,081,586	2.3
Motor Fuel Taxes	3,446,156,816	3.9	3,513,716,269	2.0
Franchise Tax	4,656,286,107	(1.6)	3,881,176,449	(16.6)
Insurance Taxes	2,049,417,265	5.2	2,226,724,848	8.7
Natural Gas Production Tax	1,280,409,939	(32.6)	578,798,864	(54.8)
Cigarette and Tobacco Taxes	1,532,414,267	14.2	1,388,362,823	(9.4)
Alcoholic Beverages Taxes	1,138,775,576	8.1	1,182,548,508	3.8
Oil Production Tax	2,879,054,654	(25.7)	1,704,282,653	(40.8)
Inheritance Tax	(3,816,952)	(33,166.9)	0	(100.0)
Utility Taxes	480,765,529	0.5	434,964,944	(9.5)
Hotel Occupancy Tax	525,819,090	8.3	521,152,526	(0.9)
Other Taxes	272,733,754	1.8	182,616,105	(33.0)
TOTAL TAX COLLECTIONS	$ 51,683,059,891	1.4%	$ 48,476,226,223	(6.2)%
REVENUE BY SOURCE				
Total Tax Collections	$ 51,683,059,891	1.4%	$ 48,476,226,223	(6.2)%
Federal Income	36,700,990,373	7.1	39,473,835,181	7.6
Licenses, Fees, Fines and Penalties	9,649,624,204	13.6	11,616,790,121	20.4
Interest and Investment Income	1,393,600,949	(4.8)	1,362,295,721	(2.2)
Net Lottery Proceeds	1,893,534,374	0.8	2,219,964,919	17.2
Sales of Goods and Services	428,665,103	63.4	293,046,923	(31.6)
Settlements of Claims	541,070,879	(5.9)	651,974,029	20.5
Land Income	1,547,830,695	(16.9)	1,139,536,193	(26.4)
Contributions to Employee Benefits	55,560	(36.1)	54,779	(1.4)
Other Revenue Sources	5,589,826,274	8.7	6,047,147,065	8.2
TOTAL NET REVENUE	$109,428,258,302	4.3%	$111,280,871,155	1.7%

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.

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
2012	$ 44,079,118,749	26,038,000	$ 1,693	11.6%	4.0%
2013	47,781,045,666	26,456,000	1,806	6.7	4.1
2014	50,992,561,539	26,920,000	1,894	4.9	4.2
2015	51,683,059,891	27,407,500	1,886	(0.4)	4.1
2016	48,476,226,223	27,888,100	1,738	(7.8)	3.7

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 Fall 2016 state economic forecast data bank.

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

	2012	% Change	2013	% Change	2014	% Change
General Government						
Executive	$ 2,622,286,326	(33.2)%	$ 2,303,450,209	(12.2)%	$ 2,386,437,913	3.6%
Legislative	121,712,840	(12.4)	135,437,227	11.3	129,077,528	(4.7)
Judicial	281,530,839	0.9	270,101,181	(4.1)	315,190,797	16.7
Total	$ 3,025,530,004	(30.3)	$ 2,708,988,616	(10.5)	2,830,706,238	4.5
Education	33,702,731,818	0.4	31,530,983,505	(6.4)	32,759,971,140	3.9
Employee Benefits	3,320,609,573	(2.6)	3,478,190,888	4.7	3,816,192,022	9.7
Health and Human Services	38,127,434,438	(1.5)	38,735,710,434	1.6	41,700,503,246	7.7
Public Safety and Corrections	4,294,741,113	(5.6)	4,295,903,947	0.0	4,360,158,907	1.5
Transportation	6,889,846,846	2.7	7,603,809,915	10.4	8,840,676,490	16.3
Natural Resources/Recreational Services	2,163,123,685	19.6	2,303,753,622	6.5	2,342,372,676	1.7
Regulatory Services	335,761,544	7.5	357,731,982	6.5	614,381,953	71.7
Lottery Winnings Paid (1)	619,034,021	14.3	661,198,706	6.8	602,686,641	(8.8)
Debt Service – Interest	1,286,093,706	31.3	1,334,549,422	3.8	1,292,905,123	(3.1)
Capital Outlay	492,013,466	(7.6)	556,153,797	13.0	494,548,661	(11.1)
TOTAL NET EXPENDITURES	$ 94,256,920,213	(1.3)%	$ 93,566,974,834	(0.7)%	$ 99,655,103,098	6.5%

(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)

	2015	% Change	2016	% Change
General Government				
Executive	$ 2,463,422,823	3.2%	$ 2,599,457,941	5.5%
Legislative	142,174,259	10.1	138,688,336	(2.5)
Judicial	317,728,982	0.8	333,665,741	5.0
Total	$ 2,923,326,065	3.3	$ 3,071,812,018	5.1
Education	34,790,149,681	6.2	35,964,598,270	3.4
Employee Benefits	4,049,746,382	6.1	4,502,581,973	11.2
Health and Human Services	46,299,828,040	11.0	50,734,954,783	9.6
Public Safety and Corrections	4,564,634,568	4.7	4,829,107,098	5.8
Transportation	8,507,819,726	(3.8)	9,608,738,448	12.9
Natural Resources/Recreational Services	2,600,573,157	11.0	2,847,678,223	9.5
Regulatory Services	483,942,587	(21.2)	611,487,218	26.4
Lottery Winnings Paid (1)	554,014,258	(8.1)	672,822,128	21.4
Debt Service – Interest	1,177,619,065	(8.9)	1,127,606,740	(4.2)
Capital Outlay	413,934,894	(16.3)	599,101,507	44.7
TOTAL NET EXPENDITURES	$ 106,365,588,422	6.7%	$ 114,570,488,406	7.7%

(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	2012	% Change	2013	% Change	2014	% Change
Public Assistance Payments	$ 34,916,037,739	(2.8)%	$ 35,278,179,465	1.0%	$ 38,394,471,847	8.8%
Intergovernmental Payments						
Foundation School Program Grants	19,222,015,479	8.8	18,377,961,414	(4.4)	19,449,620,788	5.8
Other Public Education Grants	6,329,470,849	(16.0)	5,093,224,305	(19.5)	5,191,099,146	1.9
Grants to Higher Education	1,143,310,454	(4.2)	1,108,973,166	(3.0)	1,142,128,238	3.0
Other Grants	2,628,761,369	(10.6)	2,709,068,572	3.1	2,863,947,131	5.7
Highway Construction and Maintenance	4,186,493,637	10.9	4,491,601,827	7.3	5,305,157,884	18.1
Capital Outlay	492,013,466	(7.6)	556,153,797	13.0	494,548,661	(11.1)
Cost of Goods Sold	466,004,486	(5.2)	632,350,393	35.7	655,985,866	3.7
Salaries and Wages	10,255,623,349	(0.7)	10,346,565,842	0.9	10,821,911,893	4.6
Employee Benefits						
Employee Benefit Payments	2,267,659,536	(11.0)	2,317,792,873	2.2	2,414,163,002	4.2
Payroll Related Costs	2,709,221,497	(2.3)	2,838,062,295	4.8	3,055,062,555	7.6
Professional Service and Fees	2,079,300,952	(9.6)	2,303,561,478	10.8	2,531,522,778	9.9
Travel	143,551,689	(0.3)	155,258,506	8.2	162,945,107	5.0
Supplies and Materials	1,079,339,070	5.0	1,075,658,705	(0.3)	1,088,134,316	1.2
Communication and Utilities	472,565,322	(5.8)	469,907,673	(0.6)	506,248,399	7.7
Repairs and Maintenance	927,318,700	11.1	946,547,331	2.1	898,526,905	(5.1)
Rentals and Leases	265,513,723	(0.0)	265,368,409	(0.1)	278,816,389	5.1
Printing and Reproduction	38,311,087	1.3	42,049,339	9.8	49,906,224	18.7
Debt Service – Interest	1,286,093,706	31.3	1,334,549,422	3.8	1,292,905,123	(3.1)
Lottery Winnings Paid (1)	619,034,021	14.3	661,198,706	6.8	602,686,641	(8.8)
Claims and Judgments	105,704,021	3.9	81,696,564	(22.7)	100,384,952	22.9
Other Expenditures	2,623,576,063	(12.6)	2,481,244,752	(5.4)	2,354,929,253	(5.1)
TOTAL NET EXPENDITURES	$ 94,256,920,213	(1.3)%	$ 93,566,974,834	(0.7)%	$ 99,655,103,099	6.5%

(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	2015	% Change	2016	% Change
Public Assistance Payments	$ 42,772,072,519	11.4%	$ 47,199,171,876	10.4%
Intergovernmental Payments				
Foundation School Program Grants	20,258,100,591	4.2	21,226,715,279	4.8
Other Public Education Grants	5,130,637,183	(1.2)	5,560,238,970	8.4
Grants to Higher Education	1,153,105,767	1.0	1,179,636,083	2.3
Other Grants	2,735,090,158	(4.5)	2,595,439,367	(5.1)
Highway Construction and Maintenance	5,192,846,124	(2.1)	6,159,245,504	18.6
Capital Outlay	413,934,894	(16.3)	599,101,507	44.7
Cost of Goods Sold	611,143,018	(6.8)	934,425,952	52.9
Salaries and Wages	11,284,217,829	4.3	11,883,608,742	5.3
Employee Benefits				
Employee Benefit Payments	3,450,389,437	42.9	3,090,727,327	(10.4)
Payroll Related Costs	3,274,164,567	7.2	3,531,498,523	7.9
Professional Service and Fees	2,839,037,528	12.1	2,883,550,745	1.6
Travel	185,255,823	13.7	185,670,997	0.2
Supplies and Materials	1,086,329,750	(0.2)	1,052,401,921	(3.1)
Communication and Utilities	499,651,115	(1.3)	506,577,734	1.4
Repairs and Maintenance	941,783,948	4.8	1,111,411,681	18.0
Rentals and Leases	296,465,337	6.3	316,728,047	6.8
Printing and Reproduction	48,935,446	(1.9)	53,698,330	9.7
Debt Service – Interest	1,177,619,065	(8.9)	1,127,606,740	(4.2)
Lottery Winnings Paid (1)	554,014,258	(8.1)	672,822,128	21.4
Claims and Judgments	86,345,467	(14.0)	75,536,418	(12.5)
Other Expenditures	2,374,448,598	0.8	2,624,674,533	10.5
TOTAL NET EXPENDITURES	$106,365,588,422	6.7%	$114,570,488,406	7.7%

(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

RECENT LEGISLATIVE AND STATE BUDGETS

2016-17 BUDGET:

In January 2015, the State Legislature began its Eighty-fourth Regular Session (the "84th Legislature"). During the Regular Session, the 84th Legislature adopted a budget totaling $209.1 billion in all-funds appropriations for the 2016-17 biennium, resulting in a $5.8 billion, or 2.9 percent, overall budget increase.

Each biennium there are circumstances which result in variances to state agency expenditures (i.e., expended and budgeted amounts) from the amounts appropriated by the Legislature. Typically these result from shifts in population, client demands, or unforeseen events such as natural disasters, changes to federal formulas, grant requirements, and/or additional or reduced available revenue or balances supporting legislative appropriations. Often, these incremental changes to the current biennial budget are authorized by existing law, either through the Texas Constitution or the General Appropriations Act, and do not require legislative action. However some expenditure changes require further action by the Legislature in the form of a supplemental appropriations bill.

To address such supplemental adjustment needs, the 84th Legislature adopted House Bill 2. This bill included adjustments associated with Medicaid, the Teacher Retirement System and the correctional managed health care at the Department of Criminal Justice. After the adjustments authorized by HB 2, the adjusted All Funds amount for the 2014-15 biennium was $203.3 billion.

Table A-9 compares the budget for the 2016-2017 biennium to the actual budgeted expenditures for the 2014-2015 biennium. The budget for the 2018-19 biennium is currently being developed. Texas Governor Greg Abbott, Lieutenant Governor Dan Patrick and Speaker Joe Straus sent a letter to all state agencies directing them to limit, with certain exceptions, their 2018-19 biennial baseline GR budget request to 96% of 2016-17 spending.

Table A-9
The Budget for Texas State Government for the 2016-2017 Biennium
Compared to Actual Budgeted Expenditures for the 2014-2015 Biennium
All Funds (In Millions)

All Functions	Expended/ Budgeted 2014–15	Appropriated 2016-17	Biennial Change	Percentage Change
Article I – General Government	$5,321.5	$6,252.6	$931.1	17.5%
Article II – Health and Human Services	$74,751.5	$77,199.8	$2,448.3	3.3%
Article III – Agencies of Education	$74,724.5	$78,570.1	$3,845.7	5.1%
Public Education	$56,171.9	$58,556.2	$2,384.3	4.2%
Higher Education	$18,552.6	$20,013.9	$1,461.3	7.9%
Article IV – The Judiciary	$764.5	$807.8	$43.3	5.7%
Article V – Public Safety and Criminal Justice	$11,869.0	$12,432.6	$563.7	4.7%
Article VI – Natural Resources	$6,933.5	$4,367.5	($2,566.0)	(37.0)%
Article VII – Business and Economic Development	$27,429.5	$27,762.2	$332.6	1.2%
Article VIII – Regulatory	$1,132.6	$934.2	($198.3)	(17.5)%
Article IX – General Provisions	$0.0	$390.2	$390.2	N/A
Article X – The Legislature	$374.0	$386.1	$12.0	3.2%
TOTAL, ALL FUNCTIONS	$203,300.5	$209,103.0	$5,802.5	2.9%

Notes:

(1) Article totals exclude Interagency Contracts.

(2) 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, Summary of Appropriations for the 2016-17 Biennium, Figure 2; Comptroller of Public Accounts.

Table A-10 sets forth information concerning estimated revenues for the State's 2017 fiscal year, along with actual collections for comparable revenues for the State's 2013 - 2016 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	2013 Actual	2014 Actual	2015 Actual	2016 Actual (2)	2017 Estimated
Tax Collections					
Sales Taxes	25,943,807	27,385,709	28,910,857	28,245,801	28,804,754
Motor Vehicle Sales and Rental Taxes	3,878,380	4,209,953	4,514,186	4,616,082	4,708,161
Motor Fuels Taxes	3,221,502	3,315,952	3,446,157	3,513,716	3,556,181
Franchise Tax	4,798,699	4,732,262	4,656,286	3,881,176	3,762,059
Insurance Taxes	1,764,153	1,947,908	2,049,417	2,226,725	2,336,284
Natural Gas ProductionTax	1,495,203	1,899,582	1,280,410	578,799	762,590
Cigarette and Tobacco Taxes	1,598,089	1,342,455	1,532,414	1,388,363	1,530,983
Alcoholic Beverage Taxes	976,894	1,053,231	1,138,776	1,182,549	1,230,052
Oil Production and Regulation Taxes	2,990,890	3,874,071	2,879,055	1,704,283	1,870,390
Inheritance Tax	(10,293)	12	(3,817)	0	0
Utility Taxes	434,871	478,189	480,766	434,965	441,800
Hotel Occupancy Tax	441,132	485,385	525,819	521,153	542,963
Other Taxes	247,719	267,854	272,734	182,616	179,410
Total Tax Collections	$47,781,046	$50,992,562	$51,683,060	$48,476,226	$49,725,627
Revenue By Source					
Tax Collections	47,781,046	50,992,562	51,683,060	48,476,226	49,725,627
Federal Income	32,530,326	34,266,043	36,700,990	39,473,835	40,167,375
Licenses, Fees, Fines, and Penalties	7,919,649	8,497,084	9,649,624	11,616,790	10,561,822
Interest and Investment Income	1,182,874	1,463,131	1,393,601	1,362,296	1,436,365
Lottery Proceeds	1,893,285	1,878,112	1,893,534	2,219,965	2,108,536
Sales of Goods & Services	225,926	262,341	428,665	293,047	308,026
Settlements of Claims	609,961	575,202	541,071	651,974	535,849
Land Income	1,325,665	1,863,364	1,547,831	1,139,536	1,432,920
Contributions to Employee Benefits	87	87	56	55	54
Other Revenue Sources	5,567,563	5,144,365	5,589,826	6,047,147	6,500,729
Total Net Revenue	$99,036,382	$104,942,290	$109,428,258	$111,280,871	$112,777,303

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

Totals may not sum due to rounding.

Sources:

(1) Texas Comptroller of Public Accounts, 2018-2019 Biennial Revenue Estimate.

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

The revenue estimate released in January 2017 for the remainder of 2017 and for the upcoming 2018-2019 biennium was prepared by the Comptroller as required by Article III Section 49-a of the Texas Constitution. This revised estimate is available on the Comptroller's website at:

https://www.comptroller.texas.gov/transparency/reports/biennial-revenue-estimate/2018-19/

The revenue estimate is 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 IHS Global Insight, which provide 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 2016 with a $6.1 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)

	2012	2013	2014	2015	2016
General Revenue Fund 0001	$ (3,705,935)	$ 2,750,862	$ 5,116,926	$ 5,607,950	$ 524,858
General Revenue Dedicated	5,694,693	5,805,564	5,852,474	5,511,599	5,577,372
Consolidated General Revenue	1,988,757	8,556,426	10,969,399	11,119,549	6,102,231
Non-Consolidated Funds and Petty Cash Accounts	30,276,007	19,983,484	20,588,303	26,043,506	23,711,508
All Funds	$ 32,264,764	$ 28,539,911	$ 31,557,702	$ 37,163,055	$ 29,813,739

ANNUAL PERCENTAGE CHANGE IN ENDING CASH BALANCES

	2012	2013	2014	2015	2016
General Revenue Fund 0001	(34.7)%	174.2%	(86.0)%	(9.6)%	(90.6)%
General Revenue Dedicated	6.9	1.9	0.8	(5.8)	1.2
Consolidated General Revenue	(24.4)	330.2	28.2	1.4	(45.1)
Non-Consolidated Funds and Petty Cash Accounts	52.2	(34.0)	3.0	26.5	(9.0)
All Funds	43.3%	(11.5)%	10.6%	17.8%	(19.8)%

Ending non-consolidated balances on August 31, 2012 include $9.8 billion in Tax and Revenue Anticipation Notes received on August 30, 2012.
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 81stLegislature 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 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.

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 Economic Development and Tourism Office, within the Office of the Governor, is authorized to issue G.O. bonds to provide loans to finance the commercialization of new or improved products or processes developed in Texas and to stimulate the development of small businesses in 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.

Certain public colleges and universities are authorized to issue Constitutional Appropriation Bonds, the debt service for which is payable from the Higher Education Assistance 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.

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 Economic Development bonds will be paid from revenues received from the program's loans and 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 TXDOT 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.

The G.O. bonds issued by TPFA are not self-supporting. All debt service on these bonds is paid from the State’s general revenue fund. 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 resulting from a catastrophic event.

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 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 revenue bonds issued.

In addition to authorized tuition revenue 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

While the 77th Legislature authorized the TTC to issue debt for the Texas Mobility Fund, the 84th Legislature passed HB 122 which limits future issuance of debt secured by the Texas Mobility Fund solely to refundings or issuances that replace outstanding variable rate debt.

Additionally, the 84th Legislature passed HB 100 which authorized $3.1 billion in TRBs; historically the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued.

In the General Appropriations Act, the 84th Legislature authorized the issuance of $767.7 million of revenue bonds and appropriated those bond proceeds to the Texas Facilities Commission for 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 2016-2017 biennium.

The 83rd Legislature authorized, and voters approved, the creation of the State Water Implementation Fund for Texas and the State Water Implementation Revenue Fund for Texas to assist in the financing of priority projects in the state water plan to ensure the availability of adequate water resources.

In September 2013, Standard & Poor's (S&P) raised its credit rating on Texas to AAA based primarily on its budgetary and cash management discipline, which allowed the state to preserve a strong level of reserves throughout the recession.

The 82nd Legislature authorized additional G.O. debt that was approved by the voters at the November 2011 general election. These include SJR 4 for $6 billion in evergreen bonding authority for water projects; and SJR 50 for $1.86 billion in evergreen bonding authority to finance educational loans to students.

In April 2010, Moody's and Fitch recalibrated their municipal rating scales to align with their global rating scales. These recalibrations were not rating upgrades. Moody's rating for the state's GO was recalibrated from Aa1 to Aaa, and Fitch's rating was recalibrated from AA+ to AAA. Moody's recalibration was designed "to enhance the comparability of ratings across the Moody's rated universe," and Fitch's "intent of the recalibration is to ensure a greater degree of comparability across Fitch's global portfolio of credit ratings." S&P announced that its municipal ratings were comparable and recalibration was not necessary.

The 80th Legislature authorized additional G.O. debt that was approved by the voters at the November 2007 general election. These include HJR 90 for $3 billion to finance cancer research; SJR 65 for $1 billion to finance capital projects for certain state agencies; SJR 57 for $500 million to finance student loans; SJR 64 to finance $5 billion for transportation projects and SJR 20 for $250 million for water projects.

During the 78th Legislature, SJR 55 and SB 652 were passed along with a constitutional amendment authorizing TPFA to issue up to $250 million in G.O. bonds or notes for the benefit of the Texas Military Preparedness Commission, in conjunction with the Office of Defense Affairs to fund loans for economic development programs that enhance the military value of military facilities in the State. HB 3324 authorized TPFA, at the request of the Texas Workforce Commission to issue up to $2 billion in revenue bonds secured by an assessment of certain businesses, if the cost of issuing bonds is less than the cost of borrowing from the federal government.

The 77th Legislature also authorized the TTC to issue debt for the State Highway Fund in an amount not to exceed $3 billion with no more than $1 billion to be issued per year. This authority was amended by SB 792, Acts, 80th Legislature authorizing the program in an amount not to exceed $6 billion with no more than $1.5 billion to be issued per year.

Article III, Section 49-j of the Texas Constitution prohibits the Legislature from authorizing additional State debt payable from general revenues, including authorized but unissued bonds and lease purchase contracts in excess of $250,000 or for a term of greater than five years, if the resulting annual debt service exceeds five percent of an amount equal to the average amount of general revenue for the three immediately preceding years, excluding revenues constitutionally dedicated for purposes other than payment of debt service. The debt service ratio for outstanding debt was 1.36% as of August 31, 2016. With the inclusion of authorized but unissued debt, the ratio was 2.37%. 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 (see following page), 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 2017 and beyond.

General Obligation Bond Debt Service and Revenue Bond Debt Service Payable from General Revenue (1)
Reported as of February 28, 2017 (2)
Table A-12
(in thousands)

	General Obligation Bonds Self Supporting (3)		General Obligation Bonds Payable from General Revenue		Total G.O.	Revenue Bonds Payable from General Revenue (5)		Total Revenue	
Fiscal Year	Principal	Interest	Principal	Interest	Bonds (4)	Principal	Interest	Bonds	Total
2017	233,975	227,441	161,140	156,036	778,592	1,056	1,214	2,270	780,862
2018	368,660	467,696	376,390	320,600	1,533,346	18,843	2,011	20,854	1,554,201
2019	412,040	454,196	378,766	303,873	1,548,875	9,698	1,329	11,027	1,559,902
2020	415,375	439,474	352,982	289,042	1,496,874	5,473	961	6,434	1,503,307
2021	427,005	425,009	353,359	274,053	1,479,426	3,018	759	3,777	1,483,203
2022	426,805	409,604	355,927	258,519	1,450,855	2,758	620	3,378	1,454,233
2023	425,275	393,895	357,110	242,690	1,418,969	1,818	513	2,331	1,421,301
2024	468,560	376,811	355,294	226,589	1,427,254	1,858	430	2,287	1,429,541
2025	479,360	358,257	330,359	210,990	1,378,965	968	344	1,312	1,380,277
2026	491,525	338,818	326,624	195,928	1,352,895	968	294	1,262	1,354,157
2027	462,050	319,435	319,361	181,027	1,281,873	513	256	769	1,282,642
2028	470,970	300,614	319,716	166,083	1,257,383	513	231	744	1,258,126
2029	481,295	281,383	315,246	151,370	1,229,293	513	205	718	1,230,011
2030	454,805	261,647	292,656	136,969	1,146,077	513	179	692	1,146,770
2031	468,945	241,779	271,811	123,738	1,106,273	513	154	667	1,106,939
2032	453,765	221,668	243,976	111,879	1,031,287	513	128	641	1,031,928
2033	463,065	201,913	231,441	101,348	997,767	513	103	615	998,383
2034	524,650	181,037	227,006	91,196	1,023,889	513	77	590	1,024,479
2035	465,555	159,871	215,441	81,290	922,157	513	51	564	922,721
2036	475,320	141,303	214,531	71,079	902,233	513	26	538	902,771
2037	491,295	121,746	191,500	61,235	865,776	-	-	-	865,776
2038	564,085	107,590	176,365	52,369	900,409	-	-	-	900,409
2039	594,755	78,443	180,130	43,699	897,027	-	-	-	897,027
2040	230,195	44,138	184,060	34,846	493,240	-	-	-	493,240
2041	225,280	36,604	137,115	25,801	424,800	-	-	-	424,800
2042	197,385	31,544	139,830	18,946	387,705	-	-	-	387,705
2043	195,915	24,937	82,800	11,954	315,606	-	-	-	315,606
2044	197,710	16,309	82,800	7,814	304,633	-	-	-	304,633
2045	245,010	7,230	40,800	3,674	296,714	-	-	-	296,714
2046	5,370	186	40,800	1,837	48,193	-	-	-	48,193
2047	2,900	78	-	-	2,978	-	-	-	2,978
2048	270	2	-	-	272	-	-	-	272
2049	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-	-
	$ 11,819,170	$ 6,670,661	$ 7,255,332	$ 3,956,474	$ 29,701,637	$ 51,585	$ 9,886	$ 61,471	$ 29,763,108

1 As of February 28, 2017, no capital appreciation bonds payable from general revenue were outstanding.

2 Pursuant to Texas Adminstrative 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 As of February 28, 2017, the Texas Agricultural Finance Authority had outstanding $5.3 million in general obligation commercial paper. The debt service on the commercial paper is not included in the figures shown in this table. The outstanding commercial paper was subsequently paid in full on April 12, 2017.

Debt service figures for the Veterans Land and Housing Assistance Bonds include the estimated payments on $2.81 billion of variable-rate debt outstanding as of February 28, 2017.

4 As of February 28, 2017, $10.84 billion of general obligation bonds were authorized but unissued, $8.83 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 28, 2017, the Texas Public Finance Authority had $38.5 million in revenue commercial paper outstanding that is payable from general revenue.

Source: Texas Bond Review Board, Office of the Executive Director

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 does not include debt service information (data) on outstanding G.O. or revenue bonds paid from 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, 2016

	2012	2013	2014	2015	2016
Principal Amount Outstanding (Millions) (1)	$14,526	$15,574	$15,274	$17,444	$18,373
Principal Amount Per Capita (1)	$555	$599	$570	$636	$659
Principal Amount as a Percentage of Personal Income (1)	1.35%	1.36%	1.25%	1.42%	1.40%
Annual Debt Service Paid from General Revenue (Millions) (2)	$386	$416	$467	$525	$547
Debt Service Paid from General Revenue as a Percentage of Available General Revenue Fund Revenues (2)	0.91%	0.92%	0.97%	1.06%	1.08%
Annual Debt Service Paid from General Revenue Per Capita (2)	$14.76	$15.98	$17.43	$19.15	$19.60
Debt Service Paid from General Revenue as a Percentage of Personal Income (2)	0.036%	0.036%	0.038%	0.043%	0.042%

(1) Includes general obligation bonds which, although legally secured by the State's taxing authority, 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 Comprehensive Annual Financial Report for the Year Ended August 31, 2016

Table A-14 shows the amount of General Revenue that is 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 are classified as constitutional on a separate line item.

Article III, Section 49-j of the Texas Constitution provides that the maximum annual debt service in any fiscal year on state debt payable from the general revenue fund, including authorized but unissued bonds, shall not exceed 5 percent of an amount equal to the average of the amount of general revenue funds, excluding revenues constitutionally dedicated for purposes other than payment of state debt, for the three preceding fiscal years.

Table A-14
General Revenue Fund Revenues Available After
Constitutional Allocations and Other Restrictions
Years Ended August 31, 2016

REVENUE SOURCE	General Revenue Fund 0001 (1)	Restrictions From Constitutional Allocations	Other Restrictions (2)	Unrestricted Revenues Available
Sales Taxes	$ 28,136,563,454	$	$ 133,889,596	$ 28,002,673,858
Motor Vehicle Sales/Rental Taxes	4,576,834,059			4,576,834,059
Motor Fuel Taxes	3,513,716,269	3,472,879,888	18,569,375	22,267,005
Franchise Tax	2,845,291,000	-	-	2,845,291,000
Insurance Taxes	2,225,585,569	507,578,642	140,781,370	1,577,225,557
Natural Gas Production Tax	578,798,864	153,471,863		425,327,001
Cigarette and Tobacco Products Taxes	561,916,481			561,916,481
Alcoholic Beverages Taxes	1,182,548,508			1,182,548,508
Oil Production Tax	1,704,282,653	438,968,431		1,265,314,222
Inheritance Tax				
Utility Taxes	434,964,944	78,276,830		356,688,115
Hotel Occupancy Tax	521,152,526		43,604,616	477,547,910
Other Taxes	79,219,107	20,500,830		58,718,277
TOTAL TAX COLLECTIONS	$ 46,360,873,434	$ 4,671,676,485	$ 336,844,957	$ 41,352,351,992
Total Tax Collections (above)	$ 46,360,873,434	$ 4,671,676,485	$ 336,844,957	$ 41,352,351,992
Federal Income	27,049,059,995		26,971,690,921	77,369,074
Licenses, Fees, Fines and Penalties	7,176,700,566	2,145,490	424,758	7,174,130,318
Interest and Investment Income	47,856,453			47,856,453
Sales of Goods and Services	173,703,945			173,703,945
Settlements of Claims	594,496,478			594,496,478
Land Income	14,403,638			14,403,638
Contributions to Employee Benefits	54,779			54,779
Other Revenue Sources	3,453,970,822			3,453,970,822
Highway Fund / ESF Transfer (3)		2,269,336,429		(2,269,336,429)
TOTAL NET REVENUE, ALLOCATIONS AND RESTRICTIONS	$ 84,871,120,109	$ 6,943,158,404	$ 27,308,960,636	$ 50,619,001,070

(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) 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 totaling $2,269,336,428.90 were made in fiscal 2016.

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

Fiscal Year	Series	Tax and Revenue Anticipation Notes Issued (in millions)	Commercial Paper Notes Issued (in millions)	Interfund Borrowing[1] (in millions)	Total (in millions)
2010	2009	5,500	-	-	5,500
2011	2010	7,800	-	-	7,800
2012	2011A/2011B	9,800	500	-	10,300
2013	2012	9,800	-	-	9,800
2014	2013	7,200	-	-	7,200
2015	2014	5,400	-	-	5,400
2016	n/a	-	-	1,900	0
2017[2]	n/a	-	-	900	900

(1) Numerous funds were consolidated into General Revenue Fund 0001 on August 31, 1993. Intrafund and interfund borrowing remain 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 the remainder of fiscal 2017. Total Interfund Borrowing from the Economic Stabilization Fund 0599 as of April 30, 2017 was $900 million. The State has utilized intrafund and interfund borrowing in fiscal 2017.

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 28, 2017.

BUSINESS ACTIVITIES

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

With diverse economic engines and a comparatively stable 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.

Notwithstanding continuing weakness in the oil and natural gas and related industries over the past year, the Texas economy added 222,400 non-farm jobs from February 2016 to February 2017, for an annual increase of 1.9 percent. Private-sector employment rose by 1.9 percent while government employment (federal, state and local) grew by 1.7 percent.

Texas added more new jobs than any other state except California and Florida over the twelve-month period ending February 2017, and had the second lowest unemployment rate among the 10 most populous states at the end of that period (4.9 percent, New York’s rate was 4.4 percent). As of February 2017, Texas total nonfarm employment stood at 12,198,200. The Comptroller’s econometric forecast predicts that the Texas economy will grow by 3.1 percent annually over the period from 2017 through 2045, outpacing forecasts of national economic growth from IHS Global Insight of 2.1 percent.

GEOGRAPHIC VARIATIONS

The vast size of the State, together with cultural, climatic, and geological differences within its borders, has produced 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.

Table A-16
Texas Economic History and Outlook for Calendar Years
Fall 2016 Economic Forecast

TEXAS ECONOMY	2012	2013	2014	2015	2016*	2017*	2018*
Real Gross State Product (Billion 2009$)	1,310.5	1,373.9	1,440.3	1,509.8	1,511.5	1,556.2	1,600.8
Annual % Change	5.7	4.8	4.8	4.8	0.1	3.0	2.9
Gross Domestic Product (Billion Current $)	1,437.9	1,532.9	1,627.9	1,630.1	1,631.8	1,720.3	1,801.5
Annual % Change	6.9	6.6	6.2	0.1	0.1	5.4	4.7
Personal Income (Billion Current $)	1,125.7	1,148.9	1,234.4	1,289.6	1,323.9	1,388.1	1,456.5
Annual % Change	7.5	2.1	7.4	4.5	2.7	4.8	4.9
Nonfarm Employment (Thousands)	10,877.1	11,204.6	11,559.7	11,839.2	12,020.4	12,232.1	12,457.2
Annual % Change	2.9	3.0	3.2	2.4	1.5	1.8	1.8
Resident Population (Thousands)	26,139.6	26,564.7	27,041.1	27,529.1	28,006.4	28,479.8	28,956.1
Annual % Change	1.7	1.6	1.8	1.8	1.7	1.7	1.7
Unemployment Rate (%)	6.7	6.1	5.0	4.5	4.5	4.6	4.5

U. S. ECONOMY	2012	2013	2014	2015	2016*	2017*	2018*
Gross Domestic Product (Billion 2009$)	15,354.6	15,612.2	15,982.3	16,397.2	16,652.2	17,034.6	17,482.8
Annual % Change	2.2	1.7	2.4	2.6	1.6	2.3	2.6
Consumer Price Index (1982-84=100)	229.6	233.0	236.7	237.0	240.1	246.2	252.0
Annual % Change	2.1	1.5	1.6	0.1	1.3	2.5	2.4
Prime Interest Rate (%)	3.3	3.3	3.3	3.3	3.5	4.0	4.7

*Projected, based on actual or historical periods and growth rates from the Texas Comptroller's Fall 2016 Economic Forecast.
Source: Texas Comptroller of Public Accounts and HIS Global Insight, Inc.

Since the end of the recession, Texas has generally added jobs at a faster rate than other large states. However, over the 12-month period ending March 2017, Texas employment growth was the fifth highest among the ten largest states. (See Table A-17).

Table A-17 shows the 10 most populous states. Among all states, Texas ranked sixteenth in the rate of job creation over the past year.

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

	Number of Nonfarm Jobs		Job Change	
State	Feb-16	Feb-17	Jobs Added	Annual Change (%)
Florida	8,294.2	8,543.0	248.8	3.00%
Georgia	4,338.2	4,452.2	114.0	2.63%
California	16,360.3	16,676.1	315.8	1.93%
Michigan	4,294.4	4,377.0	82.6	1.92%
Texas	11,975.8	12,198.2	222.4	1.86%
North Carolina	4,309.3	4,386.1	76.8	1.78%
New York	9,361.7	9,496.9	135.2	1.44%
Pennsylvania	5,867.6	5,941.6	74.0	1.26%
Ohio	5,476.6	5,522.0	45.4	0.83%
Illinois	6,008.0	6,055.0	47.0	0.78%

Source: U.S. Bureau of Labor Statistics

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

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

Year	Texas Civilian Labor Force (1)	Texas Total Employment (1)	Texas Unemployment Rate (%)	U.S Civilian Labor Force (1)	U.S. Total Employment (1)	U.S Unemployment Rate (%)
2000	10,374,053	9,929,387	4.3	142,583,000	136,891,000	4.0
2001	10,532,732	10,011,046	5.0	143,734,000	136,933,000	4.7
2002	10,748,810	10,065,870	6.4	144,863,000	136,485,000	5.8
2003	10,914,664	10,185,312	6.7	146,510,000	137,736,000	6.0
2004	10,992,359	10,338,484	5.9	147,401,000	139,252,000	5.5
2005	11,124,240	10,523,257	5.4	149,320,000	141,730,000	5.1
2006	11,327,995	10,774,490	4.9	151,428,000	144,427,000	4.6
2007	11,431,631	10,941,413	4.3	153,124,000	146,047,000	4.6
2008	11,664,390	11,104,115	4.8	154,287,000	145,362,000	5.8
2009	11,910,799	11,008,903	7.6	154,142,000	139,877,000	9.3
2010	12,241,970	11,244,632	8.1	153,889,000	139,064,000	9.6
2011	12,504,498	11,535,095	7.8	153,617,000	139,869,000	8.9
2012	12,670,455	11,818,675	6.7	154,975,000	142,469,000	8.1
2013	12,872,204	12,070,808	6.2	155,389,000	143,929,000	7.4
2014	13,004,345	12,340,567	5.1	155,922,000	146,305,000	6.2
2015	13,044,089	12,463,031	4.5	157,130,000	148,834,000	5.3
2016	13,284,623	12,671,801	4.6	159,187,000	151,436,000	4.9

(1) In thousands.
Source: U.S. Bureau of Labor Statistics

Texas avoided three of the nation's six recessions since the early 1970s, though the state had its own recession in 1986. In 2015, Texas' nominal gross domestic product (GDP) was $1.63 trillion, a 0.1 percent increase from 2014, based on estimates from the U.S. Bureau of Economic Analysis (BEA). Texas, if it were a nation, would be the tenth 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, with an economy that avoided the worst part of the nation's downturn, the Texas unemployment rate inched below the national unemployment rate in early 2007 and remained below the national rate until November 2016. In February 2017 the Texas unemployment rate was 4.9 percent, up from 4.6 percent in February of 2016. The U.S. unemployment rate fell from 4.9 percent to 4.7 percent over that period. Twenty-two of the state's 25 metropolitan areas had unemployment rates at or below 7 percent (not seasonally adjusted) in February 2017. Amarillo (3.6 percent) had the lowest urban unemployment rate in the state, while McAllen-Edinburg-Mission, at 8.8 percent, had the highest.

Table A-19 shows monthly Texas non-agricultural employment by industry and unemployment since January 2012.

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 and Other Services	Government	Total	Unemployment Rate
2013	January	280.4	599.6	875.2	2,201.4	198.2	673.0	1,442.3	1,467.1	1,510.7	1,826.0	11,073.9	6.4
	February	282.6	606.0	876.3	2,210.0	198.6	675.9	1,455.0	1,474.0	1,519.5	1,835.3	11,133.2	6.4
	March	284.3	609.9	877.1	2,212.2	199.2	677.9	1,461.3	1,479.0	1,524.6	1,836.9	11,162.4	6.4
	April	286.1	609.4	876.6	2,219.5	199.8	679.5	1,460.4	1,480.3	1,527.3	1,838.0	11,176.9	6.3
	May	287.8	609.9	875.2	2,223.3	200.5	681.1	1,467.0	1,480.7	1,533.8	1,838.2	11,197.5	6.3
	June	289.5	613.0	875.6	2,229.9	201.0	683.4	1,474.3	1,483.8	1,540.3	1,839.6	11,230.4	6.2
	July	290.7	614.2	874.7	2,236.0	201.3	686.2	1,478.0	1,485.6	1,544.1	1,848.0	11,258.8	6.1
	August	291.5	616.2	875.5	2,242.8	202.3	687.5	1,484.7	1,490.5	1,547.6	1,844.4	11,283.0	6.0
	September	292.8	618.2	875.2	2,250.5	202.0	689.0	1,493.3	1,493.9	1,550.6	1,847.9	11,313.4	5.9
	October	292.7	618.0	875.9	2,254.9	202.7	689.2	1,492.0	1,497.5	1,551.7	1,848.2	11,322.8	5.9
	November	294.0	621.1	876.7	2,266.2	203.2	691.2	1,501.2	1,499.8	1,561.0	1,850.1	11,364.5	5.8
	December	294.9	623.6	876.3	2,269.1	203.4	691.1	1,502.6	1,500.5	1,562.1	1,848.0	11,371.6	5.7
2014	January	297.6	627.9	874.6	2,275.8	203.1	691.2	1,504.6	1,502.6	1,572.0	1,851.9	11,401.3	5.6
	February	300.5	631.7	877.7	2,279.1	202.9	692.5	1,512.3	1,506.1	1,575.2	1,852.9	11,430.9	5.5
	March	302.4	635.6	879.0	2,283.9	202.7	693.6	1,522.1	1,508.4	1,583.8	1,855.1	11,466.6	5.4
	April	305.5	644.5	883.9	2,289.5	202.6	695.5	1,534.8	1,512.9	1,589.3	1,855.5	11,514.0	5.3
	May	308.5	649.1	886.4	2,294.1	201.9	697.5	1,545.4	1,516.0	1,596.7	1,857.8	11,553.4	5.2
	June	310.7	649.1	887.7	2,304.3	202.0	698.9	1,549.1	1,519.0	1,603.3	1,859.5	11,583.6	5.1
	July	314.1	654.1	888.7	2,310.2	201.8	700.4	1,553.4	1,520.4	1,604.2	1,863.3	11,610.6	5.0
	August	316.3	657.2	890.6	2,316.7	201.6	702.9	1,561.1	1,524.3	1,607.3	1,859.6	11,637.6	4.9
	September	318.2	661.6	891.1	2,325.5	201.4	704.3	1,565.6	1,528.4	1,611.9	1,861.3	11,669.3	4.8
	October	320.8	665.5	895.0	2,336.0	200.9	707.3	1,571.4	1,534.2	1,618.8	1,867.7	11,717.6	4.7
	November	322.6	670.6	896.4	2,345.2	200.5	708.8	1,575.1	1,539.6	1,622.8	1,870.2	11,751.8	4.6
	December	322.9	674.2	899.6	2,356.7	201.0	710.6	1,579.5	1,543.8	1,627.5	1,872.7	11,788.5	4.5
2015	January	317.6	675.0	899.0	2,360.8	200.0	711.9	1,585.1	1,550.9	1,628.1	1,870.4	11,798.8	4.4
	February	305.8	678.7	894.7	2,366.0	199.6	713.0	1,586.6	1,555.7	1,636.2	1,873.7	11,810.0	4.4
	March	296.9	677.2	891.7	2,370.8	199.7	714.0	1,583.5	1,558.3	1,636.0	1,873.9	11,802.0	4.4
	April	285.3	676.2	887.6	2,375.3	200.3	715.2	1,587.3	1,567.3	1,644.1	1,875.6	11,814.2	4.4
	May	279.7	679.9	884.2	2,383.5	200.8	716.9	1,590.3	1,573.7	1,651.8	1,878.7	11,839.5	4.4
	June	275.8	683.1	881.5	2,389.6	200.6	718.6	1,593.9	1,578.0	1,660.2	1,883.9	11,865.2	4.4
	July	270.5	684.4	877.9	2,393.0	200.9	719.8	1,603.2	1,583.4	1,669.6	1,888.0	11,890.7	4.4
	August	266.6	687.7	874.1	2,395.0	201.4	720.6	1,602.6	1,588.3	1,673.4	1,889.9	11,899.6	4.4
	September	261.8	688.0	870.1	2,402.1	200.9	721.6	1,604.1	1,592.2	1,679.0	1,891.1	11,910.9	4.5
	October	256.9	691.1	866.2	2,405.4	201.0	722.0	1,610.5	1,596.2	1,685.4	1,893.2	11,927.9	4.5
	November	251.8	691.0	862.6	2,404.2	201.2	723.0	1,611.6	1,601.4	1,687.4	1,896.1	11,930.3	4.5
	December	250.1	692.2	859.3	2,405.3	201.6	723.4	1,614.6	1,605.9	1,690.7	1,900.9	11,944.0	4.5
2016	January	241.8	696.5	858.9	2,409.6	201.9	726.8	1,615.7	1,610.6	1,698.4	1,903.6	11,963.8	4.5
	February	236.5	696.8	856.7	2,413.7	202.1	727.3	1,618.0	1,615.5	1,703.8	1,905.4	11,975.8	4.6
	March	231.4	695.4	853.5	2,414.2	201.5	726.8	1,613.7	1,618.2	1,702.9	1,908.5	11,966.1	4.6
	April	225.2	702.9	850.1	2,416.1	202.1	729.4	1,621.2	1,620.5	1,706.8	1,914.9	11,989.2	4.6
	May	221.8	700.7	847.4	2,414.0	202.1	731.0	1,620.8	1,624.9	1,712.4	1,919.8	11,994.9	4.7
	June	218.0	698.5	845.1	2,415.7	202.2	730.5	1,619.4	1,625.8	1,708.0	1,923.8	11,987.0	4.7
	July	215.8	702.6	844.2	2,424.5	202.2	733.0	1,631.5	1,636.6	1,711.6	1,930.9	12,032.9	4.7
	August	214.4	699.6	841.8	2,424.3	202.1	734.1	1,631.5	1,640.3	1,715.8	1,931.4	12,035.3	4.7
	September	214.2	701.1	841.0	2,427.0	202.3	736.0	1,639.1	1,643.8	1,726.2	1,934.3	12,065.0	4.7
	October	214.3	703.2	841.0	2,428.5	200.6	738.3	1,635.9	1,649.0	1,733.8	1,934.2	12,078.8	4.8
	November	216.1	705.5	841.3	2,438.7	201.3	738.9	1,644.1	1,651.8	1,739.4	1,937.5	12,114.6	4.8
	December	216.3	704.9	841.9	2,446.7	201.3	739.1	1,647.2	1,658.6	1,741.4	1,940.4	12,137.8	4.8
2017	January	218.0	710.0	849.9	2,456.5	198.0	746.6	1,661.8	1,657.2	1,749.3	1,944.2	12,191.5	4.8
	February	221.4	711.0	853.8	2,445.8	196.6	744.7	1,660.3	1,668.9	1,757.1	1,938.6	12,198.2	4.9

Notes:
All figures are seaonally adjusted.
Source: Texas Workforce Commission

Information concerning historical average annual Texas non-agricultural employment by industry and unemployment rates is contained in Table A-20 and Table A-21.

Table A-20
Total Non-Agricultural 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	345.8	946.3	1,573.5	176.8	458.5	641.1	675.9	858.3	1,285.7	7,125.7	6.3
1991	170.7	348.1	935.3	1,573.3	177.5	450.1	655.4	711.3	872.9	1,310.0	7,204.6	6.9
1992	160.4	345.6	927.3	1,580.4	175.4	447.4	665.9	744.3	896.5	1,357.9	7,301.2	7.6
1993	157.8	355.1	941.2	1,620.4	177.8	456.8	700.3	779.5	925.5	1,400.9	7,515.1	7.2
1994	155.9	379.2	965.3	1,672.2	183.2	469.4	752.2	811.6	957.3	1,440.0	7,786.1	6.5
1995	151.8	409.4	994.7	1,719.6	194.9	472.0	795.8	851.7	996.2	1,472.7	8,058.7	6.1
1996	152.1	437.1	1,016.4	1,756.8	205.7	483.7	843.8	887.8	1,024.2	1,483.8	8,291.4	5.7
1997	161.6	468.0	1,045.3	1,800.3	226.9	505.7	923.4	934.2	1,067.6	1,509.8	8,642.7	5.3
1998	162.4	505.1	1,078.8	1,861.8	239.6	536.8	997.3	961.1	1,100.4	1,530.3	8,973.7	4.9
1999	143.3	536.8	1,066.8	1,911.5	251.4	557.8	1,048.6	977.0	1,134.7	1,561.5	9,189.4	4.7
2000	146.2	566.8	1,072.1	1,967.7	272.0	567.5	1,109.3	1,002.6	1,168.2	1,588.8	9,461.2	4.3
2001	156.1	580.2	1,029.9	1,977.7	269.8	577.5	1,105.9	1,041.0	1,192.5	1,613.4	9,543.9	5.0
2002	148.4	567.8	952.2	1,940.0	249.3	579.7	1,067.5	1,082.6	1,205.5	1,653.7	9,446.4	6.4
2003	149.1	551.6	903.6	1,907.4	233.7	585.5	1,060.1	1,119.2	1,216.8	1,673.8	9,400.7	6.7
2004	155.0	544.5	894.3	1,936.7	224.9	595.4	1,103.1	1,150.2	1,240.7	1,683.0	9,527.7	5.9
2005	167.8	567.1	901.1	1,984.7	223.1	609.5	1,164.6	1,184.5	1,257.2	1,712.2	9,771.8	5.4
2006	187.3	605.6	928.4	2,039.9	221.7	628.2	1,244.5	1,216.6	1,290.8	1,735.4	10,098.3	4.9
2007	208.6	648.1	939.1	2,103.9	221.0	643.9	1,306.2	1,255.4	1,338.2	1,763.7	10,428.2	4.3
2008	230.4	673.3	929.1	2,133.7	217.2	647.0	1,341.5	1,289.5	1,372.2	1,808.7	10,642.4	4.8
2009	202.3	597.9	842.8	2,051.0	204.2	627.9	1,258.0	1,336.4	1,369.3	1,851.5	10,341.1	7.6
2010	206.4	564.4	817.0	2,041.9	195.7	625.4	1,280.8	1,381.0	1,371.1	1,890.8	10,374.5	8.1
2011	237.4	563.9	841.4	2,099.3	195.7	640.8	1,346.1	1,413.6	1,411.8	1,854.1	10,604.2	7.8
2012	270.8	584.3	870.1	2,167.7	197.4	661.6	1,416.7	1,446.6	1,472.1	1,827.1	10,914.4	6.7
2013	289.0	613.1	875.8	2,234.8	201.0	683.9	1,476.1	1,486.0	1,539.6	1,841.9	11,241.2	6.2
2014	311.7	651.5	887.5	2,309.8	201.9	700.4	1,548.0	1,521.3	1,601.0	1,860.8	11,593.9	5.1
2015	276.5	683.8	879.0	2,387.7	200.7	718.3	1,597.8	1,579.4	1,661.8	1,884.7	11,869.7	4.5
2016	222.2	701.6	847.1	2,421.7	201.9	732.5	1,627.4	1,632.9	1,717.5	1,923.7	12,028.4	4.6

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

Table A-21
Distribution of Non-Agricultural 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	4.85	13.28	22.08	2.48	6.43	9.00	9.49	12.05	18.04	100.00
1991	2.37	4.83	12.98	21.84	2.46	6.25	9.10	9.87	12.12	18.18	100.00
1992	2.20	4.73	12.70	21.65	2.40	6.13	9.12	10.19	12.28	18.60	100.00
1993	2.10	4.73	12.52	21.56	2.37	6.08	9.32	10.37	12.32	18.64	100.00
1994	2.00	4.87	12.40	21.48	2.35	6.03	9.66	10.42	12.29	18.49	100.00
1995	1.88	5.08	12.34	21.34	2.42	5.86	9.88	10.57	12.36	18.27	100.00
1996	1.83	5.27	12.26	21.19	2.48	5.83	10.18	10.71	12.35	17.90	100.00
1997	1.87	5.41	12.09	20.83	2.63	5.85	10.68	10.81	12.35	17.47	100.00
1998	1.81	5.63	12.02	20.75	2.67	5.98	11.11	10.71	12.26	17.05	100.00
1999	1.56	5.84	11.61	20.80	2.74	6.07	11.41	10.63	12.35	16.99	100.00
2000	1.55	5.99	11.33	20.80	2.87	6.00	11.72	10.60	12.35	16.79	100.00
2001	1.64	6.08	10.79	20.72	2.83	6.05	11.59	10.91	12.49	16.91	100.00
2002	1.57	6.01	10.08	20.54	2.64	6.14	11.30	11.46	12.76	17.51	100.00
2003	1.59	5.87	9.61	20.29	2.49	6.23	11.28	11.91	12.94	17.81	100.00
2004	1.63	5.71	9.39	20.33	2.36	6.25	11.58	12.07	13.02	17.66	100.00
2005	1.72	5.80	9.22	20.31	2.28	6.24	11.92	12.12	12.87	17.52	100.00
2006	1.85	6.00	9.19	20.20	2.20	6.22	12.32	12.05	12.78	17.19	100.00
2007	2.00	6.21	9.01	20.18	2.12	6.17	12.53	12.04	12.83	16.91	100.00
2008	2.16	6.33	8.73	20.05	2.04	6.08	12.61	12.12	12.89	17.00	100.00
2009	1.96	5.78	8.15	19.83	1.97	6.07	12.17	12.92	13.24	17.90	100.00
2010	1.99	5.44	7.88	19.68	1.89	6.03	12.35	13.31	13.22	18.23	100.00
2011	2.24	5.32	7.93	19.80	1.85	6.04	12.69	13.33	13.31	17.48	100.00
2012	2.48	5.35	7.97	19.86	1.81	6.06	12.98	13.25	13.49	16.74	100.00
2013	2.57	5.45	7.79	19.88	1.79	6.08	13.13	13.22	13.70	16.39	100.00
2014	2.69	5.62	7.65	19.92	1.74	6.04	13.35	13.12	13.81	16.05	100.00
2015	2.33	5.76	7.41	20.12	1.69	6.05	13.46	13.31	14.00	15.88	100.00
2016	1.85	5.83	7.04	20.13	1.68	6.09	13.53	13.58	14.28	15.99	100.00

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

PERSONAL INCOME

After increasing by 7.4 percent in 2014, Texas personal income grew by 4.5 percent in 2015 and by a further 2.9 percent in 2016. Underlying this income growth is growth in Texas population. Recent estimates by the U.S. Census Bureau show that five of the nation's 15 most rapidly growing large incorporated cities are in Texas. Texas' population is estimated to have grown by 1.7 percent in 2016 to average 28.0 million.

Information concerning total personal income for residents of the State 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	309,983	4.7%
1992	335,302	8.2%
1993	354,794	5.8%
1994	375,107	5.7%
1995	401,483	7.0%
1996	431,653	7.5%
1997	470,315	9.0%
1998	512,701	9.0%
1999	540,830	5.5%
2000	589,484	9.0%
2001	626,676	6.3%
2002	633,448	1.1%
2003	656,271	3.6%
2004	684,161	4.2%
2005	746,964	9.2%
2006	817,777	9.5%
2007	872,964	6.7%
2008	961,040	10.1%
2009	910,108	-5.3%
2010	956,562	5.1%
2011	1,047,017	9.5%
2012	1,125,710	7.5%
2013	1,148,929	2.1%
2014	1,234,438	7.4%
2015	1,289,604	4.5%
2016	1,327,261	2.9%

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.

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	$17,366	6.4%	$19,591	5.1%	88.6%
1991	$17,817	2.6%	$19,985	2.0%	89.2%
1992	$18,880	6.0%	$21,060	5.4%	89.6%
1993	$19,535	3.5%	$21,698	3.0%	90.0%
1994	$20,206	3.4%	$22,538	3.9%	89.7%
1995	$21,177	4.8%	$23,568	4.6%	89.9%
1996	$22,319	5.4%	$24,728	4.9%	90.3%
1997	$23,825	6.7%	$25,950	4.9%	91.8%
1998	$25,435	6.8%	$27,510	6.0%	92.5%
1999	$26,307	3.4%	$28,627	4.1%	91.9%
2000	$28,145	7.0%	$30,602	6.9%	92.0%
2001	$29,394	4.4%	$31,540	3.1%	93.2%
2002	$29,204	-0.6%	$31,815	0.9%	91.8%
2003	$29,789	2.0%	$32,692	2.8%	91.1%
2004	$30,551	2.6%	$34,316	5.0%	89.0%
2005	$32,793	7.3%	$35,904	4.6%	91.3%
2006	$35,008	6.8%	$38,144	6.2%	91.8%
2007	$36,630	4.6%	$39,821	4.4%	92.0%
2008	$39,534	7.9%	$41,082	3.2%	96.2%
2009	$36,695	-7.2%	$39,376	-4.2%	93.2%
2010	$37,892	3.3%	$40,277	2.3%	94.1%
2011	$40,825	7.7%	$42,461	5.4%	96.1%
2012	$43,178	5.8%	$44,282	4.3%	97.5%
2013	$43,399	0.5%	$44,493	0.5%	97.5%
2014	$45,814	5.6%	$46,464	4.4%	98.6%
2015	$47,015	2.6%	$48,190	3.7%	97.6%
2016	$47,636	1.3%	$49,571	2.9%	96.1%

Source: U.S. Bureau of Economic Analysis

Table A-24
Sources of Personal Income
Quarter IV of 2016

Source Wages and Salaries:	Sources of Personal Income (Texas) Total (Billion $)	Sources of Personal Income (Texas) Percent	Sources of Personal Income (U.S.) Total (Billion $)	Sources of Personal Income (U.S.) Percent
Agricultural Services and Farm	6,426.1	0.5	105,267.6	0.6
Mining	72,088.9	5.4	141,334.1	0.9
Utilities	7,807.2	0.6	91,766.5	0.6
Construction	81,271.0	6.0	702,281.6	4.3
Manufacturing	90,817.1	6.7	1,102,238.7	6.8
Trade	124,125.0	9.2	1,269,901.8	7.8
Transportation and Warehousing	47,585.2	3.5	425,920.2	2.6
Information	21,116.6	1.6	404,041.5	2.5
Finance and Insurance	63,291.3	4.7	800,183.2	4.9
Real Estate	22,735.6	1.7	275,762.6	1.7
Professional and Technical Services	97,587.7	7.2	1,208,797.1	7.4
Management Services	17,286.0	1.3	312,100.1	1.9
Administrative and Waste Services	48,742.0	3.6	486,530.3	3.0
Educational Services	9,966.9	0.7	198,988.5	1.2
Health Care and Social Assistance	95,573.5	7.1	1,314,601.1	8.1
Arts, Entertainment, and Recreation	7,089.5	0.5	139,275.8	0.9
Accommodation and food services	34,837.9	2.6	400,812.9	2.5
Other Services	36,250.7	2.7	432,971.1	2.7
Government				
Federal Civilian	22,504.9	1.7	334,433.8	2.1
Military	12,607.9	0.9	133,469.9	0.8
State and Local	107,427.1	8.0	1,440,537.6	8.9
Property and Interest Income	216,897.3	16.1	3,004,006.0	18.5
Transfer Payments	203,045.0	15.1	2,807,433.0	17.3
Contributions for Social Insurance	(98,764.9)	(7.3)	(1,266,565.0)	(7.8)
Residence Adjustment	(1,687.4)	(0.1)	3,804.9	0.0
Total Personal Income	1,346,628.0	100.0	16,269,894.9	100.0

Notes:
Totals may not sum due to rounding.
Data presented as annual averages.
Source: U.S. Bureau of Economic Analysis

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.

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 of US Gas 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	6.8	21.3	76.10	6.72	(1.5)	30.0	4.12
2011	529	23.9	25.7	91.72	7.11	5.9	29.6	4.27
2012	722	36.5	30.4	92.08	7.48	5.1	29.6	2.95
2013	925	28.1	33.9	96.04	7.63	2.1	29.9	3.67
2014	1,158	25.2	36.2	86.84	7.99	4.6	29.0	4.39
2015	1,264	9.1	36.8	44.97	7.88	(1.3)	27.4	2.01
2016	1,176	(6.9)	36.2	39.38	6.99	(11.4)	24.7	1.89

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

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. In 1990, drilling activity showed a significant increase in Texas for the first time since 1984. This increase reflected the success of horizontal drilling in South Texas, but the level of rig activity declined again in 1991, to 315 operating rigs. In 1992, the Texas rig count dropped to historical lows bottoming out in June with 209 rigs. By December 1992, the rig count had risen to 328 because of a rush to drill before the yearend expiration of a federal tax break for certain natural gas wells. During January 1994, the Texas rig count fell to 253 before rising to 281 by December. In March 1995, the Texas rig count fell to a low of 233; the rig count peaked for the year in August with 265 rigs operating. The Texas rig count increased during the 1996-1997 time period, and in 1997 peaked in October at 386 after a minimum of 306 in January 1997.

The 1998 rig count topped out in February at 382 and dropped to a low of 218 in December as the taxable crude oil price dropped below $10 per barrel. The average Texas rig count for 1999 was 227 (see Table A-26). The rig count bottomed out in April 1999 at 180 and rebounded to a high of 293 in December 1999. The catalyst for the rebound was attributable to the taxable crude oil price that surpassed $24 per barrel by the end of the year. In 2000, the average rig count was 343 with a low of 285 in January and a high of 413 in December as the oil price continued to ascend toward the low $30 per barrel range. According to Baker Hughes, the rig count continued to climb each month in 2001 starting with an average of 429 in January and peaking with an average of 509 in July, even though oil prices had already begun to soften since the beginning of the year to the mid $20s. However, the September 11 event exerted downward pressure on the price, and it dropped below $20 by November 2001 before rebounding to the low $20s by March 2002 staying above $25 for the last half of 2002. Consequently, rig counts dropped to an average of 306 by April 2002 before rising again to an average of 369 in December 2002.

The prolonged Venezuelan crude oil supply disruption and the supply uncertainty before and during the war in Iraq primarily pushed the price of crude oil past $30 per barrel during the first quarter of 2003.

The crude oil price temporarily dropped back to the $26 range after the war in Iraq in April and May. However, prices quickly advanced and averaged more than $28 per barrel for the rest of 2003 when restoration of the Iraqi oil production to the pre-war level in the short term was out of reach. In the meantime, the rig count continued to climb and averaged 449 in 2003.

In 2004, continuing threats of oil supply disruption from Iraq, Saudi Arabia, Russia, Nigeria, and Norway, damages to the oil and gas infrastructure in the Gulf of Mexico from the Hurricane Ivan, and questionable availability of OPEC spare capacity to meet the stronger world oil demand led by China and United States largely pushed the average oil price above $49 per barrel in October before dropping back below $40 per barrel in December 2004.

In 2005, the growing belief of oil production peaking in the near future along with tight inventory, stronger demand, and losses of production from the Gulf of Mexico caused by Hurricanes Katrina and Rita, helped move Texas average oil price above $60 per barrel by August and the average for the year to $52.69. High oil prices also helped increase Texas rig count by 21 percent over 2004.

In 2006, steady demand growth and fear of losses of supplies from the Persian Gulf over the fighting in Lebanon and Iran's pursuit of nuclear-arms inherently pushed oil prices to an all-time high of $69.82 per barrel by July. However, prices began to soften and averaged $61.53 for the year as risk premium diminished while inventory levels continued to build and remain above the historical norm. Contrary to the downward price movement since the all-time high, monthly rig counts steadily climbed higher to 780 by December and averaged 746 for the year, a 21 percent increase over 2005.

In 2007, the decline of the oil price that began in 2006 eventually bottomed in January and reversed its course aiming for the all-time high. Rising oil demand in spite of record prices since 2006, geopolitical pressure, declining inventory, and the precipitous drop of the dollar helped pushed prices closer to the century mark by the end of the year. At the same time, drilling activities continued the upward trend averaging 834 for the year, a 12 percent increase over 2006.

In 2008, NYMEX crude oil futures continued to set records after surpassing the psychological century-mark in February 2008. Unabated rising oil consumption from India, China, Russia, Middle East and other emerging markets, geopolitical tension over Iran's nuclear weapon program, and ongoing supply disruption in Nigeria working in concert with the decline of the U.S. dollar have been major contributors to record oil prices. However, after topping $145 in July, prices began a precipitous decline to a $33 range, a level last seen in 2004, by the end of the year in equally dramatic fashion because of a strengthening dollar, deepening credit crisis, looming recession, slowing demand, and growing excess supply. Texas rig counts also rose and fell in similar fashion after peaking in September at 946, a level last seen in December 1983, and closed out the year at 826 in December.

In 2009, NYMEX crude oil futures again dropped to the $33 level in February creating another steep contango since December 2008 with storage reaching capacity in the midst of a once in a lifetime credit crisis. The futures eventually recovered to the $70 range by the fourth quarter with the help of the OPEC production cuts, easing credit crisis, expected recovering demand with improving global economy led by the fast-resurging China and other emerging markets, and the much anticipated further decline of the U.S. dollar. Since September 2008, Texas active rig counts dropped by almost two third to average 329 by June 2009 but has since rebounded to 470 by December 2009.

In 2010, NYMEX crude oil futures managed to reach the $90 range by the end of the year drawing on the persistent weakness of the dollar and acknowledging the insatiable energy consumption of China who has taken the lead from the U.S. as the number one energy consumer. Because of the huge disparity in prices between oil and gas, oil rig counts continued to rise and reached parity with gas rigs by the year end. In turn, total Texas rig counts rose 52 percent from the 2009 level to 656 rigs.

In 2011, the disruption of Libya oil production along with rising demand that has tighten the global spare capacity, the unabated geopolitical turmoil in the Middle East and North Africa, diminishing excess storage levels, the narrowing differentials between the Brent and the West Texas Intermediate (WTI) pricing benchmarks on NYMEX crude oil futures, and the weakness of the dollar elevated NYMEX crude oil futures above $110 level by April. However, as the

European financial crisis continues to deepen, fear of its contagion along with the possible slowing of China's economy brought oil prices down to the mid $70s by October. By this time, the threat of crude supply disruption through Strait of Hormuz intensified and caused prices to rise to $100 level by year's end.

In 2012, NYMEX crude oil futures continued to rise through spring 2012 to $110 level. As fear of supply disruption gave way to the on-going European financial crisis, prices subsequently declined and retested mid $70 level by June 2012 and remained below $100 through the first half of 2013. However, the continuing growth of global demand, tightening spare capacity, and the additional market access transporting crude oil in storage at Cushing, Oklahoma to the Gulf Coast refineries largely pushed prices beyond the $110 level for most of the third quarter of 2013. By the fourth quarter, concerns with the potential economic impact of the U.S. government shut-down in conjunction with the surging domestic oil production from unconventional oil plays brought prices back to the $90 level.

In 2014, while concerns of the Iranian nuclear threat had abated, the potential Middle East supply disruption associated with the civil war in Syria helped push oil prices above $100 by the end of the first quarter. In the second half of the year, the weakened global demand growth, the return of the production from certain geopolitical conflict countries, and the surging North American production, driven largely by the shale plays, helped create a supply imbalance that drove oil prices to the $50 levels by the year's end.

In 2015, prices continued to drop further to the $40 levels in the first quarter before rebounding to the $60 levels during the summer. However, with China's weakening economy, unrelenting U.S. crude oil production, continuing OPEC high output levels, and the imminent return of Iran's production, oil prices resumed the downward path and declined to the $30 levels by end of the year. On a positive note, the lifting of the U.S. crude oil export ban by the year's end helped reduce the WTI crude's price discount to Brent, a major international benchmark crude.

In 2016, prices temporarily dipped below the key psychological mark of $30 per barrel in the first quarter for the first time since 2003 before embarking on a recovery that brought prices above the $50 levels by the end of the year. The price recovery was in large fueled by the reduction in drilling activities in the Bakken and the Eagle Ford shale plays in addition to the OPEC's temporary agreement to cut their production output as early as January 2017.

In Texas, the production surge was driven largely by the unconventional oil plays of the Eagle Ford Shale and, to a lesser extent, the Permian Basin that helped triple Texas crude output in five years. Texas crude oil production began to grow in fiscal 2009, trended higher in 2010, and accelerated in 2011 confirming the reversal of a nearly four-decade production decline that began when Texas oil production peaked in 1972.

With the price decline that began in the middle of 2014, statewide average rig counts eventually dropped from the recent high of 904 in November 2014 to 324 in December 2015. However, Texas output remained resilient and did not decline until it climbed to a monthly average of 3.2 million barrels per day in March 2015, a production level not seen since 1976. Texas production has since dropped to an average of 2.7 million barrels per day in May 2016 as the availability of cheap credit to fund costly shale developments disappeared while prices remained below break-even levels.

With capital expenditures and drilling activities dropping off in response to low oil prices, Texas rig counts continued to decline to an average of 179 in May 2016. As prices continued to rise and firmly held above the $40 levels since May 2016, rig counts reversed course and rose to an average of 399 in March 2017. Much of the increase in rig counts concentrated in the Permian Basin largely because of the basin's low-cost and the availability of capital. Recent acquisitions, and the discovery of new oil reserves in the Permian Basin, have re-established the basin as the premier producing region with tremendous growth going forward. However, it will take much more investment today to prevent future price spikes for the expected future demand.

Looking forward with an extended low oil price environment, cutting costs, reducing capital expenditures, and divesting assets may not be enough for many companies with high levels of debt to survive the downturn. On the other hand, mergers and acquisitions may well be a good strategy for some not only to prosper under the current price environment, but to be in a stronger position for the future price recovery in the longer term. Particularly for those producers that have managed to reduce well costs and increase well productivity, the recent downturn would just be a short-lived setback.

The natural gas rig count and prices followed oil on the downward path that began in 2008 and remained in check. The number of operating natural gas drilling rigs in Texas swung from a high of 756 during September 2008 to a low of 243 during July 2009. With the accelerated development of the Barnett Shale, Texas natural gas production has been on an upward path since 2006 and exceeded 7 trillion cubic feet of gas from 2008 forward, production levels not seen since the 70s. With production increases, (largely from technological advances), industrial consumption decline, and gas storage reaching capacity, NYMEX natural gas prices eventually declined from over $13 in July 2008 to less than $4 by the end of March 2009 and eventually touching the $2 level by the end of August 2009. Prices subsequently rebounded to the $5 level by December 2009 as fear of a price collapse due to overflowing supply subsided along with reductions in storage levels helped by the much needed colder-than-normal weather. In 2010, NYMEX natural gas prices averaged $4.40 riding on the strong rebound of the industrial consumption and the electric power generation partly caused by a summer heat wave in certain populated areas of the U.S. and countered by a mild hurricane season with storage levels remaining above their 5-year average.

For 2011, NYMEX natural gas prices averaged near the $4.00 level. Although much of the US experienced record breaking temperatures during the summer, particularly in Texas, increased consumption was not enough to compensate for the increase in production nationwide. The production increase in combination with a mild winter ultimately led to record storage levels and suppressed prices to the just above the $3 level by the end of the year. Because of the steep discount relative to oil, natural gas rig counts remained in the low 300s, while rig counts for crude oil rose to just under 600. The relatively higher crude oil prices increased drilling for natural gas liquids and condensates, contributing to higher overall volumes of liquids production and associated tax revenues.

In 2012, NYMEX natural gas prices continued their downward trend averaging $2.82 for the year. While the rig count for natural gas had rebounded somewhat from the low seen in 2009, it subsequently fell to an average count of 222 for 2012. However, due primarily to shale play activity (inclusive of casinghead gas), production remained stable.

Throughout 2013 and 2014 natural gas rig counts continued their slide with average counts of 132 and 85 for these years, respectively. While rig counts fell, NYMEX prices trended upwards averaging $3.73 for 2013, and $4.26 for 2014. Because of a late start to the 2014-2015 Winter Season with an excess inventory and a weak demand, prices fell to an average of $2.63 for 2015. In turn, average rig counts fell to 54 for the year.

The 2015-2016 winter was again a record warm year for the lower 48 states. With warm temperatures, natural gas in storage has remained above the normal range since the storage injection season (April through October). Consequently, prices declined to the $1.60 levels in March. Lower than expected injections followed by larger than expected winter natural gas storage draws drove natural gas prices to an average of $3.58 in December 2016.

With oil prices still commanding a premium, although a much lower one, over natural gas, the development of high-volume natural gas plays and rich in liquids such as the Eagle Ford shale in Texas are expected to continue, although at a much slower pace in a low-price environment. While production from the Barnett Shale had reached a plateau and started a gradual decline, production from the Eagle Ford Shale still has great potential. With abundant resources, natural gas has asserted itself as an ideal bridge fuel for power generation, transportation, petrochemical and agricultural feed stocks, as well as residential and commercial heating. LNG exports have just begun and are expected to provide a relief and possibly bring prices closer to the international market. As such, production from shale formations such as Eagle Ford, Barnett, Haynesville, Marcellus and Utica is expected to remain a significant portion of overall U.S. production.

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

Table A-26
Petroleum Drilling Activity

Year	Texas Average Annual Rotary Rig Activity	Rig Activity Percent Change	Total Wells Drilled	Wells Completed Oil	Wells Completed Gas
1998	303	(15.4)	11,057	4,509	4,907
1999	227	(25.1)	6,658	2,049	3,566
2000	343	51.1	8,854	3,111	4,580
2001	462	34.7	10,005	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	11,726	3,454	7,197
2006	746	21.5	13,854	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

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

Note: 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

Eight of the 11 major nonfarm industries in the Texas economy experienced net job growth from February 2016 to February 2017. Goods-producing industries' employment declined by 0.2 percent over the past 12 months, while employment in service-providing industries grew by 2.2 percent. Employment declines in the goods-producing industries were led by mining and logging (down 15,100) and manufacturing (down 2,900), while employment growth in the service-providing industries was led by education and health services (up 53,400) and leisure and hospitality (up 45,400). The industry that saw the largest employment growth rate was leisure and hospitality (3.5 percent), while the mining and logging industry had the greatest rate of decline (-6.4 percent).

MINING AND LOGGING

As a result of the precipitous decline in oil and natural gas prices – the monthly average New York Mercantile Exchange oil price fell from $102.39 per barrel in July 2014 to $49.67 in March 2017, a decrease of 49 percent – the Texas mining and logging industry lost 15,100 jobs over the past 12 months. Industry employment peaked in December 2014 at 322,900 and then fell sharply through 2015 and most of 2016, reaching 214,300 in October. Since then, mining and logging employment has recovered somewhat and was 221,400 in February 2017. In addition to substantial exploration activities within the state and in the Gulf of Mexico, Texas is the headquarters for many of the nation's largest oil and natural gas refining and distribution companies, and has a large number of energy-related jobs in other industries. The recent fall in oil and natural gas prices had significant negative effects on those industries, as well.

CONSTRUCTION

Construction was the only one of the three goods-producing industries to show an increase in employment over the past 12 months, adding 14,200 jobs (2.0 percent) to reach 711,000 in February 2017. Specialty trade contractors employment increased the most of any construction sector, growing by 11,200. Employment in the heavy and civil engineering construction sector, however, fell by 2,700 (1.8 percent).

Housing activity has increased moderately over the past year. Total single-family building permits issued in the year ending February 2017 were up 5.4 percent from the year ending February 2016. However, multi-family building permits were down 15.2 percent.

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 9.3 percent over the last year, from $195,000 in February 2016 to $213,000 in February 2017. The inventory of existing homes for sale in February 2017 was only 3.3 months, slightly less than the February 2016 level of 3.4 months.

TRADE, TRANSPORTATION, AND UTILITIES

The trade, transportation and utilities industry, the state's largest employer with over 20 percent of total nonfarm employment, added 32,100 jobs (1.3 percent) over the year ending February 2017. Employment in the transportation, warehousing, and utilities sector increased by 23,900 (4.7 percent), while employment in the retail trade sector increased by 12,500 (0.9 percent). Wholesale trade employment, however, decreased by 4,300. Total industry employment was 2,445,800 in February 2017.

As evidence of the importance of trade to the state economy, the Port of Houston had total shipment volume of 234.3 million tons in the most recently reported year (2014). Houston’s port nearly matched the Port of South Louisiana (267.4 million tons), the nation’s busiest port. The Port of Houston is the nation’s largest port for foreign trade, handling 27 percent more value than the second largest port. Among the ten busiest U.S. ports in 2014, three were in Texas. After Houston, the other two were Beaumont at fourth and Corpus Christi at sixth.

The Dallas/Fort Worth area is a major regional distribution center for Texas and surrounding states and has the fourth busiest airport in the nation and ninth busiest in the world, with 31.6 million passenger enplanements during 2015. Houston’s IAH is the twelfth busiest airport in the U.S., with passenger enplanements of 20.6 million in 2015.

Sales tax collections, of which more than 50 percent come from households, are an indicator of retail sales activity in the state. Calendar 2015 sales tax revenue was $28.7 billion, a 1.9 percent increase over 2014 collections. However, in recent months sales tax collections have been declining on a year-over-year basis, largely due to spending reductions in oil and gas related sectors and calendar year 2016 collections were down by 1.8 percent from 2015.

Table A-28 shows annual historical retail sales data for 1995 through 2016. The Census Bureau no longer publishes retail sales numbers for states, so the Texas numbers below 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	522,842	7.4
2015	523,058	0.0
2016*	377,462	1.4

*2016 Sales total and percent change are for the first three quarters of 2016 compared to the first three quarters of 2015.
Notes: Amounts and growth rates for 1995 through 2002 are based on the SIC-based definition of gross retail sales.
Amounts and growth rates from 2003 onward are based on the NAICS-based definition.
Source: Texas Comptroller of Public Accounts

The value of Texas exports in 2014 was a record $289 billion, an increase of 3.3 percent from 2013. Those exports provided a substantial boost to manufacturing, notably for companies producing chemicals, computers and electronics, petroleum products, industrial machinery and transportation equipment. In 2015, the value of Texas exports fell sharply (to $251 billion, down 13.1 percent), hurt by falling oil prices and a stronger dollar. Texas exports continued to fall in 2016, down another 7.4 percent. However, Texas exports increased for the first time in two years in January 2017 (up by 12 percent from January 2016) and were up again in February (also by 12 percent). Texas remains the nation's leading exporting state, as it has been for more than a decade. Texas exports comprised 16 percent of total U.S. exports in 2016.

Texas' exports to neighboring Mexico, at $93 billion in 2016, were 40 percent of all Texas exports and 40 percent of total U.S. exports to Mexico. Some major U.S. corporations have sister plant operations known as maquiladoras along the Texas-Mexico border, where goods are partly manufactured in Mexico and partly in the United States, and these substantially affect Texas/Mexico export trade. Exports to Canada in 2016 were 9 percent of Texas exports, and exports to China and Taiwan totaled 6.4 percent of Texas exports.

MANUFACTURING

The manufacturing segment of the State's economy has diversified substantially, but the predominant sectors remain technology manufacturing and the recovery and processing of natural resources, including oil and gas instruments and equipment. In general, manufacturing employment shifted toward computer and electronics industries in the 1990s and back toward energy-focused activities after 2000.

This industry lost 2,900 jobs over the past year, a decline of 0.3 percent. Durable goods manufacturing employment was down 10,900, led by declines in machinery manufacturing (down 4,800) and transportation equipment manufacturing (down 4,600). Overall, durable goods employment fell by 2.0 percent. Nondurable goods manufacturing, however, increased by 2.6 percent (4,100), with food manufacturing showing the largest increase (3,800, 4.3 percent).

Productivity gains have allowed Texas manufacturers to produce more with fewer workers, allowing the value of output to grow even with the outsourcing of jobs to lower-wage countries. Manufacturing output in Texas, as measured by real gross state product, rose 61 percent from 2005 to 2015. This growth occurred despite a 2.5 percent decline in Texas manufacturing employment over this period.

Table A-29 shows Texas manufacturing employment by industry in February 2017.

Table A-29
Manufacturing Employment by Industry

Manufacturing Sector	Employment (Thousands)	Percentage of Manufacturing Employment
Durable Goods		
Wood Products	23.0	2.7
Minerals (nonmetallic) and Concrete	37.5	4.4
Primary Metals	19.7	2.3
Fabricated Metals	122.9	14.4
Machinery, except Computers	89.1	10.4
Computers and Electronics	91.2	10.7
Electrical Equipment & Appliances	17.9	2.1
Transportation Equipment	87.3	10.2
Furniture	22.9	2.7
Miscellaneous Durables	30.7	3.6
Total Durable Goods	542.2	63.6
Nondurable Goods		
Food Manufacturing	93.0	10.9
Beverages	15.8	1.9
Paper	17.3	2.0
Printing	25.0	2.9
Petroleum and Coal Products	23.0	2.7
Chemicals	80.8	9.5
Plastics and Rubber	37.3	4.4
Other Nondurables, incl. Apparel	18.7	2.2
Total Nondurable Goods	310.9	36.4
Total	853.1	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 (cellphone service providers, Internet providers, and software). Industry employment was 196,900 in February 2017, a decrease of 5,500 (2.7 percent) from February 2016. No industry sector experienced employment growth over the year. Telecommunications employment had the largest decline (down 2,100, 2.5 percent).

PROFESSIONAL AND BUSINESS SERVICES

The professional and business services industry added 42,300 jobs over the year. Employment changes varied considerably among industry sectors, with the largest percentage increases in administrative support services (4.0 percent) and management, scientific, and technical consulting services (3.5 percent). Administrative and support services was also the sector that experienced the largest absolute gain in employment over the year, increasing by 30,000. This sector includes temporary help agencies, with many of its jobs in temporary and/or part-time positions. Total professional and business services employment was 1,660,300 in February 2017.

EDUCATION AND HEALTH SERVICES

The education and health services industry, composed of the private education and the health care and social assistance sectors, added 53,400 jobs over the past 12 months, a growth rate of 3.3 percent. The relatively small private education services sector saw an increase of 7,800 jobs (4.0 percent). The much larger health care and social assistance sector added 45,600 jobs (3.2 percent). Within the health care and social assistance sector, home health care services had both the highest absolute gain (15,900) and the highest percentage gain (6.2 percent) in employment. Overall, education and health services employment in Texas reached 1,668,900 in February 2017.

FINANCIAL ACTIVITIES

The financial activities industry is composed of two sectors, finance and insurance and real estate, rental and leasing. The finance and insurance sector is the larger of the two, employing 533,900 in February 2017, a 1.9 percent increase from February 2016. Real estate, rental and leasing employment increased by 3.8 percent over the past year to reach 210,800 in February 2017. Overall, employment in the financial activities industry grew by 2.4 percent, adding 17,400 jobs over the past 12 months to reach 744,700.

LEISURE AND HOSPITALITY SERVICES

Leisure and hospitality industry employment increased by 45,400 (3.5 percent) over the past 12 months. The majority of industry job gains were in the food services and drinking places sector, which added 29,800 jobs (2.9 percent). The largest percentage increase was in the amusement, gambling, and recreation industries sector, which increased by 4.9 percent (4,300 jobs). Total leisure and hospitality employment in February 2017 was 1,325,500, or about 11 percent of total 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, grant making, civic, professional and similar organizations led employment gains in this industry, with a 7.2 percent growth rate over the year. In all, other services industry employment rose by 7,900 (1.9 percent) to 431,600 in February 2017.

GOVERNMENT

Government employment increased by 1.7 percent (33,200) over the past year. Federal government employment increased by 4,200 (2.1 percent), while state government and local government employment increased by 11,200 (2.8 percent) and 17,800 (1.4 percent), respectively. Total government employment in Texas was 1,938,600 in February 2017.

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.

Houston-area employment growth over the past twelve months lagged that of the state as a whole, increasing by only 0.6 percent. Employment in the mining and logging industry decreased by 7.0 percent (6,600) over the past twelve months, construction employment decreased by 1.1 percent (2,500), and manufacturing employment decreased by 1.5 percent (3,500). Employment losses in the machinery manufacturing sector (down 7,100, 15.2 percent) were particularly high. This sector is closely associated with the oil and gas industry. Service-providing industries saw employment gains over the year of 1.3 percent, with leisure and hospitality (3.5 percent, 10,800 jobs) and government (3.3 percent, 13,200 jobs) having the highest rates of increase.

The Dallas/Fort Worth area grew at a faster rate than the state as a whole over the past year (3.5 percent). Employment in the Fort Worth metro grew at a rate of 2.8 percent while Dallas area employment grew at 3.7 percent. Dallas growth was led by particularly strong percentage gains in leisure and hospitality employment (6.1 percent) and mining logging and construction (employment totals for the mining and construction sectors are not reported separately for the Dallas area) employment (5.0 percent). The Fort Worth area had its best job growth rates in leisure and hospitality (6.2 percent) and other services (4.7 percent).

The Austin economy grew at a 2.7 percent rate over the past year, led by a 5.6 percent increase in mining, logging, and construction employment. Leisure and hospitality services employment was also up sharply (4.1 percent). No industry saw a decline in employment over the year. The information industry had the smallest increase (0.7 percent). The Austin area was the state's fastest-growing metropolitan area over the past decade, according to the U.S. Census Bureau.

San Antonio's employment increased by 2.2 percent over the past year. Job growth was led by education and health services (6.4 percent) and professional and business services (4.4 percent) sectors. Mining and logging lost 9.5 percent of its employment over the year (down 700). Information industry employment also declined over the past 12 months (by 2.4 percent, 500 jobs).

El Paso's employment generally declines less than the state average during recessions and grows more slowly during strong economic times. Over the past 12 months, El Paso's employment grew at a rate of 3.3 percent, moderately faster than statewide employment. The largest percentage increases were in the professional and business services (7.8 percent) and the mining, logging, and construction (3.4 percent) industries. No industry saw a decline in employment over the year. The Manufacturing industry had the lowest rate of increase (0.6 percent).

Among all the state's metropolitan areas, Amarillo (3.6 percent), Austin (3.7 percent), and Lubbock (3.7 percent) had the state's lowest unemployment rates in February 2017. Of the state's six largest metropolitan areas, Austin had the lowest rate, at 3.7 percent, followed by San Antonio at 4.2 percent and Dallas-Fort Worth, at 4.3 percent. Houston had the highest unemployment rate of the largest metro areas, at 5.9 percent. The metropolitan areas with the highest unemployment rates were Beaumont-Port Arthur (8.1 percent), Brownsville-Harlingen (8.2 percent), and McAllen-Edinburg-Mission (8.8 percent).

PROPERTY VALUES

State-wide property values in Texas increased in 2015. Taxable values increased 5.35 percent from 2015 to 2016. The total taxable property value in Texas on January 1, 2016, was $2.242 trillion according to records maintained by the Comptroller's Property Tax Assistance Division.

Property value changes from 2015 to 2016 were varied from property category to property category. The total market value of single-family homes increased by 9.29 percent, to $1.31 trillion. Multi-family residential property values increased by 14.83 percent from 2015, to $158.5 billion. The value of residential inventory – new, unsold homes held for sale – increased 18.06 percent from 2015 to 2016 reflecting an increase in construction of these residential properties to meet increased demand.

The value of commercial and industrial real property was $543.7 billion, an increase of 9.26 percent. Commercial and industrial personal property decreased 0.33 percent to $278.9 billion. The value of oil and gas reserves decreased from $117.7 billion in 2015 to $64.0 billion in 2016, a 45.61 percent decrease.

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

Year	Billions	Percent Change
1996	691.49	4.70%
1997	694.85	0.49%
1998	736.46	5.99%
1999	779.01	5.78%
2000	847.82	8.83%
2001	943.29	11.26%
2002	1,000.72	6.09%
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	2,242.45	5.35%

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

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, transportation, wholesale distribution and retail sales. According to the USDA 2015 Census of Agriculture report for agricultural land size and use, the agriculture industry generates $81 billion for Texas.

Agricultural Statistics in comparison to other states

In 2015, the top 10 agricultural producing States, in terms of cash receipts were (in descending order): California, Iowa, Texas, Nebraska, Minnesota, Illinois, Kansas, North Carolina, Wisconsin, and Indiana. The USDA survey on agricultural statistics released in May 2015 indicates that Texas is an agricultural leader in several agricultural categories.

- 1^{st} in number of sheep and lambs (740,000 head).
- 1^{st} in number of farms (247,500), cattle and calves, wool, cotton, mohair, amount of farm acreage, and hay.
- 2^{nd} in Pima cotton production, grain, grapefruit and sorghum.
- 3^{rd} in honeydew melons, oranges, carrots, pecans and chili peppers.

Agriculture Demographics

The USDA Economic Research Service produced a 2015 report on "Population, Income, Food Insecurity, Education and Employment in the Texas farming industry. Below are the 2012 farm demographics and characteristics.

- Number of farms - 248,809
- Amount of farmland (acres) - 130.1 million
- Farmland in total land area (percent) - 77.8 percent
- Amount of cropland (acres) - 29.1 million
- Cropland in farmland (percent) - 22.4 percent
- Full owner farms (number of farms) - 179,783
- Part owner farms (number of farms) - 54,297
- Tenant farms (number of farms) - 14,729
- Average farm operator age (years) - 60.1
- Farm operators with farming as their principal occupation (percent) - 42.1 percent
- Men as farm operator (number) - 210,357
- Women as farm operator (number) - 38,452

Top 5 Agricultural Commodities

The top 5 ranked agricultural commodities from Texas in 2015 based on farm receipts dollars according to the USDA were:

1. Cattle and calves ($11.3 billion)
2. Broilers ($2.0 billion)
3. Dairy products, milk ($1.8 billion)
4. Miscellaneous crops ($1.5 billion)

5. Cotton lint, Upland ($1.4 billion)

Top Agricultural Exports

Texas is ranked 6th in the U.S. in the overall value of agricultural exports. According to the USDA, the top five ranked exported items from Texas in 2015 based on their value were:

1. Cotton ($1.4 billion - ranked 1st among 50 states)
2. Other plant products ($1.4 billion - ranked 3rd)
3. Beef and veal ($1.4 billion - ranked 2nd)
4. Feeds and other feed grains ($1.4 billion - ranked 8th)
5. Hides and skins ($1.4 billion - ranked 3rd)

Top Agricultural Export Markets

The Texas Governor's Office reports that the top 6 agricultural export markets for Texas products in 2014 were:

1. China - 38 percent
2. Mexico - 24 percent
3. Brazil - 12 percent
4. Turkey - 9 percent
5. Canada - 9 percent
6. Nigeria - 8 percent

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 February 2013.

GEOGRAPHY AND CITIES

The State of Texas is located 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 932,000 as of July 2015), and the largest city is Houston (2,296,000). Other major cities include Arlington (388,000), Corpus Christi (324,000), Dallas (1,300,000), El Paso (681,000), Fort Worth (833,000), Laredo (255,000), Plano (284,000), and San Antonio (1,470,000). Houston, San Antonio, Dallas, and Austin are respectively the fourth, seventh, ninth, and eleventh most populous cities in the United States.

Almost two-thirds of Texas' population (66 percent) in July 2016 resided in the four largest Metropolitan Statistical Areas: Dallas-Fort Worth-Arlington (population 7,233,000), Houston-The Woodlands-Sugar Land (6,772,000), San Antonio-New Braunfels (2,430,000) and Austin-Round Rock (2,056,000).

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 State Data Center (TxSDC) 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 2016, Texas' population was 27,863,000, an average annual increase of 1.7 percent from April 2010. The United States' population was 323,128,000, an average annual increase of

0.7 percent from April 2010. According to the U.S. Census Bureau, migration accounted for 51 percent of Texas' population gains between April 2010 and July 2016.

Over twenty-two 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 2016, Texas had 8.1 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 34.3 years in July 2015, 3.5 years younger than the national median of 37.8 years. Only Utah (30.7 years) and Alaska (33.3 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 2015 was 7,212,000, the second largest population in this age group among the states. This rank applies as well for the college-age population (18 to 24), which stood at 2,772,000; the young adult population (25 to 44) at 7,706,000; and the older adult population (45 to 64) at 6,554,000. Texas' population of persons ages 65 and older, at 3,225,000, 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 2016, over 89 percent of Texas' population lived in its 25 metropolitan statistical areas.

The TxSDC estimated that the racial and ethnic population shares for Texas in July 2015 were as follows: 42 percent non-Hispanic White, 40 percent Hispanic, 12 percent non-Hispanic Black, and 7 percent non-Hispanic "Other." Between April 2000 and July 2015, the number of non-Hispanic "Other" Texans (primarily Asian and Pacific Islanders and Native Americans) increased by 162 percent (an average of 6.5 percent per year), and the number of Hispanic Texans increased by 65 percent (3.3 percent per year).

Table A-31 sets forth information concerning the changes in Texas' total population since the 1970 census.

Table A-31
Historical Review of Texas Population

Month	Year	Texas Resident Population	Average Annual Percent Change	Population Rank Among States
April	1970	11,196,730	1.6	4
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	25,244,000	1.6	2
July	2011	25,654,000	1.6	2
July	2012	26,090,000	1.7	2
July	2013	26,501,000	1.6	2
July	2014	26,979,000	1.8	2
July	2015	27,469,000	1.8	2
July	2016	27,863,000	1.6	2

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 1990	Texas Share April 2000	Texas Share April 2010	Texas Share July 2015	U.S. Share April 1990	U.S. Share April 2000	U.S. Share April 2010	U.S. Share July 2015
0-4	8.4%	7.8%	7.7%	7.2%	7.5%	6.8%	6.6%	6.2%
5-17	20.2%	20.4%	19.6%	19.0%	18.2%	18.9%	17.5%	16.7%
18-24	11.2%	10.6%	10.2%	10.1%	10.8%	9.7%	9.9%	9.7%
25-44	33.1%	31.1%	28.1%	28.1%	32.4%	30.2%	26.6%	26.4%
45-54	9.5%	12.5%	13.7%	12.8%	10.1%	13.4%	14.6%	13.4%
55-64	7.6%	7.7%	10.3%	11.1%	8.5%	8.6%	11.8%	12.7%
Over 64	10.1%	9.9%	10.4%	11.7%	12.5%	12.4%	13.0%	14.9%

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, and 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 2015-16

- 5,284,306 total Texas student enrollment
- 52.2 percent Hispanic
- 28.5 percent White
- 12.6 percent African American
- 4.0 percent Asian
- 2.1 percent two or more Races
- 0.4 percent American Indian
- 0.1 percent Pacific Islander

Texas Educators: School Year 2015-16

- 347,272 full-time equivalent teachers
- 67,755 professional support staff
- 20,171 campus administrators
- 7,340 central administrators
- 67,755 educational aides in the public schools
- 179,801 auxiliary staff
- $51,891 average teacher salary

Texas Primary and Secondary Public Education: School Year 2015-16

- 1,024 school districts and 183 charter districts
- 8,685 campuses
- 4,635 elementary schools
- 1,507 high schools
- 1,511 middle schools
- 885 combined elementary and secondary schools
- 270 junior high schools
- 2 campuses with other grade groupings

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 not only the largest appropriation item for TEA, accounting for 77 percent of the agency's All Funds appropriation, it is also the largest single appropriation item in the state budget.

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 $35.00 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 Pocket Edition, 2015-2016 Texas School Statistics reports that for the 2014-15 school year total actual district revenues for public education from local, state, and federal sources were $56.1 billion. Of that total, $27.4 billion from local tax revenues, $22.8 billion came from state sources, $5.8 billion from federal sources.

BUDGETED STATE EDUCATION FUNDING 2016–17 BIENNIUM

FSP funding for the 2016–17 biennium includes:

- $35.5 billion in General Revenue Funds and
- $42.3 billion in All Funds

This represents an increase of $3.8 billion in General Revenue Funds, or 12.3 percent, and an increase of $2.7 billion, or 6.8 percent, in All Funds compared to the 2014–15 biennium. The General Revenue Funds increase reflects provisions implementing property tax relief ($1.2

billion), franchise tax relief ($2.6 billion), and providing funding for schools ($1.5 billion), partially offset by a lower state cost to fund current state school finance formulas compared to the 2014–15 biennium.

FSP funding is increased by $1.5 billion over what is estimated to be required to fund the current law FSP entitlement. The additional funding consists of four elements:

- $1.2 billion is attributable to increase in the Basic Allotment
- $200.0 million is contingent on legislation that equalizes, within the school finance formulas, the treatment of similar tax effort across school districts
- $55.5 million in new funding for the Instructional Facilities Allotment to provide tax relief for property-poor districts issuing bonds for local facility needs
- $47.5 million for the New Instructional Facilities Allotment to provide startup funds for new district and charter school campuses

General Revenue funding for the FSP contains $3.8 billion as a result of two tax relief provisions that passed in the November 2015 election:

- $2.6 billion is contingent on franchise tax reform resulting in an equivalent savings and a corresponding reduction to the Property Tax Relief Fund; and
- $1.2 billion is contingent on an equivalent amount of school district property tax relief.

Non-FSP program and administration funding for the 2016–17 biennium includes $2 billion in General Revenue Fund appropriations, a $229.2 million increase. The increase includes $118 million for a high quality prekindergarten grant program, $54.8 million for teacher academies and $2.7 million for the Texas Education Agency's Office of Complaints, Investigations, and Enforcement.

On November 3, 2015, voters approved a constitutional amendment which increased the mandated state homestead exemption on values used for local property taxes from $15,000 to $25,000. Effective for the tax year beginning January 1, 2015, the homestead exemption may result in a reduction of school district property tax revenue and, due to additional hold-harmless provisions, will increase state aid to public schools by an estimated $1.2 billion over the 2016-17 biennium.

EDUCATIONAL ACHIEVEMENT

According to the U.S. Census Bureau, 2014 American Community Survey, 81.6 percent of the State's population, age 25 and older, were high school graduates, as compared to an 86.3 percent share for the nation. In addition, 27.1 percent of the State's population age 25 and older had received a bachelor's degree, as compared to a national share of 29.3 percent.

HIGHER EDUCATION

The State of Texas has 147 public and independent institutions of higher education:

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

During the 83rd regular session of the Texas Legislature, lawmakers granted authorization to 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 new medical school as part of the UT-Rio Grande Valley institution and the Dell Medical School at UT-Austin—both welcoming their first classes in June 2016.

Certified statewide enrollment in all colleges and universities in the fall of 2016, the most recent semester for which data is available, was 1,521,216. 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 National Research University Fund), 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. In 2003, the State ended legislative control over designated tuition rates at public universities effective with the 2003 fall semester.

In the past, 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.

During the 84th Legislature, and for the first time since 2006, Texas lawmakers approved the use of 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 $3.1 billion.

Additionally, the 84th Legislature appropriated $19.9 billion to support higher education for the 2016-2017 biennium, according to the Legislative Budget Board. Including benefits, the Legislature appropriated $19.9 billion in All Funds, with $17.4 billion in General Revenue Funds and General Revenue-Dedicated Funds. These funding levels reflect a net increase of $1.4 billion in All Funds, as well as an increase of $1.4 billion in General Revenue from the 2014-2015 biennium. Funding levels for 2016-2017 include:

- TEXAS Grant Program, $714.9 million
- Tuition Equalization Grant Program, $192.3 million
- Professional Nursing Shortage Reduction Program, $33.8 million
- B-On-Time Program (public institutions), $63.4 million
- Texas Educational Opportunity Grant Program, $86.5 million
- Graduate Medical Education expansion, $53.0 million
- Joint Admission Medical Program, $10.2 million
- Developmental Education Program, $4.0 million
- Teach for Texas Loan Repayment Program, $7.0 million
- Baylor College of Medicine Undergraduate Medical Education formula allocation, $78.0 million

The Legislature appropriated $18.2 million for Top Ten Percent Scholarships in the 2016-2017 biennium, a decrease of $21.4 million from the 2014-2015 biennium. Higher education formula funding for the 2016-2017 biennium included funding for enrollment growth. As was the case in the 2014-2015 biennium, the Legislature did not allocate funding for new community college campuses or alternative teaching certification programs at community colleges.

The 82nd Legislature enacted House Bill 9, which requires 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 through House Bill 3015, 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, 56.465(a)
- Dental School Tuition, 61.910(a)
- Doctoral Incentive Loan Repayment, 56.095(b)
- House Bill 3015 (Designated Tuition) Graduate, 56.012(a)
- House Bill 3015 (Designated Tuition) Undergraduate, 56.011(a)
- Medical School Tuition, 61.539(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; the 80th Legislature through House Bill 1250 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.

During the 84th session of the Texas Legislature, lawmakers passed H.B. 700, which phases out the B-On-Time Loan program by 2020 and eliminates the 5 percent set-aside requirement for designated tuition that has funded that particular program, beginning Fall 2015. Thus, the current set-aside requirement for designated tuition is 15 percent, equal to the set-aside requirement for statutory tuition.

The 80th Legislature passed House Bill 3900 adding Subchapter H to Chapter 54, Texas Education Code, establishing the Texas Tuition Promise Fund, also known as the Texas Tomorrow Fund II. 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, 2016, the Texas Tuition Promise Fund (Plan) had 32,391 active contracts and had a surplus of Assets over Liabilities of $67,041,641with a funded ratio of 108.9% (audited). As of August 31, 2015, the surplus was $50,890,005.

Authorized by voters on November 4, 1997, Article VII, Section 19 was added to the Texas Constitution creating the Texas Tomorrow Fund, also known as the Texas Guaranteed Tuition Plan. The Texas Guaranteed Tuition Plan opened for enrollment in 1997 and plan benefits are guaranteed by the full faith and credit of the State of Texas. The plan closed for new enrollment in 2003 when tuition was deregulated; however, there were approximately 59,352 active contracts as of August 31, 2016. The fund's unfunded liability (unaudited) as of August 31, 2016 was $617,229,676 compared to $535,517,043 as of August 31, 2015. The 84th Legislature passed House Bill 2 which appropriated $87,671,644 from the general revenue fund for deposit in the Texas Tomorrow Fund in fiscal year 2015.

The Permanent University Fund (PUF) is a permanent endowment fund with a market value of $19,400,194,791.23 (unaudited) as of March 31, 2017 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 $16,137,652,148.20 (unaudited) as of March 31, 2017. 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 $39.68 billion (unaudited) as of March 31, 2017 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 allows 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 allows 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 2016-2017 General Revenue appropriation for the HEF is $656.3 million.

In 2003, the State enacted Subchapter E, Chapter 62, Texas Education Code, which merged the Texas Excellence Fund and the University Research Fund into a new Research Development Fund (RDF) beginning with the 2005 fiscal year. The RDF was intended to promote increased research capacity at universities other than the University of Texas at Austin, Texas A&M University (College Station) and Prairie View A&M University; the RDF, however, was never created as a stand-alone fund. Instead, the Legislature has previously appropriated general revenue to each affected institution in a line item named “Research Development Fund.” RDF appropriations for the 2014-2015 biennium totaled $73.1 million.

The 84th Legislature abolished the Research Development Fund, effective fiscal year 2016, and created two distinct funds in its stead: the Core Research Support Fund for emerging research universities, as well as the Texas Comprehensive Research Fund for public four-year institutions other than research or emerging research universities. 2016-2017 appropriations for the Core Research Support Fund total $117.1 million, and biennial appropriations for the Texas Comprehensive Research Fund total $14.3 million.

In a constitutional amendment election held in November 2009, Proposition 4 created the National Research University Fund. This change was designed to assist the state in developing more public universities into national research universities. The balance of the National Research University Fund was $685,676,820.80 (unaudited) as of March 31, 2017.

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 may be found in Note 9 of the Comprehensive Annual 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 1,110,026 current members and 393,914 retirement recipients as of August 31, 2016. 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 Law Enforcement and Custodial Officers System (LECOS) and, as of August 31, 2016 had 146,390 active contributing members for ERS and 39,066 for LECOS. ERS had 103,758 annuitants and LECOS had 11,515 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, with 558 active contributing members and 705 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, 2016, the unfunded actuarial accrued liability of the TRS plan as a whole was $35.5 billion. ERS had an unfunded actuarial accrued liability of $8.7 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, 2016, was $133.4 billion. The ERS fair value of pooled investments as of August 31, 2016 was $25.5 billion.

GASB Statement No. 68 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, 2015 reported in Fiscal 2016 State of Texas CAFR was 67.9% or $24.0 billion. The allocation percentage for the State for the August 31, 2016 measurement period is not yet available. The net pension liability for the State under the ERS plan, as reported in the 2016 ERS CAFR, was $19.8 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, 2016, was $30.4 million for funding purposes with a net pension liability of $105 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 Legislature, however, may appropriate additional funds as are actuarially determined to be needed to fund benefits authorized by law.

The 84th Legislature increased contribution rates to ERS for the 2016-2017 biennium beginning September 1, 2015. The State's fiscal 2016 contribution rates to the retirement systems were: ERS at 10.0 percent, TRS at 6.8 percent, and JRS Plan Two at 15.663 percent of payroll. Member fiscal 2016 contribution rates were: 9.5 percent and 7.2 percent, respectively, for ERS and JRS Plan Two and 7.2 percent for TRS.

State laws prohibit by statute the implementation of changes in the ERS, JRS and TRS systems that would cause the period required to amortize the unfunded actuarial liability of the plans to exceed 30 years by one year or more.

Table A-33 sets forth selected financial information concerning each of the three State-operated retirement systems for the fiscal year ended August 31, 2016.

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	$15,359,304	$2,723,926	$37,990
Benefits and Refunds Paid	$9,889,373	$2,236,049	$21,155
Plan Net Assets Available for Benefits	$134,008,637	$24,465,580	$381,120
Plan Net Assets Available for Benefits to Benefits and Refunds Paid Ratio	13.60:1	11.25:1	18.95:1
Payout to Revenue Ratio	1.81:1	1.93:1	1.03:1

Sources: Comprehensive Annual Financial Report for Fiscal Year ended August 31, 2016, Employees Retirement System of Texas; Comprehensive Annual Financial Report for Fiscal Year ended August 31, 2016 and Actuarial Valuation report for Fiscal Year ended August 31, 2016, 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.

POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to providing pension benefits, the State administers four programs 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 Employees Retirement System (ERS) administers the State Retiree Health Plan to provide postemployment health care benefits for State retirees with at least 10 years of combined state service under any of the programs in the Proportionate Retirement Program (PRP), including the Teacher Retirement System (TRS). Retirees from institutions of higher education who elected to participate in the Texas Higher Education Coordinating Board's (THECB) 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.

The University of Texas System and the Texas A&M University System provide separate postemployment health care and life insurance coverages to their retirees, surviving spouses, and beneficiaries. Substantially all of the employees under the university systems that reach normal retirement age while working for the State may become eligible for the health and life insurance benefits.

For the year ended August 31, 2016, the State made monthly contributions for health care and life insurance. Contribution rates are shown below. 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
For the Fiscal Year Ended August 31, 2016

Level of Coverage	TRS	ERS	Texas A&M University	University of Texas
Retiree Only	$577	$577	$548	$567
Retiree/Spouse	$907	$907	$819	$864
Retiree/Children	$798	$798	$758	$757
Retiree/Family	$1,128	$1,128	$927	$1,056

Sources: Comprehensive Annual Financial Report for Fiscal Year ended August 31, 2016, Employees Retirement System of Texas; Comprehensive Annual Financial Report for Fiscal Year ended August 31, 2016, Teacher Retirement System of Texas; Annual Financial Report for Fiscal Year ended August 31, 2016, University of Texas System; Annual Financial Report for Fiscal Year ended August 31, 2016, Texas A&M University System

TRS administers a program that provides benefits to public school district retirees with at least 10 years of service. The Texas Public School Retired Employees Group Insurance Program (TRS-Care) provides a free 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. The deductible is $1,800 for those eligible for Part A, $3,000 for those not eligible for Part A but eligible for Part B, and $4,000 for those not eligible for either Part A or Part B. Funding for free basic coverage is provided based on public school district payroll. For fiscal year 2016, the State of Texas, active school employee and participating employer contribution rates are 1.0%, 0 .65%, and 0.55% of school district payroll, respectively.

The cost of state retirees' health care and life insurance benefits and TRS-Care 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.

The Joint Interim Committee to Study TRS Health Benefits released a report to the 85th Legislature in November 2016. The report proposed reforms to address the financial soundness, cost affordability, and sufficiency of access for the TRS-Care. The reforms presented may or may not be adopted by the 85th Legislature and may or may not carry an additional cost to the state and a potential impact on state appropriations for the 2018-2019 budget.

Expenditures recognized for fiscal year 2016 for retiree health and life insurance benefits paid for by the State are shown below in Table A-35.

Table A-35
Postemployment Health Care and Life Insurance

Benefits Provided Through	Number of Retirees:	Cost (Thousands)
Employees Retirement System	113,430	$663,987
University of Texas System	25,628	$65,699
Texas A&M University System	8,393	$64,215
Teacher Retirement System*	200,231	$297,071
Total	347,682	$1,090,972

*Public School District Employee

Sources: Comprehensive Annual Financial Report for Fiscal Year ended August 31, 2016, Employees Retirement System of Texas; Comprehensive Annual Financial Report for Fiscal Year ended August 31, 2016, Teacher Retirement System of Texas; Annual Financial Report for Fiscal Year ended August 31, 2016, University of Texas System; Annual Financial Report for Fiscal Year ended August 31, 2016, Texas A&M University System

Administrators of the ERS' and TRS' plans for Other Postemployment Benefits (OPEB) began reporting additional information concerning those plans in fiscal year 2007. As of August 31, 2016, the unfunded actuarial accrued liability of TRS-Care was $49.6 billion. The State of Texas began including similar information in its financial statements in fiscal year 2008. As of August 31, 2016, the unfunded actuarial accrued liability of ERS was $27.1 billion. The inclusion of this additional information 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. However, obtaining this additional information will require actuarial valuations and a calculation, for information purposes only, of an amount in excess of the annual contributions based on current funding methods. These disclosures are for informational purposes only and will not impact the net assets of the State.

9. LITIGATION

The State of Texas is a party to various cases concerning its operations and governmental functions but unrelated to the security for the Bonds. In the opinion of the Texas Comptroller, based on case information provided by the Texas Attorney General, none of the cases, except for *M.D., by her next friend, Sarah R. Stukenberg, et al. v. Greg Abbott, in his official capacity as Governor of the State of Texas, et al.*, and *Bailey et al. v. Livingston, Herrera and Texas Department of Criminal Justice,* as discussed below, if finally decided adversely to the State, could possibly have a materially adverse effect on the long term financial condition of the State.

M.D., by her next friend, Sarah R. Stukenberg, et al. v. Greg Abbott, in his official capacity as Governor of the State of Texas, et al. Plaintiffs allege the State's foster care system fails to adequately care for foster children in violation of various constitutional and federal statutory rights. The U.S. District Court certified a class of foster children, and issued a Memorandum Opinion and Verdict on December 17, 2015 finding Texas had violated Plaintiffs' Fourteenth Amendment due process right to be free from an unreasonable risk of harm while in foster care. The Court ordered appointment of a Special Master to create an Implementation Plan to reform Texas' foster care program, and issued an injunction prohibiting the State from placing children in permanent managing conservatorship in unsafe placements. On March 28, 2016, the U.S. District Court appointed two Special Masters. On July 7, 2016, the Fifth Circuit Court of Appeals denied the State's Mandamus Petition to vacate the District Court order appointing the Special Masters. In 2016, the two Special Masters filed a work plan and their Special Masters' Recommendations with the U.S. District Court. On December 28, 2016, the Court issued an order clarifying its injunction on placement of children in foster group homes. The Court issued an Interim Order on January 9, 2017, finding the Recommendations of the Special Masters are preliminary in nature and required additional information gathering, input, and supervision as outlined by the Court.

Bailey v. Livingston and Texas Department of Criminal Justice, et al. In June 2014, Plaintiffs filed a class action lawsuit in the U.S. District Court, Southern District of Texas, on behalf of all inmates at the Wallace Pack (Prison) Unit alleging excessive heat and contaminants in the Unit's potable water. Plaintiffs sued the named officials in their official capacity, asserting Eighth and Fourteenth Amendment condition of confinement claims under 42 U.S.C. §1983 to require them to provide climate controlled facilities and improve the potable water. The Plaintiffs also alleged that the Texas Department of Criminal Justice failed to reasonably accommodate inmates under the American Disabilities Act, the Americans Disability Act Amendments Act and the Rehabilitation Act. On November 16, 2015, the State filed a Motion for Summary Judgment for all alleged claims, which is pending with the Federal District Court. In June 2016, the Court granted class action status on the heat issue. The State appealed that decision to the Fifth Circuit Court of Appeals, and after oral argument on February 9, 2017, the matter is under consideration. Until the class certification appeal is resolved, the U.S. District Court has ordered the trial date be stayed. The District Court has not granted class action status on the potable water issue. At a status conference on April 13, 2017, the District Court set a preliminary injunction hearing for June 19, 2017. Plaintiffs filed their second Motion for Injunctive Relief addressing the heat issue on May 1, 2017.

In addition, the Texas Comptroller of Public Accounts is a party to various state tax law cases that are unrelated to the security for Bonds. None of the individual tax cases, if finally decided against the State, would have a materially adverse effect on the long term financial condition of the State. However, if a negative precedent were applied to all similarly situated taxpayers, then there could possibly be an adverse effect on the financial condition of the State. The following cases, discussed below, are an example of this type of state tax law case: *Graphic Packaging Corporation v. Hegar, et al.*; *American Multi-Cinema, Inc. v. Hegar et al*. and *Trican Well Services, L.P. v. Hegar, et al*.

In *Graphic Packaging Corporation v. Hegar, et al.*, the Plaintiff requested a refund of franchise taxes, based on apportioning its revenue using the three-factor apportionment method outlined in the Multistate Tax Compact, rather than using the single-factor apportionment method specified in §171.106(a), Tax Code. The Comptroller denied the refund request and the Plaintiff filed suit in District Court, which ruled in favor of the State. The Plaintiff appealed its case to the Third Court of Appeals, which affirmed the District Court's ruling in favor of the State on July 28, 2015, finding that Graphic Packaging was required to use the single factor formula method. On December 14, 2015, the Plaintiff filed a Petition for Review with the Supreme Court of Texas, and the State filed its Response on April 13, 2016. Upon request by the Supreme Court, both parties filed their briefs on the merits. The Plaintiff filed its Reply Brief on March 31, 2017**.**

In *American Multi-Cinema, Inc. v. Hegar et al*, the Plaintiff filed suit in District Court, seeking a refund of franchise taxes paid under protest for two reporting years, based upon the Comptroller's disallowance of AMC's costs of goods sold ("COGS") deduction for the cost of acquiring and using motion picture films under §171.1012, Tax Code. The District Court ruled that the Plaintiff was allowed a COGS deduction, but limited the recovery to the Comptroller's interpretation of the amount of the COGS deduction. The Comptroller appealed the District Court's inclusion of exhibition costs in the COGS deduction to the Third Court of Appeals and AMC appealed the limited deduction allowed by the District Court. On April 30, 2015, the Third Court of Appeals held the taxpayer may deduct the COGS for costs to exhibit films to moviegoers to determine its taxable margin for franchise tax purposes. The Comptroller filed a Motion for Rehearing and Reconsideration on June 5, 2015. On January 6, 2017, the Third Court of Appeals issued a substituted opinion and denied the motion for rehearing and dismissed the motion for reconsideration as moot. The substituted opinion maintains the same result as the prior opinion, but on different, narrower grounds, omitting its broader construction of the term "tangible personal property" found in the original opinion. On February 6, 2017, the Comptroller filed its second motion for rehearing with the Third Court of Appeals, which was denied on May 2, 2017. The Comptroller has 45 days after the decision to file a Petition for Review with the Supreme Court of Texas.

In *Trican Well Services, L.P. v. Hegar, et al.*, the Plaintiff requested a refund of sales and use tax for hydraulic fracturing materials under the sale-for-resale exemption in §§151.006 and 151.302, Tax Code. Trican Well Services, L.P. provides hydraulic fracturing services to the oil and gas industry. The Comptroller denied the refund request and the Plaintiff filed suit in District Court. The Plaintiff contends it qualifies for the resale exemption because the fracturing materials are tangible personal property transferred to the well owners for consideration in the normal course of the Plaintiff's business, and in the form or condition in which they were acquired. The Defendants filed their answer denying the claims on February 4, 2016, and discovery is ongoing.