

November 24, 2009

The Honorable Rick Perry, Governor
The Honorable David Dewhurst, Lieutenant Governor
The Honorable Joe Straus, III, Speaker of the House
Members of the 81st Legislature

Ladies and Gentlemen:

In accordance with the Texas Government Code, Section 403.0131, I present herewith the detailed tables for the revenue estimate that I used to certify the General Appropriations Act for 2010-11 and other appropriations bills approved by the 81st Legislature.

The estimates in this document reflect actual revenue collections through Aug. 31, 2009, the end of fiscal 2009. After accounting for statutory transfers, adjustments and balances on hand at the close of the 2008-09 biennium, the state will have a total of \$77.7 billion in General Revenue-related funds available to finance appropriations in the 2010-11 biennium.

This estimate shows that available revenue supports current General Revenue spending of \$77.6 billion for the 2010-11 biennium, yielding an expected General Revenue-related ending balance of \$83.5 million on Aug. 31, 2011.

Fiscal 2009 concluded with revenue collections weakening substantially as the national recession began exerting its full influence on Texas. Notably, state sales and use tax collections registered a 2.7 percent decrease in fiscal 2009 compared to fiscal 2008. Those collections were affected by increasingly weak retail sales over the final months of fiscal 2009, reduced drilling activity in response to lower natural gas prices and the continuing low level of new single family home starts. Overall, state revenues to General Revenue in fiscal 2009 — after adjusting for amounts to be transferred to the Economic Stabilization (Rainy Day) Fund — were \$650 million below projection, with the revenue declines largely offset by less-than-expected state agency spending. The state closed the 2008-09 biennium with a General Revenue-related balance of \$2.4 billion.

The national recession appears to be abating and U.S. job losses, while continuing, are becoming less severe. The economic forecast underlying this estimate projects Texas employment, which began declining late in calendar 2008, will resume slow growth in the first quarter of calendar 2010. Employment growth is expected to begin slowly, building through the remainder of the fiscal year. More significant improvement will be seen in fiscal 2011 as job growth reaches 2.1 percent, after two consecutive years of net job losses. Texas is not expected to regain its previous peak employment level of 10.64 million until the end of fiscal 2011.

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Following a decline of 1.8 percent in fiscal 2009, Texas' gross state product is expected to increase at 1.9 percent in fiscal 2010 in advance of significant job gains. Growth in gross state product of 3.4 percent is expected in fiscal 2011 — faster than the projected growth in the U.S. economy that year.

I must conclude with a note of caution, even as I describe what appears to be the bottom of the state recession and the beginnings of a recovery next calendar year. The national and state economies appear to be at turning points — going from contraction to expansion. As those economies recover, jobs will be added, more homes will be built and retail sales will increase. However, if consumer spending continues to lag through the second half of fiscal 2010, it could result in tax collections being lower than currently anticipated. The overall consequence is that there remains uncertainty that demands caution and vigilance.

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

Sincerely,

Susan Combs

Enclosure

cc: Capitol Office
John O'Brien, CPA, Director, Legislative Budget Board

The 2010-11 Certification Revenue Estimate

The State of Texas will have an estimated \$77.7 billion available for general purpose spending in the 2010-11 biennium, 9.5 percent below the corresponding amount for 2008-09. (See Tables 1, 2, and 3.) This figure represents the sum of the 2008-09 ending balance, 2010-11 tax revenue, and 2010-11 non-tax receipts; less estimated transfers to the Economic Stabilization Fund (ESF); and adjustments to General Revenue-related dedicated account balances.

Tax collections in 2010-11 will generate \$67.5 billion; and non-tax revenues will produce an additional \$8.8 billion. Factoring in the \$2.4 billion ending balance carried forward from 2008-09, these three sources total \$78.6 billion. Against this amount, \$1.2 billion must be placed in reserve for future transfers to the ESF, and \$0.2 billion must be added for various adjustments to General Revenue-related dedicated account balances.

Taking all state revenue sources in all funds into account, the state is expected to collect \$180.3 billion in revenue for all state funds during the 2010-11 biennium.

Texas Economic Outlook

The Texas economy was weakening in the latter months of fiscal 2008 and began losing nonfarm employment in fiscal 2009 in response to a worsening national recession. The state's average employment in fiscal 2009 was nearly 106,000 lower than the average employment for fiscal 2008. The outlook is for continued job losses in fiscal 2010 through the fourth quarter of calendar 2009. Beginning in the first quarter of calendar 2010, job growth will resume, but at a very slow rate. Even with the improving economic climate, the average employment in fiscal 2010 will decline a further 127,000 from fiscal 2009. Fiscal 2011, improving upon the previous year's slowly rebounding job market, will see average employment increase by 218,000 from fiscal 2010.

As Texas and the nation emerge from this recession, the Texas economy will expand at a modest pace, as measured by the rate of growth in Texas gross state product (GSP). Adjusted for inflation, Texas GSP should grow by 1.9 percent in fiscal 2010, following a decline of 1.8 percent in fiscal 2009. As the economy moves into full recovery, real GSP should grow by 3.4 percent in fiscal 2011, outpacing the national growth rate but well below the average annual pace for Texas real GSP of 4.0 percent during the 2006-07 biennium.

Texas Still Steps Ahead of the Nation. In fiscal 2008, Texas average nonfarm employment increased by 2.6 percent, while nationally job losses occurred in each of the last eight months of that fiscal year and the annual job growth was only 0.4 percent. Texas began losing jobs in fiscal 2009, ending the year with 1.0 percent fewer jobs, while nationally the decline was 2.9 percent. From peak employment to the most recent monthly job count estimates, Texas nonfarm employment has declined by 3.4 percent, and national employment is down 5.3 percent. In fiscal 2010, Texas employment is forecast to decline by a further 1.2 percent, before job growth strengthens in fiscal 2011

to increase by 2.1 percent. Over the span from fiscal 2008 to fiscal 2011, average Texas employment will not change substantially.

The unemployment rate in Texas rose to 8.0 percent at the end of fiscal 2009, compared to 9.7 percent nationally. This was the state's highest jobless rate since 1987, and was due mostly to losses in the goods-producing industries (oil/natural gas, construction, and manufacturing) and the trade sector. Because of slow job growth during the current 2010-11 biennium, state and national unemployment rates are likely to remain stubbornly high, only improving slightly in fiscal 2011. Fiscal 2010 will see the average unemployment rate in Texas increase to 8.2 percent, then average 7.7 percent in fiscal 2011. Nationally, these figures will be 9.9 percent and 9.5 percent, respectively.

Personal income growth was healthy through most of the 2008-09 biennium, but slowed markedly in its second fiscal year (to 1.7 percent) as job losses accumulated. Continued weakness in income growth is expected in fiscal 2010 (up 1.9 percent) before improving (to 4.5 percent) in fiscal 2011. Job growth helped nominal personal income increase by an annual average of 5.7 percent in 2008-09 compared to the previous biennium, but the recovering economy should temper this to a 2.5 percent average annual rate in 2010-11.

Because the Texas economy has been relatively healthier than the national economy, net migration to the state fueled nearly half of Texas' population growth in the 2008-09 biennium. The population growth rate in Texas is expected to drop slightly in 2010-11, with continuing net migration into the state. Texas population will increase by 930,000 in 2010-11—an average annual increase of 1.9 percent—to reach an average of 25.7 million Texans in fiscal 2011.

Oil and Natural Gas Contracting. The mining and logging industry led the major Texas industries in employment growth during the 2008-09 biennium, but will lose a larger share of its jobs in 2010-11 than any other Texas industry. Texas' oil and natural gas sector had benefited significantly from higher energy prices, particularly those activities in support of exploration and development. With Texas serving as the headquarters for many companies in the oil and natural gas industry, the mining and logging industry's contribution to Texas personal income is more than five times the national share.

In the 2006-07 biennium, employment in mining/logging (based predominately on oil and natural gas activity) grew by a substantial 22 percent compared to the previous biennium. During 2008-09, jobs in the industry increased by almost 17 percent, with employment peaking at 240,200 in December 2008, but as market prices turned sharply downward in early fiscal 2009 employment dropped to 201,800 at the end of that year. The number of operating oil and natural gas drilling rigs in the state averaged 718 per month during 2008-09, but in 2010-11 the average monthly rig count will be exactly one-half that number (359). Mining and logging employment is expected to decline by 17.7 percent (an average of 9.3 percent annually) during the 2010-11 biennium.

Construction Suffering. The other goods-producing nonfarm industries are construction and manufacturing. Each lost employment in fiscal 2009 and each is expected to lose jobs again in the 2010-11 biennium. Construction and manufacturing jobs followed a similar pattern of growth in the first year of the 2008-09 biennium and losses in the second year.

The Texas construction industry contributed strong employment growth in 2008-09, even with the fiscal 2009 declines. In that biennium, industry activity shifted in part from the building of single-family homes to the construction of utility systems, refineries, and pipelines related to the state's oil and natural gas industry, as well as to heavy engineering construction related to the building of multi-family residences and highways. Although Texas fared much better than many other large states in the mortgage credit crunch, the drag of the national recession has taken a toll on all Texas construction sectors.

According to data from the Texas A&M Real Estate Center, new single-family housing permits in Texas declined from 125,000 in fiscal 2007, to 86,000 in fiscal 2008, and to 60,000 in fiscal 2009. Multi-family permits were stable in fiscal 2007 and 2008 at 56,000 units, but declined markedly to 24,000 units in fiscal 2009.

The outlook is for multi-family residential and nonresidential building construction activity to continue shrinking in the 2010-11 biennium, reducing construction employment by 6.2 percent per year in the 2010-11 biennium, a loss of 77,000 jobs from 2008-09 levels.

Exports No Longer Boosting Manufacturing. The value of Texas exports more than doubled between fiscal 2002 and 2008, but in fiscal 2009, for the first time in six years, the value declined. Although export growth will return in both fiscal 2010 and 2011, the sharp decline in fiscal 2009 will translate into a one percent drop in exports between the 2008-09 biennium and 2010-11. Shrinking export demand combined with hefty productivity increases and weaker consumer spending will cause the Texas manufacturing industry to shed jobs by an average of nearly 5 percent per year between the 2008-09 and 2010-11 biennia.

National forecasters expect the dollar's value to continue its slide relative to major world currencies, helping Texas exports to recover. On the flip-side, international purchasing demand is expected to revive slowly. Texas exports, at \$159 billion in fiscal 2009, represented nearly 13 percent of the state's gross economic product, as well as 15.3 percent of all U.S. exports. Texas exports per capita are nearly twice the national average, with total exports forecast to exceed \$181 billion in fiscal 2011. Even with the growth, total exports from the state will not recover to the record level of over \$192 billion seen in fiscal 2008 until beyond the current biennium.

Service Industries' Growth in 2010-11. Among service-providers, all the industries except information added jobs during the 2008-09 biennium. Education and health services added 82,000 jobs, federal, state and local governments added 71,000,

professional and business services grew by 63,000, and leisure and hospitality tacked on 57,000. Those industries added jobs in each year of the 2008-09 biennium, although international and national recessions began to take a toll in fiscal 2009, which was exacerbated in Texas by the collapse of oil and natural gas exploration.

The impact of those economic factors continues to weave through the service-providing industries, and job growth in the current biennium will not match the growth in the last one. The outlook for 2010-11 is for professional and business services to expand by a comparatively weak 5,000 jobs, and leisure and hospitality will add 32,000. Education and health services, an industry for which the demand for its services is tied to demographic factors, is more resistant than most industries to economic weakness; it is expected to add more jobs in the current biennium (89,000) than in 2008-09. The information industry contracted in 2008-09, and with the saturation of domestic markets, cost competition, and decline in demand for printed news media, will contract even more in fiscal 2010-11. Texas financial activities avoided the worst of the national recession, but began to suffer job losses in the first quarter of calendar 2009. The industry will lose about 21,000 jobs in fiscal 2010-11. The trade, transportation, and utilities industry generally mirrors the overall health of the state economy, and as such, is experiencing job losses in fiscal 2009 and 2010; losses in fiscal 2010 will exceed gains in fiscal 2011, resulting in a net loss of about 25,000 jobs in 2010-11. Government, called on to provide more services during economic downturns, is expected to increase employment by 71,000 in 2010-11, a gain of 2.0 percent per year, with the majority of the growth at the local level.

Forecast Concerns. There are indications, such as the return to growth in the U.S. Gross Domestic Product in the third quarter of 2009, that the economy has reached a turning point—moving from contraction to expansion—but that does not yet mean general economic conditions are back to normal levels. For instance, Texas single-family housing starts reached a low point early in fiscal 2009, but, while now growing slightly, remain well below long-term averages. As the global recession expanded beyond housing and credit activity, many areas of the Texas economy weakened, including consumer and business spending, and, as noted earlier, exports.

The state's highest unemployment rates since 1987, coupled with an increase in the savings rate, is reflected in worsening retail sales activity over the past year. Lower prices and pent-up demand for automobiles and other goods and services will eventually serve as a source of economic growth, but the timing and strength of this boost are surrounded by uncertainty.

The economic forecast underlying this revenue estimate assumes Texas job losses are continuing to trend downward and will reach bottom during the fourth quarter of 2009. The first quarter of calendar 2010 is expected to see slight job growth, with the rate of growth gradually gaining strength through the end of fiscal 2010, and significantly improving in fiscal 2011. However, should Texas job losses continue into early calendar 2010, or the rate of job growth, once started, in fiscal 2010 is less than forecast, there would be negative implications for the economy and the state's fiscal situation.

Similarly, if consumer spending continues to perform poorly into the second half of fiscal 2010 it is unlikely that sales tax projections will be met.

Concerns about the overhang effects of rising public and private sector debt, and a global credit crunch holding back investment, have affected the Texas economy. Further, in recent years Texas has benefited from strong growth in the global economy and the declining value of the dollar, factors that have boosted Texas' export growth, but many forecasters predict international markets will recover slowly. While economic growth in Asia will remain solid, it is now markedly slower than it has been for most of this decade.

Finally, while the forecast calls for gradually increasing oil prices, circumstances in which oil prices jump to—and most importantly, remain—at levels above \$100 per barrel could have serious consequences for the U.S. and Texas economies. Although \$100-plus prices could be salutary to the oil and gas sector of the Texas economy in the short-run, those gains would be expected to be overwhelmed in the longer term as the costs within the state for transportation, fertilizer, and general petrochemical industry feedstock increase.

The 2008-09 Ending Balance

The ending certification balance for 2008-09 was \$2.4 billion after setting aside a required \$870 million transfer to the ESF related to 2009 tax collections and to be transferred in fiscal 2010.

The Economic Stabilization Fund (ESF)

As required by the Texas Constitution, a total of \$870 million was set aside from fiscal 2009 receipts for transfer to the ESF by the end of November 2009. This transfer, which represents a portion of the oil and natural gas production tax receipts, is not included in the General Revenue-related funds available for 2010-11 biennial appropriations. The ESF reserve for transfers totaled \$3.1 billion for the 2008-09 biennium.

With respect to 2010-11 revenues, the portion of state oil production and natural gas tax collections reserved for transfer to the ESF should total \$1.2 billion over the biennium. Again, as required by the Texas Constitution, these estimated transfers to the ESF have been deducted from available revenues and balances.

At the end of the 2010-11 biennium, on August 31, 2011—and before the fall 2011 required transfer of fiscal 2011 revenues—the ESF balance should total \$8.2 billion.

Tax Revenue

The state's tax system is the main source of General Revenue-related funding. Taxes are expected to yield \$67.5 billion during the 2010-11 biennium, contributing 88.6 percent of total net revenues. Compared with the \$69.3 billion collected in 2008-09, total General Revenue-related tax collections in 2010-11 are expected to register a 2.7 percent decrease.

Since 1988, state sales tax revenues have accounted for more than half of all state General Revenue-related tax collections. Motor vehicle sales and use taxes provide the second-largest source of general revenues, followed by the proceeds from the state's general business tax—the franchise tax. The franchise tax is the largest state tax not levied on consumption.

Sales and Use Taxes. In fiscal 2009, Texas General Revenue-related sales and use tax receipts totaled \$20.9 billion, down 2.7 percent from 2008. The decline was the result of recessionary forces that have affected all major sectors of the Texas economy.

Contributing to lower collections have been the contractions in the Texas mining and construction industries. Each industry experienced substantial employment declines in fiscal 2009. For mining, lower energy prices, relative to the highs in 2008, resulted in decreased drilling activity, as well as less repair or replacement of equipment. Rotary rig counts, which had peaked at 946 in September 2008, dropped to a low of 329 in June 2009. Only recently have rig counts begun to tick up. For the construction industry, activity had begun to slow in fiscal 2008 and slowed further during fiscal 2009. The low point of new single family starts seems to have occurred during the first quarter of calendar 2009. However, levels of construction activity—and tax receipts from the sale of building materials—remain far below those of 2006, 2007, or 2008.

Sales and use tax collections from the retail trade sector, which accounts for approximately half of total sales tax revenue, declined by 2.1 percent in fiscal 2009. This sector saw gradual tax collection declines early in fiscal 2009, but in the last three months collections dropped steeply. Subsectors with the steepest tax declines include home improvement stores, furniture stores, and electronics stores, all three of which are affected by changes in the number of new homes built or existing homes sold.

Growth in sales tax collections is expected to be modest in the 2010-11 biennium. For the first half of fiscal 2010, sales tax collections across all industries—but notably oil and gas activities, construction, and manufacturing—are expected to show continued weakness. Tax collections from those industries should begin to improve and gradually strengthen over the second half of fiscal 2010, as the Texas economy recovers and jobs are slowly added. Stronger and more consistent tax collection growth is expected in fiscal 2011.

Sales taxes are expected to generate \$43.6 billion in state General Revenue-related revenue in 2010-11. Compared to the \$42.5 billion collected in 2008-09, this will represent a 2.7 percent biennial increase.

Franchise Tax. The franchise tax changed significantly beginning with reports due in 2008. The universe of business entities subject to the tax expanded to include partnerships, business trusts, professional associations, business associations, joint ventures, holding companies, and other legal entities. Business entities not subject to the franchise tax include sole proprietorships and general partnerships composed entirely of natural persons.

The base for the current franchise tax is “taxable margin” apportioned to Texas. “Taxable margin” is defined as the smallest of three calculated values: 70 percent of total revenue; total revenue less the cost of goods sold; and total revenue less compensation. Franchise tax receipts in the 2008-09 biennium reflected the new base and rates for the franchise tax. Receipts for all funds totaled \$8.7 billion—a 51.3 percent increase over the amount collected in 2006-07, the last periods based on the taxable capital and earned surplus.

In 2006, the 79th Legislature, 3rd Called Session, enacted HB 2, which established provisions for dedicating part of the franchise tax revenue collected to the Property Tax Relief Fund (PTRF). The dedicated revenue is the amount collected under the taxable margin based tax that exceeds the amount estimated to be collected under the prior capital and earned surplus based tax. For 2008-09, the amount allocated to the PTRF from the franchise tax was slightly more than \$3.0 billion. The remaining \$5.7 billion was held in the General Revenue Fund for general purpose spending.

The deep U.S. economic recession will continue to hold down franchise tax collections in 2010, but the slow economic recovery expected to take hold in that year will allow a modest rise in franchise tax revenue in fiscal 2011. A change made to the franchise tax by the 81st Legislature, provides that a business with total revenue of \$1 million or less owes no franchise tax. Prior to this change the threshold was \$300,000. The change is estimated to reduce franchise tax collections by \$172 million during 2010-11. The impacts of the economic recession and the legislative change will hold franchise tax collections in 2010-11 to \$8.7 billion, level with collections in the prior biennium.

Motor Vehicle Sales and Rental Taxes. General Revenue-related tax collections in fiscal 2008, at \$3.3 billion, were essentially unchanged from 2007 collections. In fiscal 2009, the Texas economy began to weaken and motor vehicle sales rapidly declined, and tax collections fell by 22.5 percent to \$2.6 billion. Bankruptcies of major automobile manufacturers, along with rising unemployment and severe limits on borrowing, meant fewer potential buyers in auto showrooms. Those purchasing vehicles displayed a shift in preference away from trucks and SUVs toward more car-like crossover vehicles, as well as to smaller fuel-efficient vehicles. As a consequence, tax collections in the 2008-09 biennium, at \$5.9 billion, were 7.5 percent below 2006-07 collections.

Motor vehicle tax revenue collections, as with the sales tax, will begin to recover in fiscal 2010 as job growth returns, consumer confidence increases, and the need to replace older vehicles is addressed. Following the extreme revenue decline in fiscal 2009, an increase of 6.3 percent is expected in fiscal 2010, followed by growth of 7.8 percent in fiscal 2011. Overall, and heavily influenced by fiscal 2009’s steep decline, tax collections are expected to be \$5.7 billion in the 2010-11 biennium, down 3.6 percent from 2008-09.

Oil & Natural Gas Taxes. Since 2002, oil prices have taken a generally upward path, rising from an average of \$17.54 per barrel (taxable value) in January 2002 to \$130.60 in June 2008. This price increase was the result of various forces, including persistent

threats of supply disruptions abroad; hurricane-related production losses in the Gulf of Mexico; diminished production capacity; growing global demand; and the depreciation of the U.S. dollar. In the second half of 2008, the worldwide financial meltdown caused oil prices to drop sharply, reaching a low of under \$33 in February 2009 partly because the dollar's relative value appreciated in this period of capital illiquidity. As markets sensed the financial crisis had peaked, the dollar again declined, helping oil prices to rise to over \$67 by August 2009. For all of fiscal 2009, taxable oil prices averaged \$59.88 per barrel; and oil production and regulation General Revenue-related tax revenues dropped to \$885 million for the year, down 38.4 percent from the \$1.4 billion collected in fiscal 2008.

Given the continuing trend of production declines, oil production and regulation taxes are anticipated to generate \$1.8 billion in revenue in the 2010-11 biennium, a decline of 21.2 percent from 2008-09 collections of \$2.3 billion. As the crude oil inventory level in the U.S. returns to normal and with improving economic activities in key markets, taxable oil prices are expected to average \$64.04 per barrel in fiscal 2010 and \$68.46 in fiscal 2011.

Ample supplies of natural gas in storage—attributable in part to previous warm winters, weak demand, and increased production levels—caused the market price for natural gas to fall below \$3 per thousand cubic feet (Mcf) in August 2009, the lowest level since August 2002. The taxable natural gas price in fiscal 2009 dropped to an average of \$4.96 per Mcf, a 33 percent decline from \$7.37 in fiscal 2008. Taxable natural gas prices are expected to be lower in fiscal 2010, averaging \$3.79 per Mcf, before rebounding in 2011 to an average price of \$5.01 as storage volumes are worked off, Canadian imports decrease, minimal additions are made to LNG supplies, and demand growth offsets the expected new production from unconventional sources.

Although Texas production had been on an upward path since 2003 due in large part to the tremendous growth in output from the Barnett Shale formation and higher market prices, production—in response to the recent drop in market prices—is expected to trend lower toward levels last seen in 2007. Lower prices and production volumes—together with more refunds of taxes paid during prior years that are associated mostly with an exemption for high-cost, or difficult to extract, natural gas—are expected to result in natural gas production tax revenue of \$587 million in fiscal 2010. The outlook for fiscal 2011 is for higher prices, stable production volumes, and somewhat lower refund levels. Fiscal 2011 natural gas production tax revenue is projected to be \$1.4 billion, close to fiscal 2009's revenue but remaining lower than the four prior years. In the 2010-11 biennium, natural gas tax collections will total approximately \$2.0 billion.

Insurance Taxes. General Revenue-related collections in the 2008-09 biennium from the state's insurance taxes were \$2,706 million, an increase of 4.9 percent from 2006-07. In the 2010-11 biennium, as the state's economy moves into recovery, insurance tax revenue—although buoyed by an increasing state population—will decline slightly from the previous biennium due to several factors. First, it is expected, following an economic downturn, that both businesses and consumers will seek less expensive insurance policies with higher deductibles. Second, title insurance premiums are expected to be muted as new home construction struggles to recover and existing home prices remain stable.

Also, premium tax credits that offset assessments against insurers to replenish the Catastrophe Reserve Trust Fund are expected to increase and the first full two year application of certified capital company (CAPCO) premium tax credits will be effective in 2010-11.

For the 2010-11 biennium, insurance tax collections are expected to decline by 1.1 percent to \$2,675 million.

Motor Fuels Taxes. Three-quarters of the proceeds from the state's motor fuels taxes are dedicated to the State Highway Fund, with the remainder dedicated to the support of public education, a General Revenue-related activity. In the 2008-09 biennium, General Revenue-related motor fuels tax collections were \$1.6 billion, a small 1.0 percent increase from the previous biennium reflecting a slowing economy and consumer responses to a sustained run up in fuel prices. Tax collections for 2010-11 are expected to rise to \$1.7 billion, a 4.7 percent increase, as the economy recovers.

Cigarette, Cigar, and Tobacco Products Taxes. Cigarettes, which accounted for 94 percent of the tax revenue from all types of tobacco products sold in Texas in the 2008-09 biennium, were taxed at the rate of \$0.41 per pack from 1990 through December 2006. Pursuant to HB 5, 79th Legislature, 3rd Called Session (2006), the tax rate rose by an additional dollar to \$1.41 per pack, effective January 1, 2007. That cigarette tax hike, a small tax hike on snuff, chewing tobacco and pipe tobacco imposed on Texas sales at the same time, and a substantial federal tax increase on all tobacco products effective on April 1, 2009, pushed tobacco retail prices higher and will result in lower taxable consumption of those products and, in turn, their associated tax revenues.

HB 2154, 81st Legislature, Regular Session (2009) changed the taxation method, effective September 1, 2009, for tobacco products other than cigarettes and cigars (i.e., snuff, chewing tobacco, pipe tobacco, etc.) from a tax on the manufacturer's list price of those products to a tax on their weight. The bill's provisions will result in additional revenue of \$105 million in 2010-11, from which allocations will be made to the Physician Education Loan Repayment Program Account and the General Revenue Fund.

In 2008-09, cigarette and other tobacco product tax revenues to all funds totaled \$3,004 million, an increase of 59.8 percent from 2006-07 that resulted from the state's cigarette and other tobacco products tax rate increases in 2007. For 2010-11, revenues are expected to decrease slightly, by 1.5 percent to \$2,958 million. Of this amount, \$1.1 billion will be available for general purpose spending, \$1.8 billion will be allocated to the Property Tax Relief Fund, and \$22 million will be allocated to the Physician Education Loan Repayment Program Account.

Alcoholic Beverage Taxes. Over three-quarters of the revenue from the six alcoholic beverage taxes are generated by the mixed beverage tax, which is levied at 14 percent of gross receipts. Over the past two biennia, total alcoholic beverage General Revenue-related tax revenues posted double digit gains, 15.0 percent in the 2006-07 biennium and 11.9 percent in 2008-09, in which revenues were almost \$1.6 billion. In 2010-11, tax

revenues will grow by 7.7 percent, as the economy rebounds from the economic recession, reaching \$1.7 billion.

Utility Taxes. Combined utility tax General Revenue-related revenues in the 2008-09 biennium were \$1,023 million, an increase of 3.6 percent from 2006-07 but substantially below the earlier biennium's 34.0 percent growth. Total revenues are expected to rise by only 2.2 percent in 2010-11, to \$1,045 million, reflecting the slow economic recovery and lower energy production costs.

Hotel Occupancy Tax. Following a robust 29.5 percent increase in the 2006-07 biennium, hotel occupancy tax revenues grew at a more modest 10.2 percent in 2008-09, reaching \$715 million. As the national economy declined in the last biennium and into the current one, tourism and business travel activity have significantly slowed. Hotel occupancy tax revenue is expected to grow by 1.4 percent to \$725 million in 2010-11, as compared to 2008-09.

Other Taxes. The state's remaining taxes include the currently dormant inheritance tax and taxes on such disparate subjects as cement, sulphur, coin-operated machines, oil-well services, attorneys, and bingo rental receipts. Other tax collections are expected to generate \$107 million in the 2010-11 biennium, a decline of 30.9 percent from the \$155 million collected in 2008-09 due primarily to the impact of significantly reduced Texas drilling activity on collections from the oil well service tax.

Non-Tax Revenue

In addition to the \$67.5 billion in tax revenue estimated for the 2010-11 biennium, the state's General Revenue-related funds are expected to receive \$8.8 billion in non-tax revenue. This represents a 15.0 percent decline from the \$10.3 billion in non-tax receipts in 2008-09. Non-tax revenue comes from the total return distribution from the Permanent School Fund to the Available School Fund, state lottery proceeds, fees, and other sources.

Interest and Investment Income. For the 2010-11 biennium, General Revenue-related interest and investment income is expected to decline 85.5 percent from 2008-09 collections, from \$1,607 million to \$233 million. The \$22 billion Permanent School Fund (PSF) historically produces most of the investment income accruing to General Revenue-related funds, but a change in the PSF distribution method and turmoil in the financial markets has resulted in dramatically lower projected distributions for the 2010-11 biennium.

In September 2003, voters approved an amendment to the Texas Constitution to change the way funds are transferred from the PSF for use in providing aid to school districts. Under the old system, only earnings from interest and dividend proceeds were transferred. With the change a disbursement system known as "total return" was put in place. Put briefly, the PSF disbursements under the new system are calculated by applying a percentage distribution rate times the average market value of the PSF for the previous 16 state fiscal quarters. The percentage distribution rate is adopted biennially by the State Board of Education.

To help insure the integrity of the PSF corpus, the 2003 amendment included a provision governing the size and timing of the disbursements. In previous biennia that provision never came into play because the value of the corpus consistently increased. Because of that provision, the performance of the PSF portfolio since fiscal 2008, and recognizing the uncertainty still surrounding the financial markets, this estimate assumes there will not be a PSF distribution to the Available School Fund (ASF) in fiscal 2011 due to overall fund performance not meeting the provisions of Article VII, Subsection 5(a)(2) of the Texas Constitution. However, State Board of Education determined that the fund performance test was met for fiscal 2010, and voted on November 20, 2009, to allow a partial distribution of \$60.7 million to the ASF. The State Board of Education will meet in November 2010 and at that time may consider a PSF distribution for fiscal 2011, subject to fund performance.

Lottery Proceeds. With an expected small decline in per-capita lottery sales counterbalanced by growth in the population eligible to play these games, lottery transfers to the Permanent School Fund and other General Revenue-related accounts are projected to total \$2,002 million in the 2010-11 biennium, an increase of 0.9 percent from the transfer of \$1,984 million in 2008-09.

Remaining Revenues. In addition to the two revenue sources discussed above, the non-tax revenue category includes licenses, fees, fines and penalties; the sales of goods and services; land income; contributions to employee benefits; settlements of claims (including tobacco settlement proceeds); unclaimed property; third-party payments from private vendors in the state-federal Medicaid program; and federal payments to the state for treating indigent patients, among other revenue sources.

Texas began receiving regularly scheduled court settlement payments from tobacco product manufacturers in fiscal 1999. In the 2010-11 biennium, General Revenue-related Texas tobacco settlement receipts are expected to total \$1,012 million, a 2.8 percent decline from the \$1,042 million received in 2008-09. Future tobacco settlement payments likely will be negatively affected by the cigarette tax increases imposed recently by the federal government, Texas, and other states (and their local governments). The resulting higher consumer prices are likely to accelerate the national decline in cigarette consumption, reducing the sales volume of the settling cigarette manufacturers and thereby causing lower settlement payments to states.

With respect to federal payments, General Revenue-related revenues from the Disproportionate Share Program, which helps pay for indigent care at state and local hospitals and the closely related Upper Payment Limit Program, which pays eligible health care providers at the generally higher Medicare rates—rather than Medicaid rates—for each procedure, are expected to total \$595 million in 2010-11. State vendor drug rebates from major pharmaceutical manufacturers participating in Medicaid's vendor drug program will reach \$709 million in 2010-11.

Revenue to All Funds

Revenue collections to all funds will total \$180.3 billion in the 2010-11 biennium. Of this amount, General Revenue-related receipts will total \$76.2 billion, and dedicated federal income will account for \$67.3 billion.

Most of the federal funds or income will be used for health and human services, highway construction and maintenance, and public education programs. Of special note in this biennium is the American Recovery and Reinvestment Act (ARRA) of 2009—generally known as the federal stimulus program—through which the federal government is awarding funds to the state government as well as directly to local governments and other entities in the form of grants, loans, and contracts. The 81st Legislature (2009) appropriated \$14.4 billion from the ARRA funds for fiscal 2009, 2010, and 2011 in anticipation of known allocations available to the state government; and created (in HB 4583) the American Recovery and Reinvestment Act Fund 0369 to receive all ARRA funds reaching the state treasury in order to accurately account for activities from this funding source. In fiscal 2009, the state treasury received \$2.7 billion of ARRA funds and made expenditures of \$2.5 billion. The remaining ARRA revenue anticipated to be received during the 2010-11 biennium is presented in Table A-5. Total ARRA funds received by all entities in Texas will not be known for several years until all funds are awarded due to many Texas institutions, businesses and state entities still competing for grants, loans, and contracts.

A second large source of all funds revenue is the State Highway Fund's share of motor fuels tax revenue, which is constitutionally dedicated to highway construction and maintenance and public transportation.

Total revenue to "all funds" does not equal appropriations to all funds because the total estimated revenues do not include the fiscal 2009 ending balance in the General Revenue Fund, which provided part of the \$182.2 billion all funds appropriation for the 2010-11 biennium.

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

TABLE 1
General Revenue-Related Funds By Source

	Revenue in Millions		Percent Change
	2008-09	2010-11	
<i>Tax Collections</i>			
Sales and Use Taxes	\$ 42,451	\$ 43,613	2.7 %
Motor Vehicle Sales and Rental Taxes	5,886	5,674	(3.6)
Motor Fuels Taxes	1,632	1,709	4.7
Franchise Tax	5,652	5,259	(7.0)
Insurance Taxes	2,706	2,675	(1.1)
Natural Gas Tax	4,092	1,994	(51.3)
Cigarette and Tobacco Taxes	1,114	1,118	0.4
Alcoholic Beverage Taxes	1,581	1,703	7.7
Oil Production and Regulation Taxes	2,321	1,830	(21.2)
Inheritance Tax	8	0	(100.0)
Utility Taxes	1,023	1,045	2.2
Hotel Occupancy Tax	715	725	1.4
Other Taxes	155	107	(30.9)
Total Tax Collections	\$ 69,336	\$ 67,451	(2.7) %
<i>Non-Tax Collections</i>			
Licenses, Fees, Fines, and Penalties	\$ 2,696	\$ 2,239	(17.0) %
Interest and Investment Income	1,607	233	(85.5)
Lottery Proceeds	1,984	2,002	0.9
Sales of Goods & Services	215	210	(2.1)
Settlements of Claims	1,102	1,064	(3.4)
Land Income	21	16	(22.9)
Contributions to Employee Benefits	15	0	(97.8)
Other Revenue Sources	2,673	3,003	12.4
Total Non-Tax Collections	\$ 10,311	\$ 8,768	(15.0) %
Total Net Revenue	\$ 79,647	\$ 76,219	(4.3) %
<i>Balances and Adjustments</i>			
Beginning Fund 1 Balance	\$ 8,798	\$ 2,367	
Beginning Funds 2 and 3 Balances	19	60	
Change in GR-Dedicated Account Balances	538	240	
Reserve for Transfers to the ESF	(3,112)	(1,179)	
Total Balances and Adjustments	\$ 6,243	\$ 1,488	
Total General Revenue-Related Funds Available for Certification	\$ 85,891	\$ 77,708	(9.5) %

Note: Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE 2
General Revenue-Related Spending
2010-11 Biennium

	In Millions
General Appropriations Act*	\$ 80,699
Method of Finance Reclassifications and Other Adjustments, net	(3,265)
Emergency Appropriations and Reductions, and Other Legislation Making Appropriations, net	190
Total	\$ 77,624

* Conference Committee Report for SB 1, 81st Legislative Session

Note : Totals may not sum because of rounding.
SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE 3
General Revenue-Related Balances and Available Revenue

		In Millions
<i>Balances</i>		
FY2009 Beginning General Revenue Fund Cash	\$	3,900
Less: Dedicated Oil Overcharge Account		(68)
Less: Dedicated Lottery Account		(124)
Less: Constitutionally Dedicated Victims of Crime Accounts		(50)
Less: Trust Accounts		(4)
Less: Federal Elections Improvement Account		(41)
Less: Texas Enterprise Account		(241)
Less: Emerging Technology Account		(135)
Less: Reserve for Economic Stabilization Fund Transfer		(870)
FY2009 Beginning Balances in Funds 2 and 3		60
FY2009 Balances Available for Certification	\$	2,427
 <i>Revenues</i>		
FY2010-11 Estimated Tax Collections	\$	67,451
FY2010-11 Estimated Other Revenue		8,768
Total FY2010-11 Estimated Net Revenue	\$	76,219
 <i>Other Adjustments</i>		
Change in Dedicated General Revenue Account Balances	\$	240
Reserve for Economic Stabilization Fund Transfers		(1,179)
	\$	(939)
 Total FY2010-11 Estimated Available Revenues and Balances	 \$	 77,708
 Less FY2010-11 Estimated Expenditures		 <u>(77,624)</u>
 FY2010-11 Ending Certification Balance	 \$	 <u>84</u>

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE 4
Texas Economic History and Outlook for Fiscal Years 2001-11
Fall 2009 Forecast

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009*</u>	<u>2010*</u>	<u>2011*</u>
TEXAS ECONOMY											
Gross State Product (Billions, 2000 \$)	741.0	757.4	766.8	796.6	824.3	857.6	896.9	926.8	909.9	927.3	958.6
<i>Annual percent change</i>	2.6	2.2	1.2	3.9	3.5	4.0	4.6	3.3	-1.8	1.9	3.4
Personal Income (Billions, Current \$)	615.6	624.0	641.4	681.3	741.7	806.6	868.9	928.7	944.5	962.6	1,005.6
<i>Annual percent change</i>	5.9	1.4	2.8	6.2	8.9	8.8	7.7	6.9	1.7	1.9	4.5
Nonfarm Employment (Thousands)	9,531.5	9,426.7	9,375.4	9,450.6	9,667.8	9,984.5	10,312.8	10,585.5	10,479.8	10,353.1	10,571.5
<i>Annual percent change</i>	1.8	-1.1	-0.5	0.8	2.3	3.3	3.3	2.6	-1.0	-1.2	2.1
Resident Population (Thousands)	21,285.0	21,663.5	22,019.0	22,380.5	22,775.3	23,339.5	23,783.7	24,266.1	24,749.3	25,216.8	25,658.3
<i>Annual percent change</i>	1.8	1.8	1.6	1.6	1.8	2.5	1.9	2.0	2.0	1.9	1.8
Unemployment Rate (%)	4.7	6.1	6.7	6.3	5.5	5.1	4.5	4.7	6.8	8.2	7.7
Oil Price (\$ per Barrel)	\$27.73	\$21.91	\$28.59	\$32.48	\$46.92	\$61.21	\$59.13	\$98.50	\$59.88	\$64.04	\$68.46
Natural Gas Price (\$ per McF)	\$4.89	\$2.53	\$4.31	\$4.83	\$5.74	\$7.37	\$6.16	\$7.37	\$4.86	\$3.79	\$5.01
U.S. ECONOMY											
Gross Domestic Product (Billions, 2005 \$)	11,335.8	11,498.3	11,729.7	12,171.9	12,553.8	12,898.3	13,171.4	13,374.5	12,992.3	13,176.8	13,515.6
<i>Annual percent change</i>	1.7	1.4	2.0	3.8	3.1	2.7	2.1	1.5	-2.9	1.4	2.6
Consumer Price Index (1982-84=100)	176.2	178.9	183.1	187.3	193.5	200.6	205.3	214.4	213.7	216.2	220.5
<i>Annual percent change</i>	3.2	1.5	2.4	2.3	3.3	3.7	2.3	4.4	-0.3	1.2	2.0
Prime Interest Rate (%)	8.0	4.9	4.2	4.1	5.7	7.6	8.2	6.0	3.5	3.3	4.2

*Estimated or Projected
SOURCES: Susan Combs, Texas Comptroller of Public Accounts; and IHS Global Insight, Inc.

TABLE A-1**Estimated Balances, Revenues, Disbursements, and Appropriation Authority
General Revenue-Related**

	<u>Thousands of Dollars</u>	
	<u>2010</u>	<u>2011</u>
Revenues and Beginning Fund Balances		
General Revenue-Related Adjusted Fund Balance *	\$ 2,427,191	\$ 6,222,553
General Revenue-Related Revenues **	36,667,509	39,551,622
Adjustment to Dedicated Account Balances	117,749	122,117
Total Revenue and Fund Balances	<u>\$ 39,212,449</u>	<u>\$ 45,896,292</u>
Probable Disbursements and Other Adjustments		
Disbursements for Foundation School Programs	\$ 10,627,251	\$ 11,990,967
State Textbook Disbursements	173,190	278,045
Other Probable Disbursements	21,933,026	32,621,530
Reserve for Transfers to the Economic Stabilization Fund	256,428	922,220
Total Probable Disbursements and Other Adjustments	<u>\$ 32,989,896</u>	<u>\$ 45,812,761</u>
Estimated Ending Certification Balance, August 31	<u><u>\$ 6,222,553</u></u>	<u><u>\$ 83,531</u></u>
<hr/>		
Appropriation Authority		
Prior-Year Authority	\$ 2,271,342	
Current-Year Authority	33,174,759	
Total Appropriation Authority	<u><u>\$ 35,446,101</u></u>	

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

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

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-2**Estimated Revenues and Balances Available for Certification
General Revenue-Related**

	<u>Thousands of Dollars</u>	
	<u>2008-09</u>	<u>2010-11</u>
Beginning Fund Balances		
Consolidated General Revenue Fund Adjusted Balance	\$ 8,797,986	\$ 2,367,361
Available School Fund Balance	12,351	52,955
State Textbook Fund Balance	6,936	6,875
Total Fund Balances	<u>\$ 8,817,273</u>	<u>\$ 2,427,191</u>
Revenue		
General Revenue Fund	\$ 76,217,891	\$ 74,147,119
Available School Fund	1,439,727	64,900
State Textbook Fund	5,909	5,065
Foundation School Fund Account	1,983,614	2,002,047
Total General Revenue-Related Revenues	<u>\$ 79,647,141</u>	<u>\$ 76,219,131</u>
Other Adjustments		
Change in General Revenue-Dedicated Account Balances	\$ 537,921	\$ 239,866
Reserve for Transfers to the Economic Stabilization Fund	(3,111,831)	(1,178,648)
Total Other Adjustments	<u>\$ (2,573,910)</u>	<u>\$ (938,782)</u>
Total General Revenue-Related Revenues and Balances	<u><u>\$ 85,890,504</u></u>	<u><u>\$ 77,707,540</u></u>

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-3

Sources of Estimated General Revenue-Related Funds

Object	Code Description	Thousands of Dollars	
		<u>2010</u>	<u>2011</u>
General Revenue Fund			
3004	Motor Vehicle Sales and Use Tax	\$ 2,407,932	\$ 2,599,067
3005	Motor Vehicle Rental Tax	199,975	213,373
3007	Gasoline Tax	2,368,005	2,410,629
3008	Diesel Fuel Tax	742,230	777,114
3016	Motor Vehicle Sales and Use Tax—Seller Financed	111,872	119,423
3024	Driver's License Point Surcharges	87,808	90,882
3027	Driver Record Information Fees	309	314
3102	Limited Sales and Use Tax	21,036,256	22,498,921
3110	Inheritance Tax	0	0
3111	Boat and Boat Motor Sales and Use Tax	47,402	48,350
3114	Unclaimed Property/Escheat Estates	341,441	350,487
3130	Franchise/Business Margins Tax	2,598,368	2,668,994
3139	Hotel Occupancy Tax	348,096	376,735
3175	Professional Fees	203,580	187,677
3201	Insurance Premium Taxes	1,190,133	1,249,089
3219	Workers' Comp. Comm.—Insurance Maintenance Tax	52,051	52,619
3230	Public Utility Gross Receipts Assessment	65,582	67,457
3233	Gas, Electric, and Water Utility Tax	428,309	456,060
3238	Telecom. Utility/Comm. Mobile Serv. Prov. Assessment	115	0
3250	Mixed Beverage Tax	636,437	677,934
3253	Liquor Tax	64,360	66,612
3258	Beer Tax	109,328	112,431
3275	Cigarette Tax	424,478	471,026
3278	Cigar and Tobacco Products Taxes	98,753	123,587
3290	Oil Production Tax	873,776	954,550
3291	Natural Gas Tax	586,991	1,406,724
3849	Tobacco Suit Settlement Receipts	497,896	514,433
3854	Interest—Other, General	3,101	3,272
3950	Allocations from Special Fund —U/B	56,360	61,917
3952	Allocation of Disproportionate Share Revenues	297,697	297,697
	Other General Revenue Fund Revenue	1,988,629	2,013,955
	Less: Tax Allocation to State Highway Fund	<u>(2,267,961)</u>	<u>(2,323,519)</u>
	Subtotal, General Revenue Fund	\$ 35,599,309	\$ 38,547,810
School Funds *			
3851	Interest—Other, General	\$ 1,433	\$ 2,767
3910	Allocation from PSF to ASF	60,700	0
3922	State Gain from Lottery Proceeds	1,003,555	998,488
	Other School Funds Revenue	<u>2,512</u>	<u>2,557</u>
	Subtotal, School Funds	\$ 1,068,200	\$ 1,003,812
Total Estimated Net General Revenue-Related Funds		<u>\$ 36,667,509</u>	<u>\$ 39,551,622</u>

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

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-4

Estimated General Revenue-Dedicated

Account Number Account	Thousands of Dollars	
	2010	2011
9 Game, Fish, and Water Safety	\$ 122,954	\$ 123,556
27 Coastal Protection	15,685	15,549
64 State Parks	43,694	43,606
99 Operators and Chauffeurs Licenses	23,003	23,003
145 Oil Field Cleanup	26,399	27,929
151 Clean Air	93,462	97,843
153 Water Resource Management	40,710	40,941
225 University of Houston Current	62,890	62,890
226 Pan American University Current	21,258	21,432
238 University of Texas at Dallas Current	26,063	26,678
242 Texas A & M University Current	78,470	78,470
244 University of Texas at Arlington Current	37,490	37,463
248 University of Texas at Austin Current	94,856	96,718
249 University of Texas at San Antonio Current	36,220	36,286
250 University of Texas at El Paso Current	22,551	23,101
255 Texas Tech University Current	46,200	46,417
258 University of North Texas Current	50,344	50,836
259 Sam Houston State University Current	25,087	24,573
260 Texas State University San Marcos Current	37,052	37,052
273 Federal Health & Health Lab Funding	247,150	244,730
421 Criminal Justice Planning	26,907	27,097
469 Compensation to Victims of Crime	85,988	86,877
549 Waste Management	35,085	35,101
550 Hazardous and Solid Waste Remediation Fee	21,866	21,868
655 Petroleum Tank Storage Remediation	30,187	30,939
5000 Solid Waste Disposal Fees	22,484	22,865
5007 Advisory Comm. on Emergency Communication	19,126	19,203
5010 Sexual Assault Program	8,350	8,350
5025 Lottery *	298,580	291,899
5028 Fugitive Apprehension	25,700	25,957
5050 911 Service Fees	62,426	65,186
5064 Volunteer Fire Department Assistance	30,000	30,000
5071 Texas Emissions Reduction Plan	169,981	175,244
5073 Fair Defense	22,214	22,393
5080 Quality Assurance	49,380	49,463
5094 Operating Permit Fees	32,505	32,005
5100 System Benefit	177,491	187,007
5111 Trauma Facility & EMS	124,635	124,910
Other Accounts	700,942	719,503
Total Estimated General Revenue-Dedicated Accounts	\$ 3,095,385	\$ 3,134,940

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

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-5

Estimated Federal Income, by Fund and Account

Fund or Account	Number	Fund or Account	Thousands of Dollars	
			2010	2011
	1	General Revenue Fund *	\$ 17,076,870	\$ 17,152,068
	6	State Highway Fund	2,598,226	2,391,416
	9	Game, Fish, and Water Safety Account	38,477	37,132
	37	Federal Child Welfare Service Account	426,631	426,822
	92	Federal Disaster Account	160,000	160,000
	117	Federal Public Welfare Administration Account	113,218	113,264
	127	Community Affairs Federal Account	201,300	151,300
	148	Federal Health, Education, and Welfare Account	3,053,586	3,053,577
	171	Federal School Lunch Account	1,457,927	1,520,638
	221	Federal Civil Defense and Disaster Relief Account	83,407	85,075
	222	Department of Public Safety Federal Account	29,858	30,455
	273	Federal Health & Health Lab Funding Excess Account	1,039,332	1,039,332
	369	Federal American Recovery & Reinvestment Act Fund	8,970,417	3,457,111
	421	Criminal Justice Planning Account	38,556	36,568
	449	Adjutant General Federal Account	102,000	40,000
	469	Compensation to Victims of Crime Account	22,035	23,805
	549	Waste Management Account	8,633	8,633
	5026	Workforce Commission Federal Account	939,984	943,666
	5091	Office of Rural Community Affairs Federal Account	76,704	76,685
		Other Funds and Accounts	75,484	75,319
		Total Estimated Federal Income	\$ 36,512,645	\$ 30,822,866

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

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-6

Estimated Other Funds Revenue *

Fund or Account Number	Fund or Account	Thousands of Dollars	
		2010	2011
6	State Highway Fund	\$ 3,786,498	\$ 3,903,124
11	Available University Fund	551,380	559,343
193	Recapture—Education Code Chapter 41, Subchapter D	1,354,000	1,347,800
304	Property Tax Relief Fund	2,605,575	2,757,919
365	Texas Mobility Fund	336,069	357,619
573	Judicial Fund	69,543	69,915
	Disproportionate Share Revenue/State & Local Hospitals	1,638,841	1,668,028
	Appropriated Receipts	538,696	544,817
	Other Funds	4,135,777	4,306,326
	Total Estimated Other Funds Revenue	\$ 15,016,379	\$ 15,514,891

* Excludes certain local funds that are appropriated but not deposited in the State Treasury. Includes certain state revenues that are deposited in the State Treasury but not appropriated. Excludes federal income.

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-7

Estimated All Funds Revenue, Excluding Trust Funds *

Source	Thousands of Dollars	
	<u>2010</u>	<u>2011</u>
General Revenue-Related	\$ 36,667,509	\$ 39,551,622
General Revenue-Dedicated	3,095,385	3,134,940
Federal Income	36,512,645	30,822,866
Other Funds	<u>15,016,379</u>	<u>15,514,891</u>
Total Estimated All Funds Revenue	<u>\$ 91,291,918</u>	<u>\$ 89,024,319</u>

* Excludes certain local funds that are appropriated but not deposited in the State Treasury. Includes certain state revenues that are deposited in the State Treasury but not appropriated.

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-8**Estimated Allocations and Transfers from the General Revenue Fund**

	<u>Thousands of Dollars</u>	
	<u>2010</u>	<u>2011</u>
Allocations and Transfers to Other Funds		
Available School Fund	\$ 761,168	\$ 779,836
State Highway Fund	2,267,961	2,323,519
County and Road District Fund	7,300	7,300
Economic Stabilization Fund	869,899	256,428
Teacher Retirement System Trust Fund (excl. health insurance)	1,710,588	1,712,836
Subtotal, Allocations and Transfers to Other Funds	<u>\$ 5,616,916</u>	<u>\$ 5,079,919</u>
Allocations and Transfers to Other Dedicated Accounts		
Parks and Wildlife	\$ 16,846	\$ 17,106
Motor Fuels Enforcement Allocation	27,585	28,389
State Parks Account-Sporting Goods Sales Tax (SGST)	59,755	55,853
Foundation School Fund Account	782,383	1,030,290
Local Parks Account-SGST	7,710	7,710
Hotel Occupancy-Economic Development	29,008	31,394
Texas Department of Insurance Operating Account	105,202	106,598
Parks and Wildlife Capital Account-SGST	1,077	1,077
Large County & Municipality Parks Account-SGST	10,640	5,140
Texas Historic Commission-SGST	7,231	7,231
Subtotal, Allocations and Transfers to Other Accounts	<u>\$ 1,047,437</u>	<u>\$ 1,290,788</u>
Total Allocations and Transfers from General Revenue	\$ 6,664,353	\$ 6,370,708

Details of the Economic Stabilization Fund - Cash Basis Reporting

Beginning Balance	\$ 6,725,679	\$ 7,735,595
Transfers and Interest Income		
Oil Production Tax Transfer	263,927	256,428
Natural Gas Tax Transfer	605,972	0
Unencumbered Balance Transfer	0	0
Interest Income	140,017	163,849
Total Transfer and Interest Income	<u>\$ 1,009,916</u>	<u>\$ 420,277</u>
Appropriations	\$ 0	\$ 0
Ending Balance	<u><u>\$ 7,735,595</u></u>	<u><u>\$ 8,155,872</u></u>

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-9

**Available School Fund and State Textbook Fund
Estimated Revenues and Expenditures**

	Thousands of Dollars	
	<u>2010</u>	<u>2011</u>
Beginning Cash Balances		
Available School Fund	\$ 52,955	\$ 2,326
State Textbook Fund	6,875	0
Total Cash Balances	<u>\$ 59,830</u>	<u>\$ 2,326</u>
Estimated Revenue		
<i>Available School Fund</i>		
Total Return Allocation from Permanent School Fund	\$ 60,700	\$ 0
Interest on State Deposits	6,873	7,353
Allocation From General Revenue Fund	761,168	779,836
Total Estimated Available School Fund Revenue	<u>\$ 828,741</u>	<u>\$ 787,189</u>
<i>State Textbook Fund</i>		
Sale of Textbooks	\$ 1,851	\$ 1,851
Interest on State Deposits	581	622
Other Revenue	78	82
Total Estimated State Textbook Fund Revenue	<u>\$ 2,510</u>	<u>\$ 2,555</u>
Total Estimated Revenue and Cash Balances	<u><u>\$ 891,081</u></u>	<u><u>\$ 792,070</u></u>
Estimated Expenditures		
Instructional Materials*	\$ 173,190	\$ 278,045
Administration--State Textbook Fund	2,056	2,056
Administration--Available School Fund	0	0
State Schools	110	110
Per Capita Apportionment		
4,486,789 (prior year ADA) @ \$159	713,399	
4,572,768 (prior year ADA) @ \$111		507,577
Total Estimated Expenditures	<u>\$ 888,755</u>	<u>\$ 787,788</u>
Ending Balance	<u><u>\$ 2,326</u></u>	<u><u>\$ 4,282</u></u>

*Represents only state revenue. Other additional funding was provided by ARRA, \$171.7 million in fiscal 2010 and \$535.8 million in fiscal 2011.

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-10

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

	<u>Thousands of Dollars</u>	
	<u>2010</u>	<u>2011</u>
Cost of Public School Programs		
State Share of the Foundation School Program*	\$ 16,229,708	\$ 17,745,609
State Share of Other School Programs	128,319	128,377
Local Recapture–Attendance Credits*	1,354,000	1,347,800
Local Funds Assignment and Other Local Funds*	<u>20,179,714</u>	<u>20,872,929</u>
Total Cost of Public School Programs	<u>\$ 37,891,741</u>	<u>\$ 40,094,715</u>
Funding		
<i>State Funds</i>		
Available School Fund	\$ 823,301	\$ 782,603
Foundation School Fund Account–Opening Balance	115,641	0
Foundation School Fund Account–Occupation Taxes	782,383	1,030,290
Foundation School Fund Account–Lottery Proceeds	1,003,555	998,488
General Revenue**	9,527,573	10,804,686
Property Tax Relief Fund	4,105,575	4,257,919
Total State Funds**	<u>\$ 16,358,027</u>	<u>\$ 17,873,986</u>
<i>Local Funds</i>		
Recapture–Education Code Chapter 41, Subchapter D	\$ 337,011	\$ 335,467
Recapture–Education Code Chapter 41, Subchapter E	1,016,989	1,012,333
Local Funds Assignment and Other Local Funds	<u>20,179,714</u>	<u>20,872,929</u>
Total Local Funds	<u>\$ 21,533,714</u>	<u>\$ 22,220,729</u>
Total State and Local Funding**	<u>\$ 37,891,741</u>	<u>\$ 40,094,715</u>

Funding Sources of the Property Tax Relief Fund

	<u>Thousands of Dollars</u>	
	<u>2010</u>	<u>2011</u>
Beginning Balance	\$ 3,000,000	\$ 1,500,000
Revenue		
3004 Motor Vehicle Sales and Use Tax	1,624	13,205
3130 Franchise/Business Margins Tax	1,703,414	1,740,333
3275 Cigarette Tax	858,299	936,570
3278 Cigar and Tobacco Products Taxes	10,800	12,400
3851 Interest–Other, General	31,438	55,411
Total Revenue	<u>\$ 2,605,575</u>	<u>\$ 2,757,919</u>
Net Transfers	\$ 0	\$ 0
Appropriations	\$ 4,105,575	\$ 4,257,919
Ending Balance	<u>\$ 1,500,000</u>	<u>\$ 0</u>

*As appropriated in the GAA, 81st Legislative Session.

**Includes \$3.25 billion in ARRA funds appropriated for fiscal 2010. TEA may determine a different fiscal disbursement distribution.

Note : Totals may not sum because of rounding.

SOURCE : Legislative Budget Board and Susan Combs, Texas Comptroller

TABLE A-11

Sources of State Highway Fund Revenue

Object	Code	Description	Thousands of Dollars	
			2010	2011
State Revenue				
	3010	Motor Lubricants Sales Tax	\$ 40,356	\$ 41,032
	3012	Motor Vehicle Title Certificate Fees	26,394	27,474
	3014	Motor Vehicle Registration Fees	1,094,391	1,153,588
	3018	Special Vehicle Registration Fees	58,661	60,421
	3750	Sales of Machinery and Equipment	0	0
	3767	Supplies, Equipment, and Services	157,033	164,597
	3851	Interest on State Deposits	73,788	59,958
	3901	Motor Fuels Tax Allocations	2,267,961	2,323,519
		Other Revenue	67,914	72,535
		Total State Revenue	\$ 3,786,498	\$ 3,903,124
Federal Income				
	3001	Federal Receipts–Matched–Transportation	\$ 2,561,941	\$ 2,354,405
	3701	Federal Receipts–Not Matched–Other	36,285	37,011
		Total Federal Income	\$ 2,598,226	\$ 2,391,416
Total State Highway Fund Revenue			\$ 6,384,724	\$ 6,294,540

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-12
State Revenue, By Source and Fiscal Year
General Revenue-Related

	Thousands of Dollars			
	2008 actual	2009 actual	2010 estimated	2011 estimated
<i>Tax Collections</i>				
Sales Tax	\$ 21,516,075	\$ 20,935,394	\$ 21,074,934	\$ 22,538,548
Motor Vehicle Sales and Rental Taxes	3,316,539	2,569,216	2,730,543	2,943,377
Motor Fuels Taxes	825,590	806,175	843,333	865,248
Franchise Tax	2,874,564	2,777,811	2,590,822	2,667,730
Insurance Taxes	1,448,874	1,256,631	1,306,631	1,368,016
Natural Gas Tax	2,684,648	1,407,739	586,991	1,406,724
Cigarette and Tobacco Taxes	534,091	579,820	523,231	594,613
Alcoholic Beverage Taxes	784,069	796,948	828,091	875,144
Oil Production and Regulation Taxes	1,436,879	884,511	874,395	955,162
Inheritance Tax	5,580	2,004	0	0
Utility Taxes	503,879	518,884	506,750	538,591
Hotel Occupancy Tax	370,980	343,544	348,096	376,735
Other Taxes	85,967	69,472	51,524	55,947
Total Tax Collections	\$ 36,387,735	\$ 32,948,150	\$ 32,265,341	\$ 35,185,835
<i>Revenue By Source</i>				
Tax Collections	\$ 36,387,735	\$ 32,948,150	\$ 32,265,341	\$ 35,185,835
Licenses, Fees, Fines, and Penalties	1,515,324	1,180,269	1,116,112	1,122,497
Interest and Investment Income	888,375	718,225	150,431	82,819
Lottery Proceeds	983,144	1,000,405	1,003,555	998,488
Sales of Goods & Services	106,043	108,737	104,184	106,184
Settlements of Claims	545,096	556,833	534,448	529,785
Land Income	8,662	12,092	8,006	8,006
Contributions to Employee Benefits	15,020	271	171	171
Other Revenue	1,220,049	1,452,711	1,485,261	1,517,837
Total Net Revenue	\$ 41,669,447	\$ 37,977,694	\$ 36,667,509	\$ 39,551,622

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-13
Percent Change in State Revenue, By Source and Fiscal Year
General Revenue-Related

	<u>2008</u> <u>actual</u>	<u>2009</u> <u>actual</u>	<u>2010</u> <u>estimated</u>	<u>2011</u> <u>estimated</u>
<i>Tax Collections</i>				
Sales Tax	6.6 %	(2.7) %	0.7 %	6.9 %
Motor Vehicle Sales and Rental Taxes	0.5	(22.5)	6.3	7.8
Motor Fuels Taxes	1.2	(2.4)	4.6	2.6
Franchise Tax	(8.6)	(3.4)	(6.7)	3.0
Insurance Taxes	7.7	(13.3)	4.0	4.7
Natural Gas Tax	41.6	(47.6)	(58.3)	139.7
Cigarette and Tobacco Taxes	(13.6)	8.6	(9.8)	13.6
Alcoholic Beverage Taxes	7.2	1.6	3.9	5.7
Oil Production and Regulation Taxes	72.1	(38.4)	(1.1)	9.2
Inheritance Tax	5.5	(64.1)	(100.0)	0.0
Utility Taxes	(0.4)	3.0	(2.3)	6.3
Hotel Occupancy Tax	8.9	(7.4)	1.3	8.2
Other Taxes	7.6	(19.2)	(25.8)	8.6
Total Tax Collections	<u>7.7 %</u>	<u>(9.5) %</u>	<u>(2.1) %</u>	<u>9.1 %</u>
<i>Revenue By Source</i>				
Tax Collections	7.7 %	(9.5) %	(2.1) %	9.1 %
Licenses, Fees, Fines, and Penalties	19.0	(22.1)	(5.4)	0.6
Interest and Investment Income	(17.0)	(19.2)	(79.1)	(44.9)
Lottery Proceeds	(4.7)	1.8	0.3	(0.5)
Sales of Goods & Services	7.6	2.5	(4.2)	1.9
Settlements of Claims	1.0	2.2	(4.0)	(0.9)
Land Income	(16.3)	39.6	(33.8)	0.0
Contributions to Employee Benefits	(93.7)	(98.2)	(36.8)	0.0
Other Revenue	1.8	19.1	2.2	2.2
Total Net Revenue	<u>6.1 %</u>	<u>(8.9) %</u>	<u>(3.4) %</u>	<u>7.9 %</u>

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-14
State Revenue, By Source and Biennium
General Revenue-Related

	Thousands of Dollars		
	2006-07 actual	2008-09 actual	2010-11 estimated
<i>Tax Collections</i>			
Sales Tax	\$ 38,384,189	\$ 42,451,469	\$ 43,613,482
Motor Vehicle Sales and Rental Taxes	6,361,301	5,885,755	5,673,920
Motor Fuels Taxes	1,614,999	1,631,765	1,708,581
Franchise Tax	5,749,507	5,652,375	5,258,552
Insurance Taxes	2,577,943	2,705,505	2,674,647
Natural Gas Tax	4,234,635	4,092,387	1,993,715
Cigarette and Tobacco Taxes	1,163,897	1,113,911	1,117,844
Alcoholic Beverage Taxes	1,412,425	1,581,017	1,703,235
Oil Production and Regulation Taxes	1,697,386	2,321,390	1,829,557
Inheritance Tax	18,651	7,584	0
Utility Taxes	986,862	1,022,762	1,045,341
Hotel Occupancy Tax	648,653	714,524	724,831
Other Taxes	148,066	155,439	107,471
Total Tax Collections	\$ 64,998,515	\$ 69,335,884	\$ 67,451,176
<i>Revenue By Source</i>			
Tax Collections	\$ 64,998,515	\$ 69,335,884	\$ 67,451,176
Licenses, Fees, Fines, and Penalties	2,645,264	2,695,594	2,238,609
Interest and Investment Income	1,989,918	1,606,600	233,250
Lottery Proceeds	2,061,480	1,983,549	2,002,043
Sales of Goods & Services	193,015	214,780	210,368
Settlements of Claims	1,070,614	1,101,929	1,064,233
Land Income	19,428	20,755	16,012
Contributions to Employee Benefits	458,787	15,291	342
Other Revenue	2,500,366	2,672,759	3,003,098
Total Net Revenue	\$ 75,937,386	\$ 79,647,141	\$ 76,219,131

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-15
Percent Change in State Revenue, By Source and Biennium
General Revenue-Related

	<u>2006-07</u>		<u>2008-09</u>		<u>2010-11</u>
	actual		actual		estimated
<i>Tax Collections</i>					
Sales Tax	21.4	%	10.6	%	2.7
Motor Vehicle Sales and Rental Taxes	14.3		(7.5)		(3.6)
Motor Fuels Taxes	2.6		1.0		4.7
Franchise Tax	43.6		(1.7)		(7.0)
Insurance Taxes	7.7		4.9		(1.1)
Natural Gas Tax	38.9		(3.4)		(51.3)
Cigarette and Tobacco Taxes	2.6		(4.3)		0.4
Alcoholic Beverage Taxes	15.0		11.9		7.7
Oil Production and Regulation Taxes	44.1		36.8		(21.2)
Inheritance Tax	(92.6)		(59.3)		(100.0)
Utility Taxes	34.0		3.6		2.2
Hotel Occupancy Tax	29.5		10.2		1.4
Other Taxes	44.3		5.0		(30.9)
Total Tax Collections	21.9	%	6.7	%	(2.7)
<i>Revenue By Source</i>					
Tax Collections	21.9	%	6.7	%	(2.7)
Licenses, Fees, Fines, and Penalties	32.3		1.9		(17.0)
Interest and Investment Income	17.0		(19.3)		(85.5)
Lottery Proceeds	2.1		(3.8)		0.9
Sales of Goods & Services	0.8		11.3		(2.1)
Settlements of Claims	1.5		2.9		(3.4)
Land Income	(65.1)		6.8		(22.9)
Contributions to Employee Benefits	22.2		(96.7)		(97.8)
Other Revenue	4.1		6.9		12.4
Total Net Revenue	19.6	%	4.9	%	(4.3)

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-16
State Revenue, By Source and Fiscal Year
All Funds, Excluding Trust Funds

	Thousands of Dollars			
	2008 actual	2009 actual	2010 estimated	2011 estimated
<i>Tax Collections</i>				
Sales Tax	\$ 21,604,090	\$ 21,014,065	\$ 21,161,079	\$ 22,627,376
Motor Vehicle Sales and Rental Taxes	3,341,589	2,600,939	2,742,801	2,967,652
Motor Fuels Taxes	3,101,527	3,032,770	3,111,294	3,188,767
Franchise Tax	4,451,326	4,250,332	4,294,236	4,408,063
Insurance Taxes	1,450,184	1,257,314	1,307,931	1,369,316
Natural Gas Tax	2,684,648	1,407,739	586,991	1,406,724
Cigarette and Tobacco Taxes	1,446,895	1,556,793	1,399,007	1,558,653
Alcoholic Beverage Taxes	784,069	796,948	828,091	875,144
Oil Production and Regulation Taxes	1,436,879	884,511	874,395	955,162
Inheritance Tax	5,580	2,004	0	0
Utility Taxes	503,879	518,884	506,750	538,591
Hotel Occupancy Tax	370,980	343,544	348,096	376,735
Other Taxes	176,285	156,608	143,701	150,154
Total Tax Collections	\$ 41,357,929	\$ 37,822,453	\$ 37,304,372	\$ 40,422,337
<i>Revenue By Source</i>				
Tax Collections	\$ 41,357,929	\$ 37,822,453	\$ 37,304,372	\$ 40,422,337
Federal Income	26,238,328	30,859,931	36,512,645	30,822,866
Licenses, Fees, Fines, and Penalties	10,227,892	7,198,062	6,825,528	6,969,558
Interest and Investment Income	2,309,014	1,346,545	3,053,621	3,255,713
Lottery Proceeds	1,597,487	1,581,962	1,608,413	1,585,559
Sales of Goods & Services	495,942	427,644	490,525	500,202
Settlements of Claims	548,522	564,753	536,667	532,016
Land Income	1,050,030	788,046	906,818	833,641
Contributions to Employee Benefits	15,020	271	171	171
Other Revenue	3,142,862	3,695,797	4,053,158	4,102,256
Total Net Revenue	\$ 86,983,025	\$ 84,285,463	\$ 91,291,918	\$ 89,024,319

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-17
Percent Change in State Revenue, By Source and Fiscal Year
All Funds, Excluding Trust Funds

	<u>2008</u> <u>actual</u>	<u>2009</u> <u>actual</u>	<u>2010</u> <u>estimated</u>	<u>2011</u> <u>estimated</u>
<i>Tax Collections</i>				
Sales Tax	6.6 %	(2.7) %	0.7 %	6.9 %
Motor Vehicle Sales and Rental Taxes	0.5	(22.2)	5.5	8.2
Motor Fuels Taxes	1.6	(2.2)	2.6	2.5
Franchise Tax	41.6	(4.5)	1.0	2.7
Insurance Taxes	7.7	(13.3)	4.0	4.7
Natural Gas Tax	41.6	(47.6)	(58.3)	139.7
Cigarette and Tobacco Taxes	8.5	7.6	(10.1)	11.4
Alcoholic Beverage Taxes	7.2	1.6	3.9	5.7
Oil Production and Regulation Taxes	72.1	(38.4)	(1.1)	9.2
Inheritance Tax	5.5	(64.1)	(100.0)	0.0
Utility Taxes	(0.4)	3.0	(2.3)	6.3
Hotel Occupancy Tax	8.9	(7.4)	1.3	8.2
Other Taxes	5.6	(11.2)	(8.2)	4.5
Total Tax Collections	<u>11.9</u> %	<u>(8.5)</u> %	<u>(1.4)</u> %	<u>8.4</u> %
<i>Revenue By Source</i>				
Tax Collections	11.9 %	(8.5) %	(1.4) %	8.4 %
Federal Income	7.6	17.6	18.3	(15.6)
Licenses, Fees, Fines, and Penalties	47.9	(29.6)	(5.2)	2.1
Interest and Investment Income	(2.7)	(41.7)	126.8	6.6
Lottery Proceeds	2.9	(1.0)	1.7	(1.4)
Sales of Goods & Services	(8.0)	(13.8)	14.7	2.0
Settlements of Claims	2.0	3.0	(5.0)	(0.9)
Land Income	39.8	(25.0)	15.1	(8.1)
Contributions to Employee Benefits	(93.7)	(98.2)	(36.8)	0.0
Other Revenue	6.4	17.6	9.7	1.2
Total Net Revenue	<u>12.7</u> %	<u>(3.1)</u> %	<u>8.3</u> %	<u>(2.5)</u> %

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-18
State Revenue, By Source and Biennium
All Funds, Excluding Trust Funds

	Thousands of Dollars		
	2006-07 actual	2008-09 actual	2010-11 estimated
<i>Tax Collections</i>			
Sales Tax	\$ 38,545,686	\$ 42,618,155	\$ 43,788,455
Motor Vehicle Sales and Rental Taxes	6,400,750	5,942,528	5,710,453
Motor Fuels Taxes	6,047,382	6,134,297	6,300,061
Franchise Tax	5,749,507	8,701,658	8,702,299
Insurance Taxes	2,580,070	2,707,498	2,677,247
Natural Gas Tax	4,234,635	4,092,387	1,993,715
Cigarette and Tobacco Taxes	1,879,943	3,003,688	2,957,660
Alcoholic Beverage Taxes	1,412,425	1,581,017	1,703,235
Oil Production and Regulation Taxes	1,697,386	2,321,390	1,829,557
Inheritance Tax	18,651	7,584	0
Utility Taxes	986,862	1,022,762	1,045,341
Hotel Occupancy Tax	648,653	714,524	724,831
Other Taxes	298,176	332,893	293,855
Total Tax Collections	\$ 70,500,127	\$ 79,180,382	\$ 77,726,709
<i>Revenue By Source</i>			
Tax Collections	\$ 70,500,127	\$ 79,180,382	\$ 77,726,709
Federal Income	49,102,506	57,098,259	67,335,511
Licenses, Fees, Fines, and Penalties	12,913,360	17,425,954	13,795,086
Interest and Investment Income	4,322,208	3,655,559	6,309,334
Lottery Proceeds	3,137,157	3,179,449	3,193,972
Sales of Goods & Services	1,031,274	923,586	990,727
Settlements of Claims	1,083,516	1,113,275	1,068,683
Land Income	1,612,114	1,838,076	1,740,459
Contributions to Employee Benefits	458,811	15,291	342
Other Revenue	5,449,167	6,838,659	8,155,414
Total Net Revenue	\$ 149,610,241	\$ 171,268,489	\$ 180,316,237

Note : Totals may not sum because of rounding.

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.

TABLE A-19
Percent Change in State Revenue, By Source and Biennium
All Funds, Excluding Trust Funds

	<u>2006-07</u> <u>actual</u>		<u>2008-09</u> <u>actual</u>		<u>2010-11</u> <u>estimated</u>
<i>Tax Collections</i>					
Sales Tax	21.5	%	10.6	%	2.7 %
Motor Vehicle Sales and Rental Taxes	14.5		(7.2)		(3.9)
Motor Fuels Taxes	3.3		1.4		2.7
Franchise Tax	43.6		51.3		0.0
Insurance Taxes	7.8		4.9		(1.1)
Natural Gas Tax	38.9		(3.4)		(51.3)
Cigarette and Tobacco Taxes	65.8		59.8		(1.5)
Alcoholic Beverage Taxes	15.0		11.9		7.7
Oil Production and Regulation Taxes	44.1		36.8		(21.2)
Inheritance Tax	(92.6)		(59.3)		(100.0)
Utility Taxes	34.0		3.6		2.2
Hotel Occupancy Tax	29.5		10.2		1.4
Other Taxes	190.6		11.6		(11.7)
Total Tax Collections	22.1	%	12.3	%	(1.8) %
<i>Revenue By Source</i>					
Tax Collections	22.1	%	12.3	%	(1.8) %
Federal Income	9.7		16.3		17.9
Licenses, Fees, Fines, and Penalties	10.4		34.9		(20.8)
Interest and Investment Income	47.2		(15.4)		72.6
Lottery Proceeds	(1.4)		1.3		0.5
Sales of Goods & Services	53.2		(10.4)		7.3
Settlements of Claims	2.0		2.7		(4.0)
Land Income	39.9		14.0		(5.3)
Contributions to Employee Benefits	22.2		(96.7)		(97.8)
Other Revenue	26.6		25.5		19.3
Total Net Revenue	17.0	%	14.5	%	5.3 %

SOURCE : Susan Combs, Texas Comptroller of Public Accounts.