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A Report to the CITIZENS OF TEXAS

Fiscal 2012 • Sept. 1, 2011–Aug. 31, 2012

Employment Percent by Industry

Health Care/Social Assistance.....	13%
Retail Trade	11%
Educational Services.....	11%
Accommodation and Food Services.....	9%
Manufacturing	8%
Public Administration.....	6%
Administrative & Support/Waste Management.....	6%
Professional/Scientific/Technical Services.....	6%
All Other Industries.....	30%

Source:
www.texasindustryprofiles.com/apps/win



Comptroller's Mission Statement

As Texas' chief financial officer, the agency is the state's chief tax collector, accountant, revenue estimator, treasurer and purchasing manager, serving virtually every citizen in the state. The agency writes the checks, pays the bills and keeps the books for the multibillion dollar business of Texas state government.

This is Texas

Job Growth, Economy Looking Bright

The Texas economy continues to look positive, with most of the state's industries recovering from the recession. Contributing significantly to the growth has been the exploration and production activity of the Texas oil and natural gas industry. As of August 2012, Texas employment has increased by 624,500 from the low point in December 2009 – adding nearly 197,000 more jobs than were lost in the Great Recession.

Texas dominates *Forbes* magazine's list of best cities for jobs. In ranking the 65 largest metropolitan areas, Austin placed first, Houston second, Fort Worth fourth and Dallas-Plano-Irving sixth.

During fiscal 2012, migration to Texas grew the state's population by more than 200,000. Fortunately for those newcomers, job growth exceeded the number of migrants and native entrants to the Texas labor force. The average unemployment rate decreased from 8.1 percent in fiscal 2011 to 7.3 percent in fiscal 2012.

Texas: Good for Business

For the eighth consecutive year, Texas was named the Best State for Business by *Chief Executive* magazine. The ranking comes from an annual survey in which more than 650 chief executive officers (CEOs) voiced opinions, many giving Texas high marks for its workforce quality, business-friendly tax and regulatory environment. One CEO commented, "Texas – what else needs to be said – great people, low tax, low regulation, great central location."

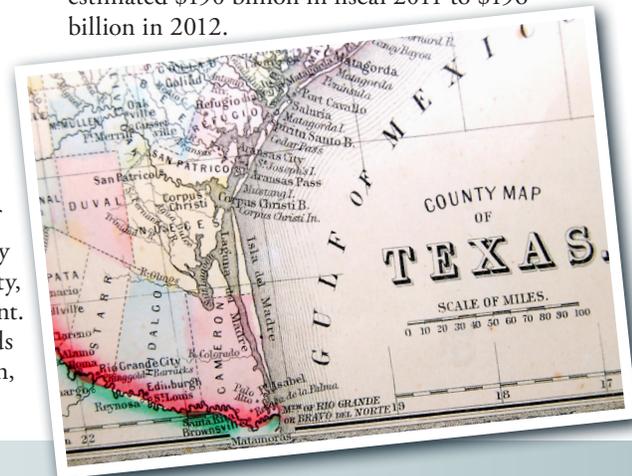
The Lone Star State also earned the top spot in CNBC's America's Top State for Business 2012. The study also recognized Texas for having the nation's best infrastructure, gave it a second-place nod for technology and innovation, and acknowledged it for the third lowest cost of living in the nation.

Mining and Logging Industry Growing

In fiscal 2012, the fastest growing major industry in Texas for the second consecutive year was mining and logging, propelled by the effects of firmer market prices and improved technology on oil and natural gas exploration.

Energy Remains Strong

With Texas economic activity swelled by the demand for the products and services of the state's energy industry, the economic value of Texas manufacturing increased from an estimated \$190 billion in fiscal 2011 to \$196 billion in 2012.



Texas by the Numbers

Fiscal Year	Resident Population	Per Capita Income	Nonfarm Employment	Unemployment Rate (percent)	Public School Enrollment (for preceding school year)
2012	26,025,618	\$40,954	10,735,981	7.3	4,988,579
2011	25,622,324	\$39,720	10,504,117	8.1	4,933,617



Selected MEASURES

State Performance Measures

These performance measures show Texas' achievements in education, natural resources, public safety, public health, transportation and business and economic development — all key government services influencing and affecting residents' quality of life.



Selected Performance Measures	FY 2012 Targeted	FY 2012 Actual	FY 2011 Actual
Education			
Percent of Students Completing High School	89.6	92.1	91.4
Total Average Daily Attendance	4,634,263	4,627,055	4,551,084
Natural Resources			
Percent of Private Land Acreage in Texas Managed to Enhance Wildlife	16.3	16.7	17.9
Number of Grant-assisted Projects Completed <small>Note: Grant-assisted projects are local park acquisition, development or construction projects that receive a state or federal matching grant.</small>	31	30	38
Public Safety			
Arrests for Narcotics Violations	1,500	1,497	1,616
Number of Emergency Incidents Coordinated	5,780	4,045	4,679
Public Health			
Percent of Prevalence of Tobacco Use Among Middle & High School Youth in Target Areas of Texas	23.6	18.1	18.3
Number of Women and Children Served (Family Violence Services)	80,940	79,053	79,319
Transportation			
Dollar Volume of Construction Contracts Awarded (Millions)	\$2,280.00	\$2,792.20	\$3,496.79
Number of Construction Projects Awarded	640	685	868
Business and Economic Development			
Customers Served – Job Seekers	1,900,000	1,548,539	1,729,517

Source: Legislative Budget Board

You can search any state agency's Budget Performance and Assessments through fiscal 2011 at:
www.lbb.state.tx.us/Budget.aspx?Table=Budget

Are there specific performance measures you would like to see reported here?

Submit your suggestions to the Comptroller's Fiscal Management Division at statewide.accounting@cpa.state.tx.us



The Comptroller's *A Report to the Citizens of Texas* has been awarded the Certificate of Excellence in Citizen-Centric Reporting from the Association of Governmental Accounting (AGA) for fiscal years:
 • 2008 • 2009 • 2010 • 2011

Accomplishments by Metro Area

Austin – Round Rock – San Marcos

The economy for the Austin area received high marks from a number of 2012 studies. In its annual analysis of local and state economies, Policom Corp. ranked Austin the fifth-strongest metropolitan area in the country. Austin ranked even higher – second – in a new economic index ranking of the 102 largest cities in the country.

In Austin, the number of new home building permits issued in 2012 is nearing 2007 levels, with an 83 percent increase over 2011. And in 2012, Samsung announced a \$4 billion investment in its Austin semiconductor plant to focus on higher-end chips. Local leaders credit Austin's open, collaborative and supportive business climate in luring both startup and established businesses to the city.

Dallas – Fort Worth

The Brookings Institute said Dallas/Fort Worth was one of three nationwide metropolitan areas to have fully recovered from the recent recession. Both output per capita and employment have returned to pre-recession levels. Officials credit the growth of energy production and financial and professional services for the recovery.

The City of Dallas has seen sales tax revenue grow over the past two years while the city's property tax base has recovered from a three-year decline.

Fort Worth was honored with a 2012 Community Economic Development Award from the Texas Economic Development Council for attracting GE Manufacturing Solutions, which is building a facility to annually produce nearly 300 locomotives.

Houston – Sugar Land – Baytown

In the Brookings Global MetroMonitor ranking of the largest 300 metropolitan economies in the world, Houston ranked first in the country, 40th worldwide.

Houston has garnered a number of top spots in 2012 surveys: Payscale.com's Best Cities for Your Career in 2013, Interactive Advertising Bureau's Mobile Shopping, and U-Haul International's Top Destination City.

San Antonio – New Braunfels

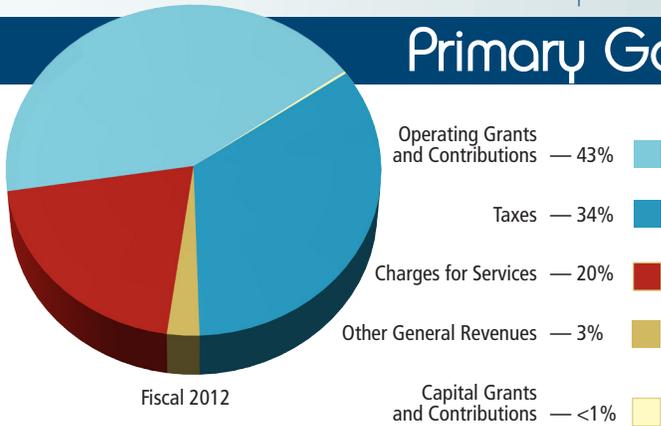
SABER Research Institute conducted a study crediting the annual impact of military-related jobs, investment and spending in San Antonio at \$27 billion. The study shows that Joint Base San Antonio is the city's largest single employer with 92,000 positions — this is in addition to the 40,000 positions in other areas of the military located in San Antonio.

The Greater San Antonio Chamber of Commerce credits the military and the expanding healthcare industry for the city's strongest economy in four years. The On Numbers Economic Index rates San Antonio's economy in the top three of Texas metropolitan areas, and 11th nationally.

Texas FINANCES

An audit of the state's financial statements resulted in a clean audit opinion.
Find complete financial information at fmx.cpa.state.tx.us/fm/pubs/cafr.

Primary Government Sources of Revenue



For the fiscal years ended Aug. 31, 2012, and Aug. 31, 2011 (Amounts in thousands)

Total Primary Government

	2012	2011	% Change
REVENUE BY SOURCE			
Charges for Services	\$ 26,442,400	\$ 25,019,637	5.69
Operating Grants and Contributions	55,339,143	61,323,706	-9.76
Capital Grants and Contributions	307,328	2,820,690	-89.10
Taxes	44,338,553	39,661,587	11.79
Other General Revenues	3,537,552	2,762,603	28.05
TOTAL REVENUES	\$ 129,964,976	\$ 131,588,223	-1.23

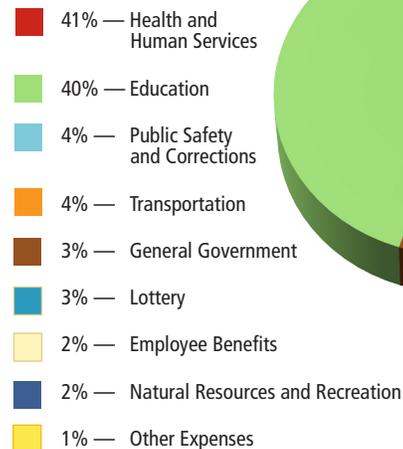
Note: **Operating Grants** provides funding for the day-to-day operation of the state including personnel, administration and other regular expenses. **Capital Grants** provides funding for buildings, construction or equipment, rather than program or operating expenses. **Other General Revenues** includes investment earnings, the settlement of claims and gain on the sale of capital assets.

Primary Government Functional Expenses

For the fiscal years ended Aug. 31, 2012, and Aug. 31, 2011 (Amounts in thousands)

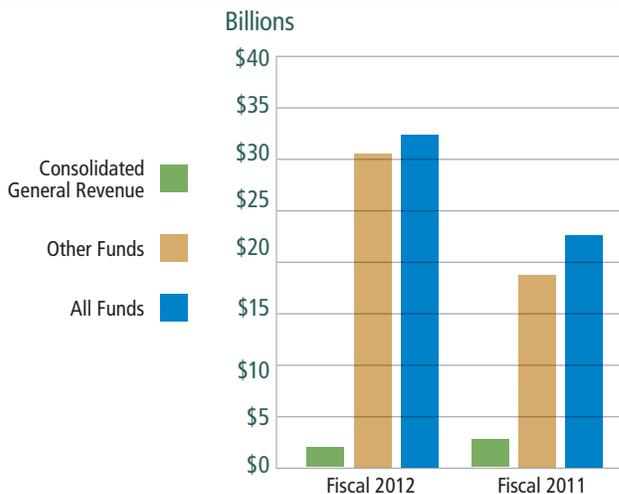
Total Primary Government

	2012	2011	% Change
EXPENSES			
General Government	\$ 3,266,400	\$ 4,188,211	-22.01
Education	48,391,419	50,869,973	-4.87
Employee Benefits	2,813,670	2,587,115	8.76
Health and Human Services	49,855,286	50,931,243	-2.11
Public Safety and Corrections	5,386,043	5,625,417	-4.26
Transportation	4,700,507	4,587,674	2.46
Natural Resources and Recreation	1,980,809	1,897,815	4.37
Lottery	3,027,943	2,783,798	8.77
Other Expenses	1,125,872	1,205,145	-6.58
TOTAL EXPENSES	\$ 120,547,949	\$ 124,676,391	-3.31



Note: Texas is a "Pay-As-You-Go" state. Expenses must be covered by available revenue. The expenses above reflect the decrease in state revenue from 2011 to 2012. **Employee Benefits** includes teacher retirement benefits. **Other Expenses** includes regulatory services and interest on long-term debt.

Ending Cash Balances



Ending Cash Balances in State Treasury

For the fiscal years ended Aug. 31, 2012, and Aug. 31, 2011 (Amounts in thousands)

	2012	2011	% Change
Consolidated General Revenue	\$ 1,988,757	\$ 2,629,415	-24.37
Other Funds	30,276,007	19,889,951	52.22
All Funds	\$ 32,264,764	\$ 22,519,366	43.28

Note: With some exceptions, **General Revenue** is money the state can use for general-purpose spending. **Other Funds** includes the State Highway Fund, the Texas Mobility Fund, trust funds, constitutional funds and petty cash accounts (outside the state treasury).

The **All Funds** increase of 43.28 percent from fiscal 2011 to fiscal 2012 is attributable in part to the receipt of \$9.8 billion from a Tax and Revenue Anticipation Note (TRAN) to help state government manage its cash flow between the start of the fiscal year and the arrival of tax revenues later in the year.

Texas Prospects & Concerns

Economy

Texas has advantages that have enabled it to grow faster than the nation for many years — relatively low living costs, an attractive business climate and a balanced mix of industries. These advantages remain and will allow the state to outperform the nation over the next biennium and beyond.

Despite the still-precarious national economy, Texas' economy is predicted to grow by 3.4 percent in both fiscal 2013 and 2014, a pace comparable to the average of the last 30 years. As a stronger economic recovery takes hold nationally, Texas economic growth is forecast to reach 3.9 percent in 2015. Texas personal income is forecast to increase by 5.3 percent in 2013, 5.1 percent in 2014 and 5.3 percent in 2015.

Water

In a normal year, Texas receives an average of about 27 inches of rainfall across the state, with much more falling in the eastern part of the state (up to 55 inches) than in the west (about 10 inches). Such rainfall usually provides enough water for both rural and urban needs.

The current water deficit (marking 2011 as the worst single-year drought in Texas since recordkeeping began) may prove to be one of the most devastating economic events in our history. Estimates put direct and indirect drought losses at well over \$10 billion to date. Texas officials want to update the state's water infrastructure to help the state meet its future water needs.

Transportation

In 2010, the Texas Transportation Institute evaluated the state's capacity-based highway needs through 2035 and estimated the amount needed to inspect, maintain and replace existing highways and bridges to be \$370 billion.

Funding sources available to the state for transportation needs include direct user fees (tolls, transit fares), indirect user fees (motor fuel taxes, registration fees), general taxes (dedicated sales taxes to support transit), federal funds and bonds. Facing the challenge of limited funding and growing demand, the Texas Department of Transportation suggests these strategies:

1. Focus available funds on the most cost-effective investments.
2. Manage the transportation system to encourage changes in how people travel.
3. Develop partnerships for providing transportation improvements.

Public Education

A major policy issue facing Texas is funding for public education. The [Texas Constitution](#) requires the state to establish and make suitable provisions for the support and maintenance of an efficient system of public free schools. After actions taken by the 82nd Legislature regarding school funding, more than two-thirds of Texas' school districts and the Texas Charter School Association chose to sue the state in five separate lawsuits. In February 2012, a Texas District Court ruled the school finance system unconstitutional, prompting a possible appeal to the Texas Supreme Court. Public school funding will be an important area of budgetary focus in the 83rd Legislature.



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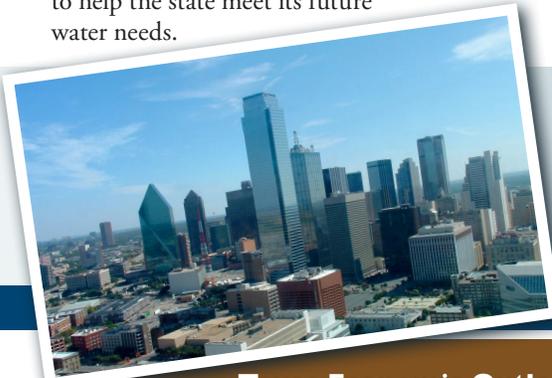
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 Is there other information you'd like to see?
 Please let us know. Contact the Comptroller's
 Fiscal Management Division:
statewide.accounting@cpa.state.tx.us

Texas Economic Outlook for Fiscal 2012 through 2015

	2012	2013	2014	2015
Real Gross State Product – total value of goods and services produced (Billions)	\$1,362.9	\$1,433.7	\$1,510.4	\$1,597.9
Annual Percent Change	5.8	5.2	5.3	5.8
Taxable Oil Price (\$ per barrel)	\$91.96	\$85.00	\$82.18	\$80.33
Taxable Natural Gas Price (\$ per MCF)	\$3.51	\$3.10	\$3.68	\$4.04
Nonfarm Employment	10,735,981	10,967,456	11,202,199	11,467,845
Annual Percent Change	2.2	2.2	2.1	2.4
Unemployment Rate (percent)	7.3	6.3	6.1	6.0

Nonfarm Employment does not include farm workers, self-employed proprietors, domestic household workers or non-civilian members of the military.