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# Bond Appendix

The State of Texas

November 2024

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## **About this Bond Appendix**

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

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

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

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

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

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

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

### **Incorporation by Reference**

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

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

## **1. STATE GOVERNMENT**

### **ORGANIZATION**

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

### **DIVISION OF POWERS**

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

### **THE LEGISLATIVE DEPARTMENT**

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

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

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



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

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

The 89<sup>th</sup> Regular Legislative Session will convene in January 2025.

## THE EXECUTIVE DEPARTMENT

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

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

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

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

The *Comptroller of Public Accounts* (Comptroller) is elected for a term of four years and is the chief accounting officer of the State. The Comptroller is generally responsible for maintaining the

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

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

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

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

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## STATEWIDE BALLOT MEASURES AND ELECTION INFORMATION

Results from the November 5, 2024, general election can be found at: <https://results.texas-election.com/races>

The next uniform election date is May 3, 2025.

## THE JUDICIAL DEPARTMENT

The judicial power of the State is vested in a Supreme Court, a Court of Criminal Appeals, 15 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.

The 88<sup>th</sup> Legislature passed Senate Bill 1045 to create a 15<sup>th</sup> Court of Appeals. The court is established in the City of Austin and has exclusive intermediate appellate jurisdiction over the following civil matters:

- Matters involving the state, its agencies, officers, or employees in the executive branch, arising from their official conduct (except for certain specified proceedings)
- Matters where party files a petition, motion or other pleading challenging the constitutionality or validity of a state law or rule and the attorney general is a party to the case; and
- Any other matter as provided by law.

## 2. FISCAL MATTERS

### ACCOUNTING SYSTEM

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

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

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

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

### APPROPRIATIONS AND BUDGETING

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

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

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

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

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

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

## **LEGISLATIVE BUDGET BOARD**

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

## NON-LEGISLATIVE POWERS WITH RESPECT TO APPROPRIATIONS

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

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

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

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

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

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

## ECONOMIC STABILIZATION FUND

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

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### TRANSFERS TO THE ESF

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

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

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

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

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### FUND CAP

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

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### TEMPORARY TRANSFERS TO THE GENERAL REVENUE FUND

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

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

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## APPROPRIATION OF ESF

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

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

Since 1989, the Legislature has appropriated ESF funds for a variety of state funding purposes, including health and human services, disaster assistance, healthcare for state retirees, economic development, the foundation school program, state parks, state water plan, and transportation. In 2019, the 86th Legislature passed Senate Bill 500 appropriating \$6.2 billion in ESF funds to state agencies including \$1.8 billion for disaster relief, \$1.1 billion for teacher retirement contributions and \$211.0 million to fund the Texas Tomorrow Fund. In 2021, the 87<sup>th</sup> Legislature passed House Bill 2 appropriating \$531.1 million in fiscal year 2021 for capital projects and disaster recovery. As of August 31, 2024, \$313.8 million remains in outstanding appropriation authority.

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

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## INVESTMENT OF THE ESF

The Comptroller is required to invest the ESF in the same manner as other state funds. Interest and other income earned on ESF fund balances is retained in the ESF up to the cap. In addition, Texas Government Code Section 404.0241 directs the Comptroller to invest a portion of the ESF balance that exceeds the legislatively determined sufficient balance in accordance with the general prudent investment standard. Effective June 18, 2023, Senate Bill 1246, adopted by the 88th Legislature requires at least 10 percent of the ESF is invested in a manner to ensure the liquidity of that amount, and that the balance of the fund is sufficient to meet its cash flow requirements.

The Comptroller reviews and adjusts the investment portfolio periodically to ensure the balance is adequate to meet the cash flow requirements of the ESF. As of August 31, 2024, the ESF balance was \$21.0 billion, of which \$18.4 billion was invested under the prudent investment standard.



## **INTRAFUND AND INTERFUND BORROWING**

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

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

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

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

## **TAX AND REVENUE ANTICIPATION NOTES**

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

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

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

## **AUDITS**

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

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

## **GENERAL INVESTMENT AUTHORITY AND PORTFOLIO**

The Comptroller is responsible for holding and investing state funds and other funds as required by law. The Comptroller invests funds in investments authorized by statute and consistent with the Texas State Comptroller Investment Policy, dated November 2023. The size of the Treasury investment pool varies, depending on seasonal variations in revenues and expenditures and the amount of Tax and Revenue Anticipation Notes issued pursuant to Texas Government Code Subchapter H (§404.121 et. seq). Between September 1, 2019 and August 31, 2024, the pool ranged between \$34.8 billion and \$93.1 billion; for fiscal year 2024, the pool ranged from \$72.9 billion to \$93.1 billion.

## **AUTHORIZED INVESTMENTS**

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

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

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

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

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

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

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

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

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

## INVESTMENT POLICIES

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

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

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

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

## **TEXAS TREASURY SAFEKEEPING TRUST COMPANY**

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

The Comptroller currently manages numerous separate portfolios by and through the Trust Company, which is authorized to operate the TexPool portfolios, the local government investment pools comprised of TexPool, the largest, and TexPool Prime. The State Treasurer organized TexPool in 1989, and its balances have ranged from \$11 billion to \$35.7 billion in the last few years. Since May 12, 1997, the day-to-day administration of TexPool has been outsourced. These activities are currently managed for the Comptroller by Federated Hermes. The types of authorized investments within TexPool are U.S. Government Securities, Agencies and Instrumentalities, Repurchase Agreements, Reverse Repurchase Agreements and Money Market Mutual Funds. The types of authorized investments within TexPool Prime are U.S. Government Securities, Agencies and Instrumentalities, Repurchase Agreements, Reverse Repurchase Agreements, Certificates of Deposit, Commercial Paper and Money Market Mutual Funds. As of November 1, 2024, TexPool had 2,900 members and a fund balance of \$31 billion; TexPool Prime had 628 members and a fund balance of \$13.3 billion. TexPool and TexPool Prime are AAAM money market funds rated by Standard and Poor's. TexPool's average maturity is 31 days and TexPool Prime is 47 days as of November 1, 2024.

### 3. STATE REVENUES AND EXPENDITURES

#### CURRENT TREASURY INVESTMENTS

As of November 1, 2024, the beginning balance in the Treasury was \$74.3 billion, of which \$1.7 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	583	0.78%
Treasury Bills	13,602	18.32%
Treasury Notes	11,630	15.66%
Treasury TIPS	0	0.00%
Treasury FRNs	725	0.98%
Corporate Bonds	1,809	2.44%
Covered Bonds	0	0.00%
Asset Backed Securities	6,406	8.63%
Money Market Funds	2,527	3.40%
Agency Notes	2,488	3.35%
Agency Discount Notes	0	0.00%
Supranational	1,775	2.39%
Supranational Discount Notes	597	0.80%
Repurchase Agreements	7,602	10.24%
Lottery Award Annuities	200	0.27%
Mortgage Backed Securities	7,370	9.93%
SBA Securities	52	0.07%
Commercial Paper	16,756	22.56%
Israel Bond	140	0.19%
Cash	0	0.00%
Trust Stock	1	0.00%
Reverse Repurchase Agreements	-3	0.00%
Totals (1)	74,259	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 353 days. Information on the Trust Company Investment Policies and Investments may be found on the Trust Company's website at [www.ttstc.com](http://www.ttstc.com).

## LIQUIDITY

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

As of October 31, 2024, the Comptroller provided liquidity for the obligations in the table below.

Obligations	Total Commitment (Principal and Interest)	Final Date
Texas Department of Housing and Community Affairs Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2005 Series A (weekly demand)	\$6,239,716	August 31, 2025
Texas Department of Housing and Community Affairs Single Family Mortgage Revenue Bonds, 2007 Series A (weekly demand)	\$2,042,187	August 31, 2025
Texas Public Finance Authority State of Texas General Obligation Commercial Paper Notes (Cancer Prevention and Research Institute of Texas Project) Series A and Series B	\$375,890,411	August 31, 2025
Texas Public Finance Authority Revenue Commercial Paper Note Program (Texas Facilities Commission Projects), Series 2016A (Taxable) and Series 2016B (Tax-Exempt)	\$214,794,521	August 31, 2025
Texas Public Finance Authority Commercial Paper Revenue Notes, Series 2019A and Taxable Series 2019B	\$214,794,521	August 31, 2025
Texas Transportation Commission State of Texas General Obligation Mobility Fund Bonds, Series 2006-B (Multi-Modal Bonds)	\$151,726,027	August 31, 2025
Texas Veterans Land Board State of Texas Veterans Bonds, Taxable Series 2023A	\$251,688,279	August 31, 2025
<b>TOTAL PROGRAM COMMITMENT</b>	<b>\$1,217,175,662</b>	



## 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 2024, Consolidated General Revenue accounted for most of the state's total net revenue (see Table A-4). The category of state funds that provides a broader understanding of the state's financial condition consists of non-trust funds, which includes the General Revenue Fund, other operating and disbursing funds, constitutionally created funds, federal funds, pledged and bond funds and other special funds. The remaining funds consist of trust funds and accounts that are held in trust for specific state programs, such as sales tax revenues that must be distributed to local governments in the State and suspense accounts to hold money pending identification of where the actual deposit should be made. Trust and suspense accounts are generally excluded from the discussion of revenues and expenditures.

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

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

## REVENUE SOURCES

Tax collections totaling \$81.9 billion provided the state's primary source of income in fiscal 2024 (see Table A-5). The largest categories of tax collections include Sales Tax, Franchise, Motor Vehicle Sales/Rental, Oil Production, Insurance, Motor Fuel, and Natural Gas Production taxes. Federal receipts (which accounted for 32.5 percent of total revenue and totaled \$58.9 billion in fiscal 2024) came in second, while State Health Service Fees and Rebates totaling \$14.1 billion in fiscal 2024 provided a distant third largest revenue source to the State. The State has no personal

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

Table A-2 shows the rates and tax bases for major state taxes collected in the State of Texas for the fiscal year beginning September 1, 2024.

**Table A-2**  
**Major State Taxes**

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

**Tax   Rate and Base**

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

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

**Liquor:** \$2.40 per gallon.

**Wine:**

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

More than 14 percent – 40.8¢ per gallon.

Sparkling wine – 51.6¢ per gallon.

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

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

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

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

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

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

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

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

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

**Gas, Electric and Water Utility:**

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

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

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

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

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

Source: Texas Comptroller of Public Accounts.

## LIMITATIONS ON TAXING POWERS

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

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

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

## CONSTITUTIONAL AND LEGISLATIVE CHANGES

On November 5, 2019, voters approved a constitutional amendment which dedicates and appropriates state sales and use taxes on sporting goods to the Texas Parks and Wildlife Department (TPWD) and the Texas Historical Commission (THC). The 2024-25 Certification Revenue Estimate (CRE) projects \$269.28 million in such state sales and use tax proceeds will be allocated to the TPWD and THC in fiscal year 2025.

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 35 percent of the revenues collected from the tax imposed on the sale, use or rental of a motor vehicle that exceeds \$5 billion. The 88th Legislature (Regular Session, 2023) passed Senate Concurrent Resolution 2, which extended both funding components of Proposition 7 – sales and use tax and motor vehicle sales and rental tax revenues – for ten years beyond their original expiration dates. Accordingly, the state's sales and use tax transfers into the State Highway Fund will be extended through August 31, 2042, while the motor vehicle sales and rental tax portion will be extended through August 31, 2039. The 2024-25 CRE projects that in fiscal year 2025 the State Highway Fund will receive \$2.5 billion from sales taxes and an additional \$723.51 million from motor vehicle sales taxes.

In 2023, the 88<sup>th</sup> Sessions of the Legislature authorized significant one-time funding of several programs through various funding mechanisms, including seven constitutional amendments approved by the voters on November 7, 2023. These funding allocations were completed in fiscal 2024.

## HISTORICAL REVENUES, EXPENDITURES, AND CASH CONDITION

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

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

	2020	2021 <sup>(2)</sup>	2022	2023	2024
CASH BALANCE –					
September 1					
Cash in State Treasury	\$ 8,412,774,932	\$ 7,119,744,141	\$ 14,408,806,585	\$ 33,733,947,588	\$ 48,375,734,206
Cash in Petty Cash Accounts	10,546,547	10,546,789	10,521,977	10,836,865	10,415,514
<b>TOTAL CASH BALANCE</b>	<b>8,423,321,479</b>	<b>7,130,290,930</b>	<b>14,419,328,562</b>	<b>33,744,784,453</b>	<b>48,386,149,720</b>
NET REVENUE					
Tax Collections	54,524,071,005	58,084,146,274	73,408,481,192	77,723,809,872	77,277,705,152
Federal Income	41,869,784,610	43,299,357,594	52,621,929,815	51,121,511,368	45,534,127,581
Licenses, Fees, Fines and Penalties	3,851,558,016	3,801,156,615	4,056,199,680	4,117,910,126	4,277,551,032
State Health Service Fees and Rebates	7,497,445,421	6,794,087,504	10,284,816,381	10,919,541,083	14,148,222,895
Net Lottery Proceeds	2,391,653,302	2,954,627,489	3,058,250,726	3,349,723,696	3,089,863,571
Land Income	14,300,924	43,172,265	18,714,037	16,595,619	17,958,236
Interest and Investment Income	50,743,615	14,009,890	120,365,061	1,549,732,304	1,927,593,241
Settlements of Claims	596,374,198	724,552,103	625,024,315	597,422,202	812,609,154
Escheated Estates	715,456,256	792,564,461	1,011,742,238	1,090,933,286	1,280,676,502
Sales of Goods and Services	184,024,916	204,347,155	219,628,973	213,096,493	213,214,660
Other Revenue	3,150,532,520	3,446,433,890	4,188,734,096	5,359,732,043	4,129,378,461
<b>TOTAL NET REVENUE</b>	<b>114,845,944,784</b>	<b>120,158,455,240</b>	<b>149,613,886,513</b>	<b>156,060,008,091</b>	<b>152,708,900,487</b>
OTHER SOURCES					
Bond and Note Proceeds	-	-	-	-	(540,916)
Sale/Redemption of Investments	-	53,021,227	-	-	-
Deposits to Trust and Suspense	833,547	12,696,542	3,485,873	20,867,929	(4,388,714)
Departmental Transfers	1,036,437,014	1,124,870,229	1,323,556,815	1,533,781,552	2,561,991,316
Operating Fund Transfers	39,774,920,382	39,790,358,097	45,374,160,838	48,520,757,586	57,471,133,538
Residual Equity Transfers	2,395	13,764	-	-	-
Other Sources	10,075	28,395	42,538	423,801	35,108
<b>TOTAL OTHER SOURCES</b>	<b>40,812,203,412</b>	<b>40,980,988,254</b>	<b>46,701,246,064</b>	<b>50,075,830,868</b>	<b>60,028,230,333</b>
<b>TOTAL NET REVENUE AND OTHER SOURCES</b>	<b>\$ 155,658,148,197</b>	<b>\$ 161,139,443,494</b>	<b>\$ 196,315,132,577</b>	<b>\$ 206,135,838,960</b>	<b>\$ 212,737,130,820</b>

(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 <sup>(1)</sup> (concluded)**  
**Years Ended August 31**

	2020	2021 <sup>(2)</sup>	2022	2023	2024
<b>NET EXPENDITURES</b>					
General Government	\$ 3,494,823,543	\$ 3,633,997,367	\$ 3,968,474,285	\$ 4,282,999,794	\$ 4,958,045,214
Education	36,989,515,622	35,867,657,205	38,712,617,041	38,377,514,493	52,151,678,120
Employee Benefits	4,495,409,137	3,810,115,143	4,550,624,400	6,026,152,412	5,912,485,545
Health and Human Services	55,068,651,357	55,304,844,221	66,987,772,247	68,589,568,922	65,281,792,330
Public Safety and Corrections	4,814,895,862	2,462,522,701	4,480,187,428	6,621,093,193	4,401,968,152
Transportation	18,475,202	17,588,417	21,740,952	26,455,749	53,847,516
Natural Resources/ Recreational Services	2,236,507,351	2,861,513,805	3,059,782,516	3,255,631,282	3,343,820,811
Regulatory Agencies	266,667,442	247,516,225	260,197,779	279,881,680	312,956,273
Lottery Winnings Paid <sup>(3)</sup>	541,325,778	766,764,047	751,829,532	952,584,533	831,234,412
Debt Service – Interest	178,313,946	164,338,259	158,969,206	136,375,595	160,602,362
Capital Outlay	424,777,991	383,929,324	638,387,249	839,728,100	1,654,202,490
<b>TOTAL NET EXPENDITURES</b>	<b>108,529,363,232</b>	<b>105,520,786,713</b>	<b>123,590,582,635</b>	<b>129,387,985,752</b>	<b>139,062,633,224</b>
<b>OTHER USES</b>					
Purchase of Investments	95,289	100,112	90,681	125,157,382	3,100,142,067
Trust and Suspense Payments	21,153	6,555	38,480	31,450	32,460
Teacher and Employee Retirement Payments	3,405,994	4,745,703	5,866,467	5,510,668	4,873,311
Departmental Transfers	864,501,248	831,519,515	1,147,340,686	1,250,771,876	2,278,706,903
Operating Fund Transfers	47,131,659,726	47,065,156,872	51,806,826,573	60,326,968,401	78,694,263,431
Other Uses	15,580,499	12,121,150	20,490,465	15,748,760	13,778,990
Debt Service – Principal	406,551,848	415,944,430	418,755,586	381,878,052	613,472,614
<b>TOTAL OTHER USES</b>	<b>48,421,815,756</b>	<b>48,329,594,337</b>	<b>53,399,408,939</b>	<b>62,106,066,590</b>	<b>84,705,269,776</b>
<b>TOTAL NET EXPENDITURES AND OTHER USES</b>	<b>156,951,178,988</b>	<b>153,850,381,050</b>	<b>176,989,991,574</b>	<b>191,494,052,342</b>	<b>223,767,903,000</b>
To Petty Cash Accounts AUGUST 31	242	(24,812)	314,887	(421,351)	(27,318)
	<b>\$ 7,777,424,852</b>	<b>\$ 14,419,328,562</b>	<b>\$ 33,744,784,453</b>	<b>\$ 48,386,149,720</b>	<b>\$ 37,355,350,222</b>
<b>CASH IN STATE TREASURY</b>	<b>7,766,878,063</b>	<b>14,408,806,585</b>	<b>33,733,947,588</b>	<b>48,375,734,206</b>	<b>37,344,962,026</b>
<b>CASH IN PETTY CASH ACCOUNTS</b>	<b>10,546,789</b>	<b>10,521,977</b>	<b>10,836,865</b>	<b>10,415,514</b>	<b>10,388,196</b>

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

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

(3) Does not include payments made by retailers.

Totals may not sum due to rounding.

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

Table A-4 provides information concerning the cash condition of the State’s Consolidated General Revenue Fund, special revenue funds and trust and suspense funds as of the end of the State’s latest fiscal year, ending August 31, 2024, 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, 2024**

	Total Consolidated			
	General Revenue <sup>(1)</sup>	Special Revenue	All Other Funds	Total All Funds
<b>CASH BALANCE –</b>				
<b>SEPTEMBER 1, 2023</b>				
Cash in State Treasury	\$ 48,375,734,206	\$ 28,605,555,470	\$ 14,915,510,015	\$ 91,896,799,691
Cash in Petty Cash Accounts	10,415,514	1,207,800	56,000	11,679,314
	<u>48,386,149,720</u>	<u>28,606,763,270</u>	<u>14,915,566,015</u>	<u>91,908,479,005</u>
<b>NET REVENUE</b>				
Tax Collections	77,277,705,152	4,596,524,328	2,116,193,222	83,990,422,702
Federal Income	45,534,127,581	13,332,203,525	465,700,190	59,332,031,295
Licenses, Fees, Fines and Penalties	4,277,551,032	2,659,943,217	309,406,340	7,246,900,590
State Health Service Fees and Rebates	14,148,222,895	0	701,996,334	14,850,219,229
Net Lottery Proceeds	3,089,863,571	0	0	3,089,863,571
Land Income	17,958,236	3,521,807,605	5,822,388	3,545,588,229
Interest and Investment Income	1,927,593,241	3,827,506,271	653,424,159	6,408,523,671
Settlements of Claims	812,609,154	35,726,766	180,156,773	1,028,492,694
Escheated Estates	1,280,676,502	0	0	1,280,676,502
Sales of Goods and Services	213,214,660	45,871,616	213,556,873	472,643,149
Other Revenue	4,129,378,461	389,360,782	18,224,048,653	22,742,787,897
<b>TOTAL NET REVENUE</b>	<u>152,708,900,487</u>	<u>28,408,944,111</u>	<u>22,870,304,930</u>	<u>203,988,149,529</u>
<b>OTHER SOURCES</b>				
Bond and Note Proceeds	(540,916)	646,845,018	0	646,304,103
Sale/Redemption of Investments	0	1,875,529,401	7,120,100,000	8,995,629,401
Deposits to Trust and Suspense	(4,388,714)	130,009,731	20,160,360,072	20,285,981,089
Departmental Transfers	2,561,991,316	17,590,215	354,961	2,579,936,491
Operating Fund Transfers	57,471,133,538	56,386,322,598	22,239,277,821	136,096,733,957
Other Sources	35,108	500	0	35,608
<b>TOTAL OTHER SOURCES</b>	<u>60,028,230,333</u>	<u>59,056,297,462</u>	<u>49,520,092,854</u>	<u>168,604,620,649</u>
<b>TOTAL NET REVENUE AND</b>				
<b>OTHER SOURCES</b>	<u>\$ 212,737,130,820</u>	<u>\$ 87,465,241,574</u>	<u>\$ 72,390,397,784</u>	<u>\$ 372,592,770,178</u>

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

Totals may not sum due to rounding.

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

**Table A-4**  
**Statement of Cash Position**  
**Year Ended August 31, 2024**  
**(concluded)**

	Consolidated General			
	Revenue <sup>(1)</sup>	Special Revenue	All Other Funds	Total All Funds
<b>NET EXPENDITURES</b>				
General Government	\$ 4,958,045,214	\$ 847,290,159	\$ 5,352,002,443	\$ 11,157,337,815
Education	52,151,678,120	8,910,539,884	142,334,565	61,204,552,569
Employee Benefits	5,912,485,545	1,111,266,290	5,299,560,785	12,323,312,619
Health and Human Services	65,281,792,330	2,433,300,360	2,869,011,949	70,584,104,639
Public Safety and Corrections	4,401,968,152	2,617,052,490	23,385	7,019,044,028
Transportation	53,847,516	18,079,114,878	285,298,448	18,418,260,843
Natural Resources/Recreational Services	3,343,820,811	878,245,687	136,811,668	4,358,878,166
Regulatory Services	312,956,273	104,700,782	26,879,424	444,536,479
Lottery Winnings Paid <sup>(2)</sup>	831,234,412	0	0	831,234,412
Debt Service – Interest	160,602,362	1,042,591,373	363,334	1,203,557,068
Capital Outlay	1,654,202,490	725,144,478	9,659,459	2,389,006,427
<b>TOTAL NET EXPENDITURES</b>	<b>139,062,633,224</b>	<b>36,749,246,380</b>	<b>14,121,945,461</b>	<b>189,933,825,065</b>
<b>OTHER USES</b>				
Purchase of Investments	3,100,142,067	7,826,483,797	11,326,339,494	22,252,965,358
Trust and Suspense Payments	32,460	0	14,113,742,936	14,113,775,396
Teacher and Employee Retirement Payments	4,873,311	0	18,168,083,275	18,172,956,586
Departmental Transfers	2,278,706,903	223,843,924	2,554,246	2,505,105,073
Operating Fund Transfers	78,694,263,431	36,592,640,180	13,093,260,186	128,380,163,797
Other Uses	13,778,990	0	328	13,779,318
Debt Service – Principal	613,472,614	1,854,372,993	3,305,000	2,471,150,606
<b>TOTAL OTHER USES</b>	<b>84,705,269,776</b>	<b>46,497,340,893</b>	<b>56,707,285,465</b>	<b>187,909,896,134</b>
<b>TOTAL NET EXPENDITURES AND OTHER USES</b>	<b>223,767,903,000</b>	<b>83,246,587,273</b>	<b>70,829,230,926</b>	<b>377,843,721,199</b>
Net Increase/(Decrease) To Petty Cash Accounts	(27,318)	(500)	0	(27,818)
<b>CASH BALANCE – AUGUST 31, 2024</b>	<b>\$ 37,355,350,222</b>	<b>\$ 32,825,417,070</b>	<b>\$ 16,476,732,874</b>	<b>\$ 86,657,500,166</b>
<b>CASH IN STATE TREASURY</b>	<b>37,344,962,026</b>	<b>32,824,209,770</b>	<b>16,476,676,874</b>	<b>86,645,848,670</b>
<b>CASH IN PETTY CASH ACCOUNTS</b>	<b>10,388,196</b>	<b>1,207,300</b>	<b>56,000</b>	<b>11,651,496</b>

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

(2) Does not include payments made by retailers.

Totals may not sum due to rounding.

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



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

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

	2020	% Change	2021	% Change	2022	% Change
<b>TAX COLLECTIONS BY MAJOR TAX</b>						
Sales Tax	\$ 34,099,115,139	0.2%	\$ 36,019,605,414	5.6%	\$ 42,971,903,533	19.3%
Motor Vehicle Sales / Rental Taxes	4,815,240,348	(3.9)	5,730,933,538	19.0	6,449,088,180	12.5
Motor Fuel Taxes	3,524,712,191	(5.8)	3,596,891,570	2.0	3,783,903,672	5.2
Franchise Tax	4,418,420,390	4.8	4,529,829,616	2.5	5,672,908,453	25.2
Oil Production Tax	3,229,346,924	(16.9)	3,449,131,602	6.8	6,361,687,478	84.4
Insurance Taxes	2,741,653,397	5.5	2,699,643,241	(1.5)	3,121,923,353	15.6
Cigarette and Tobacco Taxes	1,299,013,633	(7.9)	1,397,304,315	7.6	1,210,716,010	(13.4)
Natural Gas Production Tax	925,472,744	(45.1)	1,568,541,762	69.5	4,469,945,456	185.0
Alcoholic Beverages Taxes	1,125,321,869	(17.8)	1,257,444,097	11.7	1,643,972,348	30.7
Hotel Occupancy Tax	470,702,524	(26.0)	487,815,057	3.6	699,939,242	43.5
Utility Taxes	478,154,826	1.4	538,814,591	12.7	556,661,720	3.3
Other Taxes	252,664,439	(22.6)	197,528,512	(21.8)	268,094,522	35.7
<b>TOTAL TAX COLLECTIONS</b>	<b>\$ 57,379,818,422</b>	<b>-3.4%</b>	<b>\$ 61,473,483,316</b>	<b>7.1%</b>	<b>\$ 77,210,743,966</b>	<b>25.6%</b>
<b>REVENUE BY SOURCE</b>						
Total Tax Collections	\$ 57,379,818,422	(3.4)%	\$ 61,473,483,316	7.1%	\$ 77,210,743,966	25.6%
Federal Income	58,116,753,533	38.7	81,940,095,823	41.0	72,738,692,426	(11.2)
Licenses, Fees, Fines and Penalties	6,241,255,968	(4.6)	6,346,921,276	1.7	6,531,677,073	2.9
State Health Service Fees and Rebates	7,497,445,421	5.8	6,794,087,504	(9.4)	10,284,816,381	51.4
Net Lottery Proceeds	2,391,653,302	(4.7)	2,954,627,489	23.5	3,058,250,726	3.5
Land Income	1,809,260,539	(19.6)	2,147,842,115	18.7	4,311,839,588	100.8
Interest and Investment Income	2,529,037,070	1.0	1,975,495,905	(21.9)	2,438,012,637	23.4
Settlements of Claims	624,354,317	(3.4)	761,238,736	21.9	662,336,095	(13.0)
Escheated Estates	715,456,256	3.2	792,564,461	10.8	1,011,742,238	27.7
Sales of Goods and Services	254,791,196	(8.6)	321,237,003	26.1	314,128,504	(2.2)
Other Revenue	4,016,496,511	(3.0)	4,988,860,626	24.2	4,782,601,594	(4.1)
<b>TOTAL NET REVENUE</b>	<b>\$ 141,576,322,535</b>	<b>10.7%</b>	<b>\$ 170,496,454,255</b>	<b>20.4%</b>	<b>\$ 183,344,841,228</b>	<b>7.5%</b>

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)**

	2023	% Change	2024	% Change
<b>TAX COLLECTIONS BY MAJOR TAX</b>				
Sales Tax	\$ 46,581,071,515	8.4%	\$ 47,159,947,193	1.2%
Motor Vehicle Sales / Rental Taxes	6,821,746,791	5.8	6,835,103,072	0.2
Motor Fuel Taxes	3,832,081,402	1.3	3,846,520,202	0.4
Franchise Tax	6,820,183,255	20.2	6,861,291,437	0.6
Oil Production Tax	5,931,042,193	(6.8)	6,304,153,532	6.3
Insurance Taxes	4,064,627,400	30.2	4,157,636,347	2.3
Cigarette and Tobacco Taxes	1,218,337,223	0.6	1,069,813,600	(12.2)
Natural Gas Production Tax	3,350,372,977	(25.0)	2,133,639,866	(36.3)
Alcoholic Beverages Taxes	1,771,634,548	7.8	1,773,178,418	0.1
Hotel Occupancy Tax	777,851,281	11.1	755,806,834	(2.8)
Utility Taxes	625,196,081	12.3	664,577,642	6.3
Other Taxes	351,413,092	31.1	312,561,337	(11.1)
<b>TOTAL TAX COLLECTIONS</b>	<b>\$ 82,145,557,758</b>	<b>6.4%</b>	<b>\$ 81,874,229,481</b>	<b>-0.3%</b>
<b>REVENUE BY SOURCE</b>				
Total Tax Collections	\$ 82,145,557,758	6.4%	\$ 81,874,229,481	-0.3%
Federal Income	68,707,040,997	(5.5)	58,866,331,106	(14.3)
Licenses, Fees, Fines and Penalties	6,663,408,905	2.0	6,937,494,250	4.1
State Health Service Fees and Rebates	10,919,541,083	6.2	14,148,222,895	29.6
Net Lottery Proceeds	3,349,723,696	9.5	3,089,863,571	(7.8)
Land Income	3,797,417,639	(11.9)	3,539,765,841	(6.8)
Interest and Investment Income	4,200,937,390	72.3	5,755,099,512	37.0
Settlements of Claims	631,032,543	(4.7)	848,335,921	34.4
Escheated Estates	1,090,933,286	7.8	1,280,676,502	17.4
Sales of Goods and Services	307,928,230	(2.0)	259,086,276	(15.9)
Other Revenue	5,975,448,411	24.9	4,518,739,244	(24.4)
<b>TOTAL NET REVENUE</b>	<b>\$ 187,788,969,938</b>	<b>2.4%</b>	<b>\$ 181,117,844,599</b>	<b>-3.6%</b>

Totals may not sum due to rounding.

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

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

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

Fiscal Year	Total State Tax Collections	Average State Population	Per Capita State Tax Collections	Percent Change	Taxes as a Percent of Personal Income
2020	\$ 57,379,818,422	\$ 29,183,745	\$ 1,966	(4.5) %	3.6 %
2021	61,473,483,316	29,511,094	2,083	5.9	3.5
2022	77,210,743,966	29,963,286	2,577	24.0	4.2
2023	82,145,557,758	30,476,193	2,695	5.1	4.2
2024	81,874,229,481	30,515,222	2,683	1.5	4.0

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 2024 Fall Economic Forecast.

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

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

	2020	% Change	2021	% Change	2022	% Change
General Government						
Executive	\$ 3,164,501,194	4.2%	\$ 4,216,129,623	33.2%	\$ 5,428,281,579	28.8%
Legislative	138,644,393	(8.0)	153,730,151	10.9	150,947,435	(1.8)
Judicial	410,681,419	23.0	371,518,193	(9.5)	375,558,186	1.1
Total	<u>3,713,827,006</u>	<u>543.3%</u>	<u>4,741,377,966</u>	<u>2766.8%</u>	<u>5,954,787,200</u>	<u>2559.2%</u>
Education	42,869,127,042	13.9	44,820,507,542	4.6	49,467,791,218	10.4
Employee Benefits	4,971,901,851	0.2	5,077,119,987	2.1	5,622,231,837	10.7
Health and Human Services	57,197,407,462	10.3	66,856,818,567	16.9	74,570,523,013	11.5
Public Safety and Corrections	4,876,770,970	(6.1)	4,782,106,747	(1.9)	5,997,822,439	25.4
Transportation	12,646,843,329	20.5	12,698,706,404	0.4	12,293,362,012	(3.2)
Natural Resources/Recreational Services	3,116,094,817	10.8	3,764,188,806	20.8	4,130,964,470	9.7
Regulatory Services	330,781,656	(1.5)	329,978,588	(0.2)	344,801,551	4.5
Lottery Winnings Paid <sup>(1)</sup>	541,325,778	(20.9)	766,764,047	41.6	751,829,532	(1.9)
Debt Service – Interest	1,661,253,007	1.0	1,391,756,793	(16.2)	1,095,568,264	(21.3)
Capital Outlay	1,192,395,754	40.2	1,321,153,344	10.8	1,528,100,663	15.7
<b>TOTAL NET EXPENDITURES</b>	<u>\$ 133,117,728,673</u>	<u>10.9%</u>	<u>\$ 146,550,478,791</u>	<u>10.1%</u>	<u>\$ 161,757,782,198</u>	<u>10.4%</u>

(1) Does not include payments made by retailers.

Totals may not sum due to rounding.

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

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

	2023	% Change	2024	% Change
General Government				
Executive	\$ 4,997,523,025	(7.9)%	\$ 5,196,698,769	4.0%
Legislative	172,380,969	14.2	184,848,717	7.2
Judicial	443,944,060	18.2	423,787,886	(4.5)
Total	<u>\$ 5,613,848,054</u>	<u>(5.7)%</u>	<u>\$ 5,805,335,372</u>	<u>3.4</u>
Education	50,352,164,044	1.8	61,062,218,004	21.3
Employee Benefits	6,628,018,240	17.9	7,023,751,835	6.0
Health and Human Services	73,432,854,582	(1.5)	67,715,092,690	(7.8)
Public Safety and Corrections	6,639,441,701	10.7	7,019,020,643	5.7
Transportation	13,765,711,892	12.0	18,132,962,395	31.7
Natural Resources/Recreational Services	4,583,758,623	11.0	4,222,066,498	(7.9)
Regulatory Services	353,174,068	2.4	417,657,055	18.3
Lottery Winnings Paid <sup>(1)</sup>	952,584,533	26.7	831,234,412	(12.7)
Debt Service – Interest	1,161,327,571	6.0	1,203,193,734	3.6
Capital Outlay	1,723,587,395	12.8	2,379,346,967	38.0
<b>TOTAL NET EXPENDITURES</b>	<u><b>\$ 165,206,470,703</b></u>	<u><b>2.1%</b></u>	<u><b>\$ 175,811,879,604</b></u>	<u><b>6.4%</b></u>

(1) Does not include payments made by retailers.

Totals may not sum due to rounding.

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

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

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

EXPENDITURE CATEGORY	2020	% Change	2021	% Change	2022	% Change
Public Assistance Payments	\$ 53,530,561,772	10.8%	\$ 58,860,884,317	10.0%	\$ 69,794,497,032	18.6%
Intergovernmental Payments						
Foundation School Program Grants	24,419,933,802	17.5	24,444,288,955	0.1	23,673,735,441	(3.2)
Other Public Education Grants	5,776,450,769	(12.0)	6,679,740,938	15.6	12,182,248,859	82.4
Grants to Higher Education	1,216,060,863	7.0	1,241,640,768	2.1	1,258,508,907	1.4
Other Grants	2,981,085,127	16.0	3,864,229,253	29.6	3,568,387,927	(7.7)
Highway Construction and Maintenance	8,622,570,229	29.6	8,406,422,212	(2.5)	7,921,956,697	(5.8)
Capital Outlay	1,192,395,754	40.2	1,321,153,344	10.8	1,528,100,663	15.7
Cost of Goods Sold	613,753,472	(37.0)	412,995,667	(32.7)	751,022,424	81.8
Salaries and Wages	12,882,607,456	3.5	13,066,293,342	1.4	13,957,111,316	6.8
Employee Benefits						
Employee Benefit Payments	3,847,451,328	(0.2)	3,730,718,860	(3.0)	5,685,271,488	52.4
Payroll Related Costs	3,976,860,149	0.1	4,060,851,298	2.1	4,046,391,688	(0.4)
Professional Service and Fees	4,070,284,443	16.0	4,483,123,910	10.1	4,776,918,817	6.6
Travel	154,694,111	(23.4)	113,222,567	(26.8)	236,664,418	109.0
Supplies and Materials	1,909,990,385	96.3	1,477,339,372	(22.7)	1,354,246,078	(8.3)
Communication and Utilities	547,547,834	9.3	567,644,984	3.7	572,461,057	0.8
Repairs and Maintenance	1,260,174,600	4.4	1,266,898,251	0.5	1,344,811,853	6.1
Rentals and Leases	366,944,055	6.5	443,710,674	20.9	419,553,646	(5.4)
Printing and Reproduction	64,483,414	(13.2)	78,297,901	21.4	90,764,912	15.9
Debt Service – Interest	1,661,253,007	1.0	1,391,756,793	(16.2)	1,095,568,264	(21.3)
Lottery Winnings Paid <sup>(1)</sup>	541,325,778	(20.9)	766,764,047	41.6	751,829,532	(1.9)
Claims and Judgments	112,097,638	7.0	94,985,242	(15.3)	134,139,620	41.2
Other Expenditures	3,369,202,688	27.7	9,777,516,096	190.2	6,613,591,557	(32.4)
<b>TOTAL NET EXPENDITURES</b>	<b>\$ 133,117,728,673</b>	<b>10.9%</b>	<b>\$ 146,550,478,791</b>	<b>10.1%</b>	<b>\$ 161,757,782,198</b>	<b>10.4%</b>

(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	2023	% Change	2024	% Change
Public Assistance Payments	\$ 69,962,482,499	0.2%	\$ 63,101,148,553	-9.8%
Intergovernmental Payments				
Foundation School Program Grants	23,794,598,654	0.5	29,106,910,817	22.3
Other Public Education Grants	12,817,243,196	5.2	12,301,018,415	(4.0)
Grants to Higher Education	1,254,891,757	(0.3)	1,642,659,279	30.9
Other Grants	4,632,083,891	29.8	4,725,071,520	2.0
Highway Construction and Maintenance	8,871,484,682	12.0	12,258,375,413	38.2
Capital Outlay	1,723,587,395	12.8	2,379,346,967	38.0
Cost of Goods Sold	1,044,174,031	39.0	592,878,326	(43.2)
Salaries and Wages	14,888,744,095	6.7	16,493,715,118	10.8
Employee Benefits				
Employee Benefit Payments	5,363,350,071	(5.7)	11,329,776,710	111.2
Payroll Related Costs	4,135,288,471	2.2	4,420,621,103	6.9
Professional Service and Fees	6,115,324,468	28.0	5,962,225,163	(2.5)
Travel	297,771,893	25.8	228,868,143	(23.1)
Supplies and Materials	1,256,945,253	(7.2)	1,243,058,608	(1.1)
Communication and Utilities	615,810,794	7.6	691,747,952	12.3
Repairs and Maintenance	1,417,494,881	5.4	1,583,944,881	11.7
Rentals and Leases	481,219,643	14.7	623,094,835	29.5
Printing and Reproduction	98,025,337	8.0	104,214,521	6.3
Debt Service – Interest	1,161,327,571	6.0	1,203,193,734	3.6
Lottery Winnings Paid <sup>(1)</sup>	952,584,533	26.7	831,234,412	(12.7)
Claims and Judgments	92,539,251	(31.0)	127,271,306	37.5
Other Expenditures	4,229,498,337	(36.0)	4,861,503,827	14.9
<b>TOTAL NET EXPENDITURES</b>	<b>\$ 165,206,470,703</b>	<b>2.1%</b>	<b>\$ 175,811,879,604</b>	<b>6.4%</b>

(1) Does not include payments made by retailers.

Totals may not sum due to rounding.

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

## STATE BUDGET INFORMATION

### 2024-25 BUDGET

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

Table A-9 compares the budget for the 2024-2025 biennium to the actual budgeted expenditures for the 2022-23 biennium.

2024-2025 appropriation totals include the net effect of House Bill 1 (General Appropriations Act), passed during the 88th Regular Session, and Senate Bill 3, passed during the 4th Special Session of the 88th Legislature. 2024-2025 contingent appropriations made in Article IX that have been activated are reflected in the functional articles. 2022-2023 totals include the net effect of Senate Bill 30 (supplemental appropriations), passed during the 88th Regular Session, including appropriations in Article I directed to the following established funds: Texas Water Fund (\$1.0 billion); Flood Infrastructure Fund (\$624.9 million, also appropriated as an Other Fund in Article VI); Clean Water State Revolving Fund (\$51.1 million); Drinking Water State Revolving Fund (\$73.9 million); Texas University Fund (\$3.0 billion); Texas Historical Commission Fund (\$300.0 million); and State Preservation Board Fund (\$200.0 million).

These estimates are preliminary and are subject to change based on future actions of the State Legislature and final reconciliations by the staff of the Legislative Budget Board.

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

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

**Notes:**

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

(2) Article totals exclude Interagency Contracts.

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

Source: Legislative Budget Board, Comptroller of Public Accounts.



## REVENUE FORECASTS: FISCAL YEARS 2021-2025

Table A-10 sets forth information concerning estimated revenues for 2025 fiscal year set in the 2024-25 Certification Revenue Estimate (CRE), along with actual collections for comparable revenues for the State's 2021-2024 fiscal years. The information is for all funds, excluding trust and local funds.

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

Tax Collection by Major Tax	2021 Actual	2022 Actual	2023 Actual	2024 Actual (2)	2025 Estimated
<b>Tax Collections</b>					
Sales Taxes	36,019,605	42,971,904	46,581,072	47,159,947	49,327,182
Motor Vehicle Sales and Rental Taxes	5,730,934	6,449,088	6,821,747	6,835,103	7,105,057
Motor Fuel Taxes	3,596,892	3,783,904	3,832,081	3,846,520	3,923,357
Franchise Tax	4,529,830	5,672,908	6,820,183	6,861,291	6,893,600
Oil Production Tax	3,449,132	6,361,687	5,931,042	6,304,154	6,536,952
Insurance Taxes	2,699,643	3,121,923	4,064,627	4,157,636	4,174,643
Cigarette and Tobacco Taxes	1,397,304	1,210,716	1,218,337	1,069,814	1,118,800
Natural Gas Production Tax	1,568,542	4,469,945	3,350,373	2,133,640	2,802,748
Alcoholic Beverages Taxes	1,257,444	1,643,972	1,771,635	1,773,178	1,936,100
Hotel Occupancy Tax	487,815	699,939	777,851	755,807	853,071
Utility Taxes	538,815	556,662	625,196	664,578	640,690
Other Taxes	197,529	268,095	351,413	312,561	348,066
<b>Total Tax Collections</b>	<b>\$61,473,483</b>	<b>\$77,210,744</b>	<b>\$82,145,558</b>	<b>\$81,874,229</b>	<b>\$85,660,266</b>
<b>Revenue By Source</b>					
Tax Collections	61,473,483	77,210,744	82,145,558	81,874,229	85,660,266
Federal Income	81,940,096	72,738,692	68,707,041	58,866,331	57,121,536
Licenses, Fees, Fines, and Penalties	6,346,921	6,531,677	6,663,409	6,937,494	6,805,023
State Health Service Fees and Rebates	6,794,088	10,284,816	10,919,541	14,148,223	10,057,019
Net Lottery Proceeds	2,954,627	3,058,251	3,349,724	3,089,864	2,884,691
Land Income	2,147,842	4,311,840	3,797,418	3,539,735	3,301,656
Interest and Investment Income	1,975,496	2,438,013	4,200,937	5,755,097	3,124,731
Settlements of Claims	761,239	662,336	631,033	848,336	531,060
Escheated Estates	792,564	1,011,742	1,090,933	1,280,677	1,090,000
Sales of Goods and Services	321,237	314,129	307,928	259,086	292,889
Other Revenue	4,988,858	4,782,601	5,975,448	4,518,414	6,529,807
<b>Total Net Revenue</b>	<b>\$170,496,451</b>	<b>\$183,344,840</b>	<b>\$187,788,970</b>	<b>\$181,117,486</b>	<b>\$177,398,678</b>

Totals may not sum due to rounding.

Sources:

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

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

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

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

In July of 2024 the Comptroller released an update to the CRE, stating that economic conditions and revenue trends did not require a new revenue estimate at that time. The letter can be found on the Comptroller’s website at: <https://comptroller.texas.gov/transparency/reports/certification-revenue-estimate/>

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

The State of Texas finished fiscal 2024 with a \$37.3 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)**

	2020	2021	2022	2023	2024
General Revenue Fund 0001	\$ (160,062)	\$ 6,520,566	\$ 25,096,524	\$ 36,203,021	\$ 26,742,448
General Revenue Dedicated	7,926,940	7,888,240	8,637,423	12,172,713	10,602,514
Consolidated General Revenue	7,766,878	14,408,807	33,733,948	48,375,734	37,344,962
Non-Consolidated Funds and Petty Cash Accounts	34,026,853	49,856,659	41,434,232	43,532,745	49,312,538
All Funds	\$ 41,793,731	\$ 64,265,465	\$ 75,168,180	\$ 91,908,479	\$ 86,657,500

ANNUAL PERCENTAGE CHANGE IN ENDING CASH BALANCES

General Revenue Fund 0001	(107.2)%	4,173.8%	284.9%	44.3%	(26.1)%
General Revenue Dedicated	27.8	(0.5)	9.5	40.9	(12.9)
Consolidated General Revenue	(7.7)	85.5	134.1	43.4	(22.8)
Non-Consolidated Funds and Petty Cash Accounts	10.0	46.5	(16.9)	5.1	13.3
All Funds	6.2%	53.8%	17.0%	22.3%	(5.7)%

Totals may not sum due to rounding.

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

## 4. STATE DEBT

### INTRODUCTION

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

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

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

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

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

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

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

### **STATE GENERAL OBLIGATION DEBT—ANNUAL DEBT SERVICE REQUIREMENTS**

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

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

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

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

### **STATE REVENUE BONDS**

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

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

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

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

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

## **RECENT DEVELOPMENTS AFFECTING STATE DEBT**

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

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

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

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

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

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

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

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

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

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

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

Article III, Section 49-j of the Texas Constitution prohibits the State Legislature from authorizing additional state debt payable from the general revenue fund, including authorized but unissued bonds and lease purchase contracts in excess of \$250,000 but excluding debt reasonably expected to be paid from other sources, if the resulting maximum annual debt service in any state fiscal year on such state debt payable from the general revenue fund exceeds five percent of an amount equal to the average amount of general revenue fund revenues for the three immediately preceding fiscal years, excluding revenues constitutionally dedicated for purposes other than payment of state debt. The Constitutional Debt Limit (CDL) for outstanding debt was 0.92 percent as of August 31, 2024. With the inclusion of authorized but unissued debt, the CDL ratio was 1.70 percent. Although backed by the full faith and credit of the State, debt service for self-supporting G.O. bonds are

reasonably expected to be paid from other revenue sources and is therefore not expected to create a draw on general revenue.

## SELECTED DATA CONCERNING STATE DEBT

Table A-12 sets forth certain information concerning the debt service requirements of general obligation and other constitutionally authorized indebtedness of the State as well as revenue bonds payable from the State's General Revenue Fund for fiscal years 2025 and beyond.

**General Obligation Bond Debt Service and Revenue Bond  
Debt Service Payable from General Revenue (1)  
Reported as of August 31, 2024 (2)  
Table A-12  
(in thousands)**

Fiscal Year	General Obligation Bonds	General Obligation Bonds	General Obligation Bonds	General Obligation Bonds	Total General Obligation Bonds (4)	Revenue Bonds	Revenue Bonds	Total Revenue Bonds	Total
	Self Supporting Principal (3)	Self Supporting Interest (3)	Payable from General Revenue Principal	Payable from General Revenue Interest		Payable from General Revenue Principal (5)	Payable from General Revenue Interest (5)		
2025	579,060	387,963	393,245	246,489	1,606,757	39,735	19,881	59,616	1,666,373
2026	590,325	366,580	389,400	228,775	1,575,080	39,730	19,270	59,000	1,634,081
2027	496,620	352,845	381,985	210,847	1,442,297	39,310	18,113	57,423	1,499,720
2028	583,630	332,304	381,375	193,526	1,490,835	39,310	16,923	56,233	1,547,068
2029	584,445	311,138	375,715	177,518	1,448,816	39,310	15,697	55,007	1,503,823
2030	558,600	291,600	368,335	162,200	1,380,735	39,310	14,452	53,762	1,434,497
2031	562,785	273,478	362,840	147,710	1,346,812	39,310	13,187	52,497	1,399,309
2032	547,475	254,037	337,540	133,938	1,272,990	39,310	11,959	51,269	1,324,259
2033	563,905	232,200	327,800	120,646	1,244,551	39,305	10,762	50,067	1,294,618
2034	620,800	208,220	322,630	107,591	1,259,241	39,300	9,539	48,839	1,308,079
2035	558,100	184,738	311,725	94,693	1,149,256	39,300	8,295	47,595	1,196,851
2036	574,860	163,524	309,355	82,170	1,129,909	39,300	7,033	46,333	1,176,242
2037	589,405	139,712	285,510	70,139	1,084,766	39,300	5,754	45,054	1,129,820
2038	658,315	122,806	268,765	58,826	1,108,712	39,300	4,459	43,759	1,152,471
2039	689,010	91,109	252,655	48,048	1,080,823	39,295	3,153	42,448	1,123,271
2040	334,090	55,881	250,835	37,618	678,423	26,570	2,093	28,663	707,086
2041	326,955	44,834	184,510	27,390	583,689	18,155	1,382	19,537	603,226
2042	286,930	33,801	185,255	19,709	525,695	6,155	923	7,078	532,773
2043	271,340	25,134	103,990	12,315	412,779	6,155	616	6,771	419,549
2044	263,545	17,222	95,275	7,491	383,533	6,155	308	6,463	389,996
2045	251,150	9,404	40,800	3,674	305,028	-	-	-	305,028
2046	51,430	4,171	40,800	1,837	98,238	-	-	-	98,238
2047	29,430	2,548	-	-	31,978	-	-	-	31,978
2048	18,315	1,685	-	-	20,000	-	-	-	20,000
2049	14,540	1,233	-	-	15,773	-	-	-	15,773
2050	11,570	907	-	-	12,477	-	-	-	12,477
2051	8,925	639	-	-	9,564	-	-	-	9,564
2052	7,015	416	-	-	7,431	-	-	-	7,431
2053	5,665	226	-	-	5,891	-	-	-	5,891
2054	2,835	73	-	-	2,908	-	-	-	2,908
2055	320	6	-	-	326	-	-	-	326
	\$ 10,641,390	\$ 3,910,430	\$ 5,970,340	\$ 2,193,151	\$ 22,715,311	\$ 653,615	\$ 183,797	\$ 837,412	\$ 23,552,723

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

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

3 As of August 31, 2024, debt service figures for the Veterans Land and Housing Assistance Bonds include the estimated payments on \$2.98 billion of variable-rate debt outstanding.

4 As of August 31, 2024, \$15.26 billion of general obligation bonds were authorized but unissued, \$11.89 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 As of August 31, 2024, the Texas Public Finance Authority had \$174.3 million of Series 2019A revenue commercial paper outstanding not included in the numbers above that is payable from general revenue.

Source: Texas Bond Review Board

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

**Table A-13**  
**General Obligation Bonds and Revenue Bonds**  
**Payable from General Revenue**  
**Fiscal Year Ending August 31, 2024**

	2020	2021	2022	2023	2024
Principal Amount Outstanding (Millions) <sup>(1)</sup>	\$18,440	\$18,268	\$18,023	\$18,105	\$17,440
Principal Amount Per Capita <sup>(1)</sup>	\$632	\$619	\$602	\$594	\$564
Principal Amount as a Percentage of Personal Income <sup>(1)</sup>	1.14%	1.06%	0.99%	0.93%	0.85%
Annual Debt Service Paid from General Revenue (Millions) <sup>(2)</sup>	\$585	\$580	\$578	\$518	\$774
Debt Service Paid from General Revenue as a Percentage of Available General Revenue Fund Revenues <sup>(2)</sup>	1.08%	1.00%	0.78%	0.68%	0.98%
Annual Debt Service Paid from General Revenue Per Capita <sup>(2)</sup>	\$20.05	\$19.65	\$19.29	\$17.01	\$25.01
Debt Service Paid from General Revenue as a Percentage of Personal Income <sup>(2)</sup>	0.036%	0.034%	0.032%	0.027%	0.038%

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

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

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

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

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



**Table A-14**  
**General Revenue Fund Revenues Available After**  
**Constitutional Allocations and Other Restrictions**  
**Year Ended August 31, 2024**

REVENUE SOURCE	General Revenue Fund 0001 <sup>(1)</sup>	Restrictions From Constitutional Allocations	Other Restrictions <sup>(2)</sup>	Unrestricted Revenues Available
Sales Tax	\$ 45,239,344,221			\$ 45,239,344,221
Motor Vehicle Sales / Rental Taxes	6,800,089,373			6,800,089,373
Motor Fuel Taxes <sup>(3)</sup>	3,846,520,202	3,799,742,225	20,337,926	26,440,051
Franchise Tax	4,802,904,006			4,802,904,006
Oil Production Tax	6,304,153,532	1,565,569,208		4,738,584,324
Insurance Taxes	4,156,412,916	991,867,930	152,747,905	3,011,797,081
Cigarette and Tobacco Taxes	485,656,402			485,656,402
Natural Gas Production Tax	2,133,639,866	547,419,419		1,586,220,447
Alcoholic Beverages Taxes	1,773,178,418	-		1,773,178,418
Hotel Occupancy Tax	755,806,834		86,694,337	669,112,497
Utility Taxes	664,577,642	135,217,871		529,359,771
Other Taxes	180,490,318	45,537,423		134,952,895
<b>TOTAL TAX COLLECTIONS</b>	<b>\$ 77,142,773,730</b>	<b>\$ 7,085,354,076</b>	<b>\$ 259,780,169</b>	<b>\$ 69,797,639,486</b>
Total Tax Collections (above)	\$ 77,142,773,730	\$ 7,085,354,076	\$ 259,780,169	\$ 69,797,639,486
Federal Income	34,944,752,236		34,829,556,186	115,196,050
Licenses, Fees, Fines and Penalties	1,885,920,181		489,994	1,885,414,889
State Health Service Fees and Rebates	14,148,222,895			14,148,222,895
Land Income	12,141,628			12,141,628
Interest and Investment Income	1,804,845,359			1,804,845,359
Settlements of Claims	775,751,167			775,751,167
Escheated Estates	1,280,676,502			1,280,676,502
Sales of Goods and Services	205,885,529			205,885,529
Other Revenue	1,021,066,596			1,021,066,596
Highway Fund / ESF Transfer <sup>(4)</sup>		8,519,593,605		(8,519,593,605)
Highway Fund Motor Vehicle Sales Tax <sup>(5)</sup>		628,770,432		(628,770,432)
Highway Fund Sales Tax Transfer <sup>(5)</sup>		2,500,000,000		(2,500,000,000)
Sporting Goods Sales Tax - Parks and Wildlife / Historical Commission <sup>(6)</sup>		256,275,000		(256,275,000)
<b>TOTAL NET REVENUE, ALLOCATIONS AND RESTRICTIONS</b>	<b>\$ 133,222,035,824</b>	<b>\$ 18,989,993,113</b>	<b>\$ 35,089,826,349</b>	<b>\$ 79,142,201,064</b>

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

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

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

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

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

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

Totals may not sum due to rounding.

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

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

**Table A-15  
Cash Management**

	Series	Tax and Revenue Anticipation Notes Issued (in millions)	Commercial Paper Notes Issued (in millions)	Maximum Interfund Borrowing <sup>(1)</sup> (in millions)	Total (in millions)
2015	2014	5,400	-	-	5,400
2016	n/a	-	-	1,900	1,900
2017	n/a	-	-	6,200	6,200
2018	2017	5,400	-	3,100	8,500
2019	2018	7,200	-	-	7,200
2020	2019	8,000	-	-	8,000
2021	2020	7,200	-	-	7,200
2022	n/a	-	-	-	0
2023	n/a	-	-	-	0
2024	n/a	-	-	-	0
2025 <sup>(2)</sup>	n/a	-	-	-	0

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

(2) Tax and Revenue Anticipation Notes are not expected to be issued for fiscal 2025. It is anticipated that intrafund borrowing will be used to address daily cash flow deficits during the fiscal year, as needed.

Source: Texas Comptroller of Public Accounts, Treasury Operations

## 5. ECONOMIC INFORMATION

Within the Economic Information section, references to “the past year” and “the last 12 months” refer to the 12-month period ending August 31, 2024.

### BUSINESS ACTIVITIES

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

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

From August 2023 to August 2024, the Texas economy gained 302,400 nonfarm jobs to reach 14,239,200. This job increase is the largest among all the fifty states. Private-sector employment rose by 2.1 percent, while government employment (federal, state, and local) gained 2.5 percent.

### GEOGRAPHIC VARIATIONS

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

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

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

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

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

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

## EMPLOYMENT AND UNEMPLOYMENT—HISTORICAL REVIEW

Since the end of the Great Recession in 2008, Texas has generally added jobs at a faster rate than the other large states. Compared to other states, Texas employment remained resilient throughout the COVID-19 pandemic that started in March 2020. Although Texas lost a significant number of jobs early in the pandemic, employment in the state has steadily regained ground on a year-over-year basis. Texas ranks first among all the states in employment growth over the 12-month period ending August 2024.

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

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

State	Number of Nonfarm Jobs August 2023	Number of Nonfarm Jobs August 2024	Jobs Added	Annual Change (%)
California	17,803.9	18,091.0	287.1	1.6%
Texas	13,936.8	14,239.2	302.4	2.2%
Florida	9,773.5	9,980.9	207.4	2.1%
New York	9,737.3	9,878.2	140.9	1.4%
Pennsylvania	6,097.4	6,200.0	102.6	1.7%
Illinois	6,118.4	6,154.7	36.3	0.6%
Ohio	5,631.3	5,664.0	32.7	0.6%
North Carolina	4,951.1	5,025.2	74.1	1.5%
Georgia	4,910.5	4,982.7	72.2	1.5%
Michigan	4,454.6	4,487.5	32.9	0.7%

Source: U.S. Bureau of Labor Statistics

Note: August 2024 estimates are preliminary, and all estimates are subject to revision.

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

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

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

Source: U.S. Bureau of Labor Statistics

Prior to the outbreak of COVID-19 in March 2020, Texas had avoided three of the nation's six recessions since the early 1970s, though the State had its own recession in 1986. In 2023, Texas' nominal gross domestic product (GDP) was \$2.56 trillion, according to the U.S. Bureau of Economic Analysis (BEA). Texas, if it were a nation, would be the eighth largest economy in the world.

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









## PERSONAL INCOME

Personal income has maintained a positive trend since 2016, as illustrated in Table A-22. Underlying the personal income gains is population growth that has been fueled by net migration and a relatively high birth rate. According to the U.S. Census Bureau, from July 2022 to July 2023 Texas' population increased by 473,000, more than that of any other state, with approximately 33.4 percent of the growth from natural change (births minus deaths) and 66.6 percent from net migration. Five of the nation's 15 most rapidly growing large cities are in Texas, as well as five of the 15 cities that had the largest absolute increase in population between 2017 and 2018. Texas' population is estimated to have grown by 1.6 percent between July 2022 and July 2023 to 30.5 million.

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

**Table A-22**  
**Personal Income of Texas Residents**

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

Source: U.S. Bureau of Economic Analysis

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

**Table A-23**  
**Per Capita Personal Income**

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

Source: U.S. Bureau of Economic Analysis

The following table sets forth personal income by source, for Texas and the U.S., in the second calendar quarter of 2024.

**Table A-24**  
**Sources of Personal Income**  
**Quarter II of 2024**

Source Wages and Salaries:	Sources of Personal		Sources of Personal	
	Income (Texas) Total (Billion \$)	Sources of Personal Income (Texas) Percent	Income (U.S.) Total (Billion \$)	Sources of Personal Income (U.S.) Percent
Agricultural Services and Farm	11.1	0.5	119.4	0.5
Mining	92.2	4.3	190.4	0.8
Utilities	11.6	0.5	135.4	0.5
Construction	116.1	5.5	1,057.0	4.3
Manufacturing	124.6	5.9	1,492.4	6.1
Trade	172.9	8.1	1,735.1	7.0
Transportation and Warehousing	90.3	4.3	722.3	2.9
Information	34.5	1.6	640.9	2.6
Finance and Insurance	104.0	4.9	1,186.3	4.8
Real estate	30.0	1.4	422.8	1.7
Professional and technical services	173.3	8.2	1,955.4	7.9
Management Services	36.1	1.7	467.8	1.9
Administrative and Waste Services	74.9	3.5	736.0	3.0
Educational Services	16.0	0.8	276.5	1.1
Health Care and Social Assistance	139.9	6.6	1,932.8	7.8
Arts, Entertainment, and Recreation	12.8	0.6	249.9	1.0
Accommodation and food services	52.4	2.5	611.2	2.5
Other Services	48.5	2.3	572.9	2.3
Government				
Federal Civilian	31.5	1.5	454.0	1.8
Military	16.5	0.8	174.7	0.7
State and Local	148.6	7.0	1,885.9	7.7
Property and Interest Income	417.1	19.6	4,998.2	20.3
Transfer Payments	328.9	15.5	4,512.3	18.3
Contributions for Social Insurance	(157.6)	(7.4)	(1,899.4)	(7.7)
Residence Adjustment	(2.9)	(0.1)	4.3	0.0
Total Personal Income	2,123.1	100.0	24,634.3	100.0

Notes:

Totals may not sum due to rounding.

Data presented as annual averages.

Source: U.S. Bureau of Economic Analysis

## OIL AND GAS

Texas' industrial mix retains a substantial concentration in the energy sector. While Texas has historically been one of the leading producers of oil and gas, renewable energy sources now also play an important role in the state's energy profile, which includes wind, solar and biomass. In 2022, Texas produced approximately 15 percent of the U.S. total electricity generation from all renewable sources and led the U.S. in producing more than one-fourth of the nation's total utility-scale wind-powered electricity generation<sup>1</sup>. Texas also remains a major exporter of Liquefied Natural Gas ("LNG"), particularly with the EU's growing dependence on western LNG exports along with Asia's growing demand.

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

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

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

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<sup>1</sup> Source: U.S. Energy Information Administration

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

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

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

Notes:

Oil Production includes condensates.

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

MCF = 1,000 cubic feet

SCF = standard cubic feet

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

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

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

**Table A-26**  
**Petroleum Drilling Activity**

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

Sources: Texas Railroad Commission and Baker Hughes Incorporated

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

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

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

Notes:

n/a = not available

Reserves are as of December 31 of each year.

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

## AN OVERVIEW OF TEXAS INDUSTRIES BY NAICS SECTOR

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

Ten of the eleven major nonfarm industries in the Texas economy experienced net job gains from August 2023 to August 2024. Employment in the goods-producing industries increased by 2.8 percent, while employment in the service-providing industries increased by 2.1 percent. Employment grew in two of the goods-producing industries (construction and manufacturing) led by a 36,600 increase in construction employment. All the eight service-providing industries experienced employment growth, led by Education and Health Services, which saw a 56,800 increase in employment for the year.

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### MINING AND LOGGING

Mining industry employment peaked in December 2014 at 321,900 and then declined steadily, reaching a low of 204,200 in September 2016. Industry employment then grew consistently for more than two years to reach 255,500 in January 2019. During the pandemic, industry employment fell sharply in fiscal 2020 but began to recover in the early months of fiscal 2021. August 2024 mining employment of 209,500 was down by 2.1 percent from the August 2023 level.

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

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### CONSTRUCTION

Construction industry employment in Texas rose by 4.4 percent from August 2023 to August 2024, gaining 36,600 jobs to reach 860,900. Employment in heavy and civil engineering construction experienced the largest change in employment (18,700) while utility systems construction saw the largest rate of growth at 12.4 percent.

In the past 12 months, total housing construction activity was lower than the same period in 2023. Single-family building permits issued in the year ending in August 2024, at 156,506, were up 13.3 percent from the same period one year earlier. Building permits for multi-family units decreased by 37.1 percent (58,003 units in August 2024, down from 92,167 units in August 2023). According to Multiple Listing Service data from the Texas A&M Real Estate Center, the median sales price for an existing Texas single-family home fell by 0.3 percent, from \$340,000 in August 2023 to \$339,000 in August 2024. In August 2024, Texas had a 4.8-month inventory of existing homes, up from 3.4 months in August 2023, and a substantial decline from the high of 8.5 months in mid-2011. For the month of August year-over-year, single-family permits decreased by 1,640 units, while multi-family permits fell by 659.



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## TRADE, TRANSPORTATION, AND UTILITIES

The trade, transportation and utilities industry, the state's largest employer with 19.6 percent of total nonfarm jobs in August 2024, gained 30,800 jobs (1.1 percent) over the year. Employment in all three industry sectors (retail trade, wholesale trade, and transportation, warehousing and utilities) increased during the year. Transportation, warehousing, and utilities employment was up 2.0 percent (13,900). Wholesale trade employment grew by 13,300 (2.0 percent), and employment in the retail trade sector increased by 3,600 (0.3 percent). In all, the trade, transportation, and utilities industry provided 2,796,200 Texas jobs in August 2024.

As evidence of the importance of trade to the State economy, the Port of Houston had total shipment volume of 293.8 million tons in the most recently reported year (2022). Houston's port surpassed the Port of South Louisiana (226.2 million tons), once the nation's busiest port. The Port of Houston is also the nation's largest port for foreign trade, handling 83.2 percent more tonnage than the second largest port. Among the ten busiest U.S. ports in 2022, three were in Texas. After Houston, the other two were Corpus Christi at third and Beaumont at seventh.

The Dallas/Fort Worth area is a major regional distribution center for Texas and surrounding states and has the third busiest airport in the nation, with 39.2 million passenger enplanements during 2023. Houston's IAH is the 15<sup>th</sup> busiest airport in the U.S., with passenger enplanements of 22.2 million in 2023.

Sales tax collections, of which more than 50 percent come from households, are an indicator of retail sales activity in the State. In fiscal year 2021, the State brought in \$36 billion in sales tax revenue, a 5.6 percent increase from fiscal year collections in 2020. Sales tax collections picked up in 2022, as the state brought in \$43.0 billion, a 19.3 percent rise from the prior fiscal year. By 2023, sales tax collections rose another 8.4 percent to end the year at \$46.6 billion. In 2024, sales tax collections rose another 1.2 percent, closing out the fiscal year at \$47.2 billion.

Table A-28 shows annual historical retail sales data for Texas for 1995 through the first quarter of 2024. As the Census Bureau no longer publishes retail sales numbers for states, the Texas numbers are from the Texas Comptroller's office and are based on gross retail sales, including hotel/motel accommodation and food services.

**Table A-28**  
**Retail Sales**

Year	Texas Gross Retail	
	Sales Total (Millions)	Percent Change from Prior Year
1995	198,835	5.4
1996	216,302	8.8
1997	232,711	7.6
1998	244,911	5.2
1999	265,074	8.2
2000	298,614	12.7
2001	307,070	2.8
2002	290,719	-5.3
2003	306,342	5.4
2004	340,363	11.1
2005	364,788	7.2
2006	380,303	4.3
2007	394,884	3.8
2008	435,256	10.2
2009	389,524	-10.5
2010	399,398	2.5
2011	432,915	8.4
2012	460,846	6.5
2013	487,031	5.7
2014	524,353	7.7
2015	521,008	-0.6
2016	519,814	-0.2
2017	534,555	2.8
2018	570,067	6.6
2019	595,922	4.5
2020	578,108	-3.0
2021	775,712	34.2
2022	811,472	4.6
2023	826,667	1.9
2024*	188,629	0.9

Note:

\*2024 data represents the first quarter in 2024. Percent change from the prior year represents the change from the first quarter of 2023.

Source: Texas Comptroller of Public Accounts

## MANUFACTURING

The Texas manufacturing industry gained 23,900 jobs over the past year, an increase of 2.5 percent. Durable goods employment was up 20,400, with the largest increases in the fabricated metals (9,000) and transportation equipment (5,000) manufacturing sectors. Overall, durable goods employment increased by 3.3 percent. Nondurable-goods manufacturing employment grew

by 3,500 (1.0 percent), with the largest increase in food manufacturing sector (3,000 jobs, 2.7 percent). Total manufacturing employment in August 2024 was 985,300.

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

**Table A-29**  
**Manufacturing Employment by Industry**  
**August 2024**

Manufacturing Sector	Employment (Thousands)	Percentage of Manufacturing Employment
<b>Durable Goods</b>		
Wood Products	27.7	2.8
Minerals (nonmetallic) and Concrete	43.1	4.4
Primary Metals	22.4	2.3
Fabricated Metals	141.5	14.4
Machinery, except Computers	96.3	9.8
Computers and Electronics	105.6	10.7
Electrical Equipment & Appliances	24.1	2.4
Transportation Equipment	111.0	11.3
Furniture	25.0	2.5
Miscellaneous Durables	36.7	3.7
<b>Total Durable Goods</b>	<b>633.4</b>	<b>64.3</b>
<b>Nondurable Goods</b>		
Food Manufacturing	112.3	11.4
Beverages	23.3	2.4
Printing	24.8	2.5
Petroleum and Coal Products	22.0	2.2
Chemicals	87.1	8.8
Plastics and Rubber	45.2	4.6
Other Nondurables, incl. Apparel	37.2	3.8
<b>Total Nondurable Goods</b>	<b>351.9</b>	<b>35.7</b>
<b>Total</b>	<b>985.3</b>	<b>100.0</b>

Notes:

Data in this table not seasonally adjusted.

Totals may not sum due to rounding.

Source: Texas Workforce Commission

## INFORMATION

The information industry is a collection of diverse sectors, representing established sectors of the economy (newspaper publishing, data processing, television broadcasting, and wired telephone services) as well as some newer sectors (cell phone service providers, Internet providers, and software). The computing infrastructure providers, data processing, web hosting, and related services sector saw the largest increase in employment over the year (700 jobs, 1.5 percent). Total industry employment increased by 0.99 percent (2,300) to reach 235,300 in August 2024.

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## PROFESSIONAL AND BUSINESS SERVICES

Employment in the professional and business services industry increased by 23,600 (1.1 percent) from August 2023 to August 2024. Employment changes varied considerably among industry sectors, with the largest increases in employment services both in terms of the number of jobs (13,700) and rate increase (4.4 percent). Total professional and business services employment was 2,141,800 in August 2024.

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## EDUCATION AND HEALTH SERVICES

The education and health services industry, composed of the private education services and health care and social assistance sectors, gained 56,800 jobs between August 2023 and August 2024, an increase of 3.0 percent. The relatively small educational services sector saw an increase of 3,200 jobs (1.3 percent). Employment in the much larger health care and social assistance sector grew by 3.2 percent (53,600 jobs). In all, Texas education and health services employment increased to 1,955,300 in August 2024.

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## FINANCIAL ACTIVITIES

From August 2023 to August 2024, overall employment in the financial activities industry grew by 2.4 percent (21,300 jobs). The finance and insurance sector grew by 13,100 (2.0 percent) while the real estate and rental and leasing sector grew by 8,200 (3.2 percent), driven by a 6.6 percent gain in the real estate sector. Credit intermediation (which includes financial institutions such as banks) is the industry's largest sector, employing 288,200 as of August 2024. Total Texas financial activities industry employment reached 927,100 in August 2024.

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## LEISURE AND HOSPITALITY SERVICES

Employment in the leisure and hospitality industry increased by 43,000 (2.9 percent) from August 2023 to August 2024. Most of the industry's job gains occurred in the food services and drinking places sector, which added 24,100 jobs (2.0 percent). Total leisure and hospitality employment in August 2024 was 1,527,600, representing 10.7 percent of total Texas employment.

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## 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. Repair and maintenance employment increased by 4.4 percent, the highest rate among other services sectors. In all, other services industry employment grew by 17,500 to reach 492,600 in August 2024.

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## GOVERNMENT

Government saw a year over year employment increase of 51,000, or 2.5 percent. Federal government employment increased by 6,300, led by a 0.9 percent employment increase in the US

Postal Service. State government education services added 5,300 jobs and all other state government gained 4,900 jobs. Local government employment increased by 35,000 led by a 19,400 increase in local government excluding educational services. Total government employment in Texas was 2,110,400 in August 2024, 14.8 percent of total Texas employment.

## REGIONAL METROPOLITAN VARIATIONS

The economic mix of industries is distributed unevenly across the State, and consequently, the State's metropolitan areas are affected differently by economic changes in the nation and the world. Most of the employment gains over the past year (72.5 percent) occurred in just four metropolitan statistical areas (MSAs): Dallas-Fort Worth, Houston, Austin, and San Antonio. The combined net employment in those four MSAs increased 1.9 percent, while employment in the remainder of the State increased 2.8 percent. Overall, employment in the state increased by 2.2 percent.

Houston area employment increased by 80,500 (2.4 percent). Employment increased in all three of the goods-producing industries; Construction employment increased by 6.9 percent, followed by manufacturing (2.3 percent) and mining and logging (0.6 percent). Service-providing industries saw employment growth over the past year of 2.1 percent, with other services (8.1 percent, 10,200 jobs), education and health services (3.5 percent, 15,600 jobs), and government (3.1 percent, 13,200 jobs) having the highest rates of increase.

Dallas/Fort Worth area employment saw an increase of 58,700 jobs (1.4 percent) between August 2023 and August 2024. Employment in Dallas grew by 1.3 percent while the Fort Worth area grew by 1.9 percent. Area growth was led by mining, logging, and construction (4.1 percent, 10,100 jobs) and other services (4.1 percent, 5,700 jobs).

Austin area employment grew at a rate of 1.3 percent over the past year, led by a 5.8 percent increase in the mining, logging, and construction sector. This was followed by the other services (4.0 percent) and leisure and hospitality (3.7 percent). The information and professional and business services sectors were the only Austin area sector that did not experience job growth between August 2023 and August 2024. The information and professional and business services sectors saw declines in employment of 4.9 percent (-2,600 jobs) and 0.9 percent (-2,600 jobs), respectively. The Austin area was the State's fastest-growing metropolitan area over the past decade, as well as the nation's fastest growing metro area among those with population above 200,000 according to the U.S. Census Bureau.

From August 2023 to August 2024, employment growth in San Antonio increased by 2.3 percent over the past year. Job gains were led by government (5.8 percent), manufacturing (4.6 percent), and construction (3.3 percent).<sup>1</sup>

Among all the State's metropolitan areas, Midland (2.8 percent), Amarillo (3.4 percent), and College Station-Bryan (3.6 percent) had the State's lowest unemployment rates in August 2024. Of the State's six largest metropolitan areas, Austin-Round Rock (3.7 percent) had the lowest rate, followed by San Antonio at 4.0 percent and Dallas-Fort Worth at 4.1 percent. Beaumont-Port Arthur had the highest unemployment rate among the state's metro areas, at 6.5 percent. This is followed by McAllen-Edinburg-Mission (6.4 percent), and Brownsville-Harlingen (5.6 percent).

## PROPERTY VALUES

Texas Government Code Section 403.302 requires the Texas Comptroller of Public Accounts to conduct a study to determine the total taxable value of all property in each school district at least once every two years. This Study is called the School District Property Value Study (SDPVS). The purpose of the SDPVS is to help ensure equitable distribution of state funding for public education. The Comptroller's Property Tax Assistance Division (PTAD) conducts the SDPVS to estimate a school district's taxable property value and certifies those values to the commissioner of education. The results are used to ensure equitable distribution of state funding for education to local school districts.

A preliminary certification of values as of January 1 of each year is released the following January; for example, the preliminary certification of values as of January 1, 2023 is released in January 2024. If a District does not agree with the preliminary certification, it can follow procedures to contest the value. Based on the outcome of the protest process and any revisions, the final certified value is released in mid-August of the same year.

State-wide property values in Texas, as reflected in the SDPVS, increased in 2022. Taxable values increased 4.68 percent from January 1, 2022 to January 1, 2023. The total taxable property value in Texas on January 1, 2023, was \$3.963 trillion according to records maintained by the Comptroller's Property Tax Assistance Division.

Property value changes from 2022 to 2023 were varied between property categories. The total market value of single-family homes increased by 14.86 percent, to \$2.80 trillion. Multi-family residential property values increased by 16.01 percent from 2022, to \$369.7 billion. The value of residential inventory – new, unsold homes held for sale – increased 27.02 percent from 2022 to 2023 reflecting a decrease in demand combined with an increase in the supply of these residential properties due to recent economic conditions.

The value of commercial and industrial real property was \$935.8 billion, an increase of 10.37 percent. Commercial and industrial personal property increased 16.85 percent to \$399.3 billion. The value of oil and gas reserves increased from \$218.3 billion in 2022 to \$259.0 billion in 2023, an 18.63 percent increase.

These values are based on the 2023 School District Property Value Study final certification date of August 15, 2024.

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

Year	Billions	Percent Change
2003	1,043.82	4.31%
2004	1,109.85	6.32%
2005	1,204.54	8.53%
2006	1,355.22	12.51%
2007	1,505.45	11.09%
2008	1,668.89	10.86%
2009	1,686.05	1.03%
2010	1,654.84	-1.85%
2011	1,689.00	2.06%
2012	1,769.85	4.79%
2013	1,877.05	6.06%
2014	2,039.59	8.66%
2015	2,128.66	4.37%
2016	2,239.42	5.20%
2017	2,408.03	7.52%
2018	2,593.89	7.73%
2019	2,851.87	9.95%
2020	3,029.29	6.23%
2021	3,209.38	5.95%
2022	3,789.34	18.07%
2023	3,963.40	4.68%

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

## AGRICULTURE

Texas is among the nation’s top producers of agricultural products, and the business of agricultural production is a big part of the Texas economy. In Texas, the food and fiber system comprises all economic activities linked to the production of agriculture including manufacturing, retail sales, transportation and wholesale distribution. According to the United States Department of Agriculture, Texas had more farms (12.1 percent of U.S. total) and acres of farmland (14.3 percent of U.S. total) than any other state in 2023.

### AGRICULTURAL CASH RECEIPTS

In 2023, the top 10 agricultural producing States, in terms of cash receipts were (in descending order): California, Iowa, Nebraska, Texas (#4), Illinois, Minnesota, Kansas, Indiana, North Carolina and Missouri.

Texas’ total cash receipts for all agricultural commodities in Texas were an estimated \$29.7 billion in 2023, according to the USDA. The State’s top five agricultural commodities and their estimated cash receipts were:

1. Cattle and calves (\$13.4 billion)
2. Broilers (\$3.4 billion)
3. Dairy products, milk (\$3.4 billion)
4. Miscellaneous crops (\$1.5 billion)
5. Corn (\$1.4 billion)

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

- #3 in cattle and calves (45.0 percent of Texas receipts for all commodities; 13.2 percent of U.S. receipts for cattle and calves)
- #5 in broilers (11.6 percent of Texas receipts for all commodities; 8.1 percent of U.S. receipts for broilers)
- #5 in dairy products, milk (11.3 percent of Texas receipts for all commodities; 7.3 percent of U.S. receipts for dairy products, milk)
- #4 in miscellaneous crops (5.1 percent of Texas receipts for all commodities; 5.4 percent of U.S. receipts for miscellaneous crops)
- #13 in corn (4.6 percent of Texas receipts for all commodities; 1.7 percent of U.S. receipts for corn)

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## AGRICULTURE DEMOGRAPHICS

According to the USDA National Agricultural Statistics Service, Texas had 231,000 farms in 2023 totaling approximately 125.0 million acres – an average of 541 acres per farm. The USDA's 2022 Census of Agriculture (conducted every five years) estimated the percentage of farmland acreage per use:

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

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

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## TOP AGRICULTURAL EXPORTS

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

Five countries accounted for 62.1 percent of that total:

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



The five commodity categories with the highest export value were cotton (\$4.2 billion); meat and edible chop (\$3.2 billion); grains (\$2.6 billion); beverages, wine and vinegar (\$1.9 billion); and edible fruit and nuts (\$969.3 million). The top three categories of commodities exported to each of the top five countries were as follows:

#### Mexico

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

#### China

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

#### Canada

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

#### South Korea

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

#### Vietnam

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

## 6. DEMOGRAPHIC INFORMATION

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

### GEOGRAPHY AND CITIES

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

The capital of Texas is Austin (with a population of 980,000 as of July 2023), and the largest city is Houston (2,314,000). Other major cities include Arlington (398,000), Corpus Christi (317,000), Dallas (1,303,000), El Paso (679,000), Fort Worth (978,000), Lubbock (267,000), Laredo (258,000), Plano (290,000), and San Antonio (1,495,000). Houston, San Antonio, Dallas, and Austin are respectively the fourth, seventh, ninth, and eleventh most populous cities in the United States.

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

### STATE POPULATION

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

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

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

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

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

Over twenty-nine years ago, in July 1994, Texas surpassed New York to become the nation's second most populous state, a ranking that became official with the release of the April 2000 census figures. As of July 2023, Texas had 10.9 million more residents than New York State. Table A-31 provides an historical review of the total Texas population since 1970.

The median age of Texas' population was 35.7 years in July 2023, 3.4 years younger than the national median of 39.1 years. Only Utah (32.2 years), and the District of Columbia (34.9 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 2023 was 7,561,125, the second largest population in this age group among the states. This rank applied as well for the college-age population (18 to 24), which stood at 2,966,094; the young adult population (25 to 44) at 8,709,273; and the older adult population (45 to 64) at 7,078,746. Texas' population of persons age 65 and older, at 4,188,063, ranked 3rd among the states.

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

The US Census Bureau estimated that the racial and ethnic population shares for Texas as of July 1, 2023 were as follows: 39.6 percent non-Hispanic White, 39.8 percent Hispanic, 12.7 percent non-Hispanic Black, and 7.9 percent non-Hispanic "Other." Between July 2010 and July 2023, the number of non-Hispanic "Other" Texans (primarily Asian and Pacific Islanders and Native Americans) increased by 75.8 percent and the number of Hispanic Texans increased by 27.5 percent.

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

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

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

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

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

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

Age Group	Texas Share April 2000	Texas Share April 2010	Texas Share April 2020	Texas Share July 2023	U.S. Share April 2000	U.S. Share April 2010	U.S. Share April 2020	U.S. Share July 2023
0-4	7.8%	7.7%	6.6%	6.3%	6.8%	6.5%	5.8%	5.5%
5-17	20.4%	19.7%	18.8%	18.4%	18.9%	17.5%	16.4%	16.2%
18-24	10.6%	10.1%	10.0%	9.7%	9.7%	9.9%	9.4%	9.1%
25-44	31.1%	28.0%	28.2%	28.6%	30.2%	26.6%	26.6%	26.9%
45-54	12.5%	13.7%	12.3%	12.3%	13.4%	14.6%	12.4%	12.1%
55-64	7.7%	10.4%	11.3%	10.9%	8.6%	11.8%	12.9%	12.5%
Over 64	9.9%	10.4%	12.8%	13.7%	12.4%	13.0%	16.5%	17.7%

Note: Percentage totals may not sum due to rounding.

Source: U.S. Census Bureau, Population Division (SC-EST2023-AGESEX-48 and NC-EST2023-AGESEX)

## 7. EDUCATION

### PRIMARY AND SECONDARY EDUCATION

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

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

#### Texas Students: School Year 2022-23

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

#### Texas Educators: School Year 2022-23

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

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

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

Note: These numbers do not include private schools

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

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

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

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

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## **TOTAL ACTUAL EDUCATION REVENUES**

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

That total represents:

- \$31.2 billion from local tax revenues
- \$23.1 billion from state sources
- \$2.1 billion from federal sources

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## **BUDGETED STATE EDUCATION FUNDING 2024–25 BIENNIUM**

FSP funding for the 2024–25 biennium includes:

- \$35.3 billion in General Revenue Funds
- \$65.4 billion in All Funds through the FSP

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

- Fully funds the Foundation School Program (FSP) under current law, including increases of \$3.2 billion to fund projected enrollment growth, \$2.4 billion for increases in the golden penny yield, and \$60.0 million for the New Instructional Facilities Allotment.
- Increases funding to districts and charter schools for technology and instructional materials by \$226 million.

## **EDUCATIONAL ACHIEVEMENT**

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

## **HIGHER EDUCATION**

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

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

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

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

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

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

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

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

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

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

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

Funding levels for 2024-2025 include:

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



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

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

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

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

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

As of August 31, 2024, the Texas Tuition Promise Fund (Plan) had 40,637 active contracts and had a surplus of Assets over Liabilities of \$481,787,856 with a funded ratio of 158.7 percent. As of August 31, 2023, the surplus was \$297,386,580 with a funded ratio of 134.0 percent.

The Texas Tomorrow Fund, also known as the Texas Guaranteed Tuition Plan, opened for enrollment in 1996. On November 4, 1997, Article VII, Section 19 was added to the Texas Constitution guaranteeing plan benefits with the full faith and credit of the State of Texas. The plan closed for new enrollment in 2003; however, there were 15,661 active contracts as of August 31, 2024. The fund had a surplus of Assets over Liabilities as of August 31, 2024 of \$15,291,310, compared to a surplus of \$6,768,351 as of August 31, 2023. The Texas Guaranteed Tuition Plan's funded ratio was 106.7 percent as of August 31, 2024, an increase of 4.7 percent from the prior year's ratio of 102.0 percent as of August 31, 2023.

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

The Permanent University Fund (PUF) is a permanent endowment fund with a market value of \$37,064,131,814 (unaudited) as of September 30, 2024, according to the UT System, which administers the PUF. Income from the PUF is dedicated first to payment of debt service of PUF bonds, which may be used for capital improvement at certain institutions in the UT and Texas A&M University (TAMU) systems. The amount of PUF bonds that may be issued is limited to 30 percent of the book value of the PUF, which was \$31,555,573,674 (unaudited) as of September 30, 2024. The residual amount of income of the PUF, after debt service, is dedicated to excellence programs for The University of Texas at Austin, Texas A&M University (College Station) and Prairie View A&M University.

Under Section 66.08, Texas Education Code, the UT System Board of Regents may delegate investment authority and contract with a nonprofit corporation, allowing them to invest funds under the control and management of the board, including the PUF. The corporation may not engage in any business other than investing funds designated by the board under the contract. In March 1996, the University of Texas Investment Management Company (UTIMCO) was created as a 501(c) (3) investment-management corporation whose sole purpose is the management of investment assets under the fiduciary care of the UT System Board of Regents. UTIMCO, the first external investment corporation formed by a public university system, oversees investments of approximately \$78.19 billion (unaudited) as of September 30, 2024, including the PUF. UTIMCO is governed by a nine-member Board of Directors appointed by the UT System Board of Regents.

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

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

In a constitutional amendment election held in November 2009, Proposition 4 created the National Research University Fund to assist the State in developing more public universities into national research universities. The 88th Legislature passed HB 1595 that redesignates the National Research University Fund (NRUF) as the Texas University Fund (TUF) to provide funding to certain institutions of higher education that meet set criteria to support research efforts. Following a constitutional election held in November 2023, voters approved a constitutional amendment providing \$3.0 billion in General Revenue Funds to the TUF starting January 1, 2024. This transfer

was made and combined with the existing balance of the NRUF, which was approximately \$897.5 million as of December 31, 2023 (unaudited) and brought the balance of the TUF to \$4,277,449,582.48 as of September 30, 2024 (unaudited). HB 1595 also provided for an annual contribution to the TUF from investment earnings in the Economic Stabilization Fund, as discussed in herein (See ECONOMIC STABILIZATION FUND - Appropriation of ESF).

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

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

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

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

## 8. RETIREMENT SYSTEMS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

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

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

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

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

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

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

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

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

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

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

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



**Table A-35**  
**Postemployment Health Care and Life Insurance**

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

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

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

2. Public School District Employees

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

## 9. TEXAS TRADE

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

Mexico is by far Texas' largest trading partner. In 2023, Texas exports to Mexico totaled \$129.60 billion, nearly 30 percent of the state's total exports. Texas imports from Mexico were valued at \$142.73 billion, over 37 percent of the state's total imports. Canada and China are also major trading partners for Texas businesses. See Table A-36.

<b>Table A-36</b>			
<b>State of Texas International Imports/Exports (2023)</b>			
<b>Exports of Goods Produced in Texas (Top Ten Countries)</b>			
	Total Value of Exported Goods (billions)		Percent of Texas Total
Mexico	\$129.60		29.1%
Canada	\$36.07		8.1%
Netherlands	\$26.71		6.0%
China	\$25.99		6.0%
Korea, South	\$21.30		4.7%
Japan	\$13.50		3.0%
Singapore	\$13.12		2.9%
United Kingdom	\$12.97		2.8%
Taiwan	\$11.73		2.6%
Brazil	\$10.57		2.4%
<b>Top 10 Export Countries Total</b>	<b>\$301.55</b>		<b>67.6%</b>
			Percent of U.S. Total
<b>Texas Total Exports</b>	<b>\$446.21</b>		<b>22.1%</b>
<b>U.S. Total Exports</b>	<b>\$2,018.06</b>		
<b>Imports of Goods Destined for Texas Consumption (Top Ten Countries)</b>			
	Total Value of Imported Goods (billions)		Percent of Texas Total
Mexico	\$142.73		37.3%
Canada	\$36.96		9.7%
China	\$32.71		8.5%
Japan	\$18.05		4.7%
Vietnam	\$16.38		4.3%
Germany	\$10.82		2.8%
Korea, South	\$10.71		2.8%
Taiwan	\$9.61		2.5%
India	\$7.88		2.1%
Malaysia	\$7.52		2.0%
<b>Top 10 Import Countries Total</b>	<b>\$293.36</b>		<b>76.7%</b>
			Percent of U.S. Total
<b>Texas Total Imports</b>	<b>\$382.54</b>		<b>12.4%</b>
<b>U.S. Total Imports</b>	<b>\$3,080.17</b>		
<b>Total Texas International Imports &amp; Exports</b>	<b>\$828.76</b>		<b>16.3%</b>
<b>Total U.S. International Imports &amp; Exports</b>	<b>\$5,098.23</b>		

Source: U.S. Census Bureau, USA Trade Online, State Import Export Data for 2023

The variety of goods produced in Texas for export is extensive. Using the North American Industry Classification System (NAICS) 4-digit commodity code, the U.S. Census Bureau lists 113 commodities with measurable value that were produced in Texas for export in 2023. The top 15 of these commodities represented about 82 percent of Texas’ international exports in that year.

Texas export values of oil and gas have risen tremendously in recent years, from \$74.49 billion in 2019 to \$140.49 billion in 2023, an 88.6 percent increase. During this period, oil and gas rose from 22.7 percent to 31.5 percent of total Texas exports. However, despite this five-year increase, oil and gas value fell from \$158.97 in 2022 to \$140.49 in 2023. See Table A-37.

Rank	4-digit NAICS Code	NAICS Commodity Name	2019	2020	2021	2022	2023	Percent of 2023
1	2111	Oil & Gas	\$74.49	\$63.09	\$107.71	\$158.97	\$140.49	31.5%
2	3241	Petroleum & Coal Products	\$49.29	\$34.74	\$56.06	\$86.75	\$72.92	16.3%
3	3251	Basic Chemicals	\$22.09	\$18.83	\$25.54	\$31.55	\$29.21	6.5%
4	3344	Semiconductors & Other Electronic Components	\$15.97	\$17.31	\$19.33	\$20.90	\$20.05	4.5%
5	3252	Resin, Syn Rubber, Artf & Syn Fibers/fil	\$16.20	\$15.09	\$18.80	\$22.29	\$19.70	4.4%
6	3341	Computer Equipment	\$16.28	\$12.04	\$14.15	\$15.17	\$12.17	2.7%
7	3364	Aerospace Products & Parts	\$11.48	\$7.27	\$8.44	\$9.98	\$11.13	2.5%
8	3363	Motor Vehicle Parts	\$10.70	\$8.54	\$9.59	\$10.58	\$9.05	2.0%
9	3342	Communications Equipment	\$7.47	\$6.80	\$7.71	\$8.25	\$8.25	1.8%
10	3359	Electrical Equipment & Components, Nesoi	\$6.29	\$5.14	\$6.30	\$7.87	\$8.07	1.8%
11	3345	Navigational/measuring/medical/control Instrument	\$5.78	\$4.94	\$4.87	\$6.37	\$7.48	1.7%
12	3332	Industrial Machinery	\$4.75	\$5.59	\$7.58	\$7.81	\$7.10	1.6%
13	3329	Other Fabricated Metal Products	\$5.71	\$4.99	\$5.45	\$5.55	\$6.21	1.4%
14	3331	Ag & Construction & Machinery	\$5.60	\$3.79	\$3.82	\$4.20	\$6.17	1.4%
15	3339	Other General Purpose Machinery	\$4.88	\$3.93	\$4.00	\$5.58	\$6.03	1.4%
TOTAL Texas Exports			\$328.58	\$277.38	\$377.99	\$486.02	\$446.21	

\*NAICS is the standard used by federal government statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.  
Source: U.S. Census Bureau, USA Trade Online, State Export Data for 2023 - Texas Origin of Movement by 4-digit NAICS Code

All international trade enters or leaves the U.S. through an official port of entry. Texas has 34 official ports of entry, including seaports, airports and border crossings. These ports offer customs operations and facilitate the movement of imports and exports to and from locations across the state and the nation. Products produced in Texas for international consumption may or may not leave the country through a Texas port and products shipped into the U.S. through a Texas port may be destined for another state. Texas’ ports, whether accessible via air, land or sea, contribute to the state and local economies each in a distinctive way and across multiple industries. See Table A-38.

**Table A-38  
Texas Ports  
All International Trade Through Texas Ports  
Total Imports and Exports for 2023**

	<b>Total Exports Value (millions)</b>	<b>Total Imports Value (millions)</b>	<b>Total Trade Value (millions)</b>
<b>Total Trade through Texas Ports</b>	\$518,564	\$505,645	\$1,024,209
<b>Total U.S. Trade</b>	\$2,018,059	\$3,080,170	\$5,098,229,579,346
<b>Texas Ports as a Percent of U.S. Trade</b>	25.7%	16.4%	20.1%

**International Trade through Texas Ports for 2023**

<b>Port of Entry</b>	<b>Total Exports Value</b>	<b>Total Imports Value</b>	<b>Total Trade Value</b>
Laredo, TX (Port)	\$122,989,507,406	\$196,871,239,009	\$319,860,746,415
Houston, TX (Port)	\$124,440,114,919	\$102,941,953,479	\$227,382,068,398
Corpus Christi, TX (Port)	\$80,392,436,251	\$5,401,032,381	\$85,793,468,632
Ysleta, TX (Port)	\$25,777,684,897	\$50,622,530,397	\$76,400,215,294
Dallas-Fort Worth, TX (Port)	\$27,586,013,551	\$37,102,330,456	\$64,688,344,007
Hidalgo, TX (Port)	\$16,942,108,540	\$28,912,875,856	\$45,854,984,396
Eagle Pass, TX (Port)	\$11,551,272,786	\$25,604,970,769	\$37,156,243,555
Beaumont, TX (Port)	\$21,211,186,789	\$3,630,881,114	\$24,842,067,903
Brownsville, TX (Port)	\$13,107,838,309	\$10,404,201,444	\$23,512,039,753
Port Arthur, TX (Port)	\$11,746,539,237	\$11,195,303,253	\$22,941,842,490
El Paso, TX (Port)	\$14,816,599,959	\$7,686,989,192	\$22,503,589,151
Houston Intercontinental Airport, TX (Port)	\$9,850,863,190	\$7,203,927,661	\$17,054,790,851
Freeport, TX (Port)	\$11,713,255,597	\$4,847,682,081	\$16,560,937,678
Texas City, TX (Port)	\$8,168,211,000	\$2,013,297,053	\$10,181,508,053
Sabine, TX (Port)	\$9,534,844,091	\$4,130,909	\$9,538,975,000
Galveston, TX (Port)	\$2,860,153,503	\$4,929,840,780	\$7,789,994,283
Del Rio, TX (Port)	\$2,225,955,127	\$3,510,436,440	\$5,736,391,567
Port Lavaca, TX (Port)	\$873,527,247	\$206,734,563	\$1,080,261,810
San Antonio, TX (Port)	\$867,904,459	\$46,258,480	\$914,162,939
Austin, TX (Port)	\$426,929,814	\$450,677,080	\$877,606,894
Roma, TX (Port)	\$191,940,000	\$645,787,947	\$837,727,947
Fabens, TX (Port)	\$221,026,119	\$511,039,772	\$732,065,891
Progreso, TX (Port)	\$404,977,642	\$187,274,193	\$592,251,835
Rio Grande City, TX (Port)	\$61,053,473	\$470,452,863	\$531,506,336
Presidio, TX (Port)	\$190,940,075	\$242,015,308	\$432,955,383
Amarillo, TX (Port)	\$213,485,319	\$84,635	\$213,569,954
Fort Worth Alliance Airport, TX (Port)	\$164,856,278	\$260,105	\$165,116,383
Orange, TX (Port)	\$30,746,708	\$0	\$30,746,708
Dallas Love Field, Dallas, TX (Port)	\$756,160	\$280,769	\$1,036,929
Addison Airport, Dallas, TX (Port)	\$730,076	\$233,094	\$963,170
Valley International Airport, Harlingen, TX (Port)	\$532,002	\$234,268	\$766,270
Lubbock, TX (Port)	\$26,089	\$99,516	\$125,605
Midland International Airport, TX (Port)	\$30,404	\$0	\$30,404
Sugar Land Regional Airport, TX (Port)	\$0	\$0	\$0

\* Note: In previous years Ysleta was included with El Paso.

Source: U.S. Census Bureau, USA Trade Online, Port Level Data for 2023

## 10. LITIGATION

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

- *Steward, et al. v. Perry, et al.* [U. S. District Court, Western District of Texas, San Antonio Division; No. 5:10-cv-1025.] This is an institutional reform class action brought on behalf of “all Medicaid-eligible persons over twenty-one years of age with intellectual or developmental disabilities or a related condition in Texas who currently or will in the future reside in nursing facilities, or who are being, will be, or should be screened for admission to nursing facilities.” Plaintiffs and the U.S. Department of Justice seek declaratory and permanent injunctive relief on the provision of services to the class. Plaintiffs allege that Defendants fail to properly assess and serve the Plaintiff class in violation of various federal laws including the Americans with Disabilities Act, the Rehabilitation Act, the Social Security Act, and the Nursing Home Reform Amendments. A bench trial occurred from October 15, 2018, to November 15, 2018. In October 2022, the court issued an order allowing the parties to advise the court of any material changes over the previous years that a party believed should be brought to the court’s attention. The Court has not taken any further action on the case to date.
- *M.D., et al. v. Abbott, et al.* [U.S. District Court, Southern District of Texas, Corpus Christi Division; Cause No. 2:11-CV-00084.] This is an institutional reform class action on behalf of foster children in Texas’s permanent managing conservatorship (“PMC”). Plaintiffs allege that the current foster care system fails to adequately care for and serve the foster children, violating their Fourteenth Amendment right to substantive due process. The Fifth Circuit Court of Appeals vacated the district court’s initial class-certification order in 2012. On remand, in 2013 the district court certified a class of over 12,000 foster children, and three sub-classes. The court held a two-week bench trial in December 2014. In December 2015, the court’s decision found constitutional violations as to all three sub-classes. The decision enjoined Defendants (i.e., the State) from placing PMC children in unsafe placements, including foster group homes, without 24-hour awake-night supervision. The court also appointed a special master to devise an Implementation Plan, which the court would later incorporate in a final order. In December 2017, Special Master Kevin Ryan filed his Implementation Plan and in January 2018, the district court issued a final injunction incorporating most of the Plan’s recommendations.

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

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

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

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

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

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

16, 2021. The district court held a compliance hearing on May 5-6, 2021 and did not impose any sanctions or issue any findings of contempt at that hearing.

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

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

On April 1, the Court Monitors filed an update regarding the number of children who had experienced stays in an unlicensed setting (*i.e.*, Children Without Placement, or CWOP) during 2023. The update alleges the manner in which Defendant DFPS counts CWOP overnight stays is insufficient. On April 15, 2024, the court entered an order holding defendant Cecile Young, in her official capacity as Executive Director of HHSC, in contempt for violations of Remedial Orders 3 and 10. Remedial Orders 3 and 10 address the timeliness and thoroughness of investigations of allegations of abuse and neglect. The contempt order imposes penalties of \$50,000 per day per remedial order. The contempt order sets a compliance hearing for June 26, 2024, which could result in the reinstatement of abated fines. On April 16, 2024, the State appealed the contempt order to the Fifth Circuit Court of Appeals and moved to stay enforcement of the contempt order with the district court. The district court denied the motion for stay and the state appealed. On April 17, 2024, the Fifth Circuit granted an administrative stay of the contempt order and ordered that "district court proceedings are temporarily stayed pending further order of this court."

On May 20, 2024, the Fifth Circuit granted Defendants’ motion for stay pending its merits review of their appeal.

On October 11, 2024, the Fifth Circuit issued its opinion, which reversed the trial court’s finding of contempt, held that Defendants were in compliance with Remedial Orders 3 and 10, and ordered that Judge Jack be removed from the case. Plaintiffs have indicated they intend to seek an en banc rehearing.

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

The State and HHSC filed this lawsuit to challenge the bulletin as an improper reading of the law and promulgated in violation of the Administrative Procedure Act. The suit seeks a declaration setting aside the bulletin and enjoining its enforcement against Texas and its local governments. Should the bulletin remain in effect, CMS would have the power to



disallow non-federal funds raised through LPP Funds, allowing it to recoup the federal funds spent to match such previous non-federal funds and refuse to match such non-federal funds in the future. At current rates, that would amount to roughly \$6 billion in federal matching funds per year, not including recoupment of federal funds spent in past years. (There is no statute of limitations on the federal government's recoupment of disallowed funding.) The court on June 30, 2023, issued a preliminary injunction barring CMS from relying on the bulletin while the case is pending, including through enforcement, oversight, review, and reimbursement activities.

- *Richard Allen Devillier, et al. v. The State of Texas*, [U.S. District Court, Southern District of Texas, Galveston Division, No. 3:20-cv-00223.] This is a class-action suit arising from flooding in East Texas during Tropical Storms Harvey and Imelda. Plaintiffs, including owners of residential, farm, ranch, and commercial property in Chambers, Liberty, and Jefferson Counties, claim that the design, construction, operation, and maintenance of IH-10 between SH 61 and Walden Road, including the installation of a concrete median, caused flooding of their properties north of IH-10 during Tropical Storms Harvey and Imelda. Plaintiffs originally sought to certify a class of over a thousand members and indicated that they intended to seek at least one million dollars for each member of the proposed class. Plaintiffs brought inverse condemnation claims against the State under Article I, Section 17 of the Texas Constitution, and under the Fifth Amendment to the United States Constitution. Plaintiffs also alleged a federal due process claim. The district court denied the State's motions to dismiss and the parties engaged in written discovery, depositions, and briefing, and participated in a class certification hearing before Magistrate Judge Andrew Edison on June 14, 2022. The State appealed the district court's denial of its motions to dismiss to the Fifth Circuit, which dismissed the federal causes of action and Fifth Amendment claims with prejudice and without remand to the state court. On March 17, 2023, plaintiffs filed a petition for certiorari in the United States Supreme Court. The Court granted plaintiffs' petition on September 29, 2023. The question presented in the Supreme Court was: "May a person whose property is taken without compensation seek redress under the self-executing takings clause [of the Fifth Amendment] even if the legislature has not affirmatively provided them with a cause of action?" In an October 3, 2023 status conference, Judge Edison stayed and administratively closed the case until the U.S. Supreme Court resolves the appeal. Oral arguments were conducted at the Supreme Court on January 16, 2024. The Supreme Court issued its opinion on April 16, 2024. The Court vacated the judgment of the Fifth Circuit and remanded the case. On September 27, 2024, the Fifth Circuit issued a mandate remanding the case to state court, but Plaintiffs filed an emergency motion to recall the mandate, which the Fifth Circuit granted on October 1, 2024. The Fifth Circuit ordered the parties to submit letter briefs by October 10, 2024, explaining what the Fifth Circuit should do in light of the Supreme Court's decision.
- Various litigation is pending related to the Texas-Mexico Border. This includes *US v. Abbott*, pending in the U.S. District Court, Western District of Texas, Austin Division [No. 1:23-cv-00853] with appeals to the Fifth Circuit Court of Appeals. This also includes *Texas v. Department of Homeland Security* that is also pending in the U.S. District Court, Western District of Texas, Austin Division [No. 2:23-cv-00055] with appeals to the Fifth Circuit Court of Appeals.

## 11. INFORMATION SECURITY

### SECURITY POLICY AND PLANNING RESOURCES

Texas is established as a non-cabinet government and accordingly each independent agency and institution of higher education within the State of Texas functions autonomously regarding Information Technology (IT) and security operations. While the Texas Department of Information Resources (DIR) provides certain oversight, guidance and enterprise reporting, each entity is ultimately responsible for their own IT operations.

### RELEVANT STATUTORY REFERENCES

- **Texas Government Code, Chapter 2054** – Information Resources Management Act, creates the DIR, defines its responsibilities, and dictate the statutory requirements relating to cybersecurity.
- **Texas Government Code, Chapter 2059** – specifically addresses the State’s Network Security Operations and creates the DIR Network Security Operations Center (NSOC). The NSOC is overseen by the Cybersecurity Operations team, and they have responsibility for identifying internal and external threats, reporting, and general security in a state of disaster, as well as many other responsibilities. The Network Intrusion Prevention Service (IPS) proactively identifies, and blocks known threats to network security. The IPS not only watches network traffic, but also takes immediate action based on the network administrator’s set of rules.
- **Texas Business Commerce, Code Chapter 521** – Governs unauthorized use of identifying information.
- **Texas Penal Code Chapter 33** – Defines computer crimes and offenses.
- **Texas Administrative Code (TAC) Chapter 202**
  - Texas Government Code authorizes DIR to create administrative rules to further specify information security requirements. TAC Chapter 202 outlines these requirements and is a baseline of security standards, controls and related responsibilities for state agencies and institutions of higher education.
  - TAC Chapter 202 is regularly revised to ensure the information security standards align with modern best practices. TAC 202 was updated to align with current national standards in January 2022.

### INCIDENT RESPONSE AND REPORTING

Texas Administrative Code Chapter 202 (TAC §202) outlines the minimum information security and cybersecurity responsibilities and roles at state agencies and institutions of higher education and requires each state agency and institution of higher education to provide timely reporting of certain types of security incidents to DIR which, depending on the threat or level of risk to the State, could mean emergency reporting. TAC §202 requires agencies and institutions of higher education to use the TAC §202 Security Controls Standards Catalog. The security controls catalog is based on the National Institute of Standards and Technology (NIST) Special Publication

(SP) 800-53, R5. Using a centrally managed controls catalog effectively ensures that all agencies and institutions use common language and minimum standards when implementing security measures.

Timely reporting is required (48 hours by statute but preferably within 24 hours) for incidents that may:

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

DIR has developed a comprehensive Incident Response Team Redbook to assist public sector entities with developing their own incident response plans. Additionally, DIR has collaborated with the state's emergency management organizations to develop a statewide incident response plan to be leveraged in the event a cybersecurity incident reaches a certain threshold of potential impact. State agencies that experience a breach of sensitive or confidential information are required to submit a follow up assessment of the incident no later than 10 days after the closure of the incident. The post-incident reporting includes a root cause analysis and impact assessment. The 88th Legislative Session expanded incident reporting requirements to include local government entities. This reporting requirement does not apply to Independent Organizations certified by the Public Utility Commission of Texas, under Section 39.151 of the Utilities Code.

In 2021, the 87th Legislative Session also added several initiatives to assist with responding to events and sharing threat information across Texas:

- Texas Volunteer Incident Response Team (VIRT): The VIRT's purpose is to provide rapid response assistance to state agencies, institutions of higher education, and local government entities.
- Regional Cybersecurity Working Groups: DIR has established a framework for regional cybersecurity working groups to allow state agencies, local governments, regional planning commissions, public and private institutions of higher education, the private sector, and the incident response team to assist with responding to a cybersecurity event in Texas.
- Regional Security Operations Center (RSOC pilot RSOC at Angelo State University to allow for "boots on the ground" close to local governments that may need assistance with major cybersecurity incidents quickly. In the 88th Legislative Session, the University of Texas at Austin and the University of Texas Rio Grande Valley.
- Mandatory School District Incident Reporting: Independent School Districts and Open Enrollment Charter Schools are required to report any cyber-attack or other cybersecurity incident against the cyberinfrastructure that constitutes a breach of system security. DIR and the Texas Education Agency implemented a system to collect the reports and to coordinate the anonymous sharing of related information between participating schools and the State.

## SECURITY POLICY AND PLANNING RESOURCES

Provided below is a description of the Security Policy and Planning Resources DIR provides.

### **1. Texas Cybersecurity Framework**

DIR developed the Texas Cybersecurity Framework (TCF) in collaboration with other government entities and the private sector. It uses a common language to address and manage cybersecurity risk in a cost-effective way, based on business needs, without placing additional regulatory requirements on agencies. The framework, which is aligned with the National Institute of Standards and Technology (NIST) framework, is divided into five concurrent and continuous functions: Identify, Protect, Detect, Respond, and Recover. Each functional area contains specific security control objectives to help organizations identify, assess, and manage cybersecurity risks in their environment. The TCF currently consists of 42 total security control objectives. Any state agency, public university or junior college can request a TCF assessment, funded by DIR.

Texas Government Code 2054.519, State Certified Cybersecurity Training Programs, requires DIR, in consultation with the Texas Cybersecurity Council, to certify at least five cybersecurity training programs for state and local government employees and Section 2054.5191 requires state and local government employees and officials to complete a certified training program. The statute also requires state government contractors to complete a certified training program.

### **2. Biennial Information Security Plan**

Texas Government Code Section 2054.515 requires each state agency to conduct an information security assessment at least once every two years and report the results to DIR and to state leadership, as requested. The Information Security Plan is a report that state agencies, public universities, and junior colleges are required to complete every even-numbered year. These reports are completed through the Statewide Portal for Enterprise Cybersecurity Threat Risk and Incident Management. SPECTRIM portal on the DIR website and are due on June 1. In developing Information Security Plans, agencies should:

- Consider any vulnerability report prepared under Section 2054.077, Texas Government Code.
- Incorporate NSOC network services provided to the agency.
- Identify and define the responsibilities of agency staff relating to information custodianship.
- Identify risk management activities and other measures taken to protect agency information from unauthorized access, disclosure, modification, or destruction.
- Include information security best practices or a written explanation of why best practices are not sufficient, if applicable.
- Take care to omit information that could expose vulnerabilities in the agency's network or information systems from any written copies of the plan.

### **3. Texas Risk and Authorization Management Program (TX-RAMP)**

The Texas Risk and Authorization Management Program provides a standardized approach for security assessment, certification, and continuous monitoring of cloud computing services that process the data of Texas state agencies.

#### **4. Statewide Information Security Advisory Committee (SISAC)**

SISAC aims to cross-pollinate ideas and best practices among its members and make recommendations to DIR for more effective information security operations amongst and within government entities. The committee, chartered by DIR in 2011, is made up of information security professionals from state and local government. SISAC convenes every other month and is led by the Chief Information Security Officer for the State of Texas. The executive sponsor of SISAC is the Deputy Executive Director. The current SISAC subcommittees are:

- Education and Communication Subcommittee - Evaluates current and future education and communication activities.
- Solutions Subcommittee - Evaluates solutions to common problems and shares best practices among agencies.
- Statewide Incident Response Planning Subcommittee - Coordinates with state and federal partners to maintain the state's incident response plan and understand current incident response capabilities.
- Threat Intelligence Standardization and Automation Subcommittee - Evaluates solutions to make threat intelligence easy to integrate for stakeholders at all levels of operational cyber maturity.
- Policy Subcommittee - Provides a forum for the evaluation of current and proposed policies and governance tools to meet the ongoing needs of the State of Texas.

#### **5. Texas Cybersecurity Council**

The Texas Cybersecurity Council was created by DIR to develop enduring partnerships between private industry and public sector organizations to ensure that critical infrastructure and sensitive information are protected, to develop a cybersecurity workforce to protect technology resources from increasing threats, and to develop strategies and solutions that ensure that Texas continues to lead in areas of cybersecurity. The objectives of the Texas Cybersecurity Council are in accordance with Texas Government Code and include:

- Establishing the criteria and priorities for addressing cybersecurity threats to critical state installations.
- Consolidating and synthesizing best practices to assist state agencies in understanding and implementing cybersecurity measures that are most beneficial to the state.
- Assessing the knowledge, skills, and capabilities of the existing information technology and cybersecurity workforce to mitigate and respond to cyber threats and develop recommendations for addressing immediate workforce deficiencies and a long-term pool of qualified applicants.
- Providing recommendations to the legislature on any legislation necessary to implement cybersecurity best practices and remediation strategies for the state.

#### **6. Available Security Services**

Technical and Assessment Services include the following:

- InfoSec Academy – Industry standard cybersecurity certification training, developer courses and vouches for IT staff – free for DIR customers
- Security Awareness Training and Phishing Simulations
- Multi-Factor Authentication

- Network Security Operations Center (NSOC) –The NSOC was created by the Texas Legislature and tasked with providing network security for state agencies on the DIR network and the consolidated datacenters. They defined network security to include monitoring, alerting, the use of countermeasures to thwart attacks, and incident response. The DIR Cybersecurity Operations Team (CyberOps) is responsible for carrying out those duties. CyberOps operates a state-of-the-art security stack that protects the State of Texas network from attacks and detects suspicious activity. CyberOps oversees Distributed Denial of Service (DDoS) attack monitoring and mitigation. CyberOps handles incident response for datacenter customers and supports other agency incidents.

Services Provided by CyberOps include:

- 24/7/365 network traffic monitoring & alerting
  - 24/7/365 DDoS attack monitoring and mitigation
  - 24/7/365 Incident Response for state agencies
  - Perimeter blocking
  - Oversight of the state funded Endpoint Detection and Response (EDR) program
  - Threat intelligence gathering and sharing
  - Dark web investigations
  - Phishing email analysis
- Security Monitoring and Device Management (SMDM). SMDM Services manage and monitor security devices, which includes managed firewalls (including web application firewalls), host-based intrusion prevention systems, endpoint device management, intrusion detection/prevention systems, and malware detection/prevention systems. SMDM also includes Security Information and Event Management, threat research, and analysis and Security Operations Center (SOC) services. SMDM includes the installation, configuration, and management of associated equipment.
  - Network Penetration Testing. A pen test identifies and evaluates network and system vulnerabilities that are susceptible to attack from possibly malicious sources and analyzes system configurations, web applications and technical weaknesses. DIR funds pen tests for state agencies to ensure that a significant portion of all agencies are tested annually.
  - Web and Mobile Application Penetration Testing. Texas Government Code Section 2054.516 requires agencies and public institutions of higher education to obtain a penetration test and remediate any discovered vulnerabilities prior to launching a web or mobile application that processes sensitive personal information. DIR has dedicated funds to cover approximately 19 of these penetration tests for eligible customers. These tests use a defined methodology that includes both automated and manual processes to identify application vulnerabilities such as SQL injection susceptibility, buffer overflow, session hijacking, information leakage, and more.

## **7. Model Security Plan for Prohibited Technologies**

On December 7, 2022, Governor Greg Abbott required all state agencies to ban the video-sharing application TikTok from all state-owned and state-issued devices and networks over the Chinese Communist Party’s ability to use the application for surveilling Texans. Governor Abbott also

directed the Texas Department of Public Safety (DPS) and the Texas Department of Information Resources (DIR) to develop a plan providing state agencies guidance on managing personal devices they use to conduct state business. The 88th Legislative Session expanded upon the Governor's directives with the adoption of SB 1893. DIR is currently working with DPS to develop a model policy for the prohibition of covered applications per SB 1893, 88(R).

This plan applies to all state agencies and institutions of higher education (IHEs), including their employees, contractors, interns, or any users of state-owned networks. Each agency is responsible for the implementation of the plan. The software and hardware products listed below are prohibited from being used on state-owned devices and networks. Exceptions may be granted to enable law-enforcement investigations and other legitimate uses. The exceptions may only be approved by the head of the agency. This authority may not be delegated. All approved exceptions must be reported to DIR.

To protect the State's sensitive information and critical infrastructure from technology that poses a threat to the State of Texas, this plan outlines the following objectives for each agency:

- Ban and prevent the download or use of prohibited technologies on any state issued device. This includes all state-issued cell phones, laptops, tablets, desktop computers, and other devices of capable of internet connectivity. Each agency's IT department must strictly enforce this ban.
- Prohibit employees or contractors from conducting state business on prohibited technology-enabled personal devices.
- Identify sensitive locations, meetings, or personnel within an agency that could be exposed to prohibited technology-enabled personal devices. Prohibited technology-enabled personal devices must be prohibited from entering or being used in these sensitive areas.
- Implement network-based restrictions to prevent the use of prohibited technologies on agency networks by any device.
- Coordinate the incorporation of other technology providers as necessary, including any apps, services, hardware, or software that pose a threat to the State's sensitive information and critical infrastructure into this plan.

#### **Prohibited Software/Applications/Developers as of 1/23/2023**

- Alipay
- QQ Wallet
- VMate
- ByteDance Ltd.
- SHAREit
- WeChat
- CamScanner
- Tencent Holdings Ltd.
- WeChat Pay
- Kaspersky
- TikTok

- WPS Office
- Any subsidiary or affiliate of an entity listed above.

**Prohibited Hardware/Equipment/Manufacturers as of 1/23/2023**

- Dahua Technology Company
- Hytera Communications Corporation
- Huawei Technologies Company
- SZ DJI Technology Company
- Hangzhou Hikvision Digital Technology Company
- ZTE Corporation
- Any subsidiary or affiliate of an entity listed above.



## 12. CONTINUITY OF OPERATIONS AND RECENT EVENTS

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

The Texas Division of Emergency Management (TDEM) coordinates the state emergency management program, which is intended to ensure the state and its local governments respond to and recover from emergencies and disasters and implement plans and programs to help prevent or lessen the impact of emergencies and disasters. TDEM is charged with carrying out a comprehensive all-hazard emergency management program for the State and for assisting cities, counties, and state agencies in planning and implementing their emergency management programs. Chapter 418 of the Texas Government Code lays out an extensive set of specific responsibilities assigned to TDEM.

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### RECENT EVENTS

**Drought Disaster** – First issued on July 8, 2022, as amended and renewed in a number of subsequent proclamations, certifying that exceptional drought conditions posed a threat of imminent disaster in certain Texas counties. This proclamation was most recently amended and renewed on October 26, 2024, for 75 counties.

**Wildfire Disaster** - The Governor issued a disaster proclamation on February 27, 2024, and amended and renewed on June 26, 2024, certifying that the wildfires that began on February 23, 2024, posed an imminent threat of widespread or severe damage, injury, or loss of life or property in 83 counties. On October 14, 2024, the Governor issued a new declaration that elevated fire weather conditions pose an imminent threat of widespread or severe damage, injury, or loss of life or property in 143 counties across the state.

**Severe Weather** – Issued at various dates in April, May and June 2024 certifying that severe storms and flooding that began on April 26, 2024, and included heavy rainfall, flash flooding, river flooding, large hail, and hazardous wind gusts caused widespread and severe property damage, injury, or loss of life in 125 counties. This proclamation was most recently renewed on October 26, 2024.

**Hurricane Beryl** - A disaster proclamation was issued on Friday, July 5, 2024, as amended later the same day and again on Saturday, July 6, 2024, and renewed on August 5, 2024, certifying that Hurricane Beryl posed a threat of imminent disaster, including widespread and severe property damage, injury, and loss of life due to widespread flooding, life-threatening storm surge, damaging wind, and heavy rainfall in 121 counties. This proclamation was most recently renewed on November 2, 2024.

**Border Security** – On May 31, 2021, the Governor issued a state of disaster proclamation, which has been amended in a number of subsequent proclamations, certifying that the surge of individuals unlawfully crossing the Texas-Mexico border posed an ongoing and imminent threat of disaster

for 62 Texas counties and all state agencies affected by the disaster. This declaration was most recently renewed effective October 26, 2024.

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

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

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

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

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