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REPORT TO THE CITIZENS OF TEXAS

Fiscal 2014 • Sept. 1, 2013–Aug. 31, 2014

Employment Percent by Occupation

- Office/Administrative Support 16%
- Retail Trade 11%
- Food Preparation/Service Related 8%
- Transportation and Material Moving 7%
- Education/Training 6%
- Production/Manufacturing 6%
- Construction/Extraction 5%
- Management/Administrators 5%
- Healthcare Practitioners 5%
- All Other Occupations 31%

Source: www.texaswages.com



Comptroller's Mission Statement

The Office of the Texas Comptroller of Public Accounts will serve the people of Texas by applying the tax and fiscal laws fairly and consistently.

We will continue to improve our services through innovative management and technology, carrying out all our duties with integrity, openness and at the least cost to the taxpayer.

Lone Star State Still Going Strong

Business is Booming

For the 10th consecutive year, Texas was named the Best State for Business by *Chief Executive* magazine. The annual survey of chief executive officers (CEOs) ranked states on a variety of measures, including tax burdens and the quality of the workforce and living environment. One CEO commented, "Texas is the best state for business and I don't see anything to slow Texas down. Business is booming and growing quicker and more rapidly in 2014 than any other year. It's an exciting time in Texas."

Texas is the nation's leading exporting state, a position it has held since 2002. Exports are a significant part of manufacturing, especially for companies that produce chemicals, petroleum, computers and electronics, industrial machinery and transportation equipment. From January through November 2014, Texas exports increased by 4.3 percent over the same period in 2013.

According to *Business Insider*, if Texas was a country it would rank 13th in gross domestic product (GDP). In fact, the Texas GDP rivals that of Mexico.

Small businesses in Texas are also growing, with well over 2 million small businesses in the state. *Forbes* magazine reports that Texas created more than 1,000 local businesses when the state passed "cottage food" laws. Baking entrepreneurs no longer have to shell out cash to use rental kitchens at odd hours. Instead, once they become certified food handlers, they can cook from the comfort of their own homes.

State Economy Remains Robust

Forbes magazine has recognized Texas for a number of superlatives:

- #1 in Economic Climate
- #1 in Growth Prospects
- #6 in Best States for Business
- #11 in Labor Supply
- #13 in Business Costs
- #16 in Regulatory Environment

Although oil and gas exploration and extraction has slowed, Texas also invests in renewable energy. Texas wind energy production has increased tenfold in the last decade. Solar generation in Texas has more than doubled in the past three years, with Texas ranking sixth nationally in solar energy industry employment.

The Texas Renewable Energy Industry Report says that Texans employed in renewable energy industries have salaries 85 percent above the state average. Courses in solar training are available at Austin Community College, Houston Community College and Texas State Technical College.

A leading manufacturer of photovoltaic inverters for the solar industry, KACO new energy, completed a 60,000 square foot manufacturing and office space in San Antonio in 2013, with its headquarters moving from California to San Antonio in 2014.

Texas by the Numbers

Fiscal Year	Resident Population	Per Capita Income	Nonfarm Employment	Unemployment Rate (percent)	Public School Enrollment (for preceding school year)
2014	26,789,000	\$45,200	11,465,000	5.5	5,121,925
2013	26,400,000	\$42,233	11,117,000	6.4	5,075,840



State Performance Measures

These performance measures as reported by state agencies show Texas' performance and expectations in education, natural resources, public safety, public health, transportation and business and economic development — all key government services influencing and affecting citizens' quality of life.

Selected State Performance Measures	FY 2014 Targeted	FY 2014 Actual	FY 2013 Actual
Education			
Percent of Eligible Students Taking Advanced Placement/International Baccalaureate Exams	21.2	22.1	22.69
Total Average Daily Attendance	4,803,515	4,778,319	4,700,389
Natural Resources			
Percent of Texans Served by Public Water Systems That Meet Drinking Water Standards	93	97	96
Number of State Parks in Operation	91	91	91
Public Safety			
Arrests for Narcotics Violations	1,500	2,163	1,681
Number of Fatalities per 100,000 Miles Traveled	1.26	1.39	1.41
Public Health			
Number of Children Provided Dental and Child Health Services by the Maternal and Child Health Program	41,733	41,435	38,838
Percent of Prevalence of Tobacco Use Among Middle & High School Youth in Target Areas of Texas	22	19.5	18.5
Transportation			
Percent of Bridges Rated in Good Condition or Higher	82.4	81.8	81.4
Total Number of Registered Vehicles	22,941,960	23,886,263	23,227,032
Business and Economic Development			
Number of New Jobs Announced by Businesses Receiving Recruitment and Expansion Assistance	6,000	10,731	10,857
Number of Tax Returns Processed	4,950,000	5,026,391	5,054,013

Source: Legislative Budget Board

You can search any state agency's Budget and Performance Measures at: bapm.lbb.state.tx.us/?FiscalYear=2013

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

Submit your suggestions to the Comptroller's

Fiscal Management Division at statewide.accounting@cpa.texas.gov

The Comptroller's *A Report to the Citizens of Texas* has been awarded the Certificate of Excellence in Citizen-Centric Reporting from the Association of Government

Accountants (AGA) for fiscal years: • 2008 • 2009 • 2010 • 2011 • 2012 • 2013



Photos on page one (top) and page two (top left) by WhirlyBird Images, LLC

2014 Texas Stars

Best Cities for First-Time Homebuyers

Seventeen key metrics were used to compare 300 of the nation's largest cities to determine which are most popular with first-time homebuyers. Median house prices, real estate taxes and home price appreciation were among the elements considered. The Texas cities in the top 10 and their ranking are:

- #2 Allen
- #4 Denton
- #5 Frisco
- #6 Plano
- #7 McKinney
- #10 Richardson



Most Recession-Recovered Cities

While the effects of the recession are still felt in some areas of the country, Texas cities fared well when ranked among the 150 largest U.S. cities. Eighteen metrics used in the rankings included the number of new businesses, unemployment rate and inflow of college-educated workers. The Texas cities in the top 10 and their ranking are:

- #1 Laredo
- #2 Irving
- #5 Dallas
- #6 Corpus Christi
- #8 Lubbock
- #9 Garland



Fastest Growing Cities

Five of the top 10 fastest growing cities are in Texas. Ten key metrics were used to analyze 516 U.S. cities. Mission, Texas, had the most growth for a small city while Austin had the most growth for a large one. Pharr had the highest income growth, while Midland, which came in 24th, had the highest growth for regional gross domestic product (GDP). The Texas cities in the top 10 and their ranking are:

- #1 Mission
- #2 Irving
- #5 Edinburg
- #8 Austin
- #9 Pharr



Best Cities for Wallet Wellness

Gauging how well consumers manage their lifestyles and finances, 150 of the largest U.S. cities were compared in eight key metrics. Although Plano ranked 40th overall, it came in first for highest median household income. Lubbock, which ranked 61st overall, came in first in lowest average commute time. The Texas cities that earned high numbers in the eight metrics to land in the top 10 are:

- #4 Corpus Christi
- #9 Fort Worth

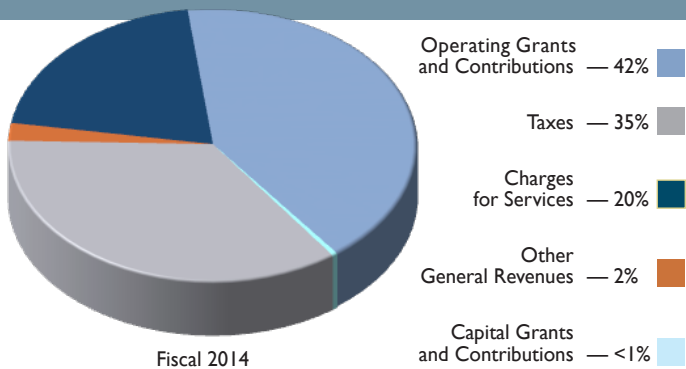


Source: *Wallet Hub*

Texas Finances

The amounts below are presented in thousands for fiscal years ending Aug. 31, 2014 and Aug. 31, 2013. An audit of the state's financial statements resulted in a clean audit opinion. Find complete financial information at: fm.x.cpa.state.tx.us/fm/pubs/cafr.

Sources of Revenue

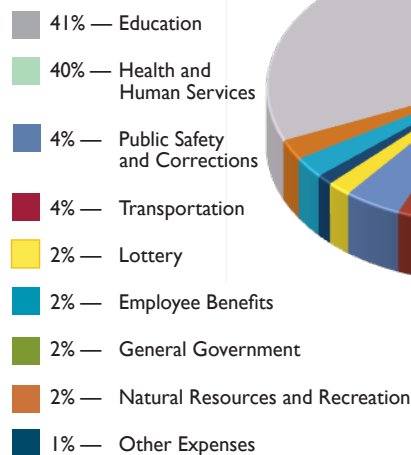


REVENUE BY SOURCE	2014	2013	% Change
Charges for Services	\$ 29,546,191	\$ 27,895,351	5.91
Operating Grants and Contributions	60,024,074	52,189,047	15.01
Capital Grants and Contributions	619,013	382,170	61.97
Taxes	50,916,366	48,118,538	5.81
Other General Revenues	3,012,063	3,008,917	0.18
TOTAL REVENUES	\$ 144,117,707	\$ 131,594,023	9.52

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

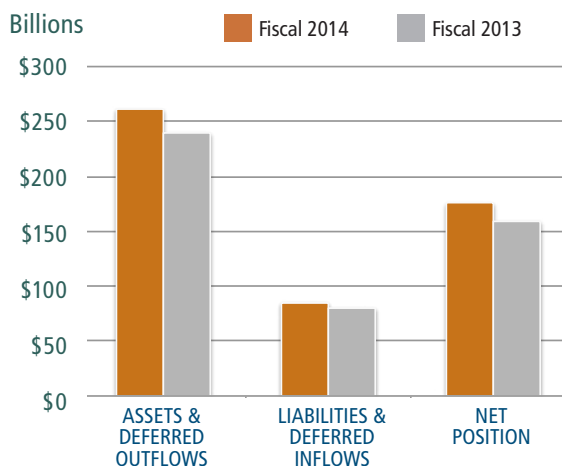
Functional Expenses

EXPENSES	2014	2013	% Change
General Government	\$ 3,089,799	\$ 3,023,333	2.20
Education	52,035,340	49,149,972	5.87
Employee Benefits	3,099,987	2,930,249	5.79
Health and Human Services	50,774,364	48,743,070	4.17
Public Safety and Corrections	5,638,589	5,408,150	4.33
Transportation	5,472,547	5,613,397	-2.51
Natural Resources and Recreation	2,260,483	2,169,347	4.20
Lottery	3,164,120	3,185,869	-0.68
Other Expenses	1,543,213	1,202,815	28.30
TOTAL EXPENSES	\$ 127,078,442	\$ 121,426,202	4.66



Note: Employee Benefits includes teacher retirement benefits.
Other Expenses includes regulatory services and interest on general long-term debt.

Net Position



STATEMENT of NET POSITION	2014	2013	% Change
Assets & Deferred Outflows	260,923,021	238,920,990	9.21
Liabilities & Deferred Inflows	(85,340,447)	(80,291,270)	6.29
NET POSITION	\$ 175,582,574	\$ 158,629,720	10.69

Note: Assets are resources the government controls that can be converted into cash.
Liabilities are obligations that use up resources the government has little or no discretion to avoid.
Deferred outflows of resources is the consumption of a resource by the government that should be reported in a future period.
Deferred inflows of resources is the acquisition of a resource by the government that should be reported in a future period.
Net position is the balance of all financial statement elements (Assets + Deferred Outflows – Liabilities – Deferred Inflows).

Texas: Gazing into the Future

Economy

The state's economy is expanding steadily, with strong employment gains and vital activity. Texas added 441,200 jobs during the 12 months ending November 2014 — a 3.9 percent growth rate, while the unemployment rate, at 4.9 percent, was the lowest among the ten most populous states.

The state's housing markets are currently performing at a solid level. The number of newly constructed single-family homes increased by 10.24 percent in 2014. State taxes levied in fiscal 2014 on transactions such as vehicle purchases increased by 8.5 percent over the previous year, continuing the strong pattern of growth since 2011.

While the price of oil began to fall during the latter half of fiscal 2014, slower oil-related activity is expected to be offset somewhat as consumers benefit from lower oil prices including, but not limited to, cheaper gasoline. Texas' employment growth is projected to continue, albeit a slower pace from fiscal 2014's rapid 3.1 percent to an oil-price-affected 1.9 percent in 2015; thereafter advancing at 2.2 percent and 2.3 percent in 2016 and 2017, respectively.

K-12 Education

According to the Texas Education Agency, public school enrollment in the state was 4.33 million during the 2003-04 school year. In 2013-14, that figure had risen to 5.12 million, for an 18 percent increase that translates to more than 820,000 students.

The Texas Supreme Court will decide if the state's system of funding Texas public schools is unconstitutional, but that decision may not be made until 2016. Depending on the ruling, the topic of public school funding may well be reviewed by the current or future legislatures.

Infrastructure

With the approval of voters, a portion of state oil and natural gas production tax revenue, which

had flowed solely to the Economic Stabilization (or "Rainy Day") Fund, is now shared by two funds: the Rainy Day Fund and the State Highway Fund.

During 2015-2017, each fund is slated to get half of the total amount. Over that three-year period, and allowing for the drop in the price of oil, the State Highway Fund will see approximately \$4 billion in new funding.

With respect to water issues, the state's 2012 water plan projected demand in Texas to grow 22 percent between 2010 and 2060; however, existing water supplies were expected to decline by 10 percent. With voter approval, the Legislature seeded the State Water Implementation Fund for Texas (SWIFT) with \$2 billion from the Rainy Day Fund to begin addressing needed projects in the water plan. According to the Texas Water Development Board, SWIFT's initial funding will be used to help meet nearly \$27 billion in local water supply projects.



Many Texas state agencies use social media to communicate with the public. For more details, please visit [Texas.Gov's social media directory](http://Texas.Gov's-social-media-directory).

Bullock Texas State History Museum



Department of Assistive and Rehabilitative Services



Department of Public Safety



Department of State Health Services



Office of the Attorney General



Office of the Governor



Secretary of State



Texas.Gov



Texas Comptroller of Public Accounts



Texas Department of Insurance



Texas Department of Motor Vehicles



Texas Department of Transportation



Texas Parks and Wildlife



Texas Veterans Commission



Texas Workforce Commission



Texas Economic Outlook for Fiscal 2014 through 2017

	2014	2015	2016	2017
Real Gross State Product — total value of goods and services produced (billions adjusted for inflation)	\$ 1,426.4	\$ 1,469.1	\$ 1,516.2	\$ 1,578.3
<i>Annual Percent Change</i>	3.7	3.0	3.2	4.1
Taxable Oil Price (\$ per barrel)	\$ 96.56	\$ 64.35	\$ 64.52	\$ 69.27
Taxable Natural Gas Price (\$ per MCF)	\$ 4.31	\$ 3.76	\$ 3.56	\$ 3.72
Nonfarm Employment	11,465,000	11,678,000	11,929,500	12,200,000
<i>Annual Percent Change</i>	3.1	1.9	2.2	2.3

In Natural Gas, MCF means per thousand cubic feet. Nonfarm Employment does not include farm workers, self-employed proprietors, domestic household workers or non-civilian members of the military.