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Texas Film, Video Game Industries in the Spotlight By Devin Monk



STATE FUELS INCENTIVE ENGINE TO COMPETE FOR PRODUCTIONS AND JOBS

Filmmakers can call upon many of Texas' iconic locations, such as the Fort Worth Stockyards used in Taylor Sheridan's 1883 mini-series. Courtesy of Viacom Entertainment Group

Creative professionals making feature films and video games in Texas aren't just competing with projects in the media meccas of Los Angeles and New York City. They're vying with productions made in states with generous incentives and tax credits for film and games. Georgia has dominated in incentivizing film production; New Mexico offers sizeable tax credits; and Oklahoma's cash rebates make it a serious contender.

Even states that offer generous subsidies have seen productions jump to another state for a more lucrative deal. Also, state film incentives have drawn criticism with some questioning if the money could be better allotted to education, health care, infrastructure or taxpayer relief.

In the face of competing priorities for state funds, many of which also offer a return on investment, Texas industry members welcomed the 88th Legislature's decision to increase state incentives for film and video game developers, making it easier for local areas to grant tax exemptions for their projects. Industry members are still pushing for a sustainable means

of Texas investment in the years ahead, and some point out changes are necessary to put video games on an equal footing with films in qualifying for incentives.

Still, leading voices like Nixon Guerrero, general manager of Troublemaker Studios in Austin, say this year's support from Texas lawmakers is significant.

"With this funding increase, I am beyond hopeful," says Guerrero. "I think there is a real shot for longevity and for bigger and better spaces around the state. It's that super-fuel for the engine of our business."

Texas already captures a sizeable share of the U.S. video game industry that contributed \$56.6 billion to the U.S. economy, and of the domestic box office that grossed \$7.54 billion in 2022. More than 190 companies comprised the Texas video game industry to produce \$5.5 billion in economic impact for the state in 2022, the Entertainment Software Association (ESA) reports.

A Message from the Comptroller



I grew up on the rural outskirts of Houston, one of Texas' (and the nation's) biggest cities, and if you're like me, you've probably noticed the rapid transformation of once open fields and farmland to bustling suburbs. But you also might wonder at what point population experts consider these areas no longer rural. The definitions

of rural and urban have shifted over time, and the particulars depend on which government agency is studying the population data. In this month's issue of *Fiscal Notes*, we dive into the characteristics that help the U.S. Census Bureau and the U.S. Office of Management and Budget — among a slew of agencies at all levels of government — determine what areas are rural and what areas are urban.

Rural areas are home to some of Texas' most powerful economic assets like agriculture and energy production, but most of the state's population resides in sprawling metros — between 85 percent and 90 percent, depending on how rural and urban are defined. For decades, migration trends have favored urban parts of the state, which means rural Texas may be overlooked when it comes to government funding. But the 88th Legislature has backed substantial funding for rural-centered programs and initiatives aimed at priorities such as expanding high-speed internet, financing new water supply projects and supporting law enforcement.

In this issue, we also look at two important drivers of the entertainment industry that have left their mark on the Texas economy in recent years: film and video gaming. When you think about where movies and video games are made, California and New York may be the first places that come to mind. But Texas is an attractive alternative, with state tax incentives and grant programs playing no small role.

In 2022, more than 210 film, commercial and TV production companies had an economic impact of nearly \$2 billion in Texas, while more than 190 video game companies contributed \$5.5 billion. Although not considered our state's economic big hitters, these industries are pulling in far more than chump change. Film and video game companies are blossoming in Texas not only because of our business-friendly tax and regulatory environment but also because of the Texas Moving Image Industry Incentive Program, a state-supported grant program that incentivizes film and video game projects to hire Texans and buy Texas goods and services — an obvious win-win. You also can read about how the Legislature beefed up these incentives this year.

As always, I hope you enjoy this issue!


Glenn Hegar

Texas Comptroller of Public Accounts

EXHIBIT 1

TEXAS MOVING IMAGE INDUSTRY INCENTIVE PROGRAM FUNDING, FISCAL 2018-2022



Source: Texas Film Commission
 *Includes reality television projects.

**“It’s a historic appropriation that more fully funds the program.
It’s going to do tremendous things for every community
that sees filming throughout the state.”**

- Kim LeBlanc

In addition, more than 210 feature film, commercial and television production companies claim Texas as their home. Those that have participated in the Texas Moving Image Industry Incentive Program (TMIIP) have generated \$1.95 billion in economic impact with a 504 percent return on investment from 2007 to 2022, according to the Texas Film Commission (TFC).

MAGIC-MAKING MAVERICKS

Texas’ video game industry directly employs more than 9,300 workers, and an additional 20,200 jobs in Texas are linked to the industry nationwide, according to 2022 data from the ESA. (Federal data on the video game industry are absorbed into the larger computer software industry.)

As for the film industry, it was going gangbusters until the pandemic shut down businesses across the nation and film production came to a standstill. From 2012 to 2017, Texas Workforce Commission data show average employment in the state’s film industry climbed nearly 37.5 percent (from 17,474 to 24,025) but fell 10 percent from 2017 to 2022.

A 2023 analysis by the Motion Picture Association (MPA) of U.S. Bureau of Economic Analysis data shows the American film and television industry supports 2.4 million jobs, pays out \$186 billion in total wages and comprises more than 122,000 businesses. In 2020, the motion picture and television industry was directly responsible for more than 54,730 jobs in Texas, including production-related jobs as well as jobs related to distributing movies, for a combined \$4.04 billion in wages, the MPA reports.

“Thanks to smart economic development policies in the state, the motion picture industry’s impact will only continue to grow in Texas, creating new job opportunities for Texas residents and growth opportunities for small businesses that are the backbone of the entertainment industry,” says Brandon Reese, vice president of state government affairs for the Southeast Region at MPA.

TOP BILLING

TMIIP, which provides grants for films and video games based on the projects’ spending in the state, emphasizes its work to build the economy.

“TMIIP was designed to strike a careful balance that enables Texas to be recognized as a viable competitor for media productions while still being fiscally responsible on behalf

of Texas taxpayers,” says Paul Jensen, executive director of the Texas Media Production Alliance. “The program has worked, but historically it has been woefully underfunded.”

The Legislature took note by maintaining \$45 million in TMIIP funding in the state budget (House Bill 1) for the 2024-25 biennium and approving \$155 million in supplemental appropriations (Senate Bill 30). The total \$200 million allocation is “unprecedented,” Jensen says.

TMIIP cash grants range from 5 percent for in-state spending of \$250,000 to \$1 million to 20 percent for in-state spending of \$3.5 million or more. An additional 2.5 percent incentive is available to projects in underutilized or economically distressed areas. In exchange for grants and other incentives, production projects must employ 55 percent of their crew or employees from Texas and complete 60 percent of total production days in the state.

From fiscal 2018-2022, TMIIP awarded \$67.94 million to television projects, \$17.93 million to feature films, \$17.63 million to video game projects, \$4.4 million to reality television and \$1.39 million to commercials (**Exhibit 1**).

San Antonio Film Commissioner Kim LeBlanc says the city experienced an immediate uptick in inquiries from producers looking to shoot in the commission’s eight-county region after the state funding increase passed. The city also draws from hotel occupancy taxes to offer a 7.5 percent rebate on approved San Antonio spending — the state’s biggest film incentive. Combined with TMIIP incentives, a production could earn a reimbursement of up to 30 percent on its San Antonio and Texas spending.

“It’s a historic appropriation that more fully funds the program,” LeBlanc says of the funding for TMIIP, which began disbursing funds in 2008. “It’s going to do tremendous things for every community that sees filming throughout the state.”

Guerrero says *Troublemaker’s* \$170 million feature film *Alita: Battle Angel*, supported by almost 700 crew members, 300 vendors across the state and 2,000 extras, could not have been made without \$10.4 million in TMIIP funding. The production spent \$46 million in Texas and created 2,501 Texas jobs for the film, according to TFC records.

A map of TMIIP-funded completed project locations (**Exhibit 2**) shows concentrations in the major metropolitan areas of the state, but counties in the Panhandle, Big Bend area, along Texas’ coastline and on the border with Mexico also have received incentives.

Texas Film, Video Game Industries in the Spotlight

EXHIBIT 2

TEXAS MOVING IMAGE INDUSTRY INCENTIVE PROGRAM COMPLETED PROJECT PRODUCTION LOCATIONS, SEPT. 1, 2007-AUG. 31, 2022

TOP 20 COUNTIES

Per grantee production locations

- | | |
|---------------|---------------|
| 1. DALLAS | 11. CALDWELL |
| 2. TRAVIS | 12. ELLIS |
| 3. HARRIS | 13. BURNET |
| 4. TARRANT | 14. COMAL |
| 5. BEXAR | 15. GALVESTON |
| 6. BASTROP | 16. JOHNSON |
| 7. WILLIAMSON | 17. BLANCO |
| 8. HAYS | 18. FORT BEND |
| 9. COLLIN | 19. CAMERON |
| 10. DENTON | 20. GUADALUPE |

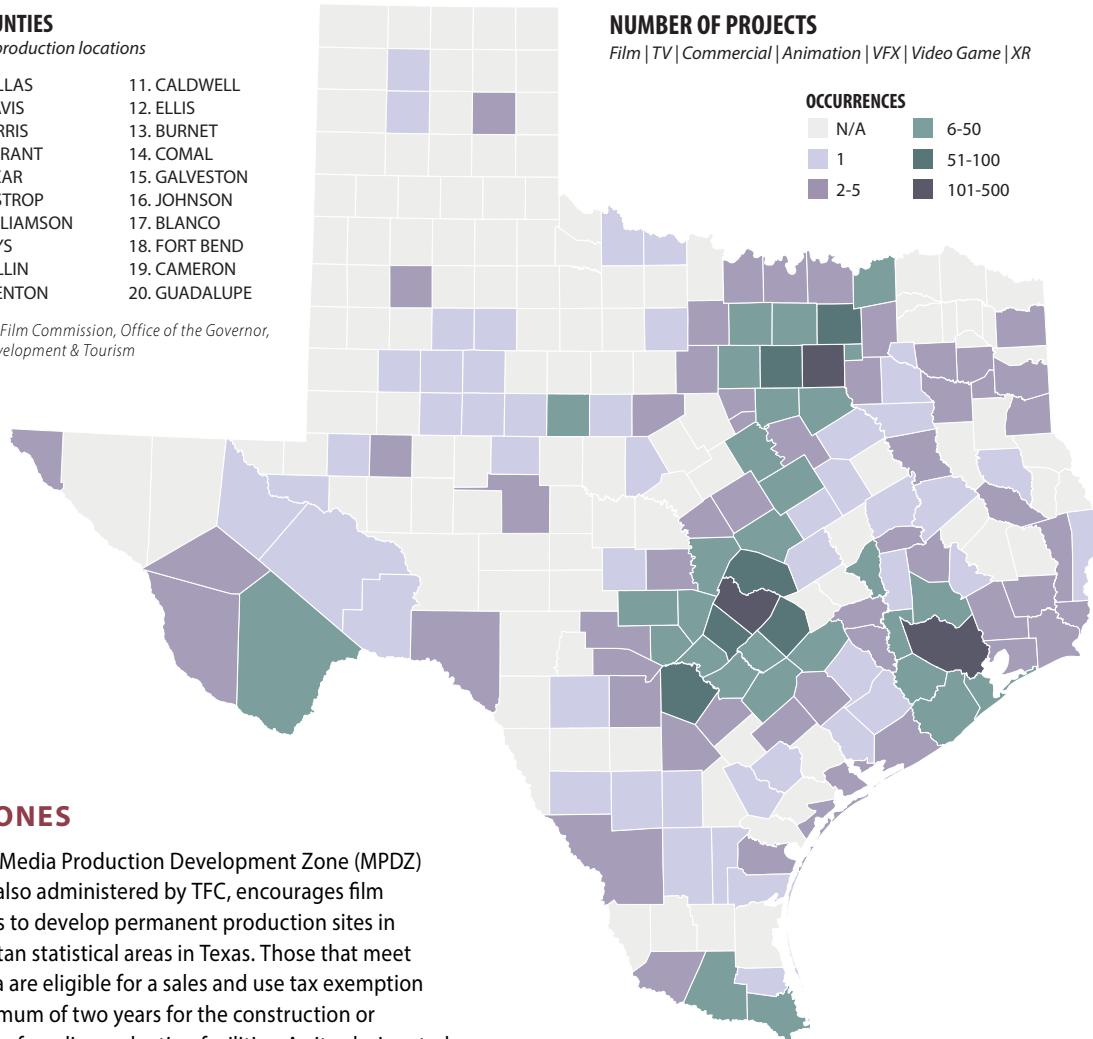
Source: Texas Film Commission, Office of the Governor, Economic Development & Tourism

NUMBER OF PROJECTS

Film | TV | Commercial | Animation | VFX | Video Game | XR

OCCURRENCES

- | | |
|-----|---------|
| N/A | 6-50 |
| 1 | 51-100 |
| 2-5 | 101-500 |



HOT ZONES

The Texas Media Production Development Zone (MPDZ) program, also administered by TFC, encourages film companies to develop permanent production sites in metropolitan statistical areas in Texas. Those that meet the criteria are eligible for a sales and use tax exemption for a maximum of two years for the construction or expansion of media production facilities. A city-designated MPDZ is approved by the city's governing body, and a qualified MPDZ location is approved by the MPDZ advisory board, which is appointed by the Texas Comptroller of Public Accounts. In addition, the Comptroller's office certifies that projects will have a positive impact on state revenue.

Ten MPDZs are allowed at any one time in the state. Currently, the cities of Austin and Bastrop are approved zones, and the advisory board anticipates an MPDZ application from the city of San Marcos soon. The city of Fort Worth leveraged its MPDZ designation, which expired on June 26, to attract major productions. Spurred by top-tier entertainment such as Taylor Sheridan's *1883*, the film industry has contributed \$555 million in economic impact and supported more than 18,000 jobs since 2015 in Fort Worth, according to a Fort Worth Film Commission press release.

SKIN IN THE (VIDEO) GAME

Texas video games have come a long way since legendary *Ultima* creator Richard Garriott sold copies of *Akalabeth: World of Doom* in Ziploc bags for \$20 in the early '80s. Publishers have mined Texas' resources to develop and sell games worldwide.

The Dallas-Fort Worth (DFW) Metroplex and Austin form a corridor of talent springing from many of Texas' 31 video game design programs, says Gary Brubaker, director of Southern Methodist University's Guildhall program (pictured on page 5). Ranked third in the nation by Princeton Review in 2023, the Guildhall's graduate-level program for digital game development celebrated its 1,000th alumnus in May.

Texas Film, Video Game Industries in the Spotlight

“There’s a vibrant game development community in Texas,” Brubaker says, crediting university talent generators, existing infrastructure of high-tech companies, a business-friendly environment and capital resources. “We have all the pieces of the ecosystem to be super successful.”



An exception is state funding, he continues, explaining that video game developers can’t take full advantage of the incentives despite contributing more to the state’s economy. TMIIP’s governing statute was originally written for the film industry and has been modified to include video game productions. In addition, industry sources say stipulations regarding co-location and application timing are problematic for many video game projects. “We play second fiddle to a much smaller industry,” Brubaker says. “The language in the law is written with the assumption that video games are made like movies, but they’re not.”

Industry representatives say they are working with the Legislature and TFC to revise the regulations and underlying law so the video game industry can grow its presence in Texas.

The U.S. video game industry is undergoing consolidation, with Sony and Microsoft acquiring 12 and 23 video game studios in the last five years, respectively. Texas claimed 100 publisher, developer and hardware company locations in 2022, according to the ESA — down from 240 locations in 2017.

In this shifting landscape, game developer Stray Kite Studios is expanding into an 8,000-square-foot office in Plano. Partnerships with Epic Games and Gearbox Software — makers of hit games *Fortnite* and *Borderlands*, respectively — have elevated Stray Kite into the upper echelon of title development.

Stray Kite CEO and Technical Director Shovaen Patel says Texas’ tax environment, TMIIP incentives and DFW’s talent pools from higher education institutions give him confidence in the expansion.

“It made sense from every angle,” Patel says. “There’s a lot of people getting educated (in game design), and keeping them in the state and tapping into that talent is part of what we do. We’ve positioned ourselves in a way that we’re ready to expand at a time where others maybe aren’t quite as ready.”

Co-founded by Patel and Paul Hellquist, the studio based in Richardson has grown from just two employees to 33, with some team members working from Argentina and Canada. The company’s new office space will house up to 50 staff members and allow for more collaboration and on-site audio and animation creation.

“With each project we’ve taken on, it’s been more and more ambitious, and bigger projects require more staffing,” Patel says, hinting at a larger project and a TMIIP application on the horizon.

BIG PICTURE

Buoyed by this year’s progress, video game developers and filmmakers are looking ahead to the next chapter. Industry leaders hope the Legislature will consider a more stable funding source as an alternative to fluctuating appropriations-based incentives.

LeBlanc said early estimates indicate \$200 million in incentives could be returned as \$1 billion in economic impact over the next two years, and that return could come into play as she anticipates a renewed conversation for the 2026-27 biennium.

“There’s a lot more uncertainty with legislative appropriations over time,” she says. “So, I think that is something to look at for next session — industries coming back to the table ... hopefully making a move toward securing a more sustainable and evergreen funding source moving forward.”

In the meantime, creative professionals are focused on making their projects happen, taking a cue from the Lone Star State’s storied can-do spirit.

“Shooting in Texas ... informs the way you approach business and projects. We have that out-of-box thinking in Texas,” Guerrero says. “People here have a different work ethic than in other places around the country. We’re here to get the job done.” **FN**

Read more on economic highlights from the 88th Legislature this fall, and subscribe to Fiscal Notes at comptroller.texas.gov/economy/fiscal-notes to stay up to date.



IDENTIFYING AND SUPPORTING RURAL AREAS

Rural pride is part of the cultural fabric of Texas, a land of vast open spaces, farms, ranches, cattle and the home of *Lonesome Dove*. Take a road trip across the U.S., especially Texas, and you'll spend most of that ride passing through small towns and countryside, which would easily be described as "rural."

State and local lawmakers work hard to advocate for rural residents, ensuring they have access to the same economic opportunities and support as their urban counterparts. Comptroller Glenn Hegar, who grew up on a family farm in rural Texas and has served in the Legislature, is well acquainted with rural residents' challenges and is committed to addressing them. "As a senator and representative, I focused on the same issues I continue to support and explore today: things like a reliable water supply and broadband connectivity."

To best allocate resources for rural — and urban — areas is an ever-evolving task, especially for geographic researchers and policymakers who rely on definitions of *rural* and *urban*. Federal, state and local government agencies apply various population and housing thresholds to identify these areas, and criteria can vary from program to program.

Why are these delineations important? They are highly consequential for the distribution of government funds.

RECENT LEGISLATION ELEVATES RURAL TEXAS

The 88th Legislature approved a variety of funding initiatives that benefit rural Texas; the Texas Comptroller of Public Accounts is responsible for administering key programs affecting rural areas.

HOUSE BILL (HB) 1, GENERAL APPROPRIATIONS ACT

Texas Comptroller of Public Accounts

- \$330.8 million to support grants to qualified sheriffs, constables and prosecutors as provided by Senate Bill (SB) 22.
- \$1.5 billion to Broadband Development Office (BDO), subject to voter approval of House Joint Resolution (HJR) 125.

Texas Health and Human Services Commission

- \$178.2 million increase for rural hospitals, including additional funding for labor and delivery, and \$51 million for a new rural hospital grant program to support financial stability and maternal care in rural hospitals.
- \$7.4 million to increase access to mental health for rural Texans by funding consultations at rural hospitals through telepsychiatry networks.

WHAT IS RURAL?

In simplest terms, a rural area is any population, housing or territory that is not in an urban area. Therefore, to identify rural areas, one must first define the urban landscape.

Two main definitions form the basis for many of the urban-rural delineations currently in place in federal, state and local agencies, according to Michael Ratcliffe, a senior adviser in the Geography Division of the U.S. Census Bureau: 1) the U.S. Census Bureau's urban-rural classification and 2) the core based statistical area (CBSA) classification determined by the U.S. Office of Management and Budget (OMB).

These two entities offer different analytical approaches. The Census Bureau uses census blocks to provide information about settlement and development patterns. (Census blocks are statistical areas that are bounded by visible features, such as streets, roads, streams and railroad tracks, and by nonvisible boundaries like city, school district and county lines.) The OMB describes the socioeconomic relationships between communities and across urban and rural territory.

Census Urban-Rural Classification

In the Census Bureau's updated 2020 urban-rural classifications, there are two criteria that must be met to qualify as an "urban area" (UA):

- *An initial set of census blocks with 425 or more housing units per square mile and additional census blocks with 200 or more housing units per square mile. The areas must also contain a core made up of at least one block with 1,275 or more housing units per square mile.*
- *At least 2,000 housing units or at least 5,000 people in 2020.*

The Census Bureau's UA delineations incurred key criteria changes in 2020:

- *The minimum urban population threshold was revised from at least 2,500 people in 2010 to at least 2,000 housing units or at least 5,000 people in 2020, following efforts from rural stakeholders to raise the population threshold. Effectively, the number of UAs in Texas declined from 306 in 2010 to 195 in 2020.*
- *Delineations became based primarily on housing unit data at the census block level instead of population data, offering a more direct measure of developed landscape, according to the Census Bureau.*

Texas Higher Education Coordinating Board

- \$3 million for grants to create new graduate medical education positions in rural areas.

Texas Department of Agriculture

- \$1.85 million for rural nursing recruitment and retention stipends.

Texas A&M University System Health Science Center

- \$15 million to support rural health initiatives in communities throughout the state.

Texas A&M Forest Service

- \$1.5 million to provide training to firefighters in rural and underserved areas.
- \$500,000 to support training for rural peace officers, jailers and telecommunications personnel.

HB 5, ECONOMIC DEVELOPMENT INCENTIVE PROGRAM

Reinstates school districts' ability to offer property tax abatements for projects that create jobs and generate local and state tax revenue. Structured to encourage investment in less populous counties by lowering job and investment thresholds in those areas.

HJR 125/HB 9, DEVELOPMENT/FUNDING FOR RURAL BROADBAND

Pending voter approval of HJR 125 on the November 2023 general election ballot, establishes the Broadband Infrastructure Fund with an initial investment of \$1.5 billion for broadband and telecommunications infrastructure. Provides for the one-time transfer of:

- \$155.2 million to next generation 911 service fund to help modernize services and support first responders.
- \$75 million to pole replacement program established by the 87th Legislature (HB 1505).

SB 22, RURAL LAW ENFORCEMENT GRANT PROGRAM

Will be established and administered by the Comptroller's office to assist sheriff's offices in qualified counties, including salary increases.

SB 28/SENATE JOINT RESOLUTION 75, WATER ASSISTANCE FUND

Pending voter approval, directs \$1 billion into the New Water Supply for Texas Fund.

HB 2308, TEXAS RIGHT TO FARM ACT

Strengthens legal protections for agricultural operations against nuisance actions and litigation that restrains the operations of these facilities.

Defining Rural Texas

- The Census Bureau reduced territories with low-density populations that can connect densely developed areas, thereby creating more discrete UAs and providing a more accurate measure of urbanization and urban sprawl.
- Commuter data were introduced to determine where to split large urban agglomerations that encompass multiple urban areas.
- The Census Bureau ceased using the terms “urbanized areas” (population of 50,000 or more) and “urban clusters” (population between 2,500 and 50,000) and encompassed both into “urban areas.” According to Ratcliffe, researchers recognized that there is no scientific basis for a threshold of 50,000 people to distinguish between different types of UAs.

In 2020, the share of Texas’ population and housing units in UAs was 84 percent and 83 percent, respectively, exceeding the U.S. averages. Notably, the 2020 share of the urban population remained largely unchanged from 2010, despite the UA criteria changes introduced in 2020 (**Exhibit 1**).

While 84 percent of the Texas population resides in urban areas, this share varies widely across the Comptroller’s 12 economic regions, ranging from 44 percent in the Upper East Texas region to 90 percent or more in the Upper Rio Grande, Metroplex and Gulf Coast regions (**Exhibit 2**).

Core Based Statistical Areas

A CBSA is a statistical area composed of one or more counties that include a core (UA) with a population of at least 10,000 and adjacent counties with a high degree of economic and social integration, as measured by commuting ties to that core. There are two types of CBSAs:

- *Metropolitan Statistical Areas (metros):* associated with at least one UA with a population of at least 50,000.
- *Micropolitan Statistical Areas (micros):* associated with at least one UA with a population of at least 10,000.

EXHIBIT 1

URBAN-RURAL SHARES OF POPULATION AND HOUSING IN U.S. AND TEXAS

		2010	2010	2020	2020
		PERCENT POPULATION	PERCENT HOUSING	PERCENT POPULATION	PERCENT HOUSING
U.S.	URBAN	81%	79%	80%	79%
	RURAL	19%	21%	20%	21%
TEXAS	URBAN	85%	83%	84%	83%
	RURAL	15%	17%	16%	17%

Source: U.S. Census Bureau, Urban Areas Team, Geography Division

EXHIBIT 2

URBAN STATISTICS BY TEXAS ECONOMIC REGIONS, 2020

REGION	URBAN AREAS	TOTAL REGION POPULATION	PERCENT POPULATION IN URBAN AREAS	MOST POPULOUS URBAN AREA
ALAMO	19	2,863,800	82%	SAN ANTONIO
CAPITAL	17	2,407,031	84%	AUSTIN
CENTRAL TEXAS	14	1,254,261	68%	KILLEEN
GULF COAST	19	7,297,022	92%	HOUSTON
HIGH PLAINS	16	866,122	73%	LUBBOCK
METROPLEX	31	8,044,641	90%	DALLAS-FORT WORTH-ARLINGTON
NORTHWEST	13	549,130	57%	ABILENE
SOUTH TEXAS	24	2,408,692	85%	MCALLEN
SOUTHEAST	10	768,635	54%	BEAUMONT
UPPER EAST	20	1,149,993	44%	TYLER
UPPER RIO GRANDE	3	888,720	94%	EL PASO
WEST TEXAS	12	647,458	77%	ODESSA

Source: U.S. Census Bureau, Urban Areas Team, Geography Division

EXHIBIT 3

CORE BASED STATISTICAL AREA COUNTIES IN TEXAS, POPULATION SNAPSHOT

CBSA STATUS	NUMBER OF COUNTIES	2022 POPULATION ESTIMATES	2022 SHARE OF TOTAL POPULATION	2012-2022 PERCENT CHANGE
METROPOLITAN STATISTICAL AREA	80	26,941,438	89.7%	17.0%
MICROPOLITAN STATISTICAL AREA	51	1,722,820	5.7%	2.1%
NON-CBSA COUNTIES	123	1,365,314	4.5%	0.2%
TEXAS	254	30,029,572	100%	15.1%

Sources: U.S. Office of Management and Budget; U.S. Census Bureau; Texas Comptroller of Public Accounts

EXHIBIT 4

POPULATION SNAPSHOT OF TEXAS COUNTIES BY RURAL-URBAN CONTINUUM CODES, 2022

CODE	CBSA STATUS	DESCRIPTION	2022 POPULATION ESTIMATES	2022 SHARE OF POPULATION	2012-2022 PERCENT CHANGE
1	METROPOLITAN	Counties in metro areas of 1 million population or more	20,436,390	68.1%	20.5%
2	METROPOLITAN	Counties in metro areas of 250,000 to 1 million population	4,685,316	15.6%	6.6%
3	METROPOLITAN	Counties in metro areas of fewer than 250,000 population	1,861,486	6.2%	9.0%
4	NONMETROPOLITAN	Urban population of 20,000 or more, adjacent to a metro area	663,972	2.2%	4.3%
5	NONMETROPOLITAN	Urban population of 20,000 or more, not adjacent to a metro area	346,269	1.2%	0.2%
6	NONMETROPOLITAN	Urban population of 2,500 to 19,999, adjacent to a metro area	1,327,236	4.4%	1.7%
7	NONMETROPOLITAN	Urban population of 2,500 to 19,999, not adjacent to a metro area	509,183	1.7%	-3.0%
8	NONMETROPOLITAN	Completely rural or less than 2,500 urban population, adjacent to a metro area	136,927	0.5%	0.2%
9	NONMETROPOLITAN	Completely rural or less than 2,500 urban population, not adjacent to a metro area	62,793	0.2%	-12.7%

Sources: U.S. Department of Agriculture; U.S. Census Bureau; Texas Comptroller of Public Accounts

The OMB uses the Census Bureau's UA designations to identify its central metro or micro county. Outlying counties are then included based on commuting ties to that central county or counties. By this criterion, urban areas (as measured by metro areas) accounted for about 90 percent of the state's population in 2022 and the vast share of its population growth over the past 10 years (**Exhibit 3**).

Though OMB advises against using the nonmetro classification as a proxy for rural areas, many agencies and researchers use a metro-nonmetro dichotomy to define urban and rural, including the U.S. Department of Agriculture's (USDA) report, *Rural America at a Glance*. According to Ratcliffe, this is because it's easier to work with counties than block-based urban areas and there are a lot more data available for counties.

Rural-Urban Continuum Codes

The rural-urban dichotomy exemplified by the CBSA designation has its drawbacks. Low density areas, for example, are sometimes part of metro/urban counties. The most egregious example nationally is the Grand Canyon, which technically is classified as being in a metro county.

To provide a better description of rurality, the USDA's Economic Research Service (ERS) assigned county codes — known as Rural-Urban Continuum Codes — based on size and adjacency to metropolitan areas (**Exhibit 4**).

GOVERNMENT APPLICATIONS OF RURAL AND URBAN DELINEATIONS

Government agencies often deviate from these rural-urban definitions and provide their own criteria. Some agencies use the Census Bureau's definition to administer their programs. For example, the Federal Highway Administration identifies Metropolitan Planning Organizations based on the presence of a Census Bureau urban area of 50,000 or more population (**Exhibit 5**).

A 2018 report by the Texas Legislative Council compiled definitions of "rural" found in all Texas statutes and administrative codes, finding 46 definitions (with some similarities) across 18 state agencies (including a university). Like federal definitions, state programs include a range of criteria that characterize rural areas, from specific population and geographic thresholds to more subjective qualifications, like "an area which is predominantly rural in character."

EXHIBIT 5

EXAMPLES OF RURAL DEFINITIONS USED BY FEDERAL AGENCIES FOR PROGRAM ELIGIBILITY AND STATISTICS

FEDERAL AGENCY/DEPARTMENT/PROGRAM	PURPOSE	SOURCE OF RURAL DEFINITION	POPULATION THRESHOLD
USDA, WATER AND WASTE DISPOSAL LOAN AND GRANT PROGRAM	Water and waste loans and grants eligibility	Census Bureau Places	Less than 10,000
USDA, BUSINESS AND INDUSTRY LOAN GUARANTEES	Business and industry loans eligibility	Combination of Census Bureau Places and Urban Areas	Less than 50,000
USDA, ERS, STATE FACT SHEETS	Statistics for rural and urban areas by state	OMB Core Based Statistical Areas	Less than 50,000
DEPARTMENT OF EDUCATION, RURAL EDUCATION ACHIEVEMENT PROGRAM	Rural school district grant eligibility	National Center for Education Statistics Locales and Census Bureau Urban Areas	5,000
DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS); NATIONAL CENTER FOR HEALTH STATISTICS, NATALITY AND MORTALITY DATA; HEALTH MONITORING OF URBAN AND RURAL RESIDENTS	Statistics for rural and urban areas by county	OMB Core Based Statistical Areas	Less than 50,000
HHS, CENTERS FOR MEDICARE AND MEDICAID SERVICES, RURAL HEALTH CLINICS	Rural health clinics certification	Census Bureau Urban Areas	Less than 50,000
HHS, HEALTH RESOURCES AND SERVICES ADMINISTRATION, FEDERAL OFFICE OF RURAL HEALTH POLICY	Rural health funding eligibility	ERS Rural-Urban Commuting Areas	50,000
DEPARTMENT OF TRANSPORTATION (DOT), METROPOLITAN PLANNING ORGANIZATION (MPO) PROGRAM	MPO designation; transportation planning and funding	Census Bureau Urban Areas	50,000 or more
DOT, TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA)	TIFIA rural project initiative eligibility	Census Bureau Urban Areas	150,000
DEPARTMENT OF VETERANS AFFAIRS, VETERANS HEALTH ADMINISTRATION, OFFICE OF RURAL HEALTH	Statistics for rural veterans	ERS Rural-Urban Commuting Areas	50,000

Source: List provided by Michael Ratcliffe, U.S. Census Bureau, Geography Division

Defining “rural” can get philosophical, depending in part on the challenges being addressed. As Ratcliffe explains, “It’s being aware of ... what territory and communities are included within either the urban definition or the rural definition, who is excluded from either of those definitions, and how well does that mesh with what you’re trying to achieve in either analysis or a program.

“This is why many of us working in this area have been moving away from a strict dichotomy of urban-rural or metro-nonmetro and starting to move toward a continuum of categories that reflects the landscape’s different characteristics,” he says. “A rural community on the outskirts of a large urban center like, say, Houston or Dallas, Fort Worth or San Antonio, is going to have a different character than one that’s in the Panhandle.”

ASSISTING RURAL AREAS

While the definition of rural may be fluid, state leaders and lawmakers recognize the value of small communities. (See *information box*.) The 88th Legislature approved policy

measures and allocated millions of dollars to support rural priorities including health care, public safety, education, economic development and farming. If approved by Texas voters, billions more will be available for water and rural broadband.

Lawmakers tasked the Comptroller’s office with establishing and administering a grant program for rural sheriff’s offices to help address certain needs including salaries. The Broadband Development Office, which the 87th Legislature placed in the Comptroller’s office, is responsible for connecting the state’s rural areas to high-speed internet through initiatives such as the Bringing Online Opportunities to Texas (BOOT) Program and the federal Broadband Equity, Access, and Deployment (BEAD) Program.

These actions demonstrate that despite varying definitions, leaders’ commitment to supporting rural Texas is unwavering.

“As our population grows, the lines between urban and rural areas are blurring. But lawmakers must ensure all Texans have access to the same resources, no matter where they live,” says Hegar. **FN**

Learn more about the Comptroller’s economic regions, urban and rural, at comptroller.texas.gov/economy/economic-data/regions/2022.

NET STATE REVENUE – ALL FUNDS, EXCLUDING TRUST

Monthly and Year-to-Date Collections: Percent Change from Previous Year (IN THOUSANDS)

This table presents data on net state revenue collections by source. It includes most recent monthly collections, year-to-date (YTD) totals for the current fiscal year and a comparison of current YTD totals with those in the equivalent period of the previous fiscal year. These numbers were current at press time. For the most current data as well as downloadable files, visit comptroller.texas.gov/transparency.

Note: Texas' fiscal year begins on Sept. 1 and ends on Aug. 31.

1. Includes public utility gross receipts assessment, gas, electric and water utility tax and gas utility pipeline tax.

2. Includes taxes not separately listed, such as taxes on oil well services, coin-operated amusement machines, cement and combative sports admissions as well as refunds to employers of certain welfare recipients.

3. Includes various health-related service fees and rebates that were previously in "license, fees, fines and penalties" or in other non-tax revenue categories.

4. Gross sales less retailer commission and the smaller prizes paid by retailers.

Notes: Totals may not add due to rounding. Excludes local funds and deposits by certain semi-independent agencies. Includes certain state revenues that are deposited in the State Treasury but not appropriated.

TAX COLLECTIONS BY MAJOR TAX	JULY 2023	YEAR TO DATE: Total	YEAR TO DATE: Change from Previous Year
SALES TAX	\$3,986,459	\$42,597,512	8.66%
<i>Percent Change from July 2022</i>	2.67%		
MOTOR VEHICLE SALES AND RENTAL TAXES	\$624,579	\$6,162,307	6.29%
<i>Percent Change from July 2022</i>	3.22%		
MOTOR FUEL TAXES	\$329,793	\$3,502,986	1.14%
<i>Percent Change from July 2022</i>	1.64%		
FRANCHISE TAX	\$34,830	\$6,384,253	19.93%
<i>Percent Change from July 2022</i>	8.38%		
OIL PRODUCTION TAX	\$437,317	\$5,430,138	-5.61%
<i>Percent Change from July 2022</i>	-37.03%		
INSURANCE TAXES	\$1,099,265	\$3,681,005	30.28%
<i>Percent Change from July 2022</i>	21.83%		
CIGARETTE AND TOBACCO TAXES	\$103,756	\$1,065,926	-3.59%
<i>Percent Change from July 2022</i>	8.95%		
NATURAL GAS PRODUCTION TAX	\$65,008	\$3,213,305	-18.54%
<i>Percent Change from July 2022</i>	-87.79%		
ALCOHOLIC BEVERAGES TAXES	\$149,184	\$1,624,048	8.35%
<i>Percent Change from July 2022</i>	0.32%		
HOTEL OCCUPANCY TAX	\$71,092	\$707,567	12.23%
<i>Percent Change from July 2022</i>	-3.27%		
UTILITY TAXES¹	\$116,784	\$557,015	24.75%
<i>Percent Change from July 2022</i>	49.24%		
OTHER TAXES²	\$23,944	\$320,377	34.01%
<i>Percent Change from July 2022</i>	21.04%		
TOTAL TAX COLLECTIONS	\$7,042,011	\$75,246,439	7.14%
<i>Percent Change from July 2022</i>	-4.70%		
REVENUE BY SOURCE	JULY 2023	YEAR TO DATE: Total	YEAR TO DATE: Change from Previous Year
TOTAL TAX COLLECTIONS	\$7,042,011	\$75,246,439	7.14%
<i>Percent Change from July 2022</i>	-4.70%		
FEDERAL INCOME	\$4,368,721	\$63,787,075	-4.85%
<i>Percent Change from July 2022</i>	-34.72%		
LICENSES, FEES, FINES AND PENALTIES	\$483,418	\$5,889,829	1.26%
<i>Percent Change from July 2022</i>	-0.12%		
STATE HEALTH SERVICE FEES AND REBATES³	\$587,325	\$10,553,992	6.56%
<i>Percent Change from July 2022</i>	-58.60%		
NET LOTTERY PROCEEDS⁴	\$307,982	\$3,000,332	11.17%
<i>Percent Change from July 2022</i>	24.59%		
LAND INCOME	\$229,994	\$3,537,095	-8.18%
<i>Percent Change from July 2022</i>	-50.02%		
INTEREST AND INVESTMENT INCOME	\$618,421	\$3,842,544	66.40%
<i>Percent Change from July 2022</i>	50.65%		
SETTLEMENTS OF CLAIMS	\$7,570	\$574,513	-12.90%
<i>Percent Change from July 2022</i>	11.25%		
ESCHEATED ESTATES	\$366,096	\$1,062,960	7.13%
<i>Percent Change from July 2022</i>	1.12%		
SALES OF GOODS AND SERVICES	\$22,544	\$278,047	-22.50%
<i>Percent Change from July 2022</i>	-78.37%		
OTHER REVENUE	\$152,447	\$1,652,058	-34.81%
<i>Percent Change from July 2022</i>	22.96%		
TOTAL NET REVENUE	\$14,186,530	\$169,424,884	1.82%
<i>Percent Change from July 2022</i>	-19.84%		



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Glenn Hegar
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