

Texas Budget Update and 2020-2021 Preview

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Outline

- The current state budget
 - Supplemental needs for 2019
 - State revenue trends
- 2020-2021 outlook

2018-2019 Budget: What it Supports, How it's Paid For

\$217 billion All Funds

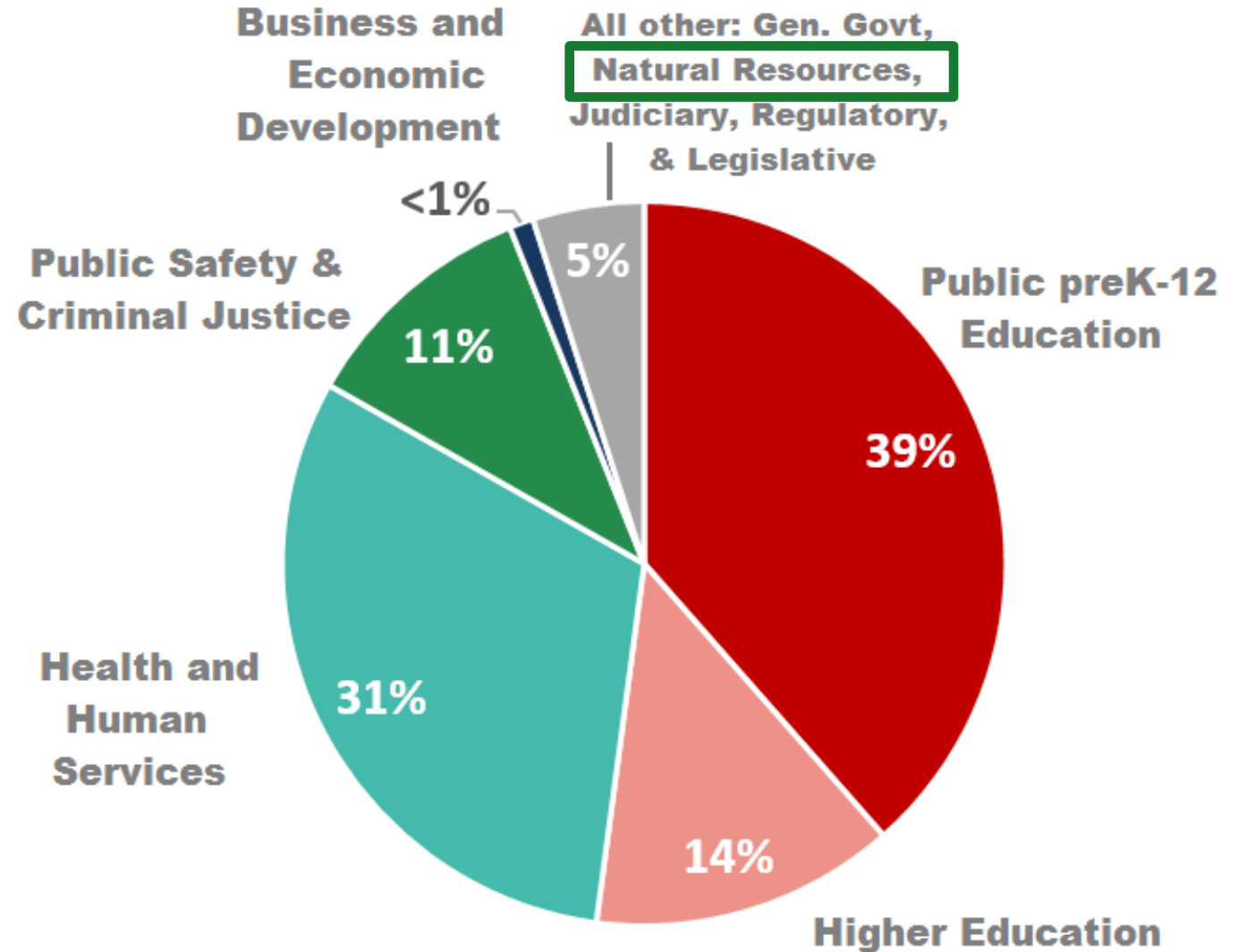
\$107 billion in General Revenue

Compared to 2016-17, preK-12 schools & HHS received **LESS** general revenue

Higher ed: **1.6% more**, but way below the 9% that would've funded formula growth

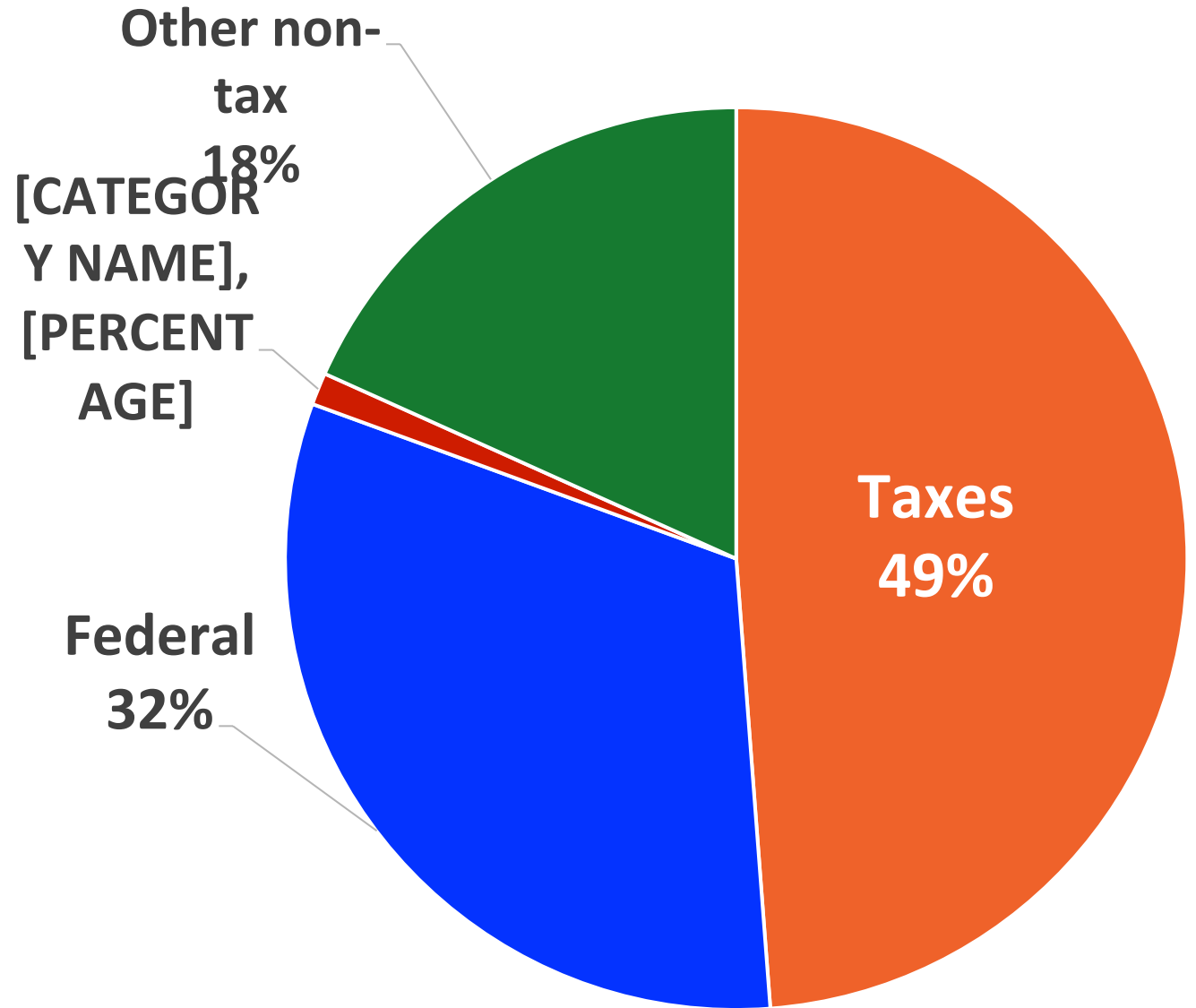
All Funds budget (federal, State Highway Fund, Property Tax Relief): \$217 billion, only **0.2% more than in 2016-17**

Texas 2018-19 General Revenue Budget: \$106.7 billion (*as of Nov. 2017*)



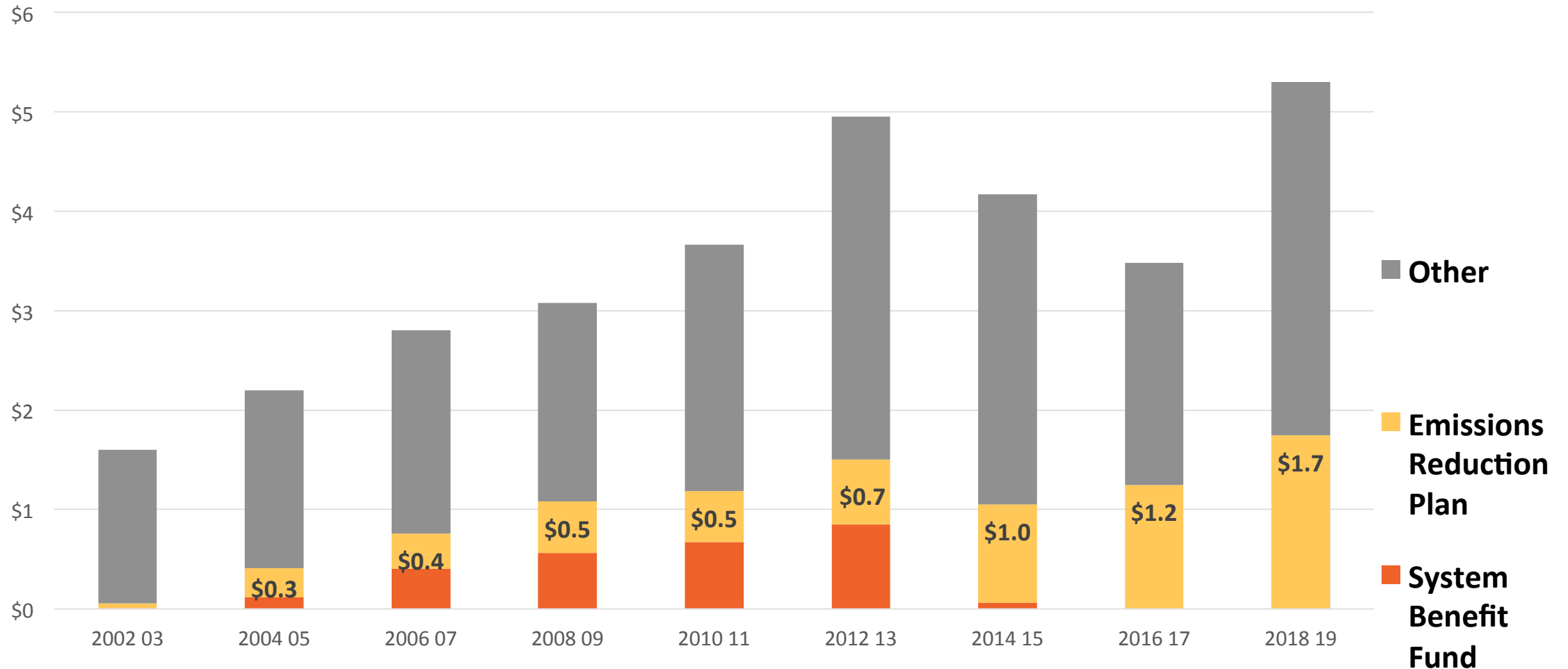
Texas state services are paid for primarily with taxes and federal funds

Revenue for the 2018-2019 Budget, as of July 2018



A “balanced” General Revenue budget – but only because of unspent GR-D

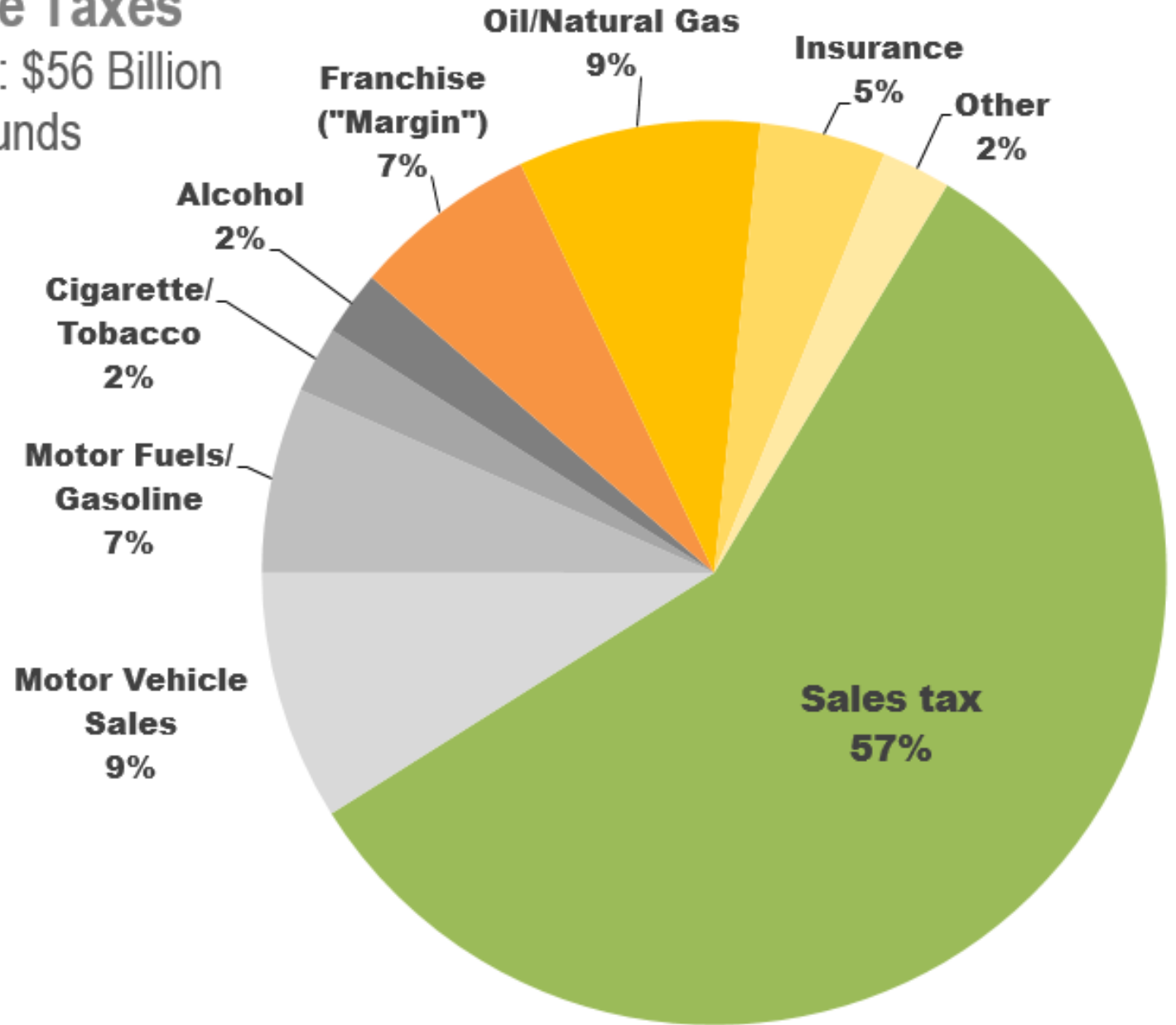
Billion \$



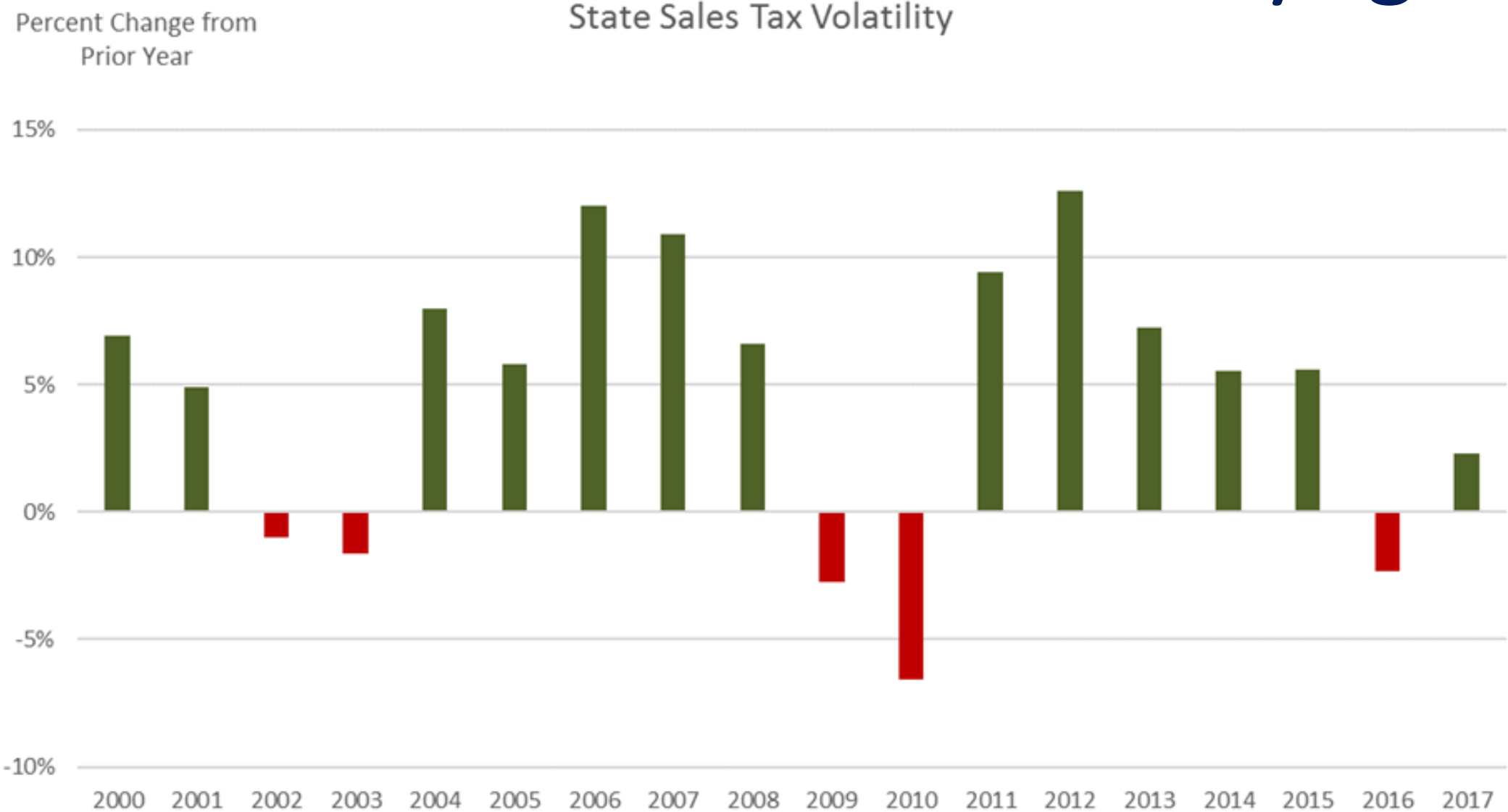
Reliance on consumption taxes makes Texas revenue system volatile and regressive (*hits low-income Texas households the hardest*)

State Taxes

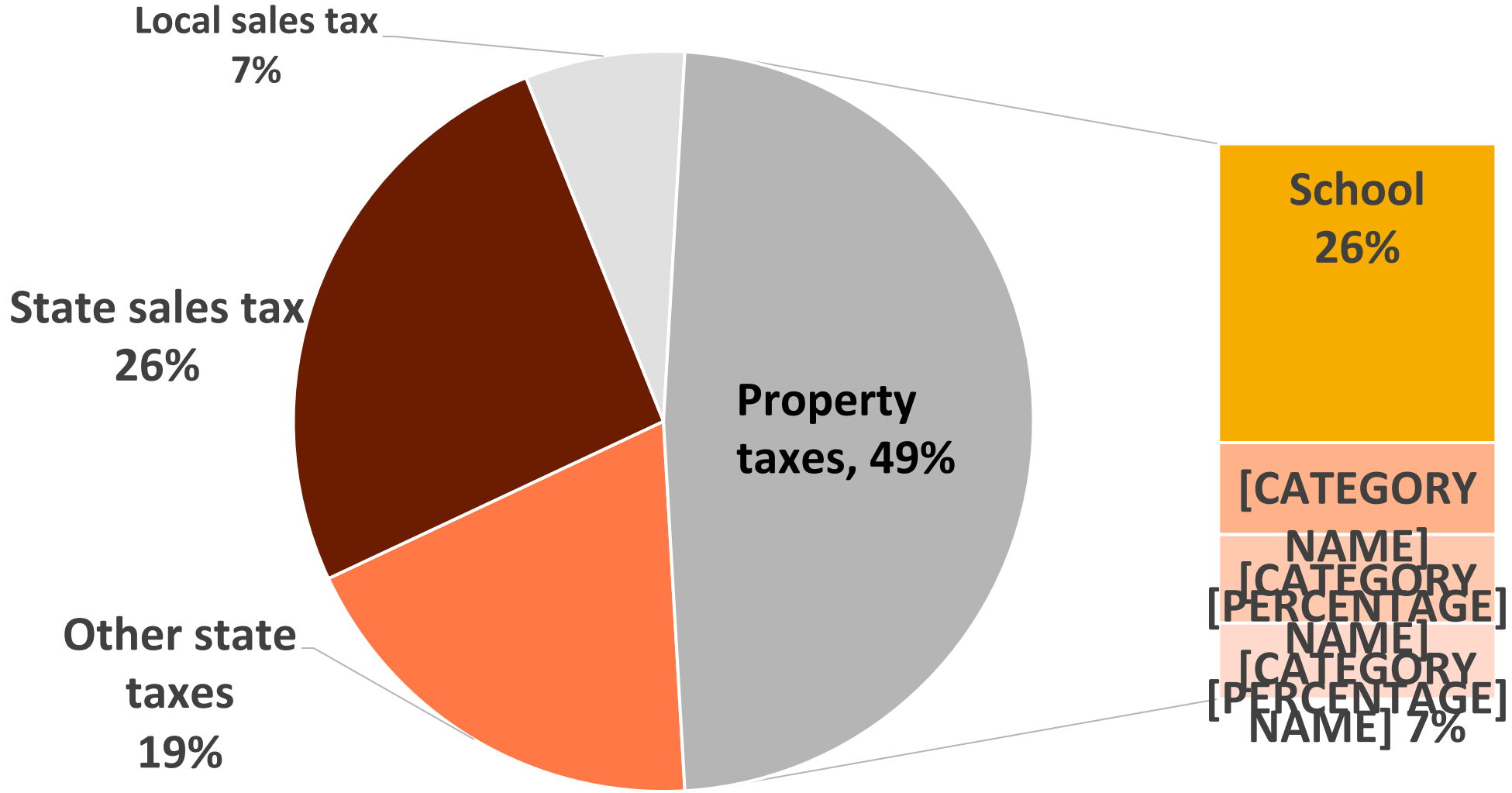
2018: \$56 Billion
All Funds



Sales tax revenue doesn't always grow



State AND Local Taxes in Texas, 2018



ODD YEARS -
OCTOBER - DECEMBER
CONTROLLER CERTIFICATION ESTIMATE AND LBB FISCAL SIZE UP
The Controller's Office and LBB certify the budget and spending tallies, which together make up the Texas budget

EVEN YEARS -

JANUARY - JUNE

BUDGET INSTRUCTIONS TO ALL AGENCIES (April-July)

LBB and Governor's Budget Office tell state agencies how much money they can request

AGENCIES SUBMIT BUDGET REQUESTS (July-August)

BUDGET HEARINGS FOR AGENCIES (August-October)



FISCAL YEAR BEGINS (September)

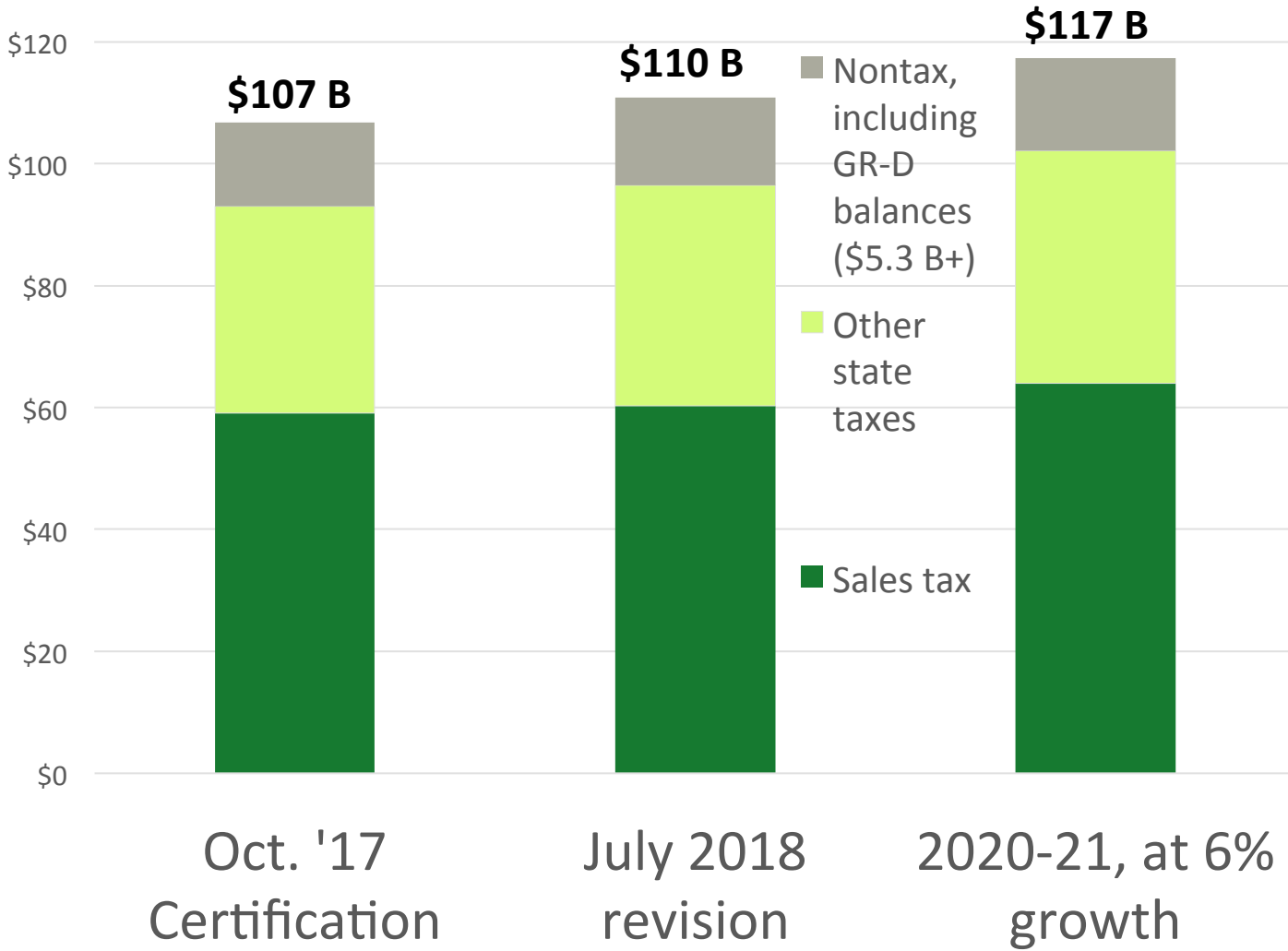
LBB SETS SPENDING GROWTH CAP (November-December)
Limits the legislature's ability to fund state needs

EVEN YEARS -

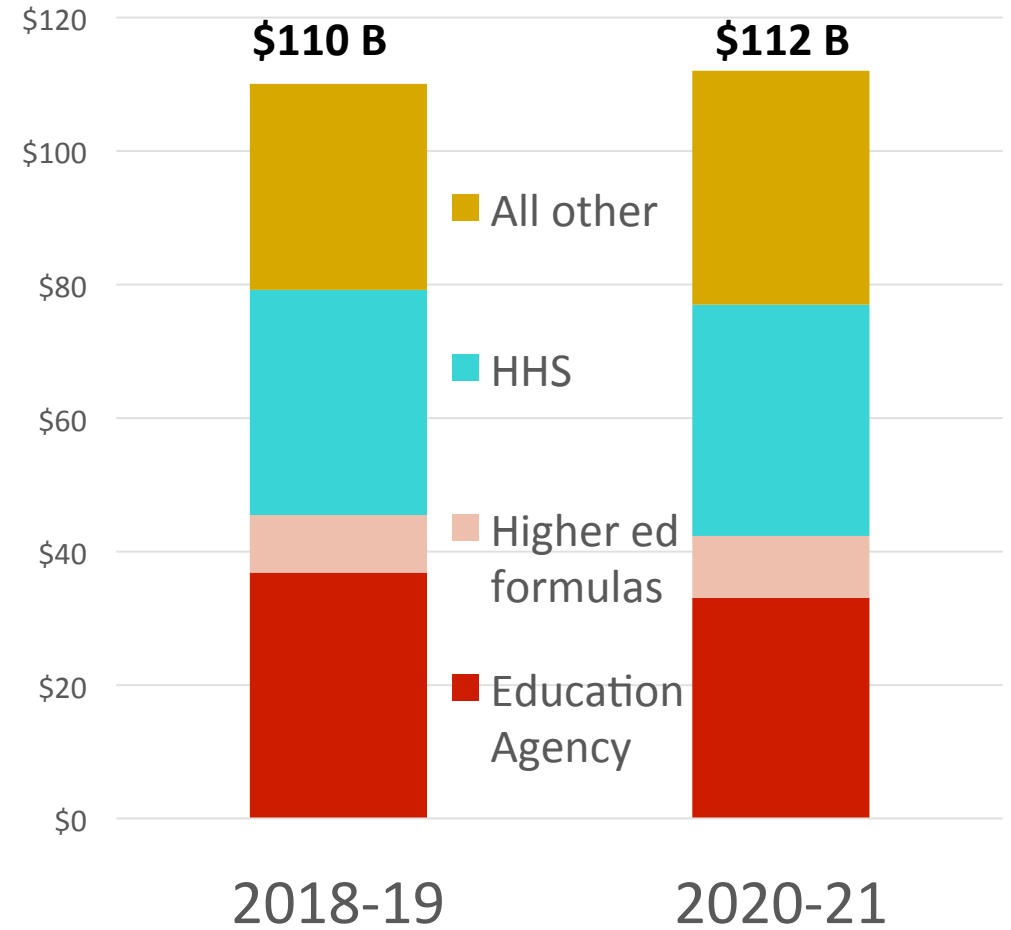
APRIL - JUNE
AMENDED BUDGET BILLS PASS HOUSE AND SENATE;
CONFERENCE COMMITTEE RESOLVES DIFFERENCES
Governor line-item vetoes and signs budget

ODD YEARS -

General Revenue Forecasts



General Revenue Baseline



2018-19 General Revenue needs: \$110 billion?

GR in July 2018 forecast: \$110 billion*

Revenue growth in 2020-21 of 6% \$117 billion

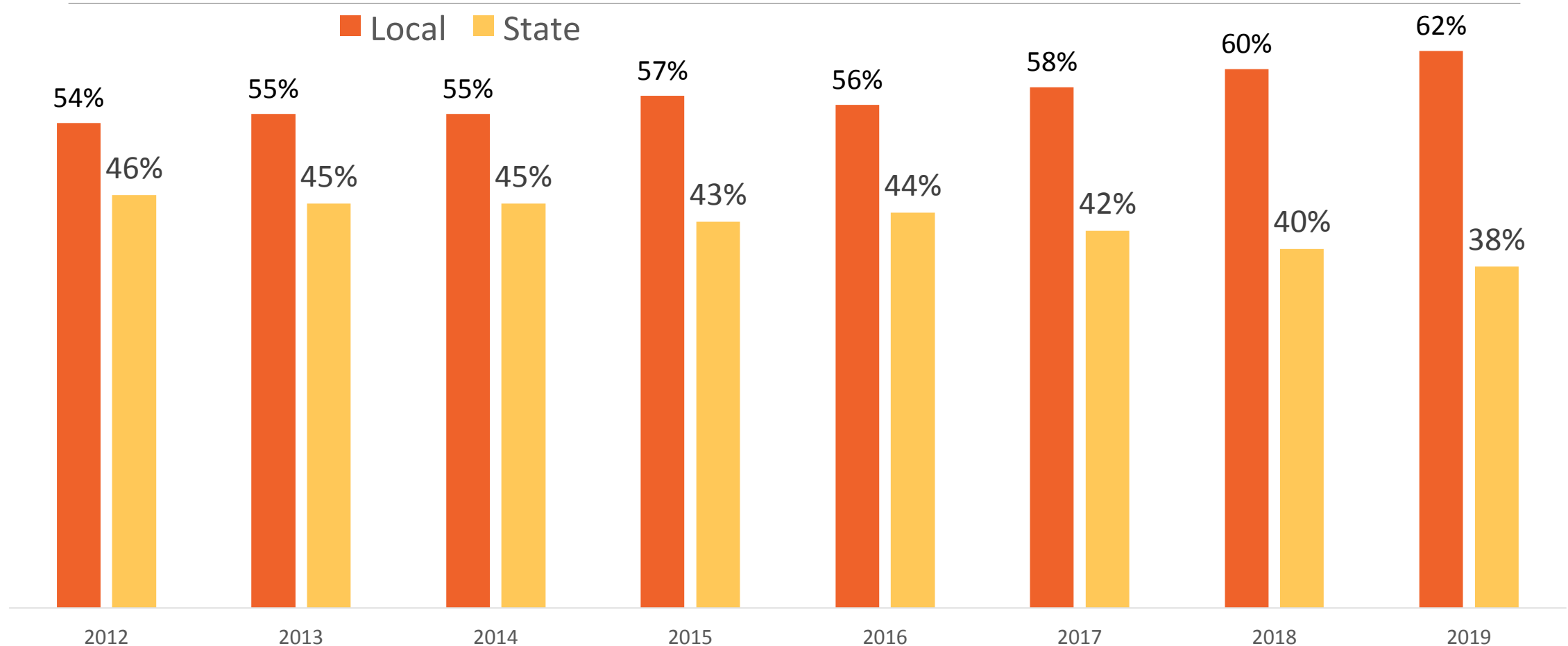
2020-21 GR “current law” budget,
\$3.8 B **less** for public schools \$112 billion

BUT: “current law” ≈ \$8 billion local school tax increase. Other issues: prepaid tuition shortfalls; federal Internet Tax Freedom Act; push for more state franchise tax cuts

*\$5.3 billion is legally dedicated General Revenue balances (GR-D) – “smoke & mirrors”

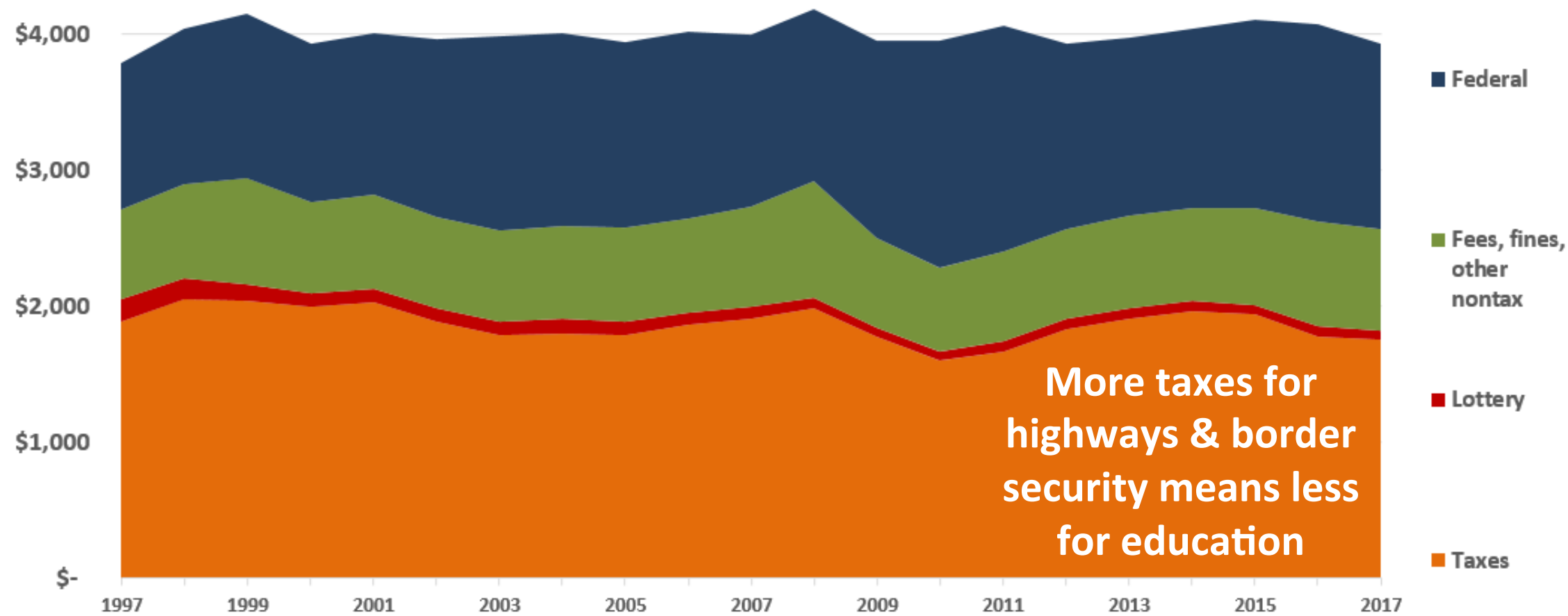
“Status quo” would mean more pressure on local taxes

State and Local Shares of School Formula Funding, Pre-Harvey



No real increase in state revenue – only a reallocation

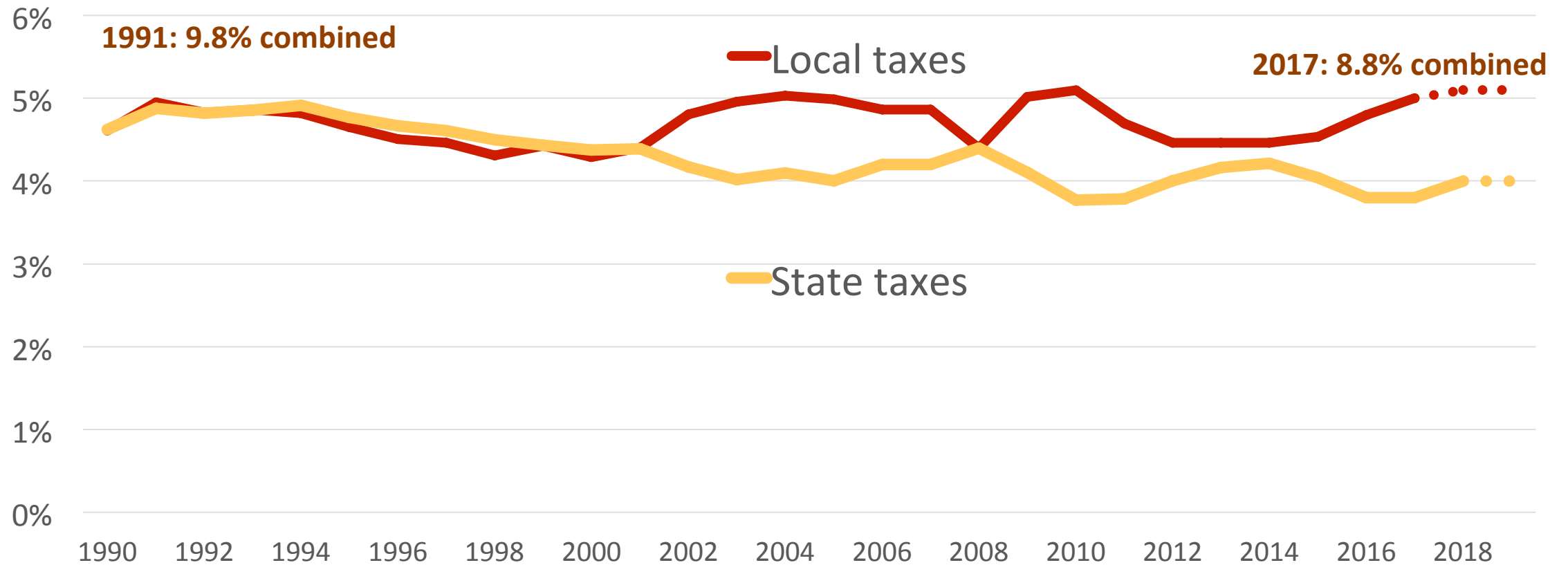
State revenue per Texan, in 2017 \$ (State/Local Govt. inflation)



More taxes for highways & border security means less for education

Texas school districts & other local governments bear more of the responsibility for public services

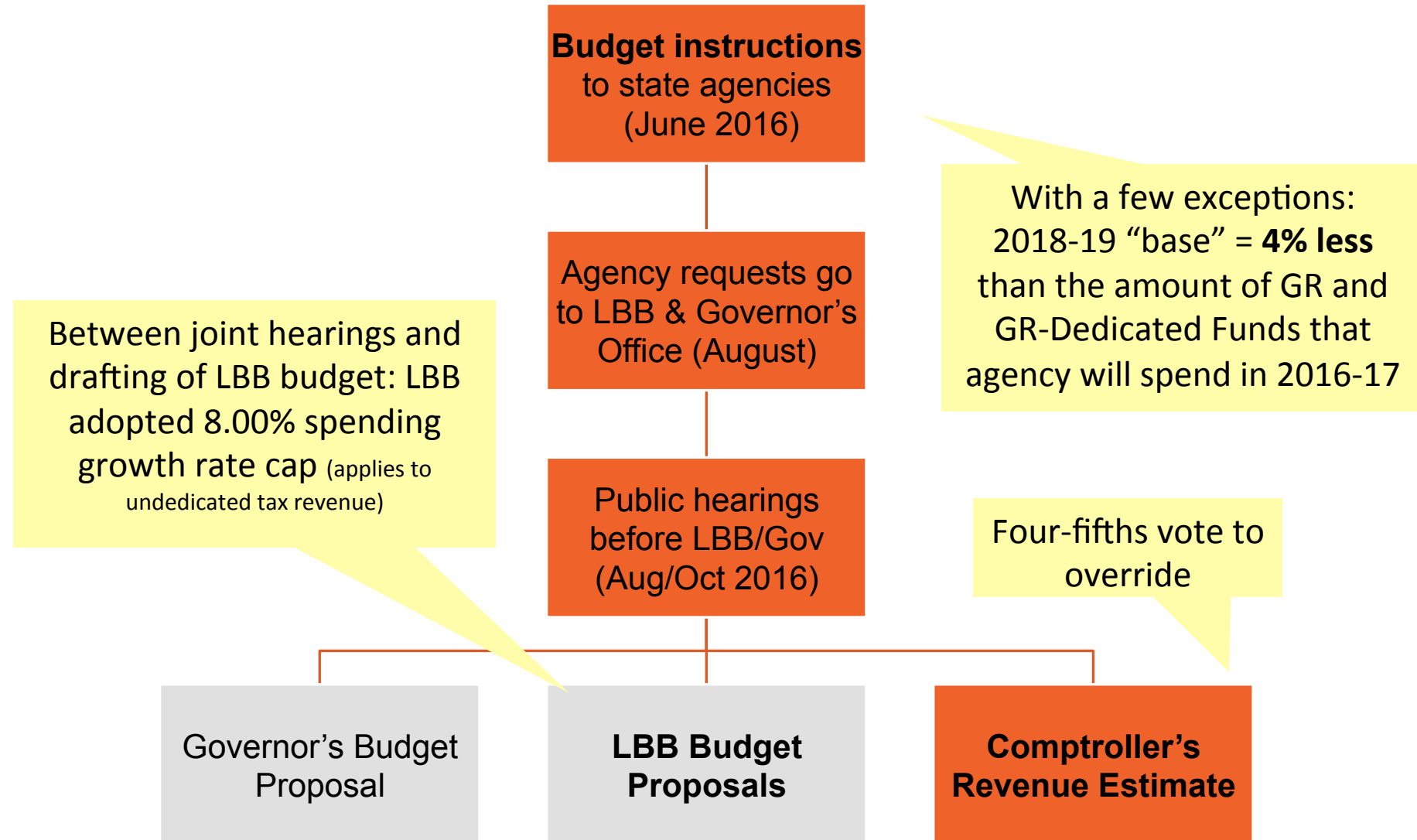
*Tax Share of State
Personal Income*



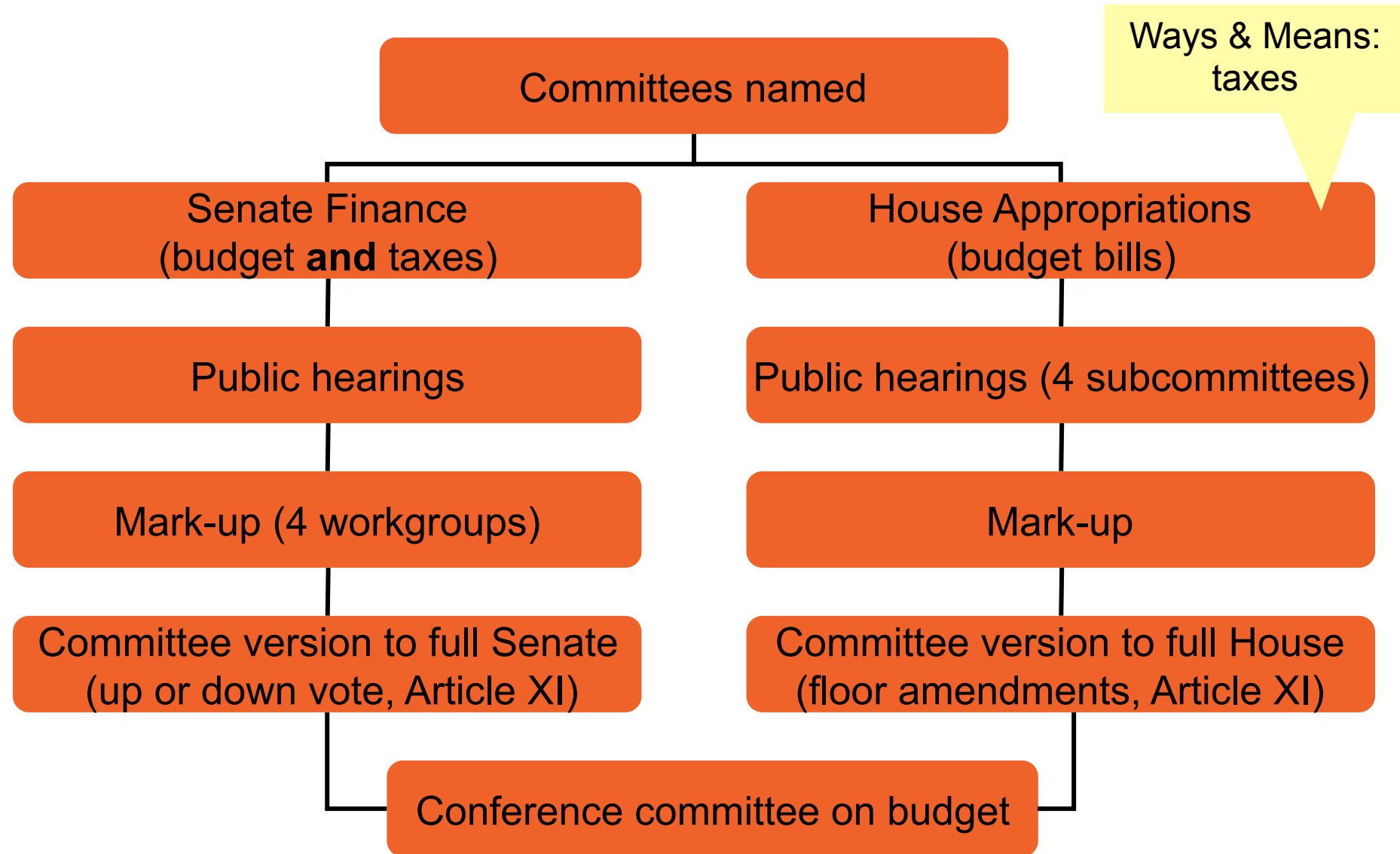
How The Texas State Budget is Written

Legislative Process – Executive Roles

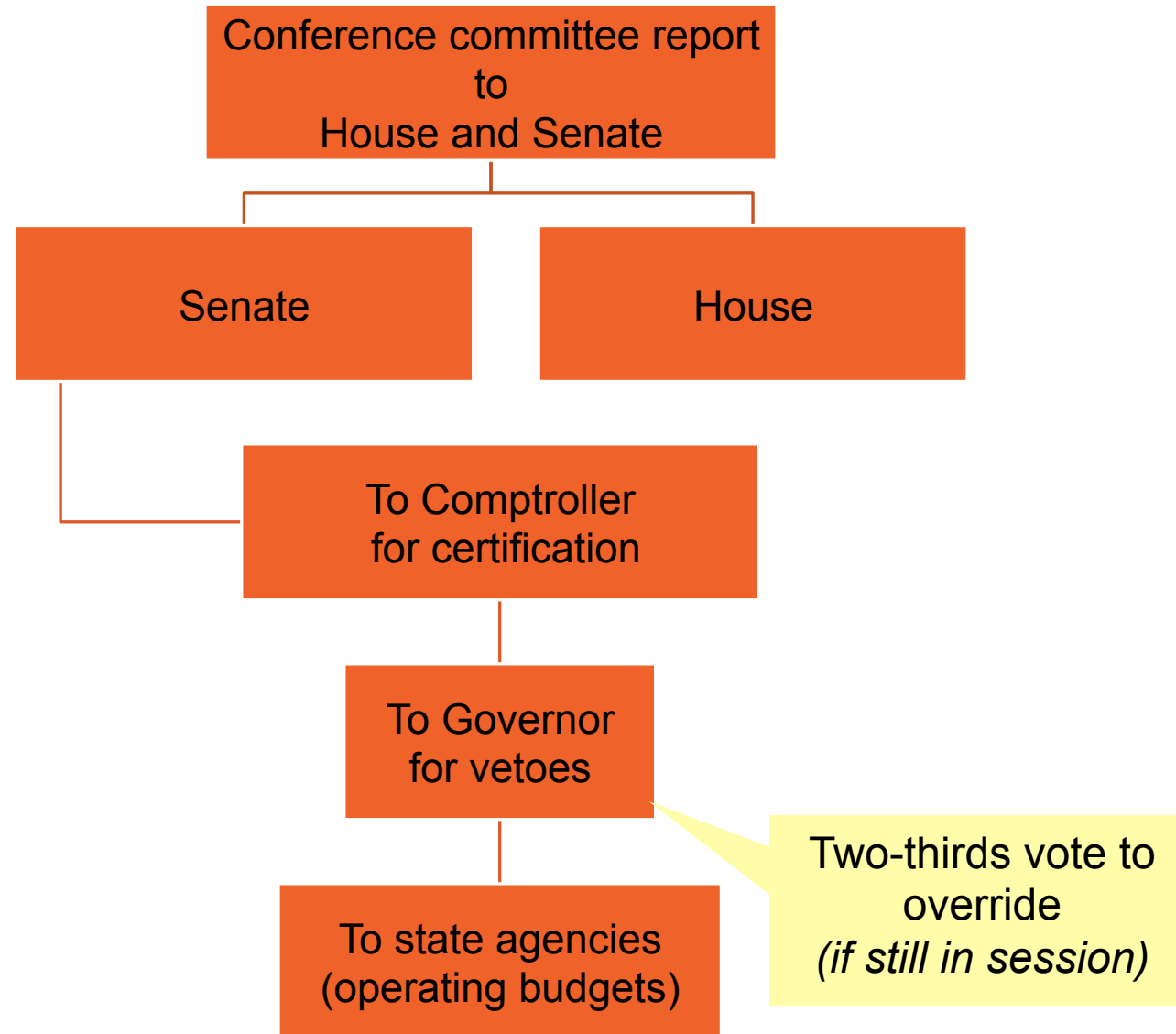
Before the 85th Session Started...



Legislative Process



Final Legislative/Executive Process



Other Things To Know

- “General Revenue” vs. any other method of finance
- Fiscal notes, for budget items needing a separate bill to pass, and FTEs (state employees)
- Contingency riders

We believe in a Texas

that offers everyone the chance
to compete and succeed in life.

We envision a Texas

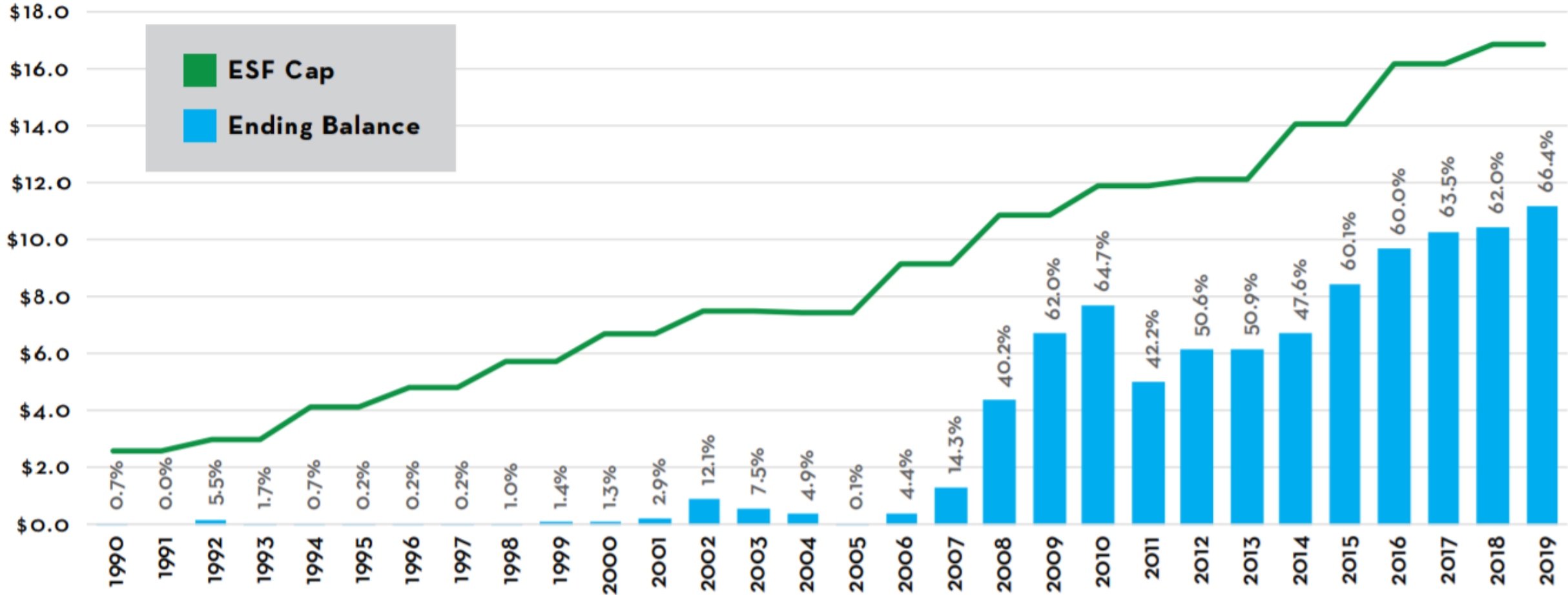
where everyone is healthy,
well-educated, and financially secure.

CENTER *for* PUBLIC POLICY PRIORITIES

@CPPP_TX

Economic Stabilization Fund at All-Time High

ESF ENDING BALANCE VS. CAP (IN BILLIONS)



Past Uses of ESF: More than \$11 billion

