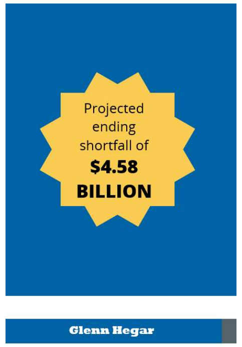
STATE BUDGET UPDATE

Comptroller's Updated Revenue Estimate for the 2020-2021 Biennium Projects Ending Shortfall of $4.58 Billion

Actual revenue decline is: $11.57 billion
Net shortfall of $4.58 billion is less due to lower spending and offsets provided by federal revenue under the CARES Act. FSP savings and federal revenue swap accounts for a significant portion of the difference.



Revenue Available for General Purpose Spending in the 2020-21 Biennium (In Billions of Dollars)

		CRE October 2019	CRE July 2020	
General Revenue-Related (GR-R) Tax Collections	+	$108.14	$94.12	
Other GR-R Revenues	+	$14.99	$14.71	
Total GR-R Revenues	=	$123.13	$108.83	SUBTOTAL
Beginning Balance (Funds carried forward from 2019)	+	$4.72	$4.72	
Change in GR-Dedicated Account Balances from the BRE	+	$0.39	$0.07	
Total GR-R Revenue & Fund Balances	=	$128.24	$113.62	SUBTOTAL
Revenue Reserved for Transfers to the Economic Stabilization and State Highway Funds	–	$6.48	$3.44	
Total Revenue Available for General-Purpose Spending	=	$121.76	$110.19	TOTAL

Note: Totals may not sum because of rounding.

State Kicks Off Preparation for the 2022-2023 Biennial Budget

- State Agencies have been given instructions & deadlines for preparing budget requests for fiscal years 2022 and 2023, aka legislative appropriations requests or LAR's
- TEA's LAR is due October 9th
- Requests must be at base level (lower because of leadership's 5% reduction effort earlier this year)
- Any additional amounts, including restoration of the 5% cuts, may be requested as "exceptional items" which are considered separately during the appropriations process
- FSP is exempt, which means request will be for amount needed to fund current law

Key Take Aways

☆ Options that are used to cover the current biennium's $4.58B shortfall (for example Rainy Day Fund) will limit the tools available to lawmakers to make ends meet for the 2022-2023 biennium without cuts to current services.

☆ Leadership has taken note of ISD fund balances. Be prepared to explain differences between ISD fund balance and the state's Rainy Day Fund.

STATE BUDGET UPDATE
KEY ECONOMIC INDICATORS

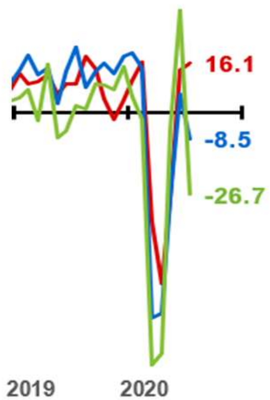
ECONOMIC OUTPUT

-31.7%

US GDP – Q2 2020

GDP stands well below the recent historic low of -8.4% (Great Recession) & the 10-year average quarterly growth rate of 2.3%

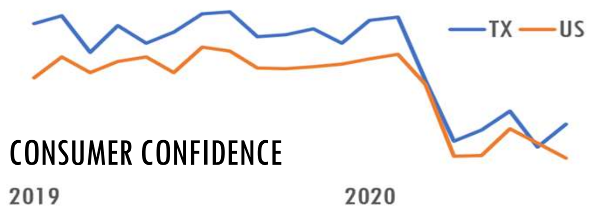
US GDP



TX INDICATORS

Texas' Economic Output accounts for approximately 9% of US GDP.

–Federal Reserve Bank of Dallas



CONSUMER CONFIDENCE

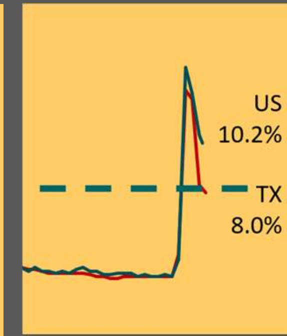
Recent indicators for all Texas business sectors reflect dramatic volatility from month to month, with service and retail sectors, particularly travel and hospitality, plus the energy industry contributing to the most significant fluctuations. Consumer confidence, a leading economic indicator for both TX & the US, continues to hover near the low points of past recessionary cycles.

UNEMPLOYMENT RATE

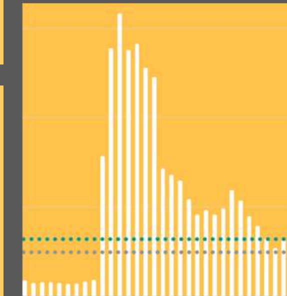
8%

Down from previous month

Current rate is near rate experienced during the Great Recession

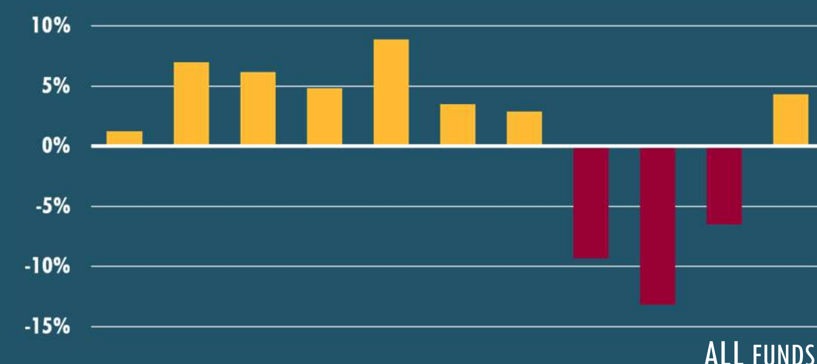


The Weekly Count of New Unemployment Claims has fallen but remains elevated near rates experienced in the 2016 oil & gas downturn and the Great Recession



STATE REVENUE

FY20 Monthly Sales Tax % Change from Prior Year



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