

The Texas Budget

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Economic & Fiscal Challenges to Prosperity

- 11th largest world economy possibly hampered by:
 - Slower global economic growth
 - Federal Reserve tightening credit: rates too low for too long
 - Low oil prices (~15% of real private economy/+20% in 80s)
 - First major recession in 30 years? Unlikely
- Revenue picture tighter in 2017 Session than previous
- Fortunately, 2015 Texas Legislature:
 - Passed a conservative 2016-17 budget: 4.3% increase
 - Left billions of dollars on table & \$10 B in Rainy Day Fund
 - Passed \$4 B in tax and fee relief

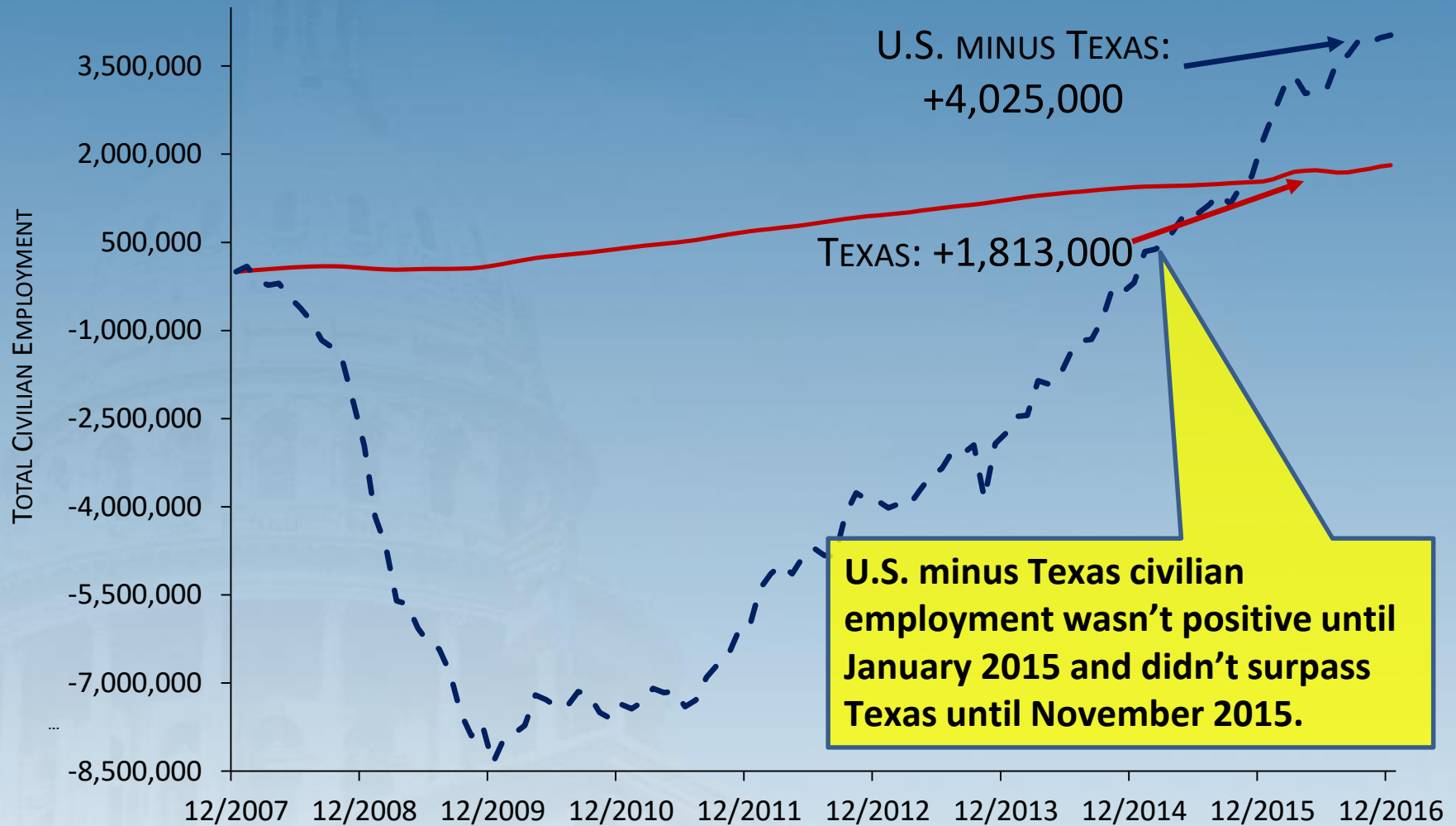
Economic Opportunity to Prosper is Key: Texas Model Leads the Way

Measure	U.S.	Texas	Florida	California	New York
Economic Freedom of North America (2014)	--	3 rd	2 nd	43 rd	47 th
State Business Tax Climate Index (2017)	--	14 th	4 th	48 th	49 th
State-Local Tax Burden (2012)	--	46 th	34 th	6 th	1 st
Avg. Annual Nonfarm Job Creation (2000-15)	0.6%	1.6%	1.1%	0.8%	0.6%
Avg. U-3 Unemployment Rate (2003-15)	6.6%	6.0%	6.6%	8.1%	6.5%
Avg. U-6 Underutilization Rate (2003-15)	11.9%	10.9%	12.3%	14.9%	11.5%
Avg. Labor Force Participation (2000-15)	65.2%	66.3%	62.0%	64.8%	62.3%
Avg. Employment-Population Ratio (2000-15)	61.1%	62.5%	58.1%	60.0%	58.4%
Avg. Employment-Pop. Ratio 25-54 (2003-14)	77.52%	77.19%	77.59%	75.02%	75.90%
Total Civilian Emp. (12/07-12/15), ex. TX	+2,121,000	+1,534,000	+489,000	+929,000	+130,000
Total Nonfarm Emp. (12/07-12/15), ex. TX	+3,330,000	+1,403,000	+280,000	+802,000	+530,000
Real Avg. Annual Private Pay (2001-14)	6.1%	10.2%	6.1%	6.9%	5.4%
Avg. Top 10% Income Shares (2000-13)	47.5%	48.8%	52.0%	54.2%	56.6%
Avg. Top 1% Income Shares (2000-13)	20.3%	21.3%	23.9%	25.8%	29.7%
Supplemental Poverty Measure (2013-15)	15.1%	14.9%	19.0%	20.6%	17.9%

Source: TPPF, [*A Labor Market Comparison: Why the Texas Model Supports Prosperity*](#) (updated)

Texas, America's Jobs Engine

Texas has created 31% of total U.S. employment increase since pre-Great Recession



DATA ARE CUMULATIVE MONTHLY TOTAL CIVILIAN EMPLOYMENT FROM
THE U.S. BUREAU OF LABOR STATISTICS FROM 12/2007 TO 1/2017.

Fiscal Challenges Reduce Opportunity

- No recent examples of Texas budget increases of less than population growth plus inflation:
 - 2003 dealt with a \$10 billion shortfall and passed a conservative budget but massive spending increase in 2005
 - 2011 passed a budget below pop+inf but delayed payments for Medicaid & education led to a large increase in 2013
- 2015 session passed a potentially conservative budget, provided tax relief, and left money on the table
- Legislature should pass a conservative budget in 2017

Revenue Problem? More GR Available Excluding Lege Priority on Transportation

BIENNIAL REVENUE ESTIMATE A CLOSER LOOK

January 2017

The Biennial Revenue Estimate is issued by the Comptroller at the start of every legislative session before Texas legislators begin budgeting for the next biennium. The estimate tells lawmakers how much they can spend, which in turn affects every Texan.

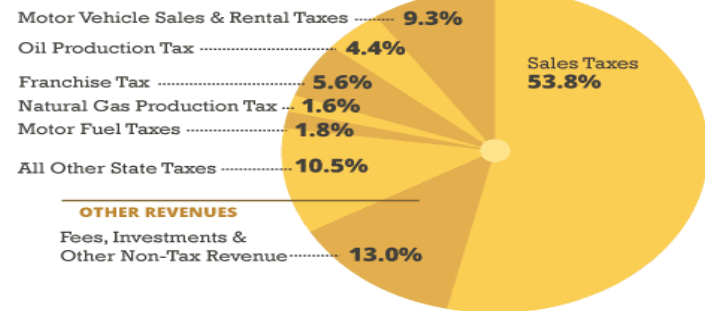
Revenue Available for General Purpose Spending

		2016-17	2018-19	
General Revenue-Related (GR-R) Revenues from Sales Taxes (Before allocation to State Highway Fund)	+	\$56.83	\$61.97	In Billions of Dollars
Sales Taxes Allocated to State Highway Fund	-	\$0.0	\$4.71	
Net GR-R Revenues from Sales Taxes	=	\$56.83	\$57.26	SUBTOTAL
Other GR-R Revenues	+	\$45.61	\$49.21	
Total GR-R Revenues	=	\$102.45	\$106.47	SUBTOTAL
Beginning Balance (Funds carried forward from 2016)	+	\$7.29	\$1.53	
Total GR-R Revenue & Fund Balances	=	\$109.73	\$108.00	SUBTOTAL
Revenue Reserved for Transfers to the Economic Stabilization and State Highway Funds	-	\$2.0	\$3.13	
Total Revenue Available for General-Purpose Spending	=	\$107.73	\$104.87	TOTAL

In 2015, voters approved Proposition 7, which requires the Comptroller to direct some tax revenues to the State Highway Fund starting in fiscal 2018.

General Revenue-Related Revenues

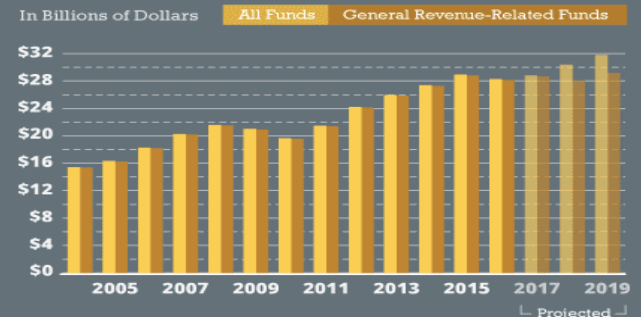
STATE TAX REVENUES



OTHER REVENUES

Fees, Investments & Other Non-Tax Revenue 13.0%

Annual Net Sales Tax Collections

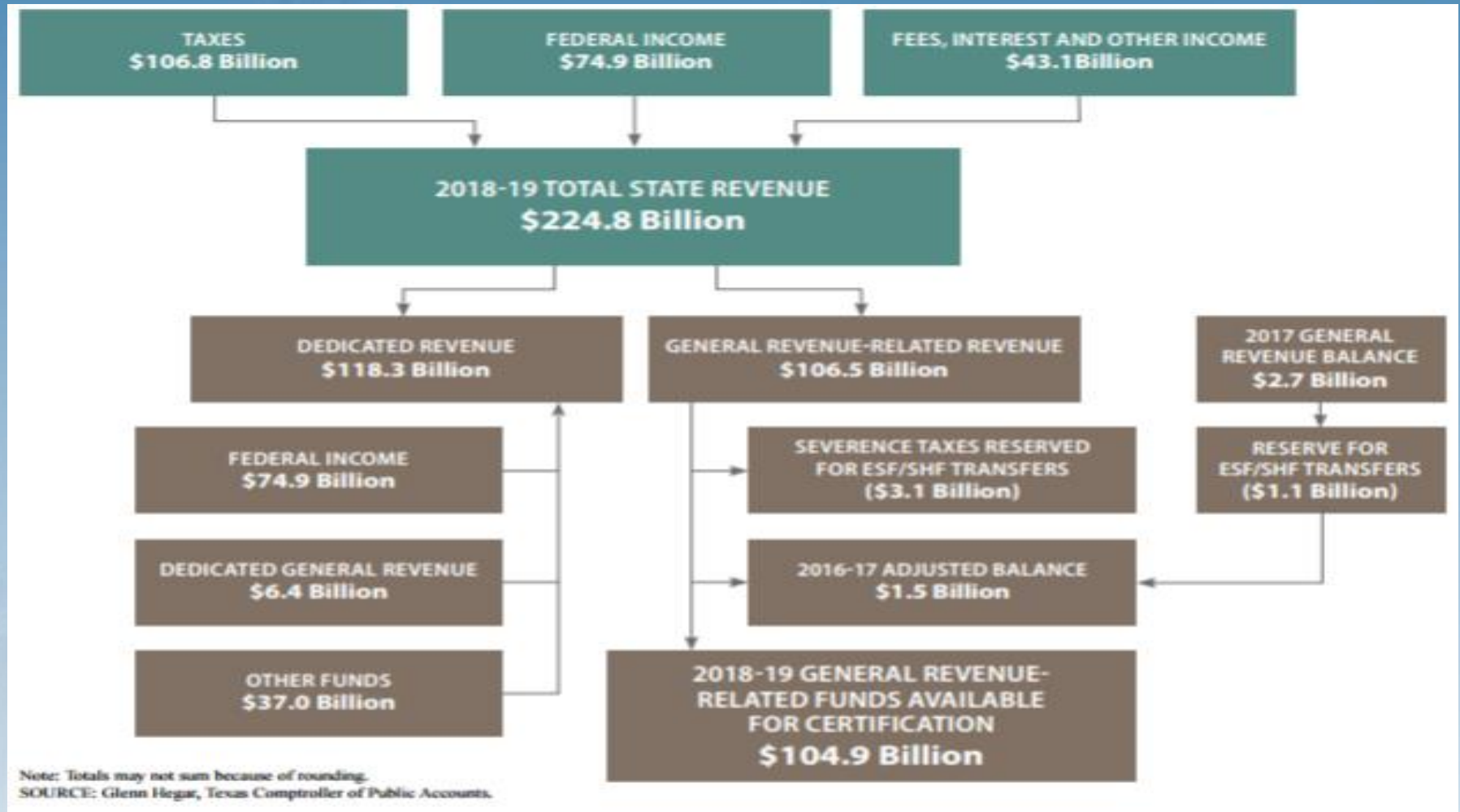


Glenn Hegar

Texas Comptroller of Public Accounts

Source: Texas Comptroller, [Biennial Revenue Estimate](#)

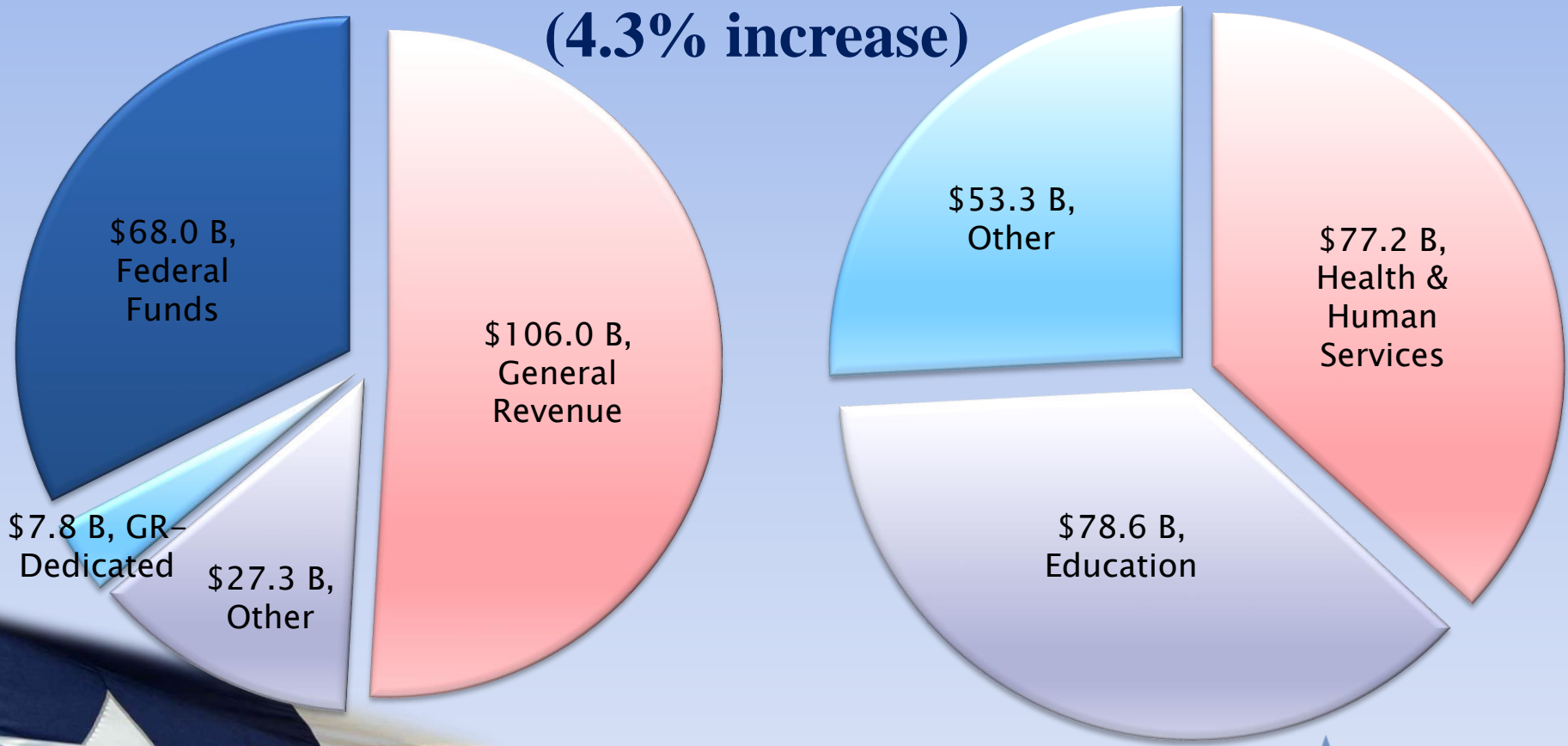
Footprint of Government: Total Revenue Estimated Up 7.5% Above 2016-17 Approps



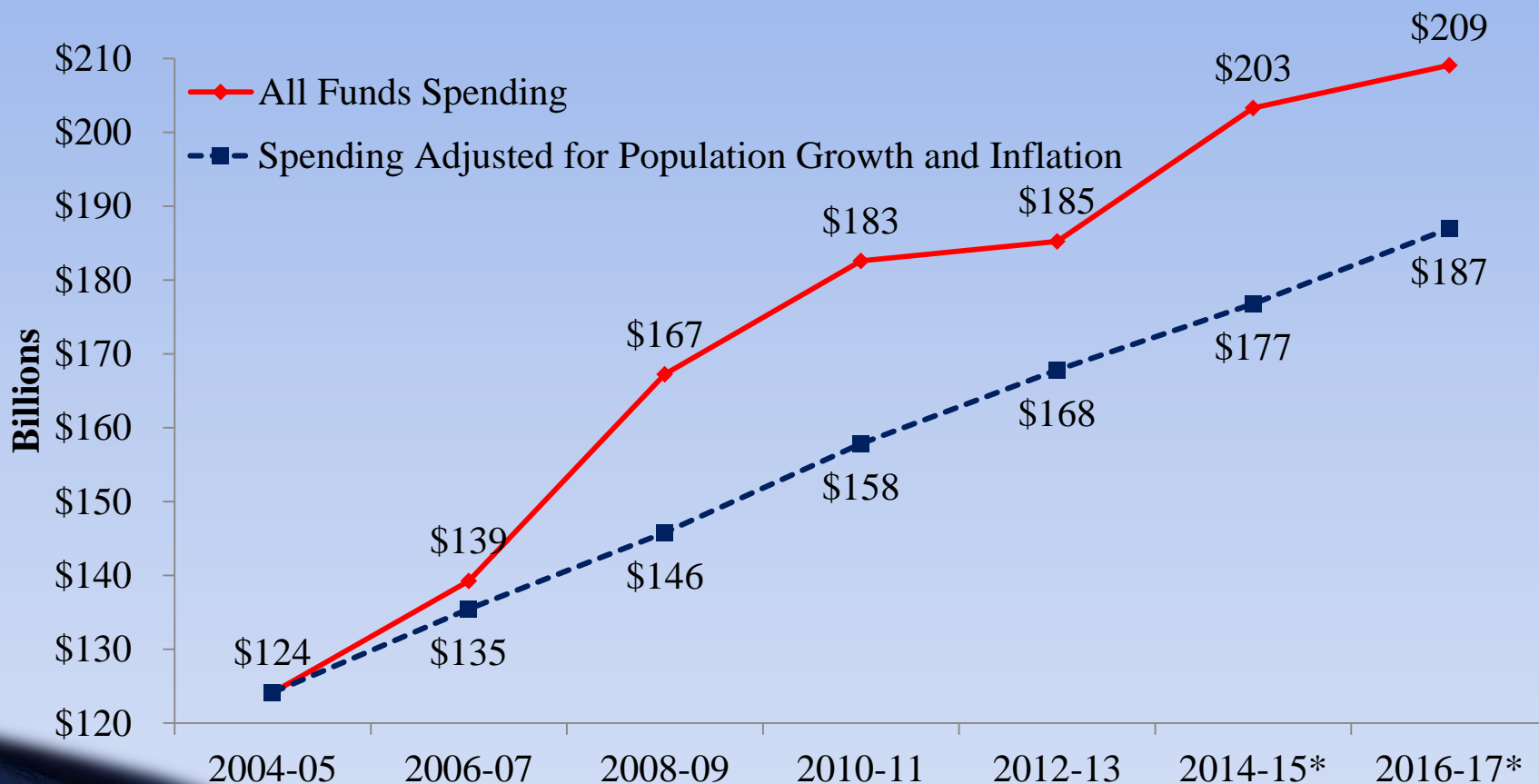
Source: Texas Comptroller, [Biennial Revenue Estimate](#)

Texas Budget: Where We Stand

Total 2016-17 All Funds Approps: \$209.1 Billion
(4.3% increase)



Spending Problem: Budget Up 11.8% More than Pop+Inf Since 04-05 Budget



2018-19 Conservative Texas Budget Criteria

the *Conservative* TEXAS BUDGET

SPENDING LIMITS FOR 2018-19 BUDGET

\$147.5
BILLION
state funds

4.5% (pop. + infl.)
increase

\$218.5
BILLION
all funds

ABOVE 2016-17 SPENDING

www.conservativetexasbudget.com

House Proposed 2018-19 Budget v. CTB

Type (Millions of \$)	Appropriated 2016-17	Proposed 2018-19	Conservative Texas Budget 2018-19 Limits Pop+Inf: 4.5%	v. CTB	Comptroller BRE 2018-19
GR	\$106,007.5	\$108,860.9			\$104,870.9
GR-D	7,808.4	7,033.1			
Other	27,285.6	31,926.8			
State Total	\$141,101.5	\$147,820.8	\$147,451.1	\$369.7	\$149,884.4
Federal	68,001.5	73,513.9			
All Funds Total	\$209,103.0	\$221,334.7	\$218,512.6	\$2,822.1	\$224,770.1
GR Change		2.7%			
State Change		4.8%			
Fed Change		8.1%			
All Funds Change		5.8%			

Senate Proposed 2018-19 Budget v. CTB

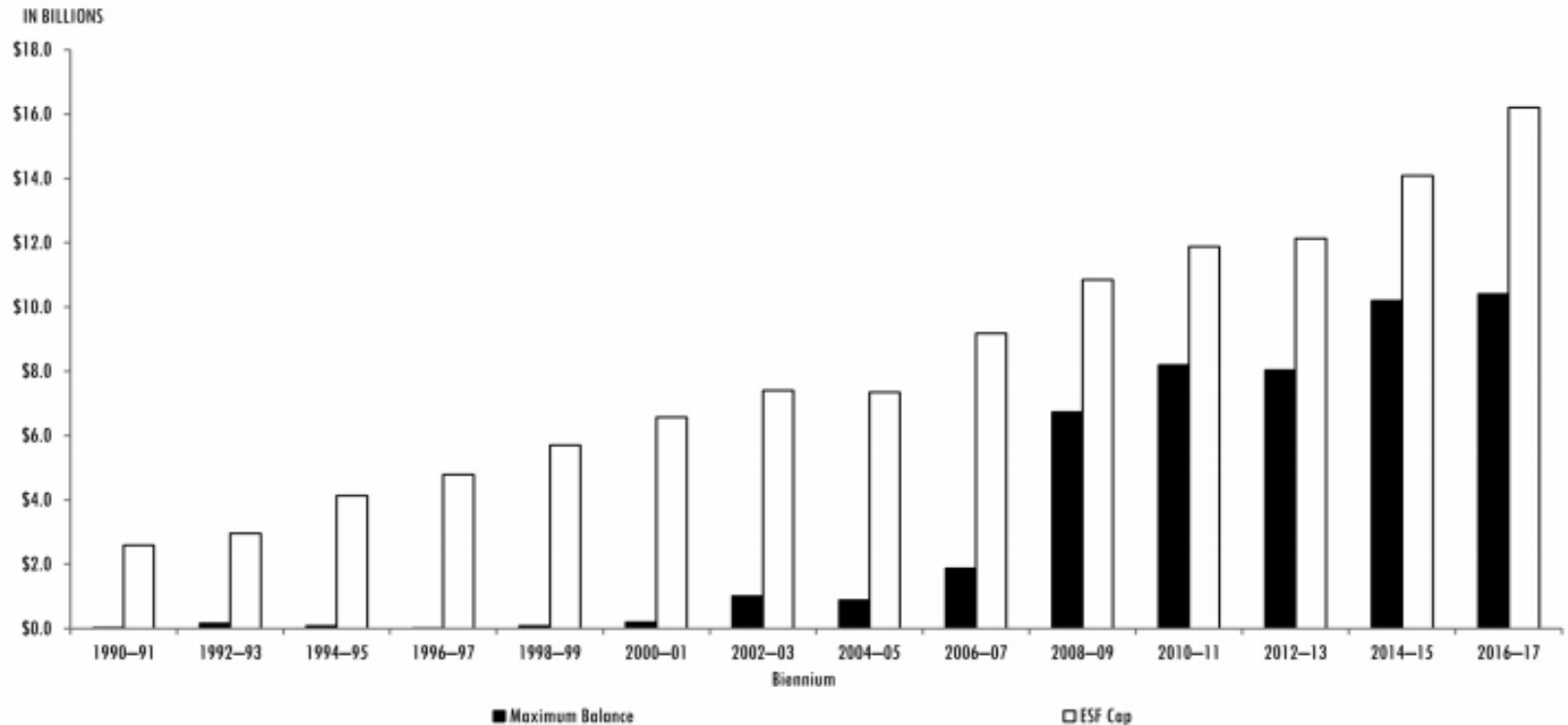
Type (Millions of \$)	Appropriated 2016-17	Proposed 2018-19	Conservative Texas Budget 2018-19 Limits Pop+Inf: 4.5%	v. CTB	Comptroller BRE 2018-19
GR	\$106,007.5	\$103,602.3			\$104,870.9
GR-D	7,808.4	6,893.3			
Other	27,285.6	31,869.6			
State Total	\$141,101.5	\$142,365.2	\$147,451.1	-\$5,085.9	\$149,884.4
Federal	68,001.5	71,006.4			
All Funds Total	\$209,103.0	\$213,371.6	\$218,512.6	-\$5,141.0	\$224,770.1
GR Change		-2.3%			
State Change		0.9%			
Fed Change		4.4%			
All Funds Change		2.0%			

House v. Senate Proposed 18-19 Budgets

Article/All Funds (Millions of \$)	Appropriated 2016-17	House Version 2018-19	House Change	Senate Version 2018-19	Senate Change	House v. Senate 2018-19
I - General Government	\$6,252.6	\$5,920.1	-\$332.5	\$5,886.6	-\$366.0	\$33.5
II - Health and Human Services	\$77,199.8	\$81,848.7	\$4,648.9	\$77,373.1	\$173.3	\$4,475.6
III - Agencies of Education	\$78,570.1	\$81,585.4	\$3,015.3	\$79,303.9	\$733.8	\$2,281.5
<i>Public Education</i>	<i>\$58,556.2</i>	<i>\$61,073.1</i>	<i>\$2,516.9</i>	<i>\$59,577.1</i>	<i>\$1,020.9</i>	<i>\$1,496.0</i>
<i>Higher Education</i>	<i>\$20,013.9</i>	<i>\$20,512.3</i>	<i>\$498.4</i>	<i>\$19,726.9</i>	<i>-\$287.0</i>	<i>\$785.4</i>
IV - The Judiciary	\$807.8	\$806.5	-\$1.3	\$800.1	-\$7.7	\$6.4
V - Public Safety and Criminal Justice	\$12,432.6	\$12,241.2	-\$191.4	\$12,331.5	-\$101.1	-\$90.3
VI - Natural Resources	\$4,367.5	\$4,506.9	\$139.4	\$4,321.8	-\$45.7	\$185.1
VII - Business and Economic Development	\$27,762.2	\$33,410.5	\$5,648.3	\$33,398.2	\$5,636.0	\$12.3
VIII - Regulatory	\$934.2	\$631.2	-\$303.0	\$626.5	-\$307.7	\$4.7
IX - General Provisions	\$390.2	\$0.0	-\$390.2	-\$1,058.0	-\$1,448.2	\$1,058.0
X - The Legislature	\$386.1	\$384.3	-\$1.8	\$387.9	\$1.8	-\$3.6
All Funds Total	\$209,103.1	\$221,334.8	\$12,231.7	\$213,371.6	\$4,268.5	\$7,963.2

Rainy Day Fund looks to end the current budget period with a \$10.3 billion balance

**ECONOMIC STABILIZATION CAP COMPARED TO THE MAXIMUM MONTHLY ENDING BALANCE
1990-91 TO 2016-17 BIENNIA**



NOTE: 2016-17 amounts are estimated.
SOURCE: Comptroller of Public Accounts.

Source: [Legislative Budget Board](#) and [Leaky Umbrella](#)

Conservative Texas Budget Coalition: Keys for the 2017 Legislative Session

- Pass a [conservative budget](#) such that the 2018-19 budget increase is below pop+inf of 4.5%
- Eliminate the [business margin tax](#)
- Provide meaningful [property tax reform](#)
- Reform the state's weak [tax and expenditure limit](#)
- Create the [Sales Tax Reduction \(STaR\) Fund](#)
- Increase [budget transparency](#)

Gov't spending is ultimately paid for by taxation, so we must control spending to have the best opportunity for Texans to prosper.

Taking these steps will secure the fact that the American Dream is not dead – it has simply moved to the **Lone Star State.**



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