

January 2025

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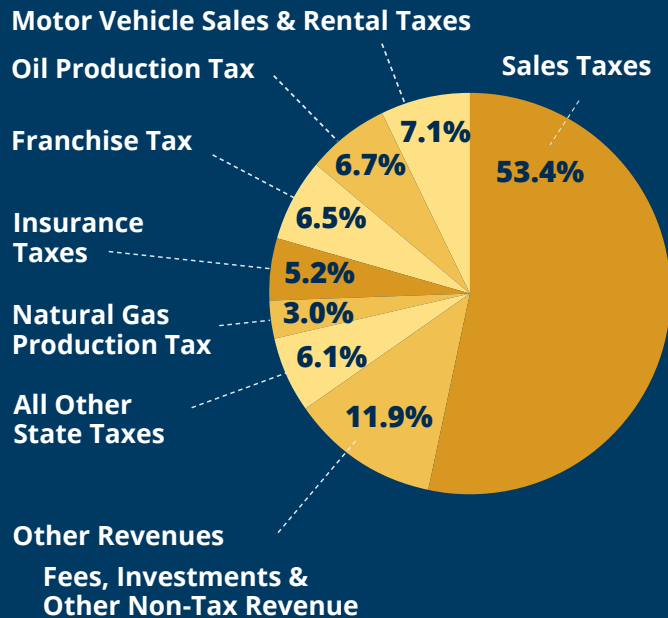
# BIENNIAL REVENUE ESTIMATE



# BIENNIAL REVENUE ESTIMATE

The Texas Comptroller issues the Biennial Revenue Estimate before every regular legislative session, projecting the revenue that lawmakers have available for state programs and services through the upcoming biennium. The 89th Legislature will have a projected fiscal 2024-25 ending balance of \$23.76 billion, in addition to \$170.83 billion in total collections of available general revenue-related (GR-R) funds (net of transfers) in the 2026-27 biennium.

## State Revenue, General Revenue-Related



## Revenue Available for General-Purpose Spending

**PROJECTED**  
In Billions of Dollars

		2024-25	2026-27 BIENNIUM
GR-R Tax Collections	+	\$143.36	\$155.42
Other GR-R Revenue	+	\$24.03	\$21.01
<b>TOTAL GR-R REVENUE</b>	=	<b>\$167.38</b>	<b>\$176.43</b> SUBTOTAL
Beginning Balance	+	\$39.43	\$23.76
<b>TOTAL GR-R REVENUE &amp; FUND BALANCES</b>	=	<b>\$206.81</b>	<b>\$200.19</b> SUBTOTAL
Reserve for Transfers to the Economic Stabilization and State Highway Funds	-	\$10.38	\$11.19
Reduction of Reserve for Transfers of Severance Taxes to the Economic Stabilization Fund	+	\$0.31	\$5.60
<b>TOTAL REVENUE AVAILABLE FOR GENERAL-PURPOSE SPENDING</b>	=	<b>\$196.73</b>	<b>\$194.60</b> TOTAL

Totals may not sum because of rounding.

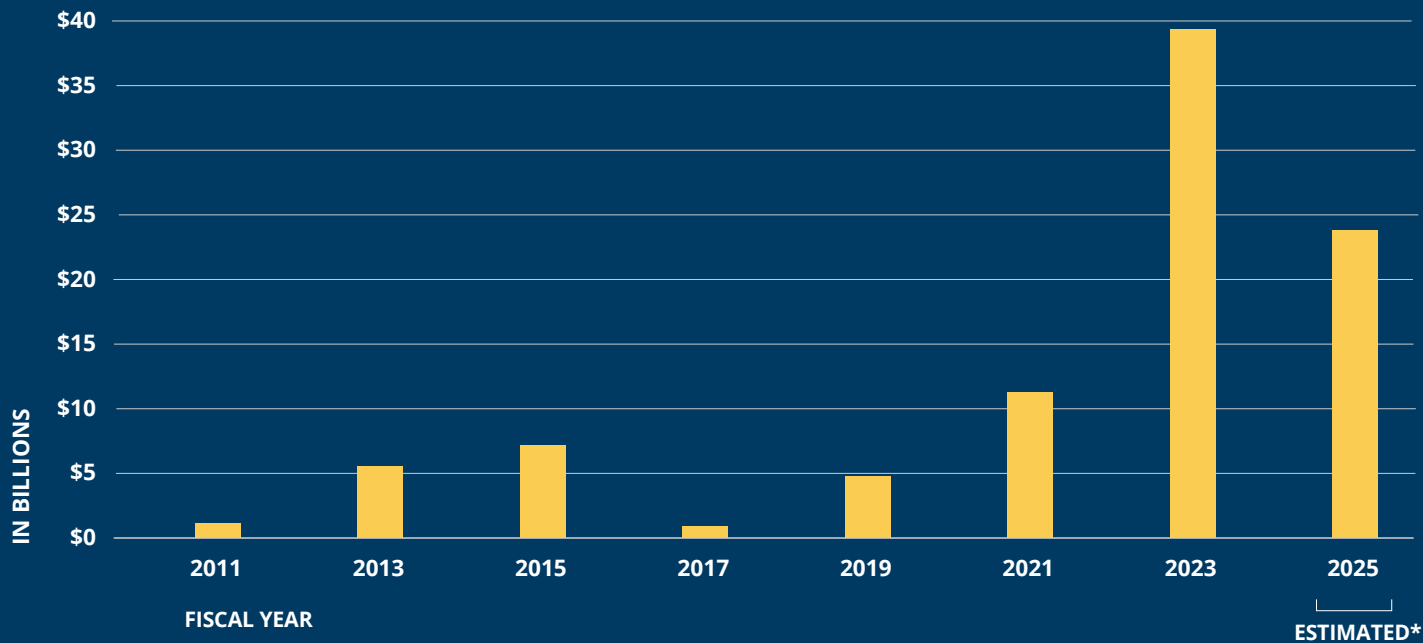
The projected \$23.76 billion certification ending balance from the 2024-25 biennium includes balances of GR-R funds — the General Revenue Fund, Available School Fund, State Technology and Instructional Materials Fund,

Foundation School Account and the Tobacco Settlement Account — and balances of general revenue-dedicated accounts available for certification. The balance reflects conservative fiscal management practices and

spending decisions. It also includes unspent contingent appropriations of \$4.5 billion for public education and education savings accounts because the 88th Legislature did not enact the requisite legislation.

The final ending balance will be determined by the actions of the 89th Legislature regarding supplemental appropriations and by actual revenue collections during the remainder of fiscal 2025.

## Certification Ending Balance as of Aug. 31



\* Amount is estimated in 2026-27 Biennial Revenue Estimate

# SALES TAXES AND TOTAL TAX COLLECTIONS

Sales taxes, which have accounted for more than half of all annual state GR-R tax collections since fiscal 1988, are the state's largest source of tax revenue. They are

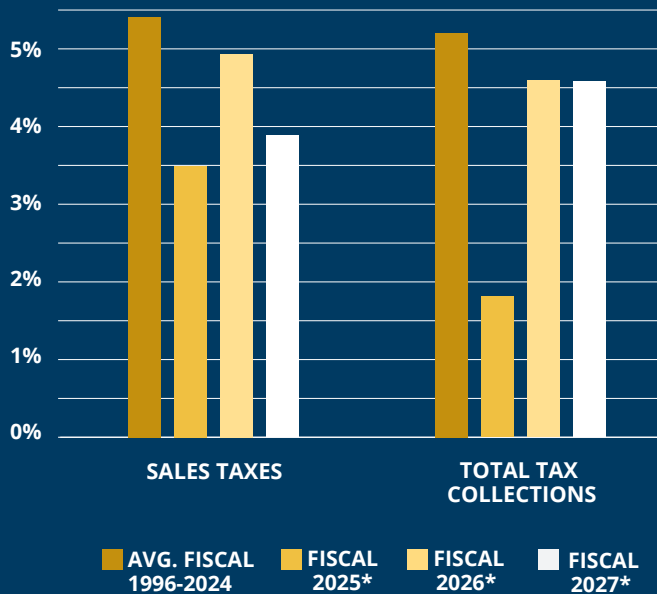
projected to make up 59 percent of tax collections for all funds, excluding trusts, in fiscal 2026-27. Tax collections that soared after the easing of COVID-related restrictions

in fiscal 2022 and 2023 will continue to grow in fiscal 2025 through 2027 — but at a slower pace than the historical average, reflecting a return to more typical

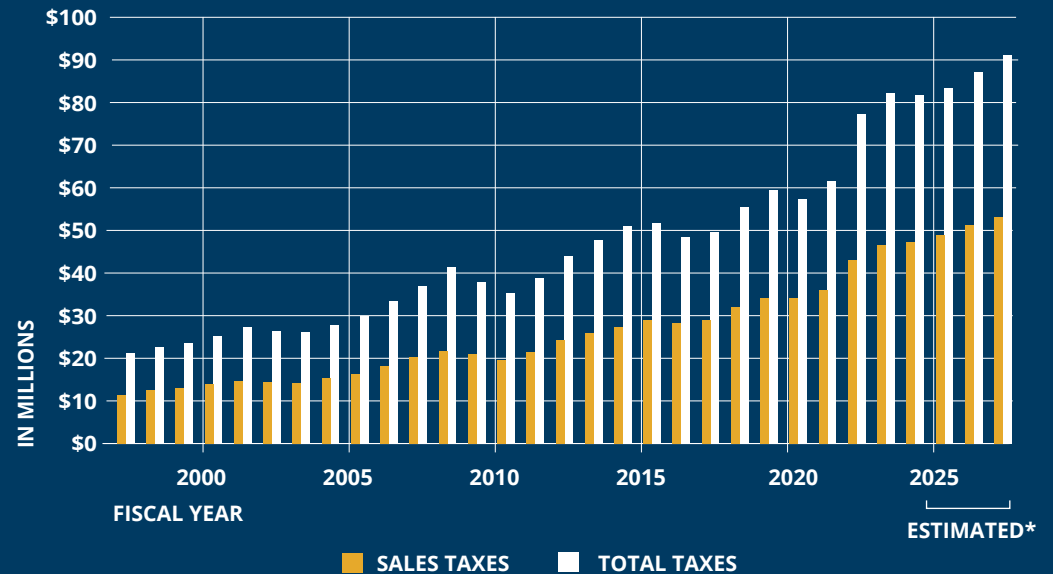
economic conditions and the ongoing reaction of consumers and businesses to higher interest rates aimed at easing and controlling inflation.

## Sales Taxes and Total Tax Collections for All Funds, Excluding Trusts

### Historical and Estimated Annual Percent Change



### Annual Tax Collections



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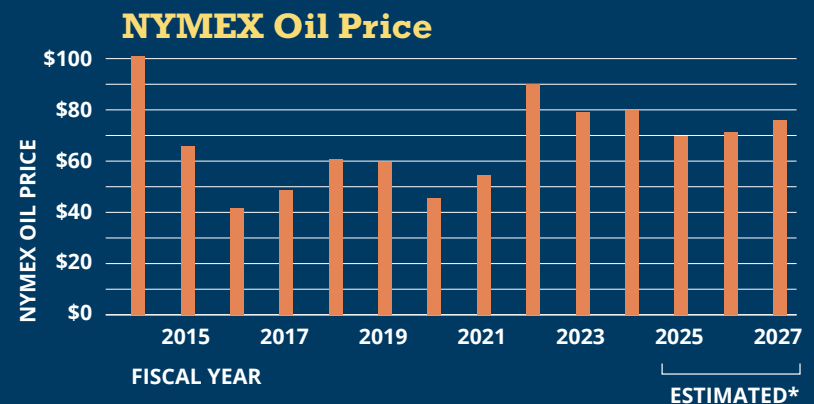
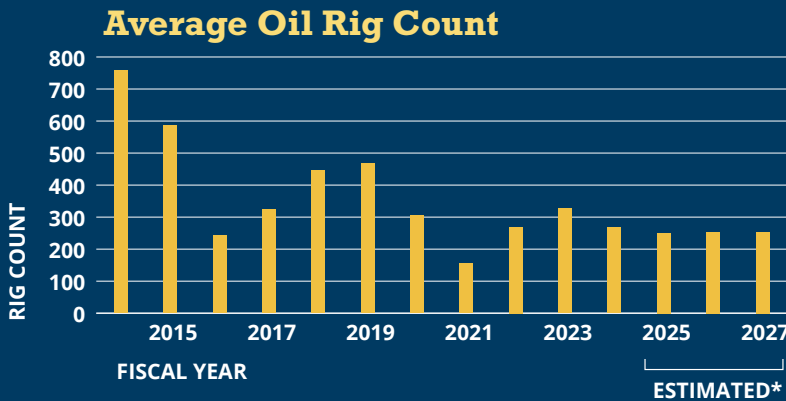
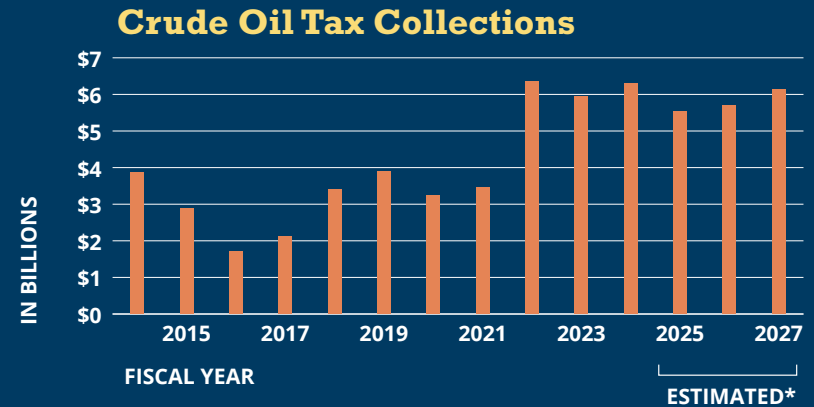
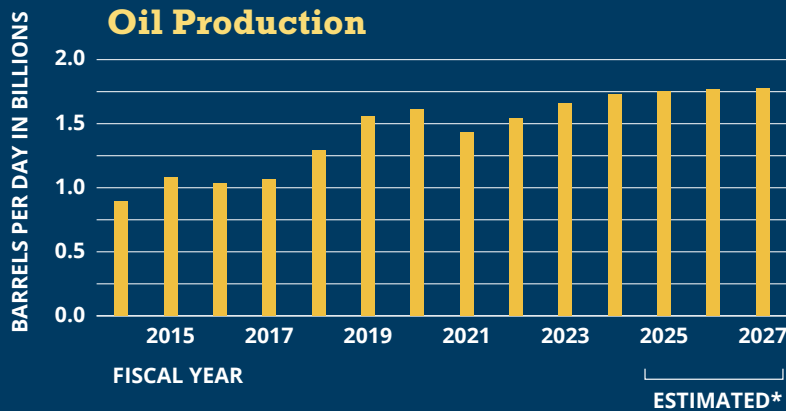
# OIL PRODUCTION, PRICES AND TAX COLLECTIONS

Oil production tax collections are the product of two factors: price and production. The price of oil during the past two decades is a study in

volatility, and natural gas prices also have seen swings. Of note: Oil production is no longer tightly tied to rig count. Horizontal drilling and

improved fracking techniques now allow companies to produce more oil with fewer rigs. From fiscal 2014 through 2024, the number of active

rigs decreased by 65 percent, yet oil production increased by 92 percent during that time period.



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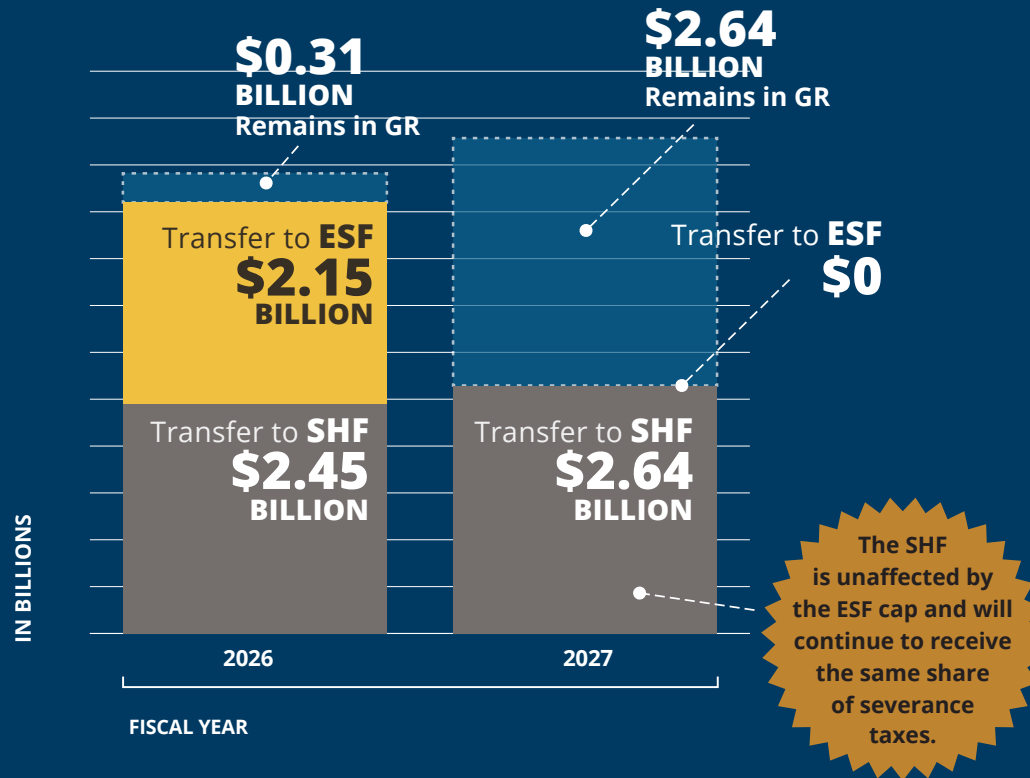
The State Highway Fund (SHF) and Economic Stabilization Fund (ESF) receive oil and natural gas severance tax revenue. In addition, the ESF receives half of any unencumbered balance at the end

of a biennium, and the SHF receives a share of sales tax and motor vehicle sales tax. The SHF in 2026-27 will receive \$5.1 billion in severance tax revenue; \$5.8 billion in motor fuel tax revenue; \$5 billion

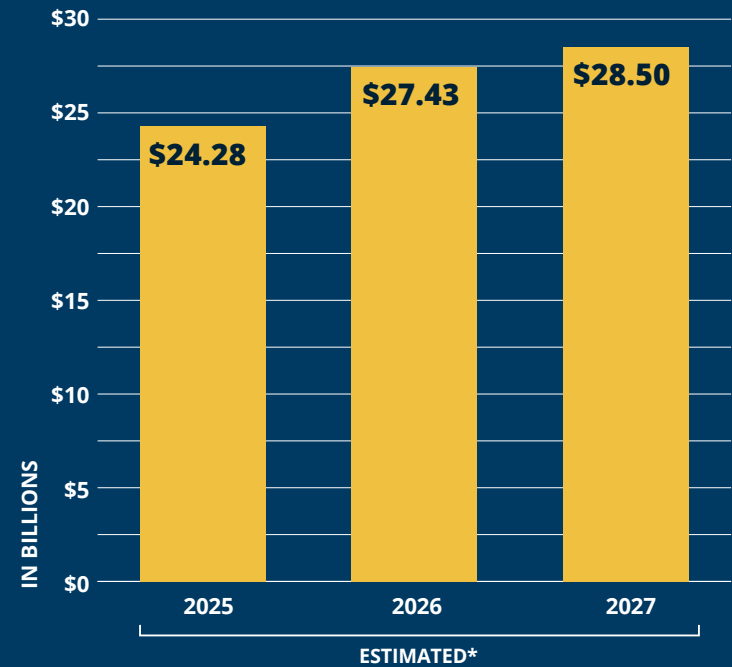
in sales tax revenue; and about \$1.33 billion in motor vehicle sales tax revenue. If not for a constitutional cap on the ESF balance, it would receive about \$5.1 billion from severance taxes in

2026-27. But because the Texas Constitution caps the ESF balance, about \$0.31 billion will remain available for general purpose spending in fiscal 2026 — and \$2.64 billion in fiscal 2027.

ESF and SHF Severance Taxes Transfers



Estimated Ending ESF Balances



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# ECONOMIC STABILIZATION FUND ENDING BALANCE

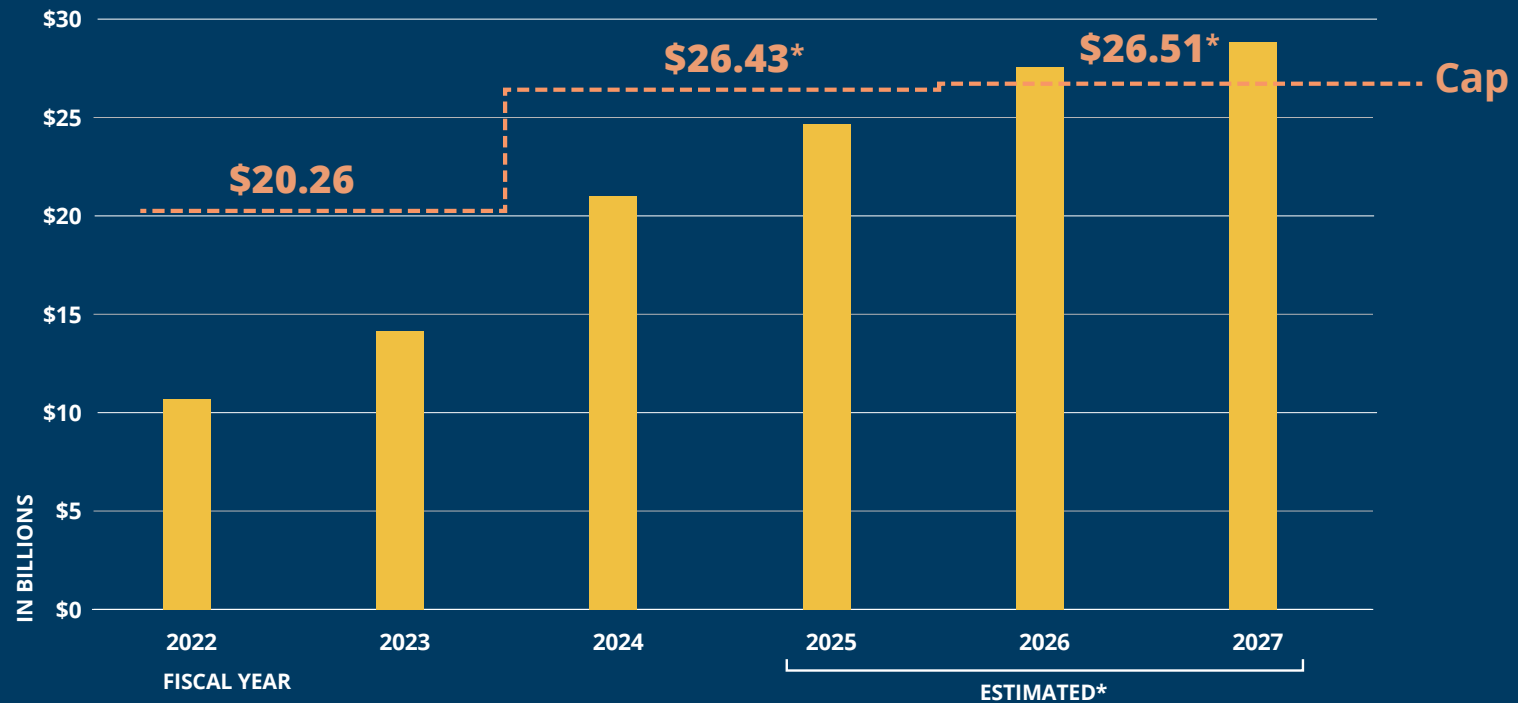
The ESF — also known as the Rainy Day Fund — was created in 1988 after a drop in oil prices and a recession led to an increase in the sales tax and other levies. Money from this state savings account can be spent with a

supermajority vote of the Legislature. Assuming no additional appropriations from the ESF, it will hit its cap at the beginning of fiscal 2026 with the partial transfer of 2025 severance tax revenues, reducing the

amount of money to be transferred and preventing any additional transfers in fiscal 2027 and 2028. In addition, interest income on the ESF cash balance will flow to General Revenue Fund starting in fiscal 2026,

when the cap is reached. Despite the halt on transfers and interest income, the ESF balance is projected to grow due to investment income on the invested portion of the fund.

## ESF Ending Balance and Cap



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# ECONOMIC STABILIZATION FUND LONG-TERM FORECAST

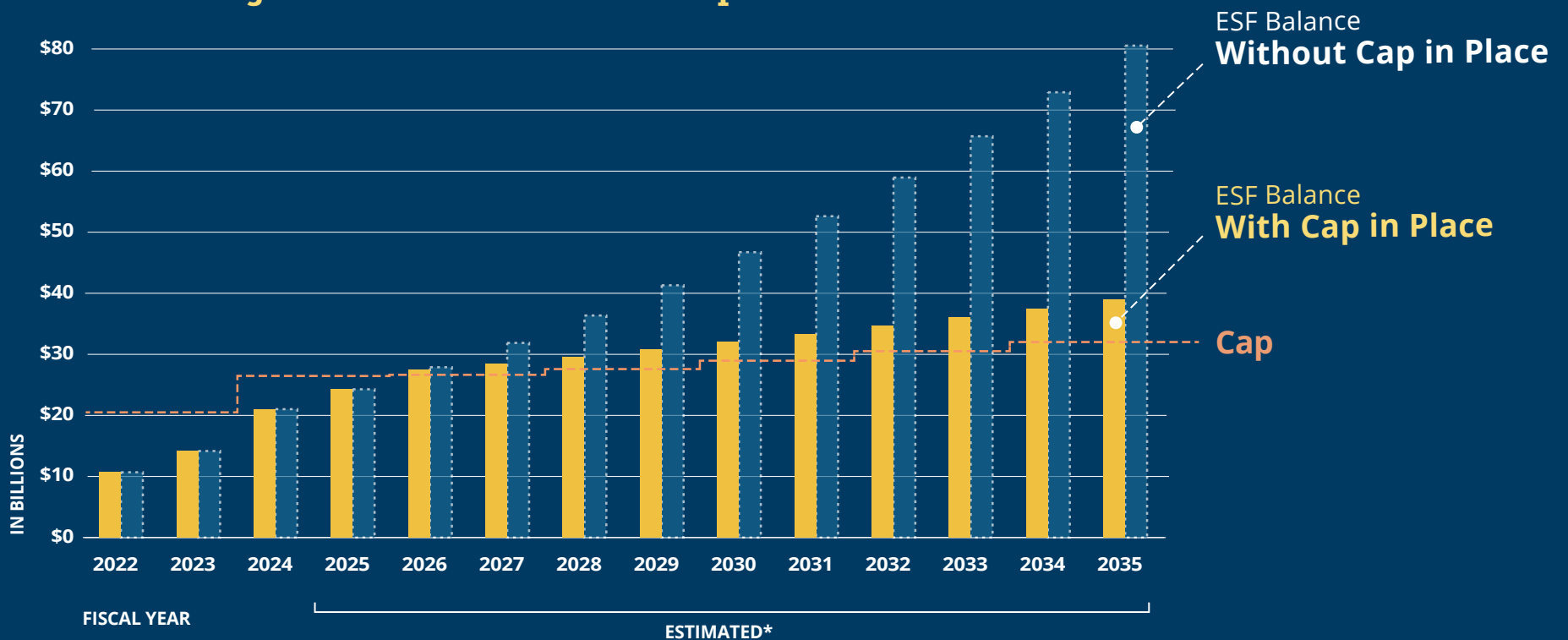
The Rainy Day Fund likely will continue hitting the cap in future biennia. This chart shows its projected balance with the cap,

and what the balance would be if the cap were removed. Under current law, after the ESF balance hits its cap, the fund's

share of severance taxes and interest income on the ESF cash balance remain in the General Revenue Fund. Under the

second scenario, the ESF would continue to receive severance taxes and interest on its balance.

**ESF Ending Balance With and Without Cap in Place**



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