

# BIENNIAL REVENUE ESTIMATE

January 2021

Before each regular legislative session, the Texas Comptroller issues the Biennial Revenue Estimate (BRE) to inform lawmakers of the funds available to spend on state programs through the next two-year budget period. Due to the economic effects of the COVID-19 pandemic, lawmakers can expect a negative beginning balance as they begin writing the 2022-23 state budget.

## Revenue Available for General-Purpose Spending

In Billions of Dollars

		2020-21	2022-23	CHANGE
General Revenue-Related (GR-R) Tax Collections	+	\$97.41	\$103.93	\$6.52
Other GR-R Revenue	+	\$15.03	\$15.65	\$0.62
<b>Total GR-R Revenue</b>	=	<b>\$112.44</b>	<b>\$119.58</b> SUBTOTAL	<b>\$7.14</b>
<b>Beginning Balance</b>	+	<b>\$4.84</b>	<b>-\$0.95</b>	<b>-\$5.79</b>
<b>Total GR-R Revenue &amp; Fund Balances</b>	=	<b>\$117.28</b>	<b>\$118.63</b> SUBTOTAL	<b>\$1.35</b>
Revenue Reserved for Transfers to the Economic Stabilization and State Highway Funds	-	\$4.32	\$5.83	\$1.51
Amount Needed for Transfer to the Texas Tomorrow Fund*	-	N/A	\$0.27	\$0.27
<b>Total Revenue Available for General-Purpose Spending</b>	=	<b>\$112.96</b>	<b>\$112.53</b> TOTAL	<b>-\$0.44</b>

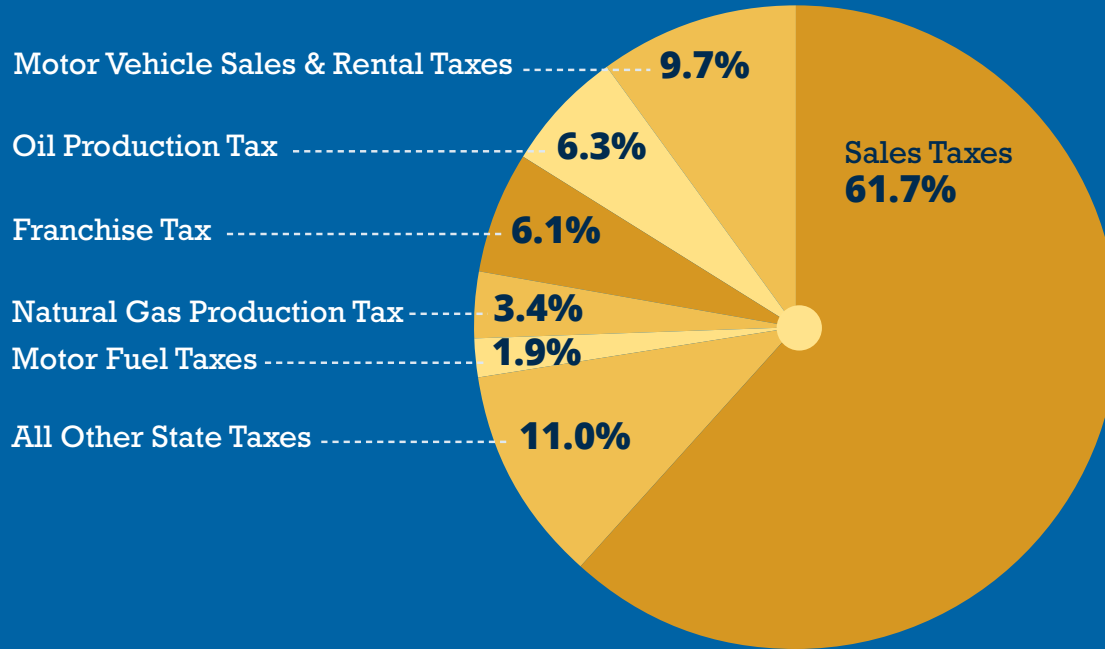
\* The original, constitutionally guaranteed prepaid tuition program is projected to have a cash shortfall of \$271 million in the 2022-23 biennium. The BRE assumes the shortfall will be paid from general revenue.

Note: Totals may not sum because of rounding.

# TAX REVENUE, 2022-23

Tax revenues account for about 87 percent of projected GR-R collections, and sales taxes make up the biggest share of GR-R tax collections — more than 60 percent after \$5 billion is allocated to the State Highway Fund. State sales tax collections have performed better than projected during the initial phase of the pandemic, but the last nine months of collections still were significantly lower than they were in the same period of 2019.

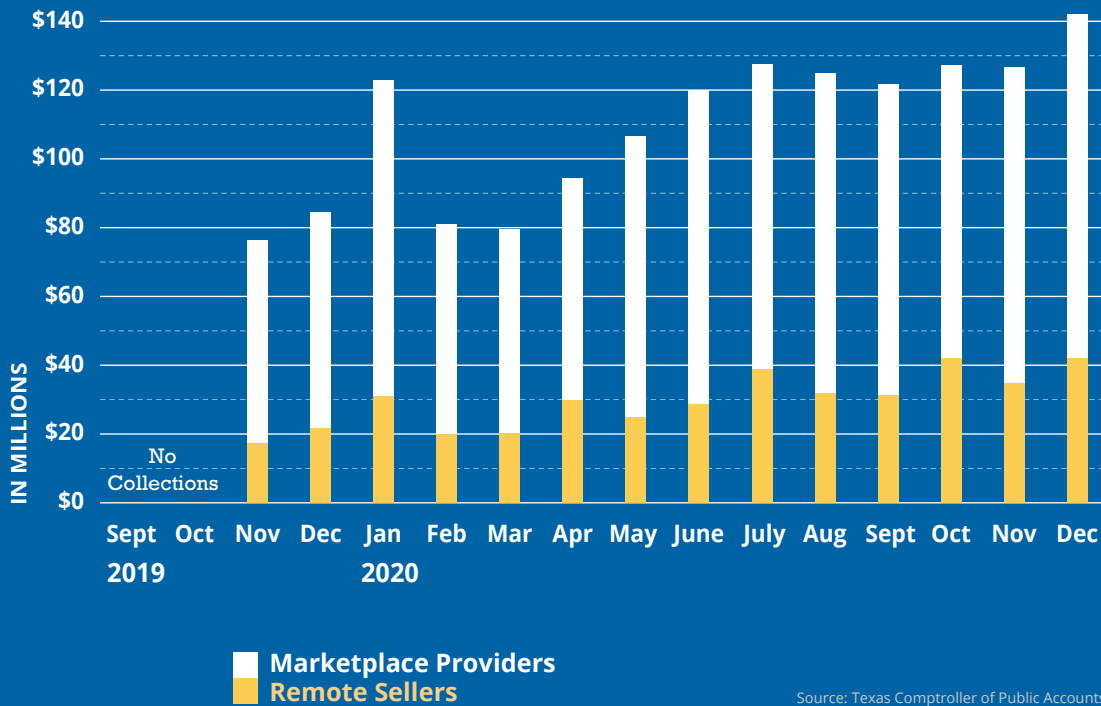
## State Tax Revenue/General Revenue-Related ESTIMATED



Note: Shares do not sum to 100 percent due to rounding.  
Source: Texas Comptroller of Public Accounts

# NEW SOURCES OF SALES TAX REVENUE

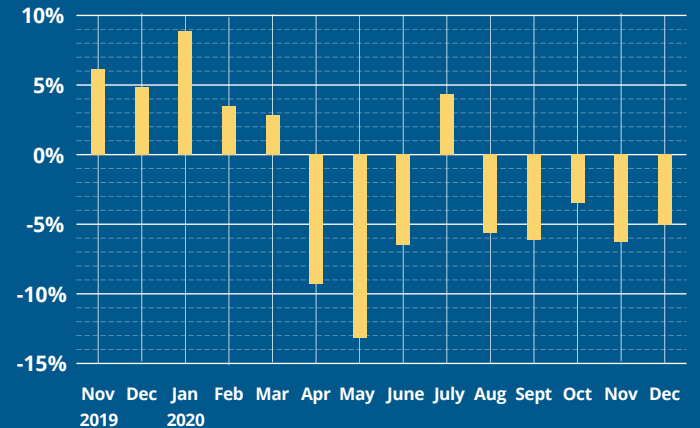
Remote Seller and Marketplace Provider Sales Tax Revenue  
Sept. 2019 to Dec. 2020



Source: Texas Comptroller of Public Accounts

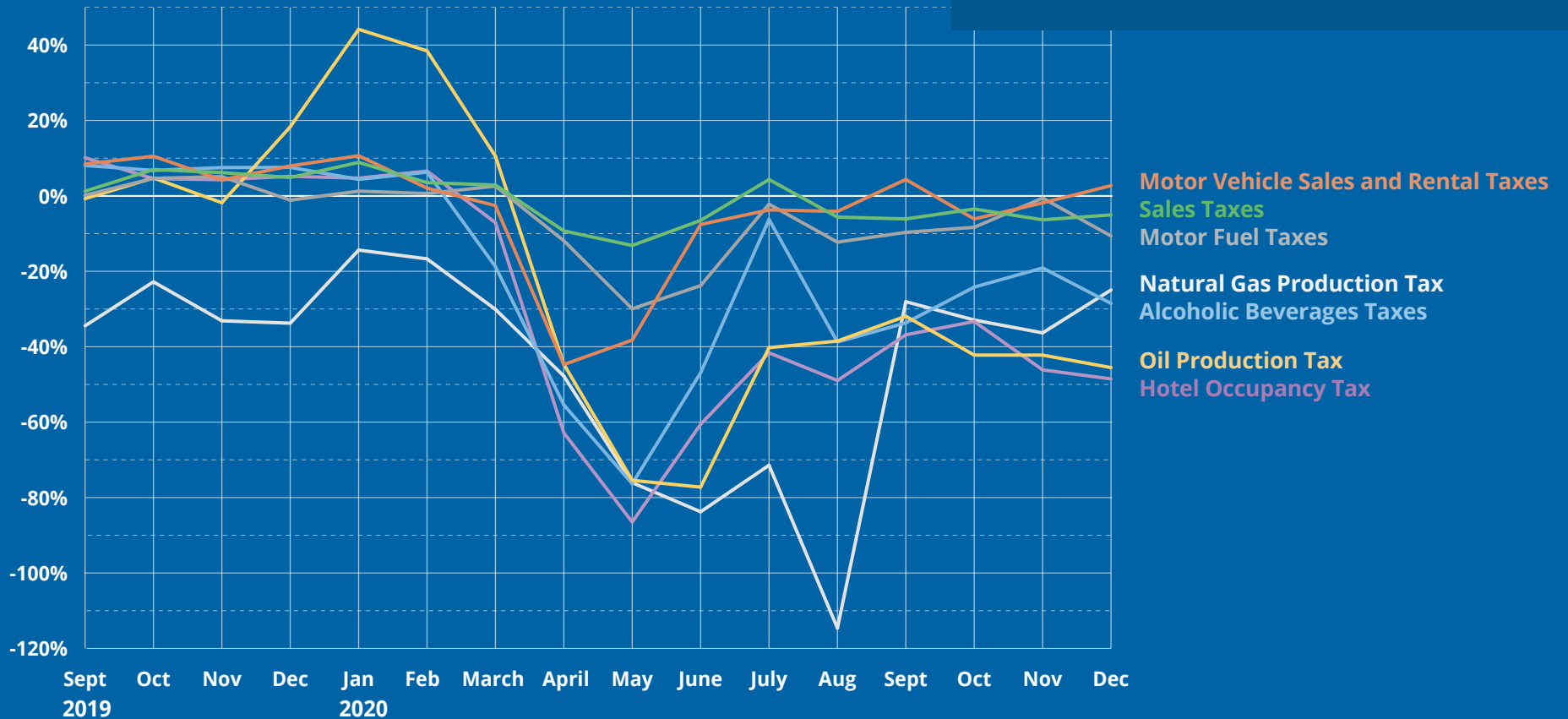
The state's ability to benefit from a consumer shift to online purchasing drove higher-than-expected sales tax revenues. Out-of-state online vendors and marketplace providers were not required to collect Texas taxes until late in 2019, following the U.S. Supreme Court's *Wayfair* decision and subsequent legislation. Monthly sales tax collections were down in eight of the last nine months compared to the previous year, but the drop would have been greater if not for tax collections from online sellers.

Monthly Sales Tax Collections  
Percent Change from Previous Year/  
All Funds/Nov. 2019 to Dec. 2020



# TAX REVENUE

**Monthly Tax Collections Percent Change From Previous Year  
All Funds/Sept. 2019 to Dec. 2020**

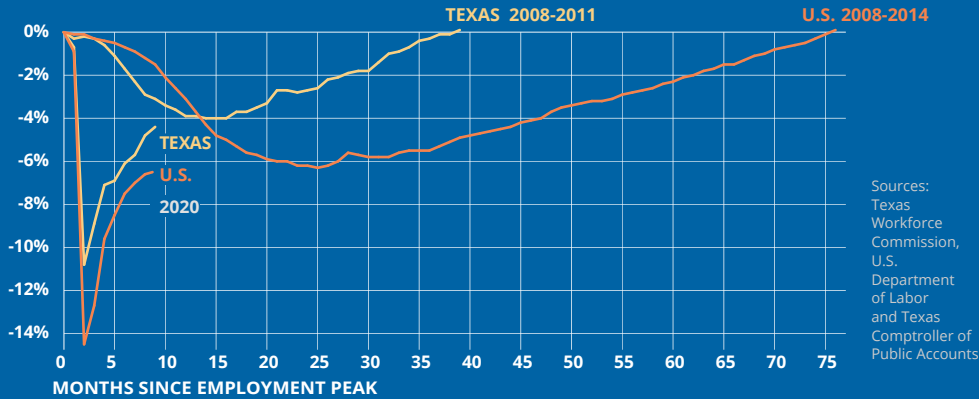


The pandemic and collapsing oil prices caused a severe economic contraction in the first and second quarters of calendar 2020. The crisis was particularly hard on revenue sources such as severance, hotel occupancy and alcoholic beverage taxes. While they have rebounded from their low points, they remain well below collections in the same period of 2019. Sales tax revenue, while stronger than expected, has been down from the previous year in eight of the last nine months. Fallout from the pandemic will continue to curb growth in economic activity and sales tax collections in the near term.

Source: Texas Comptroller of Public Accounts

# HIGH-FREQUENCY INDICATORS

## Texas and U.S. Employment Loss as Share of Peak Employment in the Great and 2020 Recessions



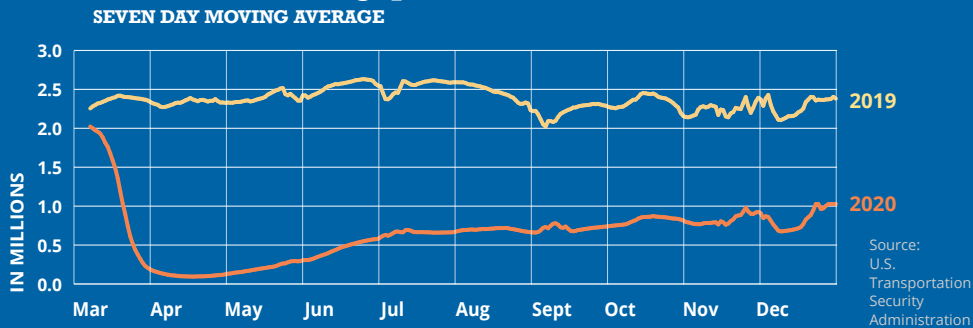
**TEXAS EMPLOYMENT** peaked in February, then the state lost more than 1.4 million jobs. The state still had nearly 570,000 fewer jobs in November than in February. Job losses as a share of the pre-pandemic peak remain deeper than in the Great Recession of 2008-09.

## Open Table Reservations/ Texas Change from 2019



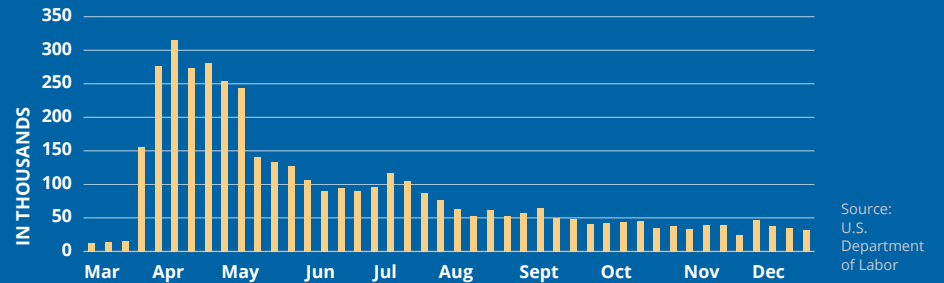
**OPEN TABLE**, a restaurant reservation service, reported the year-over-year (YoY) decline in Texas reached 100 percent by March 21 in Austin, Dallas, Houston and San Antonio. That held until May 1, when the YoY drop was 85 percent. The number of diners since has increased but remains well below the number from a year ago.

## TSA Traveler Throughput/2019 and 2020



**THROUGHPUT** — travelers passing through U.S. Transportation Security Administration checkpoints — totaled 2.28 million on March 1, then fell below 90,000 by April 14. The number topped 1 million multiple times over the holidays, but compared to a year ago was still down, on average, by more than 50 percent.

## Initial Unemployment Insurance Claims/Texas 2020



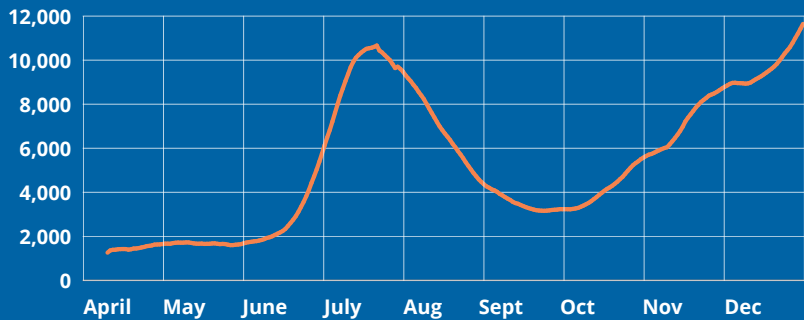
**WEEKLY UNEMPLOYMENT INSURANCE CLAIMS** in Texas peaked at more than 300,000 in early April. Numbers since have fallen — Texans filed 31,448 initial claims in the week ending Dec. 26 — but still are much higher than average weekly claims in early 2020.

High-frequency indicators, some from nontraditional sources, can provide timely information about a rapidly changing economy. Traditional economic indicators such as revenue collections may lag the data they're tracking by a month or more. Together, these data show that the economy is rebounding from its 2020 lows but remains well below pre-pandemic peaks.

# PUBLIC HEALTH UNCERTAINTY

## Texas Statewide Hospitalizations

SEVEN DAY MOVING AVERAGE



Source: Texas Department of State Health Services

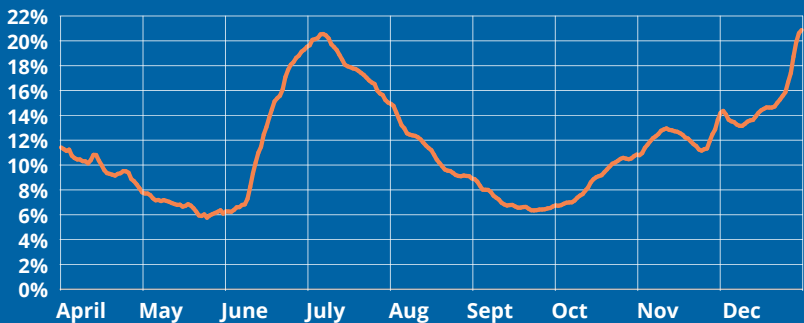
A record 11,992 people with COVID-19 were **HOSPITALIZED** in Texas on Dec. 29. The increase in hospitalizations is straining facilities and staff.

Surges in COVID-19 cases and hospitalizations have been a drag on economic growth and recovery. Texas isn't expected to experience the kind of economic contraction that occurred in spring 2020 again, but in the near term we could see a reversal of recent positive economic trends. The prospect of effective and widely administered vaccines could prompt a return to pre-pandemic levels of economic activity in the next year.

## COVID-19 Positive Test Rate

SEVEN DAY MOVING AVERAGE

Molecular Positivity Rate by Specimen Collection Date

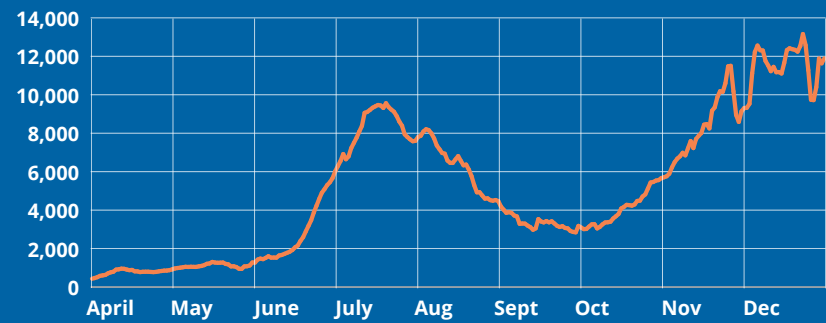


Source: Texas Department of State Health Services

The **SEVEN-DAY POSITIVITY RATE** measures the percentage of people who test positive (the number of new cases reported over the last seven days divided by new molecular test results received in that time).

## COVID-19 New Confirmed Cases

SEVEN DAY MOVING AVERAGE

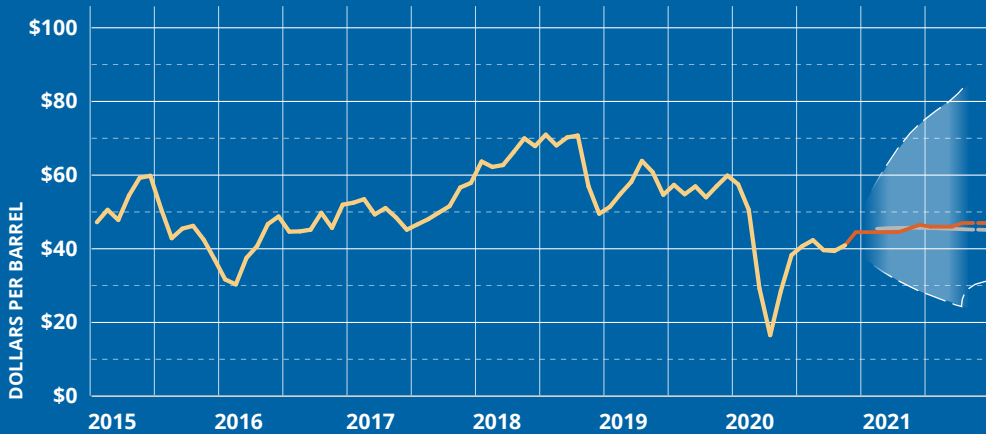


Source: Texas Department of State Health Services

Texas reported a cumulative total of 1.5 **MILLION CASES** of COVID-19 on Dec. 29, with an increase of 26,990 in a single day.

# ENERGY UNCERTAINTY

West Texas Intermediate (WTI) Crude Oil Price and NYMEX Futures Price



**STEO FORECAST**  
**NYMEX FUTURES PRICE**

95% NYMEX futures price confidence interval, upper and lower bound

Note: Confidence interval derived from options market information for the five trading days ending Dec. 3, 2020. Intervals not calculated for months with sparse trading in near-the-money options contracts.

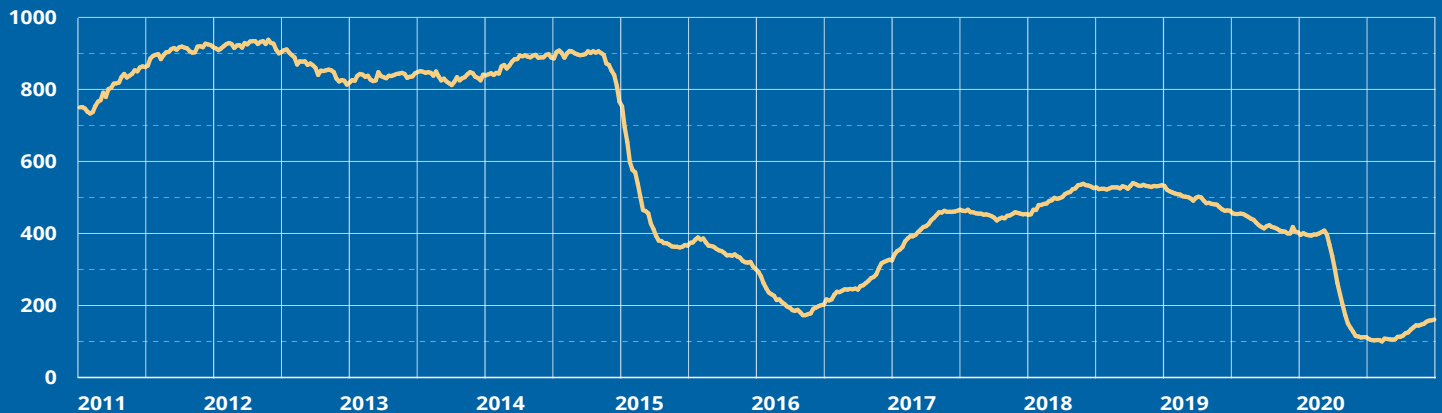
Sources: U.S. Energy Information Administration Short-Term Energy Outlook, December 2020, and CME Group

Texas' economically vital oil and gas industry is tied to volatile energy prices and was hammered in 2020 by forces including the pandemic. The state's rig count fell this summer to levels not seen in more than 50 years. The collapse affected not only severance tax revenue but sales tax and other state revenue tied to industry activity, hurting economic and revenue growth.

**IN AUGUST, THE WEEKLY COUNT OF ACTIVE DRILLING RIGS IN TEXAS FELL TO 100, DOWN FROM 450 A YEAR EARLIER.**

The rig count, which plummeted this summer, has increased in recent months but remains well below 2019 levels.

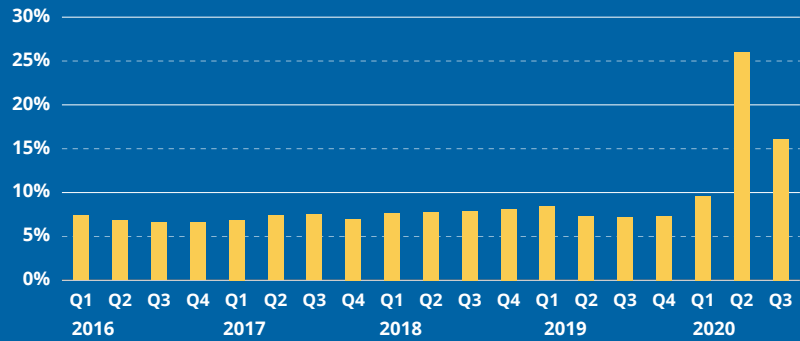
Rig Count/2011-2020



Source: Baker Hughes

# LOOKING AHEAD

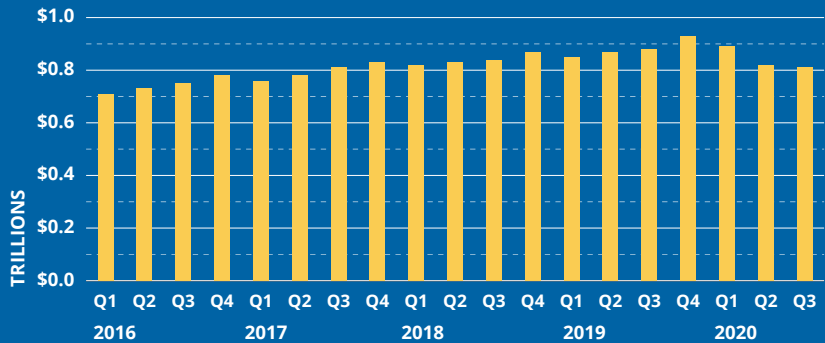
## U.S. Personal Saving as a Percentage of Disposable Income SEASONALLY ADJUSTED ANNUAL RATE



Source: U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St. Louis

The personal saving rate in the U.S. was 12.9 percent in November, according to the U.S. Bureau of Economic Analysis. This figure represents personal saving as a percentage of disposable personal income.

## U.S. Credit Card Debt by Quarter



Source: New York Fed Consumer Credit Panel/Equifax

Credit card balances fell somewhat in the third quarter following a record \$76 billion decline in the second quarter of 2020, according to the Federal Reserve Bank of New York.

Despite the difficulties posed by the pandemic, Texas is well-positioned to eventually recover and to again exceed the national rate of economic growth. People are saving more and some consumer debt has decreased, pointing to the possibility of a spending surge when pandemic fears have receded. In addition, another wave of federal relief is on its way; state agencies are cutting back to help meet the budget challenge; and Texas has a substantial Economic Stabilization Fund (ESF) to help meet its financial challenges.

## 5% cuts from State Agencies

**POTENTIALLY \$1 BILLION IN SAVINGS**

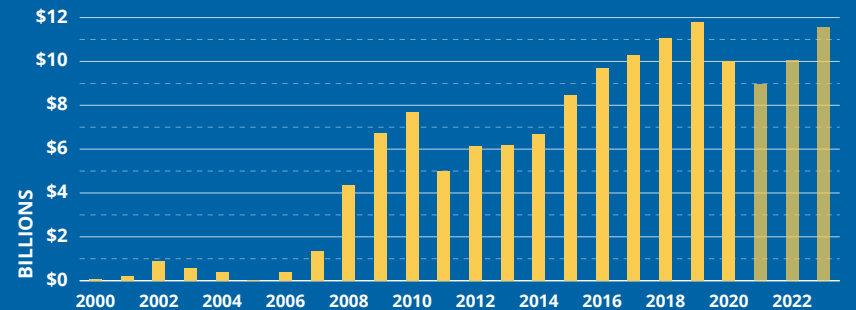
## CARES ACT ALLOCATIONS

THE CARES ACT ALLOCATED NEARLY \$13 BILLION TO TEXAS AND ITS LOCAL GOVERNMENTS. SOME OF THE STATE'S ALLOCATION MAY REPLACE GR SPENDING THIS BIENNIUM, REDUCING THE BRE'S PROJECTED 2020-21 SHORTFALL.

A NEW ROUND OF FEDERAL RELIEF, APPROVED IN DECEMBER, ALSO COULD IMPROVE THE REVENUE OUTLOOK.

## ESF Balance

PROJECTED THROUGH 2023



Source: Texas Comptroller of Public Accounts

The Economic Stabilization Fund, the state's "Rainy Day Fund," is projected to have a balance of \$11.6 billion by the end of fiscal 2023, absent new appropriations from the fund.