



July 17, 2024

The Honorable Greg Abbott, Governor
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dade Phelan, Speaker of the House
Members of the 88th Legislature

Ladies and Gentlemen:

Through the first 10 months of fiscal 2024, net general revenue-related (GR-R) revenue collections are tracking with the 2024-25 Certification Revenue Estimate (CRE). This is not to say all sources of revenue are on estimate (e.g., natural gas production tax revenue is below estimate due to lower than forecast prices, while interest income is above estimate as interest rates have remained higher than forecast) but that, on net with all sources considered together, the outlook for total 2024-25 GR-R revenue does not differ materially from the CRE.

Accordingly, and in contrast to recent years when actual revenue collections and changes in outlook deviated substantially from estimate due to pandemic disruption and subsequent eruption of inflation, we see no need for a formal revision of the CRE before the next Biennial Revenue Estimate to be issued in January 2025.

The CRE forecast a 2024-25 ending certification balance of \$18.3 billion. Adjustments to account for subsequent appropriations provided by SB 3, 88th Legislature, Fourth Called Session, for border initiatives and the final unencumbered and unobligated fiscal 2023 General Revenue Fund ending balance reduced that expectation to \$16.7 billion.

That projected ending balance included costs for \$4.5 billion in contingent appropriations for public education and education savings accounts for which the requisite legislation was not enacted. Assuming no further legislative action ahead of the 89th Legislature, my office estimates a 2024-25 ending balance of \$21.2 billion. There will likely be a need, of course, for supplemental appropriations for the 2024-25 biennium. Current projections indicate appropriations will be needed for Medicaid and the Foundation School Program. If such appropriations are made, the 2024-25 ending balance will be roughly \$20 billion.

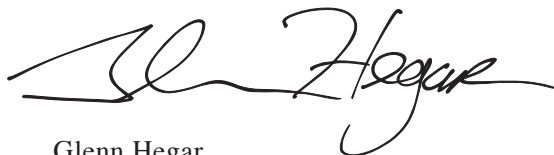


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As always, there are risks and uncertainties that could cause the economy and revenue collections to deviate from our expectations. At this time there are no signs of imminent recession or accelerated expansion that would necessitate a revision to our outlook for continued economic growth at a modest pace.

I will continue to monitor the Texas economy and state revenues closely and will keep you informed of any significant events as may arise.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Hegar". The signature is fluid and cursive, with the first name "Glenn" written in a more compact, stylized script and the last name "Hegar" written in a larger, more legible cursive.

Glenn Hegar

cc: Jerry McGinty, Legislative Budget Board

