

CENTER *for* PUBLIC POLICY PRIORITIES

# Texas Budget Outlook 2020-2021

Eva DeLuna-Castro [deluna.castro@cPPP.org](mailto:deluna.castro@cPPP.org)



[@DeLunaEva](https://twitter.com/DeLunaEva)

---

January 2019

# Topics

---

- The Biennial Revenue Estimate
  - Supplemental needs for 2019
  - State revenue forecast for 2019, 2020-21
- 2020-2021 state **budget** proposals from House & Senate leadership
- State and local **tax** proposals

# 2018-2019 Budget: Where it Stands, How it's Paid For

---

*\$217 billion All Funds*

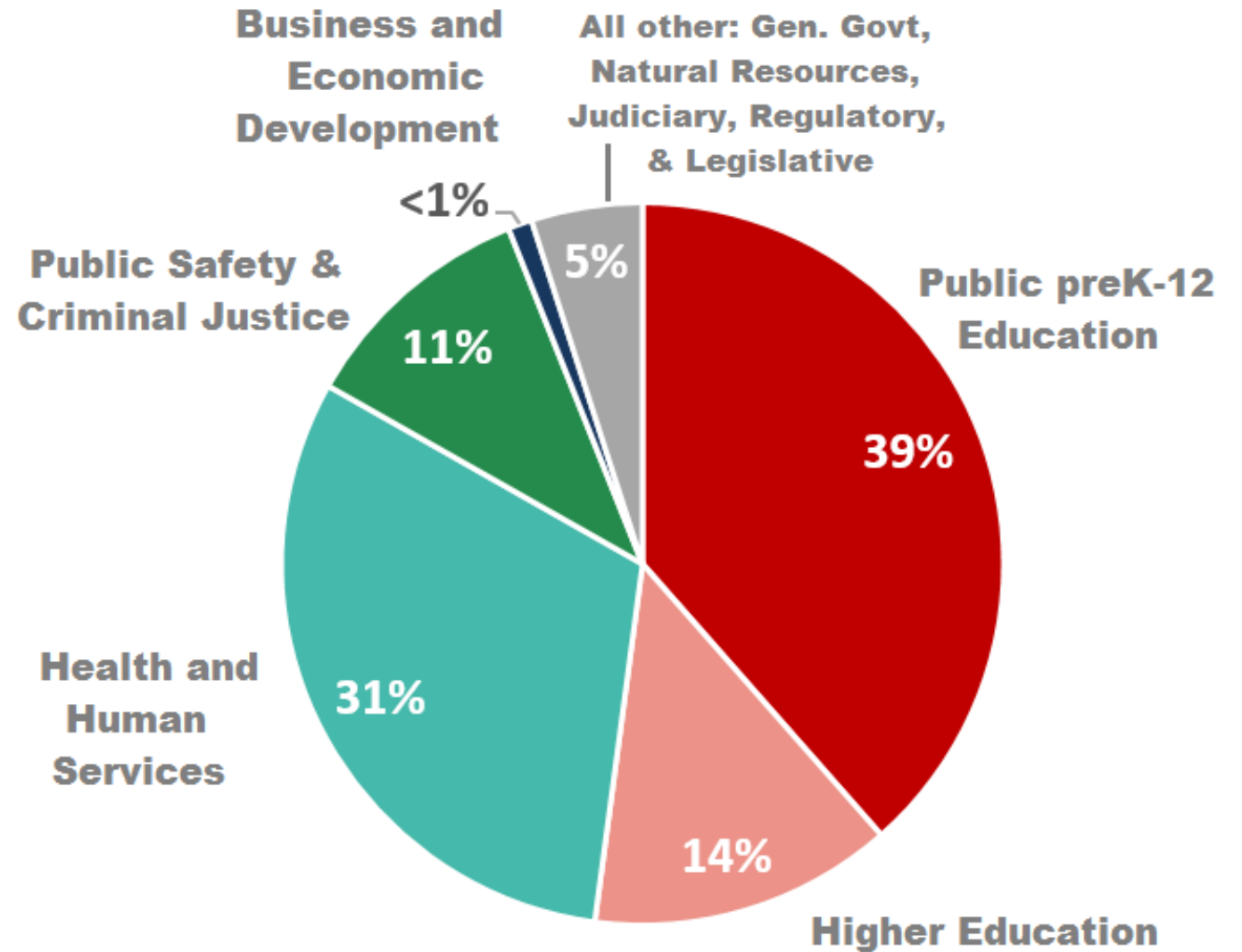
*\$107 billion (so far) in **General Revenue***

Compared to 2016-17, preK-12 schools & HHS were appropriated **LESS** general revenue

Higher ed: **1.6% more**, well below the 9% that would've funded formula growth

**All Funds budget (incl. federal, State Highway Fund, Property Tax Relief):** \$217 billion, only **0.2%** more than in 2016-17

## Texas 2018-19 General Revenue Budget: \$106.7 billion (*as of Nov. 2017*)



# Supplemental Budget Needs for 2019

---

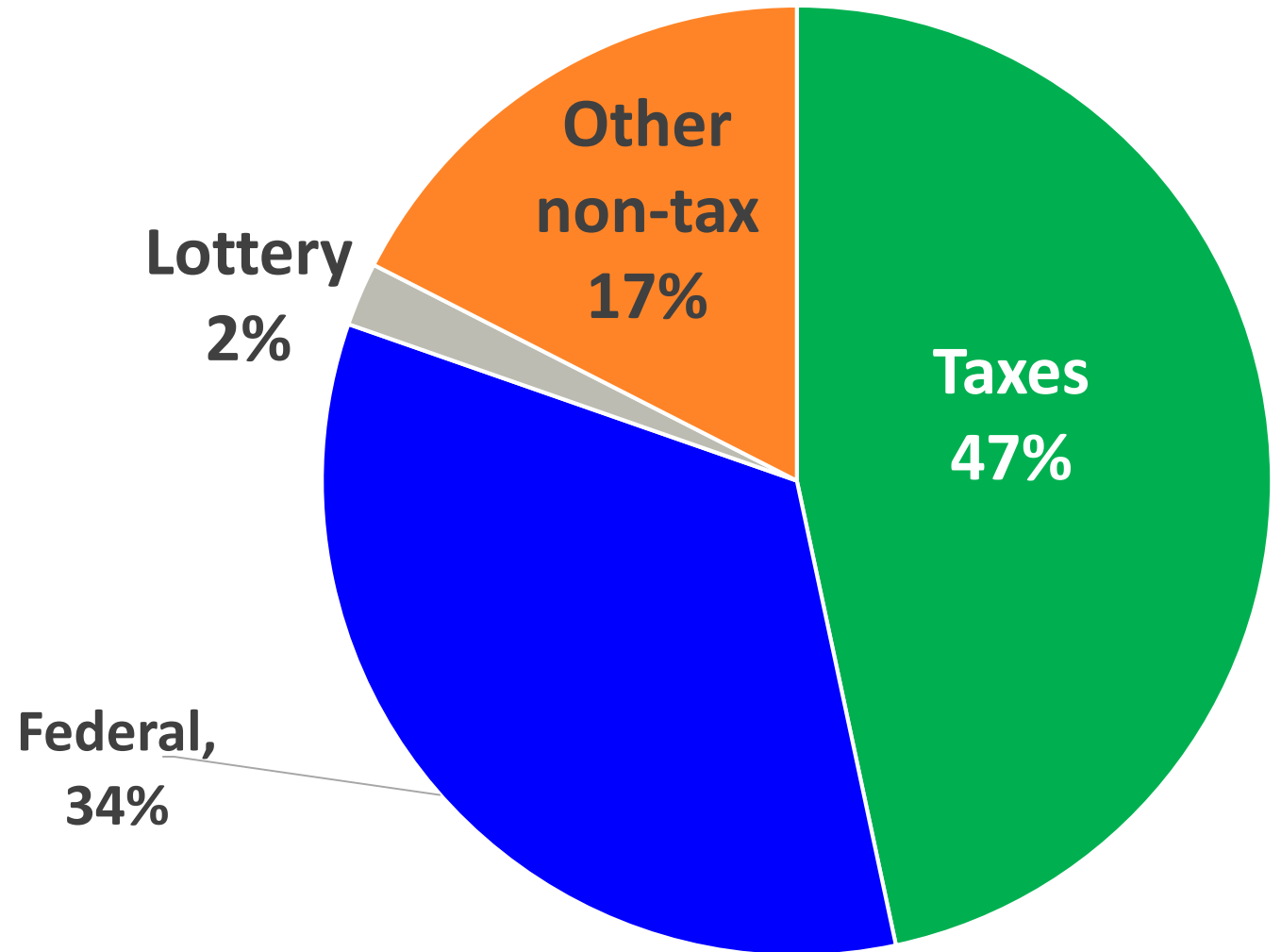
- Medicaid/CHIP/other Health & Human Services Commission: \$2.7 billion in General Revenue

Caused primarily by 2017 Legislature not funding 2 years of caseload growth, nor most medical cost growth; “IOU” grew after \$563 million special session transfer to public schools/TRS.

- Hurricane Harvey: \$750 million in General Revenue costs to the state; could rise by another \$1.4 billion depending on legislative options involving affected school districts

Texas state services are paid for primarily with **taxes** and **federal** funds

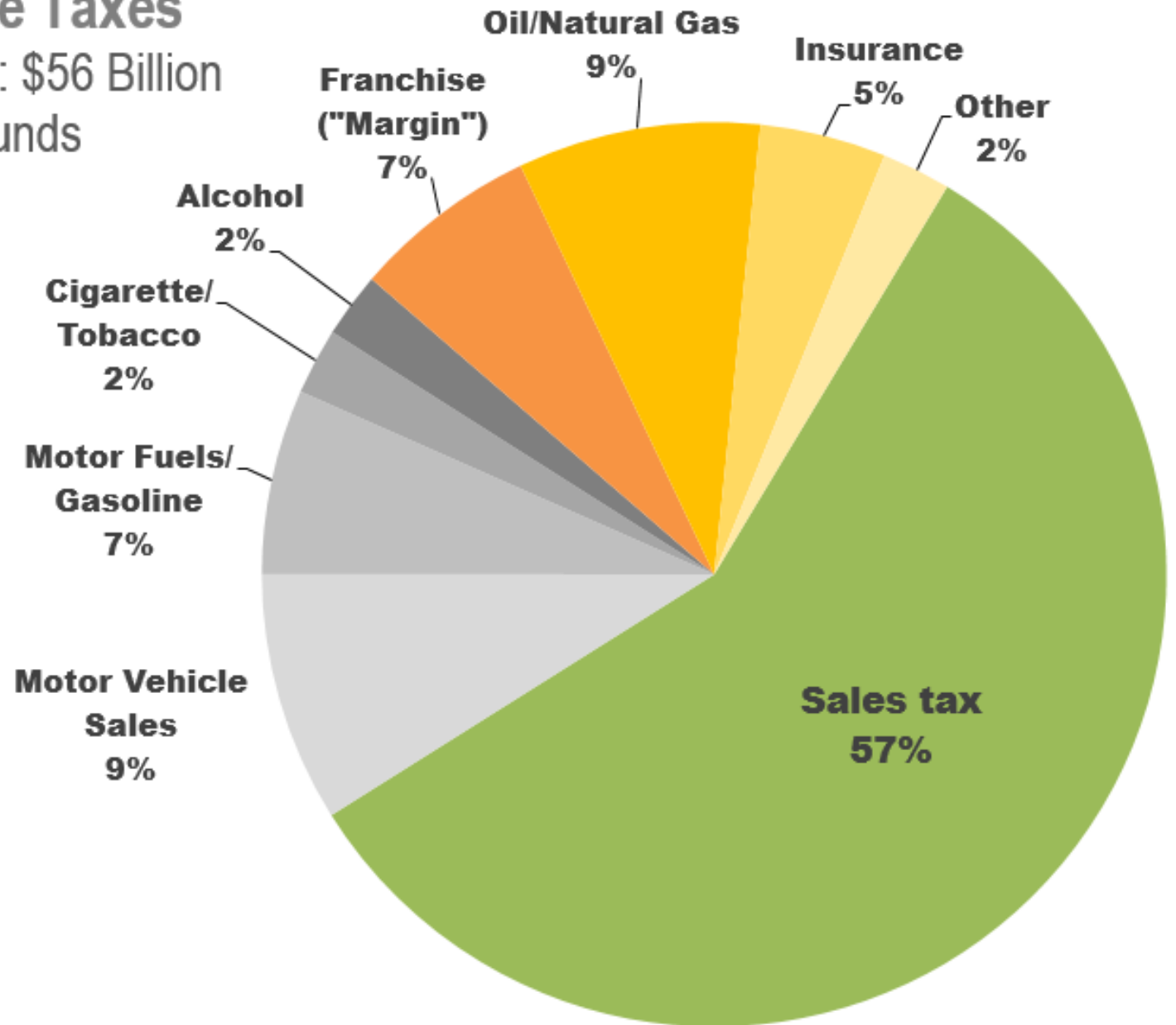
Revenue for the 2018-2019 Budget, as of January 2019



Reliance on consumption taxes makes Texas revenue **regressive** (*hits low-income Texas households hardest*) and **volatile** (*hard to forecast*)

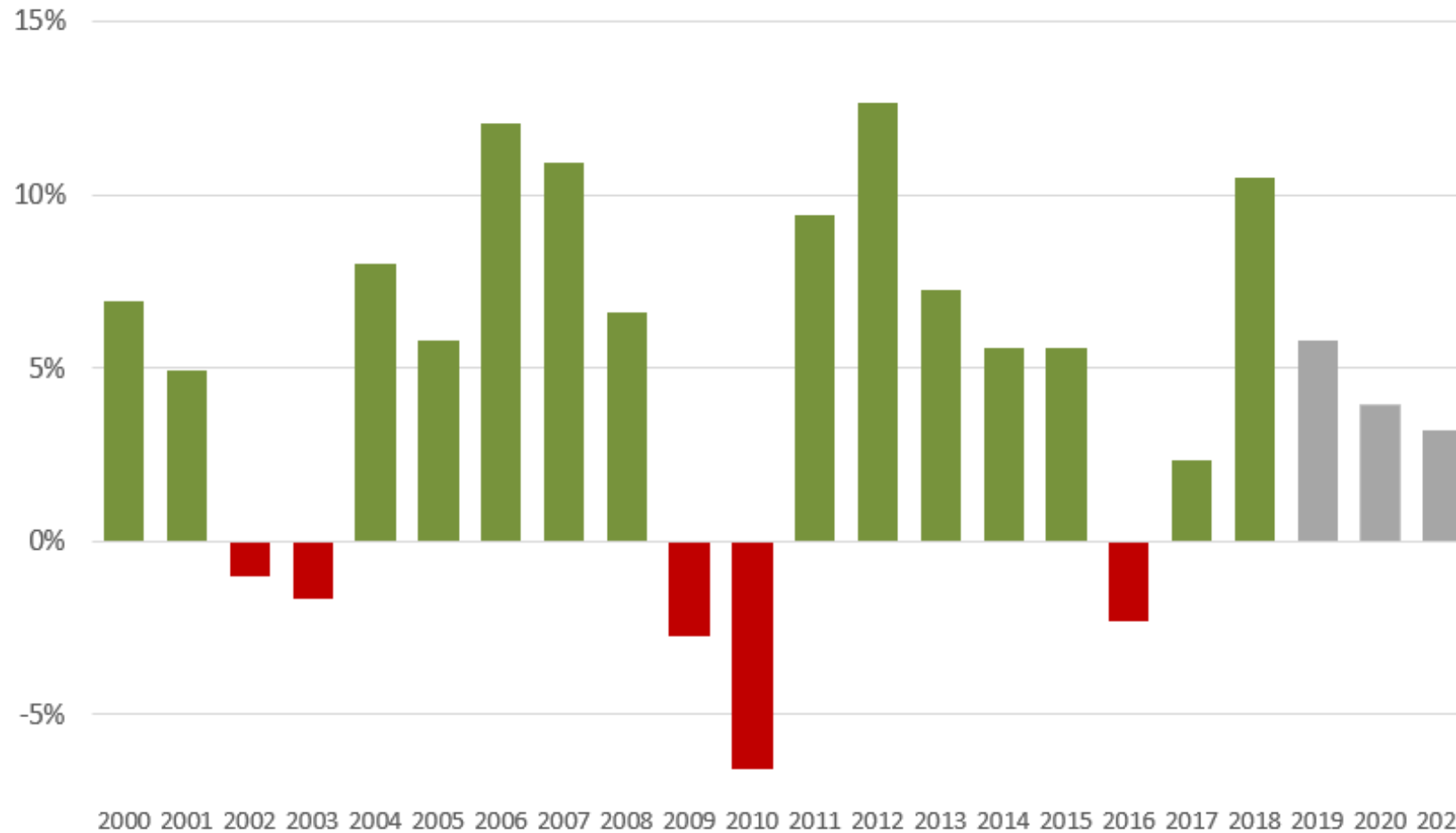
## State Taxes

2018: \$56 Billion  
All Funds



# State sales tax drives the revenue estimate

Percent change from prior year



January 2019 forecast

2018-19  
biennium:  
**Total** sales tax  
collections up  
by 15 percent,  
but sales taxes  
to **General  
Revenue** only  
grow 6  
percent



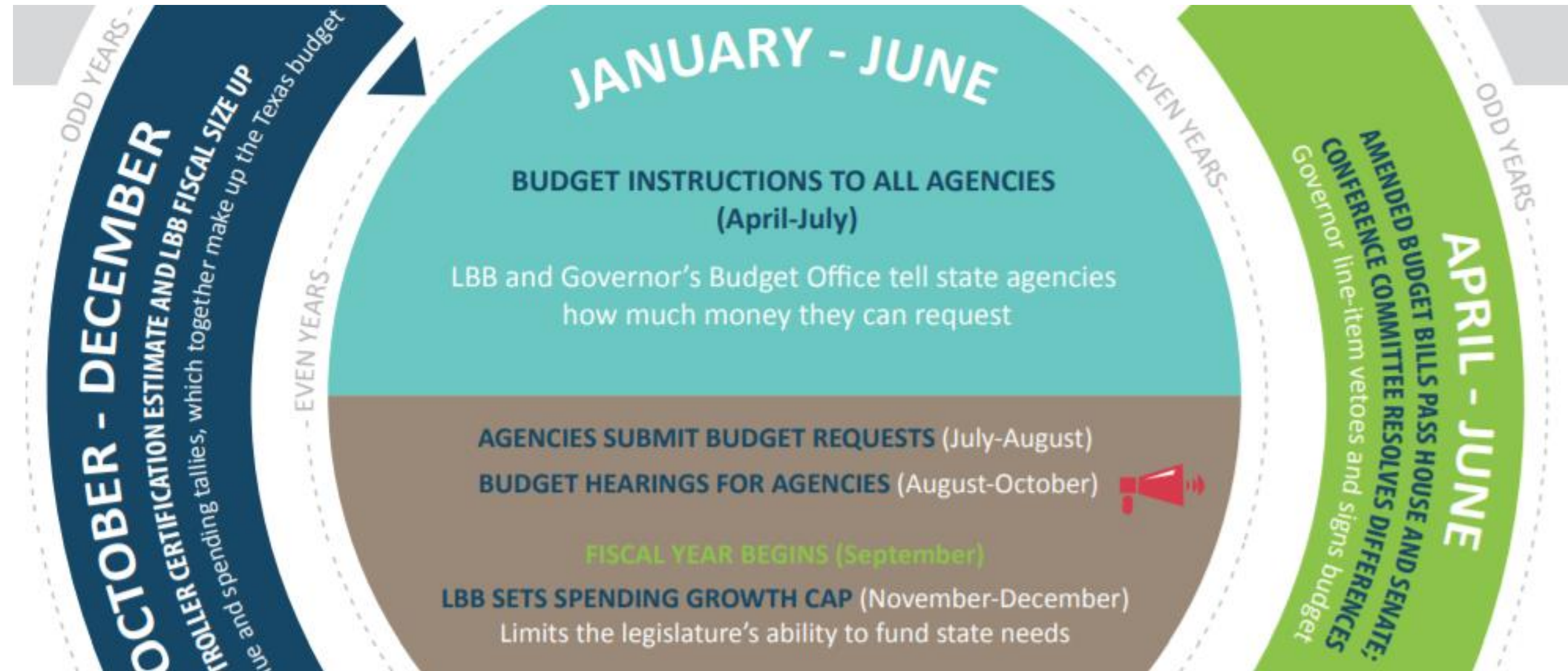
# Early Stages of 2020-2021 Budget Development

---

*House/Senate priorities*

*Governor's (tax) proposals*

# Budget development: 2018





# Texas Education Agency

Agency Name:  
Texas Education Agency

Page Number  
in 2018–19  
GAA

Fiscal Year 2020 – 2021

Legislative Appropriations Request

Date:  
August 29, 2018

Request Level:  
Base

## Proposed Rider Language

III-5 – III-6

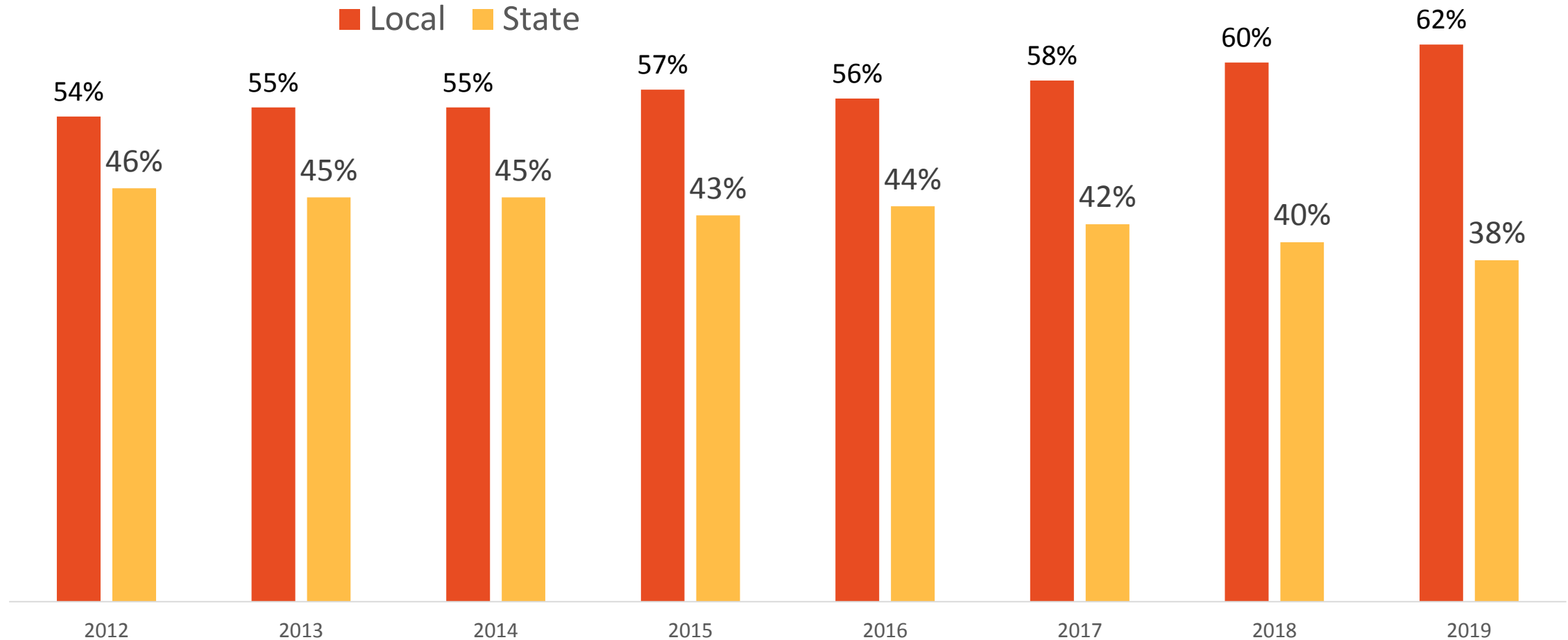
**Foundation School Program Funding.**<sup>49</sup> Out of the funds appropriated above, a total of ~~\$20,914,551,447~~~~21,468,235,602~~ in fiscal year ~~2020~~~~18~~ and ~~\$20,569,521,767~~~~21,503,735,602~~ in fiscal year ~~2021~~~~19~~ shall represent the sum-certain appropriation to the Foundation School Program. The total appropriation may not exceed the sum-certain amount. This appropriation includes allocations under Chapters 41, 42 and 46 of the Texas Education Code.

Formula Funding: The Commissioner shall make allocations to local school districts under Chapters 41, 42 and 46 based on the March ~~2019~~~~7~~ estimates of average daily attendance and local district tax rates as determined by the Legislative Budget Board and the final tax year ~~2018~~~~6~~ property values. Property values, and the estimates of local tax collections on which they are based, shall be increased by ~~6.777~~~~.04~~ percent for tax year ~~2019~~~~7~~ and by 6.77 percent for tax year ~~2020~~~~18~~.

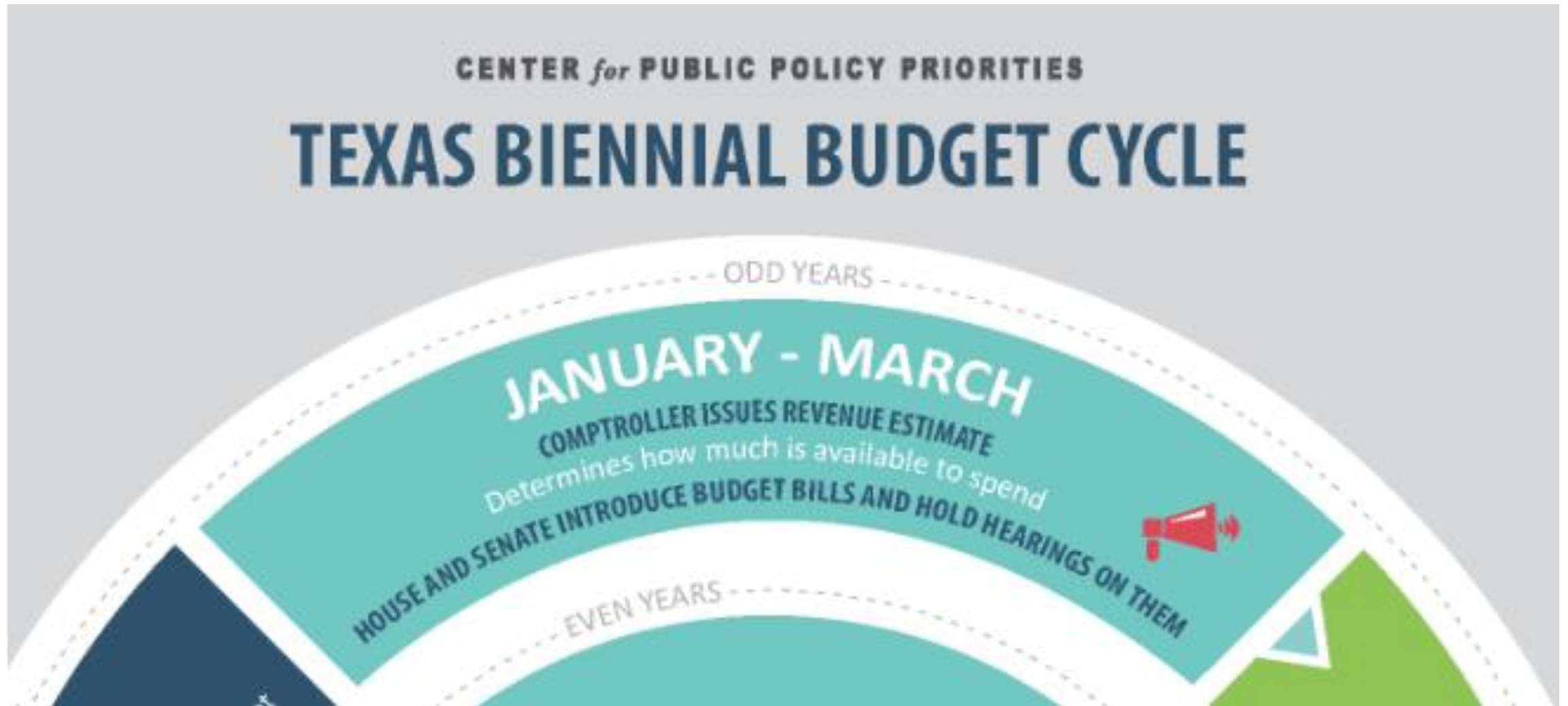
For purposes of distributing the Foundation School Program basic tier state aid appropriated above and in accordance with §42.101 of the Texas Education Code, the Basic Allotment is established at \$5,140 in fiscal year ~~2020~~~~18~~ and \$5,140 fiscal year ~~2021~~~~19~~.

# “Current law” puts more pressure on school property taxes without new resources (“Basic Allotment”)

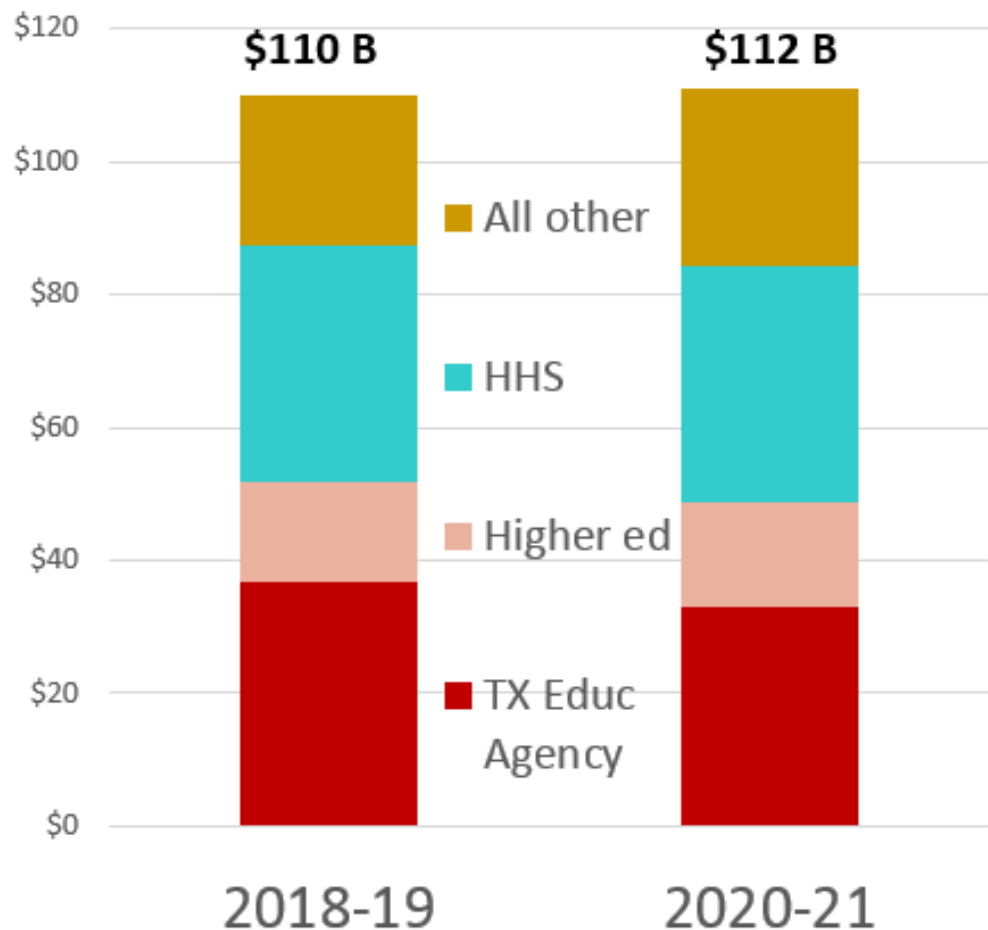
*Shares of School Formula Funding, Pre-Harvey*



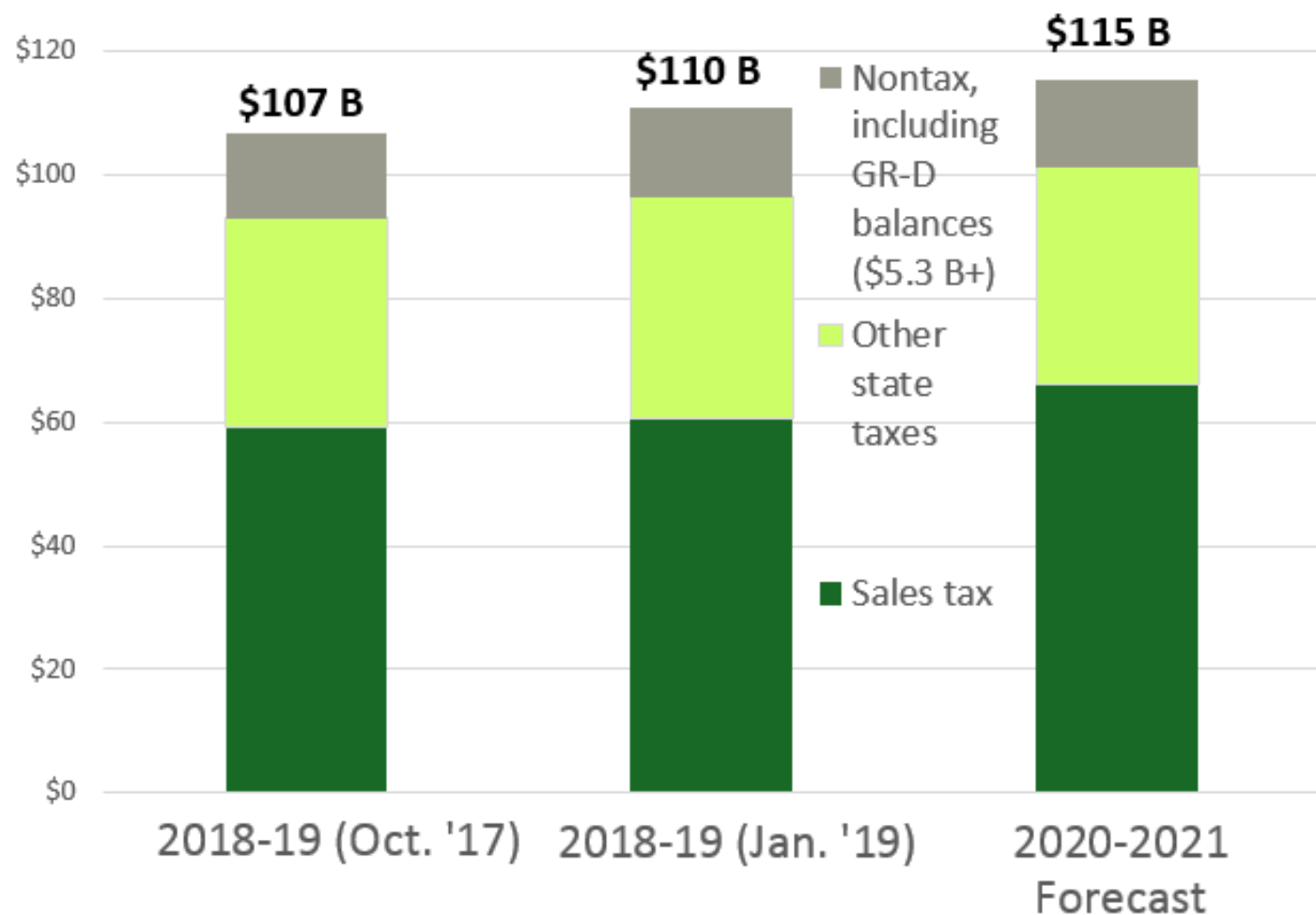
# Budget phases: early 2019



## General Revenue Baseline

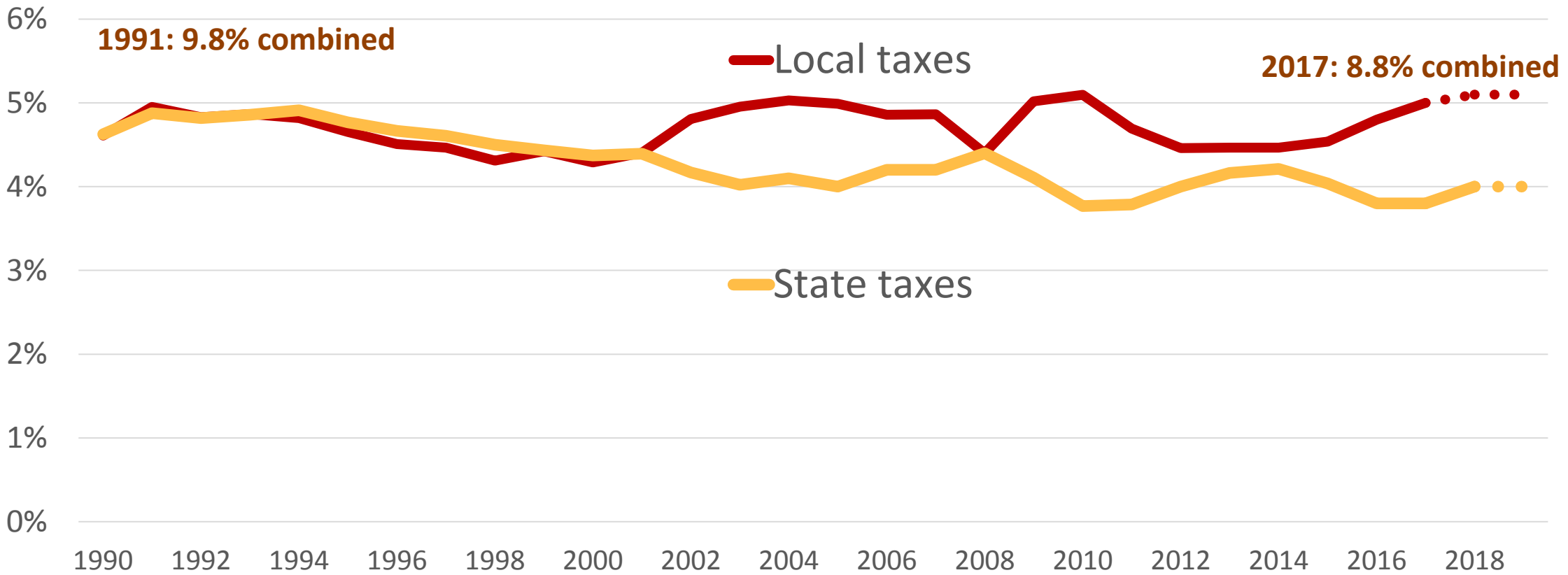


## General Revenue Forecasts

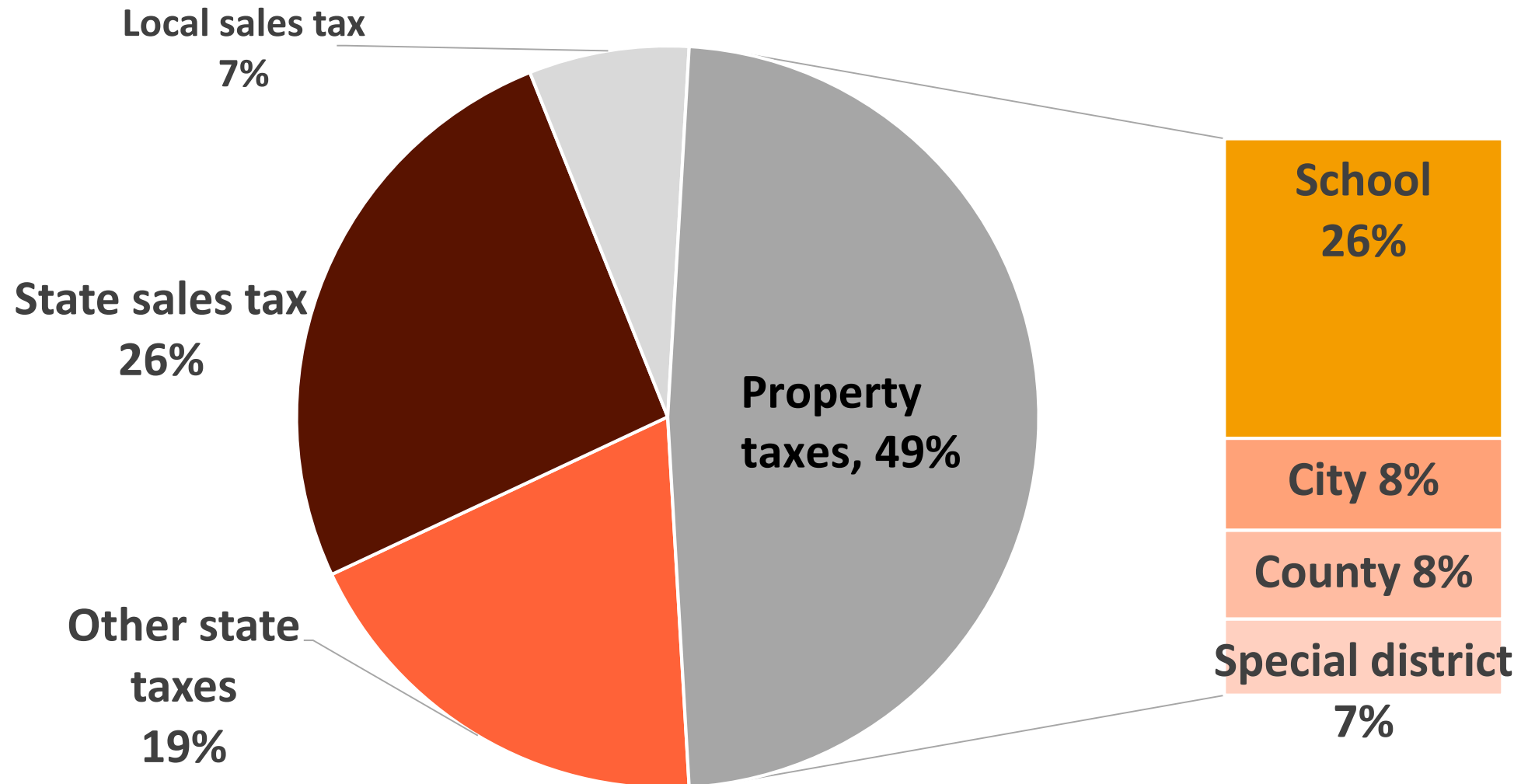


# School districts & other local governments bear more of the responsibility for public services

Tax Share of Texas  
Personal Income



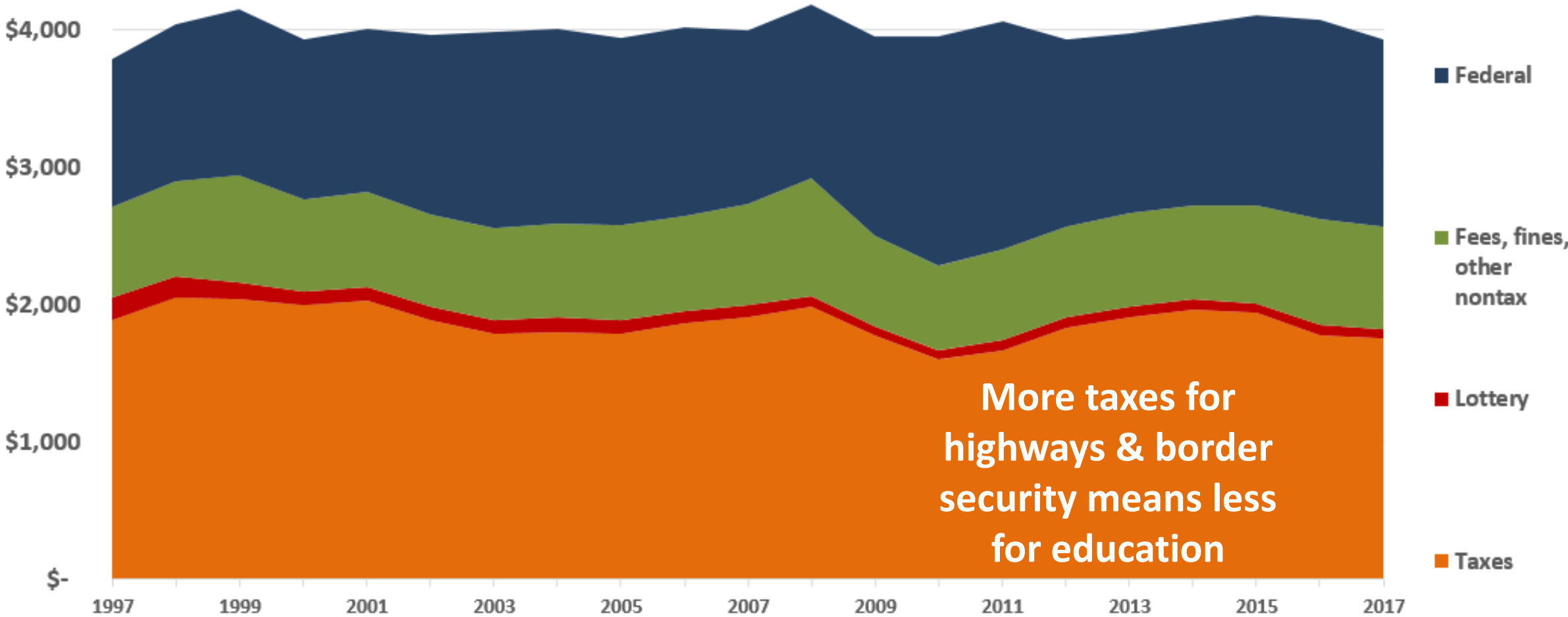
# State AND Local Taxes in Texas, 2018



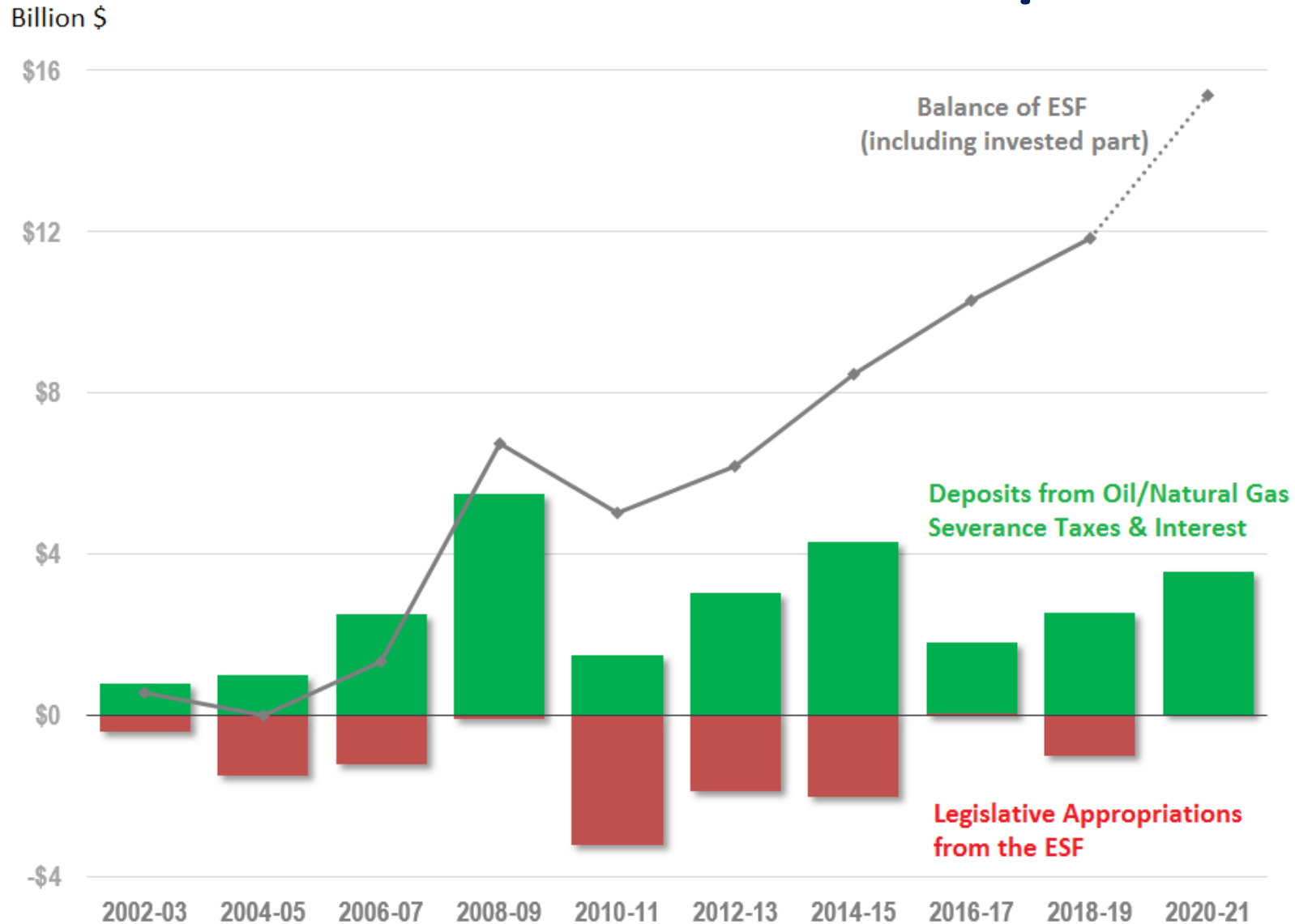


# No real increase in state revenue – only a reallocation

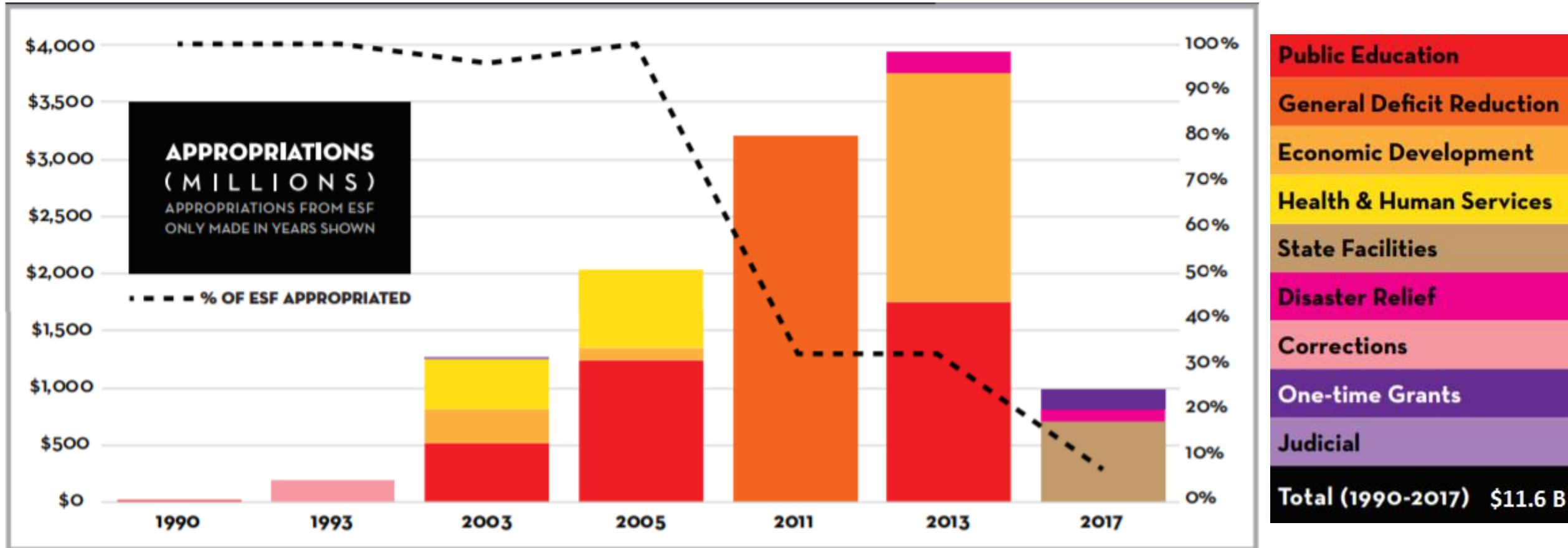
State revenue per Texan, in 2017 \$  
(State/Local Govt. inflation)



# Economic Stabilization Fund: \$15 B by 2021



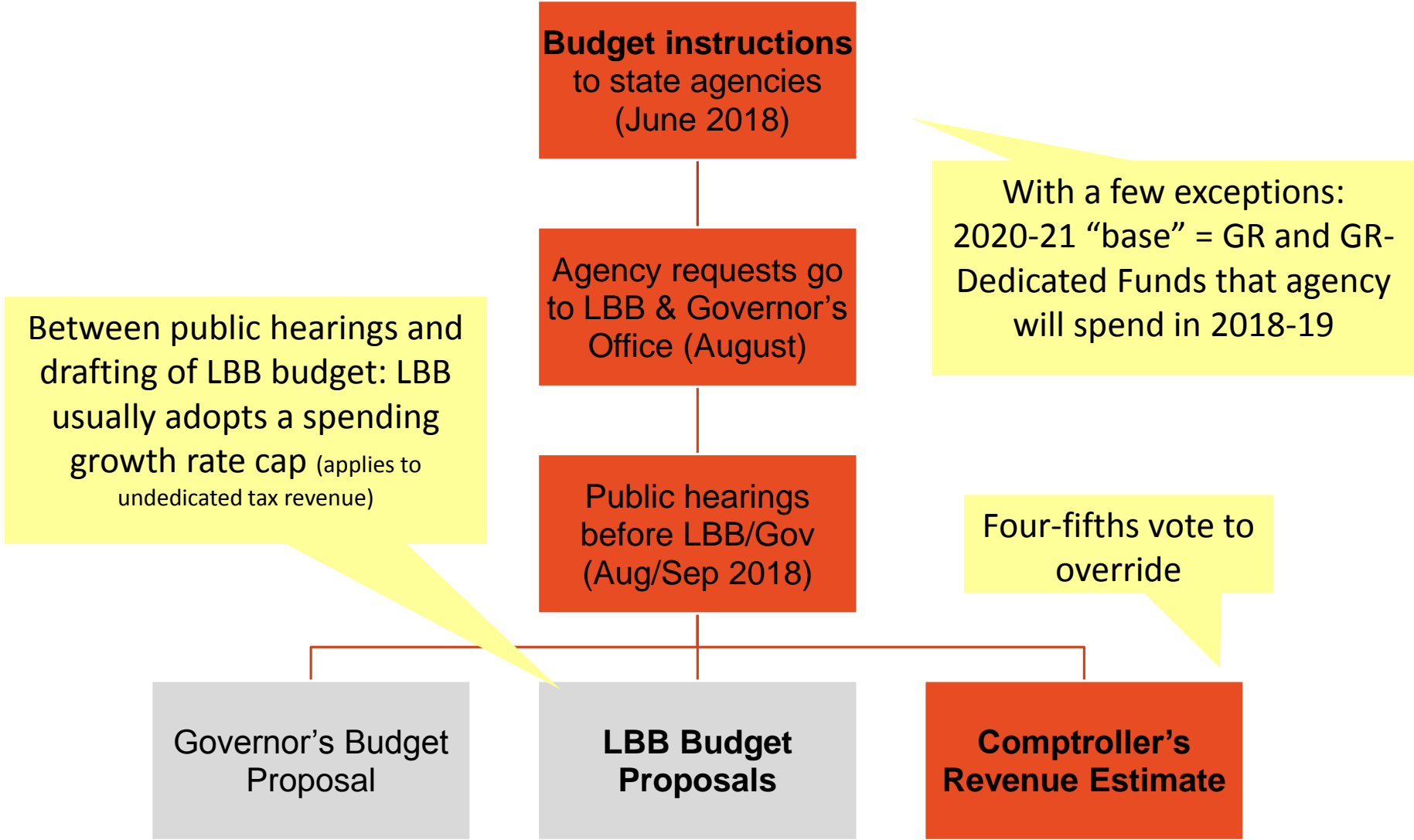
# Past Uses of ESF: More than \$11 billion



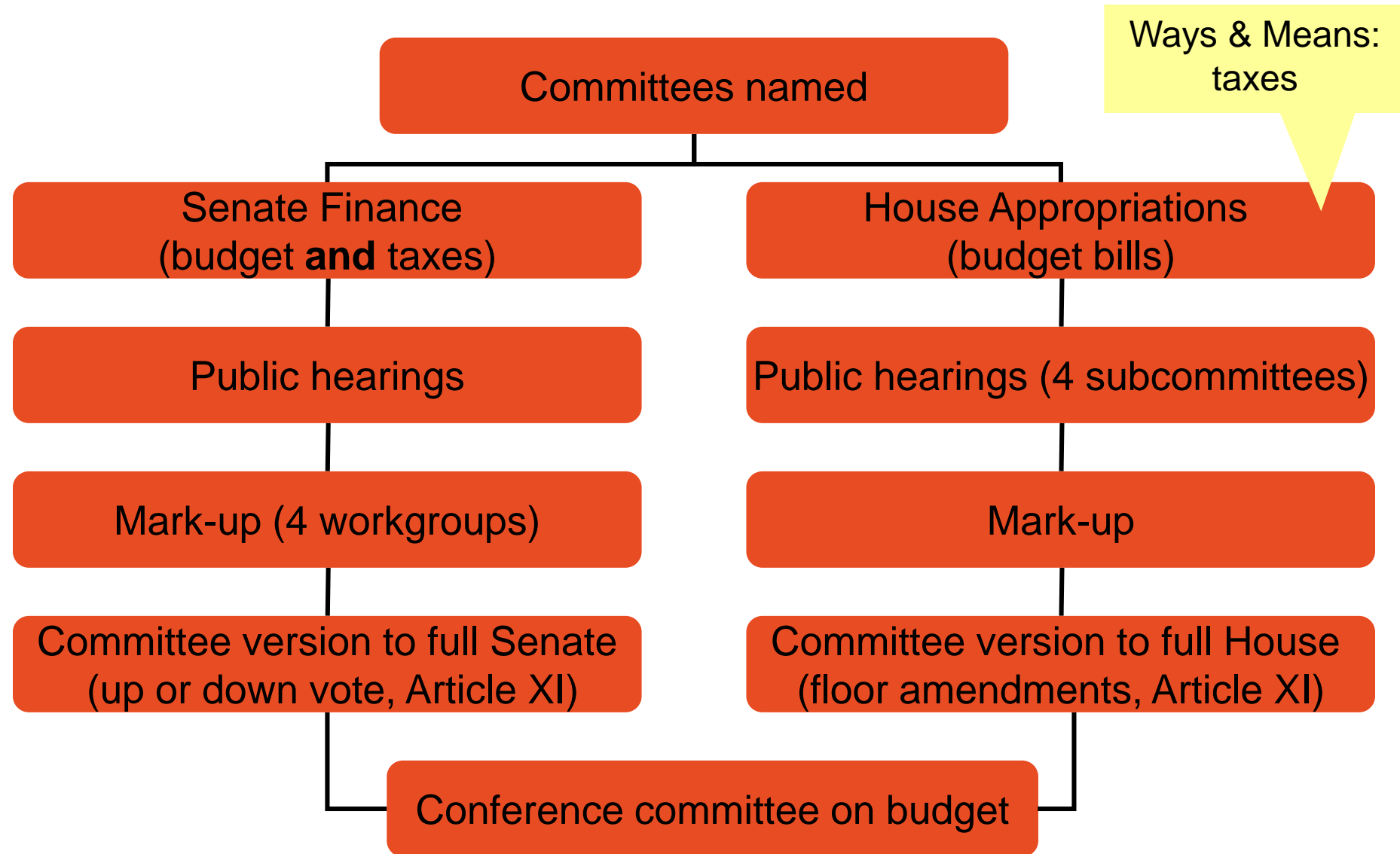
# How The Texas State Budget is Written

*Legislative Process – Executive Roles*

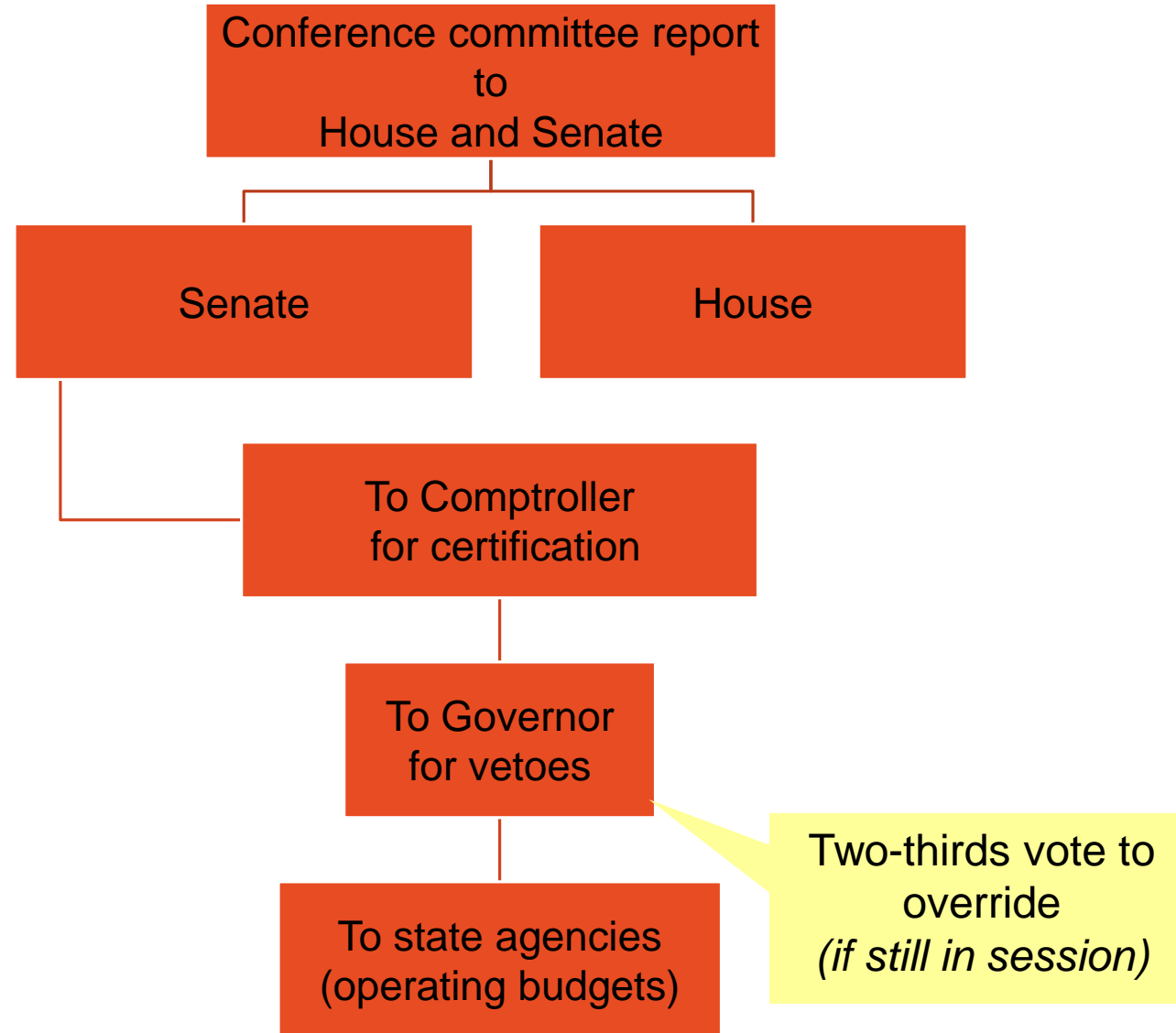
# Before the 86<sup>th</sup> Session Started...



# Legislative Process (in 2017)



# Final Legislative/Executive Process



# We believe in a Texas

that offers everyone the chance  
to compete and succeed in life.

# We envision a Texas

where everyone is healthy,  
well-educated, and financially secure.

**CENTER *for* PUBLIC POLICY PRIORITIES**

@CPPP\_TX