

# **Texas Tax Revenues – Recent Trends and Outlook**

**Presentation for the Texas Commission on Public School Finance**

**April 5, 2018**

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Chief Revenue Estimator

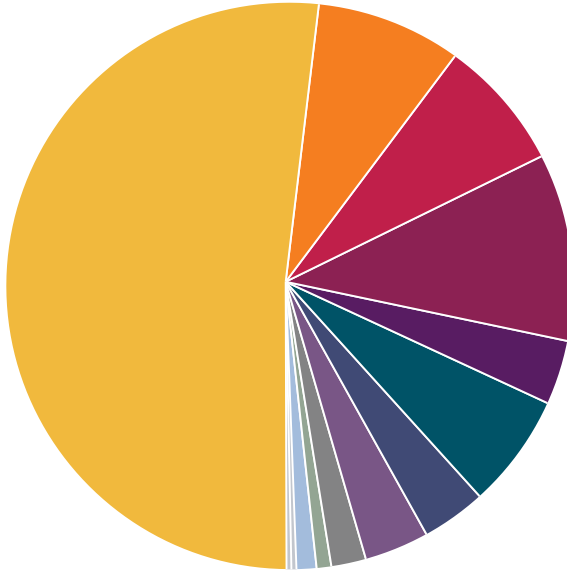
Texas Comptroller of Public Accounts

# State Tax Revenue By Source

FISCAL 2008

All Funds, Excluding Trusts

TOTAL = \$41,357,928,953



% OF TAXES	SALES AND USE TAXES
52.2%	\$21,604,090,350
MOTOR VEHICLE SALES AND RENTAL TAXES	
8.1%	\$3,341,588,813
MOTOR FUEL TAXES	
7.5%	\$3,101,526,779
FRANCHISE TAX	
10.8%	\$4,451,325,736
OIL PRODUCTION TAX	
3.5%	\$1,436,879,156
NATURAL GAS PRODUCTION TAX	
6.5%	\$2,684,647,510
INSURANCE TAXES	
3.5%	\$1,450,184,267
CIGARETTE AND TOBACCO TAXES	
3.5%	\$1,446,894,671
ALCOHOLIC BEVERAGES TAXES	
1.9%	\$784,068,675
HOTEL OCCUPANCY TAX	
0.9%	\$370,979,724
UTILITY TAXES	
1.2%	\$503,878,555
OTHER TAXES	
0.4%	\$181,864,717

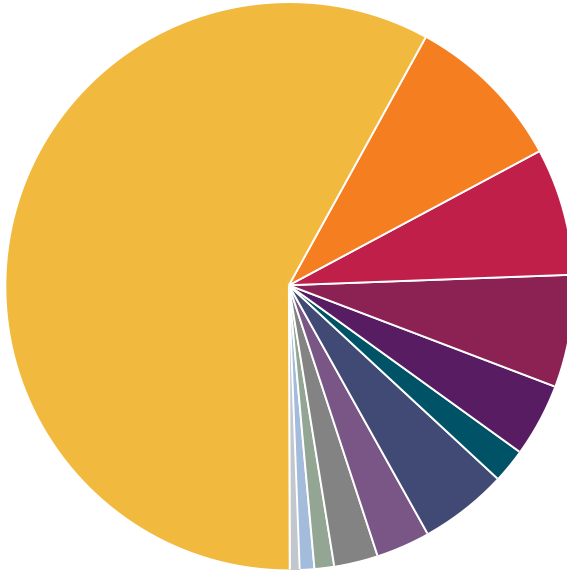
Source: Annual Cash Report 2008, Texas Comptroller of Public Accounts

# State Tax Revenue By Source

FISCAL 2017

All Funds, Excluding Trusts

TOTAL = \$49,643,421,639



% OF TAXES	SALES AND USE TAXES
58.2%	\$28,900,035,304
9.1%	MOTOR VEHICLE SALES AND RENTAL TAXES \$4,532,348,585
7.2%	MOTOR FUEL TAXES \$3,583,733,917
6.5%	FRANCHISE TAX \$3,242,218,796
4.2%	OIL PRODUCTION TAX \$2,107,335,182
2.0%	NATURAL GAS PRODUCTION TAX \$982,762,914
4.8%	INSURANCE TAXES \$2,376,091,985
3.1%	CIGARETTE AND TOBACCO TAXES \$1,522,827,788
2.5%	ALCOHOLIC BEVERAGES TAXES \$1,217,710,832
1.1%	HOTEL OCCUPANCY TAX \$530,715,704
0.9%	UTILITY TAXES \$439,065,387
0.4%	OTHER TAXES \$208,575,245

Source: Annual Cash Report 2017, Texas Comptroller of Public Accounts

<b>Tax Category</b>	<b>FY 2008</b>	<b>% of total</b>	<b>FY 2017</b>	<b>% of total</b>	<b>CAGR (08-17)</b>	<b>MIN</b>	<b>MAX</b>
Sales Taxes	\$21,604,090,350	52.2%	\$ 28,900,035,304	58.2%	3.3%	12.6%	-6.6%
Motor Vehicle Sales and Rental Taxes	\$3,341,588,813	8.1%	\$ 4,532,348,585	9.1%	3.4%	19.5%	-22.2%
Motor Fuel Taxes	\$3,101,526,779	7.5%	\$ 3,583,733,917	7.2%	1.6%	3.9%	-2.2%
Franchise Tax	\$4,451,325,736	10.8%	\$ 3,242,218,796	6.5%	-3.5%	16.1%	-16.6%
<i>Franchise Tax with 2008 Base</i>	<i>\$4,451,325,736</i>		<i>\$ 4,834,009,000</i>		<i>0.9%</i>	<i>15.8%</i>	<i>-12.2%</i>
Oil Production Tax	\$1,436,879,156	3.5%	\$ 2,107,335,182	4.2%	4.3%	46.0%	-40.8%
Natural Gas Production Tax	\$2,684,647,510	6.5%	\$ 982,762,914	2.0%	-10.6%	69.8%	-54.8%
Insurance Tax	\$1,450,184,267	3.5%	\$ 2,376,091,985	4.8%	5.6%	17.9%	-13.3%
Cigarette and Tobacco Taxes	\$1,446,894,671	3.5%	\$ 1,522,827,788	3.1%	0.6%	14.2%	-16.0%
Alcoholic Beverages Taxes	\$784,068,675	1.9%	\$ 1,217,710,832	2.5%	5.0%	8.1%	1.6%
Hotel Occupancy Tax	\$370,979,724	0.9%	\$ 530,715,704	1.1%	4.1%	15.1%	-7.4%
Utility Taxes	\$503,878,555	1.2%	\$ 439,065,387	0.9%	-1.5%	10.0%	-9.5%
Other Taxes	\$181,864,717	0.4%	\$ 208,575,245	0.4%	1.5%	41.8%	-32.1%
<b>Total</b>	<b>\$41,357,928,953</b>	<b>100%</b>	<b>\$49,643,421,639</b>	<b>100%</b>	<b>2.0%</b>	<b>13.4%</b>	<b>-8.5%</b>
<b>Total Taxable Property Value (Tax Year, Billion \$)</b>	<b>\$1,679</b>		<b>\$2,396</b> (preliminary)		<b>4.0%</b>	<b>8.8%</b>	<b>-1.6%</b>
<b>Economic Indicators</b>							
Real GSP (Billion 2009 \$)	\$ 1,172		\$ 1,510		2.9%	5.5%	-0.2%
Nominal GSP (Billion \$)	\$ 1,242		\$ 1,664		3.3%	7.8%	-5.5%
Employment (Thousands)	10,618		12,163		1.5%	3.1%	-1.7%
Personal Income (Billion \$)	\$ 947		\$ 1,315		3.7%	9.4%	-2.8%
NYMEX Natural Gas price (\$ per Million BTUs)	\$ 8.47		\$ 3.04		-10.8%	32.2%	-31.1%
NYMEX Oil price (\$ per Barrel)	\$ 101.93		\$ 48.77		-7.9%	19.6%	-37.1%
	2008-2009		2016-2017				
Biennial Cigarette and Tobacco Taxes	\$ 3,003,687,947		\$ 2,911,190,611		-0.8%	2.6%	-5.0%

## Recent Economic Performance in Texas and the Short-Term Outlook

- Texas economy was flat in 2016, but economic activity picked up in 2017.
- Contraction in the energy and manufacturing sectors was a drag on the Texas economy and state revenues.
- Texas has returned to economic growth exceeding national rate.
- Both Texas and the U.S. have seen robust growth in recent months.

# Comptroller Economic Forecast

(from 2017 Certification Revenue Estimate)

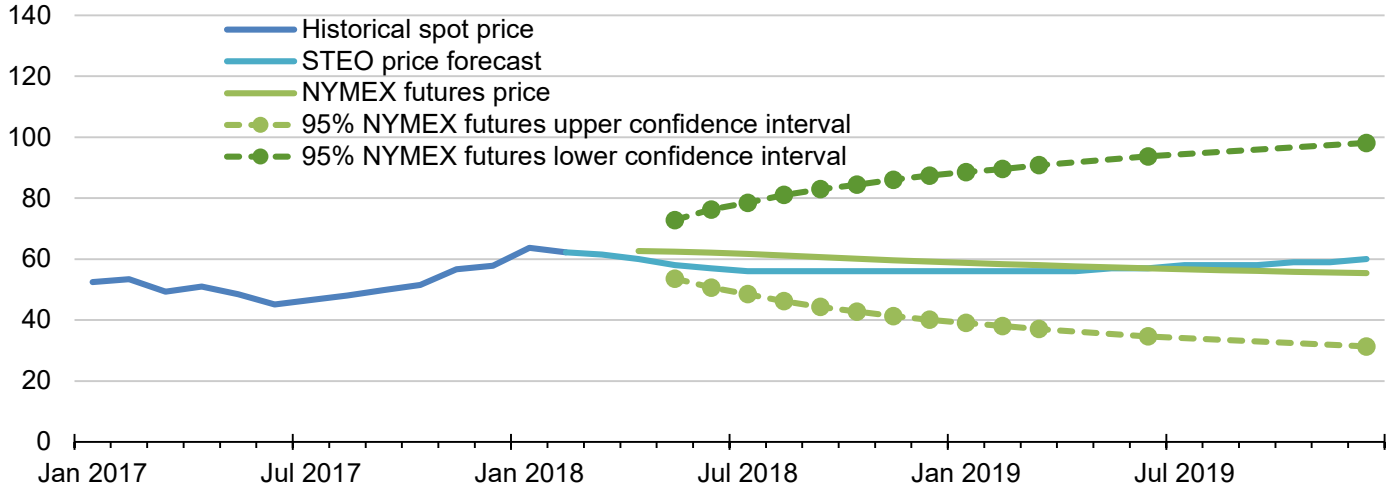
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018*	Fiscal Year 2019*
Employment (Annual Change)	2.9%	1.4%	2.0%	2.1%	2.0%
Real Gross State Product (Annual Change)	5.4%	0.3%	3.0%*	3.7%	3.2%
NYMEX Oil Price (\$ per barrel)	\$64.94	\$41.40	\$48.77	\$50.00	\$53.00

\* All data for fiscal years 2018 and 2019 are projections; GSP for fiscal 2017 is estimated based on partial-year data.



# West Texas Intermediate (WTI) crude oil price

dollars per barrel



Note: Confidence interval derived from options market information for the 5 trading days ending Mar 1, 2018. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: Short-Term Energy Outlook, March 2018, and CME Group.

## Revenue and Budget Outlook

- Revenue growth mirrors economic growth.
- Slow growth in 2016 contributed to a difficult budget process in the 2017 Legislature.
- Revenue collections accelerated in recent months.



# Tax Revenue, All Funds

(Excluding Trust, in billions)

Fiscal Biennium	Tax Collections	Change from Previous Biennium
2012-13	\$91.9	23.8%
2014-15	\$102.7	11.8%
2016-17	\$98.1	-4.4%
2018-19*	\$107.1	9.2%

\* Projected

# State Revenue, General Revenue-Related (Excluding Trust, in billions)

Fiscal Biennium	Revenue	Change from Previous Biennium
2012-13	\$93.4	24.3%
2014-15	\$104.3	11.7%
2016-17	\$103.1	-1.2%
2018-19*	\$108.6	5.4%

\* Projected

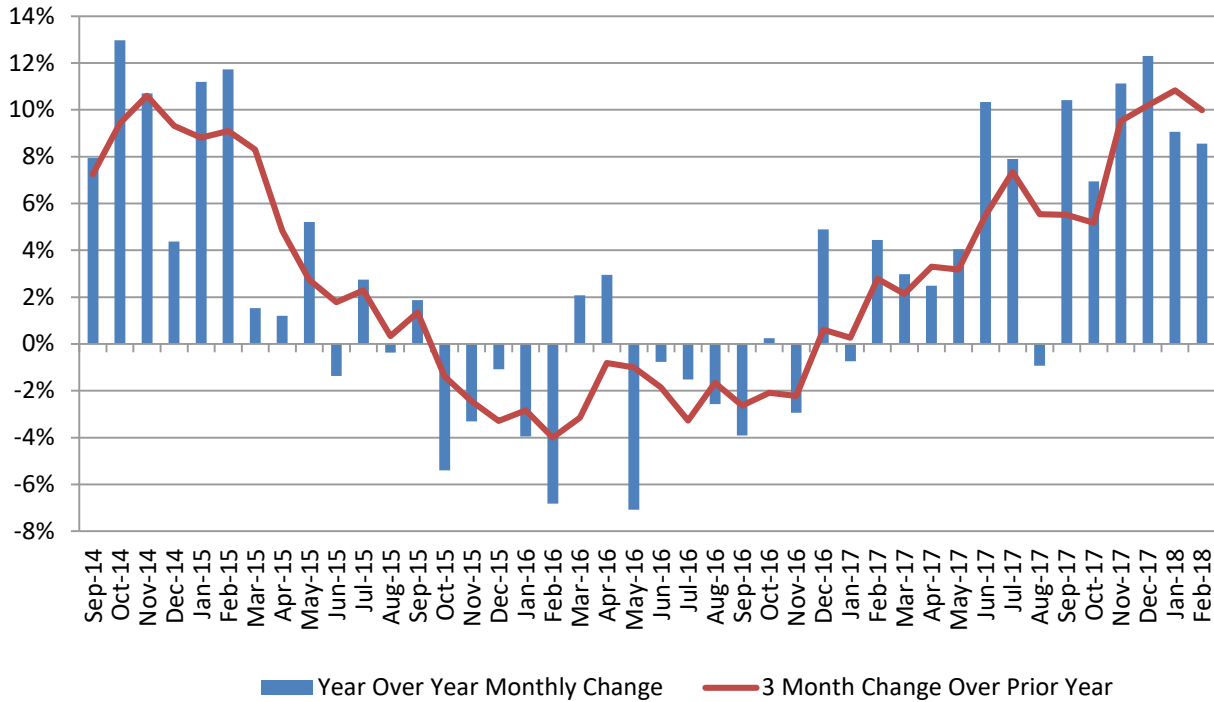
# Sales Taxes

(All Funds, Excluding Trust, in billions)

Fiscal Biennium	Tax Collections	Change from Previous Biennium
2012-13	\$50.1	22.0%
2014-15	\$56.3	12.3%
2016-17	\$57.1	1.5%
2018-19*	\$62.5	9.4%

\* Projected

## Texas Sales Tax Performance September 2014 – February 2018



## Looking Ahead to the 2019 Legislative Session

- Revenues currently running ahead of estimate in fiscal 2018.
- It is too early to project how much revenue might be available for the 2020-21 budget cycle.
- But we can anticipate some things that will restrict revenue available to the Legislature for general purpose spending.

# 2018-19 Revenue, Expenditures and Balance

*(From 2017 Certification Revenue Estimate)*

GR-R Available for Certification per CRE	\$107.328 billion
Less: GR-R Appropriations	\$107.234 billion
<b>Unappropriated GR-R</b>	<b>\$94 million</b>

## Potential Supplemental Appropriations

The 2018-19 state budget underfunded Medicaid - **\$2 billion?**

HB 30, 1<sup>st</sup> Called Session of the 85<sup>th</sup> Legislature, transferred appropriations from HHSC to **TEA and TRS**. HHSC will need to be made whole, either in FY 2019 or early FY 2020 - **\$563 million**.

Harvey recovery efforts are likely to result in state costs that will add to supplemental appropriations needs – state cost unknown at this time.

## Known GR-R Costs and Dedications, 2020-21 Biennium

The 2018-19 General Appropriations Act delayed one allocation of FY 2019 sales tax due to State Highway Fund (SHF) from FY 2019 to FY 2020 - **\$1.58 billion** (based on CRE estimates).

Full sales tax allocation to the SHF from 2020-21 collections - **\$5 billion**.

Motor vehicle sales taxes (MVST) allocation from 2020-21 collections - **\$142 million** (based on historical trends).



## Known GR-R Costs and Dedications, 2020-21 Biennium

Internet Tax Freedom Act (ITFA) prohibits sales tax on Internet services, starting in 2020 – estimated to be **\$440 million**.

Texas Guaranteed Tuition Plan (TGTP) payments are constitutionally guaranteed and the fund will have a shortfall starting in the 2020-21 biennium – estimated to be **\$240 million**.

# **Public Education Expenditures and the State's Cash Flow**

**Presentation for the Texas Commission on Public School Finance**

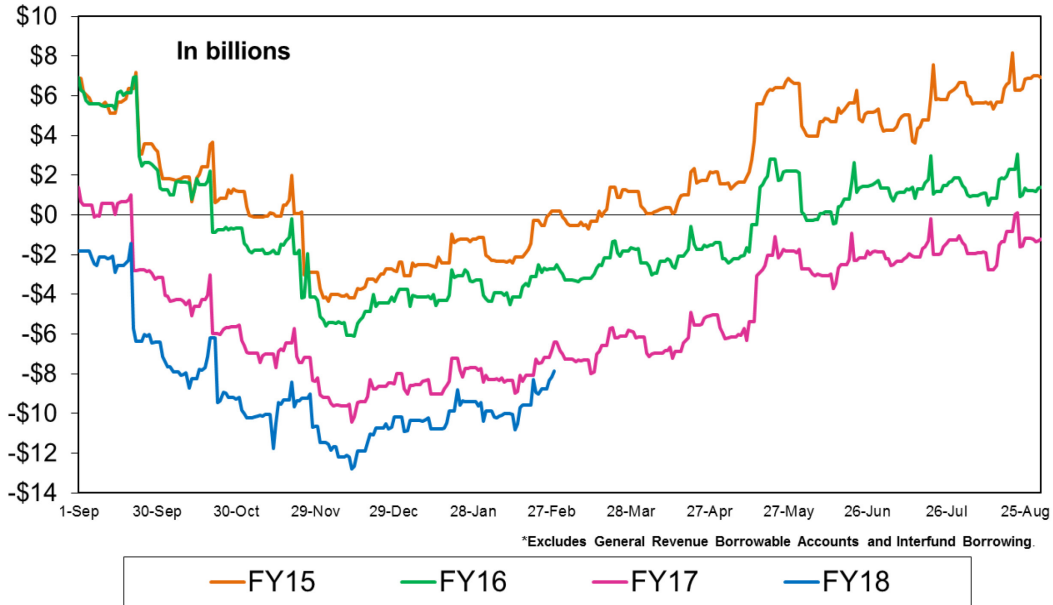
**April 5, 2018**

Phillip Ashley

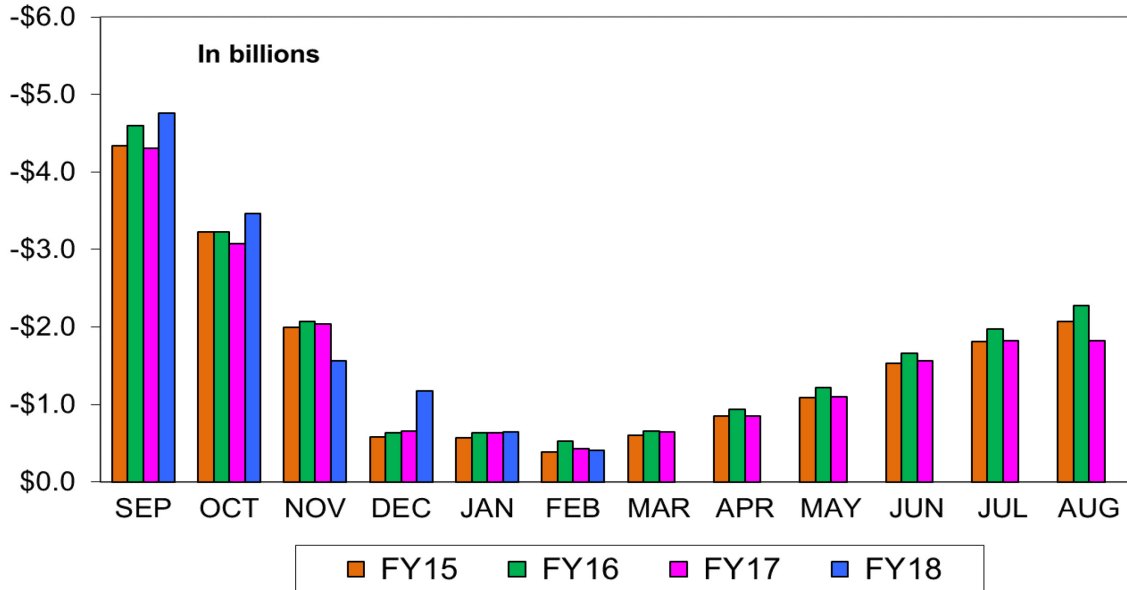
Associate Deputy Comptroller for Fiscal Matters

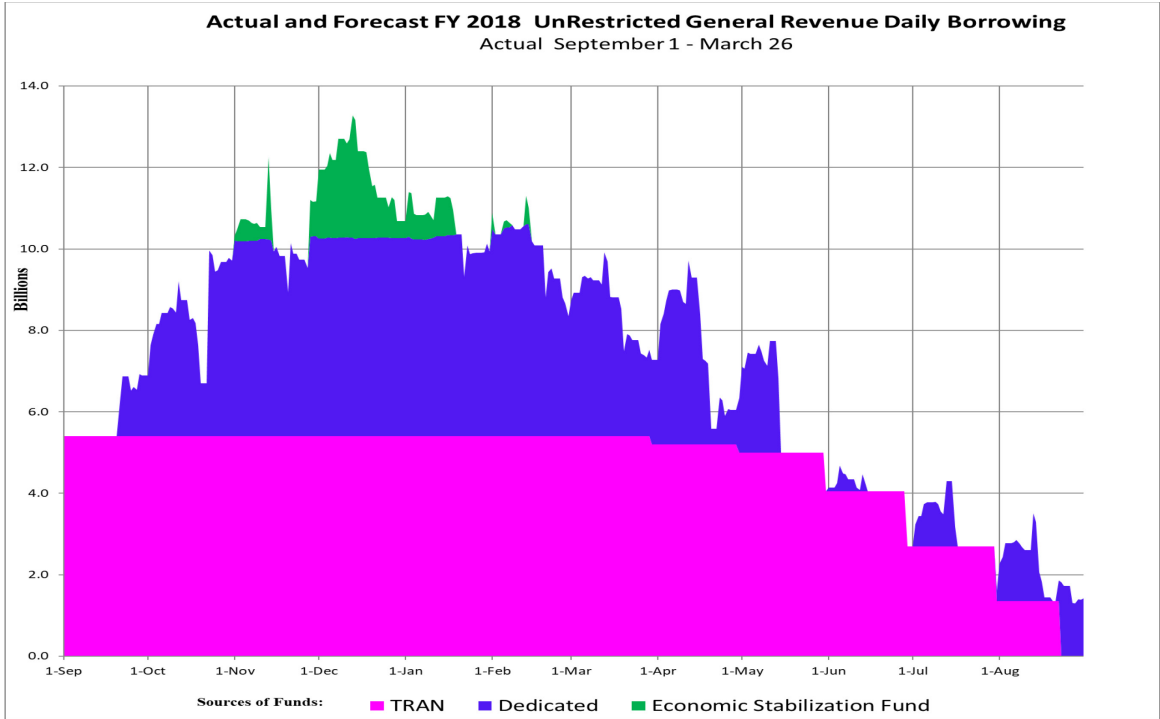
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UNRESTRICTED GENERAL REVENUE FUND DAILY BALANCES\*

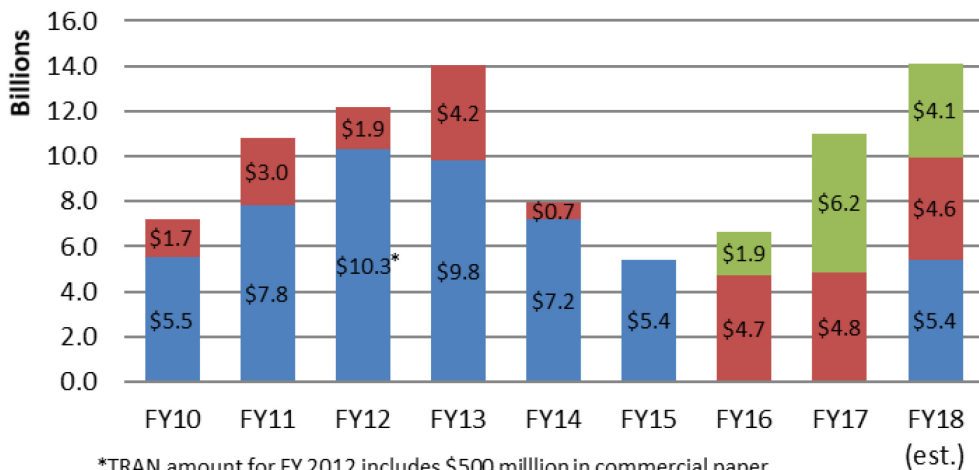


### PUBLIC EDUCATION EXPENDITURES





### Maximum Borrowed



■ TRAN ■ GR Dedicated ■ ESF

