

The Texas Economy and the 2024-25 Revenue Estimate

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Overview

- Comptroller's role in budget process.
- Recent Texas economic and revenue performance -- effects of end of pandemic restrictions and inflation.
- Texas economic and revenue forecast.

Article III, Sec. 49a, Texas Constitution requires a “Financial Statement and Estimate by Comptroller of Public Accounts.”

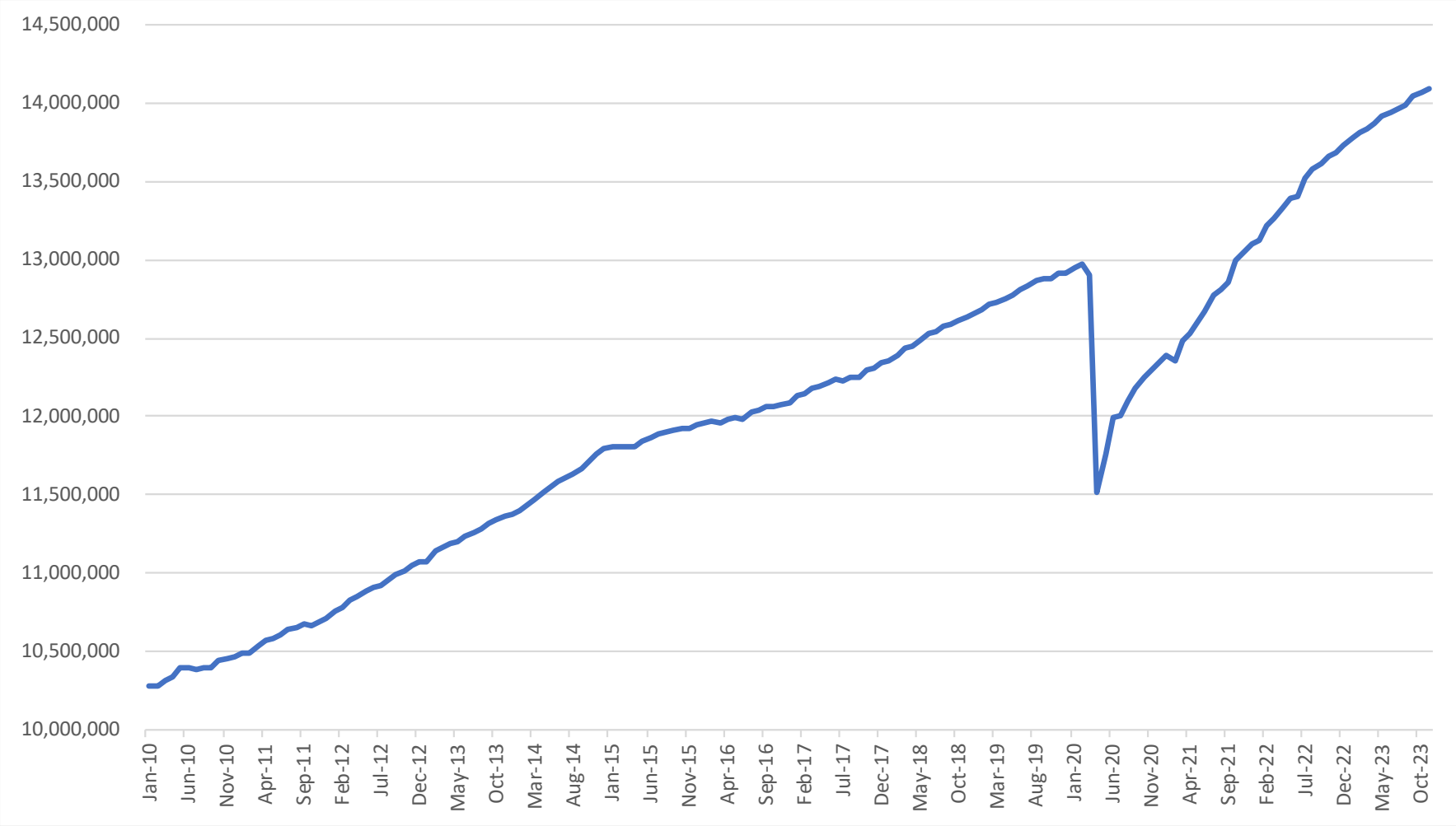
Biennial Revenue Estimate is produced before each legislative session.

Certification Revenue Estimate is released in the fall following a legislative session, as required by Section 403.0131 (b), Texas Government Code.

Recent Economic Performance in Texas and the Short-Term Outlook

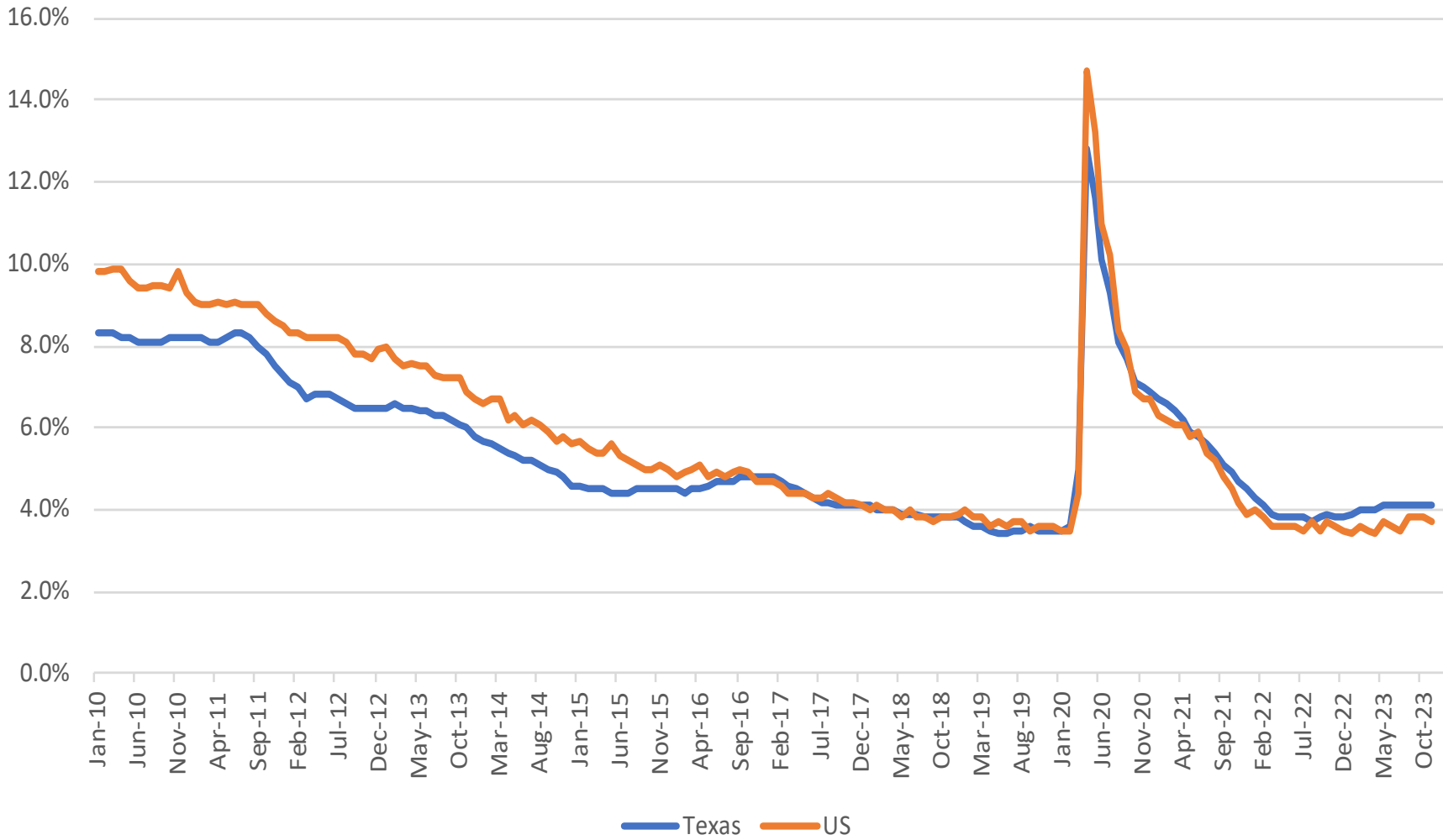
- After surging coming out of pandemic restrictions, Texas employment and gsp growth is slowing.
- Though risk of widely anticipated recession remains, expectations of recession have diminished as inflation has come down without increasing unemployment.
- Expect growth in 2024 to moderate from 2023.
- Job growth in Texas continues to be among fastest in nation.

Texas Monthly Employment (Jan. 2010 – Nov. 2023)



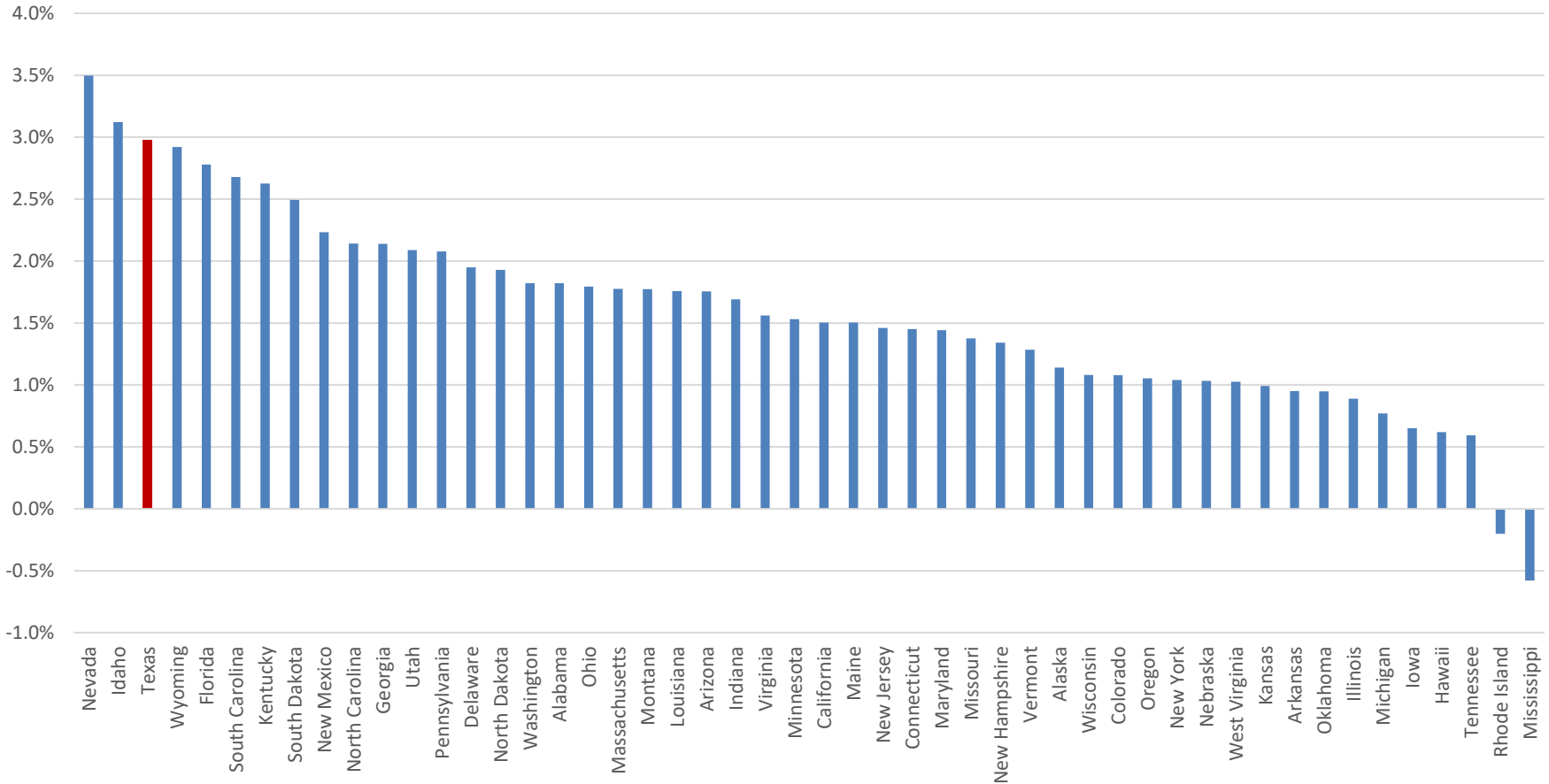
Source: TX Labor Market Information, Texas Workforce Commission

Monthly Unemployment Rate, TX and US (Jan. 2010 – Nov. 2023)



Job Growth by State

Nov. 2022 to Nov. 2023



Texas Economic History and Outlook for Fiscal Years 2016 to 2025

Fall 2023 Forecast

TEXAS ECONOMY	2016	2017	2018	2019	2020	2021	2022	2023*	2024*	2025*
Real Gross State Product (Billion 2012 \$)	1,618	1,645	1,712	1,764	1,756	1,799	1,856	1,945	1,990	2,024
<i>Annual percent change</i>	<i>1.5</i>	<i>1.7</i>	<i>4.1</i>	<i>3.0</i>	<i>(0.5)</i>	<i>2.4</i>	<i>3.2</i>	<i>4.8</i>	<i>2.3</i>	<i>1.7</i>
Gross State Product (Billion Current \$)	1,570	1,644	1,780	1,849	1,798	1,969	2,296	2,454	2,556	2,655
<i>Annual percent change</i>	<i>(0.6)</i>	<i>4.8</i>	<i>8.2</i>	<i>3.9</i>	<i>(2.7)</i>	<i>9.5</i>	<i>16.6</i>	<i>6.9</i>	<i>4.1</i>	<i>3.9</i>
Personal Income (Billion Current \$)	1,291	1,363	1,458	1,544	1,616	1,727	1,826	1,951	2,055	2,159
<i>Annual percent change</i>	<i>(0.8)</i>	<i>5.6</i>	<i>7.0</i>	<i>5.9</i>	<i>4.7</i>	<i>6.9</i>	<i>5.7</i>	<i>6.8</i>	<i>5.4</i>	<i>5.1</i>
Nonfarm Employment (Thousands)	11,980	12,173	12,444	12,746	12,425	12,533	13,301	13,847	14,049	14,087
<i>Annual percent change</i>	<i>1.3</i>	<i>1.6</i>	<i>2.2</i>	<i>2.4</i>	<i>(2.5)</i>	<i>0.9</i>	<i>6.1</i>	<i>4.1</i>	<i>1.5</i>	<i>0.3</i>
Resident Population (Thousands)	27,782	28,156	28,487	28,831	29,184	29,511	29,963	30,476	30,946	31,363
<i>Annual percent change</i>	<i>1.6</i>	<i>1.3</i>	<i>1.2</i>	<i>1.2</i>	<i>1.2</i>	<i>1.1</i>	<i>1.5</i>	<i>1.7</i>	<i>1.5</i>	<i>1.3</i>
Unemployment Rate (Percent)	4.6	4.5	4.0	3.6	6.8	6.2	4.1	4.0	4.1	4.5
NYMEX Oil Price (\$ per Barrel)	41.40	48.77	60.58	59.62	45.46	54.49	89.90	79.08	79.00	85.00
NYMEX Natural Gas Price (\$ per Million BTUs)	2.30	3.04	2.89	2.99	2.09	2.65	5.31	4.77	2.75	3.00

Texas Economic History and Outlook for Fiscal Years 2016 to 2025

Fall 2023 Forecast

U.S. ECONOMY	2016	2017	2018	2019	2020	2021	2022	2023*	2024*	2025*
Real Gross Domestic Product (Billion 2012 \$)	17,593	17,952	18,503	18,916	18,582	19,339	19,970	20,346	20,682	20,938
<i>Annual percent change</i>	<i>1.6</i>	<i>2.0</i>	<i>3.1</i>	<i>2.2</i>	<i>(1.8)</i>	<i>4.1</i>	<i>3.3</i>	<i>1.9</i>	<i>1.6</i>	<i>1.2</i>
Consumer Price Index (1982-84=100)	238.9	243.8	249.7	254.4	258.1	266.6	287.7	302.2	310.3	318.0
<i>Annual percent change</i>	<i>0.9</i>	<i>2.1</i>	<i>2.4</i>	<i>1.9</i>	<i>1.5</i>	<i>3.3</i>	<i>7.9</i>	<i>5.1</i>	<i>2.7</i>	<i>2.5</i>
Personal Consumption Expenditures Deflator (2012=100)	103.8	105.6	107.8	109.5	110.8	114.0	121.2	126.5	129.8	132.7
<i>Annual percent change</i>	<i>0.7</i>	<i>1.8</i>	<i>2.1</i>	<i>1.6</i>	<i>1.2</i>	<i>2.9</i>	<i>6.3</i>	<i>4.4</i>	<i>2.6</i>	<i>2.3</i>
Prime Interest Rate (Percent)	3.4	3.9	4.7	5.4	3.9	3.3	4.0	7.8	8.5	6.9

State Revenue

All Funds

- Refers to all revenue received by the state, including federal income and constitutionally-dedicated state funds.
- Excludes trust funds (and thus often described as “All Funds, Excluding Trust”).

Revenue,
Fiscal 2023
Actual vs. BRE
(All Funds)

Revenue Category	FY 2023 Actual	FY 2023 BRE	Change over BRE	
			\$	%
Sales Taxes	\$ 46,581,072	\$ 46,027,271	\$ 553,801	1.2%
Motor Vehicle Sales and Rental Taxes	6,821,747	6,895,805	(74,058)	-1.1%
Motor Fuel Taxes	3,832,081	3,813,909	18,172	0.5%
Franchise Tax	6,820,183	6,150,831	669,352	10.9%
Oil Production Tax	5,931,042	5,482,879	448,163	8.2%
Insurance Taxes	4,064,627	3,544,456	520,171	14.7%
Cigarette and Tobacco Taxes	1,218,337	1,284,001	(65,664)	-5.1%
Natural Gas Production Tax	3,350,373	4,500,017	(1,149,644)	-25.5%
Alcoholic Beverages Taxes	1,771,635	1,710,100	61,535	3.6%
Hotel Occupancy Tax	777,851	754,308	23,543	3.1%
Utility Taxes	625,196	604,109	21,087	3.5%
Other Taxes	351,413	310,158	41,255	13.3%
Total Tax Collections	\$ 82,145,558	\$ 81,077,844	\$ 1,067,714	1.3%
<i>Revenue By Source</i>				
Tax Collections	\$ 82,145,558	\$ 81,077,844	\$ 1,067,714	1.3%
Federal Income	68,707,041	76,693,481	(7,986,440)	-10.4%
Licenses, Fees, Fines, and Penalties	6,663,409	6,536,599	126,810	1.9%
State Health Service Fees and Rebates	10,919,541	10,065,365	854,176	8.5%
Net Lottery Proceeds	3,349,724	2,884,691	465,033	16.1%
Land Income	3,797,418	3,624,865	172,553	4.8%
Interest and Investment Income	4,200,937	3,005,562	1,195,375	39.8%
Settlements of Claims	631,033	630,568	465	0.1%
Escheated Estates	1,090,933	902,153	188,780	20.9%
Sales of Goods and Services	307,928	290,232	17,696	6.1%
Other Revenue	5,975,448	6,824,750	(849,302)	-12.4%
Total Net Revenue	\$ 187,788,970	\$ 192,536,110	\$ (4,747,140)	-2.5%



State Revenue, by Source and Fiscal Year - All Funds, Excluding Trust Funds (Thousands of Dollars)

Tax Collections	2022 Actual	2023 Actual	2024 Estimated	2025 Estimated
Sales Taxes	\$ 42,971,904	\$ 46,581,072	\$ 47,862,082	\$ 49,327,182
<i>percent change</i>	19.3	8.4	2.8	3.1
Motor Vehicle Sales and Rental Taxes	6,449,088	6,821,747	6,962,348	7,105,057
<i>percent change</i>	12.5	5.8	2.1	2.0
Motor Fuel Taxes	3,783,904	3,832,081	3,880,154	3,923,357
<i>percent change</i>	5.2	1.3	1.3	1.1
Franchise Tax	5,672,908	6,820,183	6,795,400	6,893,600
<i>percent change</i>	25.2	20.2	(0.4)	1.4
Oil Production Tax	6,361,687	5,931,042	6,008,777	6,536,952
<i>percent change</i>	84.4	(6.8)	1.3	8.8
Insurance Taxes	3,121,923	4,064,627	4,221,880	4,174,643
<i>percent change</i>	15.6	30.2	3.9	(1.1)
Cigarette and Tobacco Taxes	1,210,716	1,218,337	1,085,700	1,118,800
<i>percent change</i>	(13.4)	0.6	(10.9)	3.0
Natural Gas Production Tax	4,469,945	3,350,373	2,492,999	2,802,748
<i>percent change</i>	185.0	(25.0)	(25.6)	12.4
Alcoholic Beverages Taxes	1,643,972	1,771,635	1,854,100	1,936,100
<i>percent change</i>	30.7	7.8	4.7	4.4
Hotel Occupancy Tax	699,939	777,851	816,688	853,071
<i>percent change</i>	43.5	11.1	5.0	4.5
Utility Taxes	556,662	625,196	615,078	640,690
<i>percent change</i>	3.3	12.3	(1.6)	4.2
Other Taxes	268,095	351,413	333,186	348,066
<i>percent change</i>	35.7	31.1	(5.2)	4.5
Total Tax Collections	\$ 77,210,744	\$ 82,145,558	\$ 82,928,392	\$ 85,660,266
<i>percent change</i>	25.6	6.4	1.0	3.3



Revenue By Source	2022 Actual	2023 Actual	2024 Estimated	2025 Estimated
Tax Collections	\$ 77,210,744	\$ 82,145,558	\$ 82,928,392	\$ 85,660,266
<i>percent change</i>	25.6	6.4	1.0	3.3
Federal Income	72,738,692	68,707,041	63,966,876	57,121,536
<i>percent change</i>	(11.2)	(5.5)	(6.9)	(10.7)
Licenses, Fees, Fines, and Penalties	6,531,677	6,663,409	6,703,591	6,805,023
<i>percent change</i>	2.9	2.0	0.6	1.5
State Health Service Fees and Rebates	10,284,816	10,919,541	10,963,232	10,057,019
<i>percent change</i>	51.4	6.2	0.4	(8.3)
Net Lottery Proceeds	3,058,251	3,349,724	2,884,691	2,884,691
<i>percent change</i>	3.5	9.5	(13.9)	0.0
Land Income	4,311,840	3,797,418	3,087,051	3,301,656
<i>percent change</i>	100.8	(11.9)	(18.7)	7.0
Interest and Investment Income	2,438,013	4,200,937	3,363,703	3,124,731
<i>percent change</i>	23.4	72.3	(19.9)	(7.1)
Settlements of Claims	662,336	631,033	550,818	531,060
<i>percent change</i>	(13.0)	(4.7)	(12.7)	(3.6)
Escheated Estates	1,011,742	1,090,933	1,025,000	1,090,000
<i>percent change</i>	27.7	7.8	(6.0)	6.3
Sales of Goods and Services	314,129	307,928	291,730	292,889
<i>percent change</i>	(2.2)	(2.0)	(5.3)	0.4
Other Revenue	4,782,601	5,975,448	6,251,506	6,529,807
<i>percent change</i>	(4.1)	24.9	4.6	4.5
Total Net Revenue	\$ 183,344,840	\$ 187,788,970	\$ 182,016,590	\$ 177,398,678
<i>percent change</i>	7.5	2.4	(3.1)	(2.5)

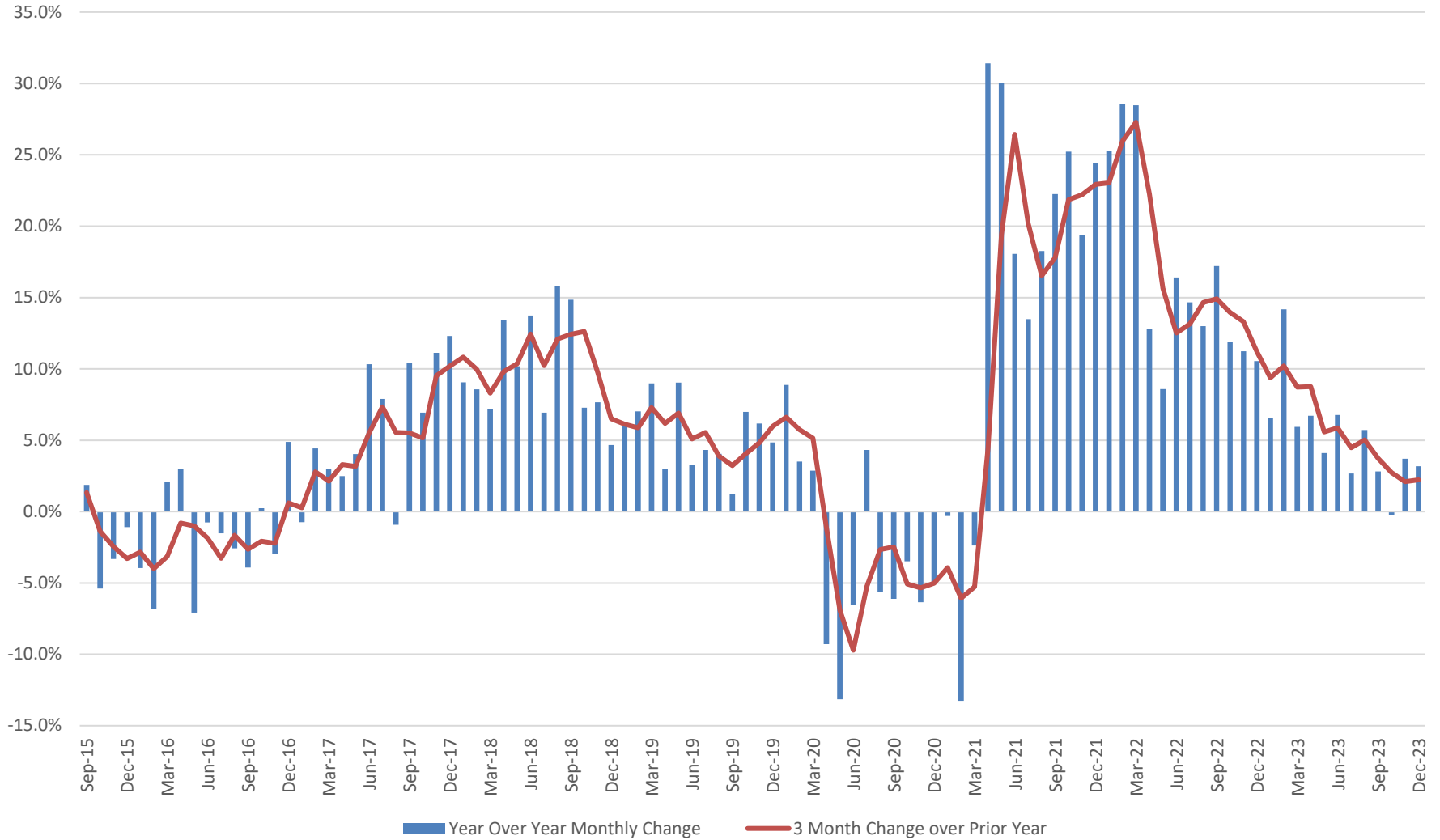
Note: Excludes local funds and deposits by semi-independent agencies. Includes certain state revenues deposited in the State Treasury but not appropriated.

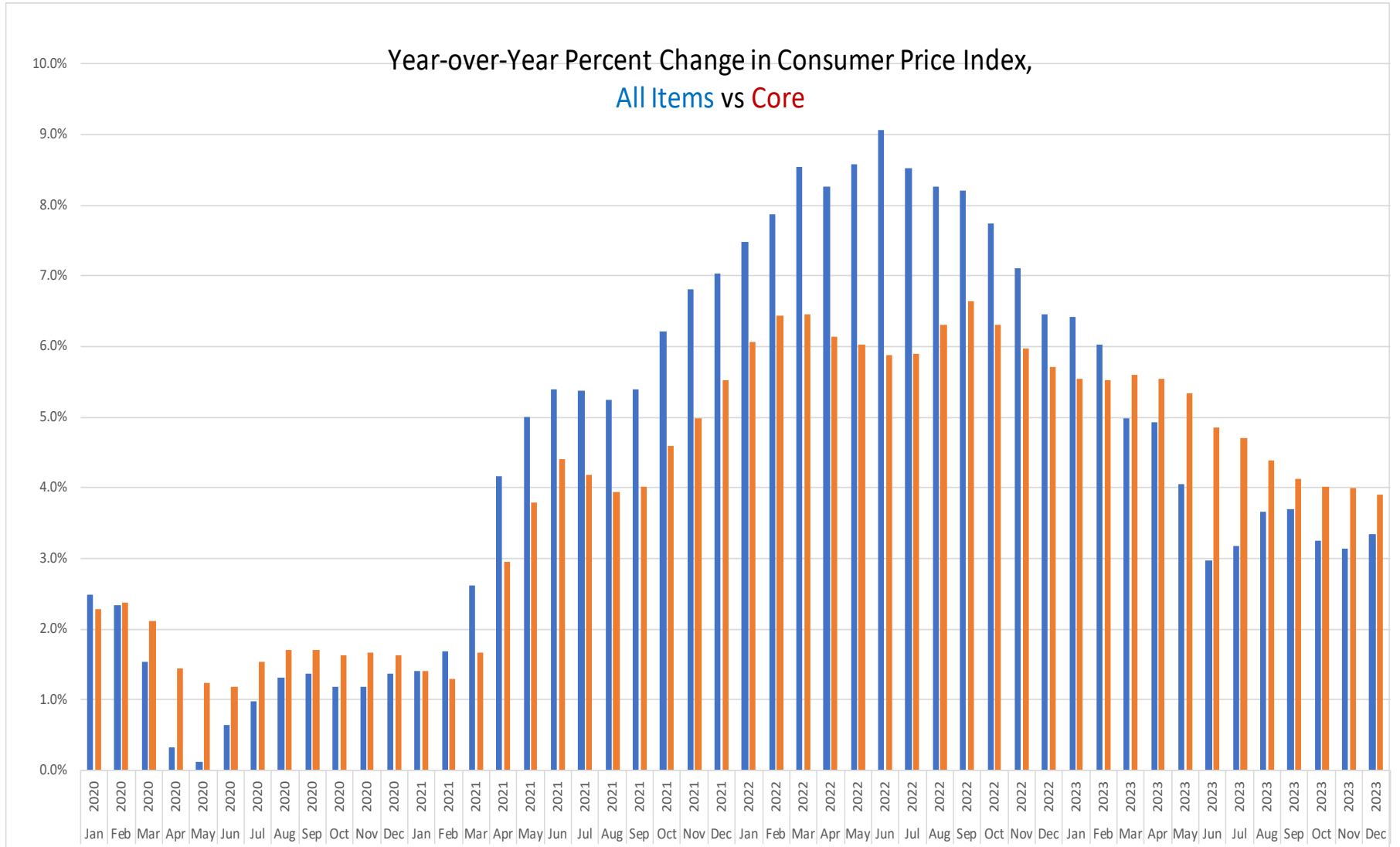
Note: Totals may not sum because of rounding.

SOURCE: Glenn Hegar, Texas Comptroller of Public Accounts.

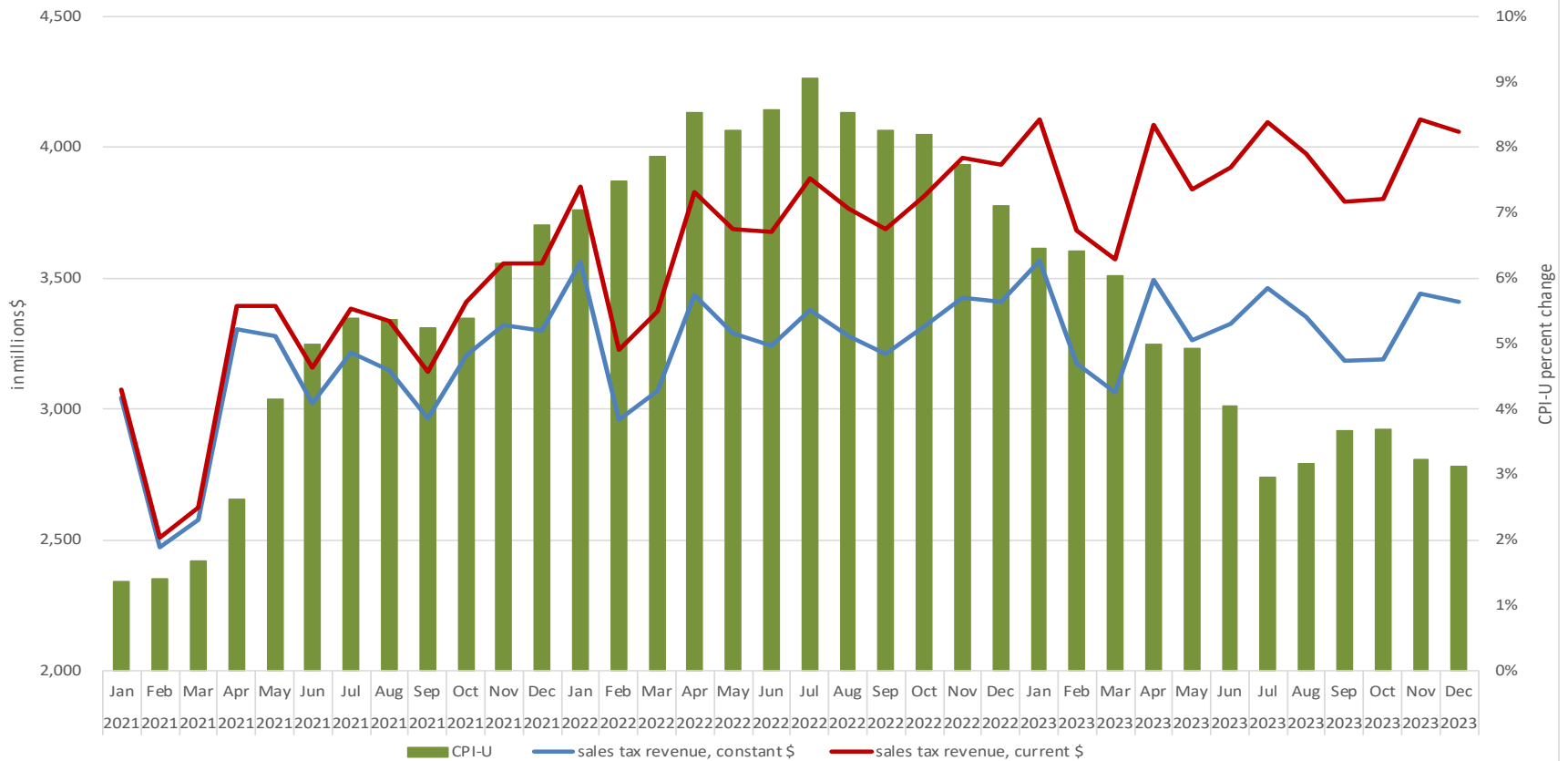
Texas Sales Tax Performance

Sept. 2015 – Dec. 2023

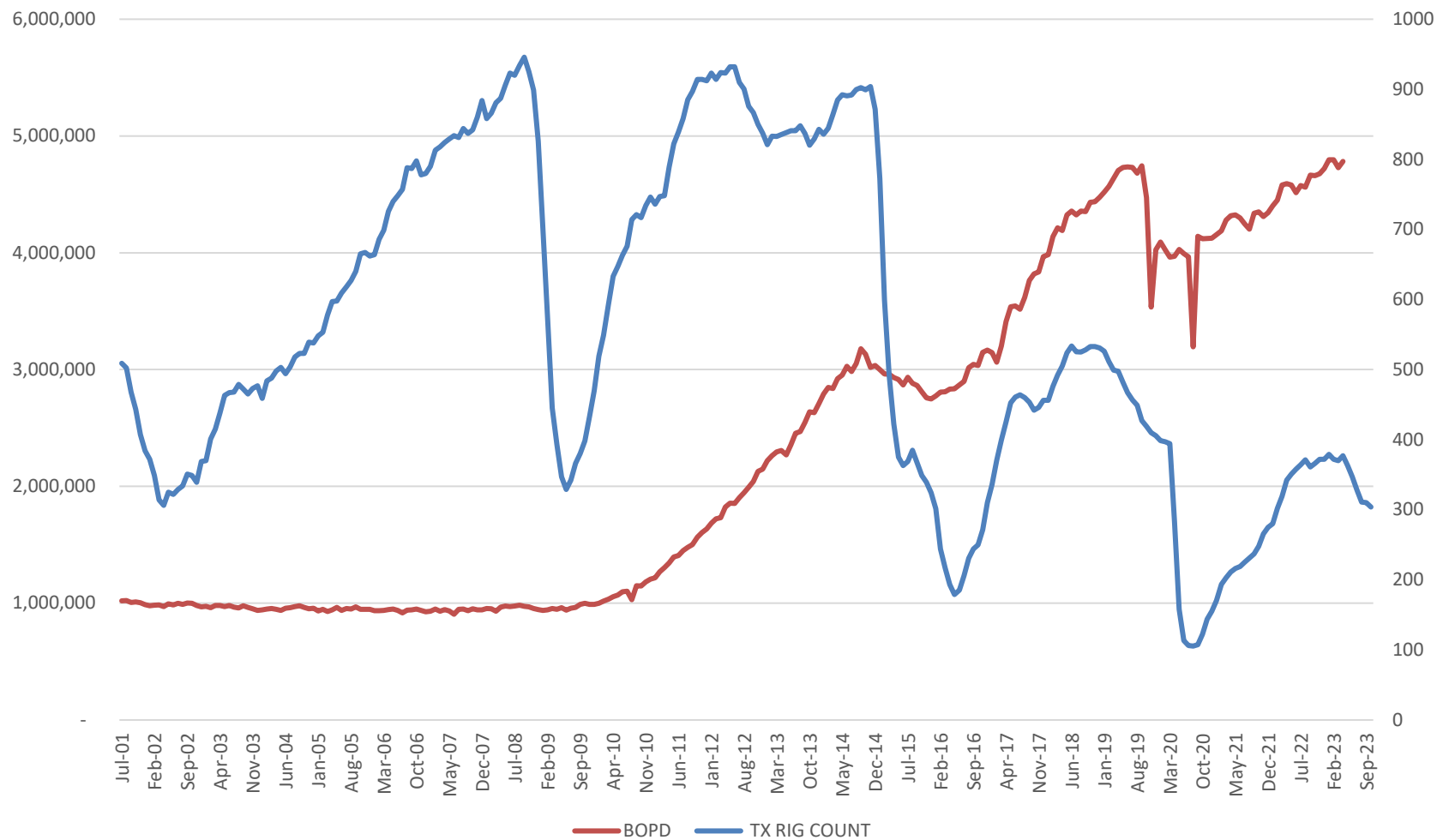




Sales Tax Revenue and CPI, Jan. 2021 - Dec. 2023

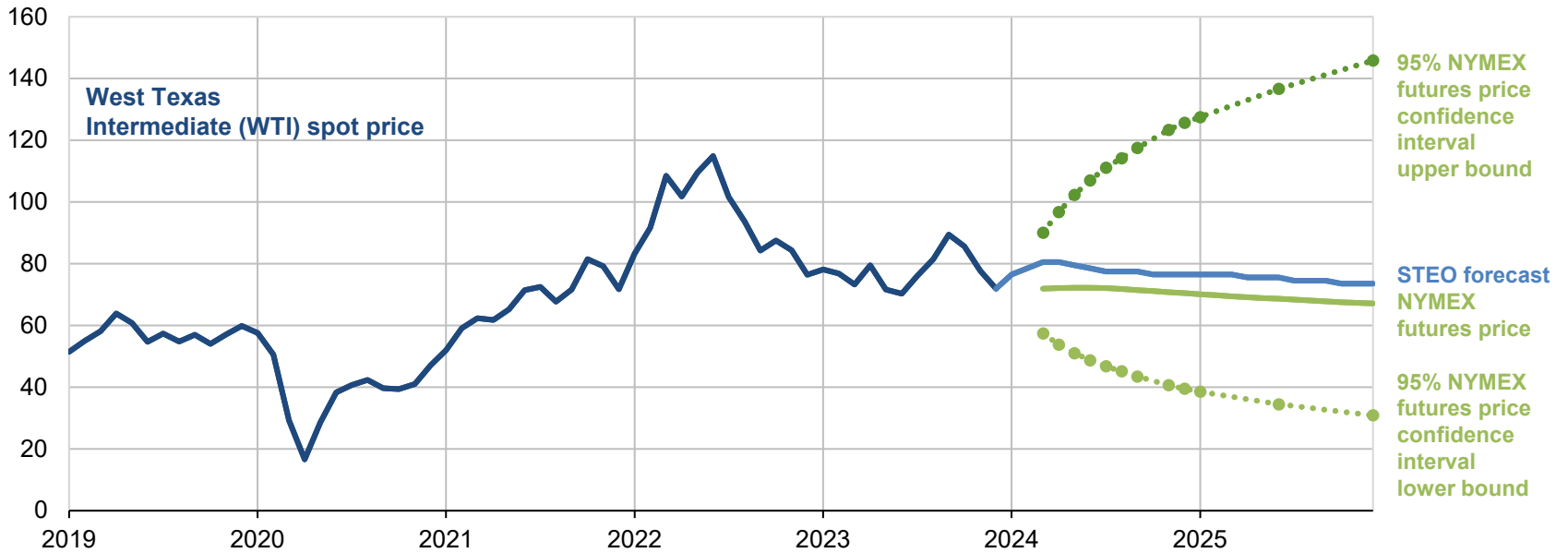


Texas Oil Production vs. Rotary Rig Count



West Texas Intermediate (WTI) crude oil price and NYMEX confidence intervals

dollars per barrel



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, January 2024, CME Group, Bloomberg, L.P., and Refinitiv an LSEG Business

Note: Confidence interval derived from options market information for the five trading days ending January 4, 2024. Intervals not calculated for months with sparse trading in near-the-money options contracts.

State Revenue

General Revenue-Related Funds

- These funds affect the discretionary spending detailed in the General Appropriations Act.
- They include:
 - The General Revenue Fund,
 - The Available School Fund,
 - The State Technology and Instructional Materials Fund,
 - The Foundation School Account, and
 - The Tobacco Settlement Account.

State Revenue, by Source and Fiscal Year - General Revenue-Related (Thousands of Dollars)

Tax Collections	2022 Actual	2023 Actual	2024 Estimated	2025 Estimated
Sales Taxes	\$ 38,826,997	\$ 42,178,879	\$ 43,347,966	\$ 44,713,788
<i>percent change</i>	20.4	8.6	2.8	3.2
Motor Vehicle Sales and Rental Taxes	5,926,931	6,162,369	6,253,061	6,345,108
<i>percent change</i>	8.8	4.0	1.5	1.5
Motor Fuel Taxes	991,762	1,011,474	1,045,058	1,056,372
<i>percent change</i>	(2.1)	2.0	3.3	1.1
Franchise Tax	3,971,036	4,774,146	4,969,900	5,038,700
<i>percent change</i>	25.2	20.2	4.1	1.4
Oil Production Tax	6,361,687	5,931,042	6,008,777	6,536,952
<i>percent change</i>	84.4	(6.8)	1.3	8.8
Insurance Taxes	3,120,999	4,063,389	4,220,951	4,173,720
<i>percent change</i>	15.7	30.2	3.9	(1.1)
Cigarette and Tobacco Taxes	531,082	527,451	481,429	490,637
<i>percent change</i>	(10.0)	(0.7)	(8.7)	1.9
Natural Gas Production Tax	4,469,945	3,350,373	2,492,999	2,802,748
<i>percent change</i>	185.0	(25.0)	(25.6)	12.4
Alcoholic Beverages Taxes	1,643,972	1,771,635	1,854,100	1,936,100
<i>percent change</i>	30.7	7.8	4.7	4.4
Hotel Occupancy Tax	699,939	777,851	816,688	853,071
<i>percent change</i>	43.5	11.1	5.0	4.5
Utility Taxes	556,662	625,196	615,078	640,690
<i>percent change</i>	3.3	12.3	(1.6)	4.2
Other Taxes	135,430	216,201	203,734	215,665
<i>percent change</i>	46.3	59.6	(5.8)	5.9
Total Tax Collections	\$ 67,236,442	\$ 71,390,006	\$ 72,309,741	\$ 74,803,551
<i>percent change</i>	27.9	6.2	1.3	3.4

Revenue By Source	2022 Actual	2023 Actual	2024 Estimated	2025 Estimated
Tax Collections	\$ 67,236,442	\$ 71,390,006	\$ 72,309,741	\$ 74,803,551
<i>percent change</i>	27.9	6.2	1.3	3.4
Licenses, Fees, Fines, and Penalties	1,539,510	1,552,876	1,574,733	1,569,816
<i>percent change</i>	10.1	0.9	1.4	(0.3)
State Health Service Fees and Rebates	1,259,708	1,725,687	1,760,188	1,347,150
<i>percent change</i>	52.2	37.0	2.0	(23.5)
Net Lottery Proceeds	1,906,985	2,079,111	1,935,084	1,935,084
<i>percent change</i>	1.2	9.0	(6.9)	0.0
Land Income	7,948	6,786	6,683	6,353
<i>percent change</i>	119.0	(14.6)	(1.5)	(4.9)
Interest and Investment Income	2,258,160	3,694,237	2,819,059	2,586,892
<i>percent change</i>	32.5	63.6	(23.7)	(8.2)
Settlements of Claims	565,955	582,301	513,767	493,667
<i>percent change</i>	(20.7)	2.9	(11.8)	(3.9)
Escheated Estates	1,011,742	1,090,933	1,025,000	1,090,000
<i>percent change</i>	27.7	7.8	(6.0)	6.3
Sales of Goods and Services	151,581	138,861	133,205	133,204
<i>percent change</i>	7.9	(8.4)	(4.1)	(0.0)
Other Revenue	534,784	577,730	454,595	524,132
<i>percent change</i>	13.1	8.0	(21.3)	15.3
Total Net Revenue	\$ 76,472,815	\$ 82,838,529	\$ 82,532,055	\$ 84,489,849
<i>percent change</i>	26.4	8.3	(0.4)	2.4

Note: Totals may not sum because of rounding.

SOURCE: Glenn Hegar, Texas Comptroller of Public Accounts.

Total State Revenue, All Funds

(Excluding Trust, in billions)

Fiscal Biennium	Revenue	Change from Previous Biennium
2018-19	\$248.1	11.5%
2020-21	\$312.1	25.8%
2022-23	\$371.1	18.9%
2024-25*	\$359.4	(3.2)%

* Projected

Tax Revenue, All Funds

(Excluding Trust, in billions)

Fiscal Biennium	Tax Collections	Change from Previous Biennium
2018-19	\$115.0	17.2%
2020-21	\$118.9	3.4%
2022-23	\$159.4	34.1%
2024-25*	\$168.6	5.8%

* Projected

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

Fiscal Biennium	Revenue	Change from Previous Biennium
2018-19	\$115.0	11.6%
2020-21	\$117.5	2.1%
2022-23	\$159.3	35.6%
2024-25*	\$167.0	4.8%

* Projected

Sales Taxes

(All Funds, Excluding Trust, in billions)

Fiscal Biennium	Tax Collections	Change from Previous Biennium
2018-19	\$66.0	15.4%
2020-21	\$70.1	6.3%
2022-23	\$89.6	27.7%
2024-25*	\$97.2	8.5%

* Projected

State Revenue

“Revenue Available for Certification”

- This is revenue available for general purpose spending

Beginning GR-R balance, including GR-Dedicated balances available for certification,

Plus General Revenue-related collections during the biennium,

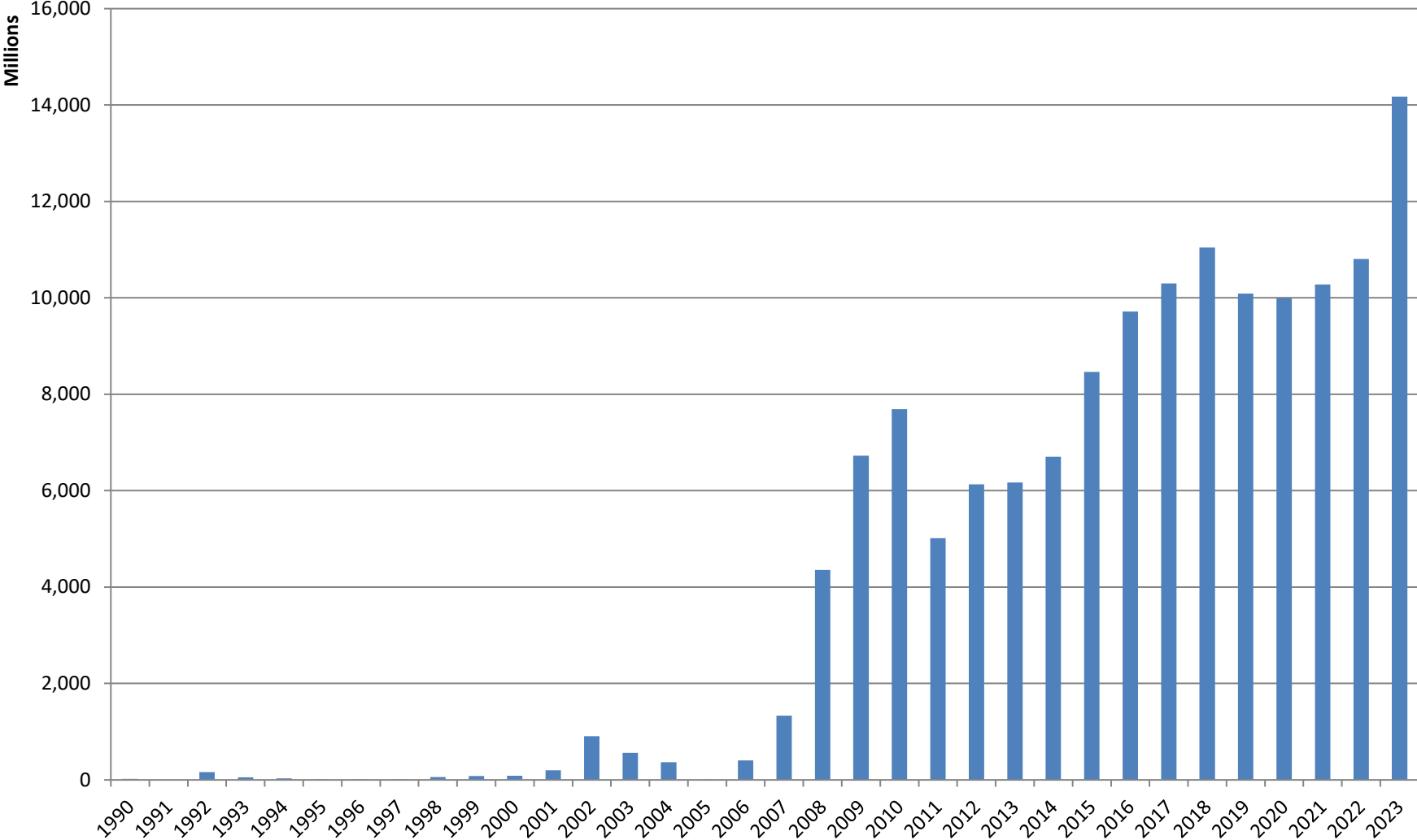
Less reserves set aside for transfers to Economic Stabilization Fund and State Highway Fund.

2024-25 Revenue, Expenditures and Balance

(From 2023 *Certification Revenue Estimate*)

GR-R Available for Certification per CRE	\$194.572 billion
Less: GR-R Appropriations	\$176.278 billion
Unappropriated GR-R	\$18.294 billion

Economic Stabilization Fund (ESF) Balances, End Fiscal Year



Economic Stabilization Fund

FY 23 Ending Balance **\$14.2 billion**

**FY 24 Ending Balance,
Projected** **\$20.1 billion**

**FY 25 Ending Balance,
Projected** **\$23.8 billion**

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