



May 3, 2021

The Honorable Greg Abbott, Governor
The Honorable Dan Patrick, Lieutenant Governor
The Honorable Dade Phelan, Speaker of the House
Members of the 87th Legislature

Ladies and Gentlemen:

Based on changes in estimated revenue collections and updated Legislative Budget Board estimates of the state obligation for Foundation School Program (FSP) funding, I am revising my projection of revenue available for general-purpose spending.

I now expect 2020-21 revenue available for general-purpose spending to be \$113.88 billion and the ending balance in General Revenue-Related (GR-R) funds to be \$725 million, an increase of \$1.67 billion from the negative balance projected in the January 2021 Biennial Revenue Estimate (BRE).

The increased ending balance, combined with upwardly revised projections of revenue collections for the 2022-23 biennium, results in an estimate of \$115.65 billion available for general-purpose spending in 2022-23, an increase of \$3.12 billion from the January BRE.

This estimate does not account for any appropriations made by the 87th Legislature, and the projected ending balance does not account for any savings from state agency budget reductions, replacement of eligible GR-R appropriations with federal relief funds or reductions in non-FSP appropriations made in House Bill 2.

Some of the increased revenue projected is attributable to upwardly revised estimates of oil and natural gas production tax collections. Consequently, I now expect to transfer \$1.26 billion each to the State Highway and Economic Stabilization funds in fiscal 2022 and another \$1.67 billion in fiscal 2023. Not counting any appropriations made from the Economic Stabilization Fund by the 87th Legislature, I now expect its balance to be \$12.12 billion at the end of the 2022-23 biennium.

Early in the pandemic, I noted that we needed “just a couple more months of data” to better assess the condition of the economy and its impact on state revenues. More than 12 months later, that remains true.

Increasing vaccination rates and the consequent reopening of the Texas and U.S. economies make us optimistic about the near term. But our economy has strong ties to international trade. With few exceptions, vaccination rates across the globe lag well behind U.S. rates. Some nations are experiencing their highest hospitalization and fatality rates of the entire pandemic. Supply-chain



bottlenecks remain a problem for many industries, and rising case counts in other nations could make it more difficult to resolve issues connected with trade.

Furthermore, we do not yet know how much consumer and business behavior will return to pre-pandemic patterns. It seems probable that some of the societal and economic changes we've seen in the last year will become permanent to some degree, but the extent to which this occurs will not be known for some time. And as always, energy prices remain inherently difficult to predict.

We will continue to monitor economic conditions and update this estimate as necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Hegar". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Glenn Hegar

cc: Jerry McGinty, Legislative Budget Board

