

CERTIFICATION REVENUE ESTIMATE

Prior to the legislative session, the Comptroller issues a Biennial Revenue Estimate (BRE) to tell lawmakers how much they can spend over the next two years. After the legislative session, the Comptroller issues a Certification Revenue Estimate (CRE) to reflect legislative activity and the most current economic information, as well as to take into account final revenue numbers for the recently ended fiscal year. The CRE may be updated as warranted by economic circumstances.

Revenue Available for General-Purpose Spending in the 2020-21 Biennium

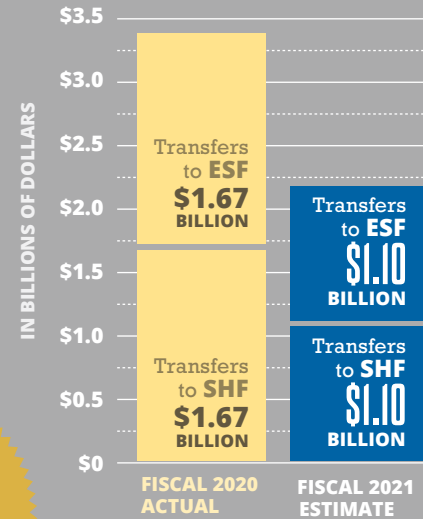
	CERTIFICATION REVENUE ESTIMATE October 2019	CERTIFICATION REVENUE ESTIMATE July 2020
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General Revenue-Related (GR-R) Tax Collections	+	\$108.14	\$94.12	In Billions of Dollars
Other GR-R Revenues	+	\$14.99	\$14.71	
Total GR-R Revenues	=	\$123.13	\$108.83	SUBTOTAL
Beginning Balance (Funds carried forward from 2019)	+	\$4.72	\$4.72	
Change in GR-dedicated Account Balances from the BRE	+	\$0.39	\$0.07	
Total GR-R Revenue & Fund Balances	=	\$128.24	\$113.62	SUBTOTAL
Revenue Reserved for Transfers to the Economic Stabilization and State Highway Funds	-	\$6.48	\$3.44	
Total Revenue Available for General-Purpose Spending	=	\$121.76	\$110.19	TOTAL

Note: Totals may not sum because of rounding.

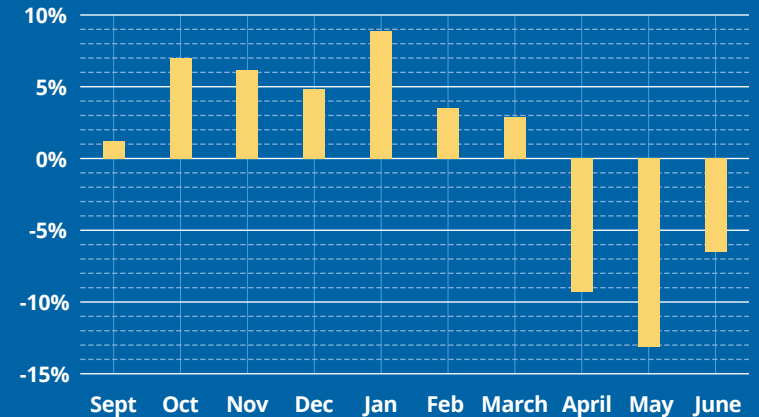
PROJECTED ENDING SHORTFALL OF **\$4.58 BILLION**

Severance Tax Transfers to the Rainy Day Fund and the State Highway Fund

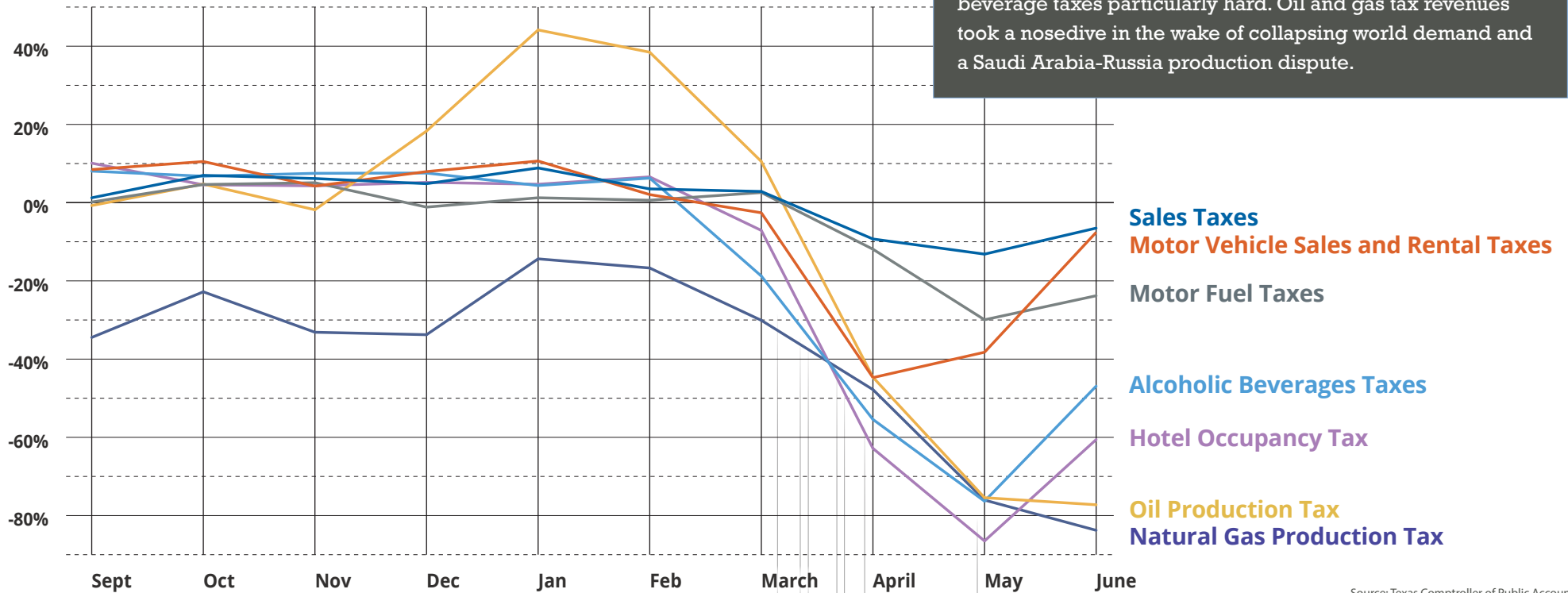


The State Highway Fund (SHF) and Economic Stabilization Fund (ESF) both receive oil and gas severance tax dollars. The SHF also receives a share of sales tax revenue when annual collections exceed \$28 billion.

Monthly Sales Tax Collections Percent Change from Previous Year/All Funds Fiscal 2020



Monthly Tax Collections/All Funds Fiscal 2020



Tax revenues plunged — some by record levels — as businesses were closed and social distancing was used to try to stop the spread of COVID-19. Travel and entertainment spending plummeted, hitting hotel occupancy and alcoholic beverage taxes particularly hard. Oil and gas tax revenues took a nosedive in the wake of collapsing world demand and a Saudi Arabia-Russia production dispute.

Source: Texas Comptroller of Public Accounts

MARCH 6
South by Southwest is canceled.

MARCH 11
Houston Livestock Show and Rodeo shut down.

MARCH 13
Gov. Abbott declares a state of disaster for all counties in Texas.

MARCH 22
Comptroller Hegar warns Texas leadership, legislators that significant contraction in the economy signals a recession.

MARCH 23-24
Several major cities and counties in Texas begin issuing stay-at-home orders.

MARCH 31
Gov. Abbott issues executive order limiting social interaction to “essential services.”

APRIL 28
Gov. Abbott reopens restaurants, retailers and other businesses with restrictions.

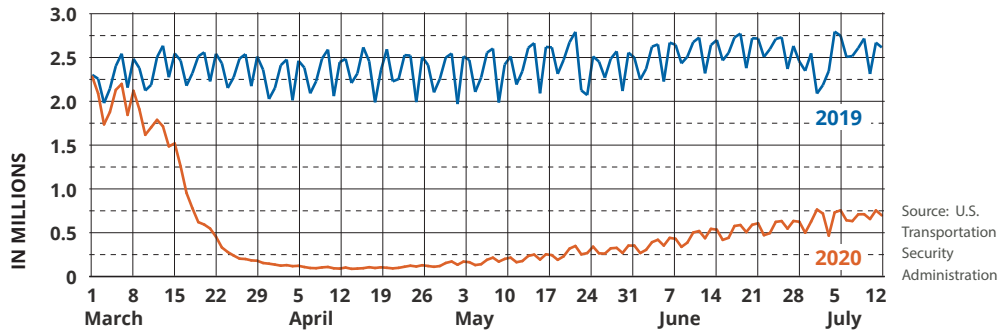
JUNE 25-26
Gov. Abbott pauses reopening, takes action including reclosing of bars.

To get a sense of current economic activity during the pandemic, the Comptroller began tracking high frequency indicators. None provide a complete picture individually,

but viewed with other sources, they allow more timely analysis. Traditional economic data, such as revenue collections, may lag the activity they are tracking by a month or more.

Taken together, the data tend to show that in April, economic activity bottomed and began to improve. Economic activity still remains well below pre-pandemic levels.

TSA Traveler Throughput/Texas 2019-2020



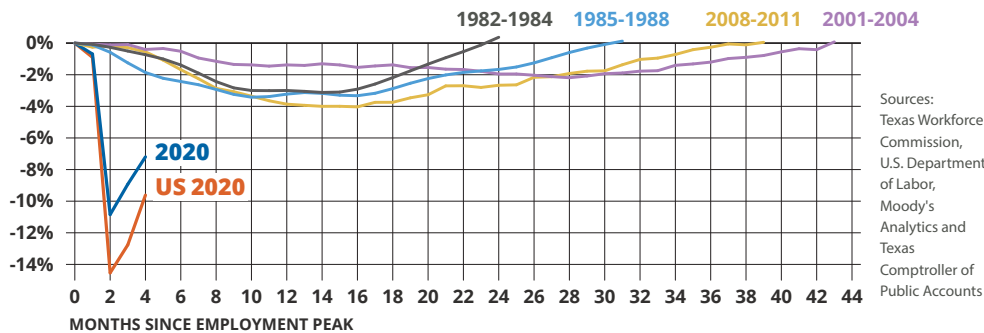
Travelers passing through U.S. Transportation Security Administration checkpoints (throughput) totaled 2.28 million on March 1. On April 14, that fell below 90,000. Despite a May increase, the number of checked travelers in July was at one-fourth of 2019 levels.

Open Table Reservations/Texas 2019-2020



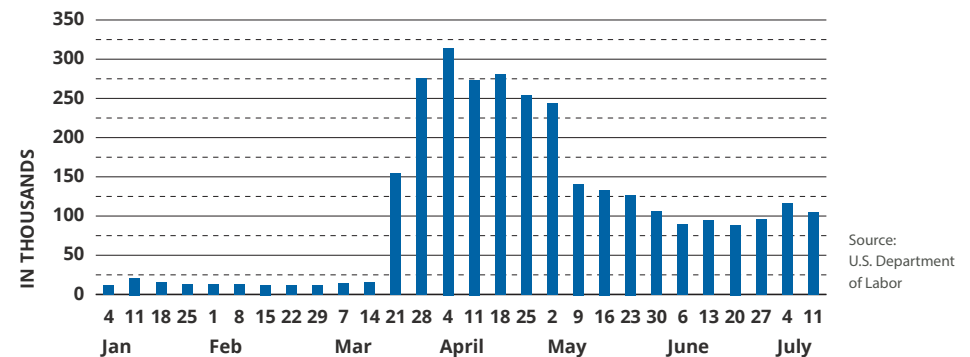
Data from Open Table, a service handling many restaurant reservations, reported the year-over-year (YoY) decline in Texas reached 100 percent by March 21. That held until May 1, when the YoY drop was 85 percent. Reservations increased until mid-June, spiked on Father's Day, then turned back down.

Percent Change in Texas Employment During Recessions Percent Change in U.S. Employment 2020 Recession



Texas and U.S. employment fell much more quickly in the current downturn than in previous recessions. In the coming months, some economic indicators will establish new records for growth. Those records, however, will be made possible by unprecedented declines earlier this year, and the rebound will leave many measures of economic health below their pre-pandemic levels.

Initial Unemployment Insurance Claims/Texas 2020



Weekly claims for unemployment insurance in the U.S. and Texas smashed all previous records in March. Despite falling from those new record levels, they remain well above historic averages.

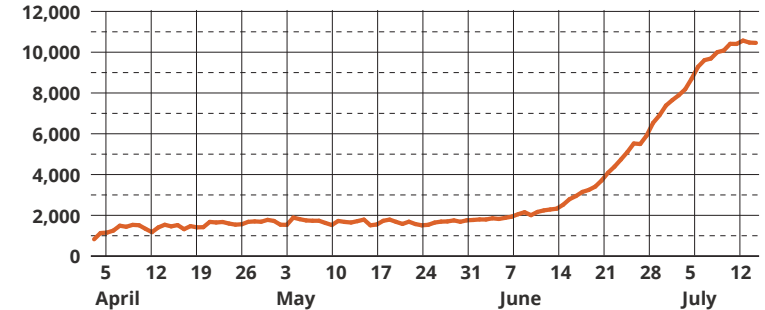
Every revenue forecast is clouded by uncertainty, but the current economic environment darkens this one further. It remains unclear how long restrictions on gatherings and business activity will need to remain in place. Nor do we know whether there will be subsequent waves of positive cases causing economic activity to stop and start repeatedly. Further compounding this uncertainty are assumptions we must make about how consumers and businesses in Texas, nationally and around the world will respond to the spread of coronavirus, regardless of official restrictions on economic activity.

COVID-19 Positive Test Rate



This forecast relies on a series of assumptions about the future course of a virus that we are only beginning to understand and that surged in Texas in June, forcing a pause of the state's partial reopening.

Texas Statewide Hospitalizations



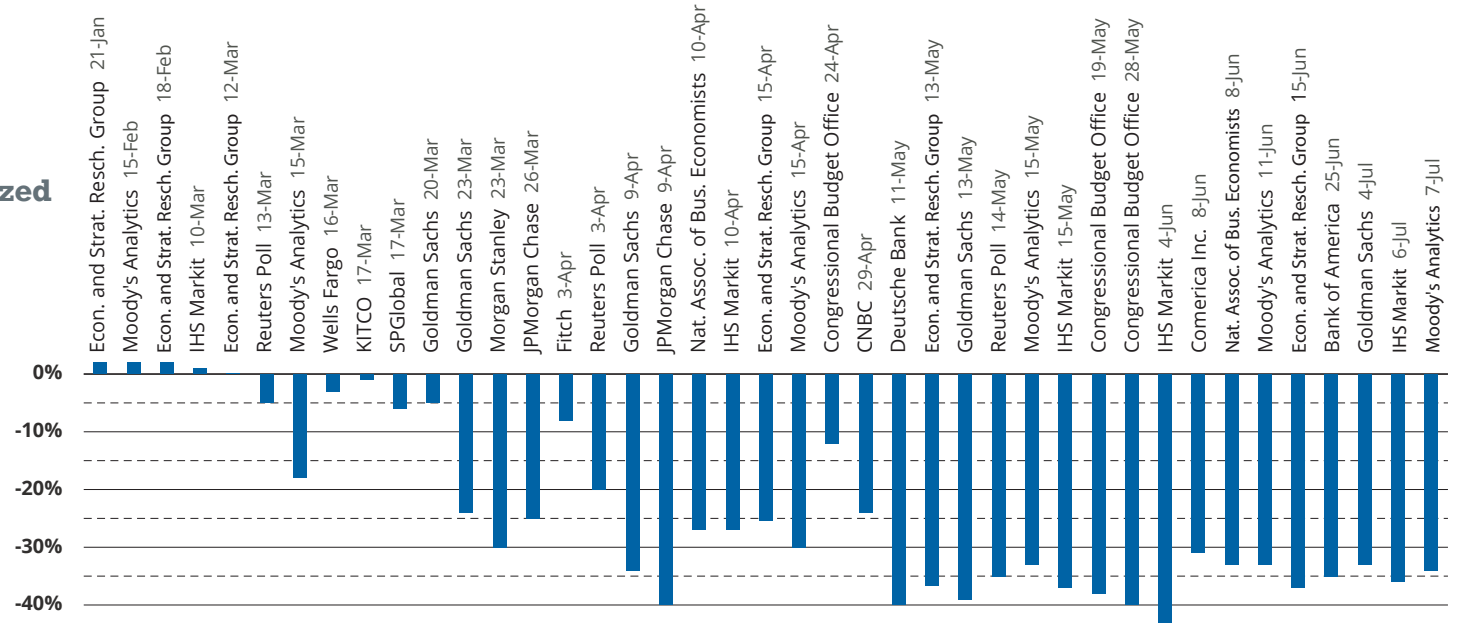
The seven-day positivity rate is the number of new cases over the last seven days divided by the total number of test results received over the last seven days.

The positivity rate and hospitalizations rose sharply in June.

Source: Texas Department of State Health Services

Estimates of U.S. Real GDP* Annualized Rates of Growth, 2nd Quarter 2020

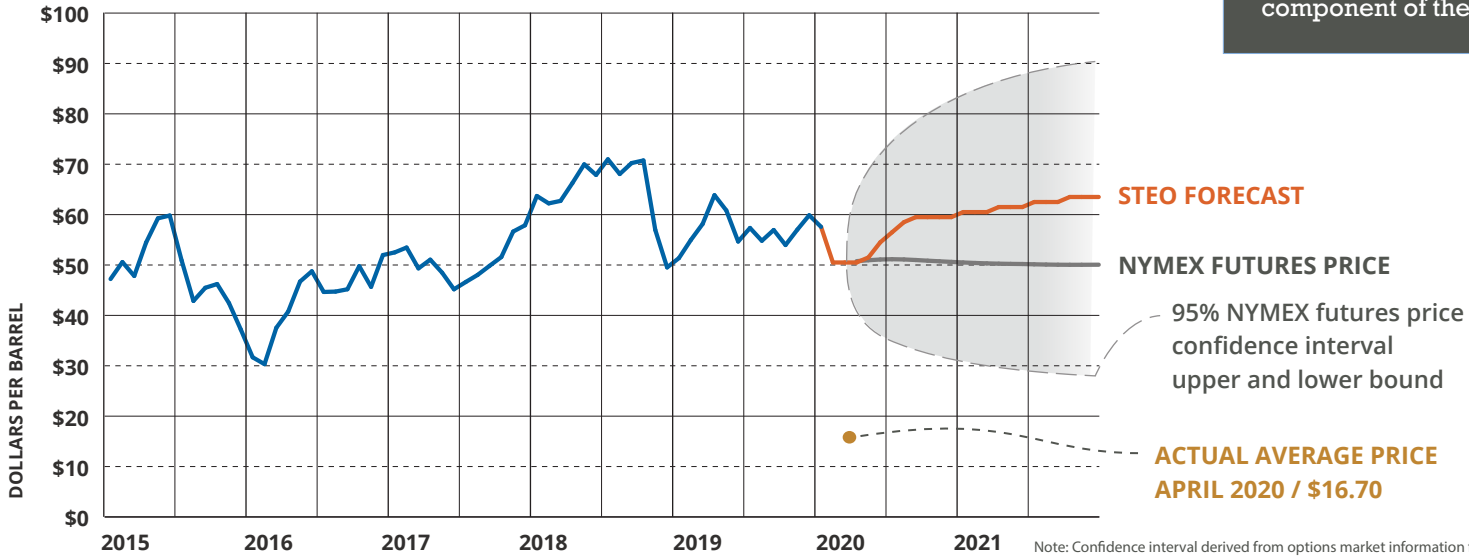
The rapidly evolving response to the pandemic in March and April and deteriorating economic conditions led to frequent and substantial revisions over time by prominent economic forecasting services.



Note: The Texas Comptroller of Public Accounts would like to thank the New Jersey State Treasurer's Office of Revenue and Economic Analysis for providing sources for many of the estimates in this Exhibit, which is similar to a chart in its May 2020 Report on the Financial Condition of the State Budget for the Years 2020 and 2021. (<https://www.nj.gov/treasury/omb/publications/NJ-Financial-Condition.pdf>)

* Real GDP is an inflation-adjusted measure for gross domestic product.

West Texas Intermediate (WTI) Crude Oil Price and NYMEX Futures Price



Adding to the uncertainty associated with COVID-19 was a sudden drop in oil prices, leading to contraction in the energy industry, an important component of the Texas economy.

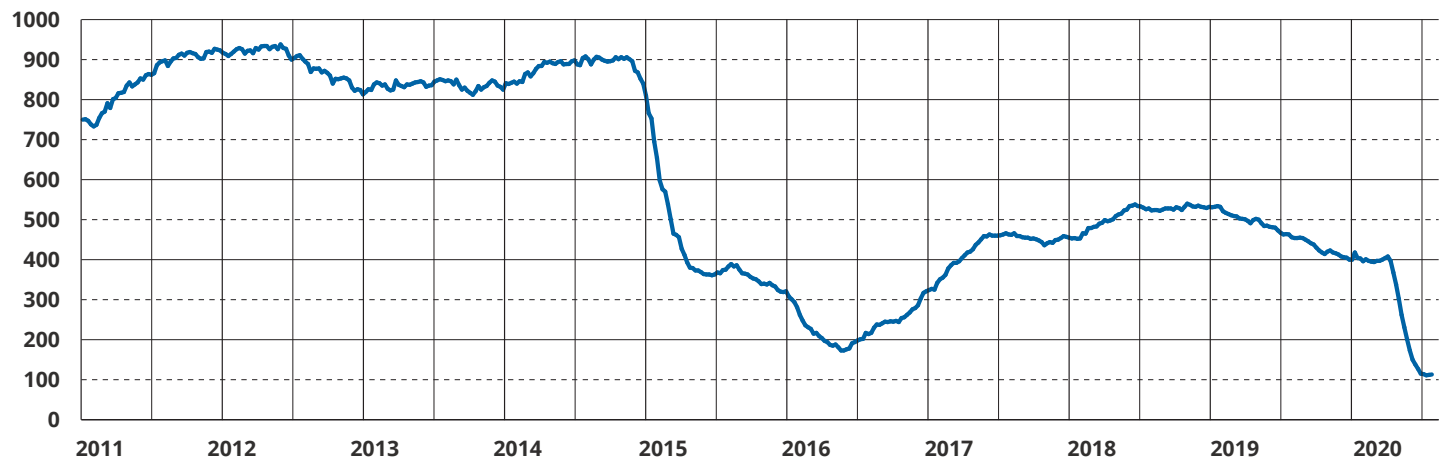
The U.S. Energy Information Administration publishes a monthly forecast of oil prices, based on NYMEX futures prices, with a wide range in the 95 percent confidence interval. The February forecast had a price range of \$39.95 to \$64.50 per barrel average for the month of April, just two months following the forecast. Actual average prices that month were \$16.70.

Note: Confidence interval derived from options market information for the five trading days ending February 6, 2020. Intervals not calculated for months with sparse trading in near-the-money options contracts.
Sources: U.S. Energy Information Administration Short-Term Energy Outlook, February 2020, and CME Group

BASED ON TAX REPORTS FILED WITH THE COMPTROLLER'S OFFICE, TEXAS OIL PRODUCTION FELL BY ABOUT **30%** FROM MARCH TO MAY.

Rig Count/2011-2020

The Texas rig count had been steadily falling into early 2020, then dropped sharply as oil prices plummeted in March.



Source: Baker Hughes