



September 17, 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:

In accordance with my responsibilities under Article III, Section 49a of the Texas Constitution, I am providing you with an estimate of revenue available for the 87th Legislature, Third Called Session.

At this time, I have made no changes to projected General Revenue-Related (GR-R) collections for the 2022-23 biennium from the estimates provided to you at the outset of the second called session. As a result of better than expected revenue collections in the final months of fiscal 2021 and some appropriations authorized for fiscal 2021 not being fully expended by the end of the fiscal year, the fiscal 2021 ending balance of GR-R funds available for certification was \$11.23 billion. Adding that ending balance to our current forecast of 2022-23 GR-R collections results in a projected \$129.25 billion in total GR-R available for certification.

After accounting for appropriations made through the 87th Legislature, Second Called Session, I now project a fiscal 2023 ending balance of \$6.04 billion.

Based on final fiscal 2021 severance tax collections, we will transfer \$1.46 billion each to the State Highway and Economic Stabilization funds in fiscal 2022. We currently project another \$1.88 billion will be transferred to each fund in fiscal 2023. After accounting for appropriations made from the Economic Stabilization Fund by the 87th Legislature, I project the fund's balance to be \$12.08 billion at the end of the 2022-23 biennium, absent any further appropriations by the legislature.

I will provide an updated estimate of revenue collections for the 2022-23 biennium when my office releases the 2021 *Certification Revenue Estimate* (CRE). I expect that those estimates will differ from our current projections; thus, GR-R available for certification and the projected fiscal 2023 ending balance will change from the amounts reflected in this letter. Any GR-R appropriations or replacement of GR-R spending with federal funds during the third called session also would alter those projections.

I remain cautiously optimistic about the economic outlook in the coming months, as the Texas economy and state revenue collections continued to outpace expectations through the end of fiscal 2021. In particular, over the last several months, sales tax collections as well as motor vehicle sales and rental tax collections have been especially strong. Year-over-year changes in state tax collections should remain strong in early fiscal 2022, due in part to depressed collections a year ago. It is possible



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that revenue collections in 2022-23 will outpace our current forecast. As I noted above, I will revise that forecast when I release the CRE.

There remain, however, some downside risks to the forecast, including the recent surge in coronavirus cases and hospitalizations attributable to the delta variant, which has likely slowed U.S. economic activity; a repeat of last winter's surge in infections would be another economic headwind. Also among the downside risks are ongoing global supply chain bottlenecks that make it difficult to meet demand for certain goods, and rising infection rates have hampered the ability to resolve those problems.

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 large initial "G" and "H".

Glenn Hegar

cc: Jerry McGinty, Legislative Budget Board

