

Dealing With the Texas Budget Challenge for FY '18 & '19

There is no doubt that House and Senate budget writers faced a special challenge this year because state revenue growth has slowed since 2015.

The budgets emerging from each house recognize how important it is to stay on the path toward funding transportation in a way that allows for long-term planning and implementation of critical highway system preservation, upgrades and expansion. They also recognize that time after time the voters of Texas have made it clear that transportation funding should be a very high priority for the state.

THE SENATE AND THE HOUSE

Both the Senate and the House budgets include Proposition 1 and Proposition 7 funding, so either gets the job done. Members of the Transportation Advocates of Texas appreciate this commitment by lawmakers.

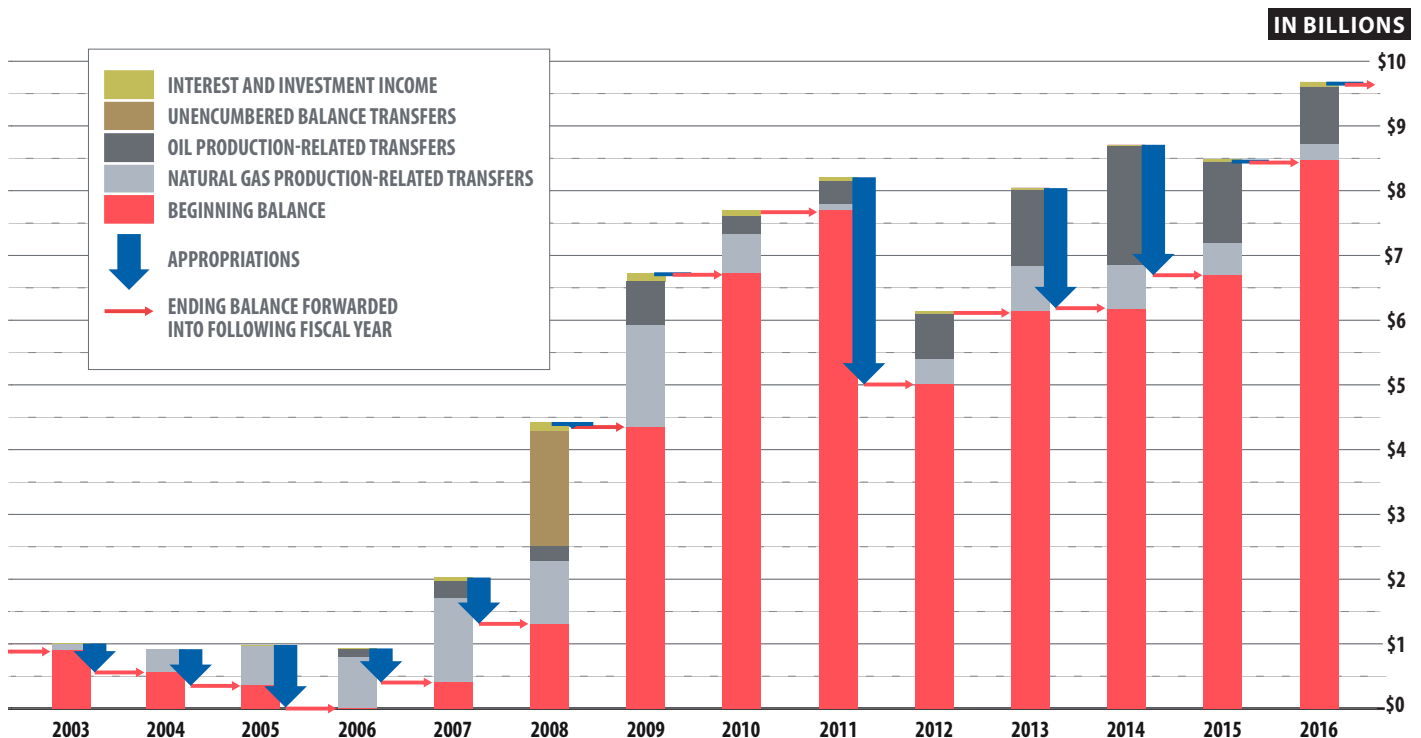
The Senate budget deals specifically with Prop 7 funding by briefly delaying the dedicated FY '19 allocation of \$2.5 billion to the State Highway Fund until early in FY '20. This approach keeps the promise to voters. It does raise concerns about what will happen in the next biennium when the budget will have to support \$7.5 billion in voter dedicated sales taxes, plus a dedicated share of vehicle sales taxes, going to the Highway Fund.

The House budget recognizes that \$2.5 billion a year will go to the Highway Fund. House budget writers also propose to utilize about a quarter of the funds sitting in the Economic Stabilization Fund (ESF) to close a shortfall and pay for various state needs.

The Comptroller's chart below shows that appropriating funds from the ESF (Rainy Day Fund) to smooth out the ups and downs of biennial revenue has been a frequent practice since the ESF was created with voter approval in 1988. The Legislature structured the fund to automatically set aside some tax revenues in boom years to help the state during downturns. Most of the money in the fund has come from oil and gas production tax revenues. The fund has a huge balance today of more than \$10 billion and will grow to \$12 billion over the next two years if there is no appropriation. The Legislature has made seven appropriations totaling \$10.6 billion from the ESF since its inception, most recently in 2011 and 2013.

TAoT members are confident that House and Senate conferees will produce a good budget for Texas that maintains the commitment to providing the kind of highway system needed in the coming years to reduce congestion, connect communities, enhance safety, move commerce, sustain jobs and improve the quality of life for Texas families.

Economic Stabilization Fund Revenue and Expenditure History With Ending Balances



Source: Texas Comptroller of Public Accounts, September 2016 Fiscal Notes

