



LEGISLATIVE BUDGET BOARD

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MEMORANDUM

TO: Lt. Governor Dan Patrick, Speaker Dennis Bonnen, Senator Kelly Hancock, Representative Dustin Burrows, Senator Joan Huffman, Representative Giovanni Capriglione, Senator Jane Nelson, Representative Mary Gonzalez, Senator Larry Taylor, Representative Oscar Longoria
FROM: Jerry McGinty, Director
DATE: November 17, 2020
SUBJECT: 2020-21 Article VIII Spending Limit Update

In accordance with the instructions contained in the Legislative Budget Board's January 11, 2019 motion, LBB staff has updated the 2020-21 Article VIII spending limit calculation to account for updated estimates in the Comptroller's July 2020 Certification Revenue Estimate and final fiscal year 2020 revenue and appropriation data.

These updates increased 2020-21 General Revenue spending capacity under the spending limit to \$7.7 billion. However, the Comptroller's July 2020 Certification Revenue Estimate projects a \$4.6 billion shortfall for the Article III pay-as-you-go limit on General Revenue appropriations. Therefore, the pay-as-you-go limit remains the more restrictive limit for the 2020-21 biennium.

Table with 2 columns: 2020-21 Remaining General Revenue Spending Authority, in \$ millions. Rows: Pay-as-you-go Limit (\$4,583.1), Spending Limit (\$7,694.1)

The remainder of this memo provides additional details about the update to the 2020-21 spending limit calculation summarized in the table below.

Table with 3 columns: 2020-21 Spending Limit Update, May 2020 (in \$ millions), November 2020 (in \$ millions). Rows: Spending Limit, Appropriations Subject to Spending Limit, Below Spending Limit by, Spending Limit - Remaining GR Spending Authority

The Comptroller's July 2020 *Certification Revenue Estimate* decreased the estimated 2020-21 General Revenue spending by \$4.1 billion, reducing 2020-21 General Revenue appropriations subject to the spending limit. The most significant General Revenue savings resulted from increased estimated revenues outside of the General Revenue Fund which shifted a portion of Foundation School Program funding to those revenues outside of the General Revenue Fund.

This additional spending capacity resulting from the reduction in General Revenue appropriations is partially offset by the decrease in oil and natural gas production tax estimates, of which 25 percent are constitutionally dedicated to education and not subject to the spending limit. As a result, some General Revenue appropriations that were previously estimated to be funded with these constitutionally dedicated oil and natural gas production revenues (not subject to the spending limit) are now funded with other revenues in the General Revenue Fund (most of which are tax revenues that are subject to the spending limit) reducing spending capacity under the limit compared to the previous estimate.

Overall, 2020-21 appropriations funded with revenue subject to the spending limit decreased from \$102.4 billion to \$98.8 billion. As a result, 2020-21 appropriations subject to the spending limit are \$7.0 billion below the 2020-21 spending limit of \$105.8 billion. An additional \$7.7 billion could be appropriated from the General Revenue Fund during the 2020-21 biennium before reaching the spending limit because the General Revenue Fund is financed with both revenue subject to the spending limit and revenue not subject to the spending limit.

Note, the Comptroller's July 2020 *Certification Revenue Estimates* does not forecast sufficient revenue to fund current 2020-21 General Revenue appropriations. Therefore, \$4.6 billion of General Revenue appropriations in this analysis would not be certified under the pay-as-you-go limit. This spending limit analysis assumes sufficient revenue to fund current General Revenue appropriations, however the final revenue and spending components of the spending limit calculation will be determined by actions of the 87<sup>th</sup> Legislature to gain compliance with the pay-as-you-go limit.

I hope this information is helpful to you. I will continue to provide updates when new information becomes available. If you have any questions about the upcoming meeting, please do not hesitate to call me at (512) 463-1043.

cc:	Mike Morrissey	Andrew Blifford
	Joaquin Guadarrama	Ross Leake
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	David Nelson	Wayne Pulver
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