

Check-in Code: 4008

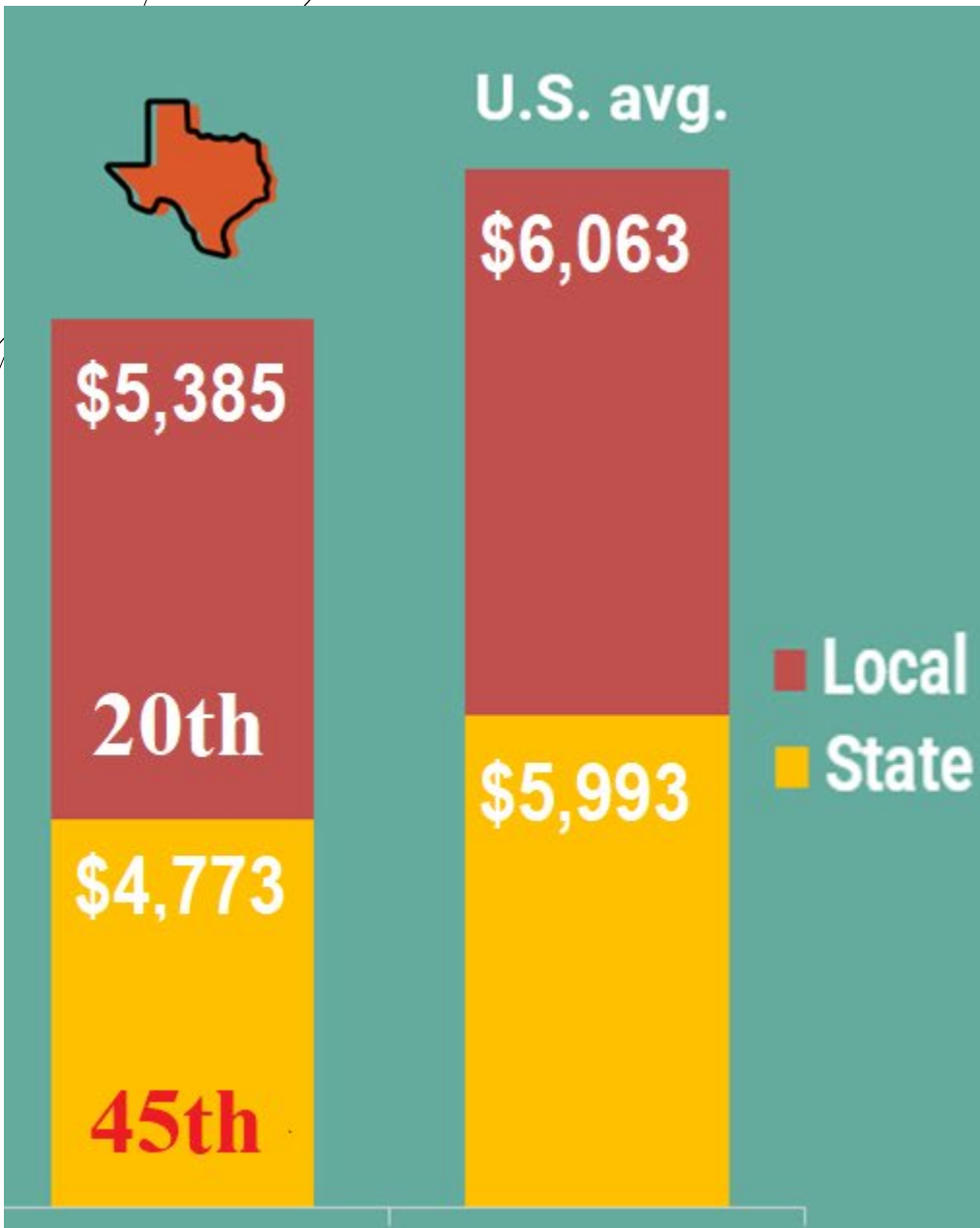
STATE BUDGET UPDATE

June 2025

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OUTLINE

- State vs. state/local spending and revenue
- How state revenue is doing
- 2025 supplemental (HB 500) and General Appropriations Act (SB 1)
- Next steps for 2026-27 budget and state policy

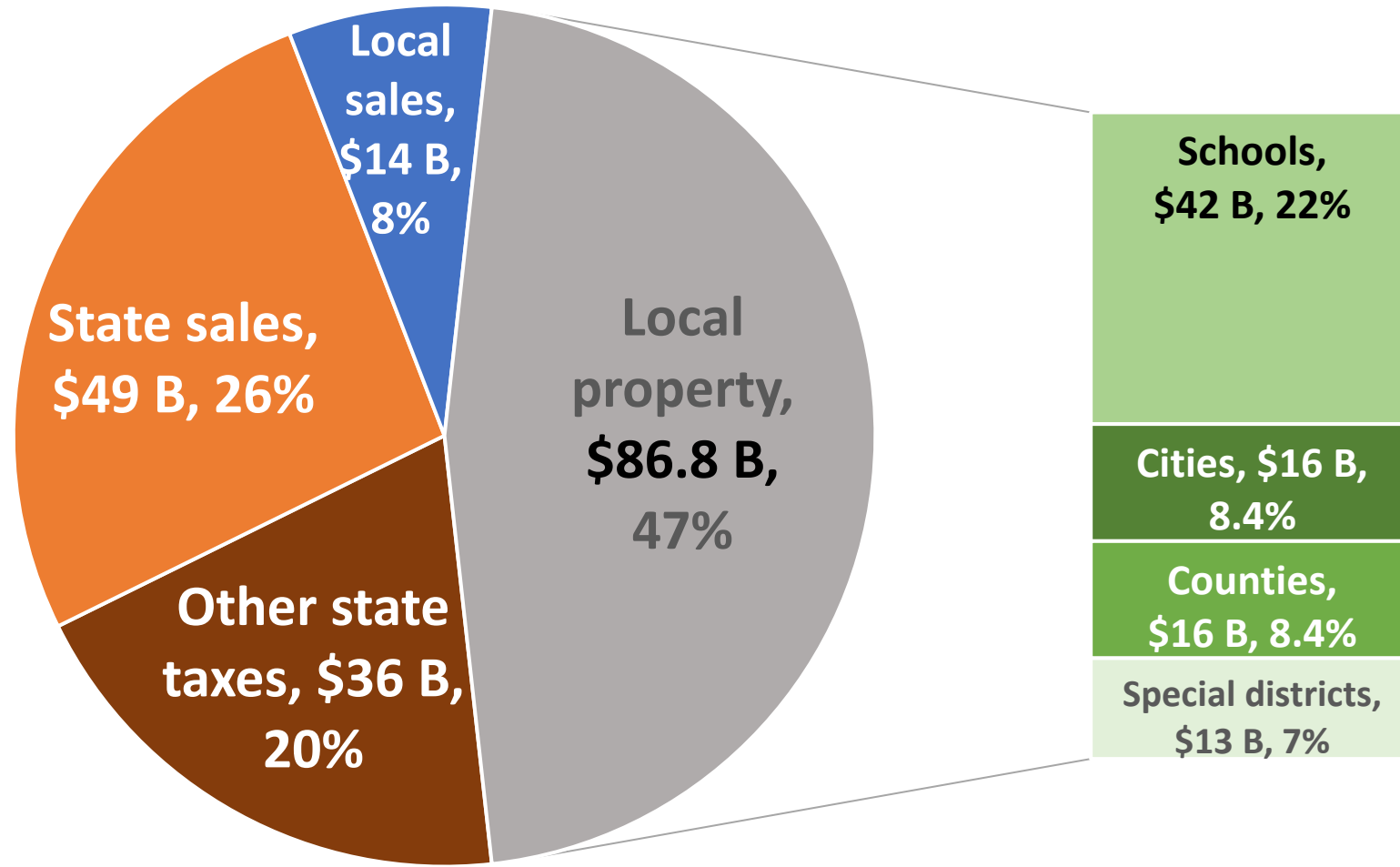


Texas ranks 36th in state/local government spending per resident

Public services are provided by state and local governments, sometimes with federal support. Looking at the combined effort per resident, Texas is a low-spending state. This is the direct result of low **state** tax effort and spending.

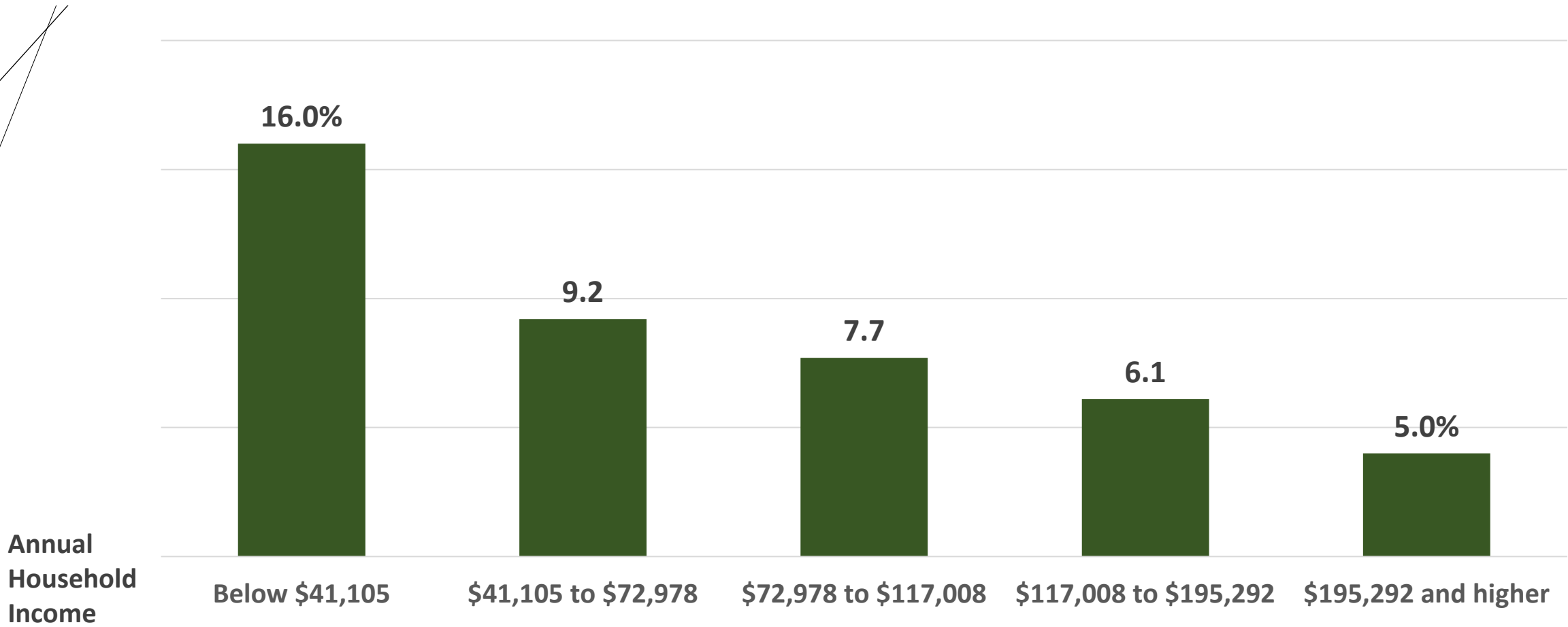
Sources: US Census Bureau, Annual Survey of State and Local Government Finances, 2022 Direct General Expenditures (Nov. 2024); 2022 state population estimates as of July 1.

TEXAS IS A TWO-TAX STATE: SALES & PROPERTY



Sources: Comptroller of Public Accounts, 2024 Property Tax Year Levies and Fiscal 2025 State Revenue Forecast

LOWER-INCOME HOUSEHOLDS IN TEXAS PAY A HIGHER SHARE OF INCOME IN MAJOR STATE/LOCAL TAXES

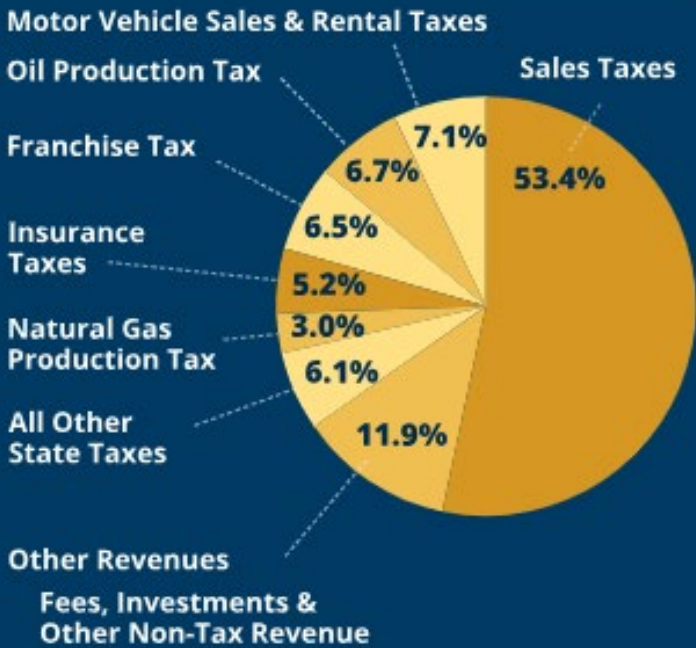


Source: Comptroller of Public Accounts, Tax Exemptions and Tax Incidence, January 2025

BIENNIAL REVENUE ESTIMATE

The Texas Comptroller issues the Biennial Revenue Estimate before every regular legislative session, projecting the revenue that lawmakers have available for state programs and services through the upcoming biennium. The 89th Legislature will have a projected fiscal 2024-25 ending balance of \$23.76 billion, in addition to \$170.83 billion in total collections of available general revenue-related (GR-R) funds (net of transfers) in the 2026-27 biennium.

State Revenue, General Revenue-Related



Revenue Available for General-Purpose Spending		PROJECTED In Billions of Dollars	
		2024-25	2026-27 BIENNIUM
GR-R Tax Collections	+	\$143.36	\$155.42
Other GR-R Revenue	+	\$24.03	\$21.01
TOTAL GR-R REVENUE	=	\$167.38	\$176.43 SUBTOTAL
Beginning Balance	+	\$39.43	\$23.76
TOTAL GR-R REVENUE & FUND BALANCES	=	\$206.81	\$200.19 SUBTOTAL
Reserve for Transfers to the Economic Stabilization and State Highway Funds	-	\$10.38	\$11.19
Reduction of Reserve for Transfers of Severance Taxes to the Economic Stabilization Fund	+	\$0.31	\$5.60
TOTAL REVENUE AVAILABLE FOR GENERAL-PURPOSE SPENDING	=	\$196.73	\$194.60 TOTAL

2025 GR Ending Balance
(without supplemental)

Total GR Available thru August 31, 2027

“Room” Left Under State Spending Caps by HB 500 supplemental & SB 1

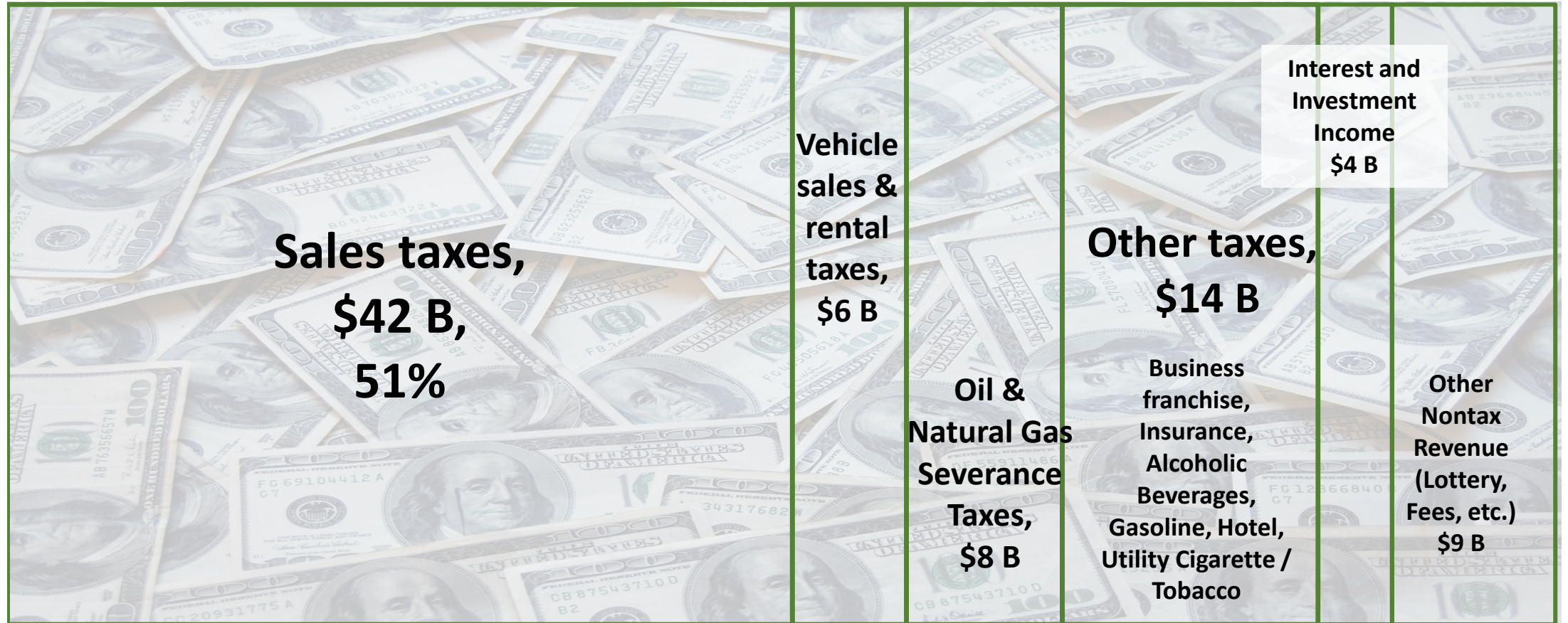
FIGURE 15
REMAINING GENERAL REVENUE FUNDS SPENDING AUTHORITY, 2026–27 BIENNIUM

(IN BILLIONS)	AMOUNT
Pay-as-you-go Limit	\$3.9
Tax Spending Limit	\$10.3
Consolidated General Revenue Limit	\$15.3

SOURCES: Comptroller of Public Accounts; Legislative Budget Board.

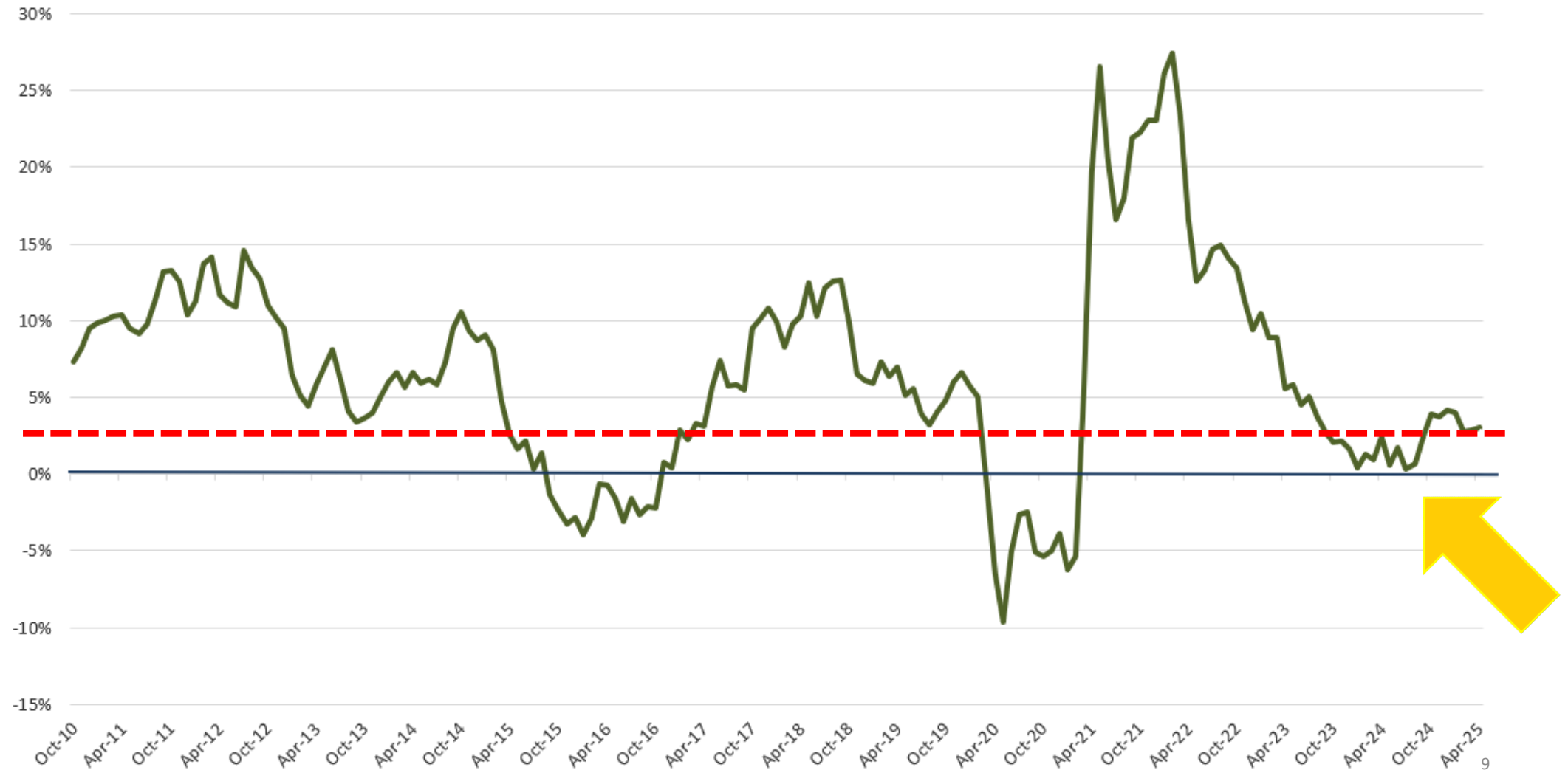
Of \$195 billion in expected General Revenue, **\$13.3** billion paid for HB 500 supplemental; **\$149.2** billion was spent as GR in SB 1, **\$28** billion was transfers to Other funds (Property Tax Relief, Dementia, Energy, ESA’s); and **\$600 million** was tax cuts/GR-D balance reductions

SOURCES OF 2024 STATE GENERAL REVENUE



SALES TAX: FALL 2023 REVENUE FORECAST CALLED FOR 2.8% GROWTH COMPARED TO 2024, THEN 3.1% IN 2025

Percent change in State Sales Tax collections (three-month average), compared to prior fiscal year period





LEGISLATIVE BUDGET BOARD

House Bill 500 – Highlights

SUMMARY IN MILLIONS

	GENERAL REVENUE FUNDS	ALL FUNDS
General Government	\$3,792.1	\$4,496.2
Health and Human Services	\$1,072.7	\$1,291.7
Public Education	\$1,806.0	(\$707.2)
Higher Education	\$1,601.2	\$1,645.2
Judiciary	\$7.6	\$7.6
Public Safety and Criminal Justice	\$1,336.4	\$1,336.4
Natural Resources	\$2,091.0	\$2,977.7
Business and Economic Development	\$564.6	\$564.6
Regulatory	\$3.9	\$3.9
Cross-article Initiatives	\$861.7	\$1,004.0
TOTAL COST	\$13,137.2	\$12,620.0

NOTES:

- (1) The change in All Funds for Public Education includes a decrease of \$3.3 billion in reduced recapture amounts following the enactment of Senate Bill 2, Eighty-eighth Legislature, Second Called Session, 2023.
- (2) Totals may not sum due to rounding.

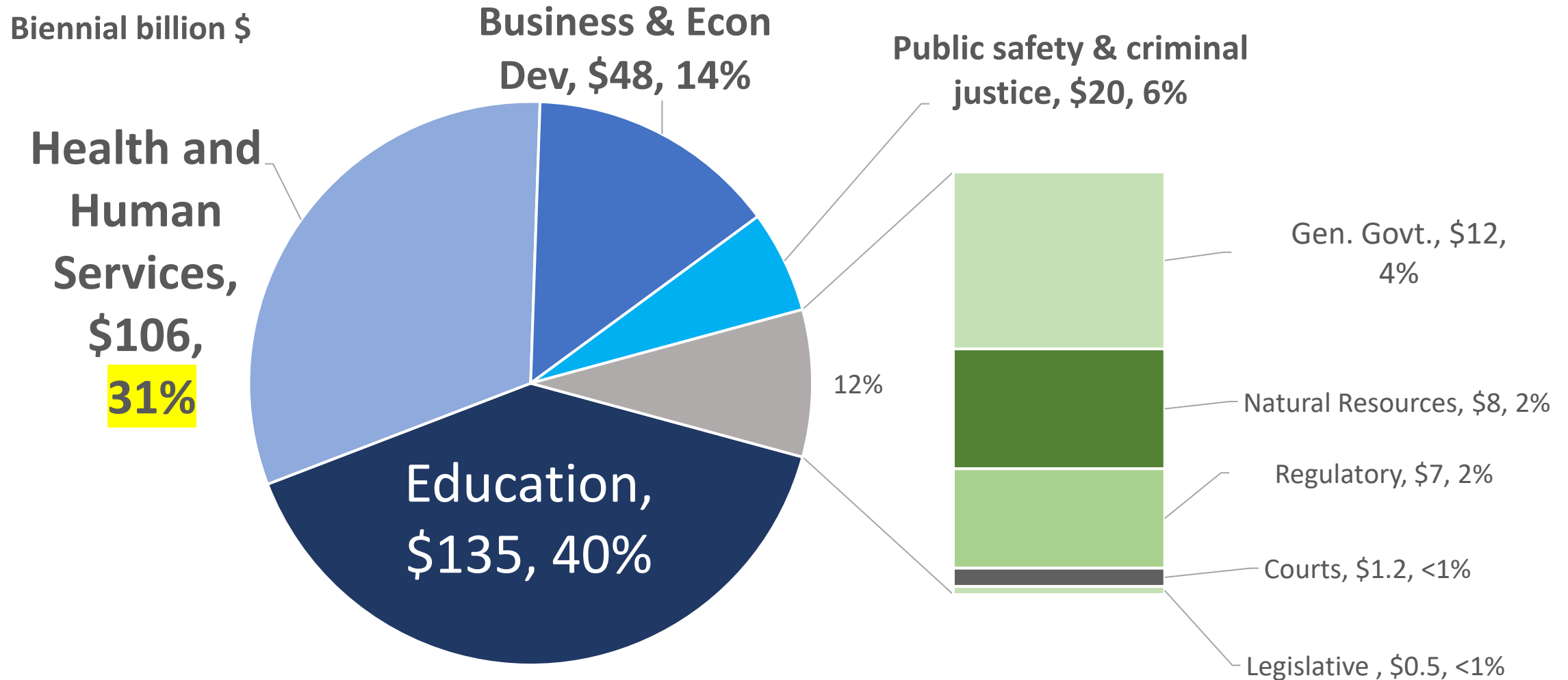
READING THE BUDGET

RECAPITULATION - ALL ARTICLES (All Funds)*

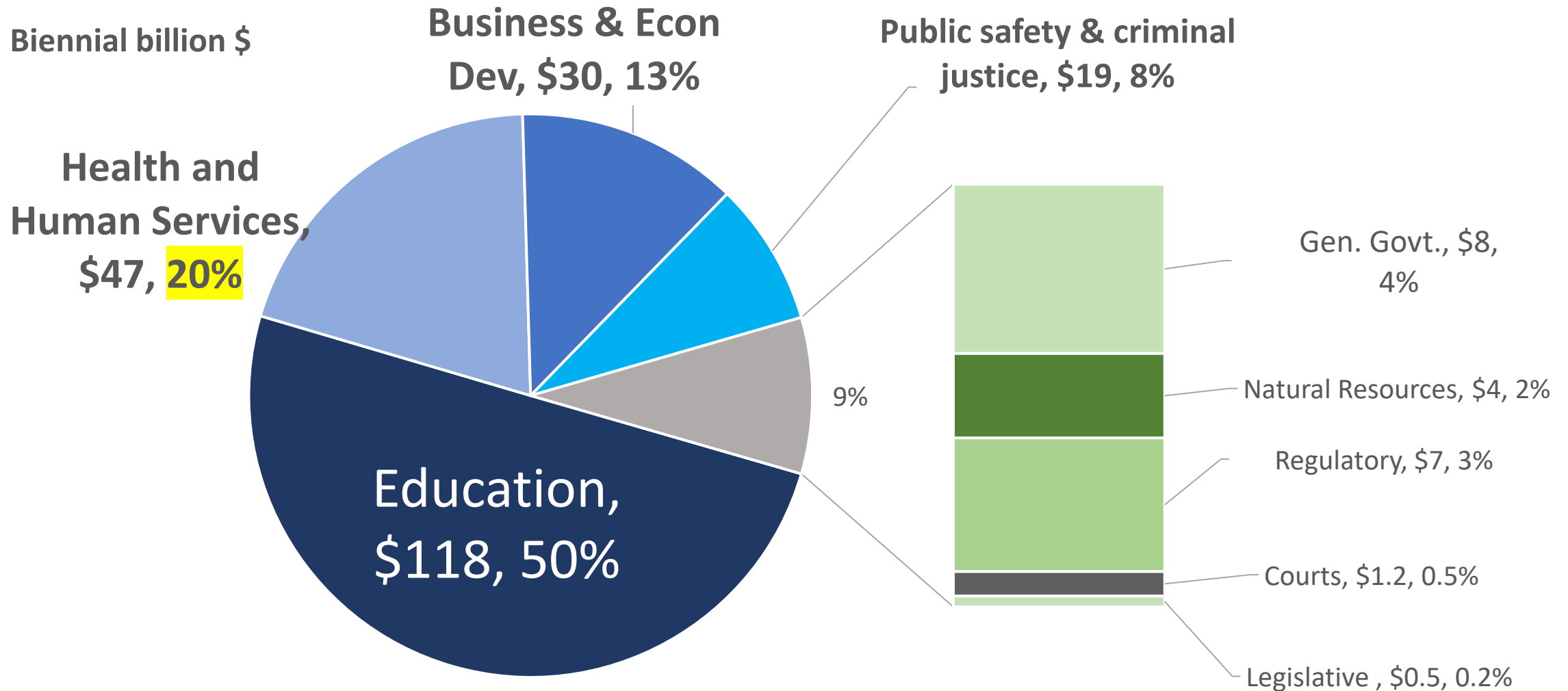
	For the Years Ending	
	August 31, 2026	August 31, 2027
ARTICLE I - General Government	\$ 6,152,967,349	\$ 5,313,484,867
ARTICLE II - Health and Human Services	52,300,493,768	53,279,589,560
ARTICLE III - Agencies of Education	65,862,874,519	60,426,946,332
ARTICLE IV - The Judiciary	636,012,512	589,349,466
ARTICLE V - Public Safety and Criminal Justice	10,052,736,313	9,702,551,806
ARTICLE VI - Natural Resources	4,072,142,913	3,876,952,828
ARTICLE VII - Business and Economic Development	25,442,329,319	23,024,194,854
ARTICLE VIII - Regulatory	5,828,813,060	858,236,485
ARTICLE IX - General Provisions	5,367,816,906	4,689,397,328
ARTICLE X - The Legislature	260,212,645	280,088,246
GRAND TOTAL, All Funds	<u>\$ 175,976,399,304</u>	<u>\$ 162,040,791,772</u>
Number of Full-Time-Equivalents (FTE) - Appropriated Funds	239,384.0	240,863.3

- 10 Articles
- 200 Agencies & IHEs
 - **Where the money comes from** (Method of Finance)
 - **Where the money goes** (Appropriation Items, Goals and Strategies, Cap Ex)
 - **How's it going?** (Performance Measures)
 - **Special instructions** (Riders)

SB 1, ALL FUNDS, 2026-27: \$338 B



...MINUS FEDERAL FUNDS: 2026-27: \$237 B

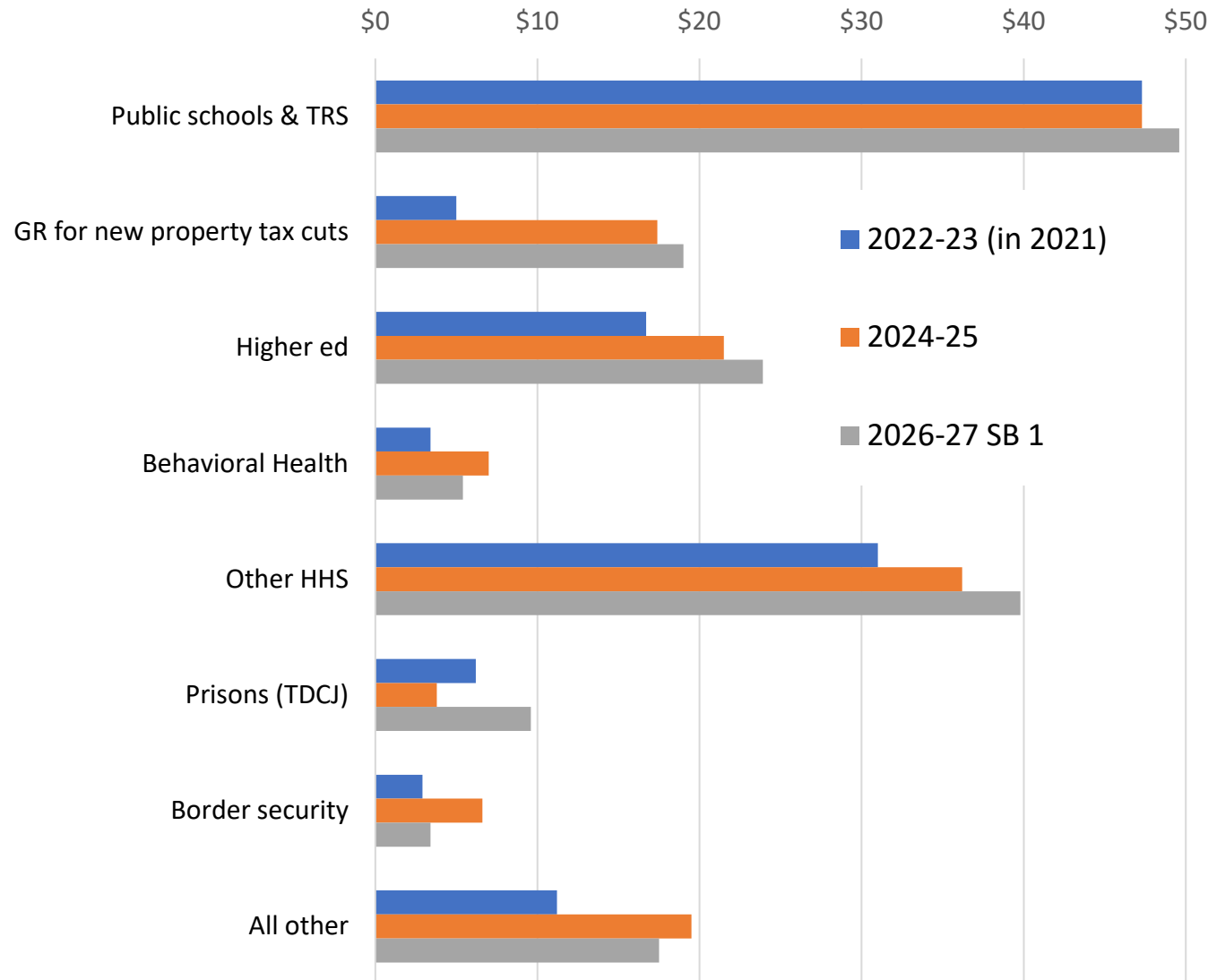


2026-27 STATE BUDGET HIGHLIGHTS

ONGOING COMMITMENTS

- Pay raises for public school teachers and support staff; special education and school safety funding increases; new property tax cuts
- Increase in wages/benefits for community care attendants; funding to operate mental health facilities; Youth Crisis outreach teams
- More DPS troopers; pay raises for TDCJ prison and parole staff; more state aid for rural county law enforcement

General Revenue in the State Budget (biennial billion \$)



2-year increase: almost \$8.4 billion, with \$930 million decrease in recapture = \$7.5 B net new aid to ISDs and charters

2024-25 had \$5 B one-time funding for retired teacher COLA / pension increase

\$6.6 billion increase to TDCJ (and its indirect payroll/fringe costs) to make up for federal COVID supplantation in 2024-25 budget

(More) GENERAL REVENUE FOR GENERATIONAL INVESTMENTS

\$4.4 Billion ————— Texas Energy Fund (grants & loans)

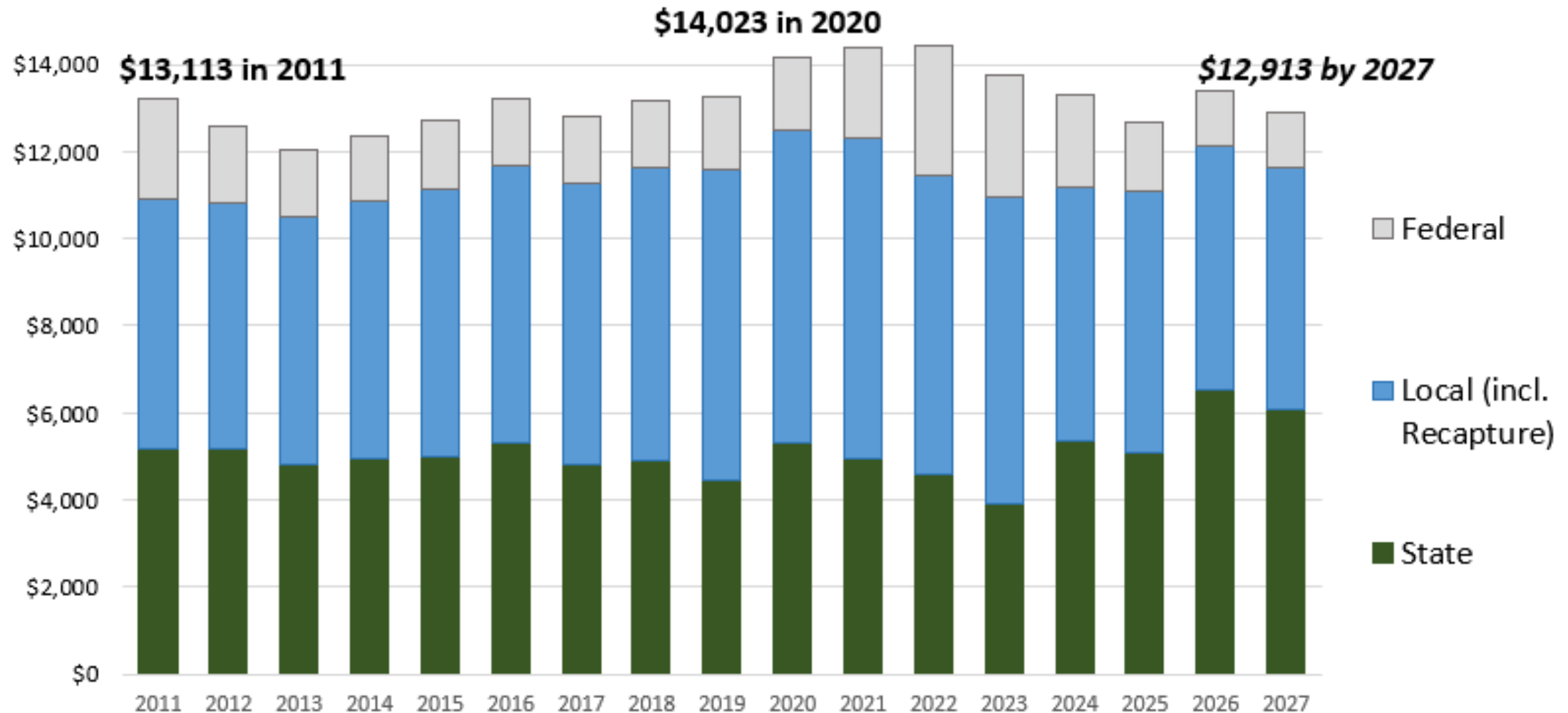
\$1.3 Billion ————— Texas University Fund (non-UT / TAMU)

\$3 Billion ————— Dementia Research Institute

\$1.6 Billion ————— Water Infrastructure & Supply projects;
also \$881 million from the Water Fund

Plus: \$850 million for TSTC capital needs endowment; \$350 million for Texas Advanced Nuclear Development; \$300 million for Space Exploration and Aeronautics Research; \$250 million for Semiconductor Innovation

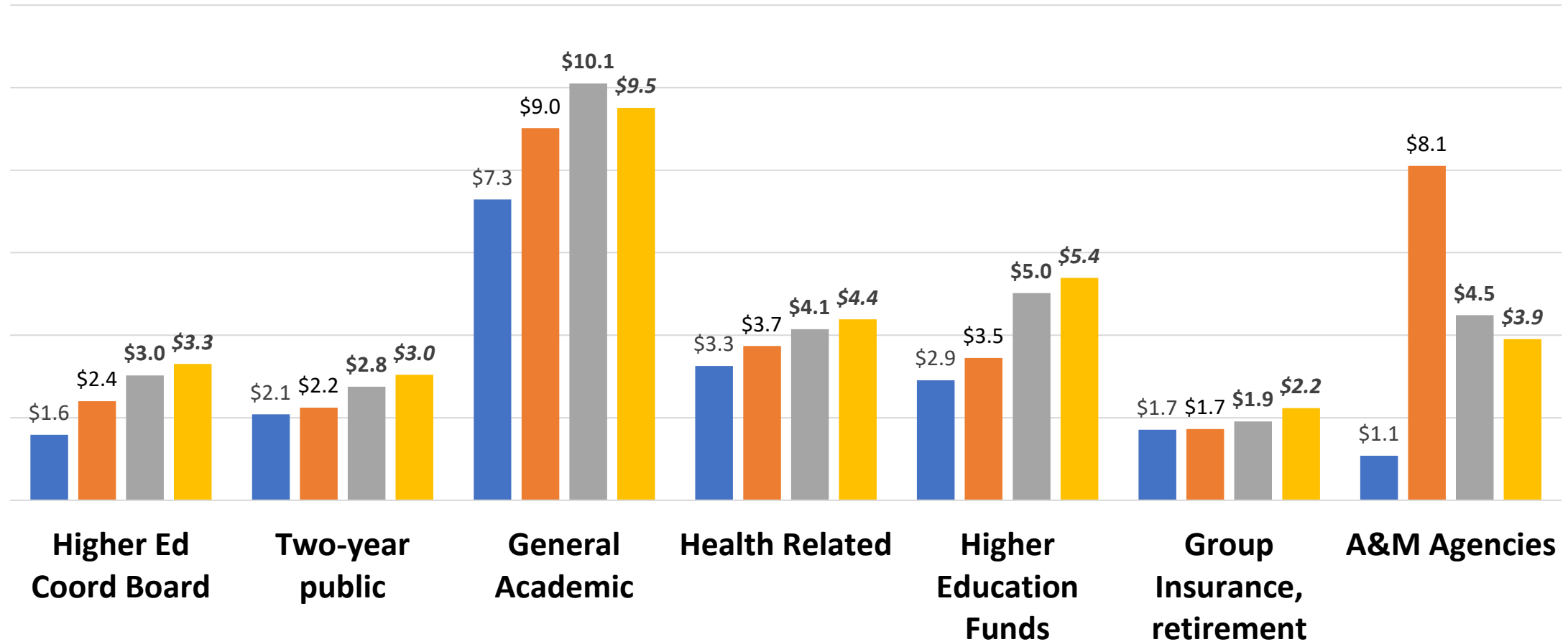
Local School Taxes Plus Federal & State Aid per Enrolled Student in Public Schools, adjusted to 2024 \$



HOW THE STATE BUDGET SUPPORTS HIGHER ED

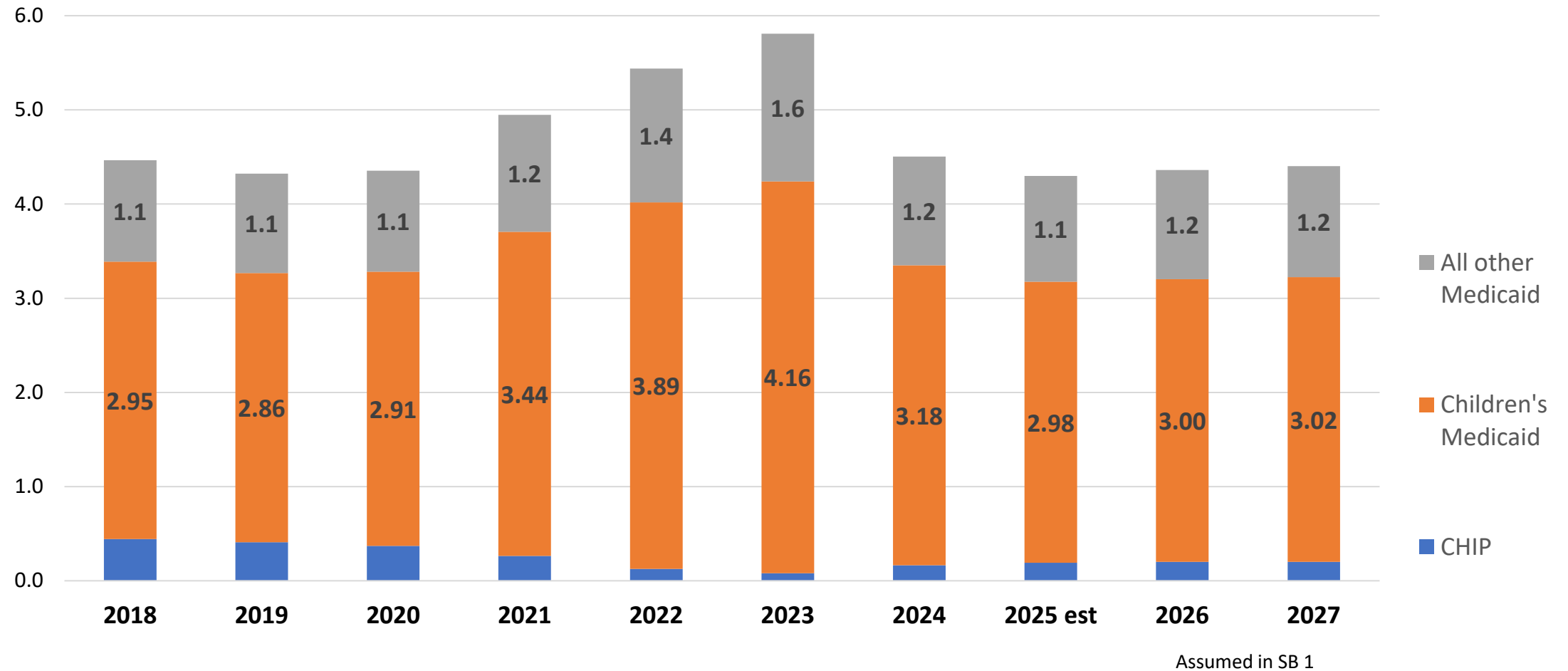
All Funds, biennial billion \$

■ 2018 19 ■ 2022 23 ■ 2024-25 est. ■ 2026-27 SB 1



MEDICAID/CHIP CASELOADS TRENDS

Millions

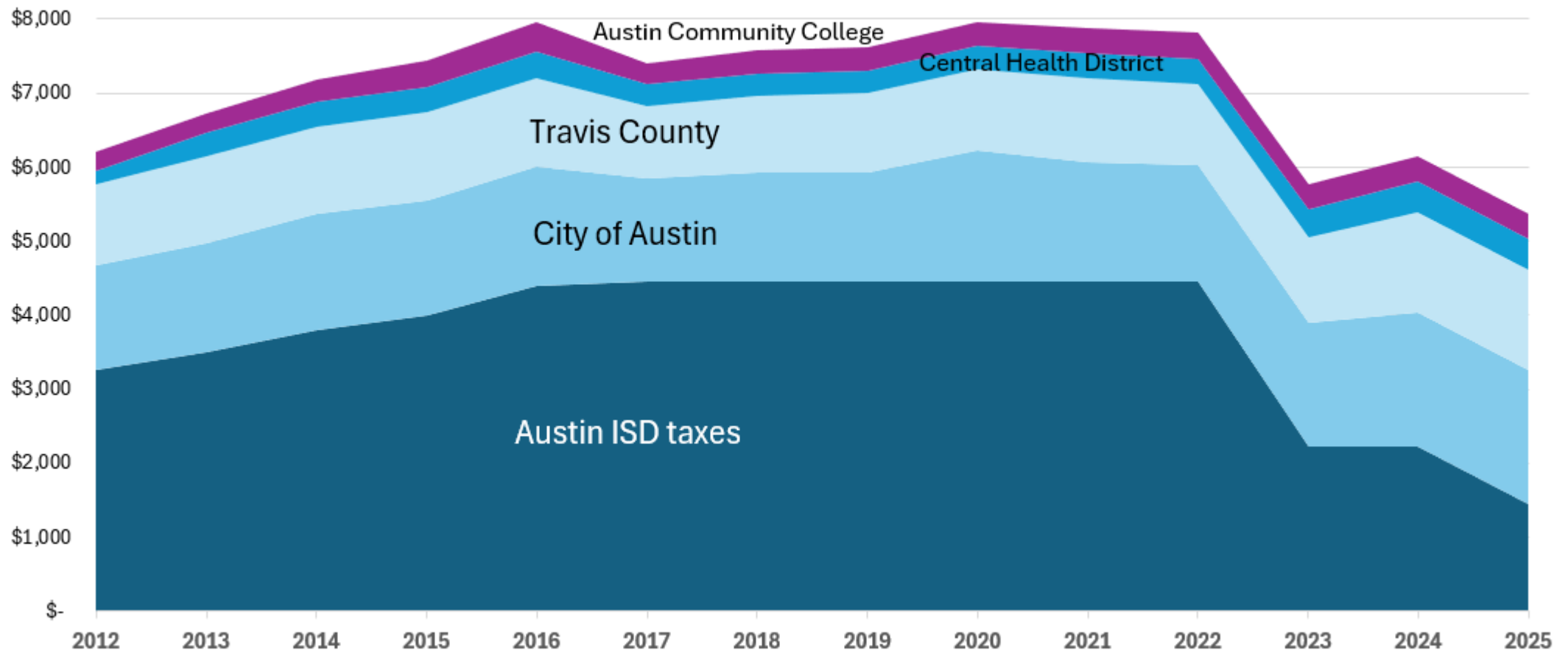


NEXT STEPS

- After Governor's line-item vetoes, HB 500 takes effect immediately (June 22), SB 1 takes effect September 1, 2025 – the first day of state fiscal 2026
- Of 17 constitutional amendments for Nov. 4 election, 6 are part of the 2026-27 budget deal (school property tax cuts, business tax cut; DPRIT, Water Fund)
- State aid for new school property tax cuts is an ongoing commitment of state revenue: estimated at \$51 billion in 2026-2027. Eliminating M&O school tax would cost at least **\$29 B** a year; all property taxes, more than **\$85 B** a year.
- A truly universal \$10,000 voucher ("ESA") would cost **\$10 B a year**, not including administrative costs (up to 8% in SB 2).
- Special session starts July 21; interim committee charges; Sunset reviews

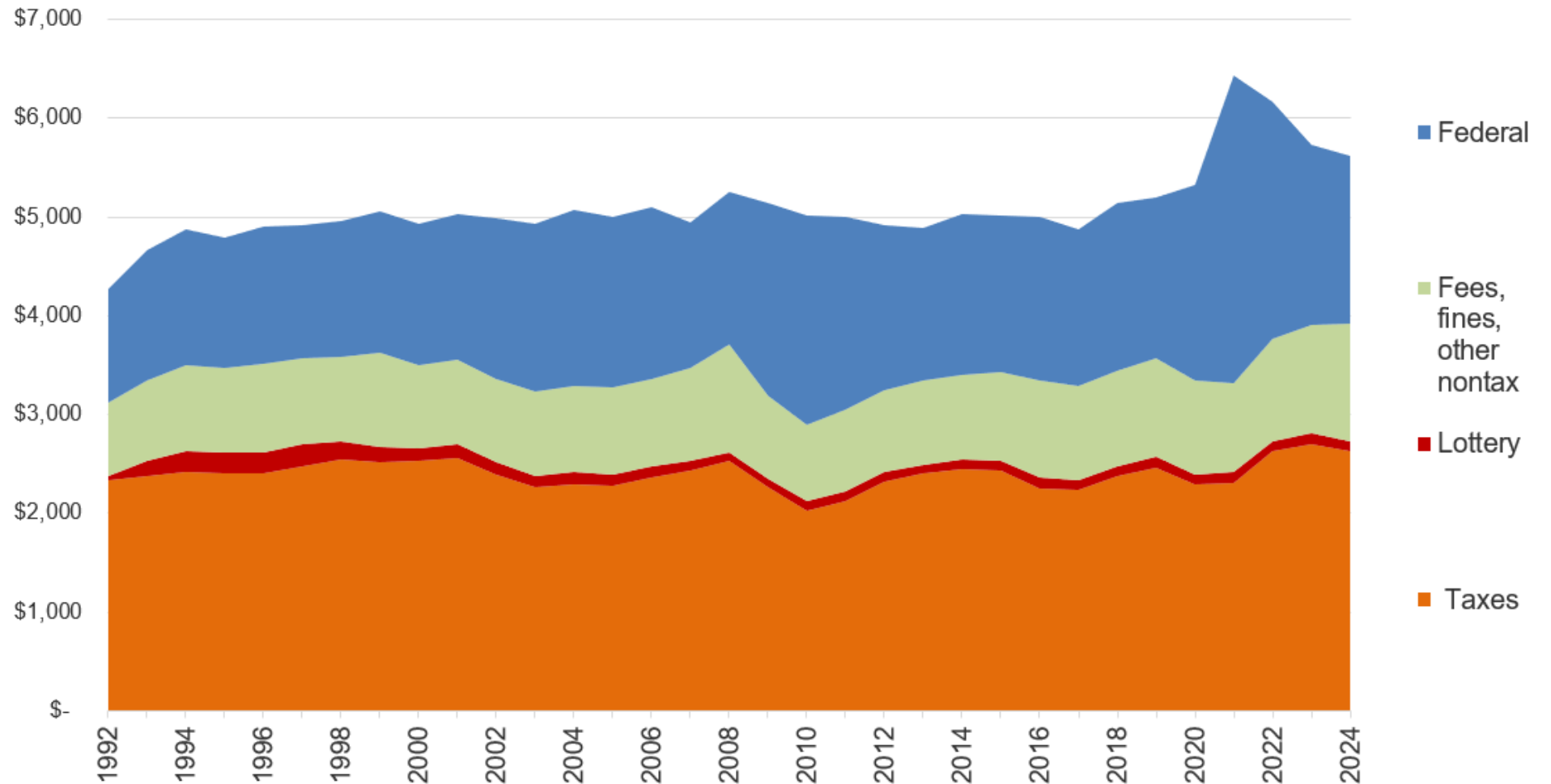
PROPERTY TAX BILL: HOMEOWNER AGE 65+

3 BR / 2 BA, 1,900 sq ft, bought in Aug. 2003 for \$207,000, 2025 appraisal is \$692,000. Turned 65 in 2017, so AISD taxes were frozen at \$4,452; dropped to \$2,231 in 2023; 2025 proposals may cut again to \$1,500. Total tax bill should be about \$5,400, compared to \$8,000 paid in 2016 (\$10,500 in today's dollars)



TEXAS LONG-TERM STATE REVENUE TRENDS

State-Budget Revenue per Texan, in 2023 \$ (using State/Local Govt. Inflation)



Sources: Comptroller of Public Accounts, Cash Reports; Legislative Budget Board (federal funds spent)

TEXAS BUDGET TIMELINE, BEFORE SESSION

**Budget
instructions**
to state agencies
(Summer)

Agency requests go
to LBB & Governor's
Office (August)

Public hearings
before LBB/Gov
(Aug. - Oct.)

Nov.-Dec.: LBB adopts
constitutional Tax Spending Limit
& **statutory** Consolidated General
Revenue budget cap

Four-fifths vote to
override

Governor's Budget
Proposal

**LBB Budget
Proposals Drafted
for House & Senate**

**Comptroller's
Revenue Estimate**

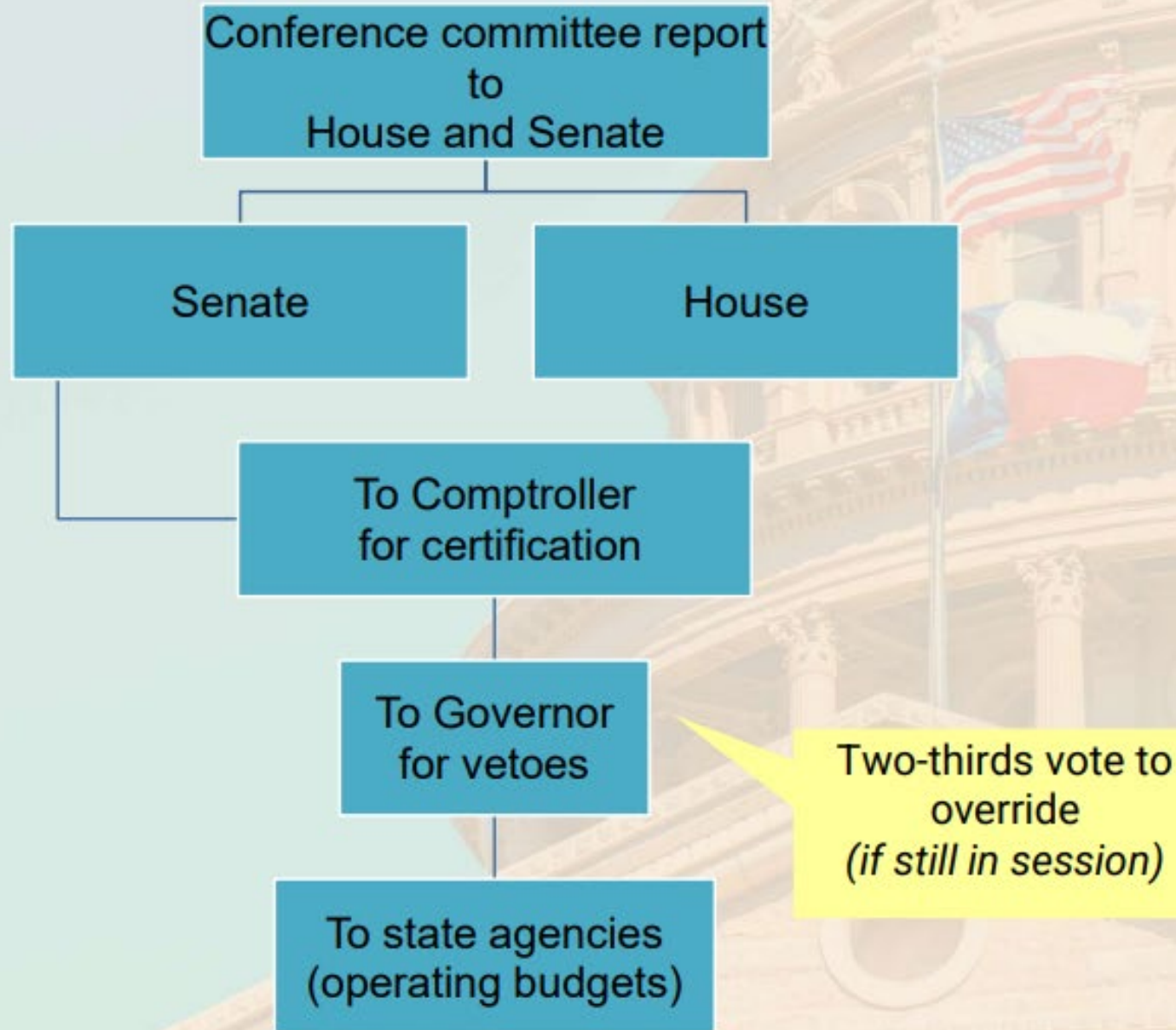
Source: Every Texan, using data from Legislative Budget Board

TEXAS BUDGET LEGISLATIVE PROCESS



Source: Every Texan, using data from Legislative Budget Board

TEXAS BUDGET LEGISLATIVE PROCESS



Source: Every Texan, using data from Legislative Budget Board



More Resources

- House Research Organization: [Writing the State Budget](#) (Sept. 2023)
- Senate Research Center: [Budget 101: A Guide to the Budget Process in Texas](#) (Jan. 2023)
- Legislative Reference Library: [Texas State Budget](#) webpage
- Texas Comptroller of Public Accounts: [Taxes of Texas: A Field Guide](#)

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THANK YOU

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