Comptroller Glenn Hegar laid out a strong Biennial Revenue Estimate (BRE) for the 2020-21 biennium this morning in the capitol extension. For funds available for certification, better known as “general revenue-related” (GR-R) funds, he anticipates $119.12 billion to be available in 2020-21, which is $8.92 billion more than anticipated for the 2018-19 biennium.

Still, Hegar warned that recent economic conditions support a more modest expectation of future growth than has occurred in recent years. He discussed the impact of rising interest rates, international trade policy, slowing global growth, and warned of the volatility inherent in oil and gas taxes.

Because the estimate covers not only the 2020-21 fiscal period but also the remainder of fiscal 2019, it is essentially a triennial estimate rather than biennial.

The $119.12 billion includes an anticipated $4.18 billion GR-R balance to accumulate by the end of fiscal 2019, unless (partially or fully) spent by the Legislature, which is a likely development, as Medicaid and other spending demands are also accumulating during the current fiscal year. Prior to today’s release, the most recent BRE update was from last July, and it anticipated that GR-R for the *current* biennium (2018-19) would produce a $2.7 billion ending balance. That figure is now updated to $4.18 billion.

For the 2020-21 biennium compared to 2018-19, sales tax growth is anticipated at 9.5%. For all sources of GR-R, excluding beginning balances, biennial growth is expected to be 6.7%, down from 10.4% in the current biennium.

NYMEX oil prices for fiscal 2020 and 2021 are expected to run $50 and $53, respectively. Natural gas prices are expected at $2.90 and $2.75, respectively.

The total amount available to the 86th Legislature from the Economic Stabilization ("rainy day") Fund (ESF) is estimated at $15.4 billion, including the expected annual transfers from oil and gas production taxes, which are expected to remain at levels similar to those received this fiscal year. Hegar made the case for a new structure for managing and investing the ESF. In response to a question on the topic, Hegar said that more legislators are becoming comfortable with the proposal. "We've been hitting our mark," on his agency's investment operations, he said.

He was also asked if low energy prices were good or bad for Texas. Hegar answered that $60-$70 oil is a good sweet spot for the economy, state revenue, and consumers.

Hegar also said that while border security is an important matter for Texas, and that Texas benefits most from trading with Mexico, he does not expect that a border wall would hurt state revenues.

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