

MARCH 2023

FISCAL NOTES

TEXAS BDO CHARGING AHEAD

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STATE REVENUE WATCH

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Texas' Rainy Day Fund Projected to Hit Cap for First Time

By Jamie Falconnier and Moise Julot



The extraordinary economic factors that have given the 88th Legislature an unprecedented amount of money for general-purpose spending also are generating record high revenues for Texas' Economic Stabilization Fund (ESF), the state savings account that's commonly called the Rainy Day Fund.

For the first time, the Comptroller's office in the 2024-25 Biennial Revenue Estimate (BRE) projects that the ESF in 2025 will hit the upper limit on its balance, which in each biennium can be no more than 10 percent of the amount of certain revenue deposited into the General Revenue Fund during the previous biennium. Comptroller Glenn Hegar, whose BRE sets parameters for the state budget, stresses the responsibility that goes along with unique funding opportunities.

"The revenue increases that we have seen truly have been historical and unprecedented. We have never

seen anything like this in the past, and I don't think we'll see anything like this in the future," Hegar says. "I am glad to see that lawmakers are giving careful thought to how this tremendous asset can be best put to work for Texans."

Record growth in tax revenue collections in 2022 contributed to a projected \$32.7 billion ending balance in 2022-23, aided by a remarkable economic rebound after pandemic restrictions were lifted, spikes in energy prices and — unfortunately — the highest rate of general price inflation in 40 years. In fiscal 2022, total tax collections rose by 25.6 percent from the previous year; to put that in perspective, the maximum change in years prior was 13.4 percent. Sales taxes rose by 19.3 percent, motor vehicle taxes by 12.5 percent and severance taxes (i.e., taxes from oil production and natural gas production) by an astounding 116 percent in 2022 compared with 2021, all well above the average growth rates between 1996 and 2021 (**Exhibit 1**).

A Message from the Comptroller



As the 2023 legislative session heats up and lawmakers work to iron out a state budget for the next two years, there is no shortage of critical issues that will affect Texas taxpayers in both the near and long term. In this month's issue of *Fiscal Notes*, we take a deep dive into recent developments in two key areas: statewide high-speed internet expansion and the state's savings account.

It's astounding to consider that Texas' population now is greater than a whopping 30 million, as of the latest census estimate. But there's another figure that should make you do a double take: Nearly 7 million Texans don't have access to internet of sufficient speed to deliver everything the online world has to offer, including job postings for individuals, telemedicine appointments for the sick and economic growth opportunities for small businesses.

Read about the important mile markers the Broadband Development Office (BDO) has reached on the road to connecting every Texan to high-speed internet, whether it be the release of the inaugural statewide broadband plan last year or the broadband development map early this year. Since its inception, the BDO has been busy corralling dollars from various state and federal funding sources, so it can award grants, low-interest loans and other financial incentives that will help fulfill broadband planning goals. And I'm excited to announce that just this month, the BDO opened its grants portal to applicants seeking funding to expand access to and adoption of broadband service in eligible locations — a giant step forward.

In this issue, we also provide timely updates on the Economic Stabilization Fund (ESF), better known as the Rainy Day Fund. The Legislature established the ESF in the late 1980s to level out the volatile nature of severance taxes collected from the oil and natural gas industries — one of Texas' primary revenue generators — and to cover emergency budget gaps during unexpected statewide crises. As one result of a record high budget surplus for the 2024-25 biennium, my office projects the ESF balance will surpass \$27 billion by fiscal 2025, a drastic uptick (to say the least) from less than \$11 billion at the close of fiscal 2022. This means that the fund could reach its constitutionally mandated balance limit for the first time in its nearly 35-year history.

Texas has more in savings than the entire annual budgets of certain smaller states! However, I still urge cautious optimism going forward. Although the ESF has a historically high balance, we must always be prepared to use those funds to address our state's needs. After all, that's why we have it.

Thank you for your attention, and I hope you enjoy this issue!

Glenn Hegar

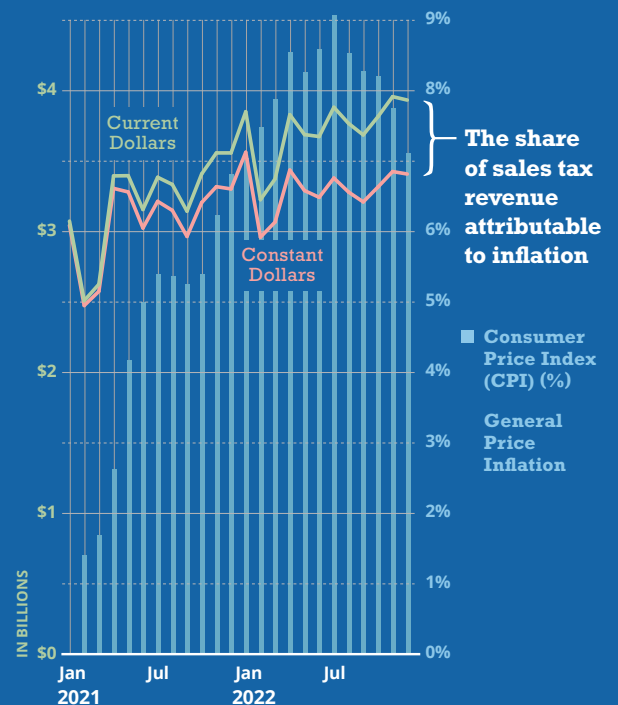
Texas Comptroller of Public Accounts

INFLATION

BIENNIAL REVENUE ESTIMATE January 2023

The highest rate of general price inflation in 40 years has helped to drive the substantial increase in sales tax revenue collections. Inflation is no longer accelerating, but it remains well above the Federal Reserve's policy target. If the Federal Reserve again significantly increases interest rates to try to control inflation, this could deepen an expected mild recession in 2023.

Sales Tax Revenue, Jan. 2021 to Dec. 2022



Our video series explains inflation

Learn about the basics of inflation, how it affects the economy and getting a high inflation rate back under control. Watch episode 5 in the *Fiscal Notes* economy explainer video series at:

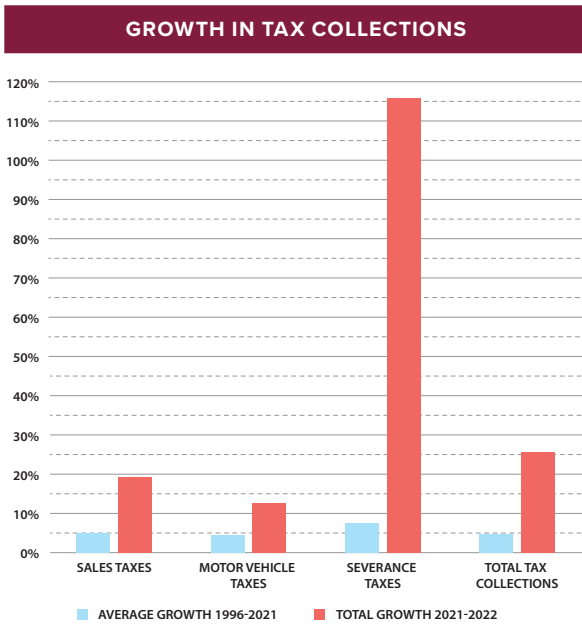
comptroller.texas.gov/economy/fiscal-notes/2023/feb/episode5.php



To see information on the Biennial Revenue Estimate
comptroller.texas.gov/revenue-estimate

If you would like to receive a paper copy of *Fiscal Notes*, contact us at fiscal.notes@cpa.texas.gov.

EXHIBIT 1



Note: For more information on state tax collections, see Table A-16 of the 2024-25 Biennial Revenue Estimate.
Source: Texas Comptroller of Public Accounts

BIRTH OF THE RAINY DAY FUND

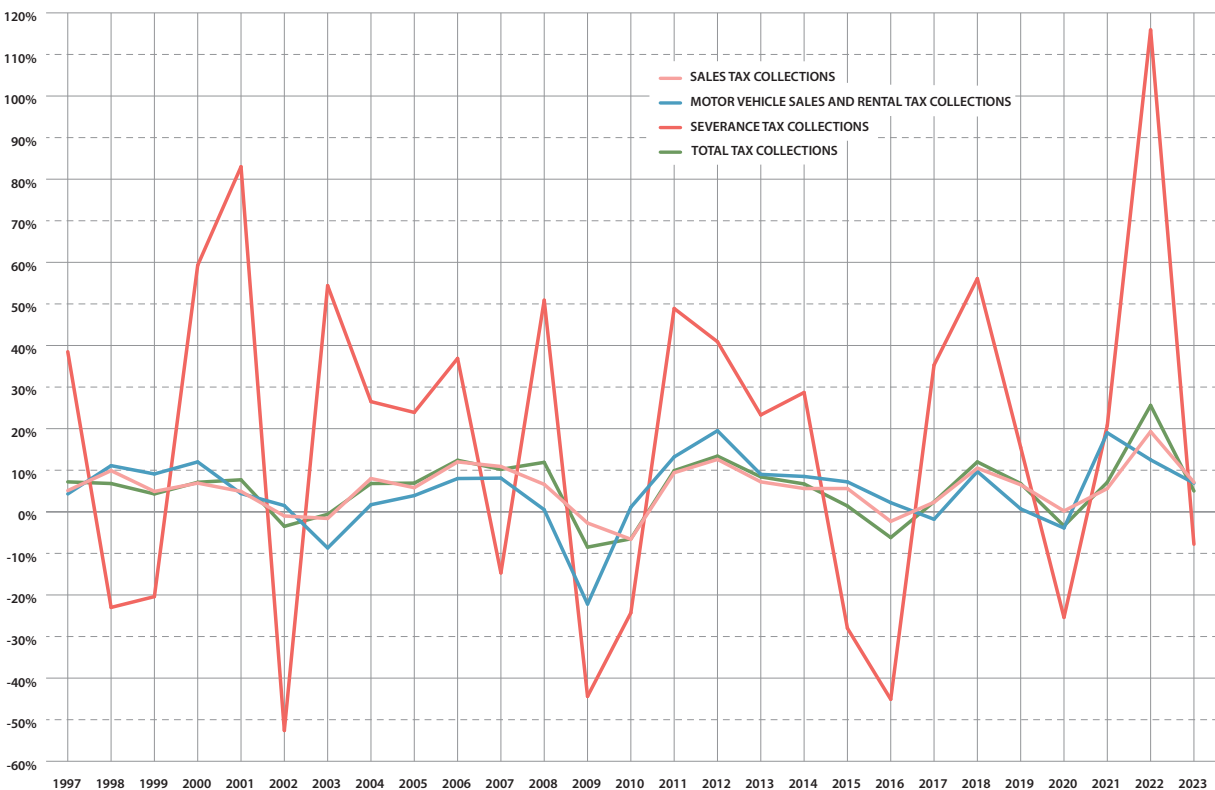
The ESF was created by constitutional amendment in 1988 in the wake of an economic recession caused by plunging energy prices that forced a tax increase. The Legislature structured the fund to automatically set aside a portion of the state's volatile severance tax revenues, lessening the reliance on this money to support day-to-day expenses. The structure of the fund showed great foresight, as oil and gas prices (and, thus, severance tax revenues) have remained highly volatile. Since fiscal 1997, annual percent changes in severance tax revenue have ranged from 116 percent in 2022 to -53 percent in 2002 (**Exhibit 2**).

ESF REACHES RECORD HIGHS

The ESF has proved highly successful not only in reducing the state's reliance on volatile severance tax revenue but also in becoming one of the largest state savings funds in the nation. Aided by strong growth in severance tax revenues and a large transfer from the unencumbered and unobligated balance of the state's General Revenue Fund, the ESF balance is expected to rise sharply to \$27.1 billion by the end of fiscal 2025, up from \$10.7 billion at the end of fiscal 2022 (**Exhibit 3**).

EXHIBIT 2

PERCENT CHANGE IN SALES TAXES, MOTOR VEHICLE SALES AND RENTAL TAXES, SEVERANCE TAXES AND TOTAL TAXES, FISCAL 1997-2023

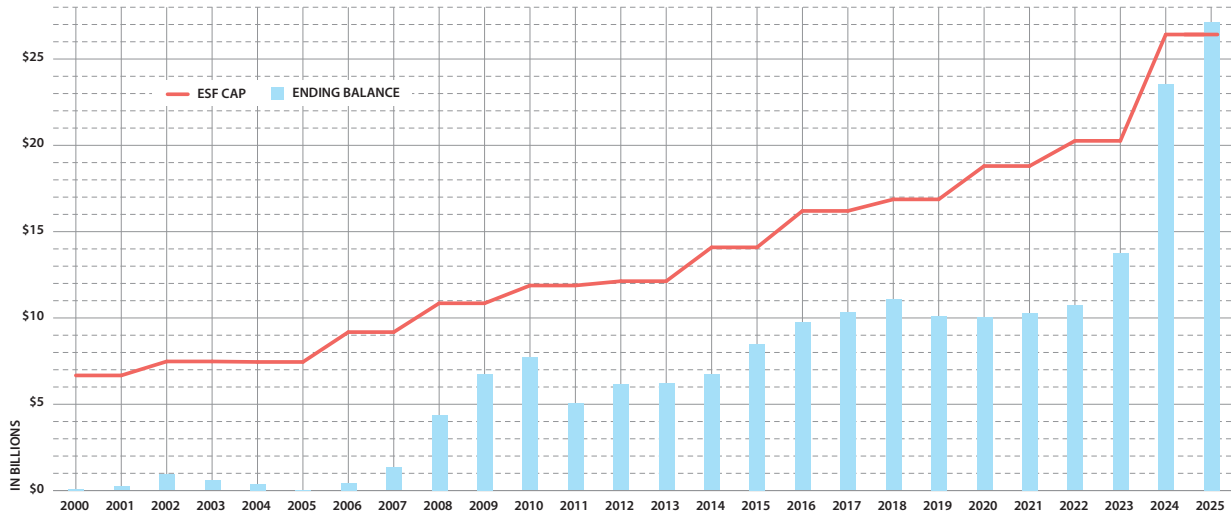


Note: Amount for fiscal 2023 is estimated in 2024-25 Biennial Revenue Estimate.
Source: Texas Comptroller of Public Accounts

Texas' Rainy Day Fund Projected to Hit Cap for First Time

EXHIBIT 3

ESF ENDING BALANCE AND FUND CAP, FISCAL 2000-2025 (IN BILLIONS)



Note: Amounts for fiscals 2023-25 estimated in 2024-25 Biennial Revenue Estimate.
Source: Texas Comptroller of Public Accounts

FUNDING FOR RAINY DAYS

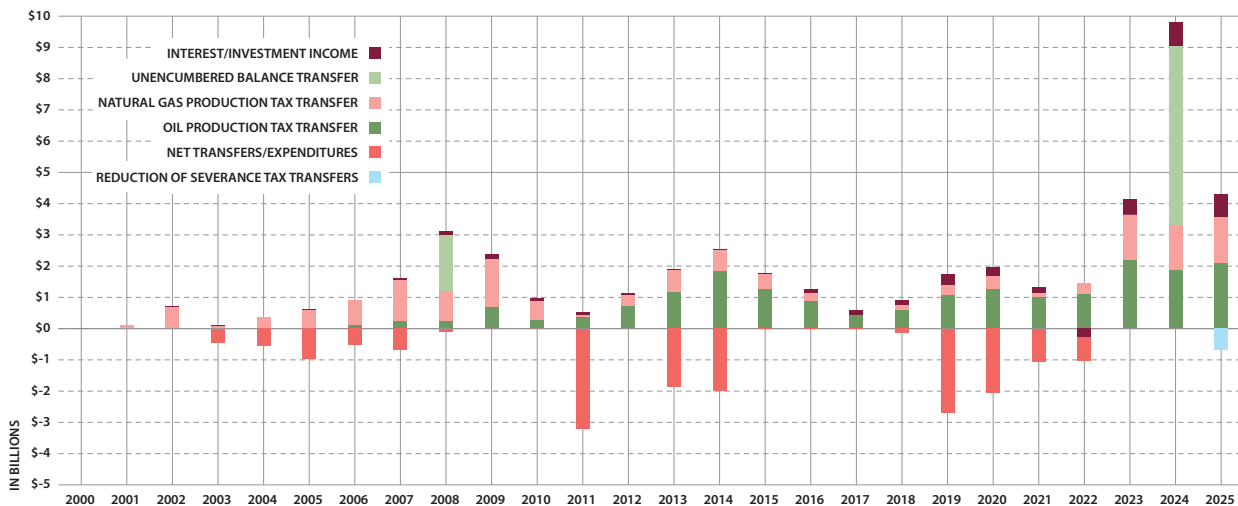
The ESF is funded primarily with severance taxes. Until fiscal 2015, the ESF received 75 percent of the previous year's oil production and natural gas production tax revenues exceeding the amounts they yielded in fiscal 1987 — \$531.9 million and \$599.8 million, respectively. To address urgent transportation needs, voters approved a 2014 constitutional amendment that shifted half of the oil and gas tax revenue, which would have been transferred to the ESF, to the State Highway Fund (SHF). Barring further legislative action, this arrangement

will expire in December 2034, and the transfer to the ESF will return to 75 percent of oil and gas tax collections above the fiscal 1987 threshold in fiscal 2036.

Between fiscal 2023 and 2025, total severance tax transfers to the ESF would be \$10.5 billion, with annual transfers well above historical norms. As the ESF is projected to reach its constitutional cap in 2025, about \$690 million that would go to the fund will remain in general revenue, and the ESF is projected to receive \$9.8 billion (**Exhibit 4**).

EXHIBIT 4

ESF REVENUE SOURCES AND EXPENDITURES, FISCAL 2000-2025 (IN BILLIONS)



Note: Amounts for fiscals 2023-25 estimated in 2024-25 Biennial Revenue Estimate.
Source: Texas Comptroller of Public Accounts

Texas' Rainy Day Fund Projected to Hit Cap for First Time

“Having a state savings account that grows over time is a responsible mechanism to help ensure the fiscal health of the state. At the same time, it exists to be used when necessary. It allows us to weather unexpected downturns and has given us the opportunity to invest in critical needs.”

– Comptroller Glenn Hegar

In addition to severance tax transfers, half of any unencumbered and unobligated general revenue balance remaining at the end of a biennium must be transferred to the ESF. An unencumbered balance is the amount not restricted or committed for future liabilities, such as payroll for work already performed, vendor payments, grants payable or future construction expenditures under an existing contract. Absent legislative action, the ESF is projected to receive about \$5.71 billion in a transfer from the General Revenue Fund in fiscal 2024, the first unencumbered transfer to the ESF since 2008. Other projected proceeds during this period include \$2 billion of interest earned on the ESF balance and investment returns from a portion of the fund.

Notably, lawmakers may take actions to eliminate or greatly reduce the amount of unencumbered general revenue to be transferred to the ESF in fiscal 2024, meaning the fund may not reach its cap in 2025.

WHEN TO SPEND

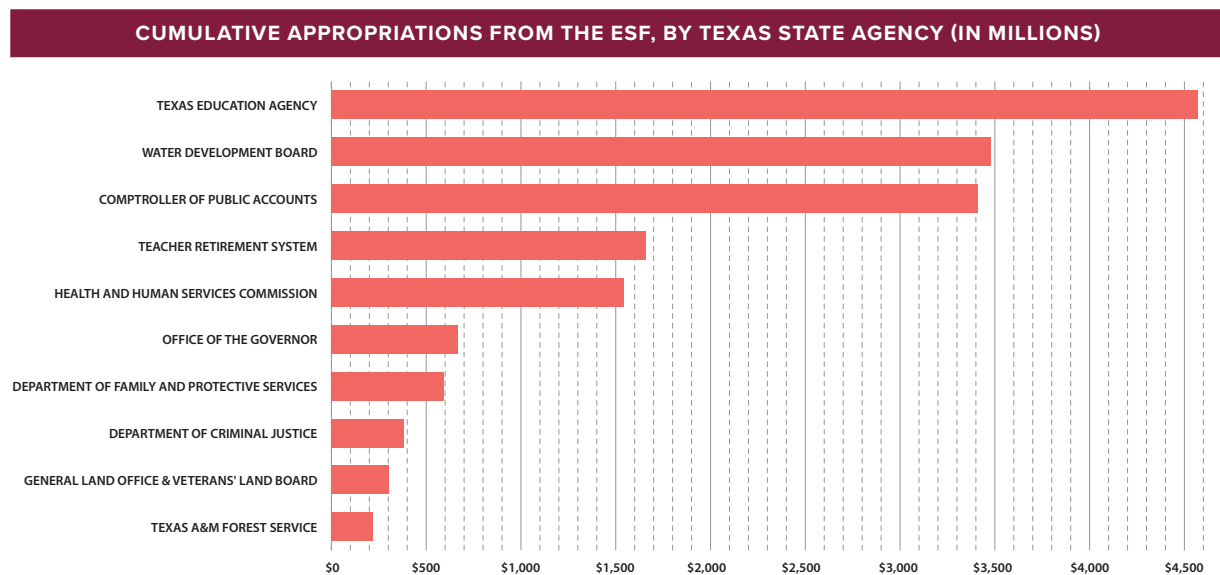
The Texas Constitution authorizes the Legislature to make appropriations from the ESF in response to a budget deficit during a biennium or a projected revenue shortfall in an

ensuing biennium. These circumstances require approval by three-fifths of the Legislature. The Legislature may also make appropriations for any purpose it chooses at any time, requiring a two-thirds majority for passage.

The Legislature has authorized a total of \$17.4 billion in expenditures from the ESF since its inception. The targets of these appropriations have included water projects, disaster relief, public education, economic development and health and human services. One appropriation — \$3.2 billion in 2011 — was made to cover a budget gap.

The Texas Education Agency (TEA) has received the most funding from the ESF, followed by the Texas Water Development Board (TWDB) and the Texas Comptroller of Public Accounts (**Exhibit 5**). TEA has received contributions in several fiscal cycles, the largest being \$1.75 billion for the Foundation School Program in 2013. TWDB received \$2 billion in ESF appropriations to establish the State Water Implementation Fund for Texas in 2014 and about \$1.5 billion in 2019 for various infrastructure and hazard mitigation projects. The Comptroller’s office received the largest amount paid by the fund in 2011 to cover the budget gap; it also received a \$211 million contribution in 2019 to the Texas Tomorrow Fund.

EXHIBIT 5



Note: ESF appropriations to the Comptroller of Public Accounts were deposited into the Treasury to cover shortfalls in the General Revenue Fund and the Texas Tomorrow Fund.
Sources: Texas Comptroller of Public Accounts and Legislative Budget Board

Texas' Rainy Day Fund Projected to Hit Cap for First Time

“Despite a difficult environment for investment returns in fiscal 2022, the TESTIF portfolio has produced positive returns over time.”

– Anca Ion

Hurricane Harvey relief funding was a major expense and a fulfillment of one of the fund’s core functions — disaster recovery. Across 11 state agencies, the Legislature appropriated \$1.78 billion in 2019 toward direct relief, plus additional Medicaid, rehabilitation and reimbursement costs.

ESF REFORMS

State leaders have reformed the ESF in recent years to ensure sufficient funds are on hand for an emergency and to maintain the fund’s purchasing power.

The November 2014 constitutional amendment that authorized redirecting a portion of oil and gas tax revenue to the SHF also included a requirement that the ESF retain a “sufficient balance” on hand. Beginning in fiscal 2022, a new statute required the Comptroller to set the sufficient balance at 7 percent of general revenue-related appropriations for that biennium. If the ESF falls below its sufficient balance, transfers to the SHF are reduced or eliminated until the ESF reaches its sufficient balance. The sufficient fund balance for the 2022-23 biennium is set at \$8.3 billion.

In 2015, the Legislature authorized the Texas Treasury Safekeeping Trust Company (TTSTC) to invest the portion of the ESF balance above the sufficient fund balance in prudent but higher yield investments through its Texas Economic Stabilization Investment Fund (TESTIF), with the goal of maintaining the fund’s purchasing power. Prior to this reform, the TTSTC had invested fund balances in short-term, low-yield, highly-liquid instruments, to keep the funds readily available if needed.

In 2019, the Legislature authorized TTSTC to manage the entire non-appropriated balance of the ESF through the TESTIF. This decoupled the sufficient balance from the amount TTSTC can invest to exceed the Treasury return and maintain purchasing power, with the requirement that at least 25 percent of the fund be invested in a manner that is liquid and readily available.



Anca Ion, Texas Treasury Safekeeping Trust Company

“Despite a difficult environment for investment returns in fiscal 2022, the TESTIF portfolio has produced positive returns over time,” says Anca Ion, chief investment officer at TTSTC. “The latest figures as of Jan. 31, 2023, indicate an annualized total return of 1.8 percent per year since inception, compared with a return of 1.3 percent per year for the State Treasury. Cumulative total return since inception is just under 14.4 percent, which equates to a cumulative value add of approximately \$700 million.”

CHALLENGING ENVIRONMENT AHEAD

Notwithstanding a record budget surplus and an enviable savings account, uncertainty and challenges persist. Texas’ record revenues are due partly to high general price inflation, adding a considerable burden on Texans’ pocketbooks. And in the near term, as the Federal Reserve raises interest rates to fight inflation, the Comptroller anticipates a mild recession. That makes good stewardship of these funds even more important.

As its population grows, Texas faces a mounting list of issues that require attention — aging infrastructure, broadband connectivity, state workforce salaries and a host of others. With a positive financial outlook and a substantial balance for the 2023 legislative session, lawmakers will face numerous competing interests and ideas on what to prioritize.

Addressing current needs while ensuring that the state remains prepared for economic downturns is a difficult but necessary task for the well-being of Texas. The Rainy Day Fund is a valuable tool in that effort.

“Having a state savings account that grows over time is a responsible mechanism to help ensure the fiscal health of the state,” Hegar says. “At the same time, it exists to be used when necessary. It allows us to weather unexpected downturns and has given us the opportunity to invest in critical needs.” **FN**

To learn more about the Comptroller’s Biennial Revenue Estimate and other statewide financial reports, visit our [Analysis and Reports page at comptroller.texas.gov/transparency/reports](https://comptroller.texas.gov/transparency/reports).



FRESH FEDERAL GRANT HIGHLIGHTS BROADBAND EXPANSION INITIATIVES

The Comptroller's Texas Broadband Development Office (BDO) became operational in September 2021 and has been working urgently ever since to help bring high-speed internet to Texas communities.

While still a relatively new office, the BDO has achieved significant milestones, including the development of a comprehensive statewide broadband plan and a broadband availability map of Texas. The BDO also has secured funding — including \$363.8 million in federal money for its Bringing Online Opportunities to Texas (BOOT) program — to fulfill its legislative directive to connect every Texan to broadband service. There's still a long road ahead, but with all it has accomplished thus far, the BDO has demonstrated determination to ensure Texas is connected for continued economic and social success.

STATEWIDE BROADBAND PLAN

Texas has more than 30 million residents, and the latest data show almost 7 million of those — representing about 2.8 million households — do not have access to high-speed broadband services. In spring 2022, Comptroller Glenn Hegar and BDO staff conducted a Broadband Listening Tour in 12 Texas communities, covering 5,100 miles; gathering testimony from 209 residents; and receiving 16,241 survey responses regarding broadband access today and how it could improve in the future. Texans' feedback indicated that slow speeds, unreliable access, cost and coordination are the most critical areas of concern.

The BDO acknowledged these concerns in its 2022 Texas Broadband Plan, which lays out broadband expansion goals and strategies to achieve them. The plan provides an in-depth analysis of the industries and policy areas that require broadband for continued growth and success, including the following.

Economic Development

For Texas businesses, a broadband connection can boost revenue, expand customer bases and allow entrance into larger vendor networks. This could lead to increased annual sales of \$6.7 billion and more than 23,000 new jobs over three years in rural Texas alone.

Education

For kindergarten through graduate school students who want to utilize distance learning programs, broadband is essential. It also allows students to complete homework assignments outside of school and the library.

Health Care

The lack of broadband services in rural communities restricts health care providers from serving rural Texans to the fullest potential. According to the Texas Broadband Plan, broadband would allow remote health care facilities to provide a wide range of cost-effective services including telemedicine appointments and access to medical records via online patient portals.

Texas Broadband Development Office Charging Ahead

“Expanding broadband access will require collaboration and partnerships between local governments and private entities, across counties and among residents.”

– Comptroller Glenn Hegar

Agriculture

Modern “precision” farming depends on broadband services to operate certain machinery, irrigation sensors and sales platforms. According to the Broadband Plan, this type of farming may reduce fuel usage by 40 percent, water usage by 20-50 percent and chemical applications (i.e., pesticides) by up to 80 percent.

AVAILABILITY MAP

Broadband is defined as internet that has a minimum speed of 25 megabits per second (Mbps) for downloads and 3 Mbps for uploads — the current standard set by the Federal Communications Commission (FCC). However, many consider speeds of 100 Mbps download and 20 Mbps upload as the minimum required for modern online participation. There are several different types of broadband technology that come with a range of download and upload speeds, including digital subscriber line or DSL, cable modem,




fiber, wireless and satellite. The variation in broadband transmission speeds determines how a residence or place of business is grouped: served, underserved or unserved by high-speed broadband.

Understanding which communities fit into those broadband connectivity groups, as defined by state statute, helped the BDO create the Texas Broadband Development Map released in January (**Exhibit 1**). The map’s broadband availability information shows which addresses in the state have service based on data submitted by internet service providers derived using advertised speed data, which often exceed actual speeds provided to addresses. All broadband service delivery technologies are included on the map, and to avoid overstating coverage, the BDO provides an opportunity for broadband service providers and political subdivisions to petition the office to make changes to the map. However, data used as evidence to counter potential inaccuracies and inflated claims of coverage are often proprietary and difficult to acquire.

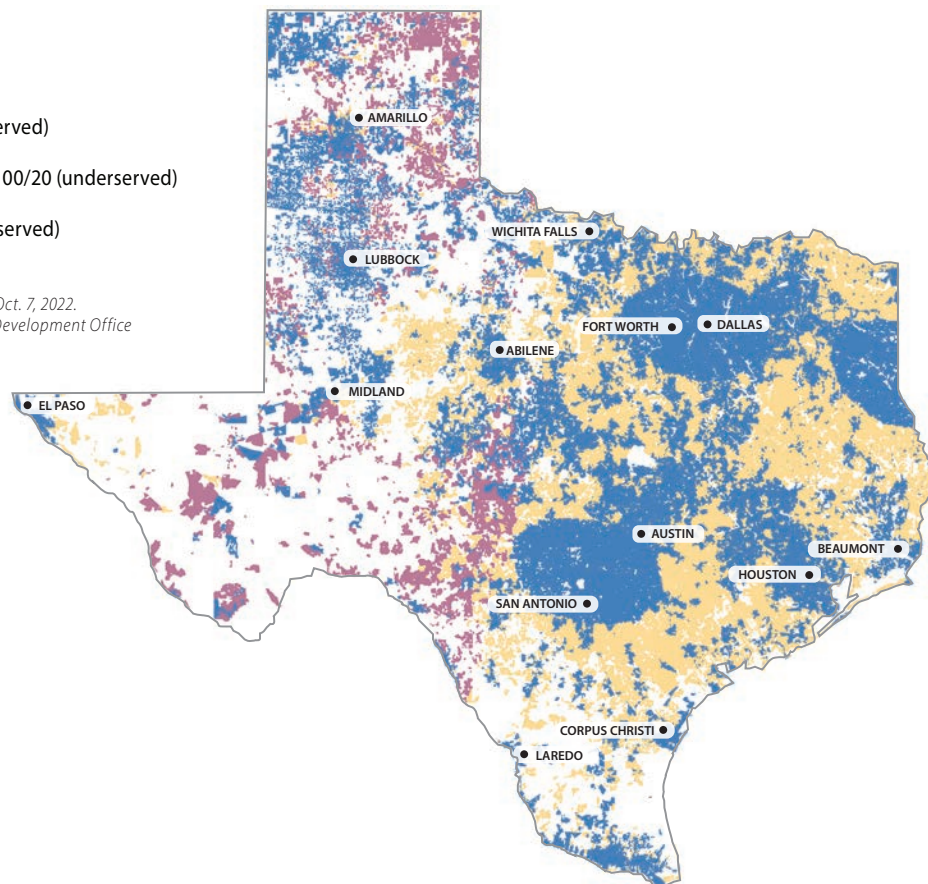
EXHIBIT 1

TEXAS BROADBAND DEVELOPMENT MAP

SPEED RANGES

-  <25/3 (unserved)
-  >=25/3 - <100/20 (underserved)
-  >=100/20 (served)

*Note: Map is current as of Oct. 7, 2022.
Source: Texas Broadband Development Office*



Texas Broadband Development Office Charging Ahead



Comptroller Glenn Hegar discusses broadband internet access during his visit to the Capital Area Council of Governments in March 2022 while on the Broadband Listening Tour.



Comptroller Glenn Hegar's Broadband Listening Tour provided an opportunity to hear from individuals, businesses, governments and organizations in local communities.

BDO FUNDING

Government funding for broadband development comes from a variety of state and federal sources (**Exhibit 2**). For starters, the 87th Texas Legislature appropriated \$5 million to the BDO for the 2022-23 biennium to implement legislation on broadband expansion, which included developing the statewide broadband plan and broadband development map.

In 2021, the federal government allocated \$500.5 million to Texas from the Coronavirus Capital Projects Fund (CPF), a component of the larger American Rescue Plan Act passed by Congress in March 2021. Administered by the U.S. Department of the Treasury, program guidelines state that funds should be used for broadband infrastructure, digital connectivity technology projects and multipurpose community projects. The guidelines also require the funds be expended by Dec. 31, 2026.

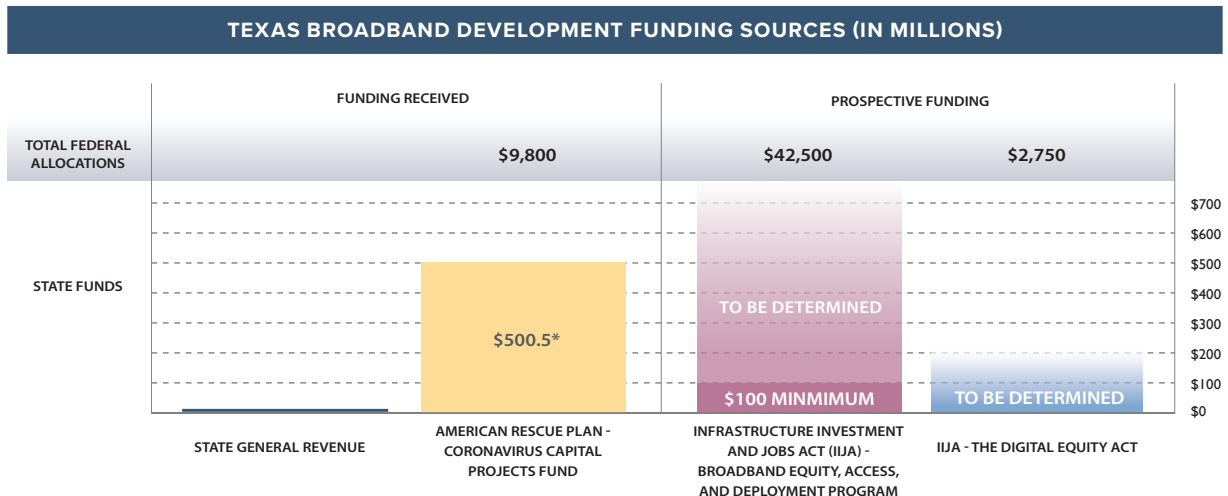
The BDO this year won approval to receive \$363.8 million (73 percent of its CPF allocation) for the aforementioned BOOT program, which aims to provide broadband service to 152,000

locations throughout Texas. The BDO plans to disburse CPF funding through the competitive BOOT program and begin accepting applications in spring 2023.

Texas is expected to receive a minimum of \$100 million dollars for broadband expansion from the federal Broadband Equity, Access, and Deployment (BEAD) Program, a component of the Infrastructure Investment and Jobs Act (IIJA) passed by Congress in November 2021; the final amount, however, likely will be much more. Additional funding is contingent on the FCC's National Broadband Map and could amount to billions of dollars for broadband expansion, which should be announced as early as this summer.

In November 2022, the FCC released its National Broadband Map that displays high-speed internet availability by location and allows stakeholders, including individuals and state and local governments, to submit challenges to the map's accuracy. BEAD funding amounts will be announced in June 2023 and will be determined by the number of unserved locations represented in the FCC broadband map after inaccuracies have been identified and addressed.

EXHIBIT 2



*Includes \$363.8 million from the BOOT program.
Source: Texas Broadband Development Office

Texas Broadband Development Office Charging Ahead

"My office worked with stakeholders and local governments around the state to establish the best possible avenues for challenging broad inaccuracies through the bulk challenge process," says Hegar in regard to the FCC broadband map. "We filed a bulk challenge for over 175,000 locations, but it is still critical that individual Texans also engage in the challenge process to ensure the maps are as accurate as possible and funds are fairly allocated to areas that lack service."

In order to draw down BEAD funds, Texas must participate in the Digital Equity Act (DEA), which is a component of the IIJA with a total funding pool of \$1.5 billion available to eligible states through two grant programs: The State Digital Equity Planning Grant Program and the State Digital Equity Capacity Grant Program. These programs seek to expand affordable access to devices (e.g., smart phones, laptops) and educate individuals about how to navigate digital platforms such as email, video chat, ecommerce, telehealth services and more. Expanding digital opportunities via DEA programs will ensure that every Texan has the digital literacy skills and access needed to reap the benefits of reliable broadband service.

But before the BDO receives any IIJA funding, it will need to develop plans and roadmaps for how the funding will be implemented. This process will require extensive local coordination and collaboration to create five-year action plans. Because further IIJA funding is dependent on federal review of these plans, distribution of IIJA grant funds likely will not begin until early 2024 at the soonest.

COMMUNITY PLANNING TOOLS

The BDO offers planning tools for communities to assess their needs and prepare applications for funding opportunities, including tips and suggestions about how to:

- Assess community needs and goals.
- Identify community resources and leaders.
- Prepare a successful funding application.



Greg Conte, Texas Comptroller of Public Accounts

"Local communities, nonprofits and citizens should begin, if they haven't already, to prepare for the funding," says BDO Director Greg Conte. "Communities looking to expand broadband access locally to create jobs, improve educational opportunities, promote economic development, spur private investment and facilitate the delivery of essential social services to their citizens

will need to get ready by creating a vision, establishing goals, understanding the digital divide in their region, identifying barriers and engaging with providers."

Conte explains that local government and community leaders are ideally positioned to convene stakeholders, assess needs, determine broadband gaps and leverage assets.

"[Leaders] need to become empowered, and local citizens need to become motivated to accelerate local planning," Conte says. "The best way the BDO can execute on these funds is if our locals and providers are ready to receive it."

Texas Connectivity Fund

On the first day of the 2023 legislative session, state Sen. Charles Perry filed Senate Joint Resolution (SJR) 27 and Senate Bill (SB) 377, which propose a constitutional amendment to create the Texas Connectivity Fund. This fund would support the development of broadband and related telecommunication services throughout the state. SJR 27 and SB 377 call for the use of state sales and use taxes on telecommunication services to fund the Texas Connectivity Fund without increasing tax rates.

Source: Texas Legislature Online

MOVING FORWARD

Beyond funding, the BDO recognizes that more can be done to support communities. One of the BDO's goals is to work with Texas educators to address the connection needs of rural and urban classrooms across the state through teacher roundtables and collaboration with education agencies.

Conte stresses the office's adherence to transparency and its commitment to an "open door" approach. "The BDO is a place where Texans can voice their broadband needs year-round through surveys, community meetings and social media campaigns," he says.

The BDO's monthly newsletter connects Texans to broadband news, funding and expansion updates and upcoming deadlines for federal broadband programs. The January 2023 newsletter was sent to more than 5,600 subscribers.

The BDO will continue pursuing its mission to provide reliable broadband connection to Texans across the state. "This is a monumental task, and we must work together to accomplish it," Hegar says. "Expanding broadband access will require collaboration and partnerships between local governments and private entities, across counties and among residents." **FN**

For a broadband primer and more information about Texas' broadband needs, see our February 2021 edition of Fiscal Notes at comptroller.texas.gov/economy/fiscal-notes/2021/feb/broadband.php.

NET STATE REVENUE – ALL FUNDS, EXCLUDING TRUST

Monthly and Year-to-Date Collections: Percent Change from Previous Year (IN THOUSANDS)

This table presents data on net state revenue collections by source. It includes most recent monthly collections, year-to-date (YTD) totals for the current fiscal year and a comparison of current YTD totals with those in the equivalent period of the previous fiscal year. These numbers were current at press time. For the most current data as well as downloadable files, visit comptroller.texas.gov/transparency.

Note: Texas' fiscal year begins on Sept. 1 and ends on Aug. 31.

1. Includes public utility gross receipts assessment, gas, electric and water utility tax and gas utility pipeline tax.

2. Includes taxes not separately listed, such as taxes on oil well services, coin-operated amusement machines, cement and combative sports admissions as well as refunds to employers of certain welfare recipients.

3. Includes various health-related service fees and rebates that were previously in "license, fees, fines and penalties" or in other non-tax revenue categories.

4. Gross sales less retailer commission and the smaller prizes paid by retailers.

Notes: Totals may not add due to rounding. Excludes local funds and deposits by certain semi-independent agencies. Includes certain state revenues that are deposited in the State Treasury but not appropriated.

TAX COLLECTIONS BY MAJOR TAX	FEBRUARY 2023	YEAR TO DATE: Total	YEAR TO DATE: Change from Previous Year
SALES TAX	\$3,684,077	\$23,184,213	11.72%
<i>Percent Change from February 2022</i>	14.17%		
MOTOR VEHICLE SALES AND RENTAL TAXES	\$541,878	\$3,403,139	10.00%
<i>Percent Change from February 2022</i>	14.16%		
MOTOR FUEL TAXES	\$303,877	\$1,903,504	0.97%
<i>Percent Change from February 2022</i>	1.12%		
FRANCHISE TAX	-\$30,983	\$87,579	-192.89%
<i>Percent Change from February 2022</i>	-34.01%		
OIL PRODUCTION TAX	\$491,962	\$3,160,663	19.60%
<i>Percent Change from February 2022</i>	1.58%		
INSURANCE TAXES	\$1,534,841	\$1,734,877	54.26%
<i>Percent Change from February 2022</i>	56.55%		
CIGARETTE AND TOBACCO TAXES	\$88,147	\$572,380	-1.42%
<i>Percent Change from February 2022</i>	-4.80%		
NATURAL GAS PRODUCTION TAX	\$304,817	\$2,296,577	22.59%
<i>Percent Change from February 2022</i>	-4.54%		
ALCOHOLIC BEVERAGES TAXES	\$129,977	\$861,811	11.72%
<i>Percent Change from February 2022</i>	12.73%		
HOTEL OCCUPANCY TAX	\$42,279	\$349,952	18.71%
<i>Percent Change from February 2022</i>	1.57%		
UTILITY TAXES¹	\$9,683	\$299,717	22.87%
<i>Percent Change from February 2022</i>	-1.59%		
OTHER TAXES²	\$27,230	\$138,220	-1,708.77%
<i>Percent Change from February 2022</i>	31.44%		
TOTAL TAX COLLECTIONS	\$7,127,786	\$37,992,632	14.58%
<i>Percent Change from February 2022</i>	18.42%		
REVENUE BY SOURCE	FEBRUARY 2023	YEAR TO DATE: Total	YEAR TO DATE: Change from Previous Year
TOTAL TAX COLLECTIONS	\$7,127,786	\$37,992,632	14.58%
<i>Percent Change from February 2022</i>	18.42%		
FEDERAL INCOME	\$7,167,492	\$35,546,505	9.05%
<i>Percent Change from February 2022</i>	23.54%		
LICENSES, FEES, FINES AND PENALTIES	\$615,345	\$3,495,249	3.30%
<i>Percent Change from February 2022</i>	12.31%		
STATE HEALTH SERVICE FEES AND REBATES³	\$1,056,679	\$6,568,027	63.60%
<i>Percent Change from February 2022</i>	-3.26%		
NET LOTTERY PROCEEDS⁴	\$244,764	\$1,645,936	12.41%
<i>Percent Change from February 2022</i>	11.79%		
LAND INCOME	\$281,014	\$2,178,608	16.21%
<i>Percent Change from February 2022</i>	-3.63%		
INTEREST AND INVESTMENT INCOME	\$238,129	\$1,584,186	86.33%
<i>Percent Change from February 2022</i>	181.94%		
SETTLEMENTS OF CLAIMS	\$2,994	\$467,641	-4.00%
<i>Percent Change from February 2022</i>	43.35%		
ESCHEATED ESTATES	\$19,771	\$86,543	-10.60%
<i>Percent Change from February 2022</i>	52.25%		
SALES OF GOODS AND SERVICES	\$27,051	\$148,332	-2.46%
<i>Percent Change from February 2022</i>	32.48%		
OTHER REVENUE	\$70,897	\$836,826	-29.77%
<i>Percent Change from February 2022</i>	-27.48%		
TOTAL NET REVENUE	\$16,851,922	\$90,550,486	14.23%
<i>Percent Change from February 2022</i>	18.77%		



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Glenn Hegar
Texas Comptroller of Public Accounts

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Write: 111 E. 17th St., Suite 210A, Austin, Texas 78774-0100

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