SPECIAL EDITION

SEPTEMBER 2020

FISCAL NOTES

STATE REVENUES REACT TO THE RECESSION.

A REVIEW OF THE TEXAS ECONOMY FROM THE OFFICE OF **GLENN HEGAR**, TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

REVISED CERTIFICATION REVENUE ESTIMATE

TRACING THE PANDEMIC'S IMPACT ON STATE REVENUES

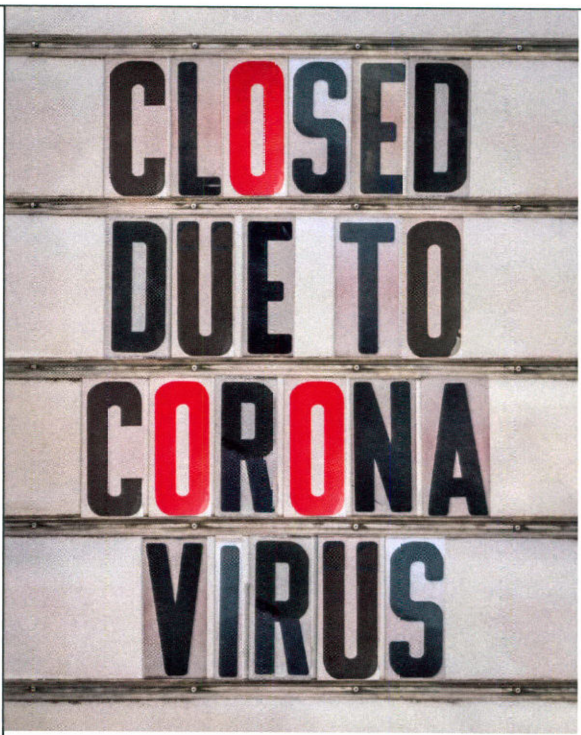
By Michael Castellon

In the days and weeks following his July revision of the state's Certification Revenue Estimate (CRE), Texas Comptroller Glenn Hegar met with lawmakers, industry groups and taxpayers to emphasize one undeniable truth — *any* revenue forecast made today carries with it an unprecedented amount of uncertainty.

Before each legislative session, the Texas Comptroller's office issues a Biennial Revenue Estimate (BRE) that projects the amount of revenue that will be available to lawmakers in the state's next two-year budget period. The Texas Constitution prohibits appropriations that exceed the Comptroller's estimate.

After the session concludes, the Comptroller then issues a CRE to reflect the impact of new laws and the most current economic information, and to take into account final revenue numbers for the recently completed fiscal year. The CRE released after the 2019 session reflected what was then one of the nation's strongest economies.

The CRE can be revised when economic situations warrant, however, and no time warranted it more than the first two quarters of 2020. The COVID-19 pandemic affected virtually every aspect of the global economy, disrupting manufacturing supply chains and hobbling service industries, resulting in record unemployment and major losses of taxable revenues. Along with



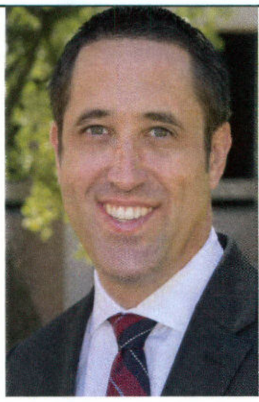
oil market volatility, it continues to destabilize any confidence economists and lawmakers once had about the state budget.

The Texas economy has begun growing again, but the recession was so unprecedented that it's difficult to forecast how long it will take for the state to return to the level of economic activity it enjoyed before the pandemic hit.

CONTINUED ON PAGE 3

Note: *This special edition of* Fiscal Notes *is the second issue exploring the economic impact of COVID-19 on the Texas economy. View our May 2020* Recessions and Revenue *edition for a look at how Texas has fared in past recessions.*

A Message from the Comptroller



One of the most important duties of the State Comptroller's office is revenue estimating — doing our best to predict how much money the state can expect to receive in the future from taxes, fees, federal aid and other sources. It's essential data for the Legislature's always-difficult task of writing the state's two-year budget.

Typically, my office releases the Biennial Revenue Estimate just before each regular session of the Legislature. It then forms a basis for the session's budget negotiations. After the session ends, we release a Certification Revenue Estimate (CRE) that reflects the effects of new laws approved during the session and fine-tunes our estimate based on the most current economic conditions. We can update that CRE as needed if the state's economic circumstances change. And this year, as you already know, they changed quite a bit.

In July, we released an updated CRE that takes into account the remarkable economic turmoil produced by the COVID-19 pandemic and the subsequent collapse in oil and gas demand, prices and production. In this issue, we examine that estimate, the considerations that went into its preparation — and the myriad uncertainties our revenue estimators face. Predicting the course of Texas' enormous, complex and dynamic economy is a difficult task in the best of times, and much more so in the face of a truly unprecedented event such as the pandemic.

At present, the bottom line is that we don't expect "normal" economic conditions to return this year. It's unlikely they will until the public feels confident that the COVID-19 virus has been contained. Energy production and prices aren't likely to pick up until that happens as well. Nevertheless, there are signs of hope out there; we're already seeing a rebound in some important economic indicators.

Our job is to follow the events and trends that affect the state economy — and to keep our state leaders and Texans at large informed about what we're seeing. You can count on us to continue the watch, and report back to you.

GLENN HEGAR
Texas Comptroller of Public Accounts

Note: This report contains estimates and projections that are based on available information, assumptions and estimates as of the date of the forecasts upon which they are based. Assumptions involve judgments about future economic and market conditions and events that are difficult to predict. Actual results could differ from those predicted, and the difference could be material.

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As the scope of the crisis came into focus, Hegar was quick to warn state leaders, lawmakers and the public that Texas was heading into a recession. He and his team of economists and revenue estimators began working to recalibrate the CRE to reflect the new reality.

The assumptions and predictions included in the updated CRE are under continual review and will form the basis for the BRE Hegar will deliver to the Texas Legislature before it convenes in January 2021. The BRE will guide lawmakers as they prepare to fill holes in the current budget and write the next two-year spending plan.

THE JULY CRE UPDATE

The revised CRE estimates that the state will have $110.19 billion available for general-purpose spending in the 2020-21 biennium, which ends on Aug. 31, 2021. That's 0.8 percent less than in 2018-19 and down $11.57 billion, or 9.5 percent, from the agency's October 2019 CRE.

GENERAL REVENUE-RELATED FUNDS

In Texas budget parlance, *General Revenue-related funds* represent those available for discretionary or "general-purpose" spending by the Legislature. They include the General Revenue Fund, Available School Fund, State Technology and Instructional Materials Fund, Foundation School Account and Tobacco Settlement Account.

The figure represents the sum of the 2018-19 ending balance and tax and non-tax revenue collections in 2020-21, less revenue set aside for transfers to the Economic Stabilization Fund (ESF — the "Rainy Day Fund") and State Highway Fund (SHF) as well as adjustments to General Revenue-dedicated account balances. In all, state revenue will total an estimated $265.84 billion in state and federal funds in 2020-21.

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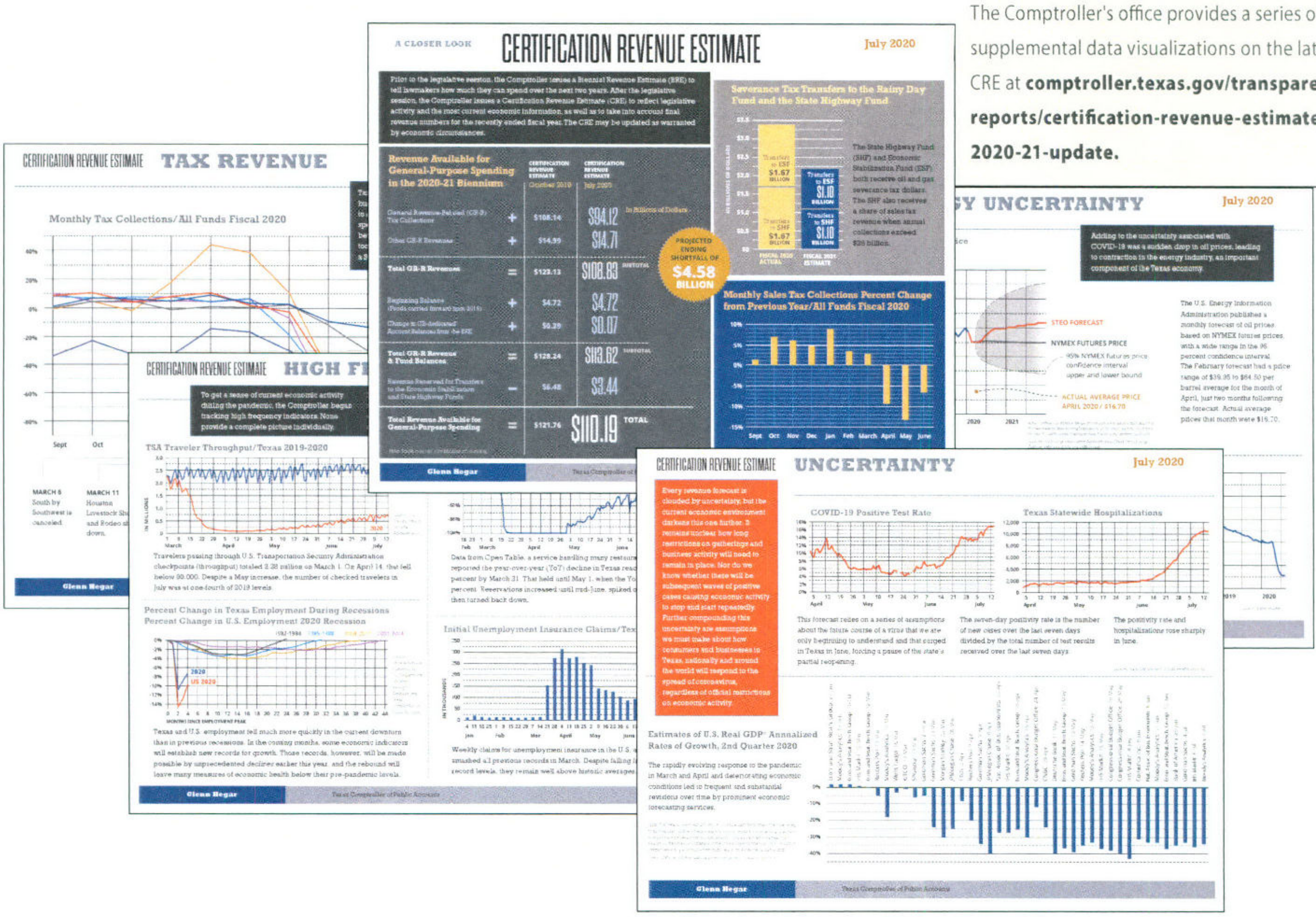

The Comptroller's office provides a series of supplemental data visualizations on the latest CRE at **comptroller.texas.gov/transparency/reports/certification-revenue-estimate/2020-21-update.**

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Texas Comptroller Glenn Hegar

The revised CRE projects an ESF fiscal 2021 ending balance of $8.79 billion (before accounting for any additional appropriations that may be made from the fund in the next legislative session).

The state's tax system remains its main source of state General Revenue-related (GR-R) funding. Tax collections in 2020-21 will generate an estimated $94.12 billion, while non-tax revenue sources should produce an additional $14.71 billion. Factoring in the estimated $4.72 billion ending balance carried forward from 2018-19, these three sources will total an estimated $113.55 billion.

Of this amount, $3.44 billion must be placed in reserve for future transfers to the ESF and the SHF, while another $68 million must be added for various adjustments to General Revenue-dedicated account balances, resulting in $110.19 billion available for general-purpose spending. Total GR-R spending should total an estimated $114.77 billion in the 2020-21 biennium. Subtracting this amount from $110.19 billion leaves an estimated ending shortfall of $4.58 billion for the current biennium.

The drop in the GR-R ending balance will be mitigated by significant reductions in projected state costs associated with the Foundation School Program (FSP), based on estimates provided by the Texas Education Agency and the Legislative Budget Board. Some of the reduction was attributable to more than $1 billion in increased federal funding used in lieu of general revenue, and some represented lower state costs associated with higher property values than previously forecast, as well as other adjustments to factors that determine state funding for public schools.

Moreover, revenue from sales taxes collected by online marketplace providers and dedicated to the Tax Relief and Excellence in Education Fund is exceeding previous expectations and thus reducing the draw on general revenue funds for the FSP.

The July CRE projects that in November 2020, the ESF and SHF each will receive $1.1 billion in transfers from the General Revenue Fund for severance taxes collected in fiscal 2020. After accounting for appropriations and investment and interest earnings, the revised CRE projects an ESF fiscal 2021 ending balance of $8.79 billion (before accounting for any additional appropriations from the fund that may be made in the next legislative session). Significantly lower severance tax collections for fiscal 2021 will result in fiscal 2022 transfers to the ESF and SHF of about $620 million each.

The SHF also will receive $2.5 billion from sales tax collections for both years of the biennium; the final transfer from fiscal 2021 collections will occur in September 2021, the first month of fiscal 2022.

FACTORS IN THE CRE

Economic Activity: Recessionary pressures often require months to emerge in conventional economic statistics. Early in 2020, Comptroller economists and revenue estimators began hunting for nontraditional indicators that might provide some diagnostic evidence of where the Texas economy was headed and what that might mean for the state's budget writers.

They studied, for example, the number of travelers passing through U.S. Transportation Security Administration checkpoints (**Exhibit 1**), which in July 2020 was at one-fourth of 2019 levels. Similarly, data from Open Table (**Exhibit 2**), the online restaurant reservation service, reported a *100 percent* year-over-year decline in Texas by March 21.

Economic output in the U.S. and Texas fell by historically large amounts in the second quarter of calendar 2020. Given the unprecedented nature of the economic contraction associated with actions taken to slow the spread of COVID-19, forecasting services have significantly and repeatedly revised their estimates of economic growth for this year and next.

Tax Revenues: While economic growth inevitably will revive after the current recession, some tax revenues may be slower to respond than after previous recessions (and natural disasters such as Hurricane Harvey). Comptroller economists anticipate, for example, that travel, particularly business travel, is likely to remain curtailed for some time, which would affect collections of hotel taxes, motor vehicle rental taxes, mixed beverage taxes and even sales taxes, particularly if additional events that typically draw large out-of-state crowds are canceled.

TOM CURRAH

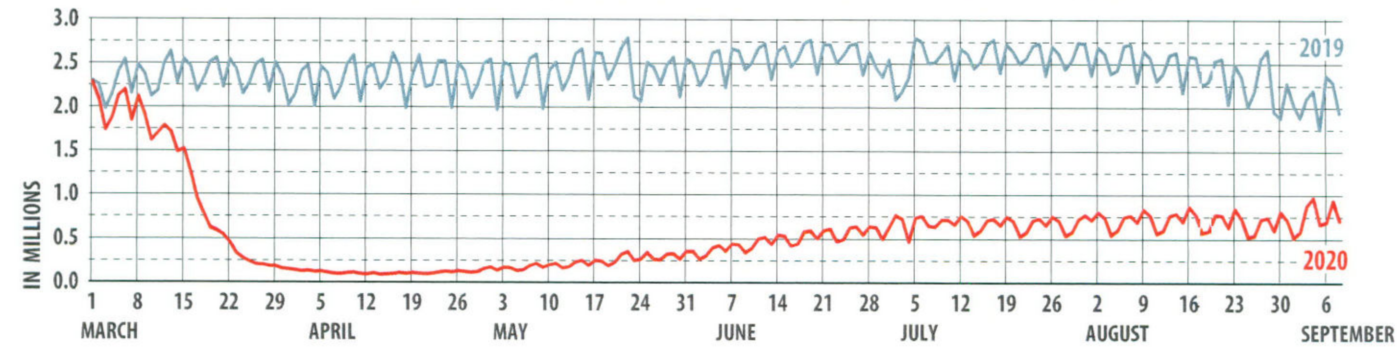
CHIEF REVENUE ESTIMATOR, TEXAS COMPTROLLER'S OFFICE

"Just how reluctant people are to resume crowded activities will affect tax revenue from restaurants, bars and sporting events," says Tom Currah, the Comptroller's chief revenue estimator. "We didn't expect that these activities would return to pre-pandemic levels in this biennium, and our forecast reflected that assumption."

As if demonstrating the difficulties involved in forecasting during a pandemic, however, recent sales tax revenues have come in higher than expected. In July, for example, state sales tax revenue totaled $2.98 billion, 4.3 percent more than in July 2019.

EXHIBIT 1

TSA TRAVEL THROUGHPUT, TEXAS, 2019-2020



Note: "Throughput" is the number of travelers passing through U.S. Transportation Security Administration checkpoints.
Source: U.S. Transportation Security Administration

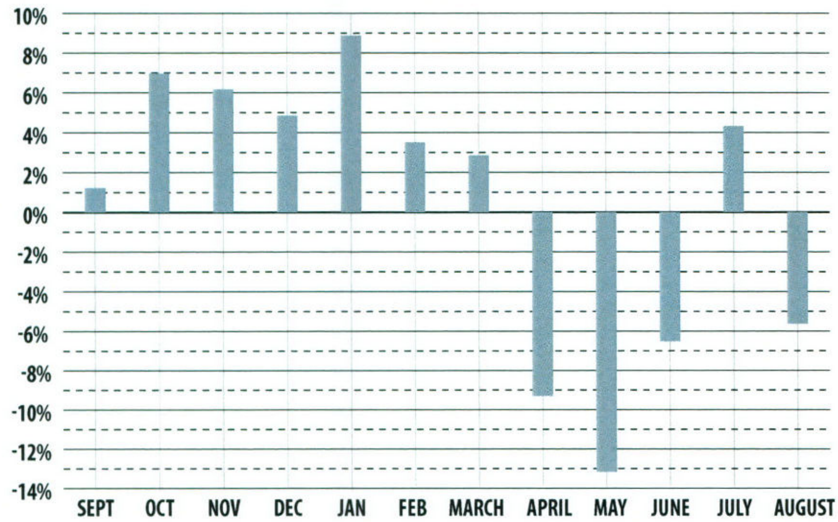
EXHIBIT 2

YEAR-OVER-YEAR CHANGE IN TEXAS OPEN TABLE RESERVATIONS, 2019 VS. 2020

Source: Open Table

EXHIBIT 3

MONTHLY SALES TAX COLLECTIONS PERCENT CHANGE FROM PREVIOUS YEAR, ALL FUNDS, FISCAL 2020



Source: Texas Comptroller of Public Accounts

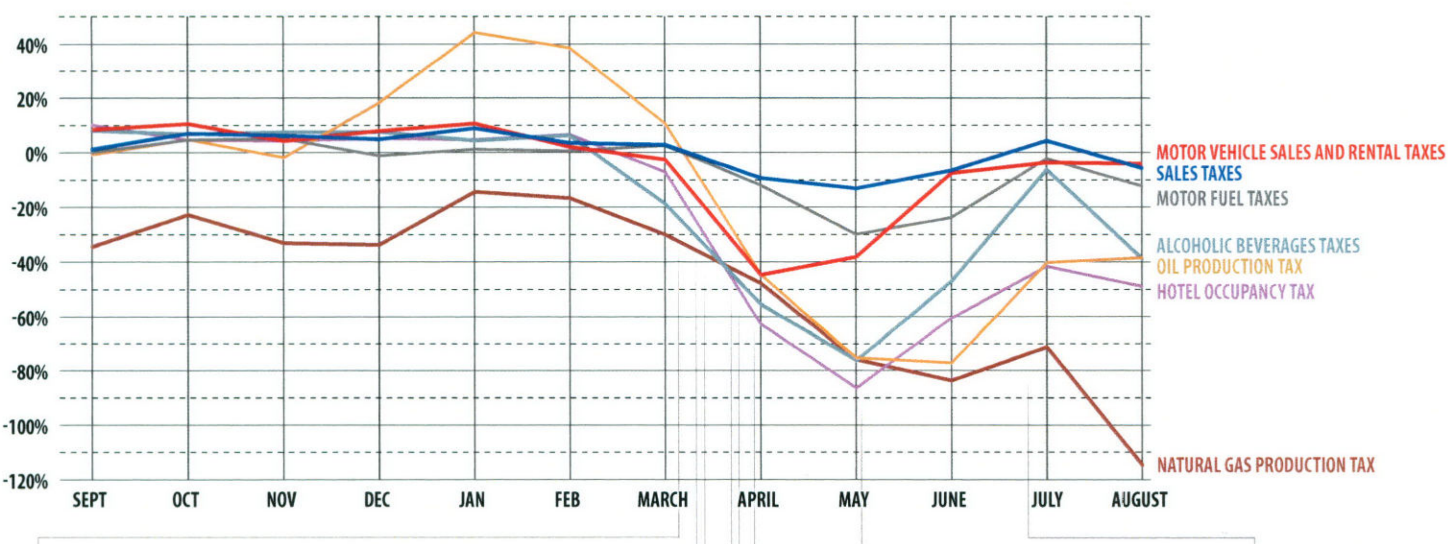
The majority of that revenue was based on sales made in June, when social distancing requirements were more relaxed than in previous months (**Exhibits 3** and **4**).

"The increase was due to a surge in collections from the retail trade sector, but receipts from other major sectors — including mining (which covers oil and gas), construction, wholesale trade, services and restaurants — showed significant declines," Hegar says.

The *types* of retail sales that drove the increase show the ways in which people are adjusting their spending during the pandemic. E-commerce collections have risen sharply, as many consumers choose to shop online rather than at brick-and-mortar stores. This shift occurred as more remote vendors and online marketplaces

EXHIBIT 4

MONTHLY TAX COLLECTIONS, ALL FUNDS, FISCAL 2020



MARCH 6
South by Southwest is canceled.

MARCH 11
Houston Livestock Show and Rodeo shut down.

MARCH 13
Gov. Abbott declares a state of disaster for all counties in Texas.

MARCH 22
Comptroller Hegar warns Texas leadership, legislators that significant contraction in the economy signals a recession.

MARCH 23-24
Several major cities and counties in Texas begin issuing stay-at-home orders.

MARCH 31
Gov. Abbott issues executive order limiting social interaction to "essential services."

MAY 1
Gov. Abbott reopens restaurants, retailers and other businesses with restrictions.

JUNE 25-26
Gov. Abbott pauses reopening, takes actions including reclosing of bars.

Source: Texas Comptroller of Public Accounts

"We think the price of oil will be low for most of next year."

— Glenn Hegar, Texas Comptroller.

were required to collect and remit Texas sales tax following the U.S. Supreme Court's *Wayfair* decision and subsequent Texas legislation.

In addition, it's becoming obvious that people who spend more time at home teleworking and taking "staycations" tend to spend more on home improvements. Similarly, consumers who can't or won't go out for drinks at restaurants and bars (where alcohol is subject to the mixed beverage tax, not the sales tax) instead buy alcohol at food and beverage stores to take home — or have it delivered. Sales tax collections from sporting goods stores also are rising as people coping with social distancing turn to home workouts, bicycling, boating, camping and other forms of outdoor recreation.

Oil Volatility: Oil and natural gas prices are volatile even in a strong economy. Several recent events only added to the uncertainty surrounding energy prices, causing unprecedented swings. Earlier this year, a disagreement between Saudi Arabia and Russia about production cuts led to increased oil supplies just as the pandemic stifled travel and triggered a collapse in global demand. Oil prices fell sharply in March and then again in April. As NYMEX futures contracts for May delivery were about to roll over to June contracts, NYMEX prices briefly turned negative, falling to about *-$40* per barrel on April 20. By August, oil prices recovered to about $41 per barrel.

The Comptroller's revised CRE assumes average oil prices in fiscal 2021 of about $41 per barrel and lower average production than in fiscal 2020, leading to a 36 percent drop in oil production tax revenues from the first to the second year of the 2020-21 biennium. Natural gas production is closely tied to oil production in Texas, given the prevalence of associated gas produced by oil wells, and the agency estimated that natural gas production and tax revenue would decline sharply as well.

"Many people tend to focus just on price," Hegar says. "But production volume is equally important. Texas has lost a large number of rigs. Right now, it's about the lowest we've seen in data that go back to the 1960s. Production volume is down about 30 percent. That's going to impact severance taxes. We think the price of oil will be low for most of next year."

ASSUMPTIONS AND UNCERTAINTIES

Even during more stable times, revenue estimators' crystal balls often go cloudy. They must predict the health of global markets, energy production and usage, consumer habits and confidence and a host of other factors. But the challenge is even more difficult during a global pandemic, when so little is understood about how consumers and industries will rebound and recover.

The July 2020 forecast relied on a variety of social, economic and even psychological assumptions about the country's recovery, including the question of whether social gathering limitations and other restrictions will be lifted before the end of 2020. It remains unclear, for example, whether state or local officials will order more restrictions on social gatherings or business operations. Perhaps even more troubling is the uncertainty surrounding subsequent waves of COVID-19 (**Exhibits 5** and **6**). Even if restrictions are lifted, people's confidence in resuming normal activities will be key to the strength of the entire economy.

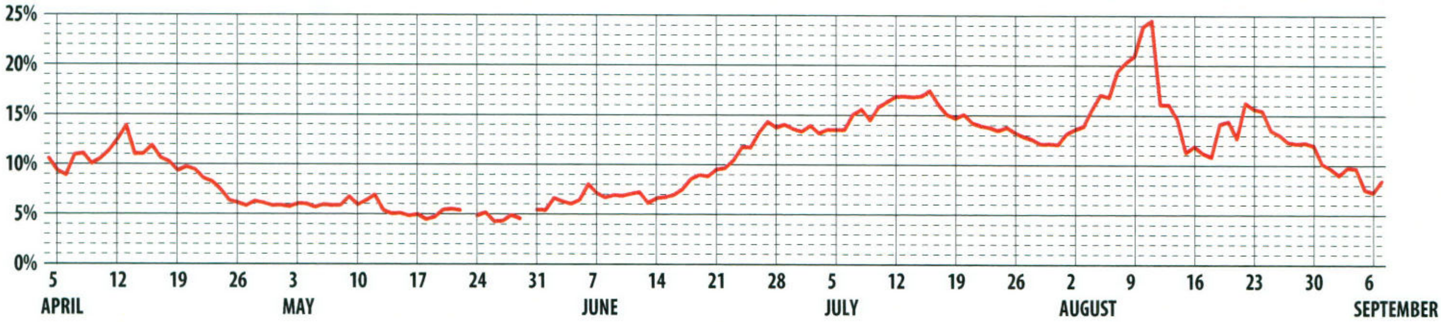
"We have to consider human behavior," Hegar says. "Even when restrictions are lifted or loosened, when will people feel safe going to the movies again? When will they feel comfortable packing into stadiums or attending conferences and conventions? It's difficult to predict how consumers will respond even after we begin a state of recovery."

The CRE revision assumed that the bulk of COVID-19-related restrictions on businesses would be lifted this fall, and that economic activity would begin to slowly return toward normal levels. Comptroller economists also assumed that there will be no further government-mandated business closures or limitations once current restrictions are fully lifted, enabling a slow return toward normal economic activity late this calendar year.

Nonetheless, Comptroller economists expect that economic output, employment and state revenues will not return to pre-pandemic levels by the end of

EXHIBIT 5

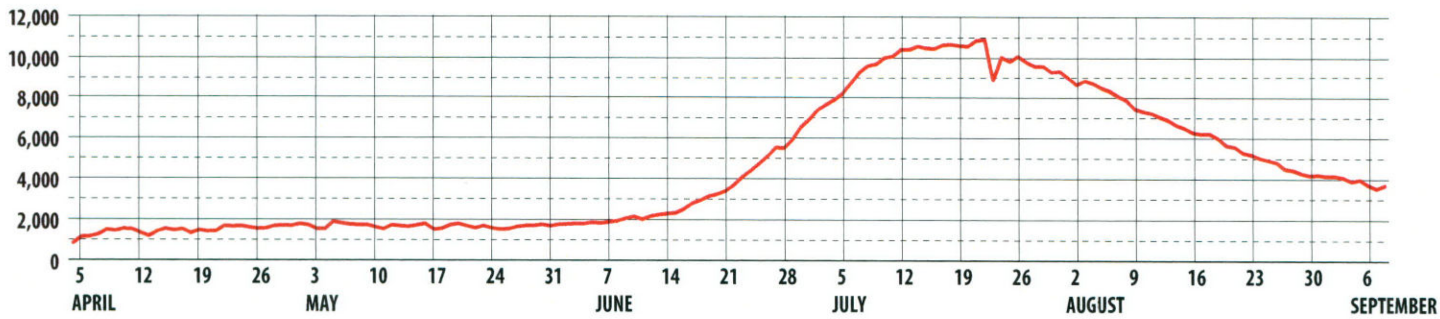
COVID-19 TEST POSITIVITY RATE



Source: Texas Department of State Health Services

EXHIBIT 6

TEXAS STATEWIDE HOSPITALIZATIONS DUE TO COVID-19



Source: Texas Department of State Health Services

the 2020-21 biennium, and it's unlikely they'll do so until Texans are confident that the virus's spread has been contained. In addition, continuing low oil prices will hamper economic growth in the state.

Finally, while it's probable that some economic indicators will establish new records for growth in the coming months, those records will be made possible only by the unprecedented declines earlier this year. Any initial rebound will leave many measures of economic health below pre-pandemic levels.

This already has happened, for example, with U.S. and Texas employment. Texas added a record-high 250,100 jobs in May, an increase of more than 2 percent from April. But this followed a loss of more than 1.4 million jobs in March and April, a drop of nearly 11 percent from peak employment in February.

"Despite the record increase in May employment, there were nearly 1.2 million fewer Texans employed than just three months earlier," Hegar says. "U.S. employment has followed a similar pattern."

As the economy recovers and much-needed jobs return, Hegar says that people in the state, country and around the world will have to adjust to the new reality imposed by the pandemic.

"COVID-19 is not disappearing," Hegar says. "We're going to have to learn how to strike a balance between keeping people safe and allowing the economy to slowly open up. We have to recognize the new norm.

"I'm really confident in the fact that people want to get on with their lives," he says. "People want to have a job. People want to create jobs. People want the economy to do well. I have a lot of confidence in the will of individual Texans and Americans. We have a lot more in common than we think. And we need each other more than ever in a downturn." **FN**

Take a deep dive into the Comptroller's July 2020 revision of the CRE at ***comptroller.texas.gov/transparency/reports/certification-revenue-estimate/2020-21-update*** *and download easy-to-understand infographics and visual guides.*

TEXAS UNEMPLOYMENT STILL HIGH

JOB EFFECTS LINGER MONTHS INTO PANDEMIC

By David Green and Peggy Fikac

Nearly 3.4 million initial unemployment claims have been filed in Texas since the pandemic put the squeeze on the economy in March. Today, our unemployment figures reflect the state's continuing struggle to emerge from the recession.

According to the U.S. Department of Labor, 61,416 Texans filed initial claims in the week ending Aug. 15, 2020, slightly more than in the previous week but considerably better than the triple-digit figures reported in July (**Exhibit 1**). Initial claims also have been falling in the nation as a whole. Even so, the number of claims remains well above levels seen in the Great Recession of 2007 through 2009.

The number of Texans receiving unemployment insurance (UI) benefits, called "continued claims," hovered between about 1.2 million and 1.3 million from the middle of May through early August (**Exhibit 2**). The state's insured unemployment rate — continued claims as a share of covered employment — was 8.9 percent for the week ending on Aug. 8, 2020, versus 9.7 percent nationally. (Covered employment includes jobs subject to state or federal UI programs. They account for about 95 percent of all jobs; the numbers reported here are not seasonally adjusted.)

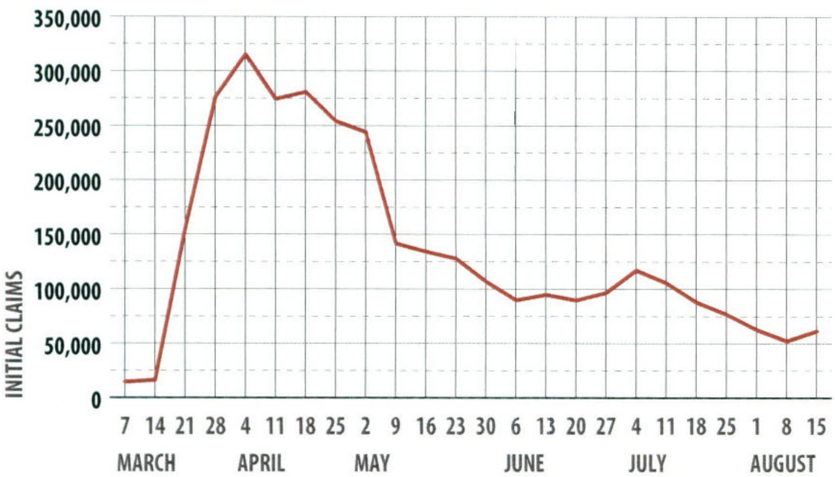
Texas' monthly unemployment rate fell to 8.0 percent in July 2020, down from 8.4 percent in June and 13 percent in May, but still well above February's 3.5 percent, the last month before the recession took hold. The national rate in July was 10.2 percent (**Exhibit 3**).

To help meet Texans' need for unemployment checks, in June the Texas Workforce Commission (TWC) began drawing federal advances under Title XII of the Social Security Act to replenish its Unemployment Compensation Trust Fund. TWC drew down $977 million in June and nearly $1.7 billion in July. As of early August, the agency estimated it would again draw close to the July total. These federal loans are available without interest through December.

The maximum weekly state UI benefit in Texas is $521. The federal Coronavirus Aid, Relief, and Economic

EXHIBIT 1

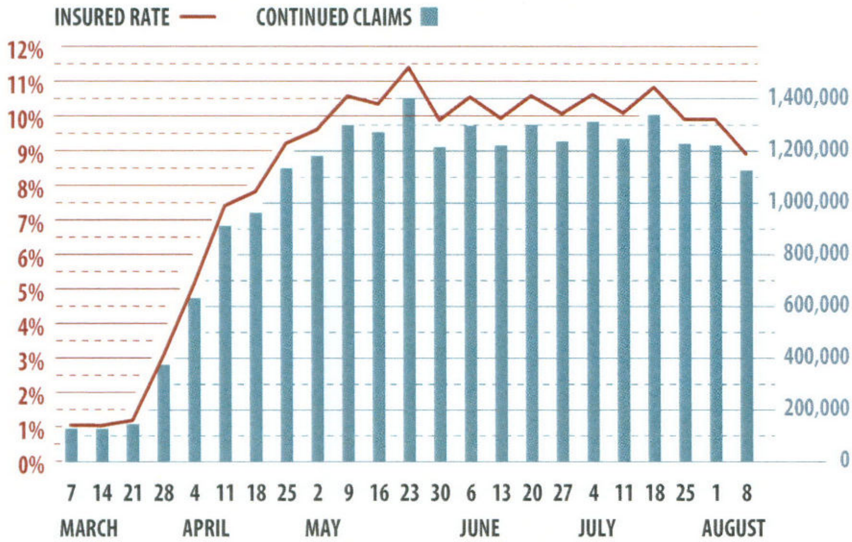
INITIAL UNEMPLOYMENT CLAIMS IN TEXAS



Source: U.S. Department of Labor, Employment and Training Administration

EXHIBIT 2

CONTINUED CLAIMS AND INSURED UNEMPLOYMENT RATE IN TEXAS

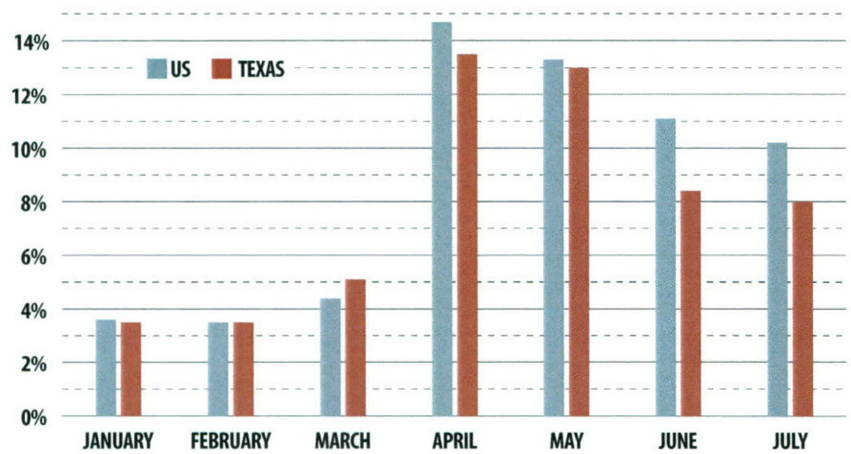


Note: Continued claims represent Texans receiving unemployment benefits.
Source: U.S. Department of Labor Employment, Training Administration

EXHIBIT 3

MONTHLY UNEMPLOYMENT RATES IN U.S. AND TEXAS, 2020

(Seasonally Adjusted)



Source: Texas Workforce Commission

Security (CARES) Act, among its other provisions, funded additional federal benefits of $600 a week that expired in July. In August, the federal government approved additional benefits of $300 a week following an executive order signed by President Trump.

TWC has taken a number of actions in response to the wave of claims, including the temporary suspension of the work-search requirement for job seekers. Plans to reinstate the requirement were paused at the end of June due to a resurgence in COVID-19 cases.

About a thousand TWC employees were fielding claims in early March; the number working on claims rose to nearly 3,000 by early August. The agency also maintained extended operating hours for its call centers and ramped up its web-based system.

TWC won't draw any conclusions about whether the recent drop in initial claims says anything about the economy.

"The nature of the COVID-19 pandemic makes speculation impossible at this time," says James Bernsen, TWC's deputy communications director. **FN**

State Revenue Watch

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.

NET STATE REVENUE — All Funds Excluding Trust

(AMOUNTS IN THOUSANDS)

Monthly and Year-to-Date Collections: Percent Change From Previous Year

Tax Collections by Major Tax	AUGUST 2020	YEAR TO DATE: TOTAL	YEAR TO DATE: CHANGE FROM PREVIOUS YEAR
SALES TAX	$2,819,756	$34,099,115	0.22%
PERCENT CHANGE FROM AUGUST 2019	-5.63%		
MOTOR VEHICLE SALES AND RENTAL TAXES	468,214	4,815,240	-3.90%
PERCENT CHANGE FROM AUGUST 2019	-4.12%		
MOTOR FUEL TAXES	286,976	3,524,712	-5.83%
PERCENT CHANGE FROM AUGUST 2019	-12.27%		
FRANCHISE TAX	248,652	4,418,420	4.75%
PERCENT CHANGE FROM AUGUST 2019	4.73%		
OIL PRODUCTION TAX	218,618	3,229,347	-16.92%
PERCENT CHANGE FROM AUGUST 2019	-38.51%		
INSURANCE TAXES	149,194	2,741,653	5.49%
PERCENT CHANGE FROM AUGUST 2019	-56.39%		
CIGARETTE AND TOBACCO TAXES	114,340	1,299,014	-7.90%
PERCENT CHANGE FROM AUGUST 2019	-33.46%		
NATURAL GAS PRODUCTION TAX	-14,960	925,473	-45.10%
PERCENT CHANGE FROM AUGUST 2019	-114.62%		
ALCOHOLIC BEVERAGES TAXES	69,037	1,125,322	-17.82%
PERCENT CHANGE FROM AUGUST 2019	-38.76%		
HOTEL OCCUPANCY TAX	30,937	470,703	-26.00%
PERCENT CHANGE FROM AUGUST 2019	-48.96%		
UTILITY TAXES[1]	59,786	478,155	1.44%
PERCENT CHANGE FROM AUGUST 2019	0.78%		
OTHER TAXES[2]	5,292	252,664	-22.63%
PERCENT CHANGE FROM AUGUST 2019	-77.09%		
TOTAL TAX COLLECTIONS	**$4,455,840**	**$57,379,818**	**-3.37%**
PERCENT CHANGE FROM AUGUST 2019	**-15.42%**		

Revenue By Source	AUGUST 2020	YEAR TO DATE: TOTAL	YEAR TO DATE: CHANGE FROM PREVIOUS YEAR
TOTAL TAX COLLECTIONS	$4,455,840	$57,379,818	-3.37%
PERCENT CHANGE FROM AUGUST 2019	-15.42%		
FEDERAL INCOME	4,068,815	58,116,754	38.69%
PERCENT CHANGE FROM AUGUST 2019	39.11%		
LICENSES, FEES, FINES AND PENALTIES	612,111	6,241,256	-4.60%
PERCENT CHANGE FROM AUGUST 2019	-10.91%		
STATE HEALTH SERVICE FEES AND REBATES[3]	442,537	7,497,445	5.78%
PERCENT CHANGE FROM AUGUST 2019	245.33%		
NET LOTTERY PROCEEDS[4]	193,401	2,391,653	-4.72%
PERCENT CHANGE FROM AUGUST 2019	20.26%		
LAND INCOME	91,316	1,809,261	-19.63%
PERCENT CHANGE FROM AUGUST 2019	-40.92%		
INTEREST AND INVESTMENT INCOME	180,586	2,529,037	0.98%
PERCENT CHANGE FROM AUGUST 2019	0.62%		
SETTLEMENTS OF CLAIMS	4,222	624,354	-3.43%
PERCENT CHANGE FROM AUGUST 2019	-95.88%		
ESCHEATED ESTATES	54,653	715,456	3.19%
PERCENT CHANGE FROM AUGUST 2019	36.19%		
SALES OF GOODS AND SERVICES	34,685	254,791	-8.63%
PERCENT CHANGE FROM AUGUST 2019	152.28%		
OTHER REVENUE	2,381,950	4,016,497	-3.02%
PERCENT CHANGE FROM AUGUST 2019	253.67%		
TOTAL NET REVENUE	**$12,520,117**	**$141,576,323**	**10.66%**
PERCENT CHANGE FROM AUGUST 2019	**21.16%**		

[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.

FISCAL NOTES

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GLENN HEGAR

Texas Comptroller of Public Accounts

Fiscal Notes is one of the ways the Comptroller's office strives to assist taxpayers and the people of Texas. The newsletter is a by-product of the Comptroller's constitutional responsibilities to monitor the state's economy and to estimate state government revenues.

Fiscal Notes also provides a periodic summary of the financial statements for the state of Texas.

Articles and analysis appearing in *Fiscal Notes* do not necessarily represent the policy or endorsement of the Texas Comptroller of Public Accounts. Space is devoted to a wide variety of topics of Texas interest and general government concern.

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Texas Comptroller of Public Accounts
Publication #96-369,

SPECIAL EDITION –September 2020