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Texas Budget Outlook Improves on Rising Sales, Gas-Tax Revenue, Combs Says

By David Milkenberg - Dec 13, 2011

Tax revenue in [Texas](#), the second-most populous state, will jump 8.6 percent in the two fiscal years that began in September from the previous budget cycle, driven by sales and natural-gas levies, new state figures show.

Receipts from all sources will rise 0.8 percent, or about \$1.46 billion, over the previous two years to almost \$183.1 billion for the current budget, Comptroller Susan Combs said yesterday in a report. Sales taxes will climb 10 percent, while levies on natural-gas production will surge almost 25 percent.

“We’re seeing a stronger recovery than originally expected,” said Dale Craymer, president of the Texas Taxpayers and Research Association, an Austin-based nonprofit group supported by businesses. “The last six months is a story of good news in the Texas economy getting better.”

The gains in the state led by Governor [Rick Perry](#), a contender for the 2012 Republican presidential nomination, contrast with shortfalls in [California](#), the biggest state, and New York, where Governor [Andrew Cuomo](#), a Democrat, has described revenue as “collapsing.” In [Sacramento](#), Democratic Governor [Jerry Brown](#) is seeking to raise income and sales taxes to cope with receipts that are already \$1 billion short of forecasts.

Employment will climb 1.5 percent a year during the budget period, with a net gain of 314,000 jobs, as the gross state product rises 2.2 percent annually, Combs said. That growth compares with the 1.9 percent expected for the U.S., she said.

[Population Growth](#)

The state’s jobless rate, at 8.4 percent in October, is likely to be 8.1 percent at the end of the budget cycle as a 3.6 percent increase in population, to about 26.6 million, offsets some of the employment gain, Combs said. The state has regained 94 percent of jobs lost during the recession, she said.

“Single-family residential construction remains depressed,” at levels not seen since the early 1990s, and is slowing the economy, Combs said. “The overall picture is one of slower-than-normal

recovery with above-average risks of a new recession,” she said, citing the possibility of a contraction in [Europe](#), and slowing growth in [China](#) and [India](#).

Texas will end fiscal 2013 with a \$1.6 billion surplus in its general-revenue fund, according to Combs. Its main reserve account will rise to \$7.32 billion from about \$6.14 billion. The state’s two-year budget eliminated an estimated deficit of at least \$15 billion partly by shortchanging schools by more than \$5 billion as Perry and fellow Republicans refused Democrats’ appeals to raise taxes.

Medicaid and Surplus

The spending plan also excluded about \$4.8 billion in projected Medicaid costs, Craymer said. Much of any surplus is likely to be used to cover the expenses for the health-care program for the needy, he said.

[Texas](#) will reap \$2.29 billion from natural-gas production, up from almost \$1.84 billion previously, according to Combs. Sales-tax revenue will climb to more than \$45.3 billion from \$41.1 billion in the previous two-year cycle, she indicated.

General-revenue related funds will rise 8.2 percent to \$82.7 billion, after mandatory exclusions and set-asides for reserves and trusts, Combs said. Federal aid, including the U.S. portion of Medicaid costs, will drop 5 percent to about \$71.3 billion, Combs said.

While previous oil and gas booms were driven by speculators, the growth this time is occurring even as natural- [gas prices](#) have fallen, Craymer said. Futures for January delivery dropped to the lowest level in more than two years in [New York](#) yesterday, settling at \$3.254 per million British thermal units. Combs said mining, including natural-gas exploration, was the fastest-growing industry in the state.

“We’re seeing a tremendous investment in technology,” Craymer said. “This boom is being driven not by speculation but by reality.”

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