



LEGISLATIVE BUDGET BOARD

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MEMORANDUM

TO: Lt. Governor Dan Patrick
Senator Kelly Hancock
Senator Joan Huffman
Senator Jane Nelson
Senator Larry Taylor
Speaker Joe Straus
Representative Dennis Bonnen
Representative Drew Darby
Representative Oscar Longoria
Representative John Zerwas

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Stewart Shallow, Senior Analyst and Counselor

DATE: November 7, 2018

SUBJECT: 2018-19 Article VIII Spending Limit Update

In accordance with the instructions contained in the Legislative Budget Board's December 1, 2016 motion, LBB staff has updated the 2018-19 Article VIII spending limit calculation to account for final fiscal year 2018 revenue and appropriation data.

Updating fiscal year 2018 revenue estimates and estimated appropriations with actual fiscal year 2018 totals increased 2018-19 spending capacity under the spending limit because a smaller portion of the 2018-19 General Revenue budget is financed with tax revenue subject to the limit than previously estimated.

The composition of revenue in the General Revenue Fund includes less tax revenue subject to the limit and more non-tax revenue not subject to the limit than previously estimated. As a result, some appropriations that were previously estimated to be funded with tax revenues subject to the limit are now funded with non-tax revenues not subject to the limit creating additional spending capacity under the limit. Additionally, estimated appropriations decreased as a result of decreased state health service fees and rebates.

Specifically, 2018-19 appropriations funded with revenue subject to the spending limit decreased from \$91.9 billion to \$91.5 billion. As a result, 2018-19 appropriations subject to the spending limit are \$8.2 billion below the 2018-19 spending limit of \$99.7 billion. An additional \$10.3 billion could be appropriated from the General Revenue Fund during the 2018-19 biennium before reaching the spending limit because the General Revenue Fund is financed with both

revenue subject to the spending limit and revenue not subject to the spending limit. This analysis does not consider possible fiscal year 2019 supplemental appropriations. Please see the following table for additional information.

2018-19 Spending Limit Update	July 2018 (in \$ millions)	November 2018 (in \$ millions)
Spending Limit	\$99,672.9	\$99,672.9
Appropriations Subject to Spending Limit	\$91,895.5	\$91,483.0
Below Spending Limit by	\$7,777.4	\$8,189.9
Spending Limit - Remaining GR Spending Authority	\$9,891.1	\$10,269.7

This estimate of 2018-19 appropriations subject to the limit, \$91.5 billion, will serve as the 2018-19 base for the 2020-21 limit calculation that will be discussed at the November 16, 2018 LBB meeting. This analysis will be updated in January 2019 when the Comptroller releases the *Biennial Revenue Estimate*. If you have any questions, please call us at (512) 463-1200.

cc:	Mike Morrissey	Andrew Blifford
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	Dave Nelson	Shera Eichler
	Wroe Jackson	Jason Modglin
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