

January 2025

BIENNIAL REVENUE ESTIMATE



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TRANSFERS TO ESF AND SHF

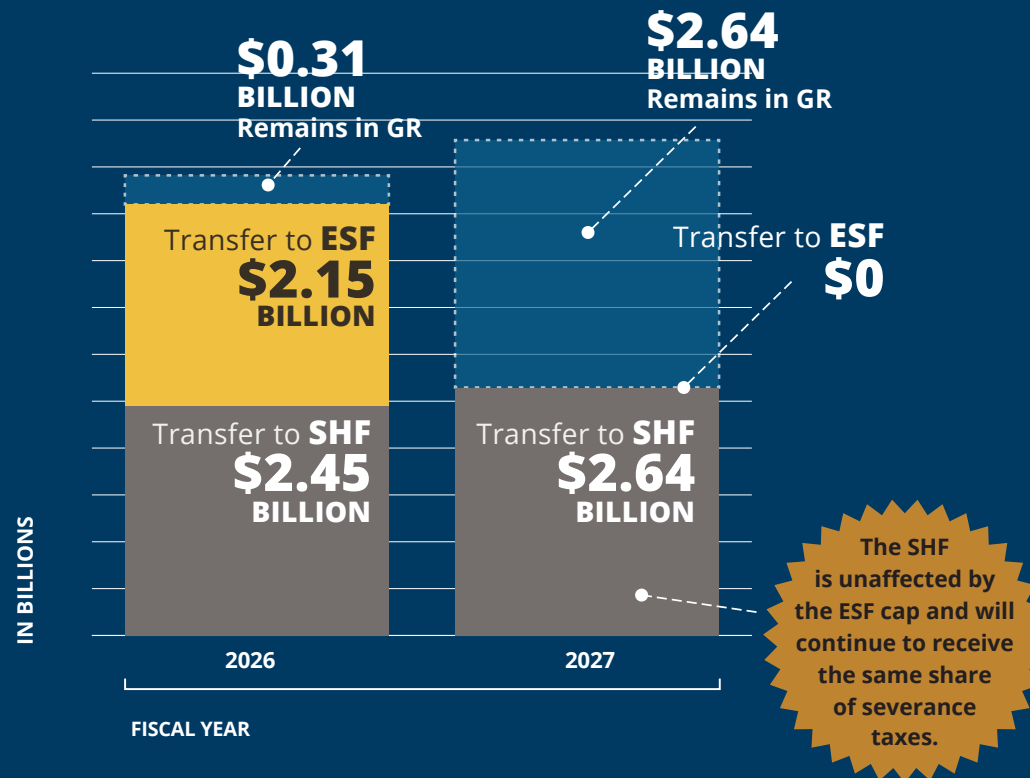
The State Highway Fund (SHF) and Economic Stabilization Fund (ESF) receive oil and natural gas severance tax revenue. In addition, the ESF receives half of any unencumbered balance at the end

of a biennium, and the SHF receives a share of sales tax and motor vehicle sales tax. The SHF in 2026-27 will receive \$5.1 billion in severance tax revenue; \$5.8 billion in motor fuel tax revenue; \$5 billion

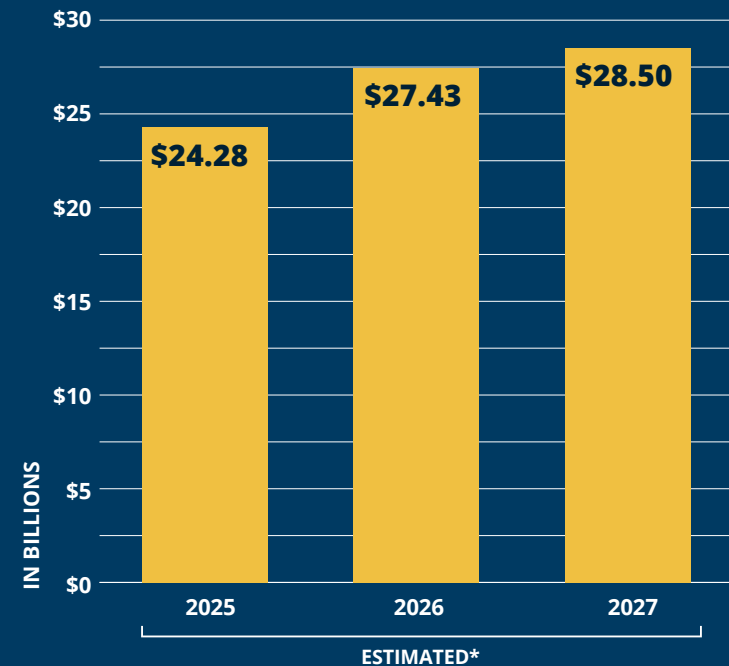
in sales tax revenue; and about \$1.33 billion in motor vehicle sales tax revenue. If not for a constitutional cap on the ESF balance, it would receive about \$5.1 billion from severance taxes in

2026-27. But because the Texas Constitution caps the ESF balance, about \$0.31 billion will remain available for general purpose spending in fiscal 2026 — and \$2.64 billion in fiscal 2027.

ESF and SHF Severance Taxes Transfers



Estimated Ending ESF Balances



* Amounts are estimated in 2026-27 Biennial Revenue Estimate

ECONOMIC STABILIZATION FUND ENDING BALANCE

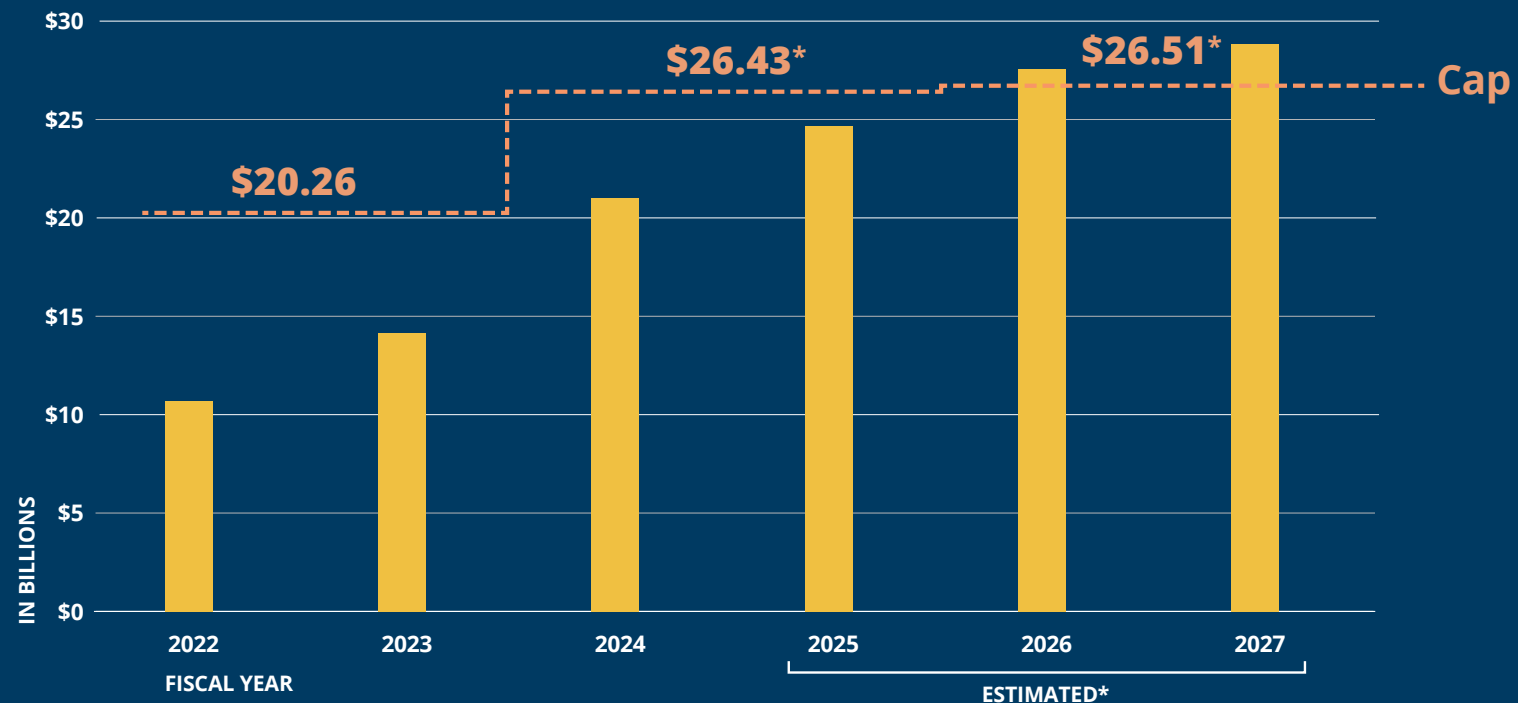
The ESF — also known as the Rainy Day Fund — was created in 1988 after a drop in oil prices and a recession led to an increase in the sales tax and other levies. Money from this state savings account can be spent with a

supermajority vote of the Legislature. Assuming no additional appropriations from the ESF, it will hit its cap at the beginning of fiscal 2026 with the partial transfer of 2025 severance tax revenues, reducing the

amount of money to be transferred and preventing any additional transfers in fiscal 2027 and 2028. In addition, interest income on the ESF cash balance will flow to General Revenue Fund starting in fiscal 2026,

when the cap is reached. Despite the halt on transfers and interest income, the ESF balance is projected to grow due to investment income on the invested portion of the fund.

ESF Ending Balance and Cap



* Amounts are estimated in 2026-27 Biennial Revenue Estimate

ECONOMIC STABILIZATION FUND LONG-TERM FORECAST

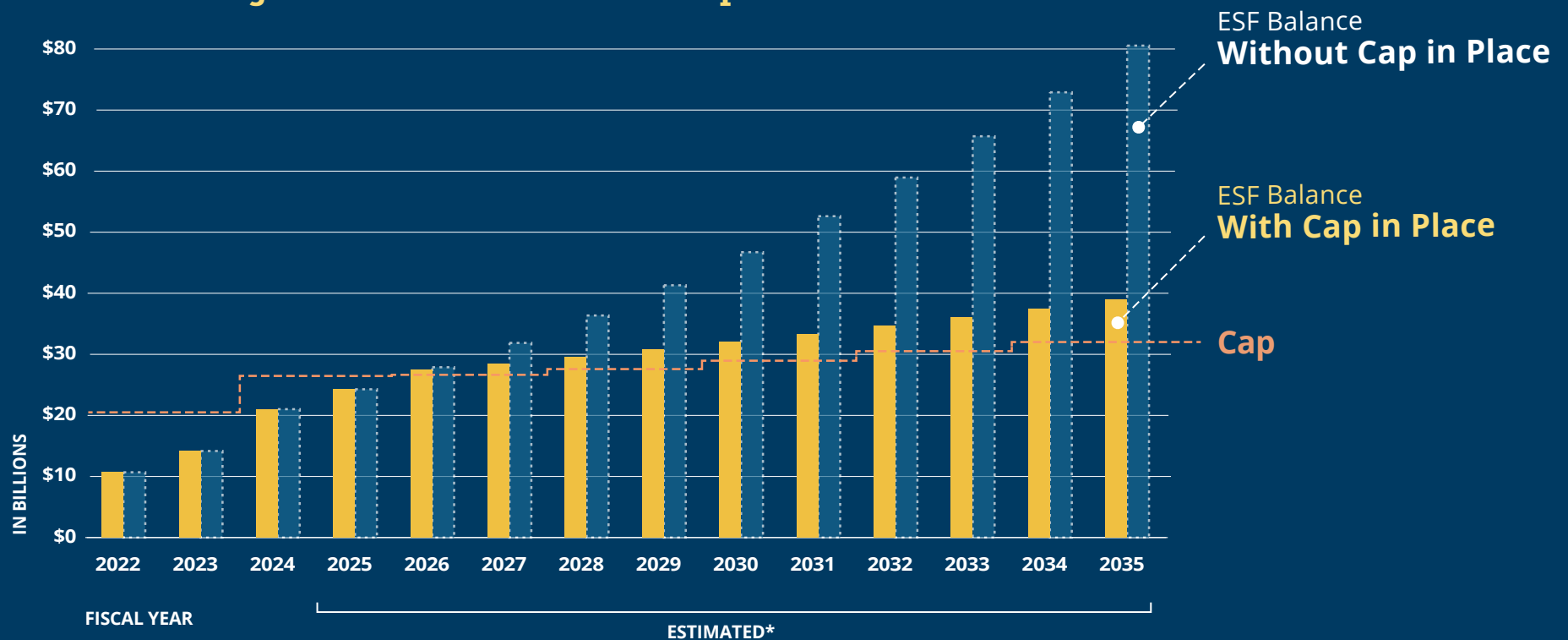
The Rainy Day Fund likely will continue hitting the cap in future biennia. This chart shows its projected balance with the cap,

and what the balance would be if the cap were removed. Under current law, after the ESF balance hits its cap, the fund's

share of severance taxes and interest income on the ESF cash balance remain in the General Revenue Fund. Under the

second scenario, the ESF would continue to receive severance taxes and interest on its balance.

ESF Ending Balance With and Without Cap in Place



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