

STATE BUDGET OUTLOOK

Due to COVID-19 – and OPEC Oil Pricing

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We are dealing with lots of “first time” events – as this pandemic virus episode continues and expands. Electronic board and committee meetings and conferences are only a few of the challenging “firsts”. BUT – it is obvious that we do not want to expose each other – or ourselves to the possible serious effects of Coronavirus COVID-19.

Due to lots of current moving parts in the world – nation and Texas scheme of things – the overall economy and stability is “scary” – to say the least. Comptroller Glenn Hegar has made numerous presentations to the Legislative Budget Board – along with the elected state leadership – with his current economic forecasts and observations.

This entire episode is presenting a real challenge to the daily operations of state government. One of the most conspicuous differences is the fact that the state capitol is shut down to public visitation. This is just a scratch on the surface of the challenges this is presenting to state legislators and leadership. One very important factor is that we have not been able to conduct our usual interim House and Senate committee hearings. Keep in mind that these between legislative sessions hearings are the leading sources for possible future legislation – which might be filed during the 2021 legislative session. They provide me with one of my better opportunities to get the pulse beat of the legislature. These interim hearings also provide me with the opportunity to either oppose or support these legislative probabilities.

The capitol is literally shut down and closed-up. One day this past week- there were only 5 vehicles in the large underground parking garage

area – where legislators and staffers normally park. Legislators offices down the vast hallways were locked and dark. The staffers are confined to their homes there in Austin – and are conducting the constituent business that must be done from home- via phone and computer. Walking down those dark – empty hallways at the capitol will give you a very eerie – weird feeling. The state’s business is being done by remote teleconference means and methods.

Remember that the largest single source of revenue for the state ‘s budget is derived from state sales tax. You can see locally what is happening to retail business – from restaurants – to airline travel. As you can readily see – this is causing serious reductions in sales tax. To further compound an already serious situation – keep in mind that the oil and gas industry is also a major contributor to our state economy. You reduce the air and other modes of travel - to it’s current level – then just imagine what this does for oil usage. Let me further remind you that when State Comptroller Glenn Hegar certified the budget for 2020 – 2021 – he based it on \$56.00 per barrel crude oil – which appeared to be a safe level. As you well know -the price on crude has been struggling to maintain a daily price of \$20.00 – to \$22.00 per barrel. There was no way that the Comptroller - or the legislature could have envisioned that this situation would or could arise.

Several items seem obvious to me. Number one – I am SO GLAD that I am not the State Comptroller of Public Accounts (the state’s banker). Number two – I am glad that I am not going to be sworn into the state legislature on January 12th - 2021 - with the first item on the agenda being the state budget. And – number three – I am extremely glad that I live in a rural area of Texas – where the tremendous problems brought on by mass unemployment are not quite such a local issue.

I realize that I may sound like an Old Testament prophet – but am trying to state the challenges as I see them.

I am thoroughly convinced of one thing – we will be wasting our time and resources to approach the 2021 legislative session asking for financial assistance – or passage of legislation which will present a cost to the already strained state budget. Simply re-shuffling and re-prioritizing the current 2020 – 2021 budget will be a real challenge. We have often said - - “budgets are made to be amended” – well – the Texas state budget is going to require LOTS of amending. But beyond that – it will be the legislature’s further responsibility to plan and attempt to balance the next bi-annual 2022 -2023 state budget. This will present a mountainous challenge to new legislators. To further complicate the next legislative session – keep in mind that the legislature will be required to draw new district boundaries – as required by the 2020 federal census. Their plate will literally be full and will no doubt “RUNNETH OVER”.