



Texas Matters Principle

A balanced budget is about more than balancing dollars. It's about balancing priorities.

How much should we invest today? How much should we save for tomorrow? How do we keep taxes competitive while preparing Texas for continued growth?

Reasonable people may disagree on the answers.

Understanding where Texas' revenue comes from is the first step toward understanding how our state invests in the things that matter most to everyday Texans—and the choices that shape the Texas we want to live in and leave to the next generation.

What Matters Most to...?

ME

How do the taxes I pay and the services I receive affect my family's quality of life?

Every Texan wants to keep more of what they earn while having access to exceptional schools, safe communities, reliable roads, quality healthcare, clean water, and economic opportunity.

US

How do we invest in strong communities while spending taxpayer dollars responsibly?

Texans expect government to use tax dollars wisely. Communities rely on public investments for schools, roads, public safety, water systems, parks, and other essential services.

TOMORROW

What investments today will help ensure future generations inherit a strong, prosperous, and financially responsible Texas?

Every budget reflects today's priorities and tomorrow's opportunities. Decisions about education, water, infrastructure, healthcare, public safety, and economic development shape the Texas our children and grandchildren will inherit. *Balancing today's needs with tomorrow's responsibilities is one of the Legislature's most difficult and important jobs.*

1. What is a balanced budget?

Answer

A balanced budget means that planned government spending does not exceed the revenue available to pay for it.

Unlike the federal government, the Texas Constitution generally requires the Legislature to pass a balanced state budget. Lawmakers must estimate available revenue before approving spending for the next two-year budget cycle.

Balanced budgets help encourage fiscal discipline and long-term financial planning. However, policymakers may debate how much should be saved for future needs versus invested in current priorities.

Why It Matters

The state budget reflects the choices Texas makes about investing in education, healthcare, public safety, infrastructure, and other priorities. Understanding the importance of a balanced budget helps Texans evaluate how public resources are managed, the tradeoffs involved in budget decisions, and **vote with confidence**.

2. Where does Texas get its revenue?

Answer

Texas collects revenue from several sources, including:

- Sales taxes
- Oil and natural gas production taxes
- Franchise taxes on certain businesses
- Motor vehicle taxes and fees
- Federal funding
- Various licenses, permits, and user fees

Texas is one of the few states that does **not** levy a personal state income tax.

Because revenues rise and fall with the economy, lawmakers must regularly adjust spending priorities as economic conditions change.

Why It Matters

Understanding where state revenue comes from helps Texans better understand how public services are funded.

3. What was our revenue in the 2024-25 biennium?

Answer

Revenue Source	Approximate Amount (2024–25 Biennium)	Share
Sales taxes	~\$97.2 billion	Largest state revenue source
Oil production taxes	~\$12.5 billion	Major source during strong energy markets
Natural gas production taxes	~\$5.3 billion	Energy-related revenue
Franchise taxes (business tax)	~\$13.7 billion	Paid by many businesses operating in Texas
Motor vehicle taxes & fees*	~\$14.1 billion	Vehicle sales, rental taxes and registration-related revenues
Federal funding	~\$120–130 billion (all federal funds flowing through the state budget)	Largest overall funding source when federal funds are included
Licenses, permits, fees & other non-tax revenue	~\$18–20 billion	Professional licenses, court fees, park fees, investment earnings, etc.

Why It Matters

Understanding where Texas' revenue comes from helps Texans better understand how the state funds education, healthcare, public safety, transportation, water, and other essential services. It also provides important context for evaluating budget priorities, tax policies, and long-term investments—and **voting with confidence**.

4. Does the State of Texas collect property taxes?

Answer

Yes—but not at the state level.

This is one of the most common misconceptions about Texas taxes. **The State of Texas does not levy or collect a state property tax.** Instead, **local governments** levy and collect property taxes.

Property taxes are assessed and collected by local taxing entities, including:

- Independent school districts and public education
- Counties
- Cities
- Community colleges
- Hospital districts (in some areas)
- Special districts (such as emergency services or water districts)

The amount you pay depends on:

- The appraised value of your property
- The tax rates adopted by your local taxing entities
- Any exemptions you qualify for, such as a homestead exemption

Why It Matters

Property taxes fund many of the local services Texans rely on every day, including public schools, roads, public safety, emergency services, and community colleges. Understanding how property taxes work—and who collects them—helps Texans evaluate local budgets, school funding, tax relief proposals, and **vote with confidence**.

5. What does "limited government" mean?

Answer

Limited government is the idea that government should perform essential public responsibilities while avoiding unnecessary regulation or spending.

People who support this approach often emphasize individual responsibility, private enterprise, and local decision-making.

Others believe government should play a larger role in addressing certain public needs, such as education, healthcare, or infrastructure.

Texans hold a variety of perspectives on where government should play a larger or smaller role.

Why It Matters

Different views about the role of government influence decisions about taxes, spending, regulations, and public services. Understanding these governing philosophies helps Texans evaluate policy proposals, understand the choices before our state, and **vote with confidence**.

7. Why does Texas invest in infrastructure?

Answer

Infrastructure includes roads, bridges, water systems, electricity, airports, broadband, ports, and public facilities. Infrastructure projects often require long-term planning because they may serve Texans for decades. These investments help support:

- Economic growth
- Public safety
- Business development
- Population growth
- Daily travel
- Freight movement
- Reliable utilities

Why It Matters

Infrastructure investments help support safe communities, economic growth, and a high quality of life. Understanding why Texas invests in infrastructure helps Texans evaluate long-term priorities, public investments, and budget decisions—and **vote with confidence**.

8. Why is planning for growth important?

Answer

Texas continues to experience significant population and economic growth. As more people move to Texas, demand increases for:

- Schools
- Roads
- Water
- Electricity
- Housing
- Healthcare
- Public safety

Planning ahead helps communities prepare for future needs while making responsible use of taxpayer resources.

Why It Matters

Good planning can help reduce future costs, improve quality of life, and support sustainable economic growth.

9. What is the Economic Stabilization Fund (Rainy Day Fund)?

Answer

The Economic Stabilization Fund—commonly called the Rainy Day Fund—is Texas' primary savings account.

It was created to help the state respond to economic downturns, natural disasters, and other unexpected financial needs.

Lawmakers decide when and how the fund should be used, **balancing today's needs with future financial security**.

Why It Matters

The Rainy Day Fund helps Texas prepare for unexpected challenges while supporting long-term financial stability. Understanding how and why the state uses its savings helps Texans evaluate budget priorities, fiscal responsibility, and the choices lawmakers make—and **vote with**

confidence.

10. How can government invest responsibly?

Answer

Responsible investment means using public dollars efficiently, transparently, and strategically.

Examples include investing in:

- Exceptional education system including high-quality childcare, preK-12, college and career development
- Workforce development
- Transportation and mobility
- Water – conservation, infrastructure and future planning for growth
- Public safety – police, fire department and emergency services
- Healthcare – mental health, food security and physical health
- Broadband and technological infrastructure
- Disaster preparedness
- Economic prosperity

Citizens may have different opinions about spending priorities, but many agree that government should seek measurable results and accountability.

Why It Matters

Public investments shape the future of Texas—from educating the next generation and strengthening our workforce to improving public safety, healthcare, infrastructure, and natural resources. Understanding how taxpayer dollars are invested helps Texans evaluate public priorities, government accountability, and **vote with confidence**.

11. Is Texas Expected to Experience a Budget Shortfall in the Next Biennium?

Answer

At this time, Texas is not expected to face a budget shortfall that would prevent it from passing a balanced budget.

Texas law requires the Legislature to pass a balanced budget. The Comptroller must certify that enough revenue is available before the budget can take effect.

Current revenue estimates indicate that Texas will have sufficient funds to support the current biennial budget while maintaining a positive ending balance, although growth in state revenue has slowed compared with recent years.

Why It Matters

Texas' budget reflects the choices lawmakers make about investing in the state's future. Understanding the state's fiscal outlook helps Texans evaluate funding priorities, budget tradeoffs, and long-term investments—including programs like the Texas Water Fund, whose annual funding depends in part on future sales tax collections. Understanding these choices helps Texans **vote with confidence**.

12. Why Are People Talking About a "Shortfall"?

Answer

The word "**shortfall**" is often used in different ways.

Sometimes it means:

- Revenue is growing more slowly than expected.
- Requested spending exceeds available revenue.
- The state cannot fund every proposed program or priority without making tradeoffs.

That does **not** necessarily mean Texas is "running out of money."

Instead, lawmakers may have to decide how to prioritize available resources.

Why It Matters

Understanding what a "shortfall" actually means **helps Texans better evaluate budget discussions, campaign promises, and legislative priorities**.

It also reminds us that budgeting is about making choices. Even when the state has significant revenue, it may not have enough money to fund every proposed program, tax cut, or infrastructure project.

Knowing the difference between a true financial crisis and competing budget priorities helps Texans better understand the decisions facing state leaders.

13. What Is Driving the Discussion?

Answer

Several factors are influencing budget discussions for the coming biennia.

Slower Revenue Growth

Texas continues to collect significant revenue, but growth has moderated after several years of exceptionally strong sales tax collections and energy-related revenues.

A Growing Population

Texas continues to add new residents.

More people increase demand for:

- Schools
- Roads
- Water infrastructure
- Healthcare
- Public safety
- State parks
- Other public services

Meeting those needs often requires additional investment.

Rising Costs

Like families and businesses, state government faces higher costs due to inflation, construction expenses, healthcare costs, and population growth.

Even if revenue increases, expenses may increase as well.

Major Long-Term Investments

Texas leaders continue to debate investments in areas such as:

- Water infrastructure
- Electric grid reliability
- Public education
- Property tax relief
- Transportation
- Border security

Each priority competes for limited state resources

Why It Matters

Texas is one of the fastest-growing states in the nation, and with that growth comes new opportunities and new challenges.

As more people move to Texas, demand increases for schools, roads, water supplies, healthcare, public safety, and other essential services. At the same time, the cost of building and maintaining that infrastructure continues to rise.

Even when the state collects more revenue than in previous years, lawmakers must decide how to balance today's needs with tomorrow's priorities.

14. Does Texas Have Financial Reserves?

Answer

Yes. Texas maintains the **Economic Stabilization Fund**, commonly called the **Rainy Day Fund**.

The fund was created to help the state respond to economic downturns, natural disasters, or other unexpected financial challenges.

Why It Matters

Financial reserves help Texas prepare for unexpected challenges while supporting long-term fiscal stability. Understanding the purpose of the Rainy Day Fund helps Texans evaluate budget priorities, the tradeoffs involved in using state savings, and **vote with confidence**.

15. What Does This Mean for Texans?

Answer

Texas is not currently facing the type of budget crisis that would prevent lawmakers from passing a balanced budget but the governor is already asking agencies to tighten and cut their budgets. The Legislature, however, must balance competing priorities while complying with constitutional requirements for a balanced budget. Decisions about taxes, spending, savings, and long-term investments often involve tradeoffs.

Why It Matters

Budget decisions influence many of the issues that matter most to everyday Texans, including education, healthcare, public safety, transportation, water, and infrastructure. Understanding the tradeoffs involved in balancing the state budget helps Texans evaluate public priorities, fiscal policies, and **vote with confidence**.

16. Who has responsibility over budgeting?

Answer

- Governor
 - Lieutenant Governor
 - Speaker of the Texas House
 - State Representatives and State Senators
 - Comptroller of Public Accounts
 - Legislative Budget Board
 - County Judge
 - County Commissioners
 - Mayor
 - City Council
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Vote with Confidence

Every state budget reflects a series of choices. While Texas law requires the state to pass a balanced budget, lawmakers must decide **how to allocate limited resources** among many important priorities.

As Texas continues to grow, there are different perspectives on questions such as:

- Should budget surpluses be saved, returned to taxpayers, or invested in long-term needs?
- How much should Texas invest in water infrastructure, transportation, education, healthcare, and public safety?
- How can Texas prepare for future economic downturns while maintaining essential services?
- What role should the Rainy Day Fund play in protecting the state's financial future?
- How should lawmakers balance today's priorities with tomorrow's opportunities?

Reasonable people may reach different conclusions about these questions.

As you evaluate candidates and public policy, consider asking:

- What are this candidate's priorities for the state budget?
- How would they pay for those priorities while maintaining a balanced budget?
- Which long-term investments do they believe are most important for Texas' future?
- How would they prepare Texas for future economic uncertainty?
- How do they balance keeping taxes competitive while investing in education, infrastructure, healthcare, water, public safety, and other essential services?
- How will they measure whether taxpayer dollars are being spent effectively and responsibly?
- What evidence supports their proposed approach, and what tradeoffs do they acknowledge?

Understanding Texas' budget, its sources of revenue, and the choices lawmakers face can help you thoughtfully evaluate different approaches and **vote with confidence**.

Texas Matters Takeaway

A balanced budget does not eliminate difficult decisions. Even when Texas has sufficient revenue to fund state government, **lawmakers must make choices about how to allocate limited resources among competing priorities**.

Understanding the state's financial outlook helps Texans evaluate those choices, ask informed questions, and participate thoughtfully in shaping the future of Texas.

Explore what matters most to everyday Texans.

Understand the choices.

Vote with confidence.

Trusted Resources

- [Texas Comptroller of Public Accounts](#)
- [Legislative Budget Board](#)
- [Texas 2036](#)
- [Office of the Texas State Demographer](#)
- [Texas Department of Transportation \(TxDOT\)](#)
- [Texas Water Development Board](#)
- [Federal Reserve Bank of Dallas](#)

