

Hegar: Harvey response will strain Texas budget, shouldn't slow economy

Hurricane Harvey will probably not wallop Texas' economy in the long run, Comptroller Glenn Hegar said. But the state's response to the storm could ultimately mean a multibillion-dollar hit to the state budget.

BY **JIM MALEWITZ** OCT. 10, 2017 18 HOURS AGO



Texas Comptroller Glenn Hegar
Bob Daemmrich

*Correction appended

Hurricane Harvey, whose winds and record rains devastated Gulf Coast communities, will probably not wallop Texas' economy in the long run, state Comptroller [Glenn Hegar](#) said Tuesday. But the state's response to the storm — which includes aiding affected schools — could ultimately mean a multibillion-dollar hit to the state budget.

“On the expenditure side, this hurricane event is going to cost more than anything we've had before,” Hegar said in an interview with The Texas Tribune.

The Republican's back-of-the-envelope estimate of Harvey's budgetary blow: \$2 billion during the current two-year budget cycle, a number that could change as more data comes in and the state gets a better sense of how much the federal government will chip in.

The Texas Tribune thanks its sponsors. Become one.

Hegar spoke to the Tribune hours before releasing his [2018-19 certified revenue estimate](#), an official examination of state revenue and spending following the most recent legislative session. In a letter attached to the document, he told state leaders that the broader Texas economy looked rosy going forward.

“In fiscal 2017, the Texas economy returned to its normal pattern of growth in excess of the national rate of growth. We are projecting continued modest expansion of the Texas economy in this biennium,” the letter said. “The most likely scenario is one of steady expansion after a brief slowdown due to Hurricane Harvey.”

Such an outlook would not surprise some experts.

Disasters typically depress state economies in the short term — closing down retail stores and harming sales tax collections, for instance — before rebuilding injects a stimulus.

“All of a sudden, three months later, there are huge lines at Home Depot and everyone’s buying building supplies,” Dale Craymer, president of the business-backed Texas Taxpayers and Research Association and a former chief revenue estimator for the state, said last month in an interview. “You have to spend \$50,000 on building materials and lumber to re-create that house, so you get a lot of sales tax money from that.”

But that doesn’t necessarily apply to local budgets, as communities are picking up the pieces — and drying them out — following Harvey, which dumped as much as 50 inches of rain in parts of the region and ripped apart some smaller towns along the Coastal Bend.

The Texas Tribune thanks its sponsors. Become one.

“If you’re [Port Arthur] or Rockport, you’re devastated,” Hegar told the Tribune.

The state’s response to those communities will ultimately strain its budget. That would include extra money spent repairing roads and dispatching first responders. But the state would probably spend the most aiding affected schools, Hegar said.

On Monday, for example, the Texas Education Agency [announced plans for relief for up to 157 schools](#) with lower attendance due to Harvey — a package expected to cost \$400 million alone.

Hegar could not include Harvey’s full impact in Tuesday’s revenue certification. The document said lawmakers left about \$94 million unappropriated when they passed the

two-year budget last session, tapping \$107.23 billion in state funds.

The Legislature must pay for any shortfalls — from Harvey or other costs — by passing a supplemental budget next session. That budget was already expected to be substantial because the Legislature underfunded Medicaid in its current budget by about \$2 billion.

The 2019 Legislature must also make up a \$1.58 billion deferral for sales taxes intended for transportation, according to Hegar's estimate.

Hegar said he would be surprised if the Legislature didn't take money from its Rainy Day Fund — its roughly \$10 billion savings account for tough times — to pay for some of those costs next session.

Correction: A previous version of this story included an incorrect figure for the amount of money lawmakers left unappropriated during the most recent legislative session.