



**Texas  
Policy & Politics  
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**State Budget**

**HOBBY**  
SCHOOL OF PUBLIC AFFAIRS  
UNIVERSITY of HOUSTON

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# Research Team

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# Introduction

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The Hobby School of Public Affairs at the University of Houston conducted an online survey among Texans 18 and older to better understand their preferences regarding proposed legislation being considered during the 2021 regular session of the Texas Legislature, their opinions related to the COVID-19 vaccine, and their evaluations of leading political figures. The survey was fielded between January 12 and January 20, with 1,329 YouGov respondents, resulting in a confidence interval of +/-2.7. The respondents were matched to a sampling frame on gender, age, ethnicity/race, and education and are representative of the Texas adult population. An oversample of Harris County residents was also collected, and will be used in the penultimate two reports that focus on the state's most populous county, Harris County, whose population of 4.8 million is larger than that of 26 states.

The results of this survey will be presented in six separate reports: Legislative Issues, State Budget, Texans and the COVID-19 Vaccine, Political Attitudes and Evaluations, Issue Priorities and Evaluations in Harris County, and Texas vs. Harris County: A Comparison of Policy Preferences.

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## Executive Summary

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The Hobby School of Public Affairs at the University of Houston conducted a representative survey of 1,329 Texans 18 and older between January 12 and January 20. This is the second of six reports, and it examines the views of Texans on a variety of options through which to generate more tax revenue for the state, a group of proposals for sales tax exemptions being considered during the 2021 legislative session, and preferences for using the state's Rainy Day Fund to cover none, some, or all of the current (September 2019 through August 2021) biennial budget's \$1 billion deficit.

The survey respondents were asked to express their support for, or opposition to, 18 different proposals to raise state revenue, including increasing existing taxes, creating new taxes or fees, or removing existing tax exemptions.

Five revenue enhancement proposals are supported by more than two-thirds of Texans. The most popular revenue generation option is to adopt a tax on e-cigarettes and vaping products similar to the one that currently exists for cigarettes and other tobacco products. The

adoption of a vaping and e-cigarette tax is supported by 84% of Texans, with almost two-thirds (65%) strongly supporting it.

The remaining four proposals supported by more than two out of every three Texans include the following: a proposal to close the loopholes in the state's current property tax appraisal legislation allowing large companies to lower their property taxes is supported by 83%, an increase of the current state tax on cigarettes and other tobacco products is supported by 72%, and proposals to increase the state's franchise tax on large businesses and to legalize and tax casino gambling are each supported by 70%. The proportion of Texans that support legalizing and taxing the sale of marijuana fell just short of two-thirds at 66%.

The most unpopular revenue enhancement option is the adoption of a state income tax, which is opposed by 82% of Texans, including 71% who strongly oppose it. That said, a majority of Texans (62%) are supportive of a state income tax that would target only those who earn more than \$1 million dollars a year.

With one exception, Texans are overwhelmingly supportive of legislation that would grant sales tax exemptions for the following: the purchase and rental of college textbooks during two weeks each year (89%), the purchase of child and adult diapers (85%), the purchase or adoption of animals from animal rescue groups (85%), the purchase of feminine hygiene products (77%), and for internet access (77%). In the case of feminine hygiene products, women's support (85%) is significantly greater than that of men (68%). Texans are nearly equally split 51% to 49% on a sales tax exemption for the purchase of firearm safety supplies and equipment.

More than four-fifths of Texans (82%) believe the Texas Legislature should tap the state's Rainy Day Fund for some amount of funds to help cover the current budget cycle's \$1 billion deficit. The most common response (39%) was that the Legislature should withdraw \$1 billion, while the median response was that it should withdraw \$500 million.

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## Support for & Opposition to Options to Increase State Revenue

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The survey respondents were presented with two separate questions related to a wide variety of options in order to boost state revenue during the next (2021-23) biennium and beyond.

The first question (in italics) focused on options (in italics) that involved increasing one of seven existing state taxes.

Below are options to boost state revenue by increasing existing taxes.

Do you support or oppose the option as a way to raise additional revenue to fund the operations of the Texas state government?

**Increase Alcohol Tax.** *Increase the State Alcohol Tax on beer, wine and hard liquor.*

**Increase Gasoline Tax-2cts.** *Increase the State Gasoline Tax by 2 cents from 20 cents per gallon to 22 cents per gallon.*

**Increase Sales Tax-0.5%.** *Increase the State Sales Tax Rate by one-half cent from 6.25% per dollar to 6.75%.*

**Increase Cigarette Tax.** *Increase the State Tax on cigarettes and other tobacco products.*

**Increase Franchise Tax.** *Increase the State Tax Rate on large businesses (the 'Franchise Tax').*

**Increase Oil & Natural Gas Tax.** *Increase the State's Oil and Natural Gas Severance Tax.*

A second question focused on 14 revenue options involving the creation of a new tax or fee or ending an existing tax exemption.

*Below are options to increase state revenue by creating new taxes or ending current tax exemptions.*

*Do you support or oppose the option as a way to increase revenue to fund the operations of the Texas state government?*

**Tax Vaping & E-Cigarettes.** *Adopt a State Tax on e-cigarettes and vaping products similar to the one that currently exists for cigarettes.*

**Electric Vehicle Fee.** *Adopt an additional Registration and Annual Renewal Fee for all electric (\$200) and hybrid (\$100) vehicles.*

**Adopt State Income Tax.** *Adopt a State Income Tax.*

**Adopt State Millionaire Tax.** *Adopt a State Income Tax only for taxpayers with an income of more than \$1 million.*

**Legalize & Tax Casino Gambling.** *Legalize Casino Gambling and Tax gambling activities.*

**Legalize & Tax Marijuana.** *Legalize Marijuana for personal consumption and Tax its sale.*

**White Collar Profession Fee.** *Adopt an Annual Licensing Fee for white collar professionals such as doctors, lawyers, architects and accountants.*

**End State Sales Tax Holidays.** *End State Sales Tax Holidays (Back to School, Emergency Preparedness, Energy Efficiency).*

**Close Property Tax Loopholes.** *Close the Loopholes that allow large companies to lower their property taxes.*

**Non-Natural Gas KW Tax-1ct.** *Adopt a one cent Tax on each kilowatt of electricity generated from a source other than natural gas (that is from: coal, wind, nuclear, solar).*

**Tax Bottled Water.** Apply the State Sales Tax to bottled water (which is presently tax exempt).

**Create More Toll Roads.** Encourage the creation of toll roads so that those using the highways pay for their construction and maintenance.

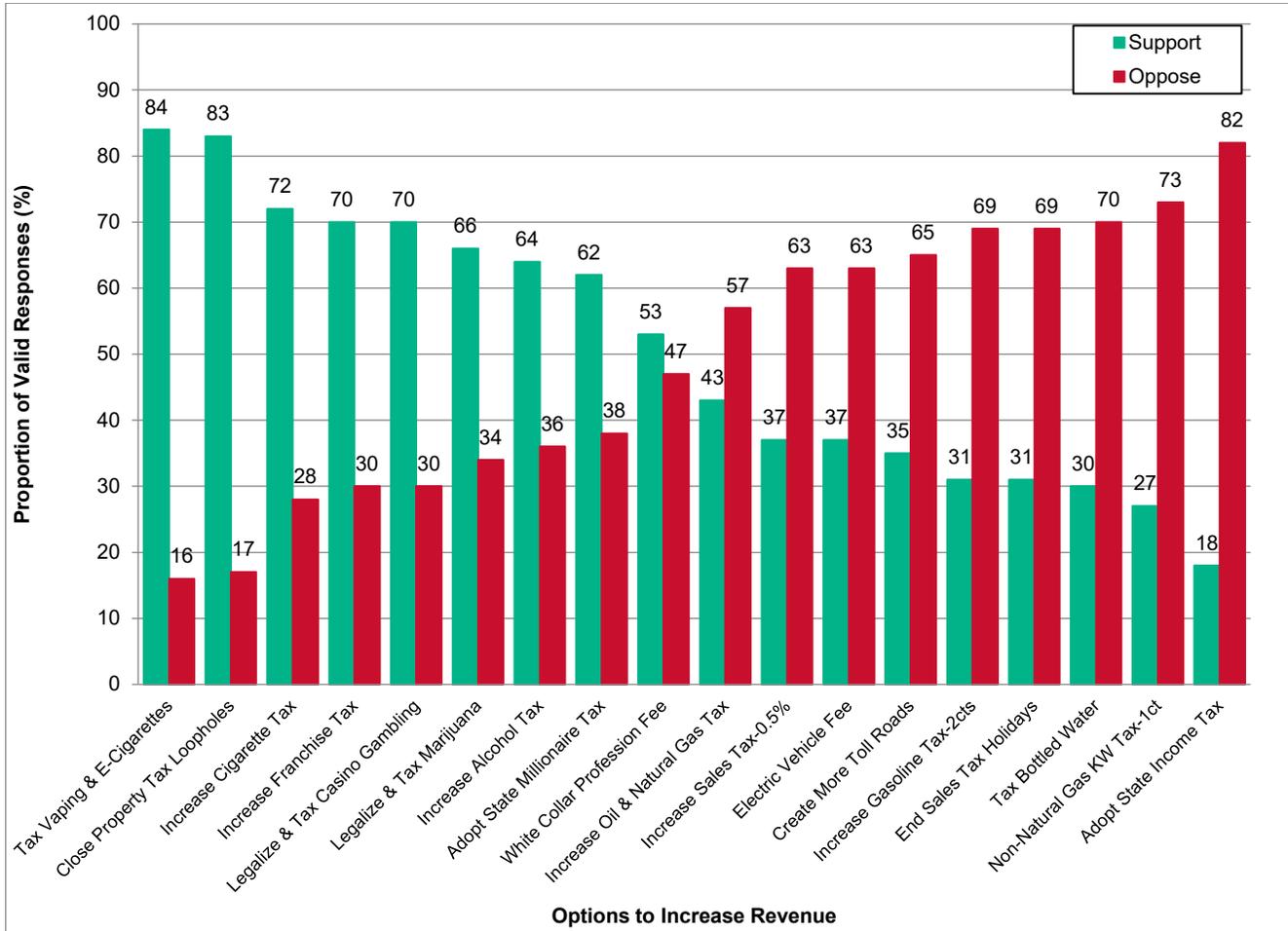
**Table 1** details the level of support for and opposition to these 18 state revenue generation options. These data are summarized in **Figure 1** where the two support options (strongly support and somewhat support) and the two oppose (somewhat oppose and strongly oppose) options respectively are combined into composite Support and Oppose categories.

**Table 1: Support for and Opposition to 18 Revenue Generation Options**

Revenue Generation Option (DK%)	Distribution of the Survey Population (%)			
	Strongly Support	Somewhat Support	Somewhat Oppose	Strongly Oppose
Tax Vaping & E-Cigarettes (8%)	65	19	7	9
Close Property Tax Loopholes (11%)	59	24	9	8
Increase Cigarette Tax (6%)	55	17	11	17
Increase Franchise Tax (11%)	42	28	11	19
Legalize & Tax Casino Gambling (8%)	41	29	10	20
Legalize & Tax Marijuana (11%)	50	16	9	25
Increase Alcohol Tax (8%)	39	25	14	22
Adopt State Millionaire Tax (12%)	43	19	11	27
White Collar Profession Fee (14%)	25	28	20	27
Increase Oil & Natural Gas Tax (21%)	21	22	25	32
Increase Sales Tax-0.5% (11%)	13	24	20	43
Electric Vehicle Fee (19%)	19	18	21	42
Create More Toll Roads (12%)	11	24	23	42
Increase Gasoline Tax-2cts (8%)	13	18	23	46
End Sales Tax Holidays (13%)	15	16	21	48
Tax Bottled Water (10%)	14	16	16	54
Non-Natural Gas KW Tax-1ct (17%)	10	17	22	51
Adopt State Income Tax (19%)	6	12	11	71

Two revenue options are supported by more than four-fifths of Texans. The most popular option to increase revenue is adopting a state tax on e-cigarettes and vaping products similar to the one that currently exists for cigarettes and other tobacco products. This adoption of a vaping and e-cigarette tax is supported by 84% of Texans, with almost two-thirds (65%) strongly supporting it. Even four-fifths (80%) of Millennials (those born between 1981 and 1996) and members of Generation Z (those born between 1997 and 2003) support the adoption of this new tax.

**Figure 1: Support For & Opposition to 18 Options for Increasing State Revenue**



The vaping and e-cigarette tax option is followed closely in support by a proposal to close the loopholes in the state’s current property tax appraisal legislation that allow large companies to lower their property taxes via a host of questionable, albeit technically legal, strategies. More than four-fifths of Texans (83%) support the closing of these loopholes, with 59% strongly supporting the measure.

Three additional revenue options enjoy the support of 70% or more of Texans. A proposal to increase the current state tax on cigarettes and other tobacco products is supported by 72% of Texans (55% strongly), followed closely by proposals to increase the state’s franchise tax on large businesses and to legalize and tax casino gambling which are each supported by 70% of Texans, with 42% and 41% of Texans strongly supporting the proposals respectively.

Three other proposals enjoy the support of three-fifths or more of Texans. A proposal to legalize marijuana for personal consumption and then tax it is supported by 66% of Texans (50% strongly), increasing the state alcohol tax on beer, wine and hard liquor is supported by 64% of Texans, and 62% of Texans support the California-inspired “millionaire tax” proposal

of adopting a state income tax for taxpayers whose annual income is more than \$1 million dollars.

The only other proposal with majority support is reinstating an annual licensing fee for white-collar professionals such as doctors, lawyers, architects and accountants, which the state rescinded in 2015. This majority support is however quite narrow with 53% of Texans supporting the proposal and 47% opposing it.

The most unpopular proposal, further confirming its status as the third rail of Texas politics, is the adoption a state income tax in the Lone Star State. More than four-fifths (82%) of Texans oppose a state income tax, with more than two-thirds (71%) strongly opposing the adoption of such a tax. However, as previously discussed, 62% of Texans are amenable to a state income tax that is limited to Texas's ultra-wealthy.

Also unpopular are proposals to add a one cent tax to every kilowatt of electricity produced by an energy source other than natural gas (e.g., by coal, solar, wind) and to extend the state sales tax to bottled water (which is presently exempt). A total of 73% and 70% of Texans oppose these two proposals, respectively, with the respective proportions that strongly oppose these options at 51% and 54%.

More than two-thirds of Texans also oppose a proposal to end all current sales tax holidays (i.e., Back to School, Emergency Preparedness, Energy Efficiency) and a proposal to increase the state gasoline tax by two cents from its current value of 20 cents per gallon to 22 cents per gallon. Each is opposed by 69% of Texans.

Three other proposals to increase revenue are opposed by more than three-fifths of Texans. A proposal to encourage the creation of more toll roads is opposed by 65% of the respondents, while proposals to adopt an additional Registration and Annual Renewal Fee for all electric (\$200) and hybrid (\$100) vehicles and to increase the state sales tax by 0.5% from 6.25% to 6.75% are each opposed by 63%.

A relatively narrow majority of Texans (57%) oppose increasing the state's oil and natural gas severance tax. On the flip side, 43% of Texans support increasing this tax.

**Table 2** provides the distribution of support for the 18 revenue options by the respondent's partisan identification: Democrat (31% of respondents), Republican (27%), and Independent (30%). The remaining 12% of respondents were either unsure about their Party ID (8%) or said they identify with another party or group (4%). Also included is the proportion of the entire population (All) that supports the revenue option.

The adoption of a tax on e-cigarettes and vaping products similar to that which presently exists for cigarettes and other tobacco products possesses broad support across the three partisan groupings. Four-fifths or more of Democrats (88%), Independents (88%), and Republicans (80%) support this tax. Of all the revenue enhancement options examined, this is the one that enjoys the most support in general and across the three partisan groupings.

More than three-fifths of Democrats, Independents and Republicans also strongly support four other options to increase state revenue. A proposal to close the appraisal loopholes used by large companies to lower their property taxes is supported by 89% of Democrats, 84% of Independents, and 75% of Republicans. An increase to the current tax on cigarettes

and other tobacco products is supported by 82% of Democrats, 71% of Independents, and 63% of Republicans. Legalizing and then taxing casino gambling also has broad support among Democrats (78%), Independents (72%), and Republicans (67%). Another proposal increasing the state alcohol tax on beer, wine and hard liquor found support among Democrats (67%), Independents (63%), and Republicans (62%).

**Table 2: Support for Revenue Generating Options by Partisan Identification**

Revenue Generation Option	Distribution of the Survey Population (%)			
	All	Democrat	Republican	Independent
Tax Vaping & E-Cigarettes	84	88	80	88
Close Property Tax Loopholes	83	89	75	84
Increase Cigarette Tax	72	82	63	71
Increase Franchise Tax	70	89	52	65
Legalize & Tax Casino Gambling	70	78	67	72
Legalize & Tax Marijuana	66	83	44	70
Increase Alcohol Tax	64	67	62	63
Adopt State Millionaire Tax	62	83	40	57
White Collar Profession Fee	53	65	47	44
Increase Oil & Natural Gas Tax	43	64	29	39
Increase Sales Tax-0.5%	37	43	32	36
Electric Vehicle Fee	37	31	52	30
Create More Toll Roads	35	38	36	33
Increase Gasoline Tax-2cts	31	42	23	27
End Sales Tax Holidays	31	33	31	30
Tax Bottled Water	30	33	32	27
Non-Natural Gas KW Tax-1ct	27	32	22	26
Adopt State Income Tax	18	27	11	16

The revenue enhancement option based on legalizing and then taxing recreational marijuana is supported by more than four-fifths of Democrats (83%) and more than two-thirds of Independents (70%), but by only 44% of Republicans.

Only four other options are supported by more than three-fifths of at least one of the three partisan groups (Democrats, Republicans, Independents). One is the adoption of a state income tax for those earning more than \$1 million, which is supported by 83% of Democrats, but by only 57% of Independents and 40% of Republicans. A second is an increase in the state franchise tax on large businesses, which is supported by 89% of Democrats and 65% of Independents, but by only 52% of Republicans, albeit still by a majority however narrow. A third is the creation of a fee for white collar professionals that is supported by 65% of Democrats but by only 47% of Republicans and 44% of Independents. And, the fourth and final revenue option supported by more than three-fifths of at least one partisan group, is an

increase in the state's oil and natural gas severance tax that is supported by 64% of Democrats, but by only 39% of Independents and by a mere 29% of Republicans.

Among the revenue options that did not garner more than three-fifths support among any partisan group, there exist relatively few noteworthy partisan differences, with the exception of the greater level of support (albeit still low) among Democrats compared to Republicans for the adoption of a state income tax (27% to 11%), of a two cent gasoline tax increase (42% to 23%), and of a one-half cent increase in the state sales tax (43% to 32%). The sole revenue enhancement option supported by more Republicans than Democrats is the adoption of a registration and annual renewal fee for all electric (\$200) and hybrid (\$100) vehicles. A bare majority of Republicans (52%) support this fee compared to 31% of Democrats.

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## Support for & Opposition to Tax Exemption Proposals

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The survey respondents were also queried on their level of support for or opposition to six bills under consideration during the 2021 regular session of the Texas Legislature that would exempt specific items from the state sales tax.

The following question and response options (both in italics) below were utilized to gauge popular support for the six distinct tax exemption legislative proposals.

*Legislation has been submitted this session in the Texas Legislature that if passed would result in the elimination of the state sales tax for certain items. Do you support or oppose legislation that would:*

**Feminine Hygiene Products.** *Exempt feminine hygiene products from the State Sales Tax.*

**Child & Adult Diapers.** *Exempt child and adult diapers from the State Sales Tax.*

**Animals Adopted from Rescue Groups.** *Exempt animals adopted from or sold by animal rescue groups from the State Sales Tax.*

**Firearm Safety Supplies & Equipment.** *Exempt firearm safety supplies & equipment from the State Sales Tax.*

**College Textbooks for 2 Weeks a Year.** *Exempt textbooks purchased or rented by university and college students from the State Sales Tax for one week in August and one week in January.*

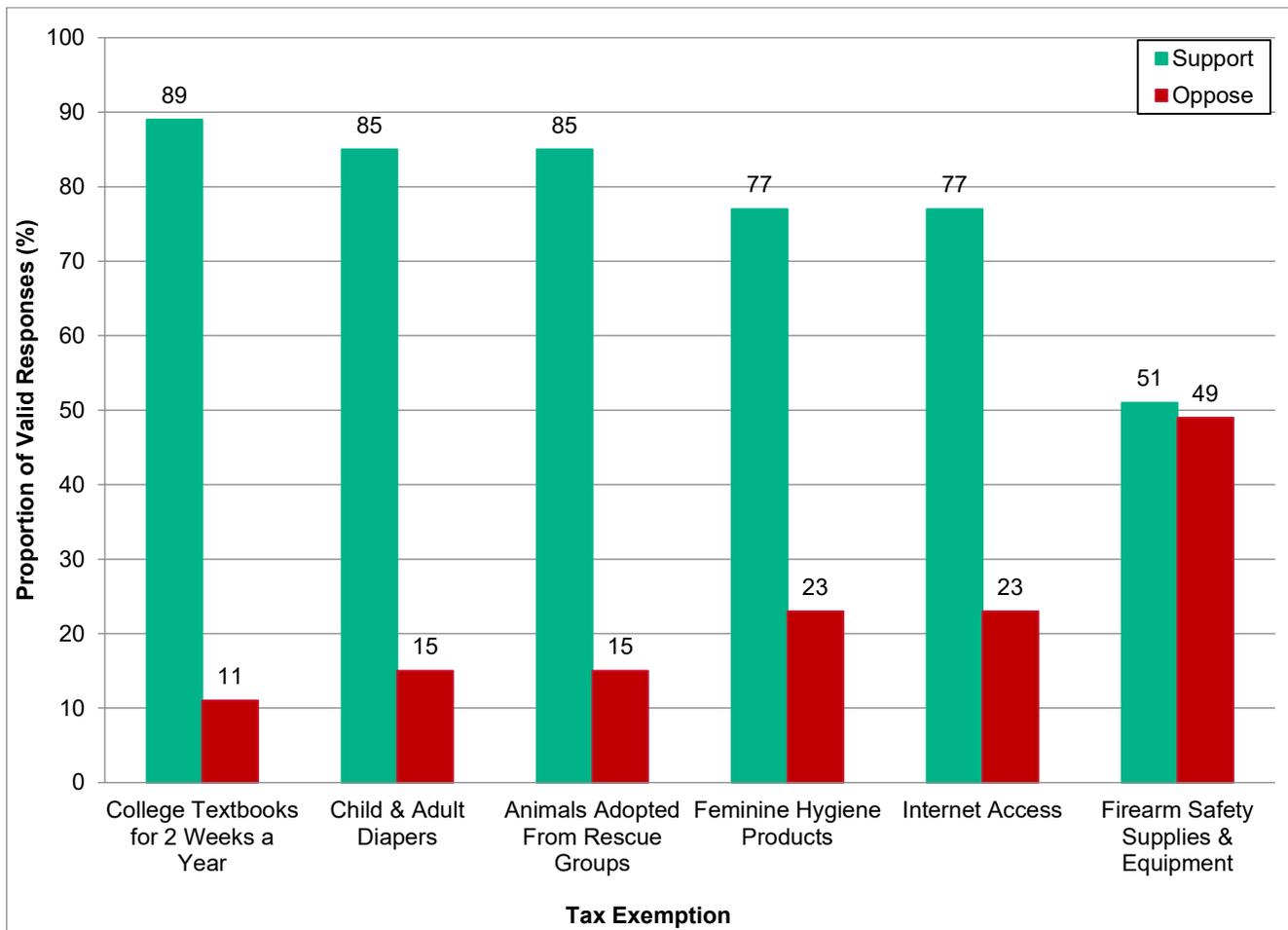
**Internet Access.** *Exempt Internet access service from the State Sales Tax*

**Table 3** details the support for and opposition to these six tax exemptions (excluding “Don’t Know” responses). These data are summarized in **Figure 2** where the two support (strongly support and somewhat support) options and the two oppose (somewhat oppose and strongly oppose) options respectively are combined into composite Support and Oppose categories.

**Table 3: Support for and Opposition to Sales Tax Exemption Proposals**

Tax Exemption	Distribution of the Survey Population (%)			
	Strongly Support	Somewhat Support	Somewhat Oppose	Strongly Oppose
College Textbooks for 2 Weeks a Year	64	25	6	5
Child & Adult Diapers	62	23	7	8
Animals Adopted From Rescue Groups	58	27	9	6
Feminine Hygiene Products	55	22	13	10
Internet Access	52	25	15	8
Firearm Safety Supplies & Equipment	33	18	19	30

**Figure 2: Support For & Opposition to Six Proposed Tax Exemptions**



The proportion of Texans who answered “Don’t Know” when queried about these six exemptions varied little, ranging from a low of 10% for the exemption for college textbooks during two weeks each year to a high of 16% for the exemption for internet access.

More than three-quarters of Texans support five of the six tax exemptions being considered by the Texas Legislature during the 2021 regular session. The most popular tax exemption legislation is that which would exempt textbooks purchased or rented by university and college students from the state sales tax for one week in August and one week in January. Almost nine out of ten (89%) Texans support this legislation, with almost two-thirds (64%) strongly supporting it.

Exempting child and adult diapers from the state sales tax is supported by 85% of Texans, including 62% who strongly support this exemption. The same proportion of 85% of Texans supports exempting animals adopted from or sold by animal rescue groups from the state sales tax, with 58% strongly supporting this exemption.

More than three-quarters of Texans support exempting feminine hygiene products (77%) and internet access (77%) from the state sales tax, with more than 55% and 52% respectively, strongly supporting the exemptions. Women are significantly more likely than men to support the sales tax exemption for feminine hygiene products, with 85% of women supporting the exemption (66% strongly) compared to 68% of men (44% strongly).

The only sales tax exemption legislation that is not overwhelmingly supported by the Texas public is an exemption for firearm safety supplies and equipment such as gun locks, gun safes, and educational materials. There are roughly equal proportions of Texans supporting (51%) and opposing (49%) this exemption.

**Table 4** provides information on the support for the six sales tax exemptions broken down by party. With one exception, Republicans are on average less supportive of these sales tax exemptions than Democrats, but Republicans still provide majority support for all six exemptions, ranging from a high of 85% for the college textbook exemption for two weeks a year to a low of 59% for feminine hygiene products. The one sales tax exemption supported by a larger proportion of Republicans than Democrats is the exemption for firearm safety supplies and equipment, which is supported by 65% of Republicans but by only 33% of Democrats.

**Table 4: Support for Tax Exemption Options by Partisan Identification**

Tax Exemption	Distribution of the Survey Population (%)			
	All	Democrat	Republican	Independent
College Textbooks for 2 Weeks a Year	89	92	85	89
Child & Adult Diapers	85	90	77	88
Animals Adopted From Rescue Groups	85	88	81	75
Feminine Hygiene Products	77	88	59	80
Internet Access	77	79	72	82
Firearm Safety Supplies & Equipment	51	33	65	55

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# The 2019-2021 \$1 Billion Deficit and the Rainy Day Fund

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On January 11, 2021 Texas Comptroller Glenn Hegar delivered his biennial revenue estimate, and concluded that the current biennium budget stretching from September 1, 2019 through August 30, 2021 was projected to end with a balance of an approximate \$1 billion dollar deficit.

The survey respondents were asked how much of this deficit they believed should be covered by tapping the state's \$10 billion dollar Rainy Day Fund (formally known as the Economic Stabilization Fund).

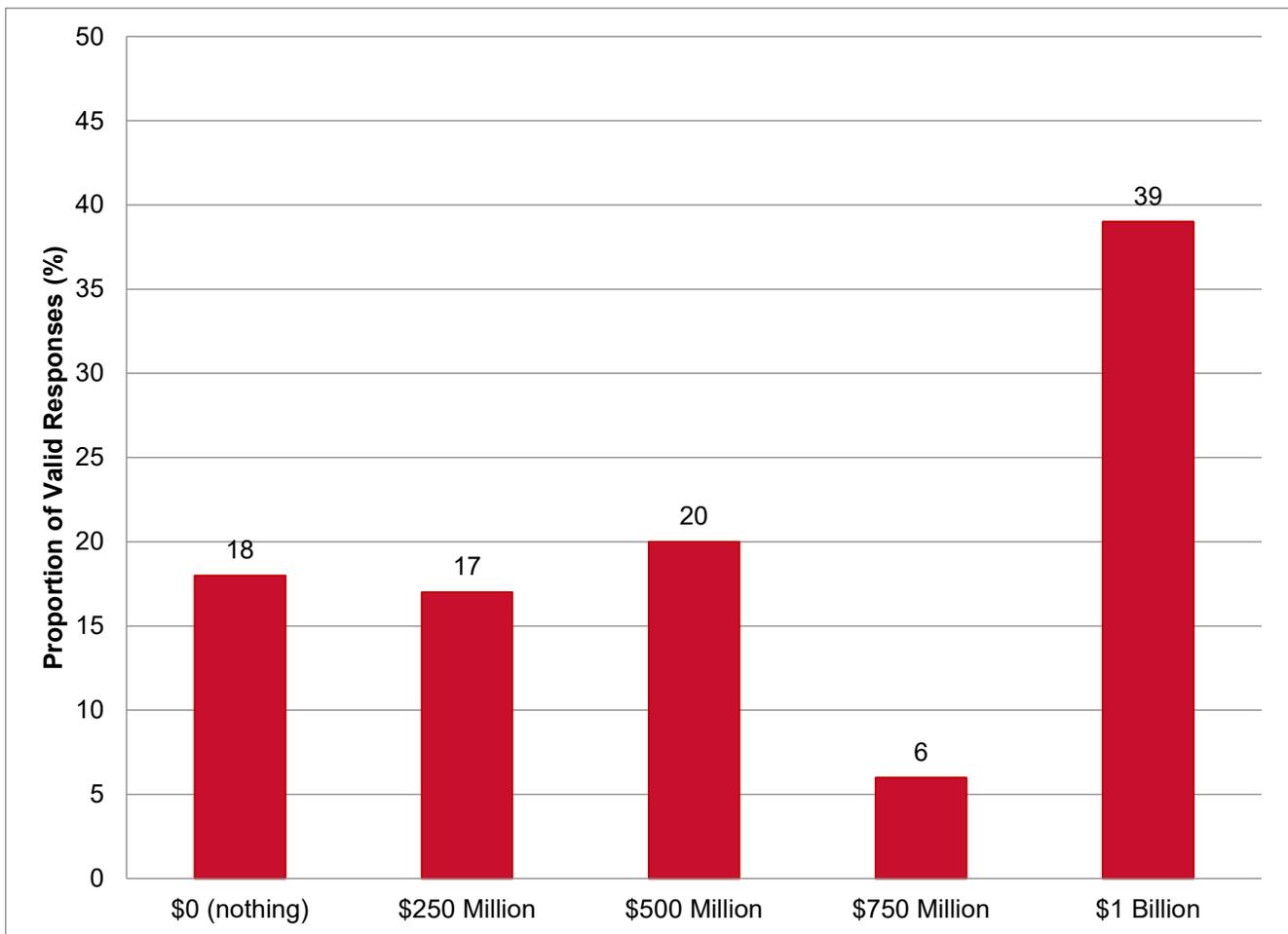
The respondents were presented with the following question and response options (in italics).

*The Texas Economic Stabilization Fund (more commonly known as the Rainy Day Fund) presently has a balance of approximately \$10 billion dollars. Texas is facing a budget deficit for the current budget cycle of approximately \$1 billion dollars. To cover the \$1 billion gap in the current biennial budget (September 2019 to August 2021), which of the values below comes closest to the amount of the Rainy Day Fund that you believe should be withdrawn to help with this shortfall.*

1. \$0 (nothing).
2. \$250 million.
3. \$500 million.
4. \$750 million.
5. \$1 billion.

**Figure 3** contains the distribution of Texan preferences for tapping the Rainy Day Fund to cover none, some, or all of the current biennium's \$1 billion budget deficit. The modal response among Texans is to use the Rainy Day Fund to cover all of this \$1 billion deficit, a position held by 39% of the respondents. The next most common response was using the Rainy Day Fund to cover one-half (\$500 million) of the deficit, with one in five Texans (20%) choosing this response. Fewer than one in five Texans (18%) advocate not tapping the Rainy Day Fund at all to help cover this deficit. In all, the data in Figure 3 indicate that the median Texan supports tapping the Rainy Day Fund to at least cover half of the current fiscal deficit that is drawing down the Rainy Day Fund by at least \$500 million to help cover the 2019-21 biennium's current \$1 billion budget shortfall.

**Figure 3: Amount of Money That Should be Withdrawn from the Rainy Day Fund to Cover the 2019-21 Budget Year's \$1 Billion Deficit**



**Figure 4** breaks down support for tapping the Rainy Day Fund to cover none, some, or all of the current fiscal cycle deficit by partisanship. By and large the figure reveals that there do not exist any noteworthy partisan differences in support for the five different options. For instance, 43% of Republicans, 41% of Independents, and 38% of Democrats favor tapping the Rainy Day Fund to cover the entire \$1 billion dollar deficit, just as 20% of Independents, 16% of Republicans, and 14% of Democrats would prefer not to tap the Rainy Day Fund at all to cover the current biennium's \$1 billion dollar budget deficit.

**Figure 4: Partisanship & the Amount of Money that Should Be Withdrawn from the Rainy Day Fund to Cover the 2019-21 Budget’s \$1 Billion Deficit**

