

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 22, 2009

TO: Honorable Steve Ogden, Chair, Senate Committee on Finance

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: SB846 by Averitt (Relating to the exemption of oil and gas royalty interests owned by private institutions of higher education from oil and gas severance taxes.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB846, As Introduced: a negative impact of (\$2,500,000) through the biennium ending August 31, 2011.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	(\$1,250,000)
2011	(\$1,250,000)
2012	(\$1,250,000)
2013	(\$1,250,000)
2014	(\$1,250,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>Foundation School Fund</i> 193	Probable Revenue (Loss) from <i>Economic Stabilization Fund</i> 599
2010	(\$1,250,000)	(\$3,750,000)
2011	(\$1,250,000)	(\$3,750,000)
2012	(\$1,250,000)	(\$3,750,000)
2013	(\$1,250,000)	(\$3,750,000)
2014	(\$1,250,000)	(\$3,750,000)

Fiscal Analysis

The bill would amend Chapters 201 and 202 of the Tax Code by adding Sections 201.056 and 202.062 to provide oil and natural gas severance tax exemptions on royalty interests owned by a private or independent institution of higher education as defined by Section 61.003 of the Education Code.

The bill would take effect September 1, 2009.

Methodology

The bill would exempt private or independent institutions of higher education from severance taxation of oil and natural gas royalties. A survey conducted by the Independent Colleges and Universities of Texas (ICUT), a nonprofit association representing most of these private or independent institutions, indicated a potential loss of approximately \$5 million per year. The table below allocates those losses between GR Account 0193—Foundation School Fund and the Economic Stabilization Fund 0599.

Note: Transfers to Fund 0599 occur within the first 90 days of the subsequent fiscal year only if total oil production tax revenue exceeds \$531.9 million and total natural gas tax revenue exceeds \$599.8 million. For purposes of this fiscal note it is assumed severance tax revenue will exceed these thresholds. If it does not, in any given year, the \$3.75 million listed in the above table will be a loss to GR rather than the ESF.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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