

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 13, 2013

TO: Honorable Dennis Bonnen, Chair, House Committee On Special Purpose Districts

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB563** by Guillen (Relating to shale transportation districts, authorizing the issuance of bonds.), **As Introduced**

The bill would result in an indeterminate cost to the State depending on the dollar amount of bonds that may be issued by shale transportation districts that would be payable from oil and gas production tax revenue.

The bill would amend the Transportation Code to authorize two or more counties that contain a portion of a shale formation to form a shale transportation district to plan, coordinate, and provide financial assistance for road projects in the district. A district could not be created without the approval of the Texas Transportation Commission (TTC) and the commissioners courts of each county that would constitute the district. The counties would be required to submit a road construction, maintenance, and improvement plan and budget for the proposed district for approval by the TTC. The bill would authorize a district to contract with the Texas Department of Transportation (TxDOT) or a local government for the use of district money or for the construction or improvement of road projects. The bill would authorize a district, by bond resolution, to issue bonds, for which the principal and interest would be payable solely from oil and gas production taxes authorized by Section 49-g, subsections (d) and (e), of Article III of the Texas Constitution as allocated to the district by TxDOT and money from other sources available to the district. The bill would take effect on the date on which a constitutional amendment proposed by the Eighty-third Legislature, Regular Session, 2013, amending Section 49-g(d) and (e) of Article III of the Texas Constitution, takes effect. If the proposed amendment to the constitution is not approved by voters, then the bill would not take effect.

Assuming the proposed constitutional amendment to Section 49-g, Article III, of the Texas Constitution, requiring certain amounts of tax collections from oil and gas production to be deposited to the State Highway Fund, is approved by voters, the provisions of the bill would result in a cost to the State Highway Fund for the payment of principal and interest due on bonds issued by shale transportation districts. Because the number of shale transportation districts that may be established and the amount of debt that would be issued by the districts is unknown, the costs to the State Highway Fund cannot be determined.

Based on the information provided by TxDOT, it is assumed any costs or duties associated with implementing the provisions of the bill could be absorbed within the agency's existing resources.

Local Government Impact

The bill would authorize two or more counties that contain a portion of a shale formation to create a shale transportation district for road projects if participating counties submit a comprehensive road construction, maintenance, and improvement plan that is approved by the commission and the commissioners courts. It is assumed that counties would participate only if sufficient resources were available or it would not result in a negative fiscal impact.

The Texas Association of Counties reported that the bill would have a positive fiscal impact for counties; however, the extent of the impact would depend on the amount of funds allocated to the counties from the oil and gas severance taxes. In some periods, that amount would likely be significant.

Denton County reported that the county's participation in a district would be voluntary; therefore, no fiscal impact is anticipated. Denton County also added that if a district was formed, it would only require minimal funding for organizational costs; and that other funding would be from grants, contracts, and a portion of the oil and gas severance tax collected by the state that would be allocated to the district for debt service.

Source Agencies: 304 Comptroller of Public Accounts, 601 Department of Transportation,
608 Department of Motor Vehicles

LBB Staff: UP, MW, TG, KK, TP