BILL ANALYSIS

Senate Research Center

S.J.R. 41
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.J.R. 41 reduces the rate of oil and gas severance taxes and suspend transfers into the economic stabilization fund (ESF) when the balance exceeds $5 billion. Specifically, in the event the Texas comptroller of public accounts' (comptroller) biennial revenue estimate projects that the ending balance of the ESF will exceed $5 billion, the comptroller does not make the required transfers of production taxes to the ESF and reduces the rate of the severance tax on oil and gas so that revenues are reduced by the amount of foregone transfers into the ESF. The reduced rate would be sufficient to preserve all other amounts of transfers to general revenue and the state highway fund.

S.J.R. 41 proposes a constitutional amendment to provide for foregoing the transfer of oil and gas production tax revenue to the economic stabilization fund if the ending fund balance for the preceding fiscal year is greater than $5 billion and for reducing the rates of oil and gas production taxes by amounts sufficient to equal the foregone transfer.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 49-g, Article III, Texas Constitution, by amending Subsections (c), (c-1), (c-2), (d), and (e) and adding Subsections (c-3), (c-4), (c-5), and (c-6), as follows:

(c) Requires the Texas comptroller of public accounts (comptroller) to allocate certain transferred funds as provided by Subsection (c-1) of this section, rather than Subsections (c-1) and (c-2). Makes conforming changes.

(c-1) Deletes an exception provided under Subsection (c-2).

(c-2) Requires the rate of tax imposed on oil production and the rate of tax imposed on gas production in the current fiscal year to be as provided by the legislature under general law if the ending balance in the economic stabilization fund (ESF) for the preceding fiscal year was not greater than $5 billion. Deletes existing text requiring the legislature by general law to provide for a procedure by which the allocation of the sum of the amounts described by Subsections (d) and (e) of this section may be adjusted to provide for a transfer to the ESF of an amount greater than the allocation provided for under Subsection (c-1) of this section with the remainder of that sum, if any, allocated for transfer to the state highway fund (SHF). Deletes existing text providing that the allocation made as provided by that general law is binding on the comptroller for the purpose of the transfers required by Subsection (c) of this section.

(c-3) Prohibits the comptroller, if the ending balance in the ESF was greater than $5 billion, from transferring any amount collected from oil production tax or gas production tax to the ESF during the current fiscal year but requires the comptroller to transfer to the SHF under Subsection (c) of this section and retain as general revenue under Subsections (d) and (e) of this section the amounts that would have been transferred or retained had the ending balance been $5 billion or less. Requires the amount that would have been transferred to the ESF to be deposited to the credit of the tax relief set-aside account in the general revenue fund.

(c-4) Defines "tax relief set-aside" and "tax-rate-cut factor."

(c-5) Requires the rate of tax imposed on oil production for the current fiscal year to be calculated by subtracting the tax-rate-cut factor from one and multiplying the remainder by the tax rate for oil production provided by the legislature under general law, if the ending balance in the ESF for the preceding fiscal year was greater than $5 billion. Requires the comptroller to establish the rate of oil production tax not later than the 90th day of each fiscal year.

(c-6) Requires the rate of tax imposed on gas production for the current fiscal year to be calculated by subtracting the tax-rate-cut factor from one and multiplying the remainder by the tax rate for gas production provided by the legislature under general law if the ending balance in the ESF for the preceding fiscal year was greater than $5 billion. Requires the comptroller to establish the rate of gas production tax not later than the 90th day of each fiscal year.

(d) Requires the comptroller, if in the preceding fiscal year the state received from oil production taxes a net amount greater than the net amount of oil production taxes received by the state in the fiscal year ending August 31, 1987, and the ending balance in the ESF for the preceding fiscal year was not greater than $5 billion, rather than if in the preceding year the state received from oil production taxes a net amount greater than the net amount of oil production taxes received by the state in the fiscal year ending August 31, 1987, to transfer and allocate certain amounts. Makes conforming changes.

(e) Requires the comptroller, if in the preceding fiscal year the state received from gas production taxes a net amount greater than the net amount of gas production taxes received by the state in the fiscal year ending August 31, 1987, and the ending balance in the ESF for the preceding fiscal year was not greater than $5 billion, rather than if in the preceding year the state received from gas production taxes a net amount greater than the net amount of gas production taxes received by the state in the fiscal year ending August 31, 1987, to transfer and allocate certain amounts. Makes conforming changes.

SECTION 2. Provides that the following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) Provides that this temporary provision applies to the constitutional amendment proposed by the 85th Legislature, Regular Session, 2017, providing for foregoing the transfer of oil and gas production tax revenue to the ESF if the ending ESF balance for the preceding fiscal year is greater than $5 billion and for reducing the rates of oil and gas production taxes by amounts sufficient to equal the foregone transfer.

(b) Provides that the amendments to Section 49-g, Article III, of this constitution take effect January 1, 2018, and apply only to oil production taxes and gas production taxes imposed for a fiscal year beginning after that date.

(c) Provides that this temporary provision expires January 1, 2018.

SECTION 3. Requires the proposed constitutional amendment be submitted to the voters at an election to be held November 7, 2017. Sets forth the required language of the ballot.