

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 2, 2017**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: SJR41** by Seliger (Proposing 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.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SJR41, As Introduced: a negative impact of (\$114,369) through the biennium ending August 31, 2019.

There would be a negative impact to General Revenue Related Funds of (\$825,105,000) through the biennium ending August 31, 2021. However, there would be a positive impact to a new General Revenue Dedicated account of \$1,734,528,000 during the 2020-21 biennium.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	(\$114,369)
2019	\$0
2020	\$0
2021	(\$825,105,000)
2022	(\$909,424,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund 1</b>	<b>Probable Revenue (Loss) from General Revenue Fund 1</b>	<b>Probable Revenue (Loss) from Foundation School Fund 193</b>	<b>Probable Revenue Gain from Tax Relief Set Aside Account</b>
2018	(\$114,369)	\$0	\$0	\$0
2019	\$0	\$0	\$0	\$0
2020	\$0	\$0	\$0	\$825,105,000
2021	\$0	(\$618,829,000)	(\$206,276,000)	\$909,423,000
2022	\$0	(\$682,068,000)	(\$227,356,000)	\$654,655,000

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from Economic Stabilization Fund 599</b>	<b>Probable Revenue (Loss) from State Highway Fund 6</b>
2018	(\$7,931,000)	\$0
2019	(\$13,972,000)	\$0
2020	(\$851,158,000)	\$0
2021	(\$952,735,000)	\$0
2022	(\$1,026,213,000)	(\$309,414,000)

**Fiscal Analysis**

The resolution would amend Section 49-g, Article III, of the Texas Constitution regarding the transfer of General Revenue funds based on oil and natural gas production tax revenues to the Economic Stabilization Fund (ESF) and the creation of the Tax Relief Set-aside Account.

The resolution would require that beginning in fiscal 2020, if the ending balance of the ESF is below \$5 billion in the preceding fiscal year, oil and natural gas production tax rates and the fund transfer to the ESF would remain the same as provided by the Legislature under general law during the current fiscal year.

If the ESF ending balance is above \$5 billion, the amount that would have been transferred to the ESF would be deposited to the credit of the Tax Relief Set-aside Account in the General Revenue Fund, as established by the amendment, and the oil and natural gas tax rates for the current fiscal year would be adjusted downward to reduce the tax revenues by amounts equal to the foregone transfer amounts in the preceding fiscal year.

The Comptroller would publish the tax rates by the 90th day of the current fiscal year.

The resolution would remove the ESF sufficient balance requirement which would nullify the investment requirement of a portion of the ESF.

This proposed constitutional amendment would be submitted to voters at an election to be held on November 7, 2017.

**Methodology**

The fiscal impact analysis is based on the Comptroller's 2018-19 *Biennial Revenue Estimate*. Transfers to the ESF would cease in fiscal 2020. The new tax rates would affect the General

Revenue Fund and Foundation School Account in 2021, and the State Highway Fund (SHF) in 2022. Transfers to the Tax Relief Set-aside Account would begin in fiscal 2020. In addition to the foregone transfers, there would be net losses to the ESF from interest and investment earnings. Losses to the ESF in fiscal 2018 result from reduced amounts in the invested portion of the fund in preparation for elimination of the investment portfolio in fiscal 2019.

The proposed amendment stipulates that beginning in fiscal 2020 the Comptroller "shall not transfer any amount collected from oil production tax or gas production tax to the economic stabilization fund" in years in which the ending balance of the ESF in the preceding fiscal year exceeded \$5 billion. Section 49-g (c), Article III of the Texas Constitution, however, directs the Comptroller to transfer from the General Revenue Fund to the ESF amounts equal to certain collections of oil and natural gas production taxes. For purposes of this fiscal note, it is assumed that the proposed amendment will have the effect of eliminating transfers to the ESF in years in which the ESF ending balance in the preceding fiscal year exceeded \$5 billion, however language in the resolution would need to be amended to have this intended affect.

The cost to the state to publish the resolution would be \$114,369 in fiscal year 2018.

The proposed amendment would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

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