

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 15, 2019

TO: Honorable Dustin Burrows, Chair, House Committee on Ways & Means

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
 Legislative Budget Board

IN RE: HB42 by White (Relating to allocating a portion of oil and gas production tax revenue to the counties from which the oil and gas originated and to the use of that revenue.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB42, As Introduced: a negative impact of (\$983,500) through the biennium ending August 31, 2021.

Additionally, there would be a negative impact of (\$262,012,000) through the biennium ending August 31, 2023.

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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$799,500)
2021	(\$184,000)
2022	(\$121,005,000)
2023	(\$141,007,000)
2024	(\$148,745,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable Revenue (Loss) from General Revenue Fund 1	Probable Revenue Gain from Severance Tax Trust Fund	Change in Number of State Employees from FY 2019
2020	(\$799,500)	\$0	\$0	0.0
2021	(\$184,000)	\$0	\$0	3.0
2022	(\$184,000)	(\$120,821,000)	\$120,821,000	3.0
2023	(\$184,000)	(\$140,823,000)	\$140,823,000	3.0
2024	(\$184,000)	(\$148,561,000)	\$148,561,000	3.0

Fiscal Analysis

The bill would amend Sections 201.404 and 202.353 of the Tax Code, regarding the allocation of crude oil and natural gas severance tax revenue, and add Chapter 205 to the Tax Code to create the Severance Tax Trust Fund outside the state treasury and held with the Comptroller in trust.

The bill would reduce the share of revenue collected from those taxes and deposited to the General Revenue Fund from 75 percent to 73 percent, and allocate the remaining 2 percent to the new trust fund. From the new trust fund, the Comptroller would remit to each county the tax revenue attributable to that county's crude oil and natural gas production by the 90th day after the last day of a collection month. A county may use the money received for building and maintenance of county roads and bridges that are impacted by oil and gas exploration and production activities.

The bill would take effect September 1, 2021, if voters approve a constitutional amendment providing for the allocation of the tax revenue to producing counties for building and maintenance of certain county roads and bridges.

Methodology

The General Revenue loss analysis is based on the Comptroller's 2020-21 Biennial Revenue Estimate.

The Comptroller of Public Accounts indicates there would be administrative costs including a one-time technology cost of \$799,500 and the funds necessary to hire three accounts examiner IIIs to handle the anticipated workload increase. Out of 254 Texas counties, 219 submit severance taxes to the Comptroller's Office. The FTE request is based on current personnel needs for processing monthly sales tax allocations to local taxing jurisdictions.

This legislation 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 in, 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.

Technology

The Comptroller of Public Accounts indicates there would be a one-time technology cost of \$799,500 in fiscal 2020 for an estimated 5330 hours for programming allocations and reporting tax systems. The agency would need to develop an allocation program for each of the four crude oil and natural gas taxes with accompanying mainframe, web and PowerBuilder development and report generation. The reporting enhancements would need to accommodate multiple counties per lease for leases that may be producing from multiple adjacent counties. As prices fluctuate, periodic deallocation is also likely, requiring additional programming.

Local Government Impact

Counties would receive money from the Severance Tax Trust Fund that could be used for building and maintenance of county roads and bridges that are impacted by oil and gas exploration and production activities.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD