

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION
Revision 1

May 17, 2019

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

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

IN RE: HJR82 by Craddick (Proposing a constitutional amendment providing for the creation of and use of money in the generate recurring oil wealth for Texas (GROW Texas) fund and allocating certain general revenues to that fund, the economic stabilization fund, and the state highway fund.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR82, As Engrossed: a negative impact of (\$177,289) through the biennium ending August 31, 2021.

Additionally, there would be a positive impact to General Revenue Related Funds of \$203,469,000 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	(\$177,289)
2021	\$0
2022	\$0
2023	\$203,469,000
2024	\$17,653,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>Economic Stabilization Fund 599</i>	Probable Revenue Gain from <i>GROW Texas Fund</i>	Probable (Cost) from <i>General Revenue Fund 1</i>	Probable Revenue Gain from <i>General Revenue Fund 1</i>
2020	\$0	\$0	(\$177,289)	\$0
2021	\$0	\$0	\$0	\$0
2022	(\$209,568,000)	\$205,678,000	\$0	\$0
2023	(\$257,775,000)	\$44,322,000	\$0	\$203,469,000
2024	(\$284,531,000)	\$250,000,000	\$0	\$17,653,000

Fiscal Analysis

The joint resolution would amend Section 49-g(c), by adding Section (c-3) to Article III of the Texas Constitution to decrease the Economic Stabilization Fund's (ESF) 50 percent allocation by 12 percent and allocate an amount equal to that reduction to the newly created Generate Recurring Oil Wealth for Texas (GROW Texas) fund. The amount of any transfers to the newly-created GROW Texas fund could not exceed \$250 million in a state fiscal biennium.

The GROW Texas Fund would be established as a fund in the state treasury. The fund would consist of: (1) oil and gas severance tax collections that would be transferred to the fund; (2) money appropriated to the fund; (3) money that the Legislature by statute dedicates for deposit to the credit of the fund; (4) gifts or grants contributed to the fund; and (5) investment earnings and interest earned on amounts credited to the fund. The Legislature could appropriate money from the GROW Texas Fund only for use in areas of the state from which oil and gas are produced and only for the purposes of constructing, maintaining and improving public roads.

The proposed constitutional amendment would be submitted to the voters at an election to be held November 5, 2019. The changes to the Texas Constitution proposed in this joint resolution would take effect September 1, 2021.

Methodology

The following analysis is based on the *2020-21 Biennial Revenue Estimate*. Under current law, an amount equal to 75 percent of oil and gas revenue - above 1987 collections - is equally allocated between the ESF and the SHF. The resolution would decrease the ESF's 50 percent allocation by 12 percent and would at the same time, allocate an amount equal to the reduction in the ESF allocation to the GROW Texas Fund. Amounts allocated to the GROW fund could not exceed \$250 million in a state fiscal biennium; the share allocated to the SHF would remain unchanged at 50 percent of total.

Added Subection (c-3) of the resolution states that the ESF's portion of oil and gas taxes would be reduced. This analysis assumes that, if in a fiscal biennium transfers to the GROW fund reach \$250 million, money that would otherwise be transferred to the GROW fund would remain in General Revenue Related Funds.

Losses to the ESF are the sum of decreases in oil and gas tax collections transfers and of associated interest on the ESF's cash balance. The gains to the GROW Texas Fund represents only transfers of oil and gas tax collections and are not adjusted for any interest gains as future fund activity is unknown.

The cost to the state for publication of the resolution is \$177,289.

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.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD