

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 2, 2019

TO: Honorable John Zerwas, Chair, House Committee on Appropriations

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 Introduced**

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

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 | \$0 |
| 2024 | \$0 |

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> |
|-------------|---|---|---|
| 2020 | \$0 | \$0 | (\$177,289) |
| 2021 | (\$356,070,098) | \$349,462,801 | \$0 |
| 2022 | (\$428,139,974) | \$411,357,961 | \$0 |
| 2023 | (\$524,782,277) | \$495,580,861 | \$0 |
| 2024 | (\$587,528,477) | \$535,305,061 | \$0 |

Fiscal Analysis

The joint resolution would amend Sections 49-g(c), (c-1) and (c-2), Article III of the Texas Constitution to allocate 38 percent of oil and gas tax collections above their 1987 level to the Economic Stabilization Fund (ESF), 12 percent to the newly-created the Generate Recurring Oil Wealth for Texas (GROW Texas) fund, and the remainder to the State Highway Fund (SHF).

The GROW Texas Fund would be established as a fund in the state treasury. The fund would consists 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 may 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: (1) constructing, maintaining and improving public roads; and (2) addressing public safety concerns relating to the roads.

The changes to the Texas Constitution proposed in this joint resolution would take effect January 1, 2020.

This proposed constitutional amendment should be submitted to the voters at an election to be held November 5, 2019.

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 taxes above their collections in 1987 is equally allocated between the ESF and the SHF. The resolution would decrease the ESF's share to 38 percent and allocate 12 percent to the GROW Texas Fund; the share allocated to the SHF would remain unchanged at 50 percent. Losses to the ESF are the sum of decreases of 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. Legislative policy, implemented as Government Code 403.095, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. 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