

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 7, 2019

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

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

IN RE: SJR77 by Taylor (Proposing a constitutional amendment relating to the dedication of certain severance tax collections for school district ad valorem tax compression.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SJR77, As Introduced: a positive impact of \$3,046,281,711 through the biennium ending August 31, 2021.

Additionally, the joint resolution would have a negative impact of (\$1,963,835,000) to the Economic Stabilization Fund 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, Six-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2019	\$933,068,000
2020	\$970,552,711
2021	\$1,142,661,000
2022	\$1,376,614,000
2023	\$1,486,959,000
2024	\$1,606,148,904

All Funds, Six-Year Impact:

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Savings from <i>General Revenue Fund</i> 1	Probable (Cost) from <i>Economic Stabilization</i> <i>Fund</i> 599	Probable Revenue (Loss) from <i>Economic Stabilization</i> <i>Fund</i> 599
2019	\$0	\$933,068,000	\$0	\$0
2020	(\$177,289)	\$970,730,000	(\$933,068,000)	(\$17,641,000)
2021	\$0	\$1,142,661,000	(\$970,730,000)	(\$42,396,000)
2022	\$0	\$1,376,614,000	(\$1,142,661,000)	(\$71,266,000)
2023	\$0	\$1,486,959,000	(\$1,376,614,000)	(\$106,388,000)
2024	\$0	\$1,606,148,904	(\$1,486,959,000)	(\$145,977,000)

Fiscal Analysis

The joint resolution would amend Section 49-g, Article III of the Texas Constitution relating to the dedication of certain severance tax collections for school district ad valorem tax compression.

Under current law, the Comptroller is required to: (1) allocate 75 percent of oil and gas production taxes above their 1987 amounts to the Economic Stabilization Fund (ESF) and the State Highway Fund (SHF); and (2) retain the remaining 25 percent as general revenue dedicated to funding the state portion of public education. The introduced resolution would amend this practice and would require the Comptroller to: (1) allocate 50 percent of oil and gas production taxes above their 1987 amounts to the ESF and the SHF, with 25 percent dedicated to the ESF and the remainder to the SHF; and (2) retain 50 percent of the difference as general revenue dedicated for school district ad valorem tax rate compression.

The joint resolution would make conforming changes to Section 49-g, Article III of the Texas Constitution.

The joint resolution would be submitted to the voters at an election to be held November 5, 2019.

Methodology

The analysis is based on the *2020-21 Biennial Revenue Estimate*. The introduced resolution would: (1) decrease the share of oil and gas production taxes above their 1987 level that would be allocated to the ESF and SHF; and dedicate 50 percent of those amounts to school district ad valorem tax rate compression. Losses to the ESF also reflect losses of interest earnings on the ESF cash balance.

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

The SJR has no stated effective date. This analysis assumes it would affect calculation of oil and gas transfers to the ESF and SHF in fiscal 2020.

Gains to General Revenue are shown in the years when oil and gas collections are reserved for allocation ESF and SHF.

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, SJS