

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 7, 2021

TO: Honorable Greg Bonnen, Chair, House Committee on Appropriations

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HJR82 by Craddick (proposing a constitutional amendment providing for the creation of and use of money in the Grow Texas fund and allocating certain general revenues to that fund, the economic stabilization fund, and the state highway fund.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR82, Committee Report 1st House, Substituted : a negative impact of (\$178,333) through the biennium ending August 31, 2023.

Additionally, the bill will have a positive impact to General Revenue Related Funds of \$189,990,000 for the 2024-25 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:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	(\$178,333)
2023	\$0
2024	\$0
2025	\$189,990,000
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from Economic Stabilization Fund 599	Probable Revenue (Loss) from Economic Stabilization Fund 599	Probable Savings from Grow Texas Fund	Probable Savings from General Revenue Fund 1
2022	\$0	\$0	\$0	\$0
2023	\$0	\$0	\$0	\$0
2024	(\$215,695,000)	(\$729,000)	\$215,695,000	\$0
2025	(\$224,295,000)	(\$1,734,000)	\$34,305,000	\$189,990,000
2026	(\$233,996,000)	(\$2,787,000)	\$233,996,000	\$0

<i>Fiscal Year</i>	<i>Probable (Cost) from General Revenue Fund</i>
	1
2022	(\$178,333)
2023	\$0
2024	\$0
2025	\$0
2026	\$0

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) oil and gas allocation by 12 percent and allocate an amount equal to that reduction to the newly-created Grow Texas Fund. The amount of any transfers to the new 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 consisting of: (1) oil and gas severance tax collections; (2) appropriations; (3) money that the Legislature by statute dedicates for deposit; (4) federal income; (5) gifts or grants; and (6) investment earnings and interest. 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 to address infrastructure needs significantly affected by oil and gas production.

The changes to the Texas Constitution proposed in this joint resolution would take effect September 1, 2023.

The proposed constitutional amendment would be submitted to the voters at an election to be held November 2, 2021.

Methodology

The following analysis is based on the *2022-23 Biennial Revenue Estimate*, as revised May 3, 2021.

Under current law, an amount equal to 75 percent of oil and gas revenue in excess of 1987 collections is equally allocated between the ESF and the State Highway Fund (SHF). The resolution would decrease the ESF's allocation by 12 percent and would allocate an amount equal to the reduction to the Grow Texas Fund. Amounts allocated to the Grow Texas Fund could not exceed \$250 million in a state fiscal biennium; the share allocated to the SHF would remain unchanged.

Section (c-3) of the resolution states that the ESF's allocation of oil and gas taxes would be reduced, but does not provide for the allocation to increase after the Grow Texas Fund allocation exceeded the \$250 million cap. This analysis assumes that, if in a fiscal biennium transfers to the Grow Texas fund reach \$250 million, money that would otherwise be transferred to the Grow Texas fund would remain in General Revenue.

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 represent only transfers of oil and gas tax collections and are not adjusted for any interest gains as future fund activity is unknown.

The resolution 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.

The cost to the state for publication of the resolution is \$178,333.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD