

## **BILL ANALYSIS**

H.B. 2207  
By: Landgraf  
Appropriations  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Data from the comptroller of public accounts indicates that since 2014, state oil and natural gas production taxes, known also as severance taxes, have generated \$9 billion in revenue for public education, \$13.3 billion in revenue deposited to the State Highway Fund, and \$13.3 billion in revenue deposited to the Economic Stabilization Fund (ESF), better known as the Rainy Day Fund. After record-setting collections in fiscal year 2022, the comptroller's most recent biennial revenue estimate projects that the ESF will hit its cap in the 2024-25 and 2026-27 biennia.

H.B. 2207 seeks to provide a path forward for a future that includes strong oil and natural gas production in Texas by providing for the implementation of a proposed constitutional amendment creating the Texas Severance Tax Revenue and Oil and Natural Gas (Texas STRONG) defense fund and establishing a grant program that will use money in that fund to invest in major oil and natural gas producing regions and coastal communities engaged in oil and natural gas production, refinement, or export.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the governor in SECTION 6 of this bill.

### **ANALYSIS**

H.B. 2207 amends the Government Code to set out provisions providing for the implementation of the constitutional amendment proposed by H.J.R. 111, 88th Legislature, Regular Session, 2023, which creates the Texas Severance Tax Revenue and Oil and Natural Gas (Texas STRONG) defense fund and provides for the transfer of certain severance tax revenues to that fund, the oil and gas regulation and cleanup (OGRC) account, the Texas Emissions Reduction Plan (TERP) fund, and the property tax relief fund (PTRF).

### **Constitutional Allocations of Certain Funds**

H.B. 2207 makes permanent the temporary increase in state transportation funding provided for by S.J.R. 1, Acts of the 83rd Texas Legislature, 3rd Called Session, 2013, and approved by voters as Proposition 1 in the November 2014 election, which diverted certain oil and gas production tax revenue from the Economic Stabilization Fund (ESF), otherwise known as the Rainy Day Fund, to the state highway fund (SHF), by removing the provision that set the diversion to end December 31, 2034. With respect to the biennial sufficient balance threshold for the ESF that must be met before the comptroller of public accounts may allocate oil and gas

tax revenue from the general revenue fund to the ESF, SHF, and the Texas STRONG defense fund for a state fiscal biennium as provided by the Texas Constitution, the bill includes the OGRC, TERP fund, PTRF, and the Texas STRONG defense fund among the funds and accounts the comptroller must proportionately reduce and reallocate to the ESF on determining that the sum of the ESF balance is less than the sufficient balance threshold for that state fiscal biennium. The bill postpones the expiration of provisions governing that sufficient balance threshold determination and providing for that reallocation of funds to the ESF if the threshold is not met from December 31, 2034, to December 31, 2038.

H.B. 2207 sets the diversion of the oil and gas production tax revenue to the Texas STRONG defense fund to end September 1, 2037, and requires the comptroller to adjust the allocation of those revenues so that, beginning on that date, the amount allocated for transfer to the Texas STRONG defense fund is transferred instead to the ESF, subject to the biennial cap on the ESF balance.

### **Use of Texas STRONG Defense Fund; Grant Program**

H.B. 2207 requires the governor by rule to do the following:

- establish a grant program using money received from the Texas STRONG defense fund to address the effects of and needs associated with significant oil and gas production in Texas by providing financial assistance to nonprofit organizations, public institutions of higher education, school districts, and other political subdivisions;
- develop an application process for the grants; and
- prioritize grants for first responder, emergency and trauma care services, health care, mental health care, educational, and workforce preparedness needs.

The bill requires the governor, in awarding the grants, to give priority to an applicant located in a county in which a port authority or navigation district is engaged in oil or gas production, refinement, or export or in a "qualifying county," which is a county in which the amount of oil and gas production taxes collected by the comptroller during the preceding two state fiscal years is at least 0.5 percent of the total amount of those taxes collected in the state during that same period.

H.B. 2207 restricts the appropriation of the money in the fund by the legislature to the following entities and for the following purposes:

- to the governor for the purpose of implementing, administering, and funding the grant program;
- to the Texas Department of Transportation for the purpose of making grants from the transportation infrastructure fund to a qualifying county or a county in which a port authority or navigation district is engaged in oil or gas production, refinement, or export;
- to the trustee programs within the governor's office for the purpose of meeting economic development needs in qualifying counties; and
- to the Department of Public Safety (DPS) for:
  - providing additional resources for the enforcement of commercial motor vehicle safety standards and the prevention of gang violence and human trafficking in qualifying counties;
  - paying the salaries, benefit costs, and other costs associated with additional full-time equivalent DPS employees stationed in qualifying counties; or
  - paying salary increases to DPS employees stationed in qualifying counties.

### **EFFECTIVE DATE**

January 1, 2024, if the constitutional amendment providing for the creation of the Texas STRONG defense fund, dedicating the money in that fund to benefit areas of Texas significantly affected by oil and gas production, and providing for the transfer of certain general revenues to that fund, the ESF, and the SHF is approved by the voters.