

RESOLUTION ANALYSIS

H.J.R. 111
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.J.R. 111 seeks to provide a path forward for a future that includes strong oil and natural gas production in Texas by proposing a constitutional amendment creating the Texas Severance Tax Revenue and Oil and Natural Gas (Texas STRONG) defense fund, which will be used by the legislature to fund investments 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 resolution 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 this resolution does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.J.R. 111 proposes an amendment to the Texas Constitution to establish the Texas Severance Tax Revenue and Oil and Natural Gas (Texas STRONG) defense fund as a fund in the state treasury from which the legislature may appropriate money to fund grants to state agencies, political subdivisions, public institutions of higher education, and nonprofit organizations to address public health and safety concerns and supplement educational opportunities and workforce preparedness in areas of Texas significantly affected by oil and gas production, as determined by the legislature. The fund consists of the following:

- certain severance tax revenue transferred to the fund from the general revenue fund;
- money appropriated to the fund by the legislature;
- money that the legislature by statute dedicates for deposit to the credit of the fund;
- gifts or grants contributed to the fund; and
- investment earnings and interest earned on amounts credited to the fund.

The resolution requires the comptroller of public accounts to transfer any unobligated and unappropriated money that remains in the fund to the general revenue fund on the last day of each state fiscal biennium.

H.J.R. 111 revises the allocation of oil and gas production tax revenue to the economic stabilization fund (ESF), otherwise known as the Rainy Day Fund, and the state highway fund by providing for 12 percent of the revenue currently constitutionally allocated to the ESF to instead be transferred elsewhere by the comptroller as follows:

- 10 percent to the Texas STRONG defense fund, subject to a \$500 million cap on the total amount transferred in a state fiscal year;
- one percent to the oil and gas regulation and cleanup account; and
- one percent to the Texas Emissions Reduction Plan fund.

If the amount allocated to be transferred to the Texas STRONG defense fund for a state fiscal year would cause the total amount allocated for transfer to exceed that cap, the comptroller must appropriately reduce the amount allocated to be transferred and transfer to the property tax relief fund the amount by which the allocation is reduced.

The resolution takes effect January 1, 2024.

ELECTION DATE

The constitutional amendment proposed by this joint resolution will be submitted to the voters at an election to be held November 7, 2023.