

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 16, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HJR27 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR27, As Introduced : a negative impact of (\$250,204,406) through the biennium ending August 31, 2025.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2024	(\$204,406)
2025	(\$250,000,000)
2026	\$0
2027	\$0
2028	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>GROW Texas Fund</i>
2024	(\$204,406)	\$0	\$0
2025	\$0	(\$250,000,000)	\$0
2026	\$0	\$0	\$250,000,000
2027	\$0	\$0	\$0
2028	\$0	\$0	\$0

Fiscal Analysis

The joint resolution would amend Section 49-g (Economic Stabilization Fund), Article III of the Texas Constitution. The proposed amendment would amend Subsections (c), (c-1), (c-2), and add Subsection (c-3) to decrease the Economic Stabilization Fund's (ESF) 50 percent 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 Grow Texas fund could not exceed \$250 million in a state fiscal biennium.

The proposed amendment would add Section 49-g-1 to Article III. The Grow Texas fund would be established as a fund in the state treasury. The fund would consist of: (1) transfers of amounts associated with oil and gas severance tax collections; (2) appropriations; (3) money that the Legislature by statute dedicates for deposit; (4) money received from the federal government that the Legislature transfers or deposits; (5) gifts or grants;

(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 and only to address infrastructure needs in areas significantly affected by oil and gas production.

On the last day of each state fiscal biennium, the Comptroller of Public Accounts would transfer any unobligated and unappropriated money that remains in the fund on that date to the ESF.

This proposed constitutional amendment would be submitted to the voters at an election to be held November 7, 2023.

The changes to the Texas Constitution proposed in this joint resolution would take effect September 1, 2025.

Methodology

The following analysis is based on the *2024-2025 Biennial Revenue Estimate*. Under current law, an amount equal to 75 percent of oil and gas revenue – above 1987 collections – is equally allocated between the ESF and the State Highway Fund (SHF). The proposed resolution would decrease the ESF's current-law transfer, 50 percent of the eligible allocation, by 12 percent and would at the same time, allocate an amount equal to the reduction in the ESF allocation 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 at 50 percent total.

Based on the 2024-2025 Biennial Revenue Estimate and SB 30 as passed, 2nd House it is projected that in fiscal 2026 the ESF will receive a partial transfer of the available severance taxes, of which 12 percent would result in the first transfer to the Grow Texas Fund of \$250 million, the maximum allowable amount. However, because the reserve for transfer of severance tax revenue to the ESF would increase to replace the amount diverted from ESF to the Grow Fund, the cost of the transfer to the Grow Fund would be to the General Revenue Fund rather than the ESF. In fiscal 2027- 28 the ESF balance is projected to be above its allowable constitutional CAP, and the actual transfer of severance taxes to the ESF is projected to be zero, therefore the allocation to the Grow Texas fund would be zero.

Although this resolution would not make an appropriation, it would establish the basis for an appropriation.

This legislation would create or recreate a dedicated account in the General Revenue Fund, create or recreate a fund either in, with, or outside of the Treasury, or dedicate or rededicate a revenue source. The Legislature consolidated funds 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 enacted a funds consolidation bill. The dedication included in this bill, unless created by a constitutional amendment, would be subject to funds consolidation review by the current Legislature.

The cost to the state for publication of the resolution is \$204,406.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD