

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 27, 2023

TO: Honorable Tracy O. King, Chair, House Committee on Natural Resources

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HJR169 by Clardy (proposing a constitutional amendment providing for the dedication of certain sales and use tax revenue to a special fund established in the state treasury to pay for water infrastructure in this state.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR169, Committee Report 1st House, Substituted : a negative impact of (\$500,204,406) 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	(\$250,204,406)
2025	(\$250,000,000)
2026	(\$250,000,000)
2027	(\$250,000,000)
2028	(\$250,000,000)

All Funds, Five-Year Impact:

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

Fiscal Analysis

The joint resolution would create the Texas Water Fund as a special fund in the state treasury outside of the General Revenue Fund administered by the Texas Water Development Board. The Legislature by general law may authorize the administrator of the fund to issue bonds and enter into related credit agreements payable from revenues available to the fund. The fund could be used for the purpose of making grants or loans for water infrastructure projects.

Money in the fund would be dedicated for the purposes of the Section 22, Article VIII limit on appropriations.

Section 7-c, Article VIII of the Texas Constitution would be amended to, beginning in fiscal year 2024, annually deposit \$250 million of the net revenue from the state sales and use tax in excess of \$30.5 billion to the Texas

Water Fund. The Legislature would be allowed to adopt a resolution approved by two-thirds of the members of each house to reduce the annual transfer by up to 50 percent.

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

Methodology

Annual sales and use tax collections during the forecast period are expected to exceed the \$30.5 billion threshold in the resolution, therefore the resolution would result in an annual deposit of \$250 million to the Texas Water Fund and a corresponding loss from the General Revenue Fund where those funds are deposited under current law.

There would be effects on the Economic Stabilization Fund (ESF) balance limit and consequent effects for GR reserves and transfers to ESF. Because sales tax revenue is initially deposited to the general revenue fund, the reduction in deposits in the 2024-25 biennium would reduce the 2026-27 ESF balance limit by 10 percent of the reduction in deposit, reducing 2025 severance tax reserves for transfer to the ESF by the amount of the balance limit reduction, and increasing available GR in 2025 by the amount of reduction of the reserves; however that amount is not expected to be significant.

TWDB indicates they may require a substantial number of program area staff to implement the new program and fund, in addition to support staff, updates to existing technology systems, and contracting for professional services.

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, 352 Bond Review Board, 580 Water Development Board

LBB Staff: JMc, KDw, SD, KK, AJL