

## **BILL ANALYSIS**

C.S.H.B. 188  
By: Landgraf  
Appropriations  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

The bill author has informed the committee that data from the comptroller of public accounts indicates that, since 2014, state oil and natural gas production taxes, also known as severance taxes, have generated \$10.9 billion in revenue for public education, \$16.15 billion in revenue deposited to the State Highway Fund, and \$16.15 billion in revenue deposited to the Economic Stabilization Fund (ESF), otherwise known as the Rainy Day Fund. The bill author has also informed the committee that, as a result of record-setting deposits into the ESF, the comptroller's most recent revenue estimates project that the ESF will hit its cap under state law at the beginning of state fiscal year 2026. C.S.H.B. 188 seeks to provide a path forward for a future that promotes strong oil and natural gas production in Texas by providing for the implementation of a proposed constitutional amendment which creates the Texas Severance Tax Revenue and Oil and Natural Gas (Texas STRONG) defense fund and by 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**

C.S.H.B. 188 amends the Government Code to set out provisions providing for the implementation of the constitutional amendment proposed by H.J.R. 47, 89th Legislature, Regular Session, 2025, 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**

C.S.H.B. 188 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, 2042. 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 account, TERP fund, 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 changes the date of 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, 2042, to December 31, 2036.

C.S.H.B. 188 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.

C.S.H.B. 188 amends the Health and Safety Code to expand the sources of money that comprise the TERP fund to include money transferred to the fund from certain oil and gas production tax revenue from the general revenue fund as provided by the applicable provision of the Texas Constitution.

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

C.S.H.B. 188 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, municipal utility districts, and other political subdivisions;
- develop an application process for the grants; and
- prioritize grants for first responders, emergency and trauma care services, health care and mental health care services, educational opportunities, water infrastructure projects, 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. The bill also requires the governor, in awarding grants for water infrastructure projects, to give priority to a municipal utility district located in a qualifying county.

C.S.H.B. 188 restricts the appropriation of the money in the fund by the legislature to the following entities:

- the governor for the purpose of implementing, administering, and funding the grant program;
- 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;
- the trusted programs within the governor's office for the purpose of meeting economic development needs in qualifying counties; and
- the Department of Public Safety (DPS) for the purposes of:
  - 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**

September 1, 2027, 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 certain other funds and accounts is approved by the voters.

## **COMPARISON OF INTRODUCED AND SUBSTITUTE**

While C.S.H.B. 188 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

Both the introduced and the substitute require the governor to 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 certain entities. However, the substitute includes municipal utility districts among those entities, whereas the introduced did not. Additionally, while both the introduced and the substitute require the governor to prioritize grants for certain purposes, the substitute includes water infrastructure projects among those purposes, whereas the introduced did not. The substitute includes a provision absent from the introduced requiring the governor, in awarding grants for water infrastructure projects, to give priority to a municipal utility district located in a qualifying county.