

BILL ANALYSIS

H.B. 265
By: Craddick
Appropriations
Committee Report (Unamended)

BACKGROUND AND PURPOSE

The bill author has informed the committee that the regions of Texas responsible for the growth in the state's oil and natural gas production have encountered significant challenges that have limited the potential growth of the energy sector and could pose a significant threat to the sustained future growth of oil and natural gas production in the state. Returning a portion of the severance taxes to the oil and gas production areas of Texas through investments in area infrastructure could help alleviate these issues. H.B. 265 seeks to provide for the implementation of a proposed constitutional amendment creating the Grow Texas fund and providing for the creation of a grant program to fund the construction or maintenance of roads, schools, health care facilities, and other infrastructure in the areas of Texas significantly affected by oil and gas production.

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 comptroller of public accounts in SECTION 5 of this bill.

ANALYSIS

H.B. 265 amends the Government Code to set out provisions providing for the implementation of the constitutional amendment proposed by H.J.R. 35, 89th Legislature, Regular Session, 2025, which creates the Grow Texas fund. Specifically, the bill revises the allocation of certain constitutional transfers of money to the Economic Stabilization Fund (ESF), otherwise known as the Rainy Day Fund, and to the state highway fund (SHF) to account for the creation of the Grow Texas fund and provides for the distribution of money deposited to the Grow Texas fund through a grant program.

Constitutional Allocations of Certain Funds

H.B. 265 makes permanent the requirement for the comptroller of public accounts to determine and adopt a biennial sufficient balance threshold for the ESF equal to seven percent of the certified general revenue-related appropriations made for that biennium by repealing the provision setting this requirement to expire on December 31, 2042. With respect to this threshold and the adjustment of constitutional allocations of certain oil and gas production tax revenue, the bill does the following:

- includes any increase in the projected amount of the allocation of the revenue to the ESF in the calculation of the sum relating to the overall projected ESF balance that the comptroller must determine is less than the adopted balance threshold before the

comptroller may make revenue transfers to the ESF, the SHF, and the Grow Texas fund for a state fiscal year;

- with respect to this sum:
 - includes the amount by which the transfer to the ESF is reduced and a corresponding amount is transferred to the Grow Texas fund among the amounts that must be proportionally reduced if, for a state fiscal biennium before the 2042-2043 state fiscal biennium, the sum is less than the adopted threshold for the given biennium in order to increase the allocation to the ESF as provided for by state law; and
 - requires the comptroller to do the following if the sum is determined to be less than the adopted threshold for a state fiscal biennium beginning with the 2044-2045 state fiscal biennium:
 - reduce the amount by which the transfer to the ESF is reduced and a corresponding amount is transferred to the Grow Texas fund; and
 - increase the allocation to the ESF in an amount equal to the reduction of those amounts until satisfying the threshold for that biennium would be achieved by the transfer to the ESF or the total amount of the sum is allocated to the ESF, whichever occurs first; and
- specifies that the required adjustment by the comptroller of the allocation of amounts to be transferred to the ESF and the SHF in a state fiscal year beginning with the 2044 state fiscal year so that the total of those amounts is transferred to the ESF, less any necessary reduction in that amount so as to prevent the ESF from exceeding the biennial cap on the ESF balance, does not increase the amount by which the allocation to the ESF is reduced and a corresponding amount is transferred to the Grow Texas fund.

Grow Texas Grant Program

H.B. 265 requires the comptroller and the Grow Texas fund commission established under H.J.R. 35 to jointly establish a program under which the commission may select applicants to receive grants provided by the comptroller to construct or maintain roads, schools, health care facilities, and other infrastructure in the areas of Texas the commission determines to be significantly affected by oil and gas production. The bill authorizes the legislature to appropriate money in the Grow Texas fund to the comptroller for the purpose of funding the grants.

H.B. 265 requires the commission to establish eligibility criteria for grant applicants, guidelines relating to grant amounts, and procedures for evaluating and approving or denying grant applications. The bill requires the comptroller to establish the procedure for applying for a grant, adopt a form that applicants must use to apply for a grant, and establish procedures for monitoring the use of the grant and ensuring compliance with any grant conditions.

H.B. 265 requires the comptroller to adopt rules to implement and administer these provisions.

Repealer

H.B. 265 repeals Section 316.092(b), Government Code.

EFFECTIVE DATE

September 1, 2027, if the 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 is approved by the voters.