

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 28, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HJR47** by Landgraf (Proposing a constitutional amendment providing for the creation of the Texas severance tax revenue and oil and natural gas (Texas STRONG) defense fund, dedicating the money in that fund to benefit areas of the state significantly affected by oil and gas production, and providing for the transfer of certain general revenues to that fund, the economic stabilization fund, and certain other funds and accounts.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR47, As Introduced: a negative impact of (\$708,835,689) through the biennium ending August 31, 2027.

The resolution would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2026	(\$191,689)
2027	(\$708,644,000)
2028	(\$766,461,000)
2029	(\$821,519,000)
2030	(\$868,281,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from General Revenue Fund 1</i>	<i>Probable (Cost) from General Revenue Fund 1</i>	<i>Probable Revenue Gain from Texas STRONG Fund</i>	<i>Probable Revenue Gain from Oil & Gas Regulation 5155</i>
2026	\$0	(\$191,689)	\$0	\$0
2027	(\$708,644,000)	\$0	\$0	\$0
2028	(\$766,461,000)	\$0	\$500,000,000	\$59,054,000
2029	(\$821,519,000)	\$0	\$500,000,000	\$63,872,000
2030	(\$868,281,000)	\$0	\$500,000,000	\$68,460,000

<i>Fiscal Year</i>	<i>Probable Revenue Gain from Texas Emissions Reduction Plan Fund</i>	<i>Probable Revenue Gain from Property Tax Relief Fund 304</i>
2026	\$0	\$0
2027	\$0	\$0
2028	\$59,054,000	\$90,537,000
2029	\$63,872,000	\$138,718,000
2030	\$68,460,000	\$184,599,000

Fiscal Analysis

The joint resolution proposes amending Article III of the Texas Constitution (Legislative Department Requirements and Limitations) to provide for the creation of the Texas severance tax revenue and oil and natural gas (Texas STRONG) defense fund; dedicating the money in the fund to benefit areas of the state significantly affected by oil and gas production; and providing for the transfer of certain general revenue to that fund, the economic stabilization fund (ESF), the state highway fund (SHF), and certain other funds and accounts including the property tax relief fund.

The resolution would amend Article III, Texas Constitution to add Section 49-g-1 to create the Texas severance tax revenue and oil and natural gas (Texas STRONG) defense fund in the state treasury consisting of a portion of crude oil and natural production taxes; money dedicated or appropriated by the legislature; gifts or grants contributed to the fund; and investment and interest earnings on amounts in the fund.

The legislature could appropriate money from Texas STRONG fund to provide grants to state agencies, political subdivisions of the state, public institutions of higher education, and nonprofit organizations to address public health and safety concerns and workforce preparedness needs to supplement educational opportunities for use in areas of the state that are significantly affected by oil and gas production. The Comptroller would be required to transfer to the general revenue fund any unobligated and unappropriated money remaining in the Texas STRONG fund on the last day of a state fiscal biennium.

The resolution would amend Section 49-g, Article III, Texas Constitution (Economic Stabilization Fund; Allocation of Certain Oil and Gas Production Tax Revenue) to reduce the current allocation of certain portion of oil and natural gas production tax revenues deposited in the general revenue fund to ESF from 50 to 38 percent; the 12 percent reduction would be reallocated 10 percent to Texas STRONG, 1 percent to GR Account 5155 - Oil and Gas Regulation and Cleanup, and 1 percent to the Fund 1201 – Texas Emissions Reduction Plan Trust. If the total amount allocated for transfer to Texas STRONG exceeds \$500 million in a fiscal year, the excess amount would be transferred to Fund 0304 – Property Tax Relief.

The proposed constitutional amendment would be submitted to the voters at an election to be held November 4, 2025. If approved, both new Article III, Section 49-g-1 and the amendments to existing Section 49-g would take effect September 1, 2027.

Methodology

The fiscal impact analysis is based on the 2026-27 Biennial Revenue Estimate and does not include interest and investment earnings. Under the current law, an amount of GR equal to 75 percent of oil and natural gas revenues above 1987 collections is allocated one-half (50 percent) to the ESF and the remainder (50 percent) to the SHF. The resolution would reduce the ESF allocation from 50 percent to 38 percent, and concurrently allocate the reduction as follows: 10 percent to Texas STRONG fund, 1 percent to GR Account 5155, and 1 percent to Fund 1201. The allocation to SHF would remain unchanged at 50 percent.

The ESF balance in fiscal 2027-28 is projected to be above its allowable constitutional cap from the start of fiscal 2026. Therefore, the revenue that should be transferred to the ESF will remain in GR. The transfers to the new eligible funds would be allocated from GR in those years. Notwithstanding the September 1, 2027 effective date, there would be a fiscal impact in fiscal year 2027 as reserves from GR would be required in fiscal 2027 for the transfers due to other funds in fiscal 2028.

The cost to the state for publication of the resolution is \$191,689.

This proposed amendment 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.

Although the proposed amendment would not make an appropriation, it would establish the basis for an appropriation. Appropriation would be required to move money outside the state treasury for the deposit into Fund 1201.

The enabling legislation, HB 188, would reduce the allocation of constitutional transfers of money under certain criteria to SHF, GR Account 5155, Fund 1201, and Texas STRONG and increase the allocation to ESF by the same reduced amount until December 31, 2036; and terminate the allocation reserved for Texas STRONG and transfer that allocation to ESF, and keep the same allocation reserved for SHF in SHF beginning September 1, 2037.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

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