

- SUBJECT:** Creating GROW fund for community infrastructure in oil, gas areas
- COMMITTEE:** Appropriations — committee substitute recommended
- VOTE:** 22 ayes — Zerwas, Longoria, C. Bell, G. Bonnen, Buckley, Capriglione, Cortez, Hefner, Miller, Minjarez, Muñoz, Rose, Schaefer, Sheffield, Sherman, Smith, Stucky, Toth, VanDeaver, Walle, Wilson, Wu
- 1 nay — Howard
- 4 absent — S. Davis, M. González, Jarvis Johnson, J. Turner
- WITNESSES:** For — Matthew Thompson, Apache Corporation; James Beauchamp, MOTRAN; Ben Shepperd, Permian Basin Petroleum Association; Todd Staples, Texas Oil and Gas Association; Ed Longanecker, TIPRO; (*Registered, but did not testify:* Steven Albright, AGC of Texas-Highway Heavy Branch; Mindy Ellmer, Anadarko Petroleum; Lauren Spreen, Apache Corporation; Janiece Crenwelge, Association of Energy Service Companies; Paula Bulcao, BP America, Inc.; Steve Perry and Julie Williams, Chevron USA; Royce Poinsett, Cimarex; Stan Casey, Concho Resources; Betsy Madru, Diamondback Energy; Caleb Troxclair, EOG Resources, Parsley Energy; Jimmy Carlile, Fasken Oil and Ranch, Ltd.; Lindsay Munoz, Greater Houston Partnership; Julie Moore, Occidental Petroleum; Bill Stevens, Panhandle Producers and Royalty Owners Association, Texas Alliance of Energy Producers; Michael Lozano, Permian Basin Petroleum Association; Mia Hutchens, Texas Association of Business; Lauren Fairbanks, Texas Association of Manufacturers; Grover Campbell, Texas Association of School Boards; Ryan Paylor, Texas Independent Producers and Royalty Owners Association; Al Zito)
- Against — None
- BACKGROUND:** Revenue for the Economic Stabilization Fund (ESF), also known as the rainy day fund, comes almost entirely from oil and natural gas production taxes, also known as severance taxes. Before fiscal 2015, the ESF received 75 percent of any severance tax revenue that exceeded the

amount collected in fiscal 1987. A constitutional amendment adopted in 2014 requires the comptroller to send one-half of this amount to the State Highway Fund, with the rest continuing to go to the ESF. The comptroller reduces or withholds allocations to the State Highway Fund as needed to maintain a sufficient balance in the ESF, as determined by a select legislative committee.

**DIGEST:** CSHJR 82 would establish the Generate Recurring Oil Wealth for Texas (GROW Texas) fund and redirect certain transfers of general revenue that currently go to the Economic Stabilization Fund (ESF) to the new fund. The fund could be used only for infrastructure needs in areas affected by oil and gas production.

**Transfers into the fund.** Each fiscal year, 12 percent of the amount of general revenue from severance taxes that would have been transferred to the ESF would instead be transferred to the GROW Texas fund, up to \$250 million per biennium. The GROW Texas fund would consist of such transfers, legislative appropriations, funds dedicated by statute, contributed gifts or grants, and investment earnings and interest.

The amendment would revise current requirements that the Legislature establish a procedure to use when general revenue allocations going to the ESF and the State Highway Fund are adjusted to transfer more of the severance tax revenue to the ESF. Under CSHJR 82, the procedure would have to include the GROW Texas fund.

**Appropriations from the fund.** The Legislature could appropriate money from the GROW Texas fund only for use in areas of the state where oil and gas were produced and only for infrastructure needs, as provided by law, in areas the Legislature determined were significantly affected by oil and gas production. Statutes enacted under this provision could authorize appropriations from the fund for grants to state agencies and political subdivisions for these purposes.

On the last day of each fiscal biennium, the comptroller would have to transfer unobligated and unappropriated balances in the fund to the ESF.

**GROW Texas commission.** CSHJR 82 would create the GROW Texas commission to administer money appropriated from the fund and to advise the Legislature on making appropriations from the fund.

The commission would have seven members serving four-year terms beginning September 1 of each odd-numbered year. The lieutenant governor would be required to appoint two members of the Senate to the commission, and House speaker would be required to appoint two members of the House. The governor would be required to appoint three public members and would designate the presiding officer.

**Effective date.** Provisions creating the new fund and directing certain allocations to it would take effect September 1, 2021.

**Ballot language.** The ballot proposal would be presented to voters at an election on November 5, 2019, and would read: "The constitutional amendment providing for the creation of the generate recurring oil wealth for Texas (GROW Texas) fund, dedicating the money in that fund to benefit areas of the state from which oil and gas are produced, and providing for the transfer of certain general revenues to that fund, the economic stabilization fund, and the state highway fund."

SUPPORTERS  
SAY:

CSHJR 82 would help address a need for long-term funding for critical community infrastructure in areas of Texas that contribute heavily to the state's economic success. Energy production is crucial to Texas' economy, and CSHJR 82 would allow the state to invest in the future of the communities and people that support oil and gas production. This investment would pay off with short- and long-term benefits for all Texans.

Certain areas of Texas have seen prolonged increases in economic activity in the oil and gas industries, which has led to a rapid influx of residents. However, community infrastructure, such as schools and roads, and public safety and health care services have not been able to keep pace. This can

be seen in the inadequate roads, teacher and doctor shortages, health care needs, and other problems facing these areas. If the state does not invest in the infrastructure that supports the people living and working in these regions, huge potential economic growth could be lost which in turn would harm the state as a whole.

CSHJR 82 would address this serious problem by setting aside a portion of oil and gas taxes for investment into these communities. The funds would be available to all areas where oil and gas were produced as well as areas significantly affected by production and could support projects to maintain roads, expand learning opportunities for students, recruit doctors, establish emergency care facilities, and more. Supporting this type of infrastructure would help keep and create jobs and set the stage for economic growth for the entire state.

CSHJR 82 would protect the ESF for the future by supporting the revenue source — the oil and gas industry — that funds it. In the long run, this would keep the ESF at the level necessary to allow the state to be prepared for emergencies.

While other funds possibly could be used to address some of the needs of the state's oil and gas producing areas, a focused approach to these critical areas is necessary. The community infrastructure needs of oil- and gas-producing areas would not all fall within the parameters of the Texas Legacy Fund being considered by the 86th Legislature, and that fund, as well as the ESF in general, have a statewide focus that might not support the specific needs of oil- and gas-producing areas.

Approving CSHJR 82 would allow Texans to vote in November on the issue, but would not itself expend any funds. If Texans support the proposal, the 87th Legislature in 2021 would be able to make specific decisions about appropriating from the fund. If the state does not set the stage to invest in oil and gas producing areas by asking voters to approve the GROW Texas fund, the need would be even greater in the future and some economic opportunities could be lost.

OPPONENTS  
SAY:

CSHJR 82 would reduce budgeting flexibility by placing certain state revenues into a fund earmarked for a specific use. The amendment could unwisely siphon state funds into an account that would not be available for general spending, even in the case of an emergency. Spending decisions should take place within the context of as many available resources as possible and with the consideration and weighing of all needs, rather than through a pool of separate funds. The 86th Legislature already has taken steps to create the Texas Legacy Fund with broader spending purposes that could include certain infrastructure projects in oil and gas producing areas.

NOTES:

According to the Legislative Budget Board, CSHJR 82 would have a negative impact of \$177,289 in fiscal 2020-21 to publish the resolution.

CSHJR 82's enabling legislation, HB 2154 by Landgraf, has been approved by the House Appropriations Committee.