

SUBJECT: Establishing the Texas STRONG fund and allocating constitutional funds

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 25 ayes — Bonnen, González, Allison, Bell, Bryant, DeAyala, Gates, Gervin-Hawkins, Howard, Isaac, Jetton, Martinez, Martinez Fischer, Morrison, Orr, Ortega, Rose, Spiller, Stucky, Tepper, E. Thompson, Toth, VanDeaver, Walle, Wu

0 nays

2 absent — Jarvis Johnson, Thimesch

WITNESSES: For — Phillip Martin, Environmental Defense Fund; Cyrus Reed, Lone Star Chapter Sierra Club; Glenna Bruun, Texas Ports Association; Kenneth Flippin, US Green Building Council Texas chapter (*Registered, but did not testify*: Gilbert Turrieta, ACEC Texas; Steven Albright, AGC of Texas - Highways, Heavy, Utilities, and Industrial Branch; Julie Williams, Chevron; Kari Gibson, ConocoPhillips; Stan Casey, Diamondback Energy; Royce Poinsett, Kinder Morgan; Julie Moore, Occidental Petroleum; Travis McCormick, Panhandle Producers & Royalty Owners Assoc; Ben Shepperd, Permian Basin Petroleum Association; Mark Gipson, Pioneer Natural Resources; Beth Cubriel, PLAINS All American Pipeline; Jennifer Emerson, Port Houston; Mario Martinez, Port of Brownsville; Ashley Morgan, Port of Corpus Christi; Caleb Troxclair, Texas Alliance of Energy Producers; Kyle Bush, Texas Association of Manufacturers; Reed Clay, Texas Health Resources; Ryan Paylor, Texas Independent Producers & Royalty Owners Association; James LeBas, Texas Oil & Gas Association, and Texas Chemical Council; Tricia Davis, Texas Royalty Council)

Against — None

On — Jay Crossley, Farm&City (*Registered, but did not testify*: Nate Hickman, TCEQ; Tetyana Melnyk, Texas Comptroller of Public Accounts)

**DIGEST:** HB 2207 would create the Texas Severance Tax Revenue and Oil and Natural Gas (STRONG) Defense Fund and provide for the transfer of certain severance tax revenues related to the Texas STRONG defense fund, the Oil and Gas Regulation Cleanup account, the Texas Emissions Reduction Program (TERP), and the Property Tax Relief Fund.

Money in the Texas STRONG defense fund could be appropriated by the Legislature only to the:

- governor to support grants to address the effects of and needs associated with significant oil and gas production in the state;
- Texas Department of Transportation to support grants to certain counties or to a county with a port authority or navigation district engaged in oil or gas production, refinement, or export;
- trustee programs within the Office of the Governor to address economic development needs in certain counties; and
- Department of Public Safety for salaries, salary increases, benefits and other costs related to additional staff in qualifying counties, or for costs related to enforcement of commercial motor vehicle safety standards and prevention of gang violence and human trafficking in qualifying counties.

The governor would be required to establish a grant program using money from the Texas STRONG defense fund for grants to nonprofit organizations, public higher education institutions, school districts, and political subdivisions to address effects and needs associated with significant oil and gas production. Grant requests related to first responders, emergency and trauma care services, health care, mental health, educational, and workforce preparedness activities would be given priority. Priority also would be given to grant applicants located in a county with a port authority or navigation district engaged in oil or gas production, refinement, or export.

HB 2207 would revise provisions related to the allocation of severance taxes to the Texas STRONG defense fund, the Oil and Gas Regulation

Cleanup account, the Texas Emissions Reduction Program (TERP), and the Property Tax Relief Fund. Revisions would:

- eliminate expiration of the temporary increase to the State Highway Fund;
- require the comptroller to reduce proportionately the allocations to the Texas STRONG defense fund, the Oil and Gas Regulation Cleanup account, TERP, and the Property Tax Relief Fund to the Economic Stability Fund (ESF) when the ESF balance was below the required balance threshold;
- postpone the expiration of the ESF balance threshold requirement from December 31, 2034 to December 31, 2038; and
- end the diversion of severance tax revenue to the Texas STRONG defense fund on September 1, 2037, and require the comptroller to reallocate amounts that would have been transferred to the Texas STRONG defense fund to the ESF.

The bill would take effect January 1, 2024, but only if the constitutional amendment providing for the creation and funding of the Texas Severance Tax Revenue and Oil and Natural Gas Defense Fund and appropriation of other funds identified in the bill was approved by voters.

**SUPPORTERS  
SAY:**

HB 2207 would provide for long-term investment in the people, communities, and regions that support the state's oil and gas industry. Texas is a leader in oil production, and the investments made by the Texas STRONG defense fund could help ensure communities supporting oil and gas production can grow and meet changing demands into the future.

Texas STRONG grants would help support communities that thrive around ports used to export oil products. Communities would benefit from improvements to infrastructure needs such as roadways, schools, emergency services, and schools. Grants for road improvements in oil producing communities also could help save lives, as many fatal accidents have occurred in areas where additional investment could help significantly reduce safety risks.

Additional funding would be provided for oil and gas cleanup and TERP emissions projects to help reduce the environmental impact from oil and gas production. Abandoned wells could be capped more readily with the funds, and additional TERP projects could further improve air quality in the state.

By using severance taxes, the Texas STRONG defense fund would keep more of the state taxes generated in the oil production communities invested in these communities. The fund would receive funds only after all other obligations to the ESF had been made, which would help ensure there was no negative impact to the Foundation School Program or highway funding.

CRITICS  
SAY:

No concerns identified.

NOTES:

HB 2207 is the enabling legislation for HJR 111, which is set for second reading consideration today.