

SUBJECT: Authorizing Texas STRONG defense fund, allocating funds

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 24 ayes — Bonnen, González, Allison, 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

3 absent — Bell, Jarvis Johnson, Thimesch

WITNESSES: For — Phillip Martin, Environmental Defense Fund; James LeBas, Texas Oil & Gas Association, and Texas Chemical Council (*Registered, but did not testify*: Steven Albright, AGC of Texas- Highways, Heavy, Utilities, and Industrial Branch; Julie Williams, Chevron; Kari Gibson, ConocoPhillips; Stan Casey, Diamondback Energy; Jason Sabo, Environment Texas; Keith Strama, ExxonMobil; Royce Poinsett, Kinder Morgan; Cyrus Reed, Lone Star Chapter Sierra Club; Julie Moore, Occidental Petroleum; Travis McCormick, Panhandle Producers & Royalty Owners Association; Ben Shepperd, Permian Basin Petroleum Association; Mark Gipson, Pioneer Natural Resources; Beth Cubriel, PLAINS All American Pipeline; Jennifer Emerson, Port Houston; 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; Glenna Bruun, Texas Ports Association; Tricia Davis, Texas Royalty Council; Kenneth Flippin, US Green Building Council Texas Chapter)

Against — None

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

DIGEST: HJR 111 would amend the Texas Constitution to create the Texas Severance Tax Revenue and Oil and Natural Gas (STRONG) Defense Fund. Allocations to the Economic Stabilization Fund (ESF) and the state highway fund would be revised to provide funding for the Texas STRONG defense fund.

A Texas STRONG defense fund would be established as a fund in the State Treasury and consist of transfers, legislative appropriations, funds dedicated by statute, gift or grant contributions, and investment earnings and interest. The Legislature could appropriate money from the fund only for use in areas of the state significantly affected by oil and gas production as determined by the Legislature. Funds could be provided as grants to state agencies, political subdivisions, public higher education institutions and nonprofit entities to address public health, safety, education, and workforce preparedness needs.

The resolution would decrease the ESF's 50 percent allocation to 38 percent and would reapportion the remaining 12 percent as follows:

- 10 percent to the Texas STRONG defense fund;
- one percent to the oil and gas regulation and cleanup account; and
- one percent to the Texas Emission Reduction Plan (TERP).

In addition, the Legislature would be required to provide for a procedure for allocating the remainder of any excess funds to the oil and gas regulation and cleanup account, TERP, the property tax relief fund, and Texas STRONG defense fund.

The required transfer to Texas STRONG could not exceed \$500 million per fiscal year. If the amount required to be transferred by the comptroller exceeded the cap, the comptroller would reduce the amount allocated to be transferred to the fund by the amount that would exceed \$500 million for the year and transfer the amount by which the allocation was reduced to the property tax relief fund.

On the last day of each state fiscal biennium, the comptroller would be required to transfer any unobligated and unappropriated money remaining in the Texas STRONG defense fund to the general revenue fund.

A ballot proposal would be presented to voters at an election on November 7, 2023 and would read: "The 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, the state highway fund, the oil and gas regulation and cleanup account, the Texas emissions reduction plan fund, and the property tax relief fund."

Provisions creating the new fund and directing certain allocations to the fund would take effect January 1, 2024.

**SUPPORTERS
SAY:**

HJR 111 would enable the state to provide long-term investment in the people, communities, and regions that support the oil and gas industry. Investments made by the Texas STRONG fund would help ensure that communities supporting oil and gas production could grow and meet changing demands into the future.

In addition to grants to communities significantly impacted by the oil and gas industry, 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.

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

No concerns identified.

HJR 111
House Research Organization
page 4

SAY:

NOTES: HB 2207, on the Second Reading Calendar for consideration today, would provide the enabling language for HJR 111

According to the Legislative Budget Board, HJR 111 would have a general revenue negative impact of \$436,467,406 through the biennium ending August 31, 2025.