BILL ANALYSIS

Senate Research Center

S.J.R. 21
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Finance
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.J.R. 21 reduces the rate of oil and gas severance taxes and suspends transfers into the economic stabilization fund (ESF) when the balance exceeds 10 percent of the prior fiscal year's total net general revenue related collections. Specifically, in the event the comptroller of public accounts of the State of Texas' (comptroller) biennial revenue estimate projects that the ending balance of the ESF will exceed 10 percent of the prior fiscal year's total net general revenue related collections, the comptroller does not make the required transfers of production taxes to the ESF and reduces the rate of the severance tax on oil and gas so that revenues are reduced by the amount of foregone transfers into the ESF. The reduced rate would be sufficient to preserve all other amounts of transfers to the general revenue fund and the state highway fund.

S.J.R. 21 proposes a constitutional amendment to provide for forgoing the transfer of oil and gas production tax revenue to the ESF if the ending fund balance for the preceding fiscal year is greater than 10 percent of the prior fiscal year's total net general revenue related collections and for reducing the rates of oil and gas production taxes by amounts sufficient to equal the forgone transfer.

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RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 49-g, Article III, Texas Constitution, by amending Subsections (c), (c-1), (c-2), (d), and (e) and adding Subsections (c-3), (c-4), (c-5), and (c-6), as follows:

(c) Replaces references to Subsections (c-1) and (c-2) with references to Subsection (c-1) and makes conforming changes.

(c-1) Deletes existing text creating an exception under Subsection (c-2) of this section.

(c-2) Requires the rate of tax imposed on oil production and the rate of tax imposed on gas production in the current fiscal year to be as provided by the legislature under general law, if the ending balance in the economic stabilization fund for the preceding fiscal year was not greater than 10 percent of the prior fiscal year's total net general revenue related collections. Deletes existing text requiring the legislature by general law to provide for a procedure for adjusting the allocation of certain funds.

(c-3) Prohibits the comptroller of public accounts of the State of Texas (comptroller), if the ending balance in the economic stabilization fund for the preceding fiscal year was greater than 10 percent of the prior fiscal year's total net general revenue related collections, from transferring any general revenue to the economic stabilization fund during the current fiscal year but requires the comptroller to transfer to the state highway fund under Subsection (c) of this section and retain as general revenue under Subsections (d) and (e) of this section the amounts that would have been transferred or retained had the ending balance been less than 10 percent of the prior fiscal year's total net general revenue related collections.

(c-4) Defines "tax relief set-aside" and "tax-rate-cut factor" for purposes of this section.

(c-5) Requires the rate of tax imposed on oil production for the current fiscal year, if the ending balance in the economic stabilization fund for the preceding fiscal year was greater than 10 percent of the prior fiscal year's total net general revenue related collections, to be calculated by subtracting the tax-rate-cut factor from one and multiplying the remainder by the tax rate for oil production provided by the legislature under general law. Requires the comptroller to establish the rate of oil production tax not later than the 90th day of each fiscal year.

(c-6) Requires the rate of tax imposed on gas production for the current fiscal year, if the ending balance in the economic stabilization fund for the preceding fiscal year was greater than 10 percent of the prior fiscal year's total net general revenue related collections, to be calculated by subtracting the tax-rate-cut factor from one and multiplying the remainder by the tax rate for gas production provided by the legislature under general law. Requires the comptroller to establish the rate of gas production tax not later than the 90th day of each fiscal year.

(d) Requires the comptroller, if in the preceding fiscal year the state received from oil production taxes a net amount greater than the net amount of oil production taxes received by the state in the fiscal year ending August 31, 1987, and the ending balance in the economic stabilization fund for the preceding fiscal year was not greater than 10 percent of the prior fiscal year's total net general revenue related collections, to transfer under Subsection (c) of this section and allocate in accordance with Subsection (c-1) of this section an amount equal to 75 percent of the difference between those amounts. Makes conforming changes.

(e) Requires the comptroller, if in the preceding fiscal year the state received from gas production taxes a net amount greater than the net amount of gas production taxes received by the state in the fiscal year ending August 31, 1987, and the ending balance in the economic stabilization fund for the preceding fiscal year was not greater than 10 percent of the prior fiscal year's total net general revenue related collections, to transfer under Subsection (c) of this section and allocate in accordance with Subsection (c-1) of this section an amount equal to 75 percent of the difference between those amounts. Makes conforming changes.

SECTION 2. Provides that the following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) Provides that this temporary provision applies to the constitutional amendment proposed by the 86th Legislature, Regular Session, 2019, providing for foregoing the transfer of oil and gas production tax revenue to the economic stabilization fund if the ending fund balance for the preceding fiscal year is greater than 10 percent of the prior fiscal year's total net general revenue related collections and for reducing the rates of oil and gas production taxes by amounts sufficient to equal the foregone transfer.

(b) Provides that the amendments to Section 49-g, Article III, of this constitution take effect January 1, 2020, and apply only to oil production taxes and gas production taxes imposed for a fiscal year beginning after that date.

(c) Provides that this temporary provision expires January 1, 2020.

SECTION 3. Requires that the proposed constitutional amendment be submitted to the voters at an election to be held November 5, 2019. Sets forth the required language of the ballot.