

# Condensed Analysis of Proposed Constitutional Amendment

November 4, 2014, Election



Texas Legislative Council

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Lieutenant Governor David Dewhurst, Joint Chair  
Speaker Joe Straus, Joint Chair  
Jeff Archer, Interim Assistant Executive Director

## **Amendment No. 1 (S.J.R. 1)**

The constitutional amendment providing for the use and dedication of certain money transferred to the state highway fund to assist in the completion of transportation construction, maintenance, and rehabilitation projects, not to include toll roads.

**Summary of Proposed Amendment.** S.J.R. 1, approved during the 83rd Texas Legislature, 3rd Called Session, 2013, proposes an amendment to the Texas Constitution to require the comptroller of public accounts, in accordance with an allocation provided by statute, to allocate to the state highway fund, for the sole purpose of constructing, maintaining, and acquiring rights-of-way for public roadways other than toll roads, up to half of the amount of oil and gas production tax revenue the comptroller currently is required to transfer each year to the economic stabilization fund, also known as the rainy day fund.

Enacted during the 3rd Called Session, H.B. 1 is the enabling legislation intended to implement the constitutional amendment proposed by S.J.R. 1 if the amendment is approved by the voters. The enabling legislation requires a select legislative committee through 2024 to adopt for each two-year state budget cycle a balance amount for the economic stabilization fund considered to be sufficient, based on specified factors. The amount is subject to legislative approval. If a sufficient balance has not been adopted for a budget cycle, the enabling legislation requires the comptroller to adjust the allocations to the economic stabilization fund and the state highway fund so that all of the oil and gas production tax revenue subject to allocation for that budget cycle is transferred to the economic stabilization fund, subject to a constitutional limit on the amount of the fund. If a sufficient balance has been adopted and the comptroller determines that the balance of the economic stabilization fund, including any projected transfers to that fund, will be less than the adopted balance, the enabling legislation requires the comptroller to reduce the allocation to the state highway fund and increase the allocation to the economic stabilization fund as necessary to achieve that sufficient balance in the economic stabilization fund.

**Summary of Comments Made About the Proposed Amendment.** The following paragraphs are based on comments made about the amendment during the legislative process and generally summarize the main arguments supporting or opposing the amendment.

**Comments by Supporters.** A marked need for additional transportation funding has been created by a number of factors, including the growth of the state's population and economy and the attendant increase in the use of public roadways; erosion in the relative value of the state gasoline tax; maintenance requirements of an aging highway system; and the added strains placed on public roadways by increased oil and gas exploration and production. The funding mechanism set out by the proposed amendment and its enabling legislation will result in a steady stream of additional highway money that could be used for long-term planning by transportation administrators.

The funding mechanism affects only deposits to the economic stabilization fund, which currently has a robust balance; it does not raise taxes or fees and has no effect on money coming out of the fund. Furthermore, the funding mechanism gives legislators a voice in its operation and provides what is effectively a 10-year expiration date if the process does not meet expectations.

**Comments by Opponents.** Funding transportation is a key component of state government's complex appropriations process and should not be delegated to the voters.

While there may be widespread agreement that the state must find additional transportation funding, oil and gas production taxes are a volatile revenue stream that should not be considered as part of a long-term solution to transportation funding. In addition, the amount of funds that would be allocated to the state highway fund under the proposed amendment and its enabling legislation constitute only approximately one-quarter of the funds that are needed to keep up with an increasing demand for transportation funding.