

STAFF REPORTS

TEXAS GOVERNMENT AFFAIRS

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This quarter PBPA saw the end of the regular session as well as the completion of two called, or “special” sessions of the Texas Legislature. While we currently await rulemakings at state agencies as well as an impeachment trial in September, there will likely be another special session on school vouchers in October.

This Session, PBPA fully expected there to be a large list of items to tackle, and an even larger purse for legislators to use to tackle those issues. With robust funding, PBPA was focused on ensuring that state agencies have the resources necessary to support a healthy oil and natural gas industry.

PBPA led and was successful in supporting funding for the TexNet seismic monitoring system housed at the Bureau of Economic Geology. The funding should lead to better analysis of real time data and the support of efforts for the RRC to contract with outside experts on advanced modeling. Operators have long recognized that the Commission has requested data but lacked the ability to utilize that data for benefits of understanding seismic impacts and we hope this will help inform better planning, permitting, and reaction to potential seismic events.

Texas also invested in produced water through continued funding of the Produced Water Consortium that is housed at Texas Tech University. This will support pilot projects to continue innovation in this important sector. With the passage of Senate Bill 28 and Senate Joint Resolution 75, which voters will also have the opportunity to support or oppose as a constitutional amendment. These measures jointly create the Texas Water Fund, focusing on new water supplies. The ambitious goal for this program is to finance the creation of seven million acre-feet of new water supplies by 2033.

This Session, the Legislature also had to address comprehensive “sunset reviews” of state agencies, the two most important for our interest being the Public Utility Commission of Texas (PUC) and The Texas Commission on Environmental Quality.

House Bill 1500, includes the reauthorization of the PUC as well as the Office of Public Utility Counsel (OPUC) and the Electric Reliability Council of Texas (ERCOT), the organization responsible for grid operations for the majority of Texas.

In House Bill 1500 are numerous reform provisions. Among them is a new requirement that variable generating units are allocated costs for reliability, as well as a requirement that these generating units produce the power they promise, in addition to other firming requirements. The bill also included provisions to limit the cost of any performance credit mechanisms to \$1 billion a year, that would be spread across the market at large.

Voters will also have the opportunity to support or oppose a constitutional amendment, filed as Senate Joint Resolution 93, which in conjunction with enabling legislation in Senate Bill 2627, will establish a loan program of about \$7 billion to incentivize the creation of natural gas plants for electric generation.

In addition to that, House Bill 5, reinstates a statewide economic development plan and also includes the property tax abatements for these natural gas plants but prohibits renewable assets from utilizing this new program.

This Legislature did, emphatically, support the states authority to regulate several issues rather than allow a patchwork of ordinances adopted by local governments including a broad pre-emption bill, a bill that makes the state the primary regulator on greenhouse gas emissions, a bill that prohibits local governments to adopt climate charters, and a bill that protects the energy choice of Texas consumers. All of the following bills were passed and sent to the Governor.

House Bill 2127 by Representative Dustin Burrows in the House and sponsored by Senator Brandon Creighton in the Senate would prohibit a municipality or county from adopting, enforcing, or maintaining an ordinance, order, or rule regulating conduct in a field of regulation occupied by a provision of certain statutory codes unless the municipal or county regulation was expressly authorized by another statute.

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Senate Bill 784 by Senator Brian Birdwell and sponsored by the Permian Basin's own Brooks Landgraf, ensures, to the extent not preempted by federal law, the state has exclusive jurisdiction over the regulation of greenhouse gas emissions in the State of Texas. The bill further clarifies that a municipality or other political subdivision may not enact or enforce an ordinance or other measure that directly regulates greenhouse gas emissions.

Senate Bill 1860 by Senator Bryan Hughes and sponsored by Dean of the Permian Basin delegation and the Texas House, Speaker Tom Craddick, ensured that the local governments could not adopt or enforce climate charters as some local governments had sought to do across the country and even in Texas.

Last, but certainly not least, was the passage of Senate Bill 1017 also by Senator Birdwell and sponsored by Rep. Brooks Landgraf, which protected energy choice for consumers across the state. In light of those that oppose oil and gas production and use, this bill was filed to ensure that political subdivisions are prohibited from adopting or enforcing regulations that limit access to specific fuels sources or prohibit the sale of engines based on their fuel source.

In addition to those successes, PBPA fought hard to oppose DC style legislation that we have seen across the border in New Mexico, including the effort to pass a "Green Amendment" which would have authorized causes of action for environmental issues as well as many other pieces of legislation that would have stymied or prohibited oil and gas development.

PBPA also sought to provide relief to operators by reforming the critical infrastructure process. After nearly two years of this program being in place, we have learned many things and our hope was to take these lessons learned and provide greater flexibility. Unfortunately those efforts did not succeed, however we continue to explore ways through rules and regulations at state agencies to provide this much needed reform.

Two special sessions were called by Governor Greg Abbott to focus on property tax relief and in the second special session, the Legislature compromised on plans that provide the largest tax relief bill in Texas history.

HJR 2 will serve as the amendment to the Texas Constitution authorizing relief, Senate Bill 2 will serve as the omnibus property tax relief bill, and Senate Bill 3 will serve as the franchise tax relief bill.

Together these bills accomplish the following:

1. Over \$12 billion will be spent on reducing the school property tax rate for all homeowners and business properties.
2. Every homeowner who homesteads their home (approximately 5.7 million homeowners) will get a \$100,000 homestead exemption.
3. Non-homesteaded properties, valued at \$5 million and under, including residential and commercial properties, will receive a 20% circuit breaker on appraised values as a 3-year pilot project.
4. Legislation will also include savings on the franchise tax for small businesses and create newly elected positions on local appraisal boards

PBPA staff and members understand the importance of the work done this session and the work ongoing to implement the legislative successes that were made. We encourage all members to continue to stay active and engaged on these issues and participate at the committee level to ensure their voices are heard.