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# DALLAS & THE LEGISLATURE



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## House, Senate disagree on how to fund the state's oil and gas regulator

Texas House and Senate leaders unveiled dueling budget proposals this week that are billions of dollars apart.



BY KIAH COLLIERJAN. 19, 2017 3:55 PM



□ Paul Lowry

An infographic with a dark blue background. In the top right corner is a small white circle containing a red outline of the state of Texas. The text is centered and reads: "More than" in white, "83%" in large red font, "of Texan travelers said they would use the" in white, and "TEXAS BULLET TRAIN." in white with "TEXAS BULLET TRAIN" in bold.

Texas House and Senate leaders unveiled dueling budget proposals this week that are billions of dollars apart. A tiny, if notable, fraction of the discrepancy: how each chamber suggests funding the cash-strapped state agency that oversees the powerful oil and gas industry.

The House budget proposal boosts funding to the Railroad Commission by nearly 20 percent to \$211.4 million over the next two years, while the Senate budget proposal slashes it by nearly 8 percent to \$162.7 million.

The agency, which is funded primarily through energy industry taxes and fees companies pay for drilling

permits, has for months made it clear that it's bleeding cash amid a massive slowdown in drilling activity because of low oil prices. It already has had to cut its budget by 21 percent, slashing \$16 million from a fund that pays for plugging abandoned oil wells and cleaning up drilling sites, according to a [memo](#) Railroad Commission Chairwoman [Christi Craddick](#) drafted last year.

To avoid more cuts, the agency needs a two-year cash infusion of about \$45 million and the ability to keep some of the gas utility taxes it collects, the memo said. And if it doesn't get it, the agency will suffer, and "health and safety issues that the state must avoid" could pop up.

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House leaders heard that call — at least partly.

They opted to infuse the agency with an additional \$35 million over the state's two-year budget cycle — a sum that comes from letting the agency keep a portion of that gas tax revenue, which currently is funneled into the state's general revenue fund. The Senate, meanwhile, opted to cut the Railroad Commission budget by \$13.6 million.

The opposing approaches fit within a larger budgetary theme in which the Senate — amid a significant [decline](#) in state revenues — is lowballing state programs while the House is being more generous with some of them, spending significantly [more](#) overall than the comptroller has said will be available over the 2018-19 budget cycle.

The two chambers will have to meet in the middle over the next 18 weeks as the budget is the only legislation lawmakers are required to pass when they convene in Austin every other year. By law, it has to balance. (It is not uncommon for the two chambers to start out far apart on spending.)

Sen. [Jane Nelson](#), the Senate's lead budget writer, suggested she is open to negotiation on the Railroad Commission budget. (The agency is [scheduled](#) to plead its case to Nelson's Senate Finance Committee at a hearing on Feb. 9.)

The budget released this week "is a starting point, and we will work to ensure that the resources are there to ensure a safe, thriving energy sector in Texas," the Flower Mound Republican said in a statement.

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"I live in the Barnett Shale, so I understand both the economic impact and the health and safety concerns involved with energy production," she added.

State Rep. [Drew Darby](#), the current chairman of the House Energy Resource Committee and a former House budget writer, said "it's critically important for the state that we have a fully funded regulatory agency" as it's "responsible for one of the largest segments in our economy."

"We have placed great responsibility on them, so we have to make sure they have the tools in order to do their job," the San Angelo Republican said.

That will involve assuring the agency has "a baseline funding source" that will help get it through the downturn, which is [showing signs](#) of letting up but may linger into the next budget cycle, he said. "It will take awhile, frankly, for industry to ramp up," Darby said. A rough budget outlook isn't the only major issue facing the Railroad Commission this legislative session. Lawmakers also will [try](#) for the third time to enact legislation reforming the Railroad Commission. And the way House and Senate leaders treated other energy-related parts of the budget show Railroad Commission reforms and budget won't be the only sticking point this session. The Senate, for example, also chose to zero out funding to the University of Texas at Austin's Bureau of Economic Geology, which is studying the link between earthquakes and the controversial drilling technique known as fracking. The House budget maintains 90 percent of that funding. It also fully maintains funding for endangered species research overseen by the comptroller's office while the Senate budget completely zeroes it out.

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The Texas Sunset Advisory Commission [snubbed](#) several recommendations meant to enhance the Railroad Commission of Texas' efficiency and environmental regulatory functions. In their first-day numbers, the Texas Legislature's two chambers didn't even [agree](#) on the size of the current budget. The House baked in some supplemental expenses that the Senate left that out. Facing sluggish economic forecasts, Comptroller Glenn Hegar announced that lawmakers will have \$104.87 billion in state funds at their disposal in crafting the next two-year budget, a 2.7 percent decrease from the last session two years ago.

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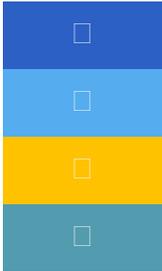
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