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The House budget allocates almost half of the state's general revenue to public education, with a record \$60.3 billion, representing a \$5 billion increase and giving the state responsibility for more than half of all public education funding. The 979-page document, debated by lawmakers for 12 hours, also includes \$17.5 billion for property tax cuts and \$4.6 billion on border security.

"From property tax relief to public education, House Bill 1 prioritizes Texans by dedicating dollars a wide range of issues while also keeping spending in check," House Speaker Dade Phelan said in a statement. "House Bill 1 is a spending plan that every Texas House member should be proud o



On April 17, the Texas Senate approved a \$308 billion spending plan for the next two years.

"Even before the comptroller's biennial revenue estimate, I was clear that we must return a significant portion of our unprecedented budget surplus to those who created it: the taxpayers," shared Lt. Gov. Dan Patrick after the budget passed.

Some highlights of the Senate's version of House Bill 1 include:

- \$16.5 billion for the Senate's property tax relief package, including raising the homestead exemption to \$70,000 for all Texans and \$100,000 for seniors 65 and older;
- \$4.6 billion to continue current support for Operation Lone Star and to build the wall;
- \$10 billion to create a low-interest loan program to fund the construction of new natural gas plants;
- \$350 million to increase pay and training for rural law enforcement; and
- \$3.1 billion in mental health care funding, split between House Bill 1 and Senate Bill 30, the supplemental budget

The Senate's budget also includes an increase in public education spending, including:

- \$5 billion to address special education services, increased teacher compensation, curriculum, school safety, and school choice;
- \$3.7 billion, in addition to \$1 billion in the Senate's Supplemental Budget, for cost-of-living adjustments for retired educators; and
- \$7,500 supplemental payment to retired educators age 75 and older.

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Conferees from both chambers met p

by House Appropriations Chair Rep. Greg Bonnen, and five senators, led by Senate Finance Committee Chair Sen. Joan Huffman, are tasked with resolving the differences in the two proposals. The biggest issue is how to deliver \$15 billion in property taxes out of the \$33 billion surplus.

The House plan would cap home value appraisal growth, limiting the annual increase for any home to 5 percent, down from the current cap of 10 percent. The Senate would do it by increasing the homestead exemption, allowing homeowners to deduct \$70,000 of their property value prior to assessment, up from the current exemption of \$40,000. Additionally, Texans over 65, who make up about 40 percent of homeowners in the state, could write off an additional \$30,000 of value, for a total of \$100,000.

### Industry Perspective

The state budget and tax relief proposals fall within the top three issues of concern for the oil and gas industry, reported Michael Lozano, director of Permian Basin Petroleum Association (PBPA) Government Affairs.

“Our priorities in this process include adequate funding of the agencies that regulate and process permits for the oil and gas industry, including the Railroad Commission of Texas (RRC) and the Texas Commission on Environmental Quality,” Lozano stated. “In addition to that, we are supporting increased funding for seismic research at the Bureau of Economic Geology, which oversees the TexNet seismic monitoring system.”

It is important for the industry to learn more about the seismic activity occurring in the Permian Basin as well as have ways to analyze that data, Lozano observed. On a related note, funding for the RRC will help with developing advanced modeling of the data that companies and TexNet collect.



“Additionally, both chambers are proposing more than \$15 billion in tax relief, and we are monitoring that because tax relief is an important effort for taxpayers across the Permian Basin,” Lozano said.

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## Electricity

The PBPA has supported efforts to guarantee that the “performance credit mechanism” proposed by the Public Utilities Commission has appropriate parameters so that the program does not simply create costs for electricity customers across the state without adding new, reliable, thermal electric generation in Texas, Lozano remarked. These efforts are represented by Senate Bill 2012

The PBPA is also monitoring Senate Bill 6 and Senate Bill 7, which fund new electricity generation and ensure that the market does not continue to distort itself by preferring renewable energy over reliable thermal energy.

“We also recognize that so many PBPA members are disproportionately and negatively affected by transmission congestion, and House Bill 2848 and House Bill 5066 both seek to provide benefits during the process of transmission planning,” Lozano continued. “Our goal is to reduce congestion and ensure that operators who need access to electricity can gain access in a reasonable time at a reasonable cost. There is no benefit to investing hundreds of millions or billions on new thermal plants that will become stranded assets if there is not a reasonable method to build transmission and distribution of those assets.”

## 87th Senate Bill 3 Reformation

During the last legislative session, lawmakers passed Senate Bill 3, which requires operators to isolate, measure, and list assets that may be critical; provide that information to the RRC and utilities; and establish emergency operation plans and weather readiness reports.

Along with making significant adjustments to meet these new reporting mandates, operators have also allocated significant new capital to purchase new technologies to prepare to operate during weather emergencies, Lozano reported. House Bill 3244 seeks to:

- reduce redundancy of reports;
- allow operators to serve as a load resource, which has significant benefits to the grid as a whole if they are not mapped, and;
- allow an operator a process to engage with the RRC to better share information so that the RRC can then determine whether or not a facility should be mapped.

“The bill in no way waters down penalties. The penalties remain high for bad actors.”

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Operators and regulators have had the opportunity to review these processes for more than 18 months and can utilize these lessons learned, Lozano concluded.

### Capitol Voice

Throughout the 180-day session, the PBPA has had a presence under the Pink Dome offering firsthand perspective on proposed bills that could hamper the industry as well as on those that support oil and gas endeavors. For example, PBPA President Ben Shepperd testified in support of Rep. Tom Craddick’s GROW bill (House Joint Resolution 27), which was passed out of House Appropriations. The PBPA also supported Rep Brooks Landgraf’s STRONG bill (House Joint Resolution 111).

“It is certainly important for us to support concepts that recognize the outsized economic impact of the Permian Basin and other energy-producing areas,” Lozano summarized, “and help return some of that tax revenue to ensure production can continue and that we can improve the quality of life and infrastructure for those who live, work, and raise their families in the Permian Basin.”

***For more information on the PBPA and the Texas Legislature, go to [www.pbpa.info](http://www.pbpa.info).***

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