SUBJECT: Amending the county transportation infrastructure fund grant program

COMMITTEE: Transportation — committee substitute recommended

VOTE: 12 ayes — Canales, Bernal, Y. Davis, Goldman, Hefner, Krause, Leman, Martinez, Ortega, Raney, Thierry, E. Thompson

0 nays

1 absent — Landgraf

WITNESSES: For — Daryl Fowler, County of DeWitt; Michael Lozano, Permian Basin Petroleum Association; Todd Staples, Texas Oil and Gas Association; (*Registered, but did not testify*: Steven Albright, AGC of Texas Highway Heavy Branch; Lindsey Miller, Anadarko Petroleum; Matthew Thompson, Apache Corp.; Ashley Morgan, Association of Energy Service Companies; Steve Perry, Chevron USA; Stan Casey, Concho Resources; Tom Sellers, ConocoPhillips; Betsy Madru, Diamondback Energy; Caleb Troxclair, EOG Resources, Parsley Energy, and SM Energy; Keith Strama, ExxonMobil; James Teal, McMullen County; Christina Wisdom, Occidental Petroleum; Mark Gipson, Pioneer Natural Resources; Beth Cubriel, Plains All American Pipeline; Cody Sutton, Shell; Bill Stevens, Texas Alliance of Energy Producers; Ryan Paylor, Texas Independent Producers and Royalty Owners Association)

Against — None

On — Jim Allison, County Judges and Commissioners Association of Texas; Woodrow Gossom, Wichita County; (*Registered, but did not testify*: Jimmy Archer, Texas Department of Motor Vehicles; David Millikan, Texas Department of Transportation)

BACKGROUND: Transportation Code ch. 256, subch. C governs the transportation infrastructure fund, a dedicated fund in the state treasury outside the general revenue fund. Under sec. 256.103, the Texas Department of Transportation must develop policies and procedures to administer a grant program for county transportation infrastructure projects in areas of the state affected by increased oil and gas production.

Grants must be allocated among counties as follows:

- 20 percent according to weight tolerance permits;
- 20 percent according to oil and gas production taxes;
- 50 percent according to well completions; and
- 10 percent according to the volume of oil and gas waste injected.

Under Sec. 256.105, in order to be eligible for these grants, counties must provide matching funds in an amount equal to at least 20 percent of the grant, or 10 percent of the grant if the county is economically disadvantaged.

It has been suggested that modifying the disbursement mechanism for this grant program could better serve counties in energy-producing areas that are in need of funding to construct, repair, and maintain infrastructure.

DIGEST:

CSHB 4280 would amend certain provisions of the county transportation infrastructure fund grant program, including eligibility for grants and the formula for distribution, and require competitive bidding.

A county would be eligible for a grant under the program if at least $10 million in oil and gas production taxes were collected in the county in the previous fiscal year, as determined by the comptroller.

The grant distribution would be amended so that the percentage allocated according to weight tolerance permits would be decreased from 20 percent to 10 percent. The allocation according to well completion would be separated between horizontal and vertical well completion. Horizontal well completion would account for 45 percent of grant allocation, and vertical well completion would account for 15 percent.

A county would have to use a competitive bidding process to enter into a contract for a transportation infrastructure project involving construction or maintenance of roads funded by a county transportation infrastructure program grant. In that process, the county would have to advertise for bids, receive and publicly open the bids, and award the contract to the lowest responsible bidder. In advertising for the bids, a county would have to prepare a request for competitive bids that included construction documents, estimated budget, project scope, estimated project completion date, and other information.

No later than seven days after a contract was awarded, the county would have to document the basis of its selection and make the evaluations public.

CSHB 4280 would require a grant awarded from the county transportation infrastructure program to be spent within five years. The bill would repeal the requirement for counties to provide matching funds to be eligible to receive such a grant.

CSHB 4280 would take effect September 1, 2019, and apply only to a contract entered into on or after that date.