

BILL ANALYSIS

Senate Research Center
87R5310 JAM-F

H.B. 3973
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Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

The committee substitute for H.B. 3973 creates a joint interim committee to study matters related to abandoned oil and gas wells in this state, including the costs associated with plugging abandoned wells and bonding requirements imposed on owners or operators of oil and gas wells; identify potential solutions to reduce the need for general revenue spending to plug abandoned wells; conduct a review of the oil and gas regulation and cleanup fund, evaluate and identify other sources of potential revenue, including federal funds and other existing taxes and fees paid to the benefit of the state which could be utilized to meet the goals of the committee.

H.B. 3973 amends current law relating to the composition and use of money in the oil and gas regulation and cleanup fund.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 403.0956, Government Code, as follows:

Sec. 403.0956. REALLOCATION OF INTEREST ACCRUED ON CERTAIN DEDICATED REVENUE. Provides that this section does not apply to the oil and gas regulation and cleanup fund. Makes nonsubstantive changes.

SECTION 2. Amends Section 81.01010(d), Natural Resources Code, to require that the fees charged and collected under Section 81.01010 (Fee for Copies) be accounted for by the secretary of the Railroad Commission of Texas (RRC) and paid into the oil and gas regulation and cleanup fund, rather than into the treasury as provided by Chapter 603 (Provision of Documents and Fees for Office), Government Code.

SECTION 3. Amends Section 81.0531(e), Natural Resources Code, to require that a penalty collected under Section 81.0531 (Administrative Penalty) to be deposited to the credit of the oil and gas regulation and cleanup fund, rather than oil field cleanup fund..

SECTION 4. Amends Section 81.056(g), Natural Resources Code, to make conforming changes.

SECTION 5. Amends Section 81.058, Natural Resources Code, by adding Subsection (g), to require that a penalty collected under Section 81.058 (Administrative Penalty for Certain Natural Gas-Related Activities) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 6. Amends Section 81.067, Natural Resources Code, as follows:

Sec. 81.067. OIL AND GAS REGULATION AND CLEANUP FUND. (a) Provides that the oil and gas regulation and cleanup fund is created as a separate account, rather than an account, in the general revenue fund of the state treasury. Makes a nonsubstantive change.

(b) Provides that the fund consists of:

(1)-(3) makes no changes to these subdivisions;

(4) costs recovered and civil and administrative penalties collected for RRC purposes under Chapters 81 (Railroad Commission of Texas), 85 (Conservation of Oil and Gas), 86 (Regulation of Natural Gas), 87 (Regulation of Sour Natural Gas), 88 (Control of Oil Property), 89 (Abandoned Wells), 91 (Provisions Generally Applicable), 111 (Common Carriers, Public Utilities, and Common Purchasers), and 211 (Hazardous Liquid Salt Dome Storage Facilities);

(5) fees imposed under Section 85.2021 (Drilling Permit Fee), rather than costs recovered under Section 91.457 (Removal of Unauthorized Pit) or 91.459 (Civil Penalty);

(6) makes no changes to this subdivision;

(7) interest income earned on the investment of money, rather than interest earned on the funds, deposited in the fund;

(8) makes no changes to this subdivision;

(9) hazardous oil and gas waste generation fees collected under Section 91.605 (Hazardous Oil and Gas Waste Generation Fee), rather than costs recovered under Section 91.113(f) (relating to authorizing RRC, to recover all costs incurred by RRC from any person who was required to control or clean up the oil and gas wastes or other substances or materials);

(10)-(16) redesignates existing Subdivisions (11)-(17) as these subdivisions;

(17) fees collected under Section 81.0521 (Fee for Application for Exception to Railroad Commission Rule), rather than costs recovered under Sections 91.656 (Voluntary Cleanup Agreement) and 91.657 (Termination of Agreement; Cost Recovery);

(18)-(22) redesignates existing Subdivisions (20)-(24) as these subdivisions;

(23) fees collected under Sections 27.0321 (Application Fee) and 27.045 (Fees), rather than Section 27.0321, Water Code;

(24)-(25) makes nonsubstantive changes to these subdivisions;

(26) penalties collected under Sections 27.101 (Civil Penalty), 27.1011 (Administrative Penalty), and 27.105 (Criminal Fines), Water Code;

(27) proceeds from bonds and other financial security mechanisms required under Section 27.073 (Financial Responsibility), Water Code;

(28) civil and administrative penalties collected under Chapter 29 (Oil and Gas Waste Haulers), Water Code; and

(29) civil and administrative penalties collected under Chapter 121 (Gas Pipelines), Utilities Code.

Makes conforming and nonsubstantive changes.

(c) Provides that the oil and gas regulation and cleanup fund is an interest-bearing fund. Requires that interest earned on money in the fund be deposited to the credit of the fund.

(d) Prohibits money in the fund from being used to pay employee benefits or benefit-related costs. Provides that, notwithstanding any other law, the fund is exempt from any applicable employee benefits proportionality requirement.

SECTION 7. Amends Section 81.068, Natural Resources Code, as follows:

Sec. 81.068. PURPOSES OF OIL AND GAS REGULATION AND CLEANUP FUND. Authorizes money in the oil and gas regulation and cleanup fund to be used by RRC or its employees or agents for any purpose related to the regulation of oil and gas development, including:

(1)-(5) makes nonsubstantive changes to these subdivisions;

(6) regulation of geologic storage facilities and associated anthropogenic carbon dioxide injection wells, including inspection, monitoring, investigation, recording, plugging, remediation, and enforcement, and the administration of those activities; and

(7) administrative costs, rather than administrative costs and state benefits, for personnel involved in those activities.

Makes nonsubstantive changes.

SECTION 8. Amends Section 81.116(e), Natural Resources Code, to require that proceeds from the fee, including, rather than excluding, any penalties collected in connection with the fee, be deposited to the oil and gas regulation and cleanup fund as provided by Section 81.067.

SECTION 9. Amends Section 81.117(e), Natural Resources Code, to make conforming changes.

SECTION 10. Amends Section 85.381, Natural Resources Code, by adding Subsection (c) to require that a penalty collected under Section 85.381 (Penalty for Violation of Laws, Rules, and Orders) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 11. Amends Section 85.385, Natural Resources Code, as follows:

Sec. 85.385. PERSONS AIDING OR ABETTING VIOLATION. (a) Creates this subsection from existing text and makes no further changes.

(b) Requires that a penalty collected under this section be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 12. Amends Section 85.3855, Natural Resources Code, by adding Subsection (g) to require that a penalty collected under Section 85.3855 (Administrative Penalty) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 13. Amends Section 86.222, Natural Resources Code, by adding Subsection (c) to require that a penalty collected under Section 86.222 (Penalties) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 14. Amends Section 87.241, Natural Resources Code, by adding Subsection (d) to require that a penalty collected under Section 87.241 (Penalty) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 15. Amends Section 89.022, Natural Resources Code, by adding Subsection (e-1) to require costs associated with a hearing recovered under Subsection (e) (relating to requiring the authorized railroad commission employee or designated person to determine whether the

organization report qualifies for renewal and notify the operator of the determination) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 16. Amends Section 89.047(g), Natural Resources Code, to provide that a fee collected under Subsection (f) is required to be deposited to the credit of the oil and gas regulation and revenue fund, rather than general revenue fund, and is authorized to be appropriated only to RRC to be used to enforce the laws and rules concerning oil and gas conservation and waste and pollution prevention.

SECTION 17. Amends Section 89.121(b), Natural Resources Code, to make conforming changes.

SECTION 18. Amends Section 91.143, Natural Resources Code, by adding Subsection (f) to require that a penalty collected under Section 91.143 (False Applications, Reports, and Documents, and Tampering with Gauges) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 19. Amends Section 91.260, Natural Resources Code, by adding Subsection (e) to require that a penalty collected under Section 91.260 (Injunction; Civil Penalty) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 20. Amends Section 91.261, Natural Resources Code, by adding Subsection (f) to require that a penalty collected under Section 91.261 (Administrative Penalty) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 21. Amends Section 91.264(c), Natural Resources Code, to make conforming changes.

SECTION 22. Amends Section 91.459, Natural Resources Code, by adding Subsection (d) to require that penalty collected under Section 91.459 (Civil Penalty) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 23. Amends Section 91.556, Natural Resources Code, as follows:

Sec. 91.556. ENFORCEMENT. (a) Creates this subsection from existing text and makes no further changes.

(b) Requires that a penalty collected under this section be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 24. Amends Section 111.261, Natural Resources Code, as follows:

Sec. 111.261. PENALTY RECOVERABLE BY STATE. (a) Creates this subsection from existing text and makes no further changes.

(b) Requires that a penalty collected under this section be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 25. Amends Section 111.263, Natural Resources Code, by adding Subsection (c), to require that a penalty recovered by the state under Section 111.263 be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 26. Amends the heading to Section 121.003, Natural Resources Code, to read as follows:

Sec. 121.003. ADMINISTRATIVE FEES AND PENALTIES.

SECTION 27. Amends Section 121.003(c), Natural Resources Code, as follows:

(c) Requires that fees collected by the commission under Subchapter C-1 (Geologic Storage and Associated Injection of Anthropogenic Carbon Dioxide), Chapter 27 (Injection Wells), Water Code, and penalties imposed for violations of that subchapter or rules adopted under that subchapter be deposited to the credit of the oil and gas regulation and cleanup, rather than the anthropogenic carbon dioxide storage trust, fund.

SECTION 28. Amends Section 211.033(q), Natural Resources Code, to require that a penalty collected under Section 211.033 (Administrative Penalty) be remitted to the Comptroller of Public Accounts of the State of Texas for the deposit to the credit of the oil and gas regulation and cleanup fund, rather than the oil-field cleanup fund.

SECTION 29. Amends Subchapter E, Chapter 121, Utilities Code, by adding Section 121.2105, as follows:

Sec. 121.2105. DEPOSIT OF PENALTY. Requires that a civil or administrative penalty collected under Subchapter E (Pipeline Safety) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 30. Amends Subchapter G, Chapter 121, Utilities Code, by adding Section 121.3095, as follows:

Sec. 121.3095. DEPOSIT OF PENALTY. Requires that a civil or administrative penalty collected under Subchapter G (Enforcement Remedies) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 31. Amends Section 27.045(b), Water Code, to require that fees collected by RRC under Section 27.045 be deposited to the credit of the oil and gas regulation and cleanup fund established under Section 81.067, rather than the anthropogenic carbon dioxide storage trust fund established under Section 121.003, Natural Resources Code.

SECTION 32. Amends Section 27.073, Water Code, by adding Subsection (e) to require that proceeds from bonds and other financial security mechanisms required under Section 27.073 be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 33. Amends Section 27.101, Water Code, by adding Subsection (c) to require that a penalty collected under Section 27.101 be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 34. Amends Section 27.1011, Water Code, by adding Subsection (d) to require that a penalty collected under Section 27.1011 be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 35. Amends Section 27.105, Water Code, by adding Subsection (c) to require that a fine collected under Section 27.105 be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 36. Amends Section 29.047, Water Code, by adding Subsection (d) to require that a penalty collected under Section 29.047 (Administrative Penalty) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 37. Amends Section 29.051, Water Code, by adding Subsection (c) to require that a penalty recovered under Section 29.051 (Civil Penalty) be deposited to the credit of the oil and gas regulation and cleanup fund.

SECTION 38. Repealer: Section 121.003(a) (relating to providing that the anthropogenic carbon dioxide storage trust fund is created as a special fund in the state treasury), Natural Resources Code.

Repealer: Section 121.003(b) (relating to providing that the anthropogenic carbon dioxide storage trust fund is an interest-bearing fund), Natural Resources Code.

Repealer: Section 121.003(d) (relating to authorizing the anthropogenic carbon dioxide storage trust fund to be used by RRC only for certain purposes), Natural Resources Code.

SECTION 39. (a) Provides that, on the effective date of this Act:

- (1) the anthropogenic carbon dioxide storage trust fund is abolished;
- (2) any money remaining in the anthropogenic carbon dioxide storage trust fund is transferred to the oil and gas regulation and cleanup fund;
- (3) any claim against the anthropogenic carbon dioxide storage trust fund is transferred to the oil and gas regulation and cleanup fund; and
- (4) any amount required to be deposited to the credit of the anthropogenic carbon dioxide storage trust fund shall be deposited to the credit of the oil and gas regulation and cleanup fund.

(b) Authorizes any money transferred from the anthropogenic carbon dioxide storage trust fund to the oil and gas regulation and cleanup fund that was deposited in the anthropogenic carbon dioxide storage trust fund as a gift, grant, or other form of assistance, and is encumbered by the specific terms of the gift, grant, or other form of assistance to be spent only in accordance with the terms of the gift, grant, or other form of assistance.

SECTION 40. Effective date: September 1, 2021.