

SUBJECT: Creating the Texas Energy Council and imposing a refundable assessment

COMMITTEE: Energy Resources — committee substitute recommended

VOTE: 9 ayes — R. Lewis, Merritt, Carter, Christian, Crabb, Driver, Hawley,
Kitchen, Williams

0 nays

WITNESSES: For — Charlie Seely, Bill Stevens, Texas Alliance of Energy Producers

Against — None

DIGEST: CSHB 3348 would create the Texas Energy Council to:

- ! promote environmentally-sound energy production methods and technology;
- ! support educational activities regarding energy resource development in Texas;
- ! support energy production job training and research;
- ! educate the public on the importance of the oil, natural gas, and pipeline industries;
- ! promote exploration for and production of energy; and
- ! promote pipeline safety.

The council would have 15 members serving six-year staggered terms. The governor would appoint five members from oil and gas associations and seven members from nominee lists provided by those organizations. The remaining three would be appointed by the council to represent royalty owners, the crude oil purchasing industry, and the pipeline industry. The members would elect a presiding officer from amongst themselves.

Members would not receive compensation but would be reimbursed for necessary expenses from the energy resource account — an account in the general revenue fund that only could be appropriated for the purposes of the council. The account would consist of gifts and grants, legislative appropriations, and an assessment.

The bill would impose an 0.04 percent assessment on the production of oil, gas, or condensate — liquid hydrocarbons recovered from gas by certain methods. A producer could not be assessed more than \$150,000 in one year.

The comptroller would be responsible for collecting the assessment. A producer or first purchaser on behalf of a producer could request a refund for the amount of tax paid during the previous fiscal year. If the comptroller determined that a producer was entitled to a refund, the comptroller would refund the assessment plus interest. The aggregate refund by the comptroller in a single year could not exceed 60 percent of the total assessment collected in the previous year. The comptroller would make refunds in the order in which requests were received.

The council would have to publish notice of the right to request a refund through press releases, paid newspaper advertisements, and other means.

The bill would take effect September 1, 2001, and members would have to be appointed to the council as soon as practicable after that date. The assessment would apply to oil, gas, and condensate produced on or after January 1, 2002.

**SUPPORTERS
SAY:**

CSHB 3348 is needed to create the Texas Energy Resource Council to conduct environmental, educational, job training, and public relations programs for the energy industry in Texas. Texas produces 30 percent of the nation's natural gas and 20 percent of its domestic crude oil supply. The council would be funded by a voluntary assessment on the industry — similar to successful “check-off” programs for other commodities such as cotton, “the fabric of our lives;” beef, “it’s what’s for dinner;” and pork, “the other white meat.” Other states, including Oklahoma, also have implemented successful educational and promotional programs for their energy industries.

Experience with similar programs in other states has shown that producers in Texas would be able to obtain a full refund. In Oklahoma, the highest aggregate refund request, 4.9 percent of the total, occurred in the first full year and since then refund requests have declined annually. The 60 percent aggregate refund cap in Texas would not prevent producers who desired a refund from receiving a full refund. The council would implement informational campaigns to ensure that producers were informed of their

ability to request a refund.

The energy industry in Texas already is years behind other states and other commodities in implementing a check-off program. It would take the various oil and gas associations a few years to come together in order to develop a program on their own. Additionally, the comptroller already has the infrastructure and technical expertise to collect such an assessment, whereas the associations would have to develop or contract for such services.

OPPONENTS
SAY:

CSHB 3348 would impose an unnecessary tax on energy producers. Although producers could apply for a refund, only those first in line would receive a refund if the total amount of requests were over 60 percent of the total assessment. Additionally, many producers might not learn of their ability to request a refund. Creating and funding an energy resources council should be the responsibility of the industry, not the state.

NOTES:

The substitute increased the number of council members from nine to 15 and changed the assessment from 0.1 percent of gross revenues at the wellhead to 0.04 percent of the market value at the wellhead.

According to the fiscal note, tax revenue to the dedicated fund would be an estimated \$8.8 million during fiscal 2002-03. The fund would be subject to funds consolidation review by the current Legislature for inclusion into the general revenue fund.

The companion bill, SB 1751 by Haywood, has been referred to Senate Natural Resources Committee.