

**SUBJECT:** Dedicating revenue from the tax on crude petroleum production to RRC

**COMMITTEE:** Appropriations — favorable, without amendment

**VOTE:** 19 ayes — Otto, Ashby, Bell, Capriglione, S. Davis, Giddings, Gonzales, Howard, Hughes, Koop, Márquez, McClendon, R. Miller, Phelan, Raney, J. Rodriguez, Sheffield, VanDeaver, Walle

0 nays

8 absent — Sylvester Turner, G. Bonnen, Burkett, Dukes, Longoria, Miles, Muñoz, Price

**WITNESSES:** For — (*Registered, but did not testify:* Dan Hinkle, EOG Resources; David Holt, Permian Basin Petroleum Association; Stephen Minick, Texas Association of Business; Lindsey Miller, Texas Independent Producers and Royalty Owners Association)

Against — None

**BACKGROUND:** Under Natural Resources Code, sec. 81.111, a tax on crude petroleum production, levied in the amount of three-sixteenths of one cent per barrel, is deposited in the general revenue fund.

**DIGEST:** HB 4034 would amend Natural Resources Code, ch. 81 to direct that the tax levied on crude petroleum production be deposited in the oil and gas regulation and cleanup fund, rather than the general revenue fund.

This bill would take effect September 1, 2015.

**SUPPORTERS SAY:** HB 4034 would ensure that a tax assessed on the oil and gas industry was used to fund the agency regulating the industry. The oil and gas regulation and cleanup fund is the main funding source for the Railroad Commission of Texas, allowing the agency to plug abandoned oil and gas wells and clean up abandoned oilfield sites. The Railroad Commission's well plugging goal for 2015 alone is more than 700 wells.

HB 4034 would be another step toward truth in taxation. Directing taxes and fees paid by the industry to the oil and gas regulation and cleanup fund would reduce the Railroad Commission's dependence on general revenue funds.

OPPONENTS  
SAY:

HB 4034 would result in a loss to the general revenue fund of about \$3.6 million during the next biennium. While it might be appropriate for a tax assessed on the oil and gas industry to be used by the regulating agency, dedicating money out of general revenue would reduce the state's flexibility in budgeting.

NOTES:

According to the Legislative Budget Board's fiscal note, HB 4034 would result in a shift of about \$3.6 million from the general revenue fund to the oil and gas regulation and cleanup fund during fiscal 2016-17.