



LEGISLATIVE BUDGET BOARD

Overview of Funding for the Railroad Commission

PRESENTED TO THE HOUSE COMMITTEE ON ENERGY RESOURCES

LEGISLATIVE BUDGET BOARD STAFF

FEBRUARY 2017

Railroad Commission Funding

- Railroad Commission All Funds appropriations for the 2018-19 biennium in House Bill 1 as Introduced total \$211.4 million, which is an increase of \$35 million, or 19.8 percent, over 2016-17 spending levels.
- This includes \$192.1 million in General Revenue and General Revenue-Dedicated funds, which is an increase of \$35 million. In addition, appropriations continue 2016-17 funding levels of \$14.3 million in Federal Funds and \$4.9 million in Other funds. Full-Time-Equivalent positions for the agency includes 820.1 in each fiscal year, which continues the 2017 budgeted level.
- General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 (Fund 5155) funding of \$171.1 million includes an increase of \$36.4 million, or 27 percent, primarily due to increased funding of \$44.0 million for oil and gas activities involving well plugging and remediation contingent upon legislation redirecting Gas Utility Pipeline Tax revenue currently deposited in General Revenue to Fund 5155. Fund 5155 provides 81.0 percent of the agency's funding.

Fund 5155 Revenues

- Revenues generated from various fees, permits, bond proceeds, and securities related to the regulation of the oil and gas industry are deposited to the credit of Fund 5155
- The enactment of House Bill 7, Eighty-fourth Legislature, 2015, redirected pipeline safety inspection fees, oil and gas disposal well permit fees, and oil regulation tax receipts in addition to one-third of the fee for an exemption to certain rules previously deposited in the General Revenue Fund to Fund 5155. This resulted in an appropriation change of \$1.7 million each fiscal year in the 2016-17 biennium from General Revenue to Fund 5155 in the agency's budget.
- Revenues are heavily dependent on the oil and gas market; oil price declines result in decreased revenues.
- Technology is impacting revenue collections. According to the agency, rapid advances in technology have enabled drillers to produce the same amount of oil from a single drilling permit that used to require four permits.
- The Comptroller's Biennial Revenue Estimate (BRE) in 2016-17 anticipated deposits of \$144.5 million in Fund 5155 and the 2018-19 BRE anticipates deposits of \$142.5 million.

Fund 5155 Revenue Shortfall

- Revenue collections and available balances in the Fund 5155 limit agency spending of appropriation authority from the fund. The agency cannot spend funds if there is no revenue available to cover the appropriations.
- The agency reported experiencing a \$16.0 million revenue shortfall in fiscal year 2016 primarily due to oil prices remaining lower than anticipated and reductions in permit fees. This resulted in the agency deferring the filling of vacancies, replacing vehicles, and updating technology-related items.
- Actual revenue collections in 2016 totaled \$60.4 million in Fund 5155, which was a reduction of \$11.0 million from the 2016-17 BRE anticipated amount of \$71.4 million.
- Not all of the balances in Fund 5155 are available to the agency to spend. A portion of the balance is held in escrow by the agency for certain financial securities associated with oil and gas regulation, including proceeds from bonds and other financial securities required under law as well as benefits under well-specific plugging insurance policies. As of December 31, 2016, these escrow amounts totaled \$65.1 million of the \$79.9 million balance.
- The BRE anticipates an ending fund balance of \$78.5 million at the end of fiscal year 2017; however, the balance does not reflect the amount of funds available for the agency to spend.



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