

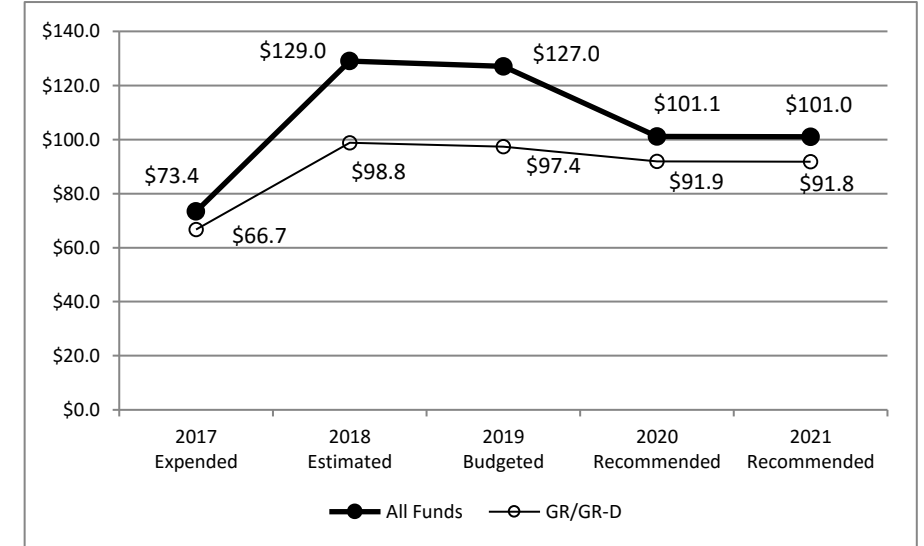
Railroad Commission
Summary of Recommendations - Senate

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Wei Wang, Executive Director
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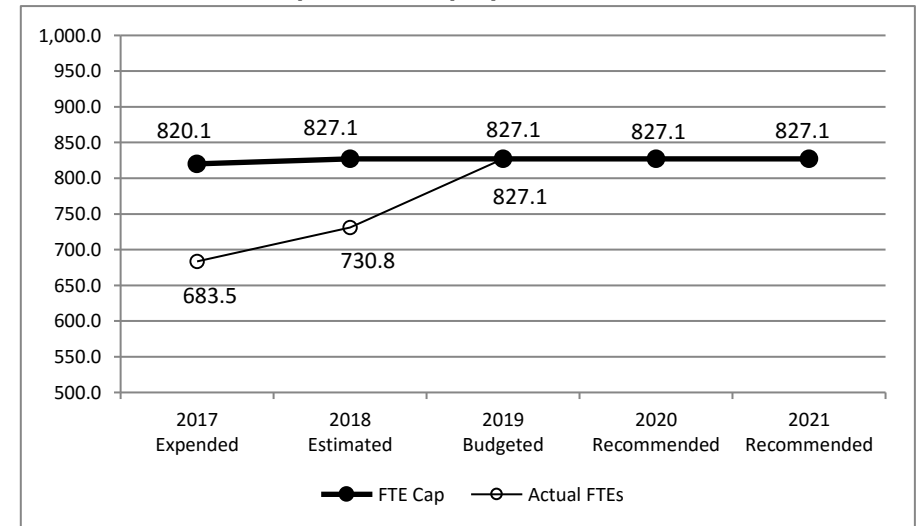
Method of Financing	2018-19 Base	2020-21 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$61,101,323	\$21,230,343	(\$39,870,980)	(65.3%)
GR Dedicated Funds	\$135,129,298	\$162,496,030	\$27,366,732	20.3%
<i>Total GR-Related Funds</i>	<i>\$196,230,621</i>	<i>\$183,726,373</i>	<i>(\$12,504,248)</i>	<i>(6.4%)</i>
Federal Funds	\$16,857,587	\$14,404,000	(\$2,453,587)	(14.6%)
Other	\$42,987,976	\$3,919,600	(\$39,068,376)	(90.9%)
All Funds	\$256,076,184	\$202,049,973	(\$54,026,211)	(21.1%)

	FY 2019 Budgeted	FY 2021 Recommended	Biennial Change	Percent Change
FTEs	827.1	827.1	0.0	0.0%

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



The bill pattern for this agency (2020-21 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2020-21 biennium.

Railroad Commission
Summary of Funding Changes and Recommendations - Senate

Funding Changes and Recommendations for the 2020-21 Biennium compared to the 2018-19 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Decrease in one-time funding from Economic Stabilization Funds for orphaned oil & gas well plugging.	\$0.0	\$0.0	\$0.0	(\$38.2)	(\$38.2)	C.2.1
B)	Decrease in one-time General Revenue funding for operational stability.	(\$39.7)	\$0.0	\$0.0	\$0.0	(\$39.7)	A.1.1, C.1.1, C.2.1, C.2.2, & D.1.1
C)	Increase General Revenue-Dedicated Oil & Gas Regulation and Cleanup Account No. 5155 (GR-D No. 5155) funding due to anticipated revenue increases and available fund balances.	\$0.0	\$28.5	\$0.0	\$0.0	\$28.5	A.1.1, C.1.1, C.2.1, & D.1.1
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
D)	Decrease in Federal Funds anticipated to no longer be available.	\$0.0	\$0.0	(\$2.5)	\$0.0	(\$2.5)	A.1.1, B.1.1, B.1.2, C.1.2, C.2.1, & C.2.2
E)	Decrease in Appropriated Receipts due to anticipated collection reductions.	\$0.0	\$0.0	\$0.0	(\$0.9)	(\$0.9)	A.1.1, B.2.1, C.1.1, C.1.2, C.2.1, C.3.1, & D.1.1
F)	Decrease in All Funds to maintain Data Center Services at current obligation levels.	(\$0.2)	(\$1.1)	\$0.0	\$0.0	(\$1.3)	All Strategies
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		(\$39.9)	\$27.4	(\$2.5)	(\$39.1)	(\$54.1)	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$0.0	\$28.5	\$0.0	\$0.0	\$28.5	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$39.9)	(\$1.1)	(\$2.5)	(\$39.1)	(\$82.6)	As Listed

NOTE: Totals may not sum due to rounding.

Railroad Commission
Selected Fiscal and Policy Issues - Senate

1. **Operational Stability Funding.** Recommendations remove one-time funding totaling \$39.7 million in General Revenue for operational stability and partially offset the reduction with an increase of \$28.5 million in estimated revenue from General Revenue-Dedicated Account Oil & Gas Regulation and Cleanup Account No. 5155 (GR-D No. 5155). The one-time funding was provided by the Eighty-fifth Legislature to create a stable base of funding for continued and enhanced oil and gas regulation and cleanup activities amidst anticipated revenue shortfalls in GR-D No. 5155 during the 2018-19 biennium (see item #2 below).

Instead of continuing to appropriate General Revenue for budget stability, recommendations use estimated fund balances and add a contingency appropriation rider to provide stable funding. Should revenues in the 2020-21 biennium be insufficient to support the additional appropriations from Account 5155 (including benefits), the agency could (1) access an estimated \$36.4 million in unobligated fund balances, and if necessary (2) receive a contingent General Revenue appropriation to make up the shortfall in an amount not to exceed \$10.0 million each fiscal year (see Rider Highlights - Senate, New Rider #14). As a result, a total of \$56.4 million would potentially be available to address a downturn in revenues, or nearly one-third of the agency's total appropriations from Account 5155.

The \$39.7 million 2018-19 appropriation was from Gas Utility Pipeline Tax revenue deposited into General Revenue. The Gas Utility Pipeline Tax, authorized by Utilities Code, §122.051, is a tax imposed on each intrastate gas utility at a rate of one-half of one percent of the gross income of the gas utility. The Railroad Commission (RRC) administered and collected the tax from 1921 to 1981 with revenue deposited in the agency's operating fund. Pursuant to enactment of Senate Bill 379, Sixty-seventh Legislature, 1981, revenue from the Gas Utility Pipeline Tax began being deposited to the credit of the General Revenue Fund. The appropriation supported functions across the agency during the 2018-19 biennium, including regulation enforcement, oil and gas inspections, and natural gas utility rate compliance.

2. **General Revenue Dedicated Oil & Gas Regulation and Cleanup Account No. 5155.** Recommendations include \$162.5 million in GR-D No. 5155, an increase of \$27.4 million from the 2018-19 expenditure levels reported in the agency's LAR. This recommendation represents appropriation of 100.0 percent of estimated revenue in GR-D No. 5155, plus use of \$7.2 million in fund balances to fund the agency at 2018-19 base levels, not including two exceptional items. The exceptional items are 1) \$9.8 million in GR-D No. 5155 for a new Mainframe Transformation-Phase 1 capital project, and 2) \$2.7 million in GR-D No. 5155 for 22.0 new inspector FTEs. These appropriations support the regulation of oil and gas development, including oil and gas monitoring, inspections, remediation and well plugging, public information, alternative fuel programs, and administrative costs and benefits for state personnel.

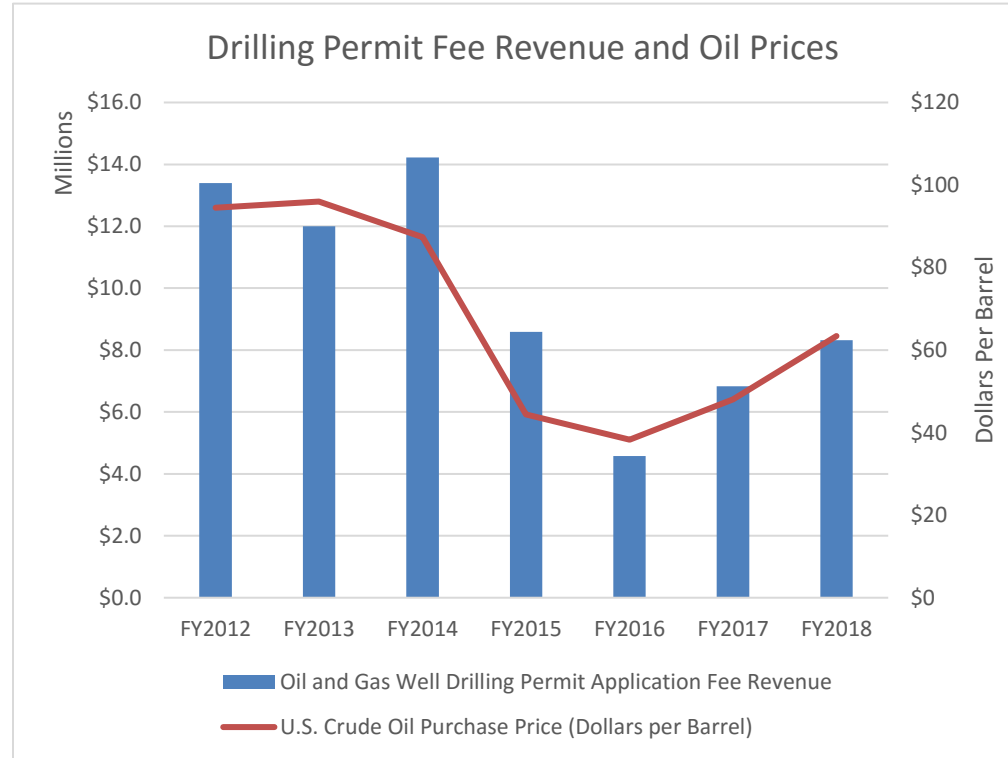
Revenue Projections: Revenue projections by LBB staff estimate revenue collections of \$87.2 million in fiscal year 2019, \$89.0 million in fiscal year 2020 and \$90.8 million in fiscal year 2021. The Comptroller of Public Accounts' (CPA) Biennial Revenue Estimate (BRE) projects revenue of \$76.8 million in fiscal year 2019, \$75.8 million in fiscal year 2020, and \$78.1 million in fiscal year 2021.

The revenue projections by LBB staff were made prior to publication of the BRE and based on the CPA's Certified Revenue Estimate (CRE) (revised July 2018). The CRE forecasts moderate growth in fiscal year 2019 for oil and gas prices.

Revenue Volatility: GR-D No. 5155 revenues are primarily from production taxes and permitting fees paid by the oil and gas industry. The account experiences revenue declines when there is a downturn in industry activity such as in 2015 and 2016, which can result in revenue not being able to support appropriations from GR-D No. 5155. The market price for oil and gas is the primary driver of industry activity. The figure below shows the fiscal year revenue from oil and gas well drilling application fees deposited into GR-D No. 5155 as an indicator of industry activity and the annual crude oil purchase price from the U.S. Energy Information Administration.

In fiscal year 2016, the agency used its unexpended balances authority provided in Rider 15, Appropriation: Unexpended Balances Between Fiscal Years within the Biennium, to carry forward \$20.3 million in appropriation authority for GR-D No. 5155 due to account revenue shortfalls. The \$20.3 million in appropriation authority was ultimately lapsed at the end of fiscal year 2017 along with an additional \$17.7 million in appropriation authority for GR-D No. 5155 (total 2016-17 biennial lapse of \$38.0 million) due to insufficient revenue to support the appropriation. Actual revenues deposited into GR-D No. 5155 have increased in fiscal year 2018 compared to the 2016-17 biennium and the agency is not projecting utilizing unexpended balances authority to carry forward any appropriation authority into fiscal year 2019 in its LAR.

The agency has indicated that it may seek statutory changes to direct more stable sources of revenue to GR-D No. 5155, such as Gas Utility Pipeline Tax revenue. Not all of the balances in GR-D No. 5155 are available for the agency to spend. Approximately \$12.3 million is required each fiscal year for employee benefits. Additionally, certain financial securities paid by oil and gas well operators required pursuant to Natural Resources Code, §91.104, and related to well-specific plugging insurance policies are held in escrow by the agency in GR-D No. 5155. These amounts are not subject to the fund balance threshold and are not available for appropriation. As of October 1, 2018, these escrow amounts totaled \$77.3 million of the \$124.0 million balance in GR-D No. 5155.



- Economic Stabilization Fund.** The Eighty-fifth Legislature, 2017, provided \$38.2 million in Other Funds from the Economic Stabilization Fund (ESF) for oil and gas on-shore well plugging and remediation. The agency utilized the ESF appropriation in the 2018-19 biennium on contractors throughout the state for orphaned oil and gas well plugging. The agency included \$38.2 million in ESF in their 2020-21 base budget request. According to the agency, ESF would fund plugging and site remediation activities by contractors of high-risk, bay, and offshore wells. Recommendations for the 2020-21 biennium remove ESF from the agency’s budget and consider the 2018-19 appropriation as one-time funding. Additionally, recommendations include a rider providing unexpended balance authority to carry forward ESF remaining at the end of fiscal year 2019 (estimated to be \$0) into fiscal year 2020. (see Rider Highlights - Senate, New Rider #13)

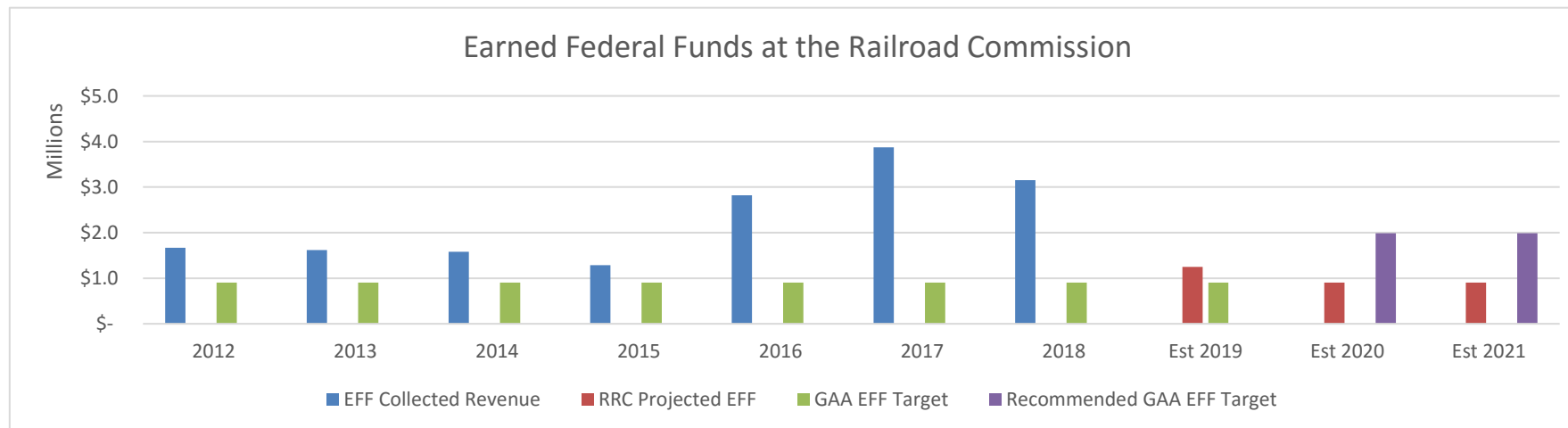
As of August 31, 2017, the Railroad Commission’s inventory of orphaned wells contained 5,687 oil and gas wells with 1,103 approved for plugging with state funds. The agency estimates there were 6,500 known orphaned wells in fiscal year 2018 and, as of August 31, 2018, there are 1,836 wells approved for plugging with state funds. The agency plugged 917 wells in fiscal year 2017 and 1,364 wells in fiscal year 2018. Its performance target for each fiscal year of the 2018-19 biennium is to plug 979 wells. According to the agency’s LAR, the Commission set a target of plugging 1,500 wells in each fiscal year of the 2018-19 biennium due to the appropriation of ESF. Recommendations maintain the agency’s performance target to plug 979 wells in each fiscal year of the 2020-21 biennium.

4. **Vehicle Replacement.** Recommendations provide \$2.9 million in All Funds (\$1.5 million in General Revenue Funds and \$1.4 million in GR-D No. 5155), an overall increase of \$0.6 million from 2018-19 biennial expenditure levels, for vehicle replacement in the 2020-21 biennium. The Railroad Commission maintains a fleet of 272 vehicles and purchases primarily light duty trucks. Staff use the vehicles to perform pipeline, surface mining, alternative fuel, and oil and gas well and facility inspections. Additionally activities include oil and gas and surface mining site remediation.

The agency generally uses a specialized replacement schedule to replace its vehicles that are six years of age and mileage exceeding 150,000. The standard replacement schedule for LBB staff recommendations is to replace vehicles that are 10 years of age and mileage exceeding 150,000, but the agency’s vehicles generally surpass 150,000 miles within six years of purchase and are often traversing rugged terrain. According to the agency, it also intends to have transmission repairs performed on several vehicles during the 2020-21 biennium. Applying a 10 year and 150,000 standard would reduce the recommend funding to \$1.5 million for the 2020-21 biennium.

5. **Software Licenses and Services.** Recommendations include \$179,000 each fiscal year of the 2020-21 biennium, a decrease of \$44,750 from 2018-19 expenditure levels, for personal computing, security, and other software licenses used by Railroad Commission staff, but do not continue the funding as a capital budget project. Funding for software licenses and services is in Rider 2, Capital Budget, in the agency’s bill pattern for the 2018-19 biennium. However, these items relate to costs needed to provide continued services for agency daily operations and not to costs needed to make a capital purchase.
6. **Earned Federal Funds.** Recommendations adjust the Railroad Commission’s target for collected Earned Federal Funds (EFF) from \$903,112 in the 2018-19 biennium to \$1,987,749 in the 2020-21 biennium to more accurately reflect actual collections. The recommendation is based on the agency’s average EFF collections from fiscal year 2012 through fiscal year 2017 minus \$152,891 estimated for employee benefits.

Agencies that receive EFF have a target in Article IX, §13.11, Definition, Reporting, and Audit of Earned Federal Funds, of the General Appropriations Act (GAA) for reimbursements to collect. Such agencies are appropriated General Revenue in an amount equal to the target contingent on collection of EFF revenues; revenues collected in excess of this target are appropriated to the agency, subject to notification requirements. The Railroad Commission’s target has been \$903,112 since the 2008-09 biennium. EFF collections for the agency are primarily from the United States Department of the Interior based on a negotiated indirect cost rate for federally funded functions.



**Railroad Commission
Rider Highlights - Senate**

Modification of Existing Riders

2. **Capital Budget.** Recommendations include various changes to capital budget items to align with funding decisions.
3. **Appropriations Limited to Revenue Collections: LPG/CNG/LNG Fees.** Recommendations modify the rider to add clarifying program information.
4. **Liquefied Petroleum Gas (LPG) and Compressed Natural Gas (CNG) Training and Examination Renewal Fees.** Recommendations modify the rider to add clarifying information and remove General Revenue Funds to reflect agency collections of Appropriated Receipts. Revenue from training and examination renewal fees collected by the agency are Appropriated Receipts.
5. **Appropriation Limited to Revenue Collections: Coal Mining Inspection and Enforcement and Coal/Uranium Mining Applications and Permits.** Recommendations modify the rider to include the Coal Mining Inspection and Enforcement Program and Coal/Uranium Mining Applications and Permits Program in one rider reflecting the agency's allocation of staff resources and update projected revenue.
6. **Appropriations Limited to Revenue Collections: Pipeline Safety and Regulatory Fees.** Recommendations modify the rider to add clarifying program information and remove reference to deleted Rider 14, Contingency for SB 300.
7. **Capital Budget Expenditures: Federal Funds and Appropriated Receipts.** Recommendations modify the rider to conform to standard rider language conventions and to limit the expenditure of Federal Funds and Appropriated Receipts collections in excess of the amounts listed in the bill pattern to existing capital projects.
8. **Appropriation: Anthropogenic Carbon Dioxide Storage Trust Fund Revenues.** Recommendations modify the rider to clarify the statutory reference and require the agency to inform the Legislative Budget Board, Comptroller of Public Accounts, and the Governor if revenue exceeds estimated amounts.
9. **Oil and Gas Division Permitting Efficiencies.** Recommendations modify the rider to require the agency to publish information detailing how they are maintaining staffing sufficient to meet certain permit processing timelines.
10. **Transfer Authority.** Recommendations modify the rider to require the agency provide prior notification to the Legislative Budget Board and the Governor regarding transfers among appropriation line items that exceed 20 percent.
12. **Appropriation: Oil and Gas Regulation and Cleanup Account Fees.** Recommendations modify the rider to conform to standard rider language and require the agency to notify the Legislative Budget Board and the Governor if fees deposited in the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 exceed the amount identified in the Biennial Revenue Estimate.

New Riders

13. **Appropriation: Unexpended Balances for Well Plugging and Site Remediation.** Recommendations include a new rider to provide unexpended balances authority from fiscal year 2019 into fiscal year 2020 for Economic Stabilization Funds (ESF) appropriated to the agency in the 2018-19 biennium for oil and gas well plugging activity. The agency used the ESF appropriation for contracted well plugging services and some of the services may carry forward into fiscal year 2020. (see Selected Fiscal and Policy Issues – Senate, #3)
14. **Operational Stability Contingency.** Recommendations include a new rider to provide contingency funding from Gas Utility Pipeline Tax revenue deposited in General Revenue (not to exceed \$10.0 million in each fiscal year) in the event balances and revenue in General Revenue-Dedicated Oil & Gas Regulation and Cleanup Account No. 5155 are insufficient to support appropriated levels in the General Appropriations Act. (see Selected Fiscal and Policy Issues – Senate, #1)

Deleted Riders

8. **Appropriations Limited to Revenue Collections: Uranium Mining Fees.** Recommendations delete the rider related to revenue collected through the Uranium Mining Regulatory Program because the provision of this rider have been consolidated in the modified Rider 5, Appropriation Limited to Revenue Collections: Coal Mining Inspection and Enforcement and Coal/Uranium Mining Applications and Permits.
11. **Enforcement and Compliance Data and Public Information.** Recommendations delete the rider related to the publishing certain enforcement and compliance data on the Railroad Commission's website because this information is required in statute (Natural Resources Code, §81.066) with enactment of House Bill 1818, Eighty-fifth Legislature, 2017.
14. **Contingency for SB 300.** Recommendations delete the rider related to the agency's Sunset Legislation because the house companion bill, House Bill 1818, Eighty-fifth Legislature, 2017, was enacted.
15. **Operational Stability Funding.** Recommendations delete the rider, which identified Gas Utility Pipeline Tax revenue appropriated from General Revenue to the Railroad Commission in the 2018-19 biennium to reflecting funding recommendations. The General Revenue has been removed from the agency's bill pattern and has been offset with General Revenue-Dedicated Oil & Gas Regulation and Cleanup Account No. 5155 funding that is estimated to be available. (see Selected Fiscal and Policy Issues – Senate, #1 and #2)
16. **Sunset Contingency.** Recommendations delete rider as House Bill 1818, Eighty-fifth Legislature, 2017, was enacted, continuing the agency until September 1, 2029.

**Railroad Commission
Items Not Included in Recommendations - Senate**

	2020-21 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2022-23
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items Not Included (in agency priority order)

1)	Mainframe Transformation: \$9.8 million in GR Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 (GR-D No. 5155) and \$9.8 million in capital budget authority for the new Mainframe Transformation capital IT project is not included.	\$9,800,000	\$9,800,000	0.0	Yes	Yes	\$0
2)	Well Plugging: \$39.1 million in Other Funds from the Economic Stabilization Fund for well plugging activities is not included.	\$0	\$39,100,000	0.0	No	Yes	\$39,100,000
3)	Amend Rider 14, Operational Stability Contingency: The agency is requesting a revision of this rider to increase the contingency from \$20.0 million to \$39.7 million for the 2020-21 biennium.	\$0	\$0	0.0	No	Yes	\$0
4)	Additional Inspectors: \$2.7 million in GR-D No. 5155 and 22.0 inspector FTEs are not included (\$1.5 million in GR-D No. 5155 and 12.0 oil and gas inspector FTEs; and \$1.2 million and 10.0 pipeline safety inspector FTEs).	\$2,695,248	\$2,695,248	22.0	No	No	\$2,695,248

TOTAL Items Not Included in Recommendations	\$12,495,248	\$51,595,248	22.0	\$41,795,248
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**Railroad Commission
Appendices - Senate**

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* Appendix is not included - no significant information to report

** Information is included in the presentation section of the packet

Railroad Commission
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
ENERGY RESOURCE DEVELOPMENT A.1.1	\$37,025,103	\$34,998,235	(\$2,026,868)	(5.5%)	All Fund decrease reflecting the following: a) a decrease of \$8.8 million in General Revenue Funds related to one-time operational stability funding (see Selected Fiscal and Policy Issues - Senate, #1); b) an increase of \$8.1 million in GR-D No. 5155 to reflect estimated available revenue partially offset by a decrease of \$0.3 million to maintain funding for current DCS obligations (see Selected Fiscal and Policy Issues - Senate, #2); c) a decrease of \$0.1 million in Federal Funds from the State Underground Water Source Protection grant from the Environmental Protection Agency reflecting the agency's award projection; and d) a decrease of \$0.9 million in Appropriated Receipts reflecting the agency's projections.
Total, Goal A, ENERGY RESOURCES	\$37,025,103	\$34,998,235	(\$2,026,868)	(5.5%)	
PIPELINE SAFETY B.1.1	\$23,250,870	\$22,144,539	(\$1,106,331)	(4.8%)	All Funds decrease for the following: a) a decrease of \$0.1 million in General Revenue Funds to maintain funding for current DCS obligations partially offset by increase for capital budget adjustments related to various IT projects; b) no change in GR-D No. 5155 reflecting decreases of \$1.2 million due to removal of base funding allocated for 10.0 pipeline safety inspector FTEs and \$33,323 to maintain funding for current DCS obligations partially offset by an increase of \$1.2 million related to capital adjustments for various IT projects (see Selected Fiscal and Policy Issues - Senate, #2); and c) a decrease of \$1.0 million in Federal Funds from the Pipeline Safety Program grant from the Department of Transportation reflecting the agency's award projection.

Railroad Commission
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
PIPELINE DAMAGE PREVENTION B.1.2	\$2,380,233	\$2,013,750	(\$366,483)	(15.4%)	All Funds decrease reflecting the following: a) a decrease of \$26,483 in General Revenue Funds to maintain funding for current DCS obligations; and b) a decrease of \$0.3 million Federal Funds from the Pipeline Safety Program grant from the Department of Transportation reflecting the agency's award projection.
REGULATE ALT FUEL RESOURCES B.2.1	\$4,965,316	\$5,212,852	\$247,536	5.0%	All Funds decrease reflecting the following: a) an increase of \$65,029 million in General Revenue Funds related to capital budget adjustments for vehicle replacement partially offset by a decrease of \$6,621 in General Revenue Funds to maintain funding for current DCS obligations; and b) an increase of \$0.2 million in Appropriated Receipts reflecting the agency's projections.
Total, Goal B, SAFETY PROGRAMS	\$30,596,419	\$29,371,141	(\$1,225,278)	(4.0%)	
OIL/GAS MONITOR & INSPECTIONS C.1.1	\$57,625,497	\$55,290,111	(\$2,335,386)	(4.1%)	All Funds decrease for the following: a) a decrease of \$13.6 million in General Revenue Funds related to one-time operational stability funding (see Selected Fiscal and Policy Issues - Senate, #1); and b) an increase of \$17.7 million in GR-D No. 5155 related to an MOF swap with General Revenue partially offset by decreases of \$4.7 million due to removal of base funding allocated to the new Mainframe Transformation Information Technology (IT) capital project, \$1.5 million due to removal of base funding allocated for 12.0 oil & gas inspector FTEs, and \$0.3 million to maintain funding for current DCS obligations. (see Selected Fiscal and Policy Issues - Senate, #2).

Railroad Commission
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
SURFACE MINING MONITORING/INSPECT C.1.2	\$7,078,532	\$6,756,847	(\$321,685)	(4.5%)	All Funds decrease reflecting the following: a) a decrease of \$15,679 in General Revenue Funds related to capital budget adjustments for the Inspection/Enforcement Tracking and Reporting System-Phase 2 and to maintain funding for current DCS obligations; b) a decrease of \$0.2 million in Federal Funds from the Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining grant from the Department of the Interior reflecting the agency's award projection; and c) a decrease of \$0.1 million in Appropriated Receipts reflecting the agency's projections.
OIL&GAS WELL PLUGGING & REMEDIATION C.2.1	\$106,357,760	\$60,245,285	(\$46,112,475)	(43.4%)	All Funds decrease related to the following: a) a decrease of \$16.1 million in General Revenue Funds related to one-time operational stability funding (see Selected Fiscal and Policy Issues #1); b) an increase of \$9.7 million in GR-D No. 5155 to reflect estimated available revenue partially offset by decreases of \$0.9 million due to removal of base funding allocated to the new Mainframe Transformation Information Technology (IT) capital project and \$0.4 million to maintain funding for current DCS obligations (see Selected Fiscal and Policy Issues - Senate, #2); c) an increase of \$16,282 in Federal Funds from the State and Tribal Response Program grant from the Environmental Protection Agency reflecting the agency's award projection; and d) a decrease of \$38.2 million in Economic Stabilization Funds related to one-time expenditures for plugging orphaned wells and a decrease of \$0.2 million in Appropriated Receipts reflecting the agency's projections (see Selected Fiscal and Policy Issues - Senate, #3).

Railroad Commission
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change	Comments
SURFACE MINING RECLAMATION C.2.2	\$7,390,556	\$6,629,021	(\$761,535)	(10.3%)	All Funds decrease reflecting the following: a) a decrease of \$25,581 in General Revenue Funds to maintain funding for current DCS obligations partially offset by an increase of \$14,046 in General Revenue Funds related to capital budget adjustments for various IT projects; and b) a decrease of \$0.8 million in Federal Funds from the Abandoned Mine Land Reclamation grant from the Department of the Interior reflecting the agency's award projection.
GAS UTILITY COMMERCE C.3.1	\$4,835,178	\$4,746,399	(\$88,779)	(1.8%)	All Funds decrease reflecting the following: a) a decrease of \$0.2 million in General Revenue Funds related to capital budget adjustments for various IT projects and to maintain funding for current DCS obligations; and b) an increase of \$75,124 in Appropriated Receipts reflecting the agency's projections.
Total, Goal C, ENVIRONMENTAL & CONSUMER PROTECTION	\$183,287,523	\$133,667,663	(\$49,619,860)	(27.1%)	
PUBLIC INFORMATION AND SERVICES D.1.1	\$5,167,139	\$4,012,934	(\$1,154,205)	(22.3%)	All Funds decrease related to the following: a) a decrease of \$1.2 million in General Revenue Funds related to one-time operational stability funding (see Selected Fiscal and Policy Issues - Senate, #1); b) an increase of \$1.0 million in GR-D No. 5155 to reflect estimated available revenue partially offset by decreases of \$0.9 million due to removal of base funding allocated to the new Mainframe Transformation Information Technology (IT) capital project and \$25,581 to maintain funding for current DCS obligations (see Selected Fiscal and Policy Issues - Senate, #2); and c) an increase of \$15,600 in Appropriated Receipts reflecting the agency's projections.
Total, Goal D, PUBLIC ACCESS TO INFO AND SERVICES	\$5,167,139	\$4,012,934	(\$1,154,205)	(22.3%)	
Grand Total, All Strategies	\$256,076,184	\$202,049,973	(\$54,026,211)	(21.1%)	

**Railroad Commission
FTE Highlights - Senate**

Full-Time-Equivalent Positions	Expended 2017	Estimated 2018	Budgeted 2019	Recommended 2020	Recommended 2021
Cap	820.1	827.1	827.1	827.1	827.1
Actual/Budgeted	683.5	730.8	827.1	NA	NA

Schedule of Exempt Positions (Cap)					
Railroad Commissioner, Group 6 (3)	\$137,500	\$140,938	\$140,938	\$140,938	\$140,938

Notes:

- a) Fiscal years 2017 and 2018 reflect actual and estimated FTE figures which are lower than the FTE cap primarily due to staff vacancies and turnover.
- b) The State Auditor's Office report, *Executive Compensation at State Agencies* (Report No. 18-705, August 2018), does not indicate market average salaries for elected officials. The salary of the Railroad Commissioners is a public policy decision that is not tied to the market average for similar positions.

**Railroad Commission
Performance Measure Highlights - Senate**

	Expended 2017	Estimated 2018	Budgeted 2019	Recommended 2020	Recommended 2021
<ul style="list-style-type: none"> • <i>Average Number of Safety Violations</i> <p><i>Measure Explanation: this measure reports the average number of safety violations noted by agency staff for each 100 miles of distribution, transmission, and hazardous liquid pipelines inspected.</i></p>	3.0	1.5	1.5	1.5	1.5
<ul style="list-style-type: none"> • <i>Percent of Oil & Gas Inspections that Identify Violations</i> <p><i>Measure Explanation: this measure reports the percentage of the total number of oil & gas facility inspections with at least one pollution-related violation compared to the total number of oil & gas facility inspections performed.</i></p>	13.0%	80.0%	80.0%	80.0%	80.0%
<ul style="list-style-type: none"> • <i>Percent of Wells Not Inspected in Last Five Years</i> <p><i>Measure Explanation: the measure reports the percentage of wells in operation for more than five years that have not been inspected by agency staff.</i></p>	58.0%	35.0%	20.0%	50.0%	50.0%
<ul style="list-style-type: none"> • <i>Percent of Known Orphaned Wells Plugged with the Use of State-manage Funds</i> <p><i>Measure Explanation: this measure reports the percentage of orphaned wells that have been plugged using state funds compared to the total number of known orphaned wells.</i></p>	11.0%	23.0%	25.0%	15.0%	15.0%
<ul style="list-style-type: none"> • <i>Number of Pipeline Safety Inspections Performed</i> <p><i>Measure Explanation: this measure reports the total number of standard and follow-up safety compliance inspections conducted on intrastate liquid and natural gas pipelines.</i></p>	2,812.0	2,300.0	2,500.0	2,600.0	2,700.0
<ul style="list-style-type: none"> • <i>Number of Oil & Gas Well and Facility Inspections Performed</i> <p><i>Measure Explanation: this measure reports the total number of oil & gas well and facility inspections performed by agency staff.</i></p>	155,880.0	170,000.0	176,000.0	176,000.0	176,000.0
<ul style="list-style-type: none"> • <i>Number of Orphaned Wells Plugged with the Use of State-managed Funds</i> <p><i>Measure Explanation: this measure reports the total number of orphaned wells plugged with state funds.</i></p>	917.0	979.0	979.0	979.0	979.0

Railroad Commission
Summary of Ten Percent Biennial Base Reduction Options - Senate

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs				
1)	Across the Board Reductions	<p>The Railroad Commission used the "Across the Board Reduction" methodology in the Base Reduction Schedule. Reductions reflect a decrease of \$1,527,533 in General Revenue Funds and \$3,378,232 in Genral Revenue Dedicated Oil & Gas Regulations and Cleanup Account No. 5155 (GR-D No. 5155).</p> <p>Reductions would affect development of information technology projects, the number of orphaned wells plugged, the number of pollutions sites remediated, and agency operations related to inspections, permit application processing, and enforcement actions. The agency states there would be a reduction in Federal Funds collected, but cannot provide an estimate at this time.</p>	\$4,905,765	\$4,905,765	0.0	\$0	2.5%	\$4,905,765	Partial
2)	Across the Board Reductions	Same as above	\$4,905,765	\$4,905,765	0.0	\$0	2.5%	\$4,905,765	Partial
3)	Across the Board Reductions	Same as above	\$4,905,765	\$4,905,765	0.0	\$0	2.5%	\$4,905,765	Partial
4)	Across the Board Reductions	Same as above	\$4,905,767	\$4,905,767	0.0	\$0	2.5%	\$4,905,767	Partial
TOTAL, 10% Reduction Options			\$19,623,062	\$19,623,062	0.0	\$0			

**Railroad Commission (RRC)
Quality Assurance Team (QAT) Highlights - Senate**

RRC has one project subject to QAT oversight. This project is within budget and on schedule as reported to the Quality Assurance Team*

Project Name	Project Cost	Expenditures to Date	% Complete	Timeline in Months	Project Status
Inspection/Enforcement Tracking and Reporting System Project	\$ 6.0	\$ 0.1	15.0%	24	<p>This project is using a phased approach to implement an inspection and docket management system over the next two to three biennia. In FY 2018-19, RRC began Phase I prioritizing certain types of inspections and cases. Currently RRC inspection and enforcement data is captured in a variety of systems and formats that does not allow RRC to aggregate data, identify process efficiencies, or provide a holistic view of regulatory compliance and enforcement data.</p> <p>The Inspection/Enforcement Tracking and Reporting System (IETRS) Project started in FY 2018. The initial estimated project cost was \$6.0 million. The initial project start and finish dates were September 1, 2017, and August 31, 2019, respectively. Thus far, the project is successful in terms of budget and schedule.</p>

*Note: These figures reflect all project costs (Capital and Informational) and timelines from self-reported monitoring reports that are sent to the Quality Assurance Team (QAT) for review. QAT includes representatives from the Comptroller of Public Accounts, Department of Information Resources, Legislative Budget Board and the State Auditor's Office (Advisory Only).