

SUBJECT: Relocation of the Interstate Oil and Gas Compact Commission to Austin

COMMITTEE: Energy Resources — committee substitute recommended

VOTE: 6 ayes — Hardcastle, Crownover, Chisum, Corte, Crabb, Gonzalez
Tourelles

0 nays

1 absent — Farabee

WITNESSES: For — Victor G. Carrillo, Railroad Commission of Texas; (*Registered, but did not testify*: Ben Sebree, Texas Oil & Gas Association; Tom Seller, Conoco Phillips; Donna Warndof, Texas Independent Producers and Royalty Owners (TIPRO))

Against — None

BACKGROUND: The Interstate Oil and Gas Compact Commission (IOGCC) is a multi-state government agency promoting the conservation and efficient recovery of domestic oil and natural gas resources while protecting health, safety, and the environment. It was established by the charter member states' governors in 1935 and currently is headquartered in Oklahoma City, OK.

Natural Resources Code, sec. 40.151 establishes the coastal protection fund, which has the purpose of providing immediately available funds for erosion response projects and the cleanup of pollution from unauthorized discharges of oil.

Natural Resources Code, sec. 40.152(a) limits the use of the coastal protection fund to:

- administrative, personnel, and training expenses, and equipment maintenance and operating costs related to oil spill prevention;
- response costs and damages related to unauthorized oil discharges;
- assessment, restoration, rehabilitation, replacement, or mitigation of damage to natural resources due to unauthorized oil discharges;
- less than \$50,000 annually for the small spill education program;

- less than \$1.25 million annually for interagency contracts with state universities for oil discharge-related research;
- the purchase of response equipment;
- other costs and damages authorized by this chapter;
- erosion response projects, in an amount not to exceed the interest accruing to the fund annually;; and
- in conjunction with the Railroad Commission (RRC), costs related to the plugging of abandoned or orphaned oil wells located on state-owned submerged lands.

Natural Resources Code, sec. 40.153 and sec. 40.156 require the Railroad Commission to recover funds from those liable for damages paid for by the fund and to create a written report of the payments made on their behalf, if needed for admission into evidence in a court of law.

DIGEST:

If the Interstate Oil and Gas Compact Commission relocated to the city of Austin on or after September 1, 2007, CSHB 3385 would authorize up to \$500,000 to be paid from the coastal protection fund each fiscal year to pay for the relocation and support of the IOGCC, notwithstanding other restrictions on use of the fund.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007. The bill would expire on August 31, 2009.

**SUPPORTERS
SAY:**

CSHB 3385 would provide the funds necessary to relocate the IOGCC from Oklahoma to Texas. Texas is the nation's premier natural gas and oil producing state, and it is fitting that it should be the home of this congressionally ratified interstate compact of 37 states, which produce 99 percent of the nation's oil and gas. The bill would benefit the state of Texas by enabling it to exercise greater influence on the policy development of the IOGCC. Through work with the IOGCC, Texas would be able to focus nation attention on Gulf Coast energy issues as they relate to supply, distribution, and security. Further, should Texas be awarded the FutureGen clean coal project by the U.S. Department of Energy, it will be in a unique position to work with the IOGCC to craft policy regarding carbon sequestration, emerging technologies, and rulemaking that will have ramifications at the national level.

The bill would not have a significant impact on the coastal protection fund. Relocation expenses would only cost \$180,000 over the fiscal 2008-09 biennium, and the commission could not receive more than \$500,000 in a fiscal year. The relocation of the IOGCC is germane to the coastal protection fund because of the fund's historical role in oil and gas pollution response, and the funding used for relocating the IOGCC would not adversely affect the state's coastal remediation and erosion activities.

OPPONENTS
SAY:

While this bill was drafted so that it would expire on August 31, 2009, it could be reauthorized in each subsequent legislative session, as indicated by the fiscal note, which anticipates support funding for the IOGCC through fiscal 2012.

NOTES:

The fiscal note assumes relocating the IOGCC will cost \$100,000 in fiscal 2008 and \$80,000 each fiscal year thereafter for office and operating expenses through fiscal 2012.