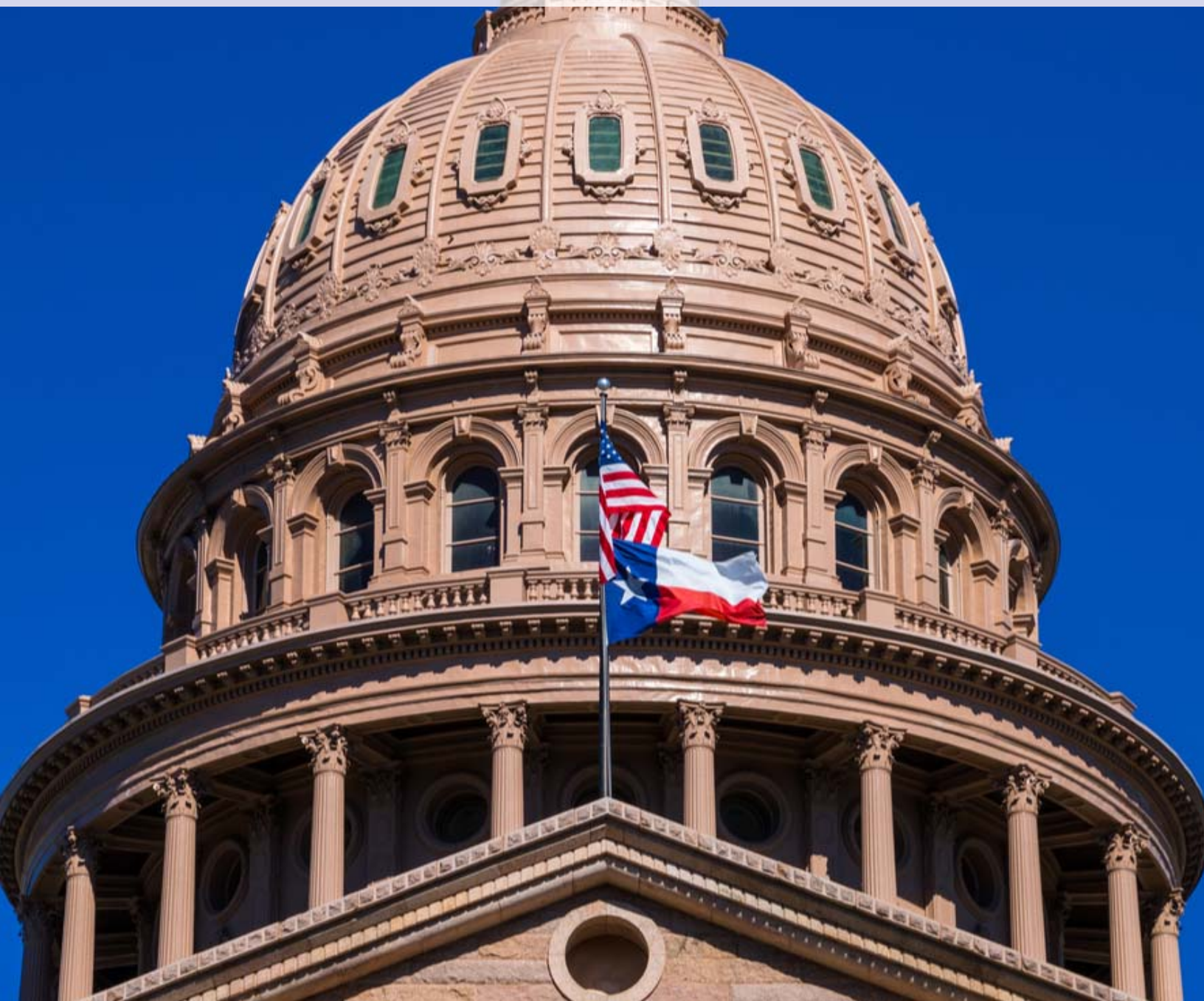




Texas Independent Producers & Royalty Owners Association

2019 Legislative Report



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Texas Independent Producers & Royalty Owners Association.

TIPRO is one of the oldest and largest oil and natural gas advocacy non-profit organizations in the state of Texas. TIPRO's nearly 3,000 members include small family-owned oil and gas businesses and the largest publicly traded independent producers, in addition to large and small mineral estates and trusts.

The association's mission is to preserve the ability to explore and produce oil and natural gas and to promote the general welfare of its members.

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MESSAGE FROM THE PRESIDENT

In 2019, the Texas legislature entertained bold ideas to position the Lone Star State for future success and sustained economic growth. Labeled the most powerful state in America by Texas Governor Greg Abbott, Texas is consistently recognized as the top economic destination in the country and it is easy to understand why. Sound policies and a balanced regulatory framework advanced by state officials have contributed to the expansion of vital industries such as oil and gas, which have kept our state as an economic leader.

Throughout the 2019 legislative cycle, the Texas Independent Producers & Royalty Owners Association (TIPRO) worked with lawmakers to address key concerns for our membership and the state's oil and gas sector. Legislative priorities for TIPRO in 2019 included solutions to reduce the number of inactive wells in Texas, prevent royalty owner scams, support critical infrastructure development, and provide funding to expand and improve highways and public roads, amongst other important causes. During the 86th Regular Legislative Session, 7,541 total bills were filed for consideration -- including over 4,912 in the Texas House, and 2,629 in the Senate chamber. Following TIPRO's analysis of all filed legislation, the organization actively tracked 250 bills this year that pertained to the Texas oil and natural gas industry. TIPRO also ultimately took formal positions on 50 bills, with TIPRO leadership testifying before several House and Senate committees and the association's policy team participating in hundreds of meetings with elected officials to voice the association's support or concerns over policy proposals under consideration.

250

bills tracked by TIPRO during the 2019 Legislative Session

In addition to TIPRO's direct advocacy efforts at the state, local and federal level in 2019, the association also released several research-oriented reports over the past year to quantify and reinforce the significant economic contributions of the oil and gas industry. TIPRO's research also highlighted numerous trends related to the labor force, population, education attainment and pipeline, and demographics, to name a few. TIPRO's ongoing research is designed to support the association's advocacy efforts and related priorities from a communication standpoint.

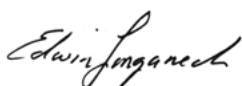
Since the association's inception more than 73 years ago, TIPRO has equipped Texas lawmakers with the information necessary to understanding the impact of their decisions on the way the oil and gas industry operates and the broader effects to the Texas economy at large. TIPRO remains a trusted source for information from both sides of the aisle on all policy matters facing the Texas oil and natural gas industry.

Our association's ongoing efforts have proven to be instrumental in promoting beneficial legislation, helping to block onerous bills, and ultimately creating a policy environment conducive to economic growth supported by the responsible development of oil and gas.

As the state's largest association serving both independent producers and royalty owners, members of the TIPRO include small family businesses, the largest, publicly-traded independent producers, and mineral owners, estates, and trusts. Collectively, TIPRO members produce 90 percent of the oil and natural gas in Texas and own mineral interests in millions of acres across the state.

I hope you find value in reviewing TIPRO's *2019 Legislative Report* as we strive to keep members informed of significant policy developments in Texas and share the many achievements of our organization and industry. A special thanks to TIPRO's tremendous policy team for their work during the 86th Legislative Session and all supportive members.

If you have any questions regarding this report or other legislative issues in Texas, please do not hesitate to contact me directly. Thank you.



Ed Longanecker, TIPRO President

***TIPRO's 86th End-of-Session
State Legislative Report***

Prepared by:

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REGISTRATION REQUIREMENT FOR LPG-GAS CONTAINER MANUFACTURERS AND REGULATION OF LP-GAS LICENSEES (HOUSE BILL 2714/SENATE BILL 1515):

AUTHOR: REP. BAILES, REP. HARRIS | SPONSOR: SENATOR BIRDWELL

ANALYSIS: House Bill 2714 removes the licensure requirement for liquefied petroleum gas (LP-gas) container manufacturers. Instead, a person will be required to register with the Railroad Commission of Texas (RRC) in order to engage in the manufacture or fabrication of containers for use in the state. Under the bill, registration will have to be renewed annually. The bill eliminates statutorily defined categories of LP-gas activities for which a person could apply for licensure and instead requires the RRC to establish by rule license categories for LP-gas activities. The bill also removes a requirement that certain RRC notifications be mailed.

TIPRO EFFORTS: TIPRO met with the RRC to discuss the bill. The RRC indicated the bill was a priority for the agency and that the bill would streamline certain processes that would effectively free up additional agency resources. TIPRO supported the legislation in the House Committee on Energy Resources and the Senate Committee on Natural Resources and Economic Development. TIPRO was the only oil and gas association to support this legislation in committee.

BILL STATUS/EFFECTIVE DATE: House Bill 2714 was signed by Governor Greg Abbott on May 17, 2019. The bill will take effect September 1, 2019, and the Railroad Commission will have to adopt required rules by January 1, 2020.

REGISTRATION FOR CNG OR LNG CONTAINERS AND SYSTEMS (HOUSE BILL 2127/SENATE BILL 532):

AUTHOR: REP. HARRIS, REP. BAILES, REP. CAIN | SPONSOR: SENATOR BIRDWELL

ANALYSIS: Natural Resources Code Sec. 116.031 requires manufacturers of compressed liquid gas (CNG) cylinders or liquid natural gas (LNG) containers produced for use in the state to obtain a license from the RRC. The commission's licensing of CNG and LNG container manufacturers is redundant, since these manufacturers are also subject to federal regulation and standards issued by the American Society of Civil Engineers. House Bill 2127 repeals the requirement that manufacturers of CNG cylinders or LNG containers for use in the state be licensed by the RRC. Instead, House Bill 2127 requires the RRC to adopt rules providing for the registration of these manufacturers.

TIPRO EFFORTS: TIPRO met with the RRC to discuss the bill. The RRC indicated the bill was a priority for the agency and underscored how the bill would streamline certain processes that would free up additional RRC resources. TIPRO supported the legislation in the House Committee on Energy Resources and the Senate Committee on Natural Resources and Economic Development. TIPRO was the only oil and gas association to support this legislation in committee.

BILL STATUS/EFFECTIVE DATE: House Bill 2127 was signed by Governor Greg Abbott on May 24, 2019. The bill is effective on September 1, 2019, and the Railroad Commission will have to adopt rules regarding registration.

REMOVAL OF CAP FOR OIL AND GAS REGULATION CLEANUP FUND (OGRC) (HOUSE BILL 2675):

AUTHOR: REP. GEREN | SPONSOR: SENATOR BIRDWELL

ANALYSIS: The cap on the Oil and Gas Regulation Cleanup Fund (OGRC) limits the ability of the RRC to retain dedicated funds to support critical projects whose costs exceed biennial appropriations, including projects for transitioning off of an older mainframe computer system, plugging wells, and digitally archiving paper and microfiche well log data. House Bill 2675 repeals Section 81.067(b) of the Natural Resources Code, which provides for the suspension of the collection of oilfield cleanup regulatory fees when the balance in the oil and gas regulation and cleanup fund equals or exceeds a specified amount and amends the Natural Resources Code to make conforming changes.

REMOVAL OF CAP FOR OIL AND GAS REGULATION CLEANUP FUND (OGRC) (HOUSE BILL 2675):

TIPRO EFFORTS: TIPRO met with the RRC to discuss the concept and worked with the agency to draft and file the legislation. TIPRO also met with numerous stakeholders and elected officials to emphasize that this legislation was a priority for both the RRC and industry. TIPRO also supported the legislation in the House Committee on Energy Resources and the Senate Committee on Natural Resources and Economic Development.

BILL STATUS/EFFECTIVE DATE: House Bill 2675 was signed by Governor Greg Abbott on May 17, 2019. The bill is effective on September 1, 2019.

TERMS OF DISSOLUTION OF AN OIL OR GAS POOLED UNIT (HOUSE BILL 3226):

AUTHOR: REP. GEREN, REP. DARBY | **SPONSOR:** SENATOR BIRDWELL

ANALYSIS: Certain provisions of the Mineral Interest Pooling Act (MIPA) are outdated and do not reflect modern drilling technology and practices that allow for drilling operations to occur at surface locations adjacent to tracts from which they are producing. House Bill 3226 updates a statutory provision relating to automatic dissolution to ensure that an oil or gas pooled unit is not dissolved for lack of drilling operations on the unit when drilling operations are taking place on an adjacent surface location that benefits the unit. House Bill 3226 conforms a MIPA permit with the life of a drilling permit, and allows two years for the resulting MIPA well to be drilled, instead of just one year. It also amends the statute to provide that commencement of operations on an adjacent surface location will qualify to keep the regulatory pooled units intact.

TIPRO EFFORTS: TIPRO supported the legislation in the House Committee on Energy Resources and the Senate Committee on Natural Resources and Economic Development.

BILL STATUS/EFFECTIVE DATE: House Bill 3226 was signed by Governor Greg Abbott on May 17, 2019. The bill is effective on September 1, 2019.

EXPEDITED PROCESSING OF CERTAIN APPLICATIONS FOR PERMITS UNDER THE TEXAS CLEAN AIR ACT (SENATE BILL 698/HOUSE BILL 1688/HOUSE BILL 1708):

AUTHOR: SENATOR BIRDWELL | **SPONSORS:** REP. LOZANO, REP. BLANCO

ANALYSIS: Under current law, the Texas Commission on Environmental Quality (TCEQ) is authorized to add a surcharge to an application fee for an expedited application in an amount to cover the expenses incurred for expediting an application. The surcharge may only be used to cover the expenses incurred for overtime or contract labor to process an expedited permit application. The TCEQ has utilized both contract labor and overtime in an effort to meet the demand for the expedited permit program, but the demand for the program has increased significantly over the past few years, which has resulted in diminishing returns of the utility of the program in its current form.

Senate Bill 698 amends Section 382.05155 of the Health and Safety Code to allow TCEQ to use full-time equivalent (FTE) employees, in addition to overtime and contract labor, to support the processing of air permit applications in an expedited manner to keep Texas competitive with other states. By allowing TCEQ the ability to fund FTE employees who support the expedited permit program, the agency will be able to significantly increase the number of staff dedicated to working on expedited permit applications which in turn will improve processing times and keep Texas competitive.

EXPEDITED PROCESSING OF CERTAIN APPLICATIONS FOR PERMITS UNDER THE TEXAS CLEAN AIR ACT (SENATE BILL 698/HOUSE BILL 1688/HOUSE BILL 1708):

TIPRO EFFORTS: TIPRO met with the TCEQ to discuss the issue. TCEQ noted that this bill was a main focus for the agency. TIPRO prioritized Senate Bill 698 and communicated our support to relevant legislators and committee chairmen. TIPRO also supported the legislation in the Senate Committee on Natural Resources and Economic Development.

BILL STATUS/EFFECTIVE DATE: Senate Bill 698 was signed into law by Governor Greg Abbott on June 2, 2019. The bill has an effective date of September 1, 2019.

EXPEDITED AIR PERMITTING (HOUSE BILL 1747):

AUTHOR: REP. LOZANO

ANALYSIS: House Bill 1747 would have instructed the House Committee on Appropriations and Senate Committee on Finance to appropriate TCEQ any revenue from fees collected from expedited permit review surcharges. This would have resulted in more support for expedited air permit applications.

TIPRO EFFORTS: TIPRO communicated support for the legislation to Chairman Lozano, author of the policy proposal. The bill, however, never received a hearing in the House Committee on Environmental Regulation; therefore, there were no opportunities to officially declare TIPRO's support.

BILL STATUS/EFFECTIVE DATE: House Bill 1747 died in the House Committee on Environmental Regulation in lieu of a similar bill, Senate Bill 698.

TCEQ PERMITS FOR DISCHARGE OF PRODUCED WATER, HYDROSTATIC TEST WATER, AND GAS PLANT EFFLUENT RESULTING FROM CERTAIN OIL AND GAS ACTIVITIES (HOUSE BILL 2771/SENATE BILL 1585):

AUTHOR: REP. LOZANO | SPONSOR: SENATOR HUGHES

ANALYSIS: House Bill 2771 amends current law relating to the authority of the TCEQ to issue permits for the discharge into water in this state of produced water, hydrostatic test water and gas plant effluent resulting from certain oil and gas activities.

TIPRO EFFORTS: TIPRO participated in numerous stakeholder meetings over the past year regarding the delegation of authority for National Pollutant Discharge Elimination System (NPDES) permitting. TIPRO met with Chairman Lozano, the author of the bill, to offer support and worked with the Senate Committee on Natural Resources and Economic Development to have the bill set. TIPRO communicated our support to key elected officials and submitted a card in support of the legislation in the House Committee on Environment Regulation and the Senate Committee on Natural Resources and Economic Development. TIPRO also facilitated high level discussions between industry, water experts and the governor's office.

BILL STATUS/EFFECTIVE DATE: House Bill 2771 passed the House and Senate chambers, and was sent to Governor Greg Abbott for his signature on May 29, 2019. The bill has an effective date of September 1, 2019, pending the governor's signature.

PIPELINE EMERGENCY MANAGEMENT FEES (HOUSE BILL 4060):

AUTHOR: REP. ZWEINER

ANALYSIS: House Bill 4060 would have required the RRC to establish pipeline emergency preparedness fees that would be assessed for permits and registrations for pipelines subject to the RRC's pipeline safety and regulatory program. Under the bill, the RRC would also be required to establish a grant program, funded by the pipeline emergency preparedness fees, to provide funding for emergency preparedness expenses.

TIPRO EFFORTS: TIPRO opposed the legislation in the House Committee on Energy Resources and met with committee members on numerous occasions to articulate TIPRO's concerns with the bill.

BILL STATUS/EFFECTIVE DATE: House Bill 4060 was considered in a public hearing on April 8, 2019, but was left pending and ultimately died in committee due to lack of support for the legislation.

PUBLIC HEARING REQUIREMENTS FOR RRC PERMIT APPLICATIONS NEAR CHILD-CARE FACILITIES (HOUSE BILL 2920/SENATE BILL 1156):

AUTHOR: REP. TURNER | SENATOR ZAFFIRINI

ANALYSIS: This legislation would have prohibited the RRC from issuing a permit to drill a new oil and gas well site within 1,500 feet of a child-care facility unless the commission held a public hearing in the county of the proposed well site and the commission considered the comments received from the public hearing when determining whether to grant the permit.

TIPRO EFFORTS: TIPRO spoke with the office of the bill's author to understand intent and informed the office of TIPRO's opposition to the legislation. TIPRO opposed the legislation in committee and articulated industry's concerns to members of the Senate Committee on Natural Resources and Economic Development and the House Committee on Energy Resources.

BILL STATUS/EFFECTIVE DATE: House Bill 2920 died in the House Committee on Energy Resources and Senate Bill 1156 died in the Senate Committee on Natural Resources and Economic Development.

EXTENDING TERP UNTIL TEXAS IS IN ATTAINMENT WITH THE FEDERAL CLEAN AIR ACT (HOUSE BILL 3745):

AUTHOR: REP. BELL | SPONSOR: SENATOR BIRDWELL

ANALYSIS: House Bill 3745 extends the Texas Emissions Reduction Program (TERP) until Texas is in attainment with the Federal Clean Air Act; provides for all dedicated TERP fees to be used by the TCEQ to administer TERP programs and maximize mobile source emissions reductions in non-attainment areas of the state; fully funds the TERP program as was intended from the inception of TERP; ends the funding gap between TERP revenue and TERP appropriations; preserves the use of the TERP Fund balance (\$1.7 billion) for certification of the budget; minimizes the growth of the TERP Fund balance; and enables TCEQ to have a greater impact on reducing mobile emissions in Texas, which account for the vast majority of NOx emissions in non-attainment areas.

TIPRO EFFORTS: TIPRO supported the legislation in the Senate Committee on Natural Resources and contributed support to the one pager that was distributed capitol-wide.

BILL STATUS/EFFECTIVE DATE: House Bill 3745 was sent to Governor Greg Abbott on May 29, 2019. The bill is still pending his signature as of the date of this report.

CONFORMING THE EXPIRATION DATE FOR TERP FUNDING TO FINAL ATTAINMENT (SENATE BILL 531/HOUSE BILLS 1043/HOUSE BILL 1345/HOUSE BILL 1746):

AUTHOR: SENATOR BIRDWELL, REP. BLANCO, REP. THOMPSON

ANALYSIS: Senate Bill 531 conforms the expiration of TERP funding to the date that TCEQ publishes a final finding of attainment for designated areas of Texas in the Texas Register.

TIPRO EFFORTS: TIPRO supported the legislation in the House Committee on Environmental Regulation and the Senate Committee on Natural Resources and Economic Development.

BILL STATUS/EFFECTIVE DATE: Senate Bill 531 died before going to conference committee between the House and Senate. Senate Bill 531, however, was amended onto House Bill 3745, which was sent to the governor on May 29, 2019 for his signature.

DEDICATING GAS UTILITY TAXES, PENALTIES AND INTEREST TO THE OIL AND GAS REGULATION CLEANUP FUND (HOUSE BILL 2676):

AUTHOR: REP. GEREN

ANALYSIS: House Bill 2676 dedicated the gas utility taxes, penalties and interest to the Oil and Gas Regulation Cleanup Fund and added to the purposes of the fund the regulation of alternative fuels regulatory programs related to liquefied petroleum gas, compressed natural gas, and liquefied natural gas safety and the regulation of rates and services of gas utilities, and the administration of surface mining regulatory programs. The bill also removed the cap for the oil and gas regulation and cleanup fund.

TIPRO EFFORTS: None; the bill was never heard in committee.

BILL STATUS/EFFECTIVE DATE: House Bill 2675 was moved through the legislative process in lieu of House Bill 2676. House Bill 2675 becomes effective on September 1, 2019.

GENERAL APPROPRIATIONS BILL -- TRANSPORTATION FUNDING (HOUSE BILL 1):

AUTHOR: REP. ZERWAS

ANALYSIS: House Bill 1, the state budget, appropriates \$118.859 billion in general revenue funds; \$6.19 billion in general revenue dedicated funds; \$86.439 billion in federal funds; and \$39.165 billion in other funds; for an all funds total of \$250.652 billion (compared to \$216.758 billion in the 2018-2019 biennium; \$216.399 billion in the 2016-2017 biennium and \$196.9 billion in the 2014-2015 biennium). The bill was instrumental to securing necessary road funding to counties in our state impacted by increased oil and gas activity. House Bill 1 included \$125 million for the purpose of targeting funds for counties in our state's energy sectors to address critically needed road infrastructure. House Bill 1 combined with funding in Senate Bill 500 provided a total of \$250 million for transportation infrastructure in counties most impacted by increased oil and gas activity. The conference committee report on House Bill 1 was adopted by the Senate by a vote of 31 to 0, and passed the House by a vote of 148 to 1. Representative Jonathan Stickland (R-Bedford) cast the only "no" vote.

TIPRO EFFORTS: TIPRO worked closely with the House Committee on Appropriations to ensure that necessary road funding to counties in our state impacted by increased oil and gas activity was included in the state budget. As the bill made its way through the political process and onto the Senate, TIPRO continued to articulate support for the funding to remain in the bill. Finally, TIPRO communicated its support for the final product of House Bill 1 inclusive of the energy sector transportation infrastructure funding at the executive level.

BILL STATUS/EFFECTIVE DATE: House Bill 1 became effective May 27, 2019, and was sent to Texas Comptroller Glenn Hegar for certification.

GENERAL APPROPRIATIONS BILL -- RAILROAD COMMISSION FUNDING (HOUSE BILL 1):

AUTHOR: REP. ZERWAS

ANALYSIS: The 86th Texas Legislature recognized the need for a strong regulatory agency for the state's top industry and prioritized the important role the RRC plays in keeping the state's citizens and natural resources safe. Accordingly, the legislature's Fiscal Year 2020-2021 budget includes increased funding for the RRC to strengthen the agency's inspection and enforcement capabilities, as well as increases transparency for the public. House Bill 1 appropriates approximately \$283 million for the biennium, including an increase of 22 full-time equivalent (FTE) employees.

The funding includes the following items, with a focus on additional staff inspectors and IT program upgrades:

- 22 new oil and gas and pipeline safety inspectors;
- \$26.9 million to replace antiquated mainframe permitting systems; and
- \$39.1 million to fund a robust well plugging and site remediation program.

TIPRO EFFORTS: TIPRO met with RRC Chairman Christi Craddick during the association's annual convention in February where Chairman Craddick expressed to members of the TIPRO Board the need for appropriately funding the RRC. TIPRO made adequately funding the RRC a priority this session and articulated its support to members of the legislature.

BILL STATUS/EFFECTIVE DATE: House Bill 1 became effective May 27, 2019, and was sent to Texas Comptroller Glenn Hegar for certification.

THE TEXAS SUPPLEMENTAL FUNDING BILL -- TRANSPORTATION FUNDING (SENATE BILL 500):**AUTHOR: SENATOR NELSON**

ANALYSIS: Senate Bill 500 was the 86th Legislature’s supplemental funding bill. The bill was instrumental to securing necessary road funding to counties in our state impacted by increased oil and gas activity. Senate Bill 500 included \$125 million for the purpose of targeting funds to counties in our state’s energy sectors to address critically needed road infrastructure. Using House Bill 1 and Senate Bill 500, industry was successful in securing a total of \$250 million for transportation infrastructure in counties most impacted by increased oil and gas activity.

TIPRO EFFORTS: TIPRO’s efforts to secure funding for transportation infrastructure in the state’s energy sectors began very early in session. As Senate Bill 500 became a vehicle for such funding, TIPRO took an active role in communicating with members of the legislature, including members of the Senate Committee on Finance and the House Committee on Appropriations, and individuals in the executive branch on the need for this funding.

BILL STATUS/EFFECTIVE DATE: Senate Bill 500 became effective May 28, 2019, and was sent to Texas Comptroller Glenn Hegar for certification.

PROPERTY TAX REFORM (SENATE BILL 2):**AUTHOR: SENATOR BETTENCOURT**

ANALYSIS: Senate Bill 2, focused on property tax reform, was listed as a priority piece of legislation by Governor Greg Abbott and the leaders of both chambers at the beginning of the legislative session. Senate Bill 2 includes restrictions on tax increases, improves “real time” tax notices, and progresses the process of disputing values. See below for additional details:

Restrictions on tax increases -

- Reductions to the rate of increase in local city, county and special district property taxes for the taxing jurisdictions in which most people live. Under current law, voters may petition for a “rollback” election if the district raises revenue on existing properties more than 8 percent. The new limit requires an automatic November election in larger jurisdictions if the tax increase is greater than 3.5 percent. The lower threshold does not apply to jurisdictions with a tax rate below 2.5 cents per \$100 of value, hospital districts, and junior college districts. Further, smaller taxing units may increase taxes by up to \$500,000 before voters must approve the increase, although they may still petition for an election if the increase is greater than 8 percent.
- Jurisdictions subject to the 3.5 percent threshold may carry forward any amount from tax rates below a 3.5 percent increase during the three prior years. For example, if a jurisdiction has adopted a 2.5 percent tax increase over the previous three years, their voter-approval threshold would be 6.5 percent (3.5 percent plus the 3 percent unused from prior years).

Improved, “real time” tax notices -

- A new requirement that property owners must be notified in August about their property taxes and be provided the dates, times and locations of public meetings for the adoption of each jurisdiction’s tax rates, as well as the amount those rates would impact their individual tax bills, with links allowing property owners to register comments about the proposed tax rates with the governing bodies of the taxing entities before they are adopted.
- Taxing unit websites are required to include more tax rate and levy information so that property owners can make informed comments.
- Newspaper notices are still required for public hearings on tax rates in a format that is more understandable; the notices also must be posted on the homepage of the taxing unit’s website.

PROPERTY TAX REFORM (SENATE BILL 2):

ANALYSIS CONTINUED:

Improvements to the process of disputing values -

- Changes to appraisal review board hearing procedures, including the creation of special panels in the five largest counties to hear protests for complex properties;
- Improvements in the binding arbitration system; and
- Other technical changes to appraisal district operations.

TIPRO EFFORTS: TIPRO monitored Senate Bill 2 throughout the legislative process to ensure there were no provisions of the bill that would shift property tax burdens to businesses or otherwise adversely impact the oil and gas industry.

BILL STATUS/EFFECTIVE DATE: Senate Bill 2 was sent to the governor for his signature on May 28, 2019. Senate Bill 2 was a priority bill for the governor and received substantial support from both chambers of the legislature.



ESTABLISHING PRODUCED WATER OWNERSHIP (HOUSE BILL 3246):

AUTHOR: REP. DARBY, REP. GEREN, REP. LARSON | SPONSOR: SENATOR HANCOCK

ANALYSIS: House Bill 3246 amends current law to make clear that fluid oil and gas waste is the property of the entity producing and utilizing the fluid oil and gas waste until it is transferred to another entity.

TIPRO EFFORTS: TIPRO supported House Bill 3246 in both the House Committee on Energy Resources and the Senate Committee on Natural Resources and Economic Development. TIPRO worked with the office of the bill's author to assist the bill through the process and also participated in a stakeholder group to strategize and ensure legislative victory. TIPRO articulated support to House and Senate committee members and had high-level conversations with industry experts and the governor's staff to address any questions and ensure there were no concerns.

BILL STATUS/EFFECTIVE DATE: House Bill 3246 was filed without signature by Governor Greg Abbott on May 24, 2019. The bill is effective on September 1, 2019.

PERMITTING BRACKISH GROUNDWATER FOR MUNICIPAL AND ELECTRIC GENERATION PROJECTS (HOUSE BILL 722):

AUTHOR: REP. LARSON | SPONSOR: SENATOR PERRY

ANALYSIS: House Bill 722 creates the regulatory framework for permitting brackish groundwater through a Ground Water Conservation District (GCD). Permitting only applies to municipal projects and electric generation projects. Changes under the bill reflect potential revisions to address the governor's veto proclamation, as well as a statement at the end to clarify that GCD's may not adopt rules that limit access to the production of brackish groundwater to the two types of projects listed in the bill.

TIPRO EFFORTS: TIPRO supported the legislation in the House Committee on Natural Resources and the Senate Committee on Water and Rural Affairs.

BILL STATUS/EFFECTIVE DATE: House Bill 722 was sent to Governor Greg Abbott on May 29, 2019. The bill is still pending his signature as of the date of this report.

TAX INCENTIVES FOR DESALINATION FACILITIES (HOUSE BILL 2545):

AUTHOR: REP. GUILLEN | SPONSOR: SENATOR HINOJOSA

ANALYSIS: House Bill 2545 proposed allowing an entity which operates a desalination facility with the proper state and federal permits the ability to deduct from their franchise tax amounts received from minerals or materials extracted from water. Tax credits ranging from \$1, \$5 and \$17 per 1,000 gallons of water would be offered that met certain ranges of total dissolved solid concentrations providing the water was put to beneficial use. The maximum taxable credit that an entity would be eligible to utilize were not to exceed the amount of franchise tax due for a reporting cycle. The bill would have also allowed the entity to carry forward excess credit, or sell or assign the credit.

TIPRO EFFORTS: TIPRO was neutral on the bill.

BILL STATUS/EFFECTIVE DATE: House Bill 2545 was left pending in the Senate Committee on Finance.

SEVERANCE TAX EXEMPTION FOR INACTIVE WELLS (SENATE BILL 533/HOUSE BILL 1558):

AUTHOR: SENATOR BIRDWELL, REP. PADDIE

ANALYSIS: Senate Bill 533 provides a five year severance tax exemption for wells that have been returned to active status, as defined by statute, after two years or more of inactivity. Statute defines a "two-year inactive well" as a well that has not produced oil or gas in more than one month in the two years preceding the date of application for severance tax exemption in this program. The bill also clarifies that the severance tax exemption does not apply to wells used for enhanced oil recovery and wells that have been drilled but not completed and that do not have a record of production on file with the RRC. Providing an incentive to bring abandoned wells back online reduces the burden on the commission, provides support for Texas operators, as well as offers sizeable economic benefits through increased oil and gas employment, production and royalty income, and ultimately higher severance tax revenue for the state once the exemption expires.

TIPRO EFFORTS: TIPRO worked to have the legislation drafted and filed. TIPRO testified in support of the bill before the House Committee on Ways and Means and worked closely with the offices of the chairmen and interested parties to ensure legislative success. TIPRO submitted a card in support of the bill in the Senate Committee on Natural Resources and Economic Development, which did not take public testimony. TIPRO articulated its support to the office of the governor and was on hand to discuss last minute details of the bill prior to its signing.

BILL STATUS/EFFECTIVE DATE: Senate Bill 533 was signed by Governor Greg Abbott on May 7, 2019. The bill is effective on September 1, 2019.

PROPERTY REDEVELOPMENT AND TAX ABATEMENT ACT EXTENSION (HOUSE BILL 3143):

AUTHOR: REP. MURPHY

ANALYSIS: House Bill 3143 extends the expiration date of Chapter 312 of the tax code, the Property Redevelopment and Tax Abatement Act, from 2019 to 2029, but adds additional requirements such as a public notice and hearing before a tax abatement may be changed, granted or repealed. A reporting to the comptroller by the chief appraiser of each appraisal district indicating the appraised value of the property for the first three years of the abatement is also required under House Bill 3143.

TIPRO EFFORTS: TIPRO's State Issues Committee voted to support legislation that extended the Property Redevelopment and Tax Abatement Act. TIPRO's support for the extension of the program was articulated to the Senate Committee on Natural Resources and Economic Development and the House Committee on Ways and Means.

BILL STATUS/EFFECTIVE DATE: House Bill 3143 was passed by both the House and the Senate, and sent to Governor Greg Abbott on May 29, 2019 for his consideration and signature.

EXTENDING CHAPTER 312 AND CHAPTER 313 AGREEMENTS (HOUSE BILL 2438):

AUTHOR: REP. PHELAN

ANALYSIS: This legislation sought to continue Chapter 312 until December 2031 and Chapter 313 until December 2032.

TIPRO EFFORTS: TIPRO supported the legislation in the House Committee on Ways and Means.

BILL STATUS/EFFECTIVE DATE: House Bill 2438 was left pending in House Committee on Ways and Means. House Bill 3143, however, was moved in lieu of House Bill 2438. House Bill 3143 was sent to Governor Greg Abbott on May 29, 2019. The bill is still pending his signature as of the date of this report.

ABOLISHING THE EXPIRATION DATE FOR CHAPTER 312 AGREEMENTS (SENATE BILL 350):

AUTHOR: SENATOR POWELL

ANALYSIS: Senate Bill 350 would have abolished the expiration date for Chapter 312 tax abatement programs under the Property Redevelopment and Tax Abatement Act.

TIPRO EFFORTS: TIPRO's State Issues Committee voted to support legislation that extended the Property Redevelopment and Tax Abatement Act. TIPRO's support for the extension of the program was articulated to the Senate Committee on Natural Resources and Economic Development and the House Committee on Ways and Means.

BILL STATUS/EFFECTIVE DATE: Senate Bill 350 died. House Bill 3143 became the prominent Chapter 312 extension bill.

EXTENDING CHAPTER 312 AGREEMENTS (SENATE BILL 1158/HOUSE BILL 499/HOUSE BILL 360):

AUTHOR: SENATOR BETTENCOURT | SPONSOR: REP. BUTTON

ANALYSIS: This bill would have extended Chapter 312 until December 2031.

TIPRO EFFORTS: TIPRO's State Issues Committee voted to support legislation that extended the Property Redevelopment and Tax Abatement Act. TIPRO's support for the extension of the program was articulated to the Senate Committee on Natural Resources and Economic Development and the House Committee on Ways and Means. TIPRO supported House Bill 360 in the House Committee on Ways and Means.

BILL STATUS/EFFECTIVE DATE: House Bill 360 passed the House, however House Bill 360 and Senate Bill 1158 were never heard in the Senate Committee on Natural Resources and Economic Development. House Bill 3143 was moved in lieu of Senate Bill 1158, House Bill 499 and House Bill 360. House Bill 3143 was sent to Governor Greg Abbott on May 29, 2019. The bill is still pending his signature as of the date of this report.

LNG AND CNG TAX EXEMPTION AND REPEAL (SENATE BILL 1781):

AUTHOR: SENATOR ZAFFIRINI

ANALYSIS: Senate Bill 1781 would have exempted natural gas used as a motor fuel from sales and use taxation, and would have repealed the motor fuels tax on compressed natural gas and liquefied natural gas.

TIPRO EFFORTS: TIPRO supported Senate Bill 1781 in the Senate Committee on Finance.

BILL STATUS/EFFECTIVE DATE: Senate Bill 1781 was heard in a public hearing in the Senate Committee on Finance on April 24, 2019, but was never voted out of the committee.

REMOVAL OF NATURAL GAS COMPRESSOR UNITS FROM THE DEFINITION OF "HEAVY EQUIPMENT" FOR AD VALOREM TAX EXEMPTIONS (HOUSE BILL 564):

AUTHOR: REP. NEVÁREZ

ANALYSIS: House Bill 564 would have removed "natural gas compressor package or unit" from the list of items eligible for special valuation as "heavy equipment" for ad valorem tax purposes. This would lead to an increase in inventory taxes on these items, resulting in higher costs for the companies that own or lease them.

TIPRO EFFORTS: TIPRO articulated concerns to the office of Representative Nevarez, the bill's author. Since the legislation never received a hearing, there were no opportunities to officially declare TIPRO's opposition.

REMOVAL OF NATURAL GAS COMPRESSOR UNITS FROM THE DEFINITION OF “HEAVY EQUIPMENT” FOR AD VALOREM TAX EXEMPTIONS (HOUSE BILL 564):

BILL STATUS/EFFECTIVE DATE: House Bill 564 died in the House Committee on Ways and Means, where it never received a hearing.

CREATING A SALES AND USE TAX REFUND OR FRANCHISE TAX CREDIT FOR BUSINESSES THAT PARTICIPATE IN APPRENTICESHIP PROGRAMS (HOUSE BILL 966/SENATE BILL 685):

AUTHOR: REP. DUTTON | **SPONSOR:** SENATOR ALVARADO

ANALYSIS: This legislation called for the creation of a tax incentive for employers who hire apprentices and engage in apprenticeship programs. The bill would have provided a sales and use tax credit or franchise tax credit for businesses that employ apprentices. The tax refund or credit would equal up to \$2,500 per apprentice hired and would have been limited to five apprentices per taxable entity, and was limited to four taxable years per apprentice.

TIPRO EFFORTS: TIPRO supported the legislation in the House Committee on Ways and Means and the Senate Committee on Finance.

BILL STATUS/EFFECTIVE DATE: Both House Bill 966 and Senate Bill 685 were left pending committee.

ADJUSTING THE REQUIREMENTS FOR LOW PRODUCING OIL AND GAS WELL TAX CREDITS (SENATE BILL 925/HOUSE BILL 3865):

AUTHOR: SENATOR FLORES | **SPONSOR:** REP. BAILES

ANALYSIS: Senate Bill 925 amends the requirements for the tax credits for low producing oil and gas wells. Currently, to qualify a gas or oil well for the credit, the RRC computes the amount of production by using monthly well production reports. This bill requires that computation be made using the greater of the monthly production report to the commission or the monthly production reported by producers to the comptroller, including any amendments to those reports.

TIPRO EFFORTS: TIPRO supported the legislation in the House Committee on Ways and Means and the Senate Committee on Natural Resources and Economic Development. TIPRO was the only association to support the bill in the Senate Committee on Natural Resources and Economic Development.

BILL STATUS/EFFECTIVE DATE: Senate Bill 925 was signed by Governor Greg Abbott on May 20, 2019, and becomes effective on September 1, 2019.

PHASING OUT HIGH COST GAS TAX REDUCTIONS (SENATE BILL 1417):

AUTHOR: SENATOR JOHNSON

ANALYSIS: Senate Bill 1417 would have phased out the high cost gas tax reduction by requiring that an application to be considered a high cost gas well must be received by the comptroller by September 1, 2019. Senate Bill 1417 would require that no new high cost gas tax exemptions be permitted after September 1, 2019. Current exemptions would have remained in place, but would expire according to statute: either the first 120 consecutive calendar months beginning on the first day of production, or until the cumulative value of the tax reduction equals 50 percent of the drilling and completion costs incurred for the well, whichever occurs first.

TIPRO EFFORTS: TIPRO articulated its opposition to the bill to the Senate author, Senate Finance Committee members and other stakeholders. TIPRO submitted a card in opposition of the legislation for permanent record.

PHASING OUT HIGH COST GAS TAX REDUCTIONS (SENATE BILL 1417):

BILL STATUS/EFFECTIVE DATE: Senate Bill 1417 was left pending in the Senate Committee on Finance.

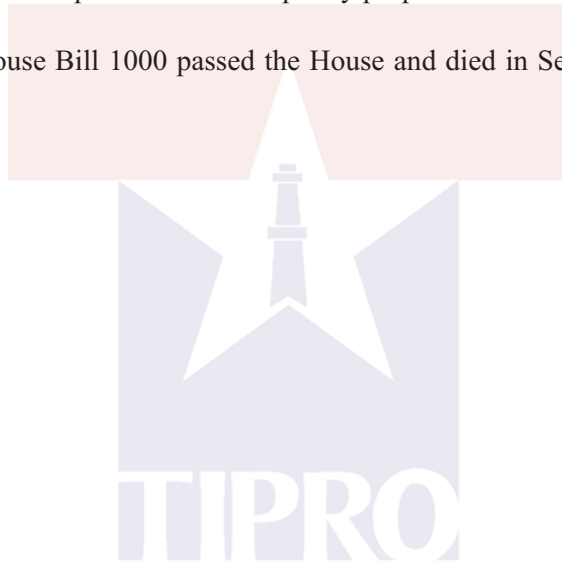
RURAL WORKFORCE INSURANCE TAX CREDIT BILL (HOUSE BILL 1000/SENATE BILL 826):

AUTHOR: REP. PADDIE | **SPONSOR:** SENATOR HANCOCK

ANALYSIS: House Bill 1000 would have created a program establishing the Rural and Opportunity Fund to be made up of donations from corporations, which could in return receive a tax credit from state insurance tax liability. It applied to municipalities with a population of less than 50,000 or a county with a population of less than 200,000. It would have allowed certain investments made by an entity to qualify as an insurance tax credit-eligible capital contribution.

TIPRO EFFORTS: TIPRO submitted a card in support of the legislation for permanent record and contributed support to the one pager that was distributed capitol-wide on the policy proposal.

BILL STATUS/EFFECTIVE DATE: House Bill 1000 passed the House and died in Senate Committee on Business and Commerce.



ROYALTY SCAM (HOUSE BILL 3838):

AUTHOR: REP. BAILES | SPONSOR: SENATOR BIRDWELL

ANALYSIS: House Bill 3838, known as the “Royalty Scam Bill,” is designed to stop a specific type of scam that has been victimizing royalty and mineral owners for several years. The scam occurs when buyers solicit royalty and mineral owners with existing production to “top lease” their minerals in return for a cash payment. The buyer claims that in exchange for the “top lease,” the mineral or royalty owner will receive a cash payment and a 25 percent “royalty.” The owner is then presented with a document intended to mimic an oil and gas lease. However, the document is not a legitimate top lease. Instead, the owner is selling 75 percent of their royalties for as long as the “royalty lease” is in effect. The goal is to try to time the purchases with redevelopment of new horizontal wells and take 75 percent of the owners’ royalty stream for a minimal payment.

House Bill 3838 amends the Texas Property Code by adding a new section requiring mandatory disclosures in offers to purchase mineral and royalty interests, and several other provisions. It does not impact legitimate royalty leases in any way.

TIPRO EFFORTS: TIPRO supported the National Association of Royalty Owners (NARO) - Texas Chapter in the drafting of the legislation, and worked with stakeholders to find compromise language that would protect royalty owners and not burden legitimate business operations. TIPRO helped secure an author for the legislation and testified in support of the bill before the House Committee on Energy Resources. TIPRO worked with relevant committees, their members and staff to make sure there were no concerns. TIPRO also supported the legislation in the Senate Committee on Natural Resources and Economic Development. After House Bill 3838 passed the House and Senate, TIPRO briefed the governor’s office and provided information documenting the need for the legislation.

BILL STATUS/EFFECTIVE DATE: House Bill 3838 passed the House and Senate and was sent to Governor Greg Abbott on May 26, 2019, for his signature. The bill has an effective date of September 1, 2019, pending the governor’s signature.

ROYALTY SUSPENSE (HOUSE BILL 3372/SENATE BILL 1988):

AUTHOR: REP. CRADDICK, SENATOR FALLON

ANALYSIS: Current law allows for the withholding of royalty payments for various reasons (title issues; or a reasonable doubt that the payee: (i) has sold or authorized the sale of its share of the oil or gas to the purchaser of such production; or (ii) has clear title to the interest in the proceeds of production). House Bill 3372 prohibited legal action for breach of contract against a payor for withholding payment based on law.

TIPRO EFFORTS: TIPRO supported the legislation in the House Committee on Judiciary and Civil Jurisprudence.

BILL STATUS/EFFECTIVE DATE: House Bill 3372 died in House Committee on Calendars as it was never placed on the House Calendar.

BTU ROYALTY REQUIREMENT (SENATE BILL 817):

AUTHOR: SENATOR HINOJOSA

ANALYSIS: An oil and gas lease provides that a royalty owner receives a certain percentage of the proceeds of sales of oil and gas produced. In the past only certain information was required to be included on check details provided by operators to royalty owners. Such information included the lease property, or well name, total number of barrels of oil, etc.

BTU ROYALTY REQUIREMENT (SENATE BILL 817):

ANALYSIS CONTINUED: In 2001, legislation passed requiring operators to report sales of natural gas by volume sold, price per thousand cubic feet (MCF), and proceeds of sale on the check details. Senate Bill 817 would have added that the Btu factor of gas sold must be included on the check details as well.

TIPRO EFFORTS: TIPRO submitted a card in opposition to Senate Bill 817 in the Senate Committee on Natural Resources and Economic Development and supported efforts to incorporate alternative language with Senator Hinojosa's office to ease concerns among various stakeholders.

BILL STATUS/EFFECTIVE DATE: Senate Bill 817 was heard in a public hearing in the Senate Committee on Natural Resources and Economic Development on March 20, 2019. The bill was left pending and died in committee.



TRANSPORTATION INFRASTRUCTURE FUNDING FOR AREAS IMPACTED BY INCREASED OIL AND GAS PRODUCTION (HOUSE BILL 4280/SENATE BILL 2260):

AUTHOR: REP. MORRISON | SPONSOR: SENATOR FLORES

ANALYSIS: Recent legislative efforts implemented a disbursement mechanism for funding that would improve county road infrastructure in energy-producing areas. With record oil and natural gas production occurring across the state, as well as rising severance tax collections, counties are in need of funding that would allow them to construct, repair and maintain county roads that facilitate heavy traffic related to this drilling activity. Additionally, there have been calls to focus funding to the areas of greatest need. House Bill 4280 modifies the mechanisms by which this grant program functions in order to more efficiently ensure the greatest benefit to these counties who, in turn, generate significant severance tax revenue back to the state for appropriations to statewide areas of need.

TIPRO EFFORTS: TIPRO supported the legislation in both the House Committee on Transportation and the Senate Committee on Transportation. TIPRO met on a number of occasions with industry participants to strategize and work out necessary changes to the bill to ensure success. TIPRO worked with both committees to address any concerns and make sure the bill had an optimal chance of passage.

BILL STATUS/EFFECTIVE DATE: Senate Bill 2260 was voted on in the Senate Committee on Transportation and received a vote of 9 to 0 in support of the legislation. House Bill 4280 made it through the entire legislative process and was sent the governor for his signature on May 29, 2019. The governor has until June 16th to sign, veto or allow the bill to become law without his signature.

CREATING THE “GENERATE RECURRING OIL WEALTH FOR TEXAS FUND,” THE GROW TEXAS FUND; REQUIRING A CONSTITUTIONAL AMENDMENT (HOUSE BILL 2154/HOUSE JOINT RESOLUTION 82):

AUTHOR: REP. LANDGRAF, REP. CRADDICK | SPONSOR: SENATOR FLORES

ANALYSIS: House Joint Resolution 82 and its enabling legislation, House Bill 2154, would have created the “Generate Recurring Oil Wealth for Texas Fund” (GROW Texas Fund) that used severance taxes for specific re-investment in Texas oil and gas areas that have experienced increased production. The money would have then been used exclusively to: expand and improve highways and public roads, increase law-enforcement and first responder salaries, establish greater access to healthcare, and revitalize education and skilled-workforce opportunities by dedicating money to teachers, schools, colleges and universities.

TIPRO EFFORTS: TIPRO testified in the House Committee on Appropriations in support of House Bill 2154 and House Joint Resolution 82. TIPRO also participated in several stakeholder meetings designed to align support and move the bill forward, and assisted in acquiring co-authors per the author’s request. In addition, the association helped to assemble a “strike” team that worked to gather the 128 House votes in support of the bill, worked to have the bill heard in the Senate Committee on Finance, and gathered support from members of the committee.

BILL STATUS/EFFECTIVE DATE: House Bill 2154 went down on a point of order on third reading on the House Floor and House Joint Resolution 82 was left pending in Senate Committee on Finance.

CRITICAL INFRASTRUCTURE (HOUSE BILL 3557/SENATE BILL 1993):

AUTHOR: REP. CHRIS PADDIE | SPONSOR: SENATOR BIRDWELL

ANALYSIS: House Bill 3557 enhances criminal liability for causing damage to critical infrastructure facilities. The bill increases the criminal offense for damaging a critical infrastructure facility to a third degree felony, increases the penalty for impairing or interrupting operation of a critical infrastructure facility to a state jail felony, increases the penalty for intent to cause damage to critical infrastructure facility to a state jail felony and increases the penalty for intent to impair or interrupt the operation of a critical infrastructure facility to a Class A Misdemeanor. The bill also provides a civil cause of action against entities who employ individuals that cause damages and makes individuals civilly liable for damages to critical infrastructure facilities.

TIPRO EFFORTS: TIPRO met with key legislators throughout the process and the governor's office to express support of the bill. TIPRO included its logo on material distributed to all members of the House and Senate and submitted a card in support of the bill in the House Committee on Judiciary and Civil Jurisprudence and the Senate Committee on Natural Resources and Economic Development.

BILL STATUS/EFFECTIVE DATE: The bill passed the House and the Senate and was sent to Governor Greg Abbott for his signature on May 29, 2019. The bill has an effective date of September 1, 2019, pending the governor's signature.

CRITICAL INFRASTRUCTURE (SENATE BILL 2229):

AUTHOR: SENATOR PAT FALLON

ANALYSIS: Senate Bill 2229 enhanced criminal liability for causing damage to critical infrastructure facilities. The bill would have provided for a fine of up to \$100,000 and/or up to 10 years of imprisonment for damages and a fine of up to \$10,000 and/or up to one year in jail for criminal trespass.

TIPRO EFFORTS: TIPRO's State Issues Committee voted to support Senate Bill 2229, however, the bill was never heard in committee as House Bill 3557 became the main vehicle for critical infrastructure protection.

BILL STATUS/EFFECTIVE DATE: House Bill 3557 became the primary vehicle for critical infrastructure protection. As a result, Senate Bill 2229 was never heard in committee.

ENVIRONMENTAL TASK FORCE ADVISORY COMMITTEE (HOUSE BILL 4380):

AUTHOR: REPRESENTATIVE HERRERO

ANALYSIS: House Bill 4380 sought to create the Environmental Task Force Advisory Committee to review the overall operation and structure of the RRC's environmental regulatory functions and its rules to implement and enforce the agency's environmental regulatory functions. The committee would have been required to provide recommendations to the RRC to improve and add clarity to the commission's regulatory functions. The committee would expire in 2023 and was to be made up of nine members picked by the RRC; seven members of oil and natural gas industry; one owner and operator of an oil and gas waste facility; one producer; one environmental engineer with environmental compliance experience; and one attorney with environmental law experience.

TIPRO EFFORTS: TIPRO submitted a card in opposition to the legislation in the House Committee on Energy Resources. TIPRO spoke with the bill's author and articulated concerns with the legislative proposal to members of the House Committee on Energy Resources.

BILL STATUS/EFFECTIVE DATE: House Bill 4380 died in the House Committee on Calendars.

PIPELINE REMEDIATION AND RESTORATION (HOUSE BILL 4423):

AUTHOR: REP. ZWIENER

ANALYSIS: House Bill 4423 provided that a pipeline operator permitted by the RRC may only operate a pipeline if the pipeline operator ensures that the land used for the pipeline that is currently used for agricultural purposes or set aside for the preservation of wildlife and is disturbed by the installation, maintenance, or operation of the pipeline, is promptly restored to its former condition of usefulness after the installation, maintenance, or operation of the pipeline facility is complete. The bill required pipeline operators to file a bond/letter of credit or cash deposit in an amount equal to \$1,000 for each mile of pipeline in order to fund land restoration should the pipeline operator fail to do so. In the case of an operator's failure to restore the land, the bill allowed for the funds to be deposited in the Oil and Gas Recovery and Cleanup Fund (OGRC) and to be used by the RRC for restoration. The bill also required the TCEQ to establish a program to monitor the restoration of grading of land in pipeline right-of-way easements to protect water quality in this state and ensure that soil composition in the area of the easement remains consistent.

TIPRO EFFORTS: TIPRO submitted a card in opposition to House Bill 4423 for permanent record and articulated concerns to members of the House Committee on Energy Resources.

BILL STATUS/EFFECTIVE DATE: House Bill 4423 was heard in the House Committee on Energy Resources on April 8, 2019, but was never voted out of committee.

OIL AND GAS EMERGENCY ALERT (SENATE BILL 185):

AUTHOR: SENATOR MILES

ANALYSIS: Senate Bill 185 required operators to give immediate notice of a fire, leak, spill, or break at a well to the RRC, and provide a letter to the commission giving a full description of the event and amount of oil, gas, or other liquids lost. The bill created a "well blowout emergency alert system" wherein the RRC and TCEQ would be required to develop an emergency alert to notify the public of the uncontrolled release from an oil or gas well that would substantially endanger human health or the environment. Senate Bill 185 would also have prevented an operator from obtaining a permit for a well adjacent to a well blowout site if the applicant violated a statute or commission rule, or was currently under investigation by a state or federal agency for an alleged violation.

OIL AND GAS EMERGENCY ALERT (SENATE BILL 185):

TIPRO EFFORTS: TIPRO submitted a card in opposition to Senate Bill 185 and worked to defeat the legislation. The association communicated concerns with members of the Senate Committee on Natural Resources and Economic Development and members of the House Committee on Energy Resources.

BILL STATUS/EFFECTIVE DATE: Senate Bill 185 died in the House Committee on Energy Resources.

PROHIBITING COMMERCIAL SURFACE DISPOSAL FACILITIES NEAR SCHOOLS (HOUSE BILL 2773):

AUTHOR: REP. LOZANO

ANALYSIS: House Bill 2773 would have prohibited the RRC from issuing a permit for a commercial surface disposal facility located near a school.

TIPRO EFFORTS: TIPRO opposed the legislation in the House Committee on Energy Resources, and met with the office of Chairman Lozano, the bill's author, to articulate concerns over the bill. TIPRO also met with members of the House Committee on Energy Resources to outline issues with the legislation.

BILL STATUS/EFFECTIVE DATE: House Bill 2773 was heard in a public hearing in the House Committee on Energy Resources on April 23, 2019, but was never voted out of the committee.

GROUNDWATER IMPACT CONTINGENCY PLANNING FOR PIPELINE OPERATORS (HOUSE BILL 3324):

AUTHOR: REP. ZWEINER

ANALYSIS: House Bill 3324 would have permitted the TCEQ to require the operator of an oil and gas pipeline to submit to the commission a site-specific contingency plan that described measures to be taken to control, contain and collect any discharge of fluids from the pipeline to minimize impacts to groundwater in the state.

TIPRO EFFORTS: TIPRO opposed the legislation in the House Committee on Natural Resources and met with committee members on numerous occasions to articulate TIPRO's concerns with the bill.

BILL STATUS/EFFECTIVE DATE: House Bill 3324 died in the House Committee on Natural Resources.

VOLUNTARY FINANCIAL ASSISTANCE PROGRAM FOR "NPDES" PERMIT HOLDERS (HOUSE BILL 4116):

AUTHOR: REP. ZWEINER

ANALYSIS: House Bill 4116 would have allowed the holder of a permit to discharge effluent under the National Pollutant Discharge Elimination System (NPDES) to voluntarily enter into a financial assurance program to cover costs associated with remediation of damage that results from a discharge that causes damage to the environment.

TIPRO EFFORTS: TIPRO was the only entity to oppose the legislation in the House Committee on Environmental Regulation.

BILL STATUS/EFFECTIVE DATE: House Bill 4116 died in the Senate Committee on Natural Resources and Economic Development, where it never received a hearing.

PUC COMMUNITY VALUES PIPELINE BILL (HOUSE BILL 4001):

AUTHOR: REP. NEVÁREZ

ANALYSIS: House Bill 4001 would have required a gas or petroleum pipeline that transports gas or petroleum and is owned, operated or managed by a gas corporation or a common carrier to receive a permit from the Public Utilities Commission (PUC) that authorizes the route of the pipeline before construction of the pipeline can commence. In granting the permit, the PUC would have to consider the potential negative effects on landowners including community values, recreational and park areas, historical and aesthetic values and environmental integrity before approving an application for a permit.

TIPRO EFFORTS: TIPRO spoke with the office of Representative Poncho Nevárez, the bill's author, and articulated the concerns of industry. TIPRO also worked to inform House Committee on Energy Resources members of problems with the legislation.

BILL STATUS/EFFECTIVE DATE: House Bill 4001 was heard in a public hearing in the House Committee on Energy Resources on April 17, 2019, but was never voted out of the committee.

EMINENT DOMAIN REFORM (HOUSE BILL 1157):

AUTHOR: REP. BELL

ANALYSIS: House Bill 1157 would have made a number of changes to the eminent domain process. The bill would have required an entity to disclose to property owners any new, amended, or updated appraisals after making an offer, within 10 days after receiving the report or the third business day before the date of a special commissioner's hearing if the report is to be used at the hearing. The bill would have reaffirmed existing requirements and procedures for a condemnation proceeding, including existing provisions for dismissal of the proceeding and awarding attorney's fees and court costs. House Bill 1157 would also have allowed a condemnor to move to dismiss a proceeding "wholly or partly." It would have required a court to dismiss a condemnation proceeding if the condemnor fails to comply with existing requirements relating to disclosure of certain information with the initial offer, inclusion of the landowners bill of rights, what constitutes a bona fide offer, and the reaffirmed provisions in number two. The bill also stipulated that the condemnor shall make an allowance to the property owner for attorney's fees, appraisers, and photographers, and other expenses incurred. Finally, the legislation would have repealed a section relating to a court abating a proceeding if a condemnor does not make a bona fide offer.

TIPRO EFFORTS: TIPRO opposed the legislation in the House Committee on Land and Resource Management. TIPRO met on numerous occasions to discuss the legislation with the Coalition for Critical Infrastructure (CCI) a large group of public and private entities committed to finding a workable solution to eminent domain issues. CCI, TIPRO and other industry participants led a concerted effort to oppose and ultimately defeat House Bill 1157.

BILL STATUS/EFFECTIVE DATE: House Bill 1157 was heard in a public hearing in the House Committee on Land and Resource Management on April 25, 2019, but was never voted out of the committee.

COMPLAINTS TO RRC FOR EMINENT DOMAIN ABUSES (HOUSE BILL 1919):

AUTHOR: REP. BAILES

ANALYSIS: House Bill 1919 would have added to the property owner's bill of rights the right of property owners to file complaints against acquiring entities regulated by the RRC to the agency regarding alleged misconduct by the entities while exercising eminent domain authority.

COMPLAINTS TO RRC FOR EMINENT DOMAIN ABUSES (HOUSE BILL 1919):

TIPRO EFFORTS: TIPRO opposed the legislation in the House Committee on Land and Resource Management. The association met on numerous occasions to discuss House Bill 1919 with the Coalition for Critical Infrastructure (CCI), a large group of public and private entities committed to finding a workable solution to eminent domain issues. CCI, TIPRO and other industry participants led a concerted effort to oppose and ultimately defeat the legislation.

BILL STATUS/EFFECTIVE DATE: House Bill 1919 was heard in a public hearing in the House Committee on Land and Resource Management on April 25, 2019, but was never voted out of the committee.

ANNUAL EMINENT DOMAIN STATUS REPORTS (HOUSE BILL 1987):

AUTHOR: REP. LEMAN

ANALYSIS: House Bill 1987 would have required entities with eminent domain status to include in their annual report to the comptroller any court proceeding challenging the entity's eminent domain status and the outcome. Entities whose status was under challenge would be placed on a separately maintained list by the comptroller.

TIPRO EFFORTS: TIPRO was neutral on House Bill 1987 and monitored the legislation.

BILL STATUS/EFFECTIVE DATE: House Bill 1987 was heard in a public hearing in the House Committee on Land and Resource Management on April 25, 2019, but was never voted out of the committee.

SERVICE OF NOTICE FOR SPECIAL COMMISSIONERS' HEARINGS (HOUSE BILL 2831):

AUTHOR: REP. CANALES

ANALYSIS: House Bill 2831 would have removed specific ways service of notice of a special commissioners' hearing in an eminent domain proceeding may be delivered, and allowed for the delivering of a copy of the notice to the party or to the party's agent or attorney or in any another manner provided by the Texas Rules of Civil Procedure for service of citation.

TIPRO EFFORTS: TIPRO supported House Bill 2831 as it passed out of the House Committee on Land and Resource Management and submitted a card in support for permanent record. Unfortunately, Senator Kolkhorst amended the bill and put eminent domain language from Senate Bill 421 onto House Bill 2831. TIPRO could no longer support the amended version of House Bill 2831 and worked to make sure the legislation did not pass.

BILL STATUS/EFFECTIVE DATE: House Bill 2831 died in conference committee on May 24, 2019.

EMINENT DOMAIN GCD NOTICE (HOUSE BILL 3327):

AUTHOR: REP. ZWEINER

ANALYSIS: House Bill 3327 would have required a common carrier that intended to exercise eminent domain authority to provide written notice to the county judge of the county in which the proposed pipeline would be located and each county within five miles of the proposed pipeline route. The bill would have required that the board of a groundwater conservation district (GCD) would also have to be notified and as well as any GCD within five miles of a proposed pipeline. The notice was required to include: (1) common carrier's intent to acquire real property for public use; (2) that the public use is the construction and operation of an oil and gas pipeline; (3) it must identify the real property the common carrier intends to acquire and the owners of the property; and (4) identify and provide contact information for all recipients of the notice.

EMINENT DOMAIN GCD NOTICE (HOUSE BILL 3327):

ANALYSIS CONTINUED: House Bill 3327 would have prohibited contact between the condemning entity and the land owner until 17 days after notice is provided. Finally, the bill would have required a public meeting and notice, and would have prohibited a bona fide offer from being considered bona fide if a common carrier representative did not attend and participate in the public meeting.

TIPRO EFFORTS: TIPRO opposed the legislation in the House Committee on Land and Resource Management. TIPRO met and discussed issues with the legislation with the Coalition for Critical Infrastructure (CCI). CCI, TIPRO and other industry participants led a concerted effort to oppose and ultimately defeat the legislation.

BILL STATUS/EFFECTIVE DATE: House Bill 3327 was heard in a public hearing in the House Committee on Land and Resource Management on April 25, 2019, but was never voted out of the committee.

EMINENT DOMAIN PROPERTY TAX OBLIGATION (Senate Bill 555):

AUTHOR: SENATOR SCHWERTNER

ANALYSIS: Senate Bill 555 made clear in law that if additional property taxes were owed on a property because the land was diverted to non-agricultural use as a result of condemnation, the additional taxes and interest owed would be the obligation of the condemning entity.

TIPRO EFFORTS: TIPRO had numerous conversations with the Coalition for Critical Infrastructure (CCI) regarding Senate Bill 555. Ultimately, TIPRO did not take a position on this legislation, but monitored the bill to make sure it was not used as a vehicle for more egregious eminent domain legislation.

BILL STATUS/EFFECTIVE DATE: Senate Bill 555 made it through the Senate and was heard in a public hearing in the House Committee on Land and Resource Management on April 25, 2019, but was never voted out of the committee.

PROPERTY SURVEY NOTICE REQUIREMENTS FOR AN ENTITY WITH EMINENT DOMAIN AUTHORITY (SENATE BILL 552/HOUSE BILL 1245):

AUTHOR: SENATOR SCHWERTNER | SPONSOR: REP. ASHBY

ANALYSIS: Senate Bill 552 added to the landowner's bill of rights text regarding existing rights and obligations of both the condemning entity and the landowner. The bill inserted that (1) the condemnor is responsible for damages arising from the survey, (2) the landowner may negotiate the terms of the survey, and (3) while a landowner has a common law right of refusal to keep the condemnor from entering the property, the condemnor may sue in court to enter the property and perform the survey. The bill also required any survey permission forms given to the landowner to include the same new information that would now be included in the landowner's bill of rights.

TIPRO EFFORTS: TIPRO joined with the Coalition for Critical Infrastructure (CCI) to oppose this legislation. TIPRO opposed the legislation in the Senate Committee on State Affairs and the House Committee on Land and Resource Management.

BILL STATUS/EFFECTIVE DATE: Senate Bill 552 and House Bill 1245 both died in the House Committee on Land and Resource Management.

SEPARATION OF OFFERS WHEN ACQUIRING MULTIPLE PROPERTIES (SENATE BILL 553/HOUSE BILL 1246):

AUTHOR: SENATOR SCHWERTNER | SPONSOR: REP. ASHBY

ANALYSIS: Senate Bill 553 amended the landowner's bill of rights statement to require that it must disclose that, if a condemning entity makes an initial offer that includes real property that they do not seek to acquire by condemnation, the offer shall separately identify that property and make a separate offer for that property. The legislation also added these provisions to the general statutes for eminent domain (not just the landowner bill of rights).

TIPRO EFFORTS: TIPRO joined with the Coalition for Critical Infrastructure (CCI) to oppose this legislation. TIPRO opposed the legislation in the Senate Committee on State Affairs as well as in the House Committee on Land and Resource Management.

BILL STATUS/EFFECTIVE DATE: Senate Bill 553 and House Bill 1246 both died in the House Committee on Land and Resource Management.

ESTABLISHING ACTUAL PROGRESS FOR THE RIGHT TO REPURCHASE PROPERTY FROM A CONDEMNING ENTITY (SENATE BILL 554/HOUSE BILL 1253):

AUTHOR: SENATOR SCHWERTNER | SPONSOR: REP. LEMAN

ANALYSIS: Current law allows an original property owner whose property was acquired through eminent domain to repurchase the property if the public use for which the property was acquired is canceled, no actual progress has been made towards a public use, or the property becomes unnecessary for public use. This bill would have redefined actual progress to mean three (previously two) or more of the following actions stated in the property code: (1) performance of a significant amount of labor to develop the property, (2) provision of a significant amount of materials to develop the property, (3) the hiring or contracting with and the performance of a significant amount of work by an architect, engineer, or surveyor to prepare a plan, plat, or easement, (4) application for state or federal funds to develop the property, or (5) application for a state or federal permit or certificate to develop the property.

TIPRO EFFORTS: TIPRO joined with the Coalition for Critical Infrastructure (CCI) to oppose this legislation. TIPRO opposed the legislation in the House Committee on Land and Resource Management.

BILL STATUS/EFFECTIVE DATE: Senate Bill 554 and House Bill 1253 both died in the House Committee on Land and Resource Management.

EMINENT DOMAIN REFORM (SENATE BILL 421/HOUSE BILL 991):

AUTHOR: SENATOR KOLKHORST, REP. BURNS

ANALYSIS: Senate Bill 421 was the most prominent eminent domain bill of the session. The main components sought to be addressed by the legislation were: initial offers, easement terms and landowner meetings. The initial offer provisions required by the bill involved a level of specificity so narrow that they would invite future litigation. Further, in making an initial offer, Senate Bill 421 would not recognize a market study conducted by a certified appraiser or permit use of a market study summary as a basis for a "bona fide" offer. The easement term provisions and the landowner meeting notice provisions in the legislation varied by jurisdiction and would have required a level of specificity that would have created numerous procedural litigation traps and obstructions. Additionally, Senate Bill 421 placed constraints on the timing of landowner meetings, which presented irreconcilable operational challenges that would have resulted in unnecessary delays. Finally, the legislation would have changed what is compensable for consideration by special commissioners. The brand-new standard would have assumed an automatic diminution of value to the remainder, without objective proof. This will lead to special commissioner awards based on subjective data, and increased appeals from those awards.

EMINENT DOMAIN REFORM (SENATE BILL 421/HOUSE BILL 991):

TIPRO EFFORTS: TIPRO testified in opposition to the legislation in both the Senate Committee on State Affairs and the House Committee on Land and Resource Management. TIPRO contributed to the opposition material that was circulated capitol-wide. TIPRO worked as a member of the Coalition for Critical Infrastructure (CCI) to find an agreed-upon solution to landowner concerns and the state's need for infrastructure. TIPRO also met on a number of occasions with stakeholder groups that articulated industry concerns with the bills.

BILL STATUS/EFFECTIVE DATE: Senate Bill 421 passed both the House and the Senate, but died in conference committee, and House Bill 991 died in the House Committee on Land and Resource Management. The final version of Senate Bill 421 that passed the Texas House addressed the main land owner concerns: “bona fide” offer, standard easement terms and landowner meetings, but did so in a way that would not invite increased litigation and unnecessary procedural hurdles. Interested parties, however, could not reach an agreement in the final hours of the 86th Legislative Session. Eminent domain reform is an issue debated nearly every session in the Texas Legislature. TIPRO remains diligent in working towards finding an agreed upon solution to the issue that balances property rights with the states growing need for infrastructure.



JUDICIAL DEFERENCE FOR STATE AGENCIES (SENATE BILL 2371/HOUSE BILL 2854):

AUTHOR: SENATOR HUGHES | SPONSOR: REP. MIDDLETON

ANALYSIS: This legislation aimed to eliminate two judicial doctrines, known as “Chevron deference” and “Auer deference,” which requires courts to defer to agencies’ interpretations of law rather than decide all questions of law de novo (without deference). This would expressly prohibit state courts from deferring to a state agency’s interpretation of a statute or regulation the agency administers and implements.

The Chevron Doctrine provides that when litigants challenge agency decisions in court, judges must defer to an agency’s interpretation of a statute the agency administers whenever the law at issue is ambiguous and the agency’s interpretation of the statutory ambiguity is reasonable. Under the Auer Doctrine, courts defer to an agency’s interpretation of its own regulations unless that interpretation is plainly erroneous or inconsistent with the regulation. Although the Supreme Court of Texas has never expressly adopted the Chevron Doctrine, Texas courts use a similar analysis. The Supreme Court has also endorsed a version of the Auer Doctrine.

TIPRO EFFORTS: TIPRO opposed the legislation in both the Senate Committee on State Affairs and the House Committee on Judiciary and Civil Jurisprudence.

BILL STATUS/EFFECTIVE DATE: Senate Bill 2371 died in the Senate Committee on State Affairs and House Bill 2854 died in the House Committee on Calendars.

CHARITABLE MATCH SOLICITATION PROGRAM FOR CORPORATIONS (HOUSE BILL 3044/SENATE BILL 773):

AUTHOR: REP. KLICK | SPONSOR: SENATOR HUGHES

ANALYSIS: Texas is the only state that does not permit corporate charitable match solicitation programs. House Bill 3044 addresses this issue by allowing a partial or full matching contribution to a designated 501(c)(3) organization, allowing a corporation to match an employee’s political contributions by making a charitable contribution on behalf of the employee.

TIPRO EFFORTS: TIPRO supported the legislation in the House Committee on Elections and the Senate Committee on State Affairs. TIPRO worked with both committees, the lieutenant governor’s office and the governor’s office to address concerns.

BILL STATUS/EFFECTIVE DATE: House Bill 3044 was sent to the governor on May 24, 2019. The governor has until June 16th to sign, veto or allow the bill to become law without his signature.

PROHIBITING NON-COMPETE AGREEMENTS FOR INDEPENDENT CONTRACTORS IN UPSTREAM, MIDSTREAM, OR DOWNSTREAM OIL AND GAS OPERATIONS (HOUSE BILL 1522):

AUTHOR: REP. PADDIE

ANALYSIS: House Bill 1522 amended the Business & Commerce Code to prohibit non-competes for independent contractors in upstream, midstream, or downstream oil and gas operations.

TIPRO EFFORTS: TIPRO spoke with Chairman Paddie and his staff, and articulated our concerns. TIPRO opposed the legislation in the House Committee on Energy Resources.

BILL STATUS/EFFECTIVE DATE: House Bill 1522 was left pending in House Committee on Energy Resources.



QUESTIONS?

PLEASE CONTACT TIPRO AT (512) 477-4452.