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To: Legislative Budget Board
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Sierra Club's Comments on the Railroad Commission's 2028-2029 Legislative Appropriation Request

The Lone Star Chapter of the Sierra Club appreciates the opportunity to make brief comments on the Railroad Commission of Texas' proposed Legislative Appropriations Request for FY 28-29. The agency plays a key role in the regulation of coal and uranium mining, oil and gas exploration and production and more recently, carbon capture and storage and geothermal exploration and energy.

As an organization, we have long supported the need for the agency to be robust with sufficient staff, particularly in the field, to be able to inspect and enforce rules related to oil and gas safety and environmental protection. We have also long supported the need for IT improvements that have allowed the agency to better maintain records digitally, and make that information more accessible to oil and gas companies, landowners, and the public.

In its proposed baseline biennial request, the agency is seeking a total of $376,975,579 with fee and surcharge generating sources comprising 37.9 percent, general revenue as 55.4 percent, federal funds as 5.7 percent, and other sources comprising 1.0 percent of the request. The request includes a three percent reduction across each of the Commission's strategies and General Revenue and General Revenue-Dedicated methods of finance, including changes to operating costs and program support. We would note the generally high level of general revenue requested. As an organization, we have long argued that a greater percentage of RRC's budget should be covered by GR-Dedicated methods of finance. Our understanding is that there is an

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existing balance of approximately $194 million in the Oil and Gas Regulation and Cleanup Fund that could be made available for allocation in addition to the amount – approximately $143 million – allocated in the proposed budget. Still, we recognize that part of the issue is structural – the RRC's current fees, fines, and bonding levels are often statutorily capped making it more difficult to raise funding for the agency. **The Sierra Club is hopeful that the Legislature can address some of these issues by making statutory changes.**

RRC's Open Meetings Should Remain Open to Public Input

While not technically a budget issue, we would like to encourage the Commission and the legislature to assure that public input continues to be allowed at all Commission open meetings. We have supported recent efforts by the agency to expand its Office of Public Engagement but were concerned by a recent policy shift to give discretion to the Commissioners to limit public input. In fact, we would encourage the Commission to allow for virtual participation by members of the public as some agencies such as the Texas Water Development Board have allowed.

New Inactive Wells Requirements

As a result of new legislation (SB 1150) related to inactive wells, the Commission will submit its first annual report on inactive wells to the Governor, Lieutenant Governor, and Legislature by December 1, 2026, and adopt rules for Chapter 89 of the Natural Resources Code no later than December 31, 2026, effective September 1, 2027. Sierra Club supports additional staff resources that will be needed to implement these new statutory reporting and rulemaking obligations during the 2028–29 biennium.

Capital Budget Requests

The Railroad Commission is seeking approximately $48.6 million in capital budget requests. The Sierra Club is very supportive of the specific request for $3 million for funding the agency's Inspection/Enforcement Tracking and Reporting System Phase VI. As an organization, we have long supported the need for the agency to be able to track and report on its inspections and enforcement in near real-time and make non-confidential information available to the public.

Exceptional Item Requests

The Railroad Commission is making a total of 9 requests totaling more than $121 million. While we are not taking a position on all of these requests, we are specifically supporting the first five requests, though again we would note in our support that as much of these requests be funded

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with GR-Dedicated fees from the Oil and Gas Regulation and Cleanup Fund - generated by industry - as opposed to General Revenue funds.

Exceptional Item Request No 1: $100 Million for Unplugged and Emergency Wells

The RRC is requesting funding to continue addressing emergency wells, expensive high-priority wells, and inflationary costs. It's important to note that **while we support** Exceptional Item Request 1 - $100 million for plugging orphaned wells as the agency struggles to keep up with the expanded orphaned well population – we recommend that the funding strategy come out of GR-Dedicated-Funds and not GR funds. Industry funds, not taxpayer funds, should be used to clean up the industry's mess.

Exceptional Item Request No. 2: Pipeline and Propane Safety Inspection and Compliance ($1,088,358 and 6 FTEs)

Federally mandated rules have increased the Commission's jurisdiction and regulatory responsibility over natural gas and propane pipelines. The Commission is requesting additional FTEs and funding. **The Sierra Club supports this request.**

Exceptional Item Request No. 3. Oil and Gas Staffing ($3,631,572 and 5 FTEs)

The RRC District Offices need additional staff for field work, enforcement activities, and administrative support. Keeping up with oil and gas activity out in the district is needed and Sierra Club supports the hiring of additional inspectors to maintain routine inspections and to quickly respond to landowner concerns regarding spills, unsafe electrical equipment, and reports of oil theft. **In fact, Sierra Club supports this request, but believes that the RRC may need even more inspectors to keep up with growth.**

Exceptional Item Request No. 4. Oil and Gas Produced Water Monitoring ($3,684,114 and 3 FTEs)

In the 89th Legislature, $7.7 million in funding was authorized to develop a system to receive oil and gas produced water reports and injection reports which will be delivered in FY 2028. Sierra Club supported this request but the Commission is facing unprecedented challenges from record amounts of oil production and produced water. Sierra Club supports additional staff and activities to assure strict reporting of produced water and increased monitoring of injection reports. The request would also allow the agency to partner with University of Texas at Austin's Bureau of Economic Geology (BEG). The Commission also proposes to contract UT-BEG TexNet Research Program, which successfully creates and maintains Texas' seismological network, to

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process and analyze satellite data to support oil and gas facility monitoring and enhance groundwater protection. **Sierra Club supports this request.**

Exceptional Item No. 5. Oil and Gas Monitoring and Inspection Equipment Refresh ($1,803,300)

The Sierra Club supports this request which would allow the Oil and Gas Field Operations to replace aging equipment used by field inspectors with newer, more advanced equipment to ensure accurate and complete inspection occurs in the field. This equipment detects the presence of hazardous gases, identifies naturally occurring radioactive materials (NORMs), checks fluid levels in oil and gas wells, and checks well conditions to identify leaking gases and fluids.

The Sierra Club appreciates the opportunity to provide these brief comments on the RRC's proposed LAR for 28-29 and exceptional item requests.