

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 15, 2003

TO: Honorable George "Buddy" West, Chair, House Committee on Energy Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB1110 by Luna (Relating to the funding of the coastal protection fund and the use of money in the fund.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1110, As Introduced: a positive impact of \$15,885,580 through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$7,942,790
2005	\$7,942,790
2006	\$7,942,790
2007	\$7,942,790
2008	\$7,942,790

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from COASTAL PROTECTION ACCT 27	Probable Savings/(Cost) from COASTAL PROTECTION ACCT 27	Probable Savings/(Cost) from GENERAL REVENUE FUND 1
2004	\$6,362,000	(\$7,942,790)	\$7,942,790
2005	\$6,082,000	(\$7,942,790)	\$7,942,790
2006	\$23,560,000	(\$7,942,790)	\$7,942,790
2007	(\$5,501,000)	(\$7,942,790)	\$7,942,790
2008	\$17,653,000	(\$7,942,790)	\$7,942,790

Fiscal Analysis

The bill would amend the Oil Spill Prevention and Response Act of 1991. The bill would increase the cap for fee collection (from a two-cents per barrel on crude oil off-loaded or on-loaded on the Texas Coast) from \$25 million to \$40 million. This provision would expire August 31, 2005. The bill would also allow for costs associated with coastal erosion (Natural Resources Code, Chapter 33 Subchapter H) to be paid out of the General Revenue-Dedicated Account No. 027.

Methodology

Under current law, the fee collection starts and ends when the unencumbered balance of the account falls below \$14 million and reaches \$25 million, respectively. According to the Comptroller, because the fund balance is expected to reach the upper limit in May 2003, the fee collection is expected to end. The fee collection is projected to start again by December 2004 as the balance falls below \$14

million and would continue until the balance reached \$25 million in September 2005. The next cycle of the fee collection is expected to start by February 2007 and end by September 2007. Another cycle would not be expected to begin until fiscal 2009.

Assuming the bill would become effective no earlier than the end of the current legislative session, the unencumbered fund balance would have surpassed the \$25 million ceiling and fee collections would have ended. The balance would then fall until it hit \$14 million and fee collections would begin. Further, because of additional expenses from coastal erosion and coastal management projects authorized by the bill to be funded from Account 0027, the fee collection pattern would vary from that observed under current law. The fee would be expected to start by June 2004 as the fund dropped below \$14 million and cease by January 2007. Fee collections would be expected to start again by December 2007 as the fund dropped below \$14 million.

Expenditures related to coastal protection and coastal erosion which are currently being funded with General Revenue would be funded out of the Coastal Protection Account, therefore generating a gain to the General Revenue Fund.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 455 Railroad Commission
LBB Staff: JK, WP, CL, MS