LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 23, 2003

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB2020** by Farabee (Relating to financial security requirements for certain persons performing operations within the jurisdiction of the Railroad Commission of Texas.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2020, Committee Report 2nd House, Substituted: an impact of $0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$0
2005	$0
2006	$0
2007	$0
2008	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *OIL-FIELD CLEANUP ACCT* 145	Probable (Cost) from *OIL-FIELD CLEANUP ACCT* 145
2004	($311,000)	($99,600)
2005	$0	$0
2006	$0	$0
2007	$0	$0
2008	$0	$0

Fiscal Analysis

The bill would make changes to the financial assurance requirements oil and gas industry entities are required to provide to the Railroad Commission. The bill would eliminate the annual $1,000 nonrefundable fee financial assurance option in lieu of bonding . The bill would establish a new rate structure for blanket bonds for operators who operate wells, reducing the blanket bond amounts. The bill would exempt non-well operators from financial requirements in fiscal year 2004.

The bill would take effect immediately upon enactment if it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2003.

Methodology

The estimated loss to in revenues to the Oil Field Cleanup Account No. 145 was provided by the Comptroller of Public Accounts, based on data provided by the Railroad Commission.

Changes to Railroad Commission financial assurance requirements is expected to result in a loss of revenue to the Oil Field Cleanup Account No. 145. Losses would occur due to the elimination of the annual $1,000 fee option for producers meeting RRC compliance standards. Losses would also occur due to the exemption of non-well operators from financial assurance requirments and due to the reduced bond amount for blanket bond requirements.

Although there would be an increase in the number of operators filing for the only remaining fee-in-lieu-of-bond option, the net fiscal impact is expected to be negative in fiscal year 2004. There would be no fiscal impact in subsequent years because the alternate form financial requirements are set to expire at the end of fiscal year 2004 under current law. The bill would not modify these provisions.

Technology

The Railroad Commission estimates that extensive programming changes to three of the agency's application systems would be required, resulting in costs in fiscal year 2004 of $99,600. This estimate is based on an estimated 830 hours of programming changes at a cost of $120 per hour.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

LBB Staff: JK, CL, TL