

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 8, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB2301 by Jones, Elizabeth (Relating to the collection of oil-field cleanup regulatory fees.),
As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB2301, As Engrossed: 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 Gain from <i>OIL-FIELD CLEANUP ACCT</i> 145	Probable (Cost) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2004	\$608,000	(\$608,000)
2005	\$1,017,000	(\$1,017,000)
2006	\$1,065,000	(\$1,065,000)
2007	\$1,113,000	(\$1,113,000)
2008	\$1,113,000	(\$1,113,000)

Fiscal Analysis

The bill would broaden the collection of the Oil-Field Cleanup Regulatory Fee. The bill would impose the fee on all oil and gas production regardless of tax-exempt status, including state royalties.

The bill would clarify that the Oil Field Cleanup Regulatory Fee on Oil is in addition to any liability for taxes imposed under Natural Resources Code, §81.111 and provisions of the Tax Code. The bill also amends Natural Resources Code, §81.117, to clarify that the Oil and Gas Regulatory Fee is in addition to any tax imposed under the tax code. In addition, the exemptions and reductions established in Tax Code §201.053, 202.057, 201.057 and 201.058 would no longer apply to the fee.

Methodology

According to the Comptroller's Office, high-cost gas and state royalty production volumes are not subject to the Oil Field Cleanup Fee. Upon passage of the bill, all such volumes would be subject to the fee.

The estimated increased revenue to the Oil Field Cleanup Account No. 145 listed above is based on production volumes as forecast by the Comptroller and the current fee of one cent per barrel of oil and one-fifteenth cent per thousand cubic feet of natural gas.

Due to a lag in fee collections, the revenue increase in fiscal year 2004 is based on a partial year (8-months) of collections.

This estimate assumes that all proceeds of the increased revenue stream would be expended by the Railroad Commission, since the identified need for well pluggings and cleanup activities exceeds the current revenue stream.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

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

LBB Staff: JK, JO, CL, TL