LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 24, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: **HB3368** by Hunter (Relating to the Texas Energy Resource Council.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3368, As Introduced: an impact of $0 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	$0
2005	$0
2006	$0
2007	$0
2008	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *New General Revenue Dedicated--Energy Resources Account*	Probable (Cost) from *New General Revenue Dedicated--Energy Resources Account*	Change in Number of State Employees from FY 2003
2004	$9,839,000	($405,336)	7.0
2005	($1,505,000)	($354,336)	7.0
2006	($752,000)	($354,336)	7.0
2007	($678,000)	($354,336)	7.0
2008	($666,000)	($354,336)	7.0

Fiscal Analysis

The bill would create a nine-member Texas Energy Resource Council (TERC) to coordinate a program to promote energy-related technologies, support energy-related educational activities and promote the exploration and production of energy, in addition to other responsibilities.

The bill would create an Energy Resources Account in the General Revenue Fund, which would consist of proceeds of an assessment on the production of oil, gas and condensate produced in the amount of one-tenth of one percent of gross revenues received at the wellhead.

The bill provides for members of the TERC to receive reimbursement for actual and necessary expenses. Expenses would be paid out of the Energy Resources Account. The bill also provides for the recovery of costs by the Comptroller in administering the assessment proposed by the bill.

The bill also provides for revenues received in the Energy Resources Account to be refunded to the fee-payers in the year following the year in which the fees are paid, if certain conditions are met. The refund would include interest earned at the rate equal to the average US treasury bill.

Methodology

The Comptroller estimates that revenues to the Energy Resources Account would total $9.8 million in 2004. Revenues are expected to decline in future years, due to anticipated production declines. Assuming all revenues and interest would be refunded in the year after the revenues were collected, the Comptroller estimates that the net impact of the bill would be negative in future years, with a loss in GR of $1.5 million in 2005, with losses of approximately $0.7 million in 2006-08.

The Comptroller also anticipates significant administrative costs associated with collecting the fees, notifying taxpayers and processing refunds. The agency expects administrative costs of $391,209 in 2004, decreasing to $340,836 in subsequent years. The Comptroller also expects that an additional seven FTEs would be required to handle the additional workload.

Assuming each of the nine members of the TERC would incur actual reimbursable costs of $1,500 each per year, the bill would result in costs of $13,500 per year.

The Railroad Commission does not anticipate any significant new costs as a result of the bill's passage.

Technology

Included in the costs estimated by the Comptroller for implementing the provisions of the bill are incidental amounts for programming and the acquisition of computers.

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, JO, CL, MS, TL