

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 3, 2003

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

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB619 by Armbrister (Relating to oil spill prevention and response.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend Chapter 40 of the Natural Resources Code, relating to the Oil Spill Prevention and Response Act of 1991. The bill would remove the language that requires the General Land Office (GLO) to develop a coastal discharge contingency plan with the Texas Commission on Environmental Quality (TCEQ) and deletes all references to that plan. The bill would repeal Section 40.053(b) which allows the Railroad Commission to respond to coastal oil spills which do not exceed 240 barrels from activities associated with the exploration, development or production of oil or gas within certain areas, as well as the transportation of oil or gas by pipeline.

The bill would repeal various sections of the Natural Resources Code, including those relating to the Interagency Council, the State Coastal Discharge Contingency Plan, general terms relating to the Railroad Commission of Texas (RRC) review of oil and gas activities and providing for costs reimbursement to RRC, entry into port, the revenue transfer to the RRC when the Coastal Protection Account balance reaches \$25 million, and the Oil Spill Oversight Council.

The bill would remove the Railroad Commission's jurisdiction for response to coastal oil spills of less than 240 barrels and also for response to spills resulting from the transportation of oil and gas by pipeline. The Railroad Commission reported that there were 23 oil spills of less than 240 barrels in coastal waters during fiscal year 2002. However, most spills were cleaned up by responsible parties with state costs occurring from oversight of the clean ups. The agency expects that any savings generated from elimination of this responsibility would be used to for responsibilities for inland spills and oversight of pipeline facilities.

The bill would allow funds in the Coastal Protection Account to be used for costs related to plugging abandoned or orphaned oil wells in submerged lands. Currently the General Land Office contracts with the Railroad Commission to conduct such pluggings for approximately \$200,000 per year, using surface damages funds. Implementation of this provision would free up the surface damages funds which would be deposited to the credit of the Permanent School Fund. However, it would be offset by an increase in the Coastal Protection Account to continue paying for this activity.

Provisions of the bill would not have significant fiscal impact on member agencies of the Interagency Council or the Oil Spill Oversight Council.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 305 General Land Office and Veterans' Land Board, 582 Commission on Environmental Quality

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