

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 9, 2003

TO: Honorable Rodney Ellis, Chair, Senate Committee on Government Organization

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1048 by Ellis, Rodney (Relating to the abolition of the Public Utility Commission of Texas and the Railroad Commission of Texas, the creation of the Texas Energy and Communications Commission, and the transfer of the powers and duties of the public utility commission and the railroad commission to the energy and communications commission and other state agencies.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1048, As Introduced: a positive impact of \$2,018,927 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	(\$486,292)
2005	\$2,505,219
2006	\$4,430,500
2007	\$4,430,500
2008	\$4,430,500

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Probable (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> 1	Change in Number of State Employees from FY 2003
2004	\$0	(\$486,292)	0.0
2005	\$2,968,927	(\$463,708)	(73.3)
2006	\$4,430,500	\$0	(73.3)
2007	\$4,430,500	\$0	(73.3)
2008	\$4,430,500	\$0	(73.3)

Fiscal Analysis

The bill would implement recommendation GG 1 from the Comptroller's *e-Texas* report, *Limited Government, Unlimited Opportunity*.

The bill would create the Texas Energy and Communications Commission (TECC) as the state agency responsible for all activities currently handled by the Public Utility Commission (PUC) as well as several duties currently held by the Railroad Commission. The new TECC would have three

statewide-elected commissioners.

The Railroad Commission would be dissolved on January 1, 2005, and its current duties would be split among several state agencies as follows:

- 1) The TECC would be responsible for the regulation of oil and gas exploration and production; the regulation of gas utilities; the regulation of gas transportation and use; the regulation of hazardous liquid and carbon dioxide; the regulation of common carriers, public gas utilities and common purchasers; the regulation of used oil field equipment dealers; the regulation of transporters of certain oil and petroleum products; the regulation of pipeline assessment and testing; and any other function of the Railroad Commission not transferred to another state agency by the bill.
- 2) The Texas Commission on Environmental Quality (TCEQ) would be responsible for the regulation of uranium surface mining; the regulation of surface coal mining; the prevention of pollution of surface and subsurface waters by oil- and gas-related activities; and the plugging of abandoned oil and gas wells.
- 3) The General Land Office (GLO) would be responsible for the regulation of the liquefied petroleum gas industry; the regulation of compressed natural gas and liquefied natural gas industries; alternative fuels research and education (AFRED); acting as the on-scene coordinator for the abatement, removal and cleanup of unauthorized discharges in coastal waters of 240 barrels or less of oil associated with oil activities; and the regulation of the exploration, development and production of geothermal energy.
- 4) The Texas Department of Transportation (TxDOT) would be responsible for railroad safety and the regulation of aggregate quarry and pit safety.

Methodology

According to the Comptroller of Public Accounts, \$18.6 million in savings and a reduction of 293 FTEs would be realized by the changes proposed by the bill. This estimate assumes that only 25 percent of such reductions would be possible without dramatic cuts to current services the Railroad Commission provides.

The Comptroller's estimate assumed that TxDOT costs would be paid out of the State Highway Fund No. 6. This estimate does not assume that those costs would be eligible to be paid from Fund No. 6, so the savings from General Revenue were reduced additionally in the amount of 25 percent \$870,000 projected by the Comptroller as an additional cost to Fund. 6, or \$217,500 each year (with a reduction of \$145,072 for the partial fiscal year 2005).

A portion of the Railroad Commission's funding comes from the two General Revenue-Dedicated Accounts--the Oil Field Cleanup Account No. 145 and the Alternative Fuels Research and Education (AFRED) Account No. 101. For the Oil Field Cleanup Account No. 145, no savings are included in this estimate. It is assumed that available funds in this account would be appropriated to the TCEQ and used to complete as many well pluggings and cleanups as the funds would permit. Any savings to the Alternative Fuels Research and Education (AFRED) Account No. 101 are not expected to be significant. This estimate assumes that state agencies would continue to receive the same level of Federal Funds, Appropriated Receipts and Interagency Contracts as the Railroad Commission currently receives.

The Comptroller did not provide a detailed breakdown of how appropriations or FTEs of the Railroad Commission would be reallocated to the TECC, TCEQ, GLO and TxDOT upon passage of the bill. In addition, the Comptroller did not provide the amount of remaining General Revenue funds that would be available to allocate to the various agencies receiving Railroad Commission responsibilities.

This estimate assumes that the merger proposed by the bill would require four months to implement, beginning September 1, 2004 and ending January 1, 2005. There would be no savings in fiscal 2004. Savings in fiscal year 2005 would be two-thirds of savings in subsequent years. This estimate includes reductions for salaries and related savings from contributions to the Employees Retirement System (ERS), health insurance, and other indirect costs.

Savings from the bill would be associated with the elimination of one set of commissioners as well as duplicative positions that would exist if the Railroad Commission and the Public Utility Commission were merged.

This estimate does not contemplate the closing of any RRC field offices. Because the PUC and RRC currently share the same office building in the Capitol Complex and are on neighboring floors, no moving expenses are included or expected.

This estimate assumes that technology costs of \$0.5 million in each fiscal year 2004 and 2005 would be required to speed up implementation of a web-based system to share Railroad Commission data, as outlined below.

Technology

There could be technology costs resulting from the division of Railroad Commission programs into different state agencies, since multiple agencies would need to access information currently accessible through the Railroad Commission's mainframe. Assuming the system would reside at the TECC, one option could be to replicate the agencies mainframe at both the TCEQ and the GLO. This estimate assumes instead that the Railroad Commission would speed up completion the Oil and Gas Technology Migration (OGTM) project so that it would be fully functional by January 1, 2005, thereby providing affected agencies access to Railroad Commission data via an Internet-based system. This would require an additional \$0.5 million in General Revenue Funds during each fiscal year 2004 and 2005. This is based on amounts identified by the Railroad Commission in its Legislative Appropriations Request as the funding needed to complete the OGTM project by the end of fiscal year 2005, and it assumes that the agency would already be spending an additional \$3.9 million on the project during 2004 and 2005.

There could also be costs involved in duplicating Railroad Commission records that currently exist only on paper. However, this estimate assumes that affected agencies would have to obtain such files from the agency that would be the most appropriate custodian of a particular type of file. Each agency would be expected to digitize archives inherited from the Railroad Commission based on priorities and to the extent that existing resources would permit.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 344 Commission on Human Rights, 455 Railroad Commission, 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality, 601 Department of Transportation

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