LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 19, 2005

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

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: **HB2160** by West, George "Buddy" (Relating to the Texas Energy Education Council; authorizing the imposition of an assessment on producers of oil, gas, and condensate.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2160, As Introduced: an impact of $0 through the biennium ending August 31, 2007.

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
2006	$0
2007	$0
2008	$0
2009	$0
2010	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND - Energy Education Acct* 1	Probable (Cost) from *GENERAL REVENUE FUND - Energy Education Acct* 1	Change in Number of State Employees from FY 2005
2006	$3,349,000	($3,349,000)	5.0
2007	$7,055,000	($7,055,000)	5.0
2008	$3,300,000	($3,300,000)	5.0
2009	$3,350,000	($3,350,000)	5.0
2010	$3,340,000	($3,340,000)	5.0

Fiscal Analysis

The bill would create the Texas Energy Education Council, a 15-member appointed board with the Railroad Commissioner serving as chair and the Education Commissioner serving as vice-chair. The Council would be directed to hire staff and coordinate a program of educational and job training activities designed to promote skills, research and knowledge related to oil and gas production in the state.

The bill would create the energy education account in the general revenue fund, which would consist of gifts, grants, legislative appropriations to the account, and a new assessment imposed on producers of oil, gas and condensate, starting January 1, 2006. The assessment would be equal to four-hundreths of one percent on the market value of oil, gas or condensate produced or saved in the state by the producer, not to exceed $150,000 annually. However, the Comptroller would be required to refund an assessment paid by a producer if the producer requests a refund within 3 months of the end of the fiscal year for which the assessment was levied. The total amount refunded by the Comptroller would be limited to 60 percent of the total amount collected in a fiscal year.

The Council and the assessment would expire as of September 1, 2015.

Methodology

Based on natural gas and crude oil data production data used in the Comptroller's 2006-07 Biennial Revenue Estimate, the assessment would collect approximately $3.3 million in fiscal year 2006, a partial collection year, and $9.1 million in fiscal year 2007, the first full year of collection. However, the bill allows for the refund of up to 60 percent of the collections for a fiscal year, and it is assumed that this maximum amount would be refunded each year. However, the refunds would occur in the fiscal year after the year for which the assessment was paid. As a result, 60 percent of the $3.3 million collected in 2006, or $2.0 million, would be refunded in 2007, decreasing the net revenue in that fiscal year from $9.1 million to $7.1 million. Likewise, 60 percent of the $9.1 million collected in 2007 ($5.4 million) would be netted out of the 2008 revenue, decreasing it from $8.7 million to $3.3 million, and so on. It is further assumed that the legislature would appropriate to the Council the full amount of net revenue estimated to remain the account each fiscal year.

The bill would limit administrative expenses to carry out the powers and duties of the Texas Energy Education Council to 15 percent of the annual account deposit; under the assumptions of this fiscal note, that would be a limit of approximately $500,000 in 2006. It is estimated that the Council would hire an executive director, three program managers, and one administrative support staff, which would require approximately $340,000 each year in salary, rent, operating expenses, and benefits. The staff would be needed to manage the array of education, job training, and grant programs deemed necessary to fulfill the Council's duties as stipulated by the bill. It is assumed that the Council would spend the remaining available appropriations on these programs.

No significant fiscal implications to the Railroad Commission or the Comptroller are expected.

Technology

Council staff may require some technology expenditures for routine agency accounting and grant management.

Local Government Impact

School districts may be recipients of Council grants for oil and gas production education and related skills development. The fiscal impact of those potential grants cannot be estimated at this time.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission, 701 Central Education Agency

LBB Staff: JOB, WK, UP, TL, JGM