

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**May 19, 2005**

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

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

**IN RE: HB2984** by West, George "Buddy" (Relating to the composition of and use of money in the oil-field cleanup fund.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2984, As Engrossed: a negative impact of (\$9,764,884) 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	(\$6,329,977)
2007	(\$3,434,907)
2008	(\$3,434,907)
2009	(\$3,434,907)
2010	(\$3,434,907)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable Savings/ (Cost) from <i>GENERAL REVENUE</i> <i>FUND</i> <b>1</b>	Probable Revenue Gain/(Loss) from <i>OIL-FIELD</i> <i>CLEANUP ACCT</i> <b>145</b>	Change in Number of State Employees from <b>FY 2005</b>
2006	\$110,200	(\$6,440,177)	(\$110,200)	3.0
2007	\$110,200	(\$3,545,107)	(\$110,200)	3.0
2008	\$110,200	(\$3,545,107)	(\$110,200)	3.0
2009	\$110,200	(\$3,545,107)	(\$110,200)	3.0
2010	\$110,200	(\$3,545,107)	(\$110,200)	3.0

**Fiscal Analysis**

The bill would restrict the use of the Oil Field Cleanup (OFCU) Account No. 145 to the plugging of orphaned wells and to site assessment, investigation, and cleanup of orphaned sites.

The bill would redirect the proceeds of hazardous oil and gas waste generation fees and voluntary cleanup program fees from the OFCU Account No. 145 to the General Revenue Fund. The bill would prohibit the use of the OFCU Account No. 145 to pay costs of related programs.

The bill would prohibit the Railroad Commission from using more than 25 percent of funds spent in a fiscal year from the OFCU Account No. 145 for purposes other than paying agents of the commission

to plug orphaned wells or remediate surface locations, including the administration of the oil field cleanup program. The bill also would require that, of amounts spent at orphaned well sites, at least 80 percent of spending would be solely for the plugging of orphaned wells.

The bill would require that the Railroad Commission include in its annual report to the Legislature the current list of orphaned wells and well-sites, as well as surface locations requiring remediation, ranked in order of priority. The report would also include an anticipated schedule of when plugging or remediation would occur.

## **Methodology**

The bill's provision that revenues from the hazardous oil and gas waste generation fee and the voluntary cleanup program fee be redirected from the OFCU Account No. 145 to the General Revenue Fund would result in a revenue gain to the General Revenue Fund of \$110,200 per fiscal year and an equal revenue loss to the OFCU Account No. 145. Since the Railroad Commission reports that costs of these programs are covered by the revenue stream, appropriations to the commission out of the General Revenue Fund would increase by \$110,200 each fiscal year and decrease out of the OFCU Account No. 145 by an equal amount.

The bill's provision that no more than 25 percent of OFCU Account No. 145 spending be used for administering the OFCU program would result in the Railroad Commission requiring additional General Revenue. Based on anticipated expenditures of \$18.2 million in fiscal year 2006 and \$17.7 million in fiscal year 2007 out of the OFCU Account 145 (Committee Substitute for Senate Bill 1), less \$0.1 million for the hazardous waste, oil and gas waste, and voluntary cleanup programs, this estimate assumes that the bill would result in \$18.1 million being appropriated out of the OFCU Account No. 145 in fiscal year 2006 and \$17.6 million being appropriated in fiscal year 2007. Of this amount, no more than \$4.5 million and \$4.4 million, respectively, could be used each year for purposes other than plugging wells and remediating surface locations the OFCU program. Since the cost to administer the OFCU program, conduct site investigations and environmental assessments, control waste, administer and enforce permits, orders, and rules to prevent pollution is \$7.7 million per fiscal year, and no more than 25 percent of such costs could be paid out of the OFCU Account No. 145 upon passage of the bill, this estimate assumes that the remaining \$3.2 million in fiscal year 2006 and \$3.3 million in fiscal year 2007 would be paid out of the General Revenue Fund. This estimate uses fiscal year 2007 as a basis for determining fiscal impacts in fiscal years 2008-10.

The bill's requirement that the Railroad Commission develop a ranking of orphaned wells, well sites, and other locations requiring remediation is expected to result in significant costs to the Railroad Commission. The Railroad Commission reports that out of 12,879 orphaned wells, only 2,800 have been ranked to date. Assuming a cost of \$250 per well to perform testing and gather information, the ranking of orphaned wells would cost \$2.5 million in fiscal year 2006. Of nearly 1,600 orphaned well sites, only approximately 200 have been ranked. Assuming a cost of \$980 per site to visit and investigate 1,400 sites, a total of \$735,000 would be required in fiscal year 2006. Future year's costs associated with well and well site rankings would be associated with an additional 3 FTEs that would be needed to maintain rankings and related information.

## **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 455 Railroad Commission

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