

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

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2984, As Introduced: a negative impact of (\$11,718,444) 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	(\$5,812,222)
2007	(\$5,906,222)
2008	(\$5,906,222)
2009	(\$5,906,222)
2010	(\$5,906,222)

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

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>OIL-FIELD CLEANUP ACCT 145</i>	Probable Savings/ (Cost) from <i>OIL-FIELD CLEANUP ACCT 145</i>
2006	\$110,200	(\$5,922,422)	(\$110,200)	\$1,546,200
2007	\$110,200	(\$6,016,422)	(\$110,200)	\$1,546,200
2008	\$110,200	(\$6,016,422)	(\$110,200)	\$1,546,200
2009	\$110,200	(\$6,016,422)	(\$110,200)	\$1,546,200
2010	\$110,200	(\$6,016,422)	(\$110,200)	\$1,546,200

**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 well site assessment, investigation, and cleanup of orphaned sites. The following activities at non-orphaned sites could no longer be paid for using OFCU Account No. 145 funds: conducting site investigations and environmental assessments; controlling or cleaning up of oil and gas wastes; administering or enforcing permits, orders, and rules to prevent pollution; implementing the hazardous waste and voluntary cleanup programs.

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 Railroad Commission from using more than 20 percent of funds spent in a fiscal year from the OFCU Account No. 145 for administrative purposes, and require that at least 80 percent of such funds be spent on the plugging of orphaned wells and well sites.

### **Methodology**

Although the Railroad Commission would continue to have the authority and responsibilities to regulate facilities not associated with orphaned well sites, the bill's passage would prohibit the use of OFCU Account No. 145 for such activities. The Railroad Commission reports that in fiscal years 2004 and 2005, the agency cleaned up four non-orphaned sites each year. Assuming an average cost of \$359,000 per site cleanup, the bill's passage is expected to result in the need for an additional \$1,436,000 per fiscal year. This estimate assumes that these costs would be paid using the General Revenue Fund.

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 20 percent of OFCU Account No. 145 spending be 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 \$1.4 million in costs shifted to General Revenue for the non-orphaned sites, and 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 \$16.6 million being appropriated out of the OFCU Account No. 145 in fiscal year 2006 and \$16.2 million being appropriated in fiscal year 2007. Of this amount, no more than \$3.3 million and \$3.2 million, respectively, could be used each year for administering 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, this estimate assumes that the remaining \$4.3 million in fiscal year 2006 and \$4.5 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.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 455 Railroad Commission

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