

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 26, 2005

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

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

**IN RE: SB480** by Hinojosa (relating to the authority of a city to take certain actions with regard to certain pipelines.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB480, As Engrossed: 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 (Cost) from GENERAL REVENUE FUND 1	Probable Revenue Gain/ (Loss) from GENERAL REVENUE FUND 1	Change in Number of State Employees from FY 2005
2006	(\$375,818)	\$375,818	5.0
2007	(\$364,768)	\$364,768	5.0
2008	(\$364,768)	\$364,768	5.0
2009	(\$364,768)	\$364,768	5.0
2010	(\$364,768)	\$364,768	5.0

Fiscal Analysis

The bill would allow a municipality to assess a reasonable annual charge for the placement, construction, maintenance, repair, replacement, operation, use, relocation, or removal by an owner or operator of hazardous liquid or carbon dioxide pipeline facility of public right-of-ways (streets, streams, canals, alleys, etc.) located within the municipality. The bill also would allow a municipality to recover the reasonable cost of repairing damage to a public right-of-way (ROW) caused by the placement, construction, operation, relocation, removal or other use of a pipeline facility if the owner of the facility does not repair damages in accordance with generally applicable paving or other applicable standards in the municipality. The owner or operator of a pipeline facility could appeal the assessment of the annual charge to the Railroad Commission to determine if the charge is reasonable.

## Methodology

This estimate assumes that municipalities throughout the state would assess annual charges to owners and operators of oil and gas pipelines. The Railroad Commission expects that a significant number of oil and gas operators would appeal to the Commission annually. The agency estimates that the number of complaints handled by its Office of General Counsel's Gas Services Section and the Gas Services Market Oversight Section would increase by 190, including as many as 100 formal complaints. This would represent a substantial increase over the agency's current annual workload of only 25 such formal complaints. It is therefore anticipated that the Railroad Commission would require an additional 5.0 FTEs, with associated annual costs of \$364,768 and one-time startup costs of \$11,050 in fiscal year 2006, as a result of the bill's passage. This estimate assumes that all costs resulting from the bill's passage would be recovered from oil and gas pipeline operators as provided in the bill.

## Local Government Impact

There are provisions of the bill that could have a positive fiscal impact that would vary by municipality, as well as provisions that could have a negative fiscal impact.

By imposing an annual charge for usage of the public ROWs located within and maintained by the municipality, it would incur a revenue gain that would help offset maintenance costs for those public ROWs. Authorization to charge to recover the costs of repairing damage caused by the pipeline would provide a savings to the municipality.

Requiring a municipality to share equally in the cost of an appeal with the owner or operator of a pipeline facility would result in a cost to the municipality. The overall negative fiscal impact would depend on how many appeals occur and the level of costs associated with the appeals. If the municipality were to lose the appeal, there also would be a reduction in revenue.

**Source Agencies:** 455 Railroad Commission

**LBB Staff:** JOB, SD, WK, ZS, DLBa, TL