

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

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

**April 26, 2005**

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

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

**IN RE: SB1698** by Averitt (Relating to fees and penalties for oil and gas operations.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1698, As Introduced: a positive impact of \$19,288,000 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	\$9,865,000
2007	\$9,423,000
2008	\$8,834,000
2009	\$8,556,000
2010	\$8,578,000

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

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>OIL-FIELD CLEANUP ACCT</i> 145
2006	\$9,865,000	(\$6,617,000)
2007	\$9,423,000	(\$6,326,000)
2008	\$8,834,000	(\$5,586,000)
2009	\$8,556,000	(\$5,549,000)
2010	\$8,578,000	(\$5,330,000)

**Fiscal Analysis**

The bill would redirect the following fees revenues from the Oil Field Cleanup (OFCU) Account No. 145 to the General Revenue Fund: rule exception and review fees; oil and gas conservation fees; compliance certification fees; and various penalties. The bill increases the following fees and directs revenues to the General Revenue Fund instead of the OFCU Account No. 145: drilling permit fees; expedite application fees; fluid injection well permit fees; and surface water discharge fees.

The bill creates a new oil field cleanup fee in an amount not to exceed 13/16 of one cent per barrel of oil. The bill creates an inactive well fee to be deposited to the OFCU Account No. 145. The bill provides that when the sum of drilling permit, expedite, injection, and discharge fees exceeds \$7.5 million in a fiscal year, the amount in excess of \$7.5 million is transferred to the OFCU Account No. 145.

The bill would limit the amount of administrative expenses paid from the OFCU Account No. 145 to 10 percent of the amount expended from the account each fiscal year. The bill would take effect September 1, 2005.

### **Methodology**

The bill's provisions increasing fees collected by the Railroad Commission and redirecting fee revenues from the OFCU Account No. 145 to the General Revenue Fund are expected to result in a revenue gain to the General Revenue Fund and a net revenue loss to the OFCU Account No. 145 in the amounts shown in the table above. These revenue estimates were provided by the Comptroller of Public Accounts.

The bill's provisions limiting administrative expenditures to 10 percent of the amount spent out of the OFCU Account No. 145 are not expected to have a significant impact on the Railroad Commission because related administrative costs are expected to be less than 10 percent each fiscal year. The bill's provisions requiring drilling permit, expedite, injection, and discharge fees collected in excess of \$7.5 million to transfer to the OFCU Account No. 145 is not expected to have a significant impact since revenues from those fees are not expected to exceed \$7.5 million in any single fiscal year.

### **Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts, 455 Railroad Commission

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