LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 16, 2007

TO: Honorable Kip Averitt, Chair, Senate Committee on Natural Resources

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

IN RE: **HB1920** by Keffer, Jim (Relating to the remedies available in connection with certain disputes between producers of natural gas and persons who gather or transport the gas.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1920, As Engrossed: an impact of $0 through the biennium ending August 31, 2009.

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
2008	$0
2009	$0
2010	$0
2011	$0
2012	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from *Higher Ed Fund Outside the Treasury--Permanent University Fund*
2008	$1,900,000
2009	$1,900,000
2010	$1,900,000
2011	$1,900,000
2012	$1,900,000

Fiscal Analysis

The bill would provide for an informal complaint process for gas producers seeking explanations of any loss or inability to account for gas tendered each month by gas gatherers and transporters. Such complaints would be filed with the Railroad Commission and would require the gatherer or producer to furnish an accounting of gas tendered. The bill would provide for gatherers and transporters to seek extensions from the requirements from the Railroad Commission.

The bill would also entitle a producer to an audit of compliance by gatherers and transporters, and it would provide for producers to file informal complaints for any loss of or inability to account for specific amounts of gas.

Methodology

There could be some increase in revenues to the state in additional severance tax collections, if the bill results in natural gas gatherers and transporters improving their facilities and reducing the amount of gas lost. The University of Texas System Administration reports that it estimates a loss of 15 percent of the total gas royalty produced on University Lands. Upon passage of the bill, this estimate assumes that a significant portion of those royalties would no longer be lost, resulting in a revenue gain of $1.9 million per fiscal year to the Permanent University Fund as shown in the table above.

The bill also would likely result in a revenue gain to the Permanent School Fund No. 44 because there would be a reduction in lost gas royalties. This estimate, however, assumes that the associated revenue gain would not be significant.

The Railroad Commission could incur costs associated with handling a potential increase in informal and complaints received as a result of the bill's passage. The cost would depend on the number of informal cases that would be filed with the Commission. This estimate assumes that the additional number of cases would not be significant, and that the Railroad Commission could cover those costs using existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

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