LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 1, 2007

TO: Honorable Rick Hardcastle, Chair, House Committee on Energy Resources

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

IN RE: **HB1920** by Keffer, Jim (Relating to a limitation on the amount of natural gas that a gatherer or transporter of gas may lose or be unable to account for.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1920, As Introduced: a negative impact of ($949,628) 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	($482,744)
2009	($466,884)
2010	($466,894)
2011	($466,884)
2012	($466,844)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *New Higher Ed Fund outside Treasury*	Probable Savings/(Cost) from *GENERAL REVENUE FUND* 1
2008	$1,900,000	($482,744)
2009	$1,900,000	($466,884)
2010	$1,900,000	($466,894)
2011	$1,900,000	($466,884)
2012	$1,900,000	($466,844)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	6.0
2009	6.0
2010	6.0
2011	6.0
2012	6.0

Fiscal Analysis

The bill would limit the amount a person who gathers or transports gas can lose in any month lose or be unable to account for to five percent of the amount of gas or less. The bill would provide for exceptions for extenuating circumstances, and it would provide for a complaint process for producers to report violations. A complaint would have to include an accounting of the gas tendered to the person by the producer for gathering or transport during the period covered by the complaint. The accounting would be required to include various data as specified in the bill.

Methodology

The Railroad Commission estimates that passage of the bill would result in the agency having to respond to 60 technical contract review cases and 60 informal complaint review cases per fiscal year. The agency bases this estimate on the assumption that 10 percent of the total permitted pipeline systems may exceed the 5 percent loss limitation established by the bill. The Railroad Commission expects that it would require 6 FTEs and related costs totaling $482,744 in the first year and $466,884 in each fiscal year thereafter to handle these new cases.

The University of Texas (UT) System Administration expects that the bill would result in a revenue gain to the Permanent University Fund. The UT System Administration assumes that 15 percent of the total gas royalty produced on University Lands currently is affected by losses addressed by the bill. This estimate assumes those royalties would no longer be lost, resulting in a revenue gain of $1.9 million per fiscal year as shown in the table above.

The General Land Office expects that the bill would result in a revenue gain to the Permanent School Fund because there would be a reduction in lost gas royalties. This estimate, however, assumes that the associated revenue gain would not be significant.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission, 720 The University of Texas System Administration

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