

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 17, 2007

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

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

IN RE: HB2924 by Keffer, Jim (Relating to the regulation of natural gas pipelines and natural gas gathering service.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2924, As Introduced: a negative impact of (\$390,690) 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	(\$218,190)
2009	(\$172,500)
2010	(\$172,500)
2011	(\$172,500)
2012	(\$172,500)

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>	Change in Number of State Employees from FY 2007
2008	\$320,000	(\$538,190)	7.0
2009	\$320,000	(\$492,500)	7.0
2010	\$320,000	(\$492,500)	7.0
2011	\$320,000	(\$492,500)	7.0
2012	\$320,000	(\$492,500)	7.0

Fiscal Analysis

The bill would add natural gas gathering lines to the jurisdiction of the Railroad Commission. The Railroad Commission would be authorized to require reports from persons engaged in the activity of natural gas gathering.

Methodology

Passage of the bill is expected to result in additional administrative expenses to the Railroad Commission because it would increase the number of entities within the agency's jurisdiction. The agency would need additional staff in the Gas Service Utility Audit section to make determinations as

to whether a person or the person's property is engaged in gas gathering activity, evaluate monthly reports, and provide status determinations. The Railroad Commission would require additional staff in the Gas Service Market Oversight section to handle an expected increase in the number of complaints expected upon passage of the bill, review 200 new tariffs, and make determinations as to whether rates being charged by gas gatherers are just, reasonable, and nondiscriminatory. In addition, the Office of the General Counsel's Gas Services Division would need additional staff to handle complaints and rulemaking associated with the regulation of gas gathering entities.

A total of 7 FTEs and related costs are expected to be needed as a result of the bill's passage. The cost, including initial supplies and equipment, is estimated at \$538,190 in fiscal year 2008, and \$492,500 in subsequent fiscal years. This estimate assumes that such costs would be paid out of the General Revenue Fund.

A portion of the additional costs associated with implementing the provisions of the bill could be offset by an increase in revenues. As regulated entities, this estimate assumes that gas gatherers would be subject to the gas utility pipeline tax established in Utilities Code, Chapter 122. Based on the size of the average gas gathering entity and 200 such new tax payers, the Railroad Commission estimates that \$320,000 in additional gas utility pipeline tax revenues per fiscal year would be collected upon passage of the bill.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

LBB Staff: JOB, WK, ZS, TL