

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 18, 2009

TO: Honorable Jim Keffer, Chair, House Committee on Energy Resources

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

IN RE: HB1537 by Burnam (Relating to safety requirements applicable to gas pipelines in certain counties.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1537, Committee Report 1st House, Substituted: a negative impact of (\$844,427) through the biennium ending August 31, 2011.

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
2010	(\$455,120)
2011	(\$389,307)
2012	(\$389,307)
2013	(\$389,307)
2014	(\$389,307)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Federal Funds</i> 555
2010	(\$455,120)	(\$200,238)
2011	(\$389,307)	(\$159,043)
2012	(\$389,307)	(\$159,043)
2013	(\$389,307)	(\$159,043)
2014	(\$389,307)	(\$159,043)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	7.0
2011	7.0
2012	7.0
2013	7.0
2014	7.0

Fiscal Analysis

The bill would only apply to a the portion of a gas pipeline that is in a Class 3 or 4 location and in a county which is located wholly or partly above a hydrocarbon-producing geological formation in which during the preceding year the Railroad Commission of Texas issued more than 1,500 drilling permits authorizing gas wells to be completed.

The bill would prohibit a gathering pipeline from being constructed within 30 feet of an established permanent structure that is regularly used by people unless the owner of the structure consents in writing or the pipeline meets the enhanced safety requirements in its design, construction, and operation, as determined by the Railroad Commission. The same prohibition would be created for transmission pipelines within 50 feet of such structures.

It would also require that a gathering pipeline use advanced leak detection, as determined by the Railroad Commission. It would also prescribe guidelines for the materials used to construct gathering and transmission pipelines. In addition, the bill would require that a pipeline integrity assessment by in-line inspection, a pressure test, or a direct assessment as defined by the Railroad Commission be conducted every five years.

The bill would take effect on January 1, 2010, and pipelines subject to the bill and in existence on January 1, 2010 would be required to come into compliance with the provisions of the bill by February 4, 2012.

Methodology

The Railroad Commission reports that the bill would apply to an estimated 20 counties located partly or above the Barnett Shale. The Railroad Commission anticipates that passage of the bill could result in new or additional safety complaints for pipelines in these counties, resulting in an increase in complaint volume. This increase in complaints would result in the agency needing to complete additional inspections, which, in turn, is expected to produce an increase in violation notices issued, along with additional hearings related to those violations. Based on an estimated 400 additional inspections, the Railroad Commission reports that it would require four additional engineering specialists and one additional administrative assistant in the agency's Safety Division to monitor the pipelines subject to the bill. Because of the bill's requirement allowing for the use of direct assessment as a methodology for integrity inspections, the agency would also require one engineer to review the plans and proposed assessment methods by the affected operators. In addition, one additional attorney would be needed to review violations that may result in enforcement action.

Overall, the Railroad Commission would need 7.0 FTEs to implement the provisions of the bill and related costs totaling \$655,538 in fiscal year 2010 and \$548,350 in subsequent fiscal years. This estimate assumes that additional Federal Funds could be drawn down to cover approximately 30 percent of additional costs. This estimate assumes that remaining costs would be paid out of the General Revenue Fund.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission

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