

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 17, 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1537, As Introduced: a negative impact of (\$119,483) 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	\$0
2011	(\$119,483)
2012	(\$89,019)
2013	(\$89,019)
2014	(\$89,019)

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	\$0	\$0
2011	(\$119,483)	(\$79,656)
2012	(\$89,019)	(\$59,346)
2013	(\$89,019)	(\$59,346)
2014	(\$89,019)	(\$59,346)

Fiscal Year	Change in Number of State Employees from FY 2009
2010	2.0
2011	2.0
2012	2.0
2013	2.0
2014	2.0

Fiscal Analysis

The bill would only apply to a county with a population over 1.4 million 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 2,000 drilling permits authorizing gas wells to be completed. Currently, this would only apply to Tarrant County.

The bill would require that a gathering or transmission pipeline be constructed at least 300 feet from an established permanent structure that is regularly used by people. It would also require that gas produced from a well in Tarrant County be odorized at the wellhead before it enters a gathering line. It would also prescribe guidelines for the materials used to construct transmission pipelines. In addition, the bill would require that gas produced from a well in Tarrant County be dehydrated at the wellhead before entering a pipeline, or a pipeline integrity assessment must be done every two years, using in-line inspection or a pressure test.

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 January 1, 2012.

Methodology

The Railroad Commission anticipates that passage of the bill could result in new or additional safety complaints for pipelines in Tarrant County, 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. The Railroad Commission reports that it would require two additional engineering specialists in the agency's Safety Division to monitor the Tarrant County pipelines subject to the bill.

Because the bill would not take effect until January 1, 2010, no fiscal impact is expected until fiscal year 2011, when a total cost of \$97,139 would be incurred. In subsequent years, costs totalling \$148,365 are expected. This estimate assumes that additional Federal Funds could be drawn down to cover approximately 40 percent of additional costs. This estimate assumes that remaining costs would be paid out of the General Revenue Fund.

Local Government Impact

Based on the applicability criteria, it appears that the bill would apply only to a gas pipeline located in Tarrant County.

Because the bill would not have statewide impact on units of local government of the same type or class, no comment from this office is required by the rules of the House/Senate as to its probable fiscal implication on units of local government.

Source Agencies: 455 Railroad Commission

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