

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 14, 2009

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

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

IN RE: HB4027 by Christian (Relating to limitations on the location of Class II injection wells.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4027, As Introduced: a negative impact of (\$1,476,390) 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	(\$789,105)
2011	(\$687,285)
2012	(\$687,285)
2013	(\$687,285)
2014	(\$687,285)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2009
2010	(\$789,105)	10.0
2011	(\$687,285)	10.0
2012	(\$687,285)	10.0
2013	(\$687,285)	10.0
2014	(\$687,285)	10.0

Fiscal Analysis

The bill would prohibit any injection well within one-half mile of an established residence, church, school, day-care center, surface water body used for drinking water or dedicated public park. The Railroad Commission would be required to adopt rules requiring an applicant to demonstrate that affected wells would be operated so as to safeguard public health, safety, property and the environment at any distance beyond the well's boundaries. The bill would require a one-half mile restriction related to any of the enumerated established facilities that are in use at the time the application or notice of intent to file an application is filed, and it would provide that a one-half mile restriction would not apply if the established facility is adjacent to the well and on property owned by the injection well applicant.

The bill would also prohibit the Railroad Commission from issuing an injection well permit if there is

a fault within the greater of two and one-half miles of the proposed well location or the cone of influence, unless an applicant could demonstrate that the fault will not allow migration of hazardous constituents out of the injection zone. The bill would direct the Railroad Commission to suspend all injection well permitting until the new rules are in place and would direct that the new rules apply to all permits pending on the effective date of the bill and to all permits applied for on or after the effective date of the bill. The bill would also require the Railroad Commission to adopt a rule allowing local governments to petition the commission for a rule prohibiting the siting of a Class II injection well in a specified area.

Methodology

The Railroad Commission reports that it issued approximately 2,200 injection well applications in fiscal year 2008. The Commission anticipates that the bill would increase the injection well application processing workload effort by nearly 100 percent. The agency reports that it would be required to change its permitting procedures and operations, and potentially conduct hearings appealing administrative denials related to the new limitations. It is further anticipated that the Railroad Commission would be required to amend existing rules or enact new rules related to injection and disposal well permit applications. Specifically, the agency would need to perform field pre-inspections of proposed locations for injection wells and track areas for which a local government would have petitioned as unsuitable for Class II injection wells. In addition, the Railroad Commission reports that there would likely be 25 to 50 applications for disposal or injection wells that would be denied as a result of the bill's provisions, which in many cases would trigger a request for a hearing, thereby adding to the workload of the agency's Office of General Counsel. Finally, this estimate assumes that the Railroad Commission would be required to update its Geographic Information System mapping to account for areas designated as unsuitable by local governments.

It is estimated that passage of the bill would result in the overall need for 10.0 additional FTEs at the Railroad Commission and \$789,105 in related costs in fiscal year 2010 and \$687,285 per year for each subsequent year. This estimate assumes that these 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, SD, ZS, TL, TP