

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: HB4028 by Christian (Relating to testing requirements for certain commercial injection wells.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4028, As Introduced: a negative impact of (\$1,378,130) 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	(\$693,085)
2011	(\$685,045)
2012	(\$363,126)
2013	(\$363,126)
2014	(\$363,126)

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	(\$693,085)	4.0
2011	(\$685,045)	4.0
2012	(\$363,126)	4.0
2013	(\$363,126)	4.0
2014	(\$363,126)	4.0

Fiscal Analysis

The bill would require the Railroad Commission (RRC) to adopt rules that require each applicant for a Class II injection well in the state to install monitor wells to analyze groundwater quality and to periodically test the monitor wells and conduct soil testing and report the results to the RRC on a regular basis (and immediately in the event of a change in quality). These requirements would be in addition to four existing requirements for approval of an injection well permit.

Methodology

Upon passage of the bill, it is assumed that the RRC would need to change its permitting procedures and operations to require monitoring wells and soil sampling for all injection and disposal wells. This estimate assumes that rulemaking would take place during the first six months of fiscal year 2010.

Once effective, RRC staff would begin to process any injection well applications that would have been suspended during the rulemaking period as well as new applications that are received.

The Railroad Commission reports that in fiscal year 2008, the agency issued injection well permits for approximately 762 disposal wells, of which approximately 375 were commercial disposal wells, approximately 1,452 enhanced recovery wells, and 30 underground hydrocarbon storage injection wells. The RRC reports that it already requires groundwater monitoring for approximately 80 brine mining wells. This estimate assumes that these levels would remain stable in future fiscal years. After the RRC begins to issue permits that include the monitoring and reporting requirements prescribed by the bill, this estimate assumes that the number of injection wells to be monitored will increase by approximately 2,244 per year and that the number of monitoring reports will increase each year in concert with the number of monitor wells and soil samples required and the frequency of reporting. This estimate also assumes that a minimum of two monitoring wells per injection well will be required.

To handle the increase in workload associated with reviewing injection well applications, this estimate assumes an additional 4.0 FTEs and related costs would be needed at the RRC. Additionally, the RRC's information technology systems would require updates to allow for online submission of the monitoring well and soil sampling reports required by this bill. These costs would total \$459,885 in each fiscal year of the 2010-11 biennium, with \$137,966 in maintenance costs in subsequent fiscal years. This estimate assumes that all costs relating to the implementation of the bill would be paid out of the General Revenue Fund.

Technology

This estimate assumes that the RRC's information technology systems would require updates to allow for online submission of the monitoring well and soil sampling reports required by this bill. These costs would total \$459,885 in each fiscal year of the 2010-11 biennium, with \$137,966 in maintenance costs in subsequent fiscal years.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 455 Railroad Commission, 582 Commission on Environmental Quality

LBB Staff: JOB, SD, ZS, TL