

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**April 20, 2011**

**TO:** Honorable Wayne Smith, Chair, House Committee on Environmental Regulation

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

**IN RE: HB3066** by Burnam (Relating to regulation of air contaminant emissions from oil and gas wells.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3066, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

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
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>Clean Air Account</i> 151	Probable Revenue Gain/ (Loss) from <i>Clean Air Account</i> 151	Change in Number of State Employees from FY 2011
2012	(\$3,237,127)	\$5,355,000	46.0
2013	(\$3,053,127)	\$5,355,000	46.0
2014	(\$3,053,127)	\$5,355,000	46.0
2015	(\$3,053,127)	\$5,355,000	46.0
2016	(\$3,053,127)	\$5,355,000	46.0

**Fiscal Analysis**

The bill expands the definition of “facility,” as it relates to air permitting requirements by the Texas Commission on Environmental Quality (TCEQ) to include: structures, devices, items, equipment, enclosure, or appurtenance associated with an oil or gas well.

**Methodology**

The bill would significantly expand the applicability of TCEQ regulation over oil and gas well operations to include the regulation of air emissions from drilling activities and wells prior to the well test period. Currently, TCEQ permitting activity only applies after an oil well or gas well is complete. Upon passage of the bill, TCEQ would regulate air emissions from drilling activities and wells prior to

the well test period. Because states are required to create and implement programs for air quality preconstruction and modification permits in accordance with the Federal Clean Air Act, the TCEQ would be required to implement the provisions of this bill in accord with federal law, and would be required to submit the statutory and rule changes as revisions to the State Implementation Plan (SIP) for approval by the U.S. Environmental Protection Agency (EPA).

The TCEQ estimates that expanding the permitting authority to include the regulation of air emissions from drilling activities would result in the review of approximately 20,000 new drilling authorizations. It is further estimated that approximately 45 to 50 percent of these would not require any registration. However, for those authorizations that would require permit registration, this estimate assumes that the TCEQ would assess fees under its existing air permitting authority. Fees from such permits are deposited to the credit of the General Revenue-Dedicated Clean Air Account No. 151. This estimate assumes that approximately 9,500 authorizations would require a permit-by-rule registration at the rate of \$450 per registration, yielding an estimated \$4,275,000 in annual revenue; 1,000 would require a Standard Permit (SP) at \$900, yielding \$900,000 in annual revenue; and 200 would require a case-by-case authorization at \$900 per action, yielding \$180,000 in annual revenue. Total estimated annual revenue to the state is estimated at \$5,355,000 per fiscal year as shown in the table above.

Handling the increased workload created by expanding TCEQ's regulatory authority to cover all oil and gas drilling activities is expected to result in the need for an additional 46.0 FTEs. The agency expects to need 40 additional FTEs to perform more permit reviews, to perform the more detailed technical evaluations for these facilities, and to accommodate the expected increase in public participation regarding these permits. The agency would also be required to conduct more site reviews and draft permit reviews especially for the sites issued a Standard Permit or a case-by-case authorization (2.0 additional FTEs). The bill would also increase the number of reviews needed to evaluate off-site health impacts (1.0 additional FTE). The agency would also need 2.0 additional FTEs to meet associated demand for assistance and outreach regarding the new permits and permitting process as well as 1.0 additional FTE to evaluate whether an estimated increase in 200 emissions inventories would need to be included as point source emissions. Costs of \$3,237,127 in fiscal year 2012, which include one-time equipment costs for the additional FTEs, and ongoing costs of \$3,053,127 per fiscal year beginning in fiscal year 2013 are expected to be paid out of the Clean Air Account No. 151.

### **Local Government Impact**

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

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

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