

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 18, 2011

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

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

IN RE: HB3110 by Craddick (Relating to the issuance of permits for certain facilities regulated by the Texas Commission on Environmental Quality.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would prohibit the Texas Commission on Environmental Quality (TCEQ) from promulgating new or amending existing authorizations, also known as Permits by Rule (PBR) or Standard Permits (SP), for the oil and gas industry without performing a regulatory impact analysis (RIA), extensive monitoring, and correlated modeling. The bill would limit the use of worst-case modeling inputs and require actual air quality monitoring data.

The bill would provide a definition of planned maintenance, startup, and shutdown (MSS) activities and require that planned MSS activities be authorized. The bill would also require that any PBR or SP adopted or amended by the agency that authorizes planned MSS activities must also conduct a RIA, perform monitoring, and perform correlated monitoring. The bill would extend the deadline for filing an application to authorize MSS activities until January 5, 2014. The bill would provide an affirmative defense for unauthorized emission or opacity events resulting from planned MSS activities if certain conditions are met.

The bill would only apply to a PBR or SP adopted by the agency after the effective date of the bill, which is September 1, 2011 or upon receiving a two-thirds vote of both houses.

The TCEQ reports that it adopted a new PBR and SP in January 2011 for counties in the Barnett Shale region, a 23-county area in the vicinity of Fort Worth. For purposes of this fiscal note, it is assumed that the bill's provisions would apply to all counties in the state except for those in the Barnett Shale.

Passage of the bill is expected to result in the TCEQ requiring additional staff hours during rulemaking projects to perform the additional research and documentation needed to meet the proposed RIA requirements, depending upon the number of additional rulemaking projects. This estimate assumes that air monitoring would be done using existing equipment and analysis resources. It is estimated that the additional costs the agency would incur upon passage of the bill could be absorbed using existing agency resources. If additional air monitoring would be needed to meet the requirements of the bill, costs to the TCEQ could be significant but would depend on the number of monitors needed.

Local Government Impact

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

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

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