

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 3, 2011

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

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

IN RE: SB1294 by Hegar (Relating to the imposition of administrative penalties by the Railroad Commission of Texas.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1294, As Engrossed: a positive impact of \$4,800,226 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	\$2,400,113
2013	\$2,400,113
2014	\$2,400,113
2015	\$2,400,113
2016	\$2,400,113

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>Oil-field Cleanup Acct</i> 145
2012	\$2,400,113	\$987,131
2013	\$2,400,113	\$987,131
2014	\$2,400,113	\$987,131
2015	\$2,400,113	\$987,131
2016	\$2,400,113	\$987,131

Fiscal Analysis

The bill would authorize the Railroad Commission to expand the scope of violations for which the Commission is authorized to assess administrative penalties from violations of safety or prevention or control of pollution to violations of all activities regulated by the Commission under Title 3 of the Natural Resources Code. The bill would increase the maximum penalty the Commission may assess from \$10,000 to \$25,000 per day per violation.

The bill also would require the Railroad Commission to adopt guidelines to be used in determining the amount of a penalty for all violations, not just those relating to pipeline safety, and to use the same factors that are considered by pipeline safety in determining the amount.

The bill would also increase from \$1,000 to \$25,000 the maximum administrative penalty the Railroad

Commission may impose for each violation of false applications, reports, and documents and tampering with gauges.

Methodology

The Railroad Commission anticipates that additional revenue would be received as a result of the bill's 150 percent increase in the statutory caps on violations. Because the Railroad Commission reports that it does not assess the statutory cap on most violations, this estimate assumes that the amount assessed on violations would increase by 150 percent, proportional to the increase in the statutory cap provided by the bill.

The revenue gains shown in the table above are based on a 150 percent increase in administrative penalties for pipeline safety, damage prevention, and oil and gas well drilling violations, as provided by the Railroad Commission. The proportion of the revenue gain allocated to General Revenue and the General Revenue-Dedicated Oil Field Cleanup Account No. 145 is based on the current assessments and collections of violation payments by the Railroad Commission.

Local Government Impact

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

Source Agencies: 455 Railroad Commission

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