LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 3, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB379** by Burnam (Relating to the imposition of a fee on oil and gas waste disposed of by injection in a commercial injection well permitted by the Railroad Commission of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB379, As Introduced: an impact of $0 through the biennium ending August 31, 2015.

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
2014	$0
2015	$0
2016	$0
2017	$0
2018	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *Oil & Gas Regulation* 5155
2014	$822,000
2015	($1,022,000)
2016	($928,000)
2017	$6,458,000
2018	($8,438,000)

Fiscal Analysis

The bill would require the Comptroller to collect an Oil-Field Cleanup Regulatory (OFCUR) fee in the amount of one cent for each barrel of 42 standard gallons on oil and gas waste disposed of in a commercial disposal well permitted by the Railroad Commission. The bill would require the

Comptroller to collect the fee and deposit the proceeds from the fee to the credit of the General Revenue-Dedicated Oil and Gas Regulation and Cleanup (OGRC) Account No. 5155 as provided in Natural Resource Code, §81.067. Not later than December 1, 2013, the Comptroller would be required to adopt a rule prescribing the manner in which the fee is administered, collected, and enforced.

The bill would define a "commercial injection well" as an injection well the business purpose of which includes providing to the public, for compensation, disposal of oil and gas waste by injection.

The bill would amend Natural Resources Code, §81.067(c), to include the proceeds from the OFCUR fees on oil and gas waste disposed of by injection in a commercial injection well collected under Water Code, §27.037, within the OGRC Account No. 5155.

Methodology

Upon passage of the bill, the Comptroller would collect the OFCUR fee on waste injected into disposal wells. The funds would be deposited to the OGRC Account No. 5155 for use by the Railroad Commission for the purposes allowed by Texas Natural Resources Code, §81.068, for purposes relating to the agency's oil and gas programs.

According to the Railroad Commission, in fiscal year 2010, the most recent year for which the data are complete, there were approximately 290 million barrels of waste injected per month into all commercial disposal wells statewide. At a fee rate of $0.01 per barrel, the fee could generate approximately $34.8 million in additional annual revenue to the OGRC Account No. 5155. However, the fund balance in the OGRC Account No. 5155 is subject to limitations in Natural Resources Code §81.067(b). The Railroad Commission is required to notify the Comptroller when the fund balance in the OGRC Account No. 5155 exceeds $20 million, and on the second month thereafter the Comptroller must stop collecting the OFCUR fees, including existing fees for oil and gas established in Natural Resources Code, §81.067(c) (10) and (11). OFCUR fees resume collection when the fund balance reaches $10 million. Assuming 2012-13 appropriation levels out of the OGRC Account No. 5155 during the 2014-15 biennium, the Comptroller of Public Accounts estimates the fund balance in the OGRC Account No. 5155 would exceed the $20 million at some point during fiscal year 2014. As a result, the Comptroller reports that "the limits on the fund balance would trigger a series of on and off cycles starting in fiscal 2014." Therefore, the new fee would generate some additional revenue in fiscal year 2014, but according to Comptroller estimates, triggering the fund balance limit would actually result in a net decrease in revenue to the OGRC Account No. 5155 in fiscal year 2015 and again in fiscal year 2016. Net revenue projections as calculated by the Comptroller of Public Accounts are presented in the table above.

The actual amount of revenue that would be generated or lost as a result of the bill's passage would depend on a number of factors, such as the level of appropriations the 83rd Legislature provides to the Railroad Commission out of OGRC Account No. 5155 during the 2014-15 biennium and the timing of when the fund balance reachs the statutory trigger levels.

The Comptroller of Public Accounts estimates there would be a cost associated with implementation of the bill, specifically costs associated with making changes to technology programming in fiscal year 2014. It is anticipated that the additional costs could be absorbed within existing resources.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission
LBB Staff: UP, SZ, ZS, TL, SD