LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 8, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB380** by Burnam (Relating to safety requirements applicable to gas pipelines in certain counties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB380, 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 Savings/(Cost) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1
2014	($398,366)	$398,366
2015	($330,451)	$330,451
2016	($253,231)	$253,231
2017	($253,231)	$253,231
2018	($253,231)	$253,231

Fiscal Year	Change in Number of State Employees from FY 2013
2014	3.0
2015	3.0
2016	3.0
2017	3.0
2018	3.0

Fiscal Analysis

The bill would establish Utilities Code, Sec.121.2017 which would impose different construction, permitting, and operating requirements for gas pipelines in Tarrant and Dallas Counties. The bill would provide that in those counties a gathering or transmission pipeline could not be constructed within 50 feet of an established permanent structure that is used by human beings on a regular basis unless certain conditions are met.

The bill would also require the operator of a gathering or transmission pipeline in those counties to monitor the pipeline with a supervisory control and data acquisition system unless certain conditions are met. The bill would stipulate that pipe used in those counties in a gathering or transmission pipeline be constructed of materials that meet certain federal requirements, and that such pipelines be protected from corrosion based on certain federal guidelines.

The bill would provide that pipelines in existence as of the effective date of the Act would not be subject to the new guidelines until January 1, 2016.

The bill would become effective January 1, 2014.

Methodology

The Railroad Commission reports that passage of the bill would result in the agency being required to perform inspections during pipeline construction on a more stringent deadline than is currently in place, because a pipeline subject to this act could not receive a permit to operate unless it meets the construction requirements imposed by the new section in the Utilities Code established by the bill. In addition, the Railroad Commission reports that the pipelines in Dallas and Tarrant Counties would have different operating standards, and the inspection requirements would be different depending on the age of the pipeline, a distinction that the agency would have to incorporate into permit and operator records, requiring specialized computer programming in both the mainframe and in the Pipeline Evaluation System.

After January 1, 2016, all gas pipelines in Tarrant and Dallas Counties would be subject to the same operating standards as set forth in the statute, so the inspections would be consistent for all gas pipelines within Tarrant and Dallas Counties, but still would be different from those for gas pipelines in other counties.

Currently, the Railroad Commission reports that there are 45 gas transmission systems with approximately 432 miles of pipeline and 392 gas gathering systems with approximately 914 miles of pipeline within the Tarrant and Dallas Counties. This analysis assumes that 1.0 FTE would be needed to perform the specialized pipeline safety inspections that would be required for these pipelines. An administrative assistant (0.5 FTE) would be required to assist in managing the specialized workload resulting from the bill's passage. Additional engineering specialist resources (0.5 FTE) would be needed for permitting because of the specialized records for pipelines in the two counties affected by the bill. Finally, an additional attorney (1.0 FTE) would be needed to handle new hearings resulting from this bill. FTE related costs would total $253,231 per fiscal year. Additional one-time start-up costs of $145,135 in fiscal year 2014 and $77,220 would be required for equipment and technology acquisition. Although the bill would not be effective until January 1, 2014, this estimate assumes that the additional FTEs would be needed by the beginning of fiscal year 2014 to prepare for the specialized workload resulting from the bill's passage.

The Railroad Commission's Pipeline Safety program is funded through a mix of General Revenue and Federal Funds. However, the agency reports that because the bill would add standards and inspection requirements that are different from and more stringent than federal pipeline safety standards, additional costs resulting from the bill's passage would not be eligible for Federal Funds. This estimate therefore assumes all costs associated with the bill would come from the General Revenue Fund.

Because the Railroad Commission has authority to increase the pipeline safety fee rate to cover costs associated with the program, this estimate assumes that the rate would be increased to a level to generate revenue sufficient to cover the costs of the new program. However, it should be noted that any other appropriation increases out of the Pipeline Safety Fee revenue stream contemplated by the 83rd Legislature would be competing for the $1.2 million in potential additional annual revenue a fee increase could generate under the $1 maximum statutory per-line fee authorized by current law.

Technology

The Railroad Commission reports that the agency would require computer programming to implement this bill. The agency estimates contract computer programming requirements of a total of 2,144 hours beginning January 1, 2014. At a rate of $90 per hour, this would be a total expense of $192,960. Approximately 60 percent of that expense ($115,740) will be incurred in fiscal year 2014 and the remainder ($77,220) in fiscal year 2015. These amounts are included in the costs shown in the table above.

Local Government Impact

Because the bill would not have statewide impact on units of local government of the same type or class, no comment from this office is required by the rules of the House/Senate as to its probable fiscal implication on units of local government.

Source Agencies: 455 Railroad Commission

LBB Staff: UP, SZ, ZS, TL, KKR