LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION
Revision 1

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2166** by Bonnen, Dennis (Relating to the continuation, functions, and name of the Railroad Commission of Texas; providing for the imposition of fees.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2166, Committee Report 1st House, Substituted: a positive impact of $2,999,578 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	$1,499,799
2015	$1,499,779
2016	$1,499,779
2017	$1,499,779
2018	$1,499,779

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1	Probable Revenue Gain/(Loss) from *Alter Fuels Research Acct* 101	Probable Savings/(Cost) from *Alter Fuels Research Acct* 101	Probable Revenue Gain/(Loss) from *Oil & Gas Regulation* 5155
2014	$1,499,799	($6,764,000)	$1,011,042	$6,764,000
2015	$1,499,779	($2,045,000)	$1,011,042	$2,045,000
2016	$1,499,779	($2,045,000)	$1,011,042	$2,045,000
2017	$1,499,779	($2,045,000)	$1,011,042	$2,045,000
2018	$1,499,779	($2,045,000)	$1,011,042	$2,045,000

Fiscal Year	Probable Savings/(Cost) from *Oil & Gas Regulation* 5155
2014	($1,011,042)
2015	($1,011,042)
2016	($1,011,042)
2017	($1,011,042)
2018	($1,011,042)

Fiscal Year	Change in Number of State Employees from FY 2013
2014	(4.0)
2015	(4.0)
2016	(4.0)
2017	(4.0)
2018	(4.0)

Fiscal Analysis

The bill would change the name of the Railroad Commission of Texas to the Texas Energy Commission (TEC), and it would continue the agency for 10 years.

The bill would require the TEC to adopt guidelines that provide for different penalties for different violations based on the seriousness of the violation and health and safety considerations. The bill would require the TEC to develop a policy that encourages alternative dispute resolution and negotiated rulemaking. The bill would require the TEC to develop an enforcement policy to guide staff in evaluation and ranking oil-and natural gas-related violations.

The bill would increase the existing fund balance ceiling on the General Revenue-Dedicated Oil and Gas Regulation and Cleanup (OGRC) Account No. 5155, or the limit at which the TEC would direct the Comptroller to suspend fee collections to the account, from $20 million to $30 million, and the bill would increase the limit at which the fee collections resume from $10 million to $25 million.

The bill would expand the purpose of the OGRC Account No. 5155 to include the Alternative Fuels Research and Education (AFRED) program.

The bill would require that quarterly reports on the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155, TEC well plugging progress, and site cleanups that currently are submitted to the Legislative Budget Board to be posted on the TEC website.

The bill would authorize the Commission to establish a Pipeline Safety and Regulatory Fee for permits or registrations of pipelines in an amount to support all pipeline safety and regulatory program costs, including permitting and registration costs, administration, and cost of employee salaries and benefits.

The bill would abolish the General Revenue-Dedicated AFRED Account No. 101, and the fund balance would be transferred to the OGRC Account No. 5155. The bill would provide that rebates under the AFRED program would subsequently be made from the OGRC Account No. 5155.

The bill would take effect on September 1, 2013.

Methodology

Changing the agency's name would have no significant fiscal impact as the Commission would phase in these changes over time using existing resources.

Costs related to the bill's provisions requiring the TEC to formally adopt penalty guidelines and a policy that encourages alternative dispute resolution are not expected to be significant and are expected to be absorbed using existing agency resources. Requiring the posting of quarterly reports on the Oil and Gas Regulatory and Cleanup Account No. 5155 on the TEC's website is not expected to result in significant costs.

Authorizing the Commission to establish a Pipeline Safety and Regulatory Fee for permits or registrations of pipelines would result in an estimated increase in annual revenue of $1,499,779 to the General Revenue Fund, as reported by the Sunset Advisory Commission. This new revenue would offset administrative costs for the Pipeline Safety program that are currently being paid out of non-fee-supported General Revenue. The Comptroller reported that the revenue to be generated by the new Pipeline Safety and Regulatory Fee could not be determined.

No revenue impact is expected as a result of the bill's increase in the fund balance ceiling of the OCRC Account No. 5155 because this analysis assumes that the fund balance ceiling will not be reached under current law, and fees deposited to the OGRC Account No. 5155 will not be suspended in the foreseeable future.

Abolishing the AFRED Account No. 101 would result in a one-time gain to the OGRC Account No. 5155 of $4.7 million to the General Revenue Fund, based on the estimated balance in the account on August 31, 2013 per the Comptroller's Biennial Revenue Estimate. The annual cost of the program, including appropriations and benefits of $1.0 million currently paid out of the AFRED Account No. 101, would shift to the OGRC Account No. 5155. This is reflected as a savings to the AFRED Account No. 101 and a cost to the OGRC Account No. 5155 in the table above. In addition, because the bill would transfer revenue that is currently deposited to the AFRED Account No. 101 instead to the OGRC Account No. 5155, the AFRED Account would experience a loss of an estimated $2.0 million per fiscal year, while the OGRC Account would experience a gain in the same amount.

Local Government Impact

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

Source Agencies: 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 455 Railroad Commission

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