LEGISLATIVE BUDGET BOARD
Austin, Texas

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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, the repeal of provisions for the suspension of the collection of fees, and the elimination of a fee.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2166, As Introduced: a positive impact of $7,718,558 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	$6,218,779
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
2014	$6,218,779	($6,764,000)	$1,011,042
2015	$1,499,779	($2,045,000)	$1,011,042
2016	$1,499,779	($2,045,000)	$1,011,042
2017	$1,499,779	($2,045,000)	$1,011,042
2018	$1,499,779	($2,045,000)	$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 changes the name of the Railroad Commission of Texas to the Texas Energy Resources Commission (ERC), and it would continue the agency for 10 years.

The bill would require the ERC to develop an enforcement policy to guide staff in evaluating and ranking oil- and natural gas-related violations, and it would require the Commission to formally adopt penalty guidelines. The bill would require the ERC to develop a policy that encourages alternative dispute resolution and negotiated rulemaking. The bill would require that quarterly reports on the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155, ERC well plugging progress, and site cleanups that currently are submitted to the Legislative Budget Board to be posted on the ERC 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 eliminate the existing $20 million cap on the Oil and Gas Regulation and Cleanup Account No. 5155. The bill also repeals statute that establishes the Oil Field Cleanup Fund Advisory Committee.

The bill would extend the ERC's authority to enforce damage prevention requirements to cover interstate pipelines as well as intrastate pipelines. The bill would extend administrative penalty authority to excavators and operators that violate damage prevention rules on interstate pipelines.

The bill would repeal statutes authorizing the Alternative Fuels Research and Education (AFRED) program at the Railroad Commission. The bill also would abolish the General Revenue-Dedicated AFRED Account No. 101, and the fund balance would be transferred to the General Revenue Fund. The bill would continue to allow the Railroad Commission to administer, until completed, its current propane-related grants and to apply for such grants; provided that each grant covers the agency's associated costs.

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 ERC 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 ERC'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.

This estimate does not assume that eliminating the cap on the Oil and Gas Regulation and Cleanup Account No. 5155 would have a significant fiscal impact. It is assumed that the unencumbered balance in the account will not reach $20 million whether or not a fund balance cap exists.

Eliminating the AFRED program and the AFRED Account No. 101 would result in a one-time gain to the General Revenue Fund 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. Beginning in fiscal year 2014, the state would realize an annual loss in revenue to the AFRED Account No. 101 of $2.0 million per year, according to the Comptroller. This loss would be partially offset by a savings to the AFRED Account No. 101 of $1.0 million per year, or the annual cost of the program, including appropriations and benefits. Elimination of the AFRED program would also result in a reduction of 4.0 FTEs at the Railroad Commission.

Although the Railroad Commission reports that the elimination of the AFRED program would result in the agency needing additional General Revenue to cover administrative overhead that the AFRED program currently covers, this analysis assumes that the agency would instead reduce its overall administrative overhead budget to reflect the loss of the AFRED program.

Local Government Impact

Passage of the bill would eliminate AFRED grant funding totaling $0.5 million per year, which local governments are eligible to apply for to defray costs for the purchase of low-emissions propane school buses and other propane vehicles.

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

LBB Staff: UP, SZ, ZS, TL