

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 9, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB3595 by Burnam (Relating to imposing a fee on water used in the performance of a hydraulic fracturing treatment on an oil or gas well.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3595, 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 Water Infrastructure Fund 302 |
|--------------------|--|
| 2014 | \$10,137,000 |
| 2015 | \$10,346,000 |
| 2016 | \$10,551,000 |
| 2017 | \$11,037,000 |
| 2018 | \$11,365,000 |

Fiscal Analysis

The bill would establish a fee for water used in hydraulic fracturing. The fee rate would be set at \$0.20 per 1,000 gallon of water used in hydraulic fracturing treatments. Revenues from the fee would be deposited to the credit of the Water Infrastructure Fund No. 302 (Other Funds).

The bill would be effective September 1, 2013, and it would require the Railroad Commission to adopt rules to implement the bill by December 1, 2013.

Methodology

Based on statistics from a drilling company and available industry statistics on fracturing, the Comptroller estimates that the fee established by the bill would generate \$10.1 million in Revenues starting in fiscal year 2014 to the Water Infrastructure Fund No. 302, and increasing to \$11.4 million by fiscal year 2018, as shown in the table above.

Because the Railroad Commission would be required to assess the fee established by the bill, the agency would likely incur costs in extracting water volumes, estimating fees, processing billing, and enforcing the new required fee. This analysis assumes that such costs could be absorbed using existing resources.

Local Government Impact

No 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