

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION
Revision 1

May 2, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3597** by Burnam (Relating to the authority of the Railroad Commission of Texas to issue a permit to drill an oil or gas well in an easement held by the Texas Department of Transportation.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3597, 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 <i>State Highway Fund</i> 6	Probable Savings/(Cost) from <i>Oil & Gas Regulation</i> 5155
2014	(\$233,532)	(\$397,688)
2015	(\$233,532)	(\$142,328)
2016	(\$233,532)	(\$142,328)
2017	(\$233,532)	(\$142,328)
2018	(\$233,532)	(\$142,328)

Fiscal Year	Change in Number of State Employees from FY 2013
2014	8.0
2015	8.0
2016	8.0
2017	8.0
2018	8.0

Fiscal Analysis

The bill would require the Railroad Commission to notify the Texas Department of Transportation (TxDOT) within five days of receiving a drilling permit application. TxDOT would be required to notify the Railroad Commission whether the proposed location of the well is in a TxDOT easement within 30 days of receiving the notice from the Commission.

The bill would prohibit the Railroad Commission from issuing a drilling permit if the proposed location of the well is in a TxDOT easement unless the Commission includes in the permit conditions that prohibit drilling or other operations on the surface of land during the period in which the land is used by this state as a highway, road, street, or alley. The Railroad Commission would not be prohibited from issuing a drilling permit for a horizontal well, for which the horizontal drain hole is to be located under an easement if drilling or other operations will not be conducted on the surface of that land.

The bill would take effect September 1, 2013 and apply only to permits received on the effective date of the bill.

Methodology

The Railroad Commission reports that it received 20,153 new drill permit applications in fiscal year 2012, with an average turnaround time of four business days. Each of these applications would have to be sent to TxDOT for review upon passage of the bill. Because the bill would provide up to 30 days for TxDOT review, passage of the bill could increase permit turnaround time by up to 30 days.

The Railroad Commission and TxDOT would each require additional resources to implement the permit review requirements proposed by the bill. The Railroad Commission is estimated to require an additional 3.0 FTEs to notify TxDOT of drilling permits, track permit status, and provide the required notice if the proposed well location is in a TxDOT easement. FTE-related costs to the Railroad Commission are expected to total \$142,328 each fiscal year. In addition, the Railroad Commission's information technology would require programming changes to generate notifications to TxDOT, track TxDOT responses, and provide required notice on drilling permits if the proposed well is within a TxDOT easement. The Railroad Commission's drilling permits system would also need to supply TxDOT with Geographic Information System coordinates, a capability that the Railroad Commission's drilling permits system currently lacks. Total information technology costs to the Railroad Commission are estimated at \$255,360 in fiscal year 2014 only. This analysis assumes that the Railroad Commission's costs in implementing the provisions of the bill would be paid out of the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155.

TxDOT would need an estimated 5.0 FTEs to complete the review and response requirements relating to TxDOT easements required by the bill. This is based on an average review time frame of 30 minutes for each of the estimated 20,100 drilling permits the agency would receive each fiscal year. FTE-related costs to TxDOT are estimated at \$255,532 per fiscal year and would be paid out of the State Highway Fund No. 6 (Other Funds).

Because TxDOT would have up to 30 days to review a drilling application permit, which could delay oil and gas wells coming on line, there could be a one-time loss in revenues to the Economic Stabilization Fund, equal to approximately one-month's revenues, in fiscal year 2014 only. This analysis assumes that in the vast majority of cases TxDOT would process permit applications within a few days.

Technology

The Railroad Commission's information technology would require programming changes to generate notifications to TxDOT, track TxDOT responses, and provide required notice on drilling permits if the proposed well is within a TxDOT easement. The Railroad Commission's drilling permits system also would need to supply TxDOT with Geographic Information System coordinates, a capability that the Railroad Commission's drilling permits system currently lacks. Total information technology costs to the Railroad Commission are estimated at \$255,360 in fiscal year 2014 only.

Local Government Impact

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

Source Agencies: 455 Railroad Commission, 601 Department of Transportation

LBB Staff: UP, SZ, ZS, TL