

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 20, 2013

TO: Honorable Troy Fraser, Chair, Senate Committee on Natural Resources

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB514 by Davis (Relating to the installation, maintenance, operation, and relocation of saltwater pipeline facilities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB514, 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	(\$1,254,447)	\$1,254,447
2015	(\$941,967)	\$941,967
2016	(\$941,967)	\$941,967
2017	(\$941,967)	\$941,967
2018	(\$941,967)	\$941,967

Fiscal Year	Change in Number of State Employees from FY 2013
2014	14.0
2015	14.0
2016	14.0
2017	14.0
2018	14.0

Fiscal Analysis

The bill would add a new Subchapter T to the Natural Resources Code, which would require the Railroad Commission to adopt safety regulations relating to applicable saltwater pipeline facilities. The bill would entitle a saltwater pipeline operator to install, maintain, and operate a saltwater pipeline facility (as defined in the bill) through, under, along, across, or over a public road only if the pipeline facility complies with applicable saltwater safety regulations. Such regulations would include those adopted by the Railroad Commission and federal regulations relating to saltwater pipelines. It would also include rules by the Railroad Commission and the Texas Transportation Commission and applicable federal, county, and municipal regulations regarding the accommodation of utility facilities on a public road or right-of-way, including regulations relating to the horizontal or vertical placement of the pipeline facility. Saltwater pipeline operators would also be required to ensure that public roads and associated facilities are promptly restored to their former condition of usefulness after the installation or maintenance of the pipeline facility is complete.

The bill would be effective immediately if it receives a two-thirds vote in both houses. Otherwise, it would have an effective date of September 1, 2013.

Methodology

This analysis assumes that the Railroad Commission would have the authority to regulate the safety of saltwater pipelines. Saltwater pipelines are not currently required to file a T-4 Permit with the Railroad Commission to operate a pipeline. In addition, the Railroad Commission does not have maps showing where these lines are located, and therefore the agency does not have a way to determine how many saltwater pipelines there are in the state or whether or not these saltwater pipelines are located through, under, along, across, or over state highways. In addition, there are currently no “safety standards” for saltwater pipelines, either state or federal.

The bill would require saltwater pipelines to register with the Railroad Commission. Information that would need to be provided would include locations of all regulated saltwater pipelines. This analysis assumes that such information would be included electronically. The Railroad Commission would be required to issue new, amended, and renewal permits, and to review maps for compliance with submission specifications. The Railroad Commission estimates there are 146,000 miles of saltwater pipelines in the state that would have to be permitted upon enactment of the bill. An estimated 5.0 FTEs would be required to conduct permitting and mapping activities associated with this inventory.

The Railroad Commission would also require additional pipeline inspectors. Although the mileage of pipeline to be inspected is estimated to be almost as much as is currently under the Railroad

Commission's pipeline safety regulation program (which includes 168,000 miles of gas, hazardous liquids, and CO2 pipelines), it is anticipated that inspection of saltwater pipelines will not be as complex and time consuming, so fewer inspectors will be needed. In addition, since saltwater pipelines are concentrated in certain parts of the state, this estimate assumes that saltwater pipeline inspectors would only be required in certain district offices: 2.0 each in the Fort Worth, Kilgore, and Corpus Christi regional offices; and 1.0 each in the Houston, San Antonio, and Midland regional offices, for a total of 9.0 inspectors. Costs related to these additional FTEs would total \$941,967 per fiscal year. In addition, several of the Railroad Commission's information technology systems would need to be updated, for an estimated cost of \$107,280 in fiscal year 2014 only. Vehicles and equipment for the additional inspectors would total an estimated \$205,200, also in fiscal year 2014 only.

The Railroad Commission's Pipeline Safety program is funded through a mix of General Revenue and Federal Funds. However, because the federal pipeline safety program does not include saltwater pipelines, 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 the 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 also be noted that any other appropriations 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 under current law.

Regarding impacts of the bill to the Texas Department of Transportation (TxDOT), Transportation Code, Section 203.092, requires a utility to make a relocation of a utility facility at the expense of the state if relocation of the utility facility is required by improvement of interstate highways, toll projects, and related easements. TxDOT indicates that the agency's costs for such projects could increase if the projects would require the relocation of a saltwater pipeline facility. Based on the information provided by TxDOT, it is assumed any additional costs for the relocation would be accommodated within the agency's existing highway planning and construction funds.

This analysis assumes an effective date of September 1, 2013.

Technology

The Railroad Commission reports that implementation of the saltwater pipeline facility regulation program proposed by the bill would require modifications and enhancements to the agency's Pipeline Evaluation System (PES), Geographic Information System (GIS), and the mainframe for pipeline permits (T-4). The cost for these changes to agency applications is estimated at \$107,280, which reflects 1,192 programming hours at a cost of \$90 per hour, and would be incurred 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, TP, SZ, ZS, TL, SD