

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 20, 2015

TO: Honorable Drew Darby, Chair, House Committee on Energy Resources

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB539 by King, Phil (Relating to the procedural requirements for the adoption of a municipal regulation, limitation, or prohibition on the production, storage, or transportation of oil or natural gas; authorizing a fee.), **As Introduced**

Depending upon the number of municipalities that choose to adopt an oil or gas measure, there could be an indeterminate fiscal impact to the state.

The bill would amend the Local Government Code to prohibit a municipality from adopting an oil or gas measure unless the municipality complied with certain requirements, as set forth by the chapter. The bill would require a municipality to request and pay the cost of a fiscal note and an education funding impact statement from the Legislative Budget Board. The bill sets forth the requirements of the fiscal note and the equalized education funding impact statement, including certain projections completed by the Comptroller of Public Accounts. The municipality would be required to make documents and statements available at meetings held to consider the measure or in elections held for approval of the measure. Under the provisions of the bill, if the measure is adopted, a municipality must reimburse the state for a five-year period as determined by the fiscal note prepared for the measure. The comptroller would deposit funds into the general revenue fund and the foundation school fund.

The bill's provisions, requiring a city to comply with several requirements before adopting an oil or natural gas measure and to pay the state for the costs associated with the measure, could have the effect of reducing the number of such city regulations adopted in future periods. To the degree a reduction were to occur, mineral property values within such municipalities could see higher taxable values than otherwise with a resultant gain in property tax revenues to local taxing units and a gain to the state through the operation of the school funding formula. The number of taxable value-suppressing oil and natural gas measures that would occur under current law, and the reduction in such measures under the bill, are unknown. Consequently, the fiscal impact to cities cannot be estimated, and the gain to other local taxing units and to the state, for the purpose of equalized education funding, cannot be estimated.

Likewise, a reduction in the adoption by cities of such measures would provide a gain to the state with additional collections from state oil and natural gas production taxes and fees. Because the number of oil and natural gas wells associated with the reduction in measures as well as the potential oil and natural gas production volume of such wells are unknown, the fiscal impact of the gain cannot be estimated. Additionally, the effect of this bill's provisions on non-mineral property values or on non-severance tax revenue is unknown.

Local Government Impact

The costs to municipalities cannot be determined. There would be costs associated with a municipality adopting such measures. The costs would include the costs of preparing the fiscal note and education funding impact statement as determined by the Legislative Budget Board, the costs associated with including certain documents and information in hearings and elections on the proposed measure, and the reimbursement of costs as determined by the fiscal note and education funding impact statement if the measure was passed.

According to the Texas Municipal League, the bill would have a significant fiscal impact on a city that adopted ordinances. The bill would have an impact on distance regulations established by municipalities. This impact could cause close proximity of oil and gas wells to homes and other structures, resulting in lower property values and lower local property tax revenues.

Source Agencies: 304 Comptroller of Public Accounts, 701 Central Education Agency

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