

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 24, 2015

**TO:** Honorable Jim Keffer, Chair, House Committee on Natural Resources

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB1191** by Isaac (Relating to the regulation of commercial development of groundwater in certain areas.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1191, As Introduced: a negative impact of (\$390,666) through the biennium ending August 31, 2017.

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
2016	(\$200,923)
2017	(\$189,743)
2018	(\$189,743)
2019	(\$189,743)
2020	(\$189,743)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1
2016	(\$200,923)
2017	(\$189,743)
2018	(\$189,743)
2019	(\$189,743)
2020	(\$189,743)

Fiscal Year	Change in Number of State Employees from FY 2015
2016	2.0
2017	2.0
2018	2.0
2019	2.0
2020	2.0

**Fiscal Analysis**

The bill would define a "buffer zone" as an area extending five miles from the boundary of a priority groundwater management area. A person who would seek to drill or operate a groundwater production well for commercial purposes in a buffer zone would need to submit an application for a drilling and operating permit to the Water Development Board (WDB) and any groundwater conservation district in whose territory the proposed well would be located.

The WDB would be required to schedule, post notice for, and conduct a public hearing for comments on a permit application before making a decision to approve or deny the drilling and operating permit. The WDB would evaluate the permit application by considering the likely effects of the well's proposed production amounts over a 25-year period. The evaluation of the permit application would include various consideration factors.

The bill would take effect September 1, 2015 or immediately if it receives a vote of two-thirds of both houses.

**Methodology**

The bill would require the WDB to approve or deny permit applications for groundwater production wells, a regulatory function not currently performed by the agency. To handle these regulatory responsibilities, the WDB estimates the need for 2.0 additional FTEs (a geoscientist/hydrologist and an attorney). The WDB reports that the geoscientist/hydrologist would: conduct technical evaluations of the permit application and prepare technical reports for each permit application that include potential adverse effects on the desired future conditions of relevant aquifers, population growth, and other relevant factors. The attorney FTE would be needed to provide legal support needed for the review and approval/denial of well drilling and operations applications, and for any litigation associated with permit decisions. Costs associated with these additional FTEs are estimated at \$200,923 in fiscal year 2016 and \$189,743 in fiscal year 2017 and subsequent fiscal years and are shown in the table above. This estimate assumes these costs would be paid out of the General Revenue Fund.

Based on information provided by The University of Texas (UT) System Administration, the bill would affect approximately 100,000 acres of Permanent University Fund (PUF) lands that are located in a buffer zone as defined by the provisions of the bill. The provisions of the bill could restrict access to water beneath PUF lands thereby potentially reducing their development for oil and gas exploration purposes. UT System estimates the provisions of the bill would diminish mineral development by at least 50 percent, resulting in an estimated revenue loss of \$53.7 million per year to the PUF. The actual loss would depend on the number of groundwater permit applications WDB or groundwater districts would actually disapprove

There could be some loss of revenue to the Permanent School Fund (PSF) under the provisions of

the bill. The loss would depend on: the extent of PSF land parcels located in buffer zones; the number of oil and gas opportunities in those zones; and the number of groundwater permits the WDB or groundwater districts would disapprove that would negatively impact those parcels. At the time of this analysis, the General Land Office was not able to provide an estimate of potential PSF land and/or revenue that might be affected.

**Local Government Impact**

Local governments could be impacted by the bill to the extent that water that could otherwise be available to them for municipal supply could be restricted by the bill.

**Source Agencies:** 305 General Land Office and Veterans' Land Board, 455 Railroad Commission, 580 Water Development Board, 720 The University of Texas System Administration

**LBB Staff:** UP, SZ, MW, TL, TB, ED