LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 3, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3480** by Turner, Chris (Relating to air quality permits issued by the Texas Commission on Environmental Quality for certain oil and gas facilities.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3480, As Introduced: an impact of $0 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	$0
2017	$0
2018	$0
2019	$0
2020	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from *Oil & Gas Regulation* 5155
2016	($1,800,000)
2017	($1,800,000)
2018	($1,800,000)
2019	($1,800,000)
2020	($1,800,000)

Fiscal Analysis

The bill would revise certain Texas Commission on Environmental Quality (TCEQ) air quality permitting requirements for new or modified oil and gas-related facilities. The bill would require that a TCEQ permit for a newly drilled gas well prohibit the well from flaring pipeline-quality gas. It would also require that flaring only be used in specific circumstances, including the requirement that no exceptions could be granted for wells to flare in excess of 14 days.

The bill would take effective immediately upon a two-thirds vote of both houses; otherwise, it would take effect on September 1, 2015. The bill would require TCEQ to adopt rules to implement the bill by September 30, 2015, which would become effective by January 1, 2016.

Methodology

No significant fiscal impact to the TCEQ is expected as a result of the bill's passage. Although TCEQ might enact penalties on producers whose wells continue flaring in violation of state law, penalty revenue has not been included in this analysis.

The RRC indicates bill provisions providing that no exceptions be allowed for wells to flare in excess of 14 days would likely result in a revenue loss to the General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155. The RRC indicates it typically grants 4,800 exceptions to flaring rules ($375 per exception) each fiscal year, which generates $1,800,000 per year in exception fees. Current rules permit between 30 to 60 days of flaring before a producer must seek an exception. Because bill provisions make it a violation of state law to continue flaring after 14 days, this analysis assumes the RRC would no longer be collecting exception fee revenue.

Local Government Impact

The TCEQ reports that local governmental entities that are also permit holders for facilities subject to the bill could be impacted by the bill due to potential costs of replacing engines, developing maintenance programs or installing controls to comply with the bill's requirements that would be more stringent controls than under current law. The cost to such local governments would be dependent on the size of the facilities subject to the provisions of the bill and the extent to which those facilities would fall outside of compliance with the provisions of the bill.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission, 582 Commission on Environmental Quality

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