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: **HB4044** by Paddie (Relating to the imposition of a fee on a holder of a permit for an oil and gas waste disposal well.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would amend the Water Code to impose an oil and gas waste disposal fee on certain holders of a permit for an oil and gas waste disposal well. A disposal fee of 20 cents per barrel would be imposed on disposal fluid originating in one district traversing a non-adjacent Railroad Commission (RRC) district boundary.

Under the provisions of the bill, the RRC's current eight regulatory districts would be the disposal districts until the RRC by rule establishes different disposal districts, as well as possible exemptions. The disposal fee would also apply to the volume of waste that crosses state boundaries. The disposal fee would be collected by disposal operators and remitted to the Comptroller. The Comptroller would by rule prescribe the procedure to administer and enforce the fee collections.

From the fee collections, 25 percent would be deposited to the credit of GR Account 5155-Oil and Gas Regulation and Cleanup. The remaining fee collections would be transferred to counties for deposit to county road and bridge funds for uses authorized by Section 256.001(a) of the Transportation Code.

The RRC reports that the average well uses 5,000,000 gallons of water, or approximately 119,048 barrels (5,000,000/42). For perspective, at 20 cents per barrel, a non-adjacent district disposal might cost a producer $23,810 (119,048 * 0.20) per well. Because producers would have an economic incentive to dispose oil and gas waste within the same district or adjacent district in which the well is located, and because the current volume of disposals made in non-adjacent districts is unknown, neither the Comptroller nor the RRC could estimate likely revenue from bill provisions, although there may be a minimal positive implication.

Accordingly, in this analysis it is assumed a minimum positive implication would offset the RRC's minimal cost of collecting data on oil and gas waste delivered for use by the Comptroller. It is assumed the Comptroller would have minimal enforcement and collection activity from bill provisions, which could reasonably be absorbed within that agency's existing resources.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

The bill would take effect September 1, 2015.

Local Government Impact

There could be a positive fiscal implication to counties depending upon the amount of fees collected.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

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