

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 27, 2015

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB951 by Uresti (relating to the allocation and use of payments received under oil and gas leases of land owned by the state for a county road.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB951, Committee Report 1st House, Substituted: a negative impact of (\$13,539,000) 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	(\$7,330,000)
2017	(\$6,209,000)
2018	(\$5,217,000)
2019	(\$4,423,000)
2020	(\$3,661,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>New Other - State Trust for County Road Oil and Gas Fund</i>
2016	(\$7,330,000)	\$7,330,000
2017	(\$6,209,000)	\$6,209,000
2018	(\$5,217,000)	\$5,217,000
2019	(\$4,423,000)	\$4,423,000
2020	(\$3,661,000)	\$3,661,000

Fiscal Analysis

The bill would amend the Natural Resources Code to deposit payments received from leases of the state's oil and natural gas mineral interests from land under county roads to a newly established

county road oil and gas fund. Future payments from leases entered into on or after September 1, 2015 for land subject to the bill's provisions would be paid directly to the counties for deposit to their county road and bridge funds.

The county road oil and gas fund would be a state trust fund outside the state treasury to be held and administered by the Comptroller as trustee. Interest or income from investment of the fund would be deposited to the credit of the fund. The General Land Office would deposit lease payments to the credit of the fund. The Comptroller would disburse money in the fund at least twice each fiscal year, without appropriation, to the appropriate county for deposit to the county's road and bridge fund. Money deposited to the credit of the county road oil and gas fund would be used only for road maintenance purposes.

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 immediate effect if the bill receives two-thirds the vote in both houses; otherwise, the bill would take effect September 1, 2015.

Methodology

Both the General Land Office and the Railroad Commission indicate each agency can implement the provisions of the bill within each agency's existing resources. The Comptroller indicates a revenue loss under the bill provisions, offset by a corresponding gain in the new state trust account for the county road oil and gas fund.

The Comptroller used historical information obtained from the General Land Office to derive the four-year average of oil and natural gas revenues from county highway right-of-ways, as adjusted for the oil and gas price forecast in the 2016-17 Biennial Revenue Estimate and the expected decline of oil and natural gas production. In Comptroller estimates, the revenue implications only consider production from leases taken prior to September 1, 2015.

Local Government Impact

Counties would experience a positive fiscal implication any disbursements from the newly established state trust for the county road oil and gas fund.

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 455 Railroad Commission

LBB Staff: UP, KK, MW, TB, KVe