

**LEGISLATIVE BUDGET BOARD  
Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 1, 2017**

**TO:** Honorable Craig Estes, Chair, Senate Committee on Natural Resources & Economic Development

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

**IN RE: HB1818** by Gonzales, Larry (Relating to the continuation and functions of the Railroad Commission of Texas; providing for the imposition of fees.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1818, As Engrossed: a positive impact of \$8,647,734 through the biennium ending August 31, 2019.

The bill is also estimated to create additional revenue to a General Revenue-Dedicated account and increased costs from that account to offset the General Revenue savings.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2018	\$4,323,867
2019	\$4,323,867
2020	\$4,323,867
2021	\$4,323,867
2022	\$4,323,867

## All Funds, Five-Year Impact:

<b>Fiscal Year</b>	<b>Probable Savings from General Revenue Fund 1</b>	<b>Probable (Cost) from Oil &amp; Gas Regulation 5155</b>	<b>Probable Revenue Gain/(Loss) from Oil &amp; Gas Regulation 5155</b>
2018	\$4,323,867	(\$4,323,867)	\$1,739,130
2019	\$4,323,867	(\$4,323,867)	\$1,739,130
2020	\$4,323,867	(\$4,323,867)	\$1,739,130
2021	\$4,323,867	(\$4,323,867)	\$1,739,130
2022	\$4,323,867	(\$4,323,867)	\$1,739,130

## Fiscal Analysis

The bill would amend the Natural Resources Code to continue the Railroad Commission (RRC) for 12 years.

The bill would establish guidelines and requirements for RRC to develop and implement a policy of alternative dispute resolution (ADR) using procedures provided under Chapter 2009 of the Government Code. The bill would require the procedures to conform to guidelines issued by the State Office of Administrative Hearings.

The bill would establish guidelines and requirements for RRC to develop and publish an annual monitoring and enforcement strategic plan. The first plan would be published by September 1, 2018, and subsequent plans would be published by September 1 each year thereafter.

The bill would authorize RRC, by rule, to establish new pipeline safety and regulatory fees under guidelines and requirements established by the bill. The fees would be assessed annually for permits or registrations for pipelines under the jurisdiction of RRC's pipeline safety and regulatory program in amounts sufficient to support all pipeline safety and regulatory program costs including permitting or registration costs; administrative costs; and costs of employee salaries and benefits. The bill would also allow RRC to set a reasonable late payment penalty for the new fees. The bill would require RRC to consider fees established under Section 121.211 of the Utilities Code when establishing the new fees. Revenues collected under the provisions of the bill would be deposited to the credit of General Revenue-Dedicated Oil and Gas Regulation and Clean-up Account No. 5155 (Fund 5155).

The bill would amend Chapter 117 of the Natural Resource Code, Chapter 756 of the Health and Safety Code, and Chapter 121 of the Utilities Code regarding RRC adoption of rules on interstate and intrastate hazardous liquid or carbon dioxide pipeline facilities.

The bill would prohibit RRC from awarding a contract to a contractor unless the contractor and any subcontractors involved participate in the E-verify program to verify employee information. The bill would require RRC to develop procedures for the administration of E-verify as it applies to contractors and subcontractors.

The bill would repeal Section 91.1135 of the Natural Resources Code regarding the oil and gas regulation and cleanup fund advisory committee. The bill would repeal Section 81.0681 of the Natural Resources Code regarding the promotion of alternative fuels.

The bill would take effect September 1, 2017.

The bill 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 within 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.

### **Methodology**

Amounts reflected in the table above are based on revenues estimated in the Comptroller's Biennial Revenue Estimate (BRE) for the Pipeline Safety Inspection Fee currently being assessed and collected, which is \$4,966,000 in each year from fiscal year 2017-19. The bill would require RRC to consider these fees when establishing the new fees. In addition, the analysis assumes General Revenue and Fund 5155 funding levels for 2017 would be continued in each fiscal year throughout 2022. General Revenue appropriations in fiscal year 2017 totaled \$4,323,867 and Fund 5155 appropriations totaled \$1,364,744. In addition, the estimated benefit costs included in the analysis from General Revenue and Fund 5155 would be \$1,016,519, or 50.0 percent of the total amount for salary and wages in Strategy B.1.1, Pipeline Safety, based on information provided from RRC at a benefit rate of 35.12 percent. Based on this analysis, total costs funded by General Revenue and Fund 5155 (including benefits) would total \$6,705,130 each fiscal year. In order to cover the permitting or registration costs; administrative costs; and costs of employee salaries and benefits required by the bill, this analysis assumes new fee collections of \$1,739,130 would be realized each fiscal year.

Pipeline Safety Inspection Fees were deposited to the credit of the General Revenue Fund instead of Fund 5155 prior to the enactment of House Bill 7 by the Eighty-fourth Legislature. The fees began being deposited to Fund 5155 as of September 1, 2015. To align all revenues estimated to be collected, an additional cost of \$2,584,737 is included in the table above to cover the gap between 2017 initial appropriations (based on the 2016-17 BRE) including the estimated total benefit costs beginning in 2018. This adjustment, in addition to costs covered by the new fees, offsets the General Revenue savings of \$4,323,867 each fiscal year reflected in the table above. In addition, it is assumed that additional revenues would be generated from late payment fees established under the provisions of the bill which would result in a revenue gain to the state; however, that amount is not included in the table above because it cannot be estimated.

No fiscal impact is estimated due to repealing the oil and gas regulation and cleanup fund advisory committee. Based on information provided by the Sunset Advisory Committee (SAC), the committee has not met in five years and members do not receive travel reimbursements. Also based on information provided by SAC, no significant fiscal impact is anticipated with the repeal of the alternative fuels promotion program.

This analysis assumes that the bill's requirements for developing and implementing a policy for ADR would not require new duties or additional staff. Any cost associated with the planning requirements are also assumed to be executed with existing resources.

This analysis assumes that costs to enforce damage prevention requirements for interstate pipelines would not result in a significant cost due to RRC staff being able to oversee damage prevention of interstate pipelines under the agency's existing Pipeline Damage Prevention program. It is assumed that RRC would assess and collect additional administrative penalty fees under the expanded authority provided by the bill which would result in a revenue gain to the state; however, this is not included in the table above because the amount of penalties that would be assessed and collected cannot be determined.

## **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 455 Railroad Commission, 304  
Comptroller of Public Accounts

**LBB Staff:** UP, PBO, SZ, MW