

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 16, 2019

TO: Honorable Dade Phelan, Chair, House Committee on State Affairs

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB4001** by Nevárez (Relating to the issuance of a permit by the Public Utility Commission of Texas for the routing of certain oil or gas pipelines; authorizing administrative penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4001, As Introduced: a negative impact of (\$5,208,058) through the biennium ending August 31, 2021.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would amend the Utilities Code to prohibit the construction of certain oil and gas pipelines until a permit is obtained from the Public Utility Commission (PUC) authorizing the route of the pipeline. The bill sets forth requirements for PUC approval and provides that the PUC must grant or deny a permit within one year of the date the permit application is filed. The bill would authorize the PUC and Office of the Attorney General to enforce the provisions of the bill, which would include imposing administrative penalties.

The bill would take effect September 1, 2019.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$2,253,025)
2021	(\$2,955,033)
2022	(\$2,955,033)
2023	(\$2,955,033)
2024	(\$2,955,033)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>Interagency Contracts</i> 777	Probable (Cost) from <i>Interagency Contracts</i> 777	Change in Number of State Employees from FY 2019
2020	(\$2,253,025)	\$1,007,741	(\$1,007,741)	29.0
2021	(\$2,955,033)	\$958,741	(\$958,741)	29.0
2022	(\$2,955,033)	\$958,741	(\$958,741)	29.0
2023	(\$2,955,033)	\$958,741	(\$958,741)	29.0
2024	(\$2,955,033)	\$958,741	(\$958,741)	29.0

Fiscal Analysis

The PUC anticipates a significant fiscal impact due to the need to hire staff to create a division of pipeline permitting. In discussions with the Railroad Commission, the PUC developed an estimate of 400 applications that would be anticipated per year for processing. The staff would consist of licensing and permitting staff (process applications; community values; and historical and aesthetic values), environmental protection staff (dealing with recreational and park areas and environmental integrity), and a program supervisor. The PUC's litigation division and commission advising division would require additional attorneys of various experience, and one legal assistant, to participate in the process and final adjudication of each application.

The PUC anticipates that two new attorneys would be needed in the agency's enforcement division to enforce the provisions of this law and the associated rules, including the imposition of administrative penalties.

While the PUC anticipates receiving additional complaints resulting from this bill, the PUC believes existing staff could absorb that additional workload.

It is assumed that PUC would refer contested cases to the State Office of Administrative Hearings (SOAH), which would require additional staff to handle the significant volume of new and complex cases.

Methodology

The PUC estimates a need for 21.0 full-time equivalents (FTEs), which would include engineers, several attorneys, environmental protection specialists, legal and program staff, and licensing and permitting specialists. This would entail a cost of \$1,440,000 in salaries, \$21,600 in payroll contribution costs, \$481,392 in related support and benefit costs, \$28,300 in other operating and workstation costs, and \$25,000 in travel costs per year.

SOAH anticipates approximately 400 new permitting cases and at least six major pipeline construction permit cases each fiscal year. To respond to the increased workload, SOAH estimates a need for 8.0 additional FTE positions per fiscal year for a total five-year impact of \$4,842,706 from Interagency Contracts.

SOAH estimates that the 8.0 FTEs would require recurring costs to Interagency Contracts of \$613,310 in salaries, \$9,200 in payroll contribution costs, and \$205,030 in related support and benefit costs each fiscal year. Additional program costs include one-time costs of \$49,000 for workstations and computers. Additional program costs include recurring costs of \$4,000 for software licenses and maintenance, \$114,940 for rent, and \$12,262 for other related operating expenses.

The cost estimate assumes that General Revenue would be appropriated to PUC, and Interagency Contracts would be appropriated to SOAH. PUC would then pay SOAH out of its General Revenue appropriation. Additionally, the first year costs are reduced by 25 percent to account for a ramp up in hiring, for the likely time needed to staff up to the level assumed.

Technology

PUC would need to amend its lease for computer workstations, for a cost of \$9,300 per year. SOAH estimates a one-time technology cost of \$16,000 for computers in fiscal year 2020 and recurring costs of \$4,000 for software licenses and maintenance each fiscal year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 360 State Office of Administrative Hearings, 473 Public Utility Commission of Texas

LBB Staff: WP, CMa, SGr, MB, CP