

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 7, 2019**

**TO:** Honorable Chris Paddie, Chair, House Committee on Energy Resources

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

**IN RE: HB4423** by Zwiener (Relating to surface remediation and the restoration of land disturbed by the installation of a pipeline.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4423, As Introduced: a negative impact of (\$4,602,526) 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.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$2,391,738)
2021	(\$2,210,788)
2022	(\$2,215,188)
2023	(\$2,219,698)
2024	(\$2,224,318)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Savings/(Cost) from <i>Water Resource Management</i> 153	Change in Number of State Employees from FY 2019
2020	(\$2,391,738)	(\$1,542,287)	37.0
2021	(\$2,210,788)	(\$1,376,301)	37.0
2022	(\$2,215,188)	(\$1,379,301)	37.0
2023	(\$2,219,698)	(\$1,382,376)	37.0
2024	(\$2,224,318)	(\$1,385,526)	37.0

## **Fiscal Analysis**

The bill would amend the Natural Resources Code to require a pipeline operator to promptly restore land disturbed by the installation of a pipeline to its former condition of usefulness. The bill would authorize the Railroad Commission to perform the restoration if the pipeline operator has failed or refused to perform the restoration after notice and opportunity for hearing, and permits the agency to use funds from General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 to perform the restoration.

The bill would require pipeline operators to file an additional bond, letter of credit, or cash deposit in an amount equal to \$1,000 for each mile of pipeline, conditioned that the pipeline operator will comply with the requirement to promptly restore land disturbed by the installation of a pipeline and would require that land used for agricultural purposes or set aside for the preservation of wildlife, to be promptly restored to its former condition after the installation, maintenance, or operation of the pipeline facility is complete.

The bill would require the Texas Commission on Environmental Quality (TCEQ) to monitor the restoration of grading of land in pipeline right-of-way easements to protect water quality and ensure that soil composition in the area of the easement remains consistent and authorizes TCEQ to collaborate with the Railroad Commission as needed.

The bill would be effective on September 1, 2019.

## **Methodology**

Based on information provided by the Railroad Commission, this estimate assumes that the agency would require two inspector FTEs per each region of the state, or 14 total (\$55,602 per year with estimated benefits of \$19,422 for each inspector), to review land for new construction projects and investigate complaints for existing pipelines. In addition, this estimate assumes three Licensing and Permitting Specialist FTEs (\$45,024 per year with estimated benefits of \$15,727 for each specialist) would be needed to review and process related filings in conjunction with new construction reports and pipeline permits, and an Accountant IV FTE (\$55,602 per year with estimated benefits of \$19,422) would be needed to review, verify, and process financial assurance instruments from the pipeline applicants.

This estimate assumes that the Railroad Commission would require a team to oversee any restoration work. This team would consist of three FTEs: a professional engineer (\$83,298 per year with estimated benefits of \$29,096), a geoscientist (\$72,789 per year with estimated benefits of \$25,425), and an administrative assistant (\$42,511 per year with estimated benefits of \$14,849). This team would review landowner complaints, develop the scope of the work to be bid out, and would analyze projects to ensure the restoration work does not compromise pipeline integrity and that the condition of the land does not deteriorate over time due to weather and other activity. Following awarding of the contract, this team would monitor the project to ensure satisfactory completion of the work.

This estimate does not include possible funds spent or revenues from financial assurance collections by the Railroad Commission to restore affected land as the total number of pipeline operators that would fail to restore land cannot be determined; however, this estimate assumes that the \$1,000 per mile financial assurance collection would cover costs associated with land restoration by vendors contracted by the Railroad Commission.

This estimate assumes the Railroad Commission would require an additional Accountant II FTE (\$42,511 per year with estimated benefits of \$14,849) to assist with increased inspector travel and

contractor payments. The Railroad Commission would also have one-time costs of \$217,800 associated with making mainframe system changes to track financial assurance information and restoration activities associated with pipelines and \$32,670 in subsequent annual maintenance. Estimated annual other operating expenses of \$330,000 and travel costs of \$90,000 would be necessary to support this work and an additional \$121,000 in fiscal year 2020, \$125,180 in fiscal year 2021, \$129,580 in fiscal year 2022, \$134,090 in fiscal year 2023, and \$138,710 in fiscal year 2024 is estimated for office-related expenses.

This analysis assumes total costs for the Railroad Commission to meet provisions of the bill to be \$2,391,738 in fiscal year 2020, \$2,210,788 in fiscal year 2021, \$2,215,188 in fiscal year 2022, \$2,219,968 in fiscal year 2023, and \$2,224,318 in fiscal year 2024 from the General Revenue Fund. This estimate assumes any work not directly stated in the bill is based on Railroad Commission assumptions.

Based on information provided by TCEQ, this estimate assumes the agency would be required to establish a program to monitor the restoration of grading of land in pipeline right-of-way easements to protect water quality and to ensure that soil composition in the area of the easement remains consistent. This program would include 15 Natural Resource Specialist II and Environmental Investigator III FTEs (\$55,602 per year with estimated benefits of \$19,422 for each position). An estimated \$165,000 in fiscal year 2020 would be required for the purchase of vehicles to be used by these staff for field work. In addition soil sampling would be required to ensure soil composition in the area of the easement remains consistent which would require an estimated \$6,843 is required for initial sampling supplies in fiscal year 2020 and \$3,007 each subsequent fiscal year and laboratory sampling analysis at an estimated cost of \$90,885 each year.

Estimated annual other operating expenses of \$41,702 and travel costs of \$30,000 would be necessary to support this work and an additional \$82,500 in fiscal year 2020, \$85,350 in fiscal year 2021, \$88,350 in fiscal year 2022, \$91,425 in fiscal year 2023, and \$94,575 in fiscal year 2024 is estimated for office-related expenses.

This analysis assumes total costs for TCEQ to meet provisions of the bill to be \$1,542,287 in fiscal year 2020, \$1,376,301 in fiscal year 2021, \$1,379,301 in fiscal year 2022, \$1,382,376 in fiscal year 2023, and \$1,385,526 in fiscal year 2024 from General Revenue-Dedicated Water Resource Management Account No. 153. This estimate assumes any work not directly stated in the bill is based on TCEQ assumptions.

Note: 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 in, with, or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.095, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

### **Technology**

This estimate assumes the Railroad Commission would have one-time costs of \$217,800 associated with making mainframe system changes to track financial assurance information and restoration activities associated with pipelines and \$32,670 in subsequent annual maintenance.

### **Local Government Impact**

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

**Source Agencies:** 302 Office of the Attorney General, 304 Comptroller of Public Accounts,  
455 Railroad Commission, 582 Commission on Environmental Quality

**LBB Staff:** WP, SZ, MW, GDz