

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

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**May 19, 2021**

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

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB3973** by Walle (Relating to the composition and use of money in the oil and gas regulation and cleanup fund.), **As Engrossed**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3973, As Engrossed : a negative impact of (\$29,319,194) through the biennium ending August 31, 2023.

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:**

<i>Fiscal Year</i>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2022	(\$14,659,597)
2023	(\$14,659,597)
2024	(\$14,659,597)
2025	(\$14,659,597)
2026	(\$14,662,597)

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

<i>Fiscal Year</i>	<b>Probable Revenue (Loss) from General Revenue Fund 1</b>	<b>Probable Revenue Gain from Oil &amp; Gas Regulation 5155</b>	<b>Probable Revenue (Loss) from Anthropogenic CO2 Storage Fund 827</b>	<b>Probable (Cost) from General Revenue Fund 1</b>
2022	(\$1,564,097)	\$1,649,097	(\$85,000)	(\$13,095,500)
2023	(\$1,564,097)	\$1,564,097	(\$1,000)	(\$13,095,500)
2024	(\$1,564,097)	\$1,564,097	(\$1,000)	(\$13,095,500)
2025	(\$1,564,097)	\$1,564,097	(\$1,000)	(\$13,095,500)
2026	(\$1,567,097)	\$1,564,097	(\$1,000)	(\$13,095,500)

<i>Fiscal Year</i>	<b>Probable Savings from Oil &amp; Gas Regulation 5155</b>
2022	\$13,095,500
2023	\$13,095,500
2024	\$13,095,500
2025	\$13,095,500
2026	\$13,095,500

## **Fiscal Analysis**

The bill would amend the Government Code to exclude interest or earnings on revenue deposited to the Oil and Gas Regulation and Cleanup Account No. 5155 (OGRC Fund 5155) from being deposited to the General Revenue Fund and instead deposited to OGRC Fund 5155.

The bill would amend various sections of the Natural Resources Code to update references to the “oil field cleanup” account, the predecessor account of OGRC Fund 5155.

The bill would establish OGRC Fund 5155 as a separate fund in the General Revenue Fund and allow funds in the account to be used for investment purposes. It would also require that all interest or earnings on investment revenue be deposited to the fund.

The bill would direct all civil, administrative, and criminal penalty revenue collected under Natural Resources Code Chapters 81, 85, 86, 87, 88, 89, 91, 111 and 211 be deposited to the credit of OGRC Fund 5155.

The bill would direct all civil and administrative penalty revenue collected under Water Code Chapter 27 and 29 be deposited to the credit of OGRC Fund 5155.

The bill would direct all civil and administrative penalty revenue collected under Utilities Code Chapter 121 be deposited to the credit of OGRC Fund 5155.

The bill would direct all proceeds from injection well bonding and other financial security mechanisms to be deposited to the credit of OGRC Fund 5155.

The bill would exempt OGRC Fund 5155 from paying employee benefits or benefit-related costs.

The bill would abolish the Anthropogenic Carbon Dioxide Storage Trust Fund Account No. 827 and transfer the balance of the fund to OGRC Fund 5155 and direct all fee revenue collected from the regulation of anthropogenic carbon dioxide storage be deposited to the credit of OGRC Fund 5155.

The bill would take effect September 1, 2021.

## **Methodology**

Based on information provided by the Comptroller of Public Accounts (CPA), revenue collected from penalties assessed and imposed by the Railroad Commission (RRC) would total \$1,001,000 each fiscal year and interest revenue from available fund balances, assuming an interest rate of 0.45 percent, would total \$563,097 each fiscal year and be deposited to OGRC Fund 5155 rather than the General Revenue Fund.

According to RRC, benefits-related costs obligated to be paid from OGRC Fund 5155 totaled \$13,095,500 in fiscal year 2020. This analysis assumes a similar amount in benefits-related costs each fiscal year in the 2022-23 biennium. Under the provisions of the bill, these benefit costs would have to be paid from the General Revenue Fund rather than ORGC Fund 5155 as shown in the tables above.

According to CPA, the Anthropogenic Carbon Dioxide Storage Trust Fund Account No. 827 is estimated to have a fund balance of \$85,000 at the end of fiscal year 2021 and the balance would have generated an additional \$1,000 in interest revenue per fiscal year to the fund.

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.

## **Local Government Impact**

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

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

**LBB Staff:** JMc, KK, MW, DA