

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

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

**April 29, 2021**

**TO:** Honorable Craig Goldman, Chair, House Committee on Energy Resources

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

**IN RE: HB4442** by Raymond (Relating to the regulation of oil and gas waste; imposing a fee.), **Committee Report 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4442, Committee Report 1st House, Substituted : an impact of \$0 through the biennium ending August 31, 2023.

However, the bill would have a positive impact of \$9,180,122 to General Revenue-Dedicated Oil and Gas Regulation and Cleanup Account No. 5155 in the 2022-23 biennium.

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	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0

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

<i>Fiscal Year</i>	<b>Probable (Cost) from Oil &amp; Gas Regulation 5155</b>	<b>Probable Revenue Gain from Oil &amp; Gas Regulation 5155</b>
2022	(\$141,565)	\$4,400,000
2023	(\$28,313)	\$4,950,000
2024	(\$21,235)	\$5,400,000
2025	\$0	\$5,700,000
2026	\$0	\$5,950,000

**Fiscal Analysis**

The bill would amend the Natural Resources Code to create a \$200 nonrefundable fee for oil and gas well drilling permits that utilize a reserve pit for the disposal of oil field waste.

The bill would add solids control equipment and closed-loop drilling systems to waste minimization incentives

and allow funds deposited to Oil and Gas Regulation and Cleanup Account No. 5155 (OGRC Fund 5155) to be used for the remediation of a site that utilized a reserve pit or an above ground tank.

The bill would require oil and gas well operators to record the volume and type of waste generated at a well site and the primary method of disposal. It would also require an operator to provide a written notice to landowners if an on-site reserve pit is utilized on the property.

The provisions of the bill would only apply to an application or materially amended application submitted after the effective date of the bill, or September 1, 2021.

### **Methodology**

According to the Comptroller of Public Accounts (CPA), approximately 10,300 drilling permits will be submitted to the Railroad Commission (RRC) in fiscal year 2022 and 11,600 in fiscal year 2023. This analysis assumes that approximately 85.0 percent of drilling permits would pay a reserve pit fee of \$500 (\$200 reserve pit fee + \$300 surcharge, see below) and generate an estimated \$4,400,000 in additional revenue in fiscal year 2022 and \$4,950,000 in fiscal year 2023. The additional fee revenue would be credited to OGRC Fund 5155.

Natural Resources Code §81.070 allows RRC to impose a reasonable surcharge, not to exceed 185.0 percent, on fees that are deposited to OGRC Fund 5155 to recover costs associated with the purposes of the fund. According to RRC, a surcharge of \$300, or 150.0 percent, would be applied to the new reserve pit fee which is consistent with existing surcharges placed on drilling permit fees.

Based on information provided by the RRC, this analysis assumes the agency's online drilling permit system and LoneSTAR system would require modifications to add the new reserve pit fee to the drilling permit application process and to allow inspectors to verify that an operator utilizing a reserve pit has paid the required fee. The modification would require \$141,565 in fiscal year 2022; \$28,313 in fiscal year 2023; and \$21,235 in fiscal year 2024 from OGRC Fund 5155.

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 effect September 1, 2021.

### **Technology**

The RRC's online drilling permit system and LoneSTAR system would require modifications that would cost \$141,565 in fiscal year 2022; \$28,313 in fiscal year 2023; and \$21,235 in fiscal year 2024 from OGRC Fund 5155.

### **Local Government Impact**

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

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

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