

**LEGISLATIVE BUDGET BOARD
Austin, Texas**

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 2, 2021

TO: Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB450 by Hancock (Relating to the jurisdiction of the Railroad Commission of Texas over the injection and geologic storage of carbon dioxide.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB450, As Introduced : an impact of \$0 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>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable (Cost) from Anthropogenic CO2 Storage Fund 827</i>	<i>Probable Revenue Gain from Anthropogenic CO2 Storage Fund 827</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	\$0	\$0	0.0
2023	(\$447,507)	\$447,507	3.0
2024	(\$372,751)	\$372,751	3.0
2025	(\$372,751)	\$372,751	3.0
2026	(\$372,751)	\$372,751	3.0

Fiscal Analysis

The bill would amend the Health and Safety Code to give the Railroad Commission (RRC) enforcement jurisdiction over the rules adopted for carbon dioxide repositories. RRC would be allowed to impose civil, administrative, and criminal penalties related to the enforcement as governed by Water Code, Chapter 27, Subchapter F.

Under the provisions of the bill, all penalties collected through enforcement and any funds received for any financial responsibility mechanism would be deposited into the Anthropogenic Carbon Dioxide Storage Trust

Fund No. 827 (Other Fund).

The bill would add permitting as an allowable use of funds deposited into the Anthropogenic Carbon Dioxide Storage Trust Fund No. 827.

The bill would prohibit RRC from issuing a permit for the conversion of a previously plugged and abandoned Class I injection well to a Class VI injection well for geologic storage and require a letter of determination that an injection well for geologic storage will not interfere with any previous or existing Class I injection well.

The bill would repeal Water Code Sec. 27.002 which removes Texas Commission on Environmental Quality's (TCEQ) jurisdiction for carbon dioxide injection produced by a clean coal project.

The bill would repeal Water Code Sec. 27.041 (b) which subjects RRC's jurisdiction over geologic storage of carbon dioxide in and injection into a saline formation directly above or below a reservoir to the review of the Legislature.

The bill would take effect immediately upon receiving a two-thirds majority vote in both houses; otherwise, the bill would take effect September 1, 2021.

Methodology

Natural Resources Code, Sec. 121.003 establishes the Anthropogenic Carbon Dioxide Storage Trust Fund as a special fund inside the state treasury but outside of the General Revenue Fund. Proceeds of the fund may only be used for specific regulatory and compliance functions associated with anthropogenic carbon dioxide injection wells and geologic storage facilities.

The Environmental Protection Agency (EPA) must approve the jurisdictional transfer from TCEQ to RRC before it can begin inspection and permitting activities. Based on information provided by the agency, this analysis anticipates approval of the transfer in fiscal year 2023.

According to RRC, to implement the provisions of the bill would require the work of two Engineering Specialist positions (2.0 FTEs) and one Administrative Assistant (1.0 FTE). This analysis includes \$227,751 for salaries and benefits in fiscal year 2023. In addition, this analysis also includes a one-time cost of \$74,756 in fiscal year 2023 for two vehicles for program staff to travel to site locations for facility inspections, \$100,000 to contract with the University of Texas' Bureau of Economic Geology for a Groundwater Advisory program, and \$45,000 in other operating expenses.

RRC has indicated that it will establish an application fee of \$50,000, an amendment fee of \$25,000, an injection fee of \$0.25 per metric ton of carbon dioxide injected, and an annual post-injection fee of \$50,000 for each year a licensed operator does not inject carbon dioxide into a geologic storage facility. Based on information provided by RRC and the Comptroller of Public Accounts, it is assumed that revenue would be generated in an amount sufficient to cover costs associated with implementing the provisions of the bill each fiscal year beginning in 2023.

Based on information provided by the TCEQ, it is assumed that duties and responsibilities associated with implementing the provisions of the bill could be accomplished utilizing existing resources.

The bill would 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

According to RRC, the provisions of the bill would require modifications to the agency's inspection and enforcement systems but such modifications could be accomplished using existing resources.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission, 582 Commission on Environmental Quality

LBB Staff: JMc, AJL, MW, DA