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FISCAL IMPACT REPORT

SPONSOR Rawson DATE TYPED 3/2/05 HB _____

SHORT TITLE Terminate Pipeline Safety Inspection Funds SB 722

ANALYST Hanika-Ortiz

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			\$0.1	Recurring	General Fund

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
	(\$200.0)		Recurring	Pipeline Safety Fund

Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
Responses Received From
 New Mexico Energy, Minerals and Natural Resources Department (EMNRD)
 Public Regulation Commission (PRC)

SUMMARY

Synopsis of Bill

SB 722 repeals two sections adopted during the 2004 session that created the “pipeline safety fund” to enhance the staffing and training of the Pipeline Safety Bureau of the Public Regulation Commission and fund the inspection of interstate and intrastate pipelines through the imposition of “safety fees” on the transportation of oil and gas.

Significant Issues

SB722 would eliminate all sources of funding for pipeline safety inspections and enforcement, and for enforcement of the New Mexico Excavation Damage Prevention Law.

PERFORMANCE IMPLICATIONS

If alternate funding is not provided, that may affect the ability of the Bureau to carry out the Pipeline Safety Act's provisions.

FISCAL IMPLICATIONS

SB 722 eliminates all sources of funding for pipeline safety inspections and enforcement, and for enforcement of the New Mexico Excavation Damage Prevention Law. Current balance in the Fund is \$18.7 thousand. In FY05, \$200.0 has already been budgeted and transferred to the PRC general operating fund for current year expenditures.

The PRC reports without state funding, no federal funds will be received to conduct the program. The State will lose its certifications for natural gas and hazardous liquid safety programs contributing to a public safety issue. Alternatively, the State could provide matching funds through the general fund for the federal match. This was the practice before the provisions of the Pipeline Safety Fund creation.

The Pipeline Safety Bureau will no longer be able to impose "safety fees" and will no longer have the Pipeline Safety Fund to carry out the Pipeline Safety Act's provisions.

Safety fees for the transportation of gas are not to exceed \$2 dollars per domestic service line; \$35 dollars per commercial service line; \$35 per mile of line for the transportation of gas subject to inspection, with a minimum assessment of \$400 dollars; and \$100 per master meter, direct sales lateral or liquefied petroleum gas system; and for the transportation of oil, \$35 dollars per mile of transmission line subject to inspection, with a minimum assessment of \$400 dollars.

ADMINISTRATIVE ISSUES

The Commission conducts a public review of fees collected and payments made from the fund and provides a summary to the Legislative Finance Committee and the Department of Finance and Administration annually. Based upon its findings, the Commission adjusts the annual fee rates in order to collect only the amount estimated to be necessary to carry out the provisions of the Pipeline Safety Act.

TECHNICAL ISSUES

It is not clear if the money in the fund reverts back to the general fund once the sections that created the fund are repealed.

ALTERNATIVES

The PRC notes the State could provide funds (general fund) for the federal match. This was the practice before the provisions of the Pipeline Safety Fund creation.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

The Pipeline Safety Bureau will retain the pipeline safety fund as a source of funding for the inspection of interstate and intrastate pipelines.

AHO/lg