

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 26, 2007

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
Honorable Tom Craddick, Speaker of the House, House of Representatives

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB1090 by Swinford (Relating to the establishment of a program by the Department of Agriculture to make grants to encourage the construction of facilities that generate electric energy with certain types of agricultural residues, waste, debris, or crops.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1090, Conference Committee Report: a negative impact of (\$94,402) through the biennium ending August 31, 2009.

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
2008	\$0
2009	(\$94,402)
2010	(\$15,067,637)
2011	(\$15,067,637)
2012	(\$15,067,637)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>New GR-Dedicated Agricultural Biomass and Landfill Diversion Incentive Program Account</i>	Probable Savings/ (Cost) from <i>New GR-Dedicated Agricultural Biomass Landfill Diversion Incentive Program Account</i>	Change in Number of State Employees from FY 2007
2008	\$0	\$0	\$0	0.0
2009	(\$94,402)	\$94,402	(\$94,402)	1.0
2010	(\$15,067,637)	\$15,067,637	(\$15,067,637)	1.0
2011	(\$15,067,637)	\$15,067,637	(\$15,067,637)	1.0
2012	(\$15,067,637)	\$15,067,637	(\$15,067,637)	1.0

Fiscal Analysis

The bill requires that the Texas Department of Agriculture (TDA) with the assistance of the Texas Commission on Environmental Quality (TCEQ) and the Public Utility Commission (PUC), establish an Agricultural Biomass and Landfill Diversion Incentive Program to provide grants to farmers, loggers, and diverters who provide agricultural biomass to facilities that: are located in the state; placed in service after August 31,2009; generate electric energy sold to a third party using

agricultural biomass; and use the best available emissions control technology.

The bill would entitle each farmer, logger, or diverter to \$20 per each ton of bone-dry agricultural biomass suitable for biomass conversion. This bill would authorize TDA to grant no more than \$30 million each fiscal year. The grants to the farmers, loggers, and diverters would be made by the operators of the electric generation facilities; operators that process unsuitable biomass into a form suitable for producing electric energy are also eligible for grants under this program. The bill would provide that the facility operators would be reimbursed on a quarterly basis by TDA, after filing out an application with the agency that verifies the amount of qualified agricultural biomass processed into a form suitable for generating electric energy. The bill limits the amount an operator can receive to no more than \$6 million.

The bill would create a new General Revenue-Dedicated Account within the General Revenue Fund, the Agricultural Biomass and Landfill Diversion Incentive Program Account, which would consist of money transferred to the account at the direction of the Legislature, gifts, grants, donations and money from any other sources to be used by TDA to implement the incentive program. This new fund would be subject to funds consolidation review by the current Legislature.

This bill would also amend Section 39 of the Utilities Code relating in part to the minimum annual renewable energy requirement for retail electric providers, municipally owned electric utilities, and electric cooperatives.

Methodology

Assuming an average load of 40 tons (the maximum load limit for non-permitted commercial transporters) of which 75 percent is bone-dry and 25,000 loads being transported by farmers, loggers and/or diverters a year, the Department of Agriculture estimates that based on an incentive of \$20 for each ton of bone-dry biomass, \$15 million would be granted to farmers/loggers/diverters per fiscal year. No grants, however, are anticipated to be made until fiscal year 2010 given the provision that to be eligible for the incentive payments, these tons of biomass can only be provided to facilities that were in service after August 31, 2009.

In order to be ready to implement the provisions of the bill when this program comes on-line in the beginning of fiscal year 2010, TDA anticipates needing 1.0 FTE in fiscal year 2009 and some associated start up costs, including the creation of a computer application to support the new grant program, for a total cost of \$94,402. TDA anticipates needed just one FTE in subsequent fiscal years as well to administer the new grant program. Since no funding is available in the new General Revenue-Dedicated Account created by the bill, it is assumed that all costs would be paid from the General Revenue Fund.

According to the Public Utility Commission, the amendments to Section 39 of the Utility Code should not result in any fiscal impact to the agency.

Technology

TDA anticipates that the cost to create a computer application to support the new grant program would be \$21,600.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 473 Public Utility Commission of Texas, 551 Department of Agriculture, 582 Commission on Environmental Quality

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