

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 23, 2007

TO: Honorable Phil King, Chair, House Committee on Regulated Industries

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

IN RE: HB3693 by Straus (Relating to energy demand, energy load, energy efficiency incentives, energy programs, and energy performance measures.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3693, Committee Report 1st House, Substituted: a negative impact of (\$12,844,000) 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	(\$7,852,000)
2009	(\$4,992,000)
2010	(\$5,140,000)
2011	(\$5,278,000)
2012	(\$5,421,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>Cities</i>	Probable Revenue Gain/(Loss) from <i>Counties/SPDs</i>	Probable Revenue Gain/(Loss) from <i>Transit Authorities</i>
2008	(\$7,852,000)	(\$682,000)	(\$88,000)	(\$234,000)
2009	(\$4,992,000)	(\$709,000)	(\$91,000)	(\$243,000)
2010	(\$5,140,000)	(\$737,000)	(\$95,000)	(\$253,000)
2011	(\$5,278,000)	(\$764,000)	(\$99,000)	(\$262,000)
2012	(\$5,421,000)	(\$791,000)	(\$102,000)	(\$271,000)

Fiscal Analysis

The bill would amend the Education Code to require school districts, institutions of higher education, and state agencies to establish a goal to reduce their annual electric consumption by 5 percent each fiscal year for six years and purchase the commercially available model of light bulbs that use the fewest watts for the necessary flux or light output and is compatible with the light fixture. In addition, the Texas Building and Procurement Commission (TBPC) would be required to develop and update a list of equipment and appliances that meet certain energy efficiency standards.

The bill would amend statute relating to required publication and reporting by governmental entities of

electricity, water, and natural gas consumption. The governmental entities would have to track the use of electricity, water, or natural gas and report the information on a publicly accessible Internet website.

The bill would amend the Health and Safety Code to allow the State Energy Conservation Office (SECO), based on written recommendations from the Energy Systems Laboratory at the Texas Engineering Experiment Station, by rule, to adopt or substitute more stringent provisions of the International Residential Code or International Energy Conservation Code as they existed on May 1, 2001. If new provisions were adopted, SECO would have to establish an effective date for the new provisions no earlier than nine months after the date of adoption. The Energy Systems Laboratory at the Texas Engineering Experiment Station would also develop different report formats for rating newly constructed residences from those of existing residences in regard to home energy ratings.

The bill would also amend the Utilities Code and provide for the Public Utility Commission to develop and implement a program for delivery of individualized home electric energy reports to educate consumers about electric energy use and to assist consumers to use energy more efficiently. In addition, the agency would provide a report on estimates of achievable savings specific to each utility service area and each customer class and quantify the costs and rate impacts associated with meeting energy efficiency goals. The report would also include recommended policies designed to promote energy efficiency in areas of the state not served by utilities under this section and identify potential barriers to increased participation by retail electric providers in delivery of energy efficiency services to ERCOT customers and recommended regulatory or statutory changes to eliminate such barriers or to facilitate greater efficiency.

The bill would amend the Property Code, relating to the delivery of money by nonprofit cooperative corporations for rural scholarship, economic development, and energy efficiency assistance. The amendment would remove the \$1 million cap on unclaimed property diverted for these purposes that would normally be escheated to the state.

The bill would add Section 151.333 to the Tax Code to exempt energy-efficient products from sales tax for a 24-hour period on April 16 of each year.

Methodology

The provisions of the bill relating to school districts, state agencies, and institutions of higher education establishing a goal for a five percent reduction in energy consumption is estimated to not be a significant fiscal impact. Several universities indicate that if the provisions of the bill were mandated, they would incur a significant impact. Depending upon the amount of reduction of energy usage the state would realize an indeterminate amount of savings.

The provision relating to the State Energy Conservation Office adopting or substituting more stringent energy provisions and the Energy Systems Laboratory developing different report formats for rating newly constructed residences is assumed to have no significant fiscal impact to the agencies.

The provision relating to the Public Utility Commission providing reports on estimates of achievable energy savings would require the agency to contract with a vendor at a one-time cost of \$3,000,000 in General Revenue for the first year (Fiscal Year 2008)

According to the Comptroller of Public Accounts, the provision lifting the \$1 million cap on unclaimed property allowed to be transferred to rural scholarship, economic development, and energy efficiency assistance programs would result in a loss of \$1,300,000 in General Revenue in each fiscal year. The removal of the cap would allow all nonprofit cooperative corporations to increase money going to these programs and no longer require the remittance of the unclaimed funds to the Comptroller for deposit to the General Revenue Fund.

The estimate, relating to the sales tax exemption for certain energy-efficient products, provided by the Comptroller is based on gathered data from the U.S. Department of Energy on the sale of the specified energy efficient products. For the purpose of this analysis, the Comptroller adjusted sales data to reflect sales made in Texas for personal use and for the appropriate price range and time period, and

multiplied the data by the state sales tax rate. The estimates were adjusted for the effective date and extrapolated through fiscal 2012. The Comptroller proportionally estimated the fiscal impacts on units of local government.

Local Government Impact

The fiscal impact to local government from the sales tax holiday is illustrated in the above tables.

Source Agencies: 303 Building and Procurement Commission, 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas, 529 Health and Human Services Commission, 582 Commission on Environmental Quality, 696 Department of Criminal Justice, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 712 Texas Engineering Experiment Station, 717 Texas Southern University, 720 The University of Texas System Administration, 783 University of Houston System Administration, 808 Historical Commission, 809 Preservation Board

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