LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 27, 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3693, As Introduced: a negative impact of ($13,406,000) through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	($6,367,000)
2009	($7,039,000)
2010	($7,322,000)
2011	($7,585,000)
2012	($7,858,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *GENERAL REVENUE FUND* 1	Probable Revenue Gain/(Loss) from *Cities*	Probable Revenue Gain/(Loss) from *Transit Authorities*	Probable Revenue Gain/(Loss) from *Counties*
2008	($6,367,000)	($867,000)	($297,000)	($112,000)
2009	($7,039,000)	($1,352,000)	($464,000)	($174,000)
2010	($7,322,000)	($1,406,000)	($482,000)	($181,000)
2011	($7,585,000)	($1,456,000)	($500,000)	($188,000)
2012	($7,858,000)	($1,509,000)	($518,000)	($195,000)

Fiscal Analysis

The bill would amend the Education Code to stipulate that any new public school built would be designed for and constructed with solar electric generation panels on the rooftops of the school and allow school districts to add solar electric generation panels to the rooftops of any existing school, allow the school districts to sell any surplus electricity, and allow the school districts to keep the net proceeds from the sale of surplus electricity.

The bill would amend the Government Code to require any state agency or institution of higher education that occupies a building or facility located in an air quality non-attainment area or affected county to include in its long-range energy and water management plan, a goal to reduce energy consumption in its buildings and facilities located in those areas by 5 percent per year for five years beginning January 1, 2008. The agency or institution would issue a report to the State Energy Conservation Office (SECO), detailing its progress in reaching the goal in each year in which the goal applied.

The bill would amend the Government Code to prohibit the use of incandescent light bulbs when replacing an existing light bulb in a state building or on the state grounds. The bill would add a new chapter to the Health and Safety Code, relating to Appliance Efficiency Standards. The Comptroller, in consultation with SECO (CPA/SECO), would have to adopt minimum efficiency standards for these appliances no later than September 1, 2008, and by rule, adopt test procedures for determining a product's energy efficiency, based on methods approved by the U.S. Department of Energy.

In addition, CPA/SECO would adopt rules governing the certification and labeling of products, and the testing of products with authority to impose an assessment and public disclosure of those products found not to be in compliance. A manufacturer would have to test products and certify the results to the Comptroller that a product was in compliance with standards. Manufacturers would have to label products as to their compliance with standards according to Comptroller rules. CPA/SECO would investigate complaints of violations and report the results to the Attorney General. The Comptroller would issue warnings to persons violating standards and subsequent violations would be subject to a civil penalty.

The bill would amend the Tax Code and create a sales tax exemption for certain energy-efficient products sold during the current sales tax holiday for clothing and footwear, during a period beginning on the last Saturday preceding the last Monday in May, or during a period around July 4. Air conditioners with a sales price not exceeding $6,000 and clothes washers, ceiling fans, dehumidifiers, dishwashers, incandescent or fluorescent lightbulbs, programmable thermostats, and refrigerators with a sales price not exceeding $2,000 would be exempt if they were designated as Energy Star qualified products by the U.S. Department of Energy and purchased for noncommercial home or personal use. The bill would amend various sections of the Utilities Code to require the Comptroller and PUC to develop a program whereby a customer could receive a refund of not more than 3 percent of the taxes the customer paid for electric services taxable under Chapter 151 of the Tax Code if the customer engaged in energy efficiency measures that reduced electric energy consumption, increased the efficiency of electric energy production, or reduced peak demand.

In addition, the bill would, among other things, require PUC, no later than October 1, 2007, to implement an emergency energy efficiency and load management program to ensure that adequate reserve margins were maintained through December 31, 2011; and to require municipally owned utilities and electric cooperatives to administer energy savings incentive programs to all customers.

Methodology

The provisions of the bill relating to state agencies and institutions of higher education setting a goal for a five percent reduction in energy consumption is estimated to not be a significant fiscal impact. Several universities indicate that if this provision of the bill was mandated, they would incur a significant impact.

Depending upon the amount of reduction of energy usage by state agencies following appliance energy standards, the state would realize an indeterminate amount of savings. The Comptroller's Office indicates that there would be significant administrative costs from this provision, but the total likely costs cannot be fully estimated at this time.

The estimate, relating to the sales tax exemption for certain energy-efficient products, provided by the Comptroller of Public Accounts 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 of October 1, 2007 and extrapolated through fiscal 2012. The Comptroller proportionally estimated the fiscal impacts on units of local government.

Local Government Impact

TEA estimates that between 70 and 100 new campuses are opened each year. If 70 campuses a year opened and it cost an average of $100,000 per campus to include supplemental solar panels, statewide the costs could reach $7 million annually.

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, 582 Commission on Environmental Quality, 701 Central Education Agency, 710 Texas A&M University System Administrative and General Offices, 712 Texas Engineering Experiment Station, 720 The University of Texas System Administration, 808 Historical Commission, 809 Preservation Board

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