

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**May 18, 2007**

**TO:** Honorable Troy Fraser, Chair, Senate Committee on Business & Commerce

**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 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3693, Committee Report 2nd House, Substituted: a negative impact of (\$6,005,000) 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	(\$2,958,000)
2009	(\$3,047,000)
2010	(\$3,141,000)
2011	(\$3,229,000)
2012	(\$3,320,000)

**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	(\$2,958,000)	(\$289,000)	(\$337,000)	(\$99,000)
2009	(\$3,047,000)	(\$451,000)	(\$358,000)	(\$155,000)
2010	(\$3,141,000)	(\$469,000)	(\$360,000)	(\$161,000)
2011	(\$3,229,000)	(\$486,000)	(\$363,000)	(\$167,000)
2012	(\$3,320,000)	(\$503,000)	(\$365,000)	(\$173,000)

**Fiscal Analysis**

The bill would amend the Education Code to require school districts to establish a goal to reduce their annual electric consumption by 5 percent each fiscal year for six years. The bill would amend the Education Code and the Government Code to require school districts, institutions of higher education, and state agencies to 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 Government Code to create energy efficiency standards for the construction or rehabilitation of certain single and multifamily dwellings that is performed with assistance from the Texas Department of Housing and Community Affairs, including state or federal money, housing tax credits, or multifamily bond financing.

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 bill would include institutions of higher education and state agencies in energy efficiency programs, relating to Texas building energy performance standards. 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 amend the Property Code, relating to the delivery of money by nonprofit cooperative corporations for rural scholarship, economic development, and energy efficiency assistance to add "energy efficiency assistance" among the permissible uses for unclaimed property and to increase the cap on unclaimed property diverted for these purposes that would normally be escheated to the state from \$1 million to \$2 million.

The bill would amend the Tax Code to exempt certain energy-efficient products from sales tax during a period beginning on the Saturday preceding the last Monday in May and ending on the last Monday in May. The bill would also amend the Tax Code relating to the tax credit for enhanced efficiency equipment installed on marginal oil wells by adding four more years to the qualifying period by advancing the expiration date of the tax credit from September 1, 2009 to September 1, 2013.

The bill would require the Comptroller of Public Accounts to provide a compliance report, in relation to the Texas Economic Development Act, to the Lieutenant Governor, the Speaker of the House of Representatives, and the other members of the Legislature at the beginning of each regular session.

The bill would amend various sections of the Utilities Code, relating to energy demand, energy load, energy efficiency incentives, energy programs and energy performance measures, relating to the restructuring of the electric utility industry. The bill would require the Public Utilities Commission (PUC) to conduct several studies, including a study and recommendations regarding the potential for energy efficiency and a report on the installation of combined heat and power technology. The bill would provide prospective PUC oversight of mergers involving or the sale of 50 percent or more of the shares of a transmission and distribution utility or electric utility and would require notice of such transactions prior to closing the transaction. The bill would require PUC to provide information to school districts regarding how they may finance installation of solar panels for school district buildings and allow for a "Credit for Surplus Solar Generation by Public Schools."

The bill would take effect September 1, 2007.

## **Methodology**

The provisions of the bill relating to school districts establishing a goal for a five percent reduction in energy consumption is estimated to not be a significant fiscal impact. The provisions of the bill relating to the purchase of energy-efficient light bulbs by school districts, higher education institutions, and state agencies is estimated to not be a significant fiscal impact. However, 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 bill would increase the cap from \$1 million to \$2 million on the amount that could be transferred to rural scholarship, economic development, and energy efficiency assistance programs. According to the Comptroller of Public Accounts, by changing this cap, all nonprofit cooperative corporations could increase money going to these programs and no longer remit these unclaimed funds to the Comptroller for deposit to the General Revenue Fund. The payment of claims on these properties would shift from the Comptroller to the nonprofit cooperative corporations or the administrator of the funds. The Comptroller estimates that the resulting loss to the General Revenue fund would be \$700,000 in each fiscal year.

Under current law, Section 74.602 of the Property Code allows for unclaimed capital credits delivered to the state by electric cooperative corporations to be used by the county in which the cooperative members reside, for economic development programs defined under Section 381.004 of the Local Government Code. The bill would reduce the amount of unclaimed property, including capital credits, remitted to the state from electric cooperatives and thus reduce the amount available to counties for economic development programs under Section 381.004 of the Local Government Code. The Comptroller reports that all of the additional capital credits diverted to scholarship funds, to stimulate rural economic development, or to provide energy efficiency assistance to members of electric cooperatives would no longer be available to counties as it currently is. The Comptroller estimates that the resulting loss to counties fund would be \$300,000 in each fiscal year.

The Comptroller reports that the extension of the expiration date relating to the tax credit for certain equipment purchased and installed on marginal wells would have no significant fiscal impact, as the tax credit is well-specific and capped at \$1,000.

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.

The Public Utilities Commission reports that the required rule-making and reports would not have a significant fiscal impact on the Agency.

### **Local Government Impact**

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

**Source Agencies:** 473 Public Utility Commission of Texas, 304 Comptroller of Public Accounts, 303 Building and Procurement Commission, 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

**LBB Staff:** JOB, TGI, JRO, JM, CT, SD, EB