

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 3, 2007

TO: Honorable Rick Hardcastle, Chair, House Committee on Energy Resources

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

IN RE: SB1461 by Seliger (Relating to certain matters regarding a clean coal project, including contracting authority and indemnification requirements, liability, representation of a state agency by the attorney general, and monitoring of sequestered carbon dioxide.), **Committee Report 2nd House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would amend statute and grant the Governor contracting authority on behalf of the state with an organization, including the FutureGen Industrial Alliance, Inc., that qualifies under Section 501(a) of the Internal Revenue Code of 1986 to implement a clean-coal project or a clean-coal demonstration program. It is assumed that any additional costs associated with implementing this provision of the bill could be absorbed within existing state resources.

The bill allows the Governor and the Comptroller to jointly adopt provisions for issuing to the organizations franchise tax credits to promote research and development activities related to a clean coal project in this state. To date, no clean coal project sites have been awarded in Texas. According to federal sources, full-scale plant operations are scheduled to begin in 2012. Therefore, it is unknown when or how much electricity would be generated and sold by the project, and accordingly, the fiscal impact past 2012 cannot be determined.

The bill would amend statute and provide that University of Texas at Austin shall monitor, measure, and verify the permanent status of sequestered carbon dioxide and the Texas Department of Criminal Justice may enter into a lease contract with the Texas Railroad Co`mmission or an owner or operator of a clean coal project. It is assumed that any additional costs associated with implementing the lease contracts could be absorbed within existing resources.

The bill would also provide that the Office of the Attorney General (OAG) may represent a state agency that requests representation in a legal proceeding that arises from an escape of migration of carbon dioxide captured or sequestered in connection with a clean coal project.

The OAG indicates that any clean coal project will not be completed until 2013 and the agency does not anticipate that any claim based on escaping or migrating carbon dioxide would be made before or during 2012. However, if a relevant lawsuit is filed prior to the end of 2012, it is anticipated that any costs associated with the litigation could be absorbed within existing resources. Lawsuits that might arise after FY 2012 would likely require some indeterminate amount of additional resources given the highly technical aspects of the project

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 301 Office of the Governor, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 580 Water Development Board, 582 Commission on Environmental Quality

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