

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION
Revision 1

April 6, 2009

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

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

IN RE: SB921 by Fraser (Relating to access by the members of electric cooperatives to meetings of the boards of directors and certain information of the electric cooperatives.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB921, As Introduced: an impact of \$0 through the biennium ending August 31, 2011.

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 |
|-------------|--|
| 2010 | \$0 |
| 2011 | \$0 |
| 2012 | \$0 |
| 2013 | \$0 |
| 2014 | \$0 |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue Gain from <i>Appropriated Receipts</i> 666 | Probable Savings/(Cost) from <i>Other Funds</i> |
|-------------|---|--|
| 2010 | \$480,720 | \$480,720 |
| 2011 | \$0 | \$0 |
| 2012 | \$435,700 | \$435,700 |
| 2013 | \$0 | \$0 |
| 2014 | \$435,720 | \$435,720 |

Fiscal Analysis

The bill would add language to Chapter 161, Utilities Code, to authorize the State Auditor to audit the financial transactions and operations of a cooperative at the expense of the cooperative. In addition, the bill would establish and/or clarify provisions relating to board meetings, voting, bylaws and proxy votes. The bill would require the Public Utility Commission to process customer complaints as they are received.

The bill would take effect September 1, 2009.

Methodology

For the purposes of this fiscal note, it is assumed that one audit of a cooperative will be conducted each biennium, beginning in fiscal year 2010. It is further assumed that the work would be done by the State Auditor's Office. The first audit, occurring in fiscal year 2010, would require 5,000 hours to conduct. Based on the current billing rate of \$90 per hour and including travel costs of \$30,720, it is estimated that the combined costs of the first audit to be \$480,720. Subsequent audits would require an average of 4,500 hours each to perform. The reduced hours would be a result of the general understanding of Cooperative operations and could vary depending on the size and complexity of the cooperative being audited. Therefore, each subsequent Cooperative audit would cost an average estimated \$435,720, inclusive of \$30,720 travel costs. Costs associated with conducting the audits would be reimbursed by the cooperative.

Although not included in the fiscal note, if the audit work is outsourced, costs are estimated at \$150 per hour for a total of \$750,000 for the first audit and \$675,000 for each subsequent audit.

The Public Utility Commission anticipates that implementing provisions of the bill could be done within existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 308 State Auditor's Office, 473 Public Utility Commission of Texas

LBB Staff: JOB, JRO, MS, DB, KJG, SD