

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION**

**May 6, 2011**

**TO:** Honorable Jim Keffer, Chair, House Committee on Energy Resources

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

**IN RE: HB3532** by Strama (Relating to the creation of an incentive program for solar and wind-powered distributed electric generation for public school property.), **Committee Report 1st House, Substituted**

**No significant fiscal implication to the State is anticipated.**

The bill would require the Public Utility Commission (PUC) to develop and implement a program to increase the amount of distributed solar generation installed on property owned by school districts within the state. The bill would require the program to be transparent, cost effective, and limited in scope.

The bill would establish a solar schools incentive fund as a special trust fund held by the comptroller outside of the state treasury and administered by the program administrator for the payment of the incentives authorized by the bill, without the necessity of an appropriation. The fund consists of fees established by the bill, gifts or grants awarded for the purposes of the program, and interest and other income from investment of the money deposited to the credit of the fund. The bill would require the PUC to establish rules for the collection of the fees. The bill would require the PUC to report to the legislature each biennium on the progress of the program.

The bill establishes that the PUC shall distribute the incentives mandated by the provisions of the bill by administering quarterly reverse auctions. The bill establishes qualifications for participation in the quarterly reverse auctions. The bill outlines the method by which the PUC will consider bids and provides that the remaining funding after the quarterly reverse auctions shall be made available in the form of nonparticipating incentives on a first come first serve basis. If there is still funding remaining, it will be rolled forward and distributed evenly among the remaining quarters. The bill provides for measures that the commission may take if funds are rolled forward in consecutive quarters. The bill establishes requirements for the distribution of the incentives and a deadline by which winning bidders must interconnect in order to receive the incentive.

The bill provides for third party ownership of distributed solar generation and specifies that the owner of the generation equipment is not an electric utility and is therefore not required to register with the PUC as a power generation company or self generator unless the PUC determines that registration is necessary to maintain the reliability of the distribution grid.

The bill would require that a retail electric provider provide a credit to the school district for the surplus electricity produced by distributed renewable generation on school district property.

Based on the analysis of the Comptroller of Public Accounts this legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current

Legislature.

According to the analysis submitted by the PUC, implementing the program established by this bill would require the engagement of a third party contractor to administer the program at a cost of \$250,000 per year for the duration of the program. This cost is based on the PUC's experience with contracting for program administration activities and on the agency's assessment of the amount and complexity of the work being required. Based on the analysis of the PUC the rulemaking proceedings required by the provisions of the bill could be accomplished utilizing existing resources. This analysis assumes that the cost associated with the administration of the program could be paid by the newly created solar schools incentive fund located outside the Treasury.

### **Local Government Impact**

The provisions of the bill could have revenue and cost impacts on municipalities that own electric utilities. This analysis assumes that any costs would be offset by revenues generated under the provisions of the bill.

The provisions of the bill could have an indeterminate positive revenue impact for school districts that opt to participate in the program. Since the revenue impact would be determined by the decisions of individual school districts to participate in the program, the type of participation, either direct or through a third owner of solar generation equipment, and the dollar amount of incentives received the revenue impacts cannot be estimated.

**Source Agencies:** 473 Public Utility Commission of Texas, 701 Central Education Agency, 304 Comptroller of Public Accounts

**LBB Staff:** JOB, SZ, MW, RAN