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

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**April 16, 2017**

**TO:** Honorable Drew Darby, Chair, House Committee on Energy Resources

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB1717** by Canales (Relating to wind energy conversion systems and facilities and the rights of owners of land on which the systems and facilities are located; providing an administrative penalty.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB1717, As Introduced: a negative impact of ($431,390) through the biennium ending August 31, 2019.

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 |
|---|---|
| 2018 | ($349,932) |
| 2019 | ($81,458) |
| 2020 | ($81,458) |
| 2021 | ($81,458) |
| 2022 | ($81,458) |

## All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from *General Revenue Fund* 1 | Change in Number of State Employees from FY 2017 |
|---|---|---|
| 2018 | ($349,932) | 1.0 |
| 2019 | ($81,458) | 1.0 |
| 2020 | ($81,458) | 1.0 |
| 2021 | ($81,458) | 1.0 |
| 2022 | ($81,458) | 1.0 |

## Fiscal Analysis

The bill would amend the Natural Resources Code by adding a new chapter titled Wind Energy Conversion Systems and Facilities. The bill would create certain rights for landowners who enter into lease agreements with wind energy system owners and operators. The bill would require the Railroad Commission (RRC) to adopt a rule requiring each owner or operator of a wind energy conversion system who enters into a lease agreement with a landowner to file a bond or other financial assurance with RRC to ensure the decommissioning of the system at the end of the system's useful life. The bill would establish the end of a system's useful life as the date on which the system has failed to produce electricity for one continuous year. An owner or operator would be required to remove the system within one year after the end of the system's useful life. The bill would authorize RRC to assess penalties of up to $1,000 per day for each violation of the chapter. If RRC determines that a person is violating this chapter or a rule related to the chapter, the bill would authorize RRC to bring a civil suit, either directly or through the Office of the Attorney General, in district court seeking injunctive relief.

The bill would take effect September 1, 2017, and would require RRC to adopt necessary rules by January 31, 2018. The bill would apply to a wind energy lease agreement entered into on or after February 1, 2018.

## Methodology

Based on information provided by RRC, the agency would need to establish a tracking system for managing these new bonds and to ensure the bonds were set at the proper amount to fully cover the cost of decommissioning, which would vary. The estimated cost of this IT work to RRC's mainframe would be $258,340 in fiscal year 2018. RRC would also need an additional program specialist IV to manage the bonds it would receive from wind energy owners and operators. Salary and benefits for the new FTE would total $81,458 with one-time costs in fiscal year 2018 of $10,134.

The Office of the Attorney General has indicated any additional work resulting from the passage of the bill could be reasonably absorbed within current resources. Based on the analysis of the Comptroller of Public Accounts, any administrative penalties that would be assessed at the discretion of the RRC cannot be determined.

## Technology

Costs include $258,340 in professional services to create a tracking system for bond management.

## Local Government Impact

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 455 Railroad Commission

**LBB Staff:** UP, SZ, MW, PBO, JSm, RC