

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 16, 2017

TO: Honorable Abel Herrero, Chair, House Committee on Land & Resource Management

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB736 by Hancock (Relating to the authority of the General Land Office to sell retail electric power.), **As Engrossed**

No significant fiscal implication to the State is anticipated.

The bill would amend the Utilities Code to remove the ability of the General Land Office (GLO) to sell or convey electric power as of September 1, 2022. Under current law, GLO is authorized to sell power only to public retail customers, defined as state agencies, state institutions of higher education, public school districts, political subdivisions, U.S. military installations, and the U.S. Department of Veterans Affairs facilities. The bill would allow the continuation of GLO's existing contracts until those contracts expire, but would not allow GLO to renew or extend the expiration or termination date of any contract beyond September 1, 2022. The bill would not affect the Land Commissioner's authority to sell or convey natural gas.

Currently, GLO purchases wholesale power with gas royalties from land owned by the Permanent School Fund 44 (PSF) and sells it at a profit. Those funds are deposited to the PSF. Absent the authority to sell power, GLO would deposit the full amount of gas royalties into the PSF. GLO reports that over the past ten years its electricity sales have resulted in an average net revenue gain to the PSF of \$10.0 million per year. The bill would allow GLO to continue servicing its existing contracts until September 1, 2022.

The bill would require GLO to provide a report on its electricity sales to the legislature no later than September 1, 2021. The bill would take effect September 1, 2017.

As the bill would not affect GLO's ability to sell or convey electricity until September 1, 2022, there would be no significant fiscal impact for the upcoming biennium.

The bill would require GLO's current customers to purchase electricity from other electric utility providers who may be subject to utility taxes after September 1, 2022. GLO's sales of electricity are currently exempt from the miscellaneous gross receipts tax and public utility gross receipts assessment. To the extent that some customers will not extend or renew contracts expiring before September 1, 2022, this bill could result in revenue gains to the General Revenue Fund and GR Account 0193 - Foundation School, from tax collections paid by utility companies subject to utility taxes; however, this gain cannot be estimated and is not estimated to be significant.

Local Government Impact

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

Source Agencies: 305 General Land Office and Veterans' Land Board, 304 Comptroller of Public Accounts

LBB Staff: UP, SZ, MW, PBO, SD