LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

March 8, 2017

TO: Honorable Kelly Hancock, Chair, Senate Committee on Business & Commerce

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 Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB736, As Introduced: an impact of $0 through the biennium ending August 31, 2019.

However, there would be an impact of ($14,000,000) to Permanent School Fund 44 due to the provisions of the bill.

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	$0
2019	$0
2020	$0
2021	$0
2022	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *Permanent School Fund* 44
2018	($7,000,000)
2019	($7,000,000)
2020	($7,000,000)
2021	($7,000,000)
2022	($7,000,000)

Fiscal Analysis

The bill would amend the Utilities Code to remove the ability of the General Land Office and

Veterans' Land Board (GLO) to sell or convey electric power. GLO currently is authorized to sell power to public retail customers, defined as state agencies, state institutions of higher education, public school districts, political subdivisions, military installations, and U.S. Department of Veterans Affairs facilities. The bill would allow the continuation of GLO's existing contracts until those contracts expire. The bill would take effect September 1, 2017.

Methodology

GLO reports that over the past ten years its electricity sales have resulted in an average net revenue gain to the Permanent School Fund No. 44 (PSF) of $10.0 million per year. Under current law, GLO purchases wholesale power with gas royalties from land owned by the PSF and then sells it at a profit. Absent the authority to sell power, GLO would deposit the full amount of gas royalties into the PSF. The bill would allow GLO to continue its existing contracts until they expire, so the agency would not see an immediate revenue loss of the full $10.0 million, but it would see the net estimated revenue loss of $7.0 million annually until the final existing contract expires in 2025, when the annual loss to the PSF would be the full $10.0 million.

This analysis does not anticipate any savings due to a reduced workload from implementing the provisions of the bill. GLO currently has one position that manages electricity contracts and it is estimated that the position will be necessary to continue managing the existing contractual obligations for electric power in addition to marketing and managing contractual obligations for natural gas.

Under current law, customers who purchase electricity from the GLO are exempted from two utility taxes because GLO is a state agency: the miscellaneous gross receipts tax and the public utility gross receipts tax. If GLO's existing customers are no longer exempted from these taxes, those customers may experience a cost increase in the price of their electricity. The University of Texas System has indicated that it would experience a cost increase system-wide of $1,611,036 per year as a result of increased utility taxes. The Comptroller of Public Accounts has indicated that there would be a minimal revenue gain to General Revenue as a result of increased utility taxes.

Local Government Impact

The bill may result in higher costs in the form of utility taxes for those local government entities that currently purchase electricity through GLO.

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 720 The University of Texas System Administration

LBB Staff: UP, MW, PBO, SD