

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

March 12, 2019

TO: Honorable Dade Phelan, Chair, House Committee on State Affairs

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB1128 by Clardy (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 HB1128, As Introduced: an impact of \$0 through the biennium ending August 31, 2021.

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
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from Permanent School Fund
	44
2020	\$0
2021	\$0
2022	\$0
2023	(\$1,430,614)
2024	(\$1,568,707)

Fiscal Analysis

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 purchases wholesale power with royalties from land owned by the Permanent School Fund (PSF), sells the

electricity at a profit, and deposits the proceeds to the PSF. By statute, 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. GLO reports that since the electricity program began in 2000, it has achieved gross enhancements of \$119.0 million to the PSF.

Methodology

GLO would continue to service existing customers and could add new customers until September 1, 2022, thus no revenue loss is anticipated until fiscal year 2023. The loss of revenue to the PSF beginning in fiscal year 2023 is based on the estimated future revenues on electricity contracts until the contracts end. This estimate includes existing contracts and new contracts that would be created before September 1, 2022.

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.

The Texas Facilities Commission and the University of Houston System Administration purchase electricity through GLO, and both anticipate increased costs for electricity once GLO is no longer able to provide electricity.

Local Government Impact

Harris County anticipates a fiscal impact of \$327,427 per year.

Source Agencies: 303 Facilities Commission, 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 401 Military Department, 405 Department of Public Safety, 710 Texas A&M University System Administrative and General Offices, 769 University of North Texas System Administration, 783 University of Houston System Administration

LBB Staff: WP, CMa, MW, PBO, AF, NA