

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 11, 2021

TO: Honorable Craig Goldman, Chair, House Committee on Energy Resources

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3576 by Guerra (Relating to the authority of the Railroad Commission of Texas to invest in private entities that explore for, develop, and produce geothermal energy and associated resources.), **As Introduced**

The fiscal implications of the bill cannot be determined because the number and cost of eligible geothermal projects the agency could partner with to provide a positive return on investment is unknown. In addition, the amount and timing of gifts, grants, donations, and return on investments are also unknown.

Excluding capital investment costs, estimated funding for the Railroad Commission to establish a program to implement the provisions of the bill include General Revenue Related costs of \$2,123,712 in the 2022-23 biennium.

The bill would amend the Natural Resources Code to allow the Railroad Commission (RRC) to establish a program to enter partnerships with producers of geothermal energy, under certain criteria, to encourage the production of geothermal energy and earn a return on investment for the state.

The bill would also create the Geothermal Investment Fund consisting of appropriations to the fund, gifts, grants, federal funds, and the interest earned on investment. The fund may only be used for capital investments and the administrative costs of the program.

This analysis assumes General Revenue would be required to establish and initially fund the program through an appropriation to the newly created General Revenue-Dedicated Geothermal Investment Fund.

Based on information provided by the RRC, the agency does not currently invest in private entities and does not have staff with professional investment experience. Therefore, this analysis assumes the agency would require 2.0 Investment Analyst positions (\$186,812), 1.0 Auditor position (\$83,298), 2.0 Attorney positions (\$145,578), 1.0 Compliance Analyst position (\$63,616), and 1.0 Portfolio Manager position (\$124,323) in addition to \$105,000 in Other Operating Expenses and \$205,354 for benefit costs each fiscal year to implement the provisions of the bill. In addition, it is assumed that the RRC would also require a system to track investments, returns, and fair market value. The system would be developed on the Salesforce platform and would require a one-time software development cost of \$268,750 in fiscal year 2022. On-going maintenance and license costs would total \$27,000 each fiscal year. This analysis does not include an estimated cost for RRC to make capital investments to enter into partnerships with producers of geothermal energy and associated resources, because the amount that would be necessary and eligible under the criteria of the bill cannot be determined.

Based on information provided by the RRC, the positive return on investment cannot be determined because the number of geothermal projects that the agency could invest in and the cost of each project is unknown, but recent studies indicate that investment in geothermal projects would be recouped in five to seven years.

Based on information provided by the Comptroller of Public Accounts, the fiscal impact of the bill cannot be determined because the amount and timing of gifts, grants, donations, and return on investments are unknown.

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. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

The bill would take effect on September 1, 2021.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission

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