

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION
Revision 1

May 30, 2021

TO: Honorable Dan Patrick, Lieutenant Governor, Senate
Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4492 by Paddie (relating to financing certain costs associated with electric markets; granting authority to issue bonds; authorizing fees.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4492, Conference Committee Report : a negative impact of (\$460,668) through the biennium ending August 31, 2023.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	(\$232,834)
2023	(\$227,834)
2024	(\$227,834)
2025	(\$227,834)
2026	(\$227,834)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from General Revenue Fund 1</i>	<i>Probable Revenue Gain/(Loss) from Economic Stabilization Fund 599</i>	<i>Probable Revenue Gain/(Loss) from Debt Obligation Account</i>	<i>Change in Number of State Employees from FY 2021</i>
2022	(\$232,834)	(\$808,573,000)	\$800,000,000	2.0
2023	(\$227,834)	(\$9,078,000)	\$0	2.0
2024	(\$227,834)	(\$9,178,000)	\$0	2.0
2025	(\$227,834)	(\$10,522,000)	\$0	2.0
2026	(\$227,834)	(\$9,035,000)	\$0	2.0

Fiscal Analysis

The bill would direct the Comptroller to invest not more than \$800 million of the Economic Stabilization Fund (ESF) in debt obligations issued by the Electric Reliability Council of Texas (ERCOT). The bill would enable ERCOT to issue debt obligations to finance substantial balances owed by wholesale market participants and that would otherwise be uplifted as a result of Winter Storm Uri. The bill would also authorize the Public Utility Commission (PUC), on application of ERCOT, to adopt an order authorizing the issuance of debt obligations.

The bill would exempt from state and local sales and use, franchise, and gross receipts taxes the transfer and receipt of default charges relating to the debt obligations.

Methodology

The fiscal impact of investing \$800 million from the ESF in debt obligations is based on the 2022-23 Biennial Revenue Estimate, as revised May 3, 2021. The table shows the Comptroller's estimate of the fiscal impact of an initial transfer of \$800 million out of the ESF 0599 to a new account for investment in ERCOT issued debt obligations, and the subsequent loss of interest to Fund 0599. The timing, amounts, and strategy of the investment in debt obligations is unknown at this time and therefore the fiscal impact of the new debt obligations account for fiscal years 2023-2026 cannot be estimated. The return on such debt obligations, per provisions of the bill, likely would exceed returns from the ESF's current investment portfolio, but would carry longer terms and greater risk.

The Texas Public Finance Authority (TPFA) anticipates that the fiscal impact to TPFA for financing the Winter Storm Uri default balances and uplift balances would consist of the administrative cost to issue the bonds and collect and manage default charges. TPFA anticipates it would need one Attorney III and one Financial Analyst II to complete these administrative tasks. This is assuming that TPFA's upfront administrative costs during fiscal years 2022-2023 would be funded through a direct appropriation to the TPFA from the general revenue fund. TPFA indicates that such an appropriation is necessary so that the financing platform will be in place when a financing order is received from the PUC. Ongoing administrative and other operating costs could be funded out of receipts from the ongoing ERCOT charges authorized by the bill. The future expenditure of such funds would require an appropriation.

Technology

TPFA anticipates technological costs of \$5,000 in FY 2022.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 212 Office of Court Admin, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 307 Secretary of State, 347 Public Finance Authority, 352 Bond Review Board, 473 Public Utility Commission of Texas, 475 Office of Public Utility Counsel

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