

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

March 28, 2023

TO: Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB785 by Birdwell (Relating to the ownership by a landowner of the geothermal energy and associated resources below the surface of the landowner's land.), **As Introduced**

The fiscal implications of the bill cannot be determined because the timing and amount of the loss of value of any current or future geothermal assets that would have been paid under a geothermal lease related to land owned by the Permanent School Fund is unknown.

The bill would amend Chapter 141 of the Natural Resources Code as it relates to the Ownership of Geothermal Energy and Associated Resources. The bill would establish that a landowner owns the geothermal energy and associated resources below the surface of the landowner's land as real property and that those property rights entitle the landowner and select others to drill for and produce geothermal energy and associated resources below the surface of the landowner's land.

Based on information provided by the Railroad Commission and the Commission on Environmental Quality, it is assumed that costs associated with implementing the provisions of the bill could be absorbed using existing resources.

According to the General Land Office and Veterans' Land Board (GLO), the Permanent School Fund (PSF) owns approximately 6.3 million acres of Relinquishment Act lands. Based on the analysis of GLO, if geothermal is under a tract of this land, where the PSF owns the minerals but not the surface, a loss would be realized under the provisions of the bill for future geothermal value to the PSF in the form of bonus, rental, and royalties that would have been paid under a geothermal lease on its mineral estate. The fiscal implications cannot be determined because the timing and amount of the loss of value of any current or future geothermal assets that would have been paid under a geothermal lease is unknown.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 305 General Land Office and Veterans' Land Board, 455 Railroad Commission, 582 Commission on Environmental Quality

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