

OCTOBER 2021



# FISCAL NOTES

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A REVIEW OF THE TEXAS ECONOMY FROM THE OFFICE OF **GLENN HEGAR**, TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

# Winter Storm Uri 2021



Photo courtesy of Texas Parks and Wildlife Department

# A Message from the Comptroller

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It's hard to believe that more than eight months have come and gone since Winter Storm Uri. The unprecedented snow and ice storm that pushed through Texas last February is still on our minds, especially for those who lost loved ones. We are dedicating the entirety of this month's issue to the storm for good reason — there is a lot to unpack. In this special edition of *Fiscal Notes*, we take an in-depth look at Winter Storm Uri's impacts, the immediate response and the legislative actions that followed.

Texas is the only state in the continental U.S. with its own electric power grid, serving 90 percent of its population. Independence from the national grid has its benefits and works well most of the time, but extreme weather events like Winter Storm Uri (and let's not forget the 2011 winter storm) have exposed a lack of proper planning and uneven weatherization procedures.

Winter Storm Uri knocked out power for nearly 70 percent of Texans and disrupted water utilities, leaving many Texans without heat or running water for extended periods in the frigid cold. It resulted in between \$80 billion and \$130 billion in financial losses to the state economy, and what's more, claimed at least 210 lives.

But this issue examines more than the physical and economic toll of the storm; just as important, it highlights the praiseworthy efforts by community partnerships to provide snow-boots-on-the-ground assistance to fellow Texans when they needed it most. You also can read about how the Texas Parks and Wildlife Department sprang into action to save defenseless wildlife. Many other agencies not covered in this issue assisted in noteworthy ways as well. Our agency eased restrictions on dyed diesel fuel to help ensure that enough fuel was available for disaster relief; we also extended due dates for state taxes and fees.

Last, but certainly not least, this issue boils down some of the Legislature's extensive and complex array of electric power reform bills signed by Gov. Abbott. At the forefront are bills that make big changes to the state's electric market and regulatory entities to reduce the risk of electricity disruptions from extreme weather events in the future. We pay special attention to Senate Bill 3, the largest and most wide-ranging bill passed in response to the storm.

I hope this issue finds you well, and please remember those who are still affected by the storm.

A handwritten signature in black ink that reads "Glenn Hegar". The signature is fluid and cursive, written over a faint, circular watermark of the Office of the Comptroller of Public Accounts seal.

**Glenn Hegar**

Texas Comptroller of Public Accounts

**Note:** This report contains estimates and projections that are based on available information, assumptions and estimates as of the date of the forecasts upon which they are based. Assumptions involve judgments about future economic and market conditions and events that are difficult to predict. Actual results could differ from those predicted, and the difference could be material.

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# The Economic Impact of the Storm

By Jess Donald

Winter Storm Uri, the severe weather event of February 2021, will long be etched into many Texans' minds. What might have been a rare opportunity for residents to experience significant snow accumulation turned catastrophic as power blackouts spanned most of the state from Feb. 15-18. A survey conducted by the University of Houston (UH) Hobby School of Public Affairs in mid-March found that more than two out of three, or 69 percent, of Texans lost power at some point during Feb. 14-20, and almost half, or about 49 percent, had disruptions in water service. The storm contributed to at least 210 deaths, and the Federal Reserve Bank of Dallas estimated the state's storm-related financial losses would range from \$80 billion to \$130 billion.

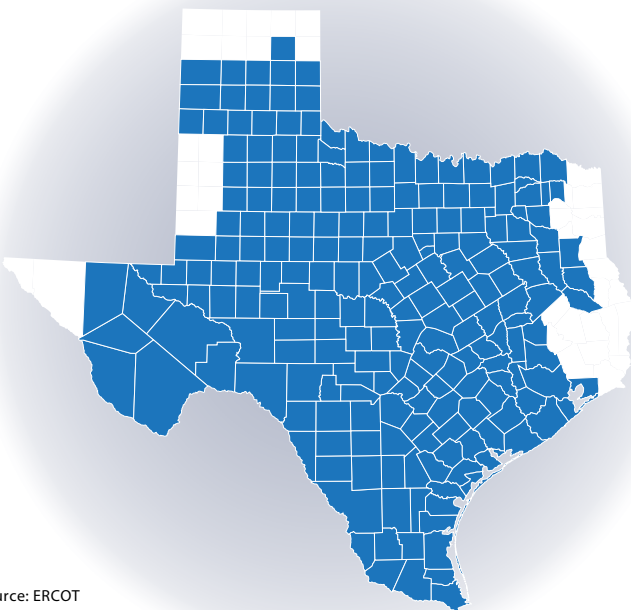
## TEXAS ENERGY AND THE WINTER STORM

Like many other things in Texas, energy is big, and much of it also is independent. That independence extends to Texas' unique place as the only state in the continental United States that is not substantially interconnected with either the Eastern Interconnection or the Western Interconnection (**Exhibit 1**). The Public Utility Commission of Texas (PUC) regulates the Electric Reliability Council of Texas (ERCOT), which manages the electricity grid.

More than 26 million Texas customers, or nearly 90 percent of the state's population, depend on ERCOT for electricity services. ERCOT does not have its own grid infrastructure but instead relies on power generation companies, electricity providers/utilities (i.e., investor-owned and municipally owned providers,

EXHIBIT 1

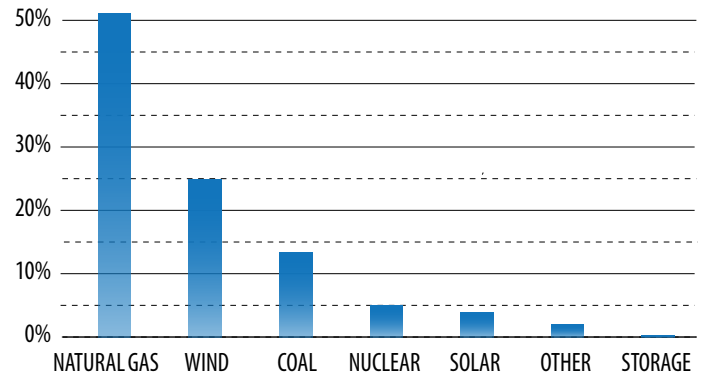
### ERCOT GRID COVERAGE



Source: ERCOT

EXHIBIT 2

### ERCOT GENERATING CAPACITY, FEBRUARY 2021



Source: ERCOT

electric cooperatives and the river authorities), and transmission and distribution utilities that participate in the wholesale energy market.

Texas energy is generated from a variety of sources with the majority supplied by natural gas, wind and coal — 51 percent, 24.8 percent and 13.4 percent, respectively (**Exhibit 2**). More than 1,800 active market participants generate, move, buy, sell or use wholesale electricity, and ERCOT works with them to provide individual consumers with electricity. To ensure that the process runs smoothly, ERCOT produces seasonal planning reports to prepare for changes in weather and demand, as well as for potential emergencies based on historical data and planned outages for maintenance as well as other similar purposes.

Winter Storm Uri *far* exceeded the parameters of ERCOT's seasonal planning. According to the National Weather Service, freezing rain and drizzle coated North and Central Texas as the storm began rolling in on Feb. 11, 2021, causing up to one-half inch of ice accumulation in some locations. Snow later followed on Feb. 14-17, with 5 inches recorded at Dallas-Fort Worth (DFW) International Airport and 4.6 inches recorded at Waco

# The Economic Impact of the Storm

Regional Airport. DFW recorded 139 consecutive hours of at or below freezing temperatures, and the Waco airport recorded 205 consecutive hours.

Gov. Greg Abbott issued a state of emergency declaration on Feb. 12 due to the severity of the storm. On Feb. 13, some electricity generators began experiencing outages, and on Feb. 14, ERCOT issued a public plea for customers to reduce energy usage after power generation could not be increased to meet demand. As the grid continued to struggle to meet demand, controlled blackouts occurred, and on Feb. 15, ERCOT issued a declaration of emergency. According to a University of Texas at Austin (UT-Austin) Energy Report, the grid did not normalize until Feb. 19 and narrowly missed a *catastrophic* failure that potentially could have caused a total blackout throughout the state.

## A PERFECT STORM OF CAUSATION

The UT-Austin report found that Uri, although not the most severe Texas winter storm on record, caused the most loss of electricity. The report also stated that rolling blackouts were intended to take stress off the power grid but turned into outages that — in some parts of the state — lasted several days. According to the report, multiple factors caused those extended blackouts, including that ERCOT underestimated peak demand by nearly 14 percent and weather forecasts misjudged the severity and timing of the storm.

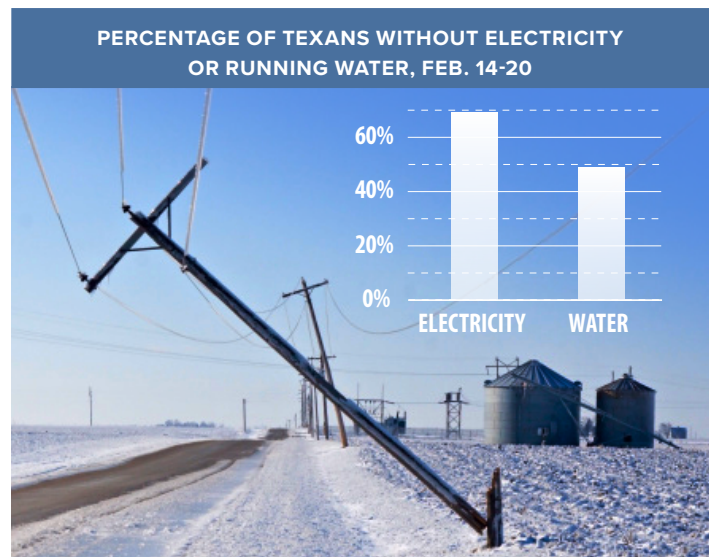
While planned generator outages fell within the appropriate range listed in ERCOT’s seasonal plan, the report found that outages were still high in number. Additionally, energy power generators failed on all fronts, including those powered by natural gas, wind and coal.

## TEXAS LIVES AFFECTED

As mentioned, 210 people perished because of Winter Storm Uri. According to the Texas Department of State Health Services (DSHS), most fatalities can be attributed to hypothermia, vehicle crashes, carbon monoxide poisoning and chronic medical conditions complicated by the storm. (DSHS continues to monitor and update this figure as new information becomes available.)

Many residents found conditions within their homes unbearable, with indoor temperatures at or below freezing. Texas residents who were dependent on electrically powered medical equipment were especially vulnerable. According to the UH survey, of the 69 percent of Texans who lost power during the storm, their average disruption was 42 hours — 31 of those consecutive. And of the 49 percent of Texans who lost running water, their average disruption was 52 hours (**Exhibit 3**).

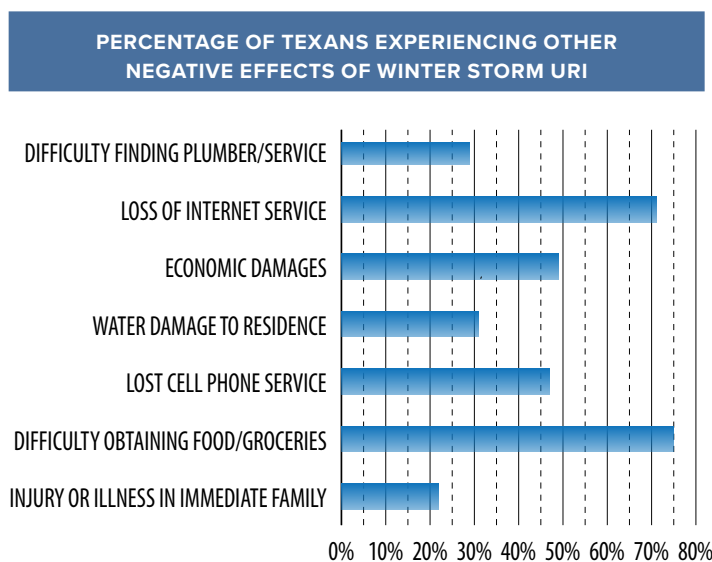
EXHIBIT 3



Source: University of Houston, Hobby School of Public Affairs, “The Winter Storm of 2021” survey

In addition to electricity and other utility disruptions, Texas residents experienced a host of negative effects from the winter storm (**Exhibit 4**). The UH survey found that three-quarters of respondents had difficulty procuring food and groceries. Meanwhile, 31 percent had water damage to their residences, and of those, only 18 percent believed insurance would likely cover the damage.

EXHIBIT 4



Source: University of Houston, Hobby School of Public Affairs, “The Winter Storm of 2021” survey

A recent study by the Texas Real Estate Center at Texas A&M University reported that, in 2019, 11 percent of homeowners in metropolitan areas had no homeowners insurance, compared with 26.6 percent of uninsured homeowners outside those areas. The center also found that low-income Texans were more likely to be uninsured, leaving them to pay for the entirety of their home repairs.

### SUPPLY CHAIN DISRUPTIONS

Supply chains, which already were in turmoil because of the COVID-19 pandemic, suffered more disruption due to Winter Storm Uri. This setback included Texas chemical plants, which make up nearly 75 percent of U.S. chemical production and contribute to the manufacture of ingredients necessary for disinfectants, plastic bottles, fertilizer, pesticides and packaging. The freezing temperatures and blackouts damaged equipment in those plants, further slowing supply lines.

Chemical, plastic and rubber exports — accounting for almost 17 percent of Texas exports during the three months prior to the winter storm — saw their inflation-adjusted value decrease by more than 20 percent in February 2021. Additionally, supply chains stumbled because goods could not be transported by truck or rail in such dire weather conditions.

### AGRICULTURAL LOSSES

According to an estimate from the Texas A&M AgriLife Extension Service (AgriLife Extension) in March, Texas agriculture experienced losses of more than \$608 million from Winter Storm Uri. AgriLife Extension found that ranchers not only lost cattle, sheep, goats and poultry to the extreme cold, but much of their grazing grain was lost as well. The latter left ranchers with few options except to buy additional feed.

Some dairy operators were forced to dump milk due to transportation difficulties during the storm. And because the winter storm hit during birthing season, it led to the loss of many newborn calves and lambs. Overall, AgriLife Extension tallied economic losses to ranchers at nearly \$228 million.

The same group estimated losses for citrus farmers of at least \$230 million. Some Rio Grande Valley producers lost more than 60 percent of their crops. Citrus crops that did not survive the storm may take years to replace and begin producing fruit, causing an even greater economic impact. Vegetable crops also suffered, with devastating losses totaling nearly \$150 million. The most significant impact to vegetable farmers was to onions, leafy greens and watermelons. Agricultural production disruption and the related increased cost of livestock feed contributed to some higher costs at grocery stores as well; with yields down, prices went up.

## Due to the complexity of the Texas grid system and variety of consumer options, the exact impact on Texas energy customers is still difficult to discern.

### URI'S ECONOMIC TOLL

Although Winter Storm Uri's devastation continues to be tallied, early estimates of the storm's economic toll, as mentioned, range from \$80 billion to \$130 billion — the result of power loss, physical infrastructure damage and forgone economic opportunities. Due to the complexity of the Texas grid system and variety of consumer options, the exact impact on Texas energy customers is still difficult to discern. What we do know is that all major sources of energy in the state experienced failures, along with the power grid managed by ERCOT.

UT-Austin professor of energy resources, Dr. Joshua Rhodes, who also works with the educational Webber Energy Group, says blackouts were the “last line of defense.” Had the grid continued to decline causing a catastrophic failure, “Texas manufacturing would likely have come to a halt,” he says, “and its ripple effects would've affected the state's GDP in a major way.”

Thankfully, that scenario did not occur, but in February 2021, Winter Storm Uri *did* help to illustrate the interconnectedness of the Texas economy and provide an opportunity to better mitigate the effects of future storms. **FN**

*Learn about actions our state agency took in response to the winter storm by visiting “Winter Storms, February 2021” at [Comptroller.Texas.Gov/disaster-relief/](https://Comptroller.Texas.Gov/disaster-relief/).*



# Texans Respond During and After the Storm

By Leticia Torres

Texans have a history of showing up for their neighbors — and the winter storm of February 2021 was no exception. For the millions who endured power outages and no running water amid freezing temperatures, the need for essentials became a dire issue. Many turned to family and friends for help. Others sought assistance and relief from local community organizations and businesses. Those included the American Red Cross, food banks and even a South Texas-based grocery store chain that worked together, and in some cases, partnered to provide services.

## COMMUNITY PARTNERSHIPS

“The greatest needs for residents in North Texas during and after the February winter storm were warming stations, information, food, water and health and mental health support,” says Krystal Smith, regional communications director with the American Red Cross of the North Texas Region (North Texas ARC). The region serves about 9 million people in 121 counties through the work of six local chapters.



**KRYSTAL SMITH**

AMERICAN RED CROSS OF  
THE NORTH TEXAS REGION

Smith says each service was provided through community efforts that involved more than 300 trained Red Cross staff working alongside community and government partners. Prior to the storm, she says the Red Cross already was working closely with local jurisdictions across the state to offer support as they opened warming centers for those seeking refuge from severe weather conditions.

“This included proactively providing more than 500 cots and 1,000 blankets in the North Texas area alone before the storm hit,” Smith says.

As the storm progressed across the state, these partnerships continued providing more than 140,000 meals and snacks and distributing more than 12,000 supplies, such as comfort kits containing hygiene

**Because of inclement weather, North Texas ARC cancelled 46 blood drives. Across the state, those cancellations resulted in a big loss of donated blood.**

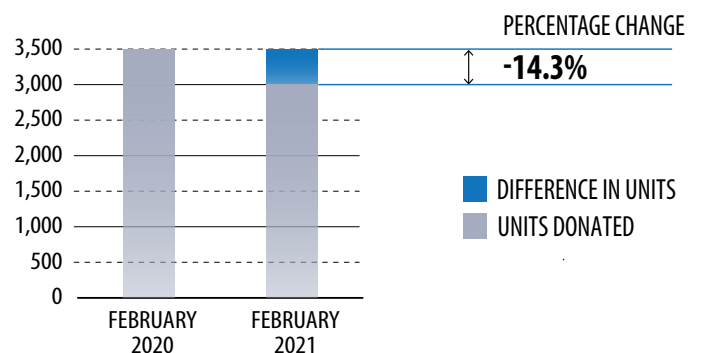
essentials. In addition, the partnerships provided more than 1,600 professionals to assist with physical, emotional and spiritual care needs.

Compounding efforts to provide basic food and shelter, says Smith, was the demand for blood donations (**Exhibit 1**) — all of which created a sense of greater urgency as the ice storm continued unabated. Because of inclement weather, North Texas ARC cancelled 46 blood drives. Across the state, those cancellations resulted in a big loss of donated blood.

Another issue North Texas ARC faced was an increase in calls requesting assistance for home fires. “The number of home and apartment fires significantly increased as people attempted to warm their homes,” she says. “In February 2021, the North Texas Red Cross responded to 285 fires and assisted over 1,400 people — more than double the previous year.”

EXHIBIT 1

## BLOOD DRIVE DONATIONS IN TEXAS, FEBRUARY 2020, 2021\*

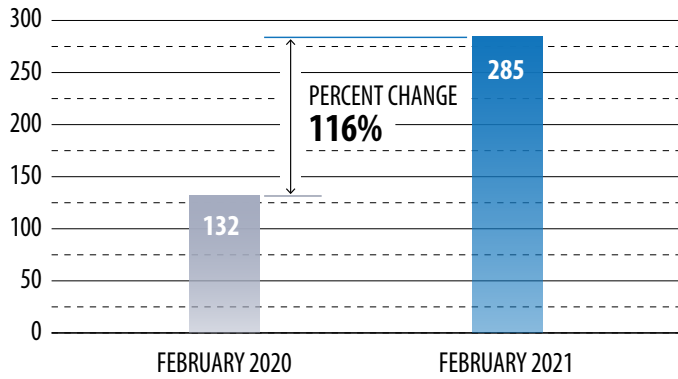


\*Figures are approximate.

Source: American Red Cross of North Texas

EXHIBIT 2

RESPONSES TO HOUSE FIRES BY NORTH TEXAS ARC



Source: American Red Cross of North Texas

**Exhibit 2** shows the year-over-year increase in response to home fires by North Texas ARC. On Feb. 19, the National Fire Protection Association reported that the winter storm and resulting power outages were contributing to home fires and carbon monoxide poisoning as residents used unsafe methods to warm homes, keep lights on and prevent pipes from bursting.

**THE SEARCH FOR FOOD**

Farther east, the circumstances were just as dire. Unsafe road conditions and flooding in the offices of the East Texas Food Bank in Tyler posed a big problem.

“Since we cover 26 East Texas counties, we had to completely shut down our operations for a week because staff could not safely travel to work and the

road conditions were hazardous for our drivers,” says food bank CEO Dennis Cullinane.

But even with the organization’s warehouse shut down, he says that its leadership was able to immediately assist the community by distributing emergency supplies.

“Though we do not have a specific count on how many people needed help, our food distribution hit record levels immediately after the storm and persisted until our partner agencies were able to be restocked,” Cullinane says.

**DENNIS CULLINANE**  
EAST TEXAS FOOD BANK



Meanwhile, at the San Antonio Food Bank in South Texas, a similar scenario was underway.

“We generally are responding to a natural disaster in a different region, but this one was right on top of us,” says Eric Cooper, president and CEO of the San Antonio Food Bank. “It kept us off the roads and without distribution nodes for emergency food and meals.”

It all worked out with a little help, Cooper says. “We had to lean on the local police department to transport food and meals to those [who were] stranded.”

Cooper added that many in need were not the food bank’s usual clientele. “We also were providing meals for more well-off households who had no power and nowhere to go but hotels. And the hotels had no ability to get the food or water, so we handled that as well.”

Still hundreds of others lined up at the San Antonio Food Bank’s headquarters seeking the essentials that they couldn’t find at area grocery stores.



**ERIC COOPER**  
SAN ANTONIO FOOD BANK



Photo courtesy of San Antonio Food Bank

# Texans Respond During and After the Storm

On Feb. 19, several days into the storm, Craig Boyan, H-E-B president, posted a video on the grocer's Facebook page to address some of the issues the company was facing.

"Like many across the state, our stores, our manufacturing plants, our warehouses, our partners and drivers have been seriously affected by this storm," he says. "But know we are doing all we can to select and load trucks, to ship products safely to stores and take good care of you."

Among business responses, the privately held supermarket chain, based out of San Antonio, made national headlines for its response. Some even referred to the company as the model of emergency preparedness, and Texans couldn't have been more appreciative as they took to social media to let everyone know.

*H-E-B's Facebook comments*



## THE COVID EFFECT

Then there was COVID. On the upside, Cullinane says the East Texas Food Bank's pivot to working remotely during the pandemic helped.

"Though our facility was inaccessible and closed, many staff members had been given laptops and were able to work from home without losing much effectiveness," he says. "I was able to continue our strategic planning and communicate with our local emergency response officials to redirect some truckloads of food from the food bank to warming sites."

For the San Antonio Food Bank, the downside was the disruption of its distribution chain.

"We had more than 500 food pantry partners helping in the distribution of food across 16 counties," says Cooper. "COVID closed more than 90 percent of those pantries. The food bank was left without a normal distribution channel for 40 percent of its food."

He adds that for many months there had been no food to pick up at grocery stores or restaurants, which had been normal sources before the pandemic.

"Additionally, food manufacturers were struggling to fulfill orders and did not have overages, again leaving less for food banks across the U.S.," Cooper says. "Only recently has this gotten better."



*Hundreds of people impacted by the storm lined up for San Antonio Food Bank distributions.*





Photos courtesy of Texas Parks and Wildlife Department



### IMPACT ON WILDLIFE

Humans weren't the only ones hit hard by this historic storm. The Texas Parks and Wildlife Department (TPWD), in an online Texas Master Naturalist seminar in April, reported that hundreds of thousands of animals perished as the result of the severity of the storm. They included birds, bats, exotic deer, sea turtles and fish.

Dakus Geeslin, with the TPWD Coastal Fisheries Science and Policy Branch, says the fish kill alone was the largest freeze-related event since the 1980s.

"The geographic extent was the entire coast," he says. "We saw freezing temperatures all the way from Port Arthur near the Louisiana border ... to Brownsville near the Rio Grande."

TPWD estimates approximately 3.8 million fish succumbed to the freeze event. In that same online seminar, Tony Reisinger, Cameron County Marine Extension Agent, said about 13,000 cold-stunned sea turtles were reported in Texas. According to fishery experts at the National Oceanic and Atmospheric Administration (NOAA), *cold-stunning* is a condition in which sea turtles become very weak and inactive from exposure to cold temperatures, usually when water temperatures drop below 50 degrees Fahrenheit.

"We had many working on retrieving these turtles that were cold-stunned — Texas Parks and Wildlife, fisheries biologists, law enforcement agents and many volunteers," Reisinger says. "We even had children helping transport sea turtles."

**Cold-stunning is a condition in which sea turtles become very weak and inactive from exposure to cold temperatures, usually when water temperatures drop below 50 degrees Fahrenheit.**



Photo courtesy of Texas Parks and Wildlife Department

# Texans Respond During and After the Storm



Photo courtesy of the East Texas American Red Cross

## PREPARING FOR ANOTHER STORM

Months after the winter storm, many Texans continue to deal with the damage it left behind. And many caught in Winter Storm Uri's harsh conditions have been thinking about what they can do to prepare for another storm. Smith of North Texas ARC is thinking about that, too. "The Red Cross plans to continue working closely with government and community partners to find the best ways to efficiently provide services to those who need it most."

Although unforeseen circumstances can disrupt even the best-made emergency plans, community organizations are rededicating themselves to prepare for the next big event. The San Antonio Food Bank is looking at scenario planning with local emergency management offices. The East Texas Food Bank will be installing an emergency generator for backup power. And the Red Cross is focused on educating the public on how to prepare for weather emergencies.

"Most importantly, we want to encourage everyone to build an emergency kit, make an emergency plan and stay informed," Smith says. "Ideally, each person's emergency kit should be equipped with supplies for three days, if evacuating, and two weeks, if staying at home."

**Although unforeseen circumstances can disrupt even the best-made emergency plans, community organizations are rededicating themselves to prepare for the next big event.**



Detailed emergency preparedness information is available on the American Red Cross' website and is organized by the types of emergencies and natural disasters that potentially could affect each region. **FN**

*Each year, the state of Texas offers a sales tax holiday for emergency preparation supplies that includes fuel containers, flashlights and certain portable generators. A complete list of items that may be purchased tax-free is available at [Comptroller.Texas.Gov/taxes/publications/98-1017.php](https://www.comptroller.texas.gov/taxes/publications/98-1017.php). The next sales tax holiday for emergency supplies is April 23-25, 2022.*

# The 87th Legislature Takes on Electricity Reform

By Spencer Grubbs

Reforming Texas' electric power sector was not on the agenda when the 87th Legislature convened in January 2021.

That changed in late February after Winter Storm Uri exposed critical weaknesses in the state's power grid and its regulatory framework. Fortunately, ample time remained for Texas lawmakers to switch gears and pass bills in response to the storm's devastating impact on the state.

This article highlights changes to the state's electric power industry in key bills passed by the 87th Legislature and signed by Gov. Greg Abbott.

## CHANGES TO REGULATORY ENTITIES

Senate Bill (SB) 2 overhauls the governance structure of the Electric Reliability Council of Texas (ERCOT), the independent system operator that manages the flow of electricity for most of the state's power needs. Prior to this measure, ERCOT was governed by a board of directors with 16 members — eight members representing different electric industry segments; three "ex officio" members (who served on the board as a result of other official positions they held); and five members unaffiliated with any electric industry segments.

SB 2 reduces the number of ERCOT board members to 11 and requires that eight of those members be selected by a newly established three-member board selection committee appointed by the Texas governor, lieutenant governor and House speaker. The bill requires the eight board members selected by the committee to have executive-level experience in certain fields.

With this bill, all ERCOT board members must be residents of Texas. At the time of the winter storm, five of the 16 ERCOT board members did not reside in Texas.

Another important provision of the bill strengthens oversight of ERCOT by requiring that any rules adopted by or enforcement actions taken by ERCOT be *approved* by the Public Utility Commission of Texas (PUC). At the time of the storm, ERCOT rules and enforcement actions were subject only to oversight and review by the PUC.

Likewise, SB 2154 makes changes to the governance structure of the PUC. For example, the bill increases the number of PUC commissioners from three to five and requires commissioners to reside in Texas. **Exhibit 1** shows bills related to ERCOT and the PUC during the 87th Legislature's regular session.

**The bill requires the eight board members selected by the committee to have executive-level experience in certain fields.**

## EXHIBIT 1

### LEGISLATION RELATED TO ERCOT AND THE PUC

BILL	DESCRIPTION	EFFECTIVE DATE
SB 2	Relating to the governance of the Public Utility Commission of Texas, the Office of Public Utility Counsel and an independent organization certified to manage a power region	6/8/2021
SB 3	Relating to preparing for, preventing and responding to weather emergencies and power outages; increasing the amount of administrative and civil penalties	6/8/2021
SB 2154	Relating to the membership of the Public Utility Commission of Texas	6/18/2021
HB 2586	Relating to an annual audit of the independent organization certified for the ERCOT power region	9/1/2021

Note: This does not represent an exhaustive list.  
Source: Texas Legislature Online

## THE OMNIBUS BILL

SB 3, the 87th Legislature's omnibus storm response legislation, consolidates several bills that did not pass on their own, such as House Bill (HB) 12, and enacts a range of reforms to Texas' electric power industry. This article covers a select few of the bill's most salient provisions.

## POWER OUTAGE ALERT SYSTEM

Under SB 3, the Texas Department of Public Safety (DPS), in coordination with the PUC and certain other state agencies, is required to develop and implement a new statewide alert system activated when the PUC or ERCOT determine the power supply in Texas is potentially inadequate to meet demand. The bill requires DPS to send an alert to designated media outlets, such as radio and TV stations, informing electricity customers that they may experience a power outage.

# The 87th Legislature Takes on Electricity Reform

## TEXAS ENERGY RELIABILITY COUNCIL

SB 3 further establishes in law a 25-member council to supplement regulation of the state's electric power markets, called the Texas Energy Reliability Council (TERC). At the time of the winter storm, TERC was a small, informal group. The bill requires TERC "to (1) ensure that the energy and electric industries in [Texas] meet high priority human needs and address critical infrastructure concerns and (2) enhance coordination and communication in the energy and electric industries in this state."

Before each legislative session, TERC will submit a report to the Legislature about the status of Texas' electricity supply chain.

## TEXAS ELECTRICITY SUPPLY CHAIN SECURITY AND MAPPING COMMITTEE

A new five-member committee under SB 3 will identify critical infrastructure sources in Texas and map the state's electricity supply chain, which includes all natural gas facilities and practices required for electric generation facilities to maintain service for Texans. The supply chain map — slated to be updated by the committee at least once a year — will serve as a tool for state leaders to prioritize electricity service needs statewide during extreme weather events like Winter Storm Uri. The committee also is responsible for enhancing lines of communication among the PUC, ERCOT and critical infrastructure sources during those events.

## WEATHER EMERGENCY PREPAREDNESS

SB 3 also requires certain energy facilities in Texas to weatherize (i.e., make the preparations necessary to maintain electric service during extreme weather conditions, including severe winter storms). Facilities directed to weatherize include electric generation facilities, transmission providers, certain natural gas facilities and pipelines and water utilities.

The bill requires ERCOT to inspect those facilities for compliance and report continuing violations to the PUC. To enforce the new weatherization requirements, certain regulators are authorized to levy fines ranging from \$5,000 per violation per day to \$1 million per violation per day.

SB 3 gives certain state agencies rulemaking authority, notably the PUC, meaning the bill's implementation will depend on the adopted rules. The PUC, for example, must develop new rules that specify weatherization requirements for energy facilities, as well as rules that establish a classification system for violations.

## CRITICAL INFRASTRUCTURE

**CRITICAL INFRASTRUCTURE** is any physical or cyber asset, system or network unequivocally necessary for society and the economy to function *and* whose major disruption could have disastrous effects on national security, public health and economic growth. Electric power generators, such as utility providers, comprise only one sector of critical infrastructure in the U.S. There are 15 other sectors:

- Chemical
- Communications
- Dams
- Emergency services
- Financial services
- Government facilities
- Information technology
- Transportation systems
- Commercial facilities
- Critical manufacturing
- Defense industrial base
- Food and agriculture
- Health care and public health
- Nuclear reactors, materials and waste
- Water and wastewater systems

Source: Cybersecurity & Infrastructure Security Agency



Photo courtesy of TXDOT

## CHANGES TO ELECTRIC MARKET STRUCTURE

The 87th Legislature modified the structure of the state’s electric market, including electricity pricing (**Exhibit 2**). One of the Legislature’s priority bills — HB 16 — prohibits retail electric providers in Texas from selling “wholesale indexed” service plans to residential customers. Electricity pricing under those plans is directly tied to the wholesale electricity spot price on the power grid, which can fluctuate wildly during extreme weather events and leave customers subject to sudden price spikes. That scenario occurred and was reported widely during Winter Storm Uri when the wholesale electricity price maxed out at \$9,000 per megawatt hour and saddled some customers with thousands of dollars in electricity bills.

EXHIBIT 2

LEGISLATION RELATED TO ELECTRIC MARKET*		
BILL	DESCRIPTION	EFFECTIVE DATE
SB 1281	Relating to a reliability assessment of the ERCOT power grid and certificates of public convenience and necessity for certain transmission projects	9/1/2021
HB 16	Relating to the regulation of certain retail electric products	9/1/2021

Note: This does not represent an exhaustive list.  
 Source: Texas Legislature Online  
 \*SB 3 (Exhibit 1) includes legislation related to the electric market as well.

## ADDRESSING THE COSTS

The 87th Legislature also grappled with the financial fallout from Winter Storm Uri that resulted from several electric market participants defaulting on payments to ERCOT, as well as disruptions in the natural gas market that inflated prices for gas utilities and gas-fired electric generators. **Exhibit 3** shows legislation related to storm costs that was passed by the 87th Legislature.

Among the bills, SB 1580 enables the state’s electric cooperatives (not-for-profit organizations owned by their customers) to use a financing tool called *securitization* to recoup “extraordinary costs and expenses” resulting from the winter storm. Securitization is the practice of issuing low-interest bonds funded by small fees charged to customers over an extended period and is employed as an alternative to passing on the costs to customers all at once.

HB 1520, likewise, enables gas utilities to use securitization to recoup extraordinary costs incurred due to the winter storm. And HB 4492, another related storm bill, requires the Comptroller’s office to invest up to \$800 million of the Economic Stabilization

EXHIBIT 3

LEGISLATION RELATED TO STORM COSTS		
BILL	DESCRIPTION	EFFECTIVE DATE
SB 1580	Relating to the use of securitization by electric cooperatives to address certain weather-related extraordinary costs and expenses and to the duty of electric utility market participants to pay certain amounts owed	6/18/2021
HB 1510	Relating to the response and resilience of certain electricity service providers to major weather-related events or other natural disasters; granting authority to issue bonds	6/1/2021
HB 1520	Relating to certain extraordinary costs incurred by certain gas utilities relating to Winter Storm Uri and a study of measures to mitigate similar future costs; providing authority to issue bonds and impose fees and assessments	6/16/2021
HB 4492	Relating to financing certain costs associated with electric markets; granting authority to issue bonds; authorizing fees	6/16/2021

Note: This does not represent an exhaustive list.  
 Source: Texas Legislature Online

Fund in bonds issued by the ERCOT. LBB fiscal note analysis states, “The bill enables ERCOT to issue debt obligations to finance substantial balances owed by wholesale market participants.”

## CONCLUSION

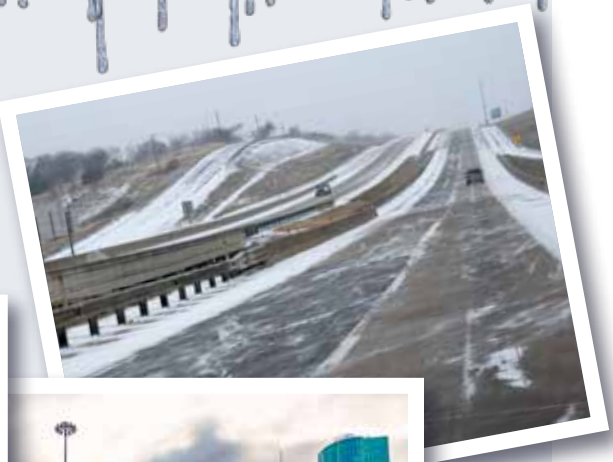
Texas lawmakers were swift to respond to the aftermath of Winter Storm Uri. By the regular legislative session’s end in May 2021, they had passed laws that overhauled the structure of electric power regulatory entities, made changes to the electric market itself to reduce the risk of future disruptions and tempered the financial fallout. It’s too early to draw conclusions about the effects of those changes. **FN**

*Related to utility management, did you know the Comptroller’s State Energy Conservation Office (SECO) reports the electricity, natural gas, water and transportation fuel consumption of state agencies and state universities? Read about it at [Comptroller.Texas.Gov/programs/seco/reporting/umr/](https://www.comptroller.texas.gov/programs/seco/reporting/umr/).*



# Winter Storm Uri

If you were living in Dallas, Houston, San Antonio or another place in Texas during Winter Storm Uri, you likely experienced an unforgettable weather event, as these photos attest. Yet despite the state's deep freeze, many essential workers cleared roads, led animal rescue efforts and much more.



Sea turtle rescue image (top left), courtesy of Texas Parks and Wildlife Department; "Brine" and snow plow images (bottom left), courtesy of TXDOT

## NET STATE REVENUE — All Funds Excluding Trust

(AMOUNTS IN THOUSANDS)

### Monthly and Year-to-Date Collections: Percent Change From Previous Year

This table presents data on net state revenue collections by source. It includes most recent monthly collections, year-to-date (YTD) totals for the current fiscal year and a comparison of current YTD totals with those in the equivalent period of the previous fiscal year.

These numbers were current at press time. For the most current data as well as downloadable files, visit [comptroller.texas.gov/transparency](http://comptroller.texas.gov/transparency).

Note: Texas' fiscal year begins on Sept. 1 and ends on Aug. 31.

Tax Collections by Major Tax	SEPTEMBER 2021	YEAR TO DATE: TOTAL	YEAR TO DATE: CHANGE FROM PREVIOUS YEAR
<b>SALES TAX</b>	\$3,145,213	\$3,145,213	22.25%
PERCENT CHANGE FROM SEPTEMBER 2020	22.25%		
<b>MOTOR VEHICLE SALES AND RENTAL TAXES</b>	547,399	547,399	20.50%
PERCENT CHANGE FROM SEPTEMBER 2020	20.50%		
<b>MOTOR FUEL TAXES</b>	321,253	321,253	9.22%
PERCENT CHANGE FROM SEPTEMBER 2020	9.22%		
<b>FRANCHISE TAX</b>	33,321	33,321	-31.24%
PERCENT CHANGE FROM SEPTEMBER 2020	-31.24%		
<b>OIL PRODUCTION TAX</b>	391,792	391,792	72.22%
PERCENT CHANGE FROM SEPTEMBER 2020	72.22%		
<b>INSURANCE TAXES</b>	31,066	31,066	19.17%
PERCENT CHANGE FROM SEPTEMBER 2020	19.17%		
<b>CIGARETTE AND TOBACCO TAXES</b>	61,152	61,152	-53.16%
PERCENT CHANGE FROM SEPTEMBER 2020	-53.16%		
<b>NATURAL GAS PRODUCTION TAX</b>	251,838	251,838	254.96%
PERCENT CHANGE FROM SEPTEMBER 2020	254.96%		
<b>ALCOHOLIC BEVERAGES TAXES</b>	121,979	121,979	56.49%
PERCENT CHANGE FROM SEPTEMBER 2020	56.49%		
<b>HOTEL OCCUPANCY TAX</b>	51,453	51,453	50.43%
PERCENT CHANGE FROM SEPTEMBER 2020	50.43%		
<b>UTILITY TAXES<sup>1</sup></b>	2,622	2,622	-24.45%
PERCENT CHANGE FROM SEPTEMBER 2020	-24.45%		
<b>OTHER TAXES<sup>2</sup></b>	-93,403	-93,403	-1,872.86%
PERCENT CHANGE FROM SEPTEMBER 2020	-1,872.86%		
<b>TOTAL TAX COLLECTIONS</b>	<b>\$4,865,688</b>	<b>\$4,865,688</b>	<b>23.32%</b>
PERCENT CHANGE FROM SEPTEMBER 2020	<b>23.32%</b>		
Revenue By Source	SEPTEMBER 2021	YEAR TO DATE: TOTAL	YEAR TO DATE: CHANGE FROM PREVIOUS YEAR
<b>TOTAL TAX COLLECTIONS</b>	\$4,865,688	\$4,865,688	23.32%
PERCENT CHANGE FROM SEPTEMBER 2020	23.32%		
<b>FEDERAL INCOME</b>	4,565,413	4,565,413	-23.64%
PERCENT CHANGE FROM SEPTEMBER 2020	-23.64%		
<b>LICENSES, FEES, FINES AND PENALTIES</b>	695,670	695,670	2.77%
PERCENT CHANGE FROM SEPTEMBER 2020	2.77%		
<b>STATE HEALTH SERVICE FEES AND REBATES<sup>3</sup></b>	21,688	21,688	183.89%
PERCENT CHANGE FROM SEPTEMBER 2020	183.89%		
<b>NET LOTTERY PROCEEDS<sup>4</sup></b>	284,432	284,432	10.54%
PERCENT CHANGE FROM SEPTEMBER 2020	10.54%		
<b>LAND INCOME</b>	276,801	276,801	96.26%
PERCENT CHANGE FROM SEPTEMBER 2020	96.26%		
<b>INTEREST AND INVESTMENT INCOME</b>	31,572	31,572	-89.04%
PERCENT CHANGE FROM SEPTEMBER 2020	-89.04%		
<b>SETTLEMENTS OF CLAIMS</b>	4,541	4,541	-79.95%
PERCENT CHANGE FROM SEPTEMBER 2020	-79.95%		
<b>ESCHEATED ESTATES</b>	27,751	27,751	49.47%
PERCENT CHANGE FROM SEPTEMBER 2020	49.47%		
<b>SALES OF GOODS AND SERVICES</b>	19,476	19,476	-46.65%
PERCENT CHANGE FROM SEPTEMBER 2020	-46.65%		
<b>OTHER REVENUE</b>	103,732	103,732	-14.43%
PERCENT CHANGE FROM SEPTEMBER 2020	-14.43%		
<b>TOTAL NET REVENUE</b>	<b>\$10,897,033</b>	<b>\$10,897,033</b>	<b>-5.20%</b>
PERCENT CHANGE FROM SEPTEMBER 2020	<b>-5.20%</b>		

<sup>1</sup> Includes public utility gross receipts assessment, gas, electric and water utility tax and gas utility pipeline tax.

<sup>2</sup> Includes taxes not separately listed, such as taxes on oil well services, coin-operated amusement machines, cement and combative sports admissions as well as refunds to employers of certain welfare recipients.

<sup>3</sup> Includes various health-related service fees and rebates that were previously in "license, fees, fines and penalties" or in other non-tax revenue categories.

<sup>4</sup> Gross sales less retailer commission and the smaller prizes paid by retailers.

Notes: Totals may not add due to rounding.

Excludes local funds and deposits by certain semi-independent agencies.

Includes certain state revenues that are deposited in the State Treasury but not appropriated.



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