

SYSTEM BENEFIT FUND

AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

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OBJECTIVE

The System Benefit Fund (SBF) was established to provide funding for the Public Utility Commission's (PUC) Low-Income Discount Program, customer education, weatherization and energy efficiency programs, and costs incurred by the PUC in the course of restructuring the electricity utility industry.

KEY FACTS

- ◆ The Low-Income Discount Program receives the majority of SBF appropriations.
- ◆ The PUC has set the nonbypassable fee at the statutory maximum rate of 65 cents per megawatt hour since 2002.

BUDGETARY IMPACT

- ◆ For the 2012–13 biennium, SBF appropriations were (in millions):
 - Fiscal Year 2012: \$81.2
 - Fiscal Year 2013: \$86.1
- ◆ End-of-year balances were (in millions):
 - Fiscal Year 2010: \$607.8
 - Fiscal Year 2011: \$638.1
 - Fiscal Year 2012: \$766.6
 - Fiscal Year 2013: \$804.6 (projected estimate as of October 25, 2012)
- ◆ The SBF balance is included in certification of the state budget.

STATUTORY REFERENCES

Texas Utilities Code, Section 39.903

The System Benefit Fund (SBF) is a dedicated account in the General Revenue Fund that is financed by a nonbypassable fee set by the Public Utility Commission (PUC) in an amount not to exceed 65 cents per megawatt hour of usage. The fee is only charged to retail electric customers of a municipally owned utility or electric cooperative in deregulated areas of the state.

STATUTORY BACKGROUND

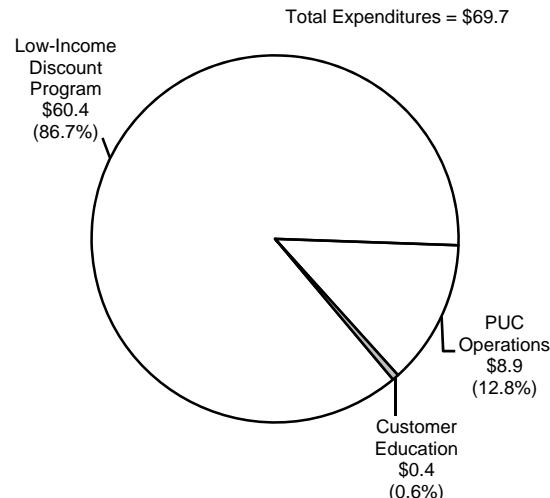
The SBF was established in the Utilities Code in 1999. It was originally created as a trust fund outside the treasury with the Comptroller of Public Accounts (CPA) and was administered by PUC. The SBF was not exempted from funds consolidation legislation enacted in 1999, resulting in SBF fee revenue being deposited into the General Revenue Fund instead of outside the treasury.

The Utilities Code was amended in 2001, which reestablished the SBF as a trust fund within the state treasury. At this time, the SBF was designated as an Other Fund for appropriation purposes. Two years later, legislation established the SBF within the Utilities Code as a General Revenue-Dedicated Account (GR-Dedicated Account 5100). This designation allows the account balance following the appropriation process to be included by the CPA in the certification of the state budget. The SBF has remained a General Revenue-Dedicated Fund account since 2003.

USES OF SBF

Outlined in Texas Utilities Code, Section 39.903, the SBF may be appropriated for: (1) the Low-Income Discount Program; (2) customer education programs designed to help customers make informed decisions about electric service and retail providers; (3) weatherization and energy efficiency programs administered by the Texas Department of Housing and Community Affairs; and (4) costs incurred by the PUC in the course of restructuring the electricity utility industry, including oversight of both the retail and wholesale electric markets in Texas. Fig. 1 summarizes SBF expenditures in fiscal year 2012 by category of allowable use.

**FIG. 1
SYSTEM BENEFIT FUND EXPENDITURES (IN MILLIONS)
FISCAL YEAR 2012**



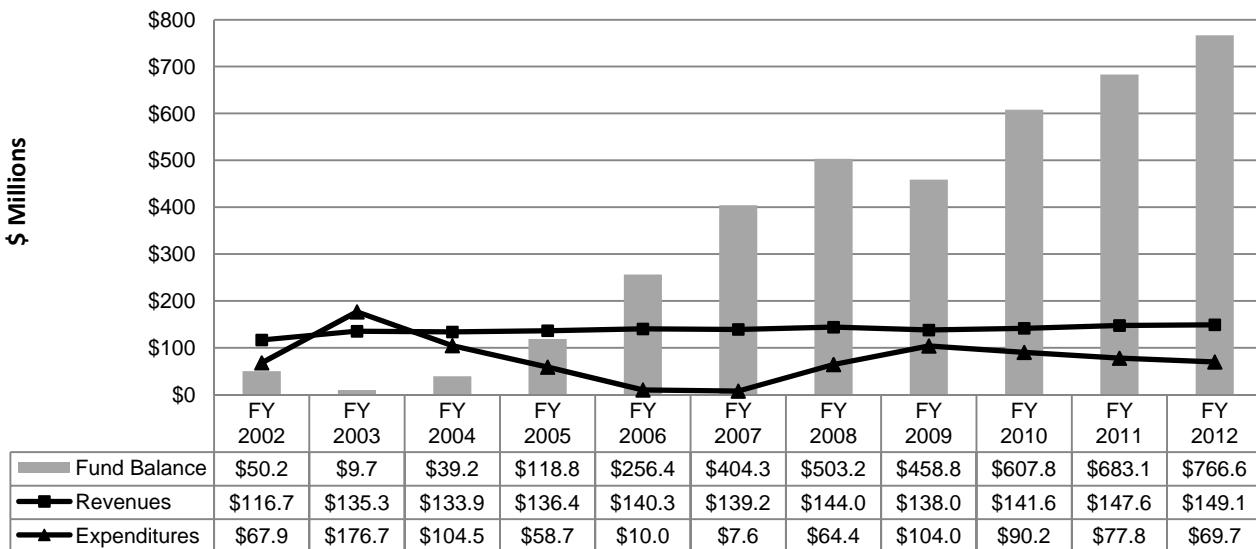
SOURCE: Public Utility Commission.

The LID program receives a majority of SBF appropriations. This program provides a discount to low-income customers on their electricity bills from May to September. Households that receive Medicaid or Supplemental Nutrition Assistance Program benefits are automatically enrolled in the program and make up 87 percent of program participants. Customers with household income at or below 125 percent of the federal poverty limit also qualify to receive LID program benefits, but they must self-enroll in the program. The PUC determines the discount rate, which by statute may not exceed 20 percent. Since fiscal year 2002, the Legislature has appropriated approximately \$1.17 billion from the SBF. Of that total amount, approximately \$1.05 billion, or 90 percent, has been appropriated to fund the LID program.

SYSTEM BENEFIT FUND REVENUE, EXPENDITURE, AND BALANCE HISTORY

Fig. 2 compares SBF expenditures to revenues generated for the fund and the resulting fund balance from fiscal year 2002 to 2012. While the PUC has maintained the assessment fee at the statutory maximum of 65 cents per megawatt hour since fiscal year 2002, SBF appropriations and expenditures have not kept pace, resulting in a growing fund balance. The SBF fund balance was \$766.7 million at the end of fiscal year 2012.

FIG. 2
SYSTEM BENEFIT FUND OVERVIEW (IN MILLIONS)
FISCAL YEARS 2002 TO 2012



SOURCE: Public Utility Commission.

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