

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION
Revision 1 on proposed committee amendment

March 25, 2003

TO: Honorable Rick Hardcastle, Chair, House Committee on Agriculture & Livestock

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB777 by Swinford (Relating to value-added processing of agricultural goods into fuel ethanol and biodiesel and the fuel ethanol and biodiesel incentive program.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB777, As Introduced: an impact of \$0 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

This analysis is based on the passage of a proposed committee amendment to prohibit the Comptroller from making transfers from general revenue during the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

| Fiscal Year | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|-------------|--|
| 2004 | \$0 |
| 2005 | \$0 |
| 2006 | (\$252,000) |
| 2007 | (\$252,000) |
| 2008 | (\$252,000) |

All Funds, Five-Year Impact:

| Fiscal Year | Probable Savings/(Cost) from <i>General Revenue Fund</i> 1 | Probable Revenue Gain/ (Loss) from <i>Fuel Ethanol and Biodiesel</i> <i>Production</i> | Probable Savings/(Cost) from <i>Fuel Ethanol and Biodiesel</i> <i>Production</i> |
|-------------|---|---|---|
| 2004 | \$0 | \$48,000 | (\$48,000) |
| 2005 | \$0 | \$48,000 | (\$48,000) |
| 2006 | (\$252,000) | \$300,000 | (\$300,000) |
| 2007 | (\$252,000) | \$300,000 | (\$300,000) |
| 2008 | (\$252,000) | \$300,000 | (\$300,000) |

Fiscal Analysis

This bill would add a new Chapter 16 to the Agriculture Code. The new chapter would impose a fee of \$0.032 on each gallon of fuel ethanol or biodiesel produced in a plant located in Texas, up to 18 million gallons. The Texas Department of Agriculture would collect the fees and deposit them in a new GR-dedicated account created by the bill - Fuel Ethanol and Biodiesel Production. The Comptroller would be required to transfer into the dedicated account additional General Revenue dollars equal to 5.25 times the amount of fees collected (i.e., bringing the amount in the account to

\$0.20 per gallon).

Methodology

Assuming that 1.5 million gallons of biofuels were produced by plants annually, the fees collected would be \$48,000 and the General Revenue match would be \$252,000 for a total of \$300,000.

The Department of Agriculture would then pay ethanol or biodiesel plant operators an incentive from the Account of up to \$0.20 per gallon of ethanol or biodiesel produced during the first 10 years the plants were in operation.

It is assumed that oversight of the program by the Department of Agriculture, including plant registration, fee collection, and grant administration will be absorbed by the agency within existing resources.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 455 Railroad Commission, 551 Department of Agriculture

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