

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 14, 2003

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: SB1220 by Harris (Relating to the Texas emissions reduction plan.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1220, 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.

General Revenue-Related Funds, Five-Year Impact:

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

All Funds, Five-Year Impact:

| Fiscal Year | Probable Revenue Gain from <i>TEXAS EMISSIONS REDUCTION PLAN 5071</i> |
|-------------|--|
| 2004 | \$7,996,000 |
| 2005 | \$12,173,000 |
| 2006 | \$12,675,000 |
| 2007 | \$13,415,000 |
| 2008 | \$13,865,000 |

Fiscal Analysis

The bill amends language for the Texas Emissions Reduction Plan (TERP) provisions, expanding the list of affected counties under the TERP program to include three additional counties and any other county designated by the Texas Commission on Environmental Quality (TCEQ) rule due to deteriorating air quality. The bill would allow the TCEQ to revise guidelines to include vehicles and equipment that use fuels other than diesel and allow grant projects under the program to include the purchase or lease of on-road diesels and the replacement of on-road and off-road diesels with newer models.

The bill would delete a provision that restricts the portion of the TERP fund to be used for infrastructure projects to only 3%. This change in the infrastructure requirement would allow the TCEQ to fund projects that have both infrastructure and technology components.

The bill would amend the definition of heavy-duty diesel equipment in the Tax Code, deleting language that currently limits the definition to construction equipment and adding to the list of items that are considered construction equipment mining and drilling equipment. The 1 percent sales and use tax on diesel equipment would thus apply to such items. The 1 percent sales tax on diesel equipment would also be expanded to include all uses, including use or other consumption. This would cover equipment leased or purchased in other states for use in Texas.

The bill would change the date on which the TCEQ could reallocate unexpended funds under the TERP program from March 1 to January 1 and change the percentages that may be reallocated from 15 to 25 percent.

Methodology

Deletion of the word "construction" in the definition of equipment, extending the one percent surcharge on heavy-duty diesel equipment to include uses as well as sales, and adding mining and drilling to the list for which the tax applies would result in increased revenues to the TERP Account No. 5071. The Comptroller estimates that the total revenue increase would be \$8.0 million in 2004, rising to \$13.9 million by 2008, as shown in the table above.

This estimate assumes that additional revenues generated by the bill would be allocated and expended by state agencies in proportion to the percentages specified in Health and Safety Code, Section 386.252. None of the agencies affected by the TERP program are expected to require additional FTEs as a result of the bill's passage.

No significant impact is expected from the provision changing the date on which the TCEQ could reallocate unexpended funds and the percentage that could be reallocated under the TERP program.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Local governments engaged in drilling water wells could experience some cost increases since water well drilling equipment would be subject to the surcharge on diesel equipment. Local governments renting or leasing diesel equipment, those purchasing equipment from other states, and those using contractors obtaining such equipment also could experience increased costs as a result of the bill's passage. The cost increase is not expected to be greater than 1 percent of the cost of the equipment or contract.

Source Agencies: 304 Comptroller of Public Accounts, 369 Council on Environmental Technology, 405 Department of Public Safety, 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality, 601 Department of Transportation, 712 Texas Engineering Experiment Station

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