

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 13, 2005

TO: Honorable Dennis Bonnen, Chair, House Committee on Environmental Regulation

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2481 by Bonnen (Relating to the Texas emissions reduction plan, including the use of money currently dedicated to the Texas emissions reduction plan fund.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2481, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2007.

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
2006	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>STATE HIGHWAY FUND 6</i>	Probable Revenue Gain/(Loss) from <i>TEXAS MOBILITY FUND 365</i>	Probable Revenue Gain/(Loss) from <i>TEXAS EMISSIONS REDUCTION PLAN 5071</i>	Probable (Cost) from <i>TEXAS EMISSIONS REDUCTION PLAN 5071</i>
2006	(\$141,204,000)	\$154,041,000	(\$12,837,000)	\$0
2007	(\$160,380,000)	\$160,380,000	\$0	\$0
2008	(\$166,652,000)	\$166,652,000	\$0	
2009	(\$169,787,000)	\$77,675,000	\$169,787,000	(\$169,787,000)
2010	(\$176,380,000)	\$82,352,000	\$176,380,000	(\$176,380,000)

Fiscal Analysis

The bill would extend the Texas Emissions Reduction Plan (TERP) until August 31, 2013, rather than August 31, 2008. The bill would provide that the \$75,000 offset fee paid by owners and operators of sites generating emissions be deposited to the Texas Mobility Fund, rather than the TERP Account No. 5071, as provided under current law. The Texas Commission on Environmental Quality (TCEQ) would be required to ensure that these funds ultimately be used in the same non-attainment area in which they were collected.

The bill would provide that various other fees currently deposited to the TERP Account No. 5071 also

be deposited to the Texas Mobility Fund. The bill would maintain the \$33 fee for certificate of title for applicants residing in a nonattainment area as defined in the Federal Clean Air Act, which is scheduled to be reduced to \$28 on September 1, 2008 under current law. The bill would direct that the portion of the certificate of title fees deposited to the credit of the TERP Account No. 5071 (\$20 in a nonattainment area and \$15 in other areas) also be deposited instead to the Texas Mobility Fund No. 365.

The bill also would provide that the Texas Department of Transportation (TxDOT) remit to the Comptroller for deposit in the TERP Account No. 5071 an amount from the State Highway Fund No. 6 equal to the amount of funds deposited to the Texas Mobility Fund No. 365 from TERP-related fees. This analysis does not address the potential legal issues associated with the transfer of funds from State Highway Fund No. 6 to TERP Account No. 5071.

The bill would eliminate the Texas Council on Environmental Technology. The bill increases the maximum amount of funds the Texas Commission on Environmental Quality (TCEQ) can spend from the Texas Emissions Reduction Plan (TERP) Account No. 5071 for administrative costs associated with the New Technology Research and Development (NTRD) program from \$250,000 to \$350,000. It also would modify the allocation schedule for funds in the TERP Account No. 5071. Between September 1, 2005 and September 1, 2008, all funds currently being spent by the TCEQ for the NTRD program would be allocated to a nonprofit in Houston to implement the TNRD program.

Effective September 1, 2008, instead of 87.5 percent of funds being designated for the diesel emissions reduction incentive program, only 64 percent would go to that program. The NTRD program would receive 33 percent of funds, as opposed to only 9.5 percent prior to September 1, 2008. At that time, the amount of NTRD funds that must be allocated for research at a nonprofit based in Houston would decrease from 20 percent to 10 percent, and at least 25.5 percent of TNRD funds would be required to be allocated to a Houston nonprofit to administer and implement the NTRD program. Remaining balances would be allocated to the TCEQ to fund new technologies to obtain emissions reductions credits.

The bill would be effective on September 1, 2005.

Methodology

This estimate assumes that the revenue stream currently deposited to the TERP Account No. 5071 would instead be deposited to the Texas Mobility Fund beginning on September 1, 2005, and that an equal amount would transfer from the State Highway Fund No. 6 to the TERP Account No. 5071. However, there would be a one-month lag in the collections, which would reduce the effective amount available in the TERP Account No. 5071 in fiscal year 2006.

This fiscal note assumes there would be no net gain to the TERP Account No. 5071 during 2006-08 years, but there would be a loss to the State Highway Fund No. 6 and a corresponding gain to the Texas Mobility Fund during fiscal years 2006-08. In fiscal years 2009 and 2010, the TERP Account would experience a revenue increase equal to the entire TERP revenue stream, since no fees would be deposited to that account after September 1, 2008 under current law. Since the funds would transfer from the State Highway Fund No. 6, the fund would experience a corresponding loss. With respect to the Texas Mobility Fund, the gain to the fund would be limited to the revenue collected from all fees except the amount of the certificate of title fee that already would have gone to the Texas Mobility Fund (\$15 from all certificates of title). The additional \$5 fee paid in nonattainment would result in a gain to the Texas Mobility Fund.

Costs to the TERP Account No. 5071 are shown in fiscal years 2009 and 2010 because TERP funded programs would continue in those years upon passage of the bill. Under current law, those programs sunset on August 31, 2008. Changes to the allocations of funding in the TERP account would have an impact on programs operated by the TCEQ and the amount designated for specific purposes. However the number of FTEs and the overall appropriations to the TCEQ would not be affected by the allocation changes.

Local Government Impact

No significant fiscal implication to units of local government is anticipated. Local governments could receive grants from the TERP Account No. 5071 that otherwise would not have been available in fiscal years 2009 and 2010.

Source Agencies: 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality, 601 Department of Transportation

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