

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 9, 2007

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

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

IN RE: HB1335 by Bohac (Relating to the Texas emissions reduction plan, including the motor vehicle purchase or lease incentive program under the plan.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would allow funds deposited to the credit of the General Revenue-Dedicated Clean Air Account No. 151 and not otherwise dedicated by law to be used to implement and administer the motor vehicle purchase or lease incentive program established in the Texas Emissions Reductions Program (TERP). This provision would be effective until August 31, 2010, when the TERP is set to expire.

The bill would establish eligibility requirements for a cash incentive to be paid on the purchase or lease of a new, light-duty motor vehicle. The incentive would be 7 percent of the total consideration paid for a purchased or leased vehicle that emitted at least 0.45 pounds, but not more than 0.55 pounds of carbon dioxide per mile, or 10 percent of the total consideration paid if the vehicle emitted less than 0.45 pounds of carbon dioxide per mile.

The bill would dedicate 10 percent of the money in the General Revenue-Dedicated TERP Account No. 5071 to the motor vehicle purchase or lease incentive program. It would also reduce the dedication within the TERP Account No. 5071 for the diesel emissions reduction incentive program from 87.5 percent to 77.5 percent in fiscal year 2008 and from 64 percent to 54 percent in fiscal 2009.

The Texas Commission on Environmental Quality (TCEQ) would be required to adopt rules for the preparation and distribution of the informational brochure no later than October 1, 2007. Each manufacturer of a motor vehicle offered for sale in the state would have to prepare and distribute to its franchised dealers the brochure required by TCEQ no later than January 1, 2008.

The bill would take effect September 1, 2007. The provisions in the bill would be effective until August 31, 2010, when the TERP is set to expire.

Although the bill states that funds not dedicated out of the Clean Air Account No. 151 would be available to use in the motor vehicle purchase or lease incentive program, this estimate assumes that all funds in the Clean Air Account No. 151 are statutorily dedicated. If it were assumed that all funds remaining in the Clean Air Account No. 151 not "appropriated" for other purposes in House Bill 1 As Engrossed, would be used for the motor vehicle purchase or lease incentive program, then the fiscal impact of the bill could be equal to the estimated unobligated balance in the account on August 31, 2009, or \$162.8 million.

Because the bill would dedicate 10 percent of funds in the TERP Account No. 5071 to the motor vehicle purchase or lease incentive program statutorily managed by the Comptroller, and because that dedication would be in place of funds otherwise used in the diesel emissions reduction incentive program statutorily managed by the TCEQ, passage of the bill would not result in a net fiscal impact to the state. For purposes of this analysis, it is assumed that appropriations to the Comptroller out of the TERP Account No. 5071 (currently \$0 per fiscal year) would need to be increased by an amount equal to 10 percent of the TERP Account No. 5071 revenue stream, and appropriations to the TCEQ

from the same account would be reduced by a like amount. Based on the Comptroller's Biennial Revenue Estimate for the 2008-09 biennium, that amount would be \$18.8 million in fiscal year 2008 and \$18.7 million in fiscal years 2009 and 2010.

Both the TCEQ and Comptroller's Office report that implementing the provisions of the bill would not result in significant administrative costs or savings to the agencies.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality, 712 Texas Engineering Experiment Station

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