

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 4, 2007

TO: Honorable Sid Miller, Chair, House Committee on Agriculture & Livestock

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

IN RE: HB1673 by Swinford (Relating to the fuel ethanol and biodiesel incentive program of the Department of Agriculture.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1673, Committee Report 1st House, Substituted: a positive impact of \$7,032,600 through the biennium ending August 31, 2009.

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
2008	\$3,516,300
2009	\$3,516,300
2010	\$3,516,300
2011	\$3,516,300
2012	\$3,516,300

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from GENERAL REVENUE FUND 1	Probable Revenue Gain/(Loss) from FUEL ETHANOL & BIODIESEL PRODUCTION 5112
2008	\$3,516,300	(\$668,700)
2009	\$3,516,300	(\$668,700)
2010	\$3,516,300	(\$668,700)
2011	\$3,516,300	(\$668,700)
2012	\$3,516,300	(\$668,700)

Fiscal Analysis

The bill would include renewable methane in the Fuel Ethanol and Biodiesel Incentive Program administered by the Department of Agriculture (TDA). The bill would provide that under the program, producers of renewable methane would be charged a fee of 3.2 cents per each MMBtu of renewable methane, the 3.2 cents would be matched by a 16.8 cents incentive payment (from unobligated General Revenue), and the producers would be entitled to receive a total of 20 cents for each MMBtu of renewable methane. The bill also specifies that there would be a cap on the amount of renewable methane eligible for incentive grants; for purposes of this fiscal note it is assumed that this cap would be the MMBtu equivalent of 18 million gallons. Given that one MMBtu equals 7,480 gallons, the cap would be 2,406 MMBtus. This fiscal note also assumes that all participating plants would produce the maximum amount allowed: 2,406 MMBtus.

The bill also would reduce the producer's fee under the Fuel Ethanol and Biodiesel Incentive Program for each gallon of biodiesel from 3.2 cents to 1.6 cents and correspondingly the incentive payment to producers of biodiesel from 20 to 10 cents per gallon.

Methodology

TDA anticipates that at most, by 2012, there would be 9 renewable methane producing plants participating in the incentive program and based on the maximum production of 2,406 MMBtus and a 16.8 cents incentive for each MMBtu produced, the total cost for incentive payments would be at most \$3,638 a fiscal year. Consequently, these incentives payments would not have a significant fiscal impact on the state. It is also anticipated that any administrative costs associated with the bill could be absorbed within existing agency resources.

For purposes of this analysis, it is assumed that the Fuel Ethanol and Biodiesel Incentive Program continues to be funded at 2006-07 appropriation levels of \$14,065,200 out of General Revenue and \$2,674,800 out of the General Revenue-Dedicated Fuel Ethanol and Biodiesel Production Account No. 5112. The potential biennial fiscal impact to the state could be a \$7,032,600 savings to General Revenue and a loss of \$1,337,400 to General Revenue-Dedicated Fuel Ethanol and Biodiesel Production Account No. 5112 funds, if this legislation is passed. House Bill 1 as Engrossed does not include funding for the Fuel Ethanol and Biodiesel Incentive Program.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 551 Department of Agriculture

LBB Staff: JOB, SD, DB, WK, ZS, JF