

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 9, 2007

TO: Honorable Kip Averitt, Chair, Senate Committee on Natural Resources

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

IN RE: SB124 by Ellis (Relating to the implementation by the Texas Commission on Environmental Quality of a low-emission vehicle program.), **As Introduced**

No significant fiscal implication to the State is anticipated. However, beginning in fiscal year 2011, state agencies purchasing large numbers of vehicles could experience cost increases as described below.

The bill would require the Texas Commission on Environmental Quality (TCEQ) to establish a low-emission vehicle program that is consistent with Phase II of the the California Low-Emission Vehicle Program (Cal LEV II). The Cal LEV II program establishes the level of allowable emissions for new manufactured passenger cars, light-duty trucks, pick-ups and sport utility vehicles (SUVs). The program also implements the Zero Emissions Vehicle program, which would require no emissions from a percentage of new vehicles available for sale in Texas. The bill would require these changes to be implemented with the 2009 or later model-year vehicles and would take effect immediately if passed by a two-thirds majority in each house; otherwise, the bill would take effect September 1, 2007.

According to the TCEQ, currently the Cal LEV II program standards are not significantly different than the national standards applicable in Texas. Therefore, implementation of California Low Emissions Vehicles II (Cal LEV II) standards for vehicle model years beginning with 2009 would not result in any significant fiscal implications in fiscal years 2009 and 2010. However, because Cal LEV II standards become more stringent in 2011, there could be cost increases to agencies purchasing vehicles beginning that year. The increase would depend on whether national standards would become more stringent by 2011, similar to the Cal LEV standards, and the number of vehicles an agency would purchase. Estimates for the cost increase range from \$1,000 to \$3,000 per vehicle. This estimate assumes that such an increase could be absorbed by most state agencies. However, state agencies purchasing large numbers of vehicles could experience a moderate fiscal impact.

Passage of the bill would result in additional responsibilities for the TCEQ because it would require the agency to establish and administer a new program with vehicle emissions standards for new vehicles that is more stringent than the current program. The TCEQ would have to certify that vehicle manufacturers are meeting the program's requirements for vehicles produced and delivered for sale in Texas. This new state program would require the TCEQ to continuously monitor and certify vehicle manufacturers' commitments to determine if additional emissions reduction credits are being achieved. Although the TCEQ expects that it would require additional resources to implement the provisions of the bill, this estimate assumes that any additional costs could be absorbed using existing agency resources.

Local Government Impact

Local governments purchasing vehicles could experience cost increases similar to state agencies beginning in fiscal year 2011. The cost would depend on whether national standards would become more stringent, similar to the Cal LEV standards, and the number of vehicles an entity would purchase. Estimates for the cost increase range from \$1,000 to \$3,000 per vehicle.

Source Agencies: 303 Building and Procurement Commission, 582 Commission on Environmental Quality

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