LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

March 19, 2009

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

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

IN RE: **SB16** by Averitt (Relating to the enhancement of air quality, including the capture of carbon dioxide and development of a greenhouse gas registry, the development of emissions reduction technologies, and the improvement of energy efficiency in buildings, vehicles, and appliances; providing civil penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB16, As Introduced: a negative impact of ($2,506,000) through the biennium ending August 31, 2011.

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
2010	($1,903,000)
2011	($603,000)
2012	($433,000)
2013	($433,000)
2014	($433,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Clean Air Account* 151	Probable Savings/(Cost) from *Texas Emissions Reduction Plan* 5071	Probable Savings/(Cost) from *Operating Permit Fees Account* 5094
2010	($1,903,000)	($498,414)	($1,405,062)	($372,172)
2011	($603,000)	($314,714)	($1,273,177)	($97,072)
2012	($433,000)	($64,314)	($1,073,177)	($96,472)
2013	($433,000)	($63,114)	($1,073,177)	($94,672)
2014	($433,000)	($62,714)	($1,073,177)	($94,072)

Fiscal Year	Probable Revenue Gain/(Loss) from *Texas Emissions Reduction Plan* 5071
2010	$0
2011	$0
2012	$0
2013	$0
2014	$66,525,000

Fiscal Year	Change in Number of State Employees from FY 2009
2010	22.0
2011	22.0
2012	22.0
2013	22.0
2014	22.0

Fiscal Analysis

Article I would make changes to the definition of an advanced clean energy project, stipulating that at least 40 percent of carbon dioxide in the fuel being combusted and sequestered include geologic storage. The bill also defines "geologic storage."

Article II of the bill creates the New Technology Implementation Grant (NTIG) Program, the plug-in hybrid motor vehicle rebate program, and the energy efficient appliance purchase incentive program, all within the Texas Emissions Reduction Plan (TERP). The bill specifies that up to 10 percent of the diesel emissions reduction incentive grant funds could be used for the NTIG program, and it would allow for a portion of this funding to be used for electricity storage products and light-duty plug-in hybrid vehicles. The bill specifies NTIG grant application review and eligibility criteria, as well as cost-effectiveness criteria. The bill would provide for cost sharing requirements for the NTIG program, requiring applicants to provide at least 50 percent of the costs of implementing a project under this chapter. TCEQ would be required to coordinate with the Comptroller, Railroad Commission, Public Utility Commission (PUC) and other agencies regarding NTIG grant selection decisions.

Article III of the bill would provide an additional nine days past the date of proof of sale to counties to distribute repair and reimbursement funds in the Low-Income Vehicle Repair Assistance, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP).

Article IV of the bill would extend a provision allocating a portion of the vehicle title fee and other TERP funding sources deposited to the TERP Account No. 5071 from 2013 to 2019. Article IV also adds stationary engines to the list of items the TCEQ can fund through the TERP grant program. It would also exempt mobile generators used for natural gas recovery purposes from the requirement that a TERP project operate at least 75 percent of the annual use in the nonattainment areas and affected counties for at least five years. In addition, Article IV also would establish the provisions for a new statewide rebate program for light-duty plug-in hybrid motor vehicles, allowing up to $4,000 per vehicle to be provided for hybrid vehicles that can be recharged from an external source.

Article V of the bill would reduce the allocation of funding for the New Technology Research and Development (NTRD) program from 9.5 percent of TERP funds to 9 percent. The bill also would remove an allocation of at least 20 percent of the NTRD funds for research related to air quality at a nonprofit based in Houston, and it would reallocate these NTRD funds to the newly created Energy Efficient Appliance Purchase Incentive (EEAPI) program. The TCEQ could still contract with a nonprofit to operate all or part of the NTRD/EEAPI grant program, but the agency would not be required to do so. Finally, Article V of the bill would provide that 3.5 percent of TERP funding, instead of 3 percent, can be used for administration of the TERP program, and it would specify that the TCEQ receive 2 percent, and that the Texas Engineering Experiment Station (TEES) receive 1.5 percent.

Article VI of the bill establishes the provisions for the EEAPI program, and it designates the State Energy Conservation Office (SECO) within the Comptroller's Office as the supervising agency for the program. The SECO would be directed to use funds to provide financial incentives to assist in the purchase of equipment and appliances that meet federal Energy Star standards. Appliances funded through the program could include air conditioning units and refrigeration units.

Article VII of the bill would replace the adopted energy code of the state with the May 1, 2009

International Residential Code versus the May 1, 2001 version.

Article VIII of the bill would remove an expiration date of September 1, 2009, for idling restrictions.

Article IX of the bill would define an "idle reduction system," and it would exempt up to 400 pounds of the weight of an on-vehicle idle reduction system from vehicle weight limits.

Article X of the bill would require the Comptroller and SECO to adopt rules to establish appliance energy efficiency standards prior to September 1, 2010, and it prescribes specific standards for certain appliances and consumer electronics. Article X would also require that the TCEQ and the TEES work together to ensure that the state receives full credit in the state implementation plan for air emissions reductions achieved through energy efficiency. Article X would also provide for procedures for waivers from the efficiency standards, testing requirements, product certifications, inspections, violations, and penalties.

Article XI of the bill would establish a greenhouse gas registry in which the TCEQ, the Railroad Commission, and the PUC would participate in the development of federal greenhouse gas reporting requirements.

Article XII of the bill would provide that the TCEQ consider the cumulative effects of emissions when issuing a permit for a new electric generating facility, and it would require them to determine whether a facility could cause an area to be designated as nonattainment or negatively affect compliance with the state implementation plan (SIP). The bill would also subject preconstruction permits issued before December 1, 1991 for review every 10 years rather than the 15 years under current law.

Article XIII would establish the effective date of the bill as September 1, 2009.

Methodology

Article II's provisions creating the NTIG program and Article V's provisions removing the requirement that the NTRD program be contracted for at a nonprofit is expected to result in the need for an additional 9.0 FTEs at the TCEQ and associated costs. These additional resources would be used mainly to review grant applications. In addition, this estimate assumes that 5.0 additional FTEs would be needed to administer the plug-in hybrid motor vehicle rebate program created in Article II. In addition, the estimated cost to establish a hybrid rebate database is $200,000 in both fiscal years 2010 and 2011, and related Data Center Services (DCS) costs would increase by an estimated $105,000 per fiscal year. All costs for the NTIG and plug-in hybrid rebate programs are assumed to be paid out of the TERP Account No. 5071. Additional costs to the PUC and Railroad Commission for coordinating with the TCEQ on grant application selection are not expected to be significant.

Article VI's provisions which extend the sales tax surcharge on off-road, heavy duty diesel equipment are expected to result in an additional $66.5 million per year in new revenues beginning in fiscal year 2014.

Article VI's provisions establishing the EEAPI program at SECO are not expected to have a significant administrative impact to the Comptroller's Office. In addition, this estimate assumes that funding for the rebate program would be provided to SECO through an Interagency Contract with the TCEQ from their appropriations out of the TERP Account No. 5071.

Article X's provisions requiring the establishment of an appliance standards enforcement program would result in the need for 7.0 additional FTEs and $433,000 in related costs to the the Comptroller of Public Accounts. In addition, the Comptroller expects one-time programming and project management costs relating to the bill of $1,300,000 in fiscal year 2010. This estimate assumes these costs would be paid out of the General Revenue Fund.

Article XI's provisions requiring the creation of a greenhouse gas registry and coordination with the US EPA would result in costs to the PUC of $170,000 in fiscal years 2010 and 2011 for consulting fees and travel. These costs are assumed to be paid out of the General Revenue Fund. TCEQ expects to incur costs of $250,000 in fiscal years 2010 and 2011 to modify the agency's Emissions Inventory

Data System to create the greenhouse gas registry. It is assumed these costs would be paid out of the Clean Air Account No. 151.

Article XII's provisions requiring the TCEQ to consider cumulative effects in the review of permits for new electric-generating facilities would result in the need for 1.0 additional FTE to populate a permit allowable database with emissions data. Database development costs are estimated at $450,000 in fiscal year 2010, with maintenance costs of $30,000 per fiscal year thereafter. Additional DCS costs are expected to total $104,000 in 2010, $72,000 in 2011, $71,000 in 2012, $68,000 in fiscal year in 2013; and $67,000 in 2014. Article XII costs are assumed to be paid 40 percent from the General Revenue-Dedicated Clean Air Account No. 151 and 60 percent from the General Revenue-Dedicated Operating Permit Fee Account No. 5094.

Technology

Technology costs include: costs to the TCEQ of $200,000 in each fiscal year 2010 and 2011 for the creation of a hybrid rebate database and increased DCS costs of $105,000 per fiscal year for the implementation of Article X of the bill; costs to the Comptroller of Public Accounts of $1,300,000 in fiscal year 2010 for one-time programming and project-management costs relating to the establishment of the EEAPI in Article IV of the bill; a cost to the TCEQ of $250,000 in each fiscal year 2010 and 2011 to modify the agency's Emissions Inventory Data System to create the greenhouse gas registry required in Article XI of the bill; and $450,000 in database development costs in fiscal year 2010, with maintenance costs of $30,000 per fiscal year thereafter, plus increased data center costs of $104,000 in 2010 and approximately $70,000 per fiscal year thereafter, to implement the cumulative effects provisions in Article XII of the bill.

Local Government Impact

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

Source Agencies: 301 Office of the Governor, 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 405 Department of Public Safety, 455 Railroad Commission, 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality, 601 Department of Transportation, 710 Texas A&M University System Administrative and General Offices

LBB Staff: JOB, WK, ZS, TL