LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 6, 2009

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

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

IN RE: **SB1425** by Williams (Relating to the creation of alternative fuel programs to be funded by the Texas Emissions Reduction Plan Fund.), **As Introduced**

No significant fiscal implication to the State is anticipated.

The bill would a Texas Clean Fleet Program (CFP) and a Texas Alternative Fueling Facilities Program (AFFP) under a new Chapter 392. These programs would be administered by the Texas Commission on Environmental Quality (TCEQ). The CFP would provide for the conversion of diesel-powered or gasoline-powered vehicles to alternative fuel vehicles and the purchase of alternative-fuel vehicles, including hybrid-electric, compressed natural gas, liquefied natural gas, hydrogen, or other alternative fuel (propane, ethanol, or fuel mixtures with at least 85 percent methanol or ethanol) vehicles, to reduce exposure of the citizens living in nonattainment areas of the state. Under the AFFP, the TCEQ would establish a grant program to provide fueling facilities in nonattainment areas for alternative fuel. An entity that constructs, reconstructs, or acquires an alternative fuel refueling facility would be eligible for a grant. A qualifying cost would include a cost incurred by the entity during a calendar year to construct, reconstruct, or acquire a facility to store, compress, charge, or dispense alternative fuels.

The bill would authorize funding for these two new programs from the General Revenue-Dedicated Texas Emissions Reduction Plan (TERP) Account No. 5071: up to 5 percent of the 87.5 percent of the money available in the fund for the diesel emissions reduction incentive program to the CFP; and up to 2 percent of the 87.5 percent of the money in the Fund to the AFFP. The bill authorizes money in the fund to be allocated to these programs if: the money is available for that purpose after money is allocated for other programs as required by the state implementation plan; or the revenue into the fund in a state fiscal year exceeds the amount of the comptroller's biennial revenue estimate (BRE) for that year.

Assuming revenues to the TERP Account No. 5071 would not exceed the Comptroller's BRE, passage of the bill is not expected to result in a change in the level of funding needed by the TCEQ. Instead, passage of the bill is expected to result in 5 percent of the diesel emissions reduction grant being allocated to the new CFP and 2 percent being allocated to the AFFP. Based on the amount of funding for diesel emissions reduction grants from the TERP Account No. 5071 in the Committee Substitute for Senate Bill 1, $7.2 million would be available each year for the CFP and $2.9 million would be available to the AFFP.

Administration costs of the new CFP and AFFP are expected to be absorbed using existing TCEQ resources.

Local Government Impact

The new grant programs may be available to local governments and other entities outside of the current TERP-eligible counties. Entities, including local governments and businesses, that purchase alternative fuel vehicles and/or refueling facilities would be eligible to receive funds for those purchases. The transfer of funds from the current TERP grant programs to the new programs would reduce the funding available to entities currently eligible for and participating in the TERP grants.

Because current TERP grant funding and the funding proposed by the two new grant programs that would be created by the bill would be awarded on a competitive basis, the amount of funding an entity could expect to gain or lose as a result of the bill's passage would depend on the competitiveness of the entity's proposed project.

Source Agencies: 582 Commission on Environmental Quality, 712 Texas Engineering Experiment Station

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