

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 5, 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.), **Committee Report 1st House, Substituted**

No significant fiscal implication to the State is anticipated.

The bill would a Texas Clean Fleet Program (CFP) to 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.

The bill would require that 5 percent of funding from the 87.5 percent of the money available in the General Revenue-Dedicated Texas Emissions Reduction Plan (TERP) Account No. 5071 fund for the diesel emissions reduction incentive program be spent on the CFP.

The bill would require the TCEQ to conduct a study of alternative fueling facilities to assess the correlation between fueling facilities in nonattainment areas and the deployment of fleet vehicles that use alternative fuels and determine the emissions reductions achieved from a diesel-powered engine with an engine utilizing alternative fuels. The TCEQ would provide findings of the study to the Legislature on a biennial basis regarding credit for emissions reductions in the state implementation plan (SIP) that could be achieved as a result of the installation of alternative fuel fueling facilities. The TCEQ currently is appropriated \$144.1 million per fiscal year out of the TERP Account No. 5071 for the diesel emissions reduction incentive program. Upon passage of the bill, \$7.2 million, or 5 percent of these funds, would go to the CFP instead. Because the TCEQ reports that diversion of TERP funds to programs with less of a connection to achieving SIP goals such as the CFP is not expected to have a significant impact on approval of the SIP, this estimate assumes that the TCEQ would not require an increase in appropriations to implement the bill.

Administration costs of the new CFP and costs of conducting the alternative fueling facilities are expected to be absorbed using existing TCEQ resources.

Local Government Impact

Local governments could experience a positive fiscal impact if they were able to obtain grant funding through the new CFP program created by the bill. The amount of funding such entities could receive would depend on the competitiveness of the entities' grant proposals.

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

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