LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 30, 2009

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: **SB1759** by Watson (Relating to the extended registration of a commercial fleet of motor vehicles.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1759, Conference Committee Report: an impact of $0 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	$0
2011	$0
2012	$0
2013	$0
2014	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *State Highway Fund* 6	Probable Revenue Gain/(Loss) from *Counties*
2010	$69,400,000	$30,550,000
2011	$83,920,000	$34,989,688
2012	($3,067,500)	($5,465,625)
2013	($4,575,000)	($6,480,938)
2014	($6,082,500)	($7,496,250)

Fiscal Analysis

The bill would amend the Transportation Code to allow the registered owner of a commercial fleet of vehicles consisting of at least 25 nonapportioned motor vehicles used for business purposes to apply to the Texas Department of Transportation (TxDOT) for license plates, permanent decals, and registration cards. The bill would require an annual fleet management fee of $10 per fleet vehicle, a one-time license plate manufacturing fee of $1.50 or each set of plates or $8 for each set of plates with the name or logo of the business entity, and the advance payment of all registration license taxes and fees for a period of no less than one year and no greater than 8 years. Under the provisions of the bill, no annual validation window sticker would be required for the vehicles during the period of years for which fees have been paid in advance.

The bill would amend the Health and Safety Code to create the 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 exclude neighborhood electric vehicles and vehicles that have already received grants under the CFP from being eligible for grants. Vehicles that have qualified for a similar grant or tax credit in another jurisidiction would also be excluded.

The bill would amend the Health and Safety Code to 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 amend the Health and Safety Code to 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 $103.7 million per fiscal year out of the TERP Account No. 5071 for the diesel emissions reduction incentive program. Upon passage of the bill, $5.2 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.

The bill would take effect September 1, 2009.

Methodology

TxDOT estimates there are approximately 400,000 fleet vehicles in Texas and that approximately 37,500 fleet vehicles would be added each fiscal year. Based on the analysis of TxDOT, it is assumed half of the current fleet vehicles (200,000) would apply for an 8-year fleet registration in fiscal year (FY) 2010, the remaining half would apply for a 8-year fleet registration in FY 2011, and an additional 37,500 would apply in FY 2011 and each year thereafter. All applicable fees would be paid in advance for the 10-year period. For the purposes of this analysis, it is assumed 67 percent of the registration fees would be deposited to the State Highway Fund and 33 percent would be retained by the counties. The tables above also reflect the impact of the $10/$5 optional county road and bridge fee, of which 97 percent is deposited to county road and bridge funds and 3 percent to the State Highway Fund. It is assumed half of the fleet vehicles would be registered in counties assessing the $10 optional fee and the remainder would be registered in counties assessing a $5 optional fee. For the purposes of this analysis, it is assumed an $8 plate manufacturing fee would be applied for each set of plates. Based on current law, the new $10 fleet management fee and one-time $8 plate manufacturing fee would be deposited to the State Highway Fund. The advance payment of all applicable fees would result in a revenue gain in the initial year of the fleet registration and a revenue loss in subsequent years as the fleet vehicles would not be required to pay annual fees until the term of the fleet registration has expired.

Based on the analysis of TxDOT, it is assumed any costs or duties associated with implementing the provisions of the bill could be absorbed within existing resources.

Administration costs of the new CFP created by amending the Health and Safety Code and costs of conducting the alternative fueling facilities are expected to be absorbed using existing TCEQ resources.

Local Government Impact

The fiscal impact to units of local government to implement the changes to the Transportation Code is reflected in the table above.

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

Source Agencies: 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality, 601 Department of Transportation, 712 Texas Engineering Experiment Station

LBB Staff: JOB, KJG, SD, MW, ZS, TG, TL, SZ