

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 13, 2011

TO: Honorable Jim Keffer, Chair, House Committee on Energy Resources

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

IN RE: HB724 by Schwertner (Relating to the abolition of the Alternative Fuels Research and Education Division program administered by the Railroad Commission of Texas.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB724, As Introduced: a positive impact of \$1,000,000 through the biennium ending August 31, 2013.

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
2012	\$500,000
2013	\$500,000
2014	\$500,000
2015	\$500,000
2016	\$500,000

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>Alter Fuels Research</i> <i>Acct</i> 101	Probable Savings/ (Cost) from <i>Alter Fuels Research</i> <i>Acct</i> 101	Change in Number of State Employees from FY 2011
2012	\$500,000	(\$2,100,000)	\$1,934,000	(10.0)
2013	\$500,000	(\$2,100,000)	\$1,934,000	(10.0)
2014	\$500,000	(\$2,100,000)	\$1,934,000	(10.0)
2015	\$500,000	(\$2,100,000)	\$1,934,000	(10.0)
2016	\$500,000	(\$2,100,000)	\$1,934,000	(10.0)

Fiscal Analysis

The bill would abolish the Alternative Fuels Research and Education (AFRED) program administered by the Railroad Commission. The AFRED program includes research, marketing and public-education programs for economically and environmentally beneficial alternative fuels. It also includes a grant/rebate program to incentivize the purpose. Sections of the Natural Resources Code that the bill proposes to delete also establish the industry-paid Liquid Propane (LP)-gas delivery fee that is deposited to the General Revenue-Dedicated AFRED Account No. 101. That account, which funds the AFRED program, would also be abolished by the bill. In addition, the bill provides that any unobligated money in the AFRED Account No. 101 would be transferred to the undedicated portion of

the General Revenue Fund.

The bill would take effect immediately if it would receive a vote of two-thirds of all the members elected to each house. Otherwise, the bill would take effect on September 1, 2011.

Methodology

The elimination of the AFRED program would result in balances in the AFRED Account No. 101 being deposited to the General Revenue Fund. Although the Comptroller's Biennial Revenue Estimate for 2012-13 reports a projected balance in the account of \$10.0 million on September 1, 2011, the Railroad Commission reports that the majority of these cash balances will, in fact, be spent prior to the end of fiscal year 2011. Therefore, this estimate assumes only \$500,000 in AFRED Account No. 101 balances will actually move to the General Revenue Fund. In addition, \$2.1 million in annual revenues to the AFRED Account No. 101 will be lost, partially offset by an estimated \$1,713,000 in annual expenditures, based on 2010-11 levels. Elimination of the marketing and education program would also result in 10.0 fewer FTEs being needed, as compared to 2010-11, which will result in an additional estimated savings of \$221,000 per fiscal year.

It should be noted that appropriations in House Bill 1, As Engrossed, include only \$931,377 per fiscal year, or about 50 percent of 2010-11 funding levels. Likewise, FTEs funded by the AFRED program total only 5.2 FTEs in House Bill 1, As Engrossed, reflecting recommended reductions to funding for the AFRED marketing and public education program. Thus, compared to amounts included in House Bill 1, As Engrossed, savings that would be realized by passage of the bill would be less than the amounts shown in the table above.

Local Government Impact

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

Source Agencies: 455 Railroad Commission

LBB Staff: JOB, SZ, ZS, TL