LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 24, 2011

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

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

IN RE: **SB20** by Williams (Relating to a grant program for certain natural gas motor vehicles.), **As Passed 2nd House**

No significant fiscal implication to the State is anticipated.

The bill would establish three new grant programs under the Texas Emissions Reduction Plan (TERP): the natural gas vehicle rebate program, a program to fund natural gas fueling stations, and an alternative fueling facilities program. Of the 87.5 percent funds in the General Revenue-Dedicated Texas Emissions Reduction Plan Account No. 5071, money allocated to the emissions reduction incentive programs, not less than 16 percent would be allocated to the natural gas vehicle rebate program; not more than 4 percent would be allocated for the refueling station program; and up to 2 percent could be used for the alternative fueling facilities program.

The bill would establish the Texas Natural Gas Vehicle Grant Program. Under this new chapter, the Texas Commission on Environmental Quality (TCEQ) would be directed to establish two new grant programs for funding the purchase or lease of natural gas vehicles or engines and the establishment of natural gas refueling stations along the interstate highways between Houston, San Antonio, and the Dallas, and Fort Worth. The bill would provide that the TCEQ would reallocate funds to the new natural gas vehicle grants program to other purposes if, after consultation with the governor and the TERP advisory board, the TCEQ would determine that the use of the money for that program would cause the state to be in noncompliance with the State Implementation Plan to the extent that federal action is likely.

The bill would establish the Alternative Fuels Facilities Program. Under this new chapter, the TCEQ would establish and administer a program to provide grants for fueling facilities for alternative fuel in nonattainment areas. Entities that construct, reconstruct, or acquire an alternative fueling facility would be eligible to participate in the grant program.

TCEQ's requirements established in the bill are expected to be absorbed using current agency appropriations for the administration of the TERP program.

The bill is expected to lower the amount of grant funds available to reduce the amount of funds that are provided as diesel emissions grants by a total of 22 percent in favor of the newly created natural gas vehicle rebate program, the refueling station program, and the alternative fueling facilities program upon passage of the bill. Based on the 2010-11 allocation of TERP Account No. 5071 funds in which a total of $104.1 million was available for the emissions reduction incentive programs, the bill's passage would result in a reduction of $20.8 million per fiscal year in diesel emission reduction grants, while the natural gas vehicle rebate program would receive $16.7 million in annual funding; the refueling station program would receive $4.2 million in annual funding; and the alternative fueling facilities program would receive $2.1 million in annual funding. However, it should be noted that Senate Bill 1 as introduced includes a reduction of 50 percent in funding out of the TERP Account No. 5071 for the 2012-13 biennium as compared to 2010-11 levels, so the amount of funds available for the new programs would likely be proportionately less.

Local Government Impact

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

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

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