LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

April 20, 2013

TO: Honorable Patricia Harless, Chair, House Committee on Environmental Regulation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3658** by Reynolds (Relating to the use of the Texas emissions reduction plan fund.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3658, As Introduced: an impact of $0 through the biennium ending August 31, 2015.

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
2014	$0
2015	$0
2016	$0
2017	$0
2018	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Texas Emissions Reduction Plan* 5071
2014	($20,356,151)
2015	($20,339,351)
2016	($20,339,351)
2017	($20,339,351)
2018	($20,339,351)

Fiscal Year	Change in Number of State Employees from FY 2013
2014	4.0
2015	4.0
2016	4.0
2017	4.0
2018	4.0

Fiscal Analysis

The bill would give the Texas Commission on Environmental Quality (TCEQ) authority under the TERP program to establish and administer other programs, in addition to the programs listed in Health and Safety Code, Section 386.051. Such programs could include other grants and funding programs determined by the TCEQ as being necessary or effective in fulfilling the agency's duties and objectives under the TERP program. The new provisions would authorize the TCEQ to apply the same criteria and requirements applicable to the other programs or to establish separate criteria. The bill would also direct the TCEQ to place a priority on programs to address three particular goals: (1) reduction of emissions of nitrogen oxides (NOX) and/or particulate matter (PM) at port facilities in nonattainment areas; (2) reduction of emissions from drilling equipment and related heavy-duty non-road equipment in oil and gas production fields; and (3) replacement, repower, or retrofit of heavy-duty on-road vehicles, medium-duty passenger vehicles, and non-road equipment to change from using gasoline or diesel fuel to alternative fuels, particularly alternative fuels produced in Texas.

The bill would increase the allocation authorized for TERP administrative expenses out of the GR-Dedicated TERP Account No. 5071 from $3,400,000, to up to 4 percent of the total appropriation to the TCEQ or $4,000,000, whichever is greater. The bill would remove an allocation of 1.5 percent of TERP Account No. 5071 funding for the Energy Systems Laboratory at the Texas Engineering Experiment Station (TEES).

The bill would direct that money appropriated to the TCEQ out of the TERP Account No. 5071 for programs under Health and Safety Code, Section 386.051(c), which refers to the Energy Efficiency Grant Program administered by the Public Utility Commission, be allocated to those programs at the TCEQ's discretion.

The bill would provide that if the legislature does not specify amounts or percentages from the total appropriation to be allocated under Health and Safety Code, Section 386.252(a), pertaining to the various grant programs to be implemented by the TCEQ, or under Health and Safety Code, Section 386.252(f), pertaining to the allocation of funds to the energy efficiency grant program to be administered by the PUC, the TCEQ would determine the amounts of the total appropriation to be allocated to each of those subsections.

The bill also authorizes the Commission to use money allocated to a particular program for another program under the TERP, subject to the limitations outlined in Health and Safety Code, Section 386.252, and any additional limitations placed on the use of appropriated funds.

Methodology

Because the bill would provide the TCEQ the authority to establish and administer other programs as necessary in fulfilling its duties in achieving objectives relating to emissions reductions and Federal Clean Air Act compliance, this analysis assumes that the Legislature would increase appropriations to the TCEQ out of the TERP Account No. 5071 by $20 million per fiscal year, and that the funds would be used for additional grant programs, as authorized under added Health and Safety Code, Section 386.051(b-1).

Allocations out of the TERP Account No. 5071 for TCEQ administration costs in 2012-13 total $3.2 million per year. Absent a specified amount in the appropriations bill for administration, the bill would provide 4 percent or $4 million per fiscal year, whichever is greater, for administration costs. This analysis assumes that the legislature would continue to allocate a specific allocation for administration. Since the agency's administrative costs would increase to handle an increased workload associated with the establishment of a new $20 million grant program, as discussed above, it is estimated that the TCEQ would need 4.0 additional FTEs, and that the amount of funding allocated for administrative costs would increase by $356,151 in fiscal year 2014 and by $339,351 in future years. These amounts are included in the table above, which provides the total estimated cost increase out of the TERP Account No. 5071 as a result of the bill's passage.

Because the bill would strike language in Health and Safety Code, Section 386.252 (a) (11), which allocates 1.5 percent of money in the TERP Account No. 5071 for administrative costs incurred by TEES, this estimate assumes that the $452,209 appropriated to the TEES out of the TERP Account No. 5071 in each fiscal year of the 2012-13 biennium would no longer be appropriated to TEES. Instead, this estimate assumes that the funds would be reallocated for diesel emissions reduction incentive program as provided in Health and Safety Code, Section 386.252 (13) or one of the new grant programs the agency would establish upon passage of the bill. Although this would not represent a net increase or decrease in appropriations out of the TERP Account No. 5071, appropriations to TEES would need to be reduced by $452,209 each fiscal year.

This analysis assumes that, although the TCEQ could determine that the Energy Efficiency Grant administered by the PUC could be a recipient of additional funding upon passage of the bill, the funding would not be significant. Instead, it is assumed that the agency would focus on the priority goal areas established in the bill for reducing NOX and PM emissions at port facilities, reducing emissions from oil and gas production fields, and replacing and retrofitting vehicles to change from gasoline or diesel to alternative fuels.

Local Government Impact

Local governments that could see a benefit from additional grants that may be available from the new programs authorized under the bill, if those entities are eligible to receive a grant.

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

LBB Staff: UP, SZ, ZS, TL