LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 9, 2013

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB1727** by Deuell (Relating to the use of the Texas emissions reduction plan fund.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1727, As Engrossed: 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	($25,596,075)
2015	($25,596,075)
2016	($25,596,075)
2017	($25,596,075)
2018	($25,596,075)

Fiscal Year	Change in Number of State Employees from FY 2013
2014	10.0
2015	10.0
2016	10.0
2017	10.0
2018	10.0

Fiscal Analysis

The bill would make various changes to the Texas Emissions Reduction Plan (TERP) program in Health and Safety Code, Chapters 386, 391, 393, and 394. The bill adds existing programs to the list of programs in Health and Safety Code, Section 386.051 (b), as well as new programs established by the bill.

The bill would provide authority to the Texas Commission on Environmental Quality (TCEQ) under the TERP program to establish and administer other programs, in addition to those specifically listed, determined by the TCEQ as necessary or effective in fulfilling the agency's duties and objectives under the TERP. The TCEQ would be directed 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 revise the Light-Duty Motor Vehicle Purchase or Lease Incentive (LDMVPLI) program within the TERP program. It would: change responsibility for administering the program from the Comptroller to the TCEQ; provide for rebates of $2,500 for the purchase of an eligible vehicle; provide that eligible vehicles would be limited to new light-duty motor vehicles powered by a dedicated or bi-fuel compressed natural gas (CNG) or liquefied petroleum gas (LPG) engine, or an electric drive; and remove the requirement for manufacturers to provide a report on eligible vehicles to the TCEQ. A maximum of 2,000 rebates for CNG and LPG vehicles and 2,000 rebates for electric drive vehicles may be funded for the state fiscal biennium beginning on September 1, 2013. The subchapter that establishes the light-duty motor vehicle purchase or lease incentive program would expire on August 31, 2015.

The bill would create the new Drayage Truck Incentive Program within the TERP program to provide rebate-type funding for the replacement of a pre-2007 model year drayage truck with a 2010 or newer model year truck. According to the bill's provisions, a drayage truck is defined as a truck that transports a load to or from a port, distribution center, or rail yard. The TCEQ would be required to develop a purchase incentive program to encourage owners to replace pre-2007 model year drayage trucks with newer drayage trucks and to adopt rules necessary to implement the program. Replacement trucks would be required to be registered in Texas and operated at least 50 percent of annual use in or near a port, distribution center, or rail yard in a nonattainment area or affected county. Replaced vehicles and engines would be required to be destroyed, and grants would be authorized to cover up to 80 percent of the purchase price of the drayage truck.

The bill would change administration of the Energy Efficiency grant program from the Public Utility Commission (PUC) to the TCEQ. The bill also would amend the purpose of the grant program. Under current law, the program authorizes grants from the PUC to electric utilities for energy efficiency programs. Under the amended language, the TCEQ would provide grants for energy efficiency projects in governmental entity buildings and facilities. Projects would include energy conservation projects that improve the operational energy efficiency of buildings or facilities or that retire materials and appliances that contribute to energy consumption or peak energy demand to ensure the reduction of energy consumption, energy demand, or peak loads, and associated emissions of air contaminants.

The bill would require the State Energy Conservation Office (SECO), in cooperation with the Energy Systems Laboratory, to provide an annual report to the commission that, by county quantifies the reductions of energy demand, peak loads, and associated emissions of air contaminants achieved from the projects awarded a grant.

The bill would amend the allocation listing of funding from the General Revenue-Dedicated TERP Account No. 5071, consolidating the existing language authorizing use of the TERP Account No. 5071 for the various TERP programs into one section. Changes would include the establishment of a 3 percent allocation for the New Technology Implementation Grant (NTIG) program, of which at least $1 million would be set aside for energy storage projects. Under current law, the NTIG program does not receive a percentage allocation of the TERP Account No. 5071 funds; instead, it is authorized to receive a "specified amount." The Energy Efficiency Grant Program, which currently receives no allocation from the TERP Account No. 5071, would receive 2 percent of funding upon passage of the bill. TCEQ administrative costs, which receive a maximum of $3.4 million under current law, would receive at least $4 million and up to 4 percent of funds from the TERP Account No. 5071, up to a maximum of $7 million, whichever is greater. The Drayage Truck Incentive program would receive at least two percent and up to four percent of funding from the TERP Account No. 5071. The existing LDMVPLI program, which receives no allocation under current law, would receive a five percent allocation of TERP Account No. 5071 funding, while the Diesel Emissions Reduction Incentive program would receive the remaining balance of the total appropriations out of the account. The bill would also provide for other programs created by the TCEQ to receive funds from the TERP Account No. 5071, if such funds are appropriated by the legislature.

The bill also would make changes to the existing NTIG program, the Texas Clean Fleet program, the Texas Natural Gas Vehicle program, the Clean Transportation Triangle program, and the Alternative Fueling Facilities program, and it would revise various TERP-related reporting requirements.

Methodology

Although the bill does not specify dollar amounts to be allocated to each TERP program, this estimate assumes that an additional $25.6 million over 2012-13 expended/budgeted levels would be appropriated out of the TERP Account No. 5071 to the TCEQ to accommodate the new programs established by the bill and provide funding for existing TERP programs which currently receive no funding, but would have funding allocations established by the bill. This assumes that the intention of the bill is not to reduce current allocations, but rather to provide new allocations to the new programs and to the programs that in 2013 did not receive funding. This assumption would bring TCEQ's annual TERP Account No. 5071 funding levels to $90.8 million. This level of cost is an estimate, and intended to illustrate how the allocation could be executed.

Because the bill increases the minimum TERP Account No. 5071 allocation for TCEQ administration to $4.0 million per year, and the agency currently receives $3.2 million per year, it is assumed that an additional $0.8 million would be provided for administration. This analysis assumes that additional funding would provide for an increase of 10.0 FTEs over 2012-13 levels.

The following programs, which received no funding allocations out of the TERP Account No. 5071 during the 2012-13 biennium, would receive the following annual allocations during 2014-15, based on the $90.8 million annual funding level and the minimum statutory allocations that would be established by the bill: the NTIG program--$2.7 million; the Energy Efficiency Grant program--$1.8 million; the Drayage Truck Incentive program--$1.8 million; and the LDMVPLI program--$4.5 million. The Diesel Emissions Reduction Incentive program's share of funding would be $43.3 million. Because the LDMVPLI program would expire after fiscal year 2015, there would be no allocation for this program beginning in fiscal year 2016, and the Diesel Emissions Reduction Incentive program's funding allocation would thus increase by $4.5 million annually beginning in fiscal year 2016.

No significant fiscal implications are expected with respect to the bill's provisions relating to SECO and the Energy Systems Laboratory operated by the Texas Engineering Experiment Station.

Local Government Impact

Local governments could experience increased opportunities for grant funding resulting from the new grant programs established or enhanced by the bill and the expected overall increase in TERP funds available. Because TERP grants are competitive, grant funding would depend on each local entity's grant applications.

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

LBB Staff: UP, SZ, ZS, TL