

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 9, 2015

TO: Honorable Joseph Pickett, Chair, House Committee on Transportation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB457** by McClendon (Relating to the Texas emissions reduction plan, including the use of money in the Texas emissions reduction plan fund for rail projects.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB457, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2017.

The bill would have revenue implications to the Texas Emissions Reduction Plan and to the State Highway Fund starting in fiscal year 2020.

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
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from Texas Emissions Reduction Plan 5071	Probable Savings/(Cost) from Texas Emissions Reduction Plan 5071	Probable Revenue Gain/(Loss) from State Highway Fund 6
2016	\$0	\$0	\$0
2017	\$0	\$0	\$0
2018	\$0	\$0	\$0
2019	\$0	\$0	\$0
2020	\$129,046,000	(\$78,618,427)	(\$129,046,000)

Fiscal Analysis

The bill would amend the Health and Safety Code to extend the expiration date of Chapter 386, relating to the Texas Emissions Reduction Plan (TERP), from August 31, 2019, to August 31, 2023. The bill would specify that a rail project that meets the criteria of a program established under Chapter 386 is eligible to receive a grant or other funding from the TERP Account No. 5071.

The bill would amend Section 501.138 of the Transportation Code to extend the expiration date from August 31, 2019, to August 31, 2023, for the provision requiring the Texas Department of Transportation (TxDOT) to remit monthly to the Comptroller an amount of money out of the State Highway Fund (SHF) for deposit to the TERP Account No. 5071 based on the amount of vehicle title fee collections deposited to the credit of the Texas Mobility Fund (TMF) in the preceding month.

The bill would take effect immediately upon receiving a vote of two-thirds of all members elected to each house or otherwise on September 1, 2015.

Methodology

The bill would extend the expiration date of Health and Safety Code, Chapter 386, from August 31, 2019, to August 31, 2023. This chapter establishes the Texas Emissions Reduction Plan (TERP). The extension would only apply to two programs established under Chapter 386, including the Diesel Emissions Reduction Incentive Program and the Drayage Truck Incentive Program. Other programs within the TERP each have their own expiration date that would not be affected by the provisions of the bill. For the purposes of this analysis, it is assumed that TERP Account No. 5071 appropriations would continue at 2014-15 levels to fund Diesel Emissions Reduction Incentive Program and the Drayage Truck Incentive Program, resulting in a cost of \$77.6 million per year, plus \$0.1 million each year for related employee benefits costs, in fiscal years 2020 through 2023.

Pursuant to current provisions in Transportation Code, Section 501.138 (b-2), TxDOT is required to remit to the Comptroller for deposit to TERP Account No. 5071 an amount of revenue from the non-constitutionally dedicated portion of the SHF equal to the amount of title fee revenue deposited to the TMF. This provision is set to expire at the end of fiscal year 2019. The bill would extend the expiration date to the end of fiscal year 2023. Based on the analysis provided by the Comptroller's Office, this provision of the bill would result in a revenue gain of \$129.0 million to the TERP Account No. 5071 and a corresponding revenue loss to the SHF beginning in fiscal year 2020. The revenue gains to the TERP Account No. 5071 and corresponding losses to the SHF would continue through fiscal year 2023.

The Commission on Environmental Quality reports that rail relocation is an allowable use of TERP funds under current law in Health and Safety Code, Section 386.102. Thus, the bill's provision authorizing rail projects to receive TERP grant funding are not expected to result in a fiscal impact to the state.

Local Government Impact

Local governments could experience a positive fiscal impact depending on whether a local government entity would qualify for grants from any of the TERP programs that would be extended beyond fiscal year 2019 by the bill.

Source Agencies: 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality, 601 Department of Transportation

LBB Staff: UP, AG, NV, TG, TL