LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 21, 2015

TO: Honorable Geanie Morrison, Chair, House Committee on Environmental Regulation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1961** by Giddings (Relating to authorizing the optional imposition of a county air quality fee at the time other emissions-related inspection fees are collected.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1961, As Introduced: an impact of $0 through the biennium ending August 31, 2017.

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 *Clean Air Account* 151	Probable Savings/(Cost) from *Clean Air Account* 151
2016	($12,284,579)	$4,801,359
2017	($24,569,158)	$4,801,359
2018	($24,569,158)	$4,801,359
2019	($24,569,158)	$4,801,359
2020	($24,569,158)	$4,801,359

Fiscal Analysis

The bill would amend Chapter 382 of the Health and Safety Code to authorize a county that monitors ozone with readings that exceed or nearly exceed the National Ambient Air Quality Standards for ozone, to impose a county air quality fee that can only be used by the county for a county-funded version of the state's low-income vehicle repair assistance, retrofit, and accelerated vehicle retirement program (LIRAP) and local initiative projects (LIP) program. The bill would specify that this county imposed fee would not be a Clean Air Act fee. The bill would require a county-funded program to be overseen by the Texas Commission on Environmental Quality (TCEQ). The bill would prohibit a county from opting out of the state's LIRAP/LIP programs in anticipation of implementing a county-funded program if opting out would cause a violation of 42 U.S.C. Section 7511d. A county tax assessor-collector of a county imposing a county air quality fee would be required to collect the fee for a vehicle at the time of registration. The bill would require the Department of Motor Vehicles (DMV) to collect the additional fee on a vehicle owned by a resident in a participating county and that must be registered directly with the DMV and send all fees to the county treasurer. The bill would allow the DMV to deduct an amount not to exceed one percent of the fees collected for administrative costs.

The bill would take effect on September 1, 2015.

Methodology

The bill would authorize 16 counties that currently participate in the state LIRAP/LIP programs administered by TCEQ to impose an optional county air quality fee on vehicles registered in those counties to fund county LIRAP/LIP programs. Of those counties, five counties would not be authorized to opt out of the state programs, including Brazoria, Fort Bend, Galveston, Harris, and Montgomery, because this analysis assumes those counties opting out of the program could result in violation of federal law. For the purposes of this analysis, it is assumed the 11 counties that could opt out of the state programs under the provisions of the bill would choose to do so and would assess an optional county fee to fund county LIRAP/LIP programs. These counties would include Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, Travis, and Williamson. Based on information provided by TCEQ, LIRAP fee revenue deposited to the Clean Air Account 151 attributable to these counties is estimated to be approximately $24.6 million to Clean Air Account 151 in each year of the 2016-17 biennium. This analysis assumes these counties would cease participation in the state program and implement county programs no sooner than 6 months from the effective date of the bill to account for the time necessary to petition TCEQ to opt out of the state program and to adopt local orders to implement the new optional county fees and programs. Therefore, it is assumed revenue losses to the Clean Air Account 151 of $12.3 million in fiscal year fiscal year 2016 and $24.6 million each year thereafter would occur as a result of these counties opting out of the state program. This analysis also assumes appropriations from Clean Air Account 151 for LIRAP allocations to these counties would be discontinued. Based on LIRAP funding allocations of approximately $4.8 million for fiscal year 2014 for the counties opting out of the program out of a total $7.1 million in annual appropriations for LIRAP, it is assumed the discontinuation of appropriations would result in a savings of $4.8 million to the Clean Air Account 151 each year beginning in fiscal year 2016. It should be noted that if the Legislature would appropriate more than $7.1 million per fiscal year for LIRAP, the saving would be proportionately greater. It should also be noted that if certain eligible counties did not choose to establish county-based air quality programs, and instead remained part of the state-operated LIRAP, the fiscal impact of the bill would be less than estimated in the table above.

Based on the information provided by TCEQ, it is assumed any costs or duties associated with oversight of the county programs could be absorbed within existing resources.

The DMV would be required to collect the optional county fee for vehicles that must be registered directly with the department and could retain up to one percent of the fees collected to cover its administrative costs. Based on the information and analysis provided by the DMV, it is assumed implementation of the bill would result in an insignificant revenue gain to the state from the portion of fees retained by the DMV and any costs could be absorbed within the agency's existing resources.

Local Government Impact

The bill would impact the revenues of counties opting to participate in the county-based air quality program established by the bill to an indeterminate degree. The revenues generated would depend upon the number of participating counties and the amount of the fee imposed by each county.

The Department of Motor Vehicles estimates that the following counties could potentially be impacted by the bill: Brazoria, Collin, Dallas, Denton, Ellis, El Paso, Fort Bend, Galveston, Harris, Johnson, Kaufman, Montgomery, Parker, Rockwall, Tarrant, Travis, and Williamson.

Source Agencies: 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality, 608 Department of Motor Vehicles

LBB Staff: UP, SZ, NV, TG, TL, KVe