

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 4, 2015

TO: Honorable Drew Darby, Chair, House Committee on Energy Resources

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3518** by Landgraf (relating to alternative fuel fleets of certain governmental entities, including funding for motor vehicles, infrastructure, and equipment.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3518, Committee Report 1st House, Substituted: 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 Savings/(Cost) from Texas Emissions Reduction Plan 5071	Change in Number of State Employees from FY 2015
2016	(\$28,770,000)	3.0
2017	(\$28,770,000)	3.0
2018	(\$28,770,000)	3.0
2019	(\$28,770,000)	3.0
2020	(\$28,770,000)	3.0

Fiscal Analysis

The bill would amend Subchapter A of Chapter 2158 of the Government Code, regarding state purchases of passenger vehicles, provide that hydrogen fuel cell powered vehicles to the types of eligible alternative fuels qualifying for state purchase and lease requirements. The bill would add new Section 2158.0051 to establish the state's intent that the motor vehicle fleet of a state agency, a county, or a municipality with 15 or more vehicles be converted to alternative fuel vehicles or replaced with alternative fuel vehicles, and would prioritize the replacement of vehicles in the fleet. The bill would exempt law enforcement and emergency vehicles from the replacement and conversion goal.

The bill would establish Health and Safety Code, Chapter 395, as the Governmental Alternative Fuel Fleet Grant Program. The bill would define alternative fuel as compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen fuel cells, or electricity, including electricity to power fully electric vehicles and plug-in hybrid motor vehicles. The bill would define a political subdivision as a school district, junior college district, river authority, water district or other special district, or other political subdivision created by the state.

The bill would require the Texas Commission on Environmental Quality (TCEQ) to administer a new governmental alternative fuel fleet grant program that would assist an eligible state agency, county, municipality, or political subdivision with the purchase or lease of new motor vehicles that operate primarily on an alternative fuel. Political subdivisions, as defined by the bill, would only be eligible to apply for grants from the program if on April 1 of an even-numbered year, less than 75 percent of the total amount to be awarded in that fiscal year to other eligible applicants.

The bill specifies that a grant for the purchase or lease of alternative fuel vehicles could not exceed the incremental cost of purchasing or leasing vehicles operated using alternative fuels over the cost of vehicles operated using conventional gasoline or diesel fuels. The program could also provide a grant to a state agency, county, or municipality to lease or purchase and install refueling infrastructure and equipment that would store and dispense the alternative fuel needed for a motor vehicle, and would also provide for the procurement of infrastructure services. The TCEQ would establish specific criteria and procedures to implement and administer the program, including the creation and provision of application forms and guidance on the application process. The TCEQ would be required to provide an online application for the submission of all required application documents. The bill provides for specific prioritization for the TCEQ to use in awarding grants. Funding for alternative fueling stations would be limited to 10 percent of total grant awards.

The bill would provide for the governmental alternative fuel fleet grant program as an eligible use of General Revenue-Dedicated Texas Emissions Reduction Plan (TERP) Account No. 5071 funding. The bill would limit the use of TERP funding for the program to not more than 3 percent of the balance in the account at the beginning of each fiscal year. The bill would authorize appropriations to the TCEQ from the General Revenue-Dedicated Texas Emissions Reduction Plan (TERP) Account No. 5071 to administer the grant program, not to exceed 0.75 percent of the total amount of money awarded under the program in that fiscal year and not to exceed \$1.0 million. The bill would require TCEQ to submit a biennial report including information on grant awards made under the program.

This bill would take effect September 1, 2015. Chapter 395 of the Health and Safety Code and provisions relating to TERP Account would expire August 31, 2025.

Methodology

With regard to the grant program, this estimate assumes that the Legislature would appropriate 3 percent of the balance in the TERP Account No. 5071. Based on the Comptroller's Biennial Revenue Estimate for 2016-17 of a fiscal year 2016 beginning balance of \$959.1 million, it is assumed that \$28.77 million would be appropriated per fiscal year beginning in fiscal year 2016, of which not more than \$2.9 million would be available for alternative fueling station funding. That amount could increase or decrease in future years depending on how much the Legislature would appropriate from the account, as well as actual revenues to the account.

TCEQ reports that it would require additional resources to administer the grant program established by the bill. This estimate assumes that appropriations would be limited to 0.75 percent of the amount of grant funds, or \$215,775 per fiscal year. This amount represents a portion of the total cost to the TERP Account No. 5071 shown in the table above. This estimate assumes that funding would provide for 3.0 additional FTEs. The TCEQ identified the need for additional funding for professional service contract costs in fiscal year 2016 for the development of the online application system required by the bill. These costs are not included because this estimate assumes that any costs in excess of the \$215,755 per fiscal year authorized for administration would reasonably be absorbed using existing agency resources.

Although the cost to convert the entire state fleet of vehicles to alternative fuels could be much greater than the estimate included in the table above, this estimate assumes that agencies would only convert their fleets to the extent that alternative fuel vehicle purchases are priced similarly to conventional fuel vehicles or to the extent that agencies would receive funding from the grant program established by the bill. Existing language in Government Code, Section 2158.0013 provides that purchasing requirements relating to alternatively fueled vehicles established by Government Code, Subchapter A do not apply if a state agency demonstrates that the state agency will incur net costs in meeting the requirements of the subchapter, and the bill provides additionally that fleets be converted to alternative fuels only when feasible. Thus, it is assumed that state agencies would only comply with the goals for alternative fuel fleet conversions when funds would be made available for that purpose or when no net costs would be incurred.

This estimate assumes that \$25.7 million would be available for fleet conversions grants, after accounting for the 10 percent authorized funding for alternative fueling stations and the 0.75 percent allocation for administrative costs. This estimate assumes that \$6.9 million annually would be used to convert 865 light-duty vehicles at a cost of \$8,000 each; \$4.6 million annually would be used to convert 360 medium-duty vehicles at a cost of \$13,000 each; and \$14.1 million annually would be used to convert 216 heavy-duty vehicles at a cost of \$65,000 each. The average conversion cost for such vehicles was supplied by Texas Commission on Environmental Quality.

Local Government Impact

Local governments could incur impacts in converting their fleets to alternative fuel vehicles. This estimate assumes that local governments would only convert their fleets to the extent that alternative fuel vehicle purchases are priced similarly to conventional fuel vehicles or to the extent that local governments would receive funding from the \$25.7 million per fiscal year appropriated for the grant program. Therefore, the bill could result in savings to a local government in an amount equivalent to the grant funding provided by the TCEQ.

Source Agencies: 551 Department of Agriculture, 576 Texas A&M Forest Service, 582 Commission on Environmental Quality, 601 Department of Transportation, 696 Department of Criminal Justice, 710 Texas A&M University System

Administrative and General Offices, 720 The University of Texas System
Administration, 808 Historical Commission, 304 Comptroller of Public
Accounts

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