LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 2, 2015

TO: Honorable Troy Fraser, Chair, Senate Committee on Natural Resources & Economic Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB12** by Uresti (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 SB12, 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	($28,700,000)	3.0
2017	($28,700,000)	3.0
2018	($28,700,000)	3.0
2019	($28,700,000)	3.0
2020	($28,700,000)	3.0

Fiscal Analysis

The bill would amend Subchapter A of Chapter 2158 of the Government Code, regarding state purchases of passenger vehicles, to add new Section 2158.0051 to establish the state's intent that the motor vehicle fleet of a state agency with 15 or more vehicles be converted to alternative fuel vehicles or replaced with alternative fuel vehicles. Counties and municipalities with fleets of 15 or more vehicles would be authorized but not required to convert fleets in the same manner as state agencies. Alternative fuel is defined in the bill 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 provide guidance on the prioritization of vehicles in the fleets of states agencies and local governments.

The bill would amend Chapter 403 of the Government Code, regarding the Comptroller of Public Accounts, to add new Subchapter R to provide for the Governmental Alternative Fuel Fleet (GAFF) grant program. The Comptroller would establish and administer a new governmental alternative fuel fleet grant program that would assist an eligible state agency, county, or municipality with the purchase or lease of new motor vehicles that operate primarily on an alternative fuel. The bill specifies that a grant for the purchase or lease of alternative fuel vehicles may 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 purchase and install refueling infrastructure and equipment that would store and dispense the alternative fuel needed for a motor vehicle. The Comptroller 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. If the Legislature would appropriate funds from General Revenue-Dedicated Texas Emissions Reduction Plan (TERP) Account No. 5071 for the grant program, the Comptroller would use those funds for that purpose, up to a total amount equal to 3 percent of the cash balance in the account at the beginning of each fiscal year. The bill also authorizes the use of TERP Account No. 5071 funds to pay Comptroller costs in administering the grant program, and it would add the GAFF grant program to the list of authorized uses of TERP Account No. 5071 funds for grant purposes established in Health and Safety Code, Section 386.051(b)

This bill would take effect September 1, 2015. The Emissions Reduction Plan funding provisions would expire August 31, 2025.

Methodology

This estimate assumes the Comptroller would delegate administration of the proposed GAFF grant program to the State Energy Conservation Office (SECO) which is overseen and administered by the Comptroller. SECO would require an additional three full-time equivalent (FTE) positions to develop specific criteria, procedures, and application forms to implement and administer the program, including establishing standardized grant amounts based on the incremental costs associated with the purchase or lease of different categories of motor vehicles, including the type of fuel used and vehicle class. The three FTE positions would include a program manager, grant coordinator and accountant with total salaries, benefits, and associated operating expenses of $261,204 in each fiscal year. Because the bill authorizes the use of TERP Account No. 5071 funds for the Comptroller's costs in administering the GAFF program, this estimate assumes those costs would be paid out of the 3 percent of the TERP Account balance authorized for the GAFF program by the bill.

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 $28.7 million would be appropriated per fiscal year beginning in fiscal year 2016, with $28.4 million available for grants and $0.3 million for Comptroller administrative costs. 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.

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. 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 $7.2 million per fiscal year would be used for grants to six alternative fueling stations at a cost of $1.2 million each. The remaining $21.2 million in grant funds would be used for the costs of fleet conversions. This estimate assumes that $5.7 million annually would be used to convert 715 light-duty vehicles at a cost of $8,000 each; $3.9 million annually would be used to convert 298 medium-duty vehicles at a cost of $13,000 each; and $11.6 million annually would be used to convert 179 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 $28.4 million per fiscal year appropriated for the grant program. Therefore, the bill could result in savings to a county or city in an amount equivalent to the grant funding provided by the Comptroller. Travis County reported that there would be a positive fiscal impacted based on the availability of funds; however, no significant fiscal impact is anticipated. Harris County reported that costs to convert its entire fleet would be substantial; however, this estimate assumes the county would only opt to convert its fleet to the extent that no significant net costs are incurred.

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

LBB Staff: UP, SZ, MW, TL, KVe, LCO, JN