LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 9, 2015

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **SB603** by Hinojosa (Relating to the Texas Emissions Reduction Plan.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB603, 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, Six-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	$0
2017	$0
2018	$0
2019	$0
2020	$0
2021	$0

All Funds, Six-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Texas Emissions Reduction Plan* 5071
2016	$0
2017	$0
2018	$0
2019	$0
2020	($78,618,427)
2021	($78,618,427)

Fiscal Analysis

The bill would amend the Health and Safety Code to extend the expiration date for several of the programs within the Texas Emissions Reduction Plan (TERP). The following programs would expire under current law on August 31, 2019, but would be extended until August 31, 2021 upon enactment of the bill: the Diesel Emissions Reduction Incentive (DERI) program; the Drayage Truck Incentive (DTI) Program; the Texas Clean School Bus (CSB) Program; and the New Technology Implementation Grant (NTIG) Program. The following programs which would expire under current law on August 31, 2017 would be extended until August 31, 2021 upon enactment of the bill: the Texas Clean Fleet Program (TCFP), the Texas Natural Gas Vehicle Grant (NGVG) Program; and the Clean Transportation Triangle (CTT) Program. The Light-Duty Motor Vehicle Purchase or Lease Incentive (LDPLI) Program which will expire under current law on August 31, 2015 would be extended to August 31, 2017. The Alternative Fueling Facilities (AFF) Program would be extended from August 31, 2018 to August 31, 2020.

The bill would take effect immediately upon receiving a two-thirds majority vote in both houses; otherwise, the bill would take effect September 1, 2015.

Methodology

During fiscal years 2016 and 2017, fiscal impacts of the bill would be limited to the LDPLI program because it is the only program affected by the bill set to expire prior to September 1, 2017. Because funding in the General Revenue-Dedicated TERP Account No. 5071 is allocated to the LDPLI program as a 5 percent statutory allocation, and because statute provides that the DERI program receives all TERP Account No. 5071 funding that is not otherwise allocated, under current law the $3.9 million in annual allocations to the LDPLI program in 2014-15 would be instead allocated to the DERI program beginning in fiscal year 2016, as provided in Rider 19 of Senate Bill 2, As Introduced. Upon passage of the bill, the LDPLI would maintain the $3.9 million allocation in 2016-17, and the DERI program would receive the same allocation as during 2014-15, instead of receiving an increased allocation under current law. This estimate assumes that there would be no change in total appropriations out of the TERP Account No. 5071 in 2016 and 2017.

Beginning in fiscal year 2018, this estimate assumes that the LDPLI allocation of $3.9 million annually would shift to the DERI program instead.

In fiscal years 2018 through 2019, the TCFP, NGVG, and CTT programs, which would receive no funding in those years would, upon enactment of the bill continue receiving their current TERP Account No. 5071 allocations of 5 percent for the TCFP program, 16 percent for the NGVG program, and 5 percent for the CTT program. These allocations in 2014-15 are $3.9 million, $12.4 million, and $3.9 million, respectively. Under current law, this combined $20.2 million allocation would be allocated instead to the DERI program for fiscal years 2018 and 2019. The AFF program, which under current law would expire at the end of fiscal year 2018, would continue to receive its current 5 percent, or $3.9 million, annual allocation upon enactment of the bill. This estimate assumes that there would be no change in total appropriations out of the TERP Account No. 5071 in 2018 and 2019

In fiscal years 2020 and 2021, this estimate assumes that the current amount of TERP funds would continue at current levels to fund the DERI, DTI, CSB, and NTIG programs which would continue to operate, whereas under current law, appropriations out of the TERP Account No. 5071 to the TCEQ would be eliminated. Thus, in the table above a cost to the TERP Account No. 5071 is shown equal to the 2014-15 appropriations to the TCEQ of $77.6 million per year, plus $0.1

million in related employee benefits.

The bill does not address the revenue stream to the TERP Account No. 5071. Fees currently deposited to the account expire on August 31, 2019. However, because the Comptroller estimates a TERP Account No. 5071 balance of $1,067 million on August 31, 2015, and revenues to the TERP Account are expected to exceed appropriations and related employee benefits costs by an estimated $291.7 million under 2014-15 appropriations levels, this estimate assumes that there would be sufficient balances in the TERP Account No. 5071 to cover appropriations for the program in 2020-21.

Although enactment of the bill would require the TCEQ to retain the 49.0 Full-Time Equivalent (FTE) currently administering the TERP program in 2020 and 2021, no increase in FTEs is shown in the table above because, although these FTEs would otherwise be eliminated under current law, the FTE level would not change compared to fiscal year 2015.

Local Government Impact

Local governments could experience a positive fiscal impact if they would receive grants from any of the TERP programs being extended by the bill. The impact would depend on whether a local entity that would qualify for such grants.

Source Agencies: 582 Commission on Environmental Quality

LBB Staff: UP, SZ, MW, TL