

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 10, 2017

TO: Honorable John Kuempel, Chair, House Committee on Licensing & Administrative Procedures

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2174** by Darby (Relating to the regulation of motor fuel quality and motor fuel metering devices.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2174, As Introduced: an impact of \$0 through the biennium ending August 31, 2019.

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
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1	Probable Revenue Gain from General Revenue Fund 1	Probable Revenue Gain from Appropriated Receipts 666	Probable Revenue (Loss) from Appropriated Receipts 666
2018	(\$4,992,805)	\$4,992,805	\$238,737	(\$238,737)
2019	(\$4,992,805)	\$4,992,805	\$238,737	(\$238,737)
2020	(\$4,992,805)	\$4,992,805	\$238,737	(\$238,737)
2021	(\$4,992,805)	\$4,992,805	\$238,737	(\$238,737)
2022	(\$4,992,805)	\$4,992,805	\$238,737	(\$238,737)

Fiscal Year	Change in Number of State Employees from FY 2017
2018	(10.0)
2019	(10.0)
2020	(10.0)
2021	(10.0)
2022	(10.0)

Fiscal Analysis

The bill would amend Texas Agriculture Code, Chapter 13, to define a "motor fuel metering device" and to require the Texas Department of Agriculture (TDA) to contract with license holders to perform required motor fuel metering device registration and inspection activities. The bill would exempt the motor fuel metering devices from inspection and registration requirements for weighting and measuring devices. The bill would add inspection requirements for motor fuel metering devices, requiring that the devices be inspected at least once every two years. The bill would also add annual registration requirements for motor fuel metering devices; applications for registration must include a registration fee required by Texas Agriculture Code, Section 13.1151 to recover the costs of registration and inspection of the motor fuel metering devices. The bill would require that the specifications and tolerances for motor fuel metering devices be the same as those recommended by the National Institute of Standards and Technology.

The bill would amend Texas Agriculture Code, Chapter 17, to require TDA to contract with license holders to perform activities related to the sale and regulation of certain fuel mixtures. The bill would amend testing and sampling requirements to allow a contracted entity to perform them, and would require the contracted entity to follow certain collection, sampling, and handling procedures. Stop-sale orders or shutdown of dispensing devices would have to be based on laboratory results confirming a violation.

The bill would take effect September 1, 2017.

Methodology

TDA estimates that approximately 14.0 FTEs would be eliminated from the Fuel Quality program and the Weights and Measures program as a result of the privatization of certain inspection and registration activities. TDA estimates that approximately 8.0 of these FTEs are currently funded through cost-recovered General Revenue in the Weights and Measures program and have a total cost of \$477,315 for salaries and other benefits expenses each fiscal year. This analysis assumes that the savings associated with these 8.0 FTEs would be offset by a reduction in fee revenue deposited to the credit of the General Revenue Fund. TDA estimates that 6.0 of the FTEs are currently funded through Appropriated Receipts in the Fuel Quality program and have a total cost of \$357,986 for salaries and other benefits expenses each fiscal year. This analysis assumes that the savings associated with these 6.0 FTEs would be offset by a reduction in fee revenue deposited as Appropriated Receipts. In addition, there is an indeterminate amount of savings associated with other operating expenses and miscellaneous administrative expenses as a result of elimination of these functions.

TDA estimates that implementing and overseeing the contract required by the bill would require 4.0 additional FTEs, with approximately 2.7 of these FTEs funded by cost recovery General Revenue in the Weights and Measures program and 1.3 of the FTEs funded by Appropriated Receipts in the Fuel Quality program. The 2.7 FTEs funded by cost recovery General Revenue are

estimated by TDA to have a total cost of \$232,895 each fiscal year; the 1.3 FTEs funded by Appropriated Receipts are estimated by TDA to have total cost of \$119,250.

TDA estimates that license service companies charge a rate of \$75 per hour plus a \$45 trip charge for travel. A typical location selling retail motor fuel has an average of 20 meters in operation, and that approximately 1.5 hours of inspection time would be required to inspect these devices, according to the agency. The fuel quality sample charge is \$2.13 per meter. TDA therefore estimates that the average cost of inspection at a typical location would total approximately \$200 per location, or \$10 per meter. The number of meters TDA estimates the contracted service would be required to inspect every two years, as required by the bill, is 280,000 meters. The cost of these inspections is estimated to total \$2,800,000 per biennium, or \$1,400,000 each fiscal year.

The bill would also require that the fuel quality samples be tested routinely and as a result of complaints by the contracted entity. TDA estimates that 20,527 routine samples would be required to be tested per biennium under the provisions of the bill, and 1,400 samples are tested as result of complaints per biennium. Testing each sample costs \$350, according to the agency, for a total biennial cost of \$7,674,450, or \$3,837,225 each fiscal year.

Metering services and laboratory testing activities would total \$5,237,225 each fiscal year. This analysis assumes that the cost of the contract would be recovered by fees deposited to the credit of the General Revenue Fund each fiscal year.

Local Government Impact

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts, 551 Department of Agriculture

LBB Staff: UP, CL, MW, MSO