LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

April 17, 2017

TO: Honorable Joseph Pickett, Chair, House Committee on Environmental Regulation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2682** by Reynolds (Relating to the administration of and funding for the Texas emissions reduction plan.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2682, 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 *Texas Emissions Reduction Plan* 5071	Probable Revenue Gain from *Texas Emissions Reduction Plan* 5071	Probable (Cost) from *State Highway Fund* 6	Change in Number of State Employees from FY 2017
2018	$0	$0	$0	5.0
2019	$0	$0	$0	5.0
2020	($118,131,504)	$239,446,000	($142,756,000)	5.0
2021	($118,131,504)	$241,688,000	($144,998,000)	5.0
2022	($118,131,504)	$243,930,000	($147,240,000)	5.0

Fiscal Analysis

The bill would extend the Texas Emissions Reduction Plan (TERP) program, currently set to expire on August 31, 2019, to the August 31, 2025. The Clean School Bus (CSB) program, the New Technology Implementation Grant (NTIG) program, the Texas Clean Fleet (CF) program, and the Texas Natural Gas Vehicle Grant (NGVG) program would each be extended from August 31, 2019 to August 31, 2025.

The bill would amend Texas Health and Safety Code, Chapter 386, Subchapter D-1 to change the name of the Drayage Truck Incentive program to the Seaport and Rail Yard Areas Emissions Reduction program, and to add cargo handling equipment to the program.

The bill would amend Texas Health and Safety Code, Section 386.205 to require the Public Utility Commission (PUC) to amend the reporting requirements to include quantified reductions in the emissions of each air contaminant subject to the permitting requirements in Clean Air Act, Chapter 382.

The bill would amend Texas Health and Safety Code, Chapter 386 to require TCEQ to seek comments and suggestions regarding minimizing paperwork and reducing the administrative burden from stakeholders for the Diesel Emissions Reduction Incentive Grant (ERIG) program, and to post on the internet those comments and suggestions. The bill would amend application requirements for the ERIG program and would amend the Small Business Incentives program requirements.

The bill would amend Texas Health and Safety Code, Section 386.252 to allow the Texas Commission on Environmental Quality (TCEQ) to reallocate funding between TERP programs based on demand for grants under particular programs. The bill would remove various caps on program funding, such as the 3 percent cap on the NTIG program, or minimum spending levels, such as the 16 percent minimum on the NGVG program. The allocation of $3,000,000 currently dedicated to a regional air monitoring program is replaced by an allocation of $2,000,000 to provide funding for grants for air monitoring activities in affected counties not otherwise required by state or federal law to be implemented. The allocation of not more than $200,000 for a health effects study is removed and replaced with an allocation of not more than $500,000 to be used for certain studies or pilot programs. The bill would allocate not more than $2,000,000 for a new alternative leak detection technology grant program. The bill would allow funding previously appropriated solely for administrative expenses to be used for both administrative expenses and outreach and education activities. The bill would remove an allocation of 1.5 percent of TERP funds for the Texas A&M Engineering Experiment Station (TEES) for administrative costs, but it would provide that funds in the TERP Account No. 5071 could still be allocated to TEES for administrative costs.

The bill would amend Texas Health and Safety Code, Chapter 390 to expand eligibility for the CSB program to include replacement of a pre-2007 model year school bus.

The bill would amend Texas Health and Safety Code, Chapter 391 to make changes to the NTIG program, changing the eligibility of emissions sources under the program from "point sources" to "stationary sources." The list of projects eligible for funding under the NTIG program would be expanded to include new technology projects that reduce emissions from oil and gas production, storage, and transmission activities through replacement, repower, or retrofit of stationary compressor engines or installation of systems to reduce or eliminate flaring of gas or the burning of gas using other combustion control device, and electricity storage projects that improve grid reliability and air quality by reducing transmission congestion.

The bill would amend Texas Health and Safety Code, Chapter 392 to remove methanol from the list of eligible alternative fuels under the CF program and changes various requirements concerning grant applications.

The bill would amend Texas Health and Safety Code, Chapter 393 to combine the Alternative Fueling Facilities (AFF) program and the Clean Transportation Triangle (CTT) program into one program under the AFF program name; the combined program would be extended from August 31, 2018 to August 31, 2025. The funding allocations for the two programs, each receiving 5 percent of TERP funding under current law, would be allocated an initial value of 10 percent, subject to reallocation. The bill would amend the definition of alternative fuel to remove methanol and add truck stop electrification or high-capacity batteries to reduce truck idling. The bill would amend the definition of the Clean Transportation Triangle to include a new "Southern Area", defined as counties between Laredo, San Antonio, and Corpus Christi, as well as areas designated as nonattainment or near nonattainment. There areas would be eligible for AFF program funding. The bill establishes funding limits for projects involving natural gas and liquefied petroleum gas, and projects involving other alternative fuels.

The bill would amend Texas Tax Code, Sections 151.0515 (d) and 152.0215 (c), and Texas Transportation Code, Section 502.358 (c) and 548.5055 to extend fees and surcharges providing revenue to the General Revenue-Dedicated Texas Emissions Reduction Plan (TERP) Fund No. 5071 that are currently set to expire on August 31, 2019 to August 31, 2025. The bill would amend Texas Transportation Code, Section 501.138 (b-3) to extend the transfer from the State Highway Fund (SHF) to the TERP Fund from certain certificate of title fees from August 31, 2019 to August 31, 2025.

The bill would apply only to a TERP grant awarded on or after the effective date of the bill. TCEQ would be required to post on the agency's website the comments and suggestions received by stakeholders concerning the ERIG program, as well as implementing certain of these comments and suggestions, no later than December 31, 2017. The bill would take effect August 30, 2017.

The bill would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Methodology

PUC estimates that implementing the amended reporting requirements could be accomplished using existing resources.

TCEQ estimates that additional staff with expertise in the oil and gas field would be required due to the expansion of the types of NTIG projects that are eligible for TERP funding to include oil and gas-related activities. TCEQ analysis indicates that an additional 2.0 FTEs (an Engineering Specialist, and a Financial Analyst) would be required to implement the provisions of the bill.

TCEQ also estimates that additional staff would be required to implement and administer the new studies and pilot programs established in place of the health effects study, and the new leak detection grant program. TCEQ analysis indicates that an additional 2.0 FTEs (a Planning Specialist and Contract Specialist) would be required to implement the provisions of the bill. TCEQ estimates that an additional FTE (a Program Supervisor) would be necessary to provide programmatic and staff supervision. This analysis assumes that the cost of these 5.0 FTEs could be absorbed within existing resources.

Under current law, revenue supporting the TERP Fund would expire August 31, 2019; this analysis assumes no new revenue collections as a result of this bill in fiscal years 2018 and 2019. The provisions of the bill would extend this revenue collection until August 31, 2025. Based on the analysis of the Comptroller of Public Accounts (CPA), it is assumed that the revenue collected each fiscal year from 2020 through 2025 would total $96,690,000. This amount does not include the current transfer from the SHF to the TERP Fund. This analysis also assumes no fiscal impact for this funding transfer in fiscal years 2018 and 2019 and that the amount transferred would increase each fiscal year. The estimated transfer amounts for each fiscal year are reflected as costs to the SHF in the table above.

This estimate was made assuming that current TERP program activities would continue to be funded at 2016-17 funding levels of $118,131,504 each fiscal year. This analysis assumes no new costs from the TERP fund as a result of this bill in fiscal years 2018 and 2019. Due to the provisions of the bill, allocation amounts between programs would vary.

This estimate assumes that appropriations to TEES for TERP activities would remain at 2016-17 levels. This estimate assumes that no additional funds would be appropriated out of the TERP Account No. 5071 because of the bill's expansion of the areas eligible for CTT program funding. Because the bill does not increase the maximum statutory allocation for CTT grant funding of 5 percent of TERP funding, this estimate assumes that funding for the program would remain constant, while the number of entities eligible to apply for funding would increase.

Local Government Impact

The local governments in counties contained within the bill's definition of the Clean Transportation Zone could become recipients of TERP grant awards. The extent of such funding would depend on the number of grant applications from those counties and whether those applications were competitive relative to other TERP grant applications TCEQ would receive.

Source Agencies: 304 Comptroller of Public Accounts, 405 Department of Public Safety, 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality, 601 Department of Transportation, 712 Texas A&M Engineering Experiment Station

LBB Staff: UP, SZ, MW, MSO, PM