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: **HB3479** by Pickett (Relating to the Texas emissions reduction plan and other related programs and measures to reduce emissions.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3479, 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/(Loss) from *Texas Emissions Reduction Plan* 5071	Probable Savings from *State Highway Fund* 6
2018	$0	($242,100,000)	$145,410,000
2019	$0	($244,281,000)	$147,591,000
2020	($118,131,504)	$0	$0
2021	($118,131,504)	$0	$0
2022	($118,131,504)	$0	$0

Fiscal Analysis

The bill would amend Texas Health and Safety Code, Section 386.002, to extend the Texas Emissions Reduction Plan (TERP) program, currently set to expire on August 31, 2019, to the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone. The bill would amend Texas Health and Safety Code, Chapter 392, to extend the Texas Clean Fleet (CF) program and the Texas Natural Gas Vehicle Grant (NGVG) program, both currently set to expire on August 31, 2017, to the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone. The bill would amend Texas Health and Safety Code, Chapters 390, 391, and 393 to accelerate the expiration date of the Clean School Bus (CSB) program, the New Technology Implementation Grant (NTIG) program, the Alternative Fueling Facilities (AFF) program, and the Clean Transportation Triangle (CTT) program to be August 31, 2017; these programs are currently set to expire on August 31, 2019.

The bill would amend application requirements for the Emissions Reduction Incentive Grant (ERIG) program and would amend the Small Business Incentives program requirements. The bill would amend Texas Health and Safety Code, 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, Chapter 392, to amend application requirements and conditions of a grant awarded under the CF program. The bill would amend Texas Health and Safety Code, Chapter 394 to combine certain aspects of the CTT program with the NGVG program, to 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.

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 program allocation amounts for the CF program would remain at 5 percent; the NGVG program allocation would be reduced from 16 percent to 10 percent; the cap of 5 percent on the Drayage Truck Incentive program, renamed the Seaport and Rail Yard Areas Emissions Reduction program by the bill, would be removed and the allocation would remain at 2 percent; the allocation for administrative expense would remain at 4 percent, with a minimum of $4,000,000 and a maximum of $7,000,000 each fiscal year, and would be expanded to allow for use on outreach and education activities in addition to administrative expenses; the allocation of $216,000 for the contract with Texas A&M Engineering Experiment Station would remain the same; the Diesel Emissions Reduction Incentive Grant (ERIG) program would be allocated the balance remaining, as in current law. 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. Funding for the CSB program, the NTIG program, the regional air monitoring program, the CTT program, the AFF program, the research related to air quality, the health effect study, and the light duty motor vehicle purchase or lease incentive program would be removed.

The bill would suspend revenue collections authorized by Texas Tax Code, Sections 151.0515 and 152.0215, and Texas Transportation Code, Sections 502.358 and 548.5055, to the General Revenue-Dedicated Texas Emission Reduction Plan Fund No. 5071 (TERP Fund) for a period beginning September 1, 2017, and ending August 31, 2025, provided the fee collection statute has not expired prior to that date. If TCEQ and the Comptroller were to estimate that the balance in the TERP Fund at an amount that continued appropriations, transfers, and other deductions from the fund for the following state fiscal biennium at then-current levels would cause the balance to fall to an amount less than $500,000,000, then the suspension period would terminate early, and the collection of the fees would resume beginning September 1 of the following state fiscal biennium, or as soon thereafter as is feasible. The bill would extend the expiration date of the revenue collections currently deposited to the TERP Fund to five years after the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone.

The bill would amend Texas Transportation Code, Section 501.138(b-1) to remove language authorizing the transfer of $5 of the fees collected as a result of Section 501.138 to the TERP Fund if those fees were collected on or after September 1, 2008, and before September 1, 2015. The bill would amend Texas Transportation Code, Section 501.138 by accelerating the expiration date of the authorized transfer from the State Highway Fund (SHF) to the TERP Fund in an amount equal to the collection of fees authorized by Section 501.138 to the Texas Mobility Fund (TMF) to be August 31, 2017; the transfer is currently set to expire August 31, 2019.

The bill would apply only to a TERP grant awarded on or after the effective date of the bill. The bill would apply only to a fee or surcharge collected on or after the effective date of the bill. 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

Under current law, revenue supporting the TERP Fund would expire August 31, 2019. This analysis assumes that the suspension of revenue collections would not be interrupted before or during fiscal year 2022. It also assumes a revenue loss to the TERP Fund would be realized in fiscal years 2018 and 2019. The Comptroller estimates that this revenue would total $96,690,000 each fiscal year. No fiscal implications are anticipated in fiscal year 2020 or future fiscal years.

The transfer from the SHF to the TERP Fund is set to expire under current law on August 31, 2019; the bill would amend the expiration date for the statute authorizing this transfer to occur on August 31, 2017, resulting in a revenue loss to the TERP Fund and a revenue gain in the SHF in fiscal years 2018 and 2019. This transfer is estimated by the Comptroller to total $145,410,000 in fiscal year 2018 and $147,591,000 in fiscal year 2019. No fiscal impact is estimated in fiscal year 2020 and future fiscal years.

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. Allocation amounts for TERP programs would vary due to the removal of certain programs and the allocation changes made by the bill. 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 Fund because of the bill's expansion of the areas eligible for NGVG program funding, while the number of entities eligible to apply for funding would increase.

Local Government Impact

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

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

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