LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 27, 2017

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HR2614** by Landgraf (Suspending limitations on conference committee jurisdiction, S.B. No. 1731.)

Estimated Two-year Net Impact to General Revenue Related Funds for HR2614, As Introduced: an impact of $0 through the biennium ending August 31, 2019.

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	Change in Number of State Employees from FY 2017
2018	($47,076,977)	6.0
2019	($47,064,377)	6.0
2020	($164,900,881)	6.0
2021	($164,900,881)	6.0
2022	($164,900,881)	6.0

Fiscal Analysis

The bill would 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 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 the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone.

The bill would 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 the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone.

The bill would allow the Texas Commission on Environmental Quality (TCEQ) to reallocate funding between TERP programs based on demand for grants. The bill would remove various caps and minimum spending levels on programs. The bill would reduce the initial allocation for the NGVG program from 16 percent to 10 percent, specify that the amount to be allocated for supporting research related to air quality be no more than $750,000, and would increase the initial allocation for the Seaport and Rail Yard Areas Emissions Reduction program from 2 percent to 6 percent. The bill would allocate $6,000,000 to the combined AFF program instead of 10 percent, and would prohibit allocating funding to the AFF program in fiscal year 2019.

The bill would remove an allocation of 1.5 percent of TERP funds for the Texas A&M Engineering Experiment Station (TAMEES) for administrative costs, but it would provide that funds from the General Revenue-Dedicated Texas Emissions Reduction Plan Account No. 5071 (TERP account) could still be allocated to TAMEES for administrative costs.

The bill would allocate a maximum of $500,000 for conducting studies or pilot programs for incentives for port authorities located in nonattainment areas or affected counties to encourage cargo movement that reduces emissions. The bill would allocate a maximum of $2,500,000 for conducting research and other activities in order to demonstrate to the United States Environmental Protection Agency the impact of foreign emissions or an exceptional event.

The bill would renew the Light- Vehicle Purchase or Lease Incentive (LDMVPLI) program; this program expired on August 31, 2015. The program would provide incentive grants for the purchase or lease of vehicles powered by compressed natural gas or liquefied petroleum gas and electric drive vehicles powered by battery or a hydrogen fuel cell. The LDMVPLI program would expire at the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone.

The bill would create the Governmental Alternative Fuel Fleet Grant (GAFFG) program, which would provide grants to an eligible state agency, county, municipality, or political subdivision in purchasing or leasing new motor vehicles that operate primarily on compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen fuel cells, or electricity, including fully electric motor vehicles or plug-in hybrid electric vehicles. No more than 10 percent of the total amount awarded in any fiscal year may be used for purchasing, leasing, installing, or procuring refueling infrastructure, equipment, or services. TCEQ is required to provide an online application process for application submissions, which the agency estimates may take two years to complete; the bill allows TCEQ to accept applications in any manner provided by the agency until the online application process is implemented. TCEQ would be required to submit a report on or before November 1 of each even-numbered year with information on grants awarded under the program. Funding for this program would be appropriated by the legislature from the TERP account, and expenditures may not exceed 3 percent of the balance in the TERP account at the beginning of each fiscal year. Administrative expenses are capped at 1.5 percent of the total amount allocated to the GAFFG program in one fiscal year up to $1,000,000. TCEQ has indicated that at maximum program funding levels for fiscal year 2018, the administrative expenses cap may be too low to effectively administer the program, especially if the online application system is not funded through a separate appropriation.

Methodology

The TERP LDMVPLI program renewal is limited to funding 1,000 incentives for light-duty motor vehicles powered by compressed natural gas or liquefied petroleum gas in the amount of $5,000 per incentive in the biennium, and 2,000 incentives for light-duty motor vehicles powered by electric drive in the amount of $2,500 per incentive in the biennium, for a total program cost of $5,000,000 for the biennium, or $2,500,000 each fiscal year.

This estimate is based on GAFFG program funding being 3 percent of the ending fund balance in the TERP Fund at the end of fiscal year 2017; according to the Comptroller's 2018-19 Biennial Revenue Estimate, this fund balance will be $1,384,166,000. The GAFFG program's maximum funding for fiscal year 2018 would be $41,524,980. This estimate assumes a program allocation of this amount each fiscal year that follows. TCEQ estimates that the cost of implementing an online application system for the GAFFG program would cost $300,000 in the first year and $300,000 in the second year for system design, development, and implementation. Ongoing maintenance costs are estimated to be $5,000 per fiscal year. These costs would be funded from the TERP account and are also included in the 3 percent funding total. TCEQ estimates that, in order to administer and implement the new GAFFG program, 3.0 FTEs would be required (two planner positions to administer the program processes and a contract specialist). Fewer FTEs would be needed if appropriations were lower.

The bill would expand the types of NTIG projects that would be eligible for TERP funding to include oil and gas-related activities. TCEQ estimates additional staff with expertise in the oil and gas field would be required. It is estimated that an additional 2.0 FTEs (an engineering specialist, and a financial analyst) would be required in the NTIG program.

Based on estimates provided by TCEQ, an additional program supervisor would be required in the Implementation Grants Section of the TERP program. The 6.0 additional FTEs that would be necessary as a result of the bill and the associated capital and operational needs would cost $538,287 in fiscal year 2018 and $513,087 in fiscal year 2019. The continuing costs of these FTEs and associated operational expenses would continue at fiscal year 2019 levels in future years.

This estimate was made assuming that current TERP program activities would continue to be funded at 2016-17 funding levels, and that the new requirements concerning the renewal of the LDMVPLI program, the expansion of the NTIG program, and the implantation of the GAFFG program are funded in addition to existing TERP program activities. However, total appropriations to existing TERP programs could be reduced in order to shift funding to these new initiatives, while keeping expenditures from the TERP account the same as in the 2016-17 biennium.

This estimate assumes that any administrative expenses associated with making DERIG applications available on the agency's website would be funded through this continuation of 2016-17 appropriations, and that appropriations to TAMEES 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 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.

Beginning in fiscal year 2020, this estimate assumes that the current amount of TERP funds would continue at current levels to fund the various existing programs whereas under current law, appropriations out of the TERP Fund to TCEQ would be eliminated. Thus, in the table above a cost to the TERP Fund is included equal to the annual appropriations to TCEQ of $118,131,504 per year for the TERP program in the 2016-17 biennium.

To the extent that appropriations pursuant to this bill reduce the available balance in the TERP Fund, there would be a cost to certification.

Technology

The online application system required by the bill for the GAFFG program would cost $300,000 in each fiscal year of the 2018-9 biennium. Recurring maintenance costs for the system would total $5,000 each fiscal year starting in 2020.

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.

According to the Texas Municipal League, some municipalities would be eligible for grants under the alternative fleet grant program; however, the fiscal impact cannot be determined at this time as the amount of funds that might be dispersed to cities through the grant program is unknown.

According to the Texas Conference of Urban Counties, the fiscal impact to counties is not anticipated to be significant.

Source Agencies:

LBB Staff: UP, AG, MSO