LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 8, 2019

TO: Honorable J. M. Lozano, Chair, House Committee on Environmental Regulation

FROM: John McGeady, Assistant Director   Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **HB2581** by Reynolds (Relating to the administration of and funding for the Texas emissions reduction plan; reducing a surcharge.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2581, As Introduced: an impact of $0 through the biennium ending August 31, 2021.

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
2020	$0
2021	$0
2022	$0
2023	$0
2024	$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *State Highway Fund* 6	Probable Revenue Gain/(Loss) from *Texas Mobility Fund* 365	Probable Revenue Gain/(Loss) from *Texas Emissions Reduction Plan* 5071	Probable Savings/(Cost) from *Texas Emissions Reduction Plan* 5071
2020	($121,943,000)	$121,943,000	$211,790,000	($400,000)
2021	($125,601,000)	$125,601,000	$220,432,000	($400,000)
2022	($129,369,000)	$129,369,000	$227,045,000	($400,000)
2023	($133,250,000)	$133,250,000	$233,857,000	($400,000)
2024	($137,248,000)	$137,248,000	$240,873,000	($400,000)

Fiscal Year	Change in Number of State Employees from FY 2019
2020	5.0
2021	5.0
2022	5.0
2023	5.0
2024	5.0

Fiscal Analysis

The bill would amend the Health and Safety, Tax, and Transportation Codes to require the Comptroller of Public Accounts and the State Energy Conservation Office (SECO) to establish and administer an Energy Efficiency Loan Guarantee Program to issue or guarantee loans for improvements that increase energy efficiency at residences that are not newly constructed. The bill would direct that not less than $1 million and not more than $5 million from General Revenue-Dedicated Texas Emissions Reduction Plan (TERP) Fund No. 5071 be used for the new program. The bill would establish eligibility requirements that include emissions reduction cost-effectiveness criteria. SECO would be required to submit an annual report to the Texas Commission on Environmental Quality (TCEQ) and Energy Systems Laboratory on the effectiveness of the program and quantifying the energy savings and emissions reductions from the program for consideration of emission reduction credit in the State Implementation Plan.

The bill would amend the Tax and Transportation Codes to extend the fees and surcharges whose revenue is deposited to the credit of General Revenue-Dedicated Texas Emissions Reduction Plan Account No. 5071 (TERP Fund) for each active or revoked ozone National Ambient Air Quality Standard (NAAQS) until all areas in Texas have been designated by the Environmental Protection Agency as either in attainment or unclassifiable or the EPA has approved a redesignation substitute making a finding of attainment. This includes continuance of deposits to the credit of the TERP Fund from the State Highway Fund (SHF) of an amount equal to the amount deposited to the credit of the Texas Mobility Fund (TMF) from Vehicle Title Fees.

The bill would decrease the TERP diesel surcharge from 1.5 percent to 1.0 percent, and stipulate the transfer from the State Highway Fund pertains only to title fees remitted from nonattainment areas.

The bill would take effect August 30, 2019.

Methodology

Under current law SECO administers a loan program for energy efficiency improvements that is limited to governmental entities. Under the provisions of the bill, SECO would be required to administer a similar loan program for homeowners which would greatly expand the loan recipient base. According to the Comptroller of Public Accounts, the agency would require an additional five program specialists at an estimated annual cost of $400,000 from the TERP Fund to meet these obligations.

The tables above reflect revenue estimates as provided by the Comptroller of Public Accounts for TERP Fund fees and surcharges and on Vehicle Title Fee revenue amounts deposited to the credit of the TMF as reported in the Biennial Revenue Estimate. The table also reflects estimated losses to the SHF, which includes an effective date for transfers from the SHF beginning October 1, 2019.

Based on information provided by the Comptroller of Public Accounts and included in the analysis used to calculate these estimates, the reduction in the TERP diesel surcharge from 1.5 percent to 1.0 percent under the bill's provisions would result in the following revenue decreases:

Fiscal year 2020: ($24,622,000)
Fiscal year 2021: ($25,361,000)
Fiscal year 2022: ($26,122,000)
Fiscal year 2023: ($26,905,000)
Fiscal year 2024: ($27,712,000)

In addition, restricting the remittance to the state of vehicle title fees only from counties in nonattainment status under the bill's provisions would result in the following revenue decreases:

Fiscal year 2020: ($36,424,000)
Fiscal year 2021: ($37,517,000)
Fiscal year 2022: ($38,643,000)
Fiscal year 2023: ($39,802,000)
Fiscal year 2024: ($40,996,000)

Note: This legislation 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 in, with, or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.095, 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.

Local Government Impact

According to the Comptroller of Public Accounts, restricting the remittance to the state of vehicle title fees only from counties in nonattainment status under the bill's provisions would result in the following revenue gains across all counties that are not in nonattainment status:

Fiscal year 2020: $36,424,000
Fiscal year 2021: $37,517,000
Fiscal year 2022: $38,643,000
Fiscal year 2023: $39,802,000
Fiscal year 2024: $40,996,000

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

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