

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**May 25, 2019**

**TO:** Honorable Dan Patrick, Lieutenant Governor, Senate  
 Honorable Dennis Bonnen, Speaker of the House, House of Representatives

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

**IN RE:** **HB3745** by Bell, Cecil (Relating to the Texas emissions reduction plan fund and account.), **Conference Committee Report**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB3745, Conference Committee Report: an impact of \$0 through the biennium ending August 31, 2021; however, there would be an increase of \$537,821,000 in General Revenue-Dedicated Texas Emissions Reduction Plan No. 5071 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 Texas Emissions Reduction Plan 5071	Probable Revenue Gain/(Loss) from State Highway Fund 6	Probable Revenue Gain/(Loss) from New Trust Fund Outside the Treasury
2020	\$265,295,000	(\$150,826,000)	\$0
2021	\$272,526,000	(\$152,334,000)	\$0
2022	\$0	(\$153,858,000)	\$277,656,000
2023	\$0	(\$155,396,000)	\$282,908,000
2024	\$0	(\$156,950,000)	\$288,287,000

## **Fiscal Analysis**

The bill would extend the sources of funding for the Texas Emissions Reduction Plan (TERP), which are set to expire on August 31, 2019 under current law. The bill would amend the Tax Code to extend fee and surcharge revenues 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 the transfer of State Highway Funds currently deposited to the credit of the General Revenue-Dedicated Texas Emissions Reduction Plan Account No. 5071 (Account No. 5071). The bill would extend deposit of the fees and surcharges to the credit of Account No. 5071 and continue the transfer of State Highway Funds deposited to the credit of Account No, 5071 in an amount equal to the amount deposited to the credit of the Texas Mobility Fund from Vehicle Title Fees until September 1, 2021.

The bill would amend the Health and Safety Code to establish the Texas Emissions Reduction Plan Fund (TERP Fund) as a trust fund to be held by the Comptroller outside of the treasury and administered by the Texas Commission on Environmental Quality (TCEQ) as a trustee effective September 1, 2021. This fund would consist of revenues from fees and surcharges previously deposited to the credit of Account No. 5071, including the transfer of State Highway Funds, and that would subsequently be deposited to the credit of the TERP Fund after September 1, 2021. The bill would authorize monies in the TERP Fund to be expended without legislative appropriation and would direct TCEQ to transfer any remaining unencumbered balances to the TERP Account no later than the 30th day after the last day of the state fiscal biennium.

The bill would designate the existing Account No. 5071 as the Texas Emissions Reduction Plan Account (TERP Account). Under the provisions of the bill, the TERP Account would consist of its accumulated balance and revenues and transfers deposited until September 1, 2021.

The bill would increase the administrative allocation funded from both the TERP Account and the TERP Fund from \$8 to \$16 million each year.

The bill would take effect August 30, 2019.

## **Methodology**

This estimate is based on revenue estimates 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 Texas Mobility Fund as reported in the Biennial Revenue Estimate. These amounts would be deposited to the credit of the Account No. 5071 until September 1, 2021 after which they would be deposited to the credit of the new TERP Fund established under the provisions of the bill.

For the purposes of this analysis, it is assumed that the specified allocations under Section 386.252 of the Health and Safety Code would apply separately to the TERP Fund and TERP Account including the increase in the administrative allotment from \$8.0 to \$16.0 million each year. Based on this assumption and information provided by TCEQ, this analysis assumes that duties and responsibilities associated with implementing the provisions of the bill could be accomplished with existing resources and funds made available for this purpose in the newly established TERP Fund outside the Treasury. In addition, no fiscal impact to state revenues is anticipated from this provision beginning in fiscal year 2022 because no unexpended balances would be deposited to the credit of the TERP Account under the provisions of the bill. Amounts

that would be deposited to the TERP Account in each subsequent biennium cannot be determined because the amount of unencumbered remaining balances in the TERP Fund cannot be estimated.

**Local Government Impact**

No significant fiscal implication to units of local government is anticipated. The bill would require local and other governmental entities to continue paying the TERP fees relating to heavy-duty motor vehicle sales and use fees when purchasing or leasing heavy-duty vehicles and equipment.

**Source Agencies:** 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality

**LBB Staff:** WP, SZ, MW, GDz, PM