

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 27, 2021

TO: Honorable Dade Phelan, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4472 by Landgraf (Relating to the Texas emissions reduction plan.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4472, As Passed 2nd House : an impact of \$0 through the biennium ending August 31, 2023.

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:

| <i>Fiscal Year</i> | Probable Net Positive/(Negative) Impact to General Revenue Related Funds |
|--------------------|---|
| 2022 | \$0 |
| 2023 | \$0 |
| 2024 | \$0 |
| 2025 | \$0 |
| 2026 | \$0 |

All Funds, Five-Year Impact:

| <i>Fiscal Year</i> | Probable Revenue Gain/(Loss) from Texas Emissions Reduction Plan Fund | Probable Revenue Gain/(Loss) from State Highway Fund 6 |
|--------------------|--|---|
| 2022 | (\$90,390,000) | \$90,390,000 |
| 2023 | (\$91,809,000) | \$91,809,000 |
| 2024 | (\$93,226,000) | \$93,226,000 |
| 2025 | (\$94,667,000) | \$94,667,000 |
| 2026 | (\$96,129,000) | \$96,129,000 |

Fiscal Analysis

The bill would amend the Health and Safety Code to broaden use of Texas Emissions Reduction Program funds within the Texas Emissions Reduction Plan Fund (TERP Fund) by the Texas Commission on Environmental Quality (TCEQ) for air monitoring equipment operations, fee-based contracts, the energy efficiency loan guarantee program, and for remitting to the State Highway Fund (SHF) for use by the Texas Department of Transportation (TxDOT) on congestion mitigation and air quality improvement projects in nonattainment areas. The bill would require TCEQ to remit to TxDOT for such projects at least 35 percent of the amount deposited to the credit of the TERP Fund.

The bill would require TxDOT to provide a report to TCEQ no later than October 1st of each year information as provided in the bill on all congestion mitigation and air quality improvement projects in nonattainment areas that are planned to be funded or have received funding during the preceding 10 years.

The bill would require the unencumbered balance remaining in the TERP Fund after each biennium be transferred to the SHF. Under current law that balance would be transferred to General Revenue-Dedicated Texas Emissions Reduction Plan No. 5071.

The bill would require TCEQ to include projects that reduce flair emissions and other site emissions among those to which it gives preference, and would permit lease costs as an allowable expense for a grant project concerning installation of emissions-reducing equipment.

The bill would require projects involving marine vessels or engines that have received a grant through the Diesel Emission Reduction Incentive program be required to operate in an intercoastal waterway or bay adjacent to a nonattainment area or affected county at least 55 percent of the time over the lifetime of the project.

The bill would amend the Transportation Code to change deposit of remitted title fees from the Texas Mobility Fund (TMF) to the Texas Emission Reduction Plan Fund and the bill would direct the Texas Department of Transportation to transfer an equal amount from the SHF to the TMF.

Methodology

Under the provisions of the bill, at least 35 percent of TERP revenues would be transferred to the SHF for use by TxDOT on projects that reduce congestion and improve air quality. This would result in revenue deposited to the credit of the TERP Fund located outside of the Treasury under current law that would, instead, be deposited to the credit of the SHF. Based on the analysis of the Comptroller of Public Accounts, this estimate assumes an estimated \$90,390,000 in fiscal year 2022, \$91,809,000 in fiscal year 2023, \$93,226,000 in fiscal year 2024, \$94,667,000 in fiscal year 2025, and \$96,129,000 in fiscal year 2026 would be directed from the TERP Fund to the SHF.

The projected ending balance of the TERP Fund that would be transferred to the SHF is unknown; therefore, the fiscal implications of provisions requiring transfer of that unexpended balance cannot be determined.

This estimate assumes other changes to the allocation of TERP funds or programs identified in the bill that are eligible to receive funding from the TERP fund located outside of the Treasury or the General Revenue–Dedicated Texas Emissions Reduction Plan No. 5071 account would have no revenue implications.

The bill would have no net fiscal effect between the TMF, SHF, and TERP fund. Under current law, beginning September 1, 2021, title fees are deposited to the TMF, and the TERP Fund located outside of the treasury is credited, through legislative appropriation, an equal amount from the SHF each month. This estimate assumes motor vehicle title fees would be deposited directly to the TERP Fund outside the treasury and the transfer from the SHF to TMF would remain entirely within the treasury. Since the bill would just adjust transfers that are pre-existing, no significant fiscal impact to the state is anticipated.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 582 Commission on Environmental Quality, 601 Department of Transportation, 712 Texas A&M Eng Expr Station, 727 Texas A&M Transportation Institute

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