LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 4, 2021

TO: Honorable Brooks Landgraf, Chair, House Committee on Environmental Regulation

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB4472** by Landgraf (Relating to the Texas emissions reduction plan.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4472, Committee Report 1st House, Substituted : a negative impact of ($1,158,000) 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:

Fiscal Year	Probable Net Positive/(Negative) Impact to *General Revenue Related Funds*
2022	($579,000)
2023	($579,000)
2024	($579,000)
2025	($579,000)
2026	($579,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Probable Savings/(Cost) from *Texas Emissions Reduction Plan* 5071	*Change in Number of State Employees from FY 2021*
2022	($579,000)	($258,217)	1.0
2023	($579,000)	($115,753)	1.0
2024	($579,000)	($118,069)	1.0
2025	($579,000)	($120,430)	1.0
2026	($579,000)	($122,840)	1.0

Fiscal Analysis

The bill would amend the Health and Safety and Transportation Codes to make several changes to the Texas Emissions Reduction Plan (TERP).

The bill would amend the Health and Safety Code to broaden use of TERP funds deposited to the credit of the Texas Emissions Reduction Plan Fund (TERP Fund) account located outside of the Treasury and administered by the Texas Commission on Environmental Quality (TCEQ) for air monitoring equipment operations, fee-based contracts, and the energy efficiency loan guarantee program.

The bill would make electric motorcycles that meet certain criteria eligible for a $750 incentive from TERP and would stipulate the criteria a natural gas vehicle is required to meet to be eligible for a grant from TERP.

The bill would amend the Health and Safety Code to change the allocation per year for clean school bus program from 4 percent to $3 million per year, new technology implementation grant program from 3 percent to $5 million, clean fleet program from 5 percent to $4 million, natural gas vehicle grant program from 10 percent to $8 million, air quality research from $750,000 to $1 million, seaport and rail yard areas emissions reduction from 6 percent to $5 million, and light duty vehicle program from 5 percent to $4 million. The bill would also add an allocation of $10 million for air monitoring grants, $10 million for fee-based contracts, $5 million for the energy efficiency loan guarantee program, and adds an additional program for funding research at the Texas A&M Transportation Institute (TTI) to determine the cost effectiveness of existing emissions reduction programs and cost effectiveness of programs not currently funded that would improve the emissions reduction capabilities. This new program would be funded through available balances of the TERP Fund after distribution of all statutorily required allocations.

The bill would require the Comptroller and State Energy Conservation Office (SECO) to establish and administer the Energy Efficiency Loan Guarantee Program that issues or guarantees loans to be used for improvements that increase the energy efficiency of residences that are not newly constructed. The bill would require SECO to submit an annual report to TCEQ and the Texas A&M Engineering Experiment Station which evaluates the effectiveness of the program and quantifies energy and emissions reductions for consideration in the state implementation plan for emissions reduction credit.

The bill would amend the Health and Safety Code to establish a program allowing TCEQ to enter into fee-based contracts for the purchase of reductions in emissions of nitrogen oxides. The bill identifies program requirements that includes the types of projects that are eligible, that projects must measure nitrogen oxide emissions, requires TCEQ to verify nitrogen oxide emissions, assigns a dollar per ton fee based on the cost of the nitrogen oxide reduction, and requires payments to be made for actual reductions verified by TCEQ.

The bill would amend the Health and Safety Code to require projects involving marine vessels or engines that have received a grant through the Diesel Emission Reduction Incentive (DERI) 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 State Highway Fund (SHF) to the TMF.

The bill would take effect September 1, 2021.

Methodology

Based on the analysis of the Comptroller of Public Accounts, this estimate assumes the agency would need an additional 1.0 FTE for a Program Specialist IV ($79,000 in General Revenue each fiscal year) to administer the Energy Efficiency Loan Guarantee Program and $500,000 in General Revenue each fiscal year for contracting with a lending institution to act as a loan administrator.

Based on the analysis of the Comptroller of Public Accounts, this estimate assumes changes to the allocation of TERP funds or programs eligible to receive funding from either 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.

Under the provisions of the bill, the TTI would be eligible to receive a grant through the TERP program drawn from available balances within the TERP Fund located outside of the Treasury following distribution for all necessary statutory allocations. TCEQ is also authorized to use remaining balances to provide grants through the DERI program. As the amount that the agency would allocate to the DERI program cannot be determined, the amount that could be allocated to TTI from this same remaining balance also cannot be estimated. However, this estimate assumes that any costs associated with implementing this provision would be covered by funding from the TERP Fund located outside of the Treasury.

Under current law, the Energy Systems Laboratory (ESL) at the Texas A&M Engineering Experiment Stations is allocated $216,000 each fiscal year for the development and annual computation of creditable statewide emissions reductions for the State Implementation Plan. In addition, the agency has historically been appropriated funding from General Revenue–Dedicated Texas Emissions Reduction Plan Account No. 5071 by the Legislature to cover administrative costs associated with these responsibilities. Under the bill's provisions, ESL would be required to incorporate emissions data from the energy efficiency loan guarantee program in its analysis of nitrogen oxide reductions. Based on the analysis of ESL, this estimate assumes the agency would require an additional $258,217 in fiscal year 2022, $115,753 in fiscal year 2023, $118,069 in fiscal year 2024, $120,430 in fiscal year 2025, and $122,840 in fiscal year 2026 in General Revenue–Dedicated Texas Emission Reduction Plan No. 5071 funding for costs associated with reviewing and processing information from this program for inclusion in its annual report of creditable nitrogen oxide emissions reduction.

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. For informational purposes, the Comptroller's Biennial Revenue Estimate anticipates that title fees will generate $154,946,000 in FY 2022 and $157,270,000 in FY 2023.

This estimate assumes remaining provisions of the bill would not have a significant impact to the state.

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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