LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION
Revision 1

April 10, 2015

TO: Honorable Geanie Morrison, Chair, House Committee on Environmental Regulation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB14** by Morrison (Relating to the Texas emissions reduction plan.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB14, As Introduced: an impact of $0 through the biennium ending August 31, 2017.

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, Six-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	$0
2017	$0
2018	$0
2019	$0
2020	$0
2021	$0

All Funds, Six-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *Texas Emissions Reduction Plan* 5071
2016	($277,668)
2017	($265,068)
2018	($265,068)
2019	($265,068)
2020	($78,883,495)
2021	($78,883,495)

Fiscal Year	Change in Number of State Employees from FY 2015
2016	3.0
2017	3.0
2018	3.0
2019	3.0
2020	3.0

Fiscal Analysis

The bill would add Bell, McLennan, and Webb counties to the list of "affected counties" in Health and Safety Code, Chapter 386, thereby making those counties eligible for Texas Emissions Reduction Plan (TERP) funding.

The bill would extend the TERP program, currently set to expire on August 31, 2019, to August 31, 2023. It would also extend several of the grant programs within TERP. The Light-Duty Motor Vehicle Purchase or Lease Incentive (LDMVPLI) program would be extended from August 31, 2015 to August 31, 2023. The Texas Clean School Bus program and the New Technology Implementation Grant (NTIG) program would both be extended from August 31, 2019 to August 31, 2023. The Texas Clean Fleet Program (CFP) and the Texas Natural Gas Vehicle Grant (NGVG) program would both be extended from August 31, 2017 to August 31, 2023.

The bill would combine the Alternative Fueling Facilities (AFF) program and the Clean Transportation Triangle (CTT) programs into one program under the AFF program name, and the combined program would be extended from August 31, 2018 to August 31, 2023. The funding allocations for the two programs, each receiving 5 percent of TERP funding under current law, would be set at 10 percent.

The bill would make changes to the NTIG program, changing the eligibility of emissions sources under the program from "point sources" to "stationary sources." The list of projects eligible for funding under the NTIG program would be expanded to include new technology projects that reduce emissions from oil and gas production, storage, and transmission activities through replacement, repower, or retrofit of stationary compressor engines or installation of systems to reduce or eliminate flaring of gas or the burning of gas using other combustion control devices.

The bill would remove an allocation of 1.5 percent of TERP funds for the Texas Engineering Experiment Station (TEES) for administrative costs, but it would provide that funds in the TERP Account No. 5071 could still be allocated to TEES for administrative costs.

The bill would take effect September 1, 2015.

Methodology

Because the bill expands the types of NTIG projects that are eligible for TERP funding to include oil and gas-related activities, the Texas Commission on Environmental Quality (TCEQ) would require additional staff with expertise in the oil and gas field. It is estimated that an additional 3.0 FTEs and $277,668 in fiscal year 2016 and $265,068 in 2017 would be needed for to administer the TERP grant program These amounts are included in the table above and would be paid out of the General Revenue-Dedicated TERP Account No. 5071.

With regard to the bill's extension of the TERP program and various component program extension, this estimate assumes that the overall level of TERP appropriations would continue at 2014-15 levels, with the addition of funding for the 3.0 FTEs discussed above. Allocations for various programs would, however change. For instance, the LDMVPLI, which is set to expire on August 31, 2015, would continue receive its $3.9 million annual allocation of TERP Account No. 5071 funding, whereas under current law those funds would have gone to the Diesel Emissions Reduction Incentive (DERI) program.

In fiscal years 2018 through 2019, the TCFP and NGVG, which would receive no funding in those years under current law would, upon enactment of the bill continue receiving their current TERP Account No. 5071 allocations of 5 percent for the TCFP program and 16 percent for the NGVG program. These allocations in 2014-15 are $3.9 million, $12.4 million, respectively. Under current law, this combined $16.3 million allocation would be allocated instead to the DERI program for fiscal years 2018 and 2019. With regard to the combined AFF program, the program would receive the 10 percent allocation ($7.8 million in 2014-15). Because the CTT program would expire under current law at the end of fiscal year 2017, that allocation which would have also shifted to the DERI as well in fiscal year 2018 and future years would be directed instead to the AFF program.

In fiscal years 2020 and 2021, this estimate assumes that the current amount of TERP funds would continue at current levels to fund the various programs which would continue to operate through fiscal year 2023, whereas under current law, appropriations out of the TERP Account No. 5071 to the
TCEQ would be eliminated. Thus, in the table above a cost to the TERP Account No. 5071 is included equal to the 2014-15 appropriations to the TCEQ of $77.6 million per year, plus $0.1 million in related employee benefits costs, for fiscal years 2020 and 2021.

The bill does not address the revenue stream to the TERP Account No. 5071. Fees currently deposited to the account expire on August 31, 2019. However, because the Comptroller estimates a TERP Account No. 5071 balance of $1,067 million on August 31, 2015, and revenues to the TERP Account are expected to exceed appropriations and related employee benefits costs by an estimated $291.7 million under 2014-15 appropriations levels, this estimate assumes that there would be sufficient balances in the TERP Account No. 5071 to cover appropriations for the program in 2020-21.

Although enactment of the bill would require the TCEQ to retain the 49.0 Full-Time Equivalent (FTE) currently administering the TERP program in 2020 and 2021, no increase in FTEs is shown in the table above in those years, other than the 3.0 FTEs added for the expansion of the NTIG program. Although these FTEs would otherwise be eliminated under current law with the program set to expire on August 31, 2019, the FTE level would not change as compared to fiscal year 2015.

The bill 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 with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, 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.

This estimate assumes that appropriations to TEES for TERP activities would remain at 2014-15 levels.

Local Government Impact

Local governments in Bell, McLennan, and Webb counties could become recipients of TERP grant awards as a result of the bill's passage. 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 the TCEQ would receive.

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

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