

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION**

**May 28, 2009**

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** John S. O'Brien, Director, Legislative Budget Board

**IN RE: HB432** by Lucio III (Relating to the acquisition by state agencies of low-emissions vehicles and vehicles using alternative fuels.), **As Passed 2nd House**

**No significant fiscal implication to the State is anticipated.**

The bill would amend the Government Code to add to the state's purchasing guidelines definitions for golf carts, light-duty motor vehicles, motor vehicles, and neighborhood electric vehicles. Purchasing requirements relating to alternatively fueled vehicles would not apply if a state agency demonstrates that the state agency would incur net costs.

The bill would also amend the Government Code to require agencies to purchase or lease certain vehicles only if they use the following alternative fuels: compressed natural gas, liquefied natural gas (Propane), liquefied petroleum gas, methanol or methanol/gasoline blends of 85 percent or greater, ethanol or ethanol/gasoline blends of 85 percent (E85) or greater, biodiesel or biodiesel/diesel blends of 20 percent or greater, or electricity, including electricity to power a plug-in hybrid motor vehicle.

This requirement would apply to agencies purchasing or leasing certain large vehicles used primarily for the transportation of individuals and to agencies operating a fleet of more than 15 vehicles, excluding law enforcement and emergency vehicles. By September 30, 2010, agencies operating a fleet of more than 15 vehicles, excluding law enforcement and emergency vehicles, would be required to have a fleet consisting of vehicles of which at least 50 percent use the same alternative fuels specified above. The Texas Commission on Environmental Quality (TCEQ), instead of the Comptroller, would collect reasonable information needed to determine air quality benefits at affected agencies.

The bill would require agencies to include in their annual financial report the availability of alternative fuels and provide the information reasonably needed to determine certain air quality benefits, would require the Texas State Technical College System to develop a program and provide training to agencies converting an existing vehicle to meet certain alternative fuel requirements, and also would transfer from the TCEQ to the Comptroller the authority to modify the 50 percent requirement.

The Department of Public Safety (DPS) reported that compressed natural gas fueled vehicles are not a viable option due to conversion costs, the extremely low number of fueling stations, and decreased passenger/cargo space. Propane fueled vehicles are also not a good option due to the conversion costs, warranty issues, and decreased passenger/cargo space.

DPS reported that utilizing commercially available E85 vehicles is the best option for complying with the requirement that 50 percent of non-emergency vehicles use alternative fuel. Currently DPS has 108 vehicles in the staff transport fleet, and of these, 57 percent are E85 capable. However, due to the limited number of E85 fueling stations, these vehicles are currently using regular gasoline. An E85 fueling station would need to be installed at Austin's headquarters, at \$156,000, to have the best chance of complying with the legislation. Also, the agency would pay an additional \$7,000 per year for the E85 fuel.

The Texas Youth Commission reported that the capital cost to convert 26 vehicles combined with the

potential fuel savings results in a cost of approximately \$100,000 per year from FY2010 to FY2014.

The Texas Department of Criminal Justice estimated it would cost \$645,000 (\$500 per conversion kit) to convert at least 50 percent of its fleet to using alternative fuels.

The Texas State Technical College System (TSTC) reported that the cost to develop a program and provide training to agencies converting an existing vehicle to meet the alternative fuels requirements would cost approximately \$500,000 in FY2010 and \$92,000 in FY2011. TSTC estimates that state agencies would send approximately half of the state's 600 automotive technicians to training, with some technicians participating in two or more types of training (there are 5 types of training identified in the bill). This would result in 350 trainings under the bill (one student taking one course equals one training). Training would cover installation of conversion kits and proper maintenance of these systems once installed.

TSTC anticipates it would charge each state agency \$1,700 per student to cover the direct cost of the training, excluding travel expenses.

The bill would also amend the Government Code to require that not less than 25 percent (under current law the requirement is at least 10 percent) of the passenger vehicles purchased by a state agency in any biennium meet or exceed standards to be classified as a Tier II, Bin 3, emissions standard vehicle that has a greenhouse gas score of eight under the Environmental Protection Agency regulations as they exist on September 1, 2007. The bill excludes certain vehicles used by peace officers.

The bill would repeal a provision that provided that agencies with fewer than 10 vehicle purchases in a biennium are exempt from the low-emission standards.

An exemption currently allows a state agency to purchase a vehicle that is not low-emission if the vehicle meets the agency's operational need and no such low-emission vehicle is commercially available. The Texas Department of Transportation, the TCEQ, and the Texas Parks and Wildlife Department indicated that some of their vehicle purchases fall under this exemption.

Low-emission vehicles cost approximately \$5,000 to \$7,000 more than traditional vehicles according to various agency responses.

The bill would repeal Health and Safety Code, Section 382.0191(d) eliminating the current September 1, 2009, expiration date for idling restrictions for motor vehicles with sleeper berths. The bill would also restrict the TCEQ from prohibiting certain heavy duty vehicles from idling. Vehicles affected are those with a gross vehicle weight rating of greater than 8,500 pounds that have a 2008 or newer engine that has been certified by the US Environmental Protection Agency or another state environmental protection agency to emit no more than 30 grams of nitrogen oxides (NO<sub>x</sub>) per hour. The prohibition would not apply in school zones or within 1,000 feet of a hospital or public school during hours of operation.

The bill would create a Texas Clean Fleet Program (CFP) to be administered by the TCEQ. The CFP would provide for the conversion of diesel-powered or gasoline-powered vehicles to alternative fuel vehicles and the purchase of alternative-fuel vehicles, including hybrid-electric, compressed natural gas, liquefied natural gas, hydrogen, or other alternative fuel (propane, ethanol, or fuel mixtures with at least 85 percent methanol or ethanol) vehicles, to reduce exposure of the citizens living in nonattainment areas of the state.

The bill would require that 5 percent of funding from the 87.5 percent of the money available in the General Revenue-Dedicated Texas Emissions Reduction Plan (TERP) Account No. 5071 fund for the diesel emissions reduction incentive program be spent on the CFP.

Administration costs of the new CFP and costs of conducting the alternative fueling facilities are expected to be absorbed using existing TCEQ resources.

The bill would also amend the Natural Resources Code to add biodiesel, biodiesel/diesel blends of 20

percent or greater, and electricity to power a plug-in hybrid motor vehicle to the list of financing activities supported by the Alternative Fuels Council (AFC.) It is assumed this would not significantly impact the AFC.

### **Local Government Impact**

Local governments could experience a positive fiscal impact if they were able to obtain grant funding through the new CFP program created by the bill. The amount of funding such entities could receive would depend on the competitiveness of the entities' grant proposals.

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

**Source Agencies:** 304 Comptroller of Public Accounts, 71D Texas State Technical College - Waco, 305 General Land Office and Veterans' Land Board, 405 Department of Public Safety, 551 Department of Agriculture, 582 Commission on Environmental Quality, 601 Department of Transportation, 694 Youth Commission, 696 Department of Criminal Justice, 802 Parks and Wildlife Department

**LBB Staff:** JOB, PJK, SZ, SD, KJG