LEGISLATIVE BUDGET BOARD

Sources and Uses of the Clean Air Account and Texas Emissions Reduction Plan Account

PRESENTED TO THE HOUSE TRANSPORTATION COMMITTEE – SUBCOMMITTEE ON LONG-TERM INFRASTRUCTURE PLANNING

LEGISLATIVE BUDGET BOARD STAFF

September 2015

Clean Air Account

- The Clean Air Account No. 151 is a General Revenue-Dedicated account created by Senate Bill 2, Seventy-second Legislature, First Called Session, 1991.

- The Clean Air Account was established to receive Clean Air Act fees which are to be used to safeguard the air resources of the state, recover the costs of permitting new or modified emission sources, and recover the costs of permit reviews and renewals.

Clean Air Account Revenues

Revenues in the Clean Air Account include various fees.

- Fees relating to motor vehicles include:
  - Motor Vehicle Safety Inspection Fees, $2 per vehicle inspection sticker
  - Motor Vehicle Emissions Inspection Fees, $.50 per vehicle emissions inspection
  - On-Board Diagnostic Vehicle Emissions Inspection Fees, $2 to $6, per emissions inspections in counties participating in the Air Check Texas/Drive a Clean Machine Program.

Clean Air Account Revenues (continued)

- Several fees for air permits are deposited to the Clean Air Account, including:
  - Air Permit Fees
  - Air Inspection Fees
  - Air Permit Renewal Fees
  - Air Permit Amendment Fees
  - Fuel Oil Surcharge Fees
  - Permit by Rule Fees

Clean Air Account Revenues

2012–17 (In Millions)

Revenue Object Code	Fee	2012	2013	2014	2015	2016	2017
3020	Motor Vehicle Inspection Fees	$84.1	$85.9	$85.9	$54.4	$89.5	$91.3
3375	Air Pollution Control Fees	$20.6	$23.0	$23.8	$24.8	$20.9	$21.3
Other	Reimbursements, Transfers, Miscellaneous	$0.6	$4.9	$0.0	$0.0	$0.0	$0.0
	Total:	**$105.3**	**$113.8**	**$109.7**	**$79.2**	**$110.4**	**$112.6**

NOTE: The amounts included for 2012 and 2013 do not include Federal Receipts, which are included in the Cash Reports for those years.

SOURCES: Comptroller's Annual Cash Reports for 2012 and 2013; Uniform Statewide Accounting System for 2014–2015; Biennial Revenue Estimate (Updated with 84th Legislature changes) for 2016–17.

Motor Vehicle Inspection Fees

Motor Vehicle Inspection Fees totaling $54.4 million in 2015 include:

- $26.7 million—On-Board Diagnostic Emissions Inspection Fee
- $25.1 million—Motor Vehicle Safety Inspection Fee
- $2.6 million—Motor Vehicle Emissions Inspection Fee

Miscellaneous Clean Air Account Revenues

Health and Safety Code, Chapter 386, provides for a transfer of $500,000 per year from the Texas Emissions Reduction Plan (TERP) Account No. 5071 to the Clean Air Account.

Clean Air Account Appropriations

2012–17 (In Millions)

Agency	2012	2013	2014	2015	2016	2017
Texas Commission on Environmental Quality	$47.5	$53.3	$53.7	$55.2	$102.1	$93.8
Texas A&M AgriLife Research	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5

NOTE: 2012-15 amounts are expenditures and 2016-17 amounts are appropriations. 2015 amounts are estimated.

Uses of the Clean Air Account

Funds in the Clean Air Account are generally used to protect the air resources of the state. Clean Air Account appropriations to TCEQ fund various agency programs including:

- Air Permitting
- Air Inspections and Enforcement
- Air Monitoring

Uses of the Clean Air Account (continued)

- Air Quality Planning, including Development of the State Implementation Plan
- The Drive a Clean Machine/Air Check Texas program, also known as the Low-Income Vehicle Repair, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP).
- Vehicle Emissions Inspection and Maintenance Program.
- Agency Administration

Balances in the Clean Air Account

- Clean Air Account revenues that are not appropriated remain in the fund balance of the account and can be used for certification of the General Appropriations Act.

- Based on information provided by the Comptroller of Public Accounts, it is estimated that $246.0 million in balances in the Clean Air Account will be available to count towards certification in the 2016-17 biennium. For the 2014-15 biennium, the Comptroller used $209.2 million in balances in the Clean Air Account towards certification.

Texas Emissions Reduction Plan Account

- The Texas Emissions Reduction Plan Account No. 5071 is a General Revenue–Dedicated account established by Senate Bill 5, Seventy-seventh Legislature, 2001. The same bill established the Texas Emissions Reduction Plan (TERP) program.

- TERP is a grant program available in areas of the state that are in nonattainment or near nonattainment with federal Clean Air Act (CAA) standards.

- Grants are provided to eligible individuals, businesses, or government entities to reduce emissions from on-road vehicles, non-road commercial and industrial equipment, marine vessels, locomotives, and stationary engines.

Texas Emissions Reduction Plan Account

TERP revenues include the following fees:

- Motor Vehicle Sales and Use Fee—1.0 to 2.5 percent on sale and use of on-road diesel vehicles.
- Certificate of Title Fee—$20 per title transfer in nonattainment areas and $15 per title transfer in all other counties (this fee is deposited to the Mobility Fund, with the TERP Account being reimbursed with an equal amount by the State Highway Fund).
- Commercial Motor Vehicle Registration Fee—10.0 percent surcharge.
- Commercial Motor Vehicle Inspection Fee—$10 surcharge.
- Diesel Equipment Surcharge—1.5 percent on the cost of the equipment.

TERP Fund Revenues

2012–17 (In Millions)

Revenue Object Code	Fee	2012	2013	2014	2015	2016	2017
3004	Motor Vehicle Sales and Use Tax	$14.5	$15.0	$16.3	$17.3	$15.5	$15.6
3012	Motor Vehicle Certificates of Title	$20.8	$21.7	$23.0	$24.8	$22.7	$23.1
3972	Certificate of Title Transfer from State Highway Fund	$86.3	$89.4	$94.6	$99.9	$96.5	$98.5
3014	Motor Vehicle Registration Fees	$11.7	$12.6	$13.2	$13.6	$14.0	$14.5
3020	Motor Vehicle Inspection Fees	$6.1	$6.3	$6.3	$2.7	$6.9	$7.0
3102	Limited Sales and Use Tax	$45.6	$55.2	$64.1	$73.8	$50.5	$51.8
3851	Interest	$3.4	$2.6	$0.0	$0.0	$0.0	$0.0
Other	Miscellaneous Reimbursements, Transfers, and Other	$1.5	$0.9	$0.0	$0.0	$0.0	$0.0
	Total:	**$189.8**	**$203.6**	**$217.5**	**$232.1**	**$206.1**	**$210.5**

NOTES: Revenues for 2012-13 are from the Comptroller's Annual Cash Reports for 2012 and 2013. Revenues for 2014–15 are from the Uniform Statewide Accounting System. Revenues for 2016–17 are from the Comptroller's Biennial Revenue Estimate, updated with changes made by the 84th Legislature.

Amounts do not include Operating Transfers, Federal Funds, or Unexpended Balances included in the Comptroller's Annual Cash Report.

Certificate of Title Transfers from the State Highway Fund reflect revenues from Motor Vehicle Certificates of Title to the Texas Mobility Fund No. 365.

TERP Appropriations

2012–17 (In Millions)

Agency	2012	2013	2014	2015	2016	2017
Texas Commission on Environmental Quality	$5.9	$123.7	$20.0	$133.3	$118.1	$118.1
Texas A&M Engineering Experiment Station	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5

NOTE: 2012-15 amounts are expenditures and 2016-17 amounts are appropriations. 2015 amounts are estimated.

Uses of the TERP Account

- Use of the TERP Account funding is prescribed in Health and Safety Code, §386.252.
- Appropriations to TEES fund energy efficiency research relating to building codes.
- Appropriations to TCEQ fund various grant programs, research, and agency administration.

TCEQ Annual Allocation of TERP Funding

Use	Statutory	2014–15 Annual	2016	2017
TCEQ Administration	greater of 4% or $4 million	$4,000,000	$4,724,994	$4,725,527
Texas Clean School Bus Program (max)	4.0%	$3,103,847	$4,724,994	$4,725,527
On-Road Diesel Purchase or Lease Incentives (1)	N/A	$0	$0	$0
New Technology Implementation Grants (max) $1,000,000 for battery storage	3.0%	$2,327,885	$3,543,745	$3,544,145
Texas Clean Fleet Program (min)	5.0%	$3,879,808	$5,906,242	$5,906,908
Regional Air Monitoring Program (max)	$3 million	$3,000,000	$3,000,000	$3,000,000
Texas Natural Gas Vehicle Grant Program (min)	16.0%	$12,415,386	$18,899,975	$18,902,106
Clean Transportation Triangle Program (max)	5.0%	$3,879,808	$5,906,242	$5,906,908
Alternative Fueling Facilities Program (max)	5.0%	$3,879,808	$5,906,242	$5,906,908
Health Effects Study (max)	$200,000	$200,000	$200,000	$200,000
Research	Specified Amount	$1,000,000	$1,000,000	$1,000,000
Clean Air Account	$500,000	$500,000	$500,000	$500,000
Energy Systems Laboratory Contract (max)	$216,000	$216,000	$216,000	$216,000
Light-Duty Motor Vehicle Purchase or Lease Incentive (max) (2)	5.0%	$3,879,808	$0	$0
Drayage Truck Incentive Program (2%-5%)	2.0%	$1,551,923	$2,362,497	$2,362,763
Diesel Emission Reduction Incentive Program	Remaining Balance	$33,761,890	$61,733,913	$61,741,371
Total:		**$77,596,163**	**$118,624,844**	**$118,638,163**

NOTES: 1 The max allocation of 10% for the On-Road Diesel Purchase or Lease Incentives program was removed by 83rd Legislature.
2 The Light-Duty Motor Vehicle Purchase or Lease Incentive program expired at the end of fiscal year 2015.

TERP Account Balances

- TERP Account revenues to the TERP Account that are not appropriated remain in the account balance and can be used for certification of the General Appropriations Act.

- Based on information provided by the Comptroller of Public Accounts, it is estimated that $1,246.3 million in balances in the TERP Account will be available to count towards certification in the 2016-17 biennium. For the 2014-15 biennium, the Comptroller used $992.6 million in balances in the TERP Account towards certification.

Contact the LBB

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