



LEGISLATIVE BUDGET BOARD

Overview of the Texas Emissions Reduction Plan (TERP) Account

**PRESENTED TO THE HOUSE APPROPRIATIONS COMMITTEE
LEGISLATIVE BUDGET BOARD STAFF**

MAY 2018

Statement of Interim Charge

House Appropriations Committee Interim Charge #15:

Review the appropriations made to the **Texas Emissions Reduction Program** (TERP) as well as the TERP fund balance. Review the revenue sources that fund the TERP and determine if the funds collected support the funding entities. Consider if TERP funding sources should be modified. Determine ways to address the TERP fund balance.

Texas Emissions Reduction Plan Overview

Establishment

- 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.
- Senate Bill 1731, Eighty-Fifth Legislature, 2017, extended the TERP program from its previous expiration date, August 31, 2019, to the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone.

Purpose

- TERP is a grant program available in areas of the state that are in nonattainment or near nonattainment of the Federal Clean Air Act (CAA) ambient air quality 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.

TERP Account Revenues

TERP Account revenues include:

Certificate of Title Fee	A certificate of title fee of \$20 in nonattainment areas or \$15 in all other counties. This fee is deposited to the Texas Mobility Fund; the TERP Account is reimbursed with an equal amount by the State Highway Fund.
Limited Sales and Use Tax	A surcharge of 1.5 percent on the cost of off-road heavy-duty diesel equipment.
Motor Vehicles Sales and Use Tax	A surcharge of 2.5 percent on the cost of on-road diesel motor vehicles of model year 1996 or earlier; for model years 1997 and later, the surcharge is 1.0 percent.
Commercial Motor Vehicle Registration Fee	A surcharge of 10.0 percent for commercial motor vehicle registration.
Commercial Motor Vehicle Inspection Fee	A fee of \$10 for commercial motor vehicle inspections.

TERP Account Revenues, 2014 to 2019

(IN MILLIONS)

REVENUE OBJECT

CODE	REVENUE SOURCE	2014	2015	2016	2017	2018	2019
3972	Certificate of Title Fee – Transfer	\$94.6	\$99.9	\$127.4	\$142.6	\$145.4	\$147.6
3102	Limited Sales and Use Tax	\$64.0	\$73.8	\$60.7	\$55.4	\$61.0	\$61.0
3012	Certificate of Title Fee	\$25.6	\$22.4	\$0.0	\$0.0	\$0.0	\$0.0
3004	Motor Vehicle Sales and Use Tax	\$16.3	\$17.3	\$16.5	\$15.2	\$15.6	\$15.6
3014	Commercial Motor Vehicle Registration Fee	\$13.2	\$13.6	\$12.5	\$12.9	\$13.0	\$13.0
3020	Commercial Motor Vehicle Inspection Fee	\$6.6	\$2.9	\$3.3	\$4.9	\$7.0	\$7.0
	TOTAL	\$216.9	\$232.6	\$234.7	\$230.0	\$242.5	\$244.3

NOTES:

- (1) Revenues for 2014-2017 are from the Comptroller's Annual Cash Reports for 2014-17.
- (2) Revenues for 2018-19 are from the Comptroller's Biennial Revenue Estimate for 2018-19.
- (3) The Certificate of Title Fee was deposited to the TERP Account until 2008, when \$5 of the fee was kept in the TERP Account, and the remainder was deposited to the Texas Mobility Fund (TMF) (HB 1365, Seventy-Eighth Legislature, 2003). This provision expired in 2015. Since 2008, an amount of revenue equivalent to the TMF deposit began being transferred from the State Highway Fund (SHF) to the TERP Account. Beginning in fiscal year 2016, all revenues from the Certificate of Title Fee began being deposited to the TMF, which also increased the transfer from the SHF to the TERP Account.

TERP Funding, 2016 to 2019

(IN MILLIONS)

AGENCY	EXPENDED		APPROPRIATED	
	2016	2017	2018	2019
Texas Commission on Environmental Quality	\$81.0	\$118.0	\$77.4	\$77.4
Texas A&M Engineering Experiment Station	\$0.5	\$0.5	\$0.4	\$0.4

- TERP funding at Texas A&M EES supports energy efficiency research relating to building codes. Appropriations for the 2018–19 biennium represent a decrease of 4 percent from 2016–17 biennial spending levels.
- Appropriations to TCEQ for the 2018–19 biennium represent a decrease of 22.3 percent from 2016–17 biennial spending levels.

TERP Biennial Appropriation Allocations

PROGRAM/USE	2016–17	2018–19	ANNUAL STATUTORY ALLOCATION
Emissions Reductions Incentive Grants	\$123,475,284	\$72,343,623	Remaining balance
TERP Administration	\$9,450,521	\$16,000,000	Min \$6.0M; max \$8.0M
Natural Gas Vehicle Grant Program	\$37,802,081	\$15,473,974	10.0%
Seaport & Rail Yard Areas Emissions Reduction Program ¹	\$4,725,260	\$9,284,384	6.0%
Clean Fleet Program	\$11,813,150	\$7,736,987	5.0%
Light Duty Motor Vehicle Incentive Grant Program ²	--	\$7,736,987	5.0%
Clean School Bus Program	\$9,450,521	\$6,189,590	4.0%
Alternative Fueling Facilities Program ³	\$23,626,300	\$6,000,000	\$6.0M max in FY 2018
Regional Air Monitoring Program	\$6,000,000	\$6,000,000	\$3.0M max
New Technology Implementation Grants	\$7,087,890	\$4,642,192	3.0%
Research	\$2,000,000	\$1,500,000	\$750K max
Cargo Movement Studies/Pilot Program ⁴	--	\$1,000,000	\$500K max
Health Effects Study	\$400,000	\$400,000	\$200K max
Energy Systems Laboratory Contract	\$432,000	\$432,000	\$216K max
TOTAL^{5,6}	\$236,263,007	\$154,739,737	

(1) The Drayage Truck Incentive Program was renamed the Seaport and Rail Yard Areas Emissions Reduction Program.

(2) The Light Duty Motor Vehicle Incentive Grant Program was renewed for the 2018–19 biennium after expiring at the end of the 2014-15 biennium.

(3) The Clean Transportation Triangle Program with an appropriation of \$11.8 million in 2016–17 was combined with the Alternative Fueling Facilities Program.

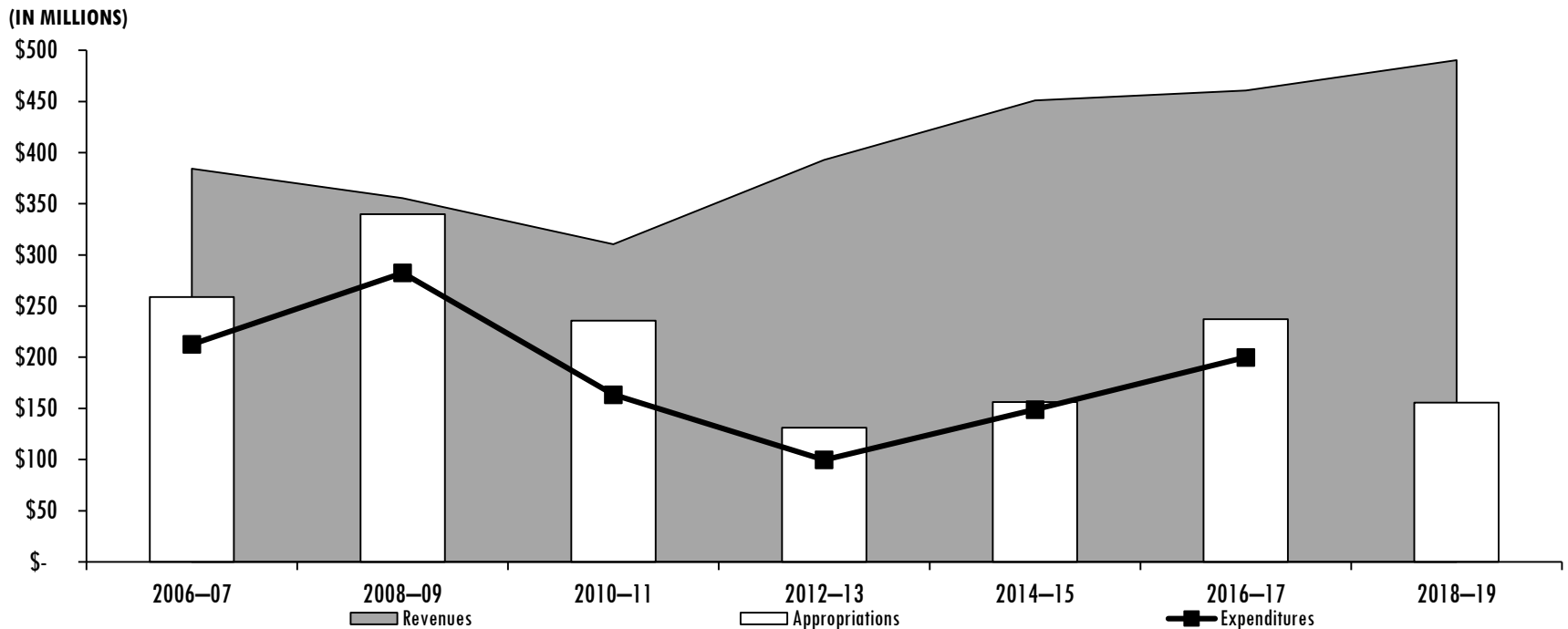
(4) The Cargo Movement Studies/Pilot Program is a new program beginning in the 2018–19 biennium.

(5) The Texas Commission on Environmental Quality (TCEQ) is authorized to reallocate funding between programs based on demand for grants, provided such reallocations are within the statutory limitations on the use of the General Revenue–Dedicated TERP Account No. 5071 as set forth in the Texas Health and Safety Code, §386.252.

(6) Totals represent the TERP program’s appropriated funding; actual spending levels may vary based on demand for grants.

TERP Revenues, Appropriations, and Expenditures, 2006–07 to 2018–19 Biennia

- House Bill 2, Eighty-Fifth Legislature, reduced TERP appropriations by \$31.0 million in fiscal year 2017. The agency anticipated lapsing this funding due to low demand for certain TERP grant programs.



NOTES:

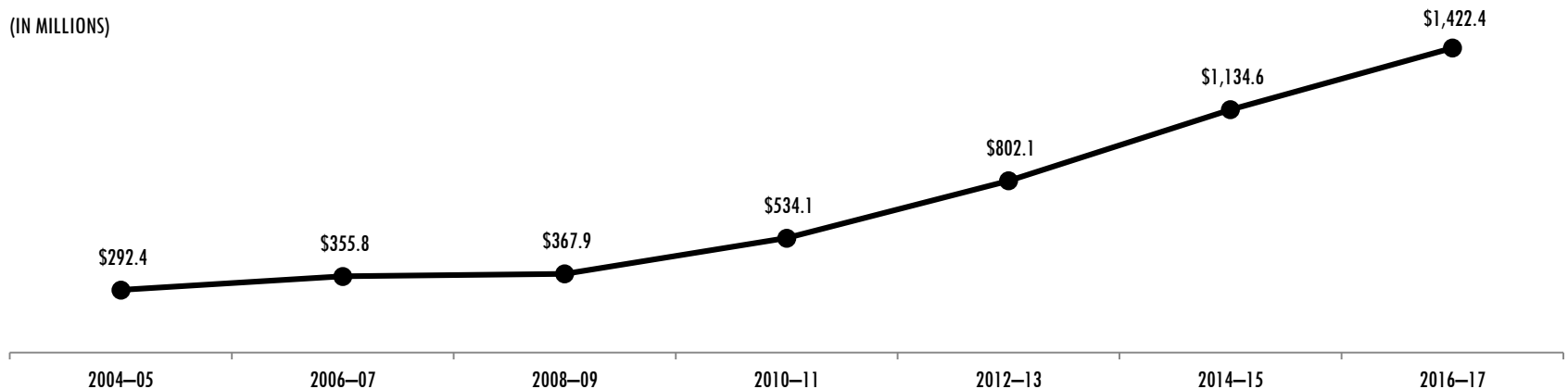
- Appropriations and expenditures include TCEQ and Texas A&M Engineering Experiment Station amounts.
- Revenues for 2006-17 are from the Comptroller's Annual Cash Reports for 2006-17.
- Revenues for 2018-19 are from the Comptroller's Biennial Revenue Estimate for 2018-19.
- TCEQ expenditures for 2006-2015 are provided by the agency; expenditures for 2016-17 are from TCEQ's 2018 Operating Budget. Texas A&M Engineering Experiment Station expenditures for 2006-2017 are from Legislative Budget Estimates.

TERP Account Balance

- 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.
- For the 2018–19 biennium, the Comptroller used \$1,744.3 million in balances in the TERP Account toward certification. For the 2016–17 biennium, the Comptroller used \$1,246.3 million in balances in the TERP Account toward certification.

TERP ACCOUNT BALANCES, 2004–05 TO 2016–17 BIENNIA

(IN MILLIONS)



NOTES:

(1) Data from fiscal years 2002 through 2017 are taken from the Comptroller's Cash Reports.

(2) Data for the 2018–19 biennium is from the Comptroller's Report on Use of General Revenue Dedicated Accounts, Eighty-fifth Legislature, 2017.

Eighty-Fifth Legislative Session Changes

Senate Bill 1731:

- **Extends the authorization** of the TERP program, previously set to expire on August 31, 2019, to the end of the biennium in which Texas attains the national ambient air quality standards for ground-level ozone.
- Allows TCEQ to reallocate funding between TERP programs based on **demand for grants**.
- Removes and amends various **caps and minimum spending levels** on TERP programs
- Renews the **Light-Duty Motor Vehicle Purchase or Lease Incentive program** and creates the **Governmental Alternative Fuel Fleet Grant program**.



LEGISLATIVE BUDGET BOARD

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Legislative Budget Board

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512.463.1200