

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 852 - HB 1272

March 6, 2013

SUMMARY OF BILL: Authorizes the Department of Environment and Conservation (TDEC) to implement a grant subsidy program for purchasing new vehicles or converting existing vehicles to accept compressed natural gas (CNG) or liquefied natural gas (LNG) as a fuel source for vehicles. Local government, school and private fleet vehicles will qualify. Each entity receiving a grant will be required to purchase or convert a minimum of three cars. The grants will provide up to fifty percent of the incremental purchase cost of the vehicle or conversion. The maximum benefit per vehicle will be capped at \$25,000.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures –

\$211,900/FY13-14/Biodiesel Manufacturers' Incentive Fund

**\$151,700/FY14-15 and Subsequent Years/Biodiesel Manufacturers'
Incentive Fund**

Forgone State Revenue – Exceeds \$10,000

Forgone Local Revenue – Exceeds \$10,000

Other Fiscal Impact - To extent this bill causes wider use of vehicles using compressed natural gas or liquefied natural gas as a fuel source in the future, there could be recurring decreases in state gasoline and diesel tax revenue. Any such decreases cannot be reasonably quantified because such impacts are dependent upon multiple unknown factors.

Assumptions:

- Any funds available for grants associated with the program will be subject to appropriations provided to the Energy Independence Fund in the general appropriations act. The bill does not directly provide any funding.
- TDEC will be required to set up the program regardless of appropriations for grants.
- TDEC will require one grants analyst position during the first year of the program and two program manager positions on a recurring basis to administer the program.
- The bill specifies that the cost of administration is to be paid by TDEC through funds remaining in the Biodiesel Manufacturers' Incentive Fund (BMIF). The current fund balance is approximately \$200,000. As a result, there will not be enough funds available

for TDEC to administer the program for the entire first year; therefore, an additional appropriation will be required.

- The one-time increase in state expenditures for the grants analyst position is estimated to be \$60,211 (\$40,000 salary, \$12,011 benefits, \$8,200 other). The recurring increase in state expenditures for each of the program manager positions is estimated to be \$75,864 (\$51,000 salary, \$13,664 benefits, \$11,200 other).
- The total increase in state expenditures from the BMIF for FY13-14 is estimated to be \$211,939 [\$60,211 + (\$75,864 x 2 positions)]. The recurring increase in state expenditures from the BMF is estimated to be \$151,728 (\$75,864 x 2 positions) beginning in FY14-15.
- The bill will place public utility property or commercial and industrial property engaging in the fueling of natural gas vehicles, under the definition of “certified green energy production facility” for purposes of tax valuation and would cap the value of such property at 30 percent of its installed cost. The reduced valuation would result in a decrease in franchise and excise tax collections and a decrease in local government property tax collections; however, these facilities do not currently exist in the state, therefore, any future revenue impact to state and local governments will be considered forgone revenue.
- The extent of any forgone state and local revenue is dependent upon several unknown factors such as the number of qualified entities, the extent of taxable property owned by such entities, and the current values of any qualified property. Given the extent of unknown factors, determining precise estimates for forgone state and local revenue is difficult. However, forgone state revenue is reasonably estimated to exceed \$10,000 per year, and forgone local revenue is reasonably estimated to exceed \$10,000 per year. Such forgone amounts of revenue may increase substantially in subsequent years if the extent of public utility property or commercial and industrial property that engages in the fueling of natural gas vehicles increases considerably as a result of this bill.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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