IMPROVE REPORTING FOR THE COASTAL EROSION PLANNING AND RESPONSE ACT PROGRAM

LBB RECOMMENDATION

1 Add a new key performance measure requiring GLO to report the economic benefits of state funds spent on projects funded by the CEPRA Program.

The introduced 2012–13 General Appropriations Bill includes the performance measure recommended in this report.

This recommendation would not have a fiscal impact for the 2012–13 biennium. It would increase the transparency and accuracy of information provided to the Texas Legislature.

The last census found that 25 percent of Texas' population lives in coastal zone counties. The University of Texas Bureau of Economic Geology estimates that one-third of Texas' economic resources are found along the coastal zone. These resources include tourism, agricultural products, mineral production, seaports, sport fishing, and activities associated with waterfowl. Tourism and port activities alone generate almost $6 billion in state and local tax receipts and over 1 million jobs. Coastal erosion causes an average loss of 235 acres of land per year in Texas, and erosion rates are as high as 10 feet per year in some spots.

The Seventy-sixth Legislature, Regular Session, 1999, passed the Coastal Erosion Planning and Response Act (CEPRA) to help address coastal erosion along the Texas Gulf Coast. Projects undertaken by the General Land Office (GLO) under the CEPRA Program have helped to replenish and stabilize critically-eroding areas of Texas beaches. Data shows that the CEPRA Program has helped eliminate the negative consequences of coastal erosion in Texas and has resulted in an average of $11.69 in economic benefits to the state for every dollar the program receives. Including a new performance measure in the 2012–13 General Appropriations Bill regarding the economic benefits of CEPRA Program projects would increase transparency and ensure the Texas Legislature has complete information about the program's results when making future funding decisions for the program.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 365.

REQUIRE ALL BENEFICIARIES TO HELP FUND THE COASTAL EROSION PLANNING AND RESPONSE ACT

LBB RECOMMENDATIONS

1 Amend statute to create new sources of funding for the CEPRA Program.

2 Include a contingency rider removing the requirement for TPWD to transfer Sporting Goods Sales Tax to GLO and replacing Unclaimed Motorboat Fuels Tax Refunds redirected from TPWD with Sporting Goods Sales Tax.

3 Amend statute to limit funding for CEPRA Program projects without a match requirement.

4 Amend statute to require GLO to develop a long-range plan for the CEPRA Program.

5 Include a contingency rider appropriating funds from the Coastal Erosion Response Account to GLO for the CEPRA Program.

Recommendations 1, 3, and 4 require statutory change. The House version of the introduced 2012–13 General Appropriations Bill includes riders implementing Recommendations 2 and 5.

These recommendations would result in a net savings of $10.1 million in General Revenue Funds and generate $10.5 million of General Revenue–Dedicated Funds for the 2012–13 biennium, as well as ensure equitable funding for state efforts to address coastal erosion.

Coastal erosion, which is the result of natural processes and has been accelerated by human activities, affects 64 percent of the Texas Gulf Coast. The Coastal Erosion Planning and Response Act (CEPRA) was passed in 2001 and is a coordinated effort of state, federal, and local entities to address this issue.

Not all groups benefitting from the state's efforts to address coastal erosion share in the cost of these activities. Funding for the program is currently provided from the general public through Sporting Goods Sales Tax General Revenue Funds. However, coastal residents, coastal industries, and the public all contribute to erosion and gain from erosion control projects. To fund the CEPRA Program equitably, revenue should come from all of these groups.

Establishing a nominal fee on commercial landings, reducing the amount of CEPRA funding that can be used for projects without a match, and redirecting Outer Continental Shelf Settlement Monies and Unclaimed Motorboat Fuels Tax Refunds would provide funding for the CEPRA Program from all parties who contribute to coastal erosion and benefit from state activities to address coastal erosion. These recommendations direct sources of funding to the Coastal Erosion Response Account; although they could also be statutorily dedicated through the General Revenue Fund.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 373.

FIVE-YEAR FISCAL IMPACT, FISCAL YEARS 2012 TO 2016

FISCAL YEAR	PROBABLE GAIN/(LOSS) IN GENERAL REVENUE–DEDICATED FUNDS	PROBABLE SAVINGS/ (COST) IN GENERAL REVENUE FUNDS	PROBABLE SAVINGS/ (COST) IN GENERAL REVENUE FUNDS	PROBABLE GAIN/ (LOSS) TO LOCAL PORT AUTHORITIES
2012	$5,250,478	$12,500,000	($2,066,835)	$53,035
2013	$5,250,478	$12,500,000	($2,066,835)	$53,035
2014	$5,250,478	$12,500,000	($2,066,835)	$53,035
2015	$6,300,574	$12,500,000	($2,066,835)	$63,642
2016	$6,300,574	$12,500,000	($2,066,835)	$63,642

SOURCE: Legislative Budget Board.

INCLUDE A FUEL INEFFICIENCY SURCHARGE ON THE SALE OF CERTAIN NEW VEHICLES

LBB RECOMMENDATION

1 Amend statute to include a $100 surcharge on all new vehicle purchases considered inefficient in their fuel consumption based on Corporate Average Fuel Economy standards issued by NHTSA.

This recommendation requires statutory change. The introduced 2012–13 General Appropriations Bill does not include any adjustments as a result of the recommendation.

This recommendation would generate $115.3 million in General Revenue Funds for the 2012–13 biennium and generate revenue to help fund state programs improving air quality.

Certain passenger vehicles, sport-utility vehicles, and light-duty trucks produce more emissions than the average vehicle. They are also less energy-efficient than the average vehicle. In fiscal year 2010, an estimated 565,873 new vehicles were registered in Texas that did not meet federal Corporate Average Fuel Economy standards. For every gallon of gasoline used by a vehicle, 20 pounds of carbon dioxide is produced. According to the National Highway Traffic Safety Administration (NHTSA), carbon dioxide makes up 97 percent of all greenhouse gas emissions from motor vehicles.

Three Texas cities are currently in nonattainment with federal air quality standards for ozone with additional areas of the state classified as Ozone Early Action Compact areas. Failure to achieve attainment status could result in the state loosing federal highway funding and other grant funding related to air pollution, the reclassification of areas into higher nonattainment status requiring additional measures and implementations, and certain sectors of the economy being required to purchase additional offsets to conduct business in Texas.

Despite the increased costs associated with inefficient vehicles, they are exempt from the federal gas-guzzler tax and do not pay any additional state taxes. A surcharge attached to the sale of new vehicles with high emissions would compensate for the higher-than-average transportation-related costs these vehicles create. Establishing a $100 surcharge for these vehicles would generate $115.3 million of General Revenue Funds during the 2012–13 biennium. This revenue could fund efforts to comply with federal air quality standards and fund state programs aimed at reducing pollution.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 381.

FIVE-YEAR FISCAL IMPACT, FISCAL YEARS 2012 TO 2016

FISCAL YEAR	PROBABLE GAIN/(LOSS) TO GENERAL REVENUE
2012	$57,632,465
2013	$57,632,465
2014	$57,632,465
2015	$57,632,465
2016	$57,632,465

Source: Legislative Budget Board.

STRENGTHEN COST RECOVERY FOR TEXAS DEPARTMENT OF AGRICULTURE REGULATORY AND MARKETING PROGRAMS

LBB RECOMMENDATIONS

1 Reduce appropriations of General Revenue Funds for TDA marketing programs to the projected amount that client entities will pay in fees and sponsorships for those programs during the 2012–13 biennium.

2 Eliminate appropriations of General Revenue Funds for the GO TEXAN Partnership Program for the 2012–13 biennium.

3 Include a rider requiring TDA to collect revenue from all entities benefitting from its marketing services sufficient to cover the direct and indirect costs of those services in the 2012–13 biennium.

4 Include a rider specifying that revenue must cover all direct and indirect costs including employee benefits for each regulatory program that monitors or licenses individuals, companies, or products.

The introduced 2012–13 General Appropriations Bill includes funding reductions implementing Recommendations 1 and 2 and riders implementing Recommendations 3 and 4.

These recommendations would result in a savings of $10.3 million in General Revenue Funds and General Revenue–Dedicated Funds for the 2012–13 biennium, and would ensure that TDA regulatory and marketing programs operate on a full cost recovery basis.

Although the Texas Department of Agriculture (TDA) has well established mechanisms for collecting fee revenue to cover its direct and administrative regulatory expenditures, cost recovery would be strengthened by a General Appropriations Bill rider that ensures total appropriations, including those related to other direct and indirect costs, are limited to revenue collections. Also, state funding for marketing services in Texas is higher than most other major agricultural-producing states. Reducing appropriations for marketing services to the amounts generated from program revenue would limit the extent to which companies benefit from those services without paying for them, and generate significant savings.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 385.

FIVE-YEAR FISCAL IMPACT, FISCAL YEARS 2012 TO 2016

FISCAL YEAR	PROBABLE SAVINGS/(COST) IN GENERAL REVENUE FUNDS	PROBABLE SAVINGS/(COST) IN GENERAL REVENUE–DEDICATED FUNDS
2012	$4,584,813	$552,267
2013	$4,584,813	$552,267
2014	$4,584,813	$552,267
2015	$4,584,813	$552,267
2016	$4,584,813	$552,267

Source: Legislative Budget Board.

INCREASE PRIVATE CONTRIBUTIONS FOR STATE PARKS

LBB RECOMMENDATIONS

1 Amend statute to expand TPWD's fund-raising and partnership development activities.

2 Include a contingency rider appropriating all revenue raised through fund-raising and partnership development activities to TPWD for state park system operations and maintenance.

3 Amend statute to prohibit advertising in state parks, historic sites, or natural areas.

4 Amend statute to require DMV to collect a voluntary contribution for state park operations and maintenance when individuals register their vehicles.

5 Include a contingency rider appropriating donations from motor vehicle registrations.

Recommendations 1, 3, and 4 require statutory change. The introduced 2012–13 General Appropriations Bill includes contingency riders implementing Recommendations 2 and 5.

These recommendations would generate $3.2 million in General Revenue–Dedicated Funds for the 2012–13 biennium, and would give TPWD more flexibility in its fund-raising and partnership development activities.

In addition to state appropriations, state parks benefit from private sector contributions provided by individuals, companies, state park friends groups, the Parks and Wildlife Foundation, and various non-profit organizations. However, state law limits the Texas Parks and Wildlife Department's (TPWD) ability to expand its development of corporate partnerships and joint promotional campaigns. As a result, the agency lacks the authority to develop new, financially beneficial partnerships with private for-profit companies.

Private contributions can provide necessary funding for park infrastructure, especially if the agency has more flexibility in fund raising and a broader strategy for increasing private contributions. In the State of Washington, a voluntary $5 donation collected with vehicle registrations generated approximately $760,000 in fiscal year 2009 for its state park system.

Amending statutes regarding the authority of TPWD and the Department of Motor Vehicles (DMV) to fund-raise and collect donations and adding related contingency riders to the General Appropriations Act would significantly increase private contributions for the state park system.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 391.

FIVE-YEAR FISCAL IMPACT, FISCAL YEARS 2012 TO 2012

FISCAL YEAR	PROBABLE GAIN/(LOSS) IN GENERAL REVENUE–DEDICATED FUNDS
2012	$1,600,000
2013	$1,600,000
2014	$1,600,000
2015	$1,600,000
2016	$1,600,000

SOURCE: Legislative Budget Board.

ELIMINATE THE NEW TECHNOLOGY RESEARCH AND DEVELOPMENT PROGRAM

LBB RECOMMENDATIONS

1 Amend statute to eliminate the NTRD Program.

2 Reduce appropriations to TERP to eliminate funding for the NTRD Program.

Recommendation 1 requires statutory change. The introduced 2012–13 General Appropriations Bill implements Recommendation 2.

These recommendations would save $18.7 million in General Revenue–Dedicated Funds in the 2012–13 biennium and would reallocate future TERP appropriations for emissions and reduction grants.

The New Technology Research and Development (NTRD) Program was established within the Texas Emissions Reduction Plan (TERP) as a grant program to encourage and accelerate the development and commercialization of technologies that aid in improving air quality by reducing pollution. These efforts are intended to assist Texas in its emissions reduction efforts in accordance with the State Implementation Plan. The program receives 9 percent of total TERP General Revenue–Dedicated Fund appropriations by statute.

The NTRD Program has not satisfactorily met either of its two program performance objectives. None of the technologies developed through the program have been adopted by any applicants seeking grant funding through TERP. In addition, only 7 percent of the technologies funded for development have been submitted to the U.S. Environmental Protection Agency or California Air Resources Board for certification or verification purposes; a key measure in confirming the validity and effectiveness of the developed technology. Eliminating funding for the program would allow for a greater portion of funds appropriated to TERP to be applied towards more proven and effective emissions reduction efforts.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 395.

FIVE-YEAR FISCAL IMPACT, FISCAL YEARS 2012 TO 2016

FISCAL YEAR	PROBABLE SAVINGS/(COST) IN GENERAL REVENUE–DEDICATED FUNDS	PROBABLE CHANGE IN FULL-TIME-EQUIVALENT POSITIONS FROM THE 2010–11 BIENNIUM
2012	$10,672,283	(3.5)
2013	$8,008,283	(3.5)
2014	$8,008,283	(3.5)
2015	$8,008,283	(3.5)
2016	$8,008,283	(3.5)

SOURCE: Legislative Budget Board.

OVERVIEW OF CARBON CAPTURE AND STORAGE IN TEXAS

LBB FACTS AND FINDINGS

- Texas is the largest emitter of carbon dioxide in the U.S. but also has vast capacity for subsurface and offshore geologic storage of carbon dioxide.
- CCS is not economically feasible without a price attached to carbon or federal incentives for this market.
- Previous Legislatures have positioned Texas to expand its CCS industry should federal legislation or rulings regulating carbon emissions occur.

This report does not include any recommendations. The introduced 2012–13 General Appropriations Bill does not include any adjustments as a result of this report.

This report would not have a fiscal impact for the 2012–13 biennium. It provides an overview of CCS, current advantages and disadvantages for market adoption, and highlights progress the state of Texas has made in becoming a potential leader in the future development of this industry.

Carbon capture and storage (CCS) is a technology for preventing carbon dioxide (CO_2) emissions from escaping into the atmosphere by capturing emissions from a large source, such as a coal-fired or natural gas power plant, and trapping it within sub-surface geologic formations for significant periods of time. The Environmental Protection Agency declared CO_2 a harmful pollutant in 2009. However, neither federal nor state governments require industries to sequester CO_2 emissions, but carbon capture and storage is a possible solution to address lowered emissions standards. Current carbon capture and storage activities in Texas include voluntary industry improvements to air quality processes and testing by academic and research entities. These activities could position the state to benefit from future carbon capture and storage business.

Texas is well positioned to be a leader in carbon capture and storage should a market for this technology develop in the future. The Texas legislature has taken significant actions to address incentive and regulatory issues in this area, primarily in regards to carbon capture and storage demonstration projects related to enhanced oil recovery efforts. Texas is ahead of regulatory initiatives in other states and offers an environment for implementing carbon capture technologies throughout a variety of industries. However, the economic viability of carbon capture would require either significant funding from the federal government or a regulated price on carbon emissions, such as that envisioned by cap and trade or carbon tax legislation. Additionally, the commercial deployment of CCS technologies, while an economic boon regionally, would likely come at a significant cost to the state's power generation industry.

The full text of this report can be found in the *Government Effectiveness and Efficiency* report (Legislative Budget Board, January 2011), page 401.

STATE FUNDING FOR WATER PROGRAMS, LEGISLATIVE PRIMER

LBB FACTS AND FINDINGS

- According to the 2007 State Water Plan, by 2060, 21.6 million acre-feet of water per year will be required to meet the state's demand, but only 14.6 million acre-feet of water per year will be available.
- In fiscal years 2010–11, the State expended $1,122.0 million, including $339.2 million in General Revenue and General Revenue–Dedicated expenditures and $782.8 million in General Obligation bond proceeds for water programs.

This report does not include any recommendations. No adjustments have been made to the 2012–13 General Appropriations Bill as a result of this report.

This report would not have a fiscal impact for the 2012–13 biennium. It describes six potential dedicated funding sources for water programs.

The purpose of this primer is to provide information regarding the major water use issues in the State of Texas and state funding for water programs. The primer is divided into a high-level overview of the demand for water in Texas; a summary of water rights issues, including groundwater and surface water rights, and the privatization of water rights; a discussion of the regional planning approach that is used to develop the State Water Plan and of the water management strategies used to implement the State Water Plan; and program descriptions and funding for the financial assistance programs for water infrastructure projects provided by the Texas Water Development Board (TWDB). Potential additional dedicated funding sources for water programs are identified, including the following options:

- Sales tax on retail sales of utility water and sewer;
- Water conservation and development fee;
- Water rights fee;
- Tap fee on retail public utilities connections;
- Sales tax on bottled water; and
- Development impact fee.

The full text of this report can be found in *State Funding for Water Programs, Legislative Primer* (Legislative Budget Board, January 2011).

FISCAL IMPACT OF DROUGHT TO STATE AGENCIES AND INSTITUTIONS OF HIGHER EDUCATION DURING THE 2008–09 BIENNIUM

LBB FACTS AND FINDINGS

- Between the fall of 2007 and the fall of 2009, Texas suffered an intense La Nina-driven drought.
- Texas state agencies and institutions incurred costs totaling $181.1 million, including $64.2 million from General Revenue Funds, $0.1 million from General Revenue–Dedicated Funds, $8.9 million from Federal Funds, $38.8 million from Other Funds, and $69.1 million in off-budget funds.
- $140.3 million, or 77.5 percent of the total costs were related to fighting forest fires.

This report does not include any recommendations. No adjustments have been made to the introduced 2012–13 General Appropriations Bill as a result of this report.

This report would not have a fiscal impact for the 2012–13 biennium. It could be used as a tool to help plan for future droughts.

During fiscal years 2008 and 2009, Texas suffered an intense La Nina-driven drought where approximately 45 percent of the state experienced severe to exceptional drought conditions and 100 percent of the state experienced some level of drought. This paper reviews the impact of this drought on state agencies and institutions of higher education. Of the 169 state agencies and institutions of higher education surveyed, 17 reported a fiscal impact associated with the drought, identifying a total fiscal impact of $181.1 million in fiscal years 2008 and 2009. This includes $64.2 million in General Revenue Funds, $0.1 million in General Revenue–Dedicated Funds, $8.9 million in Federal Funds, $38.8 million in Other Funds, and $69.1 million in off-budget funds. The costs can be broken into administrative or program costs ($175.1 million), revenue loss ($0.3 million), and services provided ($5.7 million).

The full text of this report can be found in *Fiscal Impact of Drought to State Agencies and Institutions of Higher Education During the 2008–09 Biennium* (Legislative Budget Board, January 2011).