

2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2172

STATUS: B-Engrossed

SUBJECT: Relating to diesel engines and creating Clean Diesel Engine Fund

GOVERNMENT UNIT AFFECTED: Department of Environmental Quality, Department of Revenue and Oregon Department of Education

PREPARED BY: Dawn Farr

REVIEWED BY: Paul Siebert

DATE: May 9, 2007

	<u>2007-2009</u>	<u>2009-2011</u>
EXPENDITURES: Dept. of Environmental Quality (DEQ)		
Personal Services – General Fund (GF)	\$ 109,309	\$ 124,925
Services and Supplies – GF	\$ 22,474	\$ 25,684
Indirect: Contribution to Agency Admin. Costs – OF	\$ 21,906	\$ 25,035
Total Other Funds Costs	\$ 153,689	\$ 175,644
REVENUES*: DEQ		
Tax Credit Fees – Other Funds (OF)	\$ 57,465	\$ 65,850

** Refer to the Revenue Impact Statement issued by the Legislative Revenue Office for General Fund impacts.*

POSITIONS / FTE:

Natural Resource Specialist 3	1/0.88	1/1.0
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EFFECTIVE DATE: 91st day following adjournment sine die.

GOVERNOR'S BUDGET: Creation of the Clean Diesel Engine Fund is anticipated by the Governor's recommended budget; however, the program expenses detailed above are not.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: The bill directs the Environmental Quality Commission (EQC) to establish a goal to reduce excess lifetime risk of cancer due to exposure to diesel engine emissions to no more than one case per million individuals by 2017, and to include a target to substantially reduce risk to school children from diesel engine emissions produced by Oregon school buses by the end of 2013. The bill allows Oregon school districts to claim expenditures from the State School Fund as match on federal grants to retrofit or replace older school busses; directs the EQC to establish standards for qualifying repower or retrofit diesel engines; establishes the Clean Diesel Engine Fund to be used to award grants and loans to assist owners to repower or retrofit diesel engines and scrap older diesel engines; allows a personal income or corporate excise tax credit of up to 25% of the certified cost of a qualifying engine repowers and 50% of qualifying retrofits; extends new engine tax credit to December 2011; and, limits total amount of tax credits for purchase of diesel engines to \$500,000 per year.

The Governor's Recommended Budget for the DEQ requests a General Fund appropriation of \$3,000,000 to establish the Clean Diesel Fund. DEQ anticipates receiving an additional \$1,500,000 in Federal monies from competitive grants to be deposited into the fund, resulting in a total fund balance of \$4,500,000 for the 2007-09 biennium. The bill authorizes the department to charge the Clean Diesel Engine Fund for administrative expenses associated with the clean diesel grant and loan program; however, these costs were not identified in the Governor's Recommended Budget for DEQ. The Department estimates it will require a new Natural Resource Specialist 3 position (1.0 FTE) to write administrative rules and develop and administer the grant and loan program. The costs associated with this position are estimated to be \$153,689 for 2007-09 and \$175,644 for 2009-2011 biennia. The cost is lower in the 2007-09 biennium because the bill does not take effect until three months into the biennium.

DEQ's anticipates generating additional Other Fund revenues of \$57,465 in 2007-09 and \$65,850 in 2009-11 for tax credit application fees. This total assumes receipt of 285 clean diesel engine upgrade tax credits and 1030 new engine credits per biennium. The bill sets the clean diesel upgrade tax credit application fee at \$50, and the department plans to increase the existing new engine credit application fee (currently \$15) to \$50 effective January 1, 2008. DEQ's costs associated with processing clean diesel tax credit applications will be \$53,611 for the 2007-09 biennium. The processing costs are expected to decrease to \$43,099 for the 2009-11 biennium; due largely to requiring less direct involvement of the tax credits manager in processing applications. DEQ does not anticipate requesting additional position authority for this work as they believe it can be absorbed with the current staffing level of the tax credits section.

The Department of Revenue indicates that the bill would result in a need to update forms and publications, and some additional form processing. Related costs are expected to be minimal and assumed with existing resources.

The Department of Education indicates that this bill would have an indeterminate impact on the amount of transportation grants claimed through the State School Fund as it is not known how many districts would take advantage of this bill or the related costs. The costs associated with the target to substantially reduce risk to school children from diesel engine emissions produced by Oregon school busses by the end of 2013 are unknown at this time.