

FISCAL IMPACT OF PROPOSED LEGISLATION

79th Oregon Legislative Assembly – 2017 Regular Session
Legislative Fiscal Office

Measure: HB 3386 - A

***Only Impacts on Original or Engrossed
Versions are Considered Official***

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Measure Description:

Requires Environmental Quality Commission to adopt by rule program for facilitating compliance with low carbon fuel standards.

Government Unit(s) Affected:

Department of Environmental Quality (DEQ), Oregon Department of Transportation (ODOT)

Summary of Expenditure Impact: See Analysis

Summary of Revenue Impact: See Analysis

Analysis:

HB 3386-A requires the Environmental Quality Commission (EQC) to adopt, by rule, a program for facilitating compliance with low carbon fuel standards. The bill creates two compliance mechanisms for which the EQC must adopt rules. The first compliance mechanism requires the use of nongovernmental compliance credit generators whose responsibilities will be to offer for transfer to regulated parties an unlimited quantity of compliance credits; transfer compliance credits at a price of \$75 per compliance credit; and use funds received through the transfer of compliance credits for various specified purposes. The second compliance mechanism becomes operative should the provisions of the bill related to the first compliance mechanism be judicially declared to impose a tax or excise levied on the storage, withdrawal, use, sale, distribution, importation, or receipt of motor vehicles fuel, or any other product used for the propulsion of motor vehicles, that is subject to the provisions of Article IX, section 3a, of the Oregon Constitution. The second compliance mechanism requires that the Department of Environmental Quality (DEQ) adopt, by rule, a program for managing and containing the costs of compliance with the low carbon fuel standards. The second compliance mechanism requires that compliance credits be transferred at a price of \$75 per compliance credit. Funds received for the transfer of compliance credits must be deposited in the Transportation Emissions Reduction Account, established in the State Highway Fund; and used for specified purposes.

DEQ has indicated that the first compliance mechanism would require the agency to engage in rulemaking activities, and to make slight changes to existing information technology (IT) systems, both of which are anticipated to have a minimal impact. Additionally, the implementation of the first compliance mechanism would require two additional positions, whose responsibilities would include: contract development, negotiation and oversight; nongovernmental board engagement and oversight; and reporting on the credit issuance, fund management, and emissions reductions from compliance credit funded projects. These positions will be classified as an Operations and Policy Analyst 3, and will equate to 0.79 FTE each in the 2017-19 biennium, and 1.00 FTE each in the 2019-21 biennium. Personal Services costs are estimated to be \$318,928 in the 2017-19 biennium, and \$402,856 in the 2019-21 biennium. Associated Services and Supplies costs are estimated to be \$38,278 in both the 2017-19 and 2019-21 biennium.

The second compliance mechanism would require DEQ to engage in rulemaking activities, which is anticipated to have a minimal impact. However, more significant IT changes would be required, necessitating an additional position (0.50 FTE), classified as an Information Systems Specialist 6. The second compliance mechanism would require one additional position (1.00 FTE), classified as an

Operations and Policy Analyst 2, whose responsibilities would include managing credit issuance and confirming receipt of funds. Under the second compliance mechanism, Personal Services costs are estimated to be \$241,842 in the 2017-19 biennium, and \$279,038 in the 2019-21 biennium. Associated Services and Supplies costs are estimated to be \$29,580 in both the 2017-19 and 2019-21 biennia.

The bill is anticipated to have no impact on the Oregon Department of Transportation.