

FISCAL IMPACT OF PROPOSED LEGISLATION

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

Measure: SB 1008 - B

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

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Measure Description:

Authorizes the Department of Environmental Quality to accept Environmental Mitigation Trust Agreement Moneys and distribute them for the qualified replacement, repower, or retrofit of diesel engines.

Government Unit(s) Affected:

Statewide

Summary of Expenditure Impact: See Analysis

Summary of Revenue Impact: See Analysis

Analysis:

SB 1008-B directs DEQ to undertake rulemaking that would set minimum qualifications for the replacement, repower, or retrofit of diesel engines, including; the motor vehicle to be scrapped has at least three years of remaining useful life, and the engine model year of the equivalent motor is 2010 or newer; for nonroad pieces of equipment, the nonroad piece of equipment has at least three years of remaining useful life, and the equivalent equipment meets or exceeds the U.S. Environmental Protection Agency Tier 4 standards for nonroad diesel exhaust emissions.

The bill authorizes the State to receive moneys from the Volkswagen Environmental Mitigation Trust Agreement, and deposit the money in the Clean Diesel Engine Fund. The bill specifies that the funds received from the Volkswagen Environmental Mitigation Trust Agreement shall be used to award grants and loans for reducing emissions from diesel engines, and specifies that DEQ must award grants to owners and operators of school buses, in order to reduce diesel emissions from at least 450 diesel powered school buses. The bill stipulates that awarded grants and loans may not exceed \$50,000 or 30% of the cost to purchase a bus that meets these minimum standards; or up to 100% of the cost of the repower or retrofit of a school bus so long as the repower or retrofit results in at least an 85% reduction in diesel emissions..

Statewide

The fiscal impact of the bill, relating to the replacement of diesel engines, is indeterminate, but may pose a significant impact to state agencies that own diesel powered trucks, or nonroad equipment. Diesel engines are generally known for their durability, with many lasting for 2 or 3 decades. As a result, state agencies, Cities, and Counties may own trucks or nonroad equipment that are relatively old. Should state agencies, Cities, and Counties continue to experience this reliability with these diesel-powered trucks and nonroad equipment, the fiscal impact of this measure, within the typical two biennia scope, may be minimal. However, should they need to replace a diesel truck or nonroad piece of equipment, the cost of that replacement will likely be higher than normal because they would be required to replace that diesel truck or nonroad equipment with one that is powered by a diesel engine model year 2010 or newer. Additionally, the Oregon Department of Transportation (ODOT) has indicated that the bill may result in a loss of revenue, as a result of ODOT being unable to sell its diesel trucks and nonroad equipment as they reach their optimum replacement cycle. It should be noted that State agencies impacted by the bill may be eligible to apply for grant funds from DEQ, which may offset the cost of replacing, repowering, or retrofitting diesel engines. State agencies that would be directly impacted by

the bill include the Department of Aviation, the Oregon Military Department, and the Oregon Department of Transportation.

Department of Environmental Quality

The following analysis relates to the administration of the Volkswagen Environmental Mitigation Trust Agreement.

Regarding the Clean Diesel Engine Fund, the distribution of monies deposited into the fund, as received by the Volkswagen Environmental Mitigation Trust Agreement, DEQ anticipates needing an additional position (1.00 FTE) in both the 2017-19 and 2019-21 biennia. This position will be responsible for the administration of the grant program and distribution of grant funds. This position will be classified as an Operations and Policy Analyst 2. Personal Services costs for this position are estimated to be \$167,108 in both the 2017-19 and 2019-21 biennia. Associated Services and Supplies costs are estimated to be \$66,752 in both the 2017-19 and 2019-21 biennia.

Additionally, DEQ anticipates needing a Procurement and Contract Specialist 2, equivalent to 0.63 FTE in the 2017-19 biennium, and 1.00 FTE in the 2019-21 biennium. This position will be responsible for the writing and administration of all DEQ contracts with program participants. Total Personal Services costs are estimated to be \$104,443 in the 2017-19 biennium, and \$167,108 in the 2019-21 biennium. Associated Services and Supplies costs are estimated to be \$21,875 in the 2017-19 biennium, and \$35,000 in the 2019-21 biennium. Additional, non-position related Services and Supplies costs of \$52,500 in the 2017-19 biennium, and \$150,000 in the 2019-21 biennium is needed for anticipated Attorney General charges, which is attributable to the increase in program participation in future biennia. These positions will be paid for using Volkswagen Environmental Mitigation Trust Agreement funds.

The Legislative Fiscal Office notes that the bill prohibits the distribution of grant funds beyond those for the replacement of buses, without legislative approval. DEQ anticipates seeking legislative approval for the expansion of the program during the 2019 legislative session. At which point, additional positions may be required to administer the program. DEQ has indicated that due to uncertainty regarding when settlement funds will be received, some administrative costs of the program may need to be covered by an alternate revenue source. This analysis assumes that any other revenue source used to cover the administrative costs of the program will be reimbursed with settlement funds once they are received. DEQ has indicated that it anticipates receiving the Volkswagen Environmental Mitigation Trust Agreement funds some time before the end of calendar year 2017, however, the exact date is unknown.