

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 6, 2005

TO: Honorable Dennis Bonnen, Chair, House Committee on Environmental Regulation

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: HB2793 by Bonnen (Relating to the removal and collection of convenience switches from motor vehicles; providing penalties.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2793, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>TEXAS EMISSIONS REDUCTION PLAN 5071</i>	Probable Revenue Gain/(Loss) from <i>New General Revenue Dedicated-- Convenience Switch Recovery Account</i>	Probable Savings/ (Cost) from <i>New General Revenue Dedicated-- Convenience Switch Recovery Account</i>	Change in Number of State Employees from FY 2005
2006	(\$24,000,000)	\$24,000,000	(\$1,210,856)	1.0
2007	\$0	\$0	(\$1,204,356)	1.0
2008	\$0	\$0	(\$1,204,356)	1.0
2009	\$0	\$0	(\$1,204,356)	1.0
2010	\$0	\$0	(\$1,204,356)	1.0

Fiscal Analysis

The bill would regulate the removal of convenience switches in end-of-life vehicles which are sold to a scrap metal recycling facility by creating a convenience switch recovery program at the Texas Commission on Environmental Quality (TCEQ), contingent upon promulgation of regulations by the U.S. Environmental Protection Agency (EPA) and the U.S. EPA's recognition of state convenience switch recovery programs as an acceptable compliance method with Section 112 of the federal Clean Air Act. The provisions of the bill would apply to a manufacturer of vehicles sold in this state and a vehicle recycler or scrap metal recycling facility in this state.

The bill would require auto manufacturers, individually or as part of a group, to develop a

convenience switch recovery program using existing end-of-life vehicle infrastructure as much as possible that provides: 1) convenience switch information for each make, model, and model year of a vehicle; 2) educational materials for recycling facilities; 3) methods for recycling or disposing of convenience switches including the method of packaging and shipping the convenience switches to an authorized recycling, storage, or disposal facility; and 4) methods for storage of a convenience switch collected if environmentally appropriate recycling or disposal technologies are not available.

The TCEQ would be required to provide reports on the program. If the Attorney General would certify EPA promulgation of rules recognizing a convenience switch recovery program as an acceptable compliance method, the bill also would create the convenience switch recovery account as a General-Revenue Dedicated account, with funding principally provided by a transfer of \$24 million in unappropriated revenue collections from the Texas Emissions Reduction Plan (TERP) Account No. 5071. If certification occurs during fiscal year 2006, the transfer would be made from unappropriated 2006 revenue collections; if certification occurs in a later fiscal year, the transfer would be made from unappropriated revenue collections from the fiscal year preceding the year in which certification occurs. If the initial transfer is less than \$24 million, additional transfers would occur each subsequent fiscal year until a total of \$24 million has been transferred.

The TCEQ would be required to pay up to a \$2 "compliance bonus" per switch recovered to the recycling facility as compensation for removal costs. The TCEQ could not spend more than \$3 million in a given fiscal year on compliance bonus payments and program administration.

The bill would take effect immediately if it received a two-thirds vote of each house. If it received only a simple majority vote, the effective date would be September 1, 2005.

Methodology

The bill provides for a total transfer of \$24 million in unappropriated revenue collections from the TERP Account No. 5071 to the new convenience switch recovery account. Based on the Comptroller's TERP revenue projections of \$154,041,000 in 2006 and \$160,380,000 in 2007, the proposed TERP appropriations to the TCEQ of \$128,520,574 in 2006 and \$128,520,572 in 2007, and the proposed TERP appropriations to the TEES of \$952,019 in 2006 and \$952,019 in 2007, the estimated unappropriated 2006 collections total \$24,568,407 and \$30,907,409 in 2007. Assuming the U.S. EPA would recognize the convenience switch recovery program of Texas in fiscal year 2006, the transfer would occur in fiscal year 2006.

The TCEQ projects that 500,000 convenience switches would be collected annually, resulting in agency expenditures of \$1,000,000 annually on compliance bonuses. In addition, the TCEQ's Field Operations Division would require an additional full-time-equivalent position to conduct additional compliance investigations as a result of the bill's passage, and a contractor would be used by the Small Business & Environmental Assistance Division to provide compliance assistance to vehicle and scrap metal recyclers. The additional cost to the agency for these needs is estimated at \$210,856 in 2006 and \$204,356 in subsequent fiscal years.

If the U.S. EPA would not promulgate regulations recognizing convenience switch recovery programs as an acceptable compliance method with Section 112 of the federal Clean Air Act, the bill is not expected to have any significant fiscal impact.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 582 Commission on Environmental Quality

LBB Staff: JOB, WK, ZS, TL