

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 19, 2007

TO: Honorable Kip Averitt, Chair, Senate Committee on Natural Resources

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

IN RE: SB945 by Ellis (Relating to the Texas Global Warming Solutions Act; imposing a fee and providing a penalty.) ,**As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB945, As Introduced: an impact of \$0 through the biennium ending August 31, 2009.

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
2008	\$0
2009	\$0
2010	\$0
2011	\$0
2012	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from New General Revenue Dedicated--Greenhouse Gas Emissions Control Account	Probable Savings/ (Cost) from CLEAN AIR ACCOUNT 151	Probable Savings/ (Cost) from New General Revenue Dedicated--Greenhouse Gas Emissions Control Account	Change in Number of State Employees from FY 2007
2008	\$0	(\$1,824,464)	\$0	25.0
2009	\$332,393	(\$1,329,571)	(\$332,393)	25.0
2010	\$5,309,559	\$0	(\$5,309,559)	75.0
2011	\$4,985,892	\$0	(\$4,985,892)	75.0
2012	\$4,985,892	\$0	(\$4,985,892)	75.0

Fiscal Analysis

The bill would establish the Texas Global Warming Solutions Act. The bill would charge the Texas Commission on Environmental Quality (TCEQ) as the lead agency to develop and implement the program, which would include the imposition of fees and penalties.

The bill would require the TCEQ to monitor, regulate, and develop control strategies for greenhouse gas emission sources. The TCEQ would: consult with other states and the federal government to determine effective control strategies for reducing greenhouse gas emissions; manage greenhouse gas control programs; and facilitate the development of integrated and cost-effective regional, national, and international greenhouse gas reduction programs. Statewide rules for reporting and verifying

greenhouse gas emissions would be adopted no later than January 1, 2009. No later than January 1, 2009, the TCEQ would be required to determine the amount of greenhouse gas emissions in this state in 1990 and approve a statewide greenhouse gas emissions limit that is equivalent to that amount to be achieved by 2021.

The bill would require the TCEQ to adopt rules to control greenhouse gases by January 1, 2012. The agency would adopt limits and emissions reduction measures for specific sources and specific categories of sources. The TCEQ would be required to monitor compliance and enforce any rule or compliance mechanism adopted by the commission.

The bill also establishes the General Revenue-Dedicated Greenhouse Gas Emissions Control (GGEC) Account. The TCEQ would be authorized to impose a fee based on the each greenhouse gas sources' fair share of the annual cost to implement the Texas Global Warming Solutions Act.

Finally, the bill would mandate the formation of the Environmental Justice Advisory Committee (EJAC) and the Economic and Technological Advancement Advisory Committee (ETAAC) by January 1, 2008. The EJAC would consist of at least three members representing communities with the most significant exposure to air pollution caused by greenhouse gas emissions. If a member is from a nonprofit organization, TCEQ would be required to pay a reasonable per diem for attendance.

Methodology

This estimate assumes that implementation of the bill would greatly increase the number of persons and entities subject to regulation by the TCEQ because any vehicle, for example, could be subject to direct regulation by the agency. This estimate also assumes that air monitoring, analysis, and modeling would be needed on a larger scale than at present and in all areas of the state.

It is estimated that the overall impact of the bill is as follows: TCEQ would require 25 additional FTEs and related costs in fiscal years 2008 and 2009 and 75 FTEs and related costs in subsequent years to implement the provisions of the bill. Additional amounts included in fiscal year 2008 and fiscal year 2010 relate to initial costs associated with FTEs, such as furniture, computers, and equipment.

In the first two years of implementation starting in fiscal year 2008, FTEs would be required to work with other state agencies and interested stakeholders in creating the program, to develop and implement rules and guidance, to develop emissions inventories for all source categories, and to provide technical analyses. In addition, FTEs would be required to identify sources of greenhouse gas in the state, and to determine the number of fee payers, the amount of fee collections needed, and the rate at which the fee should be set to achieve the "fair share" requirements of the bill.

Beginning in fiscal year 2010, additional FTEs would be needed to process additional enforcement cases resulting from the implementation of the bill. Field Operations FTEs would be needed to perform emissions evaluations and air monitoring investigations to determine compliance with greenhouse gas emission quantification. This fiscal note assumes that FTEs currently employed in the TCEQ's Air Permits Division would also contribute to duties required for implementing the bill at no additional cost to the state.

This estimate assumes that the TCEQ would have to conduct research, develop a fee formula, and identify fee payers prior to establishing the Greenhouse Gas Emissions Control Fee. Because the bill requires that the TCEQ begin imposing the fee prior to June 30, 2009, this estimate assumes that all costs associated with implementing the bill would need to be paid out of the General Revenue-Dedicated Clean Air Account No. 151 in fiscal year 2008, and that 80 percent of fiscal year 2009 costs would be paid out of the Clean Air Account, with the remaining 20 percent paid out of the newly created GGEC Account. In future years, 100 percent of costs associated with implementing the bill would be paid out of the GGEC Account. This estimate assumes that revenues to the new GGEC Account would equal expenditures out of the account starting in fiscal year 2009.

This analysis assumes there would be no significant fiscal impact associated with the bill's provisions relating to per diem of board members serving on the EJAC.

Local Government Impact

Local governments that own sources of greenhouse gas emissions, such as a utility, could see increased costs related to achieving compliance with air quality standards and satisfying reporting requirements, especially once full implementation of the bill would be achieved in fiscal year 2010. Costs would vary depending on current operating practices and options chosen by different local governments to comply with future emission limits.

Source Agencies: 304 Comptroller of Public Accounts, 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality

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