

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 25, 2011

TO: Honorable Troy Fraser, Chair, Senate Committee on Natural Resources

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

IN RE: SB673 by Gallegos (Relating to the authority of the Texas Commission on Environmental Quality to approve certain supplemental environmental projects undertaken by local governments.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB673, As Introduced: a negative impact of (\$833,454) through the biennium ending August 31, 2013.

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
2012	(\$416,727)
2013	(\$416,727)
2014	(\$416,727)
2015	(\$416,727)
2016	(\$416,727)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from General Revenue Fund 1
2012	(\$416,727)
2013	(\$416,727)
2014	(\$416,727)
2015	(\$416,727)
2016	(\$416,727)

Fiscal Analysis

The bill would allow local governments to apply penalty money assessed by the Texas Commission on Environmental Quality (TCEQ) toward the cost of compliance in the form of a Supplemental Environmental Project (SEP).

Methodology

The TCEQ expects that passage of the bill would increase the number of SEPs that the agency would approve. This is expected to result in a decrease in revenues from penalty payments that would otherwise be deposited to the General Revenue Fund. The TCEQ reports that from fiscal year 2008 to fiscal year 2010, the average annual amount of penalties collected from local governments'

violations was \$833,455 per year. This estimate assumes that one-half of the penalty collections would shift to SEPs, resulting in a loss of \$416,727 in General Revenue in each fiscal year, as shown in the table above.

Passage of the bill is also expected to increase the TCEQ's workload associated with SEP review and approval, including tracking violators for compliance, and coordinating corrective actions with rules, regulations, and permitting requirements of other areas. This estimate assumes that these additional responsibilities would require the resources of 1.5 additional FTEs and related costs. This estimate assumes that such costs would be split among air, water, and waste programs and could be absorbed using existing agency resources.

Local Government Impact

The bill would amend the Water Code to allow TCEQ to approve a supplemental environmental project that is necessary to bring a respondent into compliance with environmental laws if the project is either necessary to remediate environmental damage caused by the respondent or required by a preexisting agreement with a governmental agency. The fiscal impact on local governments would vary by locality depending on the number and cost of eligible projects as well as penalty amounts.

Source Agencies: 582 Commission on Environmental Quality

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