

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**May 7, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB788** by Smith (Relating to permitting of greenhouse gas emissions by the Texas Commission on Environmental Quality; limiting the amount of a fee.), **Committee Report 2nd House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB788, Committee Report 2nd House, Substituted: an impact of \$0 through the biennium ending August 31, 2015.

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
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings/(Cost) from <i>Operating Permit Fees Account</i> 5094	Probable Revenue Gain/(Loss) from <i>Operating Permit Fees Account</i> 5094
2014	(\$76,460)	\$76,460
2015	(\$886,772)	\$886,772
2016	(\$1,558,008)	\$1,558,008
2017	(\$2,313,661)	\$2,313,661
2018	(\$3,049,989)	\$3,049,989

<b>Fiscal Year</b>	<b>Change in Number of State Employees from FY 2013</b>
2014	1.0
2015	10.0
2016	19.0
2017	29.0
2018	39.0

## **Fiscal Analysis**

The bill would require the Texas Commission on Environmental Quality (TCEQ) to establish a permitting program by adopting rules and issuing permits to regulate greenhouse gas (GHG) emissions to the extent that greenhouse gas emissions require authorization under federal law. The bill would require the agency to adopt rules specifying the procedures for the transition to review certain pending applications with the U.S. Environmental Protection Agency (EPA), and the bill would require the agency to prepare and submit appropriate federal program revisions to the U.S. EPA. The bill would provide that if it was determined those GHGs were no longer required to be regulated under federal law; the TCEQ would be required to repeal rules relating to the regulation of GHG emissions.

The bill would authorize the TCEQ to impose fees for greenhouse gas emissions to the extent the fees are necessary to cover the agency's costs in implementing a greenhouse gas regulation program as required by the bill.

The bill would take effect immediately if it received a two-thirds vote in both houses. Otherwise, it would take effect on September 1, 2013.

## **Methodology**

The TCEQ reports that Texas does not currently have the authority to regulate GHG emissions for pre-construction or Title V activities. Instead, EPA is directly responsible for pre-construction, or New Source Review (NSR), permitting for major sources of GHG emissions in Texas. The TCEQ reports that implementing the bill would affect the agency's NSR and Title V permitting programs and affect Statewide Implementation Plan (SIP) development. The agency also reports that it would be required to seek permitting authority from the U.S. Environmental Protection Agency (EPA). The agency estimates that the process of rule-making, SIP revision, SIP approval by EPA, removal of the current federal implementation plan for GHG emissions, and implementing any requirements for Title V permits could take up to three years to complete. However, the TCEQ reports that once the agency would establish the permitting program for GHGs, regulated entities would be subject to a more streamlined process than the existing federal permitting process.

The agency estimates that there could be as many as 1,800 existing sites throughout the state with GHG emissions that could trigger the Title V GHG emissions threshold. The agency reports that this would result in the need for additional resources to establish a permitting program and perform associated monitoring, compliance, and enforcement duties for these additional Title V sites. This estimate assumes that the GHG emissions permitting requirements would only apply to major emissions sources and not minor sources.

The TCEQ reports that it would need to add a significant number of FTEs to implement the GHG permitting program, starting with 1.0 additional FTE in 2014 and increasing to 39.0 FTEs by fiscal year 2018. In the first year of implementation (fiscal year 2014), the agency would add 1.0 Environmental Permit Specialist to establish and begin issuing GHG Title V permits and handle other critical support tasks such as rulemaking for NSR and Title V purposes. Starting in fiscal year 2015, the TCEQ would need an additional 9.0 FTEs, including 7.0 Regional Investigators, 1.0 Environmental Specialist, and 1.0 Attorney to perform compliance investigations for GHG Title V permits, process and issue an estimated 360 GHG Title V permit applications per year and provide legal support for the GHG permitting program. An additional 9.0 FTEs would be added in fiscal year 2016, followed by an additional 10.0 FTEs in fiscal year 2017, and another 10.0 FTEs in fiscal year 2018 for compliance investigations, enforcement cases, and other activities associated with the growing number of GHG permittees within the TCEQ's regulatory purview. Costs associated with the additional staff are shown in the table above.

Because the bill authorizes fees to be collected to cover TCEQ costs in resulting GHG emissions, this analysis assumes that the TCEQ would assess fees similar to existing Title V fees, and that those fees would be deposited to the General Revenue-Dedicated Operating Permit Fees Account No. 5094 in an amount sufficient to cover the estimated costs of implementing the bill's provisions.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 582 Commission on Environmental Quality, 304 Comptroller of Public Accounts

**LBB Staff:** UP, SZ, ZS, TL