

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

March 16, 2015

TO: Honorable Geanie Morrison, Chair, House Committee on Environmental Regulation

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB1269 by Springer (Relating to supplemental environmental projects implemented by certain local governments in lieu of administrative penalties assessed by the Texas Commission on Environmental Quality.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1269, As Introduced: a negative impact of (\$906,734) through the biennium ending August 31, 2017.

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
2016	(\$453,367)
2017	(\$453,367)
2018	(\$453,367)
2019	(\$453,367)
2020	(\$453,367)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2016	(\$453,367)
2017	(\$453,367)
2018	(\$453,367)
2019	(\$453,367)
2020	(\$453,367)

Fiscal Analysis

The bill would require the Texas Commission on Environmental Quality TCEQ to approve a compliance Supplemental Environmental Project (SEP) if the respondent is a county with a population of less than 50,000 or a local government with any territory located within a county with a population of less than 50,000. The bill also would require an "Applicable Local Government" (ALG), as defined by the bill, to spend an amount equal to the difference between the cost of the project and the assessed administrative penalty to upgrade the facility where the violation for which the penalty was assessed occurred. The bill also would exempt an ALG from the certain penalty assessments to prevent regulated entities from systematically avoiding compliance through compliance SEPs.

The bill would take effect immediately upon receiving a two-thirds majority vote in both houses; otherwise, the bill would take effect September 1, 2015.

Methodology

According to the TCEQ, passage of the bill could result in a decrease in the amount of administrative penalties deposited to the General Revenue Fund from violations by ALGs. The agency reports that during fiscal year 2014, ALGs paid approximately \$453,367 in penalties. This represents 4.5 percent of the approximately \$10.1 million in total penalties paid. Upon passage of the bill, these penalty payments would no longer be deposited to the General Revenue Fund, but would instead be put towards compliance SEPs or facility upgrades. This estimate assumes the revenue loss during 2016 to 2020 would continue at the 2014 level.

Although the bill would require certain changes to TCEQ policies, administrative costs to the agency are not expected to be significant and would be absorbed using existing agency resources.

Local Government Impact

The bill could impact counties with a population less than 50,000 or a local government that has territory within a county that has a population of less than 50,000 as such entities would automatically qualify for a compliance SEP and be able to spend an amount of money equal to the difference of the project cost and the assessed administrative penalty to upgrade the facility where the violation occurred in lieu of contributing the money to a third-party administrator or implementing a custom SEP. Because the entities would have to spend the funds on facility upgrades, this estimate assumes that no savings would be realized by local governments as a result of the bill's enactment.

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

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