LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 19, 2015

TO: Honorable Rafael Anchia, Chair, House Committee on International Trade & Intergovernmental Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB2080** by Anchia (Relating to the creation and implementation of a greenhouse gas emissions reduction plan.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2080, As Introduced: a negative impact of ($815,704) 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	($662,052)
2017	($153,652)
2018	($153,652)
2019	($153,652)
2020	($153,652)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from *General Revenue Fund* 1	Change in Number of State Employees from FY 2015
2016	($662,052)	2.0
2017	($153,652)	2.0
2018	($153,652)	2.0
2019	($153,652)	2.0
2020	($153,652)	2.0

Fiscal Analysis

The bill would require the Texas Commission on Environmental Quality (TCEQ) to develop and implement a greenhouse gas emissions reduction plan that, at a minimum, 1) meets the emissions limits in the final U.S. Environmental Protection Agency Clean Power Plan (CPP), and 2) requires that greenhouse gas emissions not exceed 2005 emissions levels beginning in 2030.

The bill specifies that the plan would identify emission reduction methods for specified greenhouse gases, including carbon dioxide (CO2); evaluate total potential costs of implementing the emission reduction methods; evaluate total potential economic and non-economic effects of implementing the plan; and evaluate the costs to the state of implementing the emission reduction measures relative to the costs of the state only implementing the federal CPP.

The bill would require the TCEQ to collaborate with the Texas Department of Agriculture, General Land Office (GLO), Railroad Commission of Texas, and the Public Utility Commission (PUC) in developing and implementing the plan and to consult with the environmental justice community, industry sectors, business groups, academic institutions, environmental organizations, and other stakeholders.

The bill would specifically require consultation with the PUC to ensure that electricity and natural gas providers are not required to meet duplicative or inconsistent regulatory requirements and that the emissions reduction measures are consistent with the competitive electricity market structure and policies of the Electric Reliability Council of Texas. The bill specifically provides both the TCEQ and PUC the authority and mandate to comply with and implement the greenhouse gas emissions reduction plan. The bill requires the TCEQ and PUC to adopt an MOU to address respective duties, responsibilities, and functions related to the plan.

The bill would provide for an appropriation of revenue from the state gas severance taxes under Chapter 201, Tax Code and state oil severance taxes under Chapter 202, Tax Code, to cover the costs of implementing the emissions reductions plan if such costs are not covered by revenues from permit fees and penalties and to provide funding for projects providing long-term reductions in greenhouse gas emissions. Any increased or excess general revenue resulting from compliance with the greenhouse gas emissions reduction plan would be directed to defray electric infrastructure costs, reduce property taxes, increase education funding, or provide funding for hurricane preparedness, coastal reclamation, protection from seal level rise strengthening Texas gulf coast oil and gas infrastructure, or drought relief.

The bill would take effect on September 15, 2015, and the TCEQ would be required to prepare the emissions reduction plan and adopt rules as soon as practicable after the effective date.

Methodology

The TCEQ would require additional resources to develop and submit the greenhouse gas emissions reduction plan. Also, it is anticipated that the implementation of the greenhouse gas emissions plan would require the creation of an emissions banking and trading program, which would also require additional staff resources. Additional staff resources would also be needed to track compliance and develop annual reports for the CPP. The table above includes 2.0 FTEs that would be needed at an estimated cost of $162,052 in fiscal year 2016 and $153,052 in future years. Because the bill authorizes appropriations from the state oil and gas severance taxes to fund costs of implementing the greenhouse gas emissions plan, this estimate assumes that General Revenue funds would be appropriated to cover TCEQ's costs incurred in developing and implementing the plan. This estimate also assumes that only electric utilities would be affected by the greenhouse gas emissions plan. If the plan's requirements extend to other entities besides utilities, the cost to the TCEQ could be greater.

Because the bill would require PUC to consult with TCEQ in evaluating greenhouse gas emissions reduction measures that do not result in inconsistent regulatory requirements, the PUC would require additional resources. The PUC anticipates a need to conduct detailed electric power systems modeling to ensure that emissions reductions do not cause violations of state or federal electric power reliability standards. Because PUC does not have the proper resources in-house to be able to conduct these analyses, this estimate assumes PUC would hire a consultant to aid PUC Staff in these activities and estimates that the cost would be $500,000 in Professional Fees and Services from the General Revenue Fund in fiscal year 2016 only. This amount is also included in the table above.

Based on information provided to the GLO and Railroad Commission, duties and responsibilities associated with implementing the provisions of the bill could be accomplished utilizing existing resources. The Department of Agriculture estimates minimal costs associated with implementing the provisions of the bill.

Local Government Impact

According to the Public Utility Commission, the bill would impact municipally owned utilities own generation facilities subject to the Clean Power Plan provisions for emissions reductions. Costs to comply with the greenhouse emissions plan would depend on the specific requirements that would be included in the plan.

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 455 Railroad Commission, 473 Public Utility Commission of Texas, 551 Department of Agriculture, 582 Commission on Environmental Quality

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