

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 868 - SB 1325**

March 16, 2015

**SUMMARY OF BILL:** Requires the Department of Environment and Conservation (TDEC) to prepare a state plan to be submitted to the Environmental Protection Agency (EPA) establishing and enforcing carbon dioxide control measures to comply with federal emission guidelines under the federal Clean Air Act (Clean Power Plan) regulating carbon dioxide from existing power plants. Directs TDEC to develop a report, subject to notice and comment, assessing specific impacts of the state plan including factors affecting the electric power sector; factors impacting electricity consumers; the direct and indirect impact of employment including potential job lost; economic development in the state; potential impacts to state and local governments concerning changes to tax revenue; existing state law and any legislation necessary to enact the state plan and the effect on Tennessee's competitive position as compared to neighboring states and other economic competitors. TDEC shall submit the report to the General Assembly within 15 days after its development for review, comment, and approval by majority vote of both houses prior to submitting it to the EPA depending on final federal emissions guidelines. Requires TDEC to inform the Secretary of State and the Tennessee Code Commission of the effective date of the federal emissions guidelines.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$200,000/One-Time**

**Other Fiscal Impacts - There may be additional expenditures for state and local government entities if sanctions are imposed by EPA; however, any such impact is dependent upon multiple unknown factors and cannot be quantified.**

Assumptions:

- The proposed Clean Power Plan requires states to submit initial or complete plans by June, 30, 2016.
- According to the information received by the Department of Environment and Conservation (TDEC), work on executing the state plan implementation cannot commence until the state plan has been completed, and will take significant amounts of time to develop due to the complexity and detail of analysis required by the bill that exceeds what is required explicitly by the EPA. As a result, the department estimates six to nine months to complete the report.
- Based on the information received by TDEC, the department's air program currently does not have the capabilities for sophisticated energy and economic modeling, quantitative analysis, or forecasting that are necessary to meet the requirements of the

**HB 868 - SB 1325**

bill. Therefore, the department will require a third-party consultant to develop this information resulting in an increase of one-time state expenditures of at least \$200,000 in FY15-16. This estimate is based on information provided by a consulting firm that TDEC has previously contracted with for similar reports.

- TDEC reports that if the state plan is not submitted timely or it is ruled deficient, and Tennessee does not correct the deficiencies, the EPA is authorized to prepare a federal implementation plan (FIP) for Tennessee and enforce it at the federal rule level.
- According to information received by TDEC, the EPA will not provide details as what the FIP will consist of until late summer of 2015; therefore, the department does not know what impact the FIP would have on the state, TVA, local power companies and electric ratepayers and does not have information on how or if EPA will impose sanctions for failure to timely submit. Given the extent of unknown factors, determining a precise fiscal impact to state and local expenditures is not quantifiable.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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