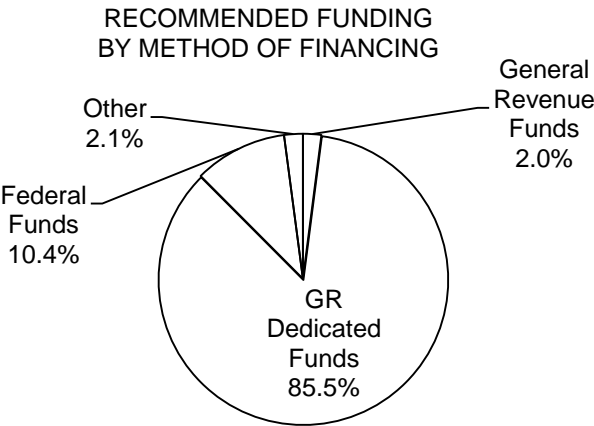


Section 1

Method of Financing	2014-15 Base	2016-17 Recommended	Biennial Change	% Change
General Revenue Funds	\$18,193,923	\$14,892,291	(\$3,301,632)	(18.1%)
GR Dedicated Funds	\$622,867,340	\$624,675,910	\$1,808,570	0.3%
Total GR-Related Funds	\$641,061,263	\$639,568,201	(\$1,493,062)	(0.2%)
Federal Funds	\$85,930,486	\$75,846,583	(\$10,083,903)	(11.7%)
Other	\$32,320,021	\$15,250,282	(\$17,069,739)	(52.8%)
All Funds	\$759,311,770	\$730,665,066	(\$28,646,704)	(3.8%)

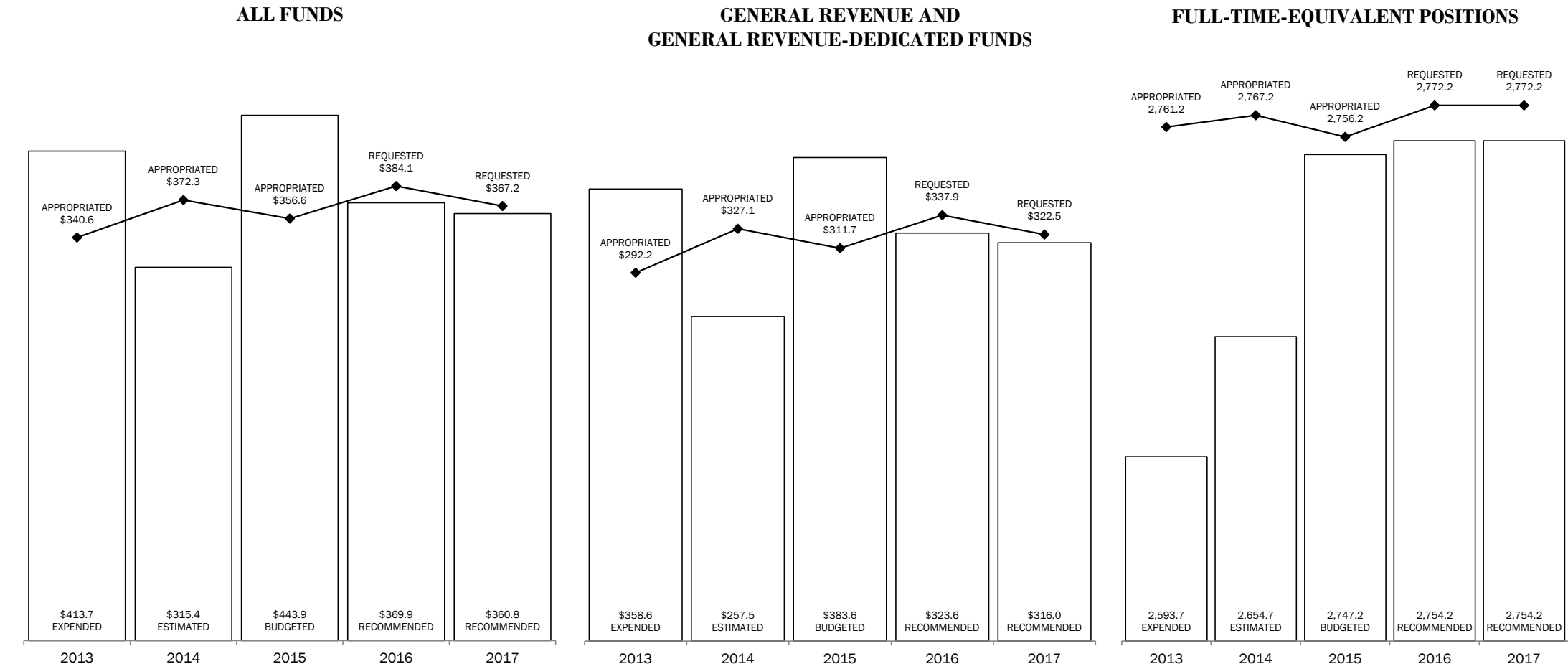


	FY 2015 Budgeted	FY 2017 Recommended	Biennial Change	% Change
FTEs	2,747.2	2,754.2	7.0	0.3%

The bill pattern for this agency (2016-17 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2016-17 biennium.

Section 1
Commission on Environmental Quality
2016-2017 BIENNIUM
IN MILLIONS

TOTAL= \$730.7 MILLION



- Notes:
- 1. Agency Expended/Budgeted/Budgeted amounts in 2013-2015 reflect that the majority of grant funding for the Texas Emissions Reduction Plan (TERP) program is generally carried forward to the second year of each biennium so that only one round of grant applications are processed per biennium. Thus, in the first year of a biennium, appropriations exceed expenditures, while expenditures in the second year, expenditures exceed appropriations.
 - 2. The agency reports that the large number of vacancies in 2013 was a result of higher-than-usual turnover rates due to an improved economy and job market.

Section 2

Commission on Environmental Quality
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
AIR QUALITY ASSESSMENT AND PLANNING A.1.1	\$250,533,349	\$245,143,325	(\$5,390,024)	(2.2%)	The recommended decrease of \$5.4 million is comprised of the following: a) a decrease of \$2.8 million from General Revenue and various General Revenue-Dedicated accounts, reflecting a shift in expenses to other strategies to reflect actual agency workload, including shifting information technology project costs to the Strategy F.1.2, Information Resources; b) a decrease of \$0.8 million reflecting the one-time purchase of vehicle emissions analyzers for the implementation of House Bill 2305, Eighty-Third Legislature, Regular Session, during the 2014-15 biennium (see Selected Fiscal and Policy Issues - Senate, No. 7b); c) a decrease of \$1.8 million in Federal Funds, mainly comprised of a decrease of \$0.8 million in funding for surveys, studies, and research and a decrease of \$0.8 million in funding from the Homeland Security Biowatch Program.
WATER ASSESSMENT AND PLANNING A.1.2	\$65,320,761	\$54,428,717	(\$10,892,044)	(16.7%)	The recommended decrease of \$10.9 million is comprised of the following: a) a decrease of \$0.2 million from General Revenue and \$1.6 million from the General Revenue-Dedicated Water Resource Management Account No. 153, reflecting a shift in expenses to other strategies to reflect actual agency workload, including shifting information technology project costs to the Strategy F.1.2, Information Resources; b) a decrease of \$4.0 million in Federal Funds mainly attributable to a reduction in the availability of funding for non point source grants; and c) a decrease of \$5.1 million in Interagency Contracts comprised of a one-time Coastal Assistance Impact Grant from the General Land Office in 2014-15 and one-time funding for planning for the Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of Gulf Coast States (Restore) Act from the Office of the Governor from proceeds of Deepwater Horizon settlement funds. (See Selected Fiscal and Policy Issues - Senate, No. 9.)
WASTE ASSESSMENT AND PLANNING A.1.3	\$15,023,159	\$13,431,017	(\$1,592,142)	(10.6%)	The recommended decrease in General Revenue and various General Revenue-Dedicated accounts reflects a shift in expenses to other strategies to reflect actual agency workload, including shifting information technology project costs to the Strategy F.1.2, Information Resources.

Section 2

Commission on Environmental Quality					
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS					
Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
AIR QUALITY PERMITTING A.2.1	\$29,153,243	\$29,673,895	\$520,652	1.8%	The recommended increase of \$0.5 million out of the General Revenue-Dedicated Clean Air Account No. 151 reflects the biennialization of the 2014-15 salary increase. See Selected Fiscal and Policy Issues - Senate, No. 8.
WATER RESOURCE PERMITTING A.2.2	\$28,866,479	\$29,111,481	\$245,002	0.8%	The recommended increase is comprised of the following: a) an increase of \$1.2 million out the General Revenue-Dedicated Watermaster Administration Account No. 158 to provide for expenses and 7.0 additional FTEs for a new wastermaster office that was created for a portion of the Brazos River April 2014. (See Selected Fiscal and Policy Issue - Senate No. 4.); b) a decrease of \$0.2 million out of the General Revenue-Dedicated Water Resource Management Account No. 153, reflecting a shift in funding for information technology projects to strategy F.1.2, Information Resources; and b) a decrease of \$0.8 million in Federal Funds for a one-time Environmental Information Exchange Network project.
WASTE MANAGEMENT AND PERMITTING A.2.3	\$20,804,852	\$19,065,211	(\$1,739,641)	(8.4%)	Recommendations provide for a decrease in General Revenue (\$0.1 million) and a decrease of \$1.6 million out of the General Revenue-Dedicated Waste Management Account No. 549, reflecting a shift in expenses to other strategies to reflect actual agency workload, including shifting information technology project costs to the Strategy F.1.2, Information Resources.
OCCUPATIONAL LICENSING A.2.4	\$2,552,504	\$2,573,492	\$20,988	0.8%	
RADIOACTIVE MATERIALS MGMT A.3.1	\$5,956,966	\$6,000,620	\$43,654	0.7%	
Total, Goal A, ASSESSMENT, PLANNING AND PERMITTING	\$418,211,313	\$399,427,758	(\$18,783,555)	(4.5%)	
SAFE DRINKING WATER B.1.1	\$26,748,985	\$24,970,138	(\$1,778,847)	(6.7%)	The recommended decrease is comprised of the following: a) a decrease of \$0.6 million out of the General Revenue-Dedicated Water Resource Management Account No. 153, reflecting a shift in expenses to other strategies to reflect actual agency workload, including shifting information technology project costs to the Strategy F.1.2, Information Resources; b) a decrease of \$1.4 million in Interagency Contracts reflecting one-time funding from the Water Development Board's State Revolving Fund; and c) an anticipated increase of \$0.2 million in expected Federal Funds for a Performance Partership Grant.
Total, Goal B, DRINKING WATER	\$26,748,985	\$24,970,138	(\$1,778,847)	(6.7%)	

Section 2

Commission on Environmental Quality					
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS					
Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
FIELD INSPECTIONS & COMPLAINTS C.1.1	\$88,675,647	\$89,950,184	\$1,274,537	1.4%	The recommended increase is comprised of the following: a) an increase of \$3.6 million in General Revenue and various General Revenue-Dedicated Funds, including an increase of \$3.1 million to reflect the shift in expenses to Strategy C.1.1, Field Inspections and Complaints, from other strategies to reflect actual agency workload and an increase of \$0.5 million the purchase of agency vehicles for field inspectors (see Selected Fiscal and Policy Issue - Senate No. 6a); and b) a decrease of \$2.4 million in Federal Funds resulting from one-time Underground Storage Tank funding (\$1.5 million) and Performance Partnership Grants (\$0.9 million) in 2014-15.
ENFORCEMENT & COMPLIANCE SUPPORT C.1.2	\$23,142,430	\$25,576,922	\$2,434,492	10.5%	The recommended increase of \$2.4 million in various General Revenue-Dedicated accounts reflects the shift in expenses to Strategy C.1.2, Enforcement and Compliance Support, from other strategies to reflect actual agency workload and the biennialization of the 2014-15 salary increase.
POLLUTION PREVENTION RECYCLING C.1.3	\$4,793,527	\$4,789,340	(\$4,187)	(0.1%)	
Total, Goal C, ENFORCEMENT AND COMPLIANCE SUPPORT	\$116,611,604	\$120,316,446	\$3,704,842	3.2%	
STORAGE TANK ADMIN & CLEANUP D.1.1	\$40,415,874	\$39,297,398	(\$1,118,476)	(2.8%)	The recommended decrease of \$1.1 million consists of the following: a) a decrease of \$1.0 million out of the General Revenue-Dedicated Petroleum Storage Tank Remediation Account No. 655, reflecting a shift in expenses to other strategies to reflect actual agency workload, including shifting information technology project costs to the Strategy F.1.2, Information Resources; and b) a decrease of \$0.1 million in Federal Funds due to an anticipated decrease in available funding from Leaking Underground Storage Tank grants.

Section 2

Commission on Environmental Quality
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
HAZARDOUS MATERIALS CLEANUP D.1.2	\$60,136,880	\$43,778,028	(\$16,358,852)	(27.2%)	The recommended decrease consists of the following: a) a decrease of \$4.5 million out of the General Revenue-Dedicated Hazardous Waste Remediation Account No. 550 including a \$3.0 million decrease reflecting a shift in expenses to other strategies to reflect actual agency workload, including shifting information technology project costs to the Strategy F.1.2, Information Resources, and a \$1.5 million decrease for a one-time cleanup of a battery recycling facility (See Selected Fiscal and Policy Issue - Senate, No. 7a); b) a decrease of \$1.2 million in Federal Funds reflecting an anticipated decrease in available Superfund grants for site specific and core projects; and c) a decrease of \$10.6 million in Appropriated Receipts resulting from one-time Superfund cost recovery cleanup projects in 2014-15.
Total, Goal D, POLLUTION CLEANUP	\$100,552,754	\$83,075,426	(\$17,477,328)	(17.4%)	
CANADIAN RIVER COMPACT E.1.1	\$35,072	\$33,300	(\$1,772)	(5.1%)	
PECOS RIVER COMPACT E.1.2	\$251,510	\$271,688	\$20,178	8.0%	
RED RIVER COMPACT E.1.3	\$67,400	\$69,866	\$2,466	3.7%	
RIO GRANDE RIVER COMPACT E.1.4	\$5,328,680	\$397,932	(\$4,930,748)	(92.5%)	The recommended decrease of \$5.0 million is attributable to one-time funding in 2014-15 for litigation expenses related to a water rights dispute with New Mexico. (See Selected Fiscal and Policy Issue - Senate, No. 3 - Senate and Items Not Included In Recommendations, Agency Exceptional Items - Senate,
SABINE RIVER COMPACT E.1.5	\$123,498	\$123,374	(\$124)	(0.1%)	
Total, Goal E, RIVER COMPACT COMMISSIONS	\$5,806,160	\$896,160	(\$4,910,000)	(84.6%)	
CENTRAL ADMINISTRATION F.1.1	\$37,173,508	\$37,138,708	(\$34,800)	(0.1%)	
INFORMATION RESOURCES F.1.2	\$34,197,353	\$44,713,782	\$10,516,429	30.8%	The recommended increase consists of the following: a) an increase of \$5.8 million in General Revenue and out of various General Revenue-Dedicated accounts to reflect the shift of funding for the Data Center Services Capital Budget project from various strategies throughout the agency to Strategy F.1.2, Information Resources; b) an increase of \$3.3 million to reflect the shift of funding from other strategies to reflect actual agency workload and biennialize the 2014-15 salary increase; and

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Commission on Environmental Quality
Summary of Recommendations - Senate, By Method of Finance -- ALL FUNDS

Strategy/Goal	2014-15 Base	2016-17 Recommended	Biennial Change	% Change	Comments
					c) an increase of \$1.4 million in General Revenue fund the Data Center Service Capital Budget project at estimated levels needed to maintain current services (see Selected Fiscal and Policy Issues - Senate, No. 6b).
OTHER SUPPORT SERVICES F.1.3	\$20,010,093	\$20,126,648	\$116,555	0.6%	The recommended increase out of the General Revenue-Dedicated Water Resource Management Account No. 153 reflects the biennialization of the 2014-15 salary increase.
Total, Goal F, INDIRECT ADMINISTRATION	\$91,380,954	\$101,979,138	\$10,598,184	11.6%	
Grand Total, All Strategies	\$759,311,770	\$730,665,066	(\$28,646,704)	(3.8%)	

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Commission on Environmental Quality
Selected Fiscal and Policy Issues - Senate

1. **Strategic Fiscal Review**—The Texas Emissions Reduction Plan (TERP) program is included in the Strategic Fiscal Review (SFR). Highlights of the review include:
- a) Funding for TERP in 2016-17 is out of the TERP Account No. 5071 is at 2014-15 levels (\$155.3 million for the biennium).
 - b) Recommendations provide for the redirection of \$3.9 million out of the TERP Account No. 5071 funds from the Light Duty Motor Vehicle Incentive Program, which expires in fiscal year 2015, to the Emissions Reduction Incentive Grant Program (ERIG).
 - c) If additional appropriations are made for the TERP program, it is recommended that the ERIG program receive increased funding, because it has been proven to be the most effective at achieving quantifiable reductions in NOx emissions.
 - d) The Comptroller's Revenue Estimate for 2016-17 projects a **\$1,066.5 million balance for the TERP Account No. 5071 on August 31, 2015**, and revenues of \$450.0 million during 2016-17 (including \$240.8 million in estimated transfers from the State Highway Fund No. 6 relating to Certificate of Title Fees. Assuming 2014-15 baseline funding to TCEQ for TERP of \$155.3 million in 2016-17, and assuming \$121.0 million in encumbrances in the TERP Account on August 31, 2015, the TERP fund balance is expected to grow to \$1,237.2 million by the end of fiscal year 2017.
 - e) An LBB GEER report, *Reduce Reliance on General Revenue-Dedicated Accounts for Certification* recommends the following measures to decrease balances in the TERP Account No. 5071:
 - a one-time transfer of \$447.0 million in balances in the TERP Account No. 5071 (General Revenue-Dedicated) to the State Highway Fund No. 6 (Other Funds) to reduce the overall balance in the TERP Account;
 - an increase of \$81.0 million in additional appropriations out of the TERP Account No. 5071 for the 2016-17 biennium to appropriate the full amount of the transfer to the TERP Account from the State Highway Fund No. 6 related to Certificate of Title Fee revenues collected in counties designated as severe nonattainment for air quality; and
 - to reduce future transfers from the State Highway Fund to the TERP Account No. 5071 to an amount equal to the amount of amount motor vehicle certificates of title fees collected in certain nonattainment areas (those subject to Clean Air Act Section 185 penalties) and deposited to the Texas Mobility Fund. It is estimated that this would result in the redirection of \$159.8 million in revenues from the TERP Account No. 5071 to the State Highway Fund No. 6 during 2016-17.
2. **Low-Income Vehicle Repair, Replacement, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP)**—Recommendations provide \$15.3 million out of the General Revenue-Dedicated Clean Air Account No. 151 for the 2016-17 biennium for LIRAP. LIRAP is funded through on-board diagnostic fees deposited to the Clean Air Account. Revenues attributable to LIRAP total an estimated \$94.3 million, which is expected to result in as much as \$79.0 million in revenue being collected for the program in excess of appropriations. In addition, the estimated fund balance in the account is expected to reach \$224.9 million by August 31, 2015. Because a significant portion of the revenue being collected for the program is not being spent, Collin County has petitioned the TCEQ to discontinue participation in the program, and the agency currently developing rules which would allow for a county to opt-out of the program. If Collin County were no longer to collect the on-board diagnostic fee for the LIRAP, it is expected that there would be a biennial loss of \$5.0 million to the Clean Air Account No. 151.

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3. **Funding for Litigation Expenses of the Rio Grande Compact Commission**—Recommendations include a reduction of \$5.0 million in General Revenue funding compared to 2014-15 expenditures reflecting one-time expenditures for the Rio Grande Compact Commission for litigation relating to water rights disputes with New Mexico. The agency has requested \$5.0 million in General Revenue funding for 2016-17 for anticipated litigation costs. (See Items Not Included in Recommendations – Senate, No. 3, and Rider Highlights – Senate, No. 28, former.)
4. **Brazos Watermaster Funding**—Recommendations include \$1.2 million out of the Watermaster Administration Account No. 158 and provide for 7.0 additional FTEs for a new watermaster office that was created for a portion of the Brazos River by the TCEQ in April 2014. Although the agency was appropriated all revenues collected from the new watermaster program for 2014-15, no revenues are expected to be assessed until fiscal year 2016. Thus, the agency lacks the funding for this program in its 2014-15 base. The recommendation includes rider language that limits appropriations to those in excess of the Comptroller's Biennial Revenue Estimate for 2016-17. (See Also Rider Highlight – Senate, No. 26.) Because new revenues would be collected to offset this appropriation, the item is not expected to result in a cost to the bill. Funding would come from the General Revenue-Dedicated Watermaster Administration Account No. 158. Included in the recommendations for the Brazos Watermaster is \$168,000 in fiscal year 2016 in Capital Budget authority for vehicles. (See also Select Fiscal and Policy Issue, Senate - No. 6a.)
5. **Perpetual Care Account**—
 - a. **Rider Language Updates**--Senate Bill 347, Eighty-third Legislature, Regular Session, established a new Environmental Radiation and Perpetual Care (ERPC) Account as a distinct account separate from the pre-existing Perpetual Care Account, which is a General Revenue-Dedicated account from which both the TCEQ and the Department of State Health Services (DSHS) received appropriations prior to fiscal year 2014. Upon enactment of Senate Bill 347, only DSHS is authorized to receive funding from the Perpetual Care Account, and TCEQ is authorized to receive appropriations from the newly established ERPC Account. However, that new account was not exempted from funds consolidation by the Eighty-third Legislature, Regular Session. Thus, revenues that otherwise would go to the ERPC Account instead have been deposited to the General Revenue Fund since September 1, 2013. Recommendations include modified language in Rider 15, Environmental Radiation and Perpetual Care Account (see Rider Highlights – Senate, No. 15), to clarify that financial assurance funds appropriated by the rider in 2014-15 continue to be appropriated from the General Revenue Fund, and statutory references are updated to reflect passage of Senate Bill 347.
 - b. **Re-Establish the Environmental and Perpetual Care Account**--To maintain the independence of funds related to perpetual needs and unexpected spills/incidents, it is recommended that the Environmental and Perpetual Care Account be established in legislation by the Eighty-fourth legislature, and that new account should be exempted from funds consolidation. Senate Bill 347, Eighty-third Legislature, Regular Session, provided that the 20 percent surcharge collected on waste disposed from out-of-compact entities be deposited to the Environmental and Perpetual Care Account for public health and safety activities related to the disposal of radioactive substances, and it provided that funds in the account could not be used for normal agency operations. Thus, to ensure that sufficient funds are available in the event of an incident related to the disposal of radioactive substances, and to ensure that the use of the funds remains dedicated as prescribed in statute, the funds should remain in a separate account in the General Revenue Fund. Recommendations also include contingency

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language in Rider 15, Perpetual Care Account, that would provide an appropriation out of the new account instead of the General Revenue Fund if legislation is enacted creating such a separate account. (See Rider Highlights – Senate, No. 15.)

6. **Capital Budget**—Recommendations provide for \$30.1 million in All Funds appropriations for Capital Budget Projects in 2016-17, or an increase of \$1.6 million over 2014-15 Expended/Budgeted Amounts.
 - a. **Vehicles and other Transportation Items**--Recommendations include \$2.2 million General Revenue-related funds, for vehicles (an increase of \$1.2 as compared to 2014-15 Expended/Budgeted levels) to replace an aging fleet of vehicles. This amount is expected to replace agency vehicles exceeding 150,000 miles by the end of fiscal year 2017. Recommendations provide funding for vehicles in the agency's base request (\$1.5 million), as well as the agency's exceptional item request (\$0.5 million) for Field Inspections and Complaint Response vehicles, and an additional \$0.2 million for vehicles for the new Brazos Watermaster program (See also Select Fiscal and Policy Issue – Senate, No.4).
 - b. **Data Center Services (DCS)**—Recommendations provide \$23.8 million in General Revenue-Related Funds for the Data Center Consolidation Capital Budget project. This represents an increase of \$1.4 million in General Revenue Funds compared to 2014-15 levels. Recommended funding levels for the DCS project reflect estimated costs to maintain current obligations as provided by the Department of Information Resources.
 - c. **Houston Laboratory Information Management System (LIMS) Upgrade**—Recommendations do not include \$0.4 million in funding from the General Revenue-Dedicated Water Resource Management Account No. 153 for a new Capital Budget item that the agency requested to undertake within baseline funding amounts using savings resulting from the completion of two Information Resource Technology Projects during 2014-15: TCEQ Records Management; and the State Implementation Plan (SIP) Lifecycle Refresh project. See also, Items Not Included in Recommendations – Senate, No. 8.
 - d. **Telecommunications Migration and Regional Phone Replacement**—Recommendations provide funding for a new Capital Budget project to migrate the agency's telecommunications platform to another platform based on newer technology, which will avoid increasing costs in repairing the aging infrastructure. The project totals \$1.1 million for the 2016-17 biennium and will be paid for out of various General Revenue-Dedicated Accounts. Additional funding for the agency's regional phone system was requested as an exceptional item but is not included in recommendations. See also, Items Not Included in Recommendations – Senate, No. 6.
 - e. **Personal Computers and Printers Capital Budget Projects**—Recommendations split the agency's Personal Computer and Printer Replacement projects into two separate projects: Personal Computer Replacement and Printer Replacement. Recommendations provide for an increase of \$0.2 million from various General Revenue-Dedicated accounts as compared to 2014-15 levels to maintain the agency's six-year life cycle replacement schedule for personal computers.
 - f. **Technology Operations and Security Infrastructure**—Recommendations continue the project at 2014-15 funding levels.
 - g. **Monitoring and Analysis Equipment**—Recommendations provide \$650,000 for the Monitoring and Analysis Equipment

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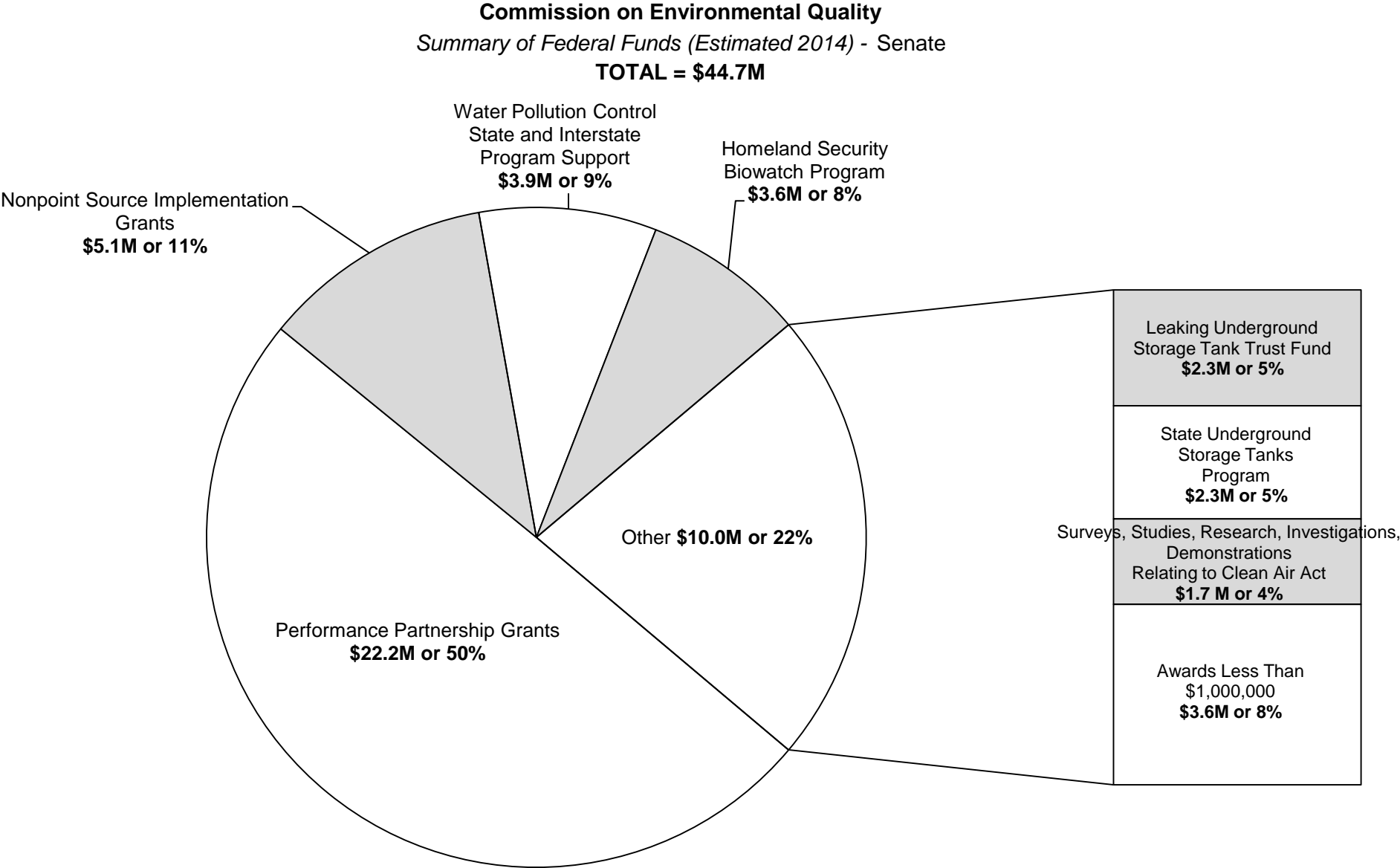
Capital Budget Project, \$225,000 out of the General Revenue-Dedicated Clean Air Account No. 151 and \$225,000 out of the General Revenue-Dedicated Water Resource Management Account. The Monitoring and Analysis Equipment project essentially replaces two separate Capital Budget projects from the 2014-15 biennium: Water Monitoring and Analysis Equipment; and Air Monitoring and Analysis equipment. Expended/Budgeted amounts for the two projects combined in 2014-15 totaled \$1.9 million. Thus, recommendations for monitoring and analysis equipment for air and water programs provide for a net decrease of \$1.3 million compared to 2014-15 levels.

- h. **Completed Capital Budget Projects**—The following projects are not included in recommendations due to completion in 2014-15:
 - TCEQ Records Management Project—decrease of \$0.8 million
 - State Implementation Plan (SIP)—decrease of \$0.3 million.
- 7. **One-Time Expenditure Reductions**—Recommendations include reductions for the following one-time expenditures:
 - a. **Battery Recycling Facility Cleanup**—Recommendations include a decrease of \$1.5 million out of the General Revenue-Dedicated Hazardous Waste Remediation Account No. 550 for an agency-identified one-time battery recycling facility cleanup. (See Rider Highlights – Senate, Former Rider 31.)
 - b. **Vehicle Emissions Analyzers**—Recommendations include a decrease of \$0.8 million out of the Clean Air Account No. 151 to reflect the agency-identified one-time purchase of vehicle emissions analyzers to implement the provisions of House Bill 2305, Eighty-Third Legislature, Regular Session. The appropriation for these funds occurred through a contingency rider in Article IX, Section 18.50 of the 2016-17 GAA.
- 8. **Biennialization of 2014-15 Salary Increase**—Recommendations provide for an increase of \$3.1 million in General Revenue-related funds to biennialize the 2014-15 salary increase.
- 9. **Deepwater Horizon Oil Spill**—In September 2013, TCEQ received a \$1.0 million grant from the Office of the Governor from the proceeds of a \$5.0 million payment BP paid to Texas in September 2010 that is not tied to or in lieu of any other settlement monies. TCEQ intends to use the funds to develop a Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States Act (RESTORE) plan, paying for a website, and other administrative expenses. As of December 31, 2014, the agency had expended \$315,105 on a contract to develop the RESTORE plan. TCEQ expects to receive RESTORE funding for 2016-17, but the amount is currently unknown.
- 10. **Anticipated Shortfall in the Water Resource Management Account No. 153**—Based on available balances in Water Resource Management Account No. 153 and recommendations from the account for 2016-17 for TCEQ, the Public Utility Commission (PUC), and the Office of Public Utility Council (OPUC), a shortfall of \$4.8 million is expected in the account by the end of fiscal year 2017. Senate Bill 2 includes a rider directing the agency to increase fee rates to cover any potential shortfall, as recommended in an LBB Government Effectiveness and Efficiency Report (GEER) *Revenue Enhancement Options for the General Revenue-Dedicated Water Resource Management Account* (See Article IX, Section 18.01). Specifically, the rider:

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- a. specifies that appropriations to the TCEQ, PUC, and OPUC are contingent on available balances in revenues in the Water Resource Management Account, and in the event revenues fail to cover appropriations and FTE-related benefits costs, the agency is directed to raise fees within its authority to generate sufficient revenues to meet appropriations and other costs from the account;
- b. provides that, contingent on the enactment of legislation by the Eighty-Fourth Legislature transferring the proceeds of certain fees which are deposited to the Water Resource Management Account No. 153 instead to the General Revenue, the method of financing for \$1.5 million in annual appropriations to the PUC and \$0.5 million in annual appropriations to OPUC would change from the Water Resource Management Account No. 153 to the General Revenue Fund; and
- c. directs TCEQ to conduct a study to determine the level of agency workload as it correlates to the amount of revenue received to the Water Resource Management Account No. 153 from various fee payer groups, and based on the findings in that study, set fee rates at a level that generates revenues from those fee payers in proportion to agency workload and fee payer benefits.

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Note: Amounts and percentages shown may sum greater/less than actual total due to rounding.

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Commission on Environmental Quality
Significant Federal Funds Changes - Senate

CFDA No.	Program Name	2014-15 Base	2016-17 Recommended	Recommended Over/(Under) Base	Comments
12.113.000	State Memorandum of Agreement	\$727,664	\$738,266	\$10,602	
66.034.000	Surveys, Studies, Research, Investigations, Demonstrations Relating to Clean Air Act	\$3,449,664	\$2,662,706	(\$786,958)	
66.040.000	State Clean Diesel Grant Program	\$189,978	\$0	(\$189,978)	
66.419.000	Water Pollution Control State and Interstate Program Support	\$6,858,213	\$5,872,094	(\$986,119)	
66.454.001	Water Quality Management Planning - Stimulus	\$1,136,934	\$1,164,678	\$27,744	
66.456.000	National Estuary Program	\$1,013,360	\$898,756	(\$114,604)	
66.460.000	Nonpoint Source Implementation Grants	\$8,495,153	\$5,348,441	(\$3,146,712)	
66.605.000	Performance Partnership Grants	\$44,782,855	\$44,087,382	(\$695,473)	
66.608.000	Environmental Information Exchange Network and Related Assistance	\$875,881	\$0	(\$875,881)	
66.802.000	Superfund State Site Specific	\$1,178,839	\$435,036	(\$743,803)	
66.804.000	State Underground Storage Tanks Program	\$3,065,159	\$1,561,074	(\$1,504,085)	
66.805.000	Leaking Underground Storage Tank Trust Fund	\$4,526,871	\$4,391,186	(\$135,685)	
66.809.000	Superfund State Core Program Cooperative Agreements	\$787,115	\$425,044	(\$362,071)	
66.817.000	State and Tribal Response Program	\$853,546	\$857,044	\$3,498	
97.041.000	National Dam Safety Program	\$1,143,025	\$1,151,436	\$8,411	
97.091.000	Homeland Security Biowatch Program	\$6,784,241	\$5,980,064	(\$804,177)	

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Commission on Environmental Quality
Performance Measure Highlights - Senate

	Expended 2013	Estimated 2014	Budgeted 2015	Recommended 2016	Recommended 2017
<ul style="list-style-type: none">Nitrogen Oxides (NOx) Reduced through the Texas Emissions Reduction Plan (TERP) <p>The number of tons of NOx being reduced is generally declining over the 2013 to 2017 period because funding levels for the TERP program, which were reduced significantly beginning in 2009. NOx reductions from earlier projects, which are realized over five- to seven-year period after funding commitments are made, have reached operational commitments.</p>	43.5	50.7	57.4	47.8	42.3
<ul style="list-style-type: none">Number of Vehicles Repaired or Replaced through LIRAP Assistance <p>The number of vehciles repaired or replaced in fiscal year 2013 due to replacements reported through FY 2013 are due to outstanding replacement vouchers remaining from fiscal year 2012 being redeemed during the early part of the fiscal year as well as unexpended balances from 2012 being carried forward to 2013.</p>	6,520	5,573	2,730	2,482	2,482
<ul style="list-style-type: none">Number of Inspections/Investigations of Water Rights Sites <p>The number of inspections and investigations of water rights sites is expected to increase by 10,000 per year beginning in fiscal year 2016 because of the creation of the Brazos River Watermaster Program (See Selected Fiscal and Policy Issue No 5.)</p>	29,292	30,191	28,600	38,600	38,600
<ul style="list-style-type: none">Number of Petroleum Storage Tank Cleanups Completed <p>The number of Petroleum Storage Tank (PST) cleanups declines beginning in fiscal year 2015 because remaining cleanup projects funded by the PST reimbursement program, which expired on September 1, 2012, were completed in fiscal years 2013 and 2014 .</p>	325	298	200	200	200

Section 4

Texas Commission on Environmental Quality
Performance Review and Policy Report Highlights - Senate

Reports & Recommendations	Savings/ (Cost)	Gain/ (Loss)	Fund Type	Included in Introduced Bill	Action Required During Session
Further Reduce Reliance on General Revenue-Dedicated Accounts for Certification of the State Budget					
<i>This report fulfills House Bill 7, Eighty-third Legislature, 2013, requirements relating to the reduction of reliance on available dedicated revenue for certification of the General Appropriations Act. The report provides an overview of the issue and includes recommendations and options to reduce reliance on General Revenue-Dedicated Accounts, including dedicated revenue appropriated to the Texas Commission on Environmental Quality.</i>					
1. To assist the state in meeting federal air quality standards, appropriate an amount equal to the transfer from the State Highway Fund related to motor vehicle certificate of title fees collected in severe nonattainment areas to the Texas Commission on Environmental Quality for TERP authorized programs.	(\$80,984,000)		GR-D		Appropriate Funds
2. Increase appropriations for the AirCheck Texas program and local initiatives projects to levels equivalent to annual collections of the Auto Emissions Inspection On-Board Diagnostic (OBD) fee - an estimated \$81.3 million for the 2016-17 biennium.	(\$81,263,000)		GR-D		Appropriate Funds

Section 5

Commission on Environmental Quality Rider Highlights - Senate

2. **Capital Budget.** Recommendations include various changes to Capital Budget items. See Selected Fiscal and Policy Issue – Senate, No. 6.
3. (former) **Contingency Cash Flow.** Recommendations delete rider that allow for the agency to expend General Revenue Funds to meet temporary cash flow needs, provided such funds are repaid to General Revenue by the end of the biennium in which the funds were used. The rider is proposed for deletion because the authority it provides has not been used in at least 15 years, and the agency does not foresee needing it in the immediate future.
8. **Contract with the State Office of Administrative Hearings.** Recommendations reduce the amount of the contract with the State Office of Administrative Hearings (SOAH) for TCEQ-related hearings expenses from \$1,000,000 to \$816,000 to reflect that the TCEQ's utility rate regulation function was transferred to the Public Utility Commission as a result of passage of House Bill 1600, Eighty-third Legislature, Regular Session.
13. **Appropriations Limited to Revenue Collections: Automobile Emissions Inspections.** Recommendations add language to clarify the statutory authority for the vehicle emissions and inspection fee is created in Health and Safety Code, Section 282.202(e) and update the years listed in the rider as appropriate.
15. **Appropriation: Environmental Radiation and Perpetual Care** (formerly Appropriation: Perpetual Care Account). Recommendations modify rider title and rider language to reflect passage of Senate Bill 347, Eighty-third Legislature, Regular Session. Recommendations also change the name of the account referenced in the rider to the General Revenue Fund, rather than the Perpetual Care) Account. Senate Bill 347 attempted to establish the Environmental Radiation and Perpetual Care (ERPC) Account as a distinct account separate from the pre-existing Perpetual Care Account in the General Revenue Fund, but the new account was not exempted from funds consolidation by the Eighty-third Legislature, Regular Session. Thus, revenues that otherwise would go to the ERPC Account instead are deposited to the General Revenue Fund since September 1, 2013. Recommended modified language is added to clarify that funds appropriated in the rider come from the General Revenue Fund, and statutory references are updated to reflect passage of Senate Bill 347. In addition, statutory references are updated to conform to changes from Senate Bill 347, and references to the Department of State Health Services are deleted, as the two agencies no longer share the Perpetual Care Account. (See Selected Fiscal and Policy Issues – Senate, No. 5.)
18. **Reimbursement of Advisory Committees.** Recommendations delete language providing authority for the reimbursement of expenses for the Pollution Prevention Advisory Committee because the entity was abolished on October 9, 2013.
22. **Aggregate Operations.** (Formerly Aggregate Operations Along the San Jacinto River) Recommendations revise rider name and delete references to the San Jacinto River to provide flexibility to the agency to conduct flyovers to inspect properties for violations of aggregate operations

Section 5

regulations.

24. **Low-Income Vehicle Repair Assistance, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP).** Recommendations adjust the amount listed in the rider for LIRAP administrative costs to biennialize the 2014-15 salary increase, and recommendations delete language listing specific local initiatives projects because the language is inconsistent with statute. (See also, Items Not Included in LBB Recommendations – Senate, No. 10.).
28. **Appropriation: Fee Revenue for Brazos River Watermaster Program** (Formerly Appropriation for Fee Revenue for Newly-Created Watermaster Program). Recommendations revise rider name to reflect the Brazos River Watermaster which was created in April of 2014 and revise rider language to reflect that the rider applies to that specific watermaster program. Recommendations adjust amounts included in the rider to reflect projected 2016 and 2017 recommended appropriations for the program and specify that the appropriation for the Brazos River Watermaster program is limited to revenues to the General Revenue-Dedicated Watermaster Administration Account No. 158 in excess of the Comptroller's Biennial Revenue Estimate for 2016-17. (See Selected Fiscal and Policy Issues – Senate, No. 4.)
28. (former) **Litigation Expenses for the Rio Grande Compact Commission.** Recommendations delete rider directing the use of \$5.0 million in one-time General Revenue for expenses incurred by the Rio Grande Compact Commission relating to investigations and litigation expenses relating to a water rights dispute between Texas and New Mexico. (See Selected Fiscal and Policy Issues – Senate, No. 3, and Items Not Included in Recommendations – Senate, No. 3.)
31. (former) **Contingency for House Bill 7: Environmental Remediation of a Closed Battery Recycling Facility.** Recommendations delete rider reflecting completion of the battery recycling facility cleanup project. (See Selected Fiscal and Policy Issues – Senate, No. 7a.)

Section 6

Commission on Environmental Quality
Items not Included in Recommendations - Senate

		2016-17 Biennial Total	
		GR & GR-Dedicated	All Funds
Agency Exceptional Items - In Agency Priority Order			
1. Water Operational Needs --The agency is requesting additional General Revenue funding and 10.0 FTEs for water programs to conduct additional water availability modeling, water rights permit processing, and technical support and analysis relating to the drought.	\$	3,469,066	\$ 3,469,066
2. Targeted Classification Increases --the agency is requesting \$5.9 million in All Funds to increase pay levels for various specialized employees including accountants, attorneys, auditors, chemists, contract specialists, electronic technicians, engineers, engineering specialists, geoscientists, hydrologists, planners, systems analysts, and administrators. Funding would come from a mix of General Revenue and various General Revenue-Dedicated accounts.	\$	5,870,346	\$ 5,870,346
3 Funding for Ongoing Litigation Expenses of the Rio Grande Compact Commission. General Revenue funding for anticipated expenses associated with litigation relating to water rights disputes with New Mexico. The State of Texas has sued the State of New Mexico for not delivering its fair share of water under the compact to Texas, and the issue is now going before the U.S. Supreme Court. The agency reports that funding for this item is a priority for the Rio Grande Compact Commissioner and is exclusively for expenses incurred in litigating the equitable distribution of water according to the Rio Grande Compact. (See Selected Fiscal and Policy Issues - Senate, No. 3, and Rider Highlights - Senate, No. 17.)	\$	5,000,000	\$ 5,000,000
4. Air Monitoring - Revised Federal Sulfur Dioxide Standard --The agency is requesting additional funding and 8.0 FTEs to respond to new standards for sulfur dioxide emissions promulgated by the U.S. Environmental Protection Agency (EPA). The funding would cover modeling and monitoring costs, and includes \$1.6 million in Capital Budget costs in fiscal year 2016 for the procurement of trailers and instrumentation. Funding would come from the General Revenue-Dedicated Operating Permit Fees Account No. 5094.	\$	4,724,030	\$ 4,724,030

Section 6

Commission on Environmental Quality
Items not Included in Recommendations - Senate

		2016-17 Biennial Total	
		GR & GR-Dedicated	All Funds
5. Telecommunications Migration and Regional Phone Replacement --The agency requests funding for new servicers for its regional telecommunications system. Funding to replace the agency's system at is headquarters is contained within its baseline funding request; this exceptional item funding would be for the system at the agency's regional offices.Funding would come from a mix of General Revenue and various General Revenue-Dedicated accounts. (See also Selected Fiscal and Policy Issues - Senate, No. 6d.)	\$	633,140	\$ 633,140
6. Monitoring Equipment - Field Investigators --The agency seeks to purchase Optical Gas Imaging Cameras (OGIC), which would allow them to detect emissions that otherwise go undetected. The equipment would assist the agency in keeping up with demand for monitoring resulting from population growth, the current drought, and increased activity in oil and gas production. Fuding would come from various General Revenue-Dedicated accounts.	\$	655,090	\$ 655,090
7. New Capital Budget Item--Houston Laboratory Information Management System (LIMS) Upgrade --Funding out of the General Revenue-Dedicated Water Resource Management Account No. 153 to acquire hardware/software and consulting services to control and standardize laboratory processes and ensure that testes are administered efficiently, effectively, and according to approved procedures. The agency failed to provide adequate justification for adding this new project. Baseline appropriations were reduced and Capital Budget authority for the project is not included in recommendations. (See Selected Fiscal and Policy Issues - Senate, No. 6c.)	\$	429,000	\$ 429,000
Total, Items Not Included in the Recommendations		\$ 20,780,672	\$ 20,780,672

Section 7

Commission on Environmental Quality
Summary of 10 Percent Biennial Base Reduction Options - Senate

Biennial Reduction Amounts								
Priority	Item	Description/Impact	GR and GR-Dedicated	All Funds	FTEs	Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill
1	TERP Grants	The reduction in funding would result in a reduction in the allocation of funding to the TERP Emissions Reduction Incentive Grants (ERIG) Program. It is estimated that this funding reduction would result in 135 fewer vehicles and pieces of equipment replaced or upgraded each year under the ERIG Program, or 270 vehicles and pieces of equipment for the 2016-2017 fiscal biennium. The impact on TERP Output Measure S010101 for fiscal biennium 2014-2015 would be a reduction in the projected tons of NOx reduced from 4,571 to 3,474 per year. The projected tons per day of NOx reduced (TERP Outcome Measure G010100.02) is not expected to change for the 2016-2017 fiscal biennium due to the timing of when the grant-funded equipment is received, operations begin and the grantees start reporting. However, in 2018-2021, the outcome projections for G010100.02 are expected to decrease as a result of the reduction in funding: 2018 - reduced from 39.2 to 38.5 tons per day; 2019 - reduced from 25.5 to 24.1 tons per day; 2020 - reduced from 21.7 to 19.5 tons per day; and 2021 - 21.6 to 18.7 tons per	\$59,328,766	\$59,328,766		\$0	38%	No.
2	Closed Battery Recycling	Pursuant to THSC 361.133 (c-1), as amended by HB 7 of the 83rd Legislature, the authorization for this funding expires September 30, 2014.	\$1,500,000	\$1,500,000		\$0	100%	Yes.
3	Vehicle Emission Analyzers	HB2305, appropriated through Art. IX, Sec. 18.50, required the Department of Public Safety and the Department of Motor Vehicles to replace the current Texas dual inspection/registration sticker system with a single registration sticker. It also provided \$800,000 for TCEQ to modify its analyzer equipment, resulting in a one-time appropriation of \$800,000 in fiscal year 2014 out of the Clean Air Account #151.	\$800,000	\$800,000		\$0	100%	Yes.

Section 7

Commission on Environmental Quality
Summary of 10 Percent Biennial Base Reduction Options - Senate

Biennial Reduction Amounts								
Priority	Item	Description/Impact	GR and GR-Dedicated	All Funds	FTEs	Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Intro Bill
4	Data Center Services	<p>To cut \$905,744 for FY16 and \$905,743 for FY17 we would need to drop our test servers and give up our disaster recovery capability. In addition, the contractual response time from our DCS vendor when we have a critical problem would be extended from our current 2 hours to 6 hours.</p> <p>We currently have 75 test servers for which we pay monthly server, storage and backup fees forecast to total approximately \$794,787 in FY16 and \$806,842 in FY17. Without these test servers we would have to run upgrades and patches in production without the benefit of testing first, and release newly developed software directly from development to production. This would increase downtime for agency operations, reduce system efficiencies, and break a commonly held best practice. Test servers are also required as disaster recovery targets in case of an Austin Data Center disaster, so our disaster recovery plans would be extended by months to accommodate the purchase and installation of new equipment.</p> <p>In order to meet the target cost reductions, we would also have to lower our</p>	\$1,811,487	\$1,811,487		\$0	8%	No.
TOTAL, 10% Reduction Options			\$63,440,253	\$63,440,253		\$0		

Commission on Environmental Quality
Summary of 10 Percent Biennial Base Reduction Options - Senate
Agency 10% Reduction Options by Category of Reduction

