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# FISCAL IMPACT REPORT

| SPONSOR:    | Smith                   | DATE TYPED: | 02/08/02 | НВ   |            |
|-------------|-------------------------|-------------|----------|------|------------|
| SHORT TITLE | E: Regulation of Cotton | Gins        |          | SB   | 404        |
|             |                         |             | ANAL     | YST: | Valenzuela |

## REVENUE

| Estimated     | l Revenue | Subsequent<br>Years Impact | Recurring<br>or Non-Rec | Fund<br>Affected                   |
|---------------|-----------|----------------------------|-------------------------|------------------------------------|
| FY02          | FY03      |                            |                         |                                    |
| See Narrative | (\$0.1)   | (\$0.1)                    | Recurring               | OSF/Air Quality<br>Permit Fee Fund |
|               |           |                            |                         |                                    |

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

Legislative Finance Committee files Department of Environment Department of Agriculture State Highway and Transportation Department

#### **SUMMARY**

### Synopsis of Bill

Senate Bill 404 would, under the Air Quality Control Act, exempt cotton gins and other seasonal agricultural operations from obtaining an air quality construction permit, except when the operation is subject to prevention of significant deterioration (PSD) requirements or is located in a non-attainment area. SB 404 proposes that the operation not exceed an opacity level of twenty percent and that it use the "best system of emission reduction" to be determined by the Environmental Improvement Board (EIB) or local board. The "best system of emission reduction" considers the cost of achieving reductions and any non-air-quality health and environmental impacts and energy requirements. The bill describes specific types of pollution control equipment on exhaust points that may demonstrate the "best system of emission reductions".

# Significant Issues

Senate Bill 404 is an attempt to create a balance between environmental regulation and economic development with regard to the cotton and seasonal agriculture industry. Two state agencies, Highway and Environment, have stated its concerns on the potential for these facilities to exceed national ambient air quality standards (NAAQS), which could put these regions in violation of the federal Clean Air Act and thus impact public health. The New Mexico Department of Agriculture (NMDA) states that new cotton gins have been unable to obtain permits because New Mexico requirements are more stringent than the federal requirements. As a consequence, cotton gins have built new facilities in New Mexico's surrounding states, according to NMDA.

### FISCAL IMPLICATIONS

SB 404 does not carry an appropriation. The Environment Departments states that its revenues to the Air Quality Permit Fee fund could be impacted. The department did not provide any projections on potential revenue losses.

## ADMINISTRATIVE IMPLICATIONS

The Environment Department states that it will be required by the U.S. Environmental Protection Agency (EPA) to develop federal permits for these facilities. The EPA has primacy in New Mexico for air quality regulation pursuant to the federal Clean Air Act.

MFV/prr