

**The Importance Of Maintaining A Proper State Implementation Plan (SIP)
To Address Air Quality Issues In Texas:
An Economic And Fiscal Impact Assessment**

Prepared for

Texas Clean Air Working Group
500 West 13th Street
Austin, TX 78701
512.476.6174



by

The Perryman Group
510 N. Valley Mills Drive, Ste. 300
Waco, TX 76710-6076
254-751-9595 (office)
254-751-7855 (fax)
www.perrymangroup.com

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A Synopsis of Current Conditions

Over the past several years, Texas has experienced significant economic and population expansion, much of which was fueled by favorable cost advantages, natural resources, attractive climate, high-quality educational facilities, effective transportation infrastructure, and a generally favorable tax environment.

While there have been many positive elements associated with the state's expanding economy, there have also been several notable challenges in striving to balance the benefits of growth with the pressures that increasing activity creates. One of the most significant of these challenges is protecting the environment, particularly with regard to air quality.

Air pollution in many parts of the Lone Star State, as well as across much of the nation, is a very serious problem. Most of this pollution results from daily business routines and activities, such as higher factory output, increased construction, and greater traffic congestion.

During the 1990s, a period of substantial economic growth in Texas, environmental standards became more stringent as part of the 1990 Clean Air Act Amendments. Specific attention was given to the operation of vehicles and industrial equipment, considered to be major sources of two types of pollutants—nitrogen oxides and volatile organic compounds. These pollutants combine in hot, stagnant air to form ground-level ozone. High levels of this ozone can cause coughing, wheezing, headaches, shortness of breath, and throat and lung irritation. These health conditions result in increased medical expenses and losses in productivity and efficiency throughout the economy.

The Federal Clean Air Act as amended in 1990 is the legal foundation for the national air pollution control program. Authority to enforce the provisions of the Act is granted to the Environmental Protection Agency (EPA). This Act requires that each state develop and regularly update a State Implementation Plan (SIP) that denotes measures being taken to maintain proper air quality standards. The EPA has the authority to approve or reject SIPs, replace SIPs with Federal Implementation Plans (FIPs) when deemed necessary, and to monitor the achievement of goals

outlined in SIPs and FIPs. The EPA also imposes mandated penalties for areas that are not in compliance following a transition period. These sanctions include (1) limiting new facility development by requiring corresponding reductions in emissions from other sources at greater than a one-to-one ratio (which has the practical effect of virtually eliminating such growth) and (2) withholding federal highway funds from the affected areas.

Texas has been found by the EPA to be in violation of air quality standards in the metropolitan areas of El Paso (levels of ozone, carbon monoxide, and particular matter too high), and Houston/Galveston/Brazoria, Dallas/Fort Worth, and Beaumont/Port Arthur (ozone levels too high). These areas have been above mandated ozone levels for years, and face mandatory sanctions by the EPA unless clean air standards are met in the next four years.

In addition to these nonattainment areas, six additional urban regions—Corpus Christi, Victoria, Austin-San Marcos, San Antonio, Tyler, and Longview-Marshall—are characterized as “near nonattainment” areas. Because these regions could also be in jeopardy if their ozone levels are not reduced appropriately, they are incorporated within the present analysis.

The counties included in these areas are: Bastrop, Bexar, Brazoria, Caldwell, Chambers, Collin, Comal, Dallas, Denton, El Paso, Ellis, Fort Bend, Galveston, Gregg, Guadalupe, Hardin, Harris, Harrison, Hays, Henderson, Hood, Hunt, Jefferson, Johnson, Kaufman, Liberty, Montgomery, Nueces, Orange, Parker, Rockwall, Rusk, San Patricio, Smith, Tarrant, Travis, Upshur, Victoria, Waller, Williamson, and Wilson.



Synopsis

This study has examined in detail the potential setbacks to the Texas economy associated with failure to comply with the 1990 Clean Air Act Amendments. While the full brunt of the potential sanctions might be avoided, the risk is simply too great. The health of Texans, the quality of life, future business and export expansions, and improving mobility are all critically tied to meeting appropriate standards. Moreover, the potential losses permeate every sector and geographic area of Texas. The benefit-cost ratios effectively illustrate the need to achieve acceptable emission levels, and the negative economic development implications of poor air quality in an increasingly technological environment are indeed profound.

In summary, the findings from this study are a “no brainer.” Texas must comply with the Clean Air Act Amendments as a prerequisite to sustainable prosperity.

Respectfully submitted,

A handwritten signature in black ink, reading "M. Ray Perryman", is written over a horizontal line.

The Perryman Group

M. Ray Perryman, PhD, President