

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 23, 2003

TO: Honorable Robert Puente, Chair, House Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: HB3586 by Puente (Relating to powers and duties of the Edwards Aquifer Authority to manage and protect the Edwards Aquifer including groundwater withdrawals, permitting, aquifer management fees, recharge projects, demand management and transfers, the board of directors of the Edwards Aquifer Authority and revenue bonding authority.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend statutes related to the Edwards Aquifer Authority. The bill would take effect immediately if it receives a two-thirds vote in each house; otherwise, it would take effect September 1, 2003.

The Edwards Aquifer Authority identified sections of the bill that would have a fiscal impact on the authority, some of which would provide a savings and others that would result in increased costs. The authority estimates that costs associated with requirements related to board members would be \$5,000 in fiscal year 2004 and \$5,000 in fiscal year 2006. No estimate was provided regarding using aquifer management fees to fund the purchase or construction of water supply facilities, as the authority has no current plans to purchase or construct such facilities, but it is anticipated, use of the fees for that purpose would provide fiscal flexibility if needed.

According to the authority, changes in requirements related to the purchase of groundwater rights and permitted withdrawals would reduce costs by \$200 million annually. The authority also estimates that changes in groundwater rights to be retired would result in a savings of approximately \$100 million in fiscal year 2008, adding up to a savings of \$97.5 million over a 30-year period.

The authority estimates it would execute contracts for professional services to determine any adjustment to the amount of water eligible for permitting, at a cost of \$50,000 in fiscal year 2006. The authority would also incur additional costs of \$10,000 in the last quarter of calendar year 2003 and \$30,000 in calendar year 2004 to employ the services of legal counsel, impact assessment and hydrogeologic modeling teams.

The authority states that the section of the bill that would exempt federal facilities that have not waived sovereign immunity related to water permitting requirements from the rules under the provisions of the bill would result in the authority foregoing at least \$2.4 million in aquifer management fees.

Overall, the fiscal impact for the Edwards Aquifer Authority would be positive, with the savings and revenue gains outweighing any new costs or revenue losses. Other local government entities, however, estimate that the changes would result in an overall negative fiscal impact to those entities.

Those local government entities (e.g., City of San Marcos, Hays County, City of San Antonio, Uvalde County, and Comal County) that withdraw water from the aquifer would also be impacted by the proposed changes provided in the bill. The entities listed were contacted regarding the fiscal impact of the bill. Because of the short notice, only the City of San Marcos was able to respond.

The City of San Marcos reports that the additional allowable withdrawal of 100,000 acre feet would

eliminate the need to purchase and retire that quantity of permitted withdrawal rights. While the city estimated a savings based on \$1,700 per acre foot for a total savings of \$2.1 million for their 5,536 acre feet, the authority assumes the per acre foot rate would be \$2,000; therefore, the city's savings may be more than their estimated \$2.1 million. On the other hand, the city also notes a number of increased costs and potential revenue losses during dry or drought conditions that would likely occur. For example, the city estimates that during dry periods, the changes in the permitting of the Edwards Aquifer would result in the city having to obtain firm water supply to replace the aquifer source, at a cost of \$664,000 per year.

The City of San Marcos also estimates increased costs of about \$20 million to the city for adequate pipeline design, easements, and construction, as well as plant facility expansions to process surface water estimated by the city to total "tens of millions of dollars." The city also estimates significant revenue losses during dry periods because much of the city's tourism dollars rely on water from the aquifer. Overall, the city estimates that costs and revenue losses would exceed any savings.

Local Government Impact

The fiscal impact would vary by local government unit and appears it would be generally positive for the Edwards Aquifer Authority and possibly negative or neutral for users of the aquifer.

Source Agencies:

LBB Staff: JK, CL, JB, DLBa