

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION**

**March 25, 2003**

**TO:** Honorable Frank Madla, Chair, Senate Committee on Intergovernmental Relations

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: SB856** by Madla (Relating to an exemption for small community water systems from public drinking water standards for certain naturally occurring materials.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB856, As Introduced: a positive impact of \$7,624,750 through the biennium ending August 31, 2005.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	\$3,812,375
2005	\$3,812,375
2006	\$3,812,375
2007	\$3,812,375
2008	\$3,812,375

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Savings from <i>GENERAL REVENUE</i> <i>FUND</i> <i>1</i>	Probable Revenue (Loss) from <i>FEDERAL FUNDS</i> <i>555</i>	Change in Number of State Employees from FY 2003
2004	\$3,812,375	(\$13,144,500)	(102.2)
2005	\$3,812,375	(\$13,144,500)	(102.2)
2006	\$3,812,375	(\$13,144,500)	(102.2)
2007	\$3,812,375	(\$13,144,500)	(102.2)
2008	\$3,812,375	(\$13,144,500)	(102.2)

**Fiscal Analysis**

The bill would amend the Health and Safety Code to give the Texas Commission on Environmental Quality (TCEQ) the authority through rulemaking to adopt rules to exempt small community water systems that have no reasonably available alternate water supply from meeting certain drinking water standards unless certain conditions exist.

In exchange for receiving federal funding under State Public Water System Supervision Grants and Drinking Water State Revolving Funds, TCEQ must ensure that community water systems meet drinking water standards that are no less stringent than the national standards set by the Environmental Protection Agency (EPA).

## Methodology

If the TCEQ exempts small community water systems from meeting certain drinking water standards, this estimate assumes the agency would lose its primacy delegation from the U.S. Environmental Protection Agency. Primacy delegation is required in order for TCEQ to enforce drinking standards under the Safe Drinking Water Act. Without the primacy delegation, the TCEQ is expected to lose \$5.4 million in State Public Water System Supervision Grant funds and \$7.7 million in Drinking Water State Revolving Funds (DWSRF) each year (a total of \$65.5 million for 2004-2008). These estimates are based on current levels of funding provided to the TCEQ. In addition, it is expected that 102.2 FTEs at the TCEQ currently funded through these federal grants would be eliminated.

The Water Development Board expects that the state losing primacy delegation under the Safe Drinking Water Act would result in a loss in the DWSRF capitalization grants totaling \$61.7 million per year, based on the 2003 grant amount. Although these funds are not appropriated to the Water Development Board, it would reduce the amount of financial assistance the agency has to provide to water systems throughout the state.

With the loss of the capitalization grant, the Water Development Board would no longer be required to provide matching funds totaling \$3.8 million per year. This amount would thus be a savings to the General Revenue Fund. The State Public Water System Supervision Grant at the TCEQ requires no match, therefore no savings is associated with the loss of that grant.

## Local Government Impact

No savings to small community water systems are expected from passage of the bill, since it is expected that the EPA, upon taking over primacy delegation, would hold such systems to the same standards as the TCEQ otherwise would under current law.

The loss of federal funds from State Public Water System Supervision Grant and Drinking Water State Revolving Funds could impact units of local government that administer small community water systems. If the state were to lose primacy delegation for the Federal Safe Drinking Water Act, the EPA would be expected to take over Safe Drinking Water Act enforcement. Local government access to the current level of Federal Funds for financial assistance could be affected, depending on the amount of funds the EPA would allocate to political subdivisions in Texas and depending on the requirements the EPA would impose such entities as a condition for financial assistance.

**Source Agencies:** 582 Commission on Environmental Quality, 580 Water Development Board

**LBB Staff:** JK, DLBa, KG, TL, MH, JO, CL, MS