

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 30, 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 compliance schedules for small community water systems in accordance with public drinking water standards for certain naturally occurring materials.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for SB856, Committee Report 1st House, Substituted: a negative impact of (\$4,275,000) 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	(\$4,275,000)
2005	\$0
2006	\$0
2007	\$0
2008	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from GENERAL REVENUE FUND 1
2004	(\$4,275,000)
2005	\$0
2006	\$0
2007	\$0
2008	\$0

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 issue alternate compliance schedules for small community water systems that have no reasonably available alternate water supply and face exceptional physical or financial circumstances in order to meet certain drinking water standards for arsenic and radionuclides.

The bill directs TCEQ, Texas Water Development Board (TWDB), and Texas Department of Health (TDH) to conduct the following studies, in conjunction with other state agencies with expertise in public health: a cost benefit analysis of implementing the national drinking water standards; an analysis of whether EPA had used appropriate science in promulgating the standards (epidemiological

studies); an analysis of the costs of implementing the standards statewide; and, a study of the feasibility of use of point-of-use technology for achieving compliance. This bill would require these studies to be completed by November 1, 2004.

This bill would take effect upon passage or September 1, 2003.

Methodology

The costs to TCEQ for contracting for a cost benefit analysis and determining whether point of use technology provides a viable alternative at a potentially affected small water system is estimated to be \$1,200,000 (including contract engineer costs). It is assumed that the cost would be the same for a system with arsenic. Therefore costs for analyzing the two materials would be estimated at \$2,400,000. According to TWDB, there would be a cost of \$1,875,000 to determine the statewide cost of implementing federal drinking water standards. This assumes the TWDB would conduct site-specific studies of 300 water systems. All costs are assumed to be incurred in fiscal year 2004, since the bill requires the studies to be completed by November 1, 2004.

No significant fiscal impact is anticipated to the state for the epidemiological studies. It is assumed that the TDH would implement the provisions of this bill with existing appropriations.

To comply with federal drinking water standards, the TCEQ is required to set compliance schedules at least as stringent as those provided in federal law for small water systems. Although this estimate assumes that the Environmental Protection Agency (EPA) would agree to the compliance schedules established by the bill, it is possible that the EPA would not recognize the alternate schedules as meeting federal drinking water standards. It is possible that the EPA would withdraw primacy delegation of the Federal Safe Drinking Water Act from the TCEQ, resulting in the annual loss of \$5.5 million in Public Drinking Water Supply Grants and \$7.7 million in Drinking Water State Revolving Funds, along with an associated 102.2 FTEs, for operating the state public drinking water program each year. It could also jeopardize \$60.0 million in capitalization grant funds received each year for the Drinking Water State Revolving Fund by the TWDB. However, if these grant funds were lost, there would be a corresponding savings to the TWDB of \$3.8 million in General Revenue for matching funds each year.

Local Government Impact

The provisions of the bill relating to the studies would not have a fiscal impact on local governments. However, TCEQ's issuance of alternative compliance schedules for units of local government that fall under the definition of "small community water system" could postpone costs to small water systems. However, these systems would eventually incur such costs because they would eventually have to meet the federal drinking water standards at some point in the future.

If the EPA were to withdraw primacy from the state for the Federal Safe Drinking Water Act, 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 on such entities as a condition for financial assistance.

Source Agencies: 360 State Office of Administrative Hearings, 501 Department of Health, 582 Commission on Environmental Quality, 304 Comptroller of Public Accounts, 580 Water Development Board, 551 Department of Agriculture

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