

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 19, 2005

TO: Honorable Norma Chavez, Chair, House Committee on Border and International Affairs

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB964 by Lucio (Relating to the authorization, administration, and funding of the program to provide financial assistance for the construction, acquisition, or improvement of water supply and sewer services for economically distressed areas.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB964, Committee Report 2nd House, Substituted: a negative impact of (\$7,130,787) through the biennium ending August 31, 2007.

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
2006	(\$82,835)
2007	(\$7,047,952)
2008	(\$11,942,040)
2009	(\$16,276,601)
2010	(\$20,215,070)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND</i> 1	Change in Number of State Employees from FY 2005
2006	(\$82,835)	1.0
2007	(\$7,047,952)	8.5
2008	(\$11,942,040)	17.0
2009	(\$16,276,601)	17.0
2010	(\$20,215,070)	17.0

Fiscal Analysis

The bill would modify current eligibility requirements for communities to qualify for funding under the Economically Distressed Areas Program (EDAP) operated by the Water Development Board, removing requirements linking eligibility to average per capita income, unemployment levels, and proximity to the international border and replacing them with a requirement based on median income. For a community to receive EDAP assistance, the county in which that community is located would have to have adopted the model subdivision rules in Water Code, § 16.343.

Enactment of the bill would be contingent upon voter approval of a constitutional amendment proposed by the Seventy-ninth Legislature, Regular Session, 2005, providing for the

issuance of \$785 million in additional general obligation bonds for EDAP assistance.

Methodology

This estimate assumes that if the constitutional amendment would pass, \$50 million in EDAP general obligation bonds would be issued each fiscal year from 2007 thru 2021. Debt service on these bonds would cost \$4.3 million in fiscal year 2007, rising to \$16.9 million by fiscal year 2010. An additional \$2 million in facility planning grants would be made each year. All costs would be paid from the General Revenue Fund.

Because of the increase in activity in the EDAP program (an anticipated increase of 10 to 15 EDAP applications annually), the Water Development Board would require additional FTEs for program operations. Since fees in the bill could not be created until April 1, 2006, this estimate assumes that the first bonds would be issued in fiscal year 2007. Therefore, additional staff needs in fiscal year 2006 would be limited to one additional FTE and related costs to coordinate rules and program procedures. In fiscal year 2007, an additional 7.5 FTEs would be added to process applications and coordinate facility planning projects. In fiscal year 2008, an additional 8.5 FTEs would be added to provide capacity development services and handle the increased workload resulting from additional projects being started while other projects move into later stages of development. It is assumed that this staffing level would be maintained through fiscal year 2010.

Administrative costs to the Water Development Board would total \$82,835 in fiscal year 2006, \$713,392 in fiscal year 2007, and \$1,272,920 in future years. This estimate assumes that all such costs would also be paid out of the General Revenue Fund.

Local Government Impact

Local governments throughout the state would be the beneficiaries of an additional \$50 million in annual funding for EDAP projects upon passage of the bill. There could be some costs to local governments and demonstrate sufficient managerial, financial, and technical assistance to operate the system for which the entity would be applying to the Water Development Board for funding. Any cost would be more than offset by assistance received from the EDAP program. However, an applicant not awarded a grant would be required to absorb such costs.

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

LBB Staff: JOB, CL, ZS, TL