

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

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**April 15, 2005**

**TO:** Honorable Eddie Lucio, Jr., Chair, Senate Committee on International Relations & Trade

**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 1st House, Substituted**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB964, Committee Report 1st House, Substituted: an impact of \$0 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	\$0
2007	\$0
2008	\$0
2009	\$0
2010	\$0

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

Fiscal Year	Probable Revenue Gain from <i>Water Infrastructure Fund No. 302</i>	Probable Savings/(Cost) from <i>Water Infrastructure Fund No. 302</i>	Change in Number of State Employees from FY 2005
2006	\$97,359	(\$97,359)	2.0
2007	\$7,047,952	(\$7,047,952)	8.5
2008	\$12,095,904	(\$12,095,904)	17.0
2009	\$16,430,465	(\$16,430,464)	17.0
2010	\$20,368,934	(\$18,942,150)	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.

The bill would provide for the Texas Commission on Environmental Quality (TCEQ) to establish a fee

to be collected by retail public utilities to be deposited to the credit of the Water Infrastructure Fund No. 302. The amount of fees collected could not exceed two cents per day per customer. The fee could not be established until April 1, 2006, and proceeds could be used to pay debt service on bonds issued for the EDAP program and for other forms of financial assistance, such as facility planning.

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 \$500 million in additional general obligation bonds for EDAP assistance.

## **Methodology**

This estimate assumes that \$50 million in EDAP general obligation bonds would be issued each fiscal year from 2007 thru 2016. It is assumed that the fee set by TCEQ and collected by retail public utilities would be set at a rate to cover the cost of debt service and facility planning costs each year and be paid out of the Water Infrastructure Fund No. 302. Debt service 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 from proceeds of the Water Infrastructure Fund No. 302.

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 6.5 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 be \$97,359 in fiscal year 2006, \$713,392 in fiscal year 2007, and \$1,426,784 in future years. Because the bill provides for such administrative costs to be paid out of the Water Infrastructure Fund No. 302, this estimate assumes that the retail water and sewer utility fee would be set at a rate to cover administrative as well as debt service and facility planning costs.

## **Local Government Impact**

Local governments throughout the state would be the beneficiaries of an additional \$50 million in 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:** 580 Water Development Board, 582 Commission on Environmental Quality

**LBB Staff:** JOB, CL, ZS, TL