

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 27, 2007

TO: Honorable David Dewhurst , Lieutenant Governor, Senate
 Honorable Tom Craddick, Speaker of the House, House of Representatives

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

IN RE: HB3 by Puente (Relating to the management of the water resources of the state, including the protection of instream flows and freshwater inflows, and to the management of groundwater in the area regulated by the Edwards Aquifer Authority and to the operations and oversight of the authority.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3, Conference Committee Report: a negative impact of (\$3,158,891) through the biennium ending August 31, 2009.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2008	(\$1,500,201)
2009	(\$1,658,690)
2010	(\$1,950,559)
2011	(\$1,874,459)
2012	(\$1,624,659)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>GENERAL REVENUE FUND 1</i>	Probable Savings/(Cost) from <i>GAME, FISH, WATER SAFETY AC 9</i>	Change in Number of State Employees from FY 2007
2008	(\$1,500,201)	(\$224,739)	11.1
2009	(\$1,658,690)	(\$219,054)	12.1
2010	(\$1,950,559)	(\$219,978)	13.3
2011	(\$1,874,459)	(\$219,978)	13.3
2012	(\$1,624,659)	(\$220,902)	13.3

Fiscal Analysis

Environmental Flows Advisory Committees

This bill amends various sections of the Water Code to set out a new regulatory approach to provide surface water to meet environmental flow needs. The bill creates an Environmental Flows Advisory Group supported by an Environmental Flows Science Advisory Committee (SAC), to oversee regional consensus-based Bay and Basin Stakeholders Committees as they develop environmental flow standard recommendations for consideration by the Texas Commission on Environmental Quality (TCEQ). These stakeholder committees would also be supported by Basin and Bay Expert Science Teams (BBESTs). The TCEQ, the Texas Water Development Board (TWDB), and the Texas Parks

and Wildlife Department (TPWD) would be responsible for coordinating with the advisory group and stakeholder committees, providing reports regarding the groups' recommendations, and providing technical assistance.

The bill would allow the TWDB to use money in the research and planning fund of the Water Assistance Fund No. 480 to compensate members of the SAC and the BBEST for meeting expenses. It would also allow the TWDB to pay contract costs for technical assistance to SAC and BBESTs and costs incurred by political subdivisions designated as representatives of the stakeholder committees.

Edwards Aquifer Authority

The bill would make changes in requirements for the administration and operation of the Edwards Aquifer Authority (authority), including changing the calculation used for determining withdrawal limits from the Edwards Aquifer. The bill would change requirements related to the number of acre-feet of groundwater rights to be retired. A steering committee and a science subcommittee would be created by the authority with assistance from Texas A&M University to develop various program documents, reports, and recommendations. The bill identifies various state agencies required to participate. The authority and other stakeholders and state agencies listed would be required to provide money as necessary to finance the activities of the steering committee and subcommittees, with the authority required to contribute up to \$75,000 annually, adjusted for changes in the consumer price index.

Methodology

Environmental Flows Advisory Committees

To provide technical support to the committees and stakeholder groups established in this bill, 5.0 additional FTEs including a hydrologist, three aqua scientists, and a natural resource specialist and related costs are expected to be needed by the TCEQ totaling \$365,582 a fiscal year. In addition, the TCEQ would have contract service costs of \$250,000 per year to upgrade and maintain water availability models. The agency anticipates General Revenue funding will be necessary to implement the provisions in the bill because projected balances in the GR-Dedicated Water Resource Management Account No. 153 would not be adequate.

The TWDB also expects to need additional staff and related costs to provide data and expertise to the committees and stakeholder groups established in this bill, as well as funding for costs incurred by the SAC and BBEST as well as administrative costs for designated political subdivisions and studies relating to bays and estuaries. The agency anticipates needing 3.1 FTEs in fiscal year 2008, 4.1 FTEs in fiscal year 2009 and 5.25 FTEs in subsequent fiscal years. The annual costs for the TWDB range from \$737,610 to \$1,317,968 during the five year period. The agency anticipates General Revenue funding will be necessary to implement the provisions in the bill because projected balances in the Water Assistance Fund No. 480 would not be adequate.

The TPWD estimates it will need additional staff (3 FTEs) and travel, operating and equipment costs to provide technical assistance to the BBESTs. The agency anticipates funding to be provided by the General Revenue-Dedicated Game, Fish and Water Safety Account No. 9.

This fiscal note assumes that existing studies and information will be used by SAC and the BBEST. Funds are not included to do additional studies through grant funds.

Edwards Aquifer Authority

No significant fiscal impact is anticipated for either the TCEQ or the TWDB regarding the provisions in the bill dealing with Edwards Aquifer Authority. Both agencies anticipate being able to absorb any associated costs within existing agency resources.

Technology

The estimated fiscal impact for technology for TCEQ is \$100,000. This cost includes five computers

with Geographic Information System (GIS) capabilities

Local Government Impact

Environmental Flows Advisory Committees

Councils and committees created, expanded or modified by the bill could incur administrative costs. However, these costs are not expected to be significant, since state agencies are required to provide technical and staff support to these entities.

Edwards Aquifer Authority

Sections of the bill that would affect the Edwards Aquifer Authority (EAA or authority) would have varying fiscal impact to the authority and to the counties and municipalities within its boundaries. The Edwards Aquifer Authority reports that provisions of the bill related to determining withdrawal limits requirements related to the number of acre-feet of groundwater rights to be retired would provide a significant total savings to the authority of \$48.5 million per fiscal year for the first five years following implementation.

The authority reports that changing the calculation for the limit on total withdrawals would prevent the authority from having to buy down 99,000 acre-feet of groundwater rights; as a result, the associated expense would be borne entirely by Edwards Aquifer groundwater permit holders. In addition, the proposed elimination of retiring groundwater rights would result in a savings to the authority and to the downstream water users in equal amounts. Those counties and municipalities that rely on the Edwards Aquifer would experience costs and savings proportionately as identified by the authority.

The fiscal impact to stakeholders in the Edwards Aquifer as a result of changing pumping deadlines and withdrawal calculations is not expected to be significant. The fiscal impact to local governments within the boundaries of the Edwards Aquifer Authority may experience additional costs related to implementing a water management program; however, not knowing what that program will entail, an estimate is not possible at this time; however, the fiscal implication to units of local government is not anticipated to be significant.

Participation in the steering committee and the science subcommittee is not anticipated to have a significant fiscal impact. In addition, because expenses related to the committees' activities would be shared among so many stakeholders, it is anticipated that those costs would also be minimal.

Source Agencies: 580 Water Development Board, 582 Commission on Environmental Quality, 802 Parks and Wildlife Department

LBB Staff: JOB, WK, ZS, JF