

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 26, 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: HB4 by Puente (Relating to water conservation.), **Conference Committee Report**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4, Conference Committee Report: a negative impact of (\$2,084,146) 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	(\$971,073)
2009	(\$1,113,073)
2010	(\$1,265,073)
2011	(\$1,426,073)
2012	(\$1,577,073)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/ (Cost) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>City Sales Tax Revenue</i>	Probable Revenue Gain/(Loss) from <i>Transit Authority (MTAs) Sales Tax Revenue</i>
2008	(\$346,073)	(\$625,000)	(\$120,000)	(\$41,000)
2009	(\$332,073)	(\$781,000)	(\$150,000)	(\$51,000)
2010	(\$327,073)	(\$938,000)	(\$180,000)	(\$62,000)
2011	(\$332,073)	(\$1,094,000)	(\$210,000)	(\$72,000)
2012	(\$327,073)	(\$1,250,000)	(\$240,000)	(\$82,000)

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Special District Sales Tax Revenue</i>
2008	(\$15,000)
2009	(\$19,000)
2010	(\$23,000)
2011	(\$27,000)
2012	(\$31,000)

Fiscal Year	Change in Number of State Employees from FY 2007
2008	5.0

2009	5.0
2010	5.0
2011	5.0
2012	5.0

Fiscal Analysis

Water Conservation Advisory Council

The bill establishes a new Water Conservation Advisory Council (Council) composed of 23 members appointed by the TWDB to represent the following: state agencies; federal agencies; municipalities; groundwater conservation districts; river authorities; environmental groups; irrigation districts; industries; institutional water users; professional organizations focused on water conservation; higher education; agricultural groups; and representatives from certain interest groups.

The Council shall provide expertise in water conservation including: monitoring trends and new technologies in water conservation implementation; developing and implementing a state water management resource library; and monitoring the implementation of water conservation strategies by water users included in regional water plans. The Council would be required to submit a report to the Legislature and the Governor in even-numbered years on progress made in state water conservation. The Council would also be required to conduct a study by December 1, 2008 to evaluate the desirability of requiring the TWDB to designate certified water conservation training entities and programs; this study would also be submitted to the Legislature and Governor. The TWDB would be responsible for assisting the Council in performance of these duties. The members would serve without compensation, but would be eligible for reimbursement of Council related expenses.

Water Conservation Awareness Program and Conservation Plans

The bill would require the TWDB to develop and implement a statewide water conservation awareness program to educate residents of the state about water conservation. The bill would also require the TWDB to review water conservation plans and annual reports submitted by water utilities.

Reclaimed System Technologies

The bill amends the Government Code to require (the bill does provide for some exceptions) that on-site reclaimed system technologies including rainwater harvesting, condensate collection, and cooling tower blow down systems be incorporated into the design and construction of: (1) each new state building with a roof measuring at least 10,000 square feet, and (2) any other new state building for which the incorporation of such systems is feasible. This provision would not take effect until September 1, 2009.

Irrigation Systems

The bill requires the TCEQ to adopt and enforce rules regulating the design, installation, and operation of irrigation systems, and the duties of licensed irrigators.

Water-Related Exemptions

The bill would expand the manufacturing sales tax exemption for water-related items to include tangible personal property specifically used to process, reuse, and recycle wastewater that will be used in fracturing work performed at an oil and gas well.

Methodology

Water Conservation Advisory Council

The TWDB anticipates needing 1 additional FTE (Program Specialist II) and associated expenses in each fiscal year to provide operational assistance to the Council for a total of approximately \$61,000 a fiscal year. In order to conduct studies and provide data requested by the Council, one FTE (Research

Specialist I) and associated operating expenses would be required each fiscal year, for a total of \$49,000 a fiscal year. The agency also estimates an additional other operating expense of \$5,000 a fiscal year in fiscal year 2009 and fiscal year 2011 related to development and publication of the report on water conservation in the state. The agency anticipates the cost to reimburse the members of the Council for Council-related duties to be \$20,300 a fiscal year.

In this cost estimate it is assumed that TWDB staff would be able to provide any necessary studies requested by the Council.

Water Conservation Awareness Program and Conservation Plans

The TWDB estimates that they will need 2.0 FTEs in each fiscal year for the public awareness program to provide oversight and administration of the program at a cost of approximately \$122,000 per fiscal year. Providing a public awareness campaign on the scale of the Texas Department of Transportation's "Don't Mess with Texas" campaign, could cost as much as \$9 million for the biennium. However, these costs are not included in this estimate. Instead it is assumed that the TWDB would use existing resources to begin developing a statewide water conservation public awareness campaign.

The TWDB anticipates needing 1 additional FTE and related costs in each fiscal year to review the water conservation plans and annual reports of retail water supply systems for a total of approximately \$61,000 a fiscal year.

This estimate assumes that all costs associated with these provisions would be paid out of the General Revenue Fund.

Reclaimed System Technologies

There would be no fiscal impact for the 2008-09 biennium and no significant fiscal impact in subsequent fiscal years to state agencies associated with the requirement that on-site reclaimed system technologies including rainwater harvesting, condensate collection, and cooling tower blow down systems be incorporated into the design and construction of new state buildings.

Irrigation Systems

No significant fiscal implications are expected to the TCEQ as a result of provisions in this bill. It is anticipated that any costs associated with the regulation of irrigation systems can be absorbed by the TCEQ.

Water-Related Exemptions

The Comptroller provided estimates of the annual revenue loss resulting from the bill's passage based on reports gathered from the oil and gas industry, the TCEQ, and the Railroad Commission. The estimate assumes that \$10 million in expenditures for fracturing machinery will be made in fiscal year 2008, increasing to \$20 million by 2012. The revenue loss shown in the table above was estimated by multiplying the estimated level of expenditures by the state sales tax rate. Fiscal impacts on local units of government were estimated proportionally.

Technology

None.

Local Government Impact

There would be a loss in sales tax revenues to local governments collecting such taxes. The statewide loss to cities, metropolitan transit authorities, and special districts is presented in the tables above.

Source Agencies: 580 Water Development Board, 551 Department of Agriculture, 582 Commission on

Environmental Quality, 592 Soil and Water Conservation Board, 781 Higher Education
Coordinating Board, 802 Parks and Wildlife Department

LBB Staff: JOB, WK, ZS, JF