

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

**FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION**

**April 9, 2007**

**TO:** Honorable Robert Puente, Chair, House Committee on Natural Resources

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

**IN RE: HB2470** by Cook, Robby (Relating to the construction of reservoirs and assessing fees on water impounded in a reservoir.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

The bill requires that permit holders for surface water impounded in certain reservoirs submit a surcharge fee equal to the ad valorem tax rate assessed on property within the reservoir site. Permit holders would also be required to submit royalty fees to compensate property owners whose land was purchased or taken for the construction of a reservoir. These annual fees are to be paid to the Texas Commission on Environmental Quality (TCEQ), and TCEQ is given the timeframes for remitting the proceeds of the fees to the political subdivisions and landowners affected by such reservoirs. TCEQ would be able to set and collect a fee for this administrative task.

According to the TCEQ, there are 19 proposed reservoirs that could be required to pay the above fees and comply with the bill's provisions, resulting in some costs to modify existing systems but these costs are not anticipated to be significant and therefore the amount of fees assessed to the permit holder are not anticipated to be significant. The bill does not state where the fees and assessments should be deposited or where costs and disbursements should come from.

The bill also requires that project sponsors of proposed reservoirs submit to the Water Development Board (TWDB) a letter of intent to construct, a description of the reservoir, a list of all property owners within the reservoir site, drought contingency and water conservation plans for utilities that may receive water from the reservoir, and evidence of the ability to finance the purchase of development rights, within 2 years of approval of the state water plan or designation of the reservoir site as unique. If this material is not submitted timely, the TWDB must remove the reservoir strategy or unique designation from the state water plan.

Assuming that three eight regional water planning groups that have included reservoirs as part of their proposed water management strategies in the state water plan do not meet the two year deadline; the cost to the state to provide these regions with planning grants to develop replacement water management strategies should reservoirs be removed from the state water plan could be as much as \$0.6 million.

### **Local Government Impact**

There may be fiscal implications for some local governments as a result of the provisions of the bill. Local governments, like water authorities, that would pay royalty fees to landowners or surcharge fees to taxing jurisdictions may see increased costs that are expected to be passed on to customers. For example, the city of Abilene is proposing the Cedar Ridge Reservoir to be permitted in fiscal year 2011 and to open in fiscal year 2012. There would be costs in fiscal year 2008 of \$595,000 for a new metes and bounds survey. Then, in fiscal year 2010, a total of \$3 million will need to be spent to negotiate for and purchase development rights. The surcharge on impounded surface water would be \$760,000 each in fiscal years 2011 and 2012; the royalty fee for water sold or leased, plus administrative fees, would cost another \$260,000 in fiscal year 2012.

Fiscal implications for local governments receiving royalties or revenue from surcharge fees are expected to be minimal since any revenue is expected to offset the loss of taxes normally earned from property affected by reservoir plans. The city of San Antonio would gain \$871 in reservoir taxes in fiscal year 2008; this amount would rise to \$1,634 in fiscal year 2012.

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

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