

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: HB3438 by Flores (Relating to the powers and duties of the Rio Grande Regional Water Authority and the establishment of a member conference and to the conversion of water rights from irrigation use to municipal use in certain water districts and the abolition of certain districts that deliver raw water to municipalities.), **Conference Committee Report**

No significant fiscal implication to the State is anticipated.

The bill would require the establishment of a member conference consisting of each county, municipal class entity, water supply corporation, and irrigation district or other water district located within the Rio Grande Regional Water Authority (authority). The irrigation districts that are members of the conference would also be required to convene as a committee for specified purposes.

The bill would increase from 9 to 12 the number of directors the governor appoints to the authority. The structure of the board and the membership and terms of the board members would be changed. The governor and the county commissioners courts of Cameron, Hidalgo, Starr, Webb, Willacy, and Zapata counties would be required to make applicable appointments to the board of the authority by September 30, 2007.

The watermaster in the affected segment of the Rio Grande basin would be a nonvoting advisor to the authority's board and by September 1 of each year would be required to provide the board a list of all water rights held inside the boundaries of the authority and the authorized use for each water right. On or after the 90th day after the effective date of the Act, the watermaster would be required to determine the number of water rights held by each member of the conference of the authority.

The authority would be authorized to impose a fee or assessment on a member of the conference or another water user to pay authorized expenses of the authority. The bill provides the method for determining the amount of a fee or assessment. An affected entity would be authorized to charge the fee to the entity's operation and maintenance fund or raise the amount in any other authorized manner. A county within the authority would be authorized to contribute county money to the authority.

The bill would add Subchapter O to Chapter 49 of the Water Code. The new subchapter would apply to water districts located wholly or partly in a county that borders the Gulf of Mexico and Mexico or in a county that is adjacent to such a county. A municipal water supplier would be authorized to make a special request regarding Rio Grande irrigation water rights if certain criteria are met. The municipal water supplier would be authorized to petition the district to convert the proportionate irrigation water right to the Rio Grande from irrigation use to municipal use.

The bill also includes provisions that address what happens if a petition is not filed, the manner of calculating the amount of the water right, deadlines for providing the water to a petitioner, and various other administrative tasks.

The bill would mandate that the Rio Grande Regional Water Authority, at its annual January meeting, to calculate the current market value of municipal water converted from irrigation water. A district would be directed to maintain an accounting of money received from the sale of water rights under the

bill. The Rio Grande Regional Water Authority would use information from the water rights sales contracts reported to the watermaster's office for this calculation, and at least 75 percent of the proceeds from a sale of water must be designated for capital improvements.

The Rio Grande Watermaster would have to develop procedures and processes regarding the purchase and sale of the water rights.

The bill would take effect September 1, 2007.

The Texas Commission on Environmental Quality reports that if the watermaster has to collect fees for the authority, the agency assumes that costs associated with this task would be reimbursed by the authority and would therefore minimize any fiscal impact. The agency anticipates having to make rules associated with the addition of Subchapter O and that any associated costs could be absorbed using existing resources.

Local Government Impact

The districts to which the requirements of Subchapter O would apply are located in Cameron, Willacy, and Hidalgo counties.

Municipal water suppliers who petition a water district to allow the purchase of a Rio Grande irrigation water right would have to ensure that they have adequate funding to make such a purchase.

No significant fiscal implication to units of local government is anticipated.

Source Agencies: 582 Commission on Environmental Quality

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