

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

April 9, 2007

TO: Honorable Kip Averitt, Chair, Senate Committee on Natural Resources

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

IN RE: SB659 by Wentworth (Relating to the maximum permitted withdrawals and critical period management of groundwater in the area regulated by the Edwards Aquifer Authority and to the operations and oversight of the Edwards Aquifer Authority.), **As Introduced**

No significant fiscal implication to the State is anticipated.

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. In addition, the bill would change requirements related to the number of acre-feet of groundwater rights to be retired.

The bill would authorize the creation of the Environmental Flows Commission, the Edwards Aquifer Area Stakeholders Committee, and the Texas Environmental Science Advisory Committee, and would establish criteria for membership of each, as well as the duties, responsibilities, and funding of each. If the commission or committees are not formed, their responsibilities would apply to the Texas Water Development Board (TWDB).

The Edwards Aquifer Authority would be required to appoint a budgetary advisory committee no later than January 1, 2008, to consult and advise the authority, prior to its submission to the TWDB, on the issuance of bonds, the authority's annual budget, and the authority's annual audit.

The authority would be authorized to own, finance, design, construct, and maintain recharge dams and associated facilities, structures, or works contributing to the recharge area. Current statute specifies only that the authority may build or operate recharge dams in the recharge area of the aquifer.

Certain sections of the bill, including the repeal of certain statutes, would take effect on dates later than the overall effective date of the bill. Otherwise, provisions of the bill would take effect on September 1, 2007.

The TWDB anticipates an insignificant fiscal impact as a result of implementing provisions of the bill that would apply to the agency.

Local Government Impact

It is assumed that the fiscal impact of requirements for the authority to appoint a budgetary advisory committee would be absorbed using existing resources. It is assumed that the authority would budget accordingly before implementing its authorization to own, finance, design, construct, and maintain recharge dams and associated facilities, structures, or works contributing to the recharge area.

The Edwards Aquifer Authority reports that provisions of the bill would provide a significant total savings to the authority of \$48.5 million per fiscal year for the first five years following implementation. Contributing to that savings would be \$32.2 million from not having to buy down groundwater rights from 549,000 acre-feet to 450,000 acre-feet (99,000 acre-feet x \$5,000 per acre-foot amortized over 30 years at 5 percent) and \$16.3 million from not having to retire groundwater rights from 450,000 acre-feet to 400,000 acre-feet, sharing costs with down-stream users (50,000 acre-

feet x \$5,000 per acre-foot amortized over 30 years at 5 percent).

The authority reports that changing the calculation for the limit on total withdrawals will 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. In addition, Bexar County estimates the county would experience an increase in water rates. Assuming a rate increase of 5 percent would result in an increase of \$46,195 to the county; assuming a rate increase of 10 percent would result in an increase of \$92,390 in water/sewer charges. According to Comal County, the county would experience anywhere from no fiscal impact to extremely significant fiscal impact, depending on amounts of water pumped from the aquifer and amounts of rainfall.

Source Agencies: 580 Water Development Board

LBB Staff: JOB, WK, DB