

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

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

**April 4, 2007**

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

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

**IN RE: SB847** by Hinojosa (Relating to the conversion of certain water rights on subdivided land from irrigation to municipal use. ), **Committee Report 1st House, Substituted**

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

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 it serves land that: (1) has been subdivided into town lots or blocks, or small parcels; (2) is designed, intended, or suitable for residential or other nonagricultural purposes; (3) is in a subdivision for which a plat or map has been filed and recorded in the county clerk's office in each county in which the subdivision is located; and (4) is, or was, assessed as flat rate irrigable property with a potable supply or includes part of the subdivided land in the municipal water supplier's certificate of convenience and necessity or its corporate area. The municipal water supplier would be authorized to petition the district to convert from irrigation use to municipal use the proportionate irrigation water right to the Rio Grande previously associated with the subdivided land. Procedures for the petition are included in the bill. 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 specifies that the municipal water supplier shall pay the costs to obtain this type of water right.

The bill would mandate that the Rio Grande Regional Water Authority, at its annual January meeting, shall 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 the Rio Grande Watermaster reports 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 Texas Commission on Environmental Quality reports that the bill would have no fiscal impact on the agency, but there would be rulemaking associated with the bill's provisions.

**Local Government Impact**

The districts to which the requirements of the bill 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.

**Source Agencies:** 582 Commission on Environmental Quality

**LBB Staff:** JOB, WK, DB