

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 6, 2009

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

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

IN RE: HB1433 by Lucio III (Relating to the amount of the annual water quality fee imposed on holders of wastewater discharge permits and on users of water.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1433, As Engrossed: an impact of \$0 through the biennium ending August 31, 2011.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2010	\$0
2011	\$0
2012	\$0
2013	\$0
2014	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>Water Resource Management</i> 153	Probable Savings/(Cost) from <i>All Local Units of Government</i>
2010	\$1,200,000	(\$698,182)
2011	\$1,400,000	(\$724,712)
2012	\$1,500,000	(\$752,252)
2013	\$1,700,000	(\$780,837)
2014	\$1,800,000	(\$810,509)

Fiscal Analysis

The bill would to increase the maximum annual fee assessed by the Texas Commission on Environmental Quality (TCEQ) for a waste water discharge or waste treatment facility, a waste treatment facility holding a water right for use by the facility, and a water rights holder from the current maximum of \$75,000 to \$100,000 for each permit or contract in fiscal year 2010. In subsequent years, the cap would increase based on the Consumer Price Index (CPI) until it reaches a maximum of \$150,000.

Methodology

The TCEQ administers two fees that would be affected by the bill: the Consolidated Water Quality Fee and the Water Use Assessment Fee. Fee revenue from both sources is deposited into the General

Revenue-Dedicated Water Resource Management Account No. 153. Rates for the Consolidated Water Quality Fee are based on factors set forth in agency rules and currently there are 65 permits out of approximately 3,300 permits that are assessed the maximum fee of \$75,000.

This estimate assumes that the TCEQ would continue to assess the Consolidated Water Quality Fee on fee variables set in current agency rules. Therefore, even though the bill would allow the agency to charge a larger maximum fee, it is not expected that all 65 permit holders would be charged the maximum fee authorized by the bill. Under current TCEQ rules, 22 permits would be assessed the maximum rate (\$100,000 in fiscal year 2010) and 43 others would be assessed a rate between the existing \$75,000 and the proposed maximum fee. Based on this methodology, the TCEQ estimates that an additional \$1.2 million in revenue deposited to the Water Resource Management Account No. 153 will be generated in fiscal year 2010 as a result of the bill's passage, with the amount increasing based on a CPI rate of 3.8% per fiscal year as shown in the table above.

The bill does authorize the use of an increased maximum fee for the Water Use Assessment Fee, but this estimate does not assume that any Water Use Assessment Fee permits will be set at the bill's maximum rate.

Local Government Impact

The TCEQ reports that 36 local governments will experience a fee increase for the Consolidated Water Quality Fee, and the statewide cost increases for local governments is expected to be an estimated \$698,182 in fiscal year 2010. This estimate assumes that 21 local governments will pay the bill's maximum rate of \$100,000 in fiscal year 2010, and 15 permits held by other local governments will see a fee increase between the existing \$100,000 maximum. Increases in fiscal years 2011 through 2014 for local governments are based on a 3.8% CPI per fiscal year.

Source Agencies: 582 Commission on Environmental Quality, 304 Comptroller of Public Accounts

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