

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 28, 2009

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

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

IN RE: HB3526 by Callegari (Relating to the powers and duties of the Texas Water Development Board and related entities, including the funding of projects by the board and the composition, duties, recommendations, and expenses of entities created to study and provide advice regarding environmental flows.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3526, As Passed 2nd House: 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	(\$1,266,667)
2013	(\$1,339,700)
2014	(\$1,338,025)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from General Revenue Fund 1
2010	\$0
2011	\$0
2012	(\$1,266,667)
2013	(\$1,339,700)
2014	(\$1,338,025)

Fiscal Analysis

The bill would amend the Water Code to require the Water Development Board (TWDB) to adopt rules specifying the manner in which any capitalization grant under the State Water Pollution Control Revolving Fund, the Safe Drinking Water Revolving Fund, or any additional state revolving fund, may be used to provide financial assistance to an eligible applicant. The bill would also authorize TWDB to expeditiously adopt rules to comply with the terms of a special capitalization grant or other source of federal funding.

The bill would authorize TWDB to not approve an application recommended through the state and regional water planning process for funding from the Water Infrastructure Fund, the Disadvantaged

Rural Community and Wastewater Financial Assistance Fund, and the State Participation Account if an applicant has failed to complete a request for information relevant to the project, including a water infrastructure financing survey.

The bill would rename the Texas Environmental Flows Science Advisory Committee the Texas Environmental Flows Science Committee and the Science Advisory Committee the Science Committee and require TWDB to appoint members of these committees and the Basin and Bay Area Stakeholders Committee.

The bill would require the State Water Plan and the Regional Water Plans to consider the effects of climate variability. This section of the bill would apply to the State Water Plan which must be completed by 2012 and to Regional Water Plans which must be completed by 2016.

The bill would create an advisory committee to assist TWDB in incorporating the potential effects of climate variability into the 2012 State Water Plan. The committee would assess past and predicted variations in climate; assess the potential effects of climate variability; review case studies of major water providers that include quantitative sensitivity analyses for water demand and supply under a range of climate variation scenarios; review and analyze information regarding natural climate variability; assess existing global climate models; make recommendations for improving the collection of general information; and make recommendations for the use of innovative water technologies. The bill would require the advisory committee to submit its findings and recommendations not later than December 1 of each even-numbered year.

The bill would make the acquisition of water rights or existing public water systems to encourage optimum regional development of desalination projects an allowable use of the State Participation Account. The bill would also require TWDB to consider when acquiring a facility, or interest in a facility, whether the facility would encourage optimum regional development of a desalination project.

The bill would amend the Water Code to remove the requirement that the total amount of financial assistance provided by TWDB for the Economically Distressed Areas Program (EDAP) from state-issued bonds, for which repayment is not required, may not exceed 90 percent of the total principal amount of issued and unissued bonds authorized for this program, plus outstanding interest on those bonds.

The bill would allow the Texas Commission on Environmental Quality (TCEQ) to assess Dam Safety administrative penalties up to \$10,000 per day. The bill also would allow the agency to regulate the operations of the dams in the state.

The bill would make changes to the rate hearing process TCEQ administers for water and sewer utilities and provisions relating to interim rates. The bill would also provide TCEQ with the authority to allow a municipality or utility or water supply corporation to render sewer service without a certificate of public convenience and necessity provided the municipality provides specific notice of its intent to provide sewer service to an area or if the utility or water supply corporation has less than 15 potential connections and is not within the certified area of another retail utility.

The bill would extend the grace period for renewing expired occupational licenses and registrations from 30 to 60 days and repeal the current limit on renewal fees for expired licenses. The bill would also allow the Executive Director of TCEQ to dissolve any water district that is inactive for a period of five consecutive years and has no outstanding bonded indebtedness or that has performed none of the functions for which it was created.

The section of the bill relating to the appointment of the advisory committees would take effect September 1, 2009; all other parts of the bill would take effect immediately if it receives a vote of two-thirds of all members elected to each house; otherwise it would take effect September 1, 2009.

Methodology

TWDB has been authorized to issue \$500 million in GO bonds for EDAP. The bill would authorize TWDB to issue the full amount as grants, whereas current statute requires a maximum of 90 percent of

bond proceeds to provide grants. Therefore, this bill would give TWDB the statutory authority to issue an additional \$50 million in GO bonds for grants under EDAP, in lieu of self supporting loans. TWDB reports that \$34 million has already been provided as loans for EDAP projects, but the remaining \$16 million could be provided as grants.

TWDB reports that the additional \$16 million in grants for EDAP projects would be awarded in fiscal year 2012. As a result, TWDB would have the following debt service requirements for this \$16 million in GO bonds: \$0 in fiscal years 2010 and 2011; \$1,266,667 in fiscal year 2012; \$1,339,700 in fiscal year 2013; and \$1,338,025 in fiscal year 2014. Since the awards would be grants instead of loans, this debt service would require General Revenue funds, whereas the debt service for the loans under the current statute would have been paid by loan repayments.

Based on the LBB's analysis of TWDB and TCEQ, all duties and responsibilities associated with implementing the provisions of the bill, not related to the issuance of GO bonds for EDAP grants, could be accomplished by utilizing existing resources. Further, this analysis assumes that any revenues resulting from changes relating to administrative penalties would not be significant.

Local Government Impact

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

Source Agencies: 580 Water Development Board

LBB Staff: JOB, SD, ZS, AH, SZ