

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

May 19, 2009

TO: Honorable John Carona, Chair, Senate Committee on Transportation & Homeland Security

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

IN RE: HB4409 by Taylor (Relating to emergency preparation and management.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4409, As Engrossed: a negative impact of (\$620,776) through the biennium ending August 31, 2011.

In addition to the negative fiscal impact related to the retail water and utility provisions in SECTION 2 of the bill, components of SECTION 3 could have an indeterminate fiscal impact to the state due to the unknown nature of any future disaster.

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	(\$323,388)
2011	(\$297,388)
2012	(\$297,388)
2013	(\$297,388)
2014	(\$297,388)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2009
2010	(\$323,388)	4.0
2011	(\$297,388)	4.0
2012	(\$297,388)	4.0
2013	(\$297,388)	4.0
2014	(\$297,388)	4.0

Fiscal Analysis

SECTION 2, Subsection 16, parts A and B of the bill would require retail public utilities within 100 miles of the Gulf of Mexico to adopt and submit annually to the Texas Commission on Environmental Quality (TCEQ), for its approval, an emergency preparedness plan (EPP) that ensures that in the event of a local power outage during the next year, the retail utility maintains the ability to provide minimum water pressure as prescribed by commission rules (35 pounds per square inch at flow of 1.5 gallons per minute per connection) and to provide sewer services to all existing customers. The bill also would require that a retail public utility's EPP would provide for: 1) the maintenance of automatically starting auxiliary generators for that purpose or 2) the participation in a recognized

statewide mutual aid program, if the TCEQ would find that the utility's participation in the program will provide the utility with access to auxiliary generators and other necessary aid or equipment sufficient for the utility to restore service not later than the 36th hour after the hour the local power outage begins. The bill would require a retail public utility that utilizes auxiliary generators to maintain a log of their regular servicing, testing, and operation of the generator(s).

The bill would further require that the TCEQ prescribe standards relating to the servicing, testing, and operation of auxiliary power generators used in the implementation of an EPP. Although the bill would not require the TCEQ to conduct inspections, the agency would be authorized to inspect a utility's generator servicing, testing, and operation log at any time. The bill provides for the imposition of administrative penalties for non-compliance including revoking the retail public utilities license to operate.

SECTION 3 of the bill would likely have a negative fiscal impact to the General Revenue Fund depending on the timing, magnitude, location, and number of natural disasters that might occur, which cannot be determined. The bill amends Chapter 418 of the Government Code by adding section 418.126, which directs the General Land Office (GLO), the Texas Department of Transportation (TxDOT), and the Texas Department of Housing and Community Affairs (TDHCA) to solicit and enter into pre-event contracts for weather-related disaster response activities after a disaster. GLO shall solicit and contract for debris removal from beaches, TxDOT shall solicit and contract for debris removal from the state highway system, and TDHCA shall solicit and contract to provide temporary or emergency shelter or housing. The bill further directs that funds from the Disaster Contingency Fund (0453) shall be used to pay for these contract services. The Department of Emergency Management reports that the bill would expand the scope of activities that can be paid for with the Disaster Contingency Fund and therefore could potentially increase the number of requests for funding from the fund. Currently, the Comptroller reports that the Disaster Contingency Fund has no available balance and no existing funding mechanism that would appropriate funds to the account in the future.

Methodology

TCEQ estimates that 29 counties would be affected by the bill. Based on approximately 1,118 wastewater facilities in those counties that would be required to submit EPPs to the TCEQ for approval on an annual basis, it is estimated that the TCEQ would need 4.0 additional FTEs and related costs to review the plans for compliance with standards relating to the servicing, testing, and operation of auxiliary power generators used in the implementation of an EPP. This estimate assumes that costs to implement the bill, as outlined in the table above, would be paid out of the General Revenue Fund.

For the purpose of analyzing SECTION 3 of the bill, Hurricane Ike, the state's most recent weather-related disaster, was used as a source of comparison. The fiscal impact of Hurricane Ike to state agencies is an estimated \$2.0 billion. Of that amount, GLO and TxDOT report that debris removal costs for their agencies totaled an estimated \$39.0 and \$18.4 million respectively. Some of these costs could potentially be offset by federal assistance from the Federal Emergency Management Agency (FEMA). While debris removal for Hurricane Ike is currently being reimbursed at 100 percent, the federal Stafford Act sets federal assistance for this type of work at 75 percent for a presidentially-declared disaster. Similar assistance would not be available for a state disaster that is not presidentially-declared or for costs associated with debris removal from private property.

According to the analysis provided by TDHCA, the agency estimates that following Hurricane Ike, approximately 35,000 individuals sought emergency shelter solutions. TDHCA estimates that in the event of a similar disaster, the agency's costs to provide temporary shelter and housing to an estimated 5,000 households could be as much as \$441 million for fiscal years 2010 through 2014. The majority of those costs, an estimated \$315 million, would be one-time expenditures in the first year associated with purchasing and furnishing 5,000 manufactured homes. The remaining costs would be for delivery and set up, utilities, removal costs, and associated FTE costs. If all or part of the housing solutions were contracted out, TDHCA's costs could be significantly lower due to not having to purchase temporary housing units.

Local Government Impact

Preparation and submission of an emergency preparedness plan would not create a significant cost. In addition, it is assumed that affected counties already have the generators that must be included in the plan. Affected entities reported that maintenance costs for the equipment are not significant. Any other costs associated with implementation would depend on additional standards imposed by TCEQ.

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

Source Agencies: 582 Commission on Environmental Quality

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