

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

May 3, 2011

TO: Honorable Allan Ritter, Chair, House Committee on Natural Resources

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

IN RE: HB3273 by Ritter (Relating to the creation and funding of the state water implementation fund for Texas to assist the Texas Water Development Board in the funding of certain projects included in the state water plan.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3273, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2013.

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
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from State Water Implementation Fund for Texas	Probable Savings/(Cost) from State Water Implementation Fund for Texas
2012	\$0	\$0
2013	\$158,555,945	(\$158,555,945)
2014	\$160,030,794	(\$160,030,074)
2015	\$161,519,817	(\$161,519,817)
2016	\$163,023,154	(\$163,023,154)

Fiscal Analysis

The bill would establish the state water implementation fee, to be collected by each retail public utility from each ultimate consumer to whom the utility provides retail water utility service a public water supply service connection fee. The Comptroller would establish the rate of the fee, although it would not exceed the limit on the rate prescribed by the Constitution.

The bill would exempt government or institutional users, as defined by the Comptroller, from paying the fee. A retail public utility would be required on or before the 20th day of the month to send a report to the Comptroller's office and the amount of the fee collected for the previous month. A retail public utility that makes timely payment of the fee would be entitled to retain one percent of the fee for each consumer service connection on its system as reimbursement for the costs of collecting the

fee.

The bill would create the State Water Implementation Fund for Texas and deposit the state water implementation fee to the credit of the fund. The fund would be a special fund in the state treasury to be administered by the Water Development Board and would consist of the proceeds of any fee or tax imposed by this state provided for by a general law enacted under Section 49-d-12, Article III, Texas Constitution; any other fees or sources of revenue that the legislature may dedicate for deposit to the credit of the fund; appropriations from the legislature; interest earned on money credited to the fund; and money from gifts, grants, or donations to the fund. The fund could only be used to provide financing for projects included in the State Water Plan under the Water Infrastructure Fund, the State Participation Program, or the Economically Distressed Areas Program.

The bill would take effect January 1, 2012, but only if the constitutional amendment proposed by the Eighty-second Legislature, Regular Session, 2011, providing for the creation of the State Water Implementation Fund for Texas to assist the Water Development Board in the funding of certain projects included in the State Water Plan is approved by the voters. If that amendment is not approved by the voters, this bill would not take effect.

Methodology

The revenue generated by the state water implementation fee is assumed to be based on a \$1 per month fee for residential use, a \$5 per month fee for commercial use, or a \$100 per month fee for industrial use. Based on information provided by the Water Development Board, it is assumed that (a) the number of residential and commercial connections will increase by 1.01 percent per year, beginning with a base of 8,207,870 residential connections, and 543,458 commercial connections; and (b) the number of industrial connections will increase by 0.57 percent per year, beginning with a base of 24,213 connections.

The Water Development Board estimates that the revenue generated by the state water implementation fee would total \$160,157,520 in fiscal year 2013; \$161,647,266 in fiscal year 2014; \$163,151,330 in fiscal year 2015; and, \$164,669,853 in fiscal year 2016. Reducing this amount by the one (1) percent administrative fee retained by the retail public utilities, provides a revenue gain to the State of \$158,555,945 in fiscal year 2013; \$160,030,794 in fiscal year 2014; \$161,519,817 in fiscal year 2015; and \$163,023,154 in fiscal year 2016.

For the purpose of this analysis, it is assumed that the Water Development Board would have the authority to expend these funds without legislative appropriations. As a result, expenditures from the State Water Implementation Fund are assumed to equal the revenue generated by the state water implementation fee.

Local Government Impact

This analysis assumes any costs incurred by retail public utilities operated by local governments would be offset by retaining one percent of the state water implementation fee. Statewide, this one percent cost of collections is estimated to be \$1,601,575 in fiscal year 2013; \$1,616,473 in fiscal year 2014; \$1,631,513 in fiscal year 2015; and \$1,646,699 in fiscal year 2016.

Source Agencies: 304 Comptroller of Public Accounts, 580 Water Development Board

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