

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 15, 2013**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2708** by Cortez (Relating to the imposition of a tax on water consumption by certain residential water customers and the use of the revenue generated by the tax to finance water projects; providing for penalties; authorizing a fee.), **As Introduced**

The fiscal implications of the bill cannot be determined at this time, due to a lack of data on the number of residential customers who would be subject to the provisions of the bill.

The bill would amend the Water Code to add a new residential water consumption tax.

The bill would require each retail public utility to collect a tax from each residential customer who consumes more than 81,000 gallons of water in a three-month period. The bill would provide for the detailed computation of the tax. According to the Comptroller of Public Accounts, the number of residential customers falling subject to this bill's provisions is unknown, and the fiscal implications cannot be determined.

The Texas Commission on Environmental Quality (TCEQ) would provide retail public utilities with the amount of tax that would be owed for each gallon of water consumed in one-gallon increments from 81,001 to 500,000 gallons. TCEQ indicates that there are 4,900 utilities managed by cities, water districts, corporations and investors, and TCEQ estimates there would be minimal costs to assist utilities with compliance with bill provisions, which would be subject to reimbursement, as described below.

The bill would provide for certain exemptions and appeals for residential customers. Utilities would submit tax collections quarterly to the Comptroller, and they would submit a quarterly report to the Texas Water Development Board (TWDB). The bill would require TWDB by rule to provide for penalties or other remedies for certain violations. The TWDB indicates that any costs associated with this portion of bill provisions reasonably could be absorbed within the agency's existing resources.

The Comptroller would deposit revenue from taxes and penalties to the credit of the State Water Implementation Fund for Texas (SWIFT) if it was created by the Eighty-third Legislature or otherwise to the Texas Water Development Fund II (DFund II). From the fund to which those monies were deposited, the Comptroller would annually transfer an amount equal to the administrative expenses incurred by TCEQ in administering bill provisions. The Comptroller indicates that office would have minimal costs to administer bill provisions.

Depending on the amount of funds deposited to the SWIFT or DFund II, there could be a need for additional program administration funding, depending on the amount credited to the fund.

According to TWDB, additional appropriations for program administration would be required if project financing were to exceed \$250 million per year.

The bill would take effect September 1, 2013.

### **Local Government Impact**

The imposition of the water consumption tax and associated penalties would have an impact on local government. In addition, depending on the financial assistance programs funded by monies deposited or transferred into the SWIFT or DFund II there could be subsidized financial assistance available to local governments.

**Source Agencies:** 304 Comptroller of Public Accounts, 580 Water Development Board, 582 Commission on Environmental Quality

**LBB Staff:** UP, SZ, ZS, TB