

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 10, 2013

TO: Honorable Tommy Williams, Chair, Senate Committee On Finance

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB22 by Fraser (Relating to the administration of the Texas Water Development Board; making an appropriation from the economic stabilization fund to finance certain water-related projects.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB22, As Introduced: a negative impact of (\$6,870,553) through the biennium ending August 31, 2015.

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

Appropriations:

Fiscal Year	Appropriation out of <i>Economic Stabilization Fund</i> 599
2014	\$2,000,000,000
2015	

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>Economic Stabilization</i> <i>Fund</i> 599	Probable Revenue Gain from <i>New Fund - State</i> <i>Water Implementation</i> <i>Fund</i>	Probable (Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2013
2014	(\$2,016,059,000)	\$2,000,000,000	(\$2,765,444)	25.0
2015	(\$30,450,000)	\$0	(\$4,105,109)	41.0
2016	(\$41,307,000)	\$0	(\$4,037,429)	41.0
2017	(\$52,798,000)	\$0	(\$4,037,429)	41.0
2018	(\$65,109,000)	\$0	(\$4,037,429)	41.0

The above table assumed the 83rd Legislature passes legislation creating the State Water Implementation Fund. The table assumes no such legislation is passed by the 83rd Legislature.

Fiscal Year	Probable Revenue Gain/(Loss) from Economic Stabilization Fund 599	Probable Revenue Gain from 0371 - Texas Water Development Fund II	Probable (Cost) from General Revenue Fund 1	Change in Number of State Employees from FY 2013
2014	(\$2,016,059,000)	\$2,000,000,000	(\$2,765,444)	25.0
2015	(\$30,450,000)	\$0	(\$4,105,109)	41.0
2016	(\$41,307,000)	\$0	(\$4,037,429)	41.0
2017	(\$52,798,000)	\$0	(\$4,037,429)	41.0
2018	(\$65,109,000)	\$0	(\$4,037,429)	41.0

Fiscal Analysis

The bill would make an appropriation from the Economic Stabilization Fund.

The bill would take effect September 1, 2013. Since the appropriation does not meet the constitutional standard for requiring a three fifths vote for enactment in Article III, Section 49-g(k) or Section 49-g(l), the Section 8 of the bill would only take effect if it received a vote of two-thirds of the members present in each house, pursuant to Article III, Section 49-g(m), allowing for an appropriation from the Economic Stabilization Fund for any purpose.

Methodology

The bill would appropriate \$2,000,000,000 from the Economic Stabilization Fund to the State Water Implementation Fund for Texas (SWIFT) for use by the Water Development Board (WDB) for the purposes of the SWIFT, assuming the Eighty-third Legislature passes legislation creating the SWIFT. If the Fund is not created by the Eighty-third Legislature, the bill stipulates that the \$2,000,000,000 would instead be appropriated to the Texas Water Development Fund II for use by the WDB for the purposes of the Texas Water Development Fund II.

Because provisions of the bill would decrease the balance of the Economic Stabilization Fund, the bill would decrease interest income that would otherwise have been credited to that fund. Interest earnings to the recipient funds cannot be estimated as any fund expenditures are not known.

The bill would transform the composition of the Texas Water Development Board (TWDB) from six part-time members to three full-time members appointed by the Governor. This portion of the bill is anticipated to have a fiscal implication to the state, which is reflected as costs from General Revenue.

Costs shown in the tables above include transforming the TWDB from its current composition to three full-time members. This analysis assumes that the three new full-time board members would be paid \$150,000 per fiscal year, based upon commissioner compensation at the Texas Commission on Environmental Quality and the Public Utility Commission. In this analysis, each member would be supported by an executive assistant paid \$53,061 per fiscal year and a program specialist paid \$85,603 per year. Together, salaries (\$865,992), related employee benefits (\$257,546), and operating expenses (\$51,100) would cost \$1,174,638 each fiscal year. One-time start up costs in fiscal year 2014 for office space construction build-out, furniture, and equipment for new personnel would cost an additional \$91,730.

The bill would provide financing for projects eligible for WDB financial assistance from various programs, depending on whether the funds are appropriated to the Texas Water Development Fund II or the SWIFT. According to WDB, the agency would require additional staff to fund to administer the funds, an anticipated 32 FTEs to be phased in over two years. The FTEs would be necessary to manage the growing loan and bond portfolio and provide project reviews and technical assistance. These costs are reflected as being paid from the General Revenue Fund as payment of administrative expenses is not an allowable use under current provisions of legislation creating the SWIFT.

Staffing needs to administer the \$2 billion capitalized revolving fund would also include the following: Financial Analysts for loan portfolio management, application review and loan closings (6 FTEs); Accountants for loan closings, financial management and reporting (4 FTEs); Financial Examiners to provide technical assistance and oversight to monitor the financial stability of underlying borrowers ensuring that financial obligations to WDB are met (2 FTEs); Program Specialists for general project oversight and preparation of water loss audits (2.4 FTEs); Engineers for engineering review of projects during application and after commitment (4.8 FTEs); Natural Resource Specialists to provide environmental review of projects (2.4 FTEs); Engineering Specialists to conduct field inspections during the construction phase of projects (6.4 FTEs); and other support staff including Attorneys (2 FTEs) and Contract Specialists (2 FTEs) to review contracts and payments before release.

The anticipated salary and benefit costs for 32 FTEs are \$4,065,707 for the 2014-15 biennium. The WDB also estimates an additional \$363,840 in other operating, equipment and travel costs during this period. The agency estimates approximately \$2,862,791 in total administrative costs in 2016 and in each year thereafter.

This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Technology

The WDB anticipates that \$44,800 of projected administrative costs for the 2014-15 biennium would be needed for technology equipment.

Local Government Impact

The bill would provide local entities with subsidized financing for projects eligible for State Water Plan funding. The new capitalized fund would revolve from a combination of loans from two sources: capitalization funds and leveraged bond debt.

Assuming that the capitalized funds are split between projects in the Water Infrastructure Fund (\$1,780,000,000) and the State Participation Program (\$220,000,000), in alignment with requested projects in the 2012 State Water Plan, total financial assistance to local entities from 2014-2018 would be as follows:

- \$2 billion in capitalization amounts for loans to local entities in fiscal year 2014 would yield \$90 million in repayments in fiscal year 2015, sufficient to leverage \$395 million in bonds for additional loans, for a total of \$485 million in additional financial assistance in fiscal year 2015; and
- Similarly, an additional \$491 million, \$579 million, and \$574 million in financial assistance

would be available in fiscal years 2016, 2017 and 2018 respectively. Growing assistance from revolving funds each fiscal year thereafter are projected to provide \$31.1 billion in total financial assistance by fiscal year 2060.

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

LBB Staff: UP, KK, ZS, TB, PM