

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 12, 2015

TO: Honorable Charles Perry, Chair, Senate Committee on Agriculture, Water & Rural Affairs

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1738 by Hinojosa (Relating to the development and production of marine seawater desalination, integrated marine seawater desalination, and facilities for the storage, conveyance, and delivery of desalinated marine seawater.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1738, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

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
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Water Resource Management
	153
2016	(\$334,742)
2017	(\$322,142)
2018	(\$322,142)
2019	(\$322,142)
2020	(\$322,142)

Fiscal Year	Change in Number of State Employees from FY 2015
2016	3.0
2017	3.0
2018	3.0
2019	3.0
2020	3.0

Fiscal Analysis

The bill would create an exemption for surface water rights for a water supply entity using marine seawater. The bill also would eliminate the opportunity for a contested case hearing for bed and banks permits and discharge permits for marine seawater, and it would establish an expedited process for approval of plans and specifications for a marine seawater desalination facility. In addition, the bill would require regional water planning groups to consider opportunities for and the benefits of large-scale desalination facilities for marine seawater in their water plan submissions.

The bill would direct the Texas Commission on Environmental Quality (TCEQ) to issue permits for the use of bed and banks of natural streams to convey marine seawater without a hearing, unless the applicant seeks to convey the marine seawater through a lake or reservoir. The bill would require regional water planning groups to consider the development of large-scale seawater desalination plants in their regional plans.

The bill would repeal Water Code, Section 16.060, which, under current law, requires the Texas Water Development Board (TWDB) to: (1) undertake or participate in research, feasibility and facility planning studies, investigations, and surveys to develop cost-effective water supplies from seawater desalination; (2) prepare a biennial progress report on seawater desalination activities in the state; or (3) to pursue federal funding for desalination projects in the state.

The bill would prescribe powers and duties of several agencies including the TWDB, the TCEQ, the Electric Reliability Council of Texas, the General Land Office (GLO), the Public Utility Commission (PUC), School Land Board (SLB), and the Texas Parks and Wildlife Department (TPWD) for marine seawater desalination and integrated seawater desalination power projects. The TWDB would be assigned responsibility for the financing of seawater desalination, integrated power and seawater desalination, and storage and conveyance projects that create new water supplies. The bill would assign permitting and inter-agency coordination tasks to the TCEQ. The bill would authorize a political subdivision to (1) divert seawater and discharge concentrate along the entire Gulf Coast with no limitations, (2) use seawater for cooling towers and other beneficial purposes, and (3) grant their rights to owner and operators of seawater desalination projects. Approval would be required from GLO and SLB for seawater. The bill also would direct agencies to expedite and streamline the approval process for discharge and air permits and coastal public land rights. Both approval processes would not be subject to contested case hearing requirements.

The bill would define a desalination facility as a facility that removes dissolved salt and other dissolved solids from brackish water or seawater.

The bill would take effect upon receiving a two-thirds majority vote in both houses; otherwise, the bill would take effect September 1, 2015.

Methodology

With respect to the TCEQ, the bill would require both rulemaking and a change in policies. Additionally, the bill would require revisions to the TCEQ's Office of Compliance and Enforcement policies and procedures, such as the Enforcement Initiation Criteria, publications and internal standard operating procedures. The TCEQ also expects that the bill would increase agency reviews for drinking water facilities. The TCEQ also expects that it would need additional resources to research treatment options, work with vendors to validate technology performance, and coordinate with applicants within the bill's proposed timeframes. The TCEQ also reports that by placing review process timelines and processes in statute, the bill would limit the commission's ability to create new administrative streamlined review processes to meet stakeholder needs in the future.

Based on an estimated 105 new brackish water desalination plants that would be exempted from standard water rights permitting requirements and requiring approval under expedited deadlines, as estimated by the TCEQ, the TCEQ is expected to need 3.0 additional FTEs to implement the provisions of the bill: 2.0 additional FTEs would be required to review the brackish water desalination facility exceptions; and 1.0 additional FTE would be required to review marine seawater desalination facility exceptions and applications that are expected to be generated under the timeframes outlined in the proposed bill. The \$0.3 million annual cost for the additional staff is shown in the table above, and is expected to be paid out of the General Revenue-Dedicated Water Resource Management Account No. 153.

Based on information provided by the GLO, PUC, SLB, TPWD, and the TWDB, duties and responsibilities for these agencies associated with implementing the provisions of the bill are expected to be covered within existing resources.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 473 Public Utility Commission of Texas, 580 Water Development Board, 582 Commission on Environmental Quality, 802 Parks and Wildlife Department

LBB Staff: UP, SZ, JJ, PM, TB, MWI, TL, MW, KVe