

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

**FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION**

**April 23, 2019**

**TO:** Honorable Lyle Larson, Chair, House Committee on Natural Resources

**FROM:** John McGeady, Assistant Director    Sarah Keyton, Assistant Director  
Legislative Budget Board

**IN RE:** **HB4477** by Springer (Relating to Public Utility Commission to ensure compliance and rate regulation.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4477, As Introduced: an impact of \$0 through the biennium ending August 31, 2021. However, an impact of (\$753,660) through the biennium would be realized in General Revenue-Dedicated Water Resource Management Account No. 153.

In addition, there would be an indeterminate fiscal impact to the State from expenditures that would be required from the new fund to pay for necessary improvements or repairs to maintain certain standards determined by the Public Utility Commission because the number of water and sewer utilities that would fail to meet the necessary standards is unknown.

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:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	\$0

## All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain from <i>New TCEQ Trust Fund</i>	Probable Savings/(Cost) from <i>Water Resource Management</i> 153	Change in Number of State Employees from FY 2019
2020	\$3,250,000,000	(\$376,355)	5.0
2021	\$0	(\$377,305)	5.0
2022	\$0	(\$378,305)	5.0
2023	\$0	(\$379,330)	5.0
2024	\$0	(\$380,380)	5.0

## Fiscal Analysis

The bill would amend the Water Code to require every water and sewer utility to provide a \$5 million bond to be held in trust by the Texas Commission on Environmental Quality (TCEQ). The bill would also provide TCEQ with the authority to draw down funding from a utility's bond if it fails to meet certain standards as determined by the Public Utility Commission (PUC) and use the proceeds to make necessary improvements or repairs. The bill would also allow TCEQ to charge the water or sewer utility an amount necessary to replenish the bond.

The bill would take effect September 1, 2019.

## Methodology

Based on information provided by TCEQ, this estimate assumes that the agency would be required to establish a new program to meet the bill's obligations as the agency does not have staff devoted to these responsibilities. The agency would require two additional Financial Analyst III FTE positions (\$59,004 plus \$20,610 in benefits each) to review, monitor, transfer, and amend an estimated 725 bonds for the water and sewer utilities and advise the utilities and surety companies. In addition, three Engineering Specialist III FTE positions (\$42,244 plus \$14,756 in benefits each) would be necessary to review submittals from water and sewer utilities to make necessary improvements to their facilities, and to review documentation after improvements have been made.

This analysis assumes an additional \$2,500 each year would be necessary for travel expenses and that \$48,580 in fiscal year 2020, \$49,530 in fiscal year 2021, \$50,530 in fiscal year 2022, \$51,555 in fiscal year 2023, and \$52,605 in fiscal year 2024 would be necessary for other operating and office related expenses.

Based on information provided by the Comptroller of Public Accounts, this analysis assumes the new trust fund created by the bill would be located in the Treasury and that an appropriation would be required for TCEQ to expend funds from the trust. The PUC estimates that there between 600 and 700 water and sewer utilities that would be effected by the bill. For purposes of this analysis, it is assumed that there are 650 sewer and water utilities. The table above reflects an estimated collection total of \$5 million per utility that would be deposited to the credit of the new trust fund in the treasury in 2020. For the purposes of this analysis, it is assumed this would be an Other Fund located outside the General Revenue Fund. The number of water and sewer utilities that would fail to meet certain standards as determined by the PUC and the amount from the new fund that would be required to pay for necessary improvements or repairs cannot be determined.

This estimate assumes that duties and responsibilities associated with implementing the remaining provisions in the bill could be accomplished by utilizing existing resources.

## **Local Government Impact**

The fiscal implication to units of local government cannot be determined because the number of water and sewer utilities owned by local entities that would fail to meet certain standards as determined by the PUC and the amount from the new fund that would be required to pay for necessary improvements or repairs cannot be determined. In addition, the amount that local entities would be required to generate to replenish the trust fund held by TCEQ cannot be determined.

**Source Agencies:** 473 Public Utility Commission of Texas, 582 Commission on Environmental Quality

**LBB Staff:** WP, SZ, MW, GDz