

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 7, 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: SB7 by Creighton (Relating to flood planning, mitigation, and infrastructure projects; making an appropriation.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB7, Committee Report 2nd House, Substituted: a negative impact of (\$5,807,773) through the biennium ending August 31, 2021.

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
2020	\$3,260,000,000
2021	\$0

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$2,478,808)
2021	(\$3,328,965)
2022	(\$2,834,965)
2023	(\$2,841,115)
2024	(\$2,847,415)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Probable Revenue (Loss) from <i>Economic Stabilization Fund</i> 599	Probable Revenue Gain from <i>New Other - Flood Infrastructure Fund</i>	Probable (Cost) from <i>New Other - Flood Infrastructure Fund</i>
2020	(\$2,478,808)	(\$3,308,151,000)	\$3,260,000,000	(\$652,000,000)

2021	(\$3,328,965)	(\$84,976,000)	\$0	(\$652,000,000)
2022	(\$2,834,965)	(\$87,159,000)	\$0	(\$652,000,000)
2023	(\$2,841,115)	(\$89,399,000)	\$0	(\$652,000,000)
2024	(\$2,847,415)	(\$91,696,000)	\$0	(\$652,000,000)

Fiscal Year	Change in Number of State Employees from FY 2019
2020	30.0
2021	30.0
2022	30.0
2023	30.0
2024	30.0

Fiscal Analysis

The bill would amend the Water Code to create the Flood Infrastructure Fund (FIF). The fund would be held in the state treasury outside of general revenue and would be administered by the Texas Water Development Board (TWDB), without further legislative appropriation, to assist in the financing, through loans and grants, of drainage, flood control, and flood mitigation projects. The fund would consist of appropriations from the Legislature, proceeds of general obligation bonds, repayments from loans made from the fund, and proceeds from the sale of bonds or other obligations held in the fund. The bill would authorize river authorities to engage in collaborative planning to secure funding from the fund.

The bill would require TWDB to act as an information clearinghouse for state and federal funding programs for flood planning, mitigation, and control. The bill would broaden the type of contracts that can be funded through TWDB's Research and Planning program to include work related to planning for flood protection. The bill would provide for higher consideration for applications for financial assistance from counties with a median household income not greater than 85 percent of the state's median household income.

\$3,260,000,000 would be appropriated from the ESF to the new FIF, contingent on the bill receiving a two-thirds majority vote in both house of the Legislature.

Contingent on enactment of legislation of the Eighty-sixth Legislature, Regular Session, that requires TWDB to create a state flood plan, on the date TWDB adopts the initial state flood plan, the section of the bill specifying acceptable uses of the FIF would be stricken and the FIF would be limited to providing financing for flood projects included in the state flood plan, and it would be allowable to award several eligible political subdivisions funding for a single flood project.

Methodology

This analysis assumes that \$3,260,000,000 would be appropriated from the ESF to the new FIF, subsequent to the bill receiving a two-thirds majority vote in both house of the Legislature. This analysis also assumes the constitutional amendment creating the Flood Infrastructure Fund would be approved by voters. Based on information provided by the Comptroller of Public Accounts, the transfer of funds from the ESF to the FIF would result in reduced earnings and investment on the ESF cash balance each year beginning in 2020. In addition, TWDB estimates that one-fifth, or \$652.0 million, would be spent each year during 2020-24, out of the FIF for the purposes of the fund.

The bill would establish three new responsibilities for TWDB: administering the FIF, reviewing applications for financial assistance from the fund, and acting as an information clearinghouse for information related to state and federal flood funding programs that exist outside TWDB. In order to support the new responsibilities for the FIF, TWDB would need to undergo regular financial

capacity modeling, develop new accounting processes, and develop new general obligation bond resolutions. Based on the analysis provided by TWDB, the agency would need to make improvements to its financial management database and to its online loan application system. These enhancements would be \$500,000 in 2020 and \$500,000 in 2021.

To implement the bill, the TWDB would require the following 30.0 additional FTEs beginning on February 1, 2020: 3.0 Program Specialist III (\$55,602 per FTE per year), 1.0 Planner II (\$55,602 per year), 1.0 Data Base Administrator IV (\$77,862 per year), 1.0 Natural Resources Specialist III (\$55,602 per year), 1.0 Attorney III (\$72,789 per year), 1.0 Manager V (\$93,406 per year), 1.0 Administrative Assistant V (\$46,976 per year), 1.0 Engineer III (\$72,789 per year), 1.0 Engineer V (\$83,298 per year), 1.0 Project Manager I (\$59,473 per year), 1.0 Financial Analyst II (\$68,047 per year), 1.0 Program Specialist V (\$63,616 per year), 1.0 Data Analyst III (\$68,047 per year), 1.0 Business Analyst III (\$77,862 per year), 2.0 Accountant IV (\$55,602 per FTE per year), 1.0 Financial Examiner V (\$83,298 per year), 2.0 Project Manager III (\$77,862 per FTE per year), 2.0 Systems Support Specialist IV (\$55,602 per FTE per year), 2.0 Human Resources Specialist II (\$45,024 per FTE per year), 2.0 Contract Specialist IV (\$63,616 per FTE per year), 1.0 Staff Services Officer III (\$55,602 per year), 1.0 Systems Analyst V (\$77,862 per year), and 1.0 Systems Administrator IV (\$68,047 per year).

Salaries, benefits, travel and other costs associated with these FTEs would be \$1,882,613 in 2020 and \$2,658,265 each subsequent fiscal year.

Based on the analysis provided by TWDB, additional office space would be required for the new FTEs. Rental costs would be \$96,195 in 2020, \$170,700 in 2021, \$176,700 in 2022, \$182,850 in 2023, and \$189,150 in 2024.

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

Based on the analysis provided by TWDB, the agency would need to make improvements to its financial management database and to its online loan application system. These enhancements would be \$500,000 in 2020 and \$500,000 in 2021.

Local Government Impact

According to the Texas Association of Counties, the bill may have a positive fiscal impact on those counties that, in the future, obtain a grant or secure zero or low interest loan from the Flood Infrastructure Fund. However, since the amount of funding that counties will obtain from the fund, as well as the amount they will save on interest, on those future projects is unknown at this time, the fiscal impact to local government entities cannot be determined at this time

Source Agencies: 304 Comptroller of Public Accounts, 580 Water Development Board, 582 Commission on Environmental Quality, 592 Soil and Water Conservation Board

LBB Staff: WP, SZ, MW, PBO, SD, PM