

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 12, 2021

TO: Honorable Tracy O. King, Chair, House Committee on Natural Resources

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3650 by Lucio III (Relating to the transfer of functions relating to the economic regulation of water and sewer service from the Public Utility Commission of Texas to the Texas Commission on Environmental Quality.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3650, As Introduced : an impact of \$0 through the biennium ending August 31, 2023.

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:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Savings/(Cost) from Water Resource Management</i>
	153
2022	(\$400,000)
2023	(\$800,000)
2024	(\$400,000)
2025	(\$80,000)
2026	(\$80,000)

Fiscal Analysis

The bill would transfer all economic regulation of water and sewer utilities from the Public Utility Commission (PUC) to the Texas Commission on Environmental Quality (TCEQ) on September 1, 2022. This includes the transfer of all obligations, contracts, property, records, funds, and full time equivalent positions related to economic regulation from PUC to TCEQ.

The bill would also require the TCEQ and the PUC to enter a memorandum of understanding (MOU) as directed by the bill and to periodically update the Office of Public Utility Counsel (OPUC) during the development of

the MOU. The MOU must be completed by August 1, 2022.

The bill would require the TCEQ and the PUC to adopt rules to implement the transfer required by the bill no later than September 1, 2023.

The bill would take effect on September 1, 2021.

Methodology

Based on the analysis of the TCEQ, the PUC, and the OPUC, this estimate assumes establishing the MOU and transferring all funding and full-time-equivalent positions currently appropriated to the PUC for operation of the economic regulation of water and sewer utilities to TCEQ would be accomplished utilizing existing resources.

Based on information provided by TCEQ, the agency has not been involved with the regulation of water and sewer utilities since 2014. This estimate assumes that TCEQ would be required to develop one or more new software applications for necessary technology systems with the program transfer. Based on the costs of other projects of similar size and scope by TCEQ, the costs shown in the table above would provide for the design of the application and database, project management, and development of the system.

Local Government Impact

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

Source Agencies: 473 Public Utility Commission of Texas, 475 Office of Public Utility Counsel, 582 Commission on Environmental Quality

LBB Staff: JMc, AJL, MW, GDZ