

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 1, 2025

TO: Honorable Brooks Landgraf, Chair, House Committee on Environmental Regulation

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB5549 by Kitzman (Relating to the regulation and planning of on-site sewage disposal systems; authorizing and increasing a criminal penalty; increasing the amount of a fee.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB5549, As Introduced: an impact of \$0 through the biennium ending August 31, 2027.

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>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	\$0
2027	\$0
2028	\$0
2029	\$0
2030	\$0

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>Occupational Licensing</i> 468	Probable Revenue Gain/(Loss) from <i>Water Resource Management</i> 153	Probable Savings/(Cost) from <i>Occupational Licensing</i> 468	Probable Savings/(Cost) from <i>Water Resource Management</i> 153
2026	\$333,000	\$1,372,000	(\$318,909)	(\$1,986,008)
2027	\$333,000	\$1,372,000	(\$169,909)	(\$1,686,608)
2028	\$333,000	\$1,372,000	(\$169,909)	(\$1,686,608)
2029	\$333,000	\$1,372,000	(\$169,909)	(\$1,686,608)
2030	\$333,000	\$1,372,000	(\$169,909)	(\$1,686,608)

<i>Fiscal Year</i>	<i>Change in Number of State Employees from FY 2025</i>
2026	20.0
2027	20.0
2028	20.0
2029	20.0
2030	20.0

Fiscal Analysis

The bill would amend Health and Safety Code regarding regulation by the Texas Commission on Environmental Quality (TCEQ) of on-site sewage disposal systems (OSSDS). The bill would require persons who pump or access OSSDS to hold a license or registration.

The bill would shift jurisdictional authority for permitting and enforcement of OSSDS designed for over 1,500 gallons per day from local permitting authorities (authorized agents) to TCEQ. The bill would require regulation and registration for all individuals that would physically access or pump an OSSDS and limits exemptions from permitting requirements for tracts that are 10-acres and above only to primary residences in counties with a population of less than 40,000. The bill would regulate pumping of an OSSDS and limit the licensure exception to install and repair of an OSSDS to only the individual owner of an OSSDS used at the owner's primary residence. The bill would remove a requirement for performance bonds from licensed OSSDS maintenance providers, and would limit the potential for conditioning permits for contracting maintenance of an OSSDS to single-family homes that are the owner's primary residence. The bill would remove certain allowances related to rules concerning OSSDS applying to aerobic drip irrigation type systems in certain counties on small lots that do not meet minimum lot size requirements.

The bill would require TCEQ or authorized agents to designate one or more persons to conduct permitting and inspection activities. The bill would require authorized agents to obtain TCEQ approval for any amendments to the agent's order or resolution rather than substantive amendments only. The bill would provide TCEQ with discretion on whether to hold hearings when minimum OSSDS requirements are not enforced by authorized agents and to pursue administrative penalties for non-compliant authorized agents, as necessary. The bill would increase the maximum administrative penalty for owners of residential OSSDS committing violations from \$100 to \$500. The bill would increase the on-site wastewater treatment permit application processing fee collected to TCEQ from \$10 to \$30.

The bill would further modify inspection and maintenance requirements, expand OSSDS licensing regulations, and establishes certain reporting and compliance standards. Additionally, out dated sections of Health and Safety Code related to OSSDS regulation and authorized agents would be repealed.

Note: 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 in, with, or outside 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.

The bill would take effect on September 1, 2025.

Methodology

Based on information provided by TCEQ, the bill would result in anticipated revenue increases and would require additional staff resources to implement the provisions of the bill.

Based on information provided by TCEQ and the Comptroller of Public Accounts (CPA), there are currently 5,819 domestic septage transporter trucks currently registered with TCEQ that pump and haul septic tank waste from OSSDS, with one to two pumpers associated with each truck, resulting in an estimated 6,000 to 12,000 pumpers that would need to register with TCEQ. Registration fees are \$111 per a three-year registration, so an

annualized average yearly rate in registration revenue deposited to the General Revenue-Dedicated TCEQ Occupational Licensing Account No. 468 (Account No. 468) would range from \$222,000 to \$444,000. For the purpose of this analysis, the revenue generation assumed is at the midpoint of the range at \$333,000 per fiscal year.

Based on information provided by TCEQ and CPA, the increase in the fee collected for each wastewater treatment permit application processed from \$10 to \$30 would increase estimated revenue by approximately \$980,000 per fiscal year, based on an average of approximately 49,000 OSSDS permits issued annually across Texas. The additional permitting for OSSDS designed for over 1,500 gallons per day would affect OSSDS almost exclusively commercial in nature, which have permit fees of \$400. TCEQ estimates approximately two percent of statewide permitting would fall into this category, and based the 49,000 OSSDS permits annual average, it is estimated that this additional permitting would result in approximately \$392,000 in revenue per fiscal year. In total, the estimated revenue increase to the General Revenue-Dedicated Water Resource Management Account No. 153 (Account No. 153) would amount to \$1,372,000 per fiscal year. Additionally, based on information provided by TCEQ and CPA, revenue generated from the provisions of the bill which increase the maximum administrative penalty from \$100 to \$500 for residential OSSDS violations would be deposited to the General Revenue Fund, but the specific penalty amounts, number, and timing of penalties cannot be determined at this time.

Based on information provided by TCEQ, an estimated 20.0 Full-Time Equivalent (FTE) positions would be needed to assist with performing licensing, registration, permitting, and enforcement functions to implement the provisions of the bill. The 20.0 FTEs and their purposes would consist of: 2.0 Program Specialist III to implement registration and licensing requirements; 5.0 Engineer II and 4.0 Engineering Specialist III to review statewide OSSDS planning materials and application for OSSDS producing over 1,500 gallons per day; 8.0 Natural Resource Specialist II (Environmental Investigators) to conduct site inspections of OSSDS installations that produce over 1,500 gallons per day; and one additional Natural Resource Specialist II (Enforcement Coordinator) to process enforcement actions resulting from violations of OSSDS requirements. According to TCEQ, the Engineer and Engineering Specialist FTEs are specified due to the significant technical expertise required to evaluate and regulate OSSDS of over 1,500 gallons per day.

The costs related to the Program Specialist FTEs would be paid from Account No. 468, and the costs related to all other FTEs would be paid from Account No. 153. Salary and wage costs for the 20.0 FTEs would total \$1,343,229 per fiscal year from 2026 to 2030. Benefit costs would total \$381,746 per fiscal year from 2026 to 2030. Other administrative and staff costs would total \$447,942 in fiscal year 2026 and \$131,542 per fiscal year from 2027 to 2030. This estimate would include initial capital costs for licenses, furniture, and equipment in fiscal year 2026. Additionally, one-time information technology (IT) costs totaling \$132,000 in fiscal year 2026 would be necessary to update existing databases to administer the new registration and licensing required by the bill.

Technology

The bill would require changes to CTA-L, OLEA, IDA-OLTA, and IDA-epay all of which are licensing databases at the agency, in addition to the Texas.gov online renewal portal. CTA-L is used to maintain and track license information, OLEA is the online application portal, IDA-OLTA provides a secure environment for users to maintain an occupational license, and IDA-ePay provides a secure environment for payment.

Local Government Impact

The fiscal implications of the bill to units of local government cannot be determined at this time.

Source Agencies: 212 Office of Court Administration, Texas Judicial Council, 304 Comptroller of Public Accounts, 352 Bond Review Board, 582 Commission on Environmental Quality

LBB Staff: JMc, FV, MW, AJL