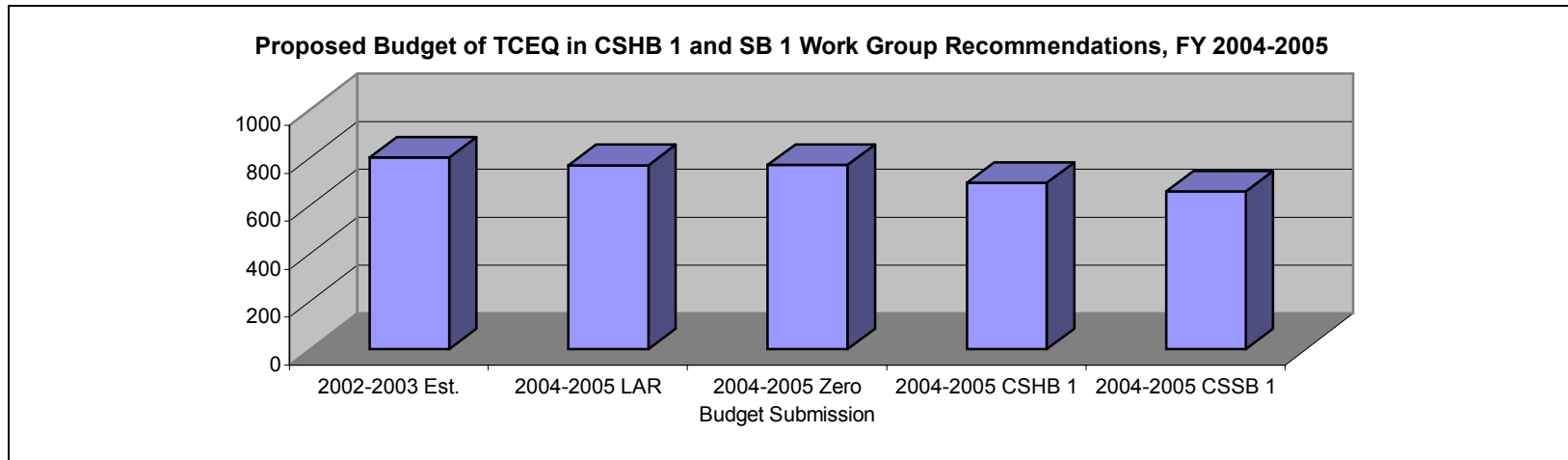


Dwindling Resources:

Comparison of SB 1, CSHB 1, and Impacts on the Core Functions of the TWDB, TCEQ and TPWD and Recommendations for Action



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On Behalf of the 21 members of the Alliance for Clean Texas (ACT)
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I. Introduction

Texas' quality of life is threatened by the challenges of increasing air and water pollution, difficulties in meeting future water needs, and a scarcity of public recreation and wildlife resources. Yet Texas spending on natural resource agencies is notably low compared to most states. Currently, about \$2 billion of the current appropriated budget – or about 1.9 percent of the total, is earmarked for natural resource agencies.

Markers demonstrating the scope of Texas' pollution problems abound. According to the most recent information, Texas emitted more toxic air pollution from manufacturing facilities; generated more hazardous wastes; emits more global warming gases; and has more people living in cities with dirty air than any other state except California among other indicators.¹ Of the state surface waters it assessed between 1995 and 2000, nearly 30 percent of streams and rivers, and nearly 40 percent of reservoirs and estuaries are contaminated by some form of pollution.²

Despite these challenges to public health, budgets for state agencies that regulate pollution and promote clean-up have remained stagnant over the past six years -- especially if inflation is considered.³ Texans' quality of life suffers from such neglect. From pesticide regulation and food safety levels, to regulating air emissions from cars and industrial plants, to clean drinking water, to oil and gas drilling and waste, to uranium by-products, to park and public recreational area maintenance and acquisition, to clean and pristine rivers, to responding to indoor

¹ According to the Environmental Protection Agency's 2000 Toxics Release Inventory, Texas manufacturing facilities released 248 million pounds of toxics on and off-site in 2000, followed by Ohio manufacturing facilities, which released about 144 million pounds of toxics. In 1997, Texas facilities generated 46.6 percent of all hazardous wastes in the U.S. according to the U.S. EPA, National Biennial RCRA Hazardous Waste Report, August 99. A 1990 study found that Texas released 553 million metric tons of carbon dioxide, while California, the second leading state, released 310 million metric tons (*Daniel Lashof and Eric Washburn, The Statehouse Effect: State Policies to Cool the Greenhouse (Washington, D.C.: Natural Resource Defense Council, 1990), A-3*). According to the U.S. EPA, Houston, Dallas-Ft. Worth, El Paso, Beaumont-Port Arthur and Tyler-Marshall-Longview all fail the one-hour standard for ozone pollution. Only California—led by Los Angeles and San Diego – has more people living in areas that fail the one-hour ozone standard. U.S. EPA, Ozone Greenbook, 2001.

² Texas Natural Resource Conservation Commission, Texas Water Quality Inventory 2000, Draft Report, May of 2002.

³ Includes the Department of Agriculture, Animal Health Commission, General Land Office, Texas Natural Resource Conservation Commission, Texas Parks and Wildlife, Railroad Commission of Texas, Texas River Compact Commissions, Texas Soil and Water Conservation Board, and Texas Water Development Board among other agencies.

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air quality complaints, to developing and assuring the availability of water resources, to oil spills and beach debris response, to testing our fish to make sure they are safe to eat, this relatively small part of the budget directly impacts the quality of our lives.

The present budget crisis – in which the Comptroller of Public Accounts’s revenue estimate for FY 2004-2005 is \$7.4 billion less than FY 02-03 General Revenue spending– is leading to vast cuts in these budgets. This in turn will impact services provided by these key agencies. This short report examines the proposed budgets contained in Committee Substitute House Bill 1 – the biennial budget for 2004-2005 – as approved by the House of Representatives in April of 2003 as well as the current version of Senate Bill 1 which will be considered by the Senate later this month of three of the largest natural resource agencies: the Texas Commission on Environmental Quality, formerly called the Texas Natural Resource Conservation Commission (TNRCC); the Texas Parks and Wildlife Department (TPWD); and the Texas Water Development Board (TWDB) Together, these agencies make up more than 80 percent of the approved budget for “Natural Resources” for 2002-2003, and together they address the major environmental issues that concern Texans: clean, drinkable and available ground and surface water, clean air and sufficient park and recreational opportunities and protection of major habitats and species.

II. Focus on Environmental Safety and Protection: Texas Commission on Environmental Quality (TCEQ)

Nearly 40 percent of the 2002-2003 approved budget for natural resource agencies was earmarked for the Texas Commission on Environmental Quality (until September of 2002 known as the Texas Natural Resource Conservation Commission), whose responsibilities have increased dramatically in recent decades. About 80 percent of the agencies budget comes from fees paid by the public and by the regulated community, and nearly 40 percent of its budget is actually “passed through” in contracts to companies, mainly for clean-up activities.

In FY 2002-2003, TCEQ (then known as the Texas Natural Resource Conservation Commission or TNRCC) had a budget of approximately \$800 million, at least before the seven percent cut in GR funds still being enacted this fiscal year. In August of 2003, TNRCC/TCEQ submitted an LAR which requested \$768.6 million in FY 2004 and 2005. This total does not include six exceptional items requested by the agency in its August 2002 LAR and only includes the amount of money expected to be generated by the Texas Emissions Reduction Program before any action by the 78th Legislature.

The “Zero Budget” Building Block Submission prepared by the agency and the LBB sets out a recommended budget of \$769.8 million. Because the agency was already requesting a reduced budget—and had in fact reduced its request of GR by some 12 percent -- and only relies on GR for about 10 percent of its activity, compared to other agencies it was not impacted much by the request to cut GR some 12 percent from FY 2002-2003 levels. In addition, a number of the fees either restored or put in place by the 77th Legislature help raise revenues for specific functions of the agency, including the Low-Income Vehicle Repair Assistance program.

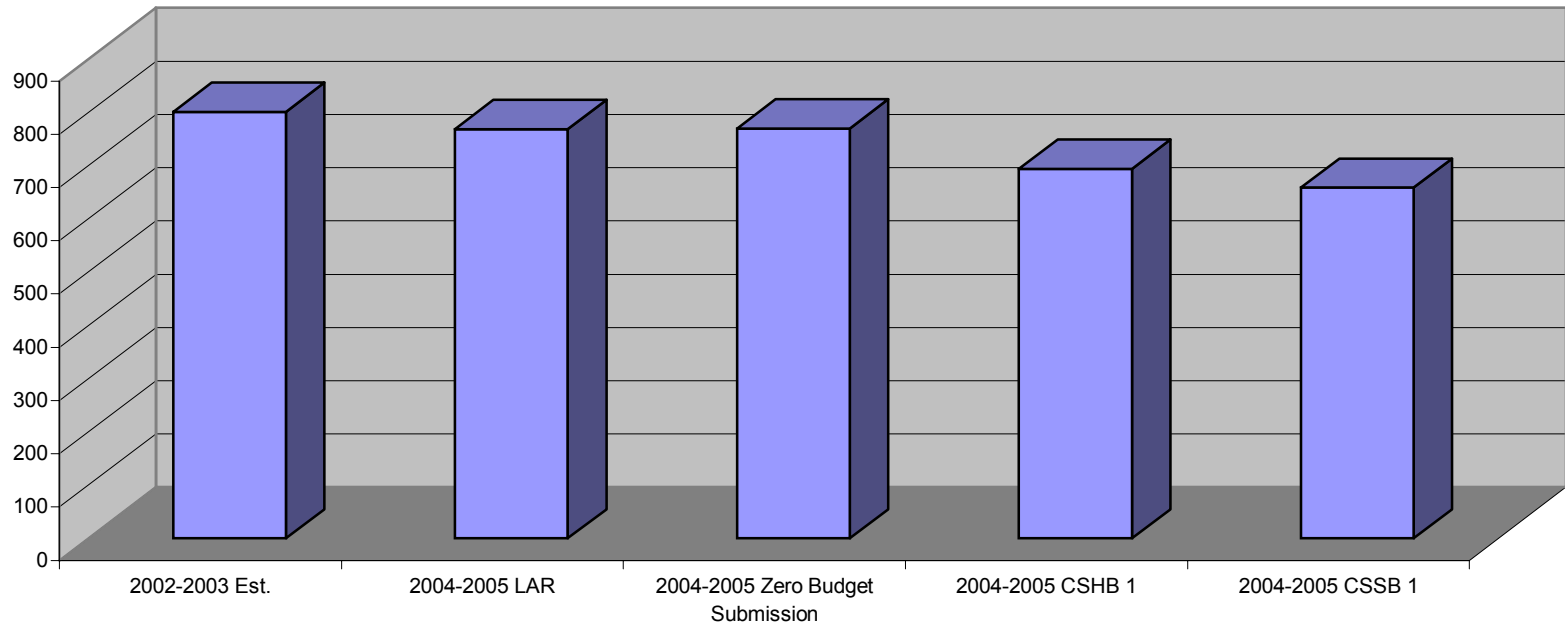
Nevertheless, CSHB 1 as approved cuts this total by more than \$70 million dollars (to \$693.7 million). The most significant cuts were in general revenue fee-dedicated programs such as the Low-Income Vehicle Repair Assistance program (\$10.7 million), the Petroleum Underground Storage Tank Remediation Program (\$38.9 million) and Hazardous Waste Clean-up, including the Federal and State Superfund Program (\$9.8 million). The current version of Senate Bill 1 cuts funding for TCEQ even more, by some \$110 million for a total of \$658.7 million over the biennium. Again, the majority of cuts come from just two programs: the Storage Tank Administration and Clean-up (by some \$88 million over the biennium) and the Hazardous Materials Clean-up programs, cutting them from the block budget submission by more than \$15 million. The proposed reductions – again of GR-dedicated funds -- directly impact the clean-up of underground petroleum tanks, superfund sites and the repair of vehicles. It is important to note that the agency itself recognizes that some of these programs did not require the amount of money initially requested in the LAR as several of the programs – including the Low-Income Vehicle Repair Assistance Program and the Petroleum Underground Storage Tank Remediation Program – are proceeding slower in terms of reimbursements than originally anticipated. Still, the proposed cuts in non-GR funds is significant and could impact the ability of these programs to function effectively and provide health benefits to Texans. Of particular concern are the impacts on the State and Federal Superfund Programs. For example, the table below outlines the impact the cuts will likely have in terms of evaluation and clean-up of toxic-laden superfund sites throughout the state. In the current Senate version of the budget, some 10 brownfields and six state or federal superfund sites will not be cleaned up because of these cuts, directly impacting the quality of life of Texans.

Comparison of Funding Levels and Key Performance Measures for Hazardous Waste Cleanups at Texas Commission on Environmental Quality, FY 04-05

Category	Initial 04-05 Building Block Submission	CSHB 1, as approved	SB 1, Work Group Recommendation
Total Funding	\$68.8 million	\$59 million	\$52.8 million
Number of Voluntary and Brownfield Cleanups Completed	150	150	140
Number of Superfund Evaluations Underway	57	52	52
Number of Superfund Cleanups Under Way	55	55	50
Number of Superfund Cleanups Completed	15	11	9

In addition, in a few important categories, the reduction in GR will impact the agency’s function. This is particularly true in its water programs. For example, in water assessment and planning – a core function of the agency – it is anticipating a \$4.8 million proposed cut from its LAR. In addition, while the Building Block Submission shows the agency funding its Safe Drinking Water program at the same level as in its initial LAR, this level represents a \$1.8 million cut from 2002-2003 levels, at a time when new federal requirements for arsenic and other new standards are being implemented.

Proposed Budget of TCEQ in CSHB 1 and CSSB 1, FY 2004-2005



The chart below compares the funding levels for different programs at TCEQ between the LAR, the Zero Budget Submission, CSHB 1, as ammended, and CSSB 1 in its current version. Clearly, clean-up of superfund sites and petroleum storage tanks will be delayed significantly by these cuts, and the ability of the agency to do water quality monitoring, planning and clean-up will also be impacted.

Comparison of 2002-2003 Budget, 2004-2005 LAR, Zero Budget Submission and CSHB 1 by Category for TCEQ

Category	2002-2003 Estimate	2004-2005 LAR	2004-2005 Zero Budget Submission	2004-2005 CSHB 1	2004-2005 CSSB 1	Difference CSHB 1 and Zero Budget Submission	Difference between CSSB 1 and Zero Budget Submission	Difference Between CSSB 1 and CSHB 1, 2004-2005
Enforcement and Compliance	20,960,070	20,747,975	22,217,221	21,905,221	22,217,221	(312,000)	0	312,000
Water Assessment and Planning	57,078,339	54,633,009	49,776,529	49,776,529	49,776,529	0	0	0
Safe Drinking Water	19,022,971	17,237,768	17,237,768	17,237,768	17,237,768	0	0	0
Air Quality Assessment and Planning	138,520,243	101,582,664	100,082,784	89,037,838	96,932,609	(10,156,305)	(3,150,175)	7,006,130
Field Inspections and Complaints	77,055,671	77,559,096	77,837,275	76,917,275	77,437,275	(920,000)	(400,000)	520,000
Air Quality Permitting	25,385,418	25,833,489	24,843,304	24,793,304	24,843,304	(50,000)	0	50,000
Water Resources Permitting	21,294,820	20,752,200	20,752,200	20,772,200	20,752,200	20,000	0	(20,000)
Waste Management Assessment and Planning	27,519,479	27,354,704	27,426,667	27,426,667	27,426,667	0	0	0
Waste Management and Permitting	18,444,442	18,407,478	18,407,478	15,407,478	18,207,478	(3,000,000)	(200,000)	2,800,000
Hazardous Materials and Cleanup	72,983,511	68,642,800	68,642,800	58,842,800	52,817,000	(9,800,000)	(15,825,800)	(6,025,800)
Pollution Prevention and Recycling	18,917,841	7,945,321	8,275,321	8,275,321	8,275,321	0	0	0
Storage Tank Administration and Clean-up	170,259,562	186,210,451	186,210,451	147,300,058	98,164,000	(38,910,393)	(88,046,451)	(49,136,058)

Category	2002-2003 Estimate	2004-2005 LAR	2004-2005 Zero Budget Submission	2004-2005 CSHB 1	2004-2005 CSSB 1	Difference CSHB 1 and Zero Budget Submission	Difference between CSSB 1 and Zero Budget Submission	Difference Between CSSB 1 and CSHB 1, 2004-2005
Water Utilities Oversight	4,944,500	5,037,049	4,959,233	4,959,233	4,959,233	0	0	0
Information Resources	28,447,555	28,491,115	28,306,615	27,706,615	28,006,615	(600,000)	(300,000)	300,000
Occupational Licensing	6,768,926	9,161,841	9,161,841	9,161,841	9,161,841	0	0	0
Central Administration	37,567,435	37,662,477	37,522,477	37,422,477	37,522,477	(100,000)	0	100,000
Other Support Services	28,656,092	28,670,123	28,670,123	28,670,123	28,670,123	0	0	0
LLRWA	127,785	246,036	246,036	36,000	246,036	(210,036)	0	210,036
Automobile Emission Inspections	304,200	888,641	888,641	888,641	888,641	0	0	0
Fee Appropriation for Watermaster	92,725	50,000	50,000	50,000	50,000	0	0	0
Low-Income Vehicle Repair Assistance	17,140,000	31,078,000	37,879,987	27,187,270	34,879,987	(10,692,717)	(3,000,000)	7,692,717
Recovered Costs and Responsible Party Payments	9,087,275	200,000	200,000	200,000	200,000	0	0	0
Costs Recovered from Petroleum Storage Tank Remediation	200,000	200,000	200,000	200,000	20,000	0	(180,000)	(180,000)
Total	800,778,860	768,592,237	769,794,751	693,724,659	658,692,325	(74,731,451)	(111,102,426)	(35,032,334)

In addition it should be noted that the agency requested a number of items above GR, many of which involved implementing performance-based regulations which have been authorized by the legislature but not funded. Of utmost importance in this list is the Water Quality Programs, and in particular the development and implementation of 25 TMDLS assessing the level of contaminants in the state's surface water. The agency only develops TMDLS for water bodies that already do not meet water quality standards designed to protect aquatic life,

drinking water sources and to assure the water is safe for fishing and swimming. It would cost an additional \$2.5 million over the biennium for these 25 TMDLs to be developed and implemented, as required by Federal Law.

Analysis and Recommendations:

Because the TCEQ is funded by dedicated fees, as well as significant federal funds, it is less impacted by the current budget crisis than other natural resource agencies. Nevertheless, of particular concern are the proposed cuts in the water assessment and planning program, in particular the TMDL projects. *In addition, the Legislature is choosing to balance the budget by making major cuts to appropriations of fee-funded TCEQ programs such as the Low-Income Vehicle Repair Program and the Superfund Program even though these funds can not be used for any other purpose.* In addition, it should be noted that a number of core programs in the agency are currently underfunded, and what is needed is additional resources not a continuation of the status quo. One problem the Agency faces is that it continually asks for GR funding for some of its core water quality programs – such as TMDLs—rather than relying on GR-dedicated fees. Nonetheless, in this specific case, TCEQ does have the legal authority to use the new Water Quality Fee to fund TMDLs.

This report makes two specific recommendations:

1. Increase funding for Hazardous Materials Clean-up back to initial Block Budget submission of \$68.8 million over the biennium (an increase of \$15.01 million);
2. Fund the development of 25 TMDLs, but allow TCEQ to cover the cost through increased Water Quality Fees (an increase of \$2.5 million);

III. Focus on Water Infrastructure, Conservation and Management: Texas Water Development Board

The Texas Water Development Board (TWDB) was created in 1957 to provide loans and grants for a variety of water-related needs. In 1967 it developed the first state water plan to ensure that “sufficient water will be available at a reasonable cost to further the economic development of the entire state.”⁴ In 1977, the TWDB and two sister agencies – the Texas Water Quality Board and the Texas Water Rights Commission – were converted into a single agency, the Texas Department of Water Resources. However, this experiment was short-lived, and in 1985, the TDWR was split into the Texas Water Development Board and the Texas Water Commission, which later became part of the Texas Natural Resource Conservation Commission, today the TCEQ. According to its website, the TWDB⁵:

- Provides loans to local governments for water supply projects; water quality projects including wastewater treatment, municipal solid waste management and nonpoint source pollution control; flood control projects; agricultural water conservation projects; and groundwater district creation expenses
- Provides grants and loans for the water and wastewater needs of the state’s economically distressed areas
- Provides agricultural water conservation funding and water-related research and planning grants
- Supports regions in developing their regional water plans that will be incorporated into a statewide water plan for the orderly development, management and conservation of the state’s water resources by studying Texas’ surface and groundwater resources
- Collects data and conducts studies concerning the fresh-water needs of the state’s bays and estuaries
- Administers the Texas Water Bank, which facilitates the transfer, sale or lease of water and water rights throughout the state, and administers the Texas Water Trust, where water rights are held for environmental flow maintenance purposes
- Maintains a centralized data bank of information on the state’s natural resources called the Texas Natural Resources Information System and manages the Strategic Mapping Initiative, a Texas-based, public and private sector cost-sharing program to develop consistent, large-scale computerized base maps describing basic geographic features of Texas.

The agency funds its financial assistance programs through state-backed bonds, a combination of state bond proceeds and federal grant funds, or limited appropriated funds. Since it was created, the Legislature and voters have given the agency authorization to issue up to \$2.68 billion, about \$1.55 billion of which have been sold to finance water and wastewater-related projects. In addition, in 1987, the agency added the Clean Water State Revolving Fund (CWSRF) to its portfolio of financial assistance programs. Funded in part by federal grant money, the CWSRF provides loans at interest rates lower than the market can offer to any eligible applicant.

⁴ TWDB, *Water for Texas 1990: Today and Tomorrow*, 1-1.

⁵ TWDB, http://www.twdb.state.tx.us/about/general_history/history.htm, accessed on June 11, 2002.

In addition, the TWDB also administers the Drinking Water State Revolving Fund (DWSRF) to meet the objectives of the federal Safe Drinking Water Act (SDWA), as amended in 1996. Funded in part by federal grant money, the DWSRF provides loans at interest rates lower than the market can offer to any eligible applicant for the construction of potable water plants, or upgrades to fix present water systems.

In addition, in 1989 and 1991, voters authorized \$250 million in bonds for the Economically Distressed Areas Program designed to bring water and wastewater services to unincorporated areas lacking service, particularly in so-called “colonias” along the border. Since the program began, more than \$530 million from the bonds as well as other loans and grants provided by the Environmental Protection Agency have been spent or committed for projects in the construction phase.⁶

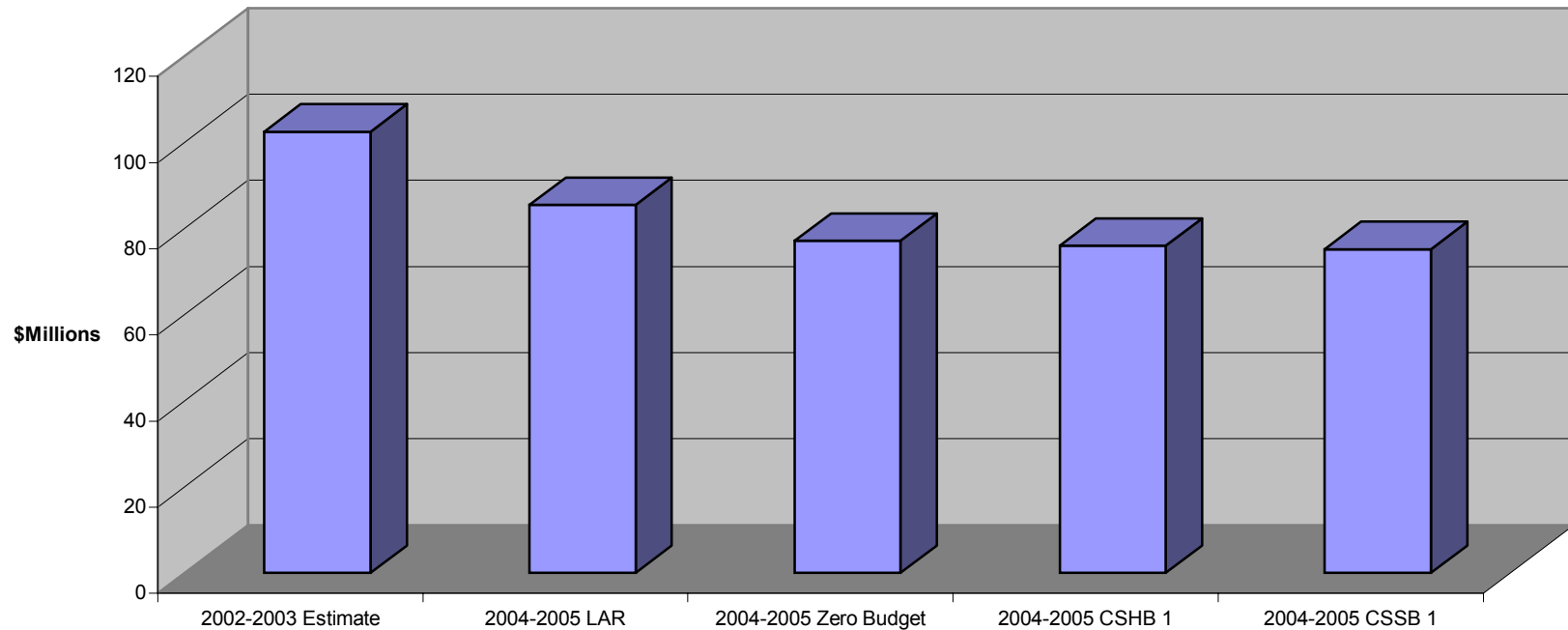
In 1997, the legislature changed the way water planning is done for the state, shifting it to the regional level, and TWDB became the lead agency in overseeing the regional planning effort, partially through grants to local planning groups.

In FY 2002-2003, TWDB was budgeted \$102.4 million, at least prior to the cuts enacted for FY 2003, to oversee this myriad of programs. In August of 2003, TWDB made an initial LAR of \$85.4 million for the FY 2004-2005 (including Riders), as many of the categories funded in FY 2002 and 2003 were one-time appropriations (notably \$16 million for agricultural conservation loans and grants, including brush control). However, TWDB also made several exceptional requests, including \$20 million to complete the EDAP projects that have already been designed and approved for construction, but not yet constructed.

The TWDB’s “Zero Budget” Building Block Submission set out a budget of \$77.1 million for the agency within the 12% cut in General Revenues. Finally, CSHB 1 – as approved -- includes \$75.9 million for the agency, and the current version of SB 1 earmarks \$75.1 for the TWDB. CSHB 1 cut water planning by \$460,000 from TWDB’s Building Block Submission, a cut not made thus far in the Senate. Instead, the Senate made significant cuts in “Financial Assistance,” cutting the strategy by more than \$1.85 million.

⁶ TWDB, Economically Distressed Areas Program As of April 30, 2002.

Proposed Budget of Texas Water Development Board in CSHB 1, and SB 1, FY 2004-2005



Of particular concern are the major cutbacks anticipated to grants to regional planning groups. As outlined in Rider 2 in the current version of SB 1, of the \$20.85 million authorized for “Water Planning,” only some \$3.86 million in FY 2004 and \$4.0 million would be earmarked for regional water planning grants, a significant decrease from FY 2002-2003, when \$9.0 million was provided. TWDB had requested an additional \$2.1 million for regional planning grants in its Zero Budget Block Submission, and most Texans feel that water planning grants are of the utmost importance toward ensuring a cost effective approach to water planning. In CSHB 1, an amendment increased the amount of monies authorized for regional planning to \$8.9 million over the biennium, \$2.6 million of which must be used to support water conservation and other demand reduction strategies. Providing grants to study conservation measures and other water demand reduction strategies could help provide water into the future throughout Texas.

In addition, in its LAR, the agency has made an exceptional request of \$20 million over the biennium to complete construction of EDAP projects along the border that have already been approved and planned, but are stalled because of the lack of monies. The agency had also requested authority to issue its final bonds under the Economically Distressed Areas Program (EDAP). The agency still has \$61.5 million left to issue in bonds, but needs authorization. While finding \$20 million in GR in the present budget crisis will be near impossible to complete these needed projects, the Legislature could provide authority to float bonds for the purpose of completing the projects, which could be paid back over time. *The current version of the Senate Bill does give authorization for TWDB to issue up to \$25 million in bonds, beginning on or after February 15, 2005 to avoid any GR cost.*

Remaining Needs in the EDAP project

Category	Amount
Identified Remaining Needs (1)	\$95.7 million
Unissued Bonds, which Need Legislative Authorization	\$61.5 million
Needs less Unissued Bonds	\$34.2 million
Amount Expected to be Available from Completed Projects and Other Sources	\$15 million
Estimated Unfunded Needs	\$19.2 million

List of Unfunded Projects at EDAP if No Additional Bonds or Funds are Authorized

STATUS	COUNTY	PROJECT	WATER	WASTEWATER	TOTAL	COLONIAS	RESIDENTS
Construction	Hidalgo	City of Mission	\$0	\$15,623,164	\$15,623,164	49	7,166
Construction	Bee	Tynan WSC	\$0	\$351,454	\$351,454	1	114
Design/Construction	El Paso	El Paso Co. Tornillo WID	\$0	\$5,492,876	\$5,492,876	1	1,540
TOTALS OF PROJECTS IN CONSTRUCTION			\$0	\$21,467,494	\$21,467,494	51	8,820
TWDB Facility Plan	Starr	Rio WSC	\$399,855	\$4,767,273	\$5,167,128	8	2,293
TWDB Facility Plan	Cameron	Brownsville (802/511)	\$0	\$6,500,000	\$6,500,000	10	2,081
BECC Facility Plan	Starr	La Grulla	\$5,298,300	\$10,317,927	\$15,616,227	26	6,603
BECC Facility Plan	El Paso	Vinton, Village of	\$3,000,000	\$3,300,000	\$6,300,000	7	1,586
TWDB Facility Plan	Webb	Webb County (State Highway 59)	\$3,500,000	\$3,500,000	\$7,000,000	16	1,200
TWDB Facility Plan	Bee	Bee Co. (Blueberry Hills/Salazar Hts)	\$0	\$3,680,451	\$3,680,451	2	1,026
TOTALS OF PROJECTS IN FACILITY PLANNING			\$12,198,155	\$32,065,651	\$44,263,806	69	14,789
Construction	Hidalgo	Mercedes Increase	\$0	\$3,700,000	\$3,700,000	0	0
Design	Newton	South Newton WSC	\$2,450,000	\$0	\$2,450,000	0	0
Construction	Hidalgo	Donna Increase	\$0	\$8,000,000	\$8,000,000	20	5,039
Construction	Starr	Roma Increase	\$4,535,000	\$3,300,000	\$7,835,000	11	1,450
TOTALS ANTICIPATED INCREASED NEEDS			\$6,985,000	\$15,000,000	\$21,985,000	31	6,489
Additional Project	El Paso	Lower Valley Ph. IIIB	\$0	\$8,000,000	\$8,000,000	9	4,000
TOTAL ANTICIPATED FOR ADDITIONAL PROJECT			\$0	\$8,000,000	\$8,000,000	9	4,000
TOTAL REMAINING NEEDS OF UNFUNDED PROJECTS			\$19,183,155	\$55,065,651	\$74,248,806	109	25,278
Total Needs			\$19,183,155	\$76,533,145	\$95,716,300	\$0	\$0

Comparison of 2002-2003 Budget, 2004-2005 LAR, Zero Budget Submission and CSHB 1 and SB 1 by Category for TWDB

Category	2002-2003 Estimate	LAR 2004-2005	Zero Budget Building Blocks Submission 2004-2005 All Funds	CSHB 1, FY 2004 2005	CSSB 1, FY 2004 and-2005	Difference Between HB 1 And Building Block Submission, 2004-2005	Difference Between SB 1 and Building Block Submission	Difference between SB 1 and CSHB 1
Financial Assistance	39,396,011	26,436,919	22,888,363	22,888,363	21,036,953	0	-1,851,410	-1,851,410
Provide Adequate Water and Wastewater for the Economically Distressed Areas Program (EDAP)	5,508,377	4,300,258	3,311,871	3,311,871	3,311,871	0	0	0
Data Collection and Resource Information (TNRIS)	19,399,625	20,707,916	20,078,322	20,048,322	20,078,322	-30,000	0	30,000
Water Planning (includes grants to regional planning groups)	24,999,691	23,866,214	20,851,216	20,391,216	20,851,216	-460,000	0	460,000
Provide Water Conservation Assistance	4,858,529	1,190,670	1,190,670	1,061,920	1,061,920	-128,750	-128,750	0
Central Administration	5,213,048	5,487,002	5,357,430	5,055,059	5,357,430	-302,371	0	302,371
Information Resources	1,957,679	1,887,543	1,887,543	1,722,956	1,887,543	-164,587	0	164,587
Other Support Services	1,111,219	1,166,434	1,146,947	1,087,935	1,146,947	-59,012	0	59,012
Clean Water State Revolving Fund (CWSRF)/Statewide Disadvantaged Communities	0	385,564	385,564	385,564	385,564	0	0	0
							0	0
Total	102,444,179	85,428,520	77,097,926	75,953,206	75,117,766	-1,144,720	-1,980,160	-835,440

ANALYSIS AND RECOMMENDATIONS:

Perhaps of most concern are the impacts of the proposed budgetary cuts both on the Economically Distressed Areas Program, including the exceptional item request for \$20,000,000 to complete EDAP programs, and the cuts in Water Planning and Water Planning Grants. Water planning grants are needed to complete the State Water Plan for 2007 and to better consider water conservation and demand management as alternatives to costly construction projects. If EDAP projects are not completed, the resulting communities – and their 34,000 residents -- will not have adequate water and wastewater facilities constructed for several years, resulting in continued poor public health outcomes. This report makes two specific recommendations:

1. Increase the authorization of the TWDB to issue its EDAP bonds from \$25 million to \$60.0 million, giving the authorization after February 15, 2005, so there is no fiscal impact in GR spending this biennium;
2. Increase the amount appropriated for making grants to regional planning groups to \$8.9 million over the biennium (\$4.88 million in FY 2004 and \$4.02 million in FY 2005) out of the existing Water Planning strategy, with specific direction that \$1.3 million per year be used to support region-specific studies supporting water demand reduction and conservation strategies.

IV. Focus on Parks, Recreation and Wildlife: The Texas Parks and Wildlife Department

In 1923, the Texas Legislature created the Texas State Parks Board but only appropriated money for parkland acquisition in 1930. In 1963, the State Parks Board and Fish Commission were merged to form the Texas Parks and Wildlife Department (TPWD). From its inception, the TPWD has had to balance two sometimes conflicting roles: protecting wildlife and habitat while also providing recreation for park-users, hunters, fishers, hikers and birders. Federal legislation -- such as the Clean Water Act of 1970 which requires protecting aquatic species and habitat -- and the Endangered Species Act of 1973 -- which requires protection of endangered and threatened animal and plant species -- have increased the duties and responsibilities of the agency. Today, the agency manages state parks, natural and wildlife management areas, reviews water rights permits and wastewater discharge permits for their impact on wildlife, implements the state endangered species act, runs some fisheries, protects wetlands, and helps private landowners preserve land and promote eco-tourism opportunities such as birding.

In recent years, the Texas Parks and Wildlife Department has received increased funding from the general revenue fund and greater authority to spend fees generated from its users -- such as hunting and fishing licenses, park fees and boat fees. For the fiscal years 2002 and 2003, about 46 percent of the budget came from dedicated user fees, 15% from federal funds, and 28% from general revenues, including from sales tax earmarked for TPWD from sporting goods, boat and boat motors. A smaller portion -- \$37.3 million or 8 percent -- is from general obligation bond proceeds to pay mainly for park repair and maintenance.

Even with increases in budgets in recent years, stable funding for acquisition of new parkland as well as for maintenance and operation of state parks has consistently been highlighted by both administrators, legislators and the public as a core problem at the agency. According to figures from the U.S. Census, state and local government spending on parks and recreation totaled about \$55 per person in Texas, while nationally average state and local spending was about \$86 per person.⁷

⁷ U.S. Census Bureau, Government Finances, 1998-1999, September 2001.

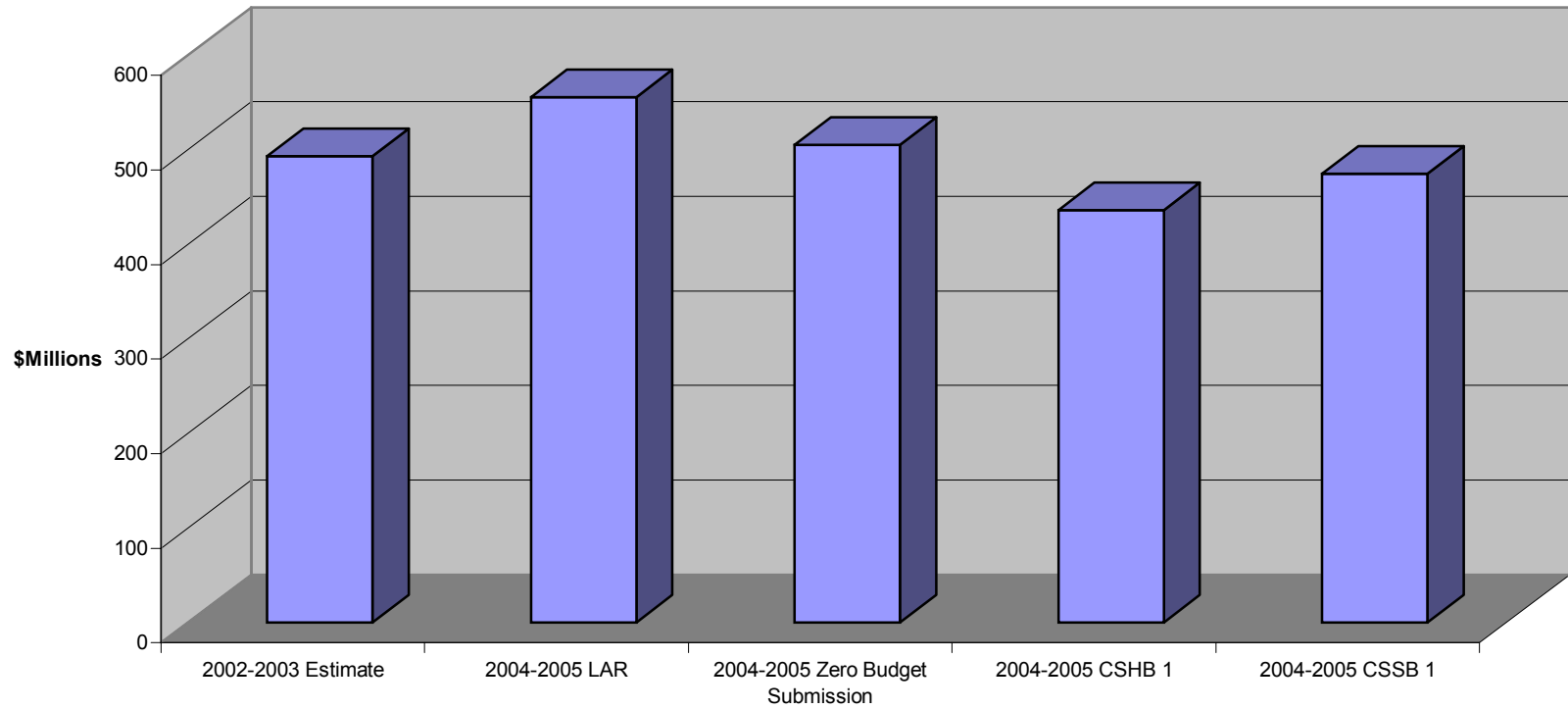
Before the current budget cut in FY 2003, the TPWD reported an estimated budget in 2003-2004 of \$485.3 million, which includes the \$7.9 million in General Obligation Bonds for park repair approved by voters in November of 2002 which is expected to be expended this fiscal year. For FY 2004 and 2005, the agency initially requested \$521 million, including \$34.25 in GO bonds for park repair already approved by voters. In addition, the agency identified a number of exceptional items, including paying for pay raises already approved – but not funded – by the legislature, additional FTEs to run the state park system and a training facility for game wardens.

The “Zero Budget” Building Block Submission prepared by the agency and the LBB sets out a budget in FY 2004-2005 of \$505 million for the agency – including the GO bonds -- within the 12% cut in General Revenues. It is important to note that even this “request” does not include \$4 million needed to fund the debt service on GO bonds, and does not include an estimated shortfall of \$5.1 million in the State Parks Account and Game, Fish and Water Safety Account. The most significant cut in the initial Zero Budget submission was a cut to Local Park Grants (including grants for boat ramps and recreation trails), with a proposed cut of \$16.1 million.

CSHB 1 as approved made further cuts to this Zero Budget Building Block submission, notably by not including the GO bond money already approved by voters for FY2004-2005, and by making cuts in Public Hunting and Fishing, largely because of a disagreement between the agency and the comptroller about how much money the Game, Fish and Water Safety Account no. 9 would bring in, leading to a \$10 million less for several programs. The proposed budget for the agency is reduced to \$436 million over the biennium, a significant reduction.

The Senate version makes cuts as well, including \$1.5 million to “Manage Fish and Wildlife”, \$12 million to Public Awareness and Outreach – cutting virtually all state employees in this category with the exception of the agency’s magazine – and an additional \$7 million cut to local parks. Like their counterparts in the House, the Senate does not authorize any issuance of voter-approved GO bonds of \$34.25 million to fix-up the state’s dilapidated park system. Nevertheless, the Senate version also contains two riders which authorize the agency the ability to raise fees in hunting and fishing licenses, boat registration and state parks rental fees, a small portion (\$500,000) of which must be used to pay for a statewide aquatic vegetation control program. In all, the two riders provide the agency with an additional \$31.5 million in GR-dedicated revenues over the biennium. Overall, the Senate version of TPWD’s budget totals \$474.4 million, still a significant reduction from the initial request of \$505 million.

Proposed Budget of Texas Parks and Wildlife Department, CSHB 1 and SB 1 for FY 2004-2005



Comparison of 2002-2003 Budget, 2004-2005 LAR, Zero Budget Submission and CSHB 1 CSSB 1 by Category for TPWD

Category	2002-2003 Estimate	LAR 2004-2005	Zero Budget Building Blocks Submission 2004-2005 All Funds	HB 1, FY 2004 2005	SB 1, FY 2004 anc 2005	Difference Between HB 1 And Building Block Submission, 2004-2005	Difference Between SB 1 and Building Block Submission	Difference between SB 1 and CSHB
Manage Fish and Wildlife	82,982,440	70,251,894	67,268,694	63,208,550	65,778,434	-4,060,144	-1,490,260	2,569,884
Law Enforcement	78,639,199	75,342,260	72,394,320	71,057,033	67,567,494	-1,337,287	-4,826,826	-3,489,539
Operate State Parks	99,246,000	97,661,090	97,661,090	97,171,769	96,844,196	-489,321	-816,894	-327,573
Capital Programs	78,087,500	78,089,866	78,089,884	71,173,950	73,349,065	-6,915,934	-4,740,819	2,175,610
Public Hunting and Fishing	39,685,900	38,206,210	46,956,438	46,329,088	46,839,678	-627,350	-116,760	510,590
Public Awareness and Outreach	24,823,500	25,137,222	25,137,204	23,178,084	13,000,405	-1,959,120	-12,136,799	-10,177,679
Local Parks	47,922,800	49,573,462	33,509,731	34,870,963	26,573,461	1,361,132	-6,936,270	-8,308,452
Central Administration	16,193,377	17,169,210	14,990,124	13,297,846	14,842,922	-1,692,278	-147,202	1,545,076
Informational Resources	12,319,823	14,283,170	13,643,166	11,111,404	12,261,948	-2,531,762	-1,381,218	1,150,544
Other Support Service	5,414,854	5,107,652	5,107,652	4,648,542	5,098,902	-459,110	-8,750	450,360
Proposition 8 GO Bonds (included in Capital Programs)	7,890,000	34,255,000	34,255,000	0	0	-34,255,000	-34,255,000	0
Unexpended Balance for Construction Projects (Hunting and Fishing)	0	1,661,663	1,661,663	2,896,387	1,661,663	1,234,724	0	-1,234,724
Unexpended Balance for Construction Projects (State Parks)	0	77,573	77,573	185,051	77,573	107,478	0	-107,478
Unexpended Balance for Construction Projects (Capital Programs)	0	45,670,267	45,670,267	43,965,995	45,670,267	-1,704,272	0	1,704,272
Escrow Accounts (Public Hunting)	0	1,824,574	1,824,574	1,610,914	1,824,574	-213,660	0	213,660

Category	2002-2003 Estimate	LAR 2004-2005	Zero Budget Building Blocks Submission 2004-2005 All Funds	HB 1, FY 2004 2005	SB 1, FY 2004 and 2005	Difference Between HB 1 And Building Block Submission, 2004-2005	Difference Between SB 1 and Building Block Submission	Difference between SB 1 and CSHB
Land Sales Proceeds	0	500,000	500,000	500,000	500,000	0	0	0
State-Owned Housing Authorized (Public Hunting)	0	372,000	372,000	372,000	372,000	0	0	0
License Plate Receipts	0	199,300	199,300	199,300	199,300	0	0	0
Fisheries Management and Conservation for statewide aquatic vegetation control					500,000		500,000	500,000
Authorizes additional GR-Dedicated funds for increased fees in hunting and fishing, boat registration and State Parks rental fees.					31,000,000		31,000,000	31,000,000
TOTAL	485,315,727	555,382,413	505,063,680	436,047,229	474,400,577	-69,016,451	-30,663,103	38,353,348

ANALYSIS AND RECOMMENDATIONS:

In addition to the sudden loss of matching grants for local parks, the Senate version makes major cuts in Law Enforcement and Public Outreach and Awareness. Nonetheless, the riders authorizing increases in fees should allow the agency to make of for cuts in some areas of the proposed budget. In addition, neither the House or current Senate appropriations bill for the agency allow it to issue GO bonds to pay for voter-approved fix up of parks. The Senate should consider allowing TPWD to have access to a portion of these GO bonds. With interest rates at an historical low, now is the time to purchase bonds to fix-up parks, even if it means a short-term outlay. One possibility is to allow the agency to issue ½ the bonds after February 15, 2005 to help fix-up parks without any fiscal impact in GR funds this upcoming biennium. Thus, our recommendation is to

1. Appropriate \$16,330,000 in general obligation bond proceeds on or after February 15, 2005 for infrastructure repair, maintenance and other projects (Capital Projects) as authorized by House Joint Resolution 97 by the Seventy-Seventh Legislature and Texas voters in November 2001, and the adopted fo House Bill 3064 by the Seventy-Seventh Legislature, Regular session.