

**3.A. STRATEGY REQUEST**  
 80th Regular Session, Agency Submission, Version 1  
 Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/30/2006  
 TIME: 4:00:21PM

Agency code: **582** Agency name: **Commission on Environmental Quality**

GOAL: 2 Drinking Water and Water Utilities Statewide Goal/Benchmark: 6 3  
 OBJECTIVE: 1 To Increase the Number of Texans Served by Safe Drinking Water Systems Service Categories:  
 STRATEGY: 1 Safe Drinking Water Oversight Service: 37 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	# of Public Drinking Water Systems Meeting Drinking Water Standards	6,103.00	6,200.00	6,200.00	6,200.00	6,200.00
2	Number of Drinking Water Samples Collected	41,302.00	36,045.00	36,051.00	36,051.00	36,051.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$3,493,048	\$5,050,383	\$5,130,925	\$3,517,979	\$3,517,979
1002	OTHER PERSONNEL COSTS	\$191,917	\$277,481	\$281,906	\$193,287	\$193,287
2001	PROFESSIONAL FEES AND SERVICES	\$5,926,706	\$6,606,536	\$6,859,483	\$6,947,612	\$6,737,612
2002	FUELS AND LUBRICANTS	\$0	\$0	\$6,214	\$6,214	\$6,214
2003	CONSUMABLE SUPPLIES	\$4,072	\$15,151	\$19,407	\$14,000	\$14,000
2004	UTILITIES	\$13,185	\$35,200	\$30,140	\$42,000	\$42,000
2005	TRAVEL	\$48,249	\$52,343	\$51,709	\$51,709	\$51,709
2006	RENT - BUILDING	\$37,218	\$42,544	\$72,486	\$33,348	\$33,348
2007	RENT - MACHINE AND OTHER	\$19,392	\$408	\$0	\$0	\$0
2009	OTHER OPERATING EXPENSE	\$476,363	\$251,390	\$434,384	\$368,069	\$368,069
4000	GRANTS	\$0	\$0	\$0	\$75,000	\$56,250
5000	CAPITAL EXPENDITURES	\$252,194	\$16,544	\$0	\$7,000	\$7,000
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$10,462,344</b>	<b>\$12,347,980</b>	<b>\$12,886,654</b>	<b>\$11,256,218</b>	<b>\$11,027,468</b>

**Method of Financing:**

1	GENERAL REVENUE FUND	\$1,220,520	\$1,588	\$1,588	\$0	\$0
888	EARNED FEDERAL FUNDS	\$702,990	\$7,324	\$7,324	\$7,324	\$7,324
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$1,923,510</b>	<b>\$8,912</b>	<b>\$8,912</b>	<b>\$7,324</b>	<b>\$7,324</b>

**Method of Financing:**

153	WATER RESOURCE MANAGEMENT	\$435,382	\$2,829,450	\$2,719,843	\$2,694,533	\$2,694,533
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GOAL: 2 Drinking Water and Water Utilities Statewide Goal/Benchmark: 6 3  
 OBJECTIVE: 1 To Increase the Number of Texans Served by Safe Drinking Water Systems Service Categories:  
 STRATEGY: 1 Safe Drinking Water Oversight Service: 37 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$435,382</b>	<b>\$2,829,450</b>	<b>\$2,719,843</b>	<b>\$2,694,533</b>	<b>\$2,694,533</b>

**Method of Financing:**

<b>555 FEDERAL FUNDS</b>						
66.419.000	Water Pollution Control_S	\$347,347	\$426,653	\$101,000	\$75,000	\$56,250
66.474.000	Water Protection Coordination Grant	\$405,805	\$210,716	\$488,431	\$452,011	\$452,011
66.605.000	PPG PERFORMANCE PARTNERSH	\$1,787,627	\$3,517,742	\$3,497,355	\$3,497,355	\$3,497,355
CFDA Subtotal, Fund	555	\$2,540,779	\$4,155,111	\$4,086,786	\$4,024,366	\$4,005,616
<b>SUBTOTAL, MOF (FEDERAL FUNDS)</b>		<b>\$2,540,779</b>	<b>\$4,155,111</b>	<b>\$4,086,786</b>	<b>\$4,024,366</b>	<b>\$4,005,616</b>

**Method of Financing:**

<b>777 INTERAGENCY CONTRACTS</b>						
		\$5,562,673	\$5,354,507	\$6,071,113	\$4,529,995	\$4,319,995
<b>SUBTOTAL, MOF (OTHER FUNDS)</b>		<b>\$5,562,673</b>	<b>\$5,354,507</b>	<b>\$6,071,113</b>	<b>\$4,529,995</b>	<b>\$4,319,995</b>

**TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)** \$11,256,218 \$11,027,468

**TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)** \$10,462,344 \$12,347,980 \$12,886,654 \$11,256,218 \$11,027,468

**FULL TIME EQUIVALENT POSITIONS:** 84.9 110.4 111.1 77.4 77.4

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

This strategy operates under the Federal Safe Drinking Water Act (SDWA) through a primacy agreement with the EPA. State authority is granted under Texas Health and Safety Code Chapter 341. The program sets in place public health protection measures to ensure safe drinking water for Texans served by public drinking water supplies. These supplies are defined as water systems serving at least 15 connections, or at least 25 persons, at least 60 days per year. Approximately 6,600 public water systems serve 22 million Texans. The key condition of the primacy agreement is the adoption and enforcement of federal drinking water regulations in a form that is no less stringent than the national regulations. If Texas fails to provide timely adoption and implementation of SDWA regulations, EPA could revoke primacy and directly implement federal requirements.

The population of Texans who are served by public water systems meeting all health based standards is expected to be 92.2% in 2008 and 93.4% in 2009. Systems will be challenged to meet new rules such as the Disinfection By Products Rule, and Arsenic Rules, but over time, compliance will improve.

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GOAL:	2	Drinking Water and Water Utilities	Statewide Goal/Benchmark:	6	3
OBJECTIVE:	1	To Increase the Number of Texans Served by Safe Drinking Water Systems	Service Categories:		
STRATEGY:	1	Safe Drinking Water Oversight	Service:	37	Income: A.2      Age: B.3

<b>CODE</b>	<b>DESCRIPTION</b>	<b>Exp 2005</b>	<b>Est 2006</b>	<b>Bud 2007</b>	<b>BL 2008</b>	<b>BL 2009</b>
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**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The most recent Safe Drinking Water Act Amendments include mandates for contaminant monitoring and surface water treatment. These amendments have also ushered in dramatic change in the form of new initiatives and regulatory requirements. During FY05 and continuing through the next biennium, the U. S. Environmental Protection Agency will promulgate three major rules affecting public water systems. These will be the Groundwater Rule, Disinfection By-products Phase 2 and Long Term Enhanced Surface Water Treatment Rule Phase 2. The adoption of these rules at the federal level will have a significant impact on the resources of the public drinking water section to develop and implement the new rules at the state level. In addition to the rule adoption, guidance documents and procedures will need to be developed for both the regulated community and the Field Operations Division.

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GOAL:            2    Drinking Water and Water Utilities  
 OBJECTIVE:    1    To Increase the Number of Texans Served by Safe Drinking Water Systems  
 STRATEGY:    2    Water Utilities Oversight

Statewide Goal/Benchmark:    6    6  
 Service Categories:  
 Service:    37    Income: A.2    Age:    B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>Output Measures:</b>						
1	Number of Utility Rate Reviews Performed	93.00	50.00	100.00	100.00	100.00
2	Number of District Applications Processed	842.00	850.00	550.00	550.00	550.00
3	# of Certificates of Convenience and Necessity Applications Processed	245.00	200.00	225.00	225.00	225.00
<b>Objects of Expense:</b>						
1001	SALARIES AND WAGES	\$2,045,925	\$2,113,670	\$2,131,581	\$2,131,581	\$2,131,581
1002	OTHER PERSONNEL COSTS	\$107,365	\$110,920	\$111,860	\$111,860	\$111,860
2001	PROFESSIONAL FEES AND SERVICES	\$90,028	\$2,436	\$55,709	\$143,209	\$55,709
2003	CONSUMABLE SUPPLIES	\$2,490	\$1,000	\$2,572	\$2,572	\$2,572
2004	UTILITIES	\$210	\$0	\$0	\$0	\$0
2005	TRAVEL	\$4,268	\$4,366	\$4,521	\$4,521	\$4,521
2009	OTHER OPERATING EXPENSE	\$62,437	\$18,241	\$11,993	\$11,993	\$11,993
5000	CAPITAL EXPENDITURES	\$0	\$10,500	\$0	\$0	\$0
<b>TOTAL, OBJECT OF EXPENSE</b>		<b>\$2,312,723</b>	<b>\$2,261,133</b>	<b>\$2,318,236</b>	<b>\$2,405,736</b>	<b>\$2,318,236</b>
<b>Method of Financing:</b>						
1	GENERAL REVENUE FUND	\$551,754	\$0	\$0	\$0	\$0
888	EARNED FEDERAL FUNDS	\$225,495	\$254,413	\$261,655	\$2,572	\$2,572
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS)</b>		<b>\$777,249</b>	<b>\$254,413</b>	<b>\$261,655</b>	<b>\$2,572</b>	<b>\$2,572</b>
<b>Method of Financing:</b>						
153	WATER RESOURCE MANAGEMENT	\$1,450,451	\$2,006,720	\$2,056,581	\$2,403,164	\$2,315,664
550	HAZARDOUS/WASTE REMED ACC	\$85,023	\$0	\$0	\$0	\$0
<b>SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)</b>		<b>\$1,535,474</b>	<b>\$2,006,720</b>	<b>\$2,056,581</b>	<b>\$2,403,164</b>	<b>\$2,315,664</b>

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 OBJECTIVE: 1 To Increase the Number of Texans Served by Safe Drinking Water Systems  
 STRATEGY: 2 Water Utilities Oversight

Statewide Goal/Benchmark: 6 6  
 Service Categories:  
 Service: 37 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2005	Est 2006	Bud 2007	BL 2008	BL 2009
<b>TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)</b>					<b>\$2,405,736</b>	<b>\$2,318,236</b>
<b>TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)</b>		<b>\$2,312,723</b>	<b>\$2,261,133</b>	<b>\$2,318,236</b>	<b>\$2,405,736</b>	<b>\$2,318,236</b>
<b>FULL TIME EQUIVALENT POSITIONS:</b>		<b>48.7</b>	<b>48.5</b>	<b>47.5</b>	<b>47.5</b>	<b>47.5</b>

**STRATEGY DESCRIPTION AND JUSTIFICATION:**

Chapters 12 and 49-66 of the Texas Water Code (TWC) provides TCEQ the oversight of water districts and authorities, including general supervision of districts, as well as review of bond applications and financial reports for most of the 1,300 districts.

Chapter 13 TWC, requires TCEQ to review applications for certificates of convenience and necessity (CCNs) submitted by investor-owned utilities and water supply or sewer service corporations. These utilities must obtain CCNs to establish service areas, and they must be amended whenever service is extended more than ¼ mile from the existing service area. Although cities and water districts are not required to obtain CCNs, many have elected to do so. Also, TCEQ is required to consider and rule on water and sewer rates in certain situations. Investor-owned water and sewer utilities seeking to raise their rates must file applications for review and approval either with or without public hearings. Customers of water supply corporations, water districts and out of city customers may appeal rate changes. Effective rate regulation ensures that customers pay reasonable rates and that utilities receive adequate revenues.

Low interest rates have kept the housing and development market very active, directly affecting water district development and an estimated higher number of district applications processed. Due to regionalization efforts resulting in a lower number of investor owned utilities, the estimated number of rate and CCN applications should not change, as reflected in the performance measure projections for FY07-09.

**EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:**

The major factors impacting this strategy are population, economic growth, the lack of capital available to small utilities to pay for infrastructure repair and replacement, and increased regulatory requirements. Economic growth increases the demand for water and sewer service and increases stresses on existing infrastructure. The Federal Safe Drinking Water Act and Clean Water Act increases the cost of service due to more extensive sampling and water and wastewater treatment requirements. These acts also heighten the need for on-site technical assistance for thousands of small utility service providers. The impact of economic and population expansion on TCEQ activity can be illustrated by the number of requests submitted to approve bond issues.