

FISCAL IMPACT OF DROUGHT ON STATE AGENCIES AND INSTITUTIONS OF HIGHER EDUCATION, FISCAL YEAR 2012

AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

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OBJECTIVE

Numerous state agencies have reported significant costs and/or revenue losses in Fiscal 2012 due to the drought.

KEY FACTS

- ◆ During fiscal year 2012, the Governor renewed the proclamation that exceptional drought conditions posed a threat of imminent disaster in a specified number of Texas counties.
- ◆ A total of 167 state entities responded to the survey, with 43 reporting a drought-related fiscal impact.

BUDGETARY IMPACT

According to a Legislative Budget Board staff survey, the fiscal impact to state entities was \$131.9 million in fiscal year 2012.

STATUTORY REFERENCES

Texas Government Code, Chapter 418, provides the Governor with powers to manage emergencies, including the issuance of proclamations related to disastrous drought conditions.

Texas Water Code, Chapter 11, provides the Texas Commission on Environmental Quality with powers to administer surface water rights by evaluating water availability, conservation/drought contingency plans, and environmental impacts for diversion of state water.

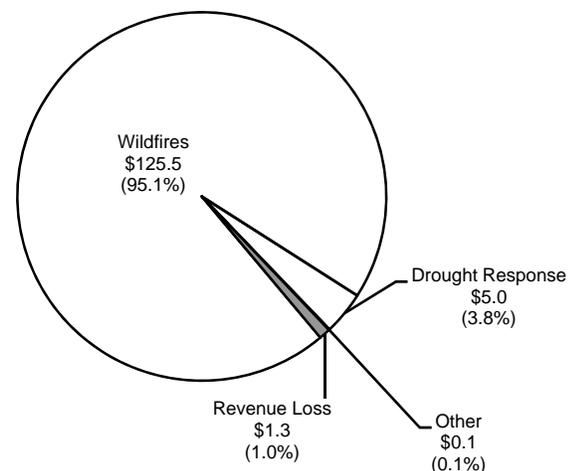
During fiscal year 2012, Texas continued to experience an intense drought, which began in September 2010. In September 2011, over 96 percent of the state suffered extreme or exceptional drought conditions. The drought posed severe fire hazards, with fires raging through the Bastrop area over Labor Day weekend. Although winter rains alleviated conditions, by August 2012, nearly 15 percent of the state was still suffering extreme or exceptional drought conditions, and nearly 90 percent of the state was in some stage of drought.

According to a Legislative Budget Board (LBB) staff survey of state agencies and public institutions of higher education, the total fiscal impact to these state entities was \$131.9 million in fiscal year 2012. Of the 167 state entities that responded to the survey, 43 reported a drought-related fiscal impact. Because the survey captures amounts expended in fiscal year 2012, these figures do not reflect all costs of the fire at Bastrop State Park, which occurred in fiscal year 2012. Remaining recovery costs are estimated to be \$3 million in capital repairs to damaged or destroyed facilities and \$1.9 million in reforestation expenses. Fig. 1 shows the fiscal impact reported by state entities.

FIG. 1
FISCAL IMPACT OF DROUGHT ON STATE AGENCIES AND PUBLIC INSTITUTIONS OF HIGHER EDUCATION
FISCAL YEAR 2012

IN MILLIONS

TOTAL = \$131.9 MILLION



NOTE: Totals may not add due to rounding.
SOURCE: Legislative Budget Board.

REPORTED FISCAL IMPACT**WILDFIRE RESPONSE**

In fiscal year 2012, 18 state entities reported costs or savings related to fighting wildfires. These costs/savings total \$125.5 million and include:

- \$113.1 million expended by the Texas Forest Service for wildfire suppression costs, including out-of-state resources mobilized to assist the state with suppression efforts;
- \$4.2 million expended by the Adjutant General for wildfire response;
- \$3.3 million expended by the Texas Parks and Wildlife Department for wildfire response at Bastrop, Davis Mountains and Possum Kingdom State Parks, including salary, minor repair, and equipment and vehicle replacement costs;
- \$2.3 million expended by the Department of Public Safety for personnel costs related to wildfire response operations;
- \$1.0 million expended by the Texas Department of Transportation for providing assistance to firefighters, including providing data for statewide firefighting coordination efforts.
- \$0.6 million expended by The University of Texas to replace 218 miles of fence on university lands;
- \$0.8 million received in pass-through federal grants by the Texas Workforce Commission to assist dislocated workers employed for cleanup and recovery efforts; and,
- A total of \$1.9 million expended by 11 additional entities related to wildfires in fiscal year 2012.

DROUGHT RESPONSE

In fiscal year 2012, 23 state entities reported costs related to the impact of the drought. These costs total \$5 million and include:

- \$3.8 million expended by the Texas AgriLife Extension Service for drought education outreach on topics such as drought monitoring, water conservation and livestock alternative feed and destocking strategies;
- \$0.2 million in costs reported by The University of Texas at Austin, including tree losses, additional watering, and labor and material costs;
- \$0.2 million expended by the Texas Commission on Environmental Quality for salary costs and accrued compensatory time to conduct 317 water rights investigations, drought-related contract costs, travel, and mailings to water rights holders and local officials relating to drought conditions and response; and,
- A total of \$0.8 million expended by 20 additional entities, primarily for groundskeeping costs.

REVENUE GAIN/LOSS

In fiscal year 2012, eight state entities reported revenue gains or losses related to the drought. The net revenue impact totals \$1.3 million and includes:

- \$1.8 million in revenue losses reported by The University of Texas at Austin, primarily related to the reduced size of grazing herds and resultant lease losses;
- \$0.6 million in revenue gain reported by the Texas Department of Criminal Justice from a pay out in crop insurance related to fiscal year 2011 crop losses;
- \$0.2 million in fee revenue losses reported by the Texas Veterinary Medical Diagnostic Laboratory for fewer livestock samples submitted for diagnostic testing; and,
- A net total of \$0.1 million in revenue losses reported by 5 additional entities.

OTHER COSTS

In fiscal year 2012, one state entity reported other costs related to the drought. These costs total \$126,118 expended by The University of Texas at Austin to develop supplemental watering systems for livestock (\$96,118) and administrative costs to develop signage and training to warn the general public of drought dangers (\$30,000).

USEFUL REFERENCES

For more information on the drought, see the Fiscal Impact of Drought on State Agencies and Public Institutions of Higher Education, Fiscal Year 2011, available on the Legislative Budget Board's website:

http://www.lbb.state.tx.us/Other_Pubs/Fiscal%20Impact%20of%20Drought%20on%20State%20Agencies%20and%20Public%20Institutions%20of%20Higher%20Education%20Fiscal%20Year%202011.pdf

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