

**RESOLUTION
OF
TYLER COUNTY COMMISSIONERS' COURT
SUPPORTING THE AMENDMENT TO THE ACT CREATING SOUTHEAST TEXAS
GROUNDWATER CONSERVATION DISTRICT**

WHEREAS, Southeast Texas Groundwater Conservation District ("District") was created in 2003 by the passage of Senate Bill 1888 by the Texas Legislature now found in the Texas Special Local District Code Chapter 8868("District Act"); and,

WHEREAS, the primary revenue the District receives is from fees paid by groundwater users based on the amount of groundwater to be withdrawn which is limited in the District Act to one cent per thousand gallons of groundwater withdrawn;

WHEREAS, the District's ability to perform its required responsibilities would be jeopardized if one or more of the large groundwater users should significantly reduce or cease their groundwater pumping;

WHEREAS, a draft of an Act to amend the District Act is attached to this Resolution, has been considered and approved by the Commissioners' Court of Tyler County; and,

WHEREAS, the Commissioners' Court desires to take official action to show its support of the Amendment to the District to increase the limit on production fees to seven cents per thousand gallons of water to be withdrawn;

NOW, THEREFORE, BE IT RESOLVED by the Commissioners' Court of Tyler County, Texas, that the Amendment is approved; the

Texas Legislature is requested to enact it in substantially the same form and substance as in the attached draft; and the Governor is requested to sign it after passage.

Passed this 12th day of December, 2022

County Judge

Attest:

County Clerk

SUBCHAPTER D. GENERAL FINANCIAL PROVISIONS

Sec. 8868.153. PERMIT FEES. (a) The district by rule may impose a reasonable fee on each well that is not exempt from regulation by the district and for which a permit is issued by the district.

(b) The fee must be based on the amount of water to be withdrawn from the well.

(c) The fee may not exceed ~~one~~ seven cents per thousand gallons of groundwater withdrawn for any purpose.

Southeast Texas Groundwater Conservation District Enacting Legislation Amendment Request Facts and Figures

Including the subsidence districts, there are 101 groundwater districts in Texas.

The Southeast Texas Groundwater Conservation District was created in 2003. The District consists of four counties (Jasper, Newton, Hardin, and Tyler) and covers approximately 3,685 square miles. It is estimated to be the 11th largest groundwater district in Texas.

The District has only one full time employee and no part time employees.

Since the District began collecting production fees, which is the main source of revenue, it has maintained a rate of 0.007 cents per thousand gallons (less than 1 cent per 1,000 and never having increased rates since the District was created).

Only recently has the board moved to increase the production fee rate, which will begin in the fourth quarter 2022. The new rate will be 1 cent per 1,000 gallons.

Other nearby groundwater conservation districts have production fee rates much higher. Nearby district's rates are typically between 2.5 cents per 1,000 gallons and 8.5 cents per 1,000 gallons.

The Southeast Texas groundwater Conservation District was created, authorized, and enacted by the passage of Senate bill 1888 during the 78th legislative session.

SB 1888, Section 7(e) states 1) the fee must be based on the amount of water to be withdrawn from the well; and, 2) may not exceed 1 cent per 1,000 gallons of groundwater withdrawn for any purpose.

As of the fourth quarter 2022 the District will be at its maximum production fee allowed by its enacting legislation. Should the District lose a significant groundwater producer its revenue stream could be severely impacted. Since the District has reached its maximum allowable production fee it would be unable to replace those revenues.

The District has been able to operate on such a minimal production fee due to essentially one groundwater user – a paper mill that uses a significant amount of groundwater. The loss of this user, or even a moderate reduction in production at the facility has potential to cut the District's revenue by as much as 75%. The paper mill has on average provided 65.5% of the District's revenue each of the past 10 years.

To see an actual example of how one of the District's larger groundwater producers can impact the revenue stream we can look to the City of Beaumont (although small compared to the paper

mill). The City of Beaumont has three wells in the District (Hardin County) and exports the water down to the City (Jefferson County – not in a GCD). During Hurricane Harvey in 2018 the City’s three water well sites were severely damaged and had to be taken offline for nearly 3 years and have only recently returned to near pre-Harvey usage. Prior to 2018 the City of Beaumont accounted for approximately 15% of the District’s annual revenues. In 2018 and 2019 the production of these wells was reduced to zero revenue and only approximately 1/3 the pre-Hurricane Harvey revenue for 2020 and 2021.

Because the District is reliant on a couple of larger users, its revenue source is easily impacted. Only through lean and frugal management has the District been able to manage nearly 20 years at the 0.007 cents per 1,000 gallon rate.

Since 2018 the District has adopted budgets each year that have relied on the small reserve the District has built up. Between 2018 and 2022 each budget has relied on the possible use of reserve funds between the amount of \$1,594 and \$21,090 (averaging \$12,821).

As of the 4th quarter of 2022 the District will be at its legislatively limited maximum production fee of 1 cent per 1,000 gallons. Although the District has no immediate intentions to raise the production fee (other than the increase to 1 cent already approved to be implemented 4th quarter 2022) should the need arise, it will only be able to do so if S.B. 1888/Special Local District Code 8868 is amended. The District needs to have the limit raised so that it can operate effectively should it lose one of its larger revenue sources, and be able to make up the lost revenue by increasing the production fee beyond the current limit of 1 cent per 1,000 gallons.

Other Groundwater Conservation Districts throughout the state have current production fees as high as 22 cents per 1,000 gallons. Even locally, other nearby groundwater conservation districts have exponentially higher production fees (actual current fees – not maximum allowed by legislation):

Southeast Texas GCD	currently 1.0 cents per 1,000 gallons	maximum	1 cent
The Pineywoods GCD	currently 2.5 cents per 1,000 gallons	maximum	2.5 cents
Lower Trinity GCD	currently 4.0 cents per 1,000 gallons	maximum	5 cents
Lone Star GCD	currently 8.5 cents per 1,000 gallons	maximum	no max limit
Bluebonnet GCD	currently 4.5 cents per 1,000 gallons	maximum	17 cents
Brazoria County GCD	Currently 3.0 cents per 1,000 gallon	maximum	17 cents
Prairielands GCD	currently 20 cents per 1,000 gallons	maximum	30 cents
S.W. Travis Cty GCD	currently 20 cents per 1,000 gallons	maximum	20 cents
Upper Trinity GCD	currently 22 cents per 1,000 gallons	maximum	30 cents