GEAA Greater Edwards Aquifer Alliance

July 16, 2026

The Honorable Gary Gates, Chairman
The Honorable Suleman Lalani, Vice-Chair
The Honorable Members Alders, Davis, Hinojosa, Hunter, Lopez, Morgan, Virdell

Re: Examine the collection, use, and oversight of fees imposed by local governments, including impact fees, utility connection charges, permit and inspection fees, and drainage or stormwater fees. Evaluate whether sufficient financial transparency exists and if such fees are used in accordance with their legal authority.

The Greater Edwards Aquifer Alliance (GEAA) appreciates the opportunity to submit these comments on behalf of our 59 member groups that are allied in advocacy for the preservation of our ground and surface water resources in 21 counties within Central and South Texas. We work in this field to ensure the protection of the health, safety, and welfare of all those who rely on these sources of water. Last spring, we released a white paper on achieving both housing affordability and the protection of water supplies which provides further detail and recommendations.[1]

Introduction

The Edwards and Trinity Aquifer supply over 2 million people in Texas with water and underpin many local economies. These two aquifers are porous karst limestone aquifers that are highly susceptible to drought and, because of the rapid flow of waters within the systems,[2] to contamination. Over the past quarter century, the Edwards and Trinity aquifers have both frequently been in emergency drought stages, and in early 2026, both reached their lowest level since 1990.

The Edwards and Trinity aquifer region – i.e., the Texas Hill Country – is frequently under Exceptional Drought conditions, long-term rainfall forecasts predict below normal conditions, evaporation forecasts predict high rates of evaporative loss, and "thousands of groundwater wells…have seen a drop in their water levels".[3,4] Texas faces a very real possibility of a severe water shortage in certain parts of the state by 2030 and a large state-wide water deficit by 2070. Water supplies in counties that rely on the aquifers are facing unprecedented demand; in Comal County last year, Texas Water Company had to deny service to nine developments due to a lack of water supply.

GEAA works with local governments in our service area to preserve and ensure equitable allocation of water resources, as well as to advocate for fair and civilized measures to accommodate new growth and to preserve the history and culture of the Texas Hill Country.

Impact Fees

Impact fees are crucial to ensuring the burden of growth is not placed solely on current residents. They support the expansion of essential services and ensure that

Greater Edwards Aquifer Alliance
PO Box 15618, San Antonio, Texas 78212

as a development grows, infrastructure can grow with it. Impact fees allow communities to "grow without placing extra tax burdens on long-time residents. Instead, the costs are shared by the new developments and future homeowners who benefit from the expanded infrastructure"[5] and public services. When designed appropriately, impact fees "can also promote more efficient land use by reflecting the true marginal cost of development, encouraging infill, and discouraging sprawl."[6]

Subsidizing endless suburban sprawl is neither fair nor smart. Developers should be free to build on the city's fringe and families free to buy there, but those who build and buy there should not expect low-income and existing municipal ratepayers to subsidize that choice. We will make better decisions about growth and development if our cost-benefit analysis reflects the full costs of our development decisions.

The basic principle of the impact fee is that growth should help pay its own way.[7] By having the developer "assume or share in the costs of infrastructure, impact fees may induce more efficient use of the infrastructure."[8] They may also "encourage efficiency by making the developer and its customers internalize the full costs of the harms that the development causes,"[9] such as noise impacts, traffic congestion, stormwater impacts, or environmental degradation. In fact, "all other things being equal....a jurisdiction using impact fees as a form of marginal cost pricing will present a lower risk of future increases in taxes or decreases in service quality."[10]

State law already significantly limits the ability of municipalities to collect fees that appropriately cover the cost of new development, even as the cost of such infrastructure is rising and even as the state faces large investment needs in water supply projects, wastewater treatment projects, flood mitigation projects, energy infrastructure build-outs, and transportation infrastructure projects. Capping impact fees "unfairly shifts the burden from developers, who stand to profit from new projects, to current residents, who would see higher taxes and utility bills."[11]

Further restricting impact fees "effectively ties the hands of local leaders and leaves communities vulnerable to underfunded roads, water systems, and public safety infrastructure."[12] This underinvestment will lead to long-term financial demands imposed on rate- and taxpayers, offsetting the lower sales prices of homes facilitated by restricting impact fees. On the other hand, "preserving municipal autonomy in managing impact fees and infrastructure planning is vital for ensuring that cities can effectively serve their residents and sustain growth in a fiscally responsible manner."[13]

Some developers say that higher impact and water supply fees will hurt future homeowners because the costs will be passed on in the price of a new house. We argue that with fair and realistic impact fees more families will choose not to live or build on the outskirts of town. They will instead create a demand for other alternatives, such as lower cost infill developments that are cheaper to service. Additionally, many communities already choose to charge less than the maximum allowed fee, and even for those that do charge the full amount, those fees still do not reflect actual costs for new development.

While impact fees may be passed on to the homeowner in the form of a higher sales price, "it can be argued that if impact fees are *not* charged for capital facilities, the homeowner will eventually pay for the cost of existing and new infrastructure through higher property and other taxes" (emphasis added).[14] Furthermore, under current state law, "an impact fee cannot fund repairs, routine operations, maintenance, or upgrades that serve existing development…they also cannot fund any capital improvement not listed in the city's adopted capital improvements plan."[15] Therefore, the cost of financing any later repair, maintenance, or upgrade projects necessitated by expanded development is passed on to all existing rate- or tax-payers.

The recent changes to extraterritorial jurisdiction authority as a result of SB 2038 (88R) has created even more complications that could impose costs on residents. If a city over-sizes infrastructure based on planned future growth in an area that later dis-annexes from the ETJ, the burden of this oversizing cost will fall on existing residents by way of increased utility rates to compensate for the loss of impact fees that normally would have been paid by the developer.[16] On the other hand, if a city chooses not to build infrastructure in anticipation of limited future growth or annexation, there is a risk that current and future ETJ residents or dis-annexed residents will be forced to deal with substandard and inconsistent development.[17] Either way, ratepayers and taxpayers will see costs rise, lowering long-term affordability measures.

Impact Fee Recommendations

Impact fees are necessary to ensure that growth in Texas, particularly Central Texas, occurs in a rational and responsible manner, without imposing undue future costs. Many municipalities have highlighted to this legislature over the past few years the transparency of and public involvement for their impact fee process, along with how beneficial impact fees are to their ability to plan and ensure rate- and taxpayers are not unduly burdened. It is important to note that developers are statutorily eligible to receive credits or reductions against water/wastewater impact fees if their project includes systems for water reuse, conservation, or measurable savings. Municipalities like San Antonio also offer specific Fee Waiver programs that reduce or waive development fees, including utility service impact fees, for eligible affordable housing projects.

Having worked with local governments to devise incentives for the employment of best management practices for preventing flooding, the restrictions on impact fees and the paucity of requirements for common sense flood prevention measures means there is not significant enough incentive to implement better development strategies. Opportunities to waive requirements for plans to address flooding with nature-based solutions or other best management practices are much more likely to be implemented by local governments if there were actually some regulations on the books that could in fact be waived as incentive. In other words, the lack of existing requirements, such as strict building codes or flood base elevation requirements, to waive as an incentive for responsible development means riskier developments proceed, raising long-term flood and stormwater management and mitigation costs.

To lower the long-term costs of homeownership in Texas, without facilitating unchecked sprawl that further strains already over-burdened natural resources, the state should preserve and even bolster the ability of municipalities to charge impact fees necessary to cover the costs of service expansion. To ensure these fees do not hamper affordable housing development, the state could require municipalities or utilities to adopt tiered or targeted fee systems, with discounts for affordable developments and higher rates for more expensive developments. We also recommend the legislature request a cost analysis of local government fees that factors in the long-term public costs of maintenance and replacement of infrastructure to assess the future costs of sprawl development to Texas rate- and taxpayers.

Drainage and Stormwater Fees

Drainage and stormwater fees "fund the implementation of best management practices, improvements to stormwater infrastructure, enhancements to water quality, and mitigation for future flooding events and their impacts."[18] Drainage and stormwater fees provide a dedicated revenue stream to address stormwater and drainage infrastructure projects and mitigation activities and allow the city to preserve its general fund tax revenues for other critical projects and programs.[19] These fees are often proportional to the cost of stormwater service for that property or representative of the impact the property has on the stormwater system.[20]

Municipalities often grant developers reduced fees for implementing low impact development and homeowners discounts for on-site stormwater mitigation measures.[21] The cap placed on local government tax revenues via the Texas Property Tax Reform and Transparency Act means stormwater utility fees are crucial to covering the funding gap cities face in meeting growing stormwater infrastructure, flooding, and water pollution needs.

Drainage and Stormwater Fee Recommendations

Municipalities are granted the authority to assess drainage and stormwater fees and can use those revenues to address critical stormwater needs. The state should preserve this authority, especially as we continue to face recurring, expensive, and, tragically, occasionally fatal flooding impacts.

Counties, however, are not granted this ability and have few tools to respond to urgent stormwater, drainage, water pollution, or mitigation needs. During the previous legislative session, several bills were filed that we believe would address the need for equitably and adequately funding drainage and stormwater infrastructure. We recommend these bills be refiled and passed during the 90th Legislative Session:

- HB 108/SB 45 would have allowed counties to establish drainage utilities, charge drainage fees, and regulate land use for flood management and flood infrastructure. Counties are not currently able to do so, restricting their ability to properly address flood impacts or build and maintain appropriate infrastructure.
- HB 117 would have authorized counties to regulate impervious cover to address flood management in unincorporated areas of the county. Counties are not currently allowed to do so, leading to inappropriate development and downstream impacts.
- HB 125 would have authorized counties to fully meet all stormwater management permitting requirements. Most counties are currently restricted in their ability to implement stormwater management programs, leading to increased flooding impacts and inappropriate development.
- HB 225 would have authorized counties to be able to implement higher building codes and standards in unincorporated areas of the county. Counties are currently restricted to the 2006 International Building Code, even as cities are able to build to a more recent and more effective code and standards, placing residents in counties at risk of flooding impacts.

We would also like to see legislation that:

- Updates Chapter 232.00315 of the Local Government Code to require counties to have stricter flood standards for new developments and improvements in the 500-year floodplain.
- Updates Chapter 16.316 of the Texas Water Code to allow the TWDB to provide guidance and recommendations to the Federal Emergency Management Agency on floodplain map exclusions or revisions requests.

We are not alone in these asks. Regional Flood Planning Groups are tasked by the legislature to make recommendations to mitigate and prevent flooding. These RFPGs, including Region 11 for the Guadalupe watershed, recommend the legislature provide counties with legislative authority to establish drainage utilities and assess drainage fees similar to those authorized for municipalities under LGC Title 13, Subtitle A, Chapter 552. RFPG 11 also recommends the legislature:

- Provide counties authority to manage new development to reduce future flood risk and benefit water supplies;
- Provide clarity on roles and responsibilities within ETJ areas related to floodplain management;
- Enact legislation updating the state building code to a more recent edition (e.g., the 2018 or 2024 edition of the International Building Code and International Residential Code); and
- Adopt a statewide building standard of a minimum floor elevation equal to the Base Flood Elevation plus freeboard to account for potential changes in future rainfall depths and flood elevations.

Adoption of all of the above proposed recommendations would shift the burden of funding flood and drainage management and mitigation for new development from the local government to those responsible for the need for increased funding for new drainage and flood control infrastructure and would lower costs in the long run.

Thank you for your consideration. Please consider GEAA as a resource that is at your disposal. We look forward to working with you on this issue.

Annalisa Peace, Executive Director Greater Edwards Aquifer Alliance	Rachel Hanes Policy Director Greater Edwards Aquifer Alliance

[1] https://aquiferalliance.org/wp-content/uploads/2025/01/GEAA-Housing-and-Water-Concerns-in-the-Hill-Country-2.3.24.pdf
[2] https://www.researchgate.net/publication/336455087_San_Antonio_Pool_of_the_Edwards_Balcones_Fault_Zone_Aquifer
[3] https://www.waterdatafortexas.org/drought
[4] https://www.texastribune.org/2025/03/13/texas-water-explained-supply-demand/
[5] https://hoganhomestexas.com/what-are-impact-fees-and-how-do-they-affect-homeowners/
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[21] https://www.fbgtx.org/938/Municipal-Drainage-Utility-Fee-FAQs; https://www.austintexas.gov/watershed-protection/drainage-charge

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