

- SUBJECT:** Bonds for water and sewer services to economically distressed areas
- COMMITTEE:** Border and International Affairs — favorable, without amendment
- VOTE:** 7 ayes — T. King, Frost, Castro, Hardcastle, Hernandez, Merritt, Pickett  
0 nays
- SENATE VOTE:** On final passage, March 27 — 30-0
- WITNESSES:** For — Cyrus Reed, Lone Star Chapter of the Sierra Club; (*Registered, but did not testify*: Joe A. Garcia, Texas Border Coalition; Deborah Kastrin, for County Judge Anthony Cobos and Commissioners Court of El Paso County)  
  
Against — None  
  
On — Kevin J. Ward, Texas Water Development Board
- BACKGROUND:** In 1989, the 71st Legislature enacted SB 2 by Santiesteban, which established the Economically Distressed Areas Program (EDAP) to be administered by the Texas Water Development Board (TWDB). EDAP provides financial assistance in the form of grants, loans, or grant/loan combinations to bring water and wastewater services to colonias, primarily along the Texas-Mexico border. The program funds construction, acquisition, and improvements to water supply and wastewater collection and treatment facilities, including all necessary engineering work. Maintenance and operations must be funded by the applicant. All political subdivisions in affected counties are eligible to apply.
- Under the program, an economically distressed area is defined as an area where, on June 1, 1989, there was an established residential subdivision that had inadequate water supply or wastewater systems and lacked the financial resources to improve those systems. EDAP projects must be located in economically distressed areas within affected counties. Affected counties are defined as those next to the Mexican border or those with a per capita income at least 25 percent below the state average and unemployment levels at least 25 percent above the state average. Thirty-

four counties were eligible to participate in the program as of September 2004.

The 79th Legislature in 2005 enacted HB 467 by Bailey, which expanded EDAP to allow other economically distressed areas throughout the state, such those located in Harris and Fort Bend counties, to receive assistance under the program.

In 1989, Texas voters approved a constitutional amendment that authorized \$500 million in general obligation bonds for water projects statewide. The amendment reserved 20 percent of the bonds, or \$100 million, for colonia projects as authorized by the enabling legislation. In 1991, the 72nd Legislature adopted and voters approved a constitutional amendment to increase total bond funds for EDAP to \$250 million.

**DIGEST:**

SJR 20 would amend the Texas Constitution to allow TWDB to issue up to \$250 million in general obligation bonds for the EDAP program account within the Texas Water Development Fund II.

The bonds would be subject to Texas Constitution, Art. 3, sec. 49-d-8(e), which provides that if there were not enough money to pay the principal and interest on the general obligation bonds issued, an amount sufficient to pay the principal and interest on the general obligation bonds that matured or became due during that fiscal year or to make bond enhancement payments with respect to those bonds would be appropriated out of the first money coming into the state treasury in each fiscal year not otherwise appropriated by the Constitution. Money not committed could be invested as authorized by law.

The proposal would be presented to the voters at an election on Tuesday, November 6, 2007. The ballot proposal would read: "The constitutional amendment providing for the issuance of additional general obligation bonds by the Texas Water Development Board in an amount not to exceed \$250 million to provide assistance to economically distressed areas."

**SUPPORTERS  
SAY:**

SJR 20 would authorize the issuance of an additional \$250 million in general obligation bonds to help meet the water and wastewater infrastructure needs of Texas' citizens. Although the EDAP program has been highly successful, many Texas residents continue to lack water and wastewater infrastructure. Without additional funding, many residents of unincorporated and economically distressed areas will be forced to

continue to live in communities lacking the most basic infrastructure that most Texans take for granted.

Since its inception, EDAP successfully has administered more than \$500 million in state and federal funds to provide assistance to economically distressed communities, primarily along the Texas-Mexico border. According to TWDB, traditional EDAP communities still require about \$250 million to meet their water and wastewater infrastructure needs. Statewide, \$5.4 billion in funding is needed for water and wastewater projects. However, the EDAP program only has a fraction of the bond authority remaining, and the federal government has cut half its appropriations to the Border Environment Infrastructure Fund, which also provides funding to meet water and wastewater needs along the border. The state should act now to refinance the EDAP program and ensure that TWDB has the resources necessary to meet the state's critical water and wastewater infrastructure needs.

Extending water service to unincorporated areas makes strong economic sense. While many of the communities without water and wastewater infrastructure are poor, existence of water lines would enable businesses to move into those areas, improving the tax base and providing jobs for residents. Investing in necessary infrastructure would be a wise use of state funds.

Although the state has limited general revenue available, ensuring that citizens have access to clean water and adequate sanitation necessary to promote public health should be one of its highest priorities.

**OPPONENTS  
SAY:**

The EDAP program should not be expanded. Since EDAP was created in 1989, TWDB has received more than \$500 million in state and federal funds to provide assistance under the program, yet the problem has not gone away. In fact, continuing to extend water lines to unincorporated areas could prove counterproductive, since effectively it would encourage people to move into the regions that are costly to serve. With so many underfunded priorities this session, the state cannot afford to authorize more bonds that further would drain the state's general revenue and increase state debt. Texas should search for other ways to address its water and wastewater needs, such as expanding grants and tax credits for low-income housing or providing counties with the authority to regulate and develop unincorporated areas.

NOTES:

According to the fiscal note, TWDB likely would issue \$25 million annually in EDAP general obligation bonds from fiscal 2007 to fiscal 2012 following voter approval of SJR 20. Debt service on these bonds, plus the cost of additional TWDB staff and related expenses would cost about \$5.9 million in general revenue-related funds in fiscal 2008-09. Debt service alone on the bonds would cost approximately \$9.6 million in fiscal 2012.