

SUBJECT: Removing restrictions on TWDB grants for economically distressed areas

COMMITTEE: Natural Resources — favorable, without amendment

VOTE: 11 ayes — Ritter, Callegari, Corte, Creighton, Frost, T. King, Laubenberg, Lucio, Martinez Fischer, D. Miller, Smithee

0 nays

SENATE VOTE: On final passage, April 21 — 30-0

WITNESSES: No public hearing

BACKGROUND: The Economically Distressed Areas Program (EDAP) is administered by the Texas Water Development Board (TWDB). The program provides financial assistance to bring water and wastewater services to economically distressed areas in political subdivisions including cities, counties, water districts, and nonprofit water supply corporations.

Water Code, sec. 17.933(c) currently establishes that the TWDB may only provide grant funds of up to 50 percent of eligible project costs unless the Texas Department of State Health Services issues a public health and safety nuisance determination resulting from water supply and sanitation problems in the area served by the proposed project. Applicants that do not have a nuisance finding may not receive a grant in an amount that exceeds 50 percent of the eligible project costs. The loan to complete the remaining 50 percent also must be from within the EDAP program.

The TWDB may not provide more than 90 percent of the TWDB's constitutional bonding authority for the EDAP in the form of grants.

DIGEST: SB 2284 would amend Water Code, sec. 17.933(c) to remove the requirement that the total amount of financial assistance in the form of grants provided by the TWDB under EDAP cannot exceed 90 percent of the total principal amount of issued or unissued bonds, plus outstanding interest on those bonds.

The TWDB would be able to combine a grant under the EDAP program with a loan from any other source, including another program administered by the TWDB.

The bill would take effect September 1, 2009.

**SUPPORTERS
SAY:**

SB 2284 would remove the limiting language in statute that prohibits the TWDB from providing more than 90 percent of the TWDB's constitutional bonding authority for the EDAP in the form of grants. The removal of this limitation would maximize the amount of funds available for grants through the EDAP program.

SB 2284 also would allow a grant under EDAP to be combined with a loan from another program administered by the TWDB. The majority of projects funded through EDAP have loan components. EDAP loans generally have higher interest rates, based on costs of funds associated with EDAP bond sales. Loans from lower interest rate programs would reduce the costs to applicants that do not have nuisance determinations and are limited to EDAP grants of up to 50 percent of eligible project costs.

**OPPONENTS
SAY:**

According to the fiscal note, SB 2284 would authorize TWDB to issue an additional \$50 million in general obligation bonds for grants under EDAP, instead of using self-supporting loans. Of that \$50 million, \$34 million already has been provided as loans, leaving \$16 million that could be provided as grants. Since that \$16 million would be awarded as grants instead of loans, the debt service would have to come from general revenue funds. The debt service for the loans under current statute would have been paid by loan repayments.

NOTES:

According to the fiscal note, SB 2284 would result in the following debt service requirements for \$16 million in general obligation bonds for TWDB: \$1,266,667 in fiscal 2012, \$1,339,700 in fiscal 2013, and \$1,338,025 in fiscal 2014.