

SUBJECT: Establishing a Water Plan Projects Fund to assist water plan projects

COMMITTEE: Natural Resources — favorable, without amendment

VOTE: 9 ayes — Ritter, Callegari, Corte, Creighton, Frost, T. King, Lucio, D. Miller, Smithee

0 nays

2 absent — Laubenberg, Martinez Fischer

SENATE VOTE: On final passage, May 1 — 31-0

WITNESSES: No public hearing

BACKGROUND: Art. 3, sec. 49-d-8 of the Texas Constitution establishes the Texas Water Development Fund II, funded by state general-obligation bonds authorized by a series of constitutional amendments. Money in this fund is to be used for the purposes of water supply, water-quality corporations, the state participation program, and the Economically Distressed Areas Program.

Water Code, sec. 17.957 states that the state participation account of the Texas Water Development Board's (TWDB) Texas Water Development Fund II is an account established within the fund in the state treasury.

DIGEST: SB 2313 would amend the Water Code by adding a subchapter to require the Texas Water Development Board (TWDB) by rule to establish a Water Plan Projects Fund.

The Water Plan Projects Fund would be an account within the Water Infrastructure Fund and consist of fees dedicated to the Water Plan Projects Fund by the Legislature. TWDB would use the Water Plan Projects Fund as a source of revenue:

- for debt service related to the funding of authorized water projects; and
- to meet obligations incurred under a bond enhancement agreement in connection with authorized water projects.

TWDB could use the Water Plan Projects Fund as provided by this section for projects authorized under:

- the Water Infrastructure Fund;
- the state participation account; and
- the economically distressed areas program (EDAP) account.

Under the bill, the comptroller would transfer from the Water Plan Projects Fund to the Texas Water Development Fund II money that was to be used for an authorized purpose to a project authorized under the state participation program and the economically distressed areas program and deposit money in the appropriate account.

The bill would amend provisions of the state participation account and the economically distressed areas program account in the Texas Water Development Fund II to add that the accounts would include money transferred from the Water Plan Projects Fund.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009.

**SUPPORTERS
SAY:**

SB 2313 would establish a funding mechanism to assist the Texas Water Development Board (TWDB) in funding local and regional water projects related to the state and regional water plan. The bill would create a Water Plan Projects Fund, which would be an account within the Water Infrastructure Fund (WIF). The new fund would be supported by fee revenues provided by the Legislature.

The WIF currently does not have enough funds to meet the state's water needs, and its current funding mechanism threatens the state's constitutional debt limit. The 80th Legislature appropriated funding to enable issuance of \$440 million in bonds for WIF to fund water plan projects through the current biennium. This amount is estimated to meet through 2020 a portion of the water supply needs identified in the 2007 State Water Plan. Additional funds will be needed to meet the additional water supply needs through the 2060 planning horizon. The bill would provide an alternative funding mechanism for projects related to the state's water fund and would address any potential impact on the state's constitutional debt limit.

There is no shortage of need for water projects in Texas. The 2007 Water Plan identified roughly 4,500 water management strategies and projects needed to bring an additional 9 million acre-feet per year of water supply to the state. Regional planning groups created by SB 1 by Brown, enacted in 1997, have estimated that the total capital costs to design, construct, or implement the plans would be about \$30.7 billion. Some studies have projected that Texas will need \$180 billion for water and sewer projects over the next 50 years. If increased demands for water supply are not met, it could cost the state approximately \$9.1 billion per year by 2010 and \$98.4 billion by 2060.

**OPPONENTS
SAY:**

SB 2313 would have the unintended consequence of restricting the types of projects funded by the state water program. By providing that the state participation program could only be supported by a yet-to-be-determined fee source, and that funding could only occur if the project was contained in a state or regional water plan, the funding of countless other projects could be in jeopardy. Projects such as regional wastewater treatment, flood detention facilities, and regional wholesale storage and distribution of water could be eliminated if the projects were not a strategy in the state water plan.

This bill could jeopardize the Legislature's ability to use the state participation program as a tool to respond quickly to drought conditions by issuing bonds with the backing of the state's resources and concurrence of voters, an integral tool that has been used for 51 years. The bill would restrict this activity.

Additionally, while water conservation projects currently are given priority funding by the TWDB, there should be dedicated funding for water conservation as part of the state's water plan. As roughly a quarter of the state's water needs are projected to be addressed through conservation, the SB 2313 should ensure that these projects receive adequate and dedicated funding.