

SUBJECT: Proposing a constitutional amendment issuing additional bonds for EDAP

COMMITTEE: Natural Resources — favorable, without amendment

VOTE: 10 ayes — Larson, Phelan, Ashby, Burns, Frank, Kacal, T. King, Lucio, Nevárez, Price

1 nay — Workman

WITNESSES: For — Anthony Groves and Kim Lenoir, City of Brady; Hector Gonzalez, El Paso Water; Richie Hernandez, Lower Valley Water District; Keith Kindle; (*Registered, but did not testify:* Carolyn Brittin, AGC of Texas Highway, Heavy, Utilities, and Industrial Branch; Tom Tagliabue, City of Corpus Christi; Erich Morales and Claudia Russell, El Paso County; Cyrus Reed, Lone Star Chapter Sierra Club; Donald Lee, Texas Conference of Urban Counties; Nate Walker, Texas Low Income Housing Information Service; Jennifer Emerson, Texas Rural Water Association; Perry Fowler, Texas Water Infrastructure Network)

Against — (*Registered, but did not testify:* Adam Cahn, Cahnman's Musings)

On — (*Registered, but did not testify:* Moses West, AWG Technology LLC; Amanda Lavin, Texas Water Development Board)

BACKGROUND: The Economically Distressed Areas Program (EDAP) is a program under the Texas Water Development Board that provides financial assistance for water and wastewater projects in economically distressed areas where service is unavailable or inadequate. The program offers grant funding, loans with long-term, low interest rates, or a combination of grants and loans for planning, design, acquisition, and construction for projects.

An economically distressed area is a political subdivision where the median household income is no greater than 75 percent of the state's median household income.

EDAP has committed more than \$848 million to projects through fiscal 2016, and the 84th Legislature appropriated \$50 million to the program for fiscal 2016-17.

DIGEST:

HJR 36 would amend the Texas Constitution to allow the Texas Water Development Board (TWDB) to issue up to \$200 million in additional general obligation bonds for the Economically Distressed Areas Program (EDAP) account of the TWDB Fund II.

The additional bonds could be issued as bonds, notes, or other obligations as permitted by law and would be sold in forms and denominations, on terms, at times, in the manner, at places, and in installments, as determined by the board. TWDB also would determine a rate or rates of interest for the bonds, which would be incontestable after execution by the board, approval by the attorney general, and delivery to the purchaser.

The ballot proposal would be presented to voters at an election on Tuesday, November 7, 2017. The 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 \$200 million to provide assistance to economically distressed areas."

**SUPPORTERS
SAY:**

HJR 36 would allow the Texas Water Development Board to issue additional bonds for EDAP, which assists water and wastewater infrastructure in local areas of need. This program has helped disadvantaged communities that could not otherwise afford to set up water systems.

Texas voters would have the opportunity to issue \$200 million in bonds, which are necessary to finish projects that have already been started and need construction. It would be fiscally irresponsible for the state to waste the taxpayer dollars invested to this point by failing to complete these projects. While the state has limited funds, completing these projects to provide citizens access to clean drinking water and functioning wastewater systems is necessary for public health.

Concerns that the program would encourage reliance on state funds are unwarranted. EDAP helps local economies by installing water lines in areas to which businesses previously could not move. HJR 36 could help create jobs in low-income areas, boosting the Texas economy.

**OPPONENTS
SAY:**

Approving HJR 36 would ask voters to increase state debt during tight fiscal times by issuing additional bonds for EDAP. Even though the state would not begin paying debt service in fiscal 2018-19, Texas should not obligate itself this way in the coming fiscal years. Texas cannot sustain additional costs, and no state agency should issue additional bonds at this time.

Also, EDAP increases local reliance on state support, and extending water lines to rural areas could encourage more people to move into areas that are expensive to maintain.

NOTES:

The Legislative Budget Board's fiscal note estimates a negative impact of \$114,369 through fiscal 2018-19 for publication of the resolution, and \$4.2 million in fiscal 2020, \$4.9 million in fiscal 2021, and \$8.9 million in fiscal 2022. The Legislative Budget Board assumes, based on an analysis from the Texas Water Development Board (TWDB), that TWDB would issue bonds with \$50 million in par amount on December 1, 2019, and on December 1, 2021, at 5 percent interest rates. The joint resolution would not make an appropriation, but could provide the legal basis for appropriations.

A companion resolution, SJR 61 by Lucio, was left pending following a public hearing in the Senate Finance Committee on May 1.