

SUBJECT: Issuing bonds for fund to help political subdivisions after a disaster

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 24 ayes — Zerwas, Longoria, C. Bell, G. Bonnen, Buckley, Capriglione, Cortez, S. Davis, Hefner, Howard, Jarvis Johnson, Miller, Minjarez, Muñoz, Schaefer, Sheffield, Sherman, Smith, Stucky, Toth, J. Turner, Walle, Wilson, Wu

0 nays

3 absent — M. González, Rose, VanDeaver

WITNESSES: For — (*Registered, but did not testify*: Guadalupe Cuellar, City of El Paso; Ender Reed, Harris County Commissioners Court; Meghan Weller, HCA Healthcare; Jennifer Emerson, Metropolitan Transit Authority of Harris County, Texas Rural Water Association; Ryan Ambrose, MHHS; Annie Spilman, National Federation of Independent Business; Mel Caraway, North Texas Conference of the United Methodist Church; Jessica Schleifer, Teaching Hospitals of Texas; Ned Muñoz, Texas Association of Builders; Windy Johnson, Texas Conference of Urban Counties; Joshua Houston, Texas Impact; Emily Northrop, Texas Impact, Society of Friends; Richard Ertel, Texas Impact, Poverty & Justice Task Force of the Southwestern Texas Synod of the Evangelical Lutheran Church of America; Monty Wynn, Texas Municipal League; Perry Fowler, Texas Water Infrastructure Network; Dale Bulla; Pat Bulla; Kathi Thomas)

Against — None

On — (*Registered, but did not testify*: Piper Montemayor, Comptroller of Public Accounts; Jeff Walker, Texas Water Development Board)

DIGEST: HJR 145 would amend the Texas Constitution to allow the Legislature to authorize the disaster reinvestment and infrastructure planning board to sell up to \$500 million in general state obligation bonds and to enter into related credit agreements. Proceeds from bond sales would be deposited in

the disaster reinvestment and infrastructure planning revolving fund and could be used only for a purpose of that fund. The expenses to issue the bonds would have to be paid from the fund.

The bonds authorized would be a general obligation of the state. While any of the bonds or interest on the bonds was unpaid, there would be appropriated out of the first money coming into the treasury each fiscal year not otherwise appropriated by the Constitution an amount sufficient to pay the principal of and interest on bonds that matured or became due during the fiscal year, including amounts to make payments under a related credit agreement.

The proceeds from the issuance and sale of the bonds, and the interest earned on the bonds, would be appropriated when received by the state and could be used as provided by this section and law enacted under this section without further appropriation.

The ballot proposal would be presented to voters at an election on November 5, 2019, and would read: "The constitutional amendment authorizing the issuance of general obligation bonds to provide financial assistance to political subdivisions located in areas of the state affected by a disaster."

SUPPORTERS  
SAY:

HJR 145 would help speed up recovery in Texas in the event of future natural disasters by putting in place a source of funds to help with cities and counties with restoring public infrastructure. Currently, while local, state, and federal funds may be allocated to help rebuild public infrastructure after a disaster, it can be months or years before funds are actually available for spending. For example, not all federal funds for 2017's Hurricane Harvey relief have been disbursed. State and local governments cannot be subject to this kind of timetable to begin recovering and rebuilding after a disaster.

HJR 145 would help address this need for immediate action after a disaster by asking Texas voters to approve bonds and setting up the mechanism to put the bond proceeds in a disaster reinvestment and

infrastructure planning (DRIP) fund that could be created by other legislation to provide grants and loans to cities and counties to rebuild after a disaster and to harden infrastructure against future events.

Funding a disaster revolving fund with bond proceeds would give the state another tool to help local governments respond to disasters and plan for the future. It is important to have funds set aside specifically for this purpose and to have them ready to be disbursed quickly so that cities and counties do not have to wait while federal funds wind their way through federal bureaucracy or for the Legislature to enter session.

The bond funds would have a significant impact because they would be put in a revolving fund that provided both loans and grants. Loans would be repaid and could be used again, keeping the fund going. The fund would have the flexibility to make grants if circumstances warranted, such as the need to protect public health by helping rebuild a hospital not eligible for other funds and without enough insurance to rebuild. An easily accessible revolving fund would complement the Legislature's use of other funds, such as the Economic Stabilization Fund, which have to be appropriated during legislative sessions. For example, in the case of Harvey, the Economic Stabilization Fund has been used to pay for the immediate response; if the DRIP were in existence, it could have been used for rebuilding efforts, to provide matching funds for federal resources, and to help mitigate future disasters.

The bonds that would be authorized by HJR 145 and the DRIP fund would be similar to the state's use of bond funds for the State Water Implementation Fund for Texas, which helps local governments fund projects in the state water plan.

**OPPONENTS SAY:** HJR 145 could be unnecessary as the state has the Economic Stabilization Fund available in the case of a disaster. The state should maintain its budgeting flexibility and address its needs through revenue available for any purpose rather than use bonds proceeds restricted for a specific use.

**NOTES:** According to the Legislative Budget Board, there would be an

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indeterminate negative fiscal impact to the state depending on the amount, timing, and structure of the general obligation bonds issued under the provisions of HJR 145.

The cost to the state for publication of the resolution would be \$177,289.