

SUBJECT: Proposing a constitutional amendment to issue bonds for EDAP projects

COMMITTEE: Natural Resources — committee substitute recommended

VOTE: 7 ayes — Larson, Metcalf, Dominguez, Farrar, Harris, Lang, Oliverson

0 nays

4 absent — T. King, Nevárez, Price, Ramos

SENATE VOTE: On final passage, May 8 — 21-10 (Bettencourt, Birdwell, Campbell, Creighton, Fallon, Hall, Hughes, Paxton, Schwertner, Seliger)

WITNESSES: *On House companion joint resolution, HJR 11:*

For — Hector Gonzalez, El Paso Water; (*Registered, but did not testify:* Carolyn Brittin, ACG of Texas, Highway Heavy; Guadalupe Cuellar, City of El Paso; Steve Bresnen and Claudia Russell, El Paso County; Marmie Edwards, League of Women Voters; Cyrus Reed, Lone Star Chapter Sierra Club; Bill Kelly, City of Houston Mayor's Office; Justin Yancy, Texas Business Leadership Council; Monty Wynn, Texas Municipal League; Perry Fowler, Texas Water Infrastructure Network)

Against — None

On — Jeff Walker, Texas Water Development Board

BACKGROUND: Water Code ch. 17, subch. K establishes the Economically Distressed Areas Program (EDAP) under the control of the Texas Water Development Board (TWDB).

EDAP provides financial assistance for projects to develop water and wastewater services in economically distressed areas where these services or facilities are inadequate to meet minimum state standards. An economically distressed area is a political subdivision in which the median household income level is no greater than 75 percent of the state's median income level.

The program is funded by proceeds from bonds sold by TWDB. In both 1989 and 2007, the program received constitutional authority to issue \$250 million in bonds, and it previously received federal funds. The 85th Legislature in 2017 authorized TWDB to issue the program's remaining constitutionally authorized bonding authority of about \$53.5 million.

DIGEST:

CSSJR 79 would amend the Texas Constitution to allow the Texas Water Development Board (TWDB) to issue additional general obligation bonds for the Economically Distressed Areas Program (EDAP) account. TWDB could issue the bonds in amounts such that the aggregate principal amount of the bonds issued under the amended section that were outstanding at any time would not exceed \$200 million. The bonds would be used to provide financial assistance for the development of water supply and sewer service projects in economically distressed areas of the state.

TWDB could issue the general obligation bonds as bonds, notes, or other obligations. The bonds 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 the rate or rates of interest the bonds would bear. The bonds would be incontestable after execution by TWDB, approval by the attorney general, and delivery to the purchaser.

The ballot proposal would be presented to voters at an election on November 5, 2019, and 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 financial assistance for the development of certain projects in economically distressed areas.”

**SUPPORTERS
SAY:**

CSSJR 79 would provide critical financing for the development of necessary water and wastewater infrastructure in economically distressed areas of Texas. The Economically Distressed Areas Program (EDAP) needs to be replenished if it is to continue funding existing projects and support future projects for communities that could not otherwise afford secure access to safe water. CSSJR 79 would allow Texas voters the

opportunity to continue supporting this important program.

While the costs of water infrastructure are high, it is essential that Texans have access to water that meets state standards. Financing some of these costs through bond issues would allow for greater and more reliable funding over a longer period of time. Using general revenue to support EDAP and water infrastructure development would strain available resources without providing the long-term benefits of a bond issue.

OPPONENTS
SAY:

CSSJR 79 would ask voters to constitutionally dedicate funds for the issuance of bonds in support of EDAP. The state should not constitutionally dedicate funds to specific programs, and any necessary infrastructure improvements should be funded using general revenue.

NOTES:

SB 2452 by Lucio (M. González), the enabling legislation for CSSJR 79, is on today's General State Calendar.

According to the Legislative Budget Board, CSSJR 79 would have a negative impact of about \$3.5 million to general revenue related funds through fiscal 2020-21.