BILL ANALYSIS

S.J.R. 5
By: Montford

Senate Bill Analysis
10-09-89
Enrolled

BACKGROUND

With the passage of the 1985 water plan, tax-exempt bonds became firmly established as the state's primary method to finance water development projects. However, because Article III, Sec. 49 of the Texas Constitution prohibits the creation of debt issued on behalf of the state, a constitutional amendment each time a fresh infusion of bonds is needed.

In recent years, bonds have been issued to provide financial assistance for water supply and water treatment facility construction, and for flood control projects.

PURPOSE

As proposed, S.J.R. 5 proposes a constitutional amendment authorizing the issuance of an additional $500 million in water development bonds.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article III, Texas Constitution, by adding Section 49-d-7, as follows:

Sec. 49-d-7. (a) Permits the Texas Water Development Board to issue $500 million in additional water development bonds. Requires $250 million to be used for the purposes provided in Section 49-c of this article, $200 million to be used for purposes provided by Section 49-d-1 of this article, and $50 million to be used for flood control.

(b) Authorizes the Texas Water Development Board to use the proceeds of the bonds issued under Section 49-c of this article to provide financial assistance to political subdivisions, state political bodies, and nonprofit water supply corporations to provide for acquisition, improvement, extension, or construction of water supply projects involving water distribution to retail or wholesale customers.

(c) Permits the legislature to require review and approve the issuance of the bonds, the use of the proceeds and the rules adopted by the board relating to the use of the bonds. Provides that the reviewing entity may include members from the executive, legislative, and judicial departments of state government.

(d) Provides that the board shall issue the bonds pursuant to limitations provided in Sections 49-c and 49-d-1, and in other laws.

(e) Allows the legislature to provide for subsidized loans and grants from the proceeds of these bonds to provide water and wastewater facilities to economically distressed areas provided that the principal amount of bonds for this subsection not exceed 20 per cent of the total amount of bonds authorized by this section. Provides that separate accounts shall be established in the fund for administering the proceeds of bonds under this subsection, and an interest and

sinking fund separate from and not subject to limitations of the interest and sinking created under Section 49-c is established to pay the principal of and interest on these bonds. Provides that while any bonds or interest of bonds authorized under this subsection is outstanding or unpaid, money will be appropriated to pay those that mature or become due during the fiscal year.

(f) Applies Subsections (c) through (e) of Section 49-d-2 to the bonds authorized in new Section 49-d-7.

SECTION 2. Provides that this amendment shall be submitted to the voters on November 7, 1989, and specifies ballot language.