BILL ANALYSIS

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.J.R. 1 creates two new accounts outside of general revenue to fund water and transportation infrastructure projects using money from the economic stabilization fund (ESF) and authorizes Fund 6 to pay debt service on the Proposition 12 bonds.

The State Water Implementation Fund for Texas (SWIFT) will be a special fund that is constitutionally dedicated to funding state water implementation projects. To be eligible these projects must be included in the statewide water plan adopted by the Texas Water Development Board. SWIFT will be capitalized with a transfer of $2.5 billion from ESF. In addition to these dollars, SWIFT may also receive legislative appropriations, interest earned on SWIFT balances, and income from loan repayment to continually refresh the SWIFT balance.

The State Infrastructure Fund (SIF) will be a special fund that is constitutionally dedicated to funding economic development infrastructure projects. For purposes of S.J.R. 1, economic development infrastructure projects include road, port, and freight rail projects. The SIF will be administered by the Texas Transportation Commission, and the legislature will, by general law, adopt rules for use of money in SIF. To maximize the value of SIF and provide the Texas Department of Transportation with a new option to assist local entities with important economic development infrastructure initiatives, money deposited to the SIF will be used for project loans and credit enhancement opportunities to local governments and public entities. The SIF will be capitalized with a transfer of $3.5 billion from the ESF. In addition to these dollars, SIF may also receive legislative appropriations, interest earned on SIF balances, and income from loan repayment to continually refresh the SIF balance.

S.J.R. 1 directs the comptroller of public accounts of the State of Texas to invest both fund balances according to the established prudent investor standard to efficiently balance fund security and optimal investment returns. Finally, for purposes of budget planning, money transferred from the ESF to either of these funds will not count toward the constitutional spending limit.

S.J.R. 1 proposes a constitutional amendment to provide for the creation and use of funds in the state treasury to provide financial assistance for certain projects related to economic development and water infrastructure and for the transfer to the funds of money from the economic stabilization fund.

RULEMAKING AUTHORITY

This bill does not expressly 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-12, as follows:

> Sec. 49-d-12. (a) Creates the state water implementation fund for Texas (SWIFT) as a special fund in the state treasury outside the general revenue fund to provide a means to finance water infrastructure projects in this state.

(b) Authorizes money or other assets in SWIFT to be used only to fund water infrastructure projects included in the statewide water plan that is adopted as required by general law by the Texas Water Development Board or that board's successor in function.

(c) Provides that SWIFT consists of money or other assets deposited, appropriated, or otherwise transferred to the credit of the fund as provided by law and interest or other investment earnings that accrue on the balance of SWIFT.

(d) Authorizes the legislature by general law to provide for the assets of SWIFT to be invested separately from the investment of other treasury assets and funds to the extent that the general law ensures that, in managing the assets of SWIFT, on behalf of SWIFT, SWIFT's investment manager is authorized to acquire, exchange, sell, supervise, manage, or retain any kind of investment that a prudent investor, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of SWIFT then prevailing, taking into consideration the investment of all the assets of SWIFT rather than a single investment, and taking into consideration the goal of preserving the aggregate purchasing power of SWIFT assets.

(e) Requires the legislature by general law to prescribe the manner in which the assets of SWIFT are authorized to be used, subject to the limitations provided by Subsections (a) and (b) of this section.

(f) Provides that an appropriation from SWIFT is an appropriation of state tax revenues dedicated by this constitution for the purposes of Section 22 (Restriction on Appropriations), Article VIII (Taxation and Revenue), of this constitution.

(g) Provides that on November 30, 2013, the amount of $2.5 billion is transferred from the economic stabilization fund (ESF) to the credit of SWIFT. Provides that this subsection expires January 1, 2014.

SECTION 2. Amends Section 49-p, Article III, Texas Constitution, by adding Subsection (e), to authorize that money appropriated to the credit of the state highway fund be appropriated to repay the principal and interest on bonds issued under this section.

SECTION 3. Amends Article XVI, Texas Constitution, by adding Section 74, as follows:

Sec. 74. (a) Defines "commission," "economic development infrastructure," "fund," and "political subdivision" in this section.

(b) Creates the state infrastructure fund (SIF) as a special fund in the state treasury outside the general revenue fund. Provides that SIF consists of money or other assets deposited, appropriated, or otherwise transferred to the credit of SIF as provided by law, donations made to SIF, loan repayments received by the Texas Transportation Commission (TTC) from loans made under this section, and interest or other investment earnings that accrue on the balance of SIF.

(c) Authorizes TTC to use money or other assets in SIF only to provide loans to political subdivisions for projects related to economic development infrastructure or credit enhancement to political subdivisions and other governmental entities for projects related to economic development infrastructure.

(d) Requires that money or other assets in SIF be invested separately from the investment of other treasury assets and funds. Authorizes the comptroller of public accounts of the State of Texas, in managing the assets of SIF, to acquire, exchange, sell, supervise, manage, or retain any kind of investment that a prudent investor, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of SIF then prevailing, taking into consideration the investment of all the assets of

SIF rather than a single investment, and taking into consideration the goal of preserving the aggregate purchasing power of SIF assets.

(e) Requires the legislature by general law to prescribe the manner in which the assets of SIF are authorized to be used, subject to the limitations provided by Subsection (c) of this section.

(f) Prohibits money in SIF from being used for passenger rail projects.

(g) Provides that an appropriation from SIF is an appropriation of state tax revenues dedicated by this constitution for the purposes of Section 22, Article VIII, of this constitution.

(h) Provides that on November 30, 2013, the amount of $3.5 billion is transferred from ESF to the credit of SIF. Provides that this section expires January 1, 2014.

SECTION 4. (a) Requires that the proposed constitutional amendment providing for adding Section 49-d-12, Article III, to the constitution be submitted to the voters at an election to be held November 5, 2013. Sets forth the required language of the ballot.

(b) Requires that the proposed constitutional amendment providing for amending Section 49-p, Article III, and adding Section 74, Article XVI, to the constitution be submitted to the voters at an election to be held November 5, 2013. Sets forth the required language of the ballot.