

## **BILL ANALYSIS**

S.B. 360  
By: Fraser  
Natural Resources  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

S.B. 360 amends the Rural Water Assistance Fund (fund) to consolidate into one subchapter all the different types of funding options currently available to rural political subdivisions at the Texas Water Development Board (TWDB).

S.B. 2, 77th Legislature, Regular Session, 2001, created the fund as a means to set aside funds at TWDB for water and wastewater projects in rural communities. Although rural borrowers may obtain financing through other funds administered by TWDB, it is confusing for some of these entities to navigate which program best suits their needs. In addition, small rural systems are often unable to compete with the big cities for funding. Expanding this fund to streamline and consolidate the various programs available to rural political subdivisions will make it easier for these entities to access affordable financing for water and wastewater projects.

As proposed, S.B. 360 amends current law relating to the composition and use of money in the rural water assistance fund.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **ANALYSIS**

SECTION 1. Amends Section 15.992, Water Code, by amending Subdivision (2) and adding Subdivision (3-a) to redefine "federal agency" and define "nonprofit water supply or sewer service corporation."

SECTION 2. Amends Section 15.993, Water Code, as follows:

Sec. 15.993. FUND. Provides that the rural water assistance fund (fund) is a special fund in the state treasury. Provides that the fund consists of money from certain sources, including money directly appropriated to the Texas Water Development Board (TWDB) for a purpose of the fund; repayment of principal and interest from loans made from the fund not otherwise needed as a source of revenue pursuant to Section 17.9615(b); money transferred by the board from any sources available; interest earned on the investment of money in the fund and depository interest allocable to the fund; money transferred to the fund from the water assistance fund in accordance with Section 15.011 (b) (relating to authorizing transfer of money from the fund to the certain other funds), including proceeds from the sale of political subdivision bonds by TWDB to the Texas Water Resources Finance Authority that are deposited in the water assistance fund as provided by Section 17.0871 (Sale of Political Subdivision Bonds to the Texas Water Resources Finance Authority); money from gifts, grants, or donations to the fund; and any other fees or sources of revenue that the legislature may dedicate for deposit to the fund. Makes nonsubstantive changes.

SECTION 3. Amends Section 15.994, Water Code, by amending Subsections (a), (b), (c), and (e) and adding Subsection (h), as follows:

(a) Authorizes the fund to be used to provide low-interest loans to rural political subdivisions for:

(1) water or water-related projects and for water quality enhancement projects, including the construction of infrastructure facilities for wholesale or retail water or sewer service, desalination projects, the purchase or lease for water well fields, property necessary for water well fields, the purchase or lease of rights to produce groundwater, onsite or wetland wastewater treatment facilities, and the interim financing of construction projects;

(2) water projects included in the state water plan or a regional water plan;

(3) development of groundwater sources and acquisition of water rights, including groundwater and surface water rights;

(4) the acquisition of retail public utilities as defined by Section 13.002 (Definitions);

(5) the acquisition of water supply or sewer service facilities or systems owned by municipalities or other political subdivisions;

(6) construction, acquisition, or improvement of water and wastewater projects to provide service to an economically distressed area;

(7) planning and design costs, permitting costs, and other costs associated with state or federal regulatory activities with respect to a project; and

(8) obtaining water or wastewater service supplied by other political subdivisions or financing the consolidation or regionalizing of neighboring political subdivisions, or both, rather than authorizing the fund to be used to enable a rural political subdivision to obtain water or wastewater service supplied by larger political subdivisions or to finance the consolidation or regionalizing of neighboring political subdivisions, or both. Deletes existing Subsection (b).

(b) Authorizes the fund to be used to provide zero interest loans, negative interest loans, loan forgiveness, or grants for any purpose described by Subsection (a) under criteria developed by TWDB.

(c) Authorizes TWDB to use money in the fund to contract for outreach, financial, and technical assistance to assist rural political subdivisions in obtaining and using financing from the fund, rather than authorizing the fund to be used to finance an outreach and technical assistance program to assist rural political subdivisions in obtaining assistance through the fund. Deletes existing text authorizing TWDB to use the money in the fund to contract for such outreach and technical assistance.

(e) Authorizes a rural political subdivision to enter into an agreement with a federal agency, a state agency, or another rural political subdivision to submit a joint application for financial assistance under this subchapter. Makes a nonsubstantive change.

(h) Authorizes TWDB to coordinate its review of an application submitted under this subchapter with a federal agency to avoid duplication of efforts and costs.

SECTION 4. Amends the heading to Section 15.995, Water Code, to read as follows:

Sec. 15.995. FINANCIAL ASSISTANCE IN GENERAL.

SECTION 5. Amends Subchapter R, Chapter 15, Water Code, by adding Section 15.996, as follows:

Sec. 15.996. LOANS TO NONPROFIT WATER SUPPLY OR SEWER SERVICE CORPORATIONS. (a) Authorizes TWDB, in addition to any other method of providing financial assistance authorized by this subchapter, to make financial assistance available

to an applicant that is a nonprofit water supply or sewer service corporation by entering into a loan agreement with the applicant.

(b) Requires the applicant, to be eligible to receive financial assistance under this section, to execute a promissory note for the full amount of the loan and to provide to TWDB an attorney's opinion stating that the applicant has the authority to incur the debt.

(c) Provides that an applicant for financial assistance under this section is not required to appoint or employ a bond counsel or a financial advisor.

SECTION 6. Provides for the effective date of this Act.

**EFFECTIVE DATE**

This Act takes effect September 1, 2011.