

BILL ANALYSIS

Senate Research Center

S.J.R. 4
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Finance
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.J.R. 4 is a product of the Sunset Advisory Commission's recommendations on the Texas Water Development Board's (TWDB) ability to issue debt. S.J.R. 4 authorizes TWDB to issue development fund self-supporting general obligation fund bonds, at its discretion and on a continuing basis, in amounts such that the aggregate principal amount outstanding at any time does not exceed \$6 billion.

This bond program, essentially a revolving bond fund, would afford TWDB and its service base (political subdivisions) greater flexibility in targeting needs across a longer time horizon.

These bonds would not count toward the constitutional debt limit until the legislature appropriates the debt service. The Texas Bond Review would continue to calculate the constitutional debt limit using authorized but uninsured development fund bonds.

TWDB functions primarily as a financing entity, banking water infrastructure projects for a variety of political subdivisions. TWDB's current bonding capacity is not sufficient to meet the needs of local governments that are upgrading infrastructure to meet growing demand associated with a larger consumer base.

TWDB has an excellent record of managing large bond portfolios without any defaults. TWDB has no defaults in the history of its Water/Wastewater Loan Program or State Revolving Fund programs. TWDB bonds consistently receive AAA ratings and has outperformed the state's bond ratings.

As proposed, S.J.R. 4 proposes a constitutional amendment providing for the issuance of additional general obligation bonds by the Texas Water Development Board.

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-11, as follows:

Sec. 49-d-11. (a) Authorizes the Texas Water Development Board (TWDB), in addition to the bonds authorized by the other provisions of this article, to issue general obligation bonds, at its determination and on a continuing basis, for one or more accounts of the Texas Water Development Fund II in amounts such that the aggregate principal amount of the bonds issued by TWDB under this section that are outstanding at any time does not exceed \$6 billion.

(b) Provides that Section 49-d-8 (Texas Water Development Fund II) of this article applies to the bonds authorized by this section. Provides that the limitation in Section 49-d-8 of this article that TWDB may not issue bonds in excess of the aggregate principal amount of previously authorized bonds does not apply to the bonds authorized by and issued under this section.

(c) Provides that a limitation on the percentage of state participation in any single project imposed by this article does not apply to a project funded with the proceeds of bonds issued under the authority of this section or Section 49-d-8 of this article.

SECTION 2. Requires the proposed constitutional amendment to be submitted to the voters at an election to be held November 8, 2011. Sets forth the required language of the ballot.