

By: Fraser, et al.

S.B. No. 4

A BILL TO BE ENTITLED

AN ACT

relating to the administration and functions of the Texas Water Development Board; authorizing the issuance of revenue bonds.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. ADMINISTRATION OF THE TEXAS WATER DEVELOPMENT BOARD

SECTION 1.01. Subsections (a) and (b), Section 6.052, Water Code, are amended to read as follows:

(a) The board is composed of three [~~six~~] members who are appointed by the governor with the advice and consent of the senate. One member must have experience in the field of engineering, one member must have experience in the field of public or private finance, and one member must have experience in the field of law or business.

(b) The governor shall make the appointments in such a manner that the members reflect the diverse geographic regions and population groups of this state and do not have any conflicts [~~each member is from a different section of the state and has no conflict~~] of interest prohibited by state or federal law.

SECTION 1.02. Section 6.053, Water Code, is amended by adding Subsection (d) to read as follows:

(d) A person is not eligible for appointment to the board if the person served on the board on or before January 1, 2013.

SECTION 1.03. Section 6.054, Water Code, is amended by amending Subsection (c) and adding Subsection (d) to read as

1 follows:

2 (c) If the executive administrator or a member has knowledge
3 that a potential ground for removal exists, the executive
4 administrator shall notify the chairman of the board of the
5 potential ground. The chairman of the board shall then notify the
6 governor and the attorney general that a potential ground for
7 removal exists. If the potential ground for removal includes the
8 chairman of the board, the executive administrator or another
9 member of the board shall notify the member [~~next highest ranking~~
10 ~~officer~~] of the board with the most seniority, who shall then notify
11 the governor and the attorney general that a potential ground for
12 removal exists.

13 (d) The governor, with the advice and consent of the senate,
14 may remove a board member from office as provided by Section 9,
15 Article XV, Texas Constitution.

16 SECTION 1.04. Section 6.056, Water Code, is amended to read
17 as follows:

18 Sec. 6.056. TERMS OF OFFICE. (a) The members of the board
19 hold office for staggered terms of six years, with the term [~~terms~~]
20 of one member [~~two members~~] expiring February 1 of each
21 odd-numbered year [~~every two years~~]. Each member holds office
22 until a [~~his~~] successor is appointed and has qualified.

23 (b) A person appointed to the board may not serve for more
24 than two six-year terms.

25 SECTION 1.05. Section 6.059, Water Code, is amended to read
26 as follows:

27 Sec. 6.059. CHAIRMAN OF THE BOARD [~~OFFICERS~~]. [~~(a)~~] The

1 governor shall designate one member as chairman of the board to
2 serve at the will of the governor.

3 ~~[(b) The members of the board shall elect a vice-chairman~~
4 ~~every two years. The board shall fill a vacancy in the office of~~
5 ~~vice-chairman for the remainder of the unexpired term.]~~

6 SECTION 1.06. Subsections (a) and (b), Section 6.060, Water
7 Code, are amended to read as follows:

8 (a) The board shall hold regular meetings and all hearings
9 at times specified by a board order and entered in its minutes ~~[meet~~
10 ~~at least once every other month on a day and at a place within the~~
11 ~~state selected by it, subject to recesses at the discretion of the~~
12 ~~board].~~ The ~~[chairman or two]~~ board ~~[members]~~ may hold special
13 meetings at the times and places in this state that the board
14 decides are appropriate for the performance of its duties. The
15 chairman of the board or the board member acting for the chairman
16 shall give the other members reasonable notice before holding a
17 special meeting ~~[call a special meeting at any time by giving notice~~
18 ~~to the other members].~~

19 (b) The chairman ~~[or in his absence the vice-chairman]~~ shall
20 preside at all meetings of the board. The chairman may designate
21 another board member to act for the chairman in the chairman's
22 absence.

23 SECTION 1.07. Section 6.061, Water Code, is amended to read
24 as follows:

25 Sec. 6.061. FULL-TIME SERVICE. Each member of the board
26 shall serve on a full-time basis. ~~[COMPENSATION; EXPENSES. A~~
27 ~~member is entitled to receive an amount as provided by the General~~

1 ~~Appropriations Act for each day he serves in the performance of his~~
2 ~~duties, together with travel and other necessary expenses.]~~

3 SECTION 1.08. Section 6.103, Water Code, is amended to read
4 as follows:

5 Sec. 6.103. EXECUTIVE ADMINISTRATOR. The board shall
6 appoint a person to be the executive administrator to serve at the
7 will of the board. A person is not eligible for appointment as the
8 executive administrator if the person served in that capacity on
9 January 1, 2013.

10 SECTION 1.09. (a) Not later than September 1, 2013, the
11 governor shall appoint the initial members of the Texas Water
12 Development Board under Section 6.052, Water Code, as amended by
13 this Act. In appointing the initial members of the board, the
14 governor shall appoint one person to a term expiring February 1,
15 2015, one to a term expiring February 1, 2017, and one to a term
16 expiring February 1, 2019.

17 (b) The terms of the current members of the board expire
18 September 1, 2013.

19 SECTION 1.10. (a) Not later than October 1, 2013, the
20 Texas Water Development Board shall appoint the executive
21 administrator of the board under Section 6.103, Water Code, as
22 amended by this Act.

23 (b) The person currently serving as the executive
24 administrator of the board ceases to serve in that capacity on the
25 date a new executive administrator is appointed under Subsection
26 (a) of this section.

1 ARTICLE 2. FUNDING OF WATER PROJECTS

2 SECTION 2.01. (a) The legislature recognizes the
3 importance of providing for this state's future water supply needs.
4 The purpose of this article is to ensure that proper funding in the
5 form of meaningful and adequate financial assistance is available
6 to provide an adequate water supply for the future of this state.

7 (b) To accomplish that purpose, this article creates the
8 state water implementation fund for Texas. The fund is intended to
9 serve as a water infrastructure bank in order to enhance the
10 financing capabilities of the Texas Water Development Board under
11 constitutionally created programs and revenue bond programs. The
12 fund provides a source of revenue or security for those programs and
13 provides a cash flow mechanism under which money used in board
14 programs flows back to the fund to provide protection for the fund's
15 corpus. Money in the fund will be available immediately to provide
16 support for low-interest loans, longer repayment terms for loans,
17 incremental repurchase terms for projects in which the state owns
18 an interest, and deferral of loan payments. Money in the fund may
19 not be used to make grants. In addition, this article creates the
20 state water implementation revenue fund for Texas for use in
21 managing revenue bonds issued by the board that are supported by the
22 state water implementation fund for Texas.

23 SECTION 2.02. Section 15.301, Water Code, is amended to
24 read as follows:

25 Sec. 15.301. FUND CREATED. There is created a fund in the
26 state treasury to be known as the storage acquisition fund which is
27 to be funded by:

- 1 (1) direct appropriations;
2 (2) [~~and by~~] transfers from the fund at the discretion
3 of the board; and
4 (3) money disbursed to the fund from the state water
5 implementation fund for Texas as authorized by Section 15.434.

6 SECTION 2.03. Section 15.302, Water Code, is amended by
7 amending Subsection (a) and adding Subsection (c) to read as
8 follows:

9 (a) The board may use the storage acquisition fund for
10 projects including the design, acquisition, lease, construction,
11 reconstruction, development, or enlargement in whole or part of any
12 existing or proposed water storage or conveyance project.

13 (c) The board shall transfer back to the state water
14 implementation fund for Texas any money disbursed to the storage
15 acquisition fund as described by Section 15.301(3) if the
16 requirements of Section 15.435 are satisfied.

17 SECTION 2.04. Chapter 15, Water Code, is amended by adding
18 Subchapters G and H to read as follows:

19 SUBCHAPTER G. STATE WATER IMPLEMENTATION FUND FOR TEXAS

20 Sec. 15.431. DEFINITIONS. In this subchapter:

21 (1) "Advisory committee" means the State Water
22 Implementation Fund for Texas Advisory Committee.

23 (2) "Fund" means the state water implementation fund
24 for Texas.

25 (3) "Historically underutilized business" has the
26 meaning assigned by Section 2161.001, Government Code.

27 (4) "Trust company" means the Texas Treasury

1 Safekeeping Trust Company.

2 Sec. 15.432. FUND. (a) The state water implementation
3 fund for Texas is a special fund in the state treasury outside the
4 general revenue fund to be used by the board for the purpose of
5 implementing the state water plan as provided by this subchapter.
6 The board may establish separate accounts in the fund. The fund and
7 the accounts in the fund are managed by the trust company.

8 (b) Money deposited to the credit of the fund may be used
9 only as provided by this subchapter.

10 (c) The fund consists of:

11 (1) money transferred or deposited to the credit of
12 the fund by law, including money from any source transferred or
13 deposited to the credit of the fund at the board's discretion as
14 authorized by law;

15 (2) the proceeds of any fee or tax imposed by this
16 state that by statute is dedicated for deposit to the credit of the
17 fund;

18 (3) any other revenue that the legislature by statute
19 dedicates for deposit to the credit of the fund;

20 (4) investment earnings and interest earned on amounts
21 credited to the fund; and

22 (5) money transferred to the fund under a bond
23 enhancement agreement from another fund or account to which money
24 from the fund was transferred under a bond enhancement agreement,
25 as authorized by Section 15.435.

26 Sec. 15.433. MANAGEMENT AND INVESTMENT OF FUND. (a) The
27 trust company shall hold and invest the fund, and any accounts

1 established in the fund, for and in the name of the board, taking
2 into account the purposes for which money in the fund may be used.
3 The fund may be invested with the state treasury pool.

4 (b) The overall objective for the investment of the fund is
5 to maintain sufficient liquidity to meet the needs of the fund while
6 striving to preserve the purchasing power of the fund.

7 (c) The trust company has any power necessary to accomplish
8 the purposes of managing and investing the assets of the fund. In
9 managing the assets of the fund, through procedures and subject to
10 restrictions the trust company considers appropriate, the trust
11 company may acquire, exchange, sell, supervise, manage, or retain
12 any kind of investment that a prudent investor, exercising
13 reasonable care, skill, and caution, would acquire or retain in
14 light of the purposes, terms, distribution requirements, and other
15 circumstances of the fund then prevailing, taking into
16 consideration the investment of all the assets of the fund rather
17 than a single investment.

18 (d) The trust company may charge fees to cover its costs
19 incurred in managing and investing the fund. The fees must be
20 consistent with the fees the trust company charges other state and
21 local governmental entities for which it provides investment
22 management services. The trust company may recover fees it charges
23 under this subsection only from the earnings of the fund.

24 (e) The trust company annually shall provide a written
25 report to the board and to the advisory committee with respect to
26 the investment of the fund. The trust company shall contract with a
27 certified public accountant to conduct an independent audit of the

1 fund annually and shall present the results of each annual audit to
2 the board and to the advisory committee. This subsection does not
3 affect the state auditor's authority to conduct an audit of the fund
4 under Chapter 321, Government Code.

5 (f) The trust company shall adopt a written investment
6 policy that is appropriate for the fund. The trust company shall
7 present the investment policy to the investment advisory board
8 established under Section 404.028, Government Code. The investment
9 advisory board shall submit to the trust company recommendations
10 regarding the policy.

11 (g) The board annually shall provide to the trust company a
12 forecast of the cash flows into and out of the fund. The board shall
13 provide updates to the forecasts as appropriate to ensure that the
14 trust company is able to achieve the objective specified by
15 Subsection (b).

16 (h) The trust company shall disburse money from the fund as
17 directed by the board. The board shall direct disbursements from
18 the fund on a semiannual schedule specified by the board and not
19 more frequently than twice in any state fiscal year.

20 (i) An investment-related contract entered into under this
21 section is not subject to Chapter 2260, Government Code.

22 Sec. 15.434. USE OF FUND; PAYMENTS TO AND FROM OTHER FUNDS
23 OR ACCOUNTS. (a) At the direction of the board, the trust company
24 shall make disbursements from the fund to another fund or account
25 pursuant to a bond enhancement agreement authorized by Section
26 15.435 in the amounts the board determines are needed for debt
27 service payments on or security provisions of the board's general

1 obligation bonds or revenue bonds, after considering all other
2 sources available for those purposes in the respective fund or
3 account.

4 (b) Of the money disbursed from the fund during the
5 five-year period between the adoption of a state water plan and the
6 adoption of a new plan, the board shall undertake to apply not less
7 than:

8 (1) 10 percent to support projects described by
9 Section 15.435 that are for:

10 (A) rural political subdivisions as defined by
11 Section 15.992; or

12 (B) agricultural water conservation; and

13 (2) 20 percent to support projects described by
14 Section 15.435, including agricultural irrigation projects, that
15 are designed for water conservation or reuse.

16 Sec. 15.435. BOND ENHANCEMENT AGREEMENTS. (a) A bond
17 enhancement agreement entered into under this section is an
18 agreement for professional services. A bond enhancement agreement
19 must contain terms that are consistent with Section 15.433(h), and
20 the agreement, including the period covered by the agreement and
21 all other terms and conditions of the agreement, must be approved by
22 the board. An obligation to disburse money from the fund, or from a
23 special account established by the board, in accordance with a bond
24 enhancement agreement is a special obligation of the board payable
25 solely from designated income and receipts of the fund or of the
26 account, as determined by the board. An obligation to disburse
27 money from the fund, or from a special account established by the

1 board, in accordance with a bond enhancement agreement does not
2 constitute indebtedness of the state.

3 (b) To facilitate the use of the fund for the purposes of
4 this subchapter, the board may direct the trust company to enter
5 into bond enhancement agreements to provide a source of revenue or
6 security for the payment of the principal of and interest on general
7 obligation bonds, including bonds issued under Section 49-d-9 or
8 49-d-11, Article III, Texas Constitution, or revenue bonds issued
9 by the board to finance or refinance projects included in the state
10 water plan if the proceeds of the sale of the bonds have been or will
11 be deposited to the credit of:

12 (1) the state water implementation revenue fund for
13 Texas;

14 (2) the storage acquisition fund;

15 (3) the water infrastructure fund;

16 (4) the rural water assistance fund;

17 (5) the Texas Water Development Fund II state
18 participation account; or

19 (6) the agricultural water conservation fund.

20 (c) If the trust company enters into a bond enhancement
21 agreement under Subsection (b), the board may direct the trust
22 company to make disbursements from the fund to another fund or
23 account for the support of bonds the proceeds of which are used to
24 provide financial assistance in the form of:

25 (1) a loan bearing an interest rate of not less than 50
26 percent of the then-current market rate of interest available to
27 the board;

1 (2) a loan to finance a facility under repayment terms
2 similar to the terms of debt customarily issued by the entity
3 requesting assistance but not to exceed the lesser of:

4 (A) the expected useful life of the facility; or

5 (B) 30 years;

6 (3) a deferral of loan repayment, including deferral
7 of the repayment of:

8 (A) principal and interest; or

9 (B) accrued interest;

10 (4) incremental repurchase terms for an acquired
11 facility, including terms for no initial repurchase payment
12 followed by progressively increasing incremental levels of
13 interest payment, repurchase of principal and interest, and
14 ultimate repurchase of the entire state interest in the facility
15 using simple interest calculations; or

16 (5) a combination of the methods of financing
17 described by Subdivisions (1)-(4).

18 (d) The board may direct the trust company to enter into
19 bond enhancement agreements with respect to bonds issued by the
20 board before September 1, 2013, only if:

21 (1) those bonds otherwise satisfy the requirements of
22 Subsections (b) and (c);

23 (2) the proceeds of those bonds were or are required to
24 be used only for the implementation of water projects recommended
25 through the state and regional water planning processes under
26 Sections 16.051 and 16.053; and

27 (3) general revenue of the state was appropriated

1 before September 1, 2013, for the payment of debt service on those
2 bonds.

3 (e) The board may direct the trust company to enter into
4 bond enhancement agreements with respect to refunding bonds issued
5 by the board to refund bonds issued by the board the proceeds of
6 which have been or are to be used for projects included in the state
7 water plan and which otherwise satisfied the requirements of
8 Subsections (b) and (c).

9 (f) The board may not direct the trust company to enter into
10 a bond enhancement agreement with respect to bonds issued by the
11 board the proceeds of which have been or are to be used to make
12 grants.

13 (g) The board may not direct the trust company to enter into
14 a bond enhancement agreement with respect to bonds issued by the
15 board the proceeds of which may be used to provide financial
16 assistance to an applicant if at the time of the request the
17 applicant has failed to:

18 (1) submit or implement a water conservation plan in
19 accordance with Section 11.1271; or

20 (2) satisfactorily complete a request by the executive
21 administrator or a regional water planning group for information
22 relevant to the project for which the financial assistance is
23 sought, including a water infrastructure financing survey under
24 Section 16.053(q).

25 (h) The board may not direct the trust company to enter into
26 a bond enhancement agreement with respect to bonds issued by the
27 board the proceeds of which may be used to provide financial

1 assistance to an applicant unless at the time of the request the
2 applicant has acknowledged its legal obligation to comply with any
3 applicable requirements of:

4 (1) federal law relating to contracting with
5 disadvantaged business enterprises; and

6 (2) state law relating to contracting with
7 historically underutilized businesses.

8 (i) The board may not approve a bond enhancement agreement
9 with respect to bonds issued by the board unless the agreement
10 contains a provision to the effect that if the trust company makes a
11 disbursement under the bond enhancement agreement from the fund to
12 the credit of another fund or account as provided by Section
13 15.434(a), the board shall direct the comptroller to transfer an
14 amount not to exceed that amount from the fund or account receiving
15 the payment back to the fund if:

16 (1) money is available in the surplus balance in the
17 fund or account for that purpose; and

18 (2) the money transferred back to the fund will not
19 cause general obligation bonds that are payable from the fund or
20 account receiving the payment to no longer be self-supporting for
21 purposes of Section 49-j(b), Article III, Texas Constitution.

22 (j) For purposes of Subsection (h)(1), the surplus balance
23 of a fund or account that receives a disbursement from the fund
24 under a bond enhancement agreement is the amount of money on deposit
25 in the fund or account, as determined by the board, that is
26 attributable to the general obligation bonds or revenue bonds that
27 are the subject of the bond enhancement agreement, including money

1 received from the sale or other disposition of the board's rights to
2 receive repayment of financial assistance, money received from the
3 sale, transfer, or lease of an acquired facility, money received
4 from the sale of water associated with an acquired facility, and
5 related investment earnings, that exceeds the amount required to
6 pay annual debt service on the bonds and any other amounts specified
7 in the resolution or other proceedings authorizing the bonds and
8 any related obligations.

9 (k) The board shall submit each bond enhancement agreement
10 and the record relating to the agreement to the attorney general for
11 examination as to the validity of the agreement. If the attorney
12 general finds that the agreement has been made in accordance with
13 the constitution and other laws of this state, the attorney general
14 shall approve the agreement and the comptroller shall register the
15 agreement. If the agreement is not submitted at the same time that
16 the bonds to which it relates are submitted, the agreement shall be
17 treated as a public security solely for the purposes of Section
18 1202.004, Government Code.

19 (l) After a bond enhancement agreement has been approved and
20 registered as provided by Subsection (k), the agreement is valid
21 and is incontestable for any cause.

22 (m) At the direction of the board, the trust company shall
23 make disbursements from the fund, or from a special account
24 established by the board, in accordance with a bond enhancement
25 agreement in the amounts the board determines are needed for debt
26 service payments on, or for security provisions of, general
27 obligation bonds or revenue bonds issued by the board the proceeds

1 of the sale of which have been deposited in another fund
2 administered by the board, or in an account in that other fund, for
3 use in accordance with this subchapter, after the board considers
4 all other sources available for those purposes in that other fund or
5 account. Money transferred under this subsection may be deposited
6 into that other fund or into a special account established by the
7 trust company or a corporate trustee that is a trust company or a
8 bank that has the powers of a trust company, as determined by the
9 board.

10 Sec. 15.436. PRIORITIZATION OF PROJECTS BY REGIONAL WATER
11 PLANNING GROUPS. (a) Each regional water planning group shall
12 prioritize projects in its respective regional water plan for the
13 purposes of Section 15.435. At a minimum, a regional water planning
14 group must consider the following criteria in prioritizing each
15 project:

- 16 (1) the decade in which the project will be needed;
17 (2) the feasibility of the project, including the
18 availability of water rights for purposes of the project and the
19 hydrological and scientific practicability of the project;
20 (3) the sustainability of the project, taking into
21 consideration the life of the project; and
22 (4) the cost-effectiveness of the project, taking into
23 consideration the expected unit cost of the water to be supplied by
24 the project.

25 (b) In prioritizing projects, each regional water planning
26 group shall include projects that meet long-term needs as well as
27 projects that meet short-term needs.

1 (c) The board shall create a stakeholders committee
2 composed of the presiding officer or a person designated by the
3 presiding officer of each regional water planning group to
4 establish standards to be used by the regional water planning
5 groups in prioritizing projects under this section. The
6 stakeholders committee may establish different standards to be used
7 by different regional water planning groups as necessary to account
8 for different circumstances affecting each region. Standards
9 established under this subsection must be approved by the board.
10 The board shall consult the stakeholders committee from time to
11 time regarding regional prioritization of projects.

12 (d) Each regional water planning group shall submit to the
13 board the prioritization developed by the group under this section
14 together with the group's respective regional water plan developed
15 and submitted under Section 16.053.

16 Sec. 15.437. PRIORITIZATION OF PROJECTS BY BOARD. (a) The
17 board shall prioritize projects included in the state water plan
18 for the purpose of providing financial assistance under this
19 subchapter.

20 (b) The board shall establish a system for prioritizing
21 projects for which financial assistance is sought from the board.
22 The system must provide for giving priority to projects in the
23 following order:

24 (1) projects that develop new water supplies, provide
25 for the conservation or reuse of existing supplies, or provide for
26 the conveyance of new water supplies to a water supply system;

27 (2) projects for new or expanded water treatment

1 plants to treat newly developed water supplies; and

2 (3) projects that meet unidentified future water
3 supply needs.

4 (c) The system established under Subsection (b) must
5 incorporate the following prioritization criteria:

6 (1) the recommendation of the state water plan
7 regarding timing of implementation of the project;

8 (2) the scope of the regional benefits of the project,
9 considering the number of entities and the size of the population to
10 be served by the project or other factors;

11 (3) the type of state financial assistance sought for
12 the project;

13 (4) the percentage of the water supply needs of the
14 region served by the project that will be met by the project;

15 (5) the status of implementation of the project;

16 (6) the amount of local funds already used or to be
17 used to finance the project; and

18 (7) the priority given the project by the applicable
19 regional water planning group under Section 15.436.

20 Sec. 15.438. ADVISORY COMMITTEE. (a) The State Water
21 Implementation Fund for Texas Advisory Committee is composed of the
22 following seven members:

23 (1) the comptroller, or a person designated by the
24 comptroller;

25 (2) three members of the senate appointed by the
26 lieutenant governor, including:

27 (A) a member of the committee of the senate

1 having primary jurisdiction over matters relating to finance; and
2 (B) a member of the committee of the senate
3 having primary jurisdiction over natural resources; and
4 (3) three members of the house of representatives
5 appointed by the speaker of the house of representatives,
6 including:
7 (A) a member of the committee of the house of
8 representatives having primary jurisdiction over appropriations;
9 and
10 (B) a member of the committee of the house of
11 representatives having primary jurisdiction over natural
12 resources.
13 (b) The following persons shall serve as staff support for
14 the advisory committee:
15 (1) the deputy executive administrator of the board
16 who is responsible for water science and conservation or a person
17 who holds an equivalent position at the agency, or a person
18 designated by that person;
19 (2) the deputy executive administrator of the board
20 who is responsible for water resources planning and information or
21 a person who holds an equivalent position at the agency, or a person
22 designated by that person; and
23 (3) the chief financial officer of the board, or a
24 person who holds an equivalent position at the agency.
25 (c) The advisory committee shall select a nationally
26 recognized bond counsel and financial advisor to serve as the
27 advisory committee's independent legal counsel for the purpose of

1 advising the advisory committee in connection with the
2 administration of the advisory committee's duties under this
3 section. The board is responsible for paying the cost of retaining
4 a bond counsel and financial advisor and may pay the cost from the
5 fund.

6 (d) An appointed member of the advisory committee serves at
7 the will of the person who appointed the member.

8 (e) The lieutenant governor shall appoint a co-presiding
9 officer of the advisory committee from among the members appointed
10 by the lieutenant governor, and the speaker of the house of
11 representatives shall appoint a co-presiding officer of the
12 committee from among the members appointed by the speaker.

13 (f) The advisory committee may hold public hearings, formal
14 meetings, or work sessions. Either co-presiding officer of the
15 advisory committee may call a public hearing, formal meeting, or
16 work session of the advisory committee at any time. The advisory
17 committee may not take formal action at a public hearing, formal
18 meeting, or work session unless a quorum of the committee is
19 present.

20 (g) Except as otherwise provided by this subsection, a
21 member of the advisory committee is not entitled to receive
22 compensation for service on the committee or reimbursement for
23 expenses incurred in the performance of official duties as a member
24 of the committee. Service on the advisory committee by a member of
25 the senate or house of representatives is considered legislative
26 service for which the member is entitled to reimbursement and other
27 benefits in the same manner and to the same extent as for other

1 legislative service.

2 (h) The advisory committee shall submit comments and
3 recommendations to the board regarding the use of money in the fund
4 for use by the board in adopting rules under Section 15.439 and in
5 adopting policies and procedures under Section 15.441. The
6 submission must include:

7 (1) comments and recommendations on rulemaking
8 related to the prioritization of projects in regional water plans
9 and the state water plan in accordance with Sections 15.436 and
10 15.437;

11 (2) comments and recommendations on rulemaking
12 related to establishing standards for determining whether projects
13 meet the criteria provided by Section 15.434(b);

14 (3) an evaluation of the available programs for
15 providing financing for projects included in the state water plan
16 and guidelines for implementing those programs, including
17 guidelines for providing financing for projects included in the
18 state water plan that are authorized under Subchapter E, Q, or R of
19 this chapter, Subchapter E or F, Chapter 16, or Subchapter J,
20 Chapter 17;

21 (4) an evaluation of the lending practices of the
22 board and guidelines for lending standards;

23 (5) an evaluation of the use of funds by the board to
24 provide support for financial assistance for water projects,
25 including support for the purposes described by Section 15.435(c);

26 (6) an evaluation of whether premium financing
27 programs should be established within the funds described by

1 Section 15.435 to serve the purposes of this subchapter, especially
2 in connection with projects described by Section 15.434(b);

3 (7) an evaluation of methods for encouraging
4 participation in the procurement process by companies domiciled in
5 this state or that employ a significant number of residents of this
6 state; and

7 (8) an evaluation of the overall operation, function,
8 and structure of the fund.

9 (i) The advisory committee shall review the overall
10 operation, function, and structure of the fund at least
11 semiannually and may provide comments and recommendations to the
12 board on any matter.

13 (j) The advisory committee may adopt rules, procedures, and
14 policies as needed to administer this section and implement its
15 responsibilities.

16 (k) Chapter 2110, Government Code, does not apply to the
17 size, composition, or duration of the advisory committee.

18 (l) The advisory committee is subject to Chapter 325,
19 Government Code (Texas Sunset Act). Unless continued in existence
20 as provided by that chapter, the advisory committee is abolished
21 and this section expires September 1, 2023.

22 (m) The advisory committee shall make recommendations to
23 the board regarding information to be posted on the board's
24 Internet website under Section 15.440(b).

25 (n) The advisory committee shall evaluate and may provide
26 comments or recommendations on the feasibility of the state owning,
27 constructing, and operating water supply projects, including

1 reservoirs and major water supply conveyance infrastructure,
2 through existing financial assistance programs under Subchapter E
3 of this chapter, Subchapter E or F, Chapter 16, or other mechanisms.

4 (o) The executive administrator shall provide an annual
5 report to the advisory committee on:

6 (1) the board's compliance with statewide annual goals
7 relating to historically underutilized businesses; and

8 (2) the participation level of historically
9 underutilized businesses in projects that receive funding related
10 to a bond enhancement agreement under this subchapter.

11 (p) If the aggregate level of participation by historically
12 underutilized businesses in projects that receive funding related
13 to a bond enhancement agreement under this subchapter does not meet
14 statewide annual goals adopted under Chapter 2161, Government Code,
15 the advisory committee shall make recommendations to the board to
16 improve the participation level.

17 Sec. 15.439. RULES. (a) The board shall adopt rules
18 providing for the use of money in the fund that are consistent with
19 this subchapter, including rules:

20 (1) establishing standards for determining whether
21 projects meet the criteria provided by Section 15.434(b); and

22 (2) specifying the manner for prioritizing projects
23 for purposes of Section 15.437.

24 (b) The board shall give full consideration to the
25 recommendations of the advisory committee before adopting rules
26 under this subchapter.

27 Sec. 15.440. REPORTING AND TRANSPARENCY REQUIREMENTS.

1 (a) Not later than December 1 of each even-numbered year, the
2 board shall provide a report to the governor, lieutenant governor,
3 speaker of the house of representatives, and members of the
4 legislature regarding the use of the fund, including the use of the
5 fund to support projects that are for rural political subdivisions
6 or agricultural water conservation or that are designed for water
7 conservation or reuse as required by Section 15.434(b).

8 (b) The board shall post the following information on the
9 board's Internet website regarding the use of the fund and
10 regularly update the information posted:

11 (1) the progress made in developing needed water
12 supply statewide and for the benefit of each regional water
13 planning area; and

14 (2) for each regional water planning area, a
15 description of each project funded through bonds supported by a
16 bond enhancement agreement entered into under Section 15.435,
17 including:

18 (A) the expected date of completion of the
19 project; and

20 (B) the current status of the project.

21 Sec. 15.441. POLICIES AND PROCEDURES TO MITIGATE OR
22 MINIMIZE ADVERSE EFFECTS OF CERTAIN FEDERAL LAWS. The board shall
23 adopt, and may amend from time to time at the board's discretion,
24 policies and procedures for the purpose of mitigating or minimizing
25 the adverse effects, if any, of federal laws and regulations
26 relating to income taxes, arbitrage, rebates, and related matters
27 that may restrict the board's ability to freely invest all or part

1 of the fund or to receive and retain all the earnings from the fund.

2 SUBCHAPTER H. STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS

3 Sec. 15.471. DEFINITION. In this subchapter, "fund" means
4 the state water implementation revenue fund for Texas.

5 Sec. 15.472. FUND. (a) The state water implementation
6 revenue fund for Texas is a special fund in the state treasury
7 outside the general revenue fund to be used by the board only for
8 the purpose of providing financing for projects included in the
9 state water plan that are authorized under Subchapter E, Q, or R of
10 this chapter, Subchapter E or F, Chapter 16, or Subchapter J,
11 Chapter 17. The board may establish separate accounts in the fund.

12 (b) Money deposited to the credit of the fund may be used
13 only as provided by this subchapter.

14 (c) The fund consists of:

15 (1) money transferred or deposited to the credit of
16 the fund by law, including money from any source transferred or
17 deposited to the credit of the fund at the board's discretion as
18 authorized by law;

19 (2) the proceeds of any fee or tax imposed by this
20 state that by statute is dedicated for deposit to the credit of the
21 fund;

22 (3) any other revenue that the legislature by statute
23 dedicates for deposit to the credit of the fund;

24 (4) investment earnings and interest earned on amounts
25 credited to the fund;

26 (5) the proceeds from the sale of bonds, including
27 revenue bonds issued by the board under this subchapter, that are

1 designated by the board for the purpose of providing money for the
2 fund;

3 (6) repayments of loans made from the fund;

4 (7) money from the sale, transfer, or lease of a
5 project acquired, constructed, reconstructed, developed, or
6 enlarged with money from the fund; and

7 (8) money disbursed to the fund from the state water
8 implementation fund for Texas as authorized by Section 15.434.

9 Sec. 15.473. MANAGEMENT AND INVESTMENT OF FUND. (a) Money
10 deposited to the credit of the fund shall be invested as determined
11 by the board. The fund may be invested with the state treasury
12 pool.

13 (b) The fund and any accounts established in the fund shall
14 be kept and maintained by or at the direction of the board.

15 (c) At the direction of the board, the fund and any accounts
16 established in the fund may be managed by the comptroller or a
17 corporate trustee that is a trust company or a bank that has the
18 powers of a trust company for and on behalf of the board and pending
19 their use for the purposes provided by this subchapter may be
20 invested as provided by an order, resolution, or rule of the board.

21 (d) The comptroller or corporate trustee shall manage the
22 fund in strict accordance with this subchapter and the orders,
23 resolutions, and rules of the board.

24 Sec. 15.474. USE OF FUND. (a) Except as provided by
25 Subsection (c), money in the fund may be used by the board only to
26 provide financing or refinancing, under terms specified by the
27 board, for projects included in the state water plan that are

1 authorized under Subchapter E, Q, or R of this chapter, Subchapter E
2 or F, Chapter 16, or Subchapter J, Chapter 17.

3 (b) Financing or refinancing of projects described by
4 Subsection (a) may be provided by using money in the fund to make
5 loans to eligible political subdivisions or to purchase bonds or
6 other obligations of eligible political subdivisions bearing
7 interest at a rate or rates determined by the board, including a
8 rate or rates below prevailing market rates.

9 (c) The board may use money in the fund:

10 (1) as a source of revenue or security for:

11 (A) the payment of the principal of and interest
12 on:

13 (i) revenue bonds issued by the board under
14 this subchapter; or

15 (ii) other bonds issued by the board if the
16 proceeds of the bonds will be deposited in the fund; or

17 (B) a bond enhancement agreement;

18 (2) to acquire loans or other assets from another fund
19 or account administered by the board, including political
20 subdivision bonds sold or disposed of under Section 15.978 or
21 17.968; or

22 (3) to pay the necessary and reasonable expenses of
23 paying agents, bond counsel, and financial advisory services and
24 similar costs incurred by the board in administering the fund.

25 (d) The board, or the comptroller or corporate trustee
26 managing the fund at the direction of the board as provided by
27 Section 15.473(c), shall withdraw from the fund and forward to

1 another person any amounts, as determined by the board, for timely
2 payment of:

3 (1) the principal of and interest on bonds described
4 by Subsection (c)(1)(A) of this section that mature or become due;
5 and

6 (2) any cost related to bonds described by Subsection
7 (c)(1)(A) of this section that become due, including payments under
8 related credit agreements or bond enhancement agreements.

9 Sec. 15.475. ISSUANCE OF REVENUE BONDS. (a) The board may
10 issue revenue bonds for the purpose of providing money for the fund.

11 (b) The board may issue revenue bonds to refund revenue
12 bonds or bonds and obligations issued or incurred in accordance
13 with other provisions of law.

14 (c) Revenue bonds issued under this subchapter are special
15 obligations of the board payable only from and secured by
16 designated income and receipts of the fund, or of one or more
17 accounts in the fund, including principal of and interest paid and
18 to be paid on fund assets or income from accounts created within the
19 fund by the board, as determined by the board.

20 (d) Revenue bonds issued under this subchapter do not
21 constitute indebtedness of the state as prohibited by the
22 constitution.

23 (e) The board may require fund participants to make charges,
24 levy taxes, or otherwise provide for sufficient money to pay
25 acquired obligations.

26 (f) Revenue bonds issued under this subchapter must be
27 authorized by resolution of the board and must have the form and

1 characteristics and bear the designations as the resolution
2 provides.

3 (g) Revenue bonds issued under this subchapter may:

4 (1) bear interest at the rate or rates payable
5 annually or otherwise;

6 (2) be dated;

7 (3) mature at the time or times, serially, as term
8 revenue bonds, or otherwise in not more than 50 years from their
9 dates;

10 (4) be callable before stated maturity on the terms
11 and at the prices, be in the denominations, be in the form, either
12 coupon or registered, carry registration privileges as to principal
13 only or as to both principal and interest and as to successive
14 exchange of coupon for registered bonds or one denomination for
15 bonds of other denominations, and successive exchange of registered
16 revenue bonds for coupon revenue bonds, be executed in the manner,
17 and be payable at the place or places inside or outside the state,
18 as provided by the resolution;

19 (5) be issued in temporary or permanent form;

20 (6) be issued in one or more installments and from time
21 to time as required and sold at a price or prices and under terms
22 determined by the board to be the most advantageous reasonably
23 obtainable; and

24 (7) be issued on a parity with and be secured in the
25 manner as other revenue bonds authorized to be issued by this
26 subchapter or may be issued without parity and secured differently
27 than other revenue bonds.

1 (h) Section 17.955 applies to revenue bonds issued under
2 this subchapter in the same manner as that section applies to water
3 financial assistance bonds.

4 (i) All proceedings relating to the issuance of revenue
5 bonds issued under this subchapter shall be submitted to the
6 attorney general for examination. If the attorney general finds
7 that the revenue bonds have been authorized in accordance with law,
8 the attorney general shall approve the revenue bonds, and the
9 revenue bonds shall be registered by the comptroller. After the
10 approval and registration, the revenue bonds are incontestable in
11 any court or other forum for any reason and are valid and binding
12 obligations in accordance with their terms for all purposes.

13 (j) The proceeds received from the sale of revenue bonds
14 issued under this subchapter may be deposited or invested in any
15 manner and in such investments as may be specified in the resolution
16 or other proceedings authorizing those obligations. Money in the
17 fund or accounts created by this subchapter or created in the
18 resolution or other proceedings authorizing the revenue bonds may
19 be invested in any manner and in any obligations as may be specified
20 in the resolution or other proceedings.

21 Sec. 15.476. SUBCHAPTER CUMULATIVE OF OTHER LAWS.

22 (a) This subchapter is cumulative of other laws on the subject,
23 and the board may use provisions of other applicable laws in the
24 issuance of bonds and other obligations and the execution of bond
25 enhancement agreements, but this subchapter is wholly sufficient
26 authority for the issuance of bonds and other obligations, the
27 execution of bond enhancement agreements, and the performance of

1 all other acts and procedures authorized by this subchapter.

2 (b) In addition to other authority granted by this
3 subchapter, the board may exercise the authority granted to the
4 governing body of an issuer with regard to the issuance of
5 obligations under Chapter 1371, Government Code.

6 SECTION 2.05. Subsection (b), Section 15.973, Water Code,
7 is amended to read as follows:

8 (b) The fund consists of:

9 (1) appropriations from the legislature;

10 (2) any other fees or sources of revenue that the
11 legislature may dedicate for deposit to the fund;

12 (3) repayments of loans made from the fund;

13 (4) interest earned on money credited to the fund;

14 (5) depository interest allocable to the fund;

15 (6) money from gifts, grants, or donations to the
16 fund;

17 (7) money from revenue bonds or other sources
18 designated by the board; ~~and~~

19 (8) proceeds from the sale of political subdivision
20 bonds or obligations held in the fund and not otherwise pledged to
21 the discharge, repayment, or redemption of revenue bonds or other
22 bonds, the proceeds of which were placed in the fund; and

23 (9) money disbursed to the fund from the state water
24 implementation fund for Texas as authorized by Section 15.434.

25 SECTION 2.06. Section 15.974, Water Code, is amended by
26 adding Subsection (b) to read as follows:

27 (b) The board shall transfer back to the state water

1 implementation fund for Texas any money disbursed to the fund as
2 described by Section 15.973(b)(9) if the requirements of Section
3 15.435 are satisfied.

4 SECTION 2.07. Subsection (c), Section 15.978, Water Code,
5 is amended to read as follows:

6 (c) Notwithstanding other provisions of this chapter, the
7 board may sell to the Texas Water Resources Finance Authority or to
8 the state water implementation revenue fund for Texas any political
9 subdivision bonds purchased with money in the water infrastructure
10 fund and may apply the proceeds of a sale in the manner provided by
11 this section.

12 SECTION 2.08. Section 15.993, Water Code, is amended to
13 read as follows:

14 Sec. 15.993. FUND. The rural water assistance fund is a
15 special fund in the state treasury. The fund consists of:

16 (1) money directly appropriated to the board for a
17 purpose of the fund;

18 (2) repayment of principal and interest from loans
19 made from the fund not otherwise needed as a source of revenue
20 pursuant to Section 17.9615(b);

21 (3) money transferred by the board from any sources
22 available;

23 (4) interest earned on the investment of money in the
24 fund and depository interest allocable to the fund;

25 (5) money transferred to the fund from the water
26 assistance fund in accordance with Section 15.011(b), including
27 proceeds from the sale of political subdivision bonds by the board

1 to the Texas Water Resources Finance Authority that are deposited
2 in the water assistance fund as provided by Section 17.0871;

3 (6) money from gifts, grants, or donations to the
4 fund;

5 (7) money disbursed to the fund from the state water
6 implementation fund for Texas as authorized by Section 15.434; and

7 (8) [~~(7)~~] any other fees or sources of revenue that
8 the legislature may dedicate for deposit to the fund.

9 SECTION 2.09. Section 15.994, Water Code, is amended by
10 adding Subsection (i) to read as follows:

11 (i) The board shall transfer back to the state water
12 implementation fund for Texas any money disbursed to the fund as
13 described by Section 15.993(7) if the requirements of Section
14 15.435 are satisfied.

15 SECTION 2.10. Section 17.183, Water Code, is amended to
16 read as follows:

17 Sec. 17.183. CONSTRUCTION CONTRACT REQUIREMENTS. (a) The
18 governing body of each political subdivision receiving financial
19 assistance from the board shall require in all contracts for the
20 construction of a project:

21 (1) that each bidder furnish a bid guarantee
22 equivalent to five percent of the bid price;

23 (2) that each contractor awarded a construction
24 contract furnish performance and payment bonds:

25 (A) the performance bond shall include without
26 limitation guarantees that work done under the contract will be
27 completed and performed according to approved plans and

1 specifications and in accordance with sound construction
2 principles and practices; and

3 (B) the performance and payment bonds shall be in
4 a penal sum of not less than 100 percent of the contract price and
5 remain in effect for one year beyond the date of approval by the
6 engineer of the political subdivision; ~~and~~

7 (3) that payment be made in partial payments as the
8 work progresses;

9 (4) that each partial payment shall not exceed 95
10 percent of the amount due at the time of the payment as shown by the
11 engineer of the project, but, if the project is substantially
12 complete, a partial release of the five percent retainage may be
13 made by the political subdivision with approval of the executive
14 administrator;

15 (5) that payment of the retainage remaining due upon
16 completion of the contract shall be made only after:

17 (A) approval by the engineer for the political
18 subdivision as required under the bond proceedings;

19 (B) approval by the governing body of the
20 political subdivision by a resolution or other formal action; and

21 (C) certification by the executive administrator
22 in accordance with the rules of the board that the work to be done
23 under the contract has been completed and performed in a
24 satisfactory manner and in accordance with approved plans and
25 specifications ~~[sound engineering principles and practices]~~;

26 (6) that no valid approval may be granted unless the
27 work done under the contract has been completed and performed in a

1 satisfactory manner according to approved plans and
2 specifications; and

3 (7) that, if a political subdivision receiving
4 financial assistance under Subchapter K of this chapter, labor from
5 inside the political subdivision be used to the extent possible.

6 (b) Plans and specifications submitted to the board in
7 connection with an application for financial assistance must
8 include a seal by a licensed engineer affirming that the plans and
9 specifications are consistent with and conform to current industry
10 design and construction standards.

11 SECTION 2.11. Subsection (a), Section 17.185, Water Code,
12 is amended to read as follows:

13 (a) The board may inspect the construction of a project at
14 any time to assure that[+]

15 [~~(1)~~] the contractor is substantially complying with
16 the approved engineering plans and specifications of the project[+]
17 ~~and~~

18 [~~(2) the contractor is constructing the project in~~
19 ~~accordance with sound engineering principles].~~

20 SECTION 2.12. Section 17.187, Water Code, is amended to
21 read as follows:

22 Sec. 17.187. CERTIFICATE OF APPROVAL. The executive
23 administrator may consider the following as grounds for refusal to
24 give a certificate of approval for any construction contract:

25 (1) failure to construct the project according to
26 approved plans and specifications; or

27 (2) [~~failure to construct the works in accordance with~~

1 ~~sound engineering principles, or~~

2 [~~3~~] failure to comply with any term of the contract.

3 SECTION 2.13. Subsection (c), Section 17.276, Water Code,
4 is amended to read as follows:

5 (c) The board has the sole responsibility and authority for
6 selecting the political subdivisions to whom financial assistance
7 may be provided for treatment works and the amount of any such
8 assistance. [~~In consultation with and pursuant to agreement with~~
9 ~~the political subdivision, except as provided by Subsection (d) of~~
10 ~~this section, the board shall determine the location, time, design,~~
11 ~~scope, and all other aspects of the construction of a sewerage~~
12 ~~system for which financial assistance is provided.]~~

13 SECTION 2.14. Subsection (c), Section 17.775, Water Code,
14 is amended to read as follows:

15 (c) The board has the sole responsibility and authority for
16 selecting the political subdivisions to whom financial assistance
17 may be provided and[~~7~~] the amount of any such assistance[~~7~~, ~~and in~~
18 ~~consultation with and pursuant to agreement with the political~~
19 ~~subdivision, the board shall determine the location, time, design,~~
20 ~~scope, and all other aspects of the construction to be performed].~~

21 SECTION 2.15. Subsection (c), Section 17.853, Water Code,
22 is amended to read as follows:

23 (c) The board may use the fund only:

24 (1) to provide state matching funds for federal funds
25 provided to the state water pollution control revolving fund or to
26 any additional state revolving fund created under Subchapter J,
27 Chapter 15;

1 (2) to provide financial assistance from the proceeds
2 of taxable bond issues to water supply corporations organized under
3 Chapter 67, and other participants;

4 (3) to provide financial assistance to participants
5 for the construction of water supply projects and treatment works;

6 (4) to provide financial assistance for an interim
7 construction period to participants for projects for which the
8 board will provide long-term financing through the water
9 development fund;

10 (5) to provide financial assistance for water supply
11 and sewer service projects in economically distressed areas as
12 provided by Subchapter K, Chapter 17, to the extent the board can
13 make that assistance without adversely affecting the current or
14 future integrity of the fund or of any other financial assistance
15 program of the board; ~~and~~

16 (6) to provide funds to the water infrastructure fund
17 created under Section 15.973; and

18 (7) to provide funds to the state water implementation
19 revenue fund for Texas.

20 SECTION 2.16. Section 17.895, Water Code, is amended to
21 read as follows:

22 Sec. 17.895. SOURCES OF ASSETS. The fund is composed of:

23 (1) money and assets, including bond proceeds,
24 attributable to the bonds;

25 (2) investment income earned on money on deposit in
26 the fund and depository interest earned on money on deposit in the
27 state treasury;

- 1 (3) money appropriated by the legislature;
- 2 (4) repayments of principal and interest on loans made
- 3 under this subchapter;
- 4 (5) administrative fees charged by the board under the
- 5 bond program;
- 6 (6) money disbursed to the fund from the state water
- 7 implementation fund for Texas as authorized by Section 15.434; and
- 8 (7) [~~(6)~~] any other funds, regardless of their source,
- 9 that the board directs be deposited to the credit of the fund.

10 SECTION 2.17. Section 17.899, Water Code, is amended by

11 adding Subsection (c) to read as follows:

12 (c) The board shall transfer back to the state water

13 implementation fund for Texas any money disbursed to the fund as

14 described by Section 17.895(6) if the requirements of Section

15 15.435 are satisfied.

16 SECTION 2.18. Section 17.957, Water Code, is amended by

17 amending Subsection (b) and adding Subsection (d) to read as

18 follows:

- 19 (b) The state participation account is composed of:
- 20 (1) money and assets attributable to water financial
- 21 assistance bonds designated by the board as issued for projects
- 22 described in Section 16.131;
- 23 (2) money from the sale, transfer, or lease of a
- 24 project described in Subdivision (1) that was acquired,
- 25 constructed, reconstructed, developed, or enlarged with money from
- 26 the state participation account;
- 27 (3) payments received under a bond enhancement

1 agreement with respect to water financial assistance bonds
2 designated by the board as issued for projects described in Section
3 16.131;

4 (4) investment income earned on money on deposit in
5 the state participation account;

6 (5) money disbursed to the fund from the state water
7 implementation fund for Texas as authorized by Section 15.434; and

8 (6) [~~5~~] any other funds, regardless of their source,
9 that the board directs be deposited to the credit of the state
10 participation account.

11 (d) The board shall transfer back to the state water
12 implementation fund for Texas any money disbursed to the fund as
13 described by Subsection (b)(5) of this section if the requirements
14 of Section 15.435 are satisfied.

15 SECTION 2.19. Subchapter L, Chapter 17, Water Code, is
16 amended by adding Section 17.9617 to read as follows:

17 Sec. 17.9617. TRANSFERS TO STATE WATER IMPLEMENTATION
18 REVENUE FUND FOR TEXAS. (a) The board may direct the comptroller
19 to transfer money or other assets from an account in the fund,
20 including from the financial assistance account or from the state
21 participation account, to the state water implementation revenue
22 fund for Texas to provide financial assistance under this
23 subchapter and Subchapter H, Chapter 15.

24 (b) A transfer of money or other assets from an account in
25 the fund may not cause general obligation bonds that are payable
26 from the fund or from an account in the fund to no longer be
27 self-supporting for purposes of Section 49-j(b), Article III, Texas

1 Constitution, as determined by the board.

2 (c) The board shall use the state water implementation
3 revenue fund for Texas, or an account in that fund, as a source of
4 revenue to be deposited in accordance with this subchapter for the
5 payment of principal and interest on water financial assistance
6 bonds issued by the board, the proceeds of which are to be deposited
7 into the state water implementation revenue fund for Texas, or the
8 account in that fund, and to be used to make payments under a bond
9 enhancement agreement with respect to principal or interest on the
10 water financial assistance bonds.

11 SECTION 2.20. Section 17.968, Water Code, is amended by
12 amending Subsection (a) and adding Subsection (a-1) to read as
13 follows:

14 (a) The board may sell or dispose of political subdivision
15 bonds or other assets purchased with money in the fund to any
16 person, including the Texas Water Resources Finance Authority, or
17 to another fund administered by the board, including the state
18 water implementation revenue fund for Texas, and the board, in such
19 manner as it shall determine, may apply the proceeds of the sale of
20 political subdivision bonds or other assets held by the board to:

21 (1) pay debt service on water financial assistance
22 bonds issued under this subchapter; or

23 (2) provide financial assistance to political
24 subdivisions for any one or more of the purposes authorized by
25 Section 49-d-8, Article III, Texas Constitution.

26 (a-1) A sale or disposition of political subdivision bonds
27 or other assets may not cause general obligation bonds that are

1 payable from the fund or from an account in the fund to no longer be
2 self-supporting for purposes of Section 49-j(b), Article III, Texas
3 Constitution, as determined by the board.

4 SECTION 2.21. Subsection (e), Section 49.153, Water Code,
5 is amended to read as follows:

6 (e) Subsection (c) does not apply to:

7 (1) a note issued to and approved by ~~the~~:

8 (A) the Farmers Home Administration;

9 (B) the United States Department of Agriculture;

10 (C) the Texas Water Development Board; ~~or~~

11 (D) the North American Development Bank; or

12 (E) a federally chartered instrumentality of the

13 United States authorized under 12 U.S.C. Section 2128(f) to provide

14 financing for water and waste disposal facilities, provided that

15 the district that executes the note is located wholly in a county

16 that:

17 (i) does not contain a municipality that

18 has a population of more than 750,000; and

19 (ii) is not adjacent to a county described

20 by Subparagraph (i); or

21 (2) a district described by Section 49.181(h).

22 SECTION 2.22. Subsection (a), Section 49.181, Water Code,
23 is amended to read as follows:

24 (a) A district may not issue bonds unless the commission

25 determines that the project to be financed by the bonds is feasible

26 and issues an order approving the issuance of the bonds. This

27 section does not apply to:

1 (1) refunding bonds if the commission issued an order
2 approving the issuance of the bonds or notes that originally
3 financed the project;

4 (2) refunding bonds that are issued by a district
5 under an agreement between the district and a municipality allowing
6 the issuance of the district's bonds to refund bonds issued by the
7 municipality to pay the cost of financing facilities;

8 (3) bonds issued to and approved by:

9 (A) the Farmers Home Administration;

10 (B) [] the United States Department of
11 Agriculture;

12 (C) [] the North American Development Bank;

13 (D) [] the Texas Water Development Board; or

14 (E) a federally chartered instrumentality of the
15 United States authorized under 12 U.S.C. Section 2128(f) to finance
16 such a project, provided that the district that issues the bonds is
17 located wholly in a county that:

18 (i) does not contain a municipality that
19 has a population of more than 750,000; and

20 (ii) is not adjacent to a county described
21 by Subparagraph (i);

22 (4) refunding bonds issued to refund bonds described
23 by Subdivision (3); or

24 (5) bonds issued by a public utility agency created
25 under Chapter 572, Local Government Code, any of the public
26 entities participating in which are districts if at least one of
27 those districts is a district described by Subsection (h)(1)(E).

1 SECTION 2.23. Sections 2.01-2.09, 2.15-2.18, and 2.24-2.29
2 of this article take effect on the date on which the constitutional
3 amendment proposed by the 83rd Legislature, Regular Session, 2013,
4 adding Sections 49-d-12 and 49-d-13, Article III, Texas
5 Constitution, creating the state water implementation fund for
6 Texas and the state water implementation revenue fund for Texas
7 takes effect. If that amendment is not approved by the voters,
8 those sections of this article have no effect.

9 SECTION 2.24. (a) As soon as practicable after the
10 effective date of this Act, the lieutenant governor and the speaker
11 of the house of representatives shall appoint the initial
12 appointive members of the State Water Implementation Fund for Texas
13 Advisory Committee as provided by Section 15.438, Water Code, as
14 added by this Act.

15 (b) Notwithstanding Subsection (a) of this section and
16 Section 15.438, Water Code, as added by this Act, if the lieutenant
17 governor and the speaker of the house of representatives do not
18 appoint the initial appointive members of the State Water
19 Implementation Fund for Texas Advisory Committee as provided by
20 Section 15.438, Water Code, as added by this Act, by December 1,
21 2013:

22 (1) the presiding officer of the committee of the
23 senate having primary jurisdiction over natural resources and the
24 presiding officer of the committee of the house of representatives
25 having primary jurisdiction over natural resources serve as initial
26 members of the advisory committee and as the initial co-presiding
27 officers of the advisory committee;

1 (2) the presiding officer of the committee of the
2 senate having primary jurisdiction over natural resources shall
3 appoint two members of the senate to serve as initial members of the
4 advisory committee, including a member who meets the requirements
5 of Paragraph (A), Subdivision (2), Subsection (a), Section 15.438,
6 Water Code, as added by this Act; and

7 (3) the presiding officer of the committee of the
8 house of representatives having primary jurisdiction over natural
9 resources shall appoint two members of the house of representatives
10 to serve as initial members of the advisory committee, including a
11 member who meets the requirements of Paragraph (A), Subdivision
12 (3), Subsection (a), Section 15.438, Water Code, as added by this
13 Act.

14 SECTION 2.25. (a) Not later than September 1, 2014, the
15 State Water Implementation Fund for Texas Advisory Committee shall
16 submit recommendations to the Texas Water Development Board on the
17 rules to be adopted by the board under Subdivisions (1) and (2),
18 Subsection (a), Section 15.439, Water Code, as added by this Act.

19 (b) Not later than the later of the 90th day after the date
20 the Texas Water Development Board receives the recommendations
21 described by Subsection (a) of this section or March 1, 2015, the
22 board shall adopt rules under Section 15.439, Water Code, as added
23 by this Act.

24 SECTION 2.26. As soon as practicable after the effective
25 date of this Act, the Texas Water Development Board shall create a
26 stakeholders committee under Subsection (c), Section 15.436, Water
27 Code, as added by this Act.

1 SECTION 2.27. Not later than December 1, 2013, the
2 stakeholders committee created by the Texas Water Development Board
3 under Subsection (c), Section 15.436, Water Code, as added by this
4 Act, shall submit the standards established by the committee under
5 that subsection to the board.

6 SECTION 2.28. (a) Each regional water planning group shall
7 prepare a draft prioritization of the projects included in the
8 regional water plan most recently adopted by the group in
9 accordance with Section 15.436, Water Code, as added by this Act,
10 and submit the draft prioritization of the projects to the Texas
11 Water Development Board not later than June 1, 2014. The board
12 shall provide comments to each regional water planning group on the
13 draft prioritization submitted by the group. Each regional water
14 planning group shall submit a final prioritization of the projects
15 to the board not later than September 1, 2014.

16 (b) Subsection (d), Section 15.436, Water Code, as added by
17 this Act, applies to a regional water plan beginning with the plan
18 that is required to be submitted to the Texas Water Development
19 Board by January 5, 2016.

20 SECTION 2.29. The Texas Water Development Board shall post
21 the information described by Subsection (b), Section 15.440, Water
22 Code, as added by this Act, on the board's Internet website not
23 later than March 1, 2014.

24 ARTICLE 3. EFFECTIVE DATE

25 SECTION 3.01. Except as otherwise provided by this Act,
26 this Act takes effect September 1, 2013.