

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

March 18, 2013

TO: Honorable Allan Ritter, Chair, House Committee On Natural Resources

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB4** by Ritter (Relating to the funding of certain water-related projects by the Texas Water Development Board; authorizing the issuance of revenue bonds.), **Committee Report 1st House, Substituted**

<p>No significant fiscal implication to the State is anticipated.</p>
--

The bill would establish the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas (SWIRFT), each as a special fund outside the State Treasury, administered by the Texas Water Development Board (TWDB) without further legislative appropriations. The funds may be used for payment and security for bonds, the proceeds of which may be used through the SWIRFT, the Water Infrastructure Fund, the Rural Water Assistance Fund, the State Participation Account in Texas Water Development Fund II, and the Agricultural Water Conservation Fund.

The SWIFT would be held by the Texas Treasury Safekeeping Trust Company (TTSTC), a division of the Comptroller of Public Accounts, in escrow and in trust for the TWDB. The fund would consist of money transferred or deposited to the fund by law; the proceeds of any fee or tax imposed by the state; other revenue dedicated by the Legislature to the fund; investment and interest earned on the balance of the fund; and certain money transferred to the fund under a bond enhancement agreement from another fund or account. The fund may be used at the direction of the TWDB, through a bond enhancement agreement with the TTSTC, as a source of revenue and security for the payment of general obligation bonds or revenue bonds to finance projects in the state water plan through funds and accounts authorized in the bill. Prior to the adoption of a new state water plan, of the money disbursed from the fund, the bill would require TWDB to apply not less than 10 percent to support projects designed to serve rural areas, and 20 percent to support water conservation or reuse projects.

The SWIRFT would consist of money transferred or deposited to the fund by law; the proceeds of any fee or tax imposed by the state; other revenue dedicated by the Legislature to the fund; investment and interest earned on the balance of the fund; and the proceeds from the sale of certain bonds. SWIRFT money may be used to provide financing for projects included in the state water plan and to transfer money to eligible funds and accounts authorized under the bill. TWDB may issue revenue bonds for the purpose of providing money for the fund. The SWIRFT may be used to make loans to fund participants, purchase participant bonds or other obligations, guarantee debt service payments and purchase insurance.

The bill would require that regional water planning groups prioritize projects and submit

prioritizations to the TWDB by September 1, 2014, along with their report on financing needs under Section 16.053(q) of the Water Code. The TWDB would create a stakeholders committee from representatives of the regional water planning groups to establish standards to be used by the groups in prioritizing projects. The TWDB must also prioritize state water plan projects for the purpose of providing financial assistance.

The bill would also create the SWIFT Advisory Committee consisting of seven members; one designated by the Comptroller, three members appointed by the Lieutenant Governor, and three members appointed by the Speaker of the House of Representatives. By September 1, 2014, the Committee shall submit comments and recommendations to the TWDB regarding the prioritization of projects, rulemaking, and an evaluation related to the financing of state water plan projects as described in the bill. The Committee sunsets September 1, 2023, unless reauthorized. TWDB would be required to provide staff to assist the committee. The TWDB shall adopt rules providing for the use of money in the SWIFT, including criteria for project funding and the manner for prioritizing projects. Rulemaking would occur not later than the 90th day after TWDB receives recommendations from the Committee, or by March 1, 2015.

The bill would require that the TWDB provide a biennial report to the Governor, Lieutenant Governor, Speaker of the House, and members of the Legislature regarding the use of the SWIFT, including projects for rural areas, conservation, and reuse. The bill amends sections of the Water Code relating to engineering plans and practices and removes the TWDB's duty to determine certain specifics of the construction to be performed for wastewater and flood control projects.

Although this bill would not make an appropriation, it would establish the basis for an appropriation. Depending on the ultimate disposition of the funds, there could be a need for additional program administration funding. According to TWDB, additional appropriations for program administration would be required if project financing were to exceed \$250 million per year. The bill, in and of itself, would have no fiscal impact with regard to funds deposited to the funds created outside the state treasury. However, any eventual amounts provided to capitalize the funds would have a fiscal impact. The fiscal impact of any funds potentially transferred back into the treasury cannot be estimated.

The bill would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

The bill would provide local entities with subsidized financing for projects eligible for TWDB funding.

Source Agencies: 304 Comptroller of Public Accounts, 580 Water Development Board

LBB Staff: UP, SZ, ZS, PM, TB