

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**March 22, 2021**

**TO:** Honorable Chris Paddie, Chair, House Committee on State Affairs

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB2000** by Huberty (Relating to the funding of utility reliability projects by the Texas Water Development Board and other entities; authorizing the issuance of revenue bonds, granting rulemaking authority, and making an appropriation.), **As Introduced**

**The fiscal implications of the bill cannot be determined because the amount and timing of any appropriations, transfers, earnings, and bond proceeds associated with implementing the provisions of the bill are unknown.**

The bill would amend the Water Code to create the State Utilities Reliability Fund (SURF) and the State Utilities Reliability Revenue Fund (SURRF). These funds would be held in the state treasury outside of general revenue and would be administered by the Texas Water Development Board (TWDB), without further legislative appropriation, to provide financing for the weatherization of water, electricity, natural gas, and broadband utilities and to provide adequate capacity during periods of high demand. Funds in the SURF could also be used to pay TWDB's expenses incurred in administering the fund. Funds in the SURF and SURRF would not be considered available for certification by the Comptroller of Public Accounts.

Both the SURF and SURRF would consist of legislative appropriations, any revenue source dedicated by the Legislature, and investment earnings. The SURF would also consist of money returned by a bond enhancement agreement to the SURF that was initially transferred out under a bond enhancement agreement. The SURRF would also consist of proceeds from the sale of revenue bonds issued for the fund, repayments of loans made from the fund, and money disbursed to the fund from the SURF.

The SURF would be held by the Texas Treasure Safekeeping Trust Company (Trust) in the name of TWDB. The Trust would be authorized to invest the funds with the goal of maintaining sufficient liquidity to meet the fund's cashflow needs while preserving its purchasing power. The SURF would provide transfers up to two times per year to the SURRF pursuant to bond enhancement agreements securing revenue bonds issued for the SURRF. Such bond enhancement agreements would be able to provide a source of revenue or security to fund the debt service on SURRF revenue bonds or to refinance projects funded by SURRF.

The SURRF would be able to provide loans with subsidized interest rates, but would be prohibited from providing grants. TWDB would be required to develop a point system to prioritize applications for funding, with the highest points going to projects that would weatherize facilities to protect against cold weather and projects that would create excess capacity for periods of high demand in order to provide continuous utility service.

Funds in the SURRF would be invested as determined by TWDB, and could be invested in the state treasury pool. Funds in the SURRF could be used to provide financing for utility projects, as a source of revenue and security for bond enhancement agreements, to pay principal and interest on revenue bonds, and to pay the costs associated with administering the fund. TWDB would be authorized to issue revenue bonds for the SURRF which would be secured only by revenue of the fund and which would not constitute a general obligation of the state.

The bill would create the SURF Advisory Committee, which would consist of the following seven members: one designated by the Comptroller of Public Accounts, three members of the Senate appointed by the

Lieutenant Governor, and three members of the House appointed by the Speaker of the House. The advisory committee would be required to submit recommendations to TWDB regarding use of funds in the SURF and SURRF. TWDB would be required to provide support to the advisory committee. The advisory committee would be subject to the Sunset Act and would be abolished on September 1, 2035, unless continued.

The bill would require TWDB to provide a biennial report to the Governor and Legislature. TWDB would also be required to provide information on its website by March 1, 2022, and to update it accordingly, regarding the use of the SURF and the progress made in enhancing utility reliability, along with a description of each project funded.

The bill would require TWDB to adopt rules regarding use of funds in the SURF. The SURF Advisory Committee would be required to submit recommendations to TWDB by September 1, 2022, and TWDB would have 90 days to use those recommendations to propose rules.

The bill would take effect on the date on which the related constitutional amendment which creates the SURF and the SURRF takes effect. If that amendment is not approved by voters, the bill would not take effect.

Based on information provided by TWDB and the Comptroller of Public Accounts, the fiscal implications of the bill cannot be determined because the amount and timing of any appropriations, transfers, earnings, and bond proceeds that would be associated with implementing the provisions of the bill are unknown. Based on information provided by the Bond Review Board and the Sunset Advisory Commission, it is assumed that duties and responsibilities associated with implementing the provisions of the bill could be accomplished utilizing existing resources.

This legislation 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.

This bill would not make an appropriation, but it would establish the basis for an appropriation.

### **Local Government Impact**

No significant fiscal implication to units of local government is anticipated.

**Source Agencies:** 116 Sunset Advisory Commission, 304 Comptroller of Public Accounts, 352 Bond Review Board, 580 Water Development Board

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