

**LEGISLATIVE BUDGET BOARD**

**Austin, Texas**

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

**April 13, 2021**

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

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

**IN RE:** HB2275 by Zwiener (Relating to critical infrastructure resiliency and financing.), **As Introduced**

**The fiscal implications to the State cannot be determined because the amounts and timing of any bond sales, fees, gifts, grants, and donations are unknown.**

The bill would amend the Water Code to create the Water Infrastructure Resiliency Fund (WIRF), which would be a special fund in the Treasury outside the General Revenue Fund and would be administered by the Texas Water Development Board (TWDB) for the purpose of making grants to entities for weatherizing and hardening water and wastewater systems. It would consist of legislative appropriations; proceeds from general obligation bonds; interest earned on funds in the account; money from revenue bonds; money from gifts, grants, or donations; and any other sources of revenue dedicated by the Legislature. TWDB would be authorized to use the fund only to make grants to entities for weatherizing and hardening water and wastewater systems and to pay its necessary and reasonable administrative expenses. In making grants, TWDB would be required to consider factors including the number of people who would benefit from the project, the need for the project, the potential benefit of the project for certain demographic populations, and the existence of matching federal funds. Entities eligible to receive grants from the WIRF include local government entities, non-profit entities, and investor-owned entities that provide water or wastewater services. Grants made to local government and non-profit entities would require a match of ten percent, with at least five percent of the match coming directly from local sources. Grants made to investor-owned entities would require a 50 percent match, with at least 30 percent of the match coming directly from the entity. TWDB would be required to adopt rules relating to the WIRF.

The bill also would amend the Government Code to create the Critical Infrastructure Resiliency Fund (CIRF) which would be a special fund in the Treasury outside the General Revenue Fund and would be administered by the Texas Division of Emergency Management (TDEM) for the purpose of providing grants for certain purposes. It would consist of legislative appropriations; proceeds from general obligation bonds; interest earned on funds in the account; money from revenue bonds; money from gifts, grants, or donations; and any other sources of revenue dedicated by the Legislature. TDEM would be authorized to use the fund only to make grants and to pay its necessary and reasonable administrative expenses. In making grants, TDEM would be required to consider factors including the number of people who would benefit from the project, the need for the project, the potential benefit of the project for certain demographic populations, and the existence of matching federal funds. Entities eligible to receive grants from the CIRF include municipally-owned electric utilities, electric cooperatives, investor-owned utilities, government-owned hospitals, non-profit and for-profit hospitals, and telecommunications providers. Grants made to municipally-owned electric utilities, electric cooperatives, government-owned hospitals, and non-profit hospitals would require a ten percent match, with at least five percent of the match coming from local sources. Grants made to investor-owned utilities, for-profit hospitals, and telecommunications providers would require a 50 percent match, with at least 30 percent of the match coming directly from the entity. TDEM would be required to adopt rules relating to the CIRF. The CIRF would have two sub-accounts, the Electric Grid Improvement Account, the Local Communications Resiliency Account, and the Medical Infrastructure Resiliency Account.

The Electric Grid Improvement Account would be a sub-account of the CIRF consisting of legislative appropriations and funds from the federal government, local or regional government, private sources, or other

sources. TDEM would be authorized to use this sub-account to provide grants for (a) activities related to localized improvements to the electric grid and other energy systems with onsite generation and (b) improvements at and between building to create micro-grids using onsite generation and energy storage.

The Local Communications Resiliency Account would be a sub-account of the CIRF consisting of legislative appropriations and funds from the federal government, local or regional government, private sources, or other sources. TDEM would be authorized to use this sub-account to provide grants for activities related to (a) hardening lines of emergency communication and (b) purchasing reserve power supply, such as onsite generation and energy storage systems necessary to sustain emergency communications.

The Medical Infrastructure Resiliency Account would be a sub-account of the CIRF consisting of legislative appropriations and funds from the federal government, local or regional government, private sources, or other sources. TDEM would be authorized to use this sub-account to provide grants for activities related to purchasing reserve power supply, such as onsite generation and energy storage system necessary to sustain critical medical care.

The bill would take effect January 1, 2022, but only if the constitutional amendment proposed by the 87th Legislature, Regular Session, 2021, authorizing the legislature to provide for the creation of the modern infrastructure fund to assist in the financing of modern electric, transportation, and communications infrastructure projects, is approved by voters.

Based on the analysis of the Comptroller of Public Accounts, the fiscal impact cannot be determined because the amounts and timing of any bond sales, fees, gifts, grants, and donations are unknown.

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.

### **Local Government Impact**

According to the Texas Association of Counties, the bill's provisions could have a positive fiscal impact on counties that receive grants from the Water Infrastructure Resiliency Fund or one of the other funds created by the bill. However, since the funding is unknown, if any future grants would go to counties, or how much any county would receive in future grants, it is not possible to determine the extent of that impact.

**Source Agencies:** 304 Comptroller of Public Accounts, 575 TX Division of Emergency Management, 580 Water Development Board

**LBB Staff:** JMc, SMAT, MW, PBO, AF