

**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: HJR2** by Huberty (Proposing a constitutional amendment providing for the creation of the State Utilities Reliability Fund and the State Utilities Reliability Revenue Fund to provide financial support for projects that enhance the reliability of water, electricity, natural gas, and broadband utilities in this state.), **As Introduced**

**No significant fiscal implication to the State is anticipated, other than the cost of publication.**

The cost to the state for publication of the resolution is \$178,333.

The joint resolution proposes a constitutional amendment to Article III of the Texas Constitution to add Section 49-d-15, which would create the State Utilities Reliability Fund (SURF), and Section 49-d-16, which would create the State Utilities Reliability Revenue Fund (SURREF). The funds would be held in the state treasury outside of the General Revenue Fund and would be administered by the Texas Water Development Board (TWDB), or its successor in function. The funds would be used to provide financing for state utility reliability projects which provide for either the weatherization of publicly- or privately-owned utilities that provide water, electricity, natural gas, or broadband or which provide adequate capacity during periods of high demand.

Regarding the SURF, Section 49-d-15 would authorize TWDB to enter into bond enhancement agreements to provide additional security for revenue bonds, the proceeds of which would be used to finance state utility reliability projects. Payments made under such bond enhancement agreements would not be considered constitutional state debt payable from the general revenues of the state. TWDB would be required to provide written notice to the Legislative Budget Board (LBB), subject to approval, prior to each bond enhancement or loan agreement. The proposed agreement would be considered approved unless the LBB issued a written disapproval not later than the 21st day after the date on which the LBB staff received the submission. In each fiscal year, TWDB would be required to set aside from amounts on deposit in the fund an amount that is sufficient to make payments under bond enhancement agreements that become due that fiscal year.

Regarding the SURREF, Section 49-d-16 would authorize TWDB to issue bonds, make loans, and enter into related credit agreements that would be payable from revenues available to the SURREF. Such obligations would not be considered constitutional state debt payable from the general revenues of the state. TWDB would be required to provide written notice to the LBB, subject to approval, prior to issuing a bond or entering into a credit agreement. The proposed bond or credit agreement would be considered approved unless the LBB issued a written disapproval not later than the 21st day after the date on which the LBB staff received the submission. In each fiscal year in which amounts become due under bonds or agreements authorized by this section, TWDB would be required to set aside from revenue deposited to the fund an amount sufficient to pay the principal and interest on the bonds that become due and any costs related to the bonds.

Money in both the SURF and the SURREF would be considered dedicated by the Constitution for the purposes of Section 22, Article VIII, Texas Constitution. Both funds 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 SURREF would also consist of proceeds from the sale of revenue bonds issued for the fund and money disbursed to the fund from the SURF.

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.

The cost to the state for publication of the resolution is \$178,333 in fiscal year 2022.

The proposed amendment would be submitted to voters at an election to be held November 2, 2021.

**Local Government Impact**

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

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

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