

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 9, 2025

TO: Honorable Charles Perry, Chair, Senate Committee on Water, Agriculture and Rural Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1261 by Perry (relating to the financing of water supply projects included in the state water plan; authorizing the issuance of obligations.), **Committee Report 1st House, Substituted**

The fiscal implications of the bill cannot be determined because the amount and timing of funding applications and expenditures for eligible projects from specific funds that would be used to provide large-scale financial assistance for water supply projects are unknown at this time.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

The bill would amend the Government Code to allow political subdivisions to issue obligations for water supply projects which are identified as recommended water management strategies in the state water plan and for which the cumulative capital costs are at least \$750,000,000. Obligations could be secured through water supply contracts, project revenues, or other financial sources, not including ad valorem taxes.

The bill would establish guidelines to finance eligible large-scale projects, including that any provided assistance may not exceed the maturity or term of an obligation pledged to a project. The maximum maturity or term of the obligation may not exceed the lesser of the expected useful life of a project or fifty years.

The bill would require the governing body of an issuer to approve an authorization before an obligation could be issued. The Office of Attorney General (OAG) would then be required to review the obligation for compliance with statute and the Texas Constitution and deliver the opinion to the Comptroller of Public Accounts (CPA). The CPA would be required to register a record of proceedings upon receipt, and if proceedings are approved and registered, the obligation and relevant contract becomes incontestable, binding, and enforceable.

The bill would amend Water Code to expand the eligible uses of the following Texas Water Development Board (TWDB) funds: the State Water Implementation Fund for Texas No. 361 (SWIFT), the State Water Implementation Revenue Fund for Texas No. 362 (SWIRFT), the Texas Water Resources Fund No. 591 (TWRF), and the State Participation Account within the Texas Water Development Fund II No. 371 (DFund II), to support projects eligible for these long-term financing terms. For entities applying to receive financing through the SWIFT program, eligible projects would be required to follow standard obligation conditions with the exception that the maximum maturity or term of the obligation may not exceed the lesser of the expected useful life of a project or forty years.

Based on the analysis of TWDB, it is assumed that extended terms would lead to greater participation in the agency's financial assistance programs and that an increase in applications would also lead to increased workloads requiring additional staff and resources. According to TWDB, an additional 3.0 Full-Time Equivalent (FTE) positions and associated costs totaling \$446,268 in fiscal year 2026 and \$421,068 in fiscal year 2027, would be needed to assist with financial review of larger and longer-term obligations which pose added complexity and risk to assess. Two Financial Analyst III positions would be added to existing teams to assist with conducting comprehensive credit analyses during the application process and to coordinate long-term debt management. One Financial Examiner IV would assist with stability review and evaluating the financial health of political subdivisions after closing.

Salary and wage costs for the 3.0 FTEs would total \$312,926 per fiscal year from 2026 to 2030. Benefit costs would total \$88,934 per fiscal year from 2026 to 2030. Other administrative and staff costs would total \$44,408 in fiscal year 2026, \$19,208 per fiscal year from 2027 to 2029, and \$28,208 in fiscal year 2030, which includes initial costs for licenses, furniture, and equipment.

According to the CPA, increasing the allowable uses of certain TWDB funds could increase how quickly the balances of those funds are reduced which could decrease interest income earned in those funds. Since the amount and timing of funding applications and expenditures for eligible projects from specific funds is unknown, the fiscal implications cannot be determined at this time.

Based on information provided by CPA and OAG, it is assumed that any costs associated with approving and registering new bonds issued by TWDB could be absorbed using existing resources.

Local Government Impact

The fiscal implications of the bill cannot be determined at this time. Local entities would be able to increase the length of financing terms for certain large projects, and have the option of multiyear financing, which would lower the amount of debt service repaid each fiscal year. However, the amount and timing of such financial assistance is unknown.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 580 Water Development Board

LBB Staff: JMc, FV, MW, AJL