

SUBJECT: Water and wastewater service assistance for nonborder colonias

COMMITTEE: Urban Affairs — committee substitute recommended

VOTE: 8 ayes — Carter, Bailey, Burnam, Clark, Edwards, Ehrhardt, Hill, Najera
0 nays
1 absent — Hodge

WITNESSES: For — Craig Pardue, Dallas County
Against — None
On — John Henneberger, Texas Low Income Housing Information Service and Border Low Income Housing Coalition; Craig Pedersen, Texas Water Development Board; Peter Ward, University of Texas at Austin

BACKGROUND: The Legislature created the Economically Distressed Areas Program (EDAP) in 1989 to pay for the provision of water and wastewater services to rural residential subdivisions in counties bordering Mexico or in counties with per-capita incomes at least 25 percent below the state average and unemployment rates at least 25 percent above the state average. The Texas Water Development Board (TWDB) administers the EDAP program.

DIGEST: CSHB 1260 would add amend the Water Code to allow political subdivisions to apply to TWDB for financial assistance to build, acquire, or improve water and wastewater service projects to serve disadvantaged communities. The bill would define disadvantaged communities as areas with inadequate water and wastewater services to meet the minimum needs of residents.
Eligible communities would have to have an average median family income at least 25 percent below the statewide average. They would have be located outside the boundary of a municipality and could not be eligible for EDAP funds. TWDB would have to determine that the rates paid by residents in the community were inadequate to pay for service provision.

The bill would allow TWDB to provide low-interest or zero-interest loans to disadvantaged communities to pay for water and wastewater services and to purchase bonds from political subdivisions with funds from the Texas Water Development Fund II account. TWDB could provide financial assistance for these projects from the water supply account, the water-quality enhancement account, the flood control account, and the economically distressed areas account.

TWDB could provide financial assistance through contracts and agreements with political subdivisions that established repayment and requirements for the use of funds, or through contracts or agreements with federally assisted projects. TWDB could not deliver loans for water or wastewater treatment facilities until the applicant had secured a permit to operate such facilities. TWDB could not deliver financial assistance for surface water projects unless the political subdivision developing the project had the necessary water rights to complete the project.

TWDB would have to consider the following factors to determine whether to provide financial assistance:

- ! the community's need for water and wastewater services;
- ! the ability of the political subdivision applying for funds to repay any financial assistance provided by the state; and
- ! the need for a low-interest or zero-interest loan to finance the service projects.

TWDB could approve the project if the public interest required state assistance for the project, if the applicant could not finance the project without state assistance, and if the revenue pledged by the applicant over the succeeding 50 years or less would be sufficient to meet the repayment obligations assumed by the applicant. TWDB would have to require the applicant to develop a water conservation program to be eligible for financial assistance, unless an emergency drought was affecting the region, the project received less than \$500,000 of assistance from the state, or TWDB found that a conservation program was not necessary.

Under CSHB 1260, political subdivisions other than nonprofit water supply corporations could issue bonds to pay for water and wastewater services to disadvantaged communities. Political subdivisions could secure the bonds by

a pledge of revenues derived from the operation of water or wastewater service systems.

This bill would take effect September 1, 1999.

**SUPPORTERS
SAY:**

Rural residential subdivisions without water and wastewater services exist throughout the state, even in large urban counties such as Dallas or Harris. Many subdivisions are not eligible for EDAP funding because they are not in border counties or in counties that meet EDAP income and eligibility requirements. These “nonborder colonias” need access to state financial assistance as much as the colonias covered under EDAP need it.

CSHB 1260 would allow TWDB and local governments to work together to bring badly needed services to rural residential subdivisions. TWDB would ensure that the limited funds went to well-designed projects for communities with a demonstrated need for services.

This bill is an initial attempt to solve nonborder colonia problems on a limited scale. It would not commit the state to an expensive and open-ended service program.

**OPPONENTS
SAY:**

The state should not be solely responsible for funding water and wastewater services for every rural residential subdivision that lacks such services. Counties and cities should take more responsibility to provide water and wastewater services without relying on the state to fund every project.

**OTHER
OPPONENTS
SAY:**

The funds available to TWDB for additional water and wastewater service projects are limited. The goal of this bill is laudable, but the bill itself would not provide funds to accomplish the goal.

NOTES:

The original bill would have amended Government Code, sec. 2306.581(1) to remove the requirement that a colonia must be in a county within 150 miles of an international border to qualify for a colonia self-help center.