

- SUBJECT:** Expanding state assistance for water infrastructure projects in rural areas
- COMMITTEE:** Natural Resources — committee substitute recommended
- VOTE:** 8 ayes — Puente, Callegari, Bonnen, Campbell, Geren, Hardcastle, Hope, Laney
0 nays
1 absent — Hilderbran
- WITNESSES:** For — Johnny Brown; Joseph Calvin Brown; Nettie Brown, Northridge Acres Homeowner’s Association; Ken Petersen, Texas Rural Water Association; Daniel R. Smith, Travis County Judge Sam Biscoe; Kenneth Snyder
Against — None
On — Doug Holcomb, Texas Commission on Environmental Quality; Kevin J. Ward, Texas Water Development Board
- BACKGROUND:** SB 312 by Zaffirini, the Texas Water Development Board (TWDB) Sunset bill, created the Rural Water Assistance Fund (RWF). Funds in this account comprise money transferred from the water assistance fund, proceeds from the sale of political subdivision bonds to the Texas Water Resources Finance Authority, and loan repayments. The fund is used to provide financial assistance to rural communities for water and wastewater projects. Loans from the program cannot exceed \$250,000 for each project, and repayment arrangements cannot exceed 20 years. A rural city or county can pledge sales and use tax revenue to repay a loan from the fund.
- TWDB consideration in the issuance of RWF loans to applicants includes:
- the needs of the area to be served and the benefits of the project;
 - the availability of revenue to the community from other sources;
 - the relationship of the project to overall state needs; and
 - any other factors the board considers to be relevant.

RWAF loans may be used to fund water-related capital construction projects and water quality enhancement projects including, but not limited to:

- line extensions;
- overhead storage;
- the purchase of well fields;
- the purchase or lease of rights to produce groundwater;
- wastewater collection and treatment projects;
- projects to enable a rural entity to obtain water or wastewater service from a larger utility;
- the consolidation or reorganization of a neighboring utility; and
- the interim financing of construction projects.

RWAF loans are tax exempt and offer lower interest rates and lengths of maturity of up to 40 years, depending on the useful life of the project. Also, non-profit water supply corporations are exempt from paying sales taxes on projects financed by the program. Rural utilities and federal or state agencies may submit joint applications for financial assistance.

DIGEST:

CSHB 3029 would extend and change the title of the Pilot Program for Water and Wastewater Loans for Rural Communities to the Program for Water and Wastewater Financial Assistance For Disadvantaged Rural Communities.

The new program would expand the existing pilot program by:

- expanding the program to give out grants in addition to loans;
- changing the definition of “rural community” to include communities with populations of less than 5,000 that constitute any part of a political subdivision and are located outside the corporate boundaries of a municipality;
- including “disadvantaged rural communities” — those for which median household income is less than 75 percent of the current median state household income; and
- allowing a political subdivision or a water supply corporation to apply for and receive grants from the program.

CSHB 3029 would allow political subdivisions and water supply corporations to pledge a percentage of their general revenue for loans

received from the program in addition to a percentage of their sales tax revenue. Additionally, applicants would be required to include household surveys that established the community's median household income and the level of community support for the project.

The bill also would eliminate the 20-year limit on maturity for loans issued by the program.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2005.

**SUPPORTERS
SAY:**

CSHB 3029 would expand access to RWAF by allowing rural communities to receive grants in addition to loans. Disadvantaged rural communities, which comprise primarily low-income and elderly residents, have been unable to take advantage of the pilot program as a result of their inability to repay expensive infrastructure loans.

Although many rural communities are serviced by non-profit water supply corporations, these corporations currently are not eligible to apply for loans under RWAF. The bill would recognize that water supply corporations provide much of the water and wastewater service to rural areas affected by poor water service and would allow them to apply for RWAF loans.

Colonias are not the only areas in the state that need assistance in improving their infrastructure. Other communities also are affected by poor water quality. Residents of one community in Central Texas, for example, long have complained of an inadequate water supply, characterized by a foul scent of sewage in the air, green stagnant water in drainage ditches, water that causes skin reactions when used for bathing, and unfit drinking water. CSHB 3029 would address the needs of such communities that long have been excluded from state water infrastructure improvement programs.

Expanding the RWAF would help ensure that rural areas also benefited from state spending on water projects. A Sunset review comparison of TWDB funding from 1995 to 2000 found that rural areas received about \$393 million during that period, while urban areas received \$2.2 billion. Even though urban areas serve a greater number of people, rural areas still need financial help to develop or improve failing or inadequate

infrastructure. CSHB 3029 would reduce the disparity between state funding for water projects in urban and rural areas.

The bill intends to provide a mechanism for funding wastewater infrastructure improvements in certain small rural communities. It does not propose a costly plan to address every water concern in the state. The money appropriated to the program is sufficient to meet the program's needs. Additional appropriation to the program would be decided during the appropriations process of future Legislatures.

**OPPONENTS
SAY:**

The program would be extremely expensive to the state if it were to fulfill its objectives. Currently, there is only about \$1.3 million appropriated to the pilot program, which is far from enough money to solve the water supply problems in rural areas of the state. Indeed, this sum would be insufficient even to fund improvements in wastewater infrastructure for a single community. In order to meet its stated goals, CSHB 3029 would cost the state too much money.

NOTES:

The committee substitute differs from the original bill in that it would expand the RWAF pilot program rather than making changes to the Economically Distressed Areas Program (EDAP).