

Texas Representative Roberto R. Alonzo's

Capitol Report



Review of 9 Constitutional Amendments to be Profiled from September - November 2013 in a 6-Part Series; This Week Profiles Amend #6 [Last Week Was #4&5] Election is Tues, Nov. 5, 2013

As we told you last week, during the months of September through October, this *Capitol Report* will carry a 6-part series highlighting the **9 amendments** that will appear in the Nov 5 Constitutional Amendments Ballot. Last week we profiled Amendments 4 & 5; **this week profiles Amendment 6.**

We hope this report will allow our readers an opportunity to examine each of them closely and thoroughly prior to the November elections. The final part of the series will also include sample ballot of all the amendments that can be used as a checklist to help constituents stay well-informed about all the issues that will appear on that ballot.

In addition to the highlights provided in this *Capitol Report*, readers are also encouraged to visit the Texas Legislative Council's (TLC) website, and review the document entitled, *Analyses of Proposed Constitutional Amendments, November 5, 2013*, which contains information for each proposed amendment that will appear on the November 5, 2013 ballot, including the ballot language, an analysis, and the text of the joint resolution proposing the amendment. The analysis also includes background information and a summary of comments made about each proposed constitutional amendment by supporters and by opponents. That document can be found by visiting the following website: http://www.tlc.state.tx.us/const_amends.htm.

Amendment No. 6 (SJR 1)

Providing for the creation of the State Water Implementation Fund for Texas and the State Water Implementation Revenue Fund for Texas to assist in the financing of priority projects in the state water plan to ensure the availability of adequate water resources.

Summary of Proposed Amendment:

S.J.R. 1 proposes to amend the Texas Constitution by creating the State Water Implementation Fund for Texas and the State Water Implementation Revenue Fund for Texas as special funds in the state treasury outside the general revenue fund to be administered, without further appropriation, by the Texas Water Development Board and used for the purpose of implementing the state water plan adopted by the board. The proposed amendment authorizes the transfer or deposit of state revenue into each fund but does not itself make a transfer or deposit of money into either fund. The proposed amendment permits the legislature to authorize the Texas Water Development Board to enter into bond enhancement agreements payable from the State Water Implementation Fund for Texas to provide additional security for bonds used to finance state water plan projects. Repayment of an amount paid under a bond enhancement agreement may not cause general obligation bonds to be no longer self-supporting. The proposed amendment also permits the legislature to authorize the board to use the State Water Implementation Fund for Texas to finance water projects by direct loan. A bond enhancement or loan agreement is subject to the approval of the Legislative Budget Board. The proposed amendment also permits the legislature to authorize the Texas Water Development Board, with the approval of the Legislative Budget Board, to issue bonds and enter into related credit agreements that are payable from the State Water Implementation Revenue Fund for Texas.

The proposed amendment requires the Texas Water Development Board to annually set aside from each fund amounts sufficient to make bond or bond enhancement agreement payments that become due from those funds during that year. It prohibits any dedication or appropriation of amounts in a fund from being modified in a way that would impair any obligation under a bond enhancement agreement secured by a pledge of those amounts

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unless provisions have been made for a full discharge of the bond or bond enhancement agreement.

The proposed amendment also provides that obligations payable from either fund are not considered general obligations of the state. The proposed amendment provides that money in the funds is dedicated by the Texas Constitution for purposes of the limit on spending from undedicated state tax revenues established under Section 22, Article VIII, of the constitution, and also provides that an appropriation from the economic stabilization fund (also known as the rainy day fund) to the State Water Implementation Fund for Texas is an appropriation of state tax revenues dedicated by the constitution for the purposes of that section.

H.B. 4, Acts of the 83rd Legislature, Regular Session, 2013, is the enabling legislation for S.J.R. 1. The bill addresses in more detail the manner in which the proposed water funds are administered, including the manner in which projects are prioritized for funding and the portion of the money disbursed from the fund that is to be applied for various purposes. In addition, H.B. 1025, Acts of the 83rd Legislature, Regular Session, 2013, appropriates \$2 billion out of the economic stabilization fund to the State Water Implementation Fund for Texas to be used by the Texas Water Development Board to finance projects in the state water plan in accordance with H.B. 4. Because S.J.R. 1 provides that an appropriation from the economic stabilization fund to the State Water Implementation Fund for Texas is an appropriation of state tax revenues dedicated by the constitution, the \$2 billion appropriation would not be counted against the biennial state spending cap that is established under Chapter 316, Government Code, to ensure that the rate of growth of certain appropriations does not exceed the rate of growth of the state's economy, as Section 22, Article VIII, of the constitution prohibits. The relevant provisions of H.B. 4 and H.B. 1025 are contingent on the approval by the voters of the constitutional amendment proposed by S.J.R. 1.

Comments by Supporters:

Ensuring an adequate water supply is vital to the public health and continued economic well-being of the state. The current ongoing drought, coupled with the water needs of the state's growing population, has raised the specter of critical shortages in the state's water supply, making it of paramount importance that the state invest in water infrastructure to ensure Texas' continued prosperity. If the state's growing water needs are not addressed, the state stands to suffer from the loss of over a million jobs, billions of dollars in lost income, reduced economic activity, and decreased tax revenues in the coming years.

Comments by Opponents:

The economic stabilization fund should not be used to capitalize the two funds to be created by the proposed amendment. Instead, such funding should come from the general revenue fund. Drawing down funds from the economic stabilization fund to capitalize the two funds may negatively affect the state's credit rating and leave the state inadequately equipped to respond to future emergencies. Furthermore, constitutionally dedicating the money used to capitalize the funds is merely an accounting gimmick designed to enable the legislature to avoid the constitutional limit on spending of undedicated state revenue.