

AN ACT

relating to the administration of the Texas Water Development Board and the funding of water projects by the board and other entities; authorizing the issuance of revenue bonds.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. ADMINISTRATION OF THE TEXAS WATER DEVELOPMENT BOARD

SECTION 1.01. Sections 6.052(a) and (b), Water Code, are amended to read as follows:

(a) The board is composed of three [~~six~~] members who are appointed by the governor with the advice and consent of the senate. One member must have experience in the field of engineering, one member must have experience in the field of public or private finance, and one member must have experience in the field of law or business.

(b) The governor shall make the appointments in such a manner that the members reflect the diverse geographic regions and population groups of this state and do not have any conflicts [~~each member is from a different section of the state and has no conflict~~] of interest prohibited by state or federal law.

SECTION 1.02. Section 6.053, Water Code, is amended by adding Subsection (d) to read as follows:

(d) A person is not eligible for appointment to the board if the person served on the board on or before January 1, 2013.

SECTION 1.03. Section 6.054, Water Code, is amended by

1 amending Subsection (c) and adding Subsection (d) to read as  
2 follows:

3 (c) If the executive administrator or a member has knowledge  
4 that a potential ground for removal exists, the executive  
5 administrator shall notify the chairman of the board of the  
6 potential ground. The chairman of the board shall then notify the  
7 governor and the attorney general that a potential ground for  
8 removal exists. If the potential ground for removal includes the  
9 chairman of the board, the executive administrator or another  
10 member of the board shall notify the member [~~next highest ranking~~  
11 ~~officer~~] of the board with the most seniority, who shall then notify  
12 the governor and the attorney general that a potential ground for  
13 removal exists.

14 (d) The governor, with the advice and consent of the senate,  
15 may remove a board member from office as provided by Section 9,  
16 Article XV, Texas Constitution.

17 SECTION 1.04. Section 6.056, Water Code, is amended to read  
18 as follows:

19 Sec. 6.056. TERMS OF OFFICE. (a) The members of the board  
20 hold office for staggered terms of six years, with the term [~~terms~~]  
21 of one member [~~two members~~] expiring February 1 of each  
22 odd-numbered year [~~every two years~~]. Each member holds office  
23 until a his successor is appointed and has qualified.

24 (b) A person appointed to the board may not serve for more  
25 than two six-year terms.

26 SECTION 1.05. Section 6.059, Water Code, is amended to read  
27 as follows:

1           Sec. 6.059. CHAIRMAN OF THE BOARD [~~OFFICERS~~]. [~~(a)~~] The  
2 governor shall designate one member as chairman of the board to  
3 serve at the will of the governor.

4           ~~[(b) The members of the board shall elect a vice-chairman~~  
5 ~~every two years. The board shall fill a vacancy in the office of~~  
6 ~~vice-chairman for the remainder of the unexpired term.]~~

7           SECTION 1.06. Sections 6.060(a) and (b), Water Code, are  
8 amended to read as follows:

9           (a) The board shall hold regular meetings and all hearings  
10 at times specified by a board order and entered in its minutes [~~meet~~  
11 ~~at least once every other month on a day and at a place within the~~  
12 ~~state selected by it, subject to recesses at the discretion of the~~  
13 ~~board~~]. The [~~chairman or two~~] board [~~members~~] may hold special  
14 meetings at the times and places in this state that the board  
15 decides are appropriate for the performance of its duties. The  
16 chairman of the board or the board member acting for the chairman  
17 shall give the other members reasonable notice before holding a  
18 special meeting [~~call a special meeting at any time by giving notice~~  
19 ~~to the other members~~].

20           (b) The chairman [~~or in his absence the vice-chairman~~] shall  
21 preside at all meetings of the board. The chairman may designate  
22 another board member to act for the chairman in the chairman's  
23 absence.

24           SECTION 1.07. Section 6.061, Water Code, is amended to read  
25 as follows:

26           Sec. 6.061. FULL-TIME SERVICE. Each member of the board  
27 shall serve on a full-time basis. [~~COMPENSATION; EXPENSES. A~~

1 ~~member is entitled to receive an amount as provided by the General~~  
2 ~~Appropriations Act for each day he serves in the performance of his~~  
3 ~~duties, together with travel and other necessary expenses.]~~

4 SECTION 1.08. Section 6.103, Water Code, is amended to read  
5 as follows:

6 Sec. 6.103. EXECUTIVE ADMINISTRATOR. The board shall  
7 appoint a person to be the executive administrator to serve at the  
8 will of the board. A person is not eligible for appointment as the  
9 executive administrator if the person served in that capacity on  
10 January 1, 2013.

11 SECTION 1.09. (a) Not later than September 1, 2013, the  
12 governor shall appoint the initial members of the Texas Water  
13 Development Board under Section 6.052, Water Code, as amended by  
14 this Act. In appointing the initial members of the board, the  
15 governor shall appoint one person to a term expiring February 1,  
16 2015, one to a term expiring February 1, 2017, and one to a term  
17 expiring February 1, 2019.

18 (b) The terms of the current members of the board expire  
19 September 1, 2013.

20 SECTION 1.10. (a) Not later than October 1, 2013, the Texas  
21 Water Development Board shall appoint the executive administrator  
22 of the board under Section 6.103, Water Code, as amended by this  
23 Act.

24 (b) The person currently serving as the executive  
25 administrator of the board ceases to serve in that capacity on the  
26 date a new executive administrator is appointed under Subsection  
27 (a) of this section.

ARTICLE 2. FUNDING OF WATER PROJECTS

SECTION 2.01. (a) The legislature recognizes the importance of providing for this state's future water supply needs. The purpose of this article is to ensure that proper funding in the form of meaningful and adequate financial assistance is available to provide an adequate water supply for the future of this state.

(b) To accomplish that purpose, this article creates the state water implementation fund for Texas. The fund is intended to serve as a water infrastructure bank in order to enhance the financing capabilities of the Texas Water Development Board under constitutionally created programs and revenue bond programs. The fund provides a source of revenue or security for those programs and provides a cash flow mechanism under which money used in board programs flows back to the fund to provide protection for the fund's corpus. Money in the fund will be available immediately to provide support for low-interest loans, longer repayment terms for loans, incremental repurchase terms for projects in which the state owns an interest, and deferral of loan payments. Money in the fund may not be used to make grants. In addition, this article creates the state water implementation revenue fund for Texas for use in managing revenue bonds issued by the board that are supported by the state water implementation fund for Texas.

SECTION 2.02. Chapter 15, Water Code, is amended by adding Subchapters G and H to read as follows:

SUBCHAPTER G. STATE WATER IMPLEMENTATION FUND FOR TEXAS

Sec. 15.431. DEFINITIONS. In this subchapter:

(1) "Advisory committee" means the State Water

1 Implementation Fund for Texas Advisory Committee.

2 (2) "Fund" means the state water implementation fund  
3 for Texas.

4 (3) "Historically underutilized business" has the  
5 meaning assigned by Section 2161.001, Government Code.

6 (4) "Trust company" means the Texas Treasury  
7 Safekeeping Trust Company.

8 Sec. 15.432. FUND. (a) The state water implementation fund  
9 for Texas is a special fund in the state treasury outside the  
10 general revenue fund to be used by the board, without further  
11 legislative appropriation, for the purpose of implementing the  
12 state water plan as provided by this subchapter. The board may  
13 establish separate accounts in the fund. The fund and the fund's  
14 accounts are kept and held by the trust company for and in the name  
15 of the board. The board has legal title to money and investments in  
16 the fund until money is disbursed from the fund as provided by this  
17 subchapter and board rules. It is the intent of the legislature  
18 that the fund will never be used:

19 (1) for a purpose other than the support of projects in  
20 the state water plan; or

21 (2) to certify that appropriations from the treasury  
22 are within the amount estimated to be available in a fund of the  
23 treasury affected by the appropriation.

24 (b) Money deposited to the credit of the fund may be used  
25 only as provided by this subchapter.

26 (c) The fund consists of:

27 (1) money transferred or deposited to the credit of

1 the fund by law, including money from any source transferred or  
2 deposited to the credit of the fund at the board's discretion as  
3 authorized by law;

4 (2) the proceeds of any fee or tax imposed by this  
5 state that by statute is dedicated for deposit to the credit of the  
6 fund;

7 (3) any other revenue that the legislature by statute  
8 dedicates for deposit to the credit of the fund;

9 (4) investment earnings and interest earned on amounts  
10 credited to the fund; and

11 (5) money transferred to the fund under a bond  
12 enhancement agreement from another fund or account to which money  
13 from the fund was transferred under a bond enhancement agreement,  
14 as authorized by Section 15.435.

15 Sec. 15.433. MANAGEMENT AND INVESTMENT OF FUND. (a) The  
16 trust company shall hold and invest the fund, and any accounts  
17 established in the fund, for and in the name of the board, taking  
18 into account the purposes for which money in the fund may be used.  
19 The fund may be invested with the state treasury pool.

20 (b) The overall objective for the investment of the fund is  
21 to maintain sufficient liquidity to meet the needs of the fund while  
22 striving to preserve the purchasing power of the fund.

23 (c) The trust company has any power necessary to accomplish  
24 the purposes of managing and investing the assets of the fund. In  
25 managing the assets of the fund, through procedures and subject to  
26 restrictions the trust company considers appropriate, the trust  
27 company may acquire, exchange, sell, supervise, manage, or retain

1 any kind of investment that a prudent investor, exercising  
2 reasonable care, skill, and caution, would acquire or retain in  
3 light of the purposes, terms, distribution requirements, and other  
4 circumstances of the fund then prevailing, taking into  
5 consideration the investment of all the assets of the fund rather  
6 than a single investment.

7 (d) The trust company may charge fees to cover its costs  
8 incurred in managing and investing the fund. The fees must be  
9 consistent with the fees the trust company charges other state and  
10 local governmental entities for which it provides investment  
11 management services. The trust company may recover fees it charges  
12 under this subsection only from the earnings of the fund.

13 (e) The trust company annually shall provide a written  
14 report to the board and to the advisory committee with respect to  
15 the investment of the fund. The trust company shall contract with a  
16 certified public accountant to conduct an independent audit of the  
17 fund annually and shall present the results of each annual audit to  
18 the board and to the advisory committee. This subsection does not  
19 affect the state auditor's authority to conduct an audit of the fund  
20 under Chapter 321, Government Code.

21 (f) The trust company shall adopt a written investment  
22 policy that is appropriate for the fund. The trust company shall  
23 present the investment policy to the investment advisory board  
24 established under Section 404.028, Government Code. The investment  
25 advisory board shall submit to the trust company recommendations  
26 regarding the policy.

27 (g) The board annually shall provide to the trust company a



1 forecast of the cash flows into and out of the fund. The board shall  
2 provide updates to the forecasts as appropriate to ensure that the  
3 trust company is able to achieve the objective specified by  
4 Subsection (b).

5 (h) The trust company shall disburse money from the fund as  
6 directed by the board. The board shall direct disbursements from  
7 the fund on a semiannual schedule specified by the board and not  
8 more frequently than twice in any state fiscal year.

9 (i) An investment-related contract entered into under this  
10 section is not subject to Chapter 2260, Government Code.

11 Sec. 15.434. USE OF FUND; PAYMENTS TO AND FROM OTHER FUNDS  
12 OR ACCOUNTS. (a) At the direction of the board, the trust company  
13 shall make disbursements from the fund to another fund or account  
14 pursuant to a bond enhancement agreement authorized by Section  
15 15.435 in the amounts the board determines are needed for debt  
16 service payments on or security provisions of the board's general  
17 obligation bonds or revenue bonds, after considering all other  
18 sources available for those purposes in the respective fund or  
19 account.

20 (b) Of the money disbursed from the fund during the  
21 five-year period between the adoption of a state water plan and the  
22 adoption of a new plan, the board shall undertake to apply not less  
23 than:

24 (1) 10 percent to support projects described by  
25 Section 15.435 that are for:

26 (A) rural political subdivisions as defined by  
27 Section 15.992; or

1                   (B) agricultural water conservation; and

2                   (2) 20 percent to support projects described by  
3 Section 15.435, including agricultural irrigation projects, that  
4 are designed for water conservation or reuse.

5                   Sec. 15.435. BOND ENHANCEMENT AGREEMENTS. (a) A bond  
6 enhancement agreement entered into under this section is an  
7 agreement for professional services. A bond enhancement agreement  
8 must contain terms that are consistent with Section 15.433(h), and  
9 the agreement, including the period covered by the agreement and  
10 all other terms and conditions of the agreement, must be approved by  
11 the board. An obligation to disburse money from the fund, or from a  
12 special account established by the board, in accordance with a bond  
13 enhancement agreement is a special obligation of the board payable  
14 solely from designated income and receipts of the fund or of the  
15 account, as determined by the board. An obligation to disburse  
16 money from the fund, or from a special account established by the  
17 board, in accordance with a bond enhancement agreement does not  
18 constitute indebtedness of the state.

19                   (b) To facilitate the use of the fund for the purposes of  
20 this subchapter, the board may direct the trust company to enter  
21 into bond enhancement agreements to provide a source of revenue or  
22 security for the payment of the principal of and interest on general  
23 obligation bonds, including bonds issued under Section 49-d-9 or  
24 49-d-11, Article III, Texas Constitution, or revenue bonds issued  
25 by the board to finance or refinance projects included in the state  
26 water plan if the proceeds of the sale of the bonds have been or will  
27 be deposited to the credit of:

1           (1) the state water implementation revenue fund for  
2 Texas;

3           (2) the water infrastructure fund;

4           (3) the rural water assistance fund;

5           (4) the Texas Water Development Fund II state  
6 participation account; or

7           (5) the agricultural water conservation fund.

8           (c) If the trust company enters into a bond enhancement  
9 agreement under Subsection (b), the board may direct the trust  
10 company to make disbursements from the fund to another fund or  
11 account for the support of bonds the proceeds of which are used to  
12 provide financial assistance in the form of:

13           (1) a loan bearing an interest rate of not less than 50  
14 percent of the then-current market rate of interest available to  
15 the board;

16           (2) a loan to finance a facility under repayment terms  
17 similar to the terms of debt customarily issued by the entity  
18 requesting assistance but not to exceed the lesser of:

19                   (A) the expected useful life of the facility; or

20                   (B) 30 years;

21           (3) a deferral of loan repayment, including deferral  
22 of the repayment of:

23                   (A) principal and interest; or

24                   (B) accrued interest;

25           (4) incremental repurchase terms for an acquired  
26 facility, including terms for no initial repurchase payment  
27 followed by progressively increasing incremental levels of

1 interest payment, repurchase of principal and interest, and  
2 ultimate repurchase of the entire state interest in the facility  
3 using simple interest calculations; or

4 (5) a combination of the methods of financing  
5 described by Subdivisions (1)-(4).

6 (d) The board may direct the trust company to enter into  
7 bond enhancement agreements with respect to bonds issued by the  
8 board before September 1, 2013, only if:

9 (1) those bonds otherwise satisfy the requirements of  
10 Subsections (b) and (c);

11 (2) the proceeds of those bonds were or are required to  
12 be used only for the implementation of water projects recommended  
13 through the state and regional water planning processes under  
14 Sections 16.051 and 16.053; and

15 (3) general revenue of the state was appropriated  
16 before September 1, 2013, for the payment of debt service on those  
17 bonds.

18 (e) The board may direct the trust company to enter into  
19 bond enhancement agreements with respect to refunding bonds issued  
20 by the board to refund bonds issued by the board the proceeds of  
21 which have been or are to be used for projects included in the state  
22 water plan and which otherwise satisfied the requirements of  
23 Subsections (b) and (c).

24 (f) The board may not direct the trust company to enter into  
25 a bond enhancement agreement with respect to bonds issued by the  
26 board the proceeds of which have been or are to be used to make  
27 grants.

1       (g) The board may not direct the trust company to enter into  
2 a bond enhancement agreement with respect to bonds issued by the  
3 board the proceeds of which may be used to provide financial  
4 assistance to an applicant if at the time of the request the  
5 applicant has failed to:

6           (1) submit or implement a water conservation plan in  
7 accordance with Section 11.1271; or

8           (2) satisfactorily complete a request by the executive  
9 administrator or a regional water planning group for information  
10 relevant to the project for which the financial assistance is  
11 sought, including a water infrastructure financing survey under  
12 Section 16.053(q).

13       (h) The board may not direct the trust company to enter into  
14 a bond enhancement agreement with respect to bonds issued by the  
15 board the proceeds of which may be used to provide financial  
16 assistance to an applicant unless at the time of the request the  
17 applicant has acknowledged its legal obligation to comply with any  
18 applicable requirements of:

19           (1) federal law relating to contracting with  
20 disadvantaged business enterprises; and

21           (2) state law relating to contracting with  
22 historically underutilized businesses.

23       (i) The board may not approve a bond enhancement agreement  
24 with respect to bonds issued by the board unless the agreement  
25 contains a provision to the effect that if the trust company makes a  
26 disbursement under the bond enhancement agreement from the fund to  
27 the credit of another fund or account as provided by Section

1 15.434(a), the board shall direct the comptroller to transfer an  
2 amount not to exceed that amount from the fund or account receiving  
3 the payment back to the fund if:

4 (1) money is available in the surplus balance in the  
5 fund or account for that purpose; and

6 (2) the money transferred back to the fund will not  
7 cause general obligation bonds that are payable from the fund or  
8 account receiving the payment to no longer be self-supporting for  
9 purposes of Section 49-j(b), Article III, Texas Constitution.

10 (j) For purposes of Subsection (i)(1), the surplus balance  
11 of a fund or account that receives a disbursement from the fund  
12 under a bond enhancement agreement is the amount of money on deposit  
13 in the fund or account, as determined by the board, that is  
14 attributable to the general obligation bonds or revenue bonds that  
15 are the subject of the bond enhancement agreement, including money  
16 received from the sale or other disposition of the board's rights to  
17 receive repayment of financial assistance, money received from the  
18 sale, transfer, or lease of an acquired facility, money received  
19 from the sale of water associated with an acquired facility, and  
20 related investment earnings, that exceeds the amount required to  
21 pay annual debt service on the bonds and any other amounts specified  
22 in the resolution or other proceedings authorizing the bonds and  
23 any related obligations.

24 (k) The board shall submit each bond enhancement agreement  
25 and the record relating to the agreement to the attorney general for  
26 examination as to the validity of the agreement. If the attorney  
27 general finds that the agreement has been made in accordance with

1 the constitution and other laws of this state, the attorney general  
2 shall approve the agreement and the comptroller shall register the  
3 agreement. If the agreement is not submitted at the same time that  
4 the bonds to which it relates are submitted, the agreement shall be  
5 treated as a public security solely for the purposes of Section  
6 1202.004, Government Code.

7 (l) After a bond enhancement agreement has been approved and  
8 registered as provided by Subsection (k), the agreement is valid  
9 and is incontestable for any cause.

10 (m) At the direction of the board, the trust company shall  
11 make disbursements from the fund, or from a special account  
12 established by the board, in accordance with a bond enhancement  
13 agreement in the amounts the board determines are needed for debt  
14 service payments on, or for security provisions of, general  
15 obligation bonds or revenue bonds issued by the board the proceeds  
16 of the sale of which have been deposited in another fund  
17 administered by the board, or in an account in that other fund, for  
18 use in accordance with this subchapter, after the board considers  
19 all other sources available for those purposes in that other fund or  
20 account. Money transferred under this subsection may be deposited  
21 into that other fund or into a special account established by the  
22 trust company or a corporate trustee that is a trust company or a  
23 bank that has the powers of a trust company, as determined by the  
24 board.

25 Sec. 15.436. PRIORITIZATION OF PROJECTS BY REGIONAL WATER  
26 PLANNING GROUPS. (a) Each regional water planning group shall  
27 prioritize projects in its respective regional water plan for the

1 purposes of Section 15.435. At a minimum, a regional water planning  
2 group must consider the following criteria in prioritizing each  
3 project:

4 (1) the decade in which the project will be needed;

5 (2) the feasibility of the project, including the  
6 availability of water rights for purposes of the project and the  
7 hydrological and scientific practicability of the project;

8 (3) the viability of the project, including whether  
9 the project is a comprehensive solution with a measurable outcome;

10 (4) the sustainability of the project, taking into  
11 consideration the life of the project; and

12 (5) the cost-effectiveness of the project, taking into  
13 consideration the expected unit cost of the water to be supplied by  
14 the project.

15 (b) In prioritizing projects, each regional water planning  
16 group shall include projects that meet long-term needs as well as  
17 projects that meet short-term needs.

18 (c) The board shall create a stakeholders committee  
19 composed of the presiding officer or a person designated by the  
20 presiding officer of each regional water planning group to  
21 establish uniform standards to be used by the regional water  
22 planning groups in prioritizing projects under this section.  
23 Uniform standards established under this subsection must be  
24 approved by the board. The board shall consult the stakeholders  
25 committee from time to time regarding regional prioritization of  
26 projects.

27 (d) Each regional water planning group shall submit to the



1 board the prioritization developed by the group under this section  
2 together with the group's respective regional water plan developed  
3 and submitted under Section 16.053.

4 Sec. 15.437. PRIORITIZATION OF PROJECTS BY BOARD. (a) The  
5 board shall prioritize projects included in the state water plan  
6 for the purpose of providing financial assistance under this  
7 subchapter.

8 (b) The board shall establish a point system for  
9 prioritizing projects for which financial assistance is sought from  
10 the board. The system must include a standard for the board to  
11 apply in determining whether a project qualifies for financial  
12 assistance at the time the application for financial assistance is  
13 filed with the board.

14 (c) The board shall give the highest consideration in  
15 awarding points to projects that will have a substantial effect,  
16 including projects that will:

17 (1) serve a large population;

18 (2) provide assistance to a diverse urban and rural  
19 population;

20 (3) provide regionalization; or

21 (4) meet a high percentage of the water supply needs of  
22 the water users to be served by the project.

23 (d) In addition to the criteria provided by Subsection (c),  
24 the board must also consider at least the following criteria in  
25 prioritizing projects:

26 (1) the local contribution to be made to finance the  
27 project, including the up-front capital to be provided by the

1 applicant;

2 (2) the financial capacity of the applicant to repay  
3 the financial assistance provided;

4 (3) the ability of the board and the applicant to  
5 timely leverage state financing with local and federal funding;

6 (4) whether there is an emergency need for the  
7 project, taking into consideration whether:

8 (A) the applicant is included at the time of the  
9 application on the list maintained by the commission of local  
10 public water systems that have a water supply that will last less  
11 than 180 days without additional rainfall; and

12 (B) federal funding for which the project is  
13 eligible has been used or sought;

14 (5) if the applicant is applying for financial  
15 assistance for the project under Subchapter Q, whether the  
16 applicant is ready to proceed with the project at the time of the  
17 application, including whether:

18 (A) all preliminary planning and design work  
19 associated with the project has been completed;

20 (B) the applicant has acquired the water rights  
21 associated with the project;

22 (C) the applicant has secured funding for the  
23 project from other sources; and

24 (D) the applicant is able to begin implementing  
25 or constructing the project;

26 (6) the demonstrated or projected effect of the  
27 project on water conservation, including preventing the loss of

1 water, taking into consideration, if applicable, whether the  
2 applicant has filed a water audit with the board under Section  
3 16.0121 that demonstrates that the applicant is accountable with  
4 regard to reducing water loss and increasing efficiency in the  
5 distribution of water; and

6 (7) the priority given the project by the applicable  
7 regional water planning group under Section 15.436.

8 Sec. 15.438. ADVISORY COMMITTEE. (a) The State Water  
9 Implementation Fund for Texas Advisory Committee is composed of the  
10 following seven members:

11 (1) the comptroller, or a person designated by the  
12 comptroller;

13 (2) three members of the senate appointed by the  
14 lieutenant governor, including:

15 (A) a member of the committee of the senate  
16 having primary jurisdiction over matters relating to finance; and

17 (B) a member of the committee of the senate  
18 having primary jurisdiction over natural resources; and

19 (3) three members of the house of representatives  
20 appointed by the speaker of the house of representatives,  
21 including:

22 (A) a member of the committee of the house of  
23 representatives having primary jurisdiction over appropriations;  
24 and

25 (B) a member of the committee of the house of  
26 representatives having primary jurisdiction over natural  
27 resources.

1       (b) The following persons shall serve as staff support for  
2 the advisory committee:

3           (1) the deputy executive administrator of the board  
4 who is responsible for water science and conservation or a person  
5 who holds an equivalent position at the agency, or a person  
6 designated by that person;

7           (2) the deputy executive administrator of the board  
8 who is responsible for water resources planning and information or  
9 a person who holds an equivalent position at the agency, or a person  
10 designated by that person; and

11           (3) the chief financial officer of the board, or a  
12 person who holds an equivalent position at the agency.

13       (c) An appointed member of the advisory committee serves at  
14 the will of the person who appointed the member.

15       (d) The lieutenant governor shall appoint a co-presiding  
16 officer of the advisory committee from among the members appointed  
17 by the lieutenant governor, and the speaker of the house of  
18 representatives shall appoint a co-presiding officer of the  
19 committee from among the members appointed by the speaker.

20       (e) The advisory committee may hold public hearings, formal  
21 meetings, or work sessions. Either co-presiding officer of the  
22 advisory committee may call a public hearing, formal meeting, or  
23 work session of the advisory committee at any time. The advisory  
24 committee may not take formal action at a public hearing, formal  
25 meeting, or work session unless a quorum of the committee is  
26 present.

27       (f) Except as otherwise provided by this subsection, a

1 member of the advisory committee is not entitled to receive  
2 compensation for service on the committee or reimbursement for  
3 expenses incurred in the performance of official duties as a member  
4 of the committee. Service on the advisory committee by a member of  
5 the senate or house of representatives is considered legislative  
6 service for which the member is entitled to reimbursement and other  
7 benefits in the same manner and to the same extent as for other  
8 legislative service.

9 (g) The advisory committee shall submit comments and  
10 recommendations to the board regarding the use of money in the fund  
11 for use by the board in adopting rules under Section 15.439 and in  
12 adopting policies and procedures under Section 15.441. The  
13 submission must include:

14 (1) comments and recommendations on rulemaking  
15 related to the prioritization of projects in regional water plans  
16 and the state water plan in accordance with Sections 15.436 and  
17 15.437;

18 (2) comments and recommendations on rulemaking  
19 related to establishing standards for determining whether projects  
20 meet the criteria provided by Section 15.434(b);

21 (3) an evaluation of the available programs for  
22 providing financing for projects included in the state water plan  
23 and guidelines for implementing those programs, including  
24 guidelines for providing financing for projects included in the  
25 state water plan that are authorized under Subchapter Q or R of this  
26 chapter, Subchapter E or F, Chapter 16, or Subchapter J, Chapter 17;

27 (4) an evaluation of the lending practices of the

1 board and guidelines for lending standards;

2 (5) an evaluation of the use of funds by the board to  
3 provide support for financial assistance for water projects,  
4 including support for the purposes described by Section 15.435(c);

5 (6) an evaluation of whether premium financing  
6 programs should be established within the funds described by  
7 Section 15.435 to serve the purposes of this subchapter, especially  
8 in connection with projects described by Section 15.434(b);

9 (7) an evaluation of methods for encouraging  
10 participation in the procurement process by companies domiciled in  
11 this state or that employ a significant number of residents of this  
12 state; and

13 (8) an evaluation of the overall operation, function,  
14 and structure of the fund.

15 (h) The advisory committee shall review the overall  
16 operation, function, and structure of the fund at least  
17 semiannually and may provide comments and recommendations to the  
18 board on any matter.

19 (i) The advisory committee may adopt rules, procedures, and  
20 policies as needed to administer this section and implement its  
21 responsibilities.

22 (j) Chapter 2110, Government Code, does not apply to the  
23 size, composition, or duration of the advisory committee.

24 (k) The advisory committee is subject to Chapter 325,  
25 Government Code (Texas Sunset Act). Unless continued in existence  
26 as provided by that chapter, the advisory committee is abolished  
27 and this section expires September 1, 2023.

1       (l) The advisory committee shall make recommendations to  
2 the board regarding information to be posted on the board's  
3 Internet website under Section 15.440(b).

4       (m) The advisory committee shall evaluate and may provide  
5 comments or recommendations on the feasibility of the state owning,  
6 constructing, and operating water supply projects, including  
7 reservoirs and major water supply conveyance infrastructure,  
8 through existing financial assistance programs under Subchapter E  
9 of this chapter, Subchapter E or F, Chapter 16, or other mechanisms.

10       (n) The executive administrator shall provide an annual  
11 report to the advisory committee on:

12               (1) the board's compliance with statewide annual goals  
13 relating to historically underutilized businesses; and

14               (2) the participation level of historically  
15 underutilized businesses in projects that receive funding related  
16 to a bond enhancement agreement under this subchapter.

17       (o) If the aggregate level of participation by historically  
18 underutilized businesses in projects that receive funding related  
19 to a bond enhancement agreement under this subchapter does not meet  
20 statewide annual goals adopted under Chapter 2161, Government Code,  
21 the advisory committee shall make recommendations to the board to  
22 improve the participation level.

23       Sec. 15.439. RULES. (a) The board shall adopt rules  
24 providing for the use of money in the fund that are consistent with  
25 this subchapter, including rules:

26               (1) establishing standards for determining whether  
27 projects meet the criteria provided by Section 15.434(b); and

1           (2) specifying the manner for prioritizing projects  
2 for purposes of Section 15.437.

3           (b) The board shall give full consideration to the  
4 recommendations of the advisory committee before adopting rules  
5 under this subchapter.

6           Sec. 15.440. REPORTING AND TRANSPARENCY REQUIREMENTS. (a)  
7 Not later than December 1 of each even-numbered year, the board  
8 shall provide a report to the governor, lieutenant governor,  
9 speaker of the house of representatives, and members of the  
10 legislature regarding the use of the fund, including the use of the  
11 fund to support projects that are for rural political subdivisions  
12 or agricultural water conservation or that are designed for water  
13 conservation or reuse as required by Section 15.434(b).

14           (b) The board shall post the following information on the  
15 board's Internet website regarding the use of the fund and  
16 regularly update the information posted:

17           (1) the progress made in developing needed water  
18 supply statewide and for the benefit of each regional water  
19 planning area; and

20           (2) for each regional water planning area, a  
21 description of each project funded through bonds supported by a  
22 bond enhancement agreement entered into under Section 15.435,  
23 including:

24                   (A) the expected date of completion of the  
25 project; and

26                   (B) the current status of the project.

27           Sec. 15.441. POLICIES AND PROCEDURES TO MITIGATE OR



1 MINIMIZE ADVERSE EFFECTS OF CERTAIN FEDERAL LAWS. The board shall  
2 adopt, and may amend from time to time at the board's discretion,  
3 policies and procedures for the purpose of mitigating or minimizing  
4 the adverse effects, if any, of federal laws and regulations  
5 relating to income taxes, arbitrage, rebates, and related matters  
6 that may restrict the board's ability to freely invest all or part  
7 of the fund or to receive and retain all the earnings from the fund.

8 SUBCHAPTER H. STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS

9 Sec. 15.471. DEFINITION. In this subchapter, "fund" means  
10 the state water implementation revenue fund for Texas.

11 Sec. 15.472. FUND. (a) The state water implementation  
12 revenue fund for Texas is a special fund in the state treasury  
13 outside the general revenue fund to be used by the board, without  
14 further legislative appropriation, only for the purpose of  
15 providing financing for projects included in the state water plan  
16 that are authorized under Subchapter Q or R of this chapter,  
17 Subchapter E or F, Chapter 16, or Subchapter J, Chapter 17. The  
18 board may establish separate accounts in the fund. The board has  
19 legal title to money and investments in the fund until the money is  
20 disbursed as provided by this subchapter and board rules. It is the  
21 intent of the legislature that the fund will never be used:

22 (1) for a purpose other than the support of projects in  
23 the state water plan; or

24 (2) to certify that appropriations from the treasury  
25 are within the amount estimated to be available in a fund of the  
26 treasury affected by the appropriation.

27 (b) Money deposited to the credit of the fund may be used

1 only as provided by this subchapter.

2 (c) The fund consists of:

3 (1) money transferred or deposited to the credit of  
4 the fund by law, including money from any source transferred or  
5 deposited to the credit of the fund at the board's discretion as  
6 authorized by law;

7 (2) the proceeds of any fee or tax imposed by this  
8 state that by statute is dedicated for deposit to the credit of the  
9 fund;

10 (3) any other revenue that the legislature by statute  
11 dedicates for deposit to the credit of the fund;

12 (4) investment earnings and interest earned on amounts  
13 credited to the fund;

14 (5) the proceeds from the sale of bonds, including  
15 revenue bonds issued by the board under this subchapter, that are  
16 designated by the board for the purpose of providing money for the  
17 fund;

18 (6) repayments of loans made from the fund;

19 (7) money from the sale, transfer, or lease of a  
20 project acquired, constructed, reconstructed, developed, or  
21 enlarged with money from the fund; and

22 (8) money disbursed to the fund from the state water  
23 implementation fund for Texas as authorized by Section 15.434.

24 Sec. 15.473. MANAGEMENT AND INVESTMENT OF FUND. (a) Money  
25 deposited to the credit of the fund shall be invested as determined  
26 by the board. The fund may be invested with the state treasury  
27 pool.

1       (b) The fund and any accounts established in the fund shall  
2 be kept and maintained by or at the direction of the board.

3       (c) At the direction of the board, the fund and any accounts  
4 established in the fund may be managed by the comptroller or a  
5 corporate trustee that is a trust company or a bank that has the  
6 powers of a trust company for and on behalf of the board and pending  
7 their use for the purposes provided by this subchapter may be  
8 invested as provided by an order, resolution, or rule of the board.

9       (d) The comptroller or corporate trustee shall manage the  
10 fund in strict accordance with this subchapter and the orders,  
11 resolutions, and rules of the board.

12       Sec. 15.474. USE OF FUND. (a) Except as provided by  
13 Subsection (c), money in the fund may be used by the board only to  
14 provide financing or refinancing, under terms specified by the  
15 board, for projects included in the state water plan that are  
16 authorized under Subchapter Q or R of this chapter, Subchapter E or  
17 F, Chapter 16, or Subchapter J, Chapter 17, including water  
18 conservation or reuse projects designed to reduce the need for this  
19 state or political subdivisions of this state to develop additional  
20 water resources.

21       (b) Financing or refinancing of projects described by  
22 Subsection (a) may be provided by using money in the fund to make  
23 loans to eligible political subdivisions or to purchase bonds or  
24 other obligations of eligible political subdivisions bearing  
25 interest at a rate or rates determined by the board, including a  
26 rate or rates below prevailing market rates.

27       (c) The board may use money in the fund:

1           (1) as a source of revenue or security for:

2                   (A) the payment of the principal of and interest  
3 on:

4                           (i) revenue bonds issued by the board under  
5 this subchapter; or

6                           (ii) other bonds issued by the board if the  
7 proceeds of the bonds will be deposited in the fund; or

8                           (B) a bond enhancement agreement;

9           (2) to acquire loans or other assets from another fund  
10 or account administered by the board, including political  
11 subdivision bonds sold or disposed of under Section 15.978 or  
12 17.968; or

13           (3) to pay the necessary and reasonable expenses of  
14 paying agents, bond counsel, and financial advisory services and  
15 similar costs incurred by the board in administering the fund.

16           (d) The board, or comptroller or corporate trustee managing  
17 the fund at the direction of the board as provided by Section  
18 15.473(c), shall withdraw from the fund and forward to another  
19 person any amounts, as determined by the board, for timely payment  
20 of:

21                   (1) the principal of and interest on bonds described  
22 by Subsection (c)(1)(A) of this section that mature or become due;  
23 and

24                   (2) any cost related to bonds described by Subsection  
25 (c)(1)(A) of this section that become due, including payments under  
26 related credit agreements or bond enhancement agreements.

27           Sec. 15.475. ISSUANCE OF REVENUE BONDS. (a) The board may

1 issue revenue bonds for the purpose of providing money for the fund.

2 (b) The board may issue revenue bonds to refund revenue  
3 bonds or bonds and obligations issued or incurred in accordance  
4 with other provisions of law.

5 (c) Revenue bonds issued under this subchapter are special  
6 obligations of the board payable only from and secured by  
7 designated income and receipts of the fund, or of one or more  
8 accounts in the fund, including principal of and interest paid and  
9 to be paid on fund assets or income from accounts created within the  
10 fund by the board, as determined by the board.

11 (d) Revenue bonds issued under this subchapter do not  
12 constitute indebtedness of the state as prohibited by the  
13 constitution.

14 (e) The board may require fund participants to make charges,  
15 levy taxes, or otherwise provide for sufficient money to pay  
16 acquired obligations.

17 (f) Revenue bonds issued under this subchapter must be  
18 authorized by resolution of the board and must have the form and  
19 characteristics and bear the designations as the resolution  
20 provides.

21 (g) Revenue bonds issued under this subchapter may:

22 (1) bear interest at the rate or rates payable  
23 annually or otherwise;

24 (2) be dated;

25 (3) mature at the time or times, serially, as term  
26 revenue bonds, or otherwise in not more than 50 years from their  
27 dates;

1           (4) be callable before stated maturity on the terms  
2 and at the prices, be in the denominations, be in the form, either  
3 coupon or registered, carry registration privileges as to principal  
4 only or as to both principal and interest and as to successive  
5 exchange of coupon for registered bonds or one denomination for  
6 bonds of other denominations, and successive exchange of registered  
7 revenue bonds for coupon revenue bonds, be executed in the manner,  
8 and be payable at the place or places inside or outside the state,  
9 as provided by the resolution;

10           (5) be issued in temporary or permanent form;

11           (6) be issued in one or more installments and from time  
12 to time as required and sold at a price or prices and under terms  
13 determined by the board to be the most advantageous reasonably  
14 obtainable; and

15           (7) be issued on a parity with and be secured in the  
16 manner as other revenue bonds authorized to be issued by this  
17 subchapter or may be issued without parity and secured differently  
18 than other revenue bonds.

19           (h) Section 17.955 applies to revenue bonds issued under  
20 this subchapter in the same manner as that section applies to water  
21 financial assistance bonds.

22           (i) All proceedings relating to the issuance of revenue  
23 bonds issued under this subchapter shall be submitted to the  
24 attorney general for examination. If the attorney general finds  
25 that the revenue bonds have been authorized in accordance with law,  
26 the attorney general shall approve the revenue bonds, and the  
27 revenue bonds shall be registered by the comptroller. After the

1 approval and registration, the revenue bonds are incontestable in  
2 any court or other forum for any reason and are valid and binding  
3 obligations in accordance with their terms for all purposes.

4 (j) The proceeds received from the sale of revenue bonds  
5 issued under this subchapter may be deposited or invested in any  
6 manner and in such investments as may be specified in the resolution  
7 or other proceedings authorizing those obligations. Money in the  
8 fund or accounts created by this subchapter or created in the  
9 resolution or other proceedings authorizing the revenue bonds may  
10 be invested in any manner and in any obligations as may be specified  
11 in the resolution or other proceedings.

12 Sec. 15.476. SUBCHAPTER CUMULATIVE OF OTHER LAWS. (a) This  
13 subchapter is cumulative of other laws on the subject, and the board  
14 may use provisions of other applicable laws in the issuance of bonds  
15 and other obligations and the execution of bond enhancement  
16 agreements, but this subchapter is wholly sufficient authority for  
17 the issuance of bonds and other obligations, the execution of bond  
18 enhancement agreements, and the performance of all other acts and  
19 procedures authorized by this subchapter.

20 (b) In addition to other authority granted by this  
21 subchapter, the board may exercise the authority granted to the  
22 governing body of an issuer with regard to the issuance of  
23 obligations under Chapter 1371, Government Code.

24 SECTION 2.03. Section 15.973(b), Water Code, is amended to  
25 read as follows:

26 (b) The fund consists of:

27 (1) appropriations from the legislature;

1           (2) any other fees or sources of revenue that the  
2 legislature may dedicate for deposit to the fund;

3           (3) repayments of loans made from the fund;

4           (4) interest earned on money credited to the fund;

5           (5) depository interest allocable to the fund;

6           (6) money from gifts, grants, or donations to the  
7 fund;

8           (7) money from revenue bonds or other sources  
9 designated by the board; ~~and~~

10           (8) proceeds from the sale of political subdivision  
11 bonds or obligations held in the fund and not otherwise pledged to  
12 the discharge, repayment, or redemption of revenue bonds or other  
13 bonds, the proceeds of which were placed in the fund; and

14           (9) money disbursed to the fund from the state water  
15 implementation fund for Texas as authorized by Section 15.434.

16           SECTION 2.04. Section 15.974, Water Code, is amended by  
17 adding Subsection (b) to read as follows:

18           (b) The board shall transfer back to the state water  
19 implementation fund for Texas any money disbursed to the fund as  
20 described by Section 15.973(b)(9) if the requirements of Section  
21 15.435 are satisfied.

22           SECTION 2.05. Section 15.978(c), Water Code, is amended to  
23 read as follows:

24           (c) Notwithstanding other provisions of this chapter, the  
25 board may sell to the Texas Water Resources Finance Authority or to  
26 the state water implementation revenue fund for Texas any political  
27 subdivision bonds purchased with money in the water infrastructure



1 fund and may apply the proceeds of a sale in the manner provided by  
2 this section.

3 SECTION 2.06. Section 15.993, Water Code, is amended to  
4 read as follows:

5 Sec. 15.993. FUND. The rural water assistance fund is a  
6 special fund in the state treasury. The fund consists of:

7 (1) money directly appropriated to the board for a  
8 purpose of the fund;

9 (2) repayment of principal and interest from loans  
10 made from the fund not otherwise needed as a source of revenue  
11 pursuant to Section 17.9615(b);

12 (3) money transferred by the board from any sources  
13 available;

14 (4) interest earned on the investment of money in the  
15 fund and depository interest allocable to the fund;

16 (5) money transferred to the fund from the water  
17 assistance fund in accordance with Section 15.011(b), including  
18 proceeds from the sale of political subdivision bonds by the board  
19 to the Texas Water Resources Finance Authority that are deposited  
20 in the water assistance fund as provided by Section 17.0871;

21 (6) money from gifts, grants, or donations to the  
22 fund;

23 (7) money disbursed to the fund from the state water  
24 implementation fund for Texas as authorized by Section 15.434; and

25 (8) [~~7~~] any other fees or sources of revenue that  
26 the legislature may dedicate for deposit to the fund.

27 SECTION 2.07. Section 15.994, Water Code, is amended by

1 adding Subsection (i) to read as follows:

2 (i) The board shall transfer back to the state water  
3 implementation fund for Texas any money disbursed to the fund as  
4 described by Section 15.993(7) if the requirements of Section  
5 15.435 are satisfied.

6 SECTION 2.08. Section 17.183, Water Code, is amended to  
7 read as follows:

8 Sec. 17.183. CONSTRUCTION CONTRACT REQUIREMENTS. (a) The  
9 governing body of each political subdivision receiving financial  
10 assistance from the board shall require in all contracts for the  
11 construction of a project:

12 (1) that each bidder furnish a bid guarantee  
13 equivalent to five percent of the bid price;

14 (2) that each contractor awarded a construction  
15 contract furnish performance and payment bonds:

16 (A) the performance bond shall include without  
17 limitation guarantees that work done under the contract will be  
18 completed and performed according to approved plans and  
19 specifications and in accordance with sound construction  
20 principles and practices; and

21 (B) the performance and payment bonds shall be in  
22 a penal sum of not less than 100 percent of the contract price and  
23 remain in effect for one year beyond the date of approval by the  
24 engineer of the political subdivision; ~~and~~

25 (3) that payment be made in partial payments as the  
26 work progresses;

27 (4) that each partial payment shall not exceed 95

1 percent of the amount due at the time of the payment as shown by the  
2 engineer of the project, but, if the project is substantially  
3 complete, a partial release of the five percent retainage may be  
4 made by the political subdivision with approval of the executive  
5 administrator;

6 (5) that payment of the retainage remaining due upon  
7 completion of the contract shall be made only after:

8 (A) approval by the engineer for the political  
9 subdivision as required under the bond proceedings;

10 (B) approval by the governing body of the  
11 political subdivision by a resolution or other formal action; and

12 (C) certification by the executive administrator  
13 in accordance with the rules of the board that the work to be done  
14 under the contract has been completed and performed in a  
15 satisfactory manner and in accordance with approved plans and  
16 specifications [~~sound engineering principles and practices~~];

17 (6) that no valid approval may be granted unless the  
18 work done under the contract has been completed and performed in a  
19 satisfactory manner according to approved plans and  
20 specifications; [~~and~~]

21 (7) that, if a political subdivision receiving  
22 financial assistance under Subchapter K of this chapter, labor from  
23 inside the political subdivision be used to the extent possible;  
24 and

25 (8) that the contract include a requirement that iron  
26 and steel products and manufactured goods used in the project be  
27 produced in the United States, unless:

1           (A) such products or goods are not:

2                   (i) available in sufficient quantities;

3                   (ii) readily available; or

4                   (iii) of a satisfactory quality; or

5           (B) the use of such products or goods will  
6 increase the total cost of the project by more than 20 percent.

7           (b) Plans and specifications submitted to the board in  
8 connection with an application for financial assistance must  
9 include a seal by a licensed engineer affirming that the plans and  
10 specifications are consistent with and conform to current industry  
11 design and construction standards.

12           (c) For the purposes of Subsections (a)(8) and (d):

13                   (1) "Component" means any article, material, or  
14 supply, whether a manufactured good or raw material, that is  
15 directly incorporated into a manufactured good.

16                   (2) "Manufactured good" means an item produced as the  
17 result of a manufacturing process.

18                   (3) "Manufacturing process" means the application of a  
19 process to alter the form or function of materials or elements of a  
20 product in a manner that adds value and transforms the materials or  
21 elements so that a new end product is produced that is functionally  
22 different from the product that would result from simple assembly  
23 of the materials or elements.

24                   (4) "Produced in the United States" means:

25                           (A) in the case of iron and steel products,  
26 products for which all manufacturing processes, from initial  
27 melting through application of coatings, take place in the United

1 States, except metallurgical processes that involve the refinement  
2 of steel additives; and

3 (B) in the case of a manufactured good, a good for  
4 which:

5 (i) all of the manufacturing process that  
6 produced the manufactured good takes place in the United States;  
7 and

8 (ii) more than 60 percent of the components  
9 of the manufactured good, by cost, originate in the United States.

10 (d) For the purposes of Subsection (c)(4)(B)(ii), if a  
11 component originates in the United States, the entire cost of that  
12 component contributes to the determination of the percentage of the  
13 components of the manufactured good that originate in the United  
14 States.

15 (e) This section shall be applied in a manner consistent  
16 with this state's obligations under any international agreement.

17 SECTION 2.09. Section 17.185(a), Water Code, is amended to  
18 read as follows:

19 (a) The board may inspect the construction of a project at  
20 any time to assure that[+]

21 [~~1~~] the contractor is substantially complying with  
22 the approved engineering plans and specifications of the project[+]  
23 ~~and~~

24 [~~2~~] ~~the contractor is constructing the project in~~  
25 ~~accordance with sound engineering principles~~].

26 SECTION 2.10. Section 17.187, Water Code, is amended to  
27 read as follows:

1           Sec. 17.187. CERTIFICATE OF APPROVAL.       The executive  
2 administrator may consider the following as grounds for refusal to  
3 give a certificate of approval for any construction contract:

4           (1) failure to construct the project according to  
5 approved plans and specifications; or

6           (2) [~~failure to construct the works in accordance with~~  
7 ~~sound engineering principles; or~~

8           [~~(3)~~] failure to comply with any term of the contract.

9           SECTION 2.11. Section 17.276(c), Water Code, is amended to  
10 read as follows:

11           (c) The board has the sole responsibility and authority for  
12 selecting the political subdivisions to whom financial assistance  
13 may be provided for treatment works and the amount of any such  
14 assistance. [~~In consultation with and pursuant to agreement with~~  
15 ~~the political subdivision, except as provided by Subsection (d) of~~  
16 ~~this section, the board shall determine the location, time, design,~~  
17 ~~scope, and all other aspects of the construction of a sewerage~~  
18 ~~system for which financial assistance is provided.]~~

19           SECTION 2.12. Section 17.775(c), Water Code, is amended to  
20 read as follows:

21           (c) The board has the sole responsibility and authority for  
22 selecting the political subdivisions to whom financial assistance  
23 may be provided and [~~7~~] the amount of any such assistance[~~, and in~~  
24 ~~consultation with and pursuant to agreement with the political~~  
25 ~~subdivision, the board shall determine the location, time, design,~~  
26 ~~scope, and all other aspects of the construction to be performed].~~

27           SECTION 2.13. Section 17.853(c), Water Code, is amended to

1 read as follows:

2 (c) The board may use the fund only:

3 (1) to provide state matching funds for federal funds  
4 provided to the state water pollution control revolving fund or to  
5 any additional state revolving fund created under Subchapter J,  
6 Chapter 15;

7 (2) to provide financial assistance from the proceeds  
8 of taxable bond issues to water supply corporations organized under  
9 Chapter 67, and other participants;

10 (3) to provide financial assistance to participants  
11 for the construction of water supply projects and treatment works;

12 (4) to provide financial assistance for an interim  
13 construction period to participants for projects for which the  
14 board will provide long-term financing through the water  
15 development fund;

16 (5) to provide financial assistance for water supply  
17 and sewer service projects in economically distressed areas as  
18 provided by Subchapter K, Chapter 17, to the extent the board can  
19 make that assistance without adversely affecting the current or  
20 future integrity of the fund or of any other financial assistance  
21 program of the board; ~~and~~

22 (6) to provide funds to the water infrastructure fund  
23 created under Section 15.973; and

24 (7) to provide funds to the state water implementation  
25 revenue fund for Texas.

26 SECTION 2.14. Section 17.895, Water Code, is amended to  
27 read as follows:

1           Sec. 17.895. SOURCES OF ASSETS. The fund is composed of:

2           (1) money and assets, including bond proceeds,  
3     attributable to the bonds;

4           (2) investment income earned on money on deposit in  
5     the fund and depository interest earned on money on deposit in the  
6     state treasury;

7           (3) money appropriated by the legislature;

8           (4) repayments of principal and interest on loans made  
9     under this subchapter;

10          (5) administrative fees charged by the board under the  
11     bond program;

12          (6) money disbursed to the fund from the state water  
13     implementation fund for Texas as authorized by Section 15.434; and

14          (7) [~~6~~] any other funds, regardless of their source,  
15     that the board directs be deposited to the credit of the fund.

16          SECTION 2.15. Section 17.899, Water Code, is amended by  
17     adding Subsection (c) to read as follows:

18          (c) The board shall transfer back to the state water  
19     implementation fund for Texas any money disbursed to the fund as  
20     described by Section 17.895(6) if the requirements of Section  
21     15.435 are satisfied.

22          SECTION 2.16. Section 17.957, Water Code, is amended by  
23     amending Subsection (b) and adding Subsection (d) to read as  
24     follows:

25          (b) The state participation account is composed of:

26           (1) money and assets attributable to water financial  
27     assistance bonds designated by the board as issued for projects



1 described in Section 16.131;

2 (2) money from the sale, transfer, or lease of a  
3 project described in Subdivision (1) that was acquired,  
4 constructed, reconstructed, developed, or enlarged with money from  
5 the state participation account;

6 (3) payments received under a bond enhancement  
7 agreement with respect to water financial assistance bonds  
8 designated by the board as issued for projects described in Section  
9 16.131;

10 (4) investment income earned on money on deposit in  
11 the state participation account;

12 (5) money disbursed to the fund from the state water  
13 implementation fund for Texas as authorized by Section 15.434; and

14 (6) [~~5~~] any other funds, regardless of their source,  
15 that the board directs be deposited to the credit of the state  
16 participation account.

17 (d) The board shall transfer back to the state water  
18 implementation fund for Texas any money disbursed to the fund as  
19 described by Subsection (b)(5) of this section if the requirements  
20 of Section 15.435 are satisfied.

21 SECTION 2.17. Subchapter L, Chapter 17, Water Code, is  
22 amended by adding Section 17.9617 to read as follows:

23 Sec. 17.9617. TRANSFERS TO STATE WATER IMPLEMENTATION  
24 REVENUE FUND FOR TEXAS. (a) The board may direct the comptroller to  
25 transfer money or other assets from an account in the fund,  
26 including from the financial assistance account or from the state  
27 participation account, to the state water implementation revenue

1 fund for Texas to provide financial assistance under this  
2 subchapter and Subchapter H, Chapter 15.

3 (b) A transfer of money or other assets from an account in  
4 the fund may not cause general obligation bonds that are payable  
5 from the fund or from an account in the fund to no longer be  
6 self-supporting for purposes of Section 49-j(b), Article III, Texas  
7 Constitution, as determined by the board.

8 (c) The board shall use the state water implementation  
9 revenue fund for Texas, or an account in that fund, as a source of  
10 revenue to be deposited in accordance with this subchapter for the  
11 payment of principal and interest on water financial assistance  
12 bonds issued by the board, the proceeds of which are to be deposited  
13 into the state water implementation revenue fund for Texas, or the  
14 account in that fund, and to be used to make payments under a bond  
15 enhancement agreement with respect to principal or interest on the  
16 water financial assistance bonds.

17 SECTION 2.18. Section 17.968, Water Code, is amended by  
18 amending Subsection (a) and adding Subsection (a-1) to read as  
19 follows:

20 (a) The board may sell or dispose of political subdivision  
21 bonds or other assets purchased with money in the fund to any  
22 person, including the Texas Water Resources Finance Authority, or  
23 to another fund administered by the board, including the state  
24 water implementation revenue fund for Texas, and the board, in such  
25 manner as it shall determine, may apply the proceeds of the sale of  
26 political subdivision bonds or other assets held by the board to:

27 (1) pay debt service on water financial assistance

1 bonds issued under this subchapter; or

2 (2) provide financial assistance to political  
3 subdivisions for any one or more of the purposes authorized by  
4 Section 49-d-8, Article III, Texas Constitution.

5 (a-1) A sale or disposition of political subdivision bonds  
6 or other assets may not cause general obligation bonds that are  
7 payable from the fund or from an account in the fund to no longer be  
8 self-supporting for purposes of Section 49-j(b), Article III, Texas  
9 Constitution, as determined by the board.

10 SECTION 2.19. Section 49.153(e), Water Code, is amended to  
11 read as follows:

12 (e) Subsection (c) does not apply to:

13 (1) a note issued to and approved by ~~the~~:

14 (A) the Farmers Home Administration;

15 (B) the United States Department of Agriculture;

16 (C) the Texas Water Development Board; ~~or~~

17 (D) the North American Development Bank; or

18 (E) a federally chartered instrumentality of the  
19 United States authorized under 12 U.S.C. Section 2128(f) to provide  
20 financing for water and waste disposal facilities, provided that  
21 the district that executes the note is located wholly in a county  
22 that:

23 (i) does not contain a municipality that  
24 has a population of more than 750,000; and

25 (ii) is not adjacent to a county described  
26 by Subparagraph (i); or

27 (2) a district described by Section 49.181(h).

1 SECTION 2.20. Section 49.181(a), Water Code, is amended to  
2 read as follows:

3 (a) A district may not issue bonds unless the commission  
4 determines that the project to be financed by the bonds is feasible  
5 and issues an order approving the issuance of the bonds. This  
6 section does not apply to:

7 (1) refunding bonds if the commission issued an order  
8 approving the issuance of the bonds or notes that originally  
9 financed the project;

10 (2) refunding bonds that are issued by a district  
11 under an agreement between the district and a municipality allowing  
12 the issuance of the district's bonds to refund bonds issued by the  
13 municipality to pay the cost of financing facilities;

14 (3) bonds issued to and approved by:

15 (A) the Farmers Home Administration;

16 (B) ~~[ ]~~ the United States Department of  
17 Agriculture;

18 (C) ~~[ ]~~ the North American Development Bank;

19 (D) ~~[ ]~~ the Texas Water Development Board; or

20 (E) a federally chartered instrumentality of the

21 United States authorized under 12 U.S.C. Section 2128(f) to finance

22 such a project, provided that the district that issues the bonds is

23 located wholly in a county that:

24 (i) does not contain a municipality that  
25 has a population of more than 750,000; and

26 (ii) is not adjacent to a county described  
27 by Subparagraph (i);

1           (4) refunding bonds issued to refund bonds described  
2 by Subdivision (3); or

3           (5) bonds issued by a public utility agency created  
4 under Chapter 572, Local Government Code, any of the public  
5 entities participating in which are districts if at least one of  
6 those districts is a district described by Subsection (h)(1)(E).

7           SECTION 2.21. As soon as practicable after the effective  
8 date of this Act, the lieutenant governor and the speaker of the  
9 house of representatives shall appoint the initial appointive  
10 members of the State Water Implementation Fund for Texas Advisory  
11 Committee as provided by Section 15.438, Water Code, as added by  
12 this Act.

13           SECTION 2.22. (a) Not later than September 1, 2014, the  
14 State Water Implementation Fund for Texas Advisory Committee shall  
15 submit recommendations to the Texas Water Development Board on the  
16 rules to be adopted by the board under Sections 15.439(a)(1) and  
17 (2), Water Code, as added by this Act.

18           (b) Not later than the later of the 90th day after the date  
19 the Texas Water Development Board receives the recommendations  
20 described by Subsection (a) of this section or March 1, 2015, the  
21 board shall adopt rules under Section 15.439, Water Code, as added  
22 by this Act.

23           SECTION 2.23. As soon as practicable after the effective  
24 date of this Act, the Texas Water Development Board shall create a  
25 stakeholders committee under Section 15.436(c), Water Code, as  
26 added by this Act.

27           SECTION 2.24. Not later than December 1, 2013, the

1 stakeholders committee created by the Texas Water Development Board  
2 under Section 15.436(c), Water Code, as added by this Act, shall  
3 submit the standards established by the committee under that  
4 subsection to the board.

5 SECTION 2.25. (a) Each regional water planning group shall  
6 prepare a draft prioritization of the projects included in the  
7 regional water plan most recently adopted by the group in  
8 accordance with Section 15.436, Water Code, as added by this Act,  
9 and submit the draft prioritization of the projects to the Texas  
10 Water Development Board not later than June 1, 2014. The board  
11 shall provide comments to each regional water planning group on the  
12 draft prioritization submitted by the group. Each regional water  
13 planning group shall submit a final prioritization of the projects  
14 to the board not later than September 1, 2014.

15 (b) Section 15.436(d), Water Code, as added by this Act,  
16 applies to a regional water plan beginning with the plan that is  
17 required to be submitted to the Texas Water Development Board by  
18 January 5, 2016.

19 SECTION 2.26. The Texas Water Development Board shall post  
20 the information described by Section 15.440(b), Water Code, as  
21 added by this Act, on the board's Internet website not later than  
22 March 1, 2014.

23 SECTION 2.27. Sections 2.01-2.07, 2.13-2.18, and 2.21-2.26  
24 of this article take effect on the date on which the constitutional  
25 amendment proposed by the 83rd Legislature, Regular Session, 2013,  
26 adding Sections 49-d-12 and 49-d-13, Article III, Texas  
27 Constitution, creating the state water implementation fund for

1 Texas and the state water implementation revenue fund for Texas  
2 takes effect. If that amendment is not approved by the voters,  
3 those sections of this article have no effect.

4 ARTICLE 3. EFFECTIVE DATE

5 SECTION 3.01. Except as otherwise provided by this Act,  
6 this Act takes effect September 1, 2013.

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President of the Senate

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Speaker of the House

I certify that H.B. No. 4 was passed by the House on March 27, 2013, by the following vote: Yeas 146, Nays 2, 1 present, not voting; that the House refused to concur in Senate amendments to H.B. No. 4 on May 3, 2013, and requested the appointment of a conference committee to consider the differences between the two houses; and that the House adopted the conference committee report on H.B. No. 4 on May 20, 2013, by the following vote: Yeas 141, Nays 4, 2 present, not voting.

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Chief Clerk of the House



H.B. No. 4

I certify that H.B. No. 4 was passed by the Senate, with amendments, on April 29, 2013, by the following vote: Yeas 30, Nays 1; at the request of the House, the Senate appointed a conference committee to consider the differences between the two houses; and that the Senate adopted the conference committee report on H.B. No. 4 on May 20, 2013, by the following vote: Yeas 30, Nays 1.

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Secretary of the Senate

APPROVED: \_\_\_\_\_

Date

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Governor