

## Financing

### Texas Senate Approves Bill Creating Fund For Water Infrastructure as Opposition Grows

**A**USTIN, Texas—Legislation that would create an infrastructure fund to finance state water projects was approved by the Senate April 29 in a 30-1 vote.

The bill, H.B. 4, which would establish the State Water Implementation Fund for Texas (SWIFT), was approved with some minor changes. The House already passed H.B. 4 March 27, but because the Senate made slight modifications, the bill would have to go back to the House for approval. According to a legislative aide, the House would either approve the changes or request a conference.

The other alternative is the House could vote on the Senate version of the bill, S.B. 4, that is similar but proposes restructuring the Texas Water Development Board.

The infrastructure fund that is the centerpiece of both bills would be financed with \$2 billion from the Emergency Stability Fund, or Rainy Day Fund (2013 WLPM, 4/24/13).

**Progress Halted on Financing** Meanwhile, a separate measure, H.B. 11, authorizing the actual transfer of money from the Rainy Day Fund, came to an unexpected halt April 29, after state Rep. Sylvester Turner (D) raised a point of order.

The procedural maneuver came amid objections from Democrats contending that if the Rainy Day Fund could be used to support water projects, then it should also be tapped to support public education.

Following the breakdown in negotiations, Gov. Rick Perry (R), a supporter of the water infrastructure plan, issued a late-night statement April 29, reiterating that the setback on H.B. 11 did not mean the end of the road for addressing the state's water issues.

"The people of Texas expect their elected officials to address the water needs of our state, and we will do just that," Perry said. "This issue is too important to leave its fate uncertain, and I will work with lawmakers to ensure we address this need in a fiscally responsible manner."

Speaking with reporters earlier in the day, the governor said it was too early to discuss the possibility of holding a special session.

The office of House Speaker Joe Straus (R) issued an April 30 statement, commenting that the procedural detour will not determine the future of addressing the state's most pressing issue.

The exact fate of just how—or if at all—the state's reserves should be doled out and to whom has become the political football of the 83rd Legislative Session, as the debate over money in the Rainy Day Fund continues to dominate local headlines.

However, a number of conservative Republican activists are encouraging constituents to call their Texas House members to voice opposition toward the legislation. The head of Empower Texans, an activist group, took to the Internet over the weekend with an April 28 email campaign, following the April 23 approval by the House Appropriations Committee of H.B. 11, arguing that the bill spends too much money and that sourcing should come from general revenue rather than the emergency funds, which is financed by revenues from a reserve of oil and gas taxes which the Texas Comptroller estimated would reach \$8.1 billion in August 2013 and \$11.8 billion in August 2015.

**Projections 'Misleading.'** Such projections, however, can be misleading, Michael Quinn Sullivan, of Empower Texans, said, noting that the fund could be subject to substantial paring down when taking into account an outstanding lawsuit on school finance "that could run in the \$3-\$5 billion range," which he said could leave the state with financial reserves at less than \$4 billion.

Citing the possibility of a "glancing blow from a hurricane against the Houston ship channel," opponents of tapping into the fund have argued that it would only take a brush with severe weather to throw the long-term projections of the fund into doubt.

"That would cause a huge hit to the state economy, and therefore a shortfall in revenues," Sullivan said. "Hence, the original need for the Emergency Stability Fund—smoothing out unanticipated revenue losses."

Perry indicated his support for the plan in an opinion piece that ran April 26 in a South Texas newspaper, *The Monitor*, in which he warned of potential "catastrophic damage" to the state's economy if water infrastructure problems remain unaddressed.

He said that nothing less than "our way of life" and the attractiveness of Texas as business destination was at stake.

Separately, the Senate passed a resolution April 23 seeking to have the proposal to tap the Rainy Day Fund put on the state ballot in November (See related story).

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