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Texans to vote on plan to fix, update water infrastructure

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BY KATE GALBRAITH
The Texas Tribune

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To meet the needs of its growing population, drought-stricken Texas urgently needs more water infrastructure totaling \$231 billion to augment water supplies and treatment, wastewater processing and flood control by 2060, according to a draft of the state water plan that was released last month.

Next month, Texans will go to the polls to decide whether to help the state get part of the way there. If Proposition 2 on the Nov. 8 ballot passes, the Texas Water Development Board, the state's water-planning agency, will be authorized to lend \$6 billion via a bond fund dedicated to building and fixing water infrastructure.

Many of the state's business heavyweights have lined up behind the proposition, as have some environmental groups.

"Without adequate funding to implement water strategies and build necessary infrastructure, Texas could face a water shortage in coming decades that would be devastating to our state economy," Debbie Hastings, vice president of environmental affairs for the Texas Oil and Gas Association, which supports the proposition, said in a statement.

The Texas Association of Business also backs the proposition, as do the Texas Association of Realtors and the Texas Association of Builders.

"Our position is that Proposition 2 will save businesses money, not cost businesses money," said Steve Minick, vice president of government affairs for the Texas Association of Business, which is beginning an educational campaign to encourage support for the proposition.

The idea behind the bond fund is that the water development board can borrow at extremely low rates because of the state's good credit, and use that borrowed money to make loans to far smaller groups such as local water utilities, which will pay the loans back with interest. (The local groups will get funding from the water and wastewater rates of residential and commercial customers.) The sole cost to the state, according to the water development board, will be the cost of the election, due to the "self supporting" nature of the ballot measure.

"There's a lot of entities, especially in this economy, they can't access the market easily, and definitely less effectively than we can," said Melanie Callahan, the water development board's interim executive administrator.

The state's draft water plan identifies \$53 billion in new water-supply needs by 2060, part of an overall need of \$231 billion for all water infrastructure by that year.

The conservative Texas Public Policy Foundation opposes Proposition 2.

"The water bonds provide a beneficial purpose, and I have no problem at all with authorizing more bonds as they're needed," said Talmadge Heflin, director of the Center for Fiscal Policy at the Texas Public Policy Foundation.

However, he said, the group was concerned about an "evergreen" provision in the measure that means that the water development board can always have up to \$6 billion out on loan, as opposed to a \$6 billion all-time cap. In other words, over time, the water development board could end up lending significantly more than \$6 billion, without needing additional authorization.

"The appropriate thing to do is not take the voters out of the loop," said Heflin, adding that this is the first time an "evergreen" provision has been included in the board's bonding authority.



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But Mike Barnett, an official with the Texas Association of Realtors, said that he welcomed the evergreen provision. "I think that's a benefit of it, actually, in that it provides a stable source of future funds for these projects," Barnett said.

Debt concerns

Since its creation in 1957, the water development board has authorized a little over \$4 billion in bonding authority and issued about \$3.3 billion in bonds, according to Callahan. Of that \$3.3 billion, \$1 billion has been issued in the last three years, she said, so "we have seen quite an uptick," she said.

If Proposition 2 does not pass, there are other funding sources available, but in limited amounts.

"Without the funds provided through Proposition 2, most local entities will not be able to get financing for water-related infrastructure," according to the board.

Minick, of the Texas Association of Business, said that in the board's 50-plus years of running a bond program, "no entity in Texas has ever defaulted on a loan."

Nonetheless, the fact that the ballot measure comes at a time when the national conversation revolves around paying down debt, rather than accruing more, worries its backers. And indeed some Tea Party groups are starting to weigh in with concerns.

"I do know we need to reserve water supplies and do that type of work, but there is some question as to whether this level of bonded indebtedness is a good idea," said Mike Openshaw, co-founder of the North Texas Tea Party, who said that he was "still doing some investigational work" on the issue.

Minick said: "We're all concerned about increasing debt of any government of any level, but let's not confuse this with the angst over recent federal debt issues."

"Rather than having a knee-jerk reaction of fear, we need to look at fact that Texas, as opposed to the federal government and some other states, has done such a good job at protecting its credit rating."

Who benefits?

The beneficiaries of the proposition are customers of water utilities, including small businesses, according to Minick. If the measure doesn't pass, he said, "you will end up paying more to get the same thing, or paying the same thing to get less."

The Environmental Defense Fund supports the measure, said Amy Hardberger, a staff attorney.

"The program that this will be re-funding has been very beneficial to cities, especially smaller cities who may not have the money to do infrastructure," she said. She has slight concerns that "you don't know where the money is going," but talking with the board's staff had largely alleviated that, she said. There is no list of entities slated to receive loans; the local groups apply to the board, which grants the loans on a case-by-case basis.

Hardberger said it seemed unlikely that the money would be used to build reservoirs, which can cost billions and are likely to require additional money from the Legislature. She generally opposes reservoirs as "sort of a 1950s approach to a new millennium problem," whereas fixing leaky water pipes would be an example of a more wiser use of the board's fund, she said.

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