

**Proposed Constitutional Amendment
For Water Financial Assistance Bonds
Texas Water Development Board
Proposition 2**

Frequently Asked Questions

Q: What is the Texas Water Development Board?

A: The TWDB is a constitutionally created agency authorized to issue and sell general obligation bonds to support financial assistance programs for the planning, design, and construction of water supply, wastewater treatment, stormwater and nonpoint source pollution control, flood control, and agricultural water conservation projects.

Q: Will Proposition 2 cost taxpayers?

A: The only cost to the state will be the cost of the election. Proposition 2 is designed to be self supporting, meaning that repayment of the bonds will not require State of Texas general revenue. The TWDB will use this bond authority to operate a self-supporting loan program, which means that repayments on loans will pay for the bonds. Entities that choose to use this funding opportunity to address their future water and wastewater needs will repay the principal and interest on the loans they receive from the TWDB. Those principal and interest payments will be used to repay the bonds. Because the cost of water-related infrastructure can be significant, an entity can use the TWDB funding to pay for construction and then pay the principal and interest on the loan with revenue received through use of the facility over time. Those persons benefiting from the projects will repay the loans, and thus the bonds.

Q. How does the bond process work?

Simply put, a bond is a loan. It is a contract to repay borrowed money with interest. Local entities request a loan from the Texas Water Development Board (TWDB), who, on behalf of the state, then issues bonds and loans the proceeds to the local entity for water-related projects. The local entities repay their loans with interest, and the TWDB then uses those funds to pay the scheduled payments on the TWDB-issued bonds. As a result, these bonds do not draw from state general revenue.

Q. What will Proposition 2 be used for?

A: Proposition 2 gives the TWDB the ability to partner with local entities by providing loans to fund water, wastewater, and flood control projects in Texas. Local entities use the loans they receive from TWDB to repair, improve, or expand existing facilities, such as water

towers, transmission lines, water wells and sewer collection lines. The loans may also be used to build new infrastructure.

Q. Why do we need Proposition 2?

A: The water and wastewater infrastructure in Texas is aging and needs repair. Additionally, more infrastructure is needed to deliver and/or ensure continuous delivery of water to all Texans. The population in Texas is projected to double over the next 50 years while its water supplies decrease. If additional water supplies and infrastructure are not created, Texas businesses and workers could lose an estimated \$115.7 billion in income, and the creation of 1.1 million new jobs is potentially jeopardized.

Based on information from political subdivisions across Texas, current estimates indicate that by the year 2060, Texas will need to invest about \$231.2 billion in order to meet the state's needs for new water supply, water and wastewater infrastructure construction and repair/rehabilitation, and flood control.

Q: What is the state's role?

A: The TWDB is the state agency that provides low-interest loans to local government entities for water, wastewater and flood control projects. The TWDB can issue loans at more cost-effective rates than are available in traditional markets due to the state's high credit rating.

Q: Who benefits from Proposition 2?

A: Texas. Cities, counties, water districts, river authorities, and nonprofit water supply corporations are all eligible to use TWDB's financial assistance programs in order to address water and wastewater infrastructure needs.

Q: What will happen if Proposition 2 fails?

A: Because of the economy, many local entities need to partner with the state to access funds for water-related infrastructure. Without the funds provided through Proposition 2, most local entities will not be able to get financing for water-related infrastructure.

Q: Is this the first time the state has asked for water bonds?

A: No. Since 1957, the legislature and voters have approved constitutional amendments authorizing the TWDB to issue up to \$4.23 billion in bonds for financing water-related projects, of which \$3.29 billion has been issued. Of the amount issued, over \$1 billion has been issued just in the last three years. Once the remaining funds are depleted, the TWDB will not be able to assist local entities with water infrastructure needs.

Q: Is this a blank check?

A: No. Bonds are issued based on requests for funds from local entities. In addition, the Bond Review Board, chaired by the Governor and composed of state leadership, oversees issuance of all state bonds, including the TWDB's bonds. At any time, the state can deny TWDB's request to issue bonds.

Q: Will the bonds be used to build reservoirs?

A: Since reservoirs are very expensive to build, they typically need a specific appropriation from the legislature. These bonds may be used for reservoir construction, but a legislative appropriation would likely be necessary.

Q: Who should we contact for more information?

A: Contact Melanie Callahan, Interim Executive Administrator of the Texas Water Development Board, at 512-463-7850 or Melanie.Callahan@twdb.state.tx.us.