

# ECONOMICALLY DISTRESSED AREAS PROGRAM



AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

ID: 3120

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## OBJECTIVE

The Economically Distressed Areas Program (EDAP) provides financial assistance in the form of grants and loans for water and wastewater projects in economically distressed areas where service is inadequate or unavailable.

## KEY FACTS

- ◆ Projects must be located in counties that have adopted Model Subdivision Rules.
- ◆ Through fiscal year 2015, the program has committed more than \$740.0 million for projects across the state.
- ◆ From 1992 to 2035, the state will spend an estimated \$549.7 million in General Revenue Funds on debt service for EDAP.

## BUDGETARY IMPACT

Appropriations for the 2016–17 biennium include \$62.0 million for debt service, of which \$57.8 million is General Revenue Funds, and \$2.2 million is from loan repayment proceeds. Also included is \$0.8 million in General Revenue Funds for program administration.

## STATUTORY REFERENCES

The Texas Constitution, Article 3, Sections 49-d-7 to 49-d-10

The Texas Water Code, Chapter 15, Subchapter F; Chapter 16, Subchapter J; and Chapter 17, Subchapter K

The Federal Water Pollution Control Act

The U.S. Environmental Protection Agency Appropriations Act, 1992, 1993, 1996, and 1998

The Economically Distressed Areas Program (EDAP) provides financial assistance for the supply of water and wastewater services to economically distressed areas where water or wastewater facilities are inadequate to meet minimum state standards. Pursuant to voter-approved constitutional amendments in 1989 and 2007, the Texas Water Development Board (TWDB) was authorized to issue \$500.0 million in General Obligation (GO) bonds to provide affordable water and wastewater services in these areas. Of this amount, it is estimated that \$51.0 million will remain at the end of the 2016–17 biennium. GO bonds are secured by a pledge of the state to use legally available resources, including tax revenues, to repay bond holders. In addition to state funding, from 1993 to 1999, the federal government provided \$300.0 million through the federal Colonia Wastewater Treatment Assistance Program (CWTAP) to complement the state's EDAP program.

Local governments, including counties, cities, and water districts, have been the beneficiaries of the EDAP program, along with nonprofit water supply corporations. EDAP programs have provided water and wastewater improvements to benefit approximately 486,830 residents in economically distressed areas. To be eligible for an EDAP grant or loan, an entity must meet the following criteria: the median household income in the area is less than 75.0 percent of the state median household income; the present facilities are inadequate to meet residents' needs; financial resources are inadequate to provide water and sewer services; and the area is an established residential subdivision as of June 2015. In addition, the city or county where a project is located must adopt Model Subdivision Rules (MSR) and other requirements.

## KEY LEGISLATIVE CHANGES

The Seventy-first Legislature, Regular Session, 1989, established EDAP and MSRs to regulate residential subdivisions. These laws focused on two major goals: delivering water and wastewater services to meet immediate health and safety concerns; and stopping the proliferation of substandard subdivisions through tougher enforcement of development standards.

EDAP initially was funded through \$250.0 million in GO bonds approved by voters in 1989. Senate Joint Resolution 20, Eightieth Legislature, 2007, was approved by voters to provide for another \$250.0 million in GO bonds. House Bill 467, Eightieth Legislature, 2007, defined an economically distressed county as any county containing an area with a median household income of less than 75.0 percent of the median state household income. This legislation made the EDAP, in effect, a statewide program, whereas previously it was limited to border-area counties. The Eighty-first Legislature, Regular Session, 2009, authorized funds from EDAP to be used for first-time water and wastewater connections for private homes in areas served by the program. Before that legislation, EDAP funding was available only for water and wastewater infrastructure on public property.

**EDAP FUNDING**

Through fiscal year 2015, TWDB directed \$740.0 million in EDAP and CWTAP funding. The agency utilized an additional \$193.0 million from non-EDAP programs to provide water and wastewater improvements in economically distressed areas. The Eighty-fourth Legislature, 2015, authorized TWDB to issue \$50.0 million in existing bond authority during the 2016–17 biennium to finance new EDAP projects and appropriated \$6.0 million in General Revenue Funds for the related debt service. Appropriations for the administration of EDAP-related programs total \$0.8 million in General Revenue Funds for the 2016–17 biennium. The agency estimates that at the end of the 2016–17 biennium, the remaining authorized but unissued GO bond authority for EDAP will total \$51.0 million.

TWDB reports that \$262.0 million in outstanding EDAP bond debt remains as of June 2016. EDAP loans are made to eligible entities from a 10 percent allocation of EDAP bond proceeds, with the remaining 90 percent of funds used as grants. All repayments for these loans are remitted to TWDB and must be used to pay debt service before using General Revenue Funds. No loan repayment funds are expected to remain at the time the program ends (or final bond payments are made).

Figure 1 shows the amount of loan repayments and General Revenue Funds expenditures from the inception of the program to fiscal year 2019. Amounts for fiscal years 2016 to 2019 are estimated. Projected debt service needs on already issued EDAP bonds are expected to cost an additional \$289.9 million from fiscal years 2020 to 2037.

Figure 2 shows counties that contain EDAP projects and counties that have adopted MSRs and are thus eligible to apply for EDAP assistance.

**USEFUL REFERENCES**

[www.twdb.texas.gov/publications/shells/EDAP.pdf](http://www.twdb.texas.gov/publications/shells/EDAP.pdf)

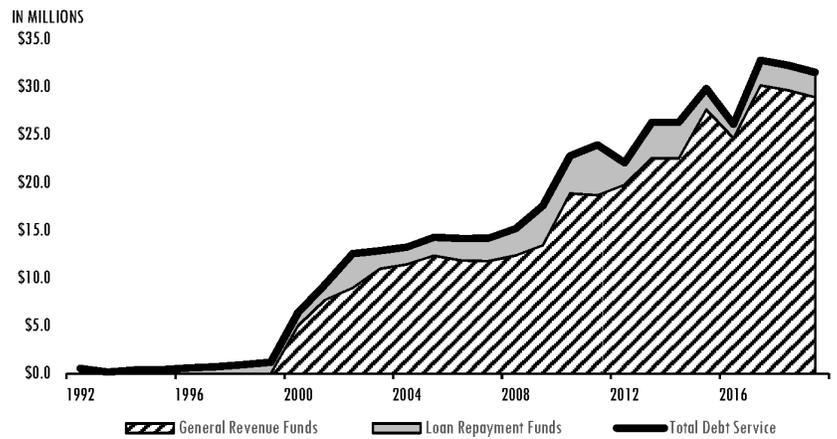
[www.twdb.texas.gov/financial/programs/EDAP/index.asp](http://www.twdb.texas.gov/financial/programs/EDAP/index.asp)

[www.twdb.texas.gov/publications/reports/edap\\_reports/doc/Status.pdf](http://www.twdb.texas.gov/publications/reports/edap_reports/doc/Status.pdf)

**CONTACT**

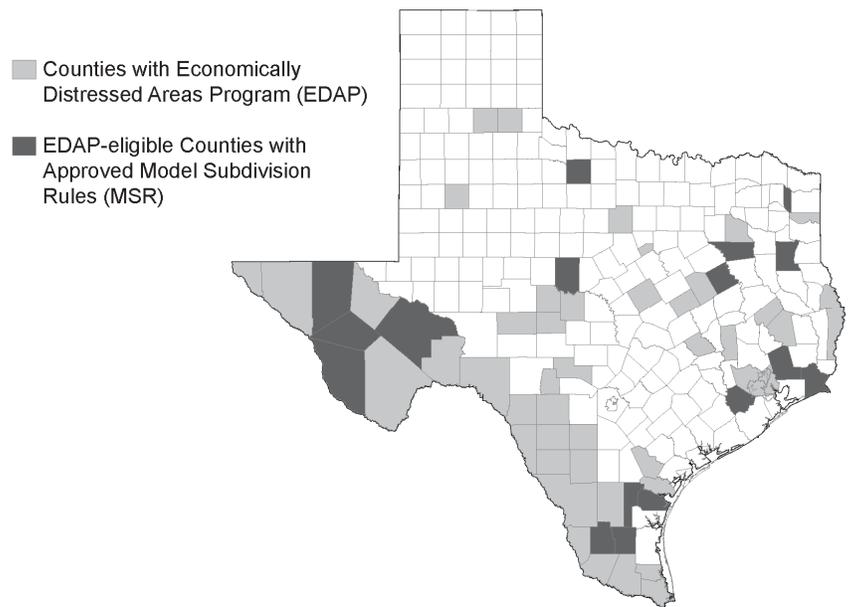
Tom Lambert Email: [IssueBrief@lbb.state.tx.us](mailto:IssueBrief@lbb.state.tx.us)

**FIGURE 1  
ECONOMICALLY DISTRESSED AREAS PROGRAM DEBT SERVICE  
FISCAL YEARS 1992 TO 2019**



NOTE: Amounts for fiscal years 2016 to 2019 are estimated.  
SOURCE: Texas Water Development Board.

**FIGURE 2  
TEXAS COUNTIES IN ECONOMICALLY DISTRESSED AREAS OR WITH MODEL  
SUBDIVISION RULES, DECEMBER 2015 TO FEBRUARY 2016**



NOTE: All counties listed as containing EDAP-funded projects have also adopted MSRs.  
SOURCE: Texas Water Development Board.