



SIERRA CLUB

LONE STAR CHAPTER

April 21, 2022

Re: ARPA Funding

The Honorable Chair Morgan Meyer, Vice-Chair Thierry Shawn, Members of the House Committee on Ways and Mean

The passage of the American Rescue Plan Act (ARPA) last year represented a unique opportunity for the State of Texas to make important physical and human capital investments to help Texas's economy fully recover from COVID-19, and in particular make investments in programs that directly help Texas residents and businesses help our economy recover. Thus, the Coronavirus State and Local Fiscal Recovery Funds (Recovery Funds) are resources to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery. The State of Texas received a total of \$16.7 billion to be distributed laid out in the U.S. Treasury guidance, and during the 3rd Special Session, the Legislature made a number of important investments to help in the recovery. While the Speaker has indicated that a priority is to put the remaining dollars – approximately \$3 billion - into property tax relief, the Sierra Club would suggest that the Legislature consider making one-time ***investments in natural resource agencies and programs, as well as in the people impacted by recent failures from Uri, and in creating a more resilient Texas in the face of recent climate extremes.***

We would point out that Texas has already made some important investments in property tax relief with education fiscal reform - including some \$5 billion last session as part of SB 1 on school property tax relief, and passage of a constitutional amendment to

increase the homestead exemption from \$25,000 to \$40,000, an important relief mechanism for residential property tax payers. If that measure is approved by voters next month, that will lower revenues and have a fiscal impact on the state.

*While we are not taking a position on further property tax relief through other means, we do believe that using these ARPA funds for property tax relief is **not** in keeping with the provisions of the Act. Remember that once a tax rate is lowered, it permanently lowers revenues in the state and the federal funding is only available now to make up for those lower revenues.*

Instead we would urge consideration of important investments in one-time allocation of funding that would more directly benefit Texans, economic recovery and sustainable investments.

Thus, rather than property taxes relief, we propose that a significant amount of monies be instead dedicated to the Texas Water Development Board, State Energy Conservation Office, Texas Commission on Environmental Quality, Texas Parks and Wildlife Department, Railroad Commission of Texas, as well as some specific instructions to the Texas Department of Housing and Community Affairs to more directly invest in programs that will help our economy recover and better prepare our state in the wake of Uri, the COVID crisis and climate disasters, and of course, high energy, electricity and food prices.

Thus, we believe an investment of approximately \$3 billion in water, energy, parks, clean-up and air quality infrastructure will be an important investment in Texas's future and would aid in the response and mitigation of the COVID-19 virus, while rebuilding Texas into a more resilient and equitable economy.

Texas Parks and Wildlife Department. At least \$300 Million

We request the Legislature appropriate at least \$300 million in funding from the American Rescue Plan Act (ARPA) to the Texas Parks and Wildlife Department to grow and develop our state and local parks system. A \$300 million appropriation, supplemented with funding from private philanthropy, the federal government, and elsewhere is a great initial investment in protecting our wild places and making sure all Texans have access to the great outdoors. During the regular session, an additional \$10 million was allocated to TPWD for land acquisition, but much more could be done to increase and improve access to lands that spur economic development and provide important recreation opportunities.

Texas Water Development Board and TCEQ Water programs. \$2 billion

Texas needs water to thrive. Still, all Texas communities are feeling the effects of decades of under-investment in our water infrastructure. The American Rescue Plan Act (ARPA) represents a historic opportunity to invest in a resilient water future. More than that, 88 percent of Texan voters support using federal stimulus funds to water projects, according to a recent poll by Texas 2036. We urge you to consider prioritizing **grants, innovation, resilience and equity** in allocation decisions. The following programmatic investments can help achieve these goals.

- Use existing financial assistance programs to increase grants, forgive debt and increase bonding authority. As an example the Flood Infrastructure Fund and Revolving Funds could be augmented with grants for nature-based infrastructure and funding focused on equity, while EDAP could be expanded significantly.
- The **Economically Distressed Areas Program** should be bolstered since it prioritizes underserved and smaller communities.
 - We recommend adding **\$400 million** investment in the Economically Distressed Areas Fund, for drainage, flood planning, drinking water, and wastewater infrastructure. The use of Recovery Funds for immediate EDAP project needs, including potential 100 percent grant funding for those entities fiscally challenged to repay loans, would save GR debt service costs in the next biennium and beyond. The use of federal funds for immediate EDAP project needs would save existing EDAP authorization for future projects. ***If funds do not allow this full amount (\$400 million), we would support investment in debt service to allow the TWDB to issue the remaining bonds already authorized by the legislature in the program;***
 - The **Rural Water Assistance Fund (RWAF)** administered by the Texas Water Development Board is designed to assist small rural utilities to obtain low-cost financing for water and wastewater projects, including planning. Due to funding limitations, only loans are offered through the RWAF.
 - We recommend adding **\$250M** for grants, debt forgiveness, nature-based infrastructure and other projects.
 - The **Clean Water State Revolving Fund (CWSRF)** administered by the Texas Water Development Board and authorized by the Clean Water Act, provides low-cost financial assistance for planning, acquisition, design, and construction of wastewater, reuse, and stormwater infrastructure. Recently, as part of the IIJA, billions of dollars could be accessed by the TWDB, but the state must provide matching funds. We believe that using ARPA funds as a state match of approximately \$200 million would open up billions of dollars in future projects.

- **The Drinking Water State Revolving Fund (DWSRF)** administered by the Texas Water Development Board authorized by the Safe Drinking Water Act, provides low-cost financial assistance for planning, acquisition, design, and construction of water infrastructure. Again with billions of dollars available as part of IIJA a small state match would be a great use of the money.

- We recommend adding **\$500M** to this program, emphasizing grants, debt forgiveness, green infrastructure, source water protection projects, and correcting water system deficiencies.

- **The Flood Infrastructure Fund (FIF)** administered by the Texas Water Development Board passed by the Legislature in 2019 and approved by Texas voters through a constitutional amendment, provides financial assistance in the form of loans and grants for flood control, flood mitigation, and drainage projects.

- We recommend adding \$250 Million to this program, focused on equity and nature-based infrastructure.

Other water needs

- Create new grant opportunities for non-capital projects and smaller communities with reliability challenges. TCEQ and TWDB should be consulted on an appropriate amount to consider for these unique communities.
- Invest \$10 million in completing the WAM (Water Availability Models) at TCEQ to scientifically help establish the basis for requirements for instream flows and bay flow requirements.
- Invest in water conservation and demand-side management. An \$11 million investment in water conservation, including a \$3 million statewide water conservation public awareness program, and the staff needed to make Texas a leader on water conservation efforts (including, at a minimum, sufficient funding to the Texas Water Development Board for 5 additional FTEs dedicated to the agency's water conservation programs and the equipment and resources to support the additional staff);
- An investment of \$100 million in providing grants to utilities for implementation of EPPs. SB 3 (87th Regular Session, 2021) requires water utilities to develop and implement an emergency preparedness plan (EPP) to keep services operating during an extended power outage. EPPs are due to TCEQ by March 1, 2022. Water utilities must start implementing EPPs by July 1, 2022.

- Invest in a new Water Infrastructure Resiliency Fund (WIRF), a special fund administered by the Texas Water Development Board (TWDB) for the purpose of making grants to entities for weatherizing and hardening water and wastewater systems. We would suggest at least \$100 million be dedicated to this effort.

Energy efficiency assistance / weatherization

The **Texas Department of Housing and Community Affairs** is receiving direct allotments from ARPA of \$134,407,308 for the Low Income Heating and Energy Assistance Program and \$92,398,958 for the Low Income Household Water Assistance Program that will help thousands of Texans afford high water and energy bills. In addition, they will be receiving approximately \$170 million in additional weatherization funds as part of the IIJA, and another \$100 million for LIHEAP.

While the bulk of this money is intended for direct payment assistance for utility payments, there is the opportunity for part of the money to directly assist customers to weatherize their homes through improved appliances and insulation and improve plumbing and other water conservation efforts. We support a rider to direct that TDHCA prioritize weatherization and water conservation by adding a small amount of money to more directly provide more efficient appliances and other energy and water savings technologies that will lower bills.

Solar and Energy Storage at Schools and Other Public Buildings. \$50 million

We request that \$50 million be allocated to SECO to be used to finance solar energy and energy storage installations at public schools and other public buildings. These funds would allow for an expansion of the Texas LoanSTAR (Saving Taxes and Resources) revolving loan program, which provides low-interest rate loans to assist Texas public institutions by financing their energy-related cost-reduction retrofit projects. Adding \$50 million to the LoanSTAR program would allow SECO to expand the program to allow schools and other public entities across the state to install solar energy and energy storage systems to reduce operating costs and improve community resilience. This additional funding would allow SECO to adjust loan repayment timelines to align with expected cost recovery timelines for solar installations that include storage. Where solar energy and energy storage are paired, resilience hubs can be created to give people a place to shelter during power outages. As winter storm Uri demonstrated, access to heated or cooled space can save lives during emergencies. Because the LoanSTAR program provides loans, these funds would be recycled and continue providing public benefit for decades to come.

SECO Energy Efficiency, Water Conservation, and Gas Savings Revolving Loan Program. As part of the IIJA, SECO may have access to additional funds for the creation of a revolving loan program for residential and commercial buildings. However, these IIJA funds are competitive and putting a small amount of state matching funds would likely allow Texas to compete with other states. The Legislature should direct a one-time funding stream of \$10 million to SECO to begin a residential and small business revolving loan fund similar to LoanSTAR to issue or guarantee loans for investments in existing residential and small business buildings. The legislature should also then encourage SECO to apply for the funds available from the DOE to make the program larger.

Outdoor Air Quality

In addition to the items listed above regarding water quality, TCEQ should be directed to apply for direct funding (\$50 million available) from the Environmental Protection Agency for continuous monitoring of PM2.5 Monitoring and other common pollutants. Dozens of communities throughout the state – from El Paso to San Antonio to Corpus

Christi and Houston – face high levels of PM 2.5 and other pollutants, and yet the state lacks a robust air monitoring program for PM 2.5. We call on an investment from available EPA monies of \$5 million for PM 2.5 and other air monitoring equipment, and that TCEQ is directed to apply for these funds.

Indoor Air Quality

We request the Legislature appropriate funding from ARPA to establish a task force for evaluating and analyzing indoor air quality in schools that focus on HVAC systems and air filtration. Air pollution is an extremely significant public health threat that causes the premature deaths of tens of thousands of people in this country each year and results in many other serious health problems. COVID-19 has amplified this issue. We would suggest a \$100 Million for improvements to Indoor Air Quality in Texas classrooms.

Railroad Commission of Texas - Orphan Wells and Special Cases

Under the IIJA, the Railroad Commission of Texas could receive up to \$343 million in federal funding to clean up orphaned wells, which could plug approximately 75% of the orphan wells identified and in the state program. Nevertheless, there are unique situations that do not fit into the category of orphan wells, such as Lake Boehmar near Imperial in Pecos County that would benefit from money. The high levels of hydrogen

resulting from old water wells where a landowner or responsible party has yet to be identified are regulatory loopholes that do need attention and it is unclear whether the DOI money can be used for clean up of such a situation. A one-time appropriation could help take care of this unique circumstance.

We appreciate the consideration of these categories of funding. Again we want to emphasize the need to focus on parks, water infrastructure and energy efficiency/energy resiliency and air quality monitoring.

Sincerely,

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