

## Frequently Asked Questions

### Economically Distressed Areas Program Proposition 2

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**1. Q: What does the Economically Distressed Areas Program (EDAP) do?**

**A:** The Economically Distressed Areas Program (EDAP) provides financial assistance for construction of water and wastewater infrastructure projects in economically distressed areas across the state where services either do not exist or existing systems do not meet minimum state standards.

**2. Q: When was EDAP created?**

**A:** EDAP was created in 1989 by the 71st Legislature with two major goals: 1) deliver water and wastewater services to meet immediate health and safety concerns and 2) require Model Subdivision Rules to stop the proliferation of substandard residential subdivision planning.

**3. Q: How is EDAP funded?**

**A:** Constitutional bond authorizations totaling \$500 million provided funding for the program. However, individual bond issuances depend on biennial legislative appropriations. At this time, there are no funds left for EDAP projects because there is no remaining unissued EDAP bonding authority.

**4. Q: Who can access the program?**

**A:** Eligible EDAP applicants include cities, counties, water districts, nonprofit water supply corporations, and all other political subdivisions. The city or county where the project is located must adopt Model Subdivision Rules to regulate subdivisions within its jurisdiction prior to applying for financial assistance.

Projects must also be located within an economically distressed area that meets the following criteria:

- Median household income is less than 75 percent of the median state household income.
- Present facilities are inadequate to meet residents' minimal needs.

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- Financial resources are inadequate to provide water supply or sewer services to satisfy minimal needs.
- The area was an established residential subdivision as of June 1, 2005.

**5. Q: What are Model Subdivision Rules (MSRs)?**

**A:** The MSRs are model ordinances related to developing residential subdivisions with lots of five acres or less for a single family, detached dwelling. The MSRs were created by the 71st Legislature in 1989 to help control the proliferation of developments with substandard water supply and sewer services. The MSRs are limited in scope to providing water supply and wastewater treatment services and minimum setbacks to ensure proper operation of those services.

**6. Q: How many entities in Texas have adopted MSRs?**

**A:** To date, 62 counties and 70 cities have adopted MSRs in Texas.

**7. Q: What types of projects can EDAP be used for?**

**A:** EDAP assistance may be used for first-time service or improvements to water supply and wastewater collection and treatment works for the following purposes:

- Planning
- Land acquisition
- Design
- Construction

**8. Q: Does EDAP provide both grants and loans?**

**A:** Yes, EDAP can provide grants and loans. A typical EDAP funding commitment includes both a grant and a loan, and the ratio is determined by a calculation that takes affordability into account. A public health nuisance determination from the Texas Department of State Health Services is required for greater than 50 percent grant funding.

**9. Q: How much financial assistance has been provided through EDAP?**

**A:** To date, the TWDB has leveraged the \$500 million in EDAP bond authorizations and other associated programs to provide over \$1 billion for projects estimated to ultimately serve approximately 400,000 residents around the state.

**10. Q: How does the TWDB determine which projects receive funding?**

**A:** The TWDB has typically funded EDAP projects on a first-come, first-served basis; however, in State Fiscal Year 2018 the TWDB used a prioritization process to identify projects to be funded from the final \$53 million in bonding authority. Should the November 2019 EDAP constitutional amendment be approved, recent legislation will require formal prioritization criteria for projects in areas that address public health and safety and for projects in areas under enforcement actions.

**11. Q: How much money does the TWDB have left for projects in EDAP?**

**A:** EDAP projects are funded through constitutionally authorized bonds, which require legislative and voter approval. At this time, there are no funds left for EDAP projects because there is no remaining unissued EDAP bonding authority. The constitutional amendment included on the November 2019 ballot would provide additional EDAP bonding authority.

**12. Q: What are future funding needs?**

**A:** EDAP funds projects in phases. Historically, these phases have included planning, acquisition, and design (PAD) followed by construction. Currently, the TWDB estimates that over \$71 million in construction-related costs is needed for 12 projects that have already received PAD funding. These projects would provide service to almost 23,000 residents and have received over \$20 million in PAD funding to date. Of the \$71 million needed for construction, approximately \$19 million is for water-related projects, and \$52 million is for wastewater projects.

In addition, the TWDB estimates that over \$360 million is needed for future projects that have been identified as economically distressed.

**13. Q: Why can't these water and wastewater needs be addressed through other TWDB programs?**

**A:** The agency's other programs are primarily low-interest loan programs, which have limited grants available. These grant amounts are exhausted annually. Many EDAP-eligible areas typically lack resources to finance the cost of water and wastewater projects through loans. EDAP provides for both grants and loans, which have historically provided applicants with the financial ability to fund and construct their essential infrastructure projects.

**14. Q: What does this constitutional amendment (Proposition 2) do?**

**A:** Proposition 2 would authorize the TWDB to issue additional general obligation bonds in an amount not to exceed \$200 million to provide financial assistance

for projects in economically distressed areas. Proceeds from these bonds would be used to provide grants and loans to eligible communities throughout Texas. Individual bond issuances, however, depend on biennial legislative appropriations.

**15.Q: What happens to the needs of these communities if the constitutional amendment doesn't pass?**

**A:** If Proposition 2 does not pass, many needs may go unmet. Economically distressed communities may not be able to afford water and wastewater projects because they typically lack the resources to finance water and wastewater infrastructure through loans, and there are limited grant funds available through other programs and agencies. When these needs go unmet, public health issues may continue or grow in these areas.

**16.Q: What other changes have been made recently to EDAP?**

**A:** If the constitutional amendment passes, other significant changes would include the following:

- Political subdivisions would be required to show they are enforcing Model Subdivision Rules.
- Application requirements would be added for proposed water quality enhancement projects.
- The TWDB would be required to develop and implement a formal prioritization system for EDAP applications.
- The total amount of grants may not exceed 70 percent of EDAP's total amount of financial assistance at any time.
- The TWDB would be allowed to use EDAP bond proceeds to support public-private partnerships.
- New program reporting requirements would be established.