Texas Water Development Board

Legislative Priorities Report

82nd Legislative Session

Legislative Priorities Report

Texas Water Development Board
82nd Legislative Session, January 2011

"This report focuses on our Board's highest legislative priority: additional Development Fund bonding authority for the TWDB."

Contents

Executive Summary

The Texas Water Development Board (TWDB) is the state's water planning and water project financing agency. The TWDB's primary responsibilities are threefold: administering cost-effective financial programs for constructing water supply, wastewater treatment, flood control, and agricultural water conservation projects; collecting and disseminating water-related data; and assisting with regional planning and preparing the state water plan for the development of the state's water resources.

Since 1957, the TWDB has been charged with addressing the state's water needs. In 1997, forty years after the agency was formed, the 75th Legislature passed Senate Bill 1, which inaugurated a regional water planning process. As a result of that legislation, regional water planning groups were formed, and they, along with state organizations and political subdivisions, assumed increased responsibility for ensuring that the state has sufficient water supplies. The TWDB has both leadership and support roles in guiding and enabling responsible development of the state's water resources, ensuring that sufficient water will be available at a reasonable cost, and conserving the water resources of the state.

Today, Texas has one of the fastest growing populations and economies in the nation. According to TWDB projections, the number of people living in Texas will increase from 25 million in 2010 to 33 million by 2030 and 45 million by 2060. Most growth is expected to occur in the Rio Grande region and in the large urban areas surrounding Dallas-Fort Worth, Houston, San Antonio, and Austin. Rapid growth, in conjunction with the state's susceptibility to severe drought, makes managing current water supplies and planning for future water supplies a crucial endeavor.

Section 6.156 of the Texas Water Code requires the TWDB to provide biennial reports to the governor and members of the legislature. These Legislative Priorities reports must include a statement of activities of the agency and recommendations for necessary and desirable legislation. Working toward implementing the vision for sustainable, affordable, quality water for Texas, our economy, and our environment, the TWDB examined water management policies and funding issues in order to make recommendations to the 82nd Legislature.

This report focuses on our Board's highest legislative priority: additional Development Fund bonding authority for the TWDB. The report also includes recommendations to change statutes regarding joint planning in groundwater management areas and to provide state funding for acquiring designated reservoir sites identified in regional water plans and the state water plan.

In conjunction with its legislative priorities, these additional requests are presented in the report:

* The TWDB's request to increase the executive administrator's salary to a level commensurate with the responsibilities entrusted to the position
* Summaries of the TWDB's Exceptional Items Requests included in the agency's Legislative Appropriations Request for Fiscal Years 2012–2013, organized by topic

> "The TWDB has both leadership and support roles in guiding and enabling responsible development of the state's water resources..."

82nd Legislative Session Summary of Priorities

Additional Development Fund Bond Authority

* Provide additional general obligation bond authority for the Texas Water Development Fund II.

Joint Planning in Groundwater Management Areas

* Provide recommendations on the desired future conditions process to (1) add clarity to groundwater permit and right holders, regional water planning groups, and others; and (2) add clarity to the TWDB's role and review of desired future conditions.

Site Acquisition for Reservoirs Recommended in Regional and State Water Plans

* Acquire identified reservoir sites, thereby supporting implementation of 50-year water supply strategies included in the state water plan.

Executive Administrator's Salary

* Enable the overseeing Board of the TWDB to set a competitive salary for its executive administrator within the current categorized range.

Data Center Services

* Allow the TWDB's full exemption from the data center services consolidation mandate. The TWDB is requesting a statutory exemption from this contract due to the extremely high cost of doing business and the numerous concerns associated with poor performance under this contract.

Economically Distressed Areas Program Debt Service

* Secure funding for the Economically Distressed Areas Program (EDAP) to meet the water- and wastewater-related infrastructure needs of residents who lack adequate services.

State Water Plan Debt Service

* Secure funding for the Water Infrastructure Fund in order to continue implementing the 2007 State Water Plan.

Texas Seawater Desalination Demonstration Project

* Advance the development of seawater desalination in Texas.

Outcomes of the 81st Legislative Session

The 81st Legislature convened on January 13, 2009, and the legislature continued its focus on funding statewide planning and implementation efforts. Significant progress was made toward this effort. During the 80th and 81st sessions, $145 million in general revenue was appropriated for debt service, which allows the issuance of over $1 billion in bonds to fund new infrastructure projects for new water supplies.

TWDB-Related Legislation Agenda
81st Legislature

TWDB Priority Items	Outcome
Increased eligibility for Water Infrastructure Fund financing	Effective September 1, 2009; SB 2312
Financial assistance for EDAP connections to water and sewer systems	Effective September 1, 2009; HB 2374
Eligibility for Colonia Self-Help Program	Effective September 1, 2009; SB 1371
CWSRF/DWSRF administration of stimulus funds	Effective immediately; SB 2314
TWDB authority to purchase, donate, and sell promotional items	Effective September 1, 2009; HB 4110
Constitutional amendment authorizing additional general obligation bonds	Filed as HJR 149 and SJR 50, but neither resolution passed both chambers
Removal of 90% cap on EDAP grant funding	Filed as HB3542 and SB2284 but did not pass
Frequency of water audits by retail public utilities serving populations of less than 3,300	Filed as HB2134 and SB2315 but did not pass
Change of Floodplain Management Account to Floodplain Management Fund and allow TWDB to use interest earned	Filed as HB2536 and SB1288 but did not pass
Use of the State Participation Account for desalination projects	Filed as HB3527 and SB2283 but did not pass

EDAP=Economically Distressed Areas Program; CWSRF = Clean Water State Revolving Fund; DWSRF = Drinking Water State Revolving Fund; HB = House Bill; SB = Senate Bill

Priorities for the 82nd Legislative Session

This page is intentionally blank.

Additional Development Fund Bond Authority

Goal

Provide additional general obligation bond authority for the Texas Water Development Fund II

Recommendation

Authorize the TWDB, at its discretion and consistent with legislative appropriation, to issue general obligation public securities and incur debt in a principal amount not to exceed $6 billion outstanding at any one time for one or more accounts of the Texas Water Development Fund II. Such authority will provide a limit on overall debt outstanding while allowing the TWDB to provide perpetual financing for water infrastructure throughout the state. The passage of a joint resolution for a constitutional amendment would need to occur during the 2011 Legislative Session. Voter approval would be necessary in November 2011.

Background

The TWDB is constitutionally authorized to issue general obligation debt up to specified amounts for the Texas Water Development Fund II. Since 1957, the agency has been authorized to issue up to $4.23 billion in general obligation Development Fund bonds under Article 3, Section 49, of the Texas Constitution. As of August 31, 2010, there was approximately $1.1 billion of authority remaining. It is estimated that only $266 million will remain at the end of Fiscal Year 2011. Because of current economic conditions, many entities have been unable to access the municipal markets and, therefore, have looked to the TWDB financing programs. The TWDB anticipates continued demand for financial assistance, which can only be met with additional authority. The Development Fund general obligation authority may be used for self-supporting and non-self-supporting programs. Debt issued for the Economically Distressed Areas Program is provided through a wholly separate constitutional authority and would not be affected by the TWDB's request for additional bond authority.

Impact on TWDB customers if no additional authority is approved

* Political subdivisions of the state (including cities, counties, river authorities, water districts, non-profit water supply corporations, and others) will no longer have access to new funding through TWDB financial programs.
* TWDB financial assistance programs will be scaled back immediately and, in the long term, eliminated.
* TWDB financial assistance will be limited primarily to federal programs through Fiscal Year 2015.
* Beyond Fiscal Year 2015, no funds would be available for federal infrastructure finance programs since general obligation authority is necessary to provide the match funds for the federal program.

TWDB Self-Supporting Programs	TWDB Non-Self-Supporting Programs
Water Financial Assistance (commonly referred to as DFund)	State Participation
Rural Water Assistance Fund	Water Infrastructure Fund

Impact on constitutional debt limit

None.

Self-supporting debt may be issued without additional legislative appropriation of general revenue. Non-self-supporting debt is paid in whole or in part by general revenue appropriations and may not be issued until authorized by the legislature through a general revenue appropriation for debt service. The TWDB's non-self-supporting debt has no effect on the state's constitutional debt limit under Texas Constitution Article III, Section 49-j, until the legislature makes an appropriation of general revenue. The TWDB accordingly does not issue non-self-supporting debt in the absence of such appropriation.

Joint Planning in Groundwater Management Areas

Goal

Provide recommendations on the desired future conditions process to (1) add clarity to groundwater permit and right holders, regional water planning groups, and others; and (2) add clarity to the TWDB's role and review of desired future conditions.

Recommendations

Amend Texas Water Code Chapter 36 as follows:

* Provide guidance on what groundwater conservation districts need to consider when establishing desired future conditions, including
    - » whether or not the desired future condition is physically possible;
    - » socioeconomic impacts reasonably expected to occur;
    - » environmental impacts;
    - » the state's policy and legislative directives;
    - » impact on private property rights, including groundwater rights;
    - » reasonable and prudent development of groundwater;
    - » the amount of drainable water in the aquifer;
    - » the maximum amount of groundwater that can be pumped sustainably; and
    - » existing and planned pumping (such as that envisioned in the regional and state water plans) when developing a desired future condition but not solely basing a desired future condition on existing and planned pumping.
* Require groundwater conservation districts to notify permit and right holders more directly of a proposed desired future condition and how it might affect them and future uses.
* Remove the petition process concerning the reasonableness of desired future conditions or modify the process to provide a judicial remedy exclusive of the TWDB, except for the agency's technical review and comment. Require the TWDB to provide a technical analysis of the desired future condition upon adopting the desired future condition. The TWDB is not a regulatory body and is, therefore, not equipped to deal with a regulatory-like process.
* Define the date at which regional water planning groups are required to use managed available groundwater numbers in the regional water planning cycle; add language stating

that desired future conditions adopted before the statutory due date for the state water plan must be used by regional water planning groups in their next regional water plan.

* Provide definitions of "desired future condition" and "geographic area" and modify the definition of "managed available groundwater" so that it includes exempt use and is a planning tool.

Background

TWDB Board members are concerned that local decisions tend to serve local interests at the expense of the needs of the state as a whole. Additionally, the Board is concerned that the amount of groundwater available for use will decrease for local political reasons and force the state's rapidly growing metropolitan areas to pursue much more expensive alternatives or, in more drastic cases, curb economic growth.

Prior to the passage of House Bill 1763 in 2005, regional water planning groups decided how much groundwater was available for use. Groundwater conservation districts also decided how much groundwater was available for use but with the requirement that their number allow the implementation of the state water plan. The passage of House Bill 1763 granted groundwater conservation districts the sole role of deciding how much groundwater was available for use. Regional water planning groups are now required to use numbers set by the groundwater conservation districts.

Current statute allows a petition to be filed with the TWDB challenging the reasonableness of a desired future condition. A person with a legally defined interest in a groundwater management area, a groundwater conservation district in or adjacent to a groundwater management area, or regional water planning group with territory in a groundwater management area can file the petition.

If Board members find that a desired future condition is not reasonable, they recommend changes to the desired future condition. The groundwater conservation districts then have three options: adopt the Board's recommendation, retain their original desired future condition, or adopt something in between or completely different. These options allow districts to retain the same desired future condition that existed before a petition was filed.

Agency rule(s) or statute(s) to be amended

Texas Water Code § 36.001 and § 36.108

> "According to TWDB projections, the number of people living in Texas will increase from 25 million in 2010 to... 45 million by 2060."

Site Acquisition for Reservoirs Recommended in Regional and State Water Plans

Goal

Acquire identified reservoir sites, thereby supporting implementation of 50-year water supply strategies included in the state water plan.

Recommendation

Appropriate monies for acquiring the state's designated reservoir sites that have not been purchased or have not received a commitment for purchase. These sites are essential to meet the state's water supply needs within the next 50 years and beyond. If the 14 major reservoir sites recommended for construction in the 2007 State Water Plan are not developed, the state will be short 1.1 million acre-feet of water in 2060, about 13 percent of the total water supply needed. Without additional water supplies, the state is facing a total water deficit of 8.9 million acre-feet by 2060. Progress must be made on developing this critical water supply to protect the state's economy and the public's health, safety, and welfare in times of drought. Failure to meet the state's water supply needs in drought conditions could cost Texas businesses and workers approximately $9.1 billion today and up to $98.4 billion in 2060.

"Failure to meet the state's water supply needs in drought conditions could cost Texas businesses and workers approximately $9.1 billion today and up to $98.4 billion in 2060."

The cost of acquiring the remaining sites designated as unique is estimated to be $456 million, based on 2007 State Water Plan data. This estimate will be reexamined upon final submission of the 2011 Regional Water Plans for inclusion in the 2012 State Water Plan. The advantages of acquiring these designated sites are as follows:

* Provides certainty to project sponsors that recommended reservoirs could be constructed on designated sites for future water supplies
* Provides some protection from actions by federal agencies that could prohibit the development of reservoirs
* Ensures that these sites would be available to meet future water supply needs
* Demonstrates the state's commitment to provide sufficient water supply for Texas citizens to ensure public health, safety, and welfare and to further economic development
* Allows the state to lease sites prior to reservoir construction to existing land owners or others for land use activities, such as crops and livestock, wildlife, or recreation, thereby also generating income for the state through lease revenue

Although prior legislative designation helps with preserving reservoir sites, purchasing future sites would add additional protection, including much better protection from actions by federal agencies

that could preempt major water supply projects through various unilateral actions. If the state owned the sites, it would be highly unlikely that a federal agency would take an action related to those sites as did the U.S. Fish and Wildlife Service by establishing the Neches Wildlife Refuge at the location of the proposed Fastrill Reservoir. That federal action prohibited the City of Dallas from developing a planned water supply, Fastrill Reservoir, to meet its future water supply needs.

Background

A primary role of the TWDB is to develop, maintain, and update the state water plan in cooperation with other state agencies and numerous regional, local, and private interests across the state. Reservoirs have remained a vital part of the state water plan since its inception and are an integral part of providing the state's existing water supplies.

Because demands are continuing to grow for reliable surface water supplies for municipal, industrial, steam-electric power generation, and other purposes, reservoir projects remain important water management strategies for many areas of the state. Recognizing the importance of reservoirs, the 80th Legislature designated the 19 reservoir sites recommended in the 2007 State Water Plan as sites of unique value for the construction of a reservoir (Senate Bill 3, Section 4.01, codified at Texas Water Code § 16.051 [g-1]). At the same time, the legislature made provisions for options to lease sites acquired for construction. The designation of these reservoirs as sites of unique value provides that a state agency or political subdivision of the state "may not obtain a fee title or an

LCRA

easement that will significantly prevent the construction of a reservoir on a site designated by the legislature." The designation terminates September 1, 2015, unless the proposed project sponsor votes to make necessary expenditures for constructing the reservoir or files required applications for federal or state permits for reservoir construction. A total of 22 sites have been designated as unique by the legislature, three of those designations occurring prior to 2007.

Capital costs and ultimately the cost of water to the end user would be reduced by purchasing sites now, as land values are likely to increase over time, and the cost of compensating land owners for acquisition of land and easements could escalate. See the examples below.

Lake Columbia:

* In 1978, when the Columbia reservoir was proposed, the median land price in Cherokee and Smith counties was around $650 an acre.
* In 2009, the median price was around $2,500 an acre. This represents a 4-fold increase in price and a 1.5 increase in real value.

Ralph Hall Reservoir:

* In 2002, when the Ralph Hall Reservoir was announced, land values in Fannin County (in the footprint of Ralph Hall) were approximately $750 per acre.
* In 2010, the value is approximately $2,000 to $2,500 per acre.

Appropriations Rider Request

Executive Administrator's Salary

Goal

Enable the overseeing Board of the TWDB to set a competitive salary for its executive administrator within the current categorized range.

Recommendation

Exempt the TWDB from the salary cap listed in the General Appropriations Act and add the TWDB to the list of agencies covered under the General Appropriations Act, art. IX, § 3.05(c)(6). This action will grant the Board members the ability to set the TWDB executive administrator's annual salary as appropriate. Because of their active involvement and professional familiarity with the complexity of the TWDB's public financing programs, Board members can assess the specialized skills and salary required of the executive administrator. Additionally, the complexity and diversity of the state's water issues require the Board to be able to recruit and retain the most qualified employees in its executive positions.

Background

The executive administrator is responsible for managing the TWDB's financial programs, which provide grant and loan funding to political subdivisions of the state for water-related projects, and for developing a state water plan for planning and financing development and management of the water resources of the state. The executive administrator is currently the only TWDB exempt position identified by the legislature, but the position's current annual salary is capped at $135,000. The TWDB is categorized as a Group 5 agency. The 81st Legislature increased the Group 5 maximum salary range from $149,052 to $192,600 for 2010–2011. However, no changes were authorized to adjust the $135,000 cap or to allow the Board authority to set the executive administrator's salary within the Group 5 range.

The TWDB's role in managing the state's most precious resource—water—will increase in importance with the state's growing population. These examples illustrate the breadth and complexity of the agency's direct assistance:

* In Fiscal Year 2010, the TWDB provided over $1.19 billion in financial assistance to communities throughout the state.
* During Fiscal Years 2009–2010, the TWDB issued $1.3 billion in bonds to support the water and wastewater infrastructure of the state's rapidly growing population.
* The TWDB is the second largest bond bank in the United States, with a $5 billion loan and grant portfolio and a $3.7 billion debt portfolio.
* The TWDB actively manages debt and refunded over $1.9 billion, for a Net Present Value cumulative savings of 7.51 percent ($143 million), over the last 12 years.

In a recent annual executive salary survey conducted by the Ohio Water Development Authority analyzing salaries of water resource/financing professionals in 25 states, the results indicate that Texas is ranked seventh among the states for executive compensation.

On average, in this group of professionals, executive pay has increased 9.7 percent from the prior year.

The salary for the TWDB executive administrator has not increased since September 1, 2007.

Source: The Ohio Water Development Authority Executive Salary Survey of 25 states

Agency rule(s) or statute(s) to be amended

General Appropriations Act, art. IX, § 3.05(c)(6)

Stakeholders

No stakeholders should be impacted.

Fiscal impact

Fiscal impact to the state and the TWDB would be nominal and could be funded from existing appropriations.

Exceptional Items Requests

This page is intentionally blank.

Data Center Services

Goal

Allow the TWDB's full exemption from the data center services consolidation mandate. The TWDB is requesting a statutory exemption from this contract due to the extremely high cost of doing business and the numerous concerns associated with poor performance under this contract.

Recommendation

Exempt the TWDB from the data center services consolidation mandate and allow for information technology resources and operational authority to return to the TWDB.

The requested exemption will ensure that

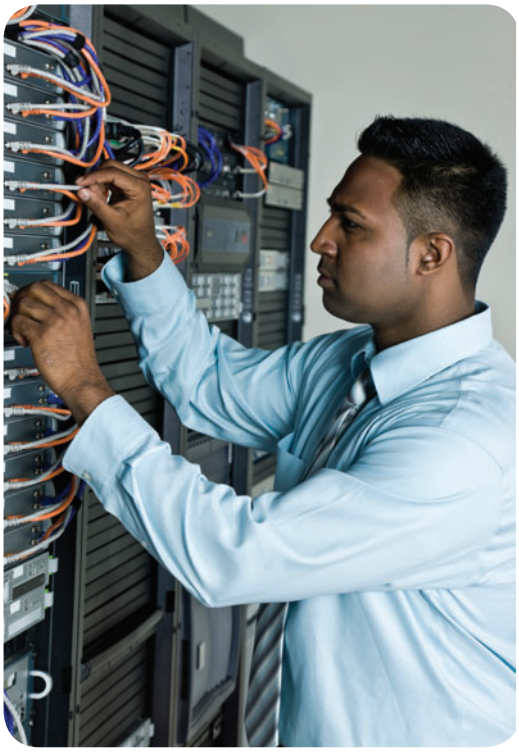
* vital and critical water-related data essential to the future management of water in Texas is secure, reliably updated, backed-up appropriately, and recoverable, and
* Texas Natural Resources Information System (TNRIS), a division of the TWDB, can continue to provide emergency response data services to federal, state, and local entities during emergency situations.

Background

As mandated by House Bill 1516 of the 79th Legislative Session, the TWDB entered into an interagency contract with the Department of Information Resources to have a selected service provider manage our data center, which includes servers, network storage, systems administration, and agency data for disaster recovery. The data that the TWDB maintains is critical and essential to the current and future management of water in Texas. TNRIS also maintains important geographic information system (GIS) data used by state, local, and federal emergency management decision makers in emergency response situations as well as a multitude of planning activities. Inadequate services provided under this contract adversely affect and jeopardize the TWDB's data and critical emergency response functions.

In December 2009, the Department of Information Resources granted the TWDB a partial exemption from the data center services agreement for TNRIS development servers. When this exemption was granted, the Department of Information Resources acknowledged that TNRIS' unique and dynamic use of GIS data is not appropriate for the data center's static environment. Despite this exemption, TNRIS' production environment continues to be negatively affected by data center constraints. Additionally, no process has been defined on how large GIS files can quickly be uploaded/downloaded in emergency response situations, such as hurricanes and floods. This lack of administrative control over system-level operations jeopardizes the reliability of TNRIS' services during emergency events.

The TWDB's cost of storage and services to support its data under this contract is expensive, ranging from $1.42 to $2.39 per gigabyte over the past two fiscal years. The competitive market can deliver more flexible pricing ($0.40 per gigabyte) and services for data storage. This fact, accompanied with numerous problems with all of the services provided under the data center services contract, prompted the TWDB on July 15, 2010, to request an exemption of all servers and related infrastructure from the contract. The Department of Information Resources denied this request.



Pre-Contract Operational Costs for Managing the TWDB Server Environment:

* 4 full-time equivalent positions
* $397,057 total annual cost from salaries to manage data center

Post-Contract Operational Costs for Managing the TWDB Server Environment:

* May 2007–June 2010: pro-rate share in the cost of maintaining the data center

  TWDB actual cost $4,383,840
  TWDB estimated cost $1,345,455
  Difference of $3,038,385

* Fiscal Year 2010 Appropriations

  $1,563,732
  Estimated shortfall of $144,671 due to increased contract fees and growth

* Fiscal Year 2011 Appropriations

  $1,560,390
  Estimated shortfall of $445,656

* Fiscal Year 2012–2013 Total Appropriations Request

  $4,732,751

Agency rule(s) or statute(s) to be amended

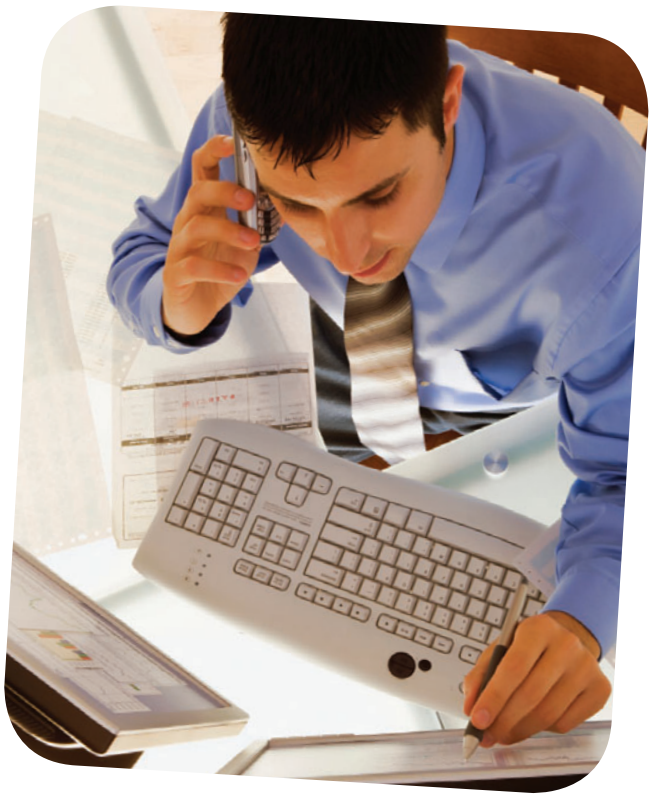
Cancel the current interagency agreement with the Department of Information Resources and exempt the TWDB from this mandate. Amend Texas Government Code § 2054.376(b) to make Subchapter L (Statewide Technology Centers) inapplicable to the TWDB or enact an exemption in Chapter 6, Texas Water Code.

Fiscal impact

The initial, upfront total cost will be $1,765,608 for the TWDB to refresh aging hardware and software and replace four full-time employees lost at the commencement of the contract. Thereafter, related network costs will be significantly reduced to an estimated annual cost of $707,038, resulting in an estimated 50 percent savings to the state in future fiscal years.

Stakeholders

TWDB and Department of Information Resources



Economically Distressed Areas Program Debt Service

Goal

Secure funding for the Economically Distressed Areas Program (EDAP) to meet the water- and wastewater-related infrastructure needs of residents who lack adequate services.

Recommendation

Appropriate $15.11 million as an exceptional item in the Legislative Appropriations Request for debt service for issuance of $100 million in EDAP bonds.

Without the requested appropriation, EDAP projects in economically distressed areas would be delayed or not funded. Approximately 35 projects are currently affected. Projects that previously received planning, acquisition, and design funding would not have EDAP funding available for construction.

EDAP Projects Affected by Funding Shortage

Type of Project	Number	Estimated Cost	# of Residents Benefitting
Construction projects (TWDB-funded planning/design)	10	$83.3 million	21,000
Design projects (TWDB-funded planning)	8	$13.2 million	111,000
New applications (primarily for planning/design phase)	17	$15.4 million	24,000
Total	35	$111.9 million	156 ,000

Background

The 71st Legislative Session (1989) created the EDAP to provide financial assistance in the form of grants and loans for water- and wastewater-related services to economically distressed areas along the border. The program was initially funded with $250 million in general obligation bonds and $300 million in grants from the U.S. Environmental Protection Agency. The 79th Legislature passed House Bill 467, expanding the program to be statewide. The legislation amended the definition of "affected county" to include any county that has an economically distressed area (not just a border county). The 80th Legislature passed Senate Joint Resolution 20 in November 2007, resulting in a voter-approved $250 million bond election for additional debt authority.

As of August 2010, the EDAP has funded 150 projects in 35 counties, totaling over $650 million, representing projects ranging from the initial planning phase to construction completion. An estimated 293,326 residents have, or will have, adequate water-related service available once all construction has been completed. In addition, the EDAP committed projects currently undergoing planning and design could benefit over 117,000 residents should the EDAP construction funding be available when needed. Additional applications for new projects are also pending. The latest studies in economically distressed areas estimate there is $5.4 billion in water- and wastewater-related infrastructure needs.

The EDAP includes measures to prevent future substandard development by requiring the county and relevant city to adopt and enforce model subdivision rules as a condition for the EDAP funding. These rules ensure minimum water and wastewater needs are addressed for all new residential developments.

Statutory authority/citation

Texas Water Code §§ 15.407, 16.341, and 17.921–17.936

> "The latest studies in economically distressed areas estimate there is $5.4 billion in water- and wastewater-related infrastructure needs."

State Water Plan Debt Service

Goal

Secure funding for the Water Infrastructure Fund in order to continue implementing the 2007 State Water Plan.

Recommendation

Appropriate $17.6 million as an exceptional item in the Legislative Appropriations Request for debt service on $200 million in general obligation bonds. This appropriation will allow the TWDB to continue implementing the state water plan by providing funds for planning and permitting long-term projects and designing and constructing projects that will meet the immediate water supply needs of the citizens of Texas.

Background

The Water Infrastructure Fund was statutorily created in 2001 to provide affordable financing for water conservation and development projects through the implementation of recommended strategies in the state water plan. The legislature provided appropriations for the Water Infrastructure Fund during the 80th and 81st Legislative Session. During this time, the legislature authorized issuance of approximately $750 million in debt in each of the two biennia for state water plan funding, which included the Water Infrastructure Fund.

The exceptional item request for debt service on $200 million is below what the legislature has provided for state water plan funding in the past because the TWDB estimates having only $266 million in constitutional general obligation bond authority remaining at the end of Fiscal Year 2011. This request represents the majority of that remaining authority. Additional general obligation bond authority remains the top TWDB legislative priority. With the passage of additional general obligation authority for consideration by voters, the legislature could include a contingency rider in the General Appropriations Act. The rider would allow the appropriation of debt service for issuance of an additional $550 million of subsidized state water plan funding, contingent upon voter approval of additional general obligation bond authority. This would provide the ongoing funding for the state water plan consistent with the past few years.

Since March 2008, the TWDB has committed over $719 million from the Water Infrastructure Fund to implement recommended strategies in the state water plan. By the end of the 2010–2011 biennium, it is anticipated that the TWDB will have made 44 commitments for more than $897 million. The Water Infrastructure Fund has been instrumental in initiating projects for future water supply needs; however, the needs and demands far outstrip the available funding. Over $1.46 billion in projects was submitted for funding through the Water Infrastructure Fund, but there was not sufficient funding available during the prioritization process.

Examples of Water Infrastructure Fund Projects
Planning and development of new reservoirs
Raw water conveyance
Wetland reuse
Construction of surface water treatment plants
New well fields
Transmission lines
Recycled water pipelines

Some of the projects funded by the Water Infrastructure Fund had been recommended strategies for many years but planning, design, and/or construction had not begun due to lack of an affordable option for financing. The options made available through the Water Infrastructure Fund created an impetus for project sponsors to commence these projects so that long-term water supplies will be available in the future for the citizens of Texas.

State water plan background

To date, over $918 million in projects has been funded through state water plan funding, which is provided through the Water Infrastructure Fund, the State Participation Program, and the Economically Distressed Areas Program. The 2007 State Water Plan estimated that $30.7 billion will need to be spent by regional and local water supply entities and the private sector between 2007 and 2060 to meet state water supply needs of the state. If funds are not appropriated, some water supply projects will not begin and will not be implemented in time to ensure long-term water needs are met. Currently, an estimated 1.8 million acre-feet of water supply needs are unmet in times of severe drought. The 2007 State Water Plan projects that an additional 8.9 million acre-feet of water supply will be needed by 2060 for residential, business, and agricultural demands.

Statutory authority/citation

Texas Water Code § 15, Subchapter Q

> "The 2007 State Water Plan projects that an additional 8.9 million acre-feet of water supply will be needed by 2060..."

Texas Seawater Desalination Demonstration Project

Goal

Advance the development of seawater desalination in Texas.

Recommendation

Appropriate $9.5 million to assist the Brownsville Public Utilities Board in installing the initial phase of a large-scale demonstration seawater desalination plant to be located at the Brownsville Ship Channel.

Background

Seawater desalination is a promising strategy to help meet the future water demands of Texas. There is a real need to build a demonstration project to understand fully the technical and regulatory challenges of seawater desalination to ensure the state is ready to implement the technology when needed. Texas Water Code § 16.060 directs the TWDB to take necessary actions to further the development of cost-effective water supplies from seawater desalination in the state. Additionally, it requires the TWDB to issue a biennial progress report and anticipated appropriations from general revenue that should be addressed over the following biennium. This exceptional item addresses the latter requirement. The TWDB will submit the next required report December 2010. Previous reports were submitted in 2004, 2006, and 2008.

Feasibility and pilot plant studies have confirmed that seawater desalination at the Brownsville Ship Channel is technically feasible. This request will enable the Brownsville Public Utilities Board to design and install a 2.5-million-gallon-per-day permanent production facility to fully test and demonstrate the process of desalting ocean water from the Brownsville Ship Channel. The facility would provide the Brownsville Public Utilities Board with a drought-proof water source while also allowing the state to continue identifying and addressing risks and challenges related to the wide-scale development of water supplies from seawater desalination.

Agency rule(s) or statute(s) to be amended

None.

Texas Water Development Board
P.O. Box 13231, Capitol Station
Austin, Texas 78711-3231