

STATE WATER PLAN 2017



AN ISSUE BRIEF FROM LEGISLATIVE BUDGET BOARD STAFF

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OBJECTIVE

The State Water Plan (SWP) is a planning document that identifies strategies to ensure adequate water supplies for future times of drought.

KEY FACTS

- ◆ Ten plans have been issued: 1961, 1968, 1984, 1990, 1992, 1997, 2002, 2007, 2012, and 2016 (2017 Plan).
- ◆ Planning assumptions include: a 50-year planning horizon and five-year planning cycle; six categories of water use (municipal, manufacturing, irrigation, mining, livestock and steam-electric power); and state and public financial participation.
- ◆ The state financial assistance requested by regional planning groups in the 2017 plan totals approximately \$36.5 billion.

BUDGETARY IMPACT

- ◆ Since the 2008–09 biennium, the Legislature has authorized the Texas Water Development Board to issue \$1,042.2 million in General Obligation bonds to provide state financial assistance for SWP projects. The agency has expended \$211.5 million in General Revenue Funds to fund debt service requirements for issued bonds.

STATUTORY REFERENCES

The Texas Water Code, Chapter 16, Subchapter C

The Texas Constitution, Article III, Sections 49-d-9, 49-d-10, and 49-d-11

The State Water Plan (SWP) is developed to ensure adequate water supplies for Texas during times of drought, such as the seven-year drought of record that occurred in the 1950s. The SWP includes recommended water management strategies to eliminate the gap between deficits in water supply and demand, and the cost of implementation. The SWP is developed by 16 designated regional planning groups in conjunction with the Texas Water Development Board (TWDB) and is revised every five years. Proposed water management strategies include the construction of new reservoirs, water reuse facilities, and increased water conservation. The most recent SWP, issued in 2016 for the 2017 planning cycle, contains 5,500 water management strategies to provide 3.4 million acre-feet per year in additional water user groups in 2020 and 8.5 million acre-feet in 2070. An acre-foot is the volume of water needed to cover one acre to a depth of one foot, which equates to 325,851 gallons. Two households use an estimated one acre-foot in a year.

According to the 2017 SWP, growth in population and economic activity is projected to increase water demand by 17.0 percent from 18.4 million acre-feet per year in 2020 to 21.6 million acre-feet per year in 2070. During the same period, existing water supplies are projected to decrease by 11.0 percent from 15.2 million acre-feet in 2020 to 13.6 million acre-feet in 2070.

The projected amount of assistance requested from the state to implement SWP projects has changed across years. The 2017 plan projects that water infrastructure needs from 2020 to 2070 will cost \$62.6 billion in supply strategies, and the portion requested by regional planning groups in the plan totals approximately \$36.5 billion. For comparison, in the 2007 SWP, \$30.7 billion in projects were identified, but only \$2.1 billion in state financial assistance was identified.

KEY LEGISLATIVE CHANGES AND STATE FUNDING

Policy changes in the SWP and the state's share of the cost of SWP projects have been significantly affected by legislative changes. Previously, the majority of state funding for SWP projects was provided by General Obligation (GO) bond authorizations for the Texas Water Development Fund (DFund). Authority for the DFund was added to the Texas Constitution in 1957 to provide financial assistance to political subdivisions for the conservation and development of the state's water resources.

In 1997, enacted legislation required the SWP planning process to occur every five years. The legislation also stipulated that only water supply projects in the SWP would be eligible for state financial assistance. In 2007, voter approval of a constitutional amendment authorized the issuance of Economically Distressed Areas Program (EDAP) bonds to provide financial assistance for SWP projects in economically distressed areas of the state. In 2011, enacted legislation and accompanying voter approval of a constitutional amendment authorized the TWDB to issue GO bonds such that the aggregate outstanding principal amount of bonds issued for the DFund at any one time could not exceed \$6.0 billion. As of August 31, 2015, the remaining authorized, but unissued authority for the DFund was \$6.1 billion out of \$10.2 billion in total bond authority.

State financial assistance for SWP projects has been provided historically through three bond-financed loan and grant programs administered by TWDB. Figure 1 shows these programs and the amounts of GO Water Bonds issued since 2008. These issuances have required a total of \$211.5 million in General Revenue Funds for debt service payment since fiscal year 2008. Remaining debt service on these issuances has been self-supporting and covered by loan repayments from project grantees.

FIGURE 1
TOTAL STATE WATER PLAN FUNDING FROM GENERAL OBLIGATION WATER BONDS SINCE 2008

(IN MILLIONS)

PROGRAM	DESCRIPTION	AMOUNT ISSUED
Economically Distressed Areas Program (EDAP)	Grants and loans that fund planning, design, and construction of water supply and wastewater projects in: (a) areas with a median household income no greater than 75 percent of state median income; (b) an established residential subdivision as of June 1, 2015; and (c) counties with adopted Model Subdivision Rules.	\$52.3
State Participation Program (SPP)	Enters into purchase contracts for regional projects (e.g., reservoirs and storm water retention basins for water supply, flood protection and groundwater recharge; water treatment and transmission facilities) that political subdivisions acquire with interest-deferred repurchase payments.	\$45.3
Water Infrastructure Fund (WIF)	Provides subsidized loans for planning, design, and construction of water supply, wastewater, and flood control projects.	\$944.5
Total		\$1,042.2

SOURCE: Texas Water Development Board.

In 2013, the Eighty-third Legislature, Regular Session, established the State Water Implementation Fund for Texas (SWIFT) and State Water Implementation Revenue Fund for TEXAS (SWIRFT). The objective of SWIFT is to provide financial assistance to ensure adequate future water supplies for Texas. The SWIFT and SWIRFT funds provide for the following TWDB programs: Water Infrastructure Fund, Rural Water Assistance Fund, State Participation Program, and Agricultural Water Conservation Fund. These programs are not expected to require any future draws from General Revenue Funds. EDAP, however, will continue to require General Revenue Funds for debt service at least past 2030.

With the establishment of SWIFT and SWIRFT, the Eighty-third Legislature, Regular Session, 2013, also provided a \$2.0 billion appropriation from the Economic Stabilization Fund (ESF) that was transferred to SWIFT to provide interest-rate subsidies and deferred-loan repayments. The \$2.0 billion ESF appropriation is expected to generate \$27.0 billion in financial assistance capacity during the next 50 years to fund SWP projects. In December 2015, \$810.4 million in SWIFT revenue bonds were issued for the first round of applications for financial assistance.

RECENT ACTIVITY

In fiscal year 2015, the Water Development Board was authorized to issue \$50.0 million in EDAP bonds, and in fiscal year 2016, an additional \$50.0 million was authorized. In fiscal year 2015, the agency was authorized to issue \$1.0 billion in SWIFT bond financing and to transfer up to \$175.0 million from SWIFT to SWIRFT to subsidize interest rates and defer loan repayments. To date, the agency has issued \$810.4 million in SWIRFT bonds, which are revenue bonds and do not count against General Obligation authorization in the Texas Constitution.

USEFUL REFERENCES

Texas State Government Effectiveness and Efficiency Report, Fund the State Water Plan to Ensure Adequate Future Water Supplies, Legislative Budget Board, January 2013:

www.lbb.state.tx.us/Documents/Publications/GEER/Government%20Effectiveness%20and%20Efficiency%20Report%202012.pdf

State Funding for Water Programs, Legislative Primer, Legislative Budget Board, January 2011:

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