

# Texas Water Development Board Legislative Priorities Report



80<sup>th</sup> Legislative Session





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## I. Introduction

Section 6.156 of the Texas Water Code provides that the Texas Water Development Board (TWDB) shall make biennial reports to the governor and members of the legislature that includes a statement of activities of the Board and recommendations for necessary and desirable legislation, which are presented in this report. Working towards implementing this vision for sustainable, affordable, quality water for Texans, our economy, and our environment, the Board examined water management policies and funding issues in order to make recommendations for the 80<sup>th</sup> Texas Legislature.

This report summarizes the Board's legislative priorities to designate unique reservoir sites, expedite certain amendments to regional water plans, allowing additional time for environmental flows studies, requiring groundwater data from developers, authorizing a dedicated fee for geospatial data, cleaning up and clarifying statutes involving the Texas Natural Resource Information System and the Texas Geographic Information Council, and authorizing the Board to obtain intellectual property rights. The report also contains summaries of the Board's Legislative Appropriations Request (LAR) and Exceptional Items requests in priority order for the Fiscal Years 2008-2009 biennium.

The recommendations for necessary and desirable legislation were approved by the Board during work sessions in July 2006 and September 2006.

The Regional Water Planning Groups noted several issues that the 80<sup>th</sup> Texas Legislature should consider addressing to help implement the 2007 State Water Plan and ensure Texas has water for the future. Based on these planning group recommendations, TWDB developed legislative recommendations in the 2007 State Water Plan for the following issues:

- financing of recommended water management strategies (details provided in the Exceptional Item Requests);
- reservoir site designation and acquisition (already a Board priority);
- interbasin transfers of water;
- environmental water needs;
- water conservation;
- expedited amendment process for regional water plans (already a Board priority); and
- indirect reuse.

Although several of these issues do not have specific recommendations for legislative action from either the Regional Water Planning Groups or the Board, resolution of the issues is critical to the implementation of water management strategies in the 2007 State Water Plan and should warrant attention during the 80<sup>th</sup> Session.

### Other Statutorily-Required Reports

The Board is required by various laws to produce a variety of reports detailing financial information, programmatic summaries or research studies involving the agency. Many of the reports being produced by the Board prior to the start of the 80<sup>th</sup> Legislative Session also contain recommendations for statutory changes and request funding for projects or programs. A listing of those reports includes:

Statutory Reference	Report Name & Requirement	Specific Due Date
TWC § 16.021 (d)	<b>Texas Geographic Information Council (TGIC) Biennial Report.</b> A plan that inventories known state agency geographic information systems projects and recommends initiatives to improve the state's geographic information systems programs	09/01/2006
TWC §16.060	<b>Desalination Status Report.</b> Progress report on the implementation of seawater desalination activities in the state.	12/1/2006
HB2430 (79R)	<b>Rainwater Harvesting Recommendations.</b> Report on potential for rainwater harvesting, with recommendations for minimum water quality guidelines and standards for potable and nonpotable indoor uses of rainwater, treatment methods, and ways to incorporate rainwater harvesting with existing municipal water systems.	12/1/2006
Executive Order RP-50 (10/28/2005)	<b>EFAC Report.</b> Environmental Flows Advisory Committee, chaired by TWDB, required to submit a report of findings and recommendations to establish a process that will achieve a consensus-based, regional approach to integrate environmental flow protection with flows for human needs.	12/31/2006
HB1224 (79R)	<b>Take-or-Pay Impacts.</b> Report on effects, if any, of take-or-pay contracts on efforts to conserve water.	1/1/2007
TWC §16.051	<b>State Water Plan</b>	1/5/2007
TWC §16.022	<b>Conservation - Supplement to SWP.</b> Report jointly with Texas State Soil and Water Conservation Board on ways to improve or expand water conservation efforts. To be issued as part of, or as a supplement to, the State Water Plan.	1/5/2007
TWC §26.405	<b>GWPC Legislative Report.</b> Report on Groundwater Protection Committee's activities and any recommendations for legislation for groundwater protection.	1/9/2007

TWC §35.018	<b>Joint Report on PGMAs/GDCs.</b> Report jointly with Texas Commission on Environmental Quality (TCEQ) on activities relating to the designation of priority groundwater management areas (PGMAs) by TCEQ and the creation and operation of groundwater conservation districts (GCDs).	1/31/2007
TWC §26.406	<b>Groundwater Monitoring Report.</b> Groundwater Protection Committee to report jointly with TCEQ on groundwater monitoring and contamination.	4/1/2007

## II. Texas Water Development Board Recommendations for Necessary and Desirable Legislation

<b>Recommendation II.1</b>	<b><i>Designate remaining viable reservoir sites of unique value for the construction of reservoirs to meet future water demands.</i></b>
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Background<sup>1</sup>: There are 19 recommended unique reservoir sites in the 2007 State Water Plan. Prior to the adoption of the 2006 Regional Water Plans, a progressive de-emphasis on building new reservoirs in Texas was evident in both historical reservoir-development patterns and chronological editions of Texas's state water plans. By 1950, Texas had constructed approximately 60 major reservoirs (5,000 acre-feet or greater of conservation storage capacity). Reservoir development was most prolific between 1950 and 1980, when the number grew to a total of 179. The pace of construction began to slow in the 1970s and through the remainder of the 20<sup>th</sup> Century as a result of the reduced number of potentially high-quality reservoir sites, environmental issues or concerns, and increasing costs of reservoir development. Texas currently has 196 major reservoirs. Ten reservoirs, which were able to hold more than 5,000 acre-feet of water at conservation pool elevation upon initial impoundment, are now no longer able due to sedimentation and are currently classified as minor reservoirs. Over time, Texas's state water plans have reflected this slowdown in reservoir development. The 1984 State Water Plan identified 65 major reservoir sites and allocated water from 44 of the new reservoirs to meet needs through 2030. The 1990 State Water Plan included 20 new reservoirs. In contrast, the 1997 and 2002 state water plans each recommended only eight major reservoirs to meet needs for additional water supplies through 2050.

However, major reservoir projects absolutely must remain a strong and viable tool in our water-development toolbox if the state is to meet its future water supply needs. Recognizing this, Planning Groups have recommended 13 new major reservoirs as water management strategies in their 2006 Regional Water Plans to meet future water supply needs.

A number of factors will determine if the major reservoirs recommended in the 2006 Regional Water Plans will actually be developed. One of the primary factors involves the reservoir site itself, and the manner in which the state addresses issues associated with preserving the viability of the reservoir site for future reservoir construction purposes.

Certain governmental actions, such as the development of public utility infrastructure or actions by federal, state, or local governments to protect natural ecosystems located within the reservoir footprint, can significantly impact the viability of a site for future

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<sup>1</sup> Briefing, discussion, and consideration of policy recommendations for the 2007 State Water Plan authorized in Texas Water Code, Section 16.051(e)



construction of a proposed reservoir. Development of Waters Bluff Reservoir on the main stem of the Sabine River was prevented in 1986 by the establishment of a private conservation easement. In addition, the proposed Lake Fastrill, which is included in the 2006 Region C Water Plan as a recommended water management strategy to meet the future water supply needs of the City of Dallas, is a current and significant case-in-point. Land located within the reservoir's footprint is also included within the recently designated Neches River National Wildlife Refuge.

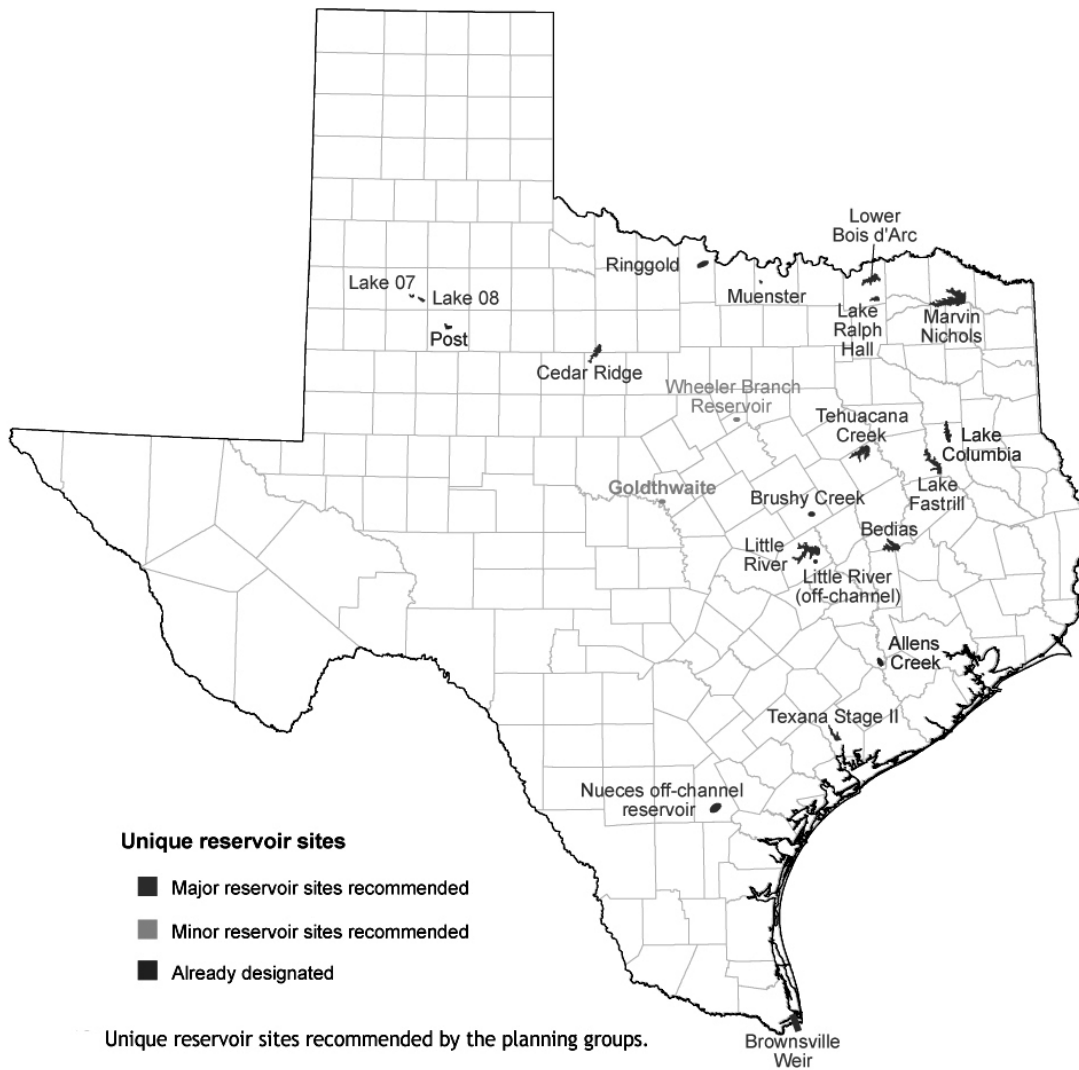
If the designation of the Neches River National Wildlife Refuge by the U.S. Fish and Wildlife Service prevails in any legal challenges, it would effectively preclude future use of the site for development of the proposed Lake Fastrill. Lack of action by the state legislature in protecting reservoir sites has been cited as a problem in precluding federal actions that would otherwise be considered as circumventing the state's primacy over water in the state. On April 17, 2006, the TWDB approved a contract for a research project that will review the potential feasibility of reservoir projects that have been identified and/or recommended in the past 40 years of state, regional, and local water planning. The major objective of this research, which is scheduled to be completed by December 1, 2006, will be to identify the remaining viable reservoir sites in the state that are most suitable for protection and/or acquisition by the state.

Texas Water Code, Sections 16.051(e) and 16.053(e)(6) provide that state and regional water plans shall identify any sites of unique value for the construction of reservoirs that the Planning Groups or TWDB recommend for protection. Texas Water Code, Section 16.051(f) provides for legislative designation of sites of unique value for the construction of a reservoir. By statute, this designation means that a state agency or political subdivision of the state may not obtain a fee title or an easement that would significantly prevent the construction of a reservoir on a designated site. Designation by the Texas Legislature provides a limited but important measure of protection of proposed reservoir sites for future development. Issues may arise regarding the level of protection legislative designation provides vis-à-vis certain federal actions.

In addition, Texas Water Code, Section 16.051(e) and 16.053(e)(6) also provides that state and regional water plans shall identify river and stream segments of unique ecological value that the Planning Groups or TWDB recommend for protection. Texas Water Code, 16.051(f) also provides for legislative designation of river or stream segments of unique ecological value. By statute, this designation means that a state agency or political subdivision of the state may not finance the actual construction of a reservoir in a specific river or stream segment that the Legislature has designated as having unique ecological value.

In some areas of the state, protection of critical habitats via designation of river or stream segments of unique ecological value may be in competition with water supply projects. As previously noted, the Legislature may designate ecologically unique river and stream segments and also unique sites for reservoir construction. A stream reach with significant bottomland hardwoods, for instance, may be eligible for either designation. It was suggested in the 2002 State Water Plan that these designation processes could be linked

to protect certain ecologically unique stream reaches as habitat mitigation areas associated with specific water supply projects, thus creating a balanced outcome.



**Recommendation II.2*****Authorize expedited amendments to regional water plans.***

Background<sup>2</sup>: This bill would allow expedited amendments to regional water plans in very limited circumstances - only when it will not result in the over allocation of any existing or planned water source, if it does not relate to a new reservoir and if it will not have significant effect on instream flows or freshwater inflows to bays and estuaries. The revised amendment process would require the planning groups to post amendments on their agenda for consideration at a planning group meeting and the public would be provided an opportunity to comment on the agenda at the meeting. The bill would eliminate the requirement to file an amendment with local newspapers, mailing individual notices, a separate public hearing, and the 30-day comment period. A proposed amendment can only go through the expedited notice process if it is found eligible by the executive administrator of the TWDB.

In 1997, the 76th Legislature passed Senate Bill 1 (S.B. 1) creating a "bottom up" water planning process designed to ensure that the water needs of all Texans are met as Texas enters the 21st Century. S.B. 1 allowed individuals representing interest groups to serve as member of regional planning groups ("planning groups"). There are 16 planning groups in Texas. Planning groups are responsible for deciding how future water needs in their respective region may be met. Regional plans, which are governed by Section 16.053, Water Code, are approved by the Texas Water Development Board (TWDB) and are incorporated in the State Water Plan produced by the TWDB every five years. Regional water plans are also revised every five years. There are times, however, when planning groups want to amend their plans within the five year window. Because state law does not differentiate between a new plan and an amendment the planning groups must follow the plan adoption process for even simple amendments, which can be cumbersome.

Texas Water Code, Section 16.053 requires that water supply projects meet needs in a manner consistent with the state water plan and an approved regional water plan to qualify for state financial assistance and Texas Water Code, Section 11.134 requires that proposed water appropriations address water supply needs in a manner consistent with state and regional water plans to receive a water right permit from the Texas Commission on Environmental Quality. In the event an applicant's project does not meet needs in a manner consistent with the state and regional water plans, the applicant must seek amendment of the appropriate regional water plan or seek a waiver of the requirement. Such amendments can be costly and time-consuming in that the following requirements exist relating to amendments:

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<sup>2</sup> House Bill 2431 Bill Analysis by Rep. Robert Puente, 79<sup>th</sup> Regular Session, 2005(House Committee on Natural Resources)

- 60 days notice and comment period prior to amending their plan;
- Notice must be provided to each municipality greater than 1,000 population, each county judge, each river authority or special law district, each retail public utility, and each surface water right holder;
- Notice must be published in a newspaper of general circulation in each county located in whole or in part in the regional water planning area; and
- A public hearing on the proposed amendment must be conducted to obtain public comments.

<b>Recommendation II.3</b>	<b><i>Extend the deadline for completing the instream flow priority studies from December 31, 2010 to December 31, 2016.</i></b>
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Background: Due to funding limitations, legislative action and extensive peer review of the proposed methodology, these studies have only just begun. As a result, agency staff will not meet the statutorily-mandated deadline for completing priority studies. Extending the deadline would allow agency staff to develop and convey to stakeholders a realistic timeline and plan of action to complete these studies in order to provide vital information to both the regulatory agency (TCEQ) and water resources planners.

There are three issues: 1) Funding limitations. The cost to perform an instream flow study on a river sub-basin is estimated at \$1 million. While the program was authorized in 2001, it has never been adequately funded. In a series of short-term fixes, the agency has had to shift funding from other activities, but has been able to fund research and data collection only; 2) Legislative action. Since 2001, public awareness of and legislative attention to instream flows have increased significantly. As such, the types of activities to be undertaken and the scope of these activities have also increased. Therefore, to meet expectations of policy makers, the instream flow studies will require much more effort and rigor than originally envisioned; and 3) Peer review. At the request of stakeholders and through a contract with the TWDB, the National Academy of Sciences was asked to review and assess the methodology developed and proposed for conducting instream flow studies in Texas. This review took approximately 18 months and necessarily delayed any intensive work on the studies. Furthermore, the review suggested some refinement of the methodology and that has delayed the studies even more. Reconnaissance and basic data collection has now begun, but rigorous and intensive field efforts require adequate funding.

**Recommendation II.4**

***Require subdivision developers to submit groundwater certification reports to TWDB and Groundwater Conservation Districts.***

Background<sup>3</sup>: In 1999 the Legislature passed Senate Bill 1323, authored by Senator Jeff Wentworth, which allows a municipal authority or county to require a developer to submit evidence that, if they plan to use groundwater, there will be enough groundwater to supply the development. This law appears in Sections 212.0101 and 232.0032 of the Local Government Code. The Texas Commission on Environmental Quality subsequently passed rules related to Senate Bill 1323 in Title 30, Chapter 230 of the Texas Administrative Code.

Current law does not require developers to submit evidence that there will be enough groundwater to supply the development to anyone except the municipal authority and county. The evidence includes aquifer tests—tests performed by geoscientists or engineers to determine how readily the aquifer transmits water. These tests, often costing thousands of dollars to perform and analyze, are valuable for better understanding the groundwater resources of the state and improving groundwater availability models.

The following counties require groundwater availability certification for platting: Bandera, Bastrop, Bell, Blanco, Brazos, Comal, El Paso, Gillespie, Guadalupe, Kendall, Lampasas, Medina, and Travis. Several other counties are considering requiring these certifications.

During the 79<sup>th</sup> regular legislative session in 2005, Representative Bill Callegari filed House Bill 3310 that, among other items related to groundwater conservation districts and groundwater management areas, would have required municipal authorities and counties to submit copies of groundwater availability certifications to the TWDB. This bill was referred to the House Natural Resources Committee, but did not make it out of committee.

Staff recommends that the TWDB add groundwater availability certifications to its legislative agenda and give staff permission to draft legislation that would require developers to send groundwater availability certifications to the TWDB and to local groundwater conservation districts.

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<sup>3</sup> Briefing, discussion, and possible action on legislative recommendations by the Board as authorized in Section 6.156, Water Code, for the 80th Regular Legislative Session, 2007: Potential Legislation on Groundwater Availability Certifications (September 12, 2006)

<b>Recommendation II.5</b>	<b><i>Authorize the collection of a fee to be dedicated to the Texas Natural Resources Information System (TNRIS).</i></b>
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Background: The general public, and state policy and decision makers are incorporating geographic information as an essential tool for planning and taking actions related to a widening range of issues. Current, accurate, and reliable data and services are needed to support understanding, communicating and addressing the issues relating to economic growth, environmental protection and quality of life impacts from natural disasters.

Expand the funding requirements to meet greater demands across government and private industry. Supplementing general revenue or substituting a fee from real estate transactions. Providing authority for the TWDB to establish a permanent fund for long term funding of mapping data and services for the State

Increasing the Real Property Records Filing Fee at the county level will generate revenue for continuously maintaining relevant data layers used by TNRIS customers on daily basis and will create a program to grant funds to local governments to implement Geographic Information System (GIS)-based data collection.

State General Revenue funding for TNRIS has declined over the last several biennia. In order to continuously acquire, update, maintain and develop the digital data that makes TNRIS a useable and cost-effective tool for federal, state and local governments as well as the private sector, a more reliable funding source is needed. Funding limitation prevented TNRIS from maintaining essential elements such as transportation, political boundaries and others.

<b>Recommendation II.6</b>	<b><i>Enhance and clarify Sec. 16.021, Texas Water Code, for the Texas Natural Resources Information System.</i></b>
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Background: Legislation is needed to add emergency management-related data to the information collected by the Texas Natural Resources Information System (TNRIS). The bill would also change the publication deadline for the biennial report of the Texas Geographic Information Council from September to November and clarify that the document is a report describing progress made in implementing Geographic Information System (GIS) goals instead of a plan that inventories known state agency GIS projects.

TNRIS, a division of the Texas Water Development Board, is the state's clearinghouse for maps, aerial photos, and digital natural resources data. TNRIS also serves as a distribution center for U.S. Geological Survey maps and has numerous other map collections available for in-house use or reproduction. TNRIS was established by the Legislature in 1968 as the Texas Water-Oriented Data Bank. In 1972, after four years of growth and diversification, it was renamed the Texas Natural Resources Information System. The mission of TNRIS is to provide a "centralized information system incorporating all Texas natural resource data, socioeconomic data related to natural resources, and indexes related to that data that are collected by state agencies or other entities" (Texas Water Code, Sec. 16.021). TNRIS supplies data to government, academia, private sector, and to the public.

<b>Recommendation II.7</b>	<b><i>Authorize TWDB to acquire intellectual property rights, such as trademark, copyright, or patent.</i></b>
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Background<sup>4</sup>: The TWDB does not currently have the power to acquire intellectual property rights, such as the right to trademark, copyright, or patent. Such power could be obtained by legislation passed by the Texas Legislature and signed into law by the Governor. State agencies with intellectual property rights powers include the Department of Information Resources, which obtained its power through statute (see Attachment A for Department of Information Resources’ statutory language on intellectual property rights).

During the 79<sup>th</sup> Regular Session, the proposed Senate Bill 3 contained language which would have given the Executive Administrator of the TWDB the power to obtain certain intellectual property rights in conjunction with a statewide water conservation awareness program.

The authority to obtain intellectual property rights would be of value to the TWDB. For instance, having the power to trademark would enable the TWDB to possibly pursue trademark protection for the “Water IQ—Know Your Water” campaign developed in conjunction with EnviroMedia for a statewide water conservation public awareness program. These powers could potentially benefit all offices, including the Office of Planning, Resource Information Office, and Texas Natural Resources Information System. Therefore, legislation authorizing the TWDB to acquire intellectual property rights is necessary and desirable.

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<sup>4</sup> Memorandum to TWDB on Legislative Recommendations Concerning Intellectual Property Rights by Marisol Saenz, September 12, 2006

## **State Water Plan Policy Recommendations**

<b>Recommendation II.8</b>	<b><i>Financing Water Management Strategies</i></b>
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Background: The legislature should consider appropriating funds to TWDB for debt service to the State Participation and Water Infrastructure Fund programs to fund water management strategies in the 2007 State Water Plan. An initial appropriation of \$77.5 million for the 2008-2009 biennium would pay the first two years of debt service on general obligation bonds and grants, and would provide grants and loans to construct \$929.6 million in projects. Cumulative appropriations of \$674.6 million between 2008 and 2028 would result in \$1.7 billion in projects. The legislature should maintain the existing state programs for water and wastewater infrastructure financing (State Participation Program and Water Infrastructure Fund) in order to provide adequate financial assistance for ongoing compliance with regulatory requirements and ensure Texas continues to access federal funds for water-related infrastructure projects. TWDB estimates the investment needed based on a combination of debt service on general obligation bonds and grants to respond to the needs indicated in the Infrastructure Finance Survey for the 2006 Regional Water Plans.<sup>5</sup>

*NOTE: See Exceptional Items Requests to implement the 2007 State Water Plan on Pages 52-57.*

<b>Recommendation II.9</b>	<b><i>Interbasin Transfers of Surface Water</i></b>
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Background: The legislature should provide statutory provisions that eliminate unreasonable restrictions on the voluntary transfer of surface water from one basin to another. In Senate Bill 1, 75th Legislative Session, Texas Water Code, Section 11.085, was amended with significantly expanded requirements for obtaining an interbasin transfer authorization. Since the amendments to the Texas Water Code requirements for interbasin transfers in 1997, there has been a significant drop in the amount of interbasin transfer authorizations issued. According to Texas Commission on Environmental Quality data, only two interbasin transfer authorizations that were subject to those provisions have been granted since the passage of Senate Bill 1 in 1997. There has been a significant amount of public discussion about whether the 1997 amendments to Texas Water Code, Section 11.085, have had a negative effect on issuing interbasin transfer authorizations.<sup>6</sup>

<sup>5</sup> Water For Texas 2007 – Texas Water Development Board, Volume 1, Page 8

<sup>6</sup> Water For Texas 2007 – Texas Water Development Board, Volume 1, Pages 16-17



<b>Recommendation II.10</b>	<b><i>Environmental Water Needs</i></b>
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Background: The legislature should enact statutory provisions similar to those in Article 1, House Committee Substitute Senate Bill 3, 79th Legislative Session considering recommendations from the Environmental Flows Advisory Committee, in light of the importance of balancing human water needs with the needs for instream flows and bay and estuary freshwater inflows and the need for greater certainty in water right permitting.

Debate continues in the state as to how much and by what means water should be provided to the environment for instream flows and freshwater inflows to bays and estuaries. It is important for water planners and surface water right permit applicants to have greater certainty or predictability in how environmental flow conditions will be determined in the water right permitting process. The state, through the TWDB, the Texas Commission on Environmental Quality, and the Texas Parks and Wildlife Department, has studied the environmental inflow needs for bays and estuaries since 1977. However, the results of those studies have not obtained widespread acceptance and are not readily incorporated into the water right permitting and regional water planning processes. In addition, these agencies were directed by the 77th Legislature to conduct priority instream flow studies, resulting in the Texas Instream Flows Program that is currently in progress, ultimately diverting resources away from the agencies' bay and estuary studies.<sup>7</sup>

<b>Recommendation II.11</b>	<b><i>Water Conservation</i></b>
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Background: The legislature should review the Water Conservation Implementation Task Force recommendations and implement those that will result in optimal levels of water use efficiency and water conservation for the citizens of Texas.

Municipal water conservation strategies in the 2006 Regional Water Plans relied heavily on the Water Conservation Implementation Task Force's Best Management Practices Guide and included aggressive plumbing fixture replacement programs, water-efficient landscaping codes, water loss and leak detection programs, education and public awareness programs, rainwater harvesting, and changes in water rate structures. Fourteen of the 16 planning groups recommended municipal water conservation as a potential way to meet future municipal water needs. In total, municipal water conservation strategies

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<sup>7</sup> Water For Texas 2007 – Texas Water Development Board, Volume 1, Pages 17-18

constitute nearly 617,000 acre-feet (7 percent) of water generated by all recommend strategies by 2060.

Twelve of the 16 planning groups recommended agricultural water conservation as water management strategies to meet water needs. In total, irrigation conservation strategies would generate nearly 1.4 million acre-feet of water in 2060, which equals about 15 percent of water generated by all recommend strategies by 2060.<sup>8</sup>

<b>Recommendation II.12</b>	<b><i>Indirect Reuse</i></b>
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Background: The legislature should develop policy in response to the following questions identified by the Texas Water Conservation Association’s Reuse Committee:

- (1) Under current law, is the use of wastewater effluent after discharge to a stream a use of “state water” subject to the laws of prior appropriation or is it subject to a different regulatory scheme?
- (2) Does current law allow effluent derived from different sources of water to be treated differently for purposes of evaluating a request to reuse this effluent?
- (3) Does current law provide for different treatment of effluent derived from “future” and “existing” return flows, regardless of the source?
- (4) Who can obtain indirect reuse rights?
- (5) To what extent should protection be afforded to the environment in reuse permitting decisions?

There are two types of reuse: indirect reuse and direct reuse. Indirect reuse is the reuse of water, usually effluent, which is placed back into a river or stream. This generally occurs when a wastewater treatment plant discharges effluent into a stream and either the discharger or another person or entity diverts the effluent further downstream to use again. In contrast, direct reuse occurs when effluent from a wastewater treatment plant is piped directly to a place where it is used.

Historically, much of the effluent from wastewater treatment plants was returned to the rivers or streams of the state. Some of the water rights in this state have been permitted based on the existence of treated effluent in the rivers and streams. In addition, a portion of the effluent that has been discharged into rivers and streams has been available to the environment. Increasingly, there is interest in reusing this effluent to meet increasing water supply needs. In the 2006 Regional Water Plans, both direct and/or indirect reuse is a recommended water management strategy in 14 of the 16 plans. These recommendations include a total of 1.3 million acre-feet of supply by 2060 which includes approximately 416,000 acre-feet from direct reuse and 846,000 acre-feet from indirect reuse.<sup>9</sup>

<sup>8</sup> Water For Texas 2007 – Texas Water Development Board, Volume 1, Page 19

<sup>9</sup> Water For Texas 2007 – Texas Water Development Board, Volume 1, Pages 24-25

### **III. Overview and Highlights of the Texas Water Development Board's Legislative Appropriations Request and Exceptional Item Requests**

In 2007, the TWDB will celebrate its 50th anniversary, which coincides with the publication of the 2007 State Water Plan, and a critical decision-making time for the legislature to help secure water supplies for future generations.

Without adequate funding, the TWDB is not able to do all that it is required by state law. The TWDB's Legislative Appropriations Request (LAR) is for \$78 million for the 2008-2009 biennium. To comply with the requirement to cut 10 percent of its General Revenue funding, the TWDB reduced its match to the Drinking Water State Revolving Fund's Disadvantaged Assistance program and eliminated a large chunk of funding for seawater desalination.

The TWDB identified 17 Exceptional Items totaling more than \$100 million it needs to fully perform the duties given to it by the Legislature. Six of the 17 Exceptional Items are designed to help economically distressed areas with water and wastewater infrastructure and service delivery. There are economically distressed communities lacking adequate water and wastewater in every county in Texas.

Without adequate funding, the TWDB and groundwater conservation districts will not be able to meet the statutory deadline of September 1, 2010 for establishing the desired future condition of an aquifer. In addition, this delay will significantly impact the regional water planning process preventing the inclusion of vital groundwater information in the regional water plans by at least five years. The TWDB Municipal Water Conservation Program will also be eliminated if funding isn't received for FY 08-09.

In September 2006, the TWDB recommended adding five items to the list of agency exceptional items from the 2007 State Water Plan, which was in development during the LAR process. The five exceptional items total more than \$90 million in debt service needs during the FY 08-09 biennium in order to implement water management strategies in the State Water Plan.

**Texas Water Development Board  
Exceptional Item Requests  
Agency 580**

***Economically Distressed Areas Program (EDAP)- Administration***

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY08 - \$602,596</i></b>	<b><i>FY09 - \$373,256</i></b>
<b>FTEs REQUESTED</b>	<b><i>FY 08 – 10.0</i></b>	<b><i>FY 09 – 6.0</i></b>

Appropriation of these funds enables the completion of water and wastewater projects currently in progress funded through the Economically Distressed Area Program (EDAP) as well as implement the statewide EDAP. The Texas Water Development Board’s top exceptional item priority provides a total of \$975,852 for the 2008-2009 biennium, which would fund 16.0 FTEs and associated expenses to administer EDAP projects.

Since June 2003, the Texas Water Development Board placed a moratorium on accepting new applications for EDAP assistance, because all state and federal funds were committed and the Texas Water Development Board was focused on closing out the existing projects. Consequently, General Revenue funds to administer the EDAP declined over the years. The EDAP funds had been projected to be fully depleted by this date, but have unexpectedly been replenished by a major project’s unsuccessful completion and the resulting influx of capital from that project back into the funds pool. When the Texas Water Development Board issues \$25 million in General Obligation bonds in Spring 2007, for which the 79<sup>th</sup> Legislature appropriated the required debt service in fiscal year 2007, the Texas Water Development Board will have approximately \$65 million available for water and wastewater projects in economically distressed areas across Texas – but still lacks the administrative funds to process, review and administer the applications. This limitation could significantly slow the availability of funds to economically distressed areas that lack critical water and wastewater services.

Since the Legislature created the Economically Distressed Areas Program in 1989, TWDB received \$542 million in state and federal funding to provide financial assistance for water and wastewater projects in colonias. This funding comes from \$213 million in General Obligations Bonds, \$29 million in state general revenue and \$300 million in federal funds from the U.S. Environmental Protection Agency. EDAP communities also received assistance for water and wastewater services from bi-national agencies (the Border Environment Cooperation Commission and the North American Development Bank), federal agencies (U.S. Department of Agriculture-Rural Development and the U.S. Department of Housing and Urban Development) and state agencies (the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs).

As of September 30, 2006, EDAP has funded 92 projects in 22 counties. Approximately 295,000 residents previously without adequate service either have or will have water and/or wastewater service directly if all projects in facility planning, design or construction are funded and completed.

***TWDB Municipal Water Conservation Program  
Exceptional Item Request FY 08-09***

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$298,760</i></b>	<b><i>FY 09 - \$297,260</i></b>
<b>FTEs REQUESTED</b>	<b><i>FY 08 - 5.9</i></b>	<b><i>FY 09 - 5.9</i></b>

The increased importance of municipal water conservation is evident in the 2007 State Water Plan, which estimates that additional municipal water conservation strategies could result in about 617,000 acre-feet per year of water by 2060. One of the first steps the Legislature can take to achieve this goal is restoring the General Revenue funding to the Texas Water Development Board's (TWDB) Municipal Water Conservation program. The Municipal Water Conservation Program (Chapter 16, Water Code) should not be confused with the TWDB's Agricultural Water Conservation Program (Chapter 17, Water Code). The Agricultural Water Conservation Program funds, as instructed in the Texas Constitution, cannot be used to fund the Municipal Water Conservation Program.

General Revenue funding for the TWDB's Municipal Water Conservation Program was eliminated by the 79<sup>th</sup> Legislature's Appropriation Act for FY 06-07. To satisfy several required statutory and TWDB rule requirements for municipal water conservation activities, in September 2005 the TWDB approved using interim funds from other programs to fund a revised, reduced municipal water conservation program for FY 06-07. Current funding for the TWDB Municipal Water Conservation Program is not sustainable. The TWDB has indicated that either restoration of General Revenue or some alternative source of funding will be needed to sustain this program in FY 08-09.

The restoration of \$596,020 in General Revenue for FY 08-09 will allow the TWDB to continue to provide technical assistance and educational information to individuals, groups and small and rural municipalities; review loan applications for required conservation plans and utility system water loss audits, provide assistance in development



of regional water plans, and participate on the State Drought Preparedness Council. This level of staffing and funding will restore the Municipal Water Conservation Program to FY 04-05 levels. If General Revenue funding is not restored, the TWDB will not continue its Municipal Water Conservation Program and will not be able to meet several statutory and/or agency rule requirements for activities as follows:

### **Highlights of Municipal Water Conservation program**

- ✓ *Water conservation plans required for TWDB financial assistance since 1985.*
- ✓ *Over 480 entities have developed water conservation plans as part of financial assistance programs to date. These plans must be reviewed/approved by TWDB before financial assistance is approved. In addition, TWDB currently reviews 136 required annual conservation reports from the required plans.*
- ✓ *In FY 06, distributed 185,700 pieces of literature to fill 258 requests.*
- ✓ *In FY 06, distributed 850 Major Rivers teacher kits, and 840 classroom materials sets to a total of 61 water entities.*
- ✓ *In FY 06, completed development of a 6<sup>th</sup> grade level water education curriculum, K-3 coloring/activity book, and an interactive “Kids Page” for 4<sup>th</sup>-6<sup>th</sup> grade. These resources can be accessed at <http://www.twdb.state.tx.us/kids>.*
- ✓ *The TWDB works closely with associations such as the Texas Nursery and Landscape Association and the Texas Water Wise Council in developing educational information regarding efficient outdoor water use.*
- ✓ *TWDB offers training and workshops for entities developing conservation plans.*
- ✓ *Reviewed water conservation strategies in the 2006 Regional Water Plans which required consideration of water conservation strategies to meet identified needs.*
- ✓ *In FY 06, staff has provided training or assistance to over 65 entities on water audit/leak detector programs.*
- ✓ *On the average, each year the number of research grants funded will include 1-2 conservation related subjects which then requires contract management by Conservation staff.*
- ✓ *TWDB provides important assistance with municipal water conservation and drought plan information during periods of drought situations. In 2006 the Council has been meeting monthly and preparing status reports of drought conditions and public water suppliers impacted by drought.*

***Restore Drinking Water State Revolving Fund (DWSRF) Match***

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$376,900</i></b>	<b><i>FY 09 - \$376,900</i></b>
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The Texas Water Development Board (TWDB) requests appropriation of \$753,800 in General Revenue for the FY 08-09 biennium to maximize the state match from the federal Drinking Water State Revolving Fund (DWSRF) Program's assistance for disadvantaged communities. This is one of the areas cut by the TWDB to comply with the 10 percent General Revenue cut required by the Governor's Office of Budget Planning and Policy and the Legislative Budget Board.

The DWSRF finances projects for public drinking water systems that facilitate compliance with primary drinking water regulations or otherwise significantly further the health protection objectives of the federal Safe Drinking Water Act. The DWSRF is funded by annual federal capitalization grants and a required match from the State. Of the annual federal grant funding amount, federal law allows up to 30 percent to be used to provide loan forgiveness, zero percent and one percent loans for disadvantaged communities. Appropriations are utilized in conjunction with the state General Obligation bonds to match the federal annual capitalized grant thereby making the pool of disadvantaged assistance available.

Approximately 36 disadvantaged communities have expressed an interest in receiving DWSRF disadvantaged assistance totaling more than \$174 million. If the Legislature restores the 10 percent cut to increase the state match in FY 08-09, the maximum amount of federal funds available for disadvantaged assistance in FY 08-09 is \$19,186,170. If the Legislature does not restore the 10 percent, there will be \$3,769,000 less in disadvantaged assistance than the previous biennium. Those disadvantaged communities are still eligible for higher interest DWSRF assistance, but not for the loan forgiveness and low-cost loans from the disadvantaged program.



***Disadvantaged Rural Community  
Water and Wastewater Financial Assistance Fund***

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$5,208,252</i></b>	<b><i>FY 09 - \$5,313,882</i></b>
<b>FTEs REQUESTED</b>	<b><i>FY 08 - 3.0</i></b>	<b><i>FY 09 - 5.0</i></b>

Appropriation of these funds enables the Texas Water Development Board (TWDB) to capitalize a grant and loan fund for infrastructure, transmission, and delivery to improve water and wastewater services to disadvantaged rural communities on a statewide basis. This exceptional item provides a total of \$10,522,134 for the 2008-2009 biennium, which would fund \$10 million in grants and \$522,134 to staff eight FTEs which would be responsible for providing customer service, technical assistance, coordination activities, program administration, project management, and other essential functions to ensure funds are committed and spent efficiently in compliance with program goals.

The Disadvantaged Rural Community Water and Wastewater Financial Assistance Fund created by the 79th Legislature (House Bill 3029 by Representative Mark Strama/Senator Gonzalo Barrientos) to improve water and wastewater services to communities of 5,000 or less outside of city limits and extraterritorial jurisdictions and whose median household income is not greater than 75 percent of the state's median household income. However, limited resources for the program prevented it from being implemented by the TWDB.

According to the 2007 State Water Plan, "...budget cuts at both the state and federal levels have reduced funding for disadvantaged communities. Recent surveys indicate a need to restore and expand financial assistance to those communities." The plan estimates that during the 2008-2009 biennium, \$27.9 million is needed to implement water management strategies in economically distressed communities. Prior studies by the TWDB indicate that total statewide estimate of water and wastewater needs in disadvantaged areas equals \$5.4 billion (\$2.6 billion for water treatment and \$2.8 billion for wastewater infrastructure).

The Disadvantaged Rural Community Water and Wastewater Financial Assistance Fund differs significantly from the Economically Distressed Areas Program, which is targeted towards water and wastewater projects in more urban areas with larger population centers within the corporate city limits and extraterritorial jurisdictions of municipalities.

Under House Bill 3029, political subdivisions of the state and water supply corporations are eligible for grants or loans from the Disadvantaged Rural Community Water and Wastewater Financial Assistance Fund. An applicant may utilize household surveys to gather information to make a disadvantaged determination of an area to be served by a project.

***Groundwater Management for Texas***

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$321,863</i></b>	<b><i>FY 09 - \$300,626</i></b>
<b>FTEs REQUESTED</b>	<b><i>FY 08 - 6.0</i></b>	<b><i>FY 09 - 6.0</i></b>

The Texas Water Development Board (TWDB) requests \$622,489 to fund staff and related expenses required by House Bill 1763 by Representative Robby Cook/Senator Robert Duncan (79th Legislature, 2005) that was unfunded.

H.B. 1763 established significant new roles and responsibilities for groundwater conservation districts and the TWDB. The TWDB committed in FY 06-07 to initiate certain tasks required by the bill, despite the lack of funding. Additional impacts and duties were identified in H.B. 1763 that were not reflected in the earlier fiscal note.

Most of 89 groundwater conservation districts in Texas will require the technical and legal expertise of the TWDB to implement the provisions of H.B. 1763. Groundwater conservation districts in each of the 16 groundwater management areas are now required to decide the desired future conditions of their groundwater resources (i.e. major or minor aquifers). The desired future conditions are then used to calculate the managed available groundwater, which is the amount of groundwater available for permitting and the amount of groundwater available to meet future demands in regional water planning. The process of determining desired future conditions, calculating managed available groundwater, and responding to petitions against desired future conditions requires considerable technical and legal support, especially if the state desires reasonable and defensible numbers.

The Exceptional Items request will fund three geologists (to provide technical assistance and work with the districts to identify defensible desired future conditions and to run groundwater availability models), two program specialists (data collection), one attorney (to assist with legal issues associated with groundwater management areas, including petitions against desired future conditions), travel, and other related expenses.

Without this funding, the TWDB and the groundwater conservation districts will not be able to meet the statutory deadline of September 1, 2010, for establishing the desired future conditions of the state’s aquifers. In addition, this delay will significantly impact the regional water planning process preventing the inclusion of vital groundwater information in the regional water plans and the state water plan by at least five years.

Decisions on groundwater management — including decisions on desired future conditions and managed available groundwater — depend on having reliable and complete information on groundwater wells. The TWDB’s groundwater well database, which includes about 20 million pieces of information on 132,000 wells, has been invaluable in supporting groundwater management and water planning decisions. However, due to reductions in staff, the quality and completeness of the state’s water well



<i>Environmental Flows</i>		
<b>GENERAL REVENUE REQUESTED</b>	<i>FY 08 – \$952,099</i>	<i>FY 09 – \$952,099</i>
<b>FTEs REQUESTED</b>	<i>FY 08 – 4.0</i>	<i>FY 09 – 4.0</i>

Appropriation of these funds enables the Texas Water Development Board to complete instream flow studies as required by Sec. 16.059, Texas Water Code. This exceptional item provides a total of \$1,904,198 for the 2008-2009 biennium, which would fund 4.0 FTEs and associated expenses to complete instream flow scientific work.

Given the diversity of aquatic ecosystems in Texas, it is necessary to develop and/or refine criteria to more adequately reflect the regional and hydrological diversity of the state for determining instream flow conditions for routine water rights applications. Several significant permitting issues were identified that have a high level of urgency since applications for permits have already been submitted or are anticipated in the near future.

The goal of instream flow studies is to determine flow conditions necessary to support a sound ecological environment for specific river sub-basins in Texas. To accomplish this goal, flow regimes that promote ecological integrity and maintain biodiversity will be determined, with the understanding that maintaining the physical habitats, water quality, and hydrologic character of specific river sub-basins will contribute to meeting this goal. A comprehensive instream flow study, which generally has eight major study elements (study design; hydrologic/hydraulic; biological; physical processes; water quality evaluations; integration/interpretation; study report, and monitoring/validation), is anticipated to take from three to five years to complete and cost approximately \$1 million for each subbasin.

Growing concern has arisen that water development without provisions for maintaining sound ecological environments will lead to loss of important fish and wildlife resources, recreational pursuits, economic opportunities, and the quality of life.

In 2001, the 77th Texas Legislature passed Senate Bill 2, which in part required the collection of instream flow data and the conducting of studies. The Texas Parks and Wildlife Department, Texas Commission on Environmental Quality and TWDB, in cooperation with other appropriate governmental agencies, were directed to jointly establish and continuously maintain an instream flow data collection and evaluation program. In addition, the agencies were directed to conduct studies and analyses to determine appropriate methodologies for determining flow conditions in the state’s rivers and streams necessary to support a sound ecological environment.

The priority studies identified by the three agencies are to be completed not later than December 31, 2010. While the program was authorized in 2001, no funds were

appropriated by the Legislature and TWDB leveraged funding from other state and federal agencies to pursue research and data collect, but not all functions required by law.

It would be a nearly-impossible task to individually study all the state's 191,000 river miles. Derivation of hydrologically, ecologically, and geomorphologically similar aquatic ecosystem units would enable the establishment and application of streamlined methods for developing instream flow recommendations.

## *Restoration of General Revenue for Regional Planning*

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$2,500,000</i>    <i>FY 09 - \$2,500,000</i></b>
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Funding regional water planning entirely from General Revenue, as was last done in FY 04-05, will ensure continuation of statutorily-required duties in order to meet future water demands of the state. In the FY 06-07 biennium, funding for regional water planning activities came from two sources: General Revenue and balances from the Water Assistance Fund (WAF). Spending down WAF balances to depletion to fund a mission-critical function of the TWDB may restrict long-term studies and other functions of the 16 regional water planning groups which rely on stable TWDB funding.

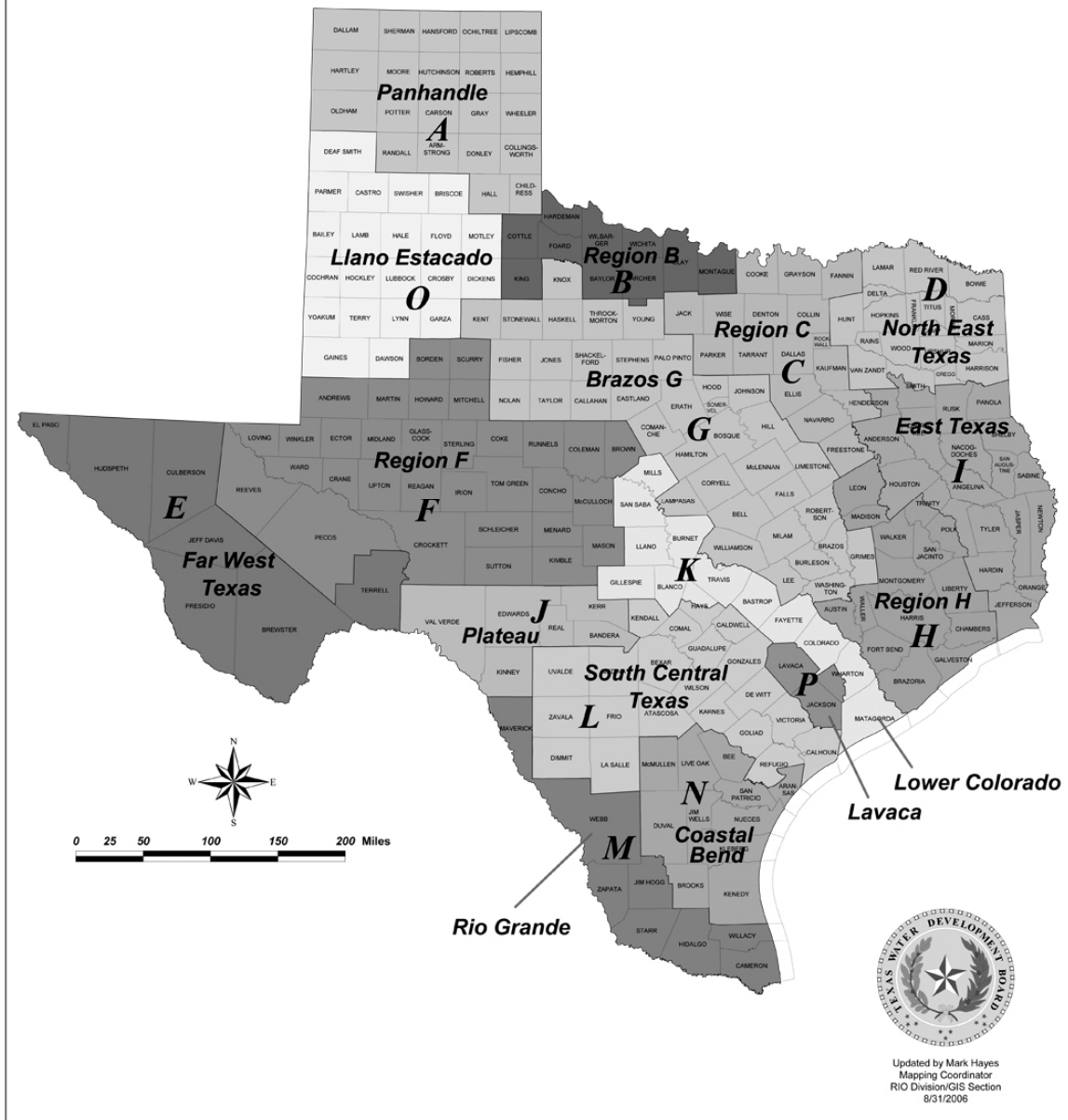
Funding will be used to evaluate new water management strategies in response to changed conditions; studies that will further implementation of recommended water management strategies; refinement of water supply information or water management strategies; activities that will help overcome problems from the last round of planning; further evaluation of water management strategies, especially regional solutions, to meet needs in small and rural areas; reevaluation of population and demand projections only under the presence of changed conditions; interregional coordination; and administrative and public participation activities.

Regional planning stakeholders advocated modifying the focus for the next round of planning (2006-2011) to primarily focus on special studies that advance water management strategies toward implementation, update information due to changed conditions, address problems realized in the previous planning cycle, make refinements for small communities and rural county populations, or provide interregional coordination. The next round of regional water planning should also recognize that not all regions will need an equal amount of effort in order to ensure future water supplies. Therefore, the amount of effort required and dedication of limited state resources will not be uniform across the 16 planning regions during the next round of planning.

Total funds appropriated for the FY 06-07 biennium are \$6.6 million although the Regional Water Planning Groups requested more than \$11 million in funding assistance from the TWDB for the FY 06-07 biennium. Additional funding to complete the planning cycle will be awarded to planning groups in the fall of 2007 based on appropriations received for regional water planning during the FY 2008-2009 biennium.

The 75th Texas Legislature in 1997 in Senate Bill 1 required the development of plans for water supply to meet municipal, agricultural, industrial and other water demands for the next 50 years.

# Regional Water Planning Areas



## *Restoration of General Revenue for Strategic Mapping Program*

**GENERAL REVENUE REQUESTED**

**FY08 - \$545,929**

**FY09 - \$545,929**

The TWDB is seeking to restore \$1.09M (\$545,929 per year) in Strategic Mapping (StratMap) program funding from the previous four years. These funds are required to meet current and near term statewide mapping program needs.

### **Planned StratMap expenditures for Fiscal Years 2008-2009**

- Statewide aerial imagery to ensure data does not get more than four years out of date.
- Creation of addressing and routing capable digital road map using local updates.
- Detailed surface water mapping for flood mapping and water resources planning.
- High resolution digital elevation model data for flood and hydrologic data modeling.

### **StratMap Funds attract significant federal matching funds**

Statewide mapping expenditures attract federal matching dollars for data acquisition to meet emergency management, water resource planning, public safety, health and human services, and tax revenue enhancement among other state government and public access requirements. Contributions from federal agencies to date total more than \$33 million.

### **StratMap supports over 45 state agencies as a consolidated resource**

StratMap serves all state agencies with mission critical mapping data that maximizes value to the state through volume purchases (coordinated by the Texas Geographic Information Council) and maintaining a common standard that makes the data useful by the maximum number of state agencies. StratMap also serves local and regional government with data enabling these entities to realize significant cost savings.





**StratMap data and geographic technologies are in increasing demand**

While Google Earth has brought mapping to the mainstream, these services are not reliable for legal and scientific uses. StratMap creates current, accurate, and consistent data for a wide range of government services. These data, based on a unified state standard, are built once and serve many purposes and constituents. Over \$2 million worth of StratMap data are accessed and downloaded each month from TNRIS.

**StratMap Request funding request history**

	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
General Revenue Request	\$1,268,000	\$1,268,000	\$1,268,000	\$1,268,000	\$1,268,000	\$1,268,000
General Revenue Appropriated	\$1,268,000	\$603,581	\$1,154,463	\$1,183,869	\$722,071	\$722,071
(Shortfall)	\$0	(\$664,419)	(\$113,537)	(\$84,581)	(\$545,929)	(\$545,929)

**What happens when StratMap funding is reduced?**

- Costs to state, regional and local governments increase.
- Direct economic stimulus to small and large business is reduced.
- Risks associated with natural disasters and emergency response capacity increase.
- Federal funding to the state is diminished and revenues to the state fall.
- Service to citizens and access to public information is compromised.
- Return on the historical investment of \$50 million in data is reduced.

**The Texas Natural Resources Information System (TNRIS) StratMap Program provides multiple benefits to government and the private sector.**

- **StratMap data are driving down the cost of government services in new applications such as health care, education and social services.**
- **Last year (2005) Bell County saved \$250,000 by using StratMap data.**
- **The public acquires an equivalent of \$1.2 million worth of StratMap data monthly from TNRIS.**
- **National studies have determined that geographic data in the public domain can produce a 25 to 39 time return on investment.**
- **StratMap data in state government are essential to economic development, social services, emergency response and environmental decision making.**

## *Water Data for Water Planning*

<b>GENERAL REVENUE REQUESTED</b>	<i>FY 08 - \$1,298,478</i>	<i>FY 09 - \$877,088</i>
<b>FTEs REQUESTED</b>	<i>FY 08- 2.0</i>	<i>FY 09 - 2.0</i>

Funding is needed to expand the Texas Water Development Board’s real-time surface and groundwater monitoring network to comply with Sec. 16.012, Water Code, which mandates that TWDB “...to lead a statewide effort, in coordination with federal, state, and local governments...to develop a network for collecting and disseminating water resource-related information...”

If funded, the TWDB’s surface water monitoring network would increase from 234 to 262 - the minimum number of stations needed to adequately monitor and manage the state’s surface water resources. Streamgauges are an essential tool in real-time flood forecasting, drought management and long-term water resources planning.

The groundwater monitoring network would expand from only 65 counties currently to all 254 counties. The satellite-based groundwater monitoring stations would provide each municipality in a county that uses an aquifer for water can obtain groundwater level and quality information from the TWDB website. Of the 89 groundwater conservation districts in Texas, approximately 48 single-county groundwater conservation districts and 97 counties without a groundwater conservation district have no resources to monitor groundwater levels or quality.

This item also leverages federal funds. The U.S. Geological Survey’s Cooperative Water Program provides a mechanism whereby local entities can contribute 50 percent of the cost of a gauging system and, subject to availability, the federal government will provide the other 50 percent.



***Economically Distressed Areas Program II***

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY08 - \$2,167,770</i></b>	<b><i>FY09 - \$53,265,333</i></b>
<b>FTE REQUESTED</b>	<b><i>FY 08 - 2.0</i></b>	<b><i>FY 09 - 17.0</i></b>

Appropriation of these funds enables the Texas Water Development Board to capitalize a grant fund for water/wastewater projects for economically distressed areas on a statewide basis. This exceptional item provides a total of \$55,433,103 for the 2008-2009 biennium, which would fund \$54 million in grants and \$1,433,003 to staff 19 FTEs and associated expenses to administer this program.

The Statewide Economically Distressed Areas Program created by the 79<sup>th</sup> Legislature (House Bill 467 by Representative Kevin Bailey/Senator Mario Gallegos) to provide water/wastewater services to economically distressed areas in any Texas county which has a median household income that is not greater than 75 percent of the median state household income. The Texas Water Development Board adopted rule changes creating a Statewide Economically Distressed Areas Program effective January 2007.

As part of its mandate to administer the Economically Distressed Areas Program, the Texas Water Development Board completed a series of studies to identify water and wastewater needs of disadvantaged communities in counties eligible for the Economically Distressed Areas Program. The latest study resulted in the *Assessment of Water and Wastewater Facility Needs for Economically Distressed Areas Program Counties*, published in 2003. This study specifically covered the 42 counties that were eligible for Economically Distressed Areas Program funding in fiscal year 2002 and identified approximately \$885 million in water and wastewater needs. The Texas Water Development Board also published a study in 2001 entitled *Water and Wastewater Needs of Non-Economically Distressed Areas Program Eligible Disadvantaged Areas*. This study encompassed a survey of officials in counties not eligible for Economically Distressed Areas Program, requesting information pertaining to disadvantaged communities. The majority of the communities identified as disadvantaged represented rural areas. The study identified \$4.5 billion in water and wastewater infrastructure needs for these communities.

Cost estimates in both studies represent immediate infrastructure needs, ranging from first time facilities to upgrades of inadequate systems. Based on these studies, total statewide estimates of needs in disadvantaged areas equal \$5.4 billion, of which \$2.6 billion is for water treatment and distribution and \$2.8 billion is for wastewater infrastructure. These two studies represent the first time there has been an estimate of economically distressed areas' funding needs for water and wastewater infrastructure for the entire state.

Remaining funds in the Economically Distressed Areas Program are targeted for pending projects and cost increases for existing projects. Even if any funds remain in fiscal year 2007 for the statewide Economically Distressed Areas Program, it is insufficient to meet the needs of these communities.

The 71st Legislature in 1989 created the Economically Distressed Areas Program (EDAP) to provide financial assistance in the form of grants and loans for water and wastewater services to economically distressed areas in affected counties. The program includes measures to prevent future substandard development, including the requirement that all grant or loan recipients' county or city adopt Model Subdivision Rules, as legally applicable. As of September 30, 2006, EDAP has funded 92 projects in 22 counties. Approximately 295,000 residents previously without adequate service either have or will have water and/or wastewater service directly because of these projects.



This request assumes no additional issuance of General Obligation bonds to fund EDAP projects. Authorizing the TWDB to issue additional bonds for the statewide EDAP will require a constitutional amendment (House or Senate Joint Resolution) be proposed during the 80<sup>th</sup> Legislature in 2007. Should a constitutional amendment be proposed next session, the estimated \$50 million/year (starting in FY 2009) funded through bond issuance would need to be requested as approximately \$4.4 million in debt service

This expanded program requires two FTEs in FY 2008 and 17 FTEs in FY 2009 to provide basic technical assistance, training, adequate customer service, and coordination activities associated with the program at a cost of \$1,433,003.

## *Restoration of Funding for Desalination Grants*

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$2,500,000</i></b>
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The Texas Legislature directed the Texas Water Development Board to “*undertake or participate in research, feasibility and facility planning studies, investigations, and surveys as it considers necessary to further the development of cost-effective water supplies from seawater desalination in the state.*”

This request of funding would enable the Texas Water Development Board (TWDB) to provide \$2.5 million in grant funding for desalination studies for seawater desalination facilities in Texas in the 2008-2009 biennium. The downward trend of desalination costs and the upward trend of technological advances are contributing to more efficient desalination projects. State assistance for desalination could prove to be especially beneficial to smaller and rural communities.

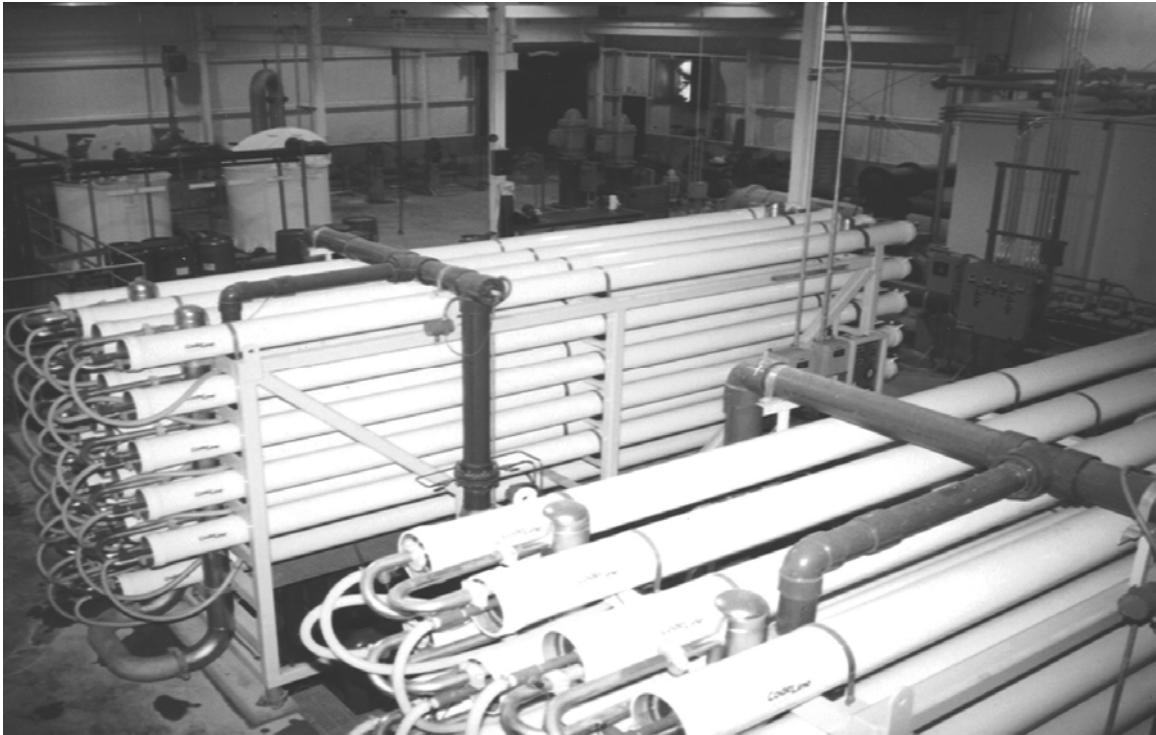
The state’s technical and financial assistance provided the means to complete three important large-scale seawater desalination feasibility studies for the Brownsville, Corpus Christi, and Freeport area projects and to proceed with pilot plant studies for the Brownsville project. Pilot plant studies for the proposed Corpus Christi and Freeport large-scale seawater desalination plants are the next necessary step for the eventual production of drinking water supplies from these projects.

In addition, smaller seawater desalination projects, such as the proposed one million gallon-per-day seawater desalination facility on South Padre Island, have and should continue to benefit from the technical and financial assistance provided by the state. The Brownsville, Corpus Christi, Freeport, and South Padre Island projects are among the seawater desalination projects recommended in the 2007 State Water Plan to meet the state’s future water supply needs.

Desalination has been proven both reliable and cost effective in areas where water is scarce. Nine planning groups recommended desalinating brackish groundwater or seawater as a water management strategy. In total, recommended desalination projects would create about 320,000 acre-feet per year of new water supplies by 2060, with 45 percent of this water coming from seawater desalination and 55 percent coming from brackish groundwater desalination. Desalination accounts for about 4 percent of all new water supplies made available from all recommended water management strategies. Capital costs to implement recommended desalination water management strategies total about \$2.6 billion (55 percent seawater and 45 percent brackish). Average annual costs per acre-foot range from \$768 to \$1,390 for seawater desalination and \$429 to \$1,299 for brackish groundwater desalination.

Desalination funding is one of the funding areas reduced by the TWDB to comply with the 10 percent General Revenue cut required by the Governor’s Office of Budget

Planning and Policy and the Legislative Budget Board. Funding this exceptional item would restore this funding to the TWDB.



## *Water Technology Demonstration Program*

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$1,055,000</i></b>	<b><i>FY 09 - \$1,055,000</i></b>
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The Texas Water Development Board is seeking \$2,110,000 to create a new Water Technology Demonstration Program to assist small and rural water systems that are struggling to meet the new federal Safe Drinking Water Standards, especially radionuclides and arsenic because they lack the resources to minor, test and incorporate new tools in their system.

The Texas Commission on Environmental Quality (TCEQ) estimates approximately 220 water systems have at least one water well that will exceed the new arsenic standard of 10 micro-grams per liter. Many of these small and rural water systems will need new or improved water supply infrastructure to address the arsenic violations, which was estimated to cost \$425 million in 2004. TCEQ also reports about 125 water systems that violate regulations on other naturally-occurring contaminants (other than arsenic) and approximately 150 water systems that will have to make changes to their disinfection practices in order to meet the new requirements.

With this funding if approved, TWDB would offer approximately \$1,000,000 annually to fund planning, design, construction, and operation of demonstration facilities using innovative, cost-effective water supply technologies in small utility settings.

The focus of the demonstration projects are:

- (a) Demonstrating cost-effective technologies targeting compliance with Safe Drinking Water Standards, and
- (b) Developing new water supplies from impaired water resources.

The demonstration projects would be designed to maximize the educational and technology transfer value and to systematically inform the regional water planning process of the potential created by these new technologies.

Using estimates from the most recent U.S. Environmental Protection Agency Drinking Water Needs Survey and Clean Water Needs Survey, Texas will need to invest over \$25.1 billion on water and wastewater infrastructure between 2010 and 2020 to comply with requirements of the Clean Water Act, Safe Drinking Water Act, and other state and federal regulations. These costs are in addition to capital cost estimates to implement water management strategies in the 2007 State Water Plan and include expenses associated with transmission and distribution infrastructure within cities and communities, wastewater collection or treatment, and flood control.

## *Borderlands Information Center*

<b>GENERAL REVENUE REQUESTED</b>	<i>FY08 - \$380,509</i>	<i>FY09 - \$313,009</i>
<b>FTEs REQUESTED</b>	<i>FY 08 - 4.0</i>	

Appropriation of these funds enables the Texas Water Development Board to secure the staff and resources necessary to create and maintain a centralized database of resources and current project activities in order to support the multi-agency coordination envisioned by HB 925 (Representative Norma Chavez /Senator Eddie Lucio) and SB 827 (Senator Judith Zaffirini/Representative Ryan Guillen) which were passed during the 79<sup>th</sup> Legislative Session. This exceptional item provides a total of \$693,518 for the 2008-2009 biennium, which would fund approximately 4.0 FTEs.

The TWDB is mandated to provide a multitude of border related services. Sec. 16.021 of the Texas Water Code provides that the Texas Natural Resources Information System (TNRIS): “(5) acquire and disseminate natural resources and related socioeconomic data describing the Texas-Mexico border region.” To meet these requirements a specialized area called the Borderlands Information Center (Border Center) was created within the TNRIS. The primary mission of the Border Center is to provide data and information describing Texas/Mexico shared resources to researchers, public health workers, transportation planners, infrastructure developers, and others with interests along both sides of the border.

### **A Border Specific Service to State Agencies and the Public**

In its role as data provider the Border Center is often called upon for assistance for specialized and emergency situations. The Border Center staff has on numerous occasions provided customized maps of the border showing demographic or other themes for Texas legislators or for use in legislative committees. On several occasions the Border Center has used its electronic mapping and GPS expertise to assist law enforcement authorities in Mexico. And The Border Center’s aerial photography, maps, and other data have also been crucial in disaster response, particularly for flood events.

### **Partnerships Supporting Cooperation and Collaboration**

The Border Center seeks to form closer partnerships with Mexican counterpart agencies and universities with the ultimate goal of working together on transboundary data collection and mapping projects. To this end Border Center staff worked with the U.S. Geological Survey to help reach an agreement with INEGI (Mexico’s mapping and census agency) to initiate a pilot project in the Juarez-El Paso area for joint data collection and distribution. Similar contacts are ongoing with other Mexican agencies as well as with border area universities.

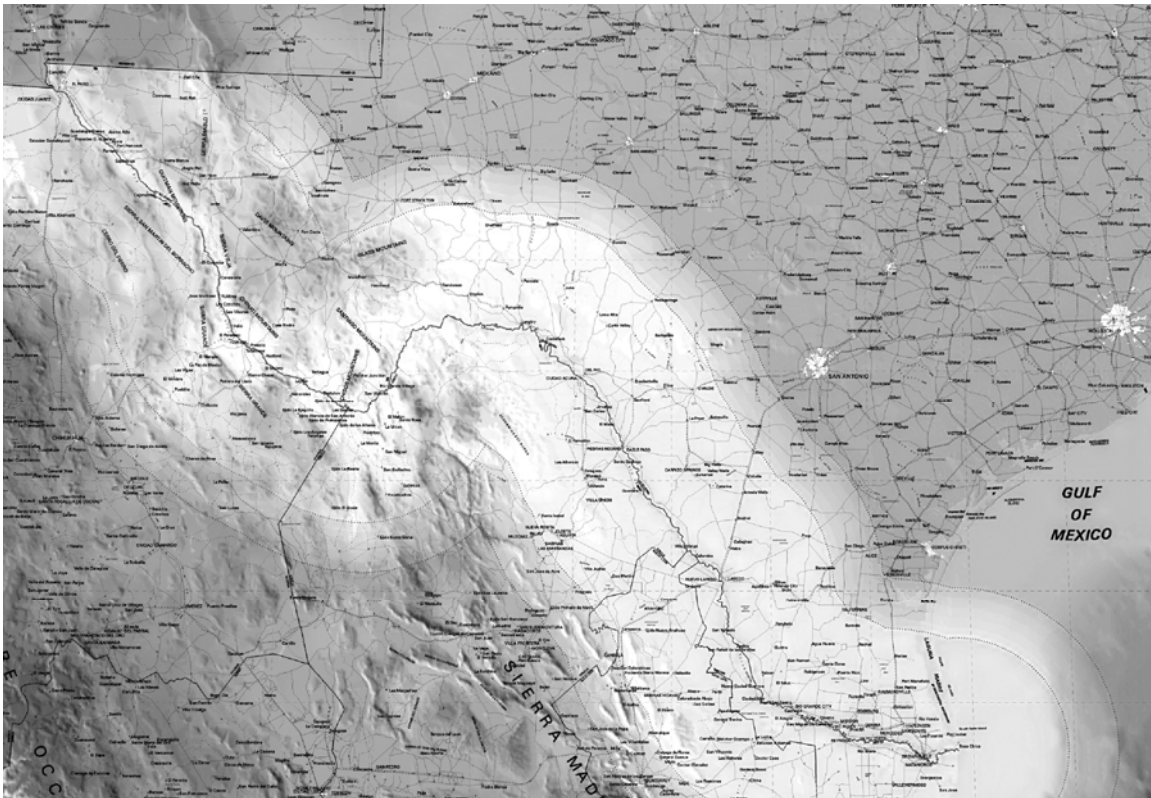
Limited state funding makes the Border Center dependent upon non-state funding to maintain its personnel and fulfill its mission. Without adequate funding it is unable to



establish a consistent mission and service to address the dynamic issues associated with the border area. A consistent funding source will enable the Border Center to develop a central resource for documenting change and modeling future scenarios to support federal, state, and local entities working in the border region. These expanded capabilities will serve to support health, environmental, infrastructure, economic development, agriculture, education, emergency response, and homeland security issues

Failure to provide the requested funding will result in the following:

- Loss of opportunity for bilateral cooperation
- Loss of a coordinated resource and information technology center
- Greater risk to efficient government program Coordination
- Diminished capacity to respond to emergencies and law enforcement actions along the border due to outdated and potentially inaccurate maps of conditions on the ground
- Less support for economic development and environmental decision making



<i>Colonia Self-Help Program</i>		
<b>GENERAL REVENUE</b>	<i>FY08 - \$384,625</i>	<i>FY09 - \$390,266</i>
<b>FTEs REQUESTED</b>	<i>FY 08 – 1.5</i>	<i>FY 09 – 1.5</i>

The Texas Water Development Board requests a total of \$774,891 for fiscal years 2008-2009 biennium for the Colonia Self-Help Program to provide grant funding, program implementation and administration. Approximately \$300,000 per year would be for grants with the remaining going towards funding staff necessary to provide program technical assistance, training, and coordination activities with administering this program. While \$300,000 in annual grant funding cannot address the entire identified water and wastewater needs in border colonias, this exceptional item request reflects the anticipated number of projects based on prior demand.

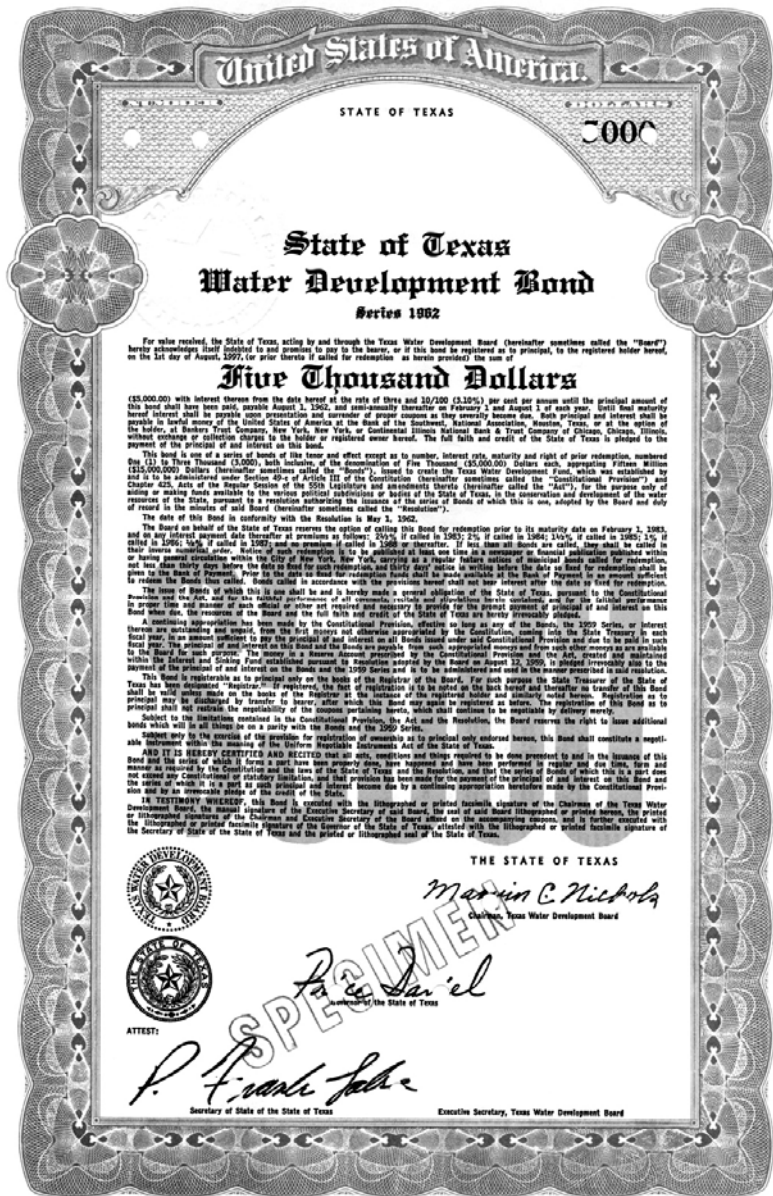
The Colonia Self-Help Program provides grant assistance to grass roots initiatives in economically distressed areas through non-profit organizations. In exchange for grant assistance, resident volunteers provide labor (sweat equity) and/or donate equipment, materials/supplies, to construct the water and/or sewer facilities at residences in colonias.

As of October 2006, through the Colonia Self-Help Program, the Texas Water Development Board committed \$213,794 to eight pilot construction projects in Hidalgo County with conventional construction costs of more than \$484,000. The savings created through resident cash contributions and labor, local in-kind services (i.e., equipment, materials, engineering, and inspection) totaled more than \$270,000. The projects resulted in 137 additional connections for water, wastewater or both.



The 77th Legislature in 2001 authorized the Texas Water Development Board to award funding for self-help projects directly to non-profit organizations. The Texas Water Development Board transferred initial seed money (approximately \$389,000 representing pending projects) for the program from the Economically Distressed Areas Program (Facility Planning funds). At the end of 2006, the program has approximately \$140,000 uncommitted to self-help projects. Recently, the Texas Water Development Board received documentation from The Rensselaerville Institute identifying approximately \$1.5 million in water and wastewater infrastructure needs in colonias in counties along the Texas-Mexico border (14 proposed projects serving 874 residents in Hidalgo County at a cost of \$1.2 million and 6 proposed projects serving 146 residents in Starr County at a cost of \$365 thousand.) The Rensselaerville Institute is the only non-profit currently involved in the Colonia Self-Help Program. During the Texas Water Development Board’s Strategic Planning stakeholders’ meeting in October 2005, stakeholders specifically emphasized the need for additional self-help project funding.

# Non Self-Supporting General Obligation Bond Debt Service Exceptional Items Agency 58a



***Economically Distressed Areas Program (EDAP) – Final Bond Issuance***

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY08 - \$0</i></b>	<b><i>FY09 - \$1,085,856</i></b>
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Appropriation of these funds allows the Texas Water Development Board to make the first debt service payment on the final \$12 million in General Obligation bonds for the statewide Economically Distressed Areas Program (EDAP). The debt service on EDAP bonds is approximately 30 years. This exceptional item provides \$1,085,856 in FY 2009.

If approved, the resulting bond proceeds will be awarded by the Texas Water Development Board as grant and loan funds to bring water and wastewater service to eligible economically distressed communities across Texas. The 79<sup>th</sup> Texas Legislature passed House Bill 467 (Representative Kevin Bailey/Senator Mario Gallegos) that made all 254 counties in Texas eligible for the EDAP.

Article III, Section 49-d-7, Texas Constitution, authorized the Texas Water Development Board to issue \$250 million in General Obligation bonds. Only \$12 million in authorization remains of the original \$250 million.

If this request is approved, the Texas Water Development Board will be able provide financial resources to economically distressed areas which upon completion of these projects will result in thousands of EDAP residents receiving new or improved water and/or wastewater services.

## *Debt Service for State Participation Program*

<b>GENERAL REVENUE REQUESTED</b>	<b>FY 08 - \$1,375,000    FY 09 - \$2,875,000</b>
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The Texas Water Development Board (TWDB) requests a total of \$4,250,000 in General Revenue funding to pay the debt service on non-self-supporting General Obligation (G.O.) bonds for the State Participation Program.

This item would allow the TWDB to issue up to \$50 million of its already-authorized G.O. bonds to finance the construction of optimally-sized regional water supply, wastewater or flood control projects. TWDB's State Participation fund has been depleted. As of October 2006, the TWDB has more than \$11.6 million in requests for State Participation funding from the Greater Texoma Utility Authority for new regional water lines to serve the cities of Melissa, Anna, Van Alstyne, and Howe in Collin and Grayson Counties and the Upper Trinity Regional Water District for creating and developing Lake Ralph Hall. The TWDB exhausted its State Participation funds in 2006 for the Lake Columbia project sponsored by the Angelina and Neches River Authority.

The State Participation Program enables the TWDB, using bond proceeds, to assume temporary ownership of regional projects when local sponsors are unable to assume debt for an optimally sized facility that provides financial savings and ensures the project is available to meet existing and future needs. Building projects that will ultimately meet future needs takes advantage of economies of scale and costs savings by eliminating redundant expenses and ensures that the project is available when the need for the project occurs. Ultimately, the cost of the funding is repaid to the TWDB based upon purchase payments, which allow the TWDB to recover its principal and interest costs and issuance expenses, but on a deferred timetable.

Eligible projects include the design, acquisition, lease, construction, reconstruction, development, or enlargement in whole or part of any existing or proposed project such as dams, reservoirs or innovative technologies for water supply; flood protection; groundwater recharge; and transmission and treatment facilities for water and wastewater. Projects for State Participation are not eligible for pre-design funding. This requires the projects to have environmental clearance before TWDB consideration.

**The TWDB has adequate bonding authorization in Article III, Sections 49-d-8 and 49-d-9 of the Texas Constitution to issue bonds for the State Participation Program, but lacks the General Revenue to make the related debt service payments.**

According to the 2007 State Water Plan, water providers indicated a need for \$2.1 billion in state financial assistance for new or improved water facilities – some of which would be funded through the State Participation Program. The majority of this funding is needed between FY 2008 and 2020. The TWDB's existing State Participation Fund and Water

Infrastructure Fund can assist the state in providing the financial assistance to fill the gap needed to implement water management strategies that will provide Texas with sufficient quantities of water under drought conditions.

## *Debt Service for Desalination*

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$1,100,275    FY 09 - \$9,175,025</i></b>
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The Texas Water Development Board requests \$10,275,300 in General Revenue funds to pay debt service on the issuance of bonds for the State Participation Program for a large-scale seawater desalination demonstration plant. The TWDB is considering a bond issuance of between \$135-165 million for this project.

In April 2002 Governor Rick Perry directed the TWDB to pursue the development of drought-proof water supplies from seawater desalination. Governor Perry's initiative called for implementing Texas first large-scale demonstration seawater desalination project. Subsequently, the 78th Texas Legislature enacted legislation that directs TWDB to pursue development of seawater desalination.

Acting on these directives, the TWDB identified sites with the highest potential for implementing large-scale seawater desalination: Brownsville, Corpus Christi and Freeport. In 2004, upon considering the results of TWDB-funded feasibility studies for these sites, TWDB requested a legislative appropriation to continue supporting development of seawater desalination. In 2005 the 79th Texas Legislature appropriated \$2.5 million for seawater desalination pilot plant studies.

Currently the most promising of the three proposed projects, Brownsville, is implementing a pilot plant study. Completion of this study will bring the project sponsor, Brownsville Public Utilities Board (B-PUB), to a decision threshold with regard to project execution. TWDB and the B-PUB are considering all funding options to proceed to design and construction of the first large-scale seawater desalination plant in Texas and complete the project by 2010. The issue before the 80th Texas Legislature will be considering financial assistance options to ensure the successful completion of the project. One of the options being considered is the TWDB's State Participation Program.

The State Participation Program enables the TWDB, using bond proceeds, to assume temporary ownership of regional projects when local sponsors are unable to assume debt for an optimally sized facility that provides financial savings and ensures the project is available to meet existing and future needs. Building projects that will ultimately meet future needs takes advantage of economies of scale and costs savings by eliminating redundant expenses and ensures that the project is available when the need for the project occurs. Ultimately, the cost of the funding is repaid to the TWDB based upon purchase payments, which allow the TWDB to recover its principal and interest costs and issuance expenses, but on a deferred timetable.

As part of the current pilot plant study phase, the Brownsville Public Utilities Board will reassess the possible regional expansion of the proposed demonstration seawater

desalination project. In that event, the use of the State Participation Program would be instrumental to achieve the optimum sizing to the facilities.

Eligible projects include the design, acquisition, lease, construction, reconstruction, development, or enlargement in whole or part of any existing or proposed project such as dams, reservoirs or innovative technologies for water supply; flood protection; groundwater recharge; and transmission and treatment facilities for water and wastewater. Projects for State Participation are not eligible for pre-design funding. This requires the projects to have environmental clearance before Board consideration.



**Debt Service Needed to Implement  
2007 State Water Plan  
Agency 58a**

*Water for Texas  
2007*



***Debt Service for Water Infrastructure Fund for  
Permitting Design & Construction (Municipal Water Supply)***

<b>GENERAL REVENUE REQUESTED</b>	<b>FY 08 - \$21,578,618</b>	<b>FY 09 - \$18,447,882</b>
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The 2007 State Water Plan identified gaps in funding to implement water management strategies. To fill part of the identified gap, the Texas Water Development Board (TWDB) requests \$40,026,500 during the FY 2008-2009 biennium for debt service payments for previously-authorized bond issuance for the existing Water Infrastructure Fund (WIF).

The WIF is designed to provide a mix of funding options including market loans, below market loans, zero interest loans, and grants. An additional provision allows for certain project elements that are key to obtaining environmental approvals (like planning, design, permitting) to receive principal and interest payment deferrals for up to 10 years.

The WIF, by using its existing structure and authorization, could provide subsidized low interest rate loans for construction for nonexcess project capacity and support for design and permitting cost with deferral of principal and interest payments for up to 10 years. The total costs for these water management strategies are estimated to be \$476.2 million in the FY 2008 - 2009 biennium. Approximately \$40 million in legislative appropriations are required for debt service on bonds issued for these grants and loans during the same period.

The TWDB has adequate bonding authorization in Article III, Sections 49-d-8 and 49-d-9 of the Texas Constitution for the WIF, but lacks the General Revenue to make the related debt service payments.

Legislative authorization is requested to issue up to \$476.2 million in general obligation bonds in the FY 2008 - 2009 biennium for WIF projects with additional legislative appropriations of approximately \$40 million in the FY 2008 - 2009 biennium for payment of debt service.

***Debt Service for Water Infrastructure Fund for  
Other Municipal projects (Interest Deferrals & Low Interest Loans)***

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$1,655,000</i></b>	<b><i>FY 09 - \$6,469,000</i></b>
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The 2007 State Water Plan identified gaps in funding to implement water management strategies. To fill part of the identified gap, the Texas Water Development Board (TWDB) requests \$8,124,000 during the FY 2008-2009 biennium for debt service payments for previously-authorized bond issuance for the existing Water Infrastructure Fund (WIF).

The WIF is designed to provide a mix of funding options including market loans, below market loans, zero interest loans, and grants. An additional provision allows for certain project elements that are key to obtaining environmental approvals (like planning, design, permitting) to receive principal and interest payment deferrals for up to 10 years.

The WIF, by using its existing structure and authorization, could provide subsidized low interest rate loans for water management strategies for those costs neither eligible for financial assistance through the State Participation Fund nor serving rural/economically disadvantaged communities. The total costs for these water management strategies are estimated to be \$90.7 million in the FY 2008 - 2009 biennium. Approximately \$8.1 million in legislative appropriations are required for debt service on bonds issued for these grants and loans during the same period.

The TWDB has adequate bonding authorization in Article III, Sections 49-d-8 and 49-d-9 of the Texas Constitution for the WIF, but lacks the General Revenue to make the related debt service payments.

Legislative authorization is requested to issue up to \$90.7 million in general obligation bonds in the FY 2008 - 2009 biennium for WIF projects with additional legislative appropriations of \$8,124,000 in the FY 2008 - 2009 biennium for payment of debt service.

***Debt Service for Water Infrastructure Fund for  
Water Distribution & Treatment Grants in Economically Distressed Areas***

<b>GENERAL REVENUE REQUESTED</b>	<i>FY 08 - \$874,897</i>	<i>FY 09 - \$2,500,000</i>
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The 2007 State Water Plan identified gaps in funding to implement water management strategies. To fill part of the identified gap, the Texas Water Development Board (TWDB) requests \$3,374,897 during the FY 08-09 biennium for debt service payments for previously-authorized bond issuance for the existing Water Infrastructure Fund (WIF).

The WIF is designed to provide a mix of funding options including market loans, below market loans, zero interest loans, and grants. An additional provision allows for certain project elements that are key to obtaining environmental approvals (like planning, design, permitting) to receive principal and interest payment deferrals for up to 10 years.

The Legislature recognized, by authorizing a statewide economically disadvantaged areas program in the 79th session, that there are areas of the state with economic circumstances that prevent them from generating sufficient revenues to support or improve existing water infrastructure. For an area to be considered disadvantaged, the median household income of the area must be less than 75 percent of the statewide median income based on 2000 census data. These disadvantaged areas have multiple needs, including water supply and distribution and limited financial resources. Therefore, the TWDB has determined that 100 percent grant funding is necessary to implement their water supply needs.

WIF, using its existing structure and authorization, could provide 100% grants over the biennium for development and construction costs. The total costs for these water management strategies are estimated to be \$27.9 million in the FY 2008 - 2009 biennium. Approximately \$3.3 million in legislative appropriations are required for debt service on bonds issued for these grants during the same period.

The TWDB has adequate bonding authorization in Article III, Sections 49-d-8 and 49-d-9 of the Texas Constitution for the WIF, but lacks the General Revenue to make the related debt service payments.

Legislative authorization is requested to issue up to \$27.9 million in general obligation bonds in the FY 2008 - 2009 biennium for WIF projects with additional legislative appropriations of \$3,374,897 in the FY 2008 - 2009 biennium for payment of debt service.

***Debt Service for Water Infrastructure Fund  
Grants & Subsidized Loans (Rural Areas)***

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$547,656</i></b>	<b><i>FY 09 - \$1,396,365</i></b>
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The 2007 State Water Plan identified gaps in funding to implement water management strategies. To fill part of the identified gap, the Texas Water Development Board (TWDB) requests \$1,944,021 for the FY 08-09 biennium for debt service payments for previously-authorized bond issuance for the existing Water Infrastructure Fund (WIF).

The WIF is designed to provide a mix of funding options including market loans, below market loans, zero interest loans, and grants. An additional provision allows for certain project elements that are key to obtaining environmental approvals (like planning, design, permitting) to receive principal and interest payment deferrals for up to 10 years.

The TWDB defines rural areas as entities with populations less than 10,000 people located in counties not identified as being part of a Metropolitan Statistical Area. The WIF, by using its existing structure and authorization, could provide grants and subsidized loans for rural infrastructure with a combination of 50 percent grants and 50 percents subsidized loans. The TWDB has identified recommended water management strategies that would meet the needs of rural communities and estimates that 25 percent of the costs of these water management strategies would need state assistance. The total costs for these water management strategies are estimated to be \$18.8 million in the FY 2008 - 2009 biennium. Approximately \$1.9 million in legislative appropriations are required for debt service on bonds issued for these grants and loans during the same period.

The TWDB has adequate bonding authorization in Article III, Sections 49-d-8 and 49-d-9 of the Texas Constitution for the WIF, but lacks the General Revenue to make the related debt service payments.

Legislative authorization is requested to issue up to \$18.8 million in general obligation bonds in the FY 2008 - 2009 biennium for WIF projects with additional legislative appropriations of \$1,944,021 in the FY 2008 - 2009 biennium for payment of debt service.

***Debt Service for Water Infrastructure Fund  
for State Participation (Project Construction)***

<b>GENERAL REVENUE REQUESTED</b>	<b><i>FY 08 - \$8,105,000</i></b>	<b><i>FY 09 - \$16,210,000</i></b>
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The 2007 State Water Plan identified gaps in funding to implement water management strategies. To fill part of the identified gap, the Texas Water Development Board (TWDB) requests \$24,315,000 during the FY 08-09 biennium for debt service payments for previously-authorized bond issuance for the existing Water Infrastructure Fund (WIF). The WIF is designed to provide a mix of funding options including market loans, below market loans, zero interest loans, and grants. An additional provision allows for certain project elements that are key to obtaining environmental approvals (like planning, design, permitting) to receive principal and interest payment deferrals for up to 10 years.

The WIF, by using its existing structure and authorization, could provide subsidized low interest rate loans for construction for excess project capacity (State Participation Program) with deferral of principal and interest payments for up to 10 years. The total costs for these water management strategies are estimated to be \$316 million in the FY 2008 - 2009 biennium. Approximately \$24.3 million in legislative appropriations are required for debt service on bonds issued for these grants and loans during the same period.

The State Participation Program enables the TWDB, using bond proceeds, to assume temporary ownership of regional projects when local sponsors are unable to assume debt for an optimally sized facility that provides financial savings and ensures the project is available to meet existing and future needs. Building projects that will ultimately meet future needs takes advantage of economies of scale and costs savings by eliminating redundant expenses and ensures that the project is available when the need for the project occurs. Ultimately, the cost of the funding is repaid to the TWDB based upon purchase payments, which allow the TWDB to recover its principal and interest costs and issuance expenses, but on a deferred timetable. Eligible projects include the design, acquisition, lease, construction, reconstruction, development, or enlargement in whole or part of any existing or proposed project such as dams, reservoirs or innovative technologies for water supply; flood protection; groundwater recharge; and transmission and treatment facilities for water and wastewater. Projects for State Participation are not eligible for pre-design funding. This requires the projects to have environmental clearance before Board consideration.

The TWDB has adequate bonding authorization in Article III, Sections 49-d-8 and 49-d-9 of the Texas Constitution for the WIF, but lacks the General Revenue to make the related debt service payments. Legislative authorization is requested to issue up to \$316 million in general obligation bonds in the FY 2008 - 2009 biennium for WIF projects with additional legislative appropriations of approximately \$24.3 million in the FY 2008 - 2009 biennium for payment of debt service.