SWIFT Funding for Conservation and Reuse Projects

Capital Area Chapter TAWWA – Alternative Water Supplies Seminar

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Overview:

- Setting the Stage
- HB 4 Overview
- Proposition 6 Passage
- TWDB Rulemaking
- Conservation and Reuse Projects within the SWIFT
Setting the Stage for the SWIFT
Historical Perspective – Water Funding

• 2012 State Water Plan projects that Texas needs to generate additional 9 million acft of additional water supplies by 2060.

• Cost to fund water management strategies identified in the State Water Plan: $53 billion.

• SWP estimates that municipal water providers will need $27 billion in state financial assistance to implement their water management strategies.
Historical Perspective – Water Funding

• Historically, political support for water funding initiatives has been a challenge.
• Reasons:
  – Budget shortfalls
  – Political climate
  – No one paying attention
2013 – The Perfect (Dust) Storm

- Texas in the midst of a long-running, historic drought
- Budget surplus announced
- Key leadership at the Capitol committed to water-related initiatives
House Bill 4 Overview
HB 4 (Ritter) – State Water Implementation Fund

- Bill established the State Water Implementation Fund for Texas (SWIFT)
- Also established a SWIFT Advisory Committee comprised of appointees by the Governor, Lt. Governor, and Speaker of the House to submit recommendations regarding distributions of the SWIFT
- Contains special provisions relating to administration and distribution of the fund
HB 4 – Administration of Fund

• Of money disbursed from SWIFT for each 5-year planning cycle:
  – 10% must be used to support rural political subdivisions or agricultural water conservation
  – 20% must be used to support projects designed for water conservation or reuse
HB 4 – Prioritization of Projects

• Requires each Regional Water Planning Group to prioritize projects in RWPs using the following criteria:
  – Decade of project need
  – Feasibility of project, including water availability
  – Viability of project
  – Sustainability, considering life of the project
  – Cost-effectiveness; unit cost of water

• Requires RWPGs to consider both short-term and long-term needs
HB 4 – Prioritization of Projects, cont’d

• TWDB to establish point system for prioritizing projects that:
  – Serve large population
  – Provide assistance to diverse urban and rural populations
  – Provide regionalized supplies; or
  – Meet a high percentage of water supply; also consider
  – Impact water conservation and water loss; and
  – The priority given to the project by regional water planning group

• TWDB to adopt rules regarding use of fund and criteria.
HB 4 – Texas Water Development Board Composition

• Completely overhauled composition of TWDB – going from 6 part-time to 3 full-time board members.

• Prohibits current board members from serving in the future.

• Removed current Executive Administrator and provides for appointment of new EA.
WHERE WOULD THE MONEY COME FROM?

- HB 11 (Ritter) – Appropriated $2 billion from Economic Stabilization Fund for deposit into SWIFT (*Killed in House on point of order*).
- HB 1025/ SJR 1 (Williams) – Proposed a constitutional amendment to create the SWIFT.
- **Proposition 6**: Proposal presented to voters for approval on Nov. 5, 2013 -- to appropriate $2 billion from the Rainy Day Fund to infuse the SWIFT.
Implementation of House Bill 4
Changes at the Texas Water Development Board

• Three New Board Members:
  – Carlos Rubenstein, former TCEQ Commissioner
  – Bech Bruun, former government relations manager for the Brazos River Authority
  – Kathleen Jackson, former board member of Lower Neches Valley Authority

• New Executive Administrator: Kevin Patteson
Passage of Proposition 6

- Overwhelming voter approval – 73% of vote
- Bipartisan support and backing from business, environmental and other interests
- Infused SWIFT with real dollars so that funding can begin
SWIFT Advisory Committee

• Co-chaired by Sen. Troy Fraser and Rep. Allan Ritter

• Members:
  – Rep. Drew Darby
  – Sen. Kevin Eltife
  – Rep. Eddie Lucio III
  – Martin Hubert, Deputy Comptroller
Uniform Standards for Prioritization of Regional Water Plan Projects

- HB 4 Stakeholder Committee comprised of regional water planning group chairs and designees
- Uniform Standards identify five weighted criteria:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Weight</th>
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<tbody>
<tr>
<td>Decade of Need</td>
<td>40%</td>
</tr>
<tr>
<td>Project Feasibility</td>
<td>10%</td>
</tr>
<tr>
<td>Project Viability</td>
<td>25%</td>
</tr>
<tr>
<td>Project Sustainability</td>
<td>15%</td>
</tr>
<tr>
<td>Project Cost Effectiveness</td>
<td>10%</td>
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</table>
Rulemaking by TWDB

• June 26, 2014 – TWDB approved for proposal
draft rules to govern distribution of funds under
SWIFT/SWIRFT

• Establish TWDB prioritization criteria for:
  – Population served
  – Projects serving diverse urban/rural population
  – Projects providing regionalization
  – Meeting a high percentage of water supply needs
Rulemaking by TWDB, Cont’d

• Other prioritization criteria:
  – Other funding contributions
  – Ability to repay
  – Addressing an emergency need
  – Project readiness to proceed
  – Demonstrated water conservation success
  – Regional priority ranking

• Also prescribe use of funds by TWDB
Rulemaking by TWDB, cont’d

- Draft Rules do not outline a protocol for initial earmarking of conservation and reuse projects.
- Instead, provide that after release of funds, TWDB quantify what portion of project funds qualify as conservation and reuse funding.
- TWDB accepted public comments on Draft Rules until September 1, 2014.
- Rule finalized by December 2014.
SWIFT Funding for Conservation and Reuse Projects
Funding for Reuse Projects from the SWIFT

• Placing Reuse Projects in the RWP and SWP
  – Identifying projects for possible financial assistance.
    • Capital intensive projects
    • Projects with defined timeline and quantifiable savings
  – *Making sure your projects are in the appropriate Regional Water Plan.*
  – Consider future conservation and reuse projects; possible identification as itemized projects in the Regional Water Plan.
Funding for Reuse Projects from the SWIFT, cont’d

• Project selection in light of prioritization criteria:
  – Conservation success
  – Percentage of water supply need to be met by project
  – Addressing an emergency need
  – Other
What’s Coming Up

- Finalization of TWDB Rules
- RWPG Identification of recommended water management strategies for 2016 Regional Water Plans
- Possible measures next session impacting conservation and reuse projects
Questions???