

Edits as of January 9, 2026, in bold red font.
Edits as of January 16, 2026, in bold green font.

Public Comment Period: Water Supply and Infrastructure Grants Implementation Plan

Comment period ends February 4, 2026

House Bill 500, passed during the 89th Legislative Session, appropriated \$1.038 billion in funds for water supply and infrastructure projects to the Texas Water Development Board (TWDB).

The period of public review and comment on the plan begins January 5, 2026, and ends February 4, 2026. If you wish to provide comments to the TWDB concerning the implementation plan, you may use the following options:

1. Complete and submit the [Online Public Comment Form](#); or
2. Email comments to WSI_grants@twdb.texas.gov

A public meeting will also be held via webinar on January 20, 2026, at 9:30 a.m.

To stay informed and get involved, we invite you to join our General Information mailing list, visit our [website](#), and follow our social media channels ([Facebook](#), [X](#), [Instagram](#), [YouTube](#), [LinkedIn](#)) for updates and opportunities to engage with TWDB throughout this process.

BACKGROUND

This is a one-time opportunity for a limited number of Texas communities to receive grant funding to implement water supply or water infrastructure projects. Once this initial appropriation is provided to communities by August 31, 2027, the TWDB will no longer have these grant funds available to provide as financial assistance.

HB 500 from the 89th Texas Legislative Session appropriated \$1,038,000,000 from the general revenue fund to the TWDB but did not specify that the money was appropriated to a specific fund, which resulted as a deposit of the appropriated money into TWDB's general revenue fund. Additionally, the appropriation language did not provide authority for the TWDB to transfer that money into another TWDB fund or account. Therefore, the money must be provided for the stated purposes directly from TWDB's general revenue fund and not through an established financial assistance program.

[Our Mission](#)

[Board Members](#)

Leading the state's efforts
in ensuring a secure
water future for Texas

L'Oreal Stepney, P.E., Chairwoman | W. Brady Franks, Board Member | Ashley Morgan, Board Member
Bryan McMath, Executive Administrator

Further, the purpose for the appropriation was stated in the HB 500 legislation as “water infrastructure and supply projects and grants as determined by the board.” As the language is specific to water infrastructure and supply, the plan excludes wastewater and flood projects.

Additionally, water supply corporations (WSCs) will not be eligible for funding as the Texas Constitution prohibits granting public funds (1) for private purposes and (2) to “individuals” when the grant is not provided for in pre-existing law (Tex. Const., Art. III, §§ 51 and 44). Art. III, § 51 can be met for all of TWDB’s usual customers even when money is appropriated for general revenue grants that do not flow through an existing program, but Art. III, § 44 prevents TWDB’s private entity customers, such as (water supply corporations (WSCs) and investor-owned utilities, from receiving a general revenue grant. Section 51’s public purpose test is met by the typical projects funded by TWDB to typical governmental entities because (1) the grant is designed to accomplish a public purpose, not to benefit private parties; (2) TWDB will retain control over the funds to ensure the public purpose is accomplished and to protect the public’s investment; and (3) the state receives a return benefit. Section 44’s prohibition on grants to individuals without preexisting law would prohibit the use of these funds to provide a grant to WSCs because they are considered “individuals” under the provisions and no preexisting law authorizes the grant of these funds to WSCs. TWDB’s existing financial assistance programs are governed by statutes that clearly provide financial assistance to non-profit WSCs (see e.g., Tex. Water Code § 15.001(5)). Section 44 would not prohibit general revenue grants to cities, counties, or other governmental entities because they are not “individuals” within the meaning of that section of the Constitution.

Additionally, the TWDB will provide this funding in the form of a 100 percent grant because HB 500 does not provide authorization for the TWDB to use the funding to leverage bonds; therefore, the appropriation does not create a benefit to providing the funding in the form of a loan. The Constitution generally prohibits all state debt, except as otherwise authorized by the Constitution (Tex. Const., Art. III, § 49). More specifically, the TWDB’s authority to issue bonds must be “authorized by constitutional amendment or a debt proposition” (Tex. Const., Art. III, § 49-c). The TWDB’s authority to issue both revenue and general obligation bonds is specifically authorized in the Constitution. Constitutional provisions applicable to the TWDB can be found at Texas Constitution, Article III, §§ 49-c – 49-d-16. Each of those authorizations is specific to particular programs or accounts of the TWDB. The Constitution and statute provide clear and prescriptive language on where bond proceeds may be deposited and transferred, and how money may be deposited and transferred to pay debt service on those bonds. The TWDB does not have any applicable language in the appropriation from HB 500, existing statute, or existing constitutional provisions to leverage this appropriation with bonds or use this appropriation to pay debt service.

Because these funds were deposited into the TWDB’s general revenue fund, they may not be transferred into an existing account to be used to leverage additional funding through TWDB-issued bonds in an existing program. Without statutory direction otherwise, loan repayments must be deposited into the account from which they originated. If loan repayments were deposited back into the general revenue fund, the TWDB would not have authority to then use those funds again without additional appropriation from the Texas Legislature, and they would revert to the State Treasury. From the TWDB’s perspective, any loans provided from this funding would effectively be “grants that require repayment” and would lack the benefit of a revolving corpus to justify the extra level of financial review

necessary to confirm a borrower's ability to repay a loan. Based on these circumstances, there would be no benefit to the State or the local entities receiving funding to provide this funding in the form of a loan. Additionally, the language of HB 500 only speaks to grants, thereby not providing clear legal authority to require repayment.

KEY ISSUES

- Funds cannot be transferred to existing TWDB funding program accounts.
- Only political subdivisions, namely local governments, are eligible; therefore, Water Supply Corporations and Investor-Owned Utilities are not eligible entities.
- Funds must be committed and closed prior to August 31, 2027.
- Funding is designated for water infrastructure and supply projects only, including reuse, (e.g., addresses real or apparent water loss, or TCEQ violations, or upgrading or replacing water systems).
- Drainage, flood control, and wastewater projects are not eligible.
- Implementation is subject to the Texas Grant Management Standards, Chapter 783 of the Texas Government Code.
- Projects must be consistent with the 2027 State Water Plan.
- Applicants must be current in their audited financial statements. For a funding application to be considered complete and eligible, it must include a 2025 fiscal year-end financial audit that has been adopted by the applicant's governing body.
- The Water Supply and Infrastructure Grant funding will not flow through any of TWDB's existing funding programs; therefore, most policies and requirements that apply per statute or rule to the existing programs will not apply to this funding.
 - TWDB will not issue environmental findings for these projects. However, TWDB will require an affidavit certifying compliance with all applicable local, state, and federal regulations and completion of any coordination and/or permitting required to ensure compliance with the Endangered Species Act of 1973, as amended; Section 404 of the Clean Water Act; Section 10 of the Rivers and Harbors Act of 1899; the Migratory Bird Treaty Act; Texas Antiquities Code; Texas Parks and Wildlife Code; Edwards Aquifer Rules; and any other applicable state, federal, and local regulations.
 - For ready-to-proceed projects, TWDB will require an affidavit of self-certification that any permitting or coordination required by applicable local, state, or federal regulations has been completed
 - For projects receiving PAD funding, TWDB will require the affidavit of self-certification along with the backup documentation during the planning phase.
- US Iron & Steel provisions apply. Texas Government Code Chapter 2252, Subchapter G
- Conveyance coordination requirements apply **if land acquisition is a part of the project for those under 150,000 where it is allowed**. Texas Water Code Chapter 6, Subchapter H
- Subject to requirements for:
 - Water conservation plan (Texas Water Code §§ 16.402 and 16.4021; 31 Texas Administrative Code (TAC) § 363.15)
 - Water use survey (Texas Water Code § 16.012(m); 31 TAC § 358.5)
 - Water loss audit (Texas Water Code § 16.0121; 31 TAC § 358.6) and
 - Water loss validation (Texas Water Code §§ 16.0121 and 16.0122; 31 TAC § 358.6)

RECOMMENDATION

1. Limiting one application per entity to expedite the review process and encourage entities to prioritize system needs.
2. Limiting funding eligibility.

Entities with population of 150,000 or less

- a. May request planning, acquisition, design, or construction.
- b. If only construction is requested, the project must be ready to proceed: all environmental coordination, acquisition of 100 percent of all required water rights, land and easements, design (plans and specifications with design report), and permitting must be completed.
- c. Reimbursement of previously incurred costs for the project will only be considered if they were incurred on or after June 22, 2025.

Entities with population of 150,001 or greater

- a. May only request construction funding.
 - b. The project must be ready to proceed: all environmental coordination, acquisition of 100 percent of all required land and easements, design (plans and specifications with design report), and all permitting must be completed.
 - c. Reimbursement of previously incurred costs for the project will not be eligible.
3. If a project previously received a funding commitment from a TWDB funding program (except for unclosed SWIFT commitments slated to close in 2027 or later), these grant funds may not be used for the same activities that previously received funding commitments. However, if a project previously received funding commitments for only planning, acquisition, or design, the project is eligible to receive funding from these grants for construction.
 4. If a project has an active application with the TWDB, the processing of those non-Water Supply and Infrastructure Grant applications may be postponed, allowing entities to pursue the most advantageous funding opportunity.
 5. Allocation of the available funding. This allocation is based on the average requested funding within the State Fiscal Year 2026 Drinking Water State Revolving Fund Intended Use Plan.

Service area population size	Less than 10,000	10,001-150,000	150,001-1 million	Greater than 1 million	Total
Funding Cap per project (TBD)	\$5 Million	\$15 Million	\$25 Million	\$40 Million	
Total funding target	\$71Million	\$142 Million	\$181 Million	\$400 Million	\$794 Million
Canal lining/conversion projects	\$100 Million for match funding for North American Development Bank projects				\$894 Million

- To address canal lining and conversion projects, \$100 million is proposed to be allocated for joint funding efforts with the North American Development Bank’s Water Resiliency Program, which is geared at expediting water needs along the border. Water Supply and Infrastructure grants funds would be 50% of the proposed project costs for eligible projects. Additional information regarding the Water Resiliency Program can be found at <https://nadbank.org/solutions-and-services/water-resiliency-fund>
 - \$131 million remains unallocated pending receipt of applications at which time the Board could review submitted needs and allocate at that time.
 - \$13 million is reserved for administrative costs as authorized in Senate Bill 1.
6. A simplified project prioritization for allocating available funding. This criteria list is intended to simplify and expedite the ranking process.

Criteria	Points Calculation	Points
Retail Water Providers: Service Area’s Annual Median Household Income (AMHI) (if using a TWDB-approved socioeconomic survey; the AMHI will be inflation adjusted)	$(76,292 \div \text{AMHI}) \times 10$	Result
Wholesale Water Providers: Total population (POP) served by Retail Water Providers that purchase wholesale from applicant as listed in TCEQ’s Drinking Water Viewer .	$(100,000 \div \text{POP}) \times 10$	Result
For projects with populations under 150,000: Projects that are deemed ready to proceed.		10 points
Tiebreaker: Preference given to the community that has never or has the greater amount of time since it last received financial assistance from the TWDB.		

- 7. Land/easements acquisition to be limited to small entities requesting pre-design funding. All required land and easements must already be acquired for a project to qualify as ready to proceed.
- 8. For ready-to-proceed projects, TWDB will not review planning documents.
- 9. TWDB will rely on TCEQ design approval for ready-to-proceed projects. TWDB will need to review Plans and Specifications to ensure these requirements are met:
 - a. US Iron & Steel
 - b. Performance bonds
 - c. Retainage
- 10. The TWDB will issue a Certificate of Approval prior to authorization of release of final retainage ensuring the funds have been utilized in accordance with the committed project.
- 11. The TWDB will develop a financial assistance application specific to Water Supply and Infrastructure Grants.

12. EDIT: Funds will be disbursed to applicants through an entity-established escrow account. All commitments, grant agreements, and closings to escrow should be completed by August 1, 2027.

13. EDIT: All WSIG recipients with funds closed to escrow by August 1, 2027, will have until August 31, 2031, to expend their escrowed funds. Under no circumstances will funds be released from project escrow accounts after August 31, 2031.

14. EDIT: Each escrow account will need to be interest bearing. Furthermore, all remaining escrow account funds plus escrow account interest earnings shall be returned to the TWDB no later than September 1, 2031.

Failure to submit any of the required information at the time the application is submitted will disqualify the application from the selection process. Questions can be directed to the TWDB, and a pre-application webinar will be held and posted to the TWDB website.

IMPLEMENTATION TIMELINE

December 17, 2025	Work session to discuss implementation plan.
January 5, 2026	30-day public comment period opens.
January 20, 2026	Public Meeting Webinar
February 4, 2026	Comment period closes
March 2026	Solicitation of applications opens for 120 days.
July 2026	Applications due
Fall 2026	Commitments
Winter 2026-Summer 2027	Closings

LEGAL/SPECIAL CONDITIONS

- Entities must submit, with their financial assistance application, a resolution from their governing body requesting financial assistance.
- Entities must submit with their financial assistance application, an application affidavit.

Attachments:

1. HB 500, Section 6.02, 89th legislative session
2. Side by Side Financial Assistance Comparison
3. Financial Assistance Comparison Timeline
4. Proposed Requirements for Water Supply and Infrastructure Grants
5. Water Supply and Infrastructure Grants- Project Prioritization Criteria

HB 500, 89th Legislative Session (excerpt Section 6.02)

SECTION 6.02. WATER DEVELOPMENT BOARD: WATER INFRASTRUCTURE AND SUPPLY.

(a) The amount of \$1,038,000,000 is appropriated from the general revenue fund to the Water Development Board for the two-year period beginning on the effective date of this Act to be used for water infrastructure and supply projects and grants as determined by the board.

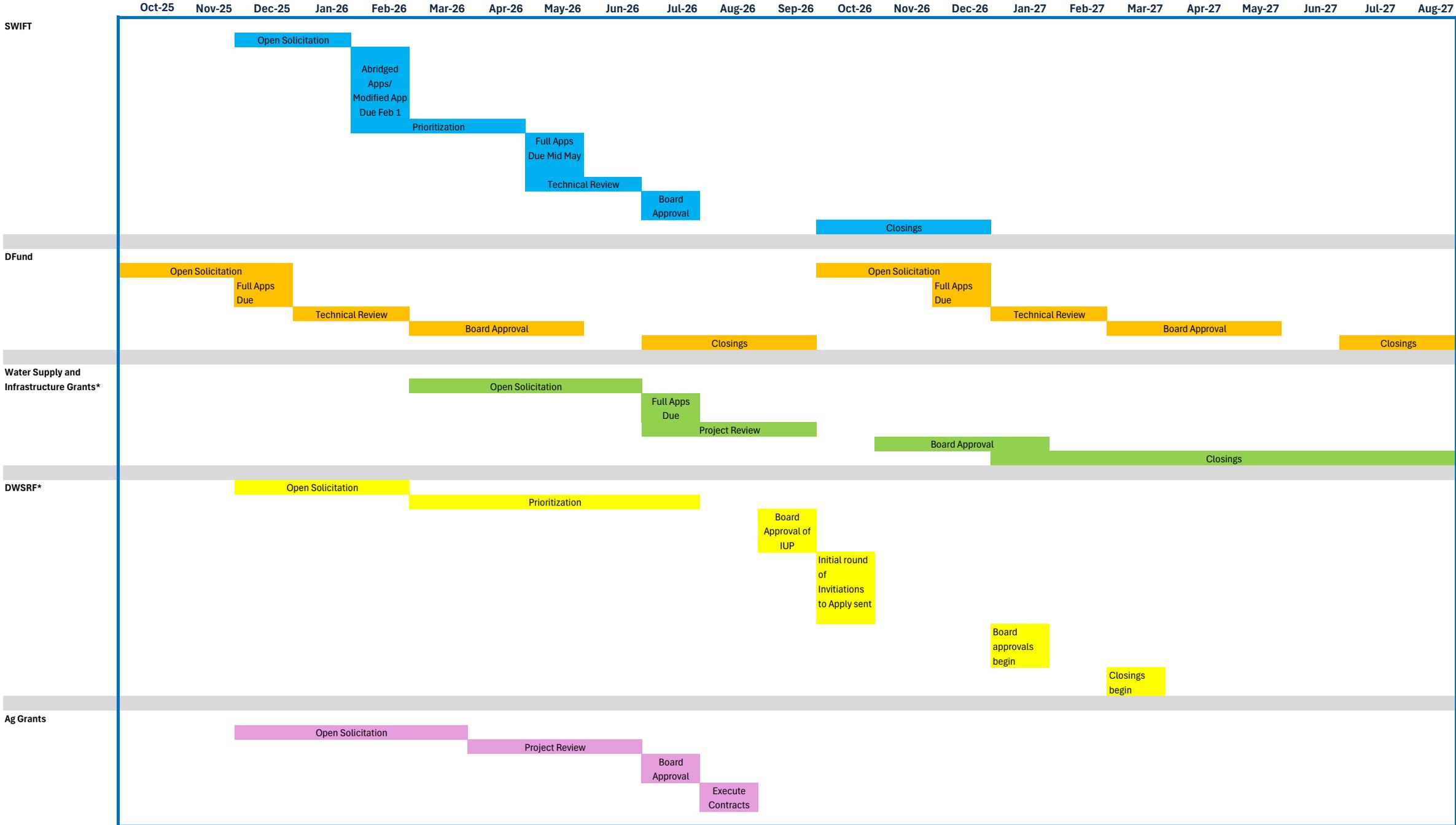
(b) The amount of \$881,000,000 is appropriated from the Texas water fund to the Water Development Board as provided by Section 49-d-16(b), Article III, Texas Constitution, as proposed by S.J.R. 75, 88th Legislature, Regular Session, 2023, for the two-year period beginning on the effective date of this Act to be transferred to other funds or accounts administered by the board.

(c) The amount of \$581,000,000 is appropriated from the general revenue fund to the Water Development Board for the two-year period beginning on the effective date of this Act to be used for specific water infrastructure and supply projects and grants.

Financial Assistance Comparison

	SWIFT	Water Supply and Infrastructure Grants	DFund	DWSRF
Overview	Helps communities develop and optimize water supplies at cost-effective rates (low-interest loans, extended repayment terms, deferral of loan repayments, and incremental repurchase terms for projects with state ownership aspects)	<p>One-time grant opportunity that provides financial assistance in the form of grants for planning, acquisition, design, and construction of water supply and infrastructure projects. Funds can be utilized for:</p> <ul style="list-style-type: none"> · Correcting water system deficiencies including water quality, capacity, pressure, and water loss · Upgrading or replacing water systems · Providing new or existing service to other water systems through consolidation projects · Purchasing capacity in water systems · Purchasing water systems · Producing additional water supply , including through reuse · Purchasing water rights · Improving efficiency of water delivery through existing irrigation systems 	A program that can fund water, wastewater, and flood control projects	Assists communities by providing below-market rate financing and various levels of additional subsidization for a wide range of projects that facilitate compliance with primary drinking water standards or otherwise significantly further s the health protection objectives of the Safe Drinking Water Act.
Capacity	Set at the time of prioritization approval	\$1,038,000,000	Based on current General Obligation Bond Authority	\$505,468,920
Eligible Entities	<p>Any political subdivision or nonprofit water supply corporation with a project included in the most recently adopted state water plan. TWDB only finances SWIFT program projects through bonds—the entity would need to be able to issue bonds to participate in the SWIFT program.</p> <p>Political subdivisions include:</p> <ul style="list-style-type: none"> · Municipalities · Counties · River authorities · Special law districts · Water improvement districts · Water control and improvement districts · Irrigation districts · Groundwater conservation districts 	Any political subdivision with a project consistent with the most recently adopted state water plan is eligible to submit. Political subdivisions include the same as listed under the SWIFT, except for Water Supply Corporations (WSCs). WSCs are not eligible under this program.	Any political subdivision or nonprofit water supply corporation	<p>Existing community Public Water Systems, including political subdivisions.</p> <ul style="list-style-type: none"> · Non-profit Water Supply Corporations · State agencies · Privately-owned community water systems · Non-profit, non-community public water systems
Population Breakdowns	N/A	Project applications will be chosen from these categories (based on service area population): < 10,000; 10,001-150,000; 150,001-1 million; > 1 million.	N/A	N/A
Special Conditions	The project must be included in the most recently adopted state water plan	<ul style="list-style-type: none"> · Water Supply Corporations are not eligible. · Projects must be consistent with the 2027 State Water Plan. · Funds must be committed and closed prior to 8/31/2027. 	N/A	· Build America, Buy America

Financial Assistance Comparison Timeline



*Tentative
version 1.2.2026

Edits as of January 9, 2026, in bold red font.
Edits as of January 16, 2026, in bold green font.

PROPOSED REQUIREMENTS FOR WATER SUPPLY AND INFRASTRUCTURE GRANTS

The following items are proposed requirements related to this funding opportunity. These specific items are noted because they may differ from existing TWDB funding programs.

1. Scoring Criteria

Scoring criteria per population allocation will be based on Annual Median Household Income (AMHI) and Service area populations. Additional points will be added for smaller entities with ready-to-proceed projects. A tiebreaker will be given to communities that have never or the greater amount of time since they received financial assistance from the TWDB.

Optionally, points could be given based on additional water supplies provided to wholesale or retail providers, project cost overruns, or other secured funding sources (i.e., WIFIA match).

Justification:

The scoring criteria is intended for entities to prioritize their projects that provide the greatest benefit to disadvantaged communities serving the greatest number of people.

2. Project Phases Eligible for Funding

For small entities (population of 150,000 or less), Planning, Acquisition, Design, and Construction is available. For small entities, it is also proposed that that reimbursement for planning and design costs only be eligible for costs incurred 6/22/2025 or after.

For large entities (population 150,001 or greater), the project must be ready to proceed to construction, meaning planning, acquisition, and design has already been completed.

Justification:

Small entities often do not have the resources for development of projects. Allowing PADC provides them with funding opportunities.

For large entities, focusing on ready-to-proceed projects that are ready to utilize the funds.

3. Readiness to Proceed with Construction

Large entities (population of 150,001 or greater) will need to be ready to proceed with construction, meaning that all planning, acquisition, and design have already been completed. Small entities (population of 150,000 or less) may request funding for planning, acquisition, design, and construction.

Justification:

Due to the need to expedite the distribution of these funds, it is proposed to only allow planning, acquisition, and design funding for small systems, since those are generally systems that have more difficulty securing funds on their own to complete those pre-construction activities.

4. Projects with Previous Funding

If a project previously received funding from a TWDB or other external funding program (except for unclosed SWIFT commitments, or projects with cost overruns), these funds may not be used for the same activities that previously received funding commitments. However, if a project previously received funding commitments for only planning, acquisition or design, the project is eligible to receive funding for construction.

Justification:

Do not want to undo/substitute already existing funding, except for SWIFT unclosed commitments because it could benefit the capacity of the SWIFT.

5. Funding for Land Acquisition

TWDB proposed land acquisition be limited to small entities requesting pre-design funding. Land must already be acquired for a project to qualify as ready to proceed.

Justification:

This proposal is intended to enable projects to utilize funding faster. Land acquisition adds complexity to a project and has the potential to delay project schedules. Land acquisition also requires conveyance coordination to limit the necessity of eminent domain.

6. Funding for Water Rights Acquisition

TWDB proposes the purchase of water rights to be an eligible cost using these funds. The purchase of push-water is not considered either long-term or permanent; therefore, it would not be eligible.

Justification:

Purchasing water rights is a way that systems can secure additional sources of water for future use.

7. Water Conservation Plans, Water Use Survey, Water Loss Audit, and Water Loss Validation

Having up-to-date Water Conservation Plans, Water Use Surveys, Water Loss Audits, and Water Loss Validations is a requirement for securing funding.

Justification:

As these projects will address water supply and water infrastructure, to ensure recipients conserve their current resources and plan for future needs the following will be required:

- Water conservation plan (found at Tex. Water Code §§ 16.402 and 16.4021; 31 TAC § 363.15)
- Water use survey (found at Tex. Water Code § 16.012(m); 31 TAC § 358.5)
- Water loss audit (found at Tex. Water Code § 16.0121; 31 TAC § 358.6) and
- Water loss validation (found at Tex. Water Code §§ 16.0121 and 16.0122; 31 TAC § 358.6)

8. Planning Review

For Ready to Proceed projects, TWDB will not require planning documents.

Justification:

Review of these documents would add additional review time to the application processing and delay commitments. Also, they already invested the time, effort, and cost to complete the design work, which means they had already developed these projects.

9. Environmental Review

TWDB will not issue an environmental finding for Water Supply and Infrastructure Grant projects. TWDB will require an affidavit of self-certification for environmental compliance.

Justification:

These funds do not fall under any specific program statutes or rules.

10. Design Review

Staff Recommendation:

TWDB will rely on TCEQ design approval for Ready-to-Proceed projects. TWDB will need to review Plans and Specifications to ensure these requirements are met:

- a. US I&S
- b. Performance bonds
- c. Retainage

Justification:

US I&S is required by the Government Code 2252 Subchapter G for all state funding.

Performance bonds, retainage, insurance, and other procurement requirements are entity-dependent in statute. Therefore, entities will be required to certify that they are following all applicable requirements.

11. Certificate of Approval (COA)

Issuance of a COA will be required prior to authorization to release final retainage.

Justification:

TWDB must ensure that funds have been utilized in accordance with the committed project.

12. EDIT: Fund Disbursement Requirements

Funds will be disbursed to applicants through an entity-established escrow account. All commitments, grant agreements, and closings to escrow should be completed by May 1, 2027. All WSIG recipients with funds closed to escrow by May 1, 2027, will have until August 31, 2031, to expend their escrowed funds. Under no circumstances should funds leave the escrow accounts after August 31, 2031, unless there was a corresponding reappropriation approval from the Texas Legislature.

Justification:

TWDB must ensure that sufficient time is allotted to review and release funds from project escrow accounts prior to August 31, 2027.

13. EDIT: Escrow Account

Each escrow account will need to be interest bearing. Furthermore, all remaining escrow account funds plus escrow account interest earnings shall be returned to the TWDB no later than September 1, 2031. This is accomplished by completing and submitting a “final accounting” form, no later than September 1, 2031, which will direct the escrow agent to directly return remaining funds to TWDB and close the account on or before October 1, 2031.

Justification:

Per Accounting Policy Statement 018, the TWDB will be required to return unspent funds from the escrow accounts, including interest earnings, by October 31, 2031. Requiring final accountings to be completed and submitted by September 1, 2031, affords the TWDB and escrow agents sufficient time to complete all necessary transactions.

Edit as of January 9, 2026, in bold red font.

Water Supply and Infrastructure Grants - Project Prioritization Criteria

For Retail Water Providers:

Applicants who provide less than **75%** of water produced to wholesale customers.

Annual Median Household Income (AMHI)

Statewide AMHI divided by Service Area's AMHI, and multiplied by 10.

Points

(Statewide AMHI / Service Area AMHI) X 10

Source of Data: 2023 American Community Survey 5-Year Estimates

*If using a TWDB-approved socioeconomic survey, the AMHI will be inflation-adjusted.

For Wholesale Water Providers:

Applicants who provide 75% or more of the water produced to wholesale customers.

Total Population (POP) Served

100,000 divided by the total POP served by Retail Water Providers that purchase wholesale from the applicant and population of the applicant's retail water service area, multiplied by 10.

Points

(100,000 / POP) X 10

Source of Data: Texas Commission on Environmental Quality (TCEQ) [Drinking Water Viewer](#)

Applicants with Population Served Less Than or Equal to 150,000:

Readiness to Proceed

Projects that are deemed ready to proceed with construction.

Points

10

Tiebreaker:

Preference will be given to the community that has never or has the greater amount of time since it last received financial assistance from the TWDB.