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AGENDA ITEM MEMO

BOARD MEETING DATE: July 23, 2026

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Georgia Sanchez, Chief Financial Officer

FROM: Dain Larsen, Director, Debt and Portfolio Management
Thomas Quick, Financial Analyst, Debt and Portfolio Management

SUBJECT: Texas Water Fund Transfer to the New Water Supply for Texas Fund and the State Water Implementation Fund for Texas

ACTION REQUESTED

Consider approving by resolution: (a) the transfer of funds from the Texas Water Fund to the New Water Supply for Texas Fund (NWSTF); (b) the transfer of funds from the NWSTF to State Water Implementation Fund for Texas (SWIFT); and (c) delegation to the Executive Administrator, Chief Financial Officer, Development Fund Manager, Director of Debt and Portfolio Management, and General Counsel to take all actions necessary for the transfers.

BACKGROUND

In 2023, the 88th Texas Legislature passed Senate Bill (SB) 28 and Senate Joint Resolution (SJR) 75 providing for the creation of the Texas Water Fund and NWSTF. In addition, SB 30 authorized a one-time, \$1 billion supplemental appropriation of general revenue to the Texas Water Fund, contingent on enactment of SB 28 and approval of SJR 75 by voters, which occurred in November of 2023.

The NWSTF is a special fund created in the state treasury outside the general revenue fund to be administered by the Texas Water Development Board (TWDB). The fund was created to finance the development and acquisition of new water supply for Texans with eligible projects including desalination, produced water treatment, and aquifer storage and recovery. In 2025 during the 2nd special session, the 89th Texas Legislature passed SB 7 which expanded the types of eligible projects to include projects that finance water and wastewater reuse, acquisition of water or water rights originating from outside Texas, “shovel-ready” reservoirs, and the development of infrastructure to transport water that is made available from eligible projects. Money in the NWSTF may be transferred to the Texas Water Development Fund II or SWIFT.

Our Mission

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

Board Members

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

The Texas Water Fund is a special fund created in the state treasury outside the general revenue fund to be administered by the TWDB. Money in the fund may be transferred to several funds administered by the TWDB, including the NWSTF, SWIFT and the State Water Implementation Revenue Fund for Texas (SWIRFT).

The TWDB historically has issued SWIRFT revenue bonds utilizing the SWIFT program to provide financial assistance to political subdivisions for projects recommended in the state water plan. The TWDB also has authority to issue General Obligation (GO) bonds to provide financial assistance for these projects. Both SWIRFT bonds and GO bonds issued for projects in the state water plan may be supported by a transfer from SWIFT pursuant to the SWIFT Funds Transfer Agreement.

KEY ISSUES

The 2026 SWIFT funding cycle has demonstrated significant demand for program funding, with the third largest amount of abridged applications received since the program's inception.

The ability to transfer money from the Texas Water Fund represents an opportunity to approve and provide commitments to eligible applicants while minimizing the net draw on the balance of SWIFT and therefore generate additional investment return for future leveraging capacity.

A transfer not to exceed \$240 million from the Texas Water Fund to NWSTF and a transfer not to exceed \$240 million from the NWSTF to SWIFT will allow the financing of approximately \$2 billion through the issuance of SWIRFT and GO bonds to be issued this fall.

All of the funds transferred from the NWSTF to SWIFT will be used to provide financial assistance for projects eligible for the NWSTF.

RECOMMENDATION

The Executive Administrator recommends approving by resolution: (a) the transfer of funds from the Texas Water Fund to the NWSTF; (b) the transfer of funds from the NWSTF to SWIFT; and (c) delegation to the Executive Administrator, Chief Financial Officer, Development Fund Manager, Director of Debt and Portfolio Management, and General Counsel to take all actions necessary for the transfers.

Attachment:

1. Resolution

A RESOLUTION OF
THE TEXAS WATER DEVELOPMENT BOARD
REQUESTING THE TRANSFER OF UP TO \$240 MILLION
FROM THE TEXAS WATER FUND
TO THE NEW WATER SUPPLY FOR TEXAS FUND
AND FROM THE NEW WATER SUPPLY FOR TEXAS FUND
TO THE STATE WATER IMPLEMENTATION FUND FOR TEXAS

(26-)

Recitals:

During the 88th Texas Legislative Session, the Texas Legislature passed Senate Bill 28, Senate Joint Resolution 75, and Senate Bill 30, implementing the Texas Water Fund, codified as Texas Water Code, Chapter 15, Subchapter H-1.

The Texas Water Fund is a special fund in the state treasury outside the general revenue fund to be administered by the Texas Water Development Board (TWDB).

The Texas Water Fund was established to transfer money to existing funds and accounts of the TWDB.

Texas Water Code § 15.502(b)(2) authorizes the TWDB to transfer, by resolution, money from the Texas Water Fund to the New Water Supply for Texas Fund.

Texas Water Code § 15.502(b)(3) authorizes the TWDB to transfer, by resolution, money from the Texas Water Fund to the State Water Implementation Fund for Texas.

Texas Water Code § 15.504(b) states that the TWDB may not transfer money until the application for the project for which the money is to be used has been approved.

The TWDB finds it is in the public interest for it to transfer funds from the Texas Water Fund to the New Water Supply for Texas Fund, and from the New Water Supply for Texas Fund to the State Water Implementation Fund for Texas.

NOW THEREFORE, based on these considerations and findings, the Board finds and resolves as follows:

1. The Board authorizes the transfer of up to \$240 million from the Texas Water Fund to the New Water Supply for Texas Fund.
2. The Board authorizes the transfer of up to \$240 million from the New Water Supply for Texas Fund to the State Water Implementation Fund for Texas.

3. The Board authorizes the Executive Administrator, Chief Financial Officer, Development Fund Manager, Director of Debt and Portfolio Management, and General Counsel to take all actions necessary to give effect to this Resolution.
4. In accordance with Texas Water Code § 15.504(b), all applications for the projects for which the money is to be used will be approved, by resolution, by the Board in advance of a transfer of funds from the Texas Water Fund.

APPROVED and ordered of record this the 23rd day of July, 2026.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator