P.O. Box 13231, 1700 N. Congress Ave.
Austin, TX 78711-3231, www.twdb.texas.gov
Phone (512) 463-7847, Fax (512) 475-2053

AGENDA ITEM MEMO

BOARD MEETING DATE: October 1, 2026

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Jessica Peña, Deputy Executive Administrator

FROM: Jesse Milonovich, P.E., Director, Program Administration & Reporting

SUBJECT: Drinking Water State Revolving Fund Set-Aside Contract

ACTION REQUESTED

Consider authorizing the Executive Administrator to execute a contract amendment for the Drinking Water State Revolving Fund Set-Aside Contract between the Texas Water Development Board and the Texas Commission on Environmental Quality covering the regular annual appropriations and appropriations from the Infrastructure Investment and Jobs Act for State Fiscal Year 2027.

BACKGROUND

The Texas Water Development Board (TWDB) and the Texas Commission on Environmental Quality (TCEQ) execute an annual inter-agency contract that governs the allocation of Drinking Water State Revolving Fund (DWSRF) capitalization grant funds for set-aside activities. To streamline administrative processes, both agencies seek to amend the original contract for State Fiscal Year (SFY) 2027. The amended contract will allocate a portion of the $30,633,000 grant from annual appropriations under the Commerce, Justice, Science; Energy and Water Development; and Interior and Environment Appropriations Act, 2026, Public Law 119-74, the $198,428,000 grant from general supplemental appropriations under the Infrastructure Investment and Jobs Act (IIJA), Public Law 117-58, and the $60,914,000 grant from DWSRF Emerging Contaminant appropriations under the IIJA.

This agreement incorporates the set-aside allocations detailed in the SFY 2027 Intended Use Plan (IUP) for DWSRF General Activities, the SFY 2026 IUP for DWSRF Emerging Contaminants, and the set-aside activities outlined in the SFY 2027 Set-Aside Work Plans, prepared by the TCEQ and submitted to the United States Environmental Protection Agency (EPA).

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

KEY ISSUES

The contract covers the use of DWSRF set-aside funds by the TCEQ in SFY 2027 drawn from the Federal Fiscal Year (FFY) 2026 capitalization grant provided through annual appropriations and the IIJA:

State Program Management Set-aside	$24,906,100
Small Systems Technical Assistance Set-aside	$612,660
Local Assistance and Other State Programs Set-aside	$4,100,000
Total TCEQ Set-aside amount	**$29,618,760**

The maximum allocation of grant funds for these set-asides is established in federal law. The state may use up to 10 percent of the grant for the State Program Management set-aside and up to 2 percent for the Small Systems Technical Assistance set-aside. The state may also use up to 15 percent for the Local Assistance and Other State Programs set-aside. The $4,100,000 to be used in SFY 2027 for this set-aside was negotiated between the TCEQ and the TWDB and matches the amount allocated in SFY 2026.

RECOMMENDATION

The Executive Administrator recommends authorizing the execution of the attached contract amendment with the TCEQ to administer the set-aside funds, including authorization to make minor, non-substantive revisions as necessary.

Attachments:

1. Final Set-Aside Contract between the TWDB and the TCEQ
2. Final Amendment 1 to the Set-Aside Contract
3. Draft Set-Aside Contract Amendment 2

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ATTACHMENT 1

DRINKING WATER STATE REVOLVING FUND PROGRAM
SET-ASIDE ACTIVITIES CONTRACT
BETWEEN
THE TEXAS WATER DEVELOPMENT BOARD
AND
THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

ARTICLE I. RECITALS.

The Texas Water Development Board (TWDB) and the Texas Commission on Environmental Quality (TCEQ), collectively referred to herein as the Parties, agree that the following representations are true and correct and form the basis and reason for the execution of this Set-Aside Activities Contract (Contract).

1.1. Section 130 of the Safe Drinking Water Act Amendment of 1996 (PL 104-182) added 42 U.S.C. 300j-12 to the provisions of the Safe Drinking Water Act (SDWA) (42 U.S.C. 3600f, *et seq*.) and thereby authorized the creation of the Drinking Water State Revolving Fund (DWSRF) program. Under the DWSRF, the U.S. Environmental Protection Agency (EPA) may appropriate federal funds to provide grants to states to capitalize a state revolving loan fund in each state so that each state may provide financial assistance to public water systems to achieve the purposes of the SDWA. Pursuant to 42 U.S.C. 300j-12(g)(2) and 42 U.S.C. 300j-12(k)(2) of the SDWA, EPA may also set portions of the capitalization grant aside from the authority to provide financial assistance so that the funds may be used for SDWA State Program Management, Small System Technical Assistance, and Local Assistance activities (collectively referred to as "Set-Aside Activities"). The Infrastructure Investment and Jobs Act of 2021, Public Law 117-58 (IIJA), also referred to as the Bipartisan Infrastructure Law (BIL), provides supplemental appropriations for capitalization grants and Set-Aside Activities under the DWSRF program.

1.1.1 This Contract pertains only to the following funding elements as identified in Table 1.1 of Appendix A and the associated Set-Aside Work Plans described below and incorporated by reference:

1.1.1.1 Base DWSRF Funding (Base) which includes: Regular (Base) annual appropriations for the DWSRF program including funds as identified in Table 1.1 of Appendix A for the 10%, 2% and 15% set-asides.

1.1.1.2 Bipartisan Infrastructure Law DWSRF Funding which includes: (a) the State Program Management (10%) set-aside from grant funds allotted as a result of the supplemental appropriations for general activities in the DWSRF program from IIJA; and (b) the 10% BIL Emerging Contaminants set-aside from grant funds allotted as a result of the supplemental appropriations for activities relating to emerging contaminants from the IIJA.

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1.1.2 This Contract only covers the funds identified in Table 1.1 of Appendix A. It does not cover any additional set-asides or funds, such as: the 2% or 15% set-asides under supplemental appropriations for general activities, the 10%, 2%, 15% set-asides under the supplemental appropriations specifically for lead service line replacements, or the 2% and 15% emerging contaminants set-asides.

1.2. Pursuant to Texas Water Code § 15.6041, TWDB is authorized to establish and administer the Texas DWSRF program in accordance with the SDWA, the SDWA Amendments of 1996, and Texas Water Code Chapter 15, Subchapter J. Acting pursuant to these provisions, since the enactment of the DWSRF, TWDB has applied to EPA for the award of the capitalization grant to the State of Texas (State) for the administration of the DWSRF program. TWDB is authorized to use the capitalization grant to administer the DWSRF by providing financial assistance to eligible applicants. Additionally, TWDB administers the portions of the capitalization grant funds for the Set-Aside Activities to be performed by TCEQ.

1.2.1 TCEQ and TWDB have also applied for and received funds from EPA under the IIJA. TWDB is authorized to use the capitalization grant to administer the DWSRF by providing financial assistance to eligible applicants. Additionally, TWDB administers the portions of the capitalization grant funds for the Set-Aside Activities to be performed by TCEQ.

1.3. TCEQ, as the State's primacy regulatory agency, is responsible for implementing the drinking water regulatory scheme established by the SDWA and for enforcing the national drinking water standards set by EPA. To effectuate these goals, TCEQ administers the 10% set-aside for the State Program Management (SPM), the 2% set-aside for the Small System Technical Assistance (SSTA), the 15% set-aside funds for Local Assistance (LA) programs of Base funds, the SPM from the BIL, and the Emerging Contaminants (EC) set-aside funds from the BIL. These activities are eligible under the SDWA for funds set aside from the DWSRF capitalization grant.

1.4. Due to the continuing nature of the capitalization grants and TCEQ's regulatory responsibilities, TWDB and TCEQ are authorized to use capitalization grant funds approved for use but not expended in a given year for approved activities conducted in subsequent years. These activities are those approved through grant work plans (Set-Aside Work Plans) developed by TCEQ for Set-Aside Activities and submitted to EPA. The Parties agree that unspent set-aside balances may be reduced either through accelerating set-aside spending or through transferring unspent set-aside balances to the financial assistance program fund, as provided in 40 CFR 35.3540.

1.5. Pursuant to 31 Tex. Admin. Code § 354.3 (the Memorandum of Understanding), the Parties agree to annually identify the amount and purposes for the disbursement of DWSRF capitalization grant funds from TWDB to TCEQ for authorized Set-Aside Activities to be performed by TCEQ. This Contract will govern the duties and responsibilities of the Parties in effectuating the allocation of funds for each State Fiscal Year (SFY) of the Contract Term. The use of the funds by TCEQ has previously been described and documented in the Intended Use

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Plan for each funding source (DWSRF and\or BIL) for each SFY of this Contract, which are incorporated herein by this reference and made a part of this Contract.

1.6. Activities funded under this Contract will take place during the applicable Intended Use Plan year, which is effective for activities during the SFY beginning on September 1 and ending on August 31, using the associated federal capitalization grant funds.

ARTICLE II. TCEQ RESPONSIBILITIES.

In consideration of the performance of the responsibilities of TWDB set forth in this Contract, TCEQ agrees as follows:

2.1. SET-ASIDE ACTIVITIES. TCEQ agrees to perform activities for which the State can use capitalization grant funds pursuant to the SDWA, 42 U.S.C. 300j-12(g)(2), 300j-12(k)(2), and the IIJA, Public Law 117-58, in accordance with EPA-approved TCEQ Set-Aside Work Plans and budgets. All work plans and the budgets related to the Set-Aside Activities submitted to EPA by TCEQ must also be submitted to TWDB. The final approved or amended work plans and budgets must be sent to TWDB in electronic format. Agreed-upon funding levels for each of the identified set-asides below are identified in Table 1.1 of Appendix A.

2.1.1. STATE PROGRAM MANAGEMENT SET-ASIDE. TCEQ agrees to engage in activities for which the State can use the amounts identified in Table 1.1 of Appendix A from the 10% set-aside from the Base appropriations and the 10% set-aside for general activities in the DWSRF program from the IIJA pursuant to 42 U.S.C. 300j-12(g)(2)(A) and (B) and Public Law 117-58, by performing or subcontracting to perform the tasks identified in the Drinking Water State Revolving Fund State Program Management Ten Percent Set-Aside Activities Work Plan for Base and BIL funding for each SFY of the Contract, including all changes or amendments (SPM Work Plans). The SPM Work Plans are incorporated into this Contract by reference. In order to perform or subcontract to perform the SPM Work Plans, TCEQ agrees to:

1. Perform or have performed the tasks identified in the SPM Work Plans to administer the State Public Water System Supervision (PWSS) Program as public water system supervision authorized by 42 U.S.C. 300j-12(g)(2)(A);

2. Perform or have performed the tasks identified in the SPM Work Plans to develop and implement a capacity development strategy as authorized by 42 U.S.C. 300j-12(g)(2)(C); and

3. Make available upon request by the TWDB, records of work performed for each Program Element as identified in the SPM Work Plans and incorporated herein.

2.1.2. SMALL SYSTEMS TECHNICAL ASSISTANCE SET-ASIDE.
TCEQ agrees to engage in such activities for which the State can use the amount identified Table 1.1 of Appendix A from the 2% set-aside of the Base capitalization grant

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by performing or subcontracting to perform the tasks identified in the Small Systems Technical Assistance Set-Aside Work Plan for each SFY of the Contract, including all changes and amendments thereto (SSTA Work Plan). The SSTA Work Plan is incorporated into this Contract by reference. Specifically, TCEQ agrees to perform the tasks identified in the SSTA Work Plan, including all changes and amendments, to provide technical assistance to public water systems serving 10,000 or fewer persons, as authorized by 42 U.S.C. 300j-12(g)(2).

2.1.3. LOCAL ASSISTANCE AND OTHER STATE PROGRAMS SET-ASIDE. TCEQ agrees to engage in such activities for which the State may use the amounts identified in Table 1.1 of Appendix A of the 15% set-aside funds of the capitalization grant pursuant to 42 U.S.C. 300j-12(k)(2) for local assistance and other State programs. TCEQ agrees to perform or subcontract to perform the tasks identified in the Local Assistance and Other State Programs Set-Aside Work Plan (LA Work Plan), including all changes or amendments thereto, on a first-in, first-out (FIFO) basis. The LA Work Plan for each SFY of the Contract is incorporated into this Contract by reference.

TCEQ agrees to perform or subcontract to perform the tasks identified in the LA Work Plan, including the following:

A. Provide financial, managerial, and technical assistance to any public water system as part of a capacity development strategy as authorized by 42 U.S.C. 300j-12(k)(2)(C);

B. Upon request of the TWDB, provide financial, managerial, and technical assessment, furnishing the TWDB with a report on DWSRF applicants within forty-five (45) to sixty (60) calendar days from receipt of the TWDB request, and expeditiously provide a similar assessment and report on projects designated as emergency by TWDB;

C. Complete source water protection activities to assist in the implementation of programs designed to provide source water protection and wellhead protection within the State;

D. Coordinate with TWDB to effect sharing of electronic data no less than quarterly, but no more than monthly;

E. Provide regulatory oversight of water conservation and reclamation districts and promote regional water strategies;

F. Enhance the Capacity Development Strategy requirement of the SDWA through extended outreach by 1) sharing written materials, as provided by TWDB, relating to financial assistance and eligibility requirements with potential DWSRF applicants, and 2) providing DWSRF application assistance to potential applicants through third-party entities or contractors;

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G. Increase coordination of information and outreach activities with TWDB in an effort to reduce compliance violations and ensure safe drinking water for the citizens of the State, including early identification of systems repeatedly non-compliant with SDWA provisions; and

H. Make records of work performed as identified in the LA Work Plan available to TWDB upon request.

2.1.4. BIL EMERGING CONTAMINANTS SET-ASIDE.
TCEQ agrees to engage in activities for which the State can use the amounts identified in Table 1.1 of Appendix A from the BIL DWRSF Emerging Contaminants set-aside for activities relating to addressing emerging contaminants pursuant to 42 U.S.C. 300j-12(k), 300j-12(a)(2)(G), and the IIJA, Public Law 117-58, by performing or subcontracting to perform the tasks identified in the Drinking Water Emerging Contaminants State Program Management Ten Percent Set-Aside Activities Work Plan for BIL funding for each SFY of the Contract, including all changes or amendments (EC Work Plans). The EC Work Plans are incorporated into this Contract by reference.

2.2. SUBCONTRACT AUTHORITY. TCEQ may perform all, or any portion of the Set-Aside Activities identified in Sections 2.1.1, 2.1.2, or 2.1.3 by subcontracting with other entities. If TCEQ subcontracts any such responsibility, TCEQ agrees to comply with the requirements of this Section.

2.2.1. SUBCONTRACT PROVISIONS. TCEQ will include in all subcontracts any provisions required by federal or state law or regulations.

2.2.2. SUBCONTRACT COPIES. Upon written request, TCEQ will provide TWDB with copies of all executed contracts, contract amendments, and contract deliverables related to all, or any portion of the Set-Aside Activities discussed in this Contract.

2.2.3. SUBCONTRACT RESPONSIBILITY. TCEQ is solely responsible for the performance of all terms and conditions of any subcontracts executed to perform the terms of this Contract, including, but not limited to, all payments made to all subcontractors.

2.3. PROCUREMENT AND DISADVANTAGED BUSINESS ENTERPRISE REQUIREMENTS. TCEQ will select the contractor pursuant to State procurement laws, 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and 2 CFR Chapter XV- Environmental Protection Agency rules. Further, in compliance with 42 U.S.C. 4370d and 40 CFR Part 33, TCEQ will assist the State in administering Disadvantaged Business Enterprise (DBE) requirements.

2.3.1. GOOD FAITH EFFORT. Pursuant to 40 CFR 33.301, TCEQ agrees to make the following good faith effort in offering fair opportunity for participation when procuring contracts for construction, supplies, equipment, and services including engineering, contracting, legal, and fiscal services.

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A. A good faith effort by TCEQ includes, but is not limited to, the following actions:

1. Including qualified DBEs on solicitation lists;

2. Assuring that DBEs are solicited whenever they are potential sources;

3. Dividing total requirements, when economically feasible, into small tasks or quantities to permit maximum participation of DBEs;

4. Establishing delivery schedules, where requirements of the work permit, that will encourage participation by DBEs;

5. Using services and assistance of the Minority Business Development Agency of the Small Business Administration of the United States Department of Commerce, as appropriate; and

6. If any consultant or contractor awards sub-agreements, requiring them to take affirmative steps required in sub-paragraphs (1-5) herein.

B. TCEQ agrees to maintain documentation establishing its good faith efforts to meet the State's DBE requirements for inspection by TWDB upon request.

2.3.2. DBE REPORT COORDINATION. TCEQ agrees to provide DBE report data to TWDB for each FFY of the Contract, October 1 through September 30, no later than twenty (20) calendar days after completion of the FFY ending September 30. If the date for submission of the DBE report data falls on a Saturday, Sunday, legal holiday, or a day on which state agencies within the State of Texas are authorized to be closed, then the date for providing the DBE report data will be the next working day. TWDB is not responsible for incomplete data provided by TCEQ. Revisions, inquiries, and special requests regarding TCEQ's subcontracting utilization data must be coordinated and resolved by TCEQ.

2.3.3. CONTRACT ADMINISTRATION PROVISIONS AND BIDDERS LIST. TCEQ agrees to comply with the contract administration provisions of 40 CFR 33.302, and agrees to require subcontractors to comply with provisions of 40 CFR 33.302 and 40 CFR 33.501(b) and (c) if the subcontractor is subject to or follows the competitive bidding requirements.

2.4. REPORTING REQUIREMENTS. TCEQ agrees to provide TWDB an annual SFY Set-Aside Report (Report) of funds expended during the prior SFY no later than November 15th of each year. The Report must include the information as follows:

2.4.1. ANNUAL SET-ASIDE REPORT. For each Program Element identified in the Set-Aside Work Plans:

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A. The amounts of funds expended for each Program Element identified in each Set-Aside Work Plan for all invoices paid by TCEQ during the SFY.

B. A description of the completed projects identified within each Set-Aside Work Plan. For incomplete project deliverables, the report will provide the degree of accomplishment for each project deliverable associated with a task identified in the Work Plans;

C. A narrative explanation for deviations from either completed or incomplete deliverables identified in the Set-Aside Work Plans; and

D. A narrative identifying how the goal for the Program Element was achieved.

2.4.2 FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT. Pursuant to the Federal Funding Accountability and Transparency Act (FFATA) of 2006, Pub. L. 109-282, and associated 2008 amendments, Pub. L. 110-252, TCEQ is required to assist TWDB in capturing and reporting federal sub-award and executive compensation data regarding first-tier sub-awards, including sub-contracts. TCEQ agrees to submit all required data to TWDB no later than twenty (20) calendar days following the month the sub-award or sub-contract has been made. TWDB will utilize the data submitted by TCEQ to comply with reporting requirements under FFATA.

2.5. RATES. All releases, fringe and indirect rates that are applicable to the contract apply to the start of the SFY.

2.6. WORK PLAN AMENDMENT. The Parties understand and agree that the Work Plans are subject to change during the course of the fiscal year. At any time should the Work Plans change:

A. TCEQ will provide final approved or amended Work Plans and approved or amended budgets to TWDB in electronic format.

B. Amended Work Plans will be incorporated into this Contract as though they are documents revised under the terms of Section 4.4.

ARTICLE III. TWDB RESPONSIBILITIES.

In consideration of the performance of the responsibilities of TCEQ set forth in this Contract, TWDB agrees as follows:

3.0 REIMBURSEMENT OF EXPENSES GENERALLY

The TWDB will provide to TCEQ an amount not to exceed the amounts identified in Table 1.1 of Appendix A, further described below, plus any remaining funds designated as unliquidated obligations. In addition, TWDB is under no obligation to pay TCEQ until it has received the available capitalization grant funds from the EPA. TCEQ may perform additional projects using the fund balance of prior years, including the Base, BIL (GS and EC), and SSTA amounts, provided these expenses do not exceed the set-aside balances. If additional projects are to be

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added to the SPM, SSTA, EC or LA Set-Aside Work Plans, TCEQ agrees to provide TWDB with an updated budget if additional projects are to be added to any Set-Aside Work Plans.

3.1. REIMBURSEMENT OF EXPENSES FOR STATE PROGRAM MANAGEMENT. For performing the tasks identified in the SPM Set-Aside Work Plans, TWDB agrees to provide to TCEQ an amount not to exceed the SPM Set-Aside Work Plans' budget for actual expenses incurred by TCEQ in performing the tasks identified in the SPM Work Plans, according to the terms of this Contract. These expenses must not exceed the 10% State Program Management set-aside of the Base, and the amount identified in Table 1.1 of Appendix A of the capitalization grant from supplemental appropriations for general activities from the BIL.

3.2. REIMBURSEMENT OF EXPENSES FOR SMALL SYSTEMS TECHNICAL ASSISTANCE. For performing the tasks identified in the SSTA Set-Aside Work Plan, TWDB agrees to provide to TCEQ an amount not to exceed the SSTA Set-Aside Work Plan budget for actual expenses incurred by TCEQ in performing the tasks identified in the SSTA Work Plan, according to the terms of this Contract. These expenses must not exceed the 2% SSTA set-aside of the Base annual appropriations.

3.3 REIMBURSEMENT OF EXPENSES FOR LOCAL ASSISTANCE AND OTHER STATE PROGRAMS. For performing the tasks identified in the LA Set-Aside Work Plan, TWDB agrees to provide to TCEQ an amount not to exceed the LA Set-Aside Work Plan budget for actual expenses incurred by TCEQ in performing the tasks identified in the LA Set-Aside Work Plan, according to the terms of this Contract.

3.4 REIMBURSEMENT OF EXPENSES FOR BIL DRINKING WATER EMERGING CONTAMINANTS. For performing the tasks identified in the Drinking Water State Revolving Fund Emerging Contaminants Ten Percent Set-Aside Activities Work Plan, TWDB agrees to provide TCEQ an amount not to exceed the EC Work Plan budget for actual expenses incurred by TCEQ in performing the tasks identified in the EC Work Plan, according to the terms of this Contract.

3.5. CONDITIONS FOR RELEASE OF FUNDS. TWDB will not release any funds for the Set-Aside Activities to TCEQ until the following conditions have been met:

> **3.5.1. REQUEST FOR REIMBURSEMENT SUBMISSION.** A request for reimbursement must be submitted to TWDB for work performed each month of the Contract within forty-five (45) calendar days of the end of such month. If no expenses are incurred for a specific period and/or fiscal year Work Plan, TCEQ will submit a "$0" report in accordance with the above schedule. The request for reimbursement must be submitted on an Excel spreadsheet in a format agreed upon by both TCEQ and TWDB.
>
> **3.5.2. TWDB REVIEW OF REQUEST FOR REIMBURSEMENT.** TWDB agrees to promptly review each request for reimbursement submitted by TCEQ to ensure compliance with the requirements of this Contract. Upon written request of TWDB, TCEQ will timely submit, in writing, any additional information needed by TWDB to complete the review of the request for reimbursement. TWDB will prepare and deliver a

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transfer voucher to the Texas Safekeeping Trust Company for deposit with the Texas State Treasury within thirty (30) calendar days of receipt of an administratively complete request for reimbursement.

3.6. FUNDS AVAILABILITY. It is expressly understood and agreed by the Parties that performance on the part of TCEQ and TWDB of their respective responsibilities under this Contract is contingent upon actual availability and receipt of sufficient and adequate funds from the Texas Legislature, the United States Congress, the EPA, and any other sources contemplated by this Contract.

3.7. COMMUNICATION. This Contract establishes the understanding between TWDB and TCEQ to share information necessary for compliance with the EPA programmatic requirements of the DWSRF program in accordance with the Memorandum of Understanding. The parties agree to share programmatic changes in the federal administration of the capitalization grant through mutual participation in DWSRF coordination meetings conducted monthly at a mutually agreed time. The set-aside balances will be provided to TCEQ each month.

ARTICLE IV. GENERAL TERMS AND CONDITIONS.

4.1. TERM. This Contract will be effective September 1, 2024. Performance of this Contract by either Party will be for each applicable Intended Use Plan Year and will expire on August 31, 2025, unless terminated early by the Parties per Section 4.2 of this Contract. This Contract may be renewed for two one-year periods upon written amendment executed by TCEQ and TWDB. At the end of each SFY during the performance of this Contract, or in case of an early termination by either Party, TCEQ will have one hundred twenty (120) calendar days to liquidate its encumbrances for activities from September 1 to August 31 of the previous SFY.

4.2. TERMINATION. Should either TWDB or TCEQ desire to terminate this Contract, the Party requesting termination will give ninety (90) calendar days written notice of intent to terminate and advise the other Party in writing of the reasons.

4.3. SEVERANCE PROVISION. Should any one or more provisions of this Contract be held to be null, void, or for any reason without force or effect, such provision(s) will be construed as severable from the remainder of this Contract and will not affect the validity of all other provisions of this Contract, which will remain in full force and effect.

4.4. AMENDMENT. As the Parties to this Contract are agencies of the State, the Contract term may be amended as needed and is not subject to competitive procurement regulations. This Contract may be amended in writing at any time by mutual consent of TWDB and TCEQ through the officials indicated below or their designees. Any renewal amendment will identify the Contract Term and incorporate the subsequent SFY DWSRF Intended Use Plans and Set-Aside Work Plans.

4.5. CORRESPONDENCE. All correspondence between the Parties must be made to the following addresses:

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Texas Water Development Board
Marvin Cole-Chaney
Director, Program Administration & Reporting
P.O. Box 13231
Austin, Texas 78711-3231
(512) 463-8750
Marvin.cole-chaney@twdb.texas.gov

Texas Commission on Environmental Quality
Michele Risko
Deputy Director, Water Supply Division
Office of Water
P.O. Box 13087
Austin, Texas 78711-3087
(512) 239-1689
Michele.Risko@tceq.texas.gov

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TEXAS WATER DEVELOPMENT BOARD

kathleen ligon

Bryan McMath
Executive Administrator

Date: 1/24/2025

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

kelly keel

Kelly Keel
Executive Director

Date: 1/22/2025

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APPENDIX A

Appendix Table 1.1

Set Aside	FFY 2024 Base DWSRF Appropriation	FFY 2024 IIJA General Supplemental	FFY 2024 IIJA DW Emerging Contaminants
State Program Management (10%)	$3,715,700	$8,000,000	$790,551
Small Systems Technical Assistance (2%)	$743,140	$0	$0
Local Assistance and Other State Programs (15%)	$4,100,000	$0	$0
Total TCEQ Set-Aside amounts from FFY2024/SFY2025	**$8,558,840**	**$8,000,000**	**$790,551**

The Annual Appropriation represents the regular (Base) appropriations for the DWSRF program, pursuant to 42 U.S.C. 300j-12(g)(2) and 42 U.S.C. 300j-12(k)(2) of the SDWA. IIJA General Supplemental represents supplemental appropriations for general activities in the DWSRF program from the Infrastructure Investment and Jobs Act of 2021, Public Law 117-58 (IIJA) also referred to as the Bipartisan Infrastructure Law (BIL). IIJA DW Emerging Contaminants represents appropriations DWSRF general activities for emerging contaminants from the BIL Emerging Contaminants 10% Set-Aside.

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ATTACHMENT 2

STATE OF TEXAS

DRINKING WATER STATE REVOLVING FUND PROGRAM SET-ASIDE ACTIVITIES CONTRACT

TRAVIS COUNTY

TEXAS WATER DEVELOPMENT BOARD
and
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AMENDMENT NO. 1

The Drinking Water State Revolving Fund Program Set-Aside Activities Contract (Contract) made and entered on January 24, 2025, is hereby amended as follows:

1. Section 4.1 is amended to read as follows:

   a. **4.1. TERM.** This Contract will be effective September 1, 2024. Performance of this Contract by either Party will be for each applicable Intended Use Plan Year and will expire on August 31, 2026, unless terminated early by the Parties per Section 4.2 of this Contract. This Contract may be renewed for an additional one-year period upon written amendment executed by TCEQ and TWDB. At the end of each SFY during the performance of this Contract, or in case of an early termination by either Party, TCEQ will have one hundred twenty (120) calendar days to liquidate its encumbrances for activities from September 1 to August 31 of the previous SFY.

2. Appendix A of the Contract is replaced by the attached updated Appendix A reflecting FFY2024 and FFY2025.

All other terms and conditions of the Drinking Water State Revolving Fund Program Set-Aside Activities Contract remain in effect.

IN WITNESS WHEREOF the parties hereto cause this Amendment to be duly executed.

TEXAS WATER DEVELOPMENT BOARD

By: _____
Bryan McMath
Executive Administrator

Date: 11/7/2025

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

By: Kelly Keel
Kelly Keel
Executive Director

Date: 11/6/2025

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APPENDIX A

Appendix Table 1.1

Set Aside	FFY 2024 Base DWSRF Appropriation	FFY 2024 IIJA General Supplemental	FFY 2024 IIJA DW Emerging Contaminants
State Program Management (10%)	$3,715,700	$8,000,000	$790,551
Small Systems Technical Assistance (2%)	$743,140	$0	$0
Local Assistance and Other State Programs (15%)	$4,100,000	$0	$0
TCEQ Set-Aside amounts from FFY2024/SFY2025	**$8,558,840**	**$8,000,000**	**$790,551**
Set Aside	**FFY 2025 Base DWSRF Appropriation**	**FFY 2025 IIJA General Supplemental**	**FFY 2025 IIJA DW Emerging Contaminants**
State Program Management (10%)	$8,695,100	$11,500,000	$2,849,400
Small Systems Technical Assistance (2%)	$1,739,020	$0	$0
Local Assistance and Other State Programs (15%)	$4,100,000	$0	$0
TCEQ Set-Aside amounts from FFY2025/SFY2026	**$14,534,120**	**$11,500,000**	**$2,849,400**
Total TCEQ Set-Aside amounts	**$23,092,960**	**$19,500,000**	**$3,639,951**

- The Annual Appropriation represents the regular (Base) appropriations for the DWSRF program, pursuant to 42 U.S.C. 300j-12(g)(2) and 42 U.S.C. 300j-12(k)(2) of the SDWA. IIJA General Supplemental represents supplemental appropriations for general activities in the DWSRF program from the Infrastructure Investment and Jobs Act of 2021, Public Law 117-58 (IIJA) also referred to as the Bipartisan Infrastructure Law (BIL). IIJA DW Emerging Contaminants represents appropriations DWSRF general activities for emerging contaminants from the BIL Emerging Contaminants 10% Set-Aside.

ATTACHMENT 3

STATE OF TEXAS

TRAVIS COUNTY

TWDB CONTRACT NO. 2521902915
TEXAS WATER DEVELOPMENT BOARD
AND
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

AMENDMENT NO. 2

This Contract, made and entered into on January 24, 2025, and previously amended on November 07, 2025, is now hereby amended as follows:

1. Article 2.3 PROCUREMENT AND DISADVANTAGED BUSINESS ENTERPRISE REQUIREMENTS, is deleted in its entirety.

2. Section 4.1 is amended to read:

    a. **4.1. TERM.** This Contract will be effective September 1, 2024. Performance of this Contract by either Party will be for each applicable Intended Use Plan Year and will expire on August 31, 2027, unless terminated early by the Parties per Section 4.2 of this Contract. This Contract may be renewed for an additional one-year period upon written amendment executed by TCEQ and TWDB. At the end of each SFY during the performance of this Contract, or in case of an early termination by either Party, TCEQ will have one hundred twenty (120) calendar days to liquidate its encumbrances for activities from September 1 to August 31 of the previous SFY.

2. Appendix A of the Contract is replaced with the Second Amended Appendix A, attached, reflecting FFY2024/SFY2025, FFY2025/SFY2026, and FFY2026/SFY2027.

All other terms and conditions of the Drinking Water State Revolving Fund Program Set-Aside Activities Contract remain in effect.

IN WITNESS WHEREOF the parties hereto cause this Amendment to be duly executed.

TEXAS WATER DEVELOPMENT BOARD

By: _____

Bryan McMath
Executive Administrator

Date: _____

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

By: _____

Kelly Keel
Executive Director

Date: _____

SECOND AMENDED APPENDIX A

Appendix Table 1.1

Set Aside	FFY 2024 Base DWSRF Appropriation	FFY 2024 IIJA General Supplemental	FFY 2024 IIJA DW Emerging Contaminants
State Program Management (10%)	$3,715,700	$8,000,000	$790,551
Small Systems Technical Assistance (2%)	$743,140	$0	$0
Local Assistance and Other State Programs (15%)	$4,100,000	$0	$0
TCEQ Set-Aside amounts from FFY2024/SFY2025	**$8,558,840**	**$8,000,000**	**$790,551**
Set Aside	**FFY 2025 Base DWSRF Appropriation**	**FFY 2025 IIJA General Supplemental**	**FFY 2025 IIJA DW Emerging Contaminants**
State Program Management (10%)	$8,695,100	$11,500,000	$2,849,400
Small Systems Technical Assistance (2%)	$1,739,020	$0	$0
Local Assistance and Other State Programs (15%)	$4,100,000	$0	$0
TCEQ Set-Aside amounts from FFY2025/SFY2026	**$14,534,120**	**$11,500,000**	**$2,849,400**
Set Aside	**FFY 2026 Base DWSRF Appropriation**	**FFY 2026 IIJA General Supplemental**	**FFY 2026 IIJA DW Emerging Contaminants**
State Program Management (10%)	$3,063,300	$19,842,800	$2,000,000
Small Systems Technical Assistance (2%)	$612,660	$0	$0
Local Assistance and Other State Programs (15%)	$4,100,000	$0	$0
TCEQ Set-Aside amounts from FFY2026/SFY2027	**$7,775,960**	**$19,842,800**	**$2,000,000**
Total TCEQ Set-Aside amounts	**$30,868,920**	**$39,342,800**	**$5,639,951**

The Annual Appropriation represents the regular (Base) appropriations for the DWSRF program, pursuant to 42 U.S.C. 300j-12(g)(2) and 42 U.S.C. 300j-12(k)(2) of the SDWA. IIJA General Supplemental represents supplemental appropriations for general activities in the DWSRF program from the Infrastructure Investment and Jobs Act of 2021, Public Law 117-58 (IIJA) also referred to as the Bipartisan Infrastructure Law (BIL). IIJA DW Emerging Contaminants represents appropriations DWSRF general activities for emerging contaminants from the BIL Emerging Contaminants 10% Set-Aside.