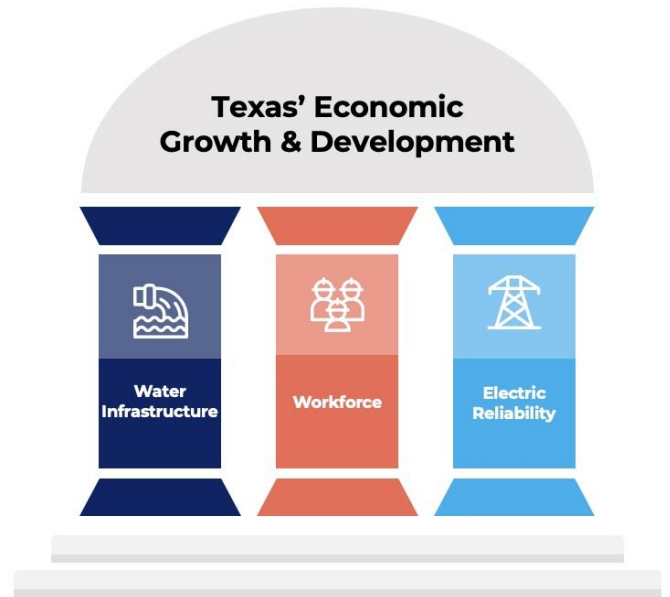


Assessing Texas' Water Infrastructure Needs

Water Infrastructure Investment Supports the Texas Economic Miracle

Reliable water infrastructure serves as one of the key pillars of the Texas Economic Miracle. The success of Texas' \$2.6 trillion economy, representing nearly 10% of US economic output, serves as testament to smart, forward-thinking investments in water infrastructure. Reliable, consistent state investment in water infrastructure protects Texas' Economic Miracle while establishing a strong foundation for continued growth, development, and prosperity.



Key Recommendations

The 89th Texas Legislature has a historic opportunity to set the state on a path towards fixing its long-term water infrastructure challenges. These recommendations build on the state's recent history of strategic infrastructure investments, forward-looking water policies, and a robust, innovative water industry.

1

Establish a dedicated funding stream for the Texas Water Fund.

2

Recapitalize the Texas Water Fund with a \$5 billion interim endowment.

3

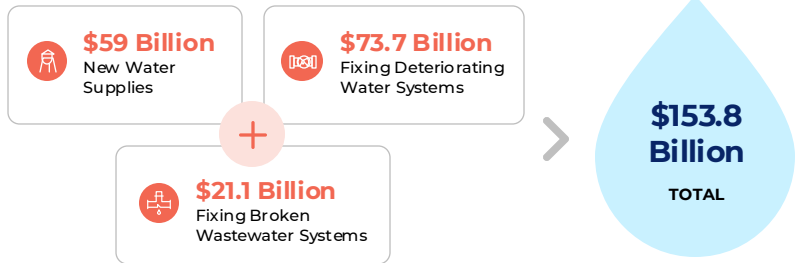
Establish enhanced legislative oversight and transparency to assess Texas' progress towards fixing its water infrastructure challenges.

WATER INFRASTRUCTURE FUNDING CHALLENGES

Texas must invest at least \$154 billion in water infrastructure

Texas will need to invest at least \$154 billion over the next 50 years on new water supplies and infrastructure upgrades. This estimate includes the projected state financial assistance needs in the State Water Plan and recent EPA estimates for fixing deteriorating drinking water and wastewater systems.

Texas' 50-Year Water Infrastructure Financial Assistance Needs



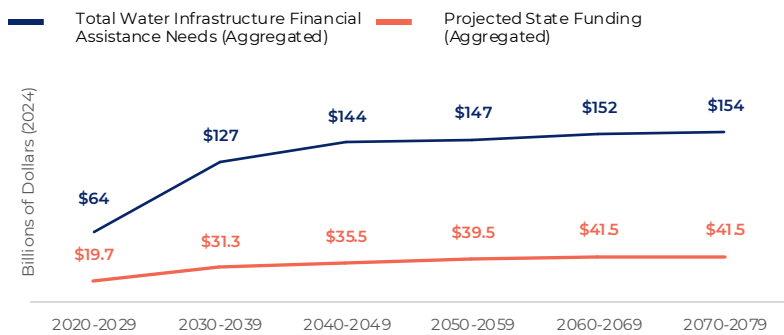
Sources: 2022 Texas State Water Plan, US EPA Cost estimates reflect 2024 values.

Our water infrastructure funding gap equals at least \$112 billion over the next 50 years

The state's projected financial assistance effort for water infrastructure projects falls beneath the funding required. Between now and the 2070s, Texas faces a \$112 billion funding shortfall based on current cost estimates.

Texas' Water Infrastructure Funding Gap (2020-2079)

Based on Existing Inflation Adjusted Cost Estimates and Projected Funding Efforts



Texas voters support strategic infrastructure investments

Texans strongly support state propositions to improve and enhance infrastructure. In recent state constitutional amendment election, voters approved propositions for water, flood, and transportation infrastructure investments with overwhelming support.



Supported creating the **Texas Water Fund.** (2023)



Supported **flood control infrastructure investments.** (2019)

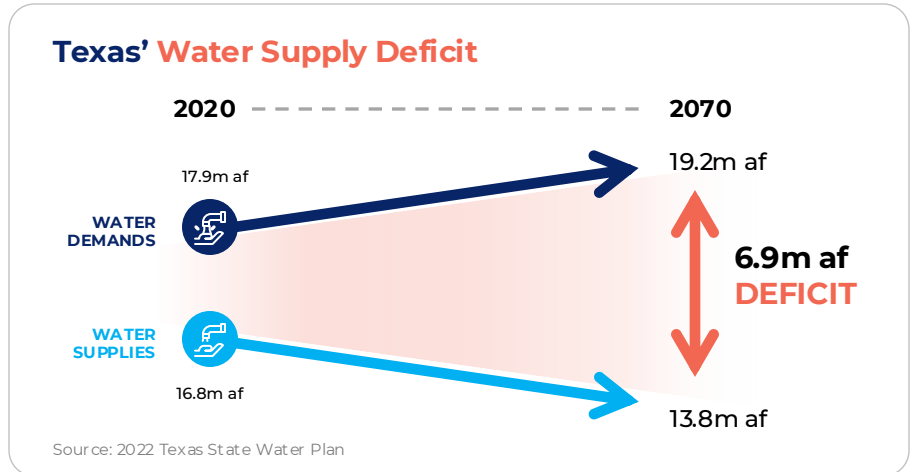


Supported dedicated **funding for roads and highways.** (2015)

TEXAS' LONG-TERM WATER INFRASTRUCTURE CHALLENGES

Texas faces a long-term water supply deficit

According to the 2022 State Water Plan, increasing water demands coupled with decreasing available water supplies creates the potential for a long-term water supply deficit if Texas fails to develop needed water supplies before it is affected by a repeat of a drought of record.



Aging, deteriorating water infrastructure threatens reliability

Texas' water systems are aging and deteriorating, with many operating past their useful life. Service interruptions, boil water notices, and poor water quality are estimated to cost Texas' economy nearly \$320 billion by 2039.

<p>STATE INFRASTRUCTURE GRADES</p> <ul style="list-style-type: none"> C- Water Infrastructure D Wastewater Infrastructure <p>Source: American Society of Civil Engineers</p>	<p>PIPE LEAKS</p> <p>572,000 Acre feet</p> <p>of water lost annually due to leaky pipes across Texas.</p> <p>Source: Texas Living Waters Project</p>	<p>BOIL WATER NOTICES</p> <p>2,200 Average</p> <p>Boil water notices per year since 2018.</p> <p>Source: Texas Commission on Environmental Quality</p>
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Inadequate water infrastructure risks severe economic consequences and threatens electric reliability

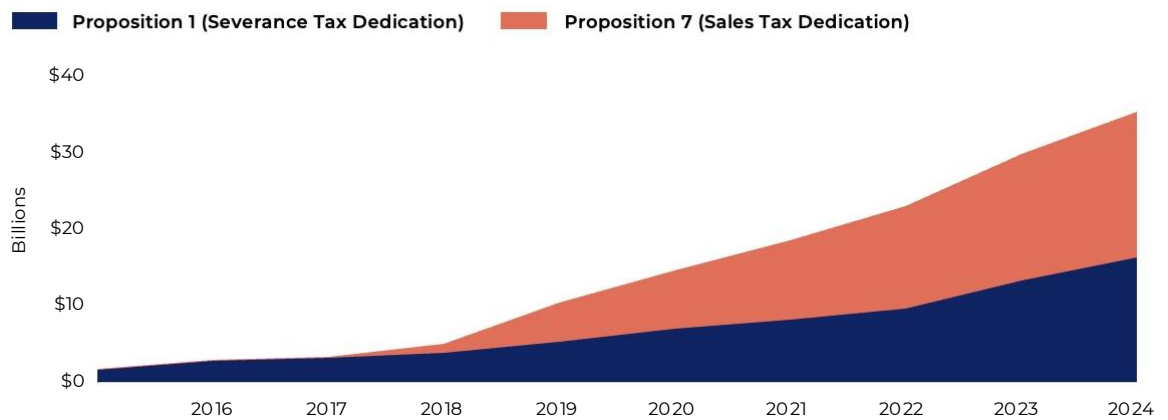
Water shortages during a repeat of a drought of record could incur economic losses worse than those observed during the Great Recession and COVID pandemic. In addition, drought-induced water shortages could imperil the reliability of Texas' electric grid. Texas' thermal electricity generating fleet, which includes natural gas, nuclear, and coal-fired plants, relies on stable water resources in order to operate.

<p>ELECTRIC GRID IMPACTS</p> <p>25% Of summertime thermal generation capacity</p> <p>at risk of interruption if extended drought conditions lowered water supplies.</p> <p>Source: 2023 ERCOT Drought Risk Analysis</p>	<p>HISTORIC GDP LOSSES</p> <p>Over 2X Worse GDP Losses</p> <p>than those during the great recession and COVID pandemic due to water shortages</p> <p>Source: Texas2036</p>
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DEDICATED FUNDING CAN SOLVE TEXAS' WATER INFRASTRUCTURE CHALLENGES

In 2014 and 2015, Texas voters approved dedicating state sales and severance tax revenues for transportation infrastructure. These revenue dedications have delivered over \$35 billion for transportation funding, and can be leveraged in coming decades to underwrite over \$100 billion in highway projects. Texas' transportation funding model offers proof of concept on how dedicated funding works to address long-term infrastructure challenges.

Total Transportation Funding from Propositions 1 & 7 (2015-2024)



WATER INFRASTRUCTURE INVESTMENT DELIVERS ECONOMIC & JOB GROWTH

Investment in reliable water infrastructure establishes a strong foundation for continued economic growth. Reliable water infrastructure supports both job growth and the expansion of economic activity across all regions of the state.



Each 100,000 acre-feet

in water supply supports up to \$30 billion in new economic activity.

To learn more about Texas' water infrastructure needs visit

www.Texas2036.org/water-future/

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