Strategic Investment in Texas:

Putting a One-Time Windfall to Work

Texas 2036's recommended approaches to investing Texas's $7.5 billion border-security reimbursement · November 2026

On September 18, 2026, the U.S. Department of Homeland Security approved a **$7.5 billion reimbursement** to Texas for border-security costs the state had already incurred through Operation Lone Star. The dollars come from the State Border Security Reinforcement Fund, the $10 billion program created by Section 90005 of the One Big Beautiful Bill Act to repay states for eligible border-security expenditures made since 2021. This reimbursement offsets roughly two-thirds of the more than $11 billion Texas has spent since launching Operation Lone Star.

Two features of this money should shape how the Legislature treats it. First, it is one-time, not recurring: the reimbursement repays spending that has already happened, so it will not refill on its own. Second, because it repays costs the state has already borne rather than arriving as a grant earmarked for a future purpose, it effectively gives the state an additional **$7.5 billion in available revenue** for budget writers, a one-time increment the Legislature can direct toward the state's priorities. How that latitude is ultimately exercised will depend in part on how state leadership reads the permissible uses. The guiding principle follows directly: one-time money belongs on one-time needs.

A one-time windfall calls for one-time investments

Texas rarely has the resources to solve major structural problems all at once. A $7.5 billion infusion creates that rare opportunity, but only if the state resists the temptation to build recurring obligations around dollars that will not come again. The same principles Texas 2036 urged for the 2021 federal-stimulus windfall apply here:

- **Target long-term solutions.** Pursue prudent, data-driven investments that benefit Texas for decades and reduce future costs.
- **Seek financial sustainability.** This is a temporary cash infusion, so the focus should be on one-time costs and expenses — or investments that generate future revenue or offset future state spending. It should not stand up programs the state would then have to sustain from General Revenue.
- **Coordinate to maximize impact.** Governments, agencies, and the private sector make the biggest difference working together, and several of the best uses pair state dollars with available federal match.

The best fits are capital projects, backlog and deferred-maintenance clearance, one-time deposits to dedicated state funds, and investments that retire or shrink future liabilities. The items below — each one supported by Texas 2036 this budget cycle — meet that test.

Recommended one-time uses

1. Secure Texas's water and flood future (TWDB)

~$1B+

as one-time deposits to the Texas Water Fund, the State Water Implementation Fund for Texas, and the Flood Infrastructure Fund.

Texas voters approved Proposition 4 in November 2025, dedicating up to $1 billion annually to the Texas Water Fund beginning September 1, 2027. A one-time deposit from the reimbursement would front-load the state's water infrastructure and flood-mitigation pipeline: capitalizing the Texas Water Fund, the long-running State Water Implementation Fund for Texas (SWIFT) program, and the Flood Infrastructure Fund (FIF) lets TWDB move projects into construction years earlier. Water and flood infrastructure are classic one-time investments that avoid larger future costs from water shortages and flood damage, and they leverage local and federal cost-sharing.

2. Modernize state data and IT systems (TWC, RRC, DFPS)

One-time IT capital

to rebuild legacy systems — cutting future maintenance costs and unlocking federal match.

Legacy IT is a recurring drain at state agencies that one-time dollars can fix. Three examples Texas 2036 has engaged on this cycle: (1) TWC's workforce-data modernization ($27.8 million All Funds; $2.85M GR-D; no new FTEs) to build Master Data Management, an Enterprise Data Warehouse, and a modern Talent Marketplace; (2) the Railroad Commission's Mainframe Transformation Phase V ($21.5 million in FY2028), the fifth and final phase of a multi-year effort to replace its legacy mainframe with cloud-based systems, improving permitting, compliance, and reporting; and (3) DFPS's replacement of the 1996-era IMPACT case management system with a modern, CCWIS-compliant platform (approximately $40 million in capital plus Exceptional Item 4(e) for 2028–29), much of it federally matched. These are examples of key one-time builds that reduce technical liabilities, improve service, and draw federal reimbursement.

3. Finish air conditioning in Texas prisons (TDCJ)

$1.5 billion

to install HVAC for ~75,000 un-air-conditioned beds across 45 TDCJ units by December 2029 (court-ordered).

Nearly 75,000 beds at 45 TDCJ facilities still lack climate control, exposing incarcerated Texans and correctional staff to extreme summer heat, a documented driver of violence, illness, staff turnover, and litigation. TDCJ estimated in March 2026 that completing HVAC installation would cost ~$1.5 billion over four fiscal years; a recent federal court order requires completion by December 31, 2029. The Legislature can fund TDCJ's Exceptional Item #4(a) ($298M in FY2028 for 15,742 beds) and appropriate the remaining estimated $1.2 billion to finish the job. Texas 2036 has already testified that this border-security reimbursement is a fitting method of finance: a one-time capital project of this scale that retires a persistent source of medical, turnover, and legal costs is exactly what a one-time windfall should fund.

4. Build out emergency-response infrastructure (TDEM)

$256 million

in one-time capital for four Regional Emergency Operations Centers and a district office (TDEM Exceptional Item 1).

TDEM's top exceptional item requests $256 million (FY2028, all General Revenue, no new FTEs) to build four new Regional Emergency Operations Centers (REOCs), roughly 105,000 square feet each, in the Panhandle, North Texas, East Texas, and the Central/West border region, plus a district office. Each REOC pairs climate-controlled command space with warehouse and staging capacity, training rooms, and responder lodging to pre-position supplies and sustain operations through wildfires, hurricanes, floods, and winter storms. The Central/West border center is explicitly border-focused as a unified command post for the Texas National Guard, the Department of Public Safety, and TDEM. As a one-time capital investment that expands statewide disaster-response surge capacity and response infrastructure, it improves Texas's resilience to extreme weather and other disasters.

5. Plug orphaned and high-priority wells (RRC)

$100M+

to clear the orphaned- and emergency-well plugging backlog.

The Railroad Commission's top exceptional item requests $100 million (FY2028) for an Emergency Well Plugging Program to address a growing number of emergency wells, a backlog of expensive high-priority wells, and rising per-well plugging costs. Plugging orphaned wells is a textbook one-time use: it protects water resources and retires a state liability that only grows and costs more the longer it is deferred.

The bottom line

These recommendations are illustrative, not exhaustive. Many are capital or backlog items that would otherwise compete for scarce General Revenue; others reduce future liabilities or draw federal match. All share one trait: they put a one-time dollar to work on a one-time need. Texas 2036 encourages the Legislature to prioritize structural, one-time investments that leave the state stronger and more financially sustainable long after this reimbursement is spent.

Sources: U.S. DHS / Gov. Abbott announcements (Sep 2026); 8 U.S.C. § 1716 (OBBBA § 90005); agency FY2028–29 LARs (TDCJ, TWDB, RRC, TDEM, TWC, DFPS). Figures are agency estimates/requests.