Proposition 6: 
Creation of Funds to Assist in Priority Projects in the State Water Plan

Proposition 6 will appear on the November 5, 2013 Ballot as: "The constitutional amendment providing for the creation of the State Water Implementation Fund for Texas (SWIFT) and the State Water Implementation Revenue Fund for Texas to assist in the financing of priority projects in the state water plan to ensure the availability of adequate water resources."

What is the source of funds?

If voters approve Proposition 6, the legislature has also authorized a one-time, $2 billion transfer from the Economic Stabilization Fund (ESF, also known as the “Rainy Day Fund”) to the SWIFT. After the initial $2 billion from the Rainy Day Fund is put into SWIFT, the fund is designed to be a revolving fund; as loans are repaid, funds will be made available to finance new loans.

ESF is funded by oil and natural gas tax revenues over 1987 levels. Each year the difference between taxes collected and those collected in 1987 is divided; 25% goes to the General Fund and 75% goes to the ESF (Rainy Day Fund).

For reference, according to the Texas State Comptroller’s Office Annual Financial Report for the Year Ending August 31, 2012, the ESF, with net incoming transfers of $1.1 billion from the general revenue fund, had a cash balance of $6.1 billion. The Texas Water Development Board total budget (including operations, loan assistance programs and other program funds for FY 2012 was $38,437,079, down from $58,108,896 in 2011 (Texas State Comptroller’s Office, 2012).

How will the money be used?

If voters approve Proposition 6, the SWIFT will be used to support priority projects for the State Water Plan. The fund will be overseen by the Texas Water Development Board, responsible for developing the State Water Plan.

The State Water Plan is based upon 16 regional water plans addressing municipal, irrigation, manufacturing, livestock, mining, and steam-electric power water needs on a 5-year repeating cycle. Regional plans are developed by local (regional) water planning groups, with representatives from all these major water user groups (Texas Water Development Board, 2013).

SWIFT funds may be used for low-interest loans; credit enhancement agreements; deferral of interest obligations; and funding for government entities that develop and manage water supplies. Examples include loans to local governments for water supply projects or water quality projects (wastewater treatment, municipal solid waste management and nonpoint source pollution control); flood control projects; and agricultural water conservation projects. Ten percent of the funds must be used for "rural political subdivisions and agricultural water conservation", and 20 percent must be used to support “general water conservation and reuse”.

Compiled by Dana Porter, Ph.D., P.E., Associate Professor and Extension Agricultural Engineering Specialist – Irrigation and Water Management, Texas A&M AgriLife Research and Extension Service, Department of Biological and Agricultural Engineering, Texas A&M University.

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**Comments by Supporters:**

“Ensuring an adequate water supply is vital to the public health and continued economic well-being of the state. The current ongoing drought, coupled with the water needs of the state’s growing population, has raised the specter of critical shortages in the state’s water supply, making it of paramount importance that the state invest in water infrastructure to ensure Texas’ continued prosperity. If the state’s growing water needs are not addressed, the state stands to suffer from the loss of over a million jobs, billions of dollars in lost income, reduced economic activity, and decreased tax revenues in the coming years.

The proposed amendment establishes the State Water Implementation Fund for Texas and the State Water Implementation Revenue Fund for Texas, which are to be capitalized by a one-time appropriation of $2 billion from the economic stabilization fund, for the purpose of financing water projects included in the state water plan. Using money from the economic stabilization fund for water infrastructure is an appropriate use of the fund, which was created as a savings account from which the legislature can appropriate funds as necessary to respond to emergencies such as the current drought, and will provide a better return on investment than if the money were left in the fund. Such a use of money from the fund will neither harm the state’s credit rating nor hinder the state’s ability to respond to an emergency.”

**Comments by Opponents:**

“The economic stabilization fund should not be used to capitalize the two funds to be created by the proposed amendment. Instead, such funding should come from the general revenue fund. Drawing down funds from the economic stabilization fund to capitalize the two funds may negatively affect the state’s credit rating and leave the state inadequately equipped to respond to future emergencies.

Furthermore, constitutionally dedicating the money used to capitalize the funds is merely an accounting gimmick designed to enable the legislature to avoid the constitutional limit on spending of undedicated state revenue.

These two new funds are unnecessary, as there already are two constitutionally dedicated water development funds as well as several financial assistance programs for water infrastructure administered by the Texas Water Development Board. Through the two new funds, the state would act like an investment bank, and it is not the state’s role to be in the commercial investment banking business. Financing for local water projects should be provided not by the state but by the users benefitting from those projects. Instead of funding new projects and initiatives, the state should ease regulatory burdens that currently hinder the development of an adequate available water supply in the state.”

For More Information:


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