

EXECUTIVE SUMMARY OF SUNSET STAFF REPORT

Texas Water Development
Board

State Water Implementation
Fund for Texas Advisory
Committee

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Full Report Here
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Few other state agencies have experienced the changes and growth seen by the Texas Water Development Board (TWDB) in the years since its last Sunset review. TWDB now manages twice the number of contracts and over six times the number of active water infrastructure and conservation projects as compared to 2013. To meet the growing water needs of a state expected to double its population over the next 50 years, the Legislature has entrusted TWDB with millions of dollars for new financial assistance programs and overhauled its board. With this changing landscape in mind, the Sunset review found a generally well-run agency that has worked diligently and vigorously to fulfill its new responsibilities. Yet these changes have presented challenges for the agency and going forward TWDB must get back to the basics by ensuring it manages its financial assistance programs as effectively and efficiently as possible.

To manage its financial assistance programs as efficiently as possible, TWDB must get back to the basics.

The amount of money flowing through and activity happening at the agency is staggering — in fiscal year 2021, TWDB committed nearly \$1.8 billion to fund 253 projects. Since TWDB's last Sunset review in 2013, the Legislature passed and voters approved the creation of the State Water Implementation Fund for Texas (SWIFT) funded by a one-time, \$2 billion transfer from the Economic Stabilization Fund, also known as the Rainy Day Fund, to support water supply projects identified in the state water plan. The same legislation changed the board's structure from six at-large and part-time board members to three, full-time members, and created the SWIFT Advisory Committee to provide legislative guidance on the fund's operation, function, and structure. In 2019, in the wake of Hurricane Harvey's devastation, the Legislature again turned to TWDB, tasking it with administering Texas' first regional and state flood planning effort, modeled after the agency's successful water planning process. Similarly to SWIFT, the Legislature passed and voters approved a \$793 million transfer from the Economic Stabilization Fund to fund flood projects to better prepare Texas for the future.

Essentially, TWDB is a large infrastructure bank, providing loans and grants for water supply, water and wastewater treatment, flood control, and agricultural

water conservation projects. The agency is generally successful at getting dollars out the door for projects, but the significant increase in responsibilities combined with stagnant staffing levels and outdated technology have challenged TWDB's ability to efficiently administer this key function. While delays in TWDB's project review process have been exacerbated by the COVID-19 pandemic and ongoing supply chain instability, the review found the agency could have done more to proactively address deficiencies in its internal processes. To that end, the review focused on addressing statutory limitations and ensuring TWDB implements existing suggestions and new recommendations in this staff report to improve the efficiency of its process and prevent it from contributing to increased project delays and costs.

To encourage more potential customers to take advantage of funding opportunities, TWDB staff and board members perform workshops, webinars, and technical assistance to get the word out and increase awareness. While important, TWDB has yet to fully realize the potential of these activities by not sufficiently collecting and analyzing data to better inform potential programmatic changes and to best serve Texas communities. Having a more comprehensive and holistic effort toward developing and coordinating outreach activities would benefit TWDB as it continues to work to meet the needs of current and future customers.

Finally, this staff report does not address continuation of the agency because TWDB is constitutionally created and not subject to abolishment under the Sunset Act. However, the SWIFT Advisory Committee is subject to abolishment and the review found the committee is no longer necessary. The committee initially provided valuable oversight and suggestions, but with SWIFT now a mature program, the committee has stopped contributing formal, written recommendations and its annual meetings are relatively routine. Sunset staff found other existing reporting and oversight mechanisms provide sufficient opportunities for the Legislature to continue to guide this important program.

The following material summarizes Sunset staff recommendations on the Texas Water Development Board, and the State Water Implementation Fund for Texas Advisory Committee.

Sunset Issues and Recommendations

ISSUE 1

TWDB's Inefficient Review Process Contributes to Project Delays and Increased Costs.

TWDB's project review process ensures projects comply with state and federal requirements. The number of new projects TWDB reviews and manages has grown exponentially and outpaced the number of staff it has assigned to this area. As such, TWDB struggles to identify and rein in review delays that ultimately contribute to increasing project costs. The Sunset review identified several concerns related to the project review process, and recommendations would increase efficiency of a key function that must be addressed for the agency to best allocate its limited resources and continue to effectively serve as a large infrastructure bank.

Key Recommendations

- Require TWDB to develop, collect, and analyze performance metrics and establish goals for evaluating its project review process.

- Authorize TWDB to implement a risk-based approach to project review.
- Direct TWDB to develop a plan to prioritize improving its project review process to eliminate inefficiencies and inconsistencies.

ISSUE 2

A More Strategic, Comprehensive Evaluation of Programs and Outreach Efforts Would Benefit TWDB and Entities Eligible for Financial Assistance.

TWDB does not collect and analyze comprehensive information about participation in its financial assistance programs and its outreach efforts, limiting the agency's ability to best serve communities and meet legislative goals. Specifically, the agency does not have a clear idea of what types of entities and projects are and are not applying for and receiving funding and why that is the case. Evaluating how well its financial assistance programs and outreach efforts meet applicant's and potential applicant's needs would allow TWDB to make or recommend adjustments to its programs, communication, technical assistance, application, and funding processes.

Key Recommendations

- Direct TWDB to collect and analyze information about its financial assistance applicants and outreach efforts to better inform and more effectively target agency activities.
- Direct TWDB to develop a coordinated outreach plan to more efficiently promote agency programs, improve operations, and ensure its outreach efforts meet entities' needs and expectations.

ISSUE 3

TWDB's Outdated Statute and Policies Should Be Updated to Eliminate an Unnecessary Advisory Committee and Reflect Some Standard Elements of Sunset Reviews.

While the SWIFT Advisory Committee initially provided significant guidance and feedback on the program's implementation, Sunset staff determined the committee is no longer necessary for TWDB to successfully administer the program. Additionally, Sunset reviews evaluate a number of standard elements in an agency's statute and management practices, including assessing an agency's reporting requirements and rulemaking. Sunset staff identified several needed changes to TWDB's statute and management practices based on these standard elements that would enhance the agency's effectiveness, efficiency, transparency, and accountability.

Key Recommendations

- Abolish the SWIFT Advisory Committee.
- Abolish TWDB's reports on the Water Loan Assistance Program, Water Bond Insurance Program, and Storage Acquisition Fund, and continue all other reporting requirements.

Fiscal Implication Summary

Overall, these recommendations could be implemented with existing resources and would have no fiscal impact to the state. Some recommendations in the report would require staff time to complete, but should improve internal operations and efficiency in the long term.