TEXAS BUSINESS LEADERSHIP COUNCIL

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PUBLIC POLICY FOR A MORE GLOBALLY COMPETITIVE TEXAS

# SECURING TEXAS' WATER FUTURE: WHY PROPOSITION 4 MATTERS

## EXECUTIVE SUMMARY

### The Challenge: Escalating Infrastructure Needs and Population Growth

- Texas' population is projected to grow **53% by 2080** — from 34.2M to 52.3M.
- The state already faces **$200 billion in unmet water needs**.
- Without action, Texas could **lose $153 billion in GDP annually** and **1.4 million jobs by 2070**.
- Aging infrastructure and underfunded repairs drive water loss, higher costs, and reduced reliability.

### The Solution: Proposition 4, a Smart Investment for Texas Business

On **November 4, 2025**, Texans will vote on Proposition 4, which would:

- Invest a portion of **state sales and use tax revenue** in the **Texas Water Fund for water infrastructure projects**.
- Provide a predictable, reliable **$1 billion annual investment** in the Texas Water Fund (beginning FY 2028).
- Support statewide water, wastewater, and flood projects — ensuring both urban and rural communities have access to reliable water.

What the Texas Water Fund does:

- Funds **new water supply projects** such as desalination, reuse, aquifer storage and recovery, and reservoirs.
- Repairs and upgrades **aging water and wastewater infrastructure**.
- Provides **low-cost financing** for rural and small communities.
- Supports **water conservation**, **public awareness**, and **loss mitigation**.

### Why It Matters for Business

- **Protects competitiveness** by ensuring reliable water supplies for every sector of the economy.
- **Reduces risk** from droughts, floods, and infrastructure failures.
- **Leverages resources** by attracting private and federal investment.
- **Secures long-term growth**, jobs, and quality of life in Texas.

### Call to Action for Texas Business Leaders

- **Educate** your employees, customers, and communities.
- **Engage** with policymakers and civic groups.
- **Vote FOR Proposition 4 on November 4, 2025!**

## Proposition 4 is the water infrastructure equivalent of Texas' highway fund — a generational investment that ensures Texas remains competitive, prosperous, and resilient.

Texas stands at a pivotal moment. Our state's economic growth, global competitiveness, and quality of life all depend on a reliable supply of affordable water. Yet, our water supply is increasingly strained, and the infrastructure supporting it is aging. Without decisive action, our state faces over **$200 billion in unmet water needs by 2070**, leading to an estimated **$153 billion in annual economic losses** and the **potential loss of 1.4 million jobs**.

Proposition 4, which will be on the November 2025 ballot, represents a historic opportunity to safeguard Texas' future. By dedicating a stable, long-term revenue stream to the Texas Water Fund, Prop 4 ensures that communities across the state can finance critical water, wastewater, and flood projects. For business leaders, it is both a growth strategy and a risk management plan.

## The Challenge: Escalating Infrastructure Needs and Population Growth

Texas' water challenges are not distant forecasts — they are real and present. Texas faces more than $200 billion in unmet water needs (not accounting for future inflation) across supply, infrastructure, and maintenance. The 2022 State Water Plan, developed by regional water planning groups under the oversight of the Texas Water Development Board (TWDB), identifies $80 billion in capital costs for projects to develop new water supply over the coming decades.

Beyond supply, the burden of aging infrastructure looms large. The state water plan estimates another $80 billion is needed to repair aging infrastructure. Our water infrastructure, much of it built decades ago, is struggling to keep pace with growth. Leaky pipes, outdated treatment plants, and insufficient storage capacity mean billions of gallons of water are lost each year, imposing hidden costs on communities and businesses.

At the same time, Texas' population is projected to rise steeply. According to TWDB projections, the state is expected to grow from about **34.2 million in 2030 to 52.3 million by 2080** — a 53% increase. If demand grows accordingly, our water portfolio must expand in parallel — or risk persistent scarcity. Water shortages already cost Texans billions annually, and without sustained intervention, the impact will affect every sector of our economy. Businesses could face **higher operating costs**, **supply chain disruptions**, and **reduced competitiveness**. Communities may struggle to attract new investment or sustain growth.

## Economic Exposure: How Water Risk Translates to Business Risk

Water is not just a public utility issue — it is central to economic vitality. When water systems fail, costs ripple through supply chains, manufacturing, agriculture, real estate development, energy, and high-tech sectors. In the State Water Plan, a severe drought scenario projects **$153 billion in annual economic losses by 2070**, along with the risk of **1.4 million jobs lost** across various sectors.

Even outside of a catastrophic drought, the consequences of unreliable water are real:

- **Increased operating costs:** Utilities pass on higher rates to businesses to cover repairs, treatment upgrades, and compliance.
- **Service interruptions or restrictions:** Industries with large water footprints (data centers, manufacturing, food processing, agriculture) may face restrictions or must invest in redundancy systems.
- **Investor and site location risk:** Corporations evaluate water security when choosing expansion or relocation — water risk is increasingly factored into site selection.
- **Deferred development:** Communities with weak water infrastructure struggle to attract business or affordable housing, stalling regional growth.

Texas has a choice: secure water for the future or risk its position as the nation's economic leader.

## The Solution: Proposition 4 and the Texas Water Fund

Proposition 4 offers a solution that is visionary in scale yet practical in execution. It proposes a constitutional amendment to **dedicate up to $1 billion annually from existing state sales tax revenue** to the Texas Water Fund for the next 20 years. Beginning **September 1, 2028**, the first $1 billion of sales tax revenue exceeding $46.5 billion annually would be deposited into the fund. The language that will appear on the November ballot specifically states: ***"The constitutional amendment to dedicate a portion of the revenue derived from state sales and use taxes to the Texas water fund and to provide for the allocation and use of that revenue."***

Because the funding is structured to activate only when state sales tax collections exceed $46.5 billion, the measure **does not impose a new tax** — it simply dedicates existing revenue for water investments. Over 20 years, this will bring $20 billion in predictable capital to the Texas Water Fund. This will ensure a stable, long-term source of funds are available to the TWDB to finance water infrastructure projects statewide without being required to navigate the uncertainty of the appropriations process each legislative session.

The 88th Legislature took an important step through the passage of Senate Bill 28 (88R) by establishing the Texas Water Fund as a dedicated fund outside of the general revenue fund and charging the TWDB with administering the programs under it. Approved by voters in 2023 via Proposition 6 with a nearly 80% margin of victory, the Texas Water Fund serves as a master fund providing affordable financial assistance to address the varying water infrastructure needs across our diverse state.

If Proposition 4 on the upcoming ballot passes, it will bolster the Texas Water Fund by providing dedicated funding to support:

- Water, wastewater, and flood infrastructure projects.
- Rural and small-community projects that often lack financing capacity.
- Water conservation, loss mitigation, and public awareness programs.
- Innovative solutions like reuse, desalination (marine and brackish), aquifer storage and recovery, and reservoir development.
- Technical assistance for communities navigating project development.

Importantly, **at least half of the funds must be used to meet the state's long-term water supply needs**, ensuring strategic investment in the future. As of September 2025, the TWDB has committed more than $735 million in projects, including rural water systems and infrastructure rehabilitation. Starting in FY 2028 with the passage of Proposition 4, contingent upon sales tax performance, the Comptroller may transfer constitutionally dedicated funds to the Texas Water Fund, with the TWDB making financial assistance available beginning FY 2029.

In short, if passed, Proposition 4 builds a durable investment backbone for the state's water system. By guaranteeing constitutional dedication of funds, it helps communities and utilities plan long-term and helps business leaders invest with confidence in locations that have water security.

> **Access to reliable, clean water is foundational to a strong economy. Proposition 4 represents the kind of long-range planning and smart investment that Texas is known for—positioning our communities and businesses to thrive for generations to come.**
>
> Justin Yancy | President, Texas Business Leadership Council

### Why It Matters for Texas Business

For Texas businesses, the choice is clear:

- Without action, Texas risks scarcity, job loss, and diminished competitiveness.
- With Proposition 4, we can secure a sustainable water future that supports broad-based economic growth, strengthens communities, and protects our quality of life.

### Why Business Leaders Must Lead

Water infrastructure funding is more than a water policy — it is an **economic strategy** that supports critical components of growth. Texas' path forward is not guaranteed. We face a choice: either watch the water crisis undermine our growth or lean in now and secure the water backbone that sustains our economy. Business leaders are uniquely positioned — with credibility, reach, and interest — to drive that choice across their communities, their stakeholders, and the ballot box.

### Proposition 4 Provides a Long-Term Solution for Economic Growth

- **Predictability:** A stable $1B annual revenue stream dedicated to water projects.
- **Competitiveness:** Reliable water supplies are critical for industries like energy, agriculture, manufacturing, and technology to continue to expand.
- **Resilience:** Strategic investments help protect communities from droughts, floods, and infrastructure failures.
- **Opportunity:** State funding leverages additional private and federal dollars.

## CALL TO ACTION

Texas business leaders have a critical role in securing this future:

- Educate employees, customers, and stakeholders about the importance of Proposition 4.
- Engage with community and policy leaders to build support for Proposition 4.
- **Vote FOR Proposition 4.**
  - **October 20-31, 2025:** Early Voting
  - **November 4, 2025:** Election Day

**For questions or additional information:**

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