

COULD FLORIDA EXPERIENCE A SIGNIFICANT WATER SUPPLY SHORTAGE: *UPDATE*

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Florida
TaxWatch



INTRODUCTION

Water is an essential resource for Florida’s economy, environment, and public health. As the state continues to experience sustained population growth and expanding development, its water systems face increasing stress. In 2024, Florida TaxWatch published a commentary titled “*Could Florida Experience a Significant Water Supply Shortage by 2025?*,”¹ which referenced projections from the Office of Economic and Demographic Research (EDR) suggesting a shortfall in water supply as early as 2025 and a statewide funding gap to meet this projected growing need.² The EDR report is part of a statutorily required series of assessments of Florida’s water resources. A new assessment of water supply and demand has now been released. This commentary revisits that analysis and evaluates the state’s current funding strategies and policy framework for water resource planning.

EDR FINDINGS

The 2025 EDR report shows a similar trajectory identified in 2024 and projects a widening gap between projected water supply expenditures and revenues. A state-level funding shortfall of more than \$50 million is projected for FY2025-26 (see Table 1), an increase from the \$19.5 million estimate in the 2024 report.³ In the absence of coordinated planning, these funding gaps will compound existing strains on the state’s water infrastructure.

Current consumption trends, particularly in residential landscaping and agricultural irrigation, contribute significantly to overall water demand. Florida’s total daily water use exceeds seven billion gallons, with projections indicating a statewide increase in demand of more than 750 million gallons per day by 2045, or approximately 11 percent.⁴ As a result, Florida’s water supply shortage is projected to continue through 2045 (see Figure 1). While some conservation efforts have improved efficiency in certain sectors, these gains have not kept pace with rising water usage. Regional variability among Florida’s five water management districts (WMDs) further complicates resource planning as WMDs often vary in data collection, with some continuing to rely on outdated assessments when updating their regional water supply plans.

TABLE 1.
FY 2025-26 PROJECTIONS SHOW A \$50 MILLION WATER SUPPLY FUNDING GAP

PROJECTED WATER SUPPLY FUNDING GAP AT CURRENT PACE - STATE (IN \$MILLIONS)										
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34
Projected Expenditures	\$127.97	\$139.50	\$153.34	\$140.27	\$144.37	\$145.99	\$143.54	\$144.64	\$144.72	\$144.30
Projected Revenues	\$88.79	\$87.89	\$87.79	\$86.31	\$87.90	\$87.75	\$87.77	\$88.28	\$88.37	\$88.14
Gap (\$)	(\$39.18)	(\$51.61)	(\$65.55)	(\$53.96)	(\$56.47)	(\$58.24)	(\$55.78)	(\$56.36)	(\$56.35)	(\$56.16)

Source: Office of Economic and Demographic Research

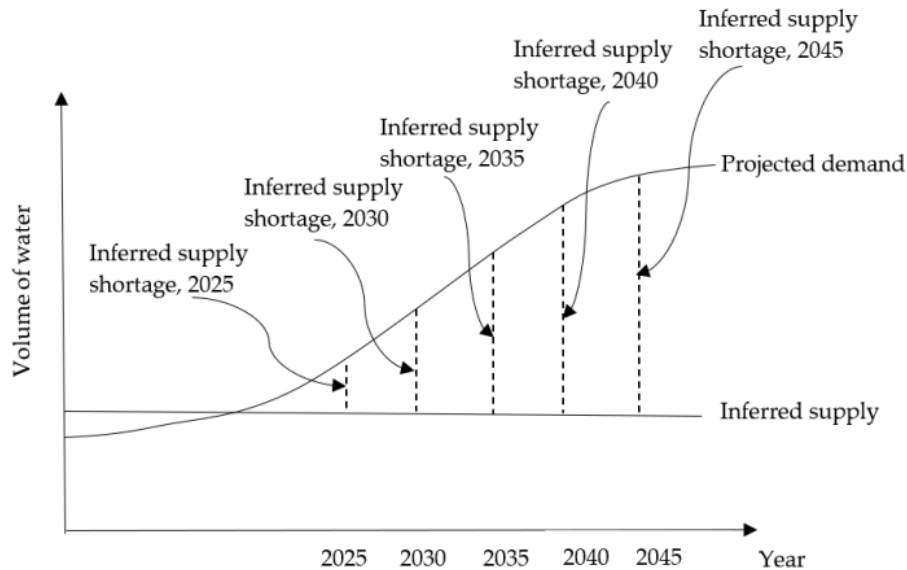
1 Florida TaxWatch, “Could Florida Experience a Significant Water Supply Shortage by 2025?” September 5, 2024.

2 Office of Economic and Demographic Research, “Annual Assessment of Florida’s Water Resources: Supply and Demand,” 2024 Edition.

3 Ibid.

4 Ibid.

FIGURE 1.
FLORIDA'S WATER SUPPLY SHORTAGE CONTINUES TO INCREASE THROUGH 2045



Source: Office of Economic and Demographic Research

Florida has a complex system for planning and funding projects to protect our state's water resources, with the involvement of the state, water management districts, local governments, and the federal government. Most of the spending on water supply is done at the regional and local levels. Based on recent history and near-term projections, approximately one-third of expenditures are made by local governments.

There is an estimated \$2.4 billion in total investment required by 2045 to address the water supply needs in Florida. Of this, the projected state share is \$777 million—less than one-third (31.4 percent) of the total.⁵ These amounts are significantly higher than last year's projections due to several reasons including a higher remaining inferred supply shortage, updates from ongoing water supply projects, and a change in the demand projection horizon from 2020-2040 to 2025-2045. These calculated amounts also do not include many of the other critical water projects such as Everglades restoration, stormwater improvements, or wastewater treatment.

⁵ Ibid.

Prolonged droughts and rising temperatures further amplify water demand, particularly in agricultural and urban areas. Simultaneously, sea level rise and saltwater intrusion are impacting groundwater availability, particularly in coastal regions. These intersecting pressures increase the urgency for comprehensive planning and investment.

In addition to the costs necessary to address the water shortage, EDR also includes expenditures related to providing sufficient water for the health of natural water systems—water bodies, water courses, and aquifers. Excluding Everglades spending, this adds another \$1.4 billion in total expenditures, with a state share of \$246 million.

Florida's Water Funding Gap

- An estimated \$2.4 billion is required by 2045 to meet water supply demands, with the state's share projected at \$777 million.
- An additional \$1.4 billion is needed to support the health of natural water systems.
- These costs, which are significantly higher than last year's projections, do not include other major projects like Everglades restoration or wastewater treatment.

CURRENT WATER FUNDING OVERVIEW

The water supply expenditures in the EDR report are primarily related to the Drinking Water Facility Construction Loan Program, which provides low-interest loans to public water systems and alternative water supply grants.

These water supply expenditures are a small part of Florida's water-related funding. For several years, the Governor and Legislature has shown an increased commitment to providing funding for Everglades restoration, water quality projects, stormwater and wastewater infrastructure, springs restoration, and flooding and sea level rise mitigation. EDR will be releasing new annual assessments of these programs later this year. These are not totally separate and discrete activities, there is much overlap. The difficulty of assigning the correct portion of an expenditure or revenue source that is devoted to water supply is one of the factors that makes these assessments such a daunting task.

Florida's new FY2025-26 provides \$692 million for Everglades restoration, \$675 million for water quality projects, \$170 million for flooding, sea level rise, and resiliency planning grants, and more.⁶ It must be noted that appropriations are not equivalent to expenditures. Because most of this spending is for fixed capital outlay projects, disbursement of appropriations can take place over multiple years.

⁶ Florida Senate, "Senate Bill Summary: SB 2500 – Appropriations," June 25, 2025.

⁷ Executive Office of the Governor, "Line Item Veto List for SB 2500", June 30, 2025.

WATER PROJECT FUNDING STRATEGIES IN FLORIDA AND OTHER STATES

Although there is significant water supply planning and most of the projects covered in the EDR report are selected through established processes, the same cannot be said for all water project spending. A large part of the Legislature's water funding "strategy" includes a heavy mix of local "appropriations projects." These are member-requested appropriations funding a wide-range of water projects that, while many have merit, are usually selected by legislative leadership, not formal, competitive, criteria-driven selection processes. In fact, they often bypass such established processes.

Florida's FY2025-26 state budget reflects the continuation, and amplification, of this practice. As TaxWatch identified in its 2025 Budget Turkey Watch Report, the Legislature included 314 water-related member projects. The entire water project line item was flagged as a "budget turkey" and recommended for review because these member projects did not go through proper processes to receive funding. Nearly the entire \$461.5 million Water Quality Improvement (WQI) Grant allocation was earmarked for these member projects, including water supply and drinking water projects. A one-year exemption to WQI's statutory criteria was included in the budget implementing bill, allowing the Legislature to circumvent the set process. More than \$50 million of these projects were vetoed by the Governor.⁷

While total water-related appropriations have increased, there is a lack of strategic alignment across funding sources, project priorities, and regional needs. In 2024, the Legislature passed a law that dedicated 96 percent of the Indian Gaming Revenue to environmental resources, including the WQI Grant Program and the Statewide Flooding and Sea Level Rise Resilience Plan. Florida TaxWatch applauded this new law, especially the dedicated funding for the WQI grants, which advances our recommendation for a better planning and selection process for water projects.

Under the WQI program, the Department of Environmental Protection (DEP) is required to coordinate with water management districts to identify grant recipients in each district and to coordinate with local governments and other stakeholders to identify the most effective and

beneficial projects. DEP must consider criteria such as the estimated reduction in nutrient load per project; project readiness; the cost-effectiveness of the project; and the cost share identified by the applicant. DEP must prioritize projects based on these criteria. The 2025 Legislature eliminated these distributions, directing all the Indian Gaming Revenue into General Revenue. The WQI grant program will lose an estimated \$534.2 million in this fiscal year, with the loss growing to \$718.6 million by FY 2029-30.⁸ The grant program will continue to receive an annual distribution from the documentary stamp tax of approximately \$125 million. Initiatives, such as the WQI and Resilient Florida grant programs, represent efforts to introduce more structured and outcome-focused funding mechanisms; however, continued use of member projects has limited the effectiveness of these reforms.

In contrast, states such as Texas have implemented long-range, performance-based funding strategies. Texas's State Water Implementation Fund (SWIFT), first implemented in 2013, uses bonding authority to support state recommended water projects prioritized through regional water planning processes. These projects are selected through a transparent scoring mechanism and funded in partnership with local entities. Any political subdivision, such as counties and water improvement districts, as well as nonprofit water supply corporations, are able to utilize SWIFT to acquire affordable loans and repayment plans that allow for high-priority projects to be enacted in a timely basis. The state has strategically planned to account for a total of \$27 billion in funding over the next 50 years for state water plan projects.⁹

This funding model emphasizes both project evaluation and integration across governing levels. Florida could benefit from adapting elements of this framework to improve accountability and policy alignment. Adopting structured multi-year funding plans, such as the Florida TaxWatch recommended Five-Year Water Project Work Program using data-driven selection criteria, would help ensure that important water projects are funded in a way that allows for a more comprehensive, collaborative, and statewide approach.¹⁰

CONCLUSIONS

Florida is facing a looming water supply shortage and a funding gap to address it. The need for continued sizable investments in other water programs exacerbates the issue. Revenues from the Seminole Gaming Compact are no longer dedicated to providing key funding for statewide environmental and water-based projects. To improve fiscal oversight and water resource outcomes, the Legislature should consider TaxWatch's prior recommendation of establishing a Five-Year Water Project Work Program, which would structure the state's water funding in a coordinated manner consistent with the developing resource landscape. This approach would allow for multi-year budgeting, measurable goals, and improved coordination among various governmental agencies, water management districts, the public, and local governments.

The Legislature should also reinstate a dedicated water project funding source, such as the recently eliminated distribution from the Seminole Gaming Compact. A reliable, consistent funding stream can promote a more stable work program and direct money to areas of an identified funding gap, such as water supply.

These recommendations are intended to support a more transparent, accountable, and sustainable approach to water resource funding in Florida. The state has the institutional capacity to address projected supply constraints, but doing so will require improved coordination and consistent investment. Establishing a long-term strategy now will improve the state's resilience and ensure reliable water access for future generations.

⁸ Florida TaxWatch, 2025 Legislative Session Wrap-Up – Extended Session Edition, August 2025.

⁹ Texas Water Development Board, "State Water Implementation Fund for Texas (SWIFT)," January 2025.

¹⁰ Florida TaxWatch, "Water Infrastructure Projects are Vital: Develop and Fund a 3-5 Year Strategic Work Program," October 18, 2023.

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the taxpayers of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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RESEARCH PROJECT TEAM

Taylor Thorne	<i>Intern</i> Lead Author
Kurt Wenner	<i>Senior VP of Research</i> Contributing Author
Jessica Cimijotti-Little	<i>Research Analyst</i> Contributing Author
George Kantelis	<i>Director of Communications</i> Layout & Design

All Florida TaxWatch research is done under the direction of Dominic M. Calabro, President, CEO, Publisher & Editor.

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106 N. Bronough St
Tallahassee, FL 32301

o: 850.222.5052

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Have a Research Inquiry?

Contact Jeff Kottkamp at jkottkamp@floridataxwatch.org