

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

SECTION 1. Section 1.01, Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, is amended by adding Subdivisions (4-a) and (6) through (8) to read as follows:

(4-a) "Conference" means the conference under Section 1A.01 of this Act.

(6) "Municipal class entity" means one of the following entities that is located in the authority:

(A) a municipality;

(B) a municipal utility district operating under Chapter 54, Water Code; or

(C) a special utility district operating under Chapter 65, Water Code.

(7) "Water supply corporation" means a nonprofit water supply corporation operating under Chapter 67, Water Code.

(8) "Watermaster" means the watermaster appointed by the commission under Subchapter G, Chapter 11, Water Code, for the segment of the Rio Grande basin inside the boundaries of the authority.

Same as House version.

SECTION 2. Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, is amended by adding Article IA to read as follows:

ARTICLE IA. CONFERENCE

Sec. 1A.01. CONFERENCE MEMBERSHIP. (a) Subject to Subsection (b) of this section, each county, municipal class entity, water supply corporation, and irrigation district or other water district in the authority is

Same as House version.

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

a member of the conference.

(b) The board may determine whether a prospective member is qualified to become a member of the conference.

Sec. 1A.02. ADVISORY COMMITTEE. The board may appoint an advisory committee composed of representatives of the conference members to advise the board in administering this Act.

Sec. 1A.03. IRRIGATION DISTRICTS COMMITTEE.

(a) The irrigation districts that are members of the conference shall convene as a committee to prepare a list of nominees for director positions under Section 2.01(b)(1) of this Act at least 60 days before directors' terms are scheduled to expire or whenever a vacancy occurs in those positions. The committee shall provide the list to the governor not later than the 21st day after the date on which the committee convenes.

(b) The irrigation district conference members may select a presiding officer to conduct committee meetings and represent the entire committee.

SECTION 3. Section 2.01, Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, is amended by amending Subsections (a), (b), (c), and (f) and adding Subsections (c-1), (h), and (i) to read as follows:

(a) The board consists of 18 [~~15~~] directors.

(b) Twelve [~~Nine~~] directors are appointed by the governor, with the advice and consent of the senate, as follows:

Same as House version.

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

(1) nine [~~six~~] directors who represent irrigation districts that are members of the conference from a list of nominees submitted by the committee of irrigation districts convened under Section 1A.03 of this Act;

(2) one director who represents the public;

(3) one director who represents municipal class entities that are members of the conference [~~water utilities~~]; and

(4) one director who represents water supply corporations that are members of the conference [~~municipalities~~].

(c) One director is appointed from each of the six counties in the authority by majority vote of the commissioners court of that county. In January of a year in which a director's term expires, the commissioners court of the appropriate county shall appoint a director for a four-year [~~two-year~~] term beginning February 1 of that year. In addition to meeting the requirements of Subsection (c-1) of this section, if applicable, a [A] director appointed as provided by this subsection must:

(1) be a registered voter;

(2) reside in the county from which the director is appointed; and

(3) work in a water-related field or have special knowledge of water issues [~~be certified to the board by the county judge of the county from which the director is appointed~~].

(c-1) A director appointed under Subsection (c) of this section must reside in the most populous municipality in the county from which the director is appointed if the county:

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

(1) does not hold water rights;
(2) does not have a certificate of convenience and necessity to provide water service; and
(3) is not a water service provider.
(f) Directors [~~Permanent directors~~] appointed under Subsection (b) or (c) of this section serve staggered four-year terms. [~~Permanent directors appointed under Subsection (c) of this section serve staggered two-year terms.~~]
(h) In making an appointment under Subsection (b)(1) of this section, the governor may reject one or more of the nominees on a list submitted by the committee of irrigation districts and request a new list of different nominees. The second list of nominees must be submitted to the governor not later than the 14th day after the date of the governor's request for a new list. If the governor rejects one or more of the nominees on the second list, the governor may request a third, final list of nominees, that must be submitted to the governor not later than the 14th day after the date of the governor's request for the third list. If the governor rejects one or more of the nominees on the third list, the governor may select any person who represents an irrigation district that is a member of the conference to serve as a director.
(i) The watermaster serves as a nonvoting advisor to the board.

SECTION 4. Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, is amended by adding Section

Same as House version.

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

2.035 to read as follows:

Sec. 2.035. REMOVAL FROM OFFICE. It is a ground for removal from the board that a director is absent from more than half of the regularly scheduled board meetings that the director is eligible to attend during a calendar year without an excuse approved by a majority vote of the board.

SECTION 5. Section 2.06(b), Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, is amended to read as follows:

(b) The president is the chief executive officer of the authority. The president may not vote at a board meeting except to break a tie vote.

Same as House version.

SECTION 6. Section 3.07, Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, is amended to read as follows:

Sec. 3.07. COURT-APPOINTED RECEIVER. The authority may serve as the court-appointed receiver in a matter determined by a court concerning the disposition of assets of any political subdivision, municipally owned utility, or water supply corporation [~~district authorized by Section 59, Article XVI, Texas Constitution~~].

Same as House version.

SECTION 7. Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, is amended by adding Section

Same as House version.

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

3.08 to read as follows:

Sec. 3.08. DETERMINATION OF WATER RIGHTS.

(a) Not later than September 1 of each year, the watermaster shall provide to the board a list of all water rights held inside the boundaries of the authority and the authorized use for each right.

(b) The board shall timely review and certify each list.

(c) Not later than December 1 of each even-numbered year, the board shall provide in writing to the governor and to each member of the legislature whose legislative district is located wholly or partly inside the boundaries of the authority:

(1) the most current list certified by the board under this section; and

(2) a summary of the authorized uses for the water rights on the most current list, including irrigation, municipal, and industrial uses.

SECTION 8. Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, is amended by adding Section 4.04 to read as follows:

Sec. 4.04. FEES AND ASSESSMENTS;

AUTHORIZED CONTRIBUTIONS. (a) The authority may impose a fee or assessment on a member of the conference or another water user to pay authorized expenses of the authority.

(b) Each fiscal year, the board shall determine the amount of the fee or assessment based on the water rights held by the affected entity.

Same as House version.

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

- (c) To determine the number of water rights, the board:
(1) shall, for a domestic, municipal, or industrial water right, multiply by two the number of water rights certified by the board under Section 3.08 of this Act; or
(2) shall, for any other water right, use the number of water rights certified by the board under Section 3.08 of this Act.
- (d) An initial fee or assessment imposed under this section may not exceed five cents for each water right held by the affected entity.
- (e) The board may adopt standardized forms and procedures to implement this section.
- (f) The affected entity may charge any fee or assessment paid to the authority to the operation and maintenance fund of the entity or raise and pay the fee or assessment in any other authorized manner.
- (g) Any county in the authority, as authorized by the commissioners court of the county, may contribute county money to support the operations, projects, or other authorized expenses of the authority. A county's contribution must be made as part of a contract with the authority, and the contract must make clear how the contribution serves a public purpose of the county.

No equivalent provision.

SECTION __. Chapter 49, Water Code, is amended by adding Subchapter O to read as follows:
SUBCHAPTER O. EFFECT OF SUBDIVISION OF NONAGRICULTURAL LAND ON WATER RIGHTS
Sec. 49.501. DEFINITIONS. In this subchapter:

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

(1)"Authority" means the Rio Grande Regional Water Authority.

(2)"Municipal water supplier" means a municipality or a water supply corporation.

Sec. 49.502. APPLICABILITY. This subchapter applies only to a district, other than a drainage district, located wholly or partly in a county:

(1)that borders the Gulf of Mexico and the United Mexican States; or

(2)that is adjacent to a county described by Subdivision (1).

Sec. 49.503. PETITION BY MUNICIPAL WATER SUPPLIER TO CONVERT WATER USE AFTER SUBDIVISION. (a) This section applies only to land:

(1)that is:

(A)subdivided into town lots or blocks or small parcels of the same general nature as town lots or blocks;

(B)designed, intended, or suitable for residential or other nonagricultural purposes, including streets, alleys, parkways, parks, detention or retention ponds, and railroad property and rights-of-way; or

(C) in a subdivision created to meet the requirements of a governmental entity authorized to require a recorded plat of subdivided lands;

(2)that is in a subdivision for which a plat or map has been filed and recorded in the office of the county clerk of each county in which the subdivision is wholly or partly located; and

(3)that is or was assessed as flat rate irrigable property in the municipal water supplier's certificated service area

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

or its corporate area.

(b) A municipal water supplier that serves land described by Subsection (a) may petition the district in accordance with this section to convert the proportionate irrigation water right to the Rio Grande from irrigation use to municipal use with municipal priority of allocation under commission rules, for the use and benefit of the municipal supplier.

(c) The municipal water supplier must file the petition with the district not later than January 1 after the expiration of two years after the date the plat or map was recorded under Subsection (a). The district shall consider the petition not later than January 31 of the year following the year in which the petition was filed.

(d) The petition must identify by subdivision name or other sufficient description the land that the municipal water supplier supplies or has the right to supply potable water.

(e) This section applies only to one subdivision of the land recorded under Subsection (a). This section does not apply to any further subdivision of the same property.

Sec. 49.504. EFFECT OF MUNICIPAL WATER SUPPLIER'S FAILURE TO FILE A PETITION. (a) If a municipal water supplier does not file a petition under Section 49.503, the district may retain the water rights for use by the district or may declare the water as excess and contract for the sale or use of the water as determined by the district.

(b) Before a district may contract for the sale or use of water for more than one year with a purchaser located

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

outside of county described by Section 49.502, the district must, for 90 days:

(1)make the water available under the same terms to all municipal water suppliers located in those counties; and

(2)advertise the offer to sell or contract for the use of the water by posting notice on:

(A)any website of the Rio Grande Watermaster's Office;

(B)any website of the authority; and

(C)the official posting place for the district's board meetings at the district's office.

(c) If, after the 90th day after the last date on which the district posted notice, a municipal water supplier in a county described by Section 49.502 has not contracted with the district for the sale or use of the water, the district may contract with any other person for the sale or use of the water under the terms of the offer advertised under Subsection (b).

Sec. 49.505. CALCULATION OF PROPORTIONATE WATER RIGHTS. A

district that receives a petition under Section 49.503 shall compute the proportionate amount of water rights to the Rio Grande. The proportionate amount of water rights is equal to the amount of irrigable acres of land in the subdivision multiplied by the lesser of:

(1)1.25 acre-feet per irrigable acre; or

(2)the sum of all irrigation water rights owned by the district on September 1, 2007, as if the water rights had been converted to municipal use under applicable commission rules, divided by the total amount of irrigable acres of land in the district on September 1,

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

2007.

Sec. 49.506. PROVISION OR CONVERSION OF PROPORTIONATE WATER RIGHTS BY DISTRICT.

(a) Not later than the second anniversary of the date the municipal water supplier files a petition under Section 49.503:

(1) a district shall provide the municipal water supplier with the proportionate water rights described by Section 49.505 from the district's existing water rights; or

(2) a district shall, if the district does not have sufficient existing water rights:

(A) apply for appropriate amendments to the district's water rights under commission rules to convert the proportionate water rights from irrigation use to municipal use with municipal priority of allocation; and

(B) provide to the municipal water supplier the converted rights described by Section 49.505.

(b) The district may continue to use the irrigation use water for district purposes until:

(1) the commission approves the amendment to the district's water rights; or

(2) the water is otherwise provided to the municipal water supplier.

(c) A district that applies for appropriate amendments under Subsection (a)(2) shall provide the municipal water supplier with an estimate of the district's reasonable costs for the administrative proceedings. The district is not required to begin the proceedings until the municipal water supplier deposits the amount of the estimate with the district. The municipal water supplier

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

shall pay the district any reasonable costs that exceed the estimate. The district shall refund the balance of the deposit if the actual cost is less than the estimate.

Sec. 49.507. CONTRACT TO PURCHASE PROPORTIONATE WATER RIGHTS; WATER RIGHTS SALE CONTRACT. (a) A municipal water supplier may contract to purchase the proportionate water rights described by Section 49.505.

(b)The purchase price may not exceed 68 percent of the current market value, as determined under Section 49.509, for the year that the municipal water supplier petitions the district.

(c)The contract must be in writing in a document entitled "Water Rights Sales Contract."

(d)The contract must include the purchase price for the water rights or, if the consideration for the sale is not monetary, the terms of the sale.

(e)The municipal water supplier shall file the contract with the Rio Grande watermaster not later than the 10th day after the date the contract is executed.

(f)The municipal water supplier shall pay the purchase price when the proportionate amount of water rights is made available to the municipal water supplier.

Sec. 49.508. CONTRACT TO USE PROPORTIONATE WATER RIGHTS; WATER SUPPLY CONTRACT. (a) A municipal water supplier may contract to use water associated with the proportionate water rights described by Section 49.505.

(b) The contract must be for at least 40 years.

(c) The price for the contractual right to use the

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

municipal use water is based on an amount for one acre-foot of municipal use water with a municipal use priority of allocation and may not exceed the sum of:

(1)an amount equal to the district's annual flat rate charge per assessed acre; and

(2)the equivalent of the charge for four irrigations per flat rate acre of irrigable property in the district.

(d) The parties to the contract shall agree on the terms of payment of the contract price.

(e) The board periodically shall determine the flat rate charge and irrigation per acre charge described by Subsection (c).

(f) The contract must be in writing in a document entitled "Water Supply Contract." The contract may contain any terms to which the parties agree.

(g) The municipal water supplier shall file the contract with the Rio Grande watermaster not later than the 10th day after the date the contract is executed.

Sec. 49.509. DUTY OF AUTHORITY TO CALCULATE CURRENT MARKET VALUE.

(a) The authority annually at its January meeting shall calculate the current market value by using the average price per acre-foot of municipal use water after conversion from irrigation use water to municipal use water with a municipal priority of allocation under commission rules of the last three purchases involving:

(1) a municipal water supplier;

(2) a party other than a municipal water supplier; and

(3) at least 100 acre-feet of municipal use water, with municipal priority of allocation.

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

(b)The authority shall use information from the water rights sales contracts reported to the Rio Grande Watermaster's Office to calculate the current market value.

(c)The authority shall make the calculation:

(1)without charging any of the parties involved; and

(2)using 100 percent of the value of monetary exchanges, not in-kind exchanges.

Sec. 49.510. ACCOUNTING FOR SALE OF WATER RIGHTS. A district shall maintain an accounting of money received from the sale of water rights under this subchapter.

Sec. 49.511. CAPITAL IMPROVEMENTS. A district shall designate at least 75 percent of the proceeds from the sale of water rights for capital improvements in the district.

Sec. 49.512. MAP OF SERVICE AREA. (a) In this section, "outer boundaries of a district" means district boundaries without considering any exclusion of land from inside the district.

(b)Each municipal water supplier that has a certificate of convenience and necessity service area in the outer boundaries of a district shall file a map of the service area with the district.

(c)The municipal water supplier shall update the map and forward the map to the district when changes are made.

(d)A district periodically shall provide to a municipal water supplier that serves territory in the district a copy of the district's map showing the outer boundaries of the

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

district.

(e)A district may request from a municipal water supplier a map of the municipal suppliers's service area, and a municipal water supplier may request from the district a map of the district's outer boundaries. On request, the district and a municipal water supplier shall provide the map free of charge to each other at least one time each year. If the district or municipal water supplier receives more than one request a year for a map, the district or municipal water supplier may charge a reasonable fee for the map.

No equivalent provision.

SECTION __. Subchapter D, Chapter 43, Local Government Code, is amended by adding Section 43.0741 to read as follows:

Sec. 43.0741. ABOLITION OF CERTAIN WATER CONTROL AND IMPROVEMENT, WATER IMPROVEMENT, AND IRRIGATION DISTRICTS THAT DELIVER RAW WATER TO MUNICIPALITIES. (a) This section applies only to:

(1) a water control and improvement, water improvement, or irrigation district:

(A)at least 60 percent of the territory of which is located in a single municipality as a result of annexation or incorporation;

(B)that diverts raw water from the Rio Grande and in a 12-month period delivers at least 80 percent of that raw water to the municipality for municipal use; and

(C)that has no outstanding bonded indebtedness; and

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

- (2) a municipality that:
- (A) receives raw water from a district described by Subdivision (1); and
- (B) is located in a county that has a population of 400,000 or more, borders the United Mexican States, and has three or more cities that each have a population of more than 25,000.
- (b) A municipality may adopt an ordinance abolishing a district by a vote of at least two-thirds of the membership of the municipality's governing body if the governing body determines that:
- (1) at least 80 percent of the raw water diverted by the district in any 12-month period was for municipal use by the municipality;
- (2) the district has no outstanding bonded indebtedness;
- (3) the services furnished and functions performed by the district can be furnished and performed by the municipality; and
- (4) the abolition of the district is in the best interests of the residents and property of the municipality and the district.
- (c) The voters of the municipality may protest the enactment or enforcement of the ordinance by filing a petition with the secretary of the municipality. The petition must be signed by a number of qualified voters of the municipality that is equal to at least 10 percent of the number of voters who voted in the most recent election for municipal officers. The petition must be filed not later than the 30th day after the later of:
- (1) the date the municipality finally approves the

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

ordinance; or

(2)the date of publication of the ordinance, if the ordinance is published before it is scheduled to take effect.

(d) The secretary shall verify the signatures on a petition filed in accordance with Subsection (c) and present the verified petition to the governing body of the municipality at its next scheduled meeting.

(e) On receipt of a verified petition, the governing body of the municipality shall suspend the ordinance, and the municipality may not take an action under the ordinance.

(f) The governing body of the municipality shall reconsider the suspended ordinance at its next meeting. If the governing body does not repeal the ordinance, the governing body shall submit a proposition for or against the ordinance to the voters at the next municipal election or at a special election the governing body may order for that purpose. The ordinance does not take effect unless a majority of the voters voting in the election vote for the ordinance.

(g) The ordinance takes effect on:

(1)the expiration of the period for filing a petition under Subsection (c) if the voters of the municipality do not file a petition that meets the requirements of that subsection before the expiration of that period; or

(2)the approval of the ordinance at an election under Subsection (f).

(h) If the ordinance takes effect:

(1)the district is abolished;

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

(2)except as provided by Subdivision (3), the property and other assets of the district vest in the municipality;
(3) __ percent of the cash reserves of the district shall be paid to Rio Grande Regional Water Authority;
(4)the municipality becomes responsible for operating the district's facilities for the benefit of the district's existing customers and performing the services and functions that were performed by the district; and
(5)the municipality assumes all the debts, liabilities, and obligations of the district.
(i) A district that is abolished under this section shall provide its management and operational records to the municipality to ensure the orderly transfer of management and operational responsibility to the municipality.

No equivalent provision.

SECTION __. Subchapter O, Chapter 49, Water Code, as added by this Act, applies only to a subdivision for which a plat or map has been recorded in the office of the county clerk of a county on or after the effective date of this Act. A subdivision for which a plat or map was recorded before the effective date of this Act is covered by the law in effect on the date the plat or map was recorded, and the former law is continued in effect for that purpose.

SECTION 9. On or after the 90th day after the effective date of this Act, and not later than one year after the

Same as House version.

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

effective date of this Act, the watermaster appointed by the Texas Commission on Environmental Quality under Subchapter G, Chapter 11, Water Code, for the segment of the Rio Grande basin inside the boundaries of the Rio Grande Regional Water Authority shall determine the number of water rights held by each member of the conference of the Rio Grande Regional Water Authority.

SECTION 10. (a) The terms of the members of the Board of Directors of the Rio Grande Regional Water Authority serving on the effective date of this Act expire on the date a majority of the members required to be appointed under Subsection (c) of this section qualify to serve.

(b) Not later than September 21, 2007, the committee of irrigation districts shall convene as provided by Section 1A.03, Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, as added by this Act, and submit to the governor an initial list of nominees for the director positions under Section 2.01(b)(1) of that chapter, as amended by this Act.

(c) Except as provided by Subsection (d) of this section, not later than September 30, 2007:

(1) the governor shall appoint 12 members of the Board of Directors of the Rio Grande Regional Water Authority as provided by Section 2.01(b), Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, as amended by this Act; and

(2) the Commissioners Courts of Cameron, Hidalgo,

SENATE VERSION

Same as House version.

CONFERENCE

House Bill 3438
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

SENATE VERSION

CONFERENCE

Starr, Webb, Willacy, and Zapata Counties shall each appoint a member of the Board of Directors of the Rio Grande Regional Water Authority as provided by Section 2.01(c), Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, as amended by this Act.

(d) Appointments to the Board of Directors of the Rio Grande Regional Water Authority under Subsection (c)(1) of this section required to be made on or before September 30, 2007, are not:

(1) required to be made from the list of nominees submitted by the committee of irrigation districts convened under Section 1A.03, Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, as added by this Act; or

(2) subject to senate confirmation.

(e) At the first meeting of the Board of Directors of the Rio Grande Regional Water Authority after directors are appointed under Subsection (c) of this section, the directors shall draw lots to determine their terms so that nine directors serve terms expiring February 1, 2009, and nine directors serve terms expiring February 1, 2011.

SECTION 11. Sections 1.07, 2.01(d), and 3.03, Chapter 385, Acts of the 78th Legislature, Regular Session, 2003, are repealed.

Same as House version.

SECTION 12. This Act takes effect September 1, 2007.

Same as House version.