

BILL ANALYSIS

Senate Research Center

H.J.R. 7
By: Harris et al. (Perry)
Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas is facing a severe long-term water supply deficit and significant funding shortfall for all types of water-related infrastructure.

By 2070, the 2022 Texas State Water Plan (SWP) projects a water supply shortfall of up to 6.86 million acre-feet annually. Taken together, the accelerating rates of population growth and economic development and the increasing drought severity and frequency experienced in Texas since the 2022 iteration of the SWP was published three years ago suggest that projected shortfall is actually underestimated.

Extrapolating from the consequences of the 2011 drought, a report commissioned in 2024 by Texas 2036 found that the Texas economy could lose approximately 785,000 jobs and suffer \$160 billion in lost gross domestic product (GDP) by the end of the 2030s attributable to water scarcity if left unaddressed. The report found that the Texas power grid is acutely susceptible to water scarcity; 82,100 megawatts, or 53.9 percent, of the current Texas power generation capacity relies on significant volumes of water for steam generation and/or cooling.

In May 2024, the Texas Farm Bureau testified to the Texas Senate Committee on Water, Agriculture, and Rural Affairs (SWARA Committee) that water scarcity in the Rio Grande Valley alone currently costs the state \$993 million in GDP annually. The Texas Association of Manufacturers warned the Texas manufacturing sector could lose up to 400,000 jobs and \$55 billion worth of new development due to insufficient water supply. The Texas Chemistry Council testified that "the success of [Texas] being able to attract new [petrochemical industry] investment is going to be very dependent on water." In September 2024, the Texas Rural Water Association testified that its survey found 52 percent of rural water systems expect to exhaust their current water supplies within 20 years.

During testimony, before the SWARA Committee in February 2025, the Texas Water Development Board estimated projected funding needs of approximately \$8 billion for water treatment projects, \$54.5 billion for flood infrastructure projects, and \$80 billion for SWP projects. In its report, Texas 2036 estimated \$153.8 billion in total water-related financial assistance needs over the next 50 years.

In November 2024, the SWARA Committee unanimously recommended in its Interim Report to the 89th Texas Legislature the constitutional dedication of a continuous revenue stream to support the Texas Water Fund beginning in the 2028-2029 biennium, and that the funding principally support new water supply projects through the New Water Supply for Texas Fund (NWSTF). In February 2025, Texas Governor Greg Abbott made a "Texas-Sized Investment in Water" an emergency item for the 89th Legislature, and specifically called for a dedicated revenue stream of \$1 billion annually.

As engrossed, H.J.R. 7 satisfies Governor Abbott's emergency request by constitutionally dedicating \$1 billion in sales and use tax revenues to the Texas Water Funding each state fiscal year beginning with FY 2028. As substituted, H.J.R. 7 satisfies the SWARA Committee recommendation by allocating 80 percent of the funding for NWSTF projects during the initial term of the dedication.

H.J.R. 7 proposes a constitutional amendment to dedicate a portion of the revenue derived from state sales and use taxes to the Texas water fund.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Article VIII, Texas Constitution, by adding Section 7-3, as follows:

Sec. 7-e. (a) Requires the Comptroller of Public Accounts of the State of Texas (comptroller), subject to Section 7-d of Article VIII (Taxation and Revenue) and Subsections (b) and (c) of this section, in each state fiscal year, to deposit to the credit of the Texas water fund \$1 billion of the net revenue derived from the imposition of the state sales and use tax on the sale, storage, use, or other consumption in this state of taxable items under Chapter 151 (Limited Sales, Excise, and Use Tax), Tax Code, or its successor, that exceeds the first \$48 billion of that revenue coming into the treasury in that state fiscal year.

(b) Authorizes the legislature by adoption of a concurrent resolution approved by a record vote of two-thirds of the members of each house of the legislature to direct the comptroller to increase or reduce the amount of money deposited to the credit of the Texas water fund under Subsection (a) of this section. Provides that the comptroller may be directed to make the increase or reduction only in the state fiscal year in which the resolution is adopted, or in either of the following two state fiscal years and by an amount or percentage that does not result in an increase of more than 100 percent of the amount that would otherwise be deposited to the fund in the affected state fiscal year under Subsection (a) of this section or a reduction of more than 50 percent of the amount that would otherwise be deposited to the fund in the affected state fiscal year under Subsection (a) of this section.

(c) Provides that, subject to Subsection (d) of this section, the duty of the comptroller to make a deposit under this section expires August 31, 2035.

(d) Authorizes the legislature by adoption of a concurrent resolution approved by a record vote of a majority of the members of each house of the legislature to extend, in 10-year increments, the duty of the comptroller of public accounts to make a deposit under Subsection (a) of this section beyond the applicable date prescribed by Subsection (c) of this section.

(e) Prohibits money deposited to the credit of the Texas water fund under Subsection (a) of this section and transferred by the Texas Water Development Board (TWDB) or TWDB's successor to the New Water Supply for Texas Fund from being used to provide financial assistance for projects the primary purpose of which is to produce groundwater, or transport groundwater produced, from a well in this state. Provides that the limitation prescribed by this subsection does not apply to a project to produce or transport groundwater that is considered brackish under general law or by TWDB.

(f) Provides that, notwithstanding that money transferred from the Texas water fund to a fund or account is authorized to be spent without further legislative appropriation as provided by Section 49-d-16(b) (relating to authorizing the administrator of the Texas water fund to use the fund only to transfer money to certain funds or acts, Article III (Legislative Department), of this constitution, the revenue derived from the imposition of the state sales and use tax dedicated by this Section 7-e is required to be maintained in a separate account and is prohibited from being drawn from the treasury but in pursuance of specific

appropriation made by law as provided by Section 6 (Withdrawal of Money from Treasury; Duration of Appropriation) of this article.

SECTION 2. Provides that the following temporary provision is added to the Texas Constitution:

TEMPORARY PROVISION. (a) Provides that this temporary provision applies to the constitutional amendment proposed by the 89th Legislature, Regular Session, 2025, to dedicate a portion of the revenue derived from state sales and use taxes to the Texas water fund.

(b) Effective date, Section 7-e, Article VIII, Texas Constitution: September 1, 2027.

(c) Provides that this temporary provision expires September 1, 2028.

SECTION 3. Requires that the proposed amendment be submitted to the voters at an election to be held November 4, 2025. Sets forth the required language of the ballot.