

BILL ANALYSIS

Senate Research Center
89R33557 CJC-D

C.S.H.J.R. 7
By: Harris et al. (Perry)
Finance
5/13/2025
Committee Report (Substituted)

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.

(Original Author's/Sponsor's Statement of Intent)

C.S.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 and to provide for the allocation and use of that revenue.

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 Section 49-d-16, Article III, Texas Constitution, as proposed by S.J.R. 75, 88th Legislature, Regular Session, 2023, by amending Subsections (c) and (e) and adding Subsections (e-1), (e-2), and (e-3), as follows:

(c) Provides that the Texas water fund consists of certain monies, including money transferred or deposited to the credit of the fund under this constitution or by general law, including money appropriated by the legislature directly to the fund and money from any source transferred or deposited to the credit of the fund authorized by this constitution or by general law and money in accounts established in the fund under this constitution or by general law. Makes nonsubstantive changes.

(e) Authorizes the legislature by general law or by adoption of a concurrent resolution approved by a record vote of a majority of the members of each house to allocate for transfer to the funds and accounts administered by the Texas Water Development Board (TWDB) or TWDB's successor the money deposited to the credit of the Texas water fund under Section 7-e, Article VIII (Taxation and Revenue), of this constitution. Prohibits the allocation of money prescribed by a general law or resolution under this subsection from being changed by the legislature during the first 10 fiscal years for which the money is allocated by the general law or resolution. Authorizes any money deposited to the credit of the Texas water fund under Section 7-e, Article VIII, of this constitution that is not allocated by a general law or resolution under this subsection to be transferred to other funds or accounts by TWDB or TWDB's successor in accordance with Subsection (b) (relating to authorizing the administrator of the Texas water fund to use the fund only to transfer money to certain other funds or accounts) of Section 49-d-16 (Texas Water Fund).

(e-1) Authorizes an allocation made under Subsection (e) of this section, during a state of disaster declared under Chapter 418 (Emergency Management), Government Code, or its successor, to be suspended through the budget execution process under Chapter 317 (State Budget Execution), Government Code, or its successor, or by adoption of a concurrent resolution approved by a record vote of a majority of the members of each house. Provides that, during a suspension of an allocation under this subsection, the money that would have been allocated but for the suspension is subject to appropriation by the legislature for any purpose. Provides that it is the intent of the legislature that any money repurposed under this subsection be restored to the Texas water fund when practicable.

(e-2) Creates this subsection from existing text and makes no further changes.

(e-3) Provides that this subsection and Subsections (e), (e-1), and (e-2) (relating to providing that, of the amount of money initially appropriated to the Texas water fund, the administrator of the fund is required to allocate not less than 25 percent to be used only the New Water Supply for Texas Fund) of this section expire August 31, 2047.

SECTION 2. Amends Article VIII, Texas Constitution, by adding Section 7-e, as follows:

Sec. 7-e. (a) Requires the Comptroller of Public Accounts of the State of Texas (comptroller), subject to Section 7-d (Appropriation and Allocation of Revenue From

State Sales and Use Taxes on Sporting Goods) of Article VIII and Subsection (b) of this section, in each state fiscal year, to deposit to the credit of the Texas water fund the first \$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 \$46.5 billion of that revenue coming into the treasury in that state fiscal year.

(b) Provides that the duty of the comptroller to make a deposit under this section expires August 31, 2047.

(c) Prohibits money deposited to the credit of the Texas water fund under Subsection (a) of this section from being transferred to the New Water Supply for Texas Fund for the purpose of financing the construction of infrastructure to transport groundwater that was produced from a well in this state and that, at the time of production, was not brackish, as that term is defined by general law. Provides that this subsection applies to the construction of infrastructure to transport water produced from a well associated with an aquifer storage and recovery project only if the water injected as part of the project was groundwater described by this subsection.

(d) Requires that the revenue deposited to the credit of the Texas water fund under Subsection (a) of this section, notwithstanding Section 49-d-16(b), Article III, of this constitution, as proposed by S.J.R. 75, 88th Legislature, Regular Session, 2023, be maintained by the administrator of the fund in a separate account in the fund and prohibits it from being transferred from the fund by the administrator except as directed by the legislature pursuant to an appropriation made in accordance with Section 6 (Withdrawal of Money From Treasury; Duration of Appropriation) of this article. Requires the administrator of the fund to transfer the amount appropriated by the legislature from the account in accordance with the applicable allocations specified by Section 49-d-16, Article III (Legislative Department), of this constitution, as proposed by S.J.R. 75, 88th Legislature, Regular Session, 2023.

SECTION 3. 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 and to provide for the allocation and use of that revenue.

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

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

SECTION 4. 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.