

## **BILL ANALYSIS**

Senate Research Center

S.B. 7  
By: Perry et al.  
Water, Agriculture and Rural Affairs  
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Enrolled

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Texas faces a severe long-term water supply deficit and significant funding shortfalls for all types of water-related infrastructure.

By 2070, the 2022 Texas State Water Plan (SWP) projects water supply shortfalls 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 suggest that projected shortfall is actually underestimated.

A Texas 2036 report commissioned in 2024 found 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 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 that 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.

In November 2024, the SWARA Committee unanimously recommended in its Interim Report to the 89th Texas Senate the constitutional dedication of a continuous revenue stream to support the Texas Water Fund, 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 Texas Legislature, specifically calling for a dedicated revenue stream of \$1 billion annually.

S.B. 7 is the enabling legislation for S.J.R. 66, which implements the SWARA Committee recommendation and satisfies Governor Abbott's emergency request. S.B. 7: (1) creates the Texas Water Fund Advisory Committee to oversee the Water Fund structure; (2) requires the Texas Water Development Board (TWDB) to submit a biennial progress report to the legislature regarding Water Fund projects; (3) tasks TWDB with water supply conveyance coordination; (4) protects freshwater aquifers and preserves local control over surface water rights; (5) authorizes TWDB's state water bank to import out-of-state water; (6) expands project eligibility for NWSTF financing to include shovel-ready reservoirs; (7) authorizes TWDB to finance NWSTF projects via state participation; (8) prioritizes rural wastewater treatment projects for Water Fund assistance; and (9) adds the Flood Infrastructure Fund to the Water Fund structure, allowing flood infrastructure projects to benefit from the Water Fund's constitutionally dedicated funding.

S.B. 7 amends current law relating to the oversight and financing of certain water infrastructure matters under the jurisdiction of the Texas Water Development Board.

[**Note:** While the statutory reference in this bill is to the Texas Natural Resource Conservation Commission (TNRCC), the following amendments affect the Texas Commission on Environmental Quality (TCEQ), as the successor agency to TNRCC.]

### **RULEMAKING AUTHORITY**

Rulemaking authority previously granted to the Texas Water Development Board is modified in SECTION 2.02 (Section 15.009, Water Code) of this bill.

Rulemaking authority previously granted to the State Water Implementation Fund for Texas Advisory Committee is transferred to the Texas Water Fund Advisory Committee in SECTION 2.02 (Section 15.009, Water Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

#### **ARTICLE 1. WATER INFRASTRUCTURE DEVELOPMENT**

SECTION 1.01. Amends Chapter 6, Water Code, by adding Subchapter H, as follows:

##### **SUBCHAPTER H. WATER SUPPLY CONVEYANCE COORDINATION**

Sec. 6.301. DEFINITION. Defines "project."

Sec. 6.302. RESPONSIBILITIES OF BOARD. (a) Requires the Texas Water Development Board (TWDB), subject to legislative appropriation, to:

- (1) for the development of infrastructure to transport water that is made available by a project, facilitate joint planning and coordination between project sponsors, governmental entities, utilities, common carriers, and other entities, as applicable, to reduce the necessity of exercising the power of eminent domain to obtain interests in real property by using existing transportation and utility easements;
- (2) facilitate the development of guidance and best practices for the standardization of the specifications, materials, and components used to design and construct infrastructure to transport water;
- (3) facilitate the development of standards and guidance to ensure potential interconnectivity and interoperability between different systems developed to transport water from different projects;
- (4) facilitate the development of mechanical and technical standards for the integration of water that is made available by a project into a water supply system or into infrastructure to transport water that is made available by a project, as applicable; and
- (5) take other action TWDB determines necessary to facilitate interconnectivity and interoperability between different infrastructure developed to transport water from different projects.

(b) Requires TWDB, when developing guidance and best practices under Subsection (a)(2), if practicable, to recommend building excess capacity into infrastructure to transport water to facilitate the transportation of additional water supplies that are developed after the initial construction of the infrastructure.

Sec. 6.303. USE OF PROFESSIONAL AND CONSULTING SERVICES AUTHORIZED. (a) Authorizes TWDB to procure professional and consulting services to achieve a purpose described by Section 6.302.

(b) Provides that Chapter 2254 (Professional and Consulting Services), Government Code, applies to the procurement of professional and consulting services by TWDB.

Sec. 6.304. FORMATION OF AD HOC COMMITTEES AUTHORIZED. Authorizes TWDB to convene one or more ad hoc committees composed of representatives of current or potential project sponsors, the Texas Department of Transportation, river authorities, retail public utilities, electric utilities, counties, municipalities, special purpose districts, common carriers, and other entities considered appropriate by TWDB to advise and assist TWDB in fulfilling any purpose described by Section 6.302, including in drafting any guidance or best practices described by that section.

Sec. 6.305. PAYMENT OF EXPENSES FROM TEXAS WATER FUND ADMINISTRATIVE FUND. Requires TWDB, pursuant to Section 15.504(f), to pay from the Texas water fund administrative fund (fund) established under Section 15.508 the necessary and reasonable administrative expenses, including staffing expenses, incurred in administering its responsibilities under this subchapter and the necessary and reasonable expenses for the procurement of professional and consulting services under Section 6.303.

SECTION 1.02. Amends Section 11.036, Water Code, by adding Subsection (e) to provide that Section 11.036 (Conserved or Stored Water: Supply Contract) does not apply to a transfer of water or water rights originating from outside this state under Section 15.703(a)(6) (relating to authorizing TWDB to take all actions necessary to operate the water bank and to facilitate the transfer of water rights from the water bank for future beneficial use including but not limited to purchasing, holding, and transferring water or water rights in its own name) to any person having the right to acquire use of the water.

SECTION 1.03. Amends Section 15.153, Water Code, by amending Subsection (b) and adding Subsections (e), as follows:

(b) Authorizes the fund to be used to:

(1) provide financial assistance to political subdivisions to develop water supply projects that create new water sources for the state, including water and wastewater reuse projects, acquisition of water or water rights originating from outside this state, certain reservoir projects, and the development of infrastructure to transport water or integrate water into a water supply system, other than groundwater produced from a well in this state that is not part of, rather than made available by, a project described by this subdivision;

(2)-(3) makes nonsubstantive changes to these subdivisions; and

(4) make transfers from the fund to the Texas Water Development Fund II state participation account established under Section 17.957 (State Participation Account) and for a purpose described by Subdivision (1).

Makes nonsubstantive changes to this subsection.

(e) Provides that money from the fund is authorized to be used to acquire another person's right acquired or authorized in accordance with state law to impound, divert, or use state water only by a water supply contract or a lease of that right from its owner.

SECTION 1.04. Amends Section 15.153, Water Code, effective September 1, 2027, by adding Subsection (f) to provide that, for purposes of Section 7-e(c) (relating to prohibiting money deposited to the credit of the fund from being transferred to the New Water Supply for Texas Fund for a certain purpose), Article VIII (Taxation and Revenue), Texas Constitution, groundwater is considered brackish if, at the time of production from a well, the groundwater had a total dissolved solids concentration of not less than 3,000 milligrams per liter.

SECTION 1.05. Amends Sections 15.502(b) and (e), Water Code, as follows:

(b) Provides that TWDB is authorized to use the fund only to transfer money to certain funds, including the fund established under Section 15.508, the flood infrastructure fund established under Subchapter I (Flood Infrastructure Fund), the Texas Water Development Fund II economically distressed areas program account established under Section 17.958 (Economically Distressed Areas Program Account), and the agricultural water conservation fund established under Section 50-d (Agricultural Water Conservation Fund), Article III (Legislative Department), Texas Constitution. Makes nonsubstantive changes.

(e) Makes nonsubstantive changes to this subsection.

SECTION 1.06. Amends Section 15.502(e), effective September 1, 2027, to provide that the fund consists of certain monies, including money transferred or deposited to the credit of the fund as provided by Section 7-e, Article VIII, Texas Constitution, and to make nonsubstantive changes.

SECTION 1.07. Amends Section 15.504, Water Code, by amending Subsections (b), (c), and (f) and adding Subsection (f-1), as follows:

(b) Prohibits TWDB, except as provided by Subsection (f) and other than money transferred to the state water implementation fund for Texas established under Subchapter G (State Water Implementation Fund for Texas), from transferring money to a fund or account described by Section 15.502(b) until the application for the project for which the money is to be used has been approved. Makes a nonsubstantive change.

(c) Requires TWDB to ensure that a portion of the money transferred from the fund is used for certain projects, including for water and wastewater infrastructure projects, including projects to rehabilitate or replace deficient or deteriorating infrastructure, prioritized by risk or need for financial assistance, including grants, for certain subdivisions and municipalities, and technical assistance for applicants in obtaining and using financial assistance from funds and accounts administered by TWDB. Makes nonsubstantive changes.

(f) Authorizes TWDB, in each state fiscal year, to transfer not more than two percent of the money deposited to the credit of the fund in that state fiscal year to the Texas water fund administrative fund established under Section 15.508 to pay or reimburse TWDB for the necessary and reasonable expenses of TWDB in administering the fund as provided by Section 15.508(c). Deletes existing text authorizing TWDB to use the fund to pay the necessary and reasonable expenses of TWDB in administering the fund not to exceed two percent. Makes a nonsubstantive change.

(f-1) Authorizes TWDB to enter into an agreement with the Texas Natural Resource Conservation Commission (TNRCC) to pay from the fund established under Section 15.508 the necessary and reasonable staffing expenses, not to exceed \$2 million, incurred by TNRCC on or before August 31, 2027, for the review of permit applications for water supply projects receiving financial assistance from the fund. Provides that this subsection expires September 1, 2028.

SECTION 1.08. Amends Section 15.505, Water Code, as follows:

Sec. 15.505. TRANSFER OF MONEY. (a) Creates this subsection from existing text. Deletes existing text authorizing TWDB, notwithstanding any other law, to restore to the fund money transferred from the fund and deposited to the credit of a fund or account described by Section 15.502(b). Makes nonsubstantive changes.

(b) Prohibits TWDB from restoring to the fund money transferred from the fund and deposited to the credit of a fund or account described by Section 15.502(b).

SECTION 1.09. Amends Section 15.505, Water Code, effective September 1, 2027, by adding Subsections (c) and (d), as follows:

(c) Requires the administrator of the fund, of the amount of money deposited to the credit of the fund under Section 7-e, Article VIII, Texas Constitution, before September 1, 2047, to allocate not less than 50 percent to be used only for transfer to either or both of the new water supply for Texas fund established under Subchapter C-1 or the state water implementation fund for Texas established under Subchapter G.

(d) Provides that this subsection and Subsection (c) expire August 31, 2047.

SECTION 1.10. Amends Subchapter H-1, Chapter 15, Water Code, by adding Section 15.508, as follows:

Sec. 15.508. ADMINISTRATIVE FUND. (a) Provides that the fund is a fund outside the general revenue fund administered by TWDB and established for the payment of or reimbursement of TWDB for the expenses incurred by TWDB in administering the fund.

(b) Provides that the fund consists of money appropriated to TWDB for deposit to the credit of the administrative fund, money transferred by TWDB to the administrative fund under Section 15.504(f) or other law, and depository interest allocable to the administrative fund.

(c) Authorizes TWDB, pursuant to Section 15.504(f), to pay from the fund certain necessary and reasonable expenses of TWDB in administering the fund.

SECTION 1.11. Amends Subchapter B, Chapter 16, Water Code, by adding Section 16.0123, as follows:

Sec. 16.0123. INTERIM STUDY OF INCORPORATION OF WASTEWATER PLANNING INTO STATE WATER PLANNING PROCESS. (a) Requires the executive administrator of TWDB (executive administrator), using existing resources, to conduct a study to determine:

(1) the feasibility and practicability of incorporating planning for the development of infrastructure to meet the state's current and future wastewater treatment needs into the process used to produce each state water plan under Section 16.051 (State Water Plan: Drought, Conservation, Development, and Management; Effect of Plan), beginning with the five-year state water planning period ending January 5, 2032; and

(2) the statutory changes necessary to facilitate the incorporation of the wastewater treatment planning described by Subdivision (1) into the process used to produce each state water plan under Section 16.051, beginning with the five-year state water planning period ending January 5, 2032.

(b) Requires the executive administrator, not later than December 1, 2026, to provide a report of the study's findings to certain individuals.

(c) Provides that this section expires May 31, 2027.

SECTION 1.12. Amends Section 15.703(a), Water Code, as follows:

(a) Authorizes TWDB to take all actions necessary to operate the water bank and to facilitate the transfer of water rights from the water bank for future beneficial use, including but not limited to certain actions, including purchasing, holding, and transferring water or water rights in its own name, including purchasing, holding, and transferring water or water rights originating from outside this state for the purpose of providing water for the use or benefit of this state. Makes nonsubstantive changes.

SECTION 1.13. Amends Section 16.131(a), Water Code, to authorize TWDB to use the state participation account of the development fund to encourage optimum regional and interregional development of projects, including certain actions in whole or part of certain facilities and projects, including projects described by Section 15.153(b)(1), and to make nonsubstantive changes.

SECTION 1.14. Amends Section 17.0112(a), Water Code, as follows:

(a) Authorizes TWDB to issue not more than \$100 million in bonds authorized under Article III, Texas Constitution, during a fiscal year to provide financial assistance for water supply and sewer services as provided under Subchapter K (Assistance to Economically Distressed Areas for Water Supply and Sewer Service Projects) of Chapter 17 (Public Funding). Deletes existing text authorizing TWDB to issue not more than \$25 million in bonds dedicated under Section 17.0111 (Dedication of Certain Bonds) of this code and to issue not more than \$50 million in bonds authorized under Article III, Texas Constitution, during a fiscal year to provide financial assistance for water supply and sewer services as provided under Subchapter K of this chapter.

SECTION 1.15. Amends Section 17.933(c), Water Code, as follows:

(c) Prohibits the total amount of financial assistance provided by TWDB to political subdivisions under this subchapter from state-issued bonds for which repayment is not required from exceeding at any time 90 percent, rather than 70 percent, of the total principal amount of issued and unissued bonds authorized under Article III of the Texas Constitution, for purposes of this subchapter plus outstanding interest on those bonds.

SECTION 1.16. Repealers: Sections 16.131(c) (relating to requiring that not less than 50 percent of money used from the state participation account of the development fund in any fiscal year be used for interregional water projects selected under Section 16.145) and 16.146(h) (relating to prohibiting TWDB from providing financial assistance for any facility from the state participation account II after September 1, 2024, if assistance is not provided before that date), Water Code.

## ARTICLE 2. LEGISLATIVE OVERSIGHT

SECTION 2.01. Amends Section 15.431(a)(1), Water Code, to redefine "advisory committee."

SECTION 2.02. Transfers Section 15.438, Water Code, to Subchapter A, Chapter 15, Water Code, redesignates it as Section 15.009, Water Code, and amends it, as follows:

Sec. 15.009. New heading: TEXAS WATER FUND ADVISORY COMMITTEE. (a) Provides that the Texas Water Fund Advisory Committee (advisory committee), rather than the State Water Implementation Fund for Texas Advisory Committee, is composed of the following eight, rather than seven, members:

- (1) makes no changes to this subdivision;
- (2) the director of the Texas Division of Emergency Management or the successor in function to that entity, or a person designated by that person;
- (3) the chair of the committee of the senate having primary jurisdiction over water resources;
- (4) the chair of the committee of the house of representatives having primary jurisdiction over water resources;
- (5) two members of the senate appointed by the lieutenant governor, including at least one member of the committee of the senate having primary jurisdiction over matters relating to finance; and

(6) two members of the house of representatives appointed by the speaker of the house of representatives, including at least one member of the committee of the house of representatives having primary jurisdiction over appropriations.

Deletes existing text providing that the State Water Implementation Fund for Texas Advisory Committee is composed of certain members, including three members of the senate appointed by the lieutenant governor, including the chair of the committee of the senate having primary jurisdiction over water resources and including three members of the house of representatives appointed by the speaker of the house of representatives, including the chair of the committee of the house of representatives having primary jurisdiction over water resources. Makes nonsubstantive changes.

(b) Requires TWDB, rather than certain persons, to designate agency personnel to serve as staff support for the advisory committee.

(c) Provides that a member, rather than an appointed member, of the advisory committee designated under Subsection (a)(1) (relating to the Comptroller of Public Accounts of the State of Texas, or a person designated by the comptroller) or (2) or appointed under Subsection (a)(5) or (6) serves at the will of the person who designated or appointed the member.

(d) Provides that the members of the advisory committee described by Subsections (a)(3) and (4) serve as co-presiding officers of the committee. Deletes existing text requiring the lieutenant governor to appoint a co-presiding officer of the advisory committee from among the members appointed by the lieutenant governor, and the speaker of the house of representatives is required to appoint a co-presiding officer of the committee from among the members appointed by the speaker.

(e)-(f) makes no changes to these subsections.

(f) Authorizes, rather than requires, the advisory committee to submit comments and recommendations to TWDB regarding the use of money in:

(1) the state water implementation fund for Texas established under Subchapter G for use by TWDB in adopting rules under Section 15.439 (Rules) and in adopting policies and procedures under Section 15.441 (Policies and Procedures to Mitigate or Minimize Adverse Effects of Certain Federal Laws);

(2) the Texas water fund established under Subchapter H-1 for use by TWDB in adopting rules under Section 15.507 (Rules);

(3) the flood infrastructure fund established under Subchapter I for use by TWDB in adopting rules under Section 15.537 (Rules); and

(4) the Texas infrastructure resiliency fund established under Section 16.452 for use by TWDB in adopting rules under Section 16.460 (Rules).

Deletes existing text requiring that the submission include certain evaluations and recommendations. Makes nonsubstantive changes.

(h) Requires the advisory committee to review the overall operation, function, and structure of each fund listed in Subsection (g) at least semianually. Makes nonsubstantive changes.

(i) Authorizes the advisory committee to perform certain actions, including providing comments and recommendations to TWDB on any matter and reviewing the overall operation, function, and structure of any fund established under this chapter or Chapter 16 (Provisions Generally Applicable to Water Development) that is not listed in Subsection (g). Makes nonsubstantive changes.

(j) Makes no changes to this subsection.

(k) Provides that the advisory committee is not subject to Chapter 325 (Sunset Law), Government Code (Texas Sunset Act). Deletes existing text providing that, unless continued in existence as provided by that chapter, the advisory committee is abolished and this section expires September 1, 2035.

(l) Authorizes, rather than requires, the advisory committee to make recommendations to TWDB regarding information to be posted on TWDB's Internet website relating to the funds listed in Subsection (g), rather than under Section 15.440(b) (relating to requiring TWDB to post certain information on TWDB's Internet website regarding the use of the fund).

(m) Makes no changes to this subsection.

(n) Requires the executive administrator to provide an annual report to the advisory committee on certain information, including the participation level of historically underutilized businesses in projects that receive funding related to a bond enhancement agreement under Subchapter G, rather than this subchapter.

(o) Makes a conforming change to this subsection.

(p) Authorizes the advisory committee, notwithstanding Section 552.008, Government Code, to access all records that relate to the administration of the funds described in this section that are maintained by any entity under contract with TWDB.

(q) Provides that TWDB, by providing information under this section that is confidential or otherwise excepted from required disclosure under law, does not waive or affect the confidentiality of the information for purposes of state or federal law or waive the right to assert exceptions to required disclosure of the information in the future. Authorizes TWDB to require the requesting individual member of the advisory committee, the requesting advisory committee, or the members or employees of the advisory committee who will view, handle, or retain information that is received under this section and that is confidential under law to sign a confidentiality agreement that covers the information and requires that the information meet certain criteria.

SECTION 2.03. Repealers: Sections 15.506 (Advisory Committee) and 15.540 (Advisory Committee), Water Code.

Repealer: Section 16.541(1) (relating to the definition of "advisory committee"), Water Code.

Repealer: Section 16.456 (Texas Infrastructure Resiliency Fund Advisory Committee), Water Code.

### ARTICLE 3. PERFORMANCE AND ACCOUNTABILITY

SECTION 3.01. Amends Subchapter D, Chapter 6, Water Code, by adding Section 6.116, as follows:



Sec. 6.116. PUBLIC INFORMATION AND REPORTING. (a) Requires TWDB to develop and maintain on its Internet website a publicly available tool by which a person may obtain certain information.

(b) Requires TWDB to update the information required to be maintained under Subsection (a) as appropriate.

#### ARTICLE 4. EFFECTIVE DATES

SECTION 4.01. (a) Effective date, except as otherwise provided by this Act: September 1, 2025.

(b) Effective date, Section 1.06 of this Act: September 1, 2027, contingent upon approval by the voters of the constitutional amendment relating to dedicating a portion of the revenue derived from state sales and use taxes and insurance premium taxes to the Texas water fund.

(c) Effective date, the sections of this Act adding Sections 15.153(f) and 15.505(c) and (d), Water Code: September 1, 2027, contingent upon approval by the voters of the constitutional amendment relating to dedicating a portion of the revenue derived from state sales and use taxes and insurance premium taxes to the Texas water fund.