

BILL ANALYSIS

Senate Research Center

S.B. 7
By: Perry et al.
Water, Agriculture and Rural Affairs
3/19/2025
As Filed

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.

As proposed, 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 2.2 (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 2.2 (Section 15.009, Water Code) of this bill.

SECTION BY SECTION ANALYSIS

ARTICLE 1. WATER INFRASTRUCTURE DEVELOPMENT

SECTION 1.1. Amends Chapter 6, Water Code, by adding Subchapter H, as follows:

SUBCHAPTER H. OFFICE OF WATER SUPPLY CONVEYANCE COORDINATION

Sec. 6.300. DEFINITIONS. Defines "fund," "office" and "project."

Sec. 6.301. PURPOSE OF OFFICE. (a) Provides that the Office of Water Supply Conveyance Coordination (office) is created within the Texas Water Development Board (TWDB) for the purposes of:

- (1) facilitating joint planning and coordination by and between project sponsors, the Texas Department of Transportation, river authorities, retail public utilities, electric utilities, counties, municipalities, special purpose districts, common carriers, and other entities, as applicable, to reduce the necessity of any exercise of the power of eminent domain to obtain interests in real property for the development of infrastructure to transport water that is made available by a project by using preexisting transportation and utility easements;
- (2) facilitating 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) facilitating the development of standards and guidance to ensure potential interconnectivity and interoperability between different systems developed to transport water from different projects;
- (4) facilitating 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) taking other action recommended or requested by TWDB to facilitate potential interconnectivity and interoperability between different infrastructure implemented to transport water from different projects.

(b) Requires the office, when developing guidance and best practices under Subsection (a)(2), where practicable, to plan for the incorporation of excess capacity into infrastructure to transport water that is made available by a project to facilitate the potential transportation of additional water supplies from new sources to meet new water demands after the initial construction of the infrastructure.

Sec. 6.302. USE OF PROFESSIONAL AND CONSULTING SERVICES AUTHORIZED. (a) Authorizes the office, subject to the approval of TWDB, to procure professional and consulting services to achieve a purpose described by Section 6.301.

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

Sec. 6.303. FORMATION OF AD HOC COMMITTEES AUTHORIZED. Authorizes the office, with the approval of TWDB, to convene one or more ad hoc committees comprised of representatives of certain entities and other entities deemed appropriate by the office to advise and assist the office in fulfilling any purpose described by Section 6.301, including in drafting any guidance or best practices described by Section 6.301.

Sec. 6.304. PAYMENT OF EXPENSES FROM WATER FUND. Requires TWDB, pursuant to Section 15.504(f), to pay from the Texas Water Fund (fund) the necessary and reasonable administrative expenses of the office, including staffing expenses and the necessary and reasonable expenses for the procurement of professional and consulting services under Section 6.302.

SECTION 1.2. Amends Section 15.153, Water Code, by amending Subsection (b) and adding Subsections (e) and (f), 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:

(A)-(B) makes no changes to these paragraphs;

(C) makes a nonsubstantive change to this paragraph;

(D) reservoir projects for which a permit for the discharge of dredged or fill material has been issued by the United States secretary of the army under Section 404, Federal Water Pollution Control Act (33 U.S.C. Section 1344), and a permit for the storage, taking, or diversion of state water has been issued by the Texas Natural Resource Conservation Commission (TNRCC) under Section 11.121 (Permit Required); and

(E) the development of infrastructure to transport or integrate into a water supply system water that is made available by a project described by this subdivision;

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

(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).

(e) Prohibits infrastructure developed to transport water under Subsection (b)(1)(E) from being used to transport groundwater produced from a well within this state that, at the time of production, had a total dissolved solids concentration of less than 3,000 milligrams per liter.

(f) 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 lease of that right from its owner.

SECTION 1.3. Amends Section 15.504(f), Water Code, to authorize TWDB to use not more than two percent of the fund to pay for the necessary and reasonable expenses of TWDB in

administering the fund and the expenses described by Section 6.304 and makes a nonsubstantive change.

SECTION 1.4. Amends Section 15.502(b), Water Code, to provide that TWDB is authorized to use the fund only to transfer money to certain funds, including the flood infrastructure fund established under Subchapter I (Flood Infrastructure Fund).

SECTION 1.5. Amends Section 15.502(e), Water Code, to provide that the fund consists of certain monies, including money transferred or deposited to the credit of the fund by law, money transferred or deposited to the fund as provided by Section 49-d-16 (Broadband Infrastructure Fund), Article III (Legislative Department), Texas Constitution, and to make nonsubstantive changes.

SECTION 1.6. Amends Section 15.504(c), Water Code, to require TWDB to ensure that a portion of the money transferred from the fund is used for certain projects, including water and wastewater infrastructure projects, prioritized by risk or need, for certain communities.

SECTION 1.7. Amends Section 15.703(a), Water Code, to authorize 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 outside this state for the purpose of providing water for the use or benefit of this state.

SECTION 1.8. 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 1.9. 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 2.1. Amends Section 15.431(a)(1), Water Code, to redefine "advisory committee."

SECTION 2.2. 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 eight, rather than seven, members meeting certain criteria, including the director of the Texas Division of Emergency Management or the successor in function to that entity, or a person designated by that person, who serves as a nonvoting member. Makes a nonsubstantive change.

(b) Requires TWDB to designate agency personnel to serve as staff support for the advisory committee. Deletes existing text requiring certain persons to serve as staff support for the advisory committee. Makes nonsubstantive changes.

(c) Provides that an appointed or designated member of the advisory committee serves at the will of the person who appointed or designated the member.

(d)-(f) Makes no changes to these subsections.

(g) Requires the advisory committee, as needed, 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. Deletes existing text requiring the advisory committee to review the overall operation, function, and structure of the fund at least semianually and authorizing it to provide comments and recommendations to TWDB on any matter.

(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) Requires the advisory committee, as needed, 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:

(1) TWDB's progress towards expanding state and regional water supply portfolios, including certain financial commitments and water supply projects;

(2) TWDB's progress towards providing financial assistance for drinking water and clean water utilities that are eligible for state financial assistance, and endure a significant number of boil water notices, have water losses that meet or exceed the threshold established by rule under

Section 16.0121 (Water Audits), or have significant health, safety, or environmental protection violations according to TNRCC data;

(3) the estimated aggregate value of the savings provided to customers through TWDB's financial assistance programs;

(4) redesignates existing Subdivision (1) as Subdivision (4) and makes a nonsubstantive change;

(5) redesignates existing Subdivision (2) as Subdivision (5) and makes a conforming change;

(6) the activities, findings, and recommendations of the office established under Subchapter H, Chapter 6 (Texas Water Development Board).

(o) Makes a conforming change to this subsection.

(p) Requires the advisory committee, notwithstanding the requirements of Sec. 551.008, Government Code, to have a right of access to all records that relate to the administration of the funds described in this section that are maintained by any entity under contract with TWDB.

SECTION 2.3. 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 3.1. Amends Subchapter D, Chapter 6, Water Code, by adding Section 6.118, as follows:

Sec. 6.118. ANNUAL REPORT. (a) Defines "Texas water fund."

(b) Requires TWDB, not later than December 31 of each even-numbered year, to submit to the legislature a report that describes certain financial information and water supply projects.

ARTICLE 4. EFFECTIVE DATES

SECTION 4.1. Effective date: January 1, 2026, contingent upon approval by the voters of constitutional amendment relating to providing for the dedication of certain sales and use tax revenue and insurance premium tax revenue to the Texas water fund.