

## **BILL ANALYSIS**

Senate Research Center  
89R20442 JAM-F

C.S.S.B. 7  
By: Perry et al.  
Water, Agriculture and Rural Affairs  
3/24/2025  
Committee Report (Substituted)

### **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.

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

C.S.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) 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 maximize the use of existing transportation and utility easements and minimize the exercise of the power of eminent domain to obtain interests in real property;

(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) to, if practicable, 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, 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 WATER FUND. Requires TWDB, pursuant to Section 15.504(f), to pay from the Texas water fund (fund) 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) 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 the required land has already been acquired, 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 or surface water for which a permit for the storage, taking, or diversion of state water has been issued by TNRCC under Section 11.121;

(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).

(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) Authorizes money from the fund 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 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 flood infrastructure fund established under Subchapter I (Flood Infrastructure Fund).

(e) Deletes existing text providing that the fund consists of money returned from any authorized transfer, among other monies. Makes nonsubstantive changes.

SECTION 1.05. Amends Section 15.502(e), effective January 1, 2026, 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 (Taxation and Revenue), Texas Constitution, and to make a conforming and nonsubstantive changes.

SECTION 1.06. Amends Section 15.504, Water Code, by amending Subsections (c) and (f) and adding Subsection (f-1), as follows:

(c) Requires 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.

(f) Prohibits TWDB from using 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 6.305. Makes nonsubstantive changes.

(f-1) Authorizes TWDB to enter into an agreement with TNRCC to pay from the fund 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.

SECTION 1.07. 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 1.08. 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 1.09. 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 1.10. 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 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 of TWDB (executive administrator) to provide an annual report to the advisory committee on:

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

(2) the financial assistance provided for water and wastewater treatment facilities;

(3) creates this subdivision from existing text and makes a nonsubstantive change;

(4) redesignates existing Subdivision (2) as Subdivisions (4) and makes nonsubstantive changes; and

(5) the activities undertaken by the board to meet its responsibilities relating to water supply conveyance coordination established under Subchapter H, Chapter 6.

Makes a nonsubstantive change to this subsection.

(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.

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. BIENNIAL 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.

(c) Requires TWDB to publish the report described by Subsection (b) on TWDB's Internet website.

#### ARTICLE 4. EFFECTIVE DATES

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

(b) Effective date, Section 1.05 of this Act: January 1, 2026, contingent upon the 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.