

By: Perry, et al.
(Harris)

S.B. No. 7

Substitute the following for S.B. No. 7:

By: Martinez

C.S.S.B. No. 7

A BILL TO BE ENTITLED

AN ACT

relating to the oversight and financing of certain water infrastructure matters under the jurisdiction of the Texas Water Development Board.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. WATER INFRASTRUCTURE DEVELOPMENT

SECTION 1.01. Chapter 6, Water Code, is amended by adding Subchapter H to read as follows:

SUBCHAPTER H. WATER SUPPLY CONVEYANCE COORDINATION

Sec. 6.301. DEFINITION. In this subchapter, "project" means a water supply development, treatment, or conveyance project eligible to receive financial assistance from the board.

Sec. 6.302. RESPONSIBILITIES OF BOARD. (a) Subject to legislative appropriation, the board shall:

(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 the board determines necessary to facilitate interconnectivity and interoperability between different infrastructure developed to transport water from different projects.

(b) When developing guidance and best practices under Subsection (a)(2), the board shall, 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) The board may procure professional and consulting services to achieve a purpose described by Section 6.302.

(b) Chapter 2254, Government Code, applies to the procurement of professional and consulting services by the board.

Sec. 6.304. FORMATION OF AD HOC COMMITTEES AUTHORIZED. The board may 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 the board to advise and assist the board in fulfilling any purpose described by Section 6.302, including in drafting any guidance or best practices described by that section.

SECTION 1.02. Section 11.036, Water Code, is amended by adding Subsection (e) to read as follows:

(e) This section does not apply to a transfer of water or water rights originating from outside this state under Section 15.703(a)(6) to any person having the right to acquire use of the water.

SECTION 1.03. Section 15.153, Water Code, is amended by amending Subsection (b) and adding Subsection (e) to read as follows:

(b) The fund may 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) desalination projects, including marine and brackish water desalination;

(B) produced water treatment projects, other than projects that are only for purposes of oil and gas exploration;

(C) aquifer storage and recovery projects; ~~and~~

(D) water and wastewater reuse projects;

(E) acquisition of water or water rights originating from outside this state;

1 (F) reservoir projects for which:

2 (i) the required land has already been
3 acquired;

4 (ii) a permit for the discharge of dredged
5 or fill material has been issued by the United States Secretary of
6 the Army under Section 404, Federal Water Pollution Control Act (33
7 U.S.C. Section 1344); and

8 (iii) a permit for the storage, taking, or
9 diversion of state water has been issued by the commission under
10 Section 11.121; and

11 (G) the development of infrastructure to
12 transport water or integrate water into a water supply system,
13 other than groundwater produced from a well in this state [water]
14 that is not part of [made available by] a project described by this
15 subdivision;

16 (2) make transfers from the fund:

17 (A) to the state water implementation fund for
18 Texas established under Subchapter G or the Texas Water Development
19 Fund II established under Subchapter L, Chapter 17; and

20 (B) for a purpose described by Subdivision (1);
21 ~~[and]~~

22 (3) make transfers from the fund to the water bank
23 account established under Section 15.707; and

24 (4) make transfers from the fund:

25 (A) to the Texas Water Development Fund II state
26 participation account established under Section 17.957; and

27 (B) for a purpose described by Subdivision (1).

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

5 SECTION 1.04. Sections 15.502(b) and (e), Water Code, are
6 amended to read as follows:

7 (b) The board may use the fund only to transfer money to:

8 (1) the water assistance fund established under
9 Subchapter B;

10 (2) the new water supply for Texas fund established
11 under Subchapter C-1;

12 (3) the state water implementation fund for Texas
13 established under Subchapter G;

14 (4) the state water implementation revenue fund for
15 Texas established under Subchapter H;

16 (4-a) the flood infrastructure fund established under
17 Subchapter I;

18 (5) a revolving fund established under Subchapter J;

19 (6) the rural water assistance fund established under
20 Subchapter R;

21 (7) the statewide water public awareness account
22 established under Section 16.027;

23 (8) the Texas Water Development Fund II water
24 financial assistance account established under Section 17.959;
25 [~~and~~]

26 (8-a) the Texas Water Development Fund II economically
27 distressed areas program account established under Section 17.958;

(9) the Texas Water Development Fund II state participation account established under Section 17.957; and

(10) the agricultural water conservation fund established under Section 50-d, Article III, Texas Constitution.

(e) The fund consists of:

(1) money transferred or deposited to the credit of the fund by law, including:

(A) money appropriated by the legislature directly to the fund; and

(B) money from any source transferred or deposited to the credit of the fund as authorized by law;

(2) any other revenue that the legislature by statute dedicates for deposit to the credit of the fund;

(3) investment earnings and interest earned on amounts credited to the fund;

(4) money from gifts, grants, or donations to the fund; and

(5) money returned from any authorized transfer.

SECTION 1.05. Effective September 1, 2027, Section 15.502(e), Water Code, is amended to read as follows:

(e) The fund consists of:

(1) money transferred or deposited to the credit of the fund by law, including:

(A) money transferred or deposited to the credit of the fund as provided by Section 7-e, Article VIII, Texas Constitution;

(B) money appropriated by the legislature

1 directly to the fund; and

2 (C) money from any source transferred or
3 deposited to the credit of the fund as authorized by law;

4 (2) any other revenue that the legislature by statute
5 dedicates for deposit to the credit of the fund;

6 (3) investment earnings and interest earned on amounts
7 credited to the fund;

8 (4) money from gifts, grants, or donations to the
9 fund; and

10 (5) money returned from any authorized transfer.

11 SECTION 1.06. Section 15.504, Water Code, is amended by
12 amending Subsections (b), (c), and (f) and adding Subsection (f-1)
13 to read as follows:

14 (b) Except as provided by Subsection (f) and other than
15 money transferred to the state water implementation fund for Texas
16 established under Subchapter G, the ~~The~~ board may not transfer
17 money to a fund or account described by Section 15.502(b) until the
18 application for the project for which the money is to be used has
19 been approved.

20 (c) The board shall ensure that a portion of the money
21 transferred from the fund is used for:

22 (1) water and wastewater infrastructure projects,
23 including projects to rehabilitate or replace deficient or
24 deteriorating infrastructure, prioritized by risk or need for
25 financial assistance, including grants, for:

26 (A) rural political subdivisions; and

27 (B) municipalities with a population of less than

1 150,000;

2 (2) projects for which all required state or federal
3 permitting has been substantially completed, as determined by the
4 board;

5 (3) the statewide water public awareness program
6 established under Section 16.026;

7 (4) water conservation strategies; ~~and~~

8 (5) water loss mitigation projects; and

9 (6) technical assistance for applicants in obtaining
10 and using financial assistance from funds and accounts administered
11 by the board.

12 (f) The board may transfer not more than two percent of the
13 money deposited to the credit of the fund in each state fiscal year
14 to the Texas water fund administrative fund established under
15 Section 15.508 ~~[use the fund]~~ to pay or reimburse the board for the
16 necessary and reasonable expenses of the board in administering the
17 fund ~~[not to exceed two percent].~~

18 (f-1) The board may enter into an agreement with the
19 commission to pay from the Texas water fund administrative fund
20 established under Section 15.508 the necessary and reasonable
21 staffing expenses, not to exceed \$2 million, incurred by the
22 commission on or before August 31, 2027, for the review of permit
23 applications for water supply projects receiving financial
24 assistance from the fund. This subsection expires September 1,
25 2028.

26 SECTION 1.07. Subchapter H-1, Chapter 15, Water Code, is
27 amended by adding Section 15.508 to read as follows:

1 Sec. 15.508. ADMINISTRATIVE FUND. (a) The Texas water fund
2 administrative fund is a fund outside the general revenue fund
3 administered by the board and established for the payment of or
4 reimbursement of the board for the expenses incurred by the board in
5 administering the Texas water fund.

6 (b) The Texas water fund administrative fund consists of:

7 (1) money appropriated to the board for deposit to the
8 credit of the administrative fund;

9 (2) money transferred by the board to the
10 administrative fund under Section 15.504(f) or other law; and

11 (3) depository interest allocable to the
12 administrative fund.

13 SECTION 1.08. Section 15.703(a), Water Code, is amended to
14 read as follows:

15 (a) The board may take all actions necessary to operate the
16 water bank and to facilitate the transfer of water rights from the
17 water bank for future beneficial use, including but not limited to:

18 (1) negotiating a sale price and terms acceptable to
19 the depositor and purchaser;

20 (2) maintaining a registry of water bank deposits and
21 those water users in need of additional supplies;

22 (3) informing water users in need of additional supply
23 of water rights available in the bank;

24 (4) encouraging water right holders to implement water
25 conservation practices and deposit the right to use the conserved
26 water into the bank;

27 (5) establishing requirements for deposit of a water

1 right into the water bank, including minimum terms for deposit;

2 (6) purchasing, holding, and transferring water or
3 water rights in its own name, including purchasing, holding, and
4 transferring water or water rights originating from outside this
5 state for the purpose of providing water for the use or benefit of
6 this state;

7 (7) establishing regional water banks;

8 (8) acting as a clearinghouse for water marketing
9 information, including water availability, pricing of water
10 transactions, environmental considerations, and potential buyers
11 and sellers of water rights;

12 (9) preparing and publishing a manual on structuring
13 water transactions;

14 (10) accepting and holding donations of water rights
15 to meet instream, water quality, fish and wildlife habitat, or bay
16 and estuary inflow needs;

17 (11) entering into contracts with persons to pay for
18 feasibility studies or the preparation of plans and specifications
19 relating to water conservation efforts or to estimate the amount of
20 water that would be saved through conservation efforts; and

21 (12) other actions to facilitate water transactions.

22 SECTION 1.09. Section 16.131(a), Water Code, is amended to
23 read as follows:

24 (a) The board may use the state participation account of the
25 development fund to encourage optimum regional and interregional
26 development of projects, including the design, acquisition, lease,
27 construction, reconstruction, development, or enlargement in whole

or part of:

(1) reservoirs and storm water retention basins for water supply, flood protection, and groundwater recharge;

(2) facilities for the transmission and treatment of water;

(3) treatment works as defined by Section 17.001; ~~and~~

(4) interregional water supply projects selected under Section 16.145; and

(5) projects described by Section 15.153(b)(1).

SECTION 1.10. Section 17.0112(a), Water Code, is amended to read as follows:

(a) The board may issue not more than \$100 ~~[\$25]~~ million in bonds ~~[dedicated under Section 17.0111 of this code and may 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 1.11. Section 17.933(c), Water Code, is amended to read as follows:

(c) The total amount of financial assistance provided by the board to political subdivisions under this subchapter from state-issued bonds for which repayment is not required may not exceed at any time 90 ~~[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 1.12. The following provisions of the Water Code are repealed:

(1) Section 16.131(c); and

(2) Section 16.146(h).

ARTICLE 2. LEGISLATIVE OVERSIGHT

SECTION 2.01. Section 15.431(1), Water Code, is amended to read as follows:

(1) "Advisory committee" means the ~~[State Water Implementation Fund for]~~ Texas Water Fund Advisory Committee.

SECTION 2.02. Section 15.438, Water Code, is transferred to Subchapter A, Chapter 15, Water Code, redesignated as Section 15.009, Water Code, and amended to read as follows:

Sec. 15.009 [~~15.438~~]. TEXAS WATER FUND ADVISORY COMMITTEE.

(a) The ~~[State Water Implementation Fund for]~~ Texas Water Fund Advisory Committee is composed of the following eight ~~[seven]~~ members:

(1) the comptroller, or a person designated by the comptroller;

(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 ~~[three]~~ members of the senate appointed by the lieutenant governor, including at least one ~~[+]~~

1 [~~(A)~~ a] member of the committee of the senate
2 having primary jurisdiction over matters relating to finance; and

3 (6) two [~~and~~

4 [~~(B)~~ the chair of the committee of the senate
5 having primary jurisdiction over water resources; and

6 [~~(3)~~ three] members of the house of representatives
7 appointed by the speaker of the house of representatives, including
8 at least one [+

9 [~~(A)~~ a] member of the committee of the house of
10 representatives having primary jurisdiction over appropriations[+
11 and

12 [~~(B)~~ the chair of the committee of the house of
13 representatives having primary jurisdiction over water resources].

14 (b) The board [~~following persons~~] shall designate agency
15 personnel to serve as staff support for the advisory committee[+

16 [~~(1)~~ the deputy executive administrator of the board
17 who is responsible for water science and conservation or a person
18 who holds an equivalent position at the agency, or a person
19 designated by that person; and

20 [~~(2)~~ the deputy executive administrator of the board
21 who is responsible for water resources planning and information or
22 a person who holds an equivalent position at the agency, or a person
23 designated by that person; and

24 [~~(3)~~ the chief financial officer of the board, or a
25 person who holds an equivalent position at the agency].

26 (c) A [~~An appointed~~] member of the advisory committee
27 designated under Subsection (a)(1) or (2) or appointed under

1 Subsection (a)(5) or (6) serves at the will of the person who
2 designated or appointed the member.

3 (d) The members of the advisory committee described by
4 Subsections (a)(3) and (4) serve as ~~[lieutenant governor shall~~
5 ~~appoint a]~~ co-presiding officers ~~[officer]~~ of the ~~[advisory]~~
6 committee ~~[from among the members appointed by the lieutenant~~
7 ~~governor, and the speaker of the house of representatives shall~~
8 ~~appoint a co-presiding officer of the committee from among the~~
9 ~~members appointed by the speaker]~~.

10 (e) The advisory committee may hold public hearings, formal
11 meetings, or work sessions. Either co-presiding officer of the
12 advisory committee may call a public hearing, formal meeting, or
13 work session of the advisory committee at any time. The advisory
14 committee may not take formal action at a public hearing, formal
15 meeting, or work session unless a quorum of the committee is
16 present.

17 (f) Except as otherwise provided by this subsection, a
18 member of the advisory committee is not entitled to receive
19 compensation for service on the committee or reimbursement for
20 expenses incurred in the performance of official duties as a member
21 of the committee. Service on the advisory committee by a member of
22 the senate or house of representatives is considered legislative
23 service for which the member is entitled to reimbursement and other
24 benefits in the same manner and to the same extent as for other
25 legislative service.

26 (g) The advisory committee may ~~[shall]~~ submit comments and
27 recommendations to the board regarding the use of money in:

1 (1) the state water implementation fund for Texas
2 established under Subchapter G [fund] for use by the board in
3 adopting rules under Section 15.439 and in adopting policies and
4 procedures under Section 15.441;

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

7 (3) the flood infrastructure fund established under
8 Subchapter I for use by the board in adopting rules under Section
9 15.537; and

10 (4) the Texas infrastructure resiliency fund
11 established under Section 16.452 for use by the board in adopting
12 rules under Section 16.460. [The submission must include:

13 ~~[(1) comments and recommendations on rulemaking~~
14 ~~related to the prioritization of projects in regional water plans~~
15 ~~and the state water plan in accordance with Section 15.437;~~

16 ~~[(2) comments and recommendations on rulemaking~~
17 ~~related to establishing standards for determining whether projects~~
18 ~~meet the criteria provided by Section 15.434(b);~~

19 ~~[(3) an evaluation of the available programs for~~
20 ~~providing financing for projects included in the state water plan~~
21 ~~and guidelines for implementing those programs, including~~
22 ~~guidelines for providing financing for projects included in the~~
23 ~~state water plan that are authorized under Subchapter Q or R of this~~
24 ~~chapter, Subchapter E or F, Chapter 16, or Subchapter J, Chapter 17;~~

25 ~~[(4) an evaluation of the lending practices of the~~
26 ~~board and guidelines for lending standards;~~

27 ~~[(5) an evaluation of the use of funds by the board to~~

~~provide support for financial assistance for water projects,
including support for the purposes described by Section 15.435(c),~~

~~[(6) an evaluation of whether premium financing
programs should be established within the funds described by
Section 15.435 to serve the purposes of this subchapter, especially
in connection with projects described by Section 15.434(b),~~

~~[(7) an evaluation of methods for encouraging
participation in the procurement process by companies domiciled in
this state or that employ a significant number of residents of this
state; and~~

~~[(8) an evaluation of the overall operation, function,
and structure of the fund.]~~

(h) The advisory committee shall review the overall
operation, function, and structure of each fund listed in
Subsection (g) ~~[the fund]~~ at least semiannually ~~[and may provide~~
~~comments and recommendations to the board on any matter]~~.

(i) The advisory committee may:

(1) provide comments and recommendations to the board
on any matter;

(2) review the overall operation, function, and
structure of any fund established under this chapter or Chapter 16
that is not listed in Subsection (g); and

(3) adopt rules, procedures, and policies as needed to
administer this section and implement its responsibilities.

(j) Chapter 2110, Government Code, does not apply to the
size, composition, or duration of the advisory committee.

(k) The advisory committee is not subject to Chapter 325,

Government Code (Texas Sunset Act). ~~[Unless continued in existence as provided by that chapter, the advisory committee is abolished and this section expires September 1, 2035.]~~

(1) The advisory committee may ~~[shall]~~ make recommendations to the board regarding information to be posted on the board's Internet website relating to the funds listed in Subsection (g) [under Section 15.440(b)].

(m) The advisory committee shall evaluate and may provide comments or recommendations on the feasibility of the state owning, constructing, and operating water supply projects, including reservoirs and major water supply conveyance infrastructure, through existing financial assistance programs under Subchapter E of this chapter, Subchapter E or F, Chapter 16, or other mechanisms.

(n) The executive administrator shall provide an annual report to the advisory committee on:

(1) the board's compliance with statewide annual goals relating to historically underutilized businesses; and

(2) the participation level of historically underutilized businesses in projects that receive funding related to a bond enhancement agreement under Subchapter G ~~[this subchapter]~~.

(o) If the aggregate level of participation by historically underutilized businesses in projects that receive funding related to a bond enhancement agreement under Subchapter G ~~[this subchapter]~~ does not meet statewide annual goals adopted under Chapter 2161, Government Code, the advisory committee shall make recommendations to the board to improve the participation level.

1 (p) Notwithstanding Section 552.008, Government Code, the
2 advisory committee may access all records that relate to the
3 administration of the funds described in this section that are
4 maintained by any entity under contract with the board.

5 (q) The board, by providing information under this section
6 that is confidential or otherwise excepted from required disclosure
7 under law, does not waive or affect the confidentiality of the
8 information for purposes of state or federal law or waive the right
9 to assert exceptions to required disclosure of the information in
10 the future. The board may require the requesting individual member
11 of the advisory committee, the requesting advisory committee, or
12 the members or employees of the advisory committee who will view,
13 handle, or retain information that is received under this section
14 and that is confidential under law to sign a confidentiality
15 agreement that covers the information and requires that the
16 information:

17 (1) not be disclosed to anyone but other members of the
18 advisory committee;

19 (2) not be disclosed to another member of the advisory
20 committee for purposes other than the purpose for which it was
21 received;

22 (3) be labeled as confidential;

23 (4) be kept securely; and

24 (5) be controlled, such that all copies of the
25 information or notes taken from the information that implicate the
26 confidential nature of the information that are not destroyed or
27 returned to the board remain confidential and subject to the

1 confidentiality agreement.

2 SECTION 2.03. The following provisions of the Water Code
3 are repealed:

- 4 (1) Section 15.506;
- 5 (2) Section 15.540;
- 6 (3) Section 16.451(1); and
- 7 (4) Section 16.456.

8 ARTICLE 3. PERFORMANCE AND ACCOUNTABILITY

9 SECTION 3.01. Subchapter D, Chapter 6, Water Code, is
10 amended by adding Section 6.116 to read as follows:

11 Sec. 6.116. PUBLIC INFORMATION AND REPORTING. (a) The
12 board shall develop and maintain on its Internet website a publicly
13 available tool by which a person may obtain information regarding:

14 (1) state progress toward meeting future water supply
15 needs, including the extent to which water management strategies
16 and projects implemented after the adoption of the preceding state
17 water plan have affected that progress;

18 (2) water supply projects included in the most
19 recently approved state water plan that received commitments of
20 financial assistance from the board in the preceding year;

21 (3) the board's commitments of financial assistance
22 for water supply projects, by program;

23 (4) the net amount of water projected to be developed,
24 conserved, or reclaimed through projects that receive financial
25 assistance from the board;

26 (5) the board's progress toward providing financial
27 assistance to utilities that have water losses that meet or exceed

1 the threshold established by rule under Section 16.0121;

2 (6) the transfer of money from the Texas water fund to
3 other eligible board-administered funds in the preceding year;

4 (7) the total estimated statewide costs of water,
5 wastewater, and flood infrastructure needs and the estimated amount
6 of state financial assistance required to address those needs; and

7 (8) the state's progress in closing the gap between
8 total statewide water infrastructure needs and the state financial
9 assistance required to meet those needs.

10 (b) The board shall update the information required to be
11 maintained under Subsection (a) as appropriate.

12 ARTICLE 4. EFFECTIVE DATES

13 SECTION 4.01. (a) Except as otherwise provided by this
14 Act, this Act takes effect September 1, 2025.

15 (b) Section 1.05 of this Act takes effect January 1, 2026,
16 but only if the constitutional amendment proposed by H.J.R. 7, 89th
17 Legislature, Regular Session, 2025, is approved by the voters. If
18 that amendment is not approved by the voters, Section 1.05 of this
19 Act has no effect.