

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 28, 2025

TO: Honorable Dustin Burrows, Speaker of the House, House of Representatives

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HJR7 by Harris (Proposing a constitutional amendment to dedicate a portion of the revenue derived from state sales and use taxes to the Texas water fund and to provide for the allocation and use of that revenue.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HJR7, As Passed 2nd House: a negative impact of (\$191,689) through the biennium ending August 31, 2027.

However the bill would result in a negative impact of (\$2,000,000,000) through the biennium ending August 31, 2029.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2026	(\$191,689)
2027	\$0
2028	(\$1,000,000,000)
2029	(\$1,000,000,000)
2030	(\$1,000,000,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue (Loss) from General Revenue Fund 1</i>	<i>Probable Revenue Gain from Texas Water Fund 484</i>	<i>Probable (Cost) from General Revenue Fund 1</i>
2026	\$0	\$0	(\$191,689)
2027	\$0	\$0	\$0
2028	(\$1,000,000,000)	\$1,000,000,000	\$0
2029	(\$1,000,000,000)	\$1,000,000,000	\$0
2030	(\$1,000,000,000)	\$1,000,000,000	\$0

Fiscal Analysis

The resolution would propose an amendment to add Section 7-e, Article VIII, Texas Constitution, to require the Comptroller of Public Accounts to annually deposit to the Texas Water Fund (TWF) the first \$1 billion in sales and use tax revenue (Chapter 151, Tax Code) once annual revenue exceeds \$46.5 billion.

The Comptroller's duty to make the annual deposits described above would expire August 31, 2047.

Sales tax revenue deposited to the TWF under the provisions of the resolution would be prohibited from transfer to Fund 0485 – New Water Supply for Texas to fund projects financing the construction of

infrastructure to transport groundwater produced from a well in this state that was not brackish at the time of production.

The resolution would direct the sales and use tax deposited to the TWF be maintained in a separate account in the TWF and would prohibit the funds from being drawn from the treasury unless a specific appropriation is made by law.

The resolution would propose an amendment to Section 49-d-16 (Texas Water Fund) to allow the Legislature to allocate sales tax revenue deposited to Fund 0484-TWF as a result of the resolution, by general law or resolution, to the funds and accounts managed by the Texas Water Development Board (TWDB). The resolution would further amend this Section to allow for the suspension of such a Legislative allocation during a declared disaster. During the period for which a disaster is declared, the resolution would allow the Legislature to appropriate, for any purpose, sales tax revenue deposited to the TWF that would have been Legislatively allocated if not for the suspension.

Proposed Section 7-e, Article VIII, Texas Constitution would take effect September 1, 2027.

This proposed constitutional amendment would be submitted to voters in a statewide election on November 4, 2025.

Methodology

The proposed amendment would require the Comptroller to annually deposit the first \$1 billion from the amount collected in sales and use tax-after annual collections had first reached \$46.5 billion-to the TWF. This analysis assumes that condition will be met each year from fiscal 2028 through 2027, when the cumulative total of allocations of state sales tax to the TWF will have reached \$20 billion. The table below reflects the amounts projected to be deposited, as well as the resolution's effective date for proposed Section 7-e of September 1, 2027, to the TWF based on estimates from the *2026-27 Biennial Revenue Estimate*.

The cost to the state for publication of the resolution is \$191,689.

The proposed constitutional amendment would only require the deposit of revenue into the TWF but would not make any changes to the current administration of the fund. Consequently, any cost would be shown in the fiscal note for the associated enabling legislation (SB 7).

Local Government Impact

The resolution would result in additional funding available for existing financial assistance programs administered by the Texas Water Development Board.

Source Agencies: 304 Comptroller of Public Accounts, 580 Water Development Board

LBB Staff: JMc, SD, KK, TUF, AJL