

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

March 27, 2025

TO: Honorable Charles Perry, Chair, Senate Committee on Water, Agriculture and Rural Affairs

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB7 by Perry (relating to the oversight and financing of certain water infrastructure matters under the jurisdiction of the Texas Water Development Board.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB7, Committee Report 1st House, Substituted: an impact of \$0 through the biennium ending August 31, 2027.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five- Year Impact:

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

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Savings/(Cost) from <i>Texas Water Fund</i> 484	<i>Change in Number of State Employees from FY 2025</i>
2026	(\$5,290,832)	32.0
2027	(\$4,422,032)	32.0
2028	(\$17,812,727)	132.0
2029	(\$16,972,727)	132.0
2030	(\$17,068,727)	132.0

Fiscal Analysis

The bill would amend the Water Code related to water infrastructure development, legislative oversight, and performance and accountability at the Texas Water Development Board (TWDB).

The bill would establish the responsibility that TWDB facilitate joint planning and coordination between entities related to the development of infrastructure to transport water. As the lead entity conducting water supply conveyance coordination, TWDB would also be responsible for developing guidance, standards, and recommendations to achieve these efforts. TWDB would be able to procure professional and consulting services and form ad hoc committees with any entities deemed appropriate by TWDB to advise and assist with

achieving these efforts. The bill would require TWDB to use the Texas Water Fund No. 484 (TWF) to pay all administrative, staffing, and professional service expenses incurred in administering these responsibilities.

The bill would amend eligible uses of the New Water Supply for Texas Fund (NWSTF). The bill would add reservoir projects meeting specific criteria and infrastructure projects to transport or integrate into a water supply system as projects eligible to receive financial assistance from the NWSTF. The bill would also add infrastructure to transport or integrate into a water supply system, including surface water for which a permit for storage, taking, or diversion has already been issued, as eligible NWSTF projects. Water supply infrastructure developed for the transport of water would be restricted from transporting groundwater produced from state wells meeting certain criteria. The bill would permit transfers from the NWSTF to the State Participation Account (SPA) of the Texas Water Development Fund II (DFund II) and for eligible water supply projects. The bill would allow the NWSTF to be used for the purchase of water rights by a water supply contract or a lease of the rights from its owner.

The bill would add the Flood Infrastructure Fund (FIF) to the list of funds that TWF is eligible to transfer money to. The bill would amend TWF sources to remove the return of money to the TWF from an authorized transfer to a receiving fund as a source, and add the dedication of revenues from the constitutional amendment proposed by the 89th Legislature, Regular Session, 2025, (SJR 66, as introduced) as a source. The bill would amend statutes so that no more than two percent of the TWF may be used for administrative expenses to include expenses incurred by TWDB in administering water supply conveyance coordination responsibilities within this eligibility. Additionally, the bill would allow TWDB to enter into an agreement with the Texas Commission on Environmental Quality (TCEQ) to pay no more than \$2,000,000, from within the two percent administrative set-aside of the TWF, of the administrative expenses incurred by TCEQ before August 31, 2027. The agreement would cover the TCEQ expenses related to the review of permit applications for water supply projects receiving financial assistance originating from the TWF during the 2026-27 biennium only. The bill would also add wastewater projects in rural and small communities to the list of purposes that TWDB must ensure a portion of the money transferred from the TWF is used for.

The bill would amend eligible uses of the Water Bank to include purchasing, holding, and transferring of water rights that originate outside of the state for the purpose of providing water for the use or benefit of the state. The bill would exempt a transfer of water or water rights originating from outside the state from being subject to certain water supply contract requirements.

The bill would amend eligible uses for the SPA of DFund II to include NWSTF eligible projects. The bill repeals a requirement that at least 50.0 percent of money used from the SPA in a given fiscal year be used for interregional water projects. The bill would also repeal a previous restriction, which would allow the SPA to continue to be used for projects involving the development of desalination facilities and aquifer storage and recovery facilities through the acquisition of a facility or ownership interest in a facility.

The bill would rename and restructure the previous State Water Implementation Fund for Texas (SWIFT) Advisory Committee to the Texas Water Fund Advisory Committee and redesignate its section within the Water Code. The bill would repeal statutes related to other Advisory Committees and reviews of the TWF, FIF, and the Texas Infrastructure Resiliency Fund (TIRF) to consolidate this oversight within the new TWF Advisory Committee. The bill would amend the following aspects of the Advisory Committee including: the number of members from seven to eight and the composition of certain members; the composition of agency-designated support staff and require the designees to serve at the will of the appointees; replacing SWIFT-specific recommendation language with requirements that the Committee make semi-annual recommendations regarding the use of money in the SWIFT, TWF, FIF, and TIRF (and to make recommendations regarding posting information online related to the use of these funds, as necessary); allowing the Committee to make any other recommendations to TWDB; exempting the Committee from Sunset review and abolishment; requiring the Executive Administrator of TWDB to provide an annual report to the Committee; and allowing the Committee the ability to access all records related to the administration of the four funds that are maintained by any entity under contract with TWDB, as necessary.

The bill would require TWDB, no later than December 31 of each even-numbered year, to submit and publish online a report to the legislature regarding financial assistance administered in the preceding biennium and the state's progress toward specific water-related goals.

The bill would take effect September 1, 2025, except for the provision adding the dedication of revenues from a proposed constitutional amendment as a source to the TWF, which would take effect January 1, 2026, but only if the constitutional amendment proposed by the 89th Legislature, Regular Session, 2025, providing for the dedication of certain sales and use tax revenue and insurance premium tax revenue to the TWF is approved by the voters.

Methodology

This analysis and the tables above reflect the fiscal impact based on information provided by TWDB and other impacted agencies. This analysis is also based on information provided by TWDB in its experience supporting the current level of funding (\$1.0 billion) provided through the TWF.

For the purpose of this analysis, it is assumed that TWDB's costs associated with implementing the provisions of the bill would be paid from the TWF and that the constitutional amendment proposed by the 89th Legislature, Regular Session, 2025, (SJR 66, as introduced) providing for the dedication of certain sales and use tax revenue and insurance premium tax revenue to the TWF would be approved by the voters resulting in a deposit of \$1,000,000,000 beginning in fiscal year 2028 with a similar amount being deposited each subsequent fiscal year through fiscal year 2043.

This analysis also assumes that: (1) the Legislature would not adopt a resolution authorized in SJR 66, as introduced, that would be approved by a two-thirds majority, to direct the Comptroller to reduce the amount deposited to the TWF; (2) that that up to two percent of the amount deposited to the credit of the TWF would be used for TWDB administrative expenses including water supply conveyance coordination expenses, and also including up to \$2,000,000 to enter into an agreement with TCEQ to cover TCEQ's administrative expenses related to the TWF in the 2026-27 biennium, as required by the bill; (3) that \$20,000,000 million would be available to cover any eligible TWF administrative expenses estimated in fiscal years 2026 and 2027 from the \$1,000,000,000 deposited in fiscal year 2024, capitalizing the TWF based on the 2026--27 Biennial Revenue Estimate anticipating an ending fund balance of \$768,600,000 in the TWF at the end of fiscal year 2025; and (4) that any additional deposits from legislative appropriations to the TWF in the 2026-27 biennium, should they occur, would also include two percent of the amount deposited for administrative costs.

Based on information provided by TWDB, additional staff and resources would be required due to the bill increasing TWDB's water supply conveyance coordination responsibilities which include broadening NWSTF project eligibilities for developing infrastructure to transport or integrate into a water supply system to include permitted surface water. According to TWDB, 32.0 Full-Time Equivalent (FTE) positions and associated costs totaling \$5,290,832 in fiscal year 2026 and \$4,422,032 in fiscal year 2027 would be needed to administer to implement the provisions of the bill apart from revenue dedications to TWF from SJR 66 (or similar legislation). According to TWDB, the additional water supply conveyance coordination responsibilities would require 30.0 FTEs to implement these provisions of the bill. The additional 2.0 FTEs would assist with providing support in production of reports required from revising the advisory council and the additional reporting requirements. FTEs would include: three Accountant III, two Administrative Assistant III, two Attorney III, one Budget Analyst III, two Contract Specialist IV, one Data Analyst II, one Director IV, one Engineer IV, four Engineer V, one Geographic Information Specialist IV, two Information Technology Business Analyst III, one Loan Specialist III, one Manager V, two Planner III, four Planner IV, two Program Specialist V, one Project Manager IV, and one Systems Analyst V.

Salary and wage costs for the 32.0 FTEs totals \$3,390,505 per fiscal year from 2026 to 2030. Benefit costs total \$825,823 per fiscal year from 2026 to 2030. Other administrative and staff costs totals \$1,074,474 in fiscal year 2026, \$205,674 from fiscal years 2027 to 2029, and \$301,675 in fiscal year 2030. This includes initial capital costs for licenses, furniture, equipment, and professional services for contracting related to water supply conveyance coordination responsibilities in fiscal year 2026.

Based on information provided by TWDB, it is assumed that 100.0 FTE positions and associated costs, including enhancements to existing technical systems would be needed to administer funding resulting from the new TWF revenue dedications beginning in fiscal year 2028. The revenue dedications to TWF from SJR 66 (or similar legislation), if enacted and approved by the voters, would not take effect until fiscal year 2028. Therefore, these FTEs and associated costs are reflected beginning in fiscal year 2028 through 2030. According to information provided by the TWDB, the FTEs would include: four Accountant III, two Accountant

V, two Administrative Assistant V, two Attorney I, four Attorney III, two Budget Analyst III, two Information Technology Business Analyst III, six Contract Specialist III, four Data Analyst III, two Engineer III, four Engineer IV, two Executive Assistant II, four Financial Analyst I, four Financial Analyst III, two Human Resources Specialist II, four Human Resources Specialist III, four Hydrologist III, twelve Information Technology Support Specialist III, two Loan Specialist II, two Management Analyst III, two Manager V, two Program Specialist II, two Program Specialist III, four Program Specialist IV, six Program Specialist V, two Program Specialist VI, six Project Manager III, four Project Manager IV, and two Training and Development Specialist V.

Salary and wage costs for the 100.0 FTEs totals \$9,181,932 per fiscal year from 2028 to 2030. Benefit costs total \$2,747,234 per fiscal year from 2028 to 2030. Other administrative and staff costs totals \$1,461,529 in fiscal year 2028 and \$621,529 in fiscal years 2029 through 2030, which includes initial capital costs for licenses, furniture, and equipment.

Based on information provided by TCEQ, this analysis assumes additional resources could be needed for TCEQ for the review of permit applications for water supply projects receiving financial assistance from the TWF due to increased funding being deposited to the TWF. However, the exact costs and the level of staffing and resources that would be needed by TCEQ cannot be determined at this time due to the variability in the timing, amount, and type of project as well as the resources required to review specific project applications. This analysis assumes that total costs for this purpose would not exceed \$2,000,000 from the TWF from September 1, 2025, through August 31, 2027. This analysis assumes that any costs for this purposes recurring in subsequent fiscal years would be paid from from General Revenue-Dedicated Water Resource Management Account No. 153.

The analysis assumes the TWF Advisory Committee would add the Executive Director or a designee of the Texas Division of Emergency Management (TDEM) as a board member. Based on information provided by TDEM and the Texas A&M University System, it is assumed that any costs associated with the bill related to the new TWF Advisory Committee provisions could be absorbed using existing resources.

This analysis assumes the Texas Department of Transportation (TxDOT) would coordinate with TWDB as needed to assist in its water supply conveyance efforts, and likely select designees to serve on advisory committees. Based on information provided by TxDOT, it is assumed that any costs associated with the bill related to assisting TWDB in these efforts could be absorbed using existing resources.

Local Government Impact

The fiscal impact to local government entities cannot be determined at this time. Local entities may receive additional financial assistance through various TWDB funds as a result of revenue dedication to the TWF. However, the amount and timing of such financial assistance is unknown at this time.

Source Agencies: 304 Comptroller of Public Accounts, 575 Texas Division of Emergency Management, 580 Water Development Board, 582 Commission on Environmental Quality, 601 Department of Transportation, 710 Texas A&M University System Administrative and General Offices

LBB Staff: JMc, FV, MW, AJL, CMA