

1-1 By: Perry, et al. S.B. No. 7
1-2 (In the Senate - Filed March 13, 2025; March 17, 2025, read
1-3 first time and referred to Committee on Water, Agriculture and
1-4 Rural Affairs; March 27, 2025, reported adversely, with favorable
1-5 Committee Substitute by the following vote: Yeas 9, Nays 0;
1-6 March 27, 2025, sent to printer.)

1-7 COMMITTEE VOTE

1-8	Yea	Nay	Absent	PNV
1-9	X			
1-10	X			
1-11	X			
1-12	X			
1-13	X			
1-14	X			
1-15	X			
1-16	X			
1-17	X			

1-18 COMMITTEE SUBSTITUTE FOR S.B. No. 7 By: Johnson

1-19 A BILL TO BE ENTITLED
1-20 AN ACT

1-21 relating to the oversight and financing of certain water
1-22 infrastructure matters under the jurisdiction of the Texas Water
1-23 Development Board.

1-24 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-25 ARTICLE 1. WATER INFRASTRUCTURE DEVELOPMENT

1-26 SECTION 1.01. Chapter 6, Water Code, is amended by adding
1-27 Subchapter H to read as follows:

1-28 SUBCHAPTER H. WATER SUPPLY CONVEYANCE COORDINATION

1-29 Sec. 6.301. DEFINITION. In this subchapter, "project"
1-30 means a water supply development, treatment, or conveyance project
1-31 eligible to receive financial assistance from the board.

1-32 Sec. 6.302. RESPONSIBILITIES OF BOARD. (a) The board
1-33 shall:

1-34 (1) for the development of infrastructure to transport
1-35 water that is made available by a project, facilitate joint
1-36 planning and coordination between project sponsors, governmental
1-37 entities, utilities, common carriers, and other entities, as
1-38 applicable, to:

1-39 (A) maximize the use of existing transportation
1-40 and utility easements; and

1-41 (B) minimize the exercise of the power of eminent
1-42 domain to obtain interests in real property;

1-43 (2) facilitate the development of guidance and best
1-44 practices for the standardization of the specifications,
1-45 materials, and components used to design and construct
1-46 infrastructure to transport water;

1-47 (3) facilitate the development of standards and
1-48 guidance to ensure potential interconnectivity and
1-49 interoperability between different systems developed to transport
1-50 water from different projects;

1-51 (4) facilitate the development of mechanical and
1-52 technical standards for the integration of water that is made
1-53 available by a project into a water supply system or into
1-54 infrastructure to transport water that is made available by a
1-55 project, as applicable; and

1-56 (5) take other action the board determines necessary
1-57 to facilitate interconnectivity and interoperability between
1-58 different infrastructure developed to transport water from
1-59 different projects.

1-60 (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.

Sec. 6.305. PAYMENT OF EXPENSES FROM WATER FUND. Pursuant to Section 15.504(f), the board shall pay from the Texas water fund:

(1) the necessary and reasonable administrative expenses, including staffing expenses, incurred in administering its responsibilities under this subchapter; and

(2) the necessary and reasonable expenses for the procurement of professional and consulting services under Section 6.303.

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 Subsections (e) and (f) 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) reservoir projects for which: (i) the required land has already been acquired;

(ii) 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

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

(E) the development of infrastructure to transport or integrate into a water supply system:

(i) water that is made available by a project described by this subdivision; or

(ii) surface water for which a permit for the storage, taking, or diversion of state water has been issued by the commission under Section 11.121;

(2) make transfers from the fund:

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

(B) for a purpose described by Subdivision (1); ~~and~~

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

(4) make transfers from the fund:
 (A) to the Texas Water Development Fund II state participation account established under Section 17.957; and
 (B) for a purpose described by Subdivision (1).

(e) Infrastructure developed to transport water under Subsection (b)(1)(E) may not be 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) Money from the fund may 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. Sections 15.502(b) and (e), Water Code, are amended to read as follows:

(b) The board may use the fund only to transfer money to:
 (1) the water assistance fund established under Subchapter B;

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

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

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

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

(5) a revolving fund established under Subchapter J;

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

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

(8) the Texas Water Development Fund II water financial assistance account established under Section 17.959; and

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

(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; and

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

~~(5) money returned from any authorized transfer].~~

SECTION 1.05. Effective January 1, 2026, 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 directly to the fund; and

(C) 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; and

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

~~(5) money returned from any authorized transfer].~~

SECTION 1.06. Section 15.504, Water Code, is amended by

4-1 amending Subsections (c) and (f) and adding Subsection (f-1) to
4-2 read as follows:

4-3 (c) The board shall ensure that a portion of the money
4-4 transferred from the fund is used for:

4-5 (1) water and wastewater infrastructure projects,
4-6 prioritized by risk or need, for:

4-7 (A) rural political subdivisions; and

4-8 (B) municipalities with a population of less than
4-9 150,000;

4-10 (2) projects for which all required state or federal
4-11 permitting has been substantially completed, as determined by the
4-12 board;

4-13 (3) the statewide water public awareness program
4-14 established under Section 16.026;

4-15 (4) water conservation strategies; and

4-16 (5) water loss mitigation projects.

4-17 (f) The board may use not more than two percent of the fund
4-18 to pay for:

4-19 (1) the necessary and reasonable expenses of the board
4-20 in administering the fund; and

4-21 (2) the expenses described by Section 6.305 [~~not to~~
4-22 ~~exceed two percent~~].

4-23 (f-1) The board may enter into an agreement with the
4-24 commission to pay from the fund the necessary and reasonable
4-25 staffing expenses, not to exceed \$2 million, incurred by the
4-26 commission on or before August 31, 2027, for the review of permit
4-27 applications for water supply projects receiving financial
4-28 assistance from the fund. This subsection expires September 1,
4-29 2028.

4-30 SECTION 1.07. Section 15.505, Water Code, is amended to
4-31 read as follows:

4-32 Sec. 15.505. TRANSFER OF MONEY. (a) Notwithstanding any
4-33 other law:

4-34 (1) the board may[+]

4-35 [~~(A)~~] transfer money from the fund into any other
4-36 fund or account described by Section 15.502(b); and

4-37 [~~(B)~~ ~~restore to the fund money transferred from~~
4-38 ~~the fund and deposited to the credit of a fund or account described~~
4-39 ~~by Section 15.502(b), and]~~

4-40 (2) a fund or account described by Section 15.502(b)
4-41 may accept a transfer of money made under this subchapter.

4-42 (b) The board may not restore to the fund money transferred
4-43 from the fund and deposited to the credit of a fund or account
4-44 described by Section 15.502(b).

4-45 SECTION 1.08. Section 15.703(a), Water Code, is amended to
4-46 read as follows:

4-47 (a) The board may take all actions necessary to operate the
4-48 water bank and to facilitate the transfer of water rights from the
4-49 water bank for future beneficial use, including but not limited to:

4-50 (1) negotiating a sale price and terms acceptable to
4-51 the depositor and purchaser;

4-52 (2) maintaining a registry of water bank deposits and
4-53 those water users in need of additional supplies;

4-54 (3) informing water users in need of additional supply
4-55 of water rights available in the bank;

4-56 (4) encouraging water right holders to implement water
4-57 conservation practices and deposit the right to use the conserved
4-58 water into the bank;

4-59 (5) establishing requirements for deposit of a water
4-60 right into the water bank, including minimum terms for deposit;

4-61 (6) purchasing, holding, and transferring water or
4-62 water rights in its own name, including purchasing, holding, and
4-63 transferring water or water rights originating outside this state
4-64 for the purpose of providing water for the use or benefit of this
4-65 state;

4-66 (7) establishing regional water banks;

4-67 (8) acting as a clearinghouse for water marketing
4-68 information including water availability, pricing of water
4-69 transactions, environmental considerations, and potential buyers

and sellers of water rights;

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

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

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

(12) other actions to facilitate water transactions.

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

(a) The board may use the state participation account of the development fund to encourage optimum regional and interregional development of projects, including the design, acquisition, lease, 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. 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) three members of the senate appointed by the lieutenant governor, including:

(A) a member of the committee of the senate having primary jurisdiction over matters relating to finance; and

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

(3) three members of the house of representatives appointed by the speaker of the house of representatives, including:

(A) a member of the committee of the house of representatives having primary jurisdiction over appropriations; and

(B) the chair of the committee of the house of representatives having primary jurisdiction over water resources; and

(4) 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.

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

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

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

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

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

(d) The lieutenant governor shall appoint a co-presiding officer of the advisory committee from among the members appointed by the lieutenant governor, and the speaker of the house of representatives shall appoint a co-presiding officer of the committee from among the members appointed by the speaker.

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

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

(g) As needed, the ~~[The]~~ advisory committee shall submit comments and recommendations to the board regarding the use of money in:

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

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

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

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

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

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

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

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

~~[(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(e);~~

~~[(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.]~~

(l) As needed, the [The] advisory committee 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 progress toward expanding state and regional water supply portfolios, including:

(A) the financial commitments made by the board in support of water supply projects and management strategies over the preceding year;

(B) the net amount of water projected to be developed, conserved, or reclaimed through the financial commitments described by Paragraph (A); and

(C) the progress made over the preceding year toward closing potential water supply deficits during a drought of record as described in the most recently adopted state water plan by the completion of water supply projects and the implementation of management strategies that received financial commitments from the board;

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

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

(4) ~~(2)~~ the participation level of historically underutilized businesses in projects that receive funding related to a bond enhancement agreement under Subchapter G; and

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

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

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

- 8-1 (1) Section 15.506;
- 8-2 (2) Section 15.540;
- 8-3 (3) Section 16.451(1); and
- 8-4 (4) Section 16.456.

ARTICLE 3. PERFORMANCE AND ACCOUNTABILITY

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

Sec. 6.116. BIENNIAL REPORT. (a) In this section, "Texas water fund" means the fund established under Section 49-d-16, Article III, Texas Constitution, as proposed by S.J.R. 75, 88th Legislature, Regular Session, 2023.

(b) Not later than December 31 of each even-numbered year, the board shall submit to the legislature a report that describes:

(1) the transfer of money from the Texas water fund to other eligible board-administered funds in the preceding biennium;

(2) water supply projects included in the most recently adopted state water plan that received funding commitments from the board in the preceding biennium;

(3) the commitment of financial assistance in the preceding biennium from the Texas water fund for water and wastewater systems that have water losses that meet or exceed the threshold established by rule under Section 16.0121; and

(4) the state's progress toward closing potential water supply deficits during a drought of record as described in the most recently adopted state water plan.

(c) The board shall publish the report described by Subsection (b) on the board's Internet website.

ARTICLE 4. EFFECTIVE DATES

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

(b) Section 1.05 of this Act takes effect January 1, 2026, but only if the constitutional amendment proposed by S.J.R. 66, 89th Legislature, Regular Session, 2025, is approved by the voters. If that amendment is not approved by the voters, Section 1.05 of this Act has no effect.

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