

BILL ANALYSIS: SB 7

[SENATE ENGROSSED VERSION]

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PURPOSE

The purpose of SB 7, authored by Senator Charles Perry, is to establish comprehensive financing, administrative, and infrastructure measures to address current and projected water shortages in Texas, primarily under the Texas Water Development Board's jurisdiction ([2025](#)).

SB7 seeks to enhance the framework for water infrastructure development in Texas by establishing oversight on water supply coordination and allowing for a more strategic use of financial resources. It aims to improve groundwater management, facilitate innovative water solutions, and ensure that funding is directed toward high-need areas and projects. The provision for regular reporting also promotes transparency and accountability, ensuring that the state's water resources are managed effectively in anticipation of future demands and environmental challenges.

BACKGROUND

Texas' population will increase 73% to 51.5 million by 2070. At the same time, water supply is expected to decrease by about 18% by 2070. Water use shortages of 3 million acre-ft/yr in 2020 could rise to 6.9 million acre-ft/yr by 2070 in drought of record conditions ([TWDB, 2021](#)). Water fuels industry, sustains reliable generation of electricity, satisfies thirsty communities, and maintains the natural beauty of the state. But Texas faces serious challenges: multiple droughts, uneven distribution of water resources, and the prohibitive cost of securing and delivering water to meet the needs of people and their industries. To ensure that Texas grows and prospers, the state must guarantee that sufficient water is available to sustain the economy during drought, address the needs of both rural and urban areas, and preserve the quality of natural resources that make Texas an attractive place to live and work. The Texas Legislature is looking to meet the challenge of supplying water for the state by leveraging financial investments by state and private entities, removing legislative barriers that discourage cross-regional solutions, and adopting innovative technologies that enable access to previously under-utilized water resources to development.

SECTION BY SECTION ANALYSIS

Article 1: Water Infrastructure Development

SECTION 1.01: Amends Chapter 6, Water Code, by adding subchapter H to enhance water conveyance coordination. The purpose of the legislation is to:

1. Facilitate joint planning and coordination between project sponsors, governmental entities, utilities, common carriers, and other entities to:
 - Maximize the use of existing transportation and utility easements.

- Reduce the necessity of eminent domain to protect property interests.
2. Aim to standardize the design and construction of water transportation infrastructure.
 3. Develop standards and best practices to ensure water systems can interconnect and interoperate with different systems to transport water between different projects.
 4. Develop mechanical and technical standards to incorporate excess capacity from water projects into the water supply.
 5. Act to facilitate the interconnection and interoperation of different infrastructure projects such as:
 - Recommend building excess capacity into infrastructure for additional water supplies.
 - Procure professional services and form ad hoc committees to achieve these objectives.

The Texas water fund will pay expenses for the board such as:

1. Administrative staffing to fulfill responsibilities.
2. Professional and consulting service expenses.

SECTION 1.02: Amends Section 11.036, Water Code, by adding subsection (e), to prevent the transfer of water rights to someone outside the state.

SECTION 1.03: Amends Section 15.153, Water Code, by amending subsection (b) and adding (e) and (f).

The New Water Supply for Texas Fund may be used to:

1. Provide financial assistance to districts to create new water sources such as:
 1. Desalination.
 2. Produced water.
 3. Aquifer storage and recovery.
 4. Reservoir projects.
 - i. Land must already be acquired.
 - ii. The permit for the discharge of dredged or other material has been issued.
 - iii. The permit for storage, taking, or diverting of water has been issued.
 5. Infrastructure to transport or integrate into a water supply system.
 - i. For water made available by projects above or state surface water that has received a permit.
2. Make transfers to the state water implementation fund for Texas or the Texas Water Development Fund II. Transfers can also be made from the fund to the water bank account.

The section prohibits the use of funds for transporting groundwater with low dissolved solids. It also allows funds to be used to acquire safe water through water supply contracts or leases.

SECTION 1.04: Amends Section 15.502(b), Water Code, to specify that the board may only transfer money in the fund to:

- The Water Assistance Fund
- The New Water Supply Fund
- The State Water Implementation Fund
- The State Water Implementation Revenue Fund
- The Flood Infrastructure Fund
- The Revolving Fund
- The Rural Water Assistance Fund
- The Statewide water public Awareness Account

- The Texas Water Development Fund II Water Financial Assistance Account
- The Texas Water Development Fund II State Participation Account

SECTION 1.05: Section 15.502, Water Code, details that the funds consist of money transferred by law, revenue the legislature dedicates, investment earnings, including interest, grants, gifts, or donations.

SECTION 1.06: Amends Section 15.504, Water Code, by adding subsections (c) and (f) to direct a portion of the fund to specific types of projects, such as:

- Water and wastewater infrastructure projects, prioritized by risk or need for rural districts and municipalities with a population less than 150,000.
- Projects that completed the permitting processes that are ready-to-execute projects.
- Statewide water public awareness program.
- Water conservation strategies.
- Water loss mitigation projects.

The board may use not more than 2% of the fund to pay for necessary and reasonable expenses of the board in administering the fund, the board, however, can work an agreement with the commission to pay reasonable costs under certain stipulations.

SECTION 1.08: Amends Section 15.703(a), Water Code, to expand the water bank's role to include facilitating transfers of water rights by negotiating sale terms, maintaining a registry of deposits and users in need, and promoting water conservation. It can set rules for deposits, buy and transfer water rights, including from outside the state, and it can establish regional water banks. The board will also provide water marketing information, publish a guide on transactions, accept donations for environmental needs, and fund studies on water conservation, and other additional actions.

SECTION 1.09: Amends Section 16.131(a), Water Code, to allow the state participation account of the development fund to encourage the cooperation of regional and interregional projects. These projects include reservoirs, storm water retention basins for water supply, flooding, groundwater recharge, and water treatment facilities.

SECTION 1.10: Repeals Section 16.131 (c) and 16.146 (h) in the Texas Water Code.

Article 2: Legislative Oversight

SECTION 2.01: Amends Section 15.431(a) (1), Water Code, to define the advisory committee as the Texas Water Fund Advisory Committee.

SECTION 2.02: Amends Section 15.438, Water Code, to establish the composition of the Texas Water Fund Advisory Committee. The membership will include eight members: the comptroller, three members from each the senate and the house of representatives, and the director of the Texas Division of Emergency Management, who serves as a nonvoting member.

The advisory committee can hold public hearings, meetings, or work sessions, with formal action requiring a quorum. Committee members are not compensated or reimbursed for expenses. The committee provides recommendations to the board on the use of various state water and infrastructure funds, reviews their operations, and establishes necessary rules.

The Executive Administrator is required to issue an annual report to the committee on the progress towards expanding the state and regional water portfolio, annual financial commitments for water supply projects and management strategies, the net amount of water projected to be developed, conserved, or reclaimed, as well as other metrics related to alleviation of potential water shortages during droughts.

The committee also monitors participation by historically underutilized businesses and may recommend improvements if goals are not met. It has access to all related records, including those held by contracted entities.

SECTION 2.03: Repeals Section 15.506; Section 15.540; Section 16.451(1); and Section 16.456 in the Texas Water Code.

Article 3: Performance and Accountability

SECTION 3.01: Amends Subchapter D, Chapter 6, Water Code, by adding new reporting requirements in Section 6.118.

At the end of each even-numbered year, the board must issue a report to the legislature that describes:

- Allocation of money from the Texas Water Fund to other funds.
- Water supply projects from the most recent state water plan funded by the board in the past two years.
- Other commitments for financial assistance in the preceding biennium from the Texas water fund for water and wastewater systems that exceed established water loss thresholds.
- Progress toward addressing potential water supply shortages during a drought, as outlined in the state water plan.

The board is required to publish the report on the board's internet website.

Article 4: Effective Date

SECTION 4.01: The Act takes effect on September 1, 2025.

Section 1.05 of this Act takes effect January 1, 2026, if the constitutional amendment proposed by S.J.R. 66 is approved by voters.

REFERENCES

SB 7. Engrossed. 89th Texas Legislature. Regular. (2025). <https://capitol.texas.gov/BillLookup/History.aspx?LegSess=89R&Bill=SB7>

Texas Water Development Board (TWDB). (2021, July 7). *2022 state water plan*. <https://www.twdb.texas.gov/waterplanning/swp/2022/index.asp>

