

## **BILL ANALYSIS**

Senate Research Center

H.B. 3298  
By: Larson et al. (Perry)  
Agriculture, Water & Rural Affairs  
5/14/2015  
Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

This bill requires the Texas Water Development Board to conduct a study to evaluate improvements to the transfer of water entitlements in this state and the establishment of a water grid, including an integrated network of pipelines, pumping stations, reservoirs, and other works for the conveyance of water between river basins, water sources, and areas of water use in the state.

H.B. 3298 amends current law relating to a study conducted by the Texas Water Development Board regarding the development of a market and conveyance network for water in this state.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. LEGISLATIVE FINDINGS. Provides that the legislature finds that:

- (1) water is a valuable part of the natural capital of the state, serving vital economic, environmental, and social purposes;
- (2) the growing water needs of the state require using water in an efficient manner and increasing the economic, environmental, and social productivity of water;
- (3) the efficient use of water often requires the reallocation of water entitlements from one water user to another and the conveyance of water from one geographic location to another; and
- (4) improving the efficient use of water in the state may be promoted by improving the laws regarding water transfers and markets and by using an integrated network of both natural and constructed water conveyance infrastructure.

SECTION 2. DEFINITION. Defines "board" to mean the Texas Water Development Board (TWDB).

SECTION 3. STUDY. (a) Requires TWDB to conduct a study to evaluate:

- (1) improvements to:
  - (A) the transfer of water entitlements; and
  - (B) the functioning of statewide and regional water markets; and
- (2) the opportunities for and barriers to the potential establishment of a statewide or regional water grid, including an integrated network of natural and constructed works, including pipelines, pumping stations, and reservoirs, for the conveyance

of water between and within river basins, water sources, and areas of water use in the state.

(b) Requires TWDB, in conducting the study, to:

(1) review studies previously conducted as part of the state water planning process or otherwise;

(2) identify the necessary and useful features of an efficient market for water, including water rights, institutions, and infrastructure;

(3) examine case studies of water markets in other jurisdictions both within and outside the United States to determine best practices and risks described in those case studies;

(4) identify and evaluate potential sources of water for the market and the water grid;

(5) identify and evaluate potential areas of use for water delivered by the water grid, including areas of water use for municipal, industrial, agricultural irrigation, recreational, environmental, and other purposes;

(6) evaluate alternative facilities with varying capacities, source and delivery points, and alignments, including subsea alignments, and whether the water grid should convey treated or untreated water in each conveyance reach;

(7) develop a strategy for the water grid that will achieve optimal results for water use efficiency, water supply reliability, economic efficiency, the functioning of a market for water transfers, and the protection and enhancement of water rights, investments, and the natural environment;

(8) evaluate opportunities for and barriers to the integration of the establishment, construction, operation, and management of the water grid into the state water planning process;

(9) evaluate alternative methods for ownership, construction, operation, maintenance, control, and financing of the water grid, including:

(A) ownership by a state agency;

(B) ownership by one or more special-purpose districts or authorities created under Section 59 (Conservation and Development of Natural Resources and Parks and Recreational Facilities; Conservation and Reclamation Districts), Article XVI, Texas Constitution, for the purpose of providing wholesale water supply, improvement, management, or transportation, including river authorities and regional districts;

(C) ownership by a public utility;

(D) operation as a state-awarded concession;

(E) operation as a public-private partnership;

(F) development by private enterprises in a competitive market; and

(G) development similar to other integrated networks for the conveyance of natural resources;

(10) identify and evaluate methods to fund the establishment of a water grid, including the appropriation of funds or the issuance of bonds by the state or a

state agency and state participation in ownership of the facilities, the issuance of bonds or participation by one or more entities described by Subdivision (9)(B) of this subsection, the issuance of private activity bonds, and the use of private investment capital;

(11) evaluate methods of incorporating existing water conveyance infrastructure and natural systems into a water grid, including:

(A) purchasing all or a portion of the water conveyance infrastructure from the owners of that infrastructure; and

(B) requiring that public agency and public utility owners of water conveyance infrastructure make unutilized or underutilized capacity available in that infrastructure, on payment to the owner of reimbursable costs plus a reasonable return on investment;

(12) consult with the Texas Commission on Environmental Quality, the Public Utility Commission of Texas, the Railroad Commission of Texas, and the General Land Office; and

(13) offer the public an opportunity to submit written comments on the study for consideration by TWDB, with a comment period lasting at least 30 days following publication of a draft report.

**SECTION 4. REPORT.** Requires TWDB, not later than September 1, 2016, to submit to the legislature a final written report containing the findings of the study conducted under this Act and TWDB's recommendations for any legislation or other action necessary to implement the program described by Section 3(a) of this Act.

**SECTION 5. EXPIRATION.** Provides that this Act expires September 1, 2017.

**SECTION 6. EFFECTIVE DATE.** Effective date: upon passage or September 1, 2015.