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AGENDA ITEM MEMO

BOARD MEETING DATE: March 31, 2026

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Georgia Sanchez, Chief Financial Officer

FROM: Jessica Peña, Deputy Executive Administrator, Water Supply & Infrastructure

SUBJECT: Interagency Agreement between Texas Water Development Board and Texas Commission on Environmental Quality

ACTION REQUESTED

Consider authorizing the Executive Administrator to execute an Interagency Agreement between Texas Water Development Board and Texas Commission on Environmental Quality in an amount not to exceed \$1,783,220 as appropriated by the 89th Texas Legislature.

BACKGROUND

The 89th Texas Legislature Regular Session passed Senate Bill (SB) 7, which established the Texas Water Fund Administrative Fund (TWFAF) outside the general revenue fund for the payment or reimbursement of expenses in administrating the Texas Water Fund. Texas Water Code Section 15.504 allows for the Texas Water Development Board (TWDB) to enter into an agreement with the Texas Commission on Environmental Quality (TCEQ) for review of permit applications for water supply projects receiving financial assistance from the Texas Water Fund. This interagency agreement covers an amount of up to \$1,783,220 over State Fiscal Year 2026 and 2027.

KEY ISSUES

If approved, this interagency agreement will enable TCEQ to access funding appropriated by the 89th Legislature to meet the requirements of SB 7.

RECOMMENDATION

The Executive Administrator recommends authorizing the execution of the attached Interagency Agreement with the TCEQ to administer the TWFAF, including authorization to make minor, non-substantive revisions, as necessary.

Attachments

- 1. Draft Interagency Agreement between the TWDB and TCEQ.

Our Mission	Board Members
Leading the state's efforts in ensuring a secure water future for Texas	L'Oreal Stepney, P.E., Chairwoman W. Brady Franks, Board Member Ashley Morgan, Board Member Bryan McMath, Executive Administrator

**INTERAGENCY AGREEMENT
BETWEEN
TEXAS WATER
DEVELOPMENT BOARD AND
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

This Interagency Agreement("Agreement") is entered into by and between the Texas Commission on Environmental Quality ("TCEQ") and the Texas Water Development Board ("TWDB"), each an agency of the State of Texas.

Whereas, the 89th Legislature, RS., passed Senate Bill 7, relevant portions of which became effective September 1, 2025;

Whereas, the governor signed Senate Bill 7 on June 20, 2025;

Whereas, Senate Bill 7 establishes the Texas Water Fund Administrative Fund ("TWFAF") outside of the general revenue fund for the payment or reimbursement of the TWDB for the expenses incurred in administering the Texas Water Fund;

Whereas, pursuant to Texas Water Code Section 15.504, the TWDB may enter into an agreement with TCEQ to pay the necessary and reasonable staffing expenses incurred by TCEQ for the review of permit applications for water supply projects receiving financial assistance from the Texas Water Fund;

Whereas, the TWDB is a State agency with a mission to provide leadership, information, education, and support for planning, financial assistance, and outreach for the conservation and responsible development of water for Texas;

Whereas, the TCEQ is a State agency responsible for the review of permits and authorizations under the Water Rights Permitting Program and the Public Water Supply Supervision Program, which requires administrative, technical, and legal support;

Now Therefore, in consideration of the benefits to the State of Texas, the parties hereby agree as follows:

1. Services to be Performed:

a. TCEQ responsibilities:

- i. TCEQ shall be solely responsible for administering funds received from the TWDB from the TWFAF in accordance with Texas Water Code § 15.504(f-1).
- ii. TCEQ will review permit applications for water supply projects that are eligible to receive financial assistance from the Texas Water Fund.

- iii. TCEQ will maintain sufficient records and receipts to show the reasonable and necessary staffing expenses for TCEQ review of projects eligible for funding under the Texas Water Fund, in accordance with Texas Water Code § 15.504. On or before November 30, 2028, TCEQ will return any unobligated funds to the TWDB.

b. TWDB responsibilities:

- i. Upon written request with Recurring Transaction Index from TCEQ, TWDB will promptly transfer funds in an amount not to exceed the amounts listed at section 2, below, that meet the statutory criteria of Texas Water Code § 15.504 (f-1), and Article IX, § 18.33 (c) of the 2026-27 General Appropriations Act. Funds will be transferred within 30 days of TWDB receipt of written request and Recurring Transaction Index from TCEQ. The transfer of funds is contingent upon the receipt of sufficient funds into the TWFAF by the TWDB.
- ii. The Executive Administrator of the TWDB will have the right to request additional supporting information as necessary to comply with the requirements of Texas Water Code § 15.504.

2. Agreement Amount: The total amount of this Agreement is not to exceed \$929,860 in fiscal year 2026 (available within 30 days of contract execution and receipt of written request including Recurring Transaction Index from TCEQ) and not to exceed \$853,360 in fiscal year 2027 (available after September 1, 2026 for a total amount not to exceed \$1,783,220).

3. Term: This Agreement is effective upon signature of both parties. This Agreement may be terminated at the request of either party. The Agreement will otherwise terminate September 1, 2028, pursuant to Texas Water Code Section 15.504.

4. Certifications:

a. Each party certifies that:

- i. The services specified above are necessary and authorized for activities that are properly within the statutory functions and programs of the parties; and
- ii. The services, materials, or equipment contracted for are not required by Section 21 of Article XVI of the Constitution of Texas to be supplied under contract given to the lowest responsible bidder.

b. TWDB certifies that it has the authority to agree to the above services.

c. TCEQ certifies that it has the authority to agree to the above services.

RECEIVING AGENCY:

**TEXAS WATER
DEVELOPMENT BOARD**

Bryan McMath
Executive Administrator

Date: _____

PERFORMING AGENCY:

**TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY**

Steven Schar
Deputy Executive Director

Date: _____