



Capitol Report

TEXAS LEGISLATURE
88th Regular Session

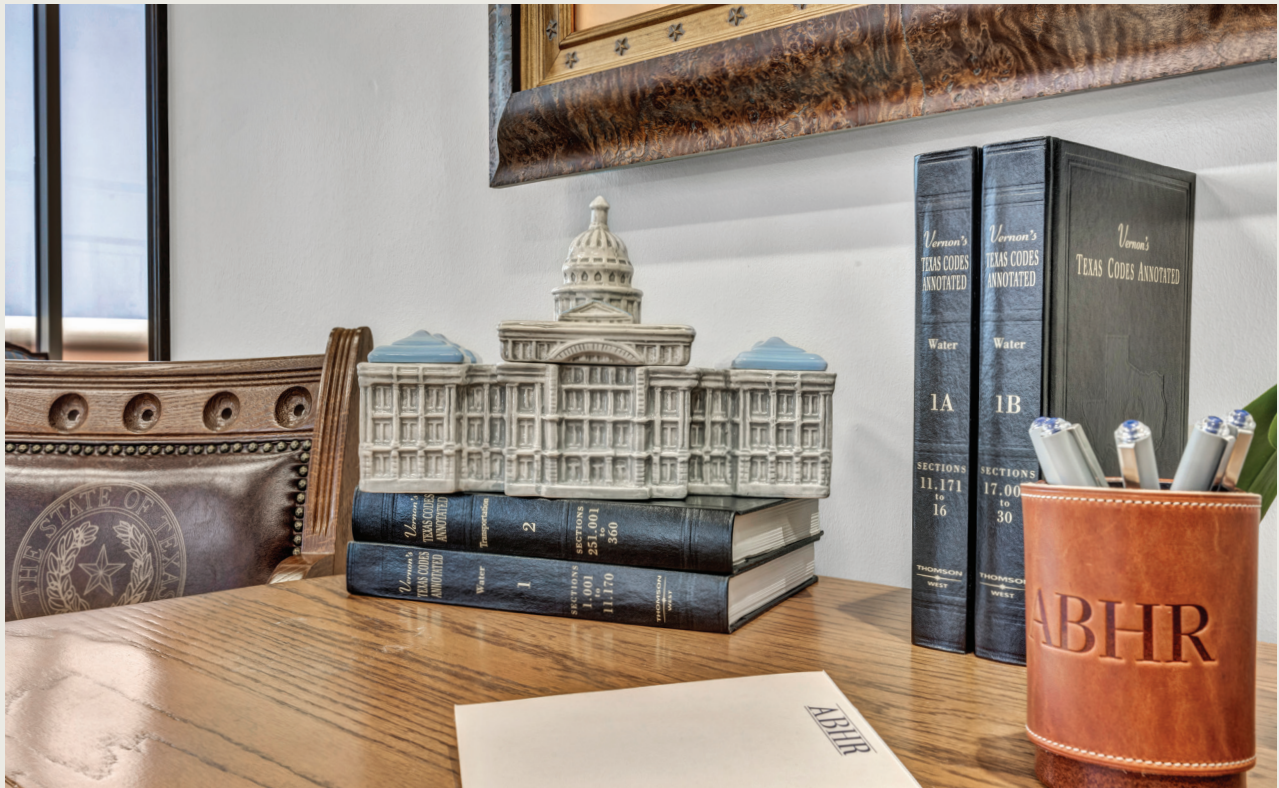
ABHR  2003-2023

2023

The 88th Regular Session was incredibly productive.

We started the Session with bold goals and largely achieved them. The result is major pieces of legislation to improve water districts for years to come.

Thank you for allowing ABHR to represent you at the Capitol and in your communities. It is our honor. MUDs are good for Texas!



Major Victories

Water District Omnibus

HOUSE BILL 2815 by Jetton / Creighton

Effective 6/18/23

- An omnibus update to the laws affecting water districts.
- Key provisions include:
 - authorizing districts to divide into multiple districts;
 - increasing director per diems;
 - clarifying that personal email addresses of directors are confidential;
 - streamlining the Texas Commission on Environmental Quality (TCEQ) creation process for Municipal Management Districts (MMDs) and allowing elected boards of directors;
 - authorizing a district to administer its confirmation election;
 - eliminating moot tax approval elections;
 - updating the economic assumptions used in the TCEQ bond feasibility tests; and
 - removing restrictions on who may be appointed to fill a vacancy on a Municipal Utility District (MUD) board.

For more information on this bill, please scan the QR code.



Notice to Purchasers

HOUSE BILL 2816 by Jetton / Creighton

Effective 9/1/23 (also included in HB 2815 effective 6/18/23)

- Modernizes the Notice to Purchasers required to be provided by sellers to buyers of property in a district.
- Establishes a user-friendly framework for districts as well as sellers and realtors.
- Requires water districts that levy a property tax to post the form Notice to Purchasers online.

For more information on this bill, scan the QR code.



ETJ Opt-Out

SENATE BILL 2038 by Bettencourt / Bell, C.

Effective 9/1/23

- Ground-breaking legislation to empower landowners to free their land from city regulation as part of an extraterritorial jurisdiction (ETJ).
- Authorizes landowners to petition to be removed from the ETJ of a city.
- Some exceptions apply, including land subject to a strategic partnership agreement or an industrial development agreement, or near an active military base.

For more information on this bill, please scan the QR code.



NEAR MISSES / NEXT SESSION

County & ETJ Density Regulation

SENATE BILL 2037 by Bettencourt / **HOUSE BILL 4991** by Oliverson

- Proposed to prohibit a city in the ETJ and a county from regulating, directly or indirectly, minimum lot sizes, dimensions, frontage widths, or setbacks.
- Further proposed to repeal county authority to regulate subdivisions for purposes of promoting the health, safety, morals, or general welfare of the county.
- Despite significant support, did not pass.

Not In My Backyard (or County)

The housing crisis in Texas is one of the biggest threats to the Texas Miracle. Many cities and counties have used land controls, utility availability, and special district consent to restrict growth. The prejudices against growth are often easily misdirected against water districts, the vehicles through which inevitable growth can be properly planned and served with utilities and infrastructure.

One suburban county in the Greater Houston Area caused great controversy with dubious attempts to control the demographics of the population by requiring one-acre lots. The county pursued legislation to shore up its indefensible position, which failed.

In Central Texas, new projects faced resistance and onerous requirements from various city and county governments. Developers were demanded to dedicate transportation corridors for not-as-yet planned or approved roads. A city pursued legislation to oppose the creation of special districts.

In North Texas, multiple fires burn in several suburban counties. Activists even incorporated as "Citizens Against Ellis County MUDs, Inc." One city took the position it should be able to control development inside an adjacent city. Numerous bills were filed to attack and make difficult the pursuit of MUDs and land development in these counties, none of which passed.

Counties are clamoring for more authority to regulate land development. Legislators have forgotten that, with few exceptions, Texas counties have NEVER had the authority to zone and regulate land use and development.

Illegal county regulation of lot size is the new redlining of the suburbs.

Many of the Members of the Legislature who introduce and support these bills identify as conservative and Republican. Property rights are property rights! — even for landowners whose property value is in its development potential. Legislators don't want a city or county to regulate fracking or the rental of a garage apartment, but they encourage regulating against development. They spend hours debating how many chickens and rabbits a city can prohibit, but they endorse an entire county closing its doors to people who can't afford to live on an acre.

We must educate Members on the direct correlation of districts with home prices. Texas cannot have affordability if the new homes are required to be in somebody else's backyard.

NEAR MISSES / NEXT SESSION

Water District Virtual Meetings

HOUSE BILL 3811 by Jetton

- Proposed to allow videoconference participation in water district board meetings if the meeting is conducted at a physical location, open to the public, and the presiding officer is physically present.

Virtual Board Meetings

Every session we advocate for more and better cost-effective transparency. Information about water districts is more available than ever. Regardless, some Legislators consistently criticize the board meetings of water districts for not being more like city council meetings. They search for analog solutions when the obvious digital solution is right before their eyes: the ability to participate in board meetings by teleconference and videoconference.

Water district directors appreciate that board meetings with virtual options increase public participation. For two sessions in a row, Rep. Jetton sent a house bill to the Senate and Sen. Bettencourt and Sen. Creighton were ready to pass it, but the Senate blocks any attempt at authorizing phone and video participation.

We will keep trying. Please thank Rep. Jetton, Sen. Bettencourt, and Sen. Creighton for their valiant effort.

PFC Reform

HOUSE BILL 2071 by Jetton / Bettencourt
Effective 6/18/23

- Significantly reforms the program of Public Facility Corporations (PFCs) for acquiring and constructing multi-family housing developments that are exempt from property taxes.
- This program can decimate the property values of a small jurisdiction, like a water district.
- Provides that a project is not exempt from water district property taxes without an agreement with the water district to make payments in lieu of taxes.

For more information on this bill, please scan the QR code.



Water Districts

County Notice of MUD Creation

SENATE BILL 2192 by Hall / Bell, K.

- Imposes a new requirement to send notice to the county of a MUD proposed to be created outside a city.
- Requires the notice to be sent by certified mail at least 30 days before the petition for creation is filed with the TCEQ.

VETOED

TCEQ Sunset: MUD Creations

SENATE BILL 1397 by Schwertner / Bell, K.
Effective 9/1/23

- Requires the TCEQ to send to the applicable state senator and state representative the notice that is required to be published 30 days in advance of TCEQ consideration of an order to create a water district.

TCEQ Creations

- There were numerous proposals to restrict or make difficult the creation of new districts through the TCEQ.
- The House leader of the Sunset Commission, Rep. Holland, proposed prohibiting TCEQ district creations altogether.
- Most proposals emanated from the opposition to districts in North Texas, particularly in Kaufman, Rockwall, and Ellis counties. (See text box at the top of page 3.)
- Ultimately only the additional notice provisions of SB 1397 became law.

Parks for El Paso County

SENATE BILL 938/ SJR 32 by Blanco / Moody

- Adds El Paso County to the list of counties in which water districts are authorized to support parks and recreational facilities with taxes and tax-supported bonds.
- Contingent on passage of the constitutional amendment proposed by SJR 32 at the statewide election on November 7, 2023.

LID Disbursements

HOUSE BILL 2508 by Jetton / Kolkhorst
Effective 6/12/23

- Clarifies that Levee Improvements Districts (LIDs) may authorize by resolution Automatic Clearing House transfers, wire and electronic transfers, and depository bank signature of disbursements.

TikTok Ban

SENATE BILL 1893 by Birdwell / Anderson
Effective 6/14/23

- Prohibits the use of TikTok and certain other social media applications, as determined by the Governor, on devices that are leased or owned by governmental entities.
- Requires governmental entities to adopt a policy prohibiting the use of these applications.

DID NOT PASS

Negotiated Water District Bonds

HOUSE BILL 2436 by Frazier / Parker

- Proposed to allow water districts to sell new money bonds on a negotiated basis instead of by advertised, competitive bid.

Every few sessions, a proposal is floated to relax the stringent standards for the sale of water district new money bonds. Water district new money bonds are required to be advertised and competitively bid. This is unlike many other bond issuers in Texas, who are allowed to issue bonds by negotiated sale. Water district financial advisors and bond lawyers overwhelmingly support the current requirements for competitive bond sales. Financial advisors believe, without question, that a competitive bond sale results in the best price. Nothing promotes better prices than competition. Nothing is more transparent and explainable to constituents than a competitive sale. We will continue to advocate for the highest standards for water district bonds.

DID NOT PASS

Board Meetings in Kaufman County HOUSE BILL 3881 by Bell, K.

- Proposed to mandate a quarterly board meeting in or within ten miles of the district for water districts in Kaufman County.

MUD Meetings within Five Miles

HOUSE BILL 1312 by Vasut SENATE BILL 917 by Hall

- Proposed to require MUDs to hold board meetings in the district or within five miles of the district.

Audio Recordings of Meetings

HOUSE BILL 3225 by Tepper

- Proposed to require water districts to make audio recordings of all board meetings and post them online.

MUD Consents in Taylor

HOUSE BILL 4493 by Harris, Caroline

- Proposed to allow the City of Taylor to refuse to consent to the creation of districts in the ETJ and near a semiconductor manufacturing facility.
- After becoming aware of opposition, Rep. Harris agreed to not move the bill until opposition was resolved.

Rockwall County Opposition

- HB 1916 by Holland proposed to give Rockwall County unprecedented supervision over MUD design, construction, and financing of utilities. It was proposed that the county review and approve bond issues and approve the plans and specifications of water and sewer improvements—functions that are clearly beyond a county's functions or expertise.
- HB 2784 by Holland proposed to require a two-thirds vote to authorize MUD bonds and to prohibit new bonds being issued if there were outstanding bonds.
- HB 1257 by Holland proposed a requirement for a new Notice to Purchasers, duplicative of the existing Notice to Purchasers.
- HB 1852 by Holland proposed to prohibit the TCEQ from creating water districts.
- HB 5305 by Holland proposed to dissolve a recently created MUD in Rockwall County notwithstanding the landowner's objection and city agreements for utilities and development.
- These proposals did not pass.



Land Development

County Platting Regulation

HOUSE BILL 3697 by Wilson / Bettencourt Effective 9/1/23

- An omnibus bill to further strengthen landowners' rights and to further limit a county's authority with regard to plat approval.
- Makes consensus, agreed-to amendments to the "shot clock" provisions of the 2019 Session.
- Protects a platting exception for condominium projects and protects from county overreach in requiring dedication of future road corridors.
- Prohibits an analysis, study, or agreement that is not explicitly required by law.

For more information on this bill and HB 3699, please scan the QR code.



City Platting Regulation

HOUSE BILL 3699 by Wilson / Bettencourt Effective 9/1/23

- Similar to HB 3697, an omnibus bill to further strengthen landowners' rights and to further limit a city's authority with regard to plat approval.
- The key provisions of HB 3699 address the same issues for cities as HB 3697 does for counties.

For more information on this bill and HB 3697, please scan the QR code.



Evidence of Groundwater Supply with Plat

SENATE BILL 2440 by Perry / Burrows Effective 1/1/24

- Mandates that plat applications include a statement from a licensed engineer or geoscientist certifying the availability of groundwater for the subdivision if groundwater is the source of water supply.
- Permits a city or county to waive the requirement only under limited circumstances.

Third Party Reviews

HOUSE BILL 14 by Harris, Cody / Bettencourt Effective 9/1/23

- Authorizes use of an approved or licensed third party to complete development reviews and inspections if the local authority is unable to complete the review or inspection within 15 days of a statutory deadline.
- Prohibits the local authority from charging a fee for the third party work or from asking or requiring the applicant to waive a deadline or procedure.

State Preemption of City & County Regulation

HOUSE BILL 2127 by Burrows / Creighton Effective 9/1/23

- Known in the media as the "Death Star Bill," but officially titled the "Texas Regulatory Consistency Act," HB 2127 provides statewide regulatory consistency.
- Provides that a city or county may not adopt or enforce an ordinance, order, or rule regulating conduct pursuant to provisions of enumerated codes unless expressly authorized by another statute.
- Makes void and unenforceable local regulation that violates the preemption.
- Authorizes legal actions against cities or counties for violating the Act.

County & City Fees

HOUSE BILL 3492 by Stucky / Springer

Effective 9/1/23

- Requires a city or county to base fees for residential construction plan reviews and inspections on actual costs.
- Requires a city or county to annually post or publish fee calculations.

Review of City Permit Fees

HOUSE BILL 1922 by Dutton / Bettencourt

Effective 1/1/24

- Abolishes each city building permit fee every ten years unless the governing body of the city votes to reauthorize the fee.

City Parkland Dedication

HOUSE BILL 1526 by Harris, Cody / Hughes

Effective 6/10/23

- Limits the parkland dedication requirements for multi-family, hotel, and motel developments in the five most populous cities by capping the fee and amount of land that must be donated.
- Allows a developer to obtain a determination of the requirements prior to submittal of a plan application.
- Creates an appeal process.
- Exempts cities with fees below an established threshold (like Houston) from the fee calculation requirements.



Designation of Historic Districts

HOUSE BILL 4057 by DeAyala / Huffman

Effective 6/10/23

- Authorizes an owner to exclude property from a local (historic) preservation district established by the City of Houston by filing a statement in the county real property records within one year of the property's inclusion in the district.

DID NOT PASS

Brazoria County

HOUSE BILL 3328 by Vasut

- Proposed to authorize Brazoria County to unilaterally terminate interlocal agreements with cities governing subdivision platting in the ETJ and exercise exclusive platting jurisdiction and broad regulatory authority in the ETJ.

SENATE BILL 1761 by Middleton

- Proposed to authorize Brazoria County to regulate road width, access requirements, and minimum lot frontages.

Other Density, Land Development, ADU & Height Restriction Bills

HOUSE BILL 2198 by Hefner

SENATE BILL 491 by Hughes

- Proposed to limit the authority of the five most populous cities to regulate maximum building height.

HOUSE BILL 3135 by Stucky / Springer

- Proposed to require political subdivisions to review existing land use regulations every ten years and repeal or amend any regulation that interferes with new housing production or development.

HOUSE BILL 2789 by Holland

SENATE BILL 1412 by Hughes

- Proposed to limit the authority of political subdivisions to prohibit or interfere with an owner's ability to build an accessory dwelling unit, "ADU" or "granny flat," on their lot.

HOUSE BILL 3921 by Goldman

SENATE BILL 1787 by Bettencourt

- Proposed to prohibit a city located in one of the 18 most populous counties from requiring residential lots to be larger than a certain size.

Grid Reliability

The "Powering Texas Forward Act"

SENATE BILL 2627 / SJR 93

by Schwertner / Hunter

- Creates the Texas Energy Fund to provide:
 - loans for upgrades to existing gas-fueled power plants and for construction of new gas-fueled plants for the ERCOT region;
 - completion bonuses for connecting new gas-fueled plants to the ERCOT grid by June 1, 2029; and
 - grants for modernizing, weatherizing, and enhancing reliability of electricity infrastructure outside the ERCOT region.
- The Legislature appropriated \$5 billion for the Texas Energy Fund, contingent on passage of the constitutional amendment proposed by SJR 93 at the statewide election on November 7, 2023.

Water

TCEQ Sunset

SENATE BILL 1397 by Schwertner / Bell, K.

Effective 9/1/23

- Continues the existence of the TCEQ until September 1, 2035.
- Makes numerous changes to the permit application process, including requiring:
 - a permit application to be posted on the TCEQ's website, unless posting the materials online would be overly burdensome;
 - published notices of permit applications to include the website for the public to access information about the permit;
 - the TCEQ to send notice of a permit application to each state representative and state senator for the area; and
 - an applicant for a permit to provide sufficient uniformed security at a public hearing, if requested by the TCEQ.
- Increases the maximum amount of a penalty for violation from \$25,000 to \$40,000 per day for egregious violations, including the actual release of a large quantity of pollutants.
- Requires periodic review of environmental flow standards for each river basin and bay system.

PUC Sunset

HOUSE BILL 1500 by Holland / Schwertner

Effective 9/1/23

- Continues the existence of the Public Utility Commission (PUC) and the Office of Public Utility Council until September 1, 2029.

PUC Water Rate Jurisdiction

SENATE BILL 317 by Hall / Kitzman

Effective 6/18/23

- Allows applicants for service from a water supply or sewer service corporation (WSC) to appeal to the PUC whether certain fees charged to obtain service are inconsistent with the tariff of the WSC.

TWDB Sunset

HOUSE BILL 1565 by Canales / Perry

Effective 9/1/23

- Reviews the Texas Water Development Board (TWDB) and the State Water Implementation Fund for Texas (SWIFT) Advisory Committee.
- Key changes include:
 - allowing a regional water planning group to plan for worse drought conditions than recorded; and
 - requiring each regional water plan submitted to the TWDB to include detailed information about large projects, including reservoirs, interstate water transfers, innovative technology projects, and desalination plants.

TWDB Financial Assistance

SENATE BILL 28 / SJR 75 by Perry / King, T.

- Establishes an entirely new system of funds to finance water projects through the TWDB.
- Creates the Texas Water Fund and the Water Supply for Texas Fund as dedicated funds outside the general revenue fund, so that money appropriated for these funds is not counted towards the Texas constitutional cap on legislative spending. This will allow future Legislatures to appropriate money to these funds without further constitutional amendment.
- Contingent on passage of the constitutional amendment proposed by SJR 75 at the statewide election on November 7, 2023.

For more information on this bill, please scan the QR code.



Key Appropriations

HOUSE BILL 1 & SENATE BILL 30

- Approximately \$625 million for the Flood Infrastructure Fund.
- \$50 million for improvements to the Lake Houston Dam Spillway.
- \$28 million for riverbank erosion mitigation along the Brazos River in Fort Bend County near LID 15's levee.
- \$16.9 million for improvements to the Poor Farm Ditch in Harris County.
- \$12 million for the T.C. Jester Stormwater Detention Basin in Harris County.
- \$10 million for the Lower Clear Creek Watershed.
- \$18 million for the Halls Bayou Watershed.

Water Utility Operations

Security Incident Procedures

SENATE BILL 271 by Johnson / Shaheen

Effective 9/1/23

- Requires local governments to comply with the same rules as state agencies for reporting information technology security incidents.
- Expands the definition of "security incident" to include ransomware.

Licensing Water & Sewer Operators

HOUSE BILL 1845 by Metcalf / Perry

Effective 9/1/23

- Requires the TCEQ to establish a provisional certification program for Class D water and sewer operators for people without a high school diploma.

Request for Retail Service

SENATE BILL 1778 by Alvarado / Rogers

Effective 9/1/23

- Authorizes a customer of a retail public utility to initiate, transfer, or terminate water or sewer service by mail, telephone, electronic transmission, or through a website.

Purchase of a Water System

SENATE BILL 1965 by Alvarado / Thompson, S.

Effective 9/1/23

- Provides for the ongoing operation of water and sewer systems in the event of operational abandonment by a previous owner.

Notices to TCEQ

HOUSE BILL 3810 by Landgraf / Perry

Effective 9/1/23

- Adds to the list of incidents that a water utility is required to report to the TCEQ an unplanned condition that has caused a public water supply outage or the issuance of a do-not-use advisory, do-not-consume advisory, or boil water notice.

DID NOT PASS

Boil Water Notices

SENATE BILL 40 by Zaffirini

- Proposed to require the TCEQ to develop and implement a boil water notice alert system.

Open Government

Public Information

HOUSE BILL 3033 by Landgraf / Zaffirini

Effective 9/1/23

- Makes numerous technical clarifications to the Texas Public Information Act (TPIA) regarding:
 - guidelines for calculating business days;
 - requirements to produce information about elections;
 - electronic submissions of requests for determination to the Attorney General (AG);
 - processing timeframes and charges for large requests;
 - payment of charges and back charges for multiple public information requests; and
 - verification of the identity of a requestor for limited purposes.
- Authorizes the AG to require public officials to complete training if the governing body fails to comply with the TPIA.
- Requires the AG to post online a searchable database of requests for determination and decisions.

Online Agenda Posting

HOUSE BILL 3440 by Canales / Hinojosa

Effective 9/1/23

- Adds water districts and authorities to the list of entities that must post notices and agendas of meetings on the Internet.
- Relatedly, HB 2815 establishes compliance with online posting requirements if the notice and agenda provided to the county is posted online.

Online Publication of Notices

SENATE BILL 943 by Kolkhorst / Hunter

Effective 9/1/23

- Requires a newspaper to publish legal notices on the newspaper's website, if it maintains one, and to send notices to the Texas Press Association (TPA).
- Requires the TPA to publish legal notices received from newspapers on the TPA website, if it maintains a website as a statewide repository of notices.

Online Campaign Finance Reports

HOUSE BILL 2626 by Tepper / Perry

Effective 9/1/23

- Requires campaign finance reports filed by a candidate or officeholder of a political subdivision to be posted on the political subdivision's website.

DID NOT PASS

Taxpayer Funded Lobbying

SENATE BILL 175 by Middleton

HOUSE BILL 3538 by Troxclair

- Proposed to restrict political subdivisions' public funds from being used for lobbying activities.

“Form 1295 Fix”

HOUSE BILL 1817 by Capriglione / Hancock
Effective 6/9/23

- Clarifies that a contract with a governmental entity is not voidable for failure to provide a Form 1295 unless the vendor/contractor does not submit the form within ten days of receiving notice of the failure from the governmental entity.
- Validates uncontested contracts executed prior to June 9, 2023, for purposes of compliance with the Form 1295 requirements.
- HB 1817 addresses recent court opinions questioning the enforceability of governmental contracts.

Construction Liability Claims

HOUSE BILL 2965 by Vasut / Creighton
Effective 9/1/23

- Prohibits a local government entity from requiring a contractor to waive its rights to an extensive pre-litigation process for disputes over alleged construction defects.
- Does not apply to civil works projects.

Bidding Water District Construction Contracts

HOUSE BILL 3507 by Holland / Nichols
Effective 9/1/23

- Increases the competitive bidding threshold for water district contracts from \$75,000 to \$150,000.
- Retains the current threshold of \$25,000 for solicitation of three bids.

Approval of Water District Change Orders

HOUSE BILL 3437 by Holland / Nichols
Effective 9/1/23

- Increases from \$50,000 to \$150,000 the maximum amount of a change order for which approval may be delegated by a district to an official or employee.

Unexecuted Change Orders

HOUSE BILL 3485 by Bell, K. / Johnson
Effective 9/1/23

- Allows a contractor, vendor, or subcontractor, without incurring liability, to choose not to proceed with additional work without a fully executed change order if the aggregate of unexecuted change orders exceeds 10% of the original contract amount.

Offense of Illegal Voting

HOUSE BILL 1243 by Hefner / Hughes
Effective 9/1/23

- Increases the penalty for illegal voting from a Class A misdemeanor to a second degree felony or a state jail felony.

Election Audits

SENATE BILL 1933 by Bettencourt / Oliverson
Effective 9/1/23

- Authorizes the Secretary of State (SOS) to order administrative oversight of Harris County election administration or voter registration if the SOS receives complaints or determines there is a recurring pattern of problems.
- Authorizes the SOS to remove the applicable county official if the problems are not rectified.
- Further expands the authority of the SOS to conduct randomized county election audits and recommend administrative oversight if an audit finds recurring problems with that county's election administration or voter registration.

Harris County Elections Administrator

SENATE BILL 1750 by Bettencourt / Cain
Effective 9/1/23

- Abolishes the position of elections administrator in Harris County and transfers the authority and functions to the county tax assessor-collector and the county clerk.

Voters with Disabilities

SENATE BILL 477 by Zaffirini / Bucy
Effective 6/18/23

- Mandates first priority for a voter with a mobility problem.
- Mandates reservation of a parking spot for voting by voters who are unable to enter the polling place.
- Requires the early voting clerk to post the application form for an early voting ballot on the clerk's website, if it maintains one.

Removal from Office

SENATE BILL 232 by Hinojosa / Geren
Effective 9/1/23

- Establishes that an officer of a political subdivision is automatically removed from office if the person pleads guilty or no contest, receives deferred adjudication, or is convicted of a qualifying offense.
- Defines “qualifying offense” as bribery, theft of public funds, perjury, coercion of a public servant or voter, tampering with a government record, misuse of official information, abuse of official capacity, or conspiracy or attempt to commit any of these offenses.

New “Chapter 313” Program

HOUSE BILL 5 by Hunter / Schwertner
Effective 1/1/24

- Creates the Texas Jobs, Energy, Technology, and Innovation Act as a new economic development program to replace the recently expired Texas Economic Development Act (Chapter 313).
- Defines eligible project to include facilities related to manufacturing, dispatchable electric generation, natural resources development, technology research or development, and critical infrastructure projects.
- Prohibits application by companies listed as ineligible to receive a state contract or investment.
- Requires property for an eligible project to be owned or leased by the applicant, located in a reinvestment or enterprise zone, and consist of a new building, an expansion of an existing building, or non-inventory tangible personal property first used in the project.
- Establishes job and investment metrics tied to county population.
- Provides a ten-year reduction of school district maintenance and operations (M&O) taxes equal to 50%, or 75% for projects located in an opportunity zone.
- Provides a 100% reduction of school district M&O taxes during construction.
- Establishes a detailed application process, including a multi-factor benefit analysis and a Comptroller finding that the investment would not be made without the incentive, prior to approval by the Governor and the school district.
- Mandates agreement provisions, including clawbacks and a prohibition of the applicant from making payments to the school district related to the agreement.
- Provides an expiration date for the new program of December 31, 2033.

DID NOT PASS

Economic Development Agreements

SENATE BILL 1419 by Birdwell

- Proposed to prohibit Chapter 380 and 381 economic development agreements that mimic Chapter 312 property tax abatement agreements. Further proposed to limit Chapter 380 and 381 agreements to an initial term of ten years, with a limit on renewals.

Economic Development Database

SENATE BILL 1340 by Zaffirini / Meyer

Effective 1/1/24

- Expands the “local development agreement database” maintained by the Comptroller to add Chapter 312 tax abatement agreements.
- Makes the database searchable and requires additional information, including the monetary value of the agreement.

City Property for Economic Development

SENATE BILL 543 by Blanco / Ordaz

Effective 5/24/23

- Authorizes a city to convey property to a private party as part of a Chapter 380 economic development agreement.
- Excludes property owned as a public square or park or property acquired through use or threat of eminent domain.

HOT Project Financing Zones

SENATE BILL 1057 by Whitmire / Harless

Effective 9/1/23

- Allows Houston and the Houston First Corporation to designate a project financing zone to use certain hotel-related taxes for the modernization and expansion of the George R. Brown Convention Center.

SENATE BILL 2220 by Menéndez / Gervin-Hawkins

Effective 9/1/23

- Allows San Antonio to designate a project financing zone to use certain hotel-related taxes for the renovation of the Henry B. Gonzalez Convention Center and the Alamodome.

HOUSE BILL 5311 by Toth / Creighton

Effective 9/1/23

- Authorizes The Woodlands Township to create a development zone composed only of hotels to renovate and expand convention facilities.

Management Districts

DID NOT PASS

Management District Dissolution

HOUSE BILL 183 by Gates

- Proposed to lower the threshold from two-thirds to a majority in value of property owners required to dissolve an MMD at general law.

Public Improvement Districts

Assessment Plans Online

SENATE BILL 1916 by Parker / Shine

- Requires public improvement district (PID) service plans to be posted on the applicable city or county Internet website.

Public Finance / Bonds

Signature for Comptroller Registration

HOUSE BILL 1748 by Leach / Hancock

Effective 9/1/23

- Authorizes the Comptroller to use facsimile signatures for public securities that are required to be registered by the Comptroller.

Uses of Certificates of Obligation

HOUSE BILL 4082 by Goldman / Bettencourt

Effective 9/1/23

- Limits the authority of cities and counties to issue tax anticipation notes (TANs) and certificates of obligation (COs) by narrowing the scope of authorized “public works.”
- Redefines “public works” to be a list of explicit projects.

Certificates of Obligation

SENATE BILL 2035 by Bettencourt / Capriglione

- Prevents a taxing entity from issuing COs and TANs to pay for a project when a bond election for the same project failed within the past five years.
- Allows for certain exceptions, like natural disasters and court orders.

M&O Taxes & Bonds

HOUSE BILL 3899 by Troxclair / Bettencourt
AG OPINION KP-0444

- HB 3899 proposed to address issues with the City of Austin’s Project Connect transit plan.
- Austin voters approved the dedication of an amount of M&O tax collections to pay for Project Connect, including debt service on bonds.
- Sen. Bettencourt requested an Attorney General Opinion of the legality of the financing.
- The AG determined that a city is not authorized to use M&O tax revenue for debt service.
- The AG also found that an agreement for a city to transfer M&O tax revenue is unconstitutional, unless subject to annual appropriation.
- Ultimately, HB 3899 did not pass, but the opponents of Project Connect claim victory from the AG Opinion.

DID NOT PASS

Bond & Tax Elections - November Only

- Every session, bills are filed to restrict bond and tax elections. Several bills proposed to require all bond and tax elections be on the November uniform election date and to require two-thirds voter approval for bond propositions.

Useful Life of Personal Property

SENATE BILL 561 by Sparks

HOUSE BILL 451 by Schofield

- Proposed to prohibit a political subdivision from issuing debt for tangible personal property if the maturity date of the public security exceeds the expected useful life of the property. (Current law addresses this same concept using weighted averages.)



Local & Regional Issues

Cypress Creek Drainage Improvement District

HOUSE BILL 5334 by Harless / Bettencourt
Effective 6/18/23

- Creates the Cypress Creek Drainage Improvement District, a Water Control and Improvement District over territory in the Cypress Creek Watershed.
- Requires a confirmation election by September 1, 2027.
- Prohibits the district from issuing bonds, imposing a tax, fee, or assessment, or exercising eminent domain.

SJRA Sunset

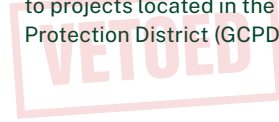
HOUSE BILL 1540 by Holland / Paxton
Effective 9/1/23

- Increases the San Jacinto River Authority (SJRA) board from six to seven members, decreases the terms from six to four years, and specifies grounds for removal of a board member.
- Requires board members to complete training and to establish specific policies regarding the management of SJRA.
- A House amendment proposed to require the replacement of SJRA's general manager, but the amendment was not included in the final bill.

GCPD Trust Fund

HOUSE BILL 2416 by Paul / Alvarado

- Creates the Gulf Coast Protection Account, administered by the General Land Office (GLO), and establishes the provisions for funding and the dedication of the account to projects located in the Gulf Coast Protection District (GCPD).



GCPD Board of Directors

HOUSE BILL 5409 by Paul / Huffman

Effective 6/10/23

- Expands the Board of Directors of GCPD if Brazoria County elects to join the GCPD.

GCPD Appropriation

HOUSE BILL 1

Effective 9/1/23

- The Legislature appropriated \$550 million for the GCPD for the 2024-25 biennium.

Disannexation of Lost Creek

HOUSE BILL 3053 by Dean / Paxton

Effective 9/1/23

- Requires a city with a population of 500,000 or more that involuntarily annexed an area prior to municipal annexation reform to hold an election in the area on the question of disannexation.
- Upon voter approval:
 - the city must disannex the area;
 - the MUD serving the area continues in place;
 - the ESD is required to provide services to the area;
 - the city retains ownership of any facilities conveyed by the MUD as part of the annexation; and
 - the city may continue to impose property taxes in the area equal to the area's pro rata share of the city's debt obligations.
- This bill addresses a years-long struggle between the City of Austin and the Lost Creek neighborhood.

DID NOT PASS

Lake Houston Dredging District

HOUSE BILL 5341 by Cunningham

- Proposed to create the Lake Houston Dredging and Maintenance District to conduct dredging and maintenance operations, similar to the proposal in 2021.

NHCRWA Out of Subsidence District

HOUSE BILL 3820

- The North Harris County Regional Water Authority (NHCRWA) pursued several bills. HB 3820 proposed to remove the area of the NHCRWA from the Harris-Galveston Subsidence District. Widespread concerns were expressed.
- The bill did not receive a hearing.

Study on Financing Regional Conversion Projects

HOUSE BILL 4659 by Schofield / Bettencourt

- Rep. Schofield expressed concerns about the cost of necessary surface water conversion projects. HB 4659 proposed a study of financing these regional projects. The bill became a casualty of House vs. Senate politics. We look forward to continuing to work with Rep. Schofield to keep water rates as low as possible.

SH130 MMD

SENATE BILL 2434 by Bettencourt

- The SH130 MMD in Travis County has been heavily criticized for its sponsorship of PFCs to develop multi-family housing and to exempt the projects from property taxes. The PFCs acquire projects in several different jurisdictions, outside of the MMD or its surrounding area, without knowledge or consent of the impacted taxing entities. In the process, the PFCs and the MMD collect millions in revenue.
- Sen. Bettencourt made several attempts at reform.
- SB 2434 proposed to dissolve the SH130 MMD.
- SB 1546 proposed to prohibit special districts from acquiring or owning a multi-family residential development located outside the district's boundaries.
- Ultimately, only HB 2071, the overall PFC reform bill, passed and the SH130 MMD and its PFCs continue to exist.

Dripping Springs Condemnation & Hidalgo Supreme Court Case

HOUSE BILL 3669 by Rogers

- For several years, the City of Dripping Springs has been thwarted from acquiring the right-of-way necessary for a sewage line to connect to its expanded wastewater treatment plant. A large landowner on the route "sold" a narrow strip of land to a MUD in Northeast Texas. The MUD claims governmental immunity from the City's eminent domain lawsuit.
- HB 3669 by Rogers proposed to confirm long-held case law that the immunity of a special district (like all governmental entities) is waived with respect to an eminent domain proceeding.
- The bill did not pass; however, during the Regular Session, the Texas Supreme Court issued its opinion in Hidalgo County Water Improvement Dist. No. 3 v. Hidalgo County Irrigation Dist. No. 1, the holding of which confirms the long-held case law, making the bill moot.



VETOES

Special Session Outlook

The “Big Three” leaders had many key priorities this Regular Session. As usual, some passed and others did not. No one was surprised when the Governor called the First Special Session to work out a plan for property tax relief, a subject that is nearly universally supported. But the subsequent events surprised everyone.

As leverage to force the House and Senate to agree, the Governor held nearly 300 bills hostage during the last week of the veto period. He threatened vetoes if a deal was not struck by high noon on deadline day. To keep the pressure on, the Governor began vetoing bills, at first slowly, but later in quantity and with speed. Initially the vetoes were targeted at Sen. Bettencourt, the architect of the Senate’s tax plan. But the veto ink began to flow wider, eventually striking bills of almost every senator and many representatives, Democrat and Republican. At the end of the massacre, 76 bills laid dead, including ten bills proposing to create special districts.

The First Special Session ends on June 28th. Everyone expects the Governor to immediately call another special session, and another, and another, until he is satisfied that his priorities have been achieved. He issued a list of these subjects and indicated that he would add them to the call of a session as progress is made. School choice is also a high priority for the Governor and the Senate, but lacks majority support in the House. The Governor establishes the timeline and the order of the agenda.

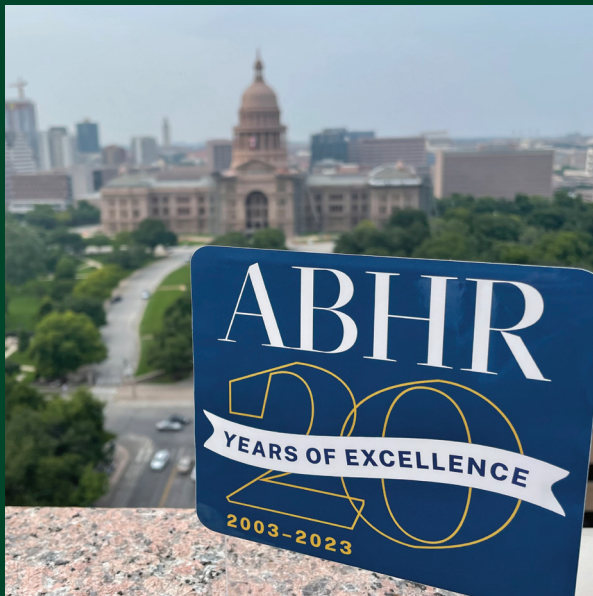
Typically, the call of a special session is narrowly tailored. However, in vetoing so many wide-ranging bills, the Governor repeated one line over and over: “This bill can be reconsidered at a future special session only after property tax relief [or education freedom] is passed.”

“This bill can be reconsidered at a future special session only after property tax relief [or education freedom] is passed.”

— GOVERNOR ABBOTT



Allen Boone Humphries Robinson



HOUSTON
3200 Southwest Freeway
Suite 2600
Houston, TX 77027
(713) 860-6400

CENTRAL TEXAS
919 Congress Avenue
Suite 1500
Austin, TX 78701
(512) 518-2424

NORTH TEXAS
3100 McKinnon Street
Suite 1100
Dallas, TX 75201
(972) 823-0800



Please visit abhr.com
or scan the QR code
with your mobile device.