

## **BILL ANALYSIS**

C.S.H.B. 2825  
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Defense & Veterans' Affairs  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Concerns have been raised at the state and federal level regarding private development in Texas by foreign companies that may have adverse interests to the United States, such as a Chinese-backed company that was recently approved to build a renewable energy project near Laughlin Air Force Base in Del Rio. The location of this project poses concerns about foreign interests being located near U.S. military installations. C.S.H.B. 2825 seeks to address these concerns by setting out provisions relating to notice and reporting of loan transactions and title insurance policies and contracts involving certain foreign companies and property located within 25 nautical miles of the boundaries of a military base in order to provide the Texas Military Preparedness Commission with important information that will serve to protect state and national security interests.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

C.S.H.B. 2825 amends the Finance Code and Insurance Code to set out provisions relating to a loan made by a financial institution for the purchase, lease, development, or renovation of, and a title insurance policy or contract issued by a title insurance company for, real property that meets the following conditions:

- the property is located within 25 nautical miles of the boundaries of a military base located in Texas; and
- the property is not zoned or intended to be used for residential use only.

The bill defines applicable terms.

C.S.H.B. 2825 requires a financial institution or title insurance company, before approving a loan application or policy or contract application, as applicable, to determine if the company applying for the loan or the applicant for the title insurance policy or contract satisfies the following conditions:

- the company or applicant is a scrutinized company;
- the company or applicant is owned by or the majority of stock or other ownership interest of it is held or controlled by the following:
  - individuals who are citizens of China, Iran, North Korea, or Russia; or

- a company or other entity, including a governmental entity, that is owned or controlled by citizens of or is directly controlled by the government of China, Iran, North Korea, or Russia; or
- the company or applicant is headquartered in China, Iran, North Korea, or Russia.

This requirement applies regardless of the following conditions:

- the reportable company's or its parent company's securities are publicly traded; or
- the reportable company or its parent company is listed on a public stock exchange as a Chinese, Iranian, North Korean, or Russian company.

The bill authorizes a financial institution or title insurance company, in making a determination if a loan applicant or policy or contract applicant is a scrutinized company, to rely on a specified list maintained by the comptroller of public accounts.

C.S.H.B. 2825 requires a financial institution or title insurance company that determines that an applicant is a reportable company to promptly notify the seller or lessor of the real property of that fact. The bill requires each financial institution and title insurance company, not later than December 31 of each year, to submit a report to the Texas Military Preparedness Commission that identifies each applicable loan or title insurance policy or contract that is made to a reportable company. The bill expressly does not prohibit a financial institution or title insurance company from approving an application for a loan or title insurance policy or contract submitted by a reportable company.

C.S.H.B. 2825 amends the Government Code to require the commission to include the following in its biennial report to the governor and the legislature:

- a list of the financial institutions and title insurance companies that have, during each biennium, reported a transaction to the commission under the bill's provisions; and
- the name of the reportable company involved in each transaction.

The bill makes this information confidential and not subject to disclosure under state public information law.

### **EFFECTIVE DATE**

September 1, 2021.

### **COMPARISON OF ORIGINAL AND SUBSTITUTE**

While C.S.H.B. 2825 may differ from the original in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute provides for the definitions of "company" and "scrutinized company" by reference and defines "reportable company," whereas the original did not provide for the formal definitions of these terms. The substitute revises the original's definition of "financial institution."

Whereas the original only required a financial institution or title insurance company to determine if an applicable company or applicant is a scrutinized company, the substitute also requires the financial institution or title insurance company to determine if the company or applicant meets the following conditions:

- the company or applicant is owned by or the majority of stock or other ownership interest of it is held or controlled by the following:
  - individuals who are citizens of China, Iran, North Korea, or Russia; or
  - a company or other entity, including a governmental entity, that is owned or controlled by citizens of or is directly controlled by the government of China, Iran, North Korea, or Russia; or
- the company or applicant is headquartered in China, Iran, North Korea, or Russia.

The substitute includes provisions that the original did not include making the bill's determination requirements applicable regardless of the following conditions:

- the reportable company's or its parent company's securities are publicly traded; or
- the reportable company or its parent company is listed on a public stock exchange as a Chinese, Iranian, North Korean, or Russian company.

The substitute differs from the original by revising the items that are confidential and not subject to disclosure under state public information law with regard to the reports to the Texas Military Preparedness Commission from financial institutions and title insurance companies.

The substitute changes the bill's effective date from on passage or September 1, 2021, if the bill does not receive the necessary vote for immediate effect to September 1, 2021.