

BILL ANALYSIS

C.S.H.B. 41

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Homeland Security, Public Safety & Veterans' Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that foreign adversarial countries, including but not limited to Communist China, dominate the state and local unmanned aircraft market, raising national and state security concerns. C.S.H.B. 41 seeks to address this issue by prohibiting governmental entities in Texas from acquiring or using unmanned aircraft if the aircraft are manufactured by companies affiliated with or under the control of certain adversarial nations.

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. 41 amends the Government Code to prohibit a governmental entity from acquiring or using an unmanned aircraft, or related equipment or services, produced or provided by a company that the governmental entity knows or has reason to believe is either of the following:

- owned by or the majority of stock or other ownership interest of the company is held or controlled by:
 - the government of a designated country; or
 - a company or other entity, including a government entity, that is owned or controlled by the government of a designated country; or
- headquartered in a designated country.

C.S.H.B. 41 defines the following terms:

- "company" as a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, or limited liability company, including a wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations, that exists to make a profit;
- "designated country" as a country identified by the U.S. director of national intelligence as a country that poses a risk to the national security of the United States in at least one of the three most recent Annual Threat Assessments of the U.S. Intelligence Community issued pursuant to the federal National Security Act of 1947; and
- "governmental entity" as the state, a political subdivision of the state, or an agency of the state or a political subdivision of the state.

C.S.H.B. 41 establishes that the prohibition applies regardless of whether the company's or its parent company's securities are publicly traded or the company or its parent company is listed on a public stock exchange as a company of a designated country. The bill authorizes a

governmental entity that, before January 1, 2026, acquired, or entered into a contract or agreement to acquire, an unmanned aircraft or related equipment or services to continue to use the unmanned aircraft or related equipment or services until January 1, 2031.

C.S.H.B. 41 requires the office of the governor to establish the law enforcement secure unmanned aircraft grant program from money appropriated for the purpose to provide grants to law enforcement agencies to replace working equipment prohibited under the bill's provisions that was actively in use by those agencies immediately before January 1, 2026, and that has not reached its end of life before that date. The bill does the following regarding the grant program:

- requires the governor's office to award the grants from money appropriated for purposes of the program;
- authorizes a law enforcement agency to apply for a grant from the governor's office in the form and manner prescribed by that office;
- requires the grant application to include the number and types of unmanned aircraft or related equipment that require replacement;
- authorizes grant recipients to use funds only to purchase replacement unmanned aircraft or related equipment that complies with the bill's provisions; and
- requires a grant recipient to promptly surrender to an entity designated by the governor's office the prohibited unmanned aircraft or related equipment with respect to which the grant was awarded to enable the designated entity to study or dispose of the aircraft or related equipment.

The bill's provisions establishing the grant program expire on the second anniversary of the date that all money appropriated for the program has been expended.

C.S.H.B. 41 requires the Department of Information Resources (DIR) to create and as necessary amend a model security plan for prohibited or suspect technologies to address a governmental entity's acquisition or use of telecommunications or video surveillance equipment or services that may present a risk to state security. The bill requires DIR to create the initial model security plan not later than December 1, 2025. The bill requires the model security plan to list known companies that produce or provide telecommunications or video surveillance equipment or services that may present a risk to state security and to include in that list any foreign company that is any of the following:

- described by the bill's provisions relating to the prohibition against the acquisition or use of certain foreign unmanned aircraft or related equipment or services by a government entity;
- prohibited from participating in federal contracts under the John S. McCain National Defense Authorization Act for Fiscal Year 2019 or other federal law; or
- considered by DIR to pose a risk to state security.

The bill requires DIR to make the model security plan available to governmental entities.

C.S.H.B. 41 applies to the acquisition of an unmanned aircraft or related equipment or services on or after the bill's effective date, except that a contract or agreement to purchase or otherwise acquire an unmanned aircraft or related equipment or services described by the bill's provisions that is entered into before January 1, 2026, is unaffected by the bill. The bill also applies to the use of an unmanned aircraft or related equipment or services on or after January 1, 2026, except as otherwise provided by the bill and regardless of whether the unmanned aircraft or related equipment or services were acquired before, on, or after that date.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 41 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes a definition for "designated country" that is not present in the introduced, and does the following with respect to that term:

- replaces references in the introduced to China, Iran, North Korea, Russia, or Syria with references to a designated country; and
- replaces references in the introduced to a Chinese, Iranian, North Korean, Russian, or Syrian company with references to a company of a designated country.

Whereas the introduced authorized a governmental entity that acquired, or entered into a contract or agreement to acquire, an unmanned aircraft or related equipment or services before September 1, 2025, to continue to use the unmanned aircraft or related equipment or services until September 1, 2030, the substitute authorizes a governmental entity that acquired, or entered into a contract or agreement to acquire, an unmanned aircraft or related equipment or services before January 1, 2026, to continue to use the unmanned aircraft or related equipment or services until January 1, 2031. Accordingly, the substitute updates these dates in the accompanying procedural provisions that establish the applicability of the bill's provisions.

The substitute changes the entity required to establish the law enforcement secure unmanned aircraft grant program and perform the related duties specified by the bill regarding that program from the attorney general, as in the introduced, to the office of the governor.