

BILL ANALYSIS

C.S.H.B. 112
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Trade, Workforce & Economic Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that the global economy is becoming increasingly competitive and that global conflicts can lead to uncertainty and supply chain disruptions. Developing robust infrastructure and proactive economic development strategies is important to attract new businesses, retain existing employers, and ensure the stability of our supply chain for national and state security. C.S.H.B. 112 seeks to address this issue by creating the framework for the establishment of Texas science park districts and the Texas Science Park Commission.

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. 112 amends the Local Government Code to provide for the creation and operation of a Texas science park district in a county with a population of 800,000 or more or a county adjacent to a county with a population of 800,000 or more. The bill also provides for the creation of the Texas Science Park Commission.

Purposes and Intent

C.S.H.B. 112 establishes that the creation of a Texas science park district is essential to accomplish the purposes of provisions of the Texas Constitution regarding the creation of programs and the making of loans and grants of public money for economic development and for other public purposes stated in the bill's provisions, including the following:

- establishing an ecosystem that supports the creation of a resilient domestic supply chain to safeguard both national and state security;
- promoting scientific research and technological innovation;
- supporting the establishment and growth of technology companies;
- promoting and encouraging commercial development and workforce development;
- facilitating collaboration between higher education, the science and technology industry, and government; and
- supporting the development of infrastructure.

The bill establishes that the district will not act as the agent or instrumentality of any private interest even though the district will benefit many private interests as well as the public.

Creation of the District and Temporary Board of Directors

C.S.H.B. 112 authorizes the owner or owners of territory composed of a number of acres that is at least equal to the minimum number of required acres established by the Texas Science Park Commission under the bill's provisions to petition the Texas Economic Development and Tourism Office (TEDTO) for creation of a Texas science park district for that territory. The bill requires the petition to describe the territory to be included in the proposed district and demonstrate that the territory meets the bill's requirements for district territory and any additional requirements determined by the commission. The bill authorizes TEDTO, if it determines that a petition conforms to the requirements and that the creation of the district would be of benefit to the territory included in the district, to approve the creation of the district and appoint the temporary board of directors in accordance with the bill's provisions. The bill requires TEDTO, if TEDTO finds that the petition does not conform to the requirements or that the creation of the district is not of benefit to the territory in the proposed district, to either deny the petition or require petitioners to amend the petition. The bill requires the territory for which a district may be created to meet the following characteristics:

- have access to, or an actionable plan to have access to, reliable, high-capacity electric generation or storage;
- have access to abundant and sustainable water sources; and
- be located near a major transportation network, including a major highway, rail line, seaport, or international airport.

The bill requires the commission to establish a minimum number of acres that the territory of a district to be created must include at the time a petition is submitted for the creation of the district.

C.S.H.B. 112 requires TEDTO, after approving the creation of a district, to request the appointment of a temporary board of directors for the district to include a total of nine temporary directors, with three appointed by the governor, three by the lieutenant governor, and three by the governor based on recommendations from the speaker of the house of representatives. The bill requires the commission to establish qualifications for knowledge and experience that a person must possess in order to be appointed as a temporary director.

C.S.H.B. 112 establishes that the temporary board has all the powers and duties of an elected board of district directors under the bill's provisions and requires the temporary board to develop a strategic plan for the district, approve initial projects and resource allocation, establish policies for the operation and development of the district, and submit to the governor, comptroller of public accounts, and members of the legislature a report detailing the activities, expenditures, and progress of the district on the first and second anniversaries of the district's creation. The bill provides for staggered one-year or two-year terms by drawing lots for, and appointments to fill vacancies in, the offices of temporary directors and authorizes an official who appoints a temporary director to appoint a successor temporary director if the term of the director expires before the election called for the director's successor under the bill's provisions is held.

District Administration

C.S.H.B. 112 establishes that the district is governed by a board of nine elected directors serving staggered two-year terms. The bill requires the temporary board to call an election for four director positions to be held on an authorized uniform election date under the Election Code as soon as practicable after the district is created. The bill requires the temporary board to call an election for the remaining five director positions to be held on an authorized uniform election date in the year following the first election. The bill establishes the following:

- a temporary director, or a successor temporary director, serves until the date a successor for the director is elected;
- the election must be held in accordance with the Election Code, to the extent not inconsistent with the bill; and

- a vacancy in the office of director must be filled by the remaining members of the board for the unexpired term.

The bill requires a person to be at least 18 years old and be one of the following to serve as a director:

- a qualified voter of the county in which the district is located;
- an owner of stock, whether beneficial or otherwise, of a corporate owner of property in the district;
- an owner of a beneficial interest in a trust that owns property in the district; or
- an agent, employee, or tenant of such a voter or owner.

C.S.H.B. 112 authorizes the board to require an officer or employee to execute a bond payable to the district and conditioned on the faithful performance of the person's duties. The bill establishes that a director serves without compensation but authorizes a director to be reimbursed for a reasonable and necessary expense incurred in performing an official duty if the director reports the expense to the board and the board approves the expense. The bill authorizes a majority of the directors, after notice and hearing, to remove a director for misconduct or failure to carry out the director's duties. The bill requires the directors to select from among the directors a president, a vice president, a secretary, and any other officers the board considers necessary and to hold at a designated meeting place regular meetings at times to be fixed by the board or special meetings as necessary.

C.S.H.B. 112 establishes that five directors constitute a quorum and a concurrence of five is sufficient in any matter relating to the district's business and establishes the following relating to certain director duties:

- the president presides at all board meetings and is the chief executive officer of the district;
- the vice president acts as the president if the president is incapacitated or absent from a meeting;
- the secretary acts as the president if both the president and vice president are incapacitated or absent from a meeting; and
- the secretary is responsible for ensuring that all the records and books of the district are properly kept.

The bill authorizes the board to appoint another director or an employee as assistant or deputy secretary to assist the secretary and authorizes such an assistant or deputy secretary to certify the authenticity of any record of the district. The bill authorizes the board to adopt bylaws to govern the following:

- the time, place, and manner of conducting board meetings;
- the powers, duties, and responsibilities of the board's officers and employees;
- the disbursement of money by a check, draft, or warrant;
- the appointment and authority of board committees;
- the keeping of accounts and other records; and
- any other matter the board considers appropriate.

District Powers & Duties

C.S.H.B. 112 establishes that a district has the powers necessary or convenient to carry out and effect the purposes and provisions of the bill, including the following:

- a power granted to a municipal management district under statutory provisions governing specific powers granted to such a district and its board of directors, other than the authority to establish and maintain reasonable and nondiscriminatory rates, fares, tolls, charges, rents, or other fees or compensation for the use of the improvements constructed, operated, or maintained by the district;
- operating education and training programs in collaboration with a university system or public technical institute in Texas;

- facilitating internships, cooperative education programs, and workforce development initiatives; and
- entering into agreements and otherwise collaborating with the following entities:
 - universities and research institutions in Texas;
 - private corporations or companies operating domestically and internationally, other than a company owned by an entity affiliated with a country designated as a country of particular concern in the U.S. secretary of state's designations under the federal International Religious Freedom Act of 1998 in effect on September 1, 2025;
 - an agency of the United States that regulates, provides funding for, or promotes science and technology; and
 - a state agency that regulates, provides funding for, or promotes economic development and workforce development.

The bill authorizes a district to accept gifts, grants, and donations from any source, including private and nonprofit organizations.

C.S.H.B. 112 requires a district to prioritize the development of state-of-the-art facilities, including research and development centers, technology incubators and accelerators, advanced manufacturing facilities, and office space for new businesses and technology firms. The bill requires a district to adopt guidelines for district projects to do the following:

- minimize environmental impacts;
- promote energy efficiency;
- ensure that businesses operating in the district are not significantly negatively affected by environmental or physical externalities created by a district project, such as vibrations; and
- balance the effective functioning of businesses in the district and national security concerns associated with any district project that requires a secure supply chain, protection of infrastructure and other critical resources, or security from threats of terrorism, cyberattacks, and natural disasters.

The bill authorizes the district to adopt restrictions on the use of real property in the district that must be compatible with and equal to or more stringent than a restriction adopted by each municipality or county that overlaps the territory in which the restriction is adopted. The bill requires the district to submit to the governor, comptroller, and members of the legislature an annual report detailing the activities, expenditures, and progress of the district. The bill requires the board of directors of a district by resolution to establish the number of directors' signatures and the procedure required for a disbursement or transfer of district money. The bill authorizes the district to acquire, construct, finance, operate, or maintain a project or service authorized under the bill using any money available to the district for that purpose.

Bonds

C.S.H.B. 112 authorizes a district to issue bonds for the purpose of defraying all or part of the cost of any project for a district purpose and authorizes the district's board to provide for the payment of principal of and interest and redemption price on bonds by pledging all or any part of the revenues or other compensation from a project or any part of a project, including revenues and receipts derived by the district from the lease or sale of the project, by pledging all or any part of any grant, donation, revenue, or income received or to be received from any public or private source, or from a combination of such sources. The bill authorizes the district to use bond proceeds to do the following:

- pay interest on the bonds during and after the period of the acquisition or construction of a project;
- pay administrative and operating expenses;
- create a reserve fund for the payment of principal and interest on the bonds; and
- pay all expenses incurred or that will be incurred in the issuance, sale, and delivery of the bonds.

Accountability

C.S.H.B. 112 requires the board of directors of a district to do the following:

- transmit records and other information to the comptroller annually for purposes of providing the comptroller with information on the district to include in the Special Purpose District Public Information Database established under the Government Code; and
- hold at least one public meeting each quarter of the calendar year for the sole purpose of receiving public input on major projects and initiatives in the district.

Texas Science Park Commission

C.S.H.B. 112 establishes the Texas Science Park Commission within TEDTO, composed of the following seven members:

- two members appointed by the governor from a list of not less than five nominees submitted by the lieutenant governor;
- two members appointed by governor from a list of not less than five nominees submitted by the speaker of the house of representatives; and
- three members of the public appointed by the governor.

The bill authorizes the governor, in making such an appointment, to reject one or more of the nominees on a list submitted to the governor and request a new list of different nominees. The bill requires the governor to appoint a chairperson of the commission from the seven members appointed to the commission.

C.S.H.B. 112 requires the commission to develop a comprehensive plan for the creation and operation of Texas science park districts that must do the following:

- identify parameters for consideration in determining potential locations and infrastructure needs for districts, including vulnerability to natural hazards and access to water, wastewater treatment, energy generation, and energy reserves;
- identify potential funding sources for infrastructure development by districts;
- establish strategies for a district to partner with academic institutions, industry stakeholders, and local and state agencies;
- include strategies for the governance and operations of a district;
- identify available economic development incentives at the local, state, and national levels and recommend any necessary legislative measures to allow a district to apply for and receive those incentives;
- identify any other incentives that could benefit property located in a district, including property tax relief, inclusion in a tax increment reinvestment zone, and other cost share initiatives and programs;
- identify the types of industry, including support industries, districts should benefit;
- recommend a limit on the number of districts that may be created in Texas; and
- recommend an expiration date for the authority of TEDTO to approve the creation of districts.

The bill defines "commission" as the Texas Science Park Commission.

C.S.H.B. 112 requires TEDTO to provide administrative support and resources, including funding from TEDTO's budget, as necessary to the commission to support the fulfillment of the commission's duties and authorizes TEDTO to supplement the commission's funding with gifts, grants, or donations received by TEDTO. The bill authorizes a legislative member of the commission to provide staffing and administrative support from the member's office to the commission. The bill requires the commission, not later than December 1, 2026, to prepare and submit to the governor, the lieutenant governor, the speaker of the house of representatives, and each standing committee of each house of the legislature with primary jurisdiction over business and commerce a report that includes the commission's plan and recommendations. The bill establishes that the commission is abolished September 1, 2027.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 112 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 provision absent from the introduced defining "commission" as the Texas Science Park Commission.

The substitute changes the name of the districts to which the bill's provisions apply from science park districts, as in the introduced, to Texas science park districts.

While both the introduced and substitute establish the purposes of a district, the substitute includes an additional purpose absent from the introduced of establishing an ecosystem that supports the creation of a resilient domestic supply chain to safeguard both national and state security.

With respect to the requirement for the territory in which a district may be created to have access to reliable, high-capacity electric generation or storage, the substitute includes as an option to fulfill that requirement having an actionable plan to have access to such generation or storage, which did not appear in the introduced. The substitute omits the provision of the introduced that required the territory in which a district may be created to include a minimum of 1,000 contiguous acres and instead requires the commission to establish a minimum number of acres that the territory must include at the time a petition is submitted to TEDTO for the creation of the district. The substitute includes a provision absent from the introduced requiring such a petition to demonstrate the territory meets any additional requirements determined by the commission.

With respect to the composition of the temporary board of directors for a district, the introduced required three temporary directors to be appointed by the speaker of the house of representatives, whereas the substitute requires those three directors to be appointed by the governor based on recommendations from the speaker. Whereas the introduced required a temporary director to have knowledge or experience in at least one area from the options provided by the introduced, the substitute requires the commission to establish qualifications for knowledge and experience that a person must possess in order to be appointed as a temporary director. The substitute specifies that the uniform election date for an election called by a temporary board for four director positions is an authorized uniform election date, whereas the introduced did not.

Both the introduced and the substitute grant a district the powers necessary or convenient to carry out and effect the bill's purposes, including a power granted to a municipal management district under statutory provisions governing specific powers granted to such a district and its board of directors and the power to enter into agreements and otherwise collaborate with private corporations or companies operating domestically and internationally, but differ in the following ways:

- with respect to a power granted to a municipal management district, the substitute includes an exception absent from the introduced for the power to establish and maintain reasonable and nondiscriminatory rates, fares, tolls, charges, rents, or other fees or compensation for the use of the improvements constructed, operated, or maintained by the district; and
- with respect to the power to enter into such agreements and otherwise collaborate with private corporations or companies operating domestically and internationally, the

introduced excepted from that power doing so with a company owned by an individual who is a citizen of a country designated as a country of particular concern in the United States secretary of state's designations under the federal International Religious Freedom Act in effect on September 1, 2015, whereas the substitute excepts from that power doing so with a company owned by an entity affiliated with such a country.

The substitute omits provisions of the introduced that did the following:

- made all or any part of the area of a district eligible to be included in a tax increment reinvestment zone or a tax abatement reinvestment zone and authorized the granting of money deposited in a tax increment fund to the district to be used by the district for certain purposes;
- prohibited a district from exercising the power of eminent domain;
- authorized tax revenue of the district to be invested in an obligation that is an authorized investment for Texas and other district money to be invested in accordance with board policies;
- authorized a district's board to impose and collect assessments in all or any part of the district for any purpose authorized by the bill;
- authorized a district to impose a property tax and set out requirements for an election to impose such a tax, including requirements regarding the ballot proposition and election results;
- authorized a district to increase, decrease, or abolish the property tax rate and set out requirements for an election to do so;
- prohibited a district from reducing or ordering an election to reduce the property tax rate below the rate necessary to pay the district's outstanding bonded indebtedness;
- limited the use of property tax proceeds;
- authorized a district's board to provide payment of principal of and interest and redemption price on bonds from property taxes;
- prohibited a district from authorizing bonds secured in whole or in part by taxes unless a majority of the district's qualified voters voting at an election for that purpose approve the issuance of the bonds;
- required a district that issues bonds or notes that are payable wholly from taxes, when bonds or notes are authorized, to set a tax rate that is sufficient to pay the principal of and interest on the bonds or notes as the interest and principal come due and to provide reserve funds if prescribed in the resolution authorizing, or the trust indenture securing, the bonds or notes;
- required a district that issues bonds or notes that are payable from taxes and from revenues, income, or receipts of the district, when the bonds or notes are authorized, to set a tax rate that is sufficient to pay the principal of and interest on the bonds and notes and to create and maintain any reserve funds; and
- required the board, in establishing the rate of the tax to be collected for a year, to consider the money that will be available to pay the principal of and interest on any bonds or notes issued and to create any reserve funds to the extent and in the manner permitted by the resolution authorizing, or the trust indenture securing, the bonds or notes.

Both the introduced and the substitute authorize a district's board to provide for the payment of principal of and interest and redemption price on bonds by pledging all or any part of the revenues or other compensation from a project or any part of a project. However, the introduced additionally authorized the board to provide for such a payment by pledging all or any part of fees, whereas the substitute does not.

The substitute includes provisions absent from the introduced that do the following:

- provide for the establishment of the Texas Science Park Commission within TEDTO and set out the composition of the commission;
- require the commission to develop a comprehensive plan for operation of a Texas science park district;

- require TEDTO to provide administrative support and resources, as necessary to the commission to support the fulfillment of the commission's duties and authorize TEDTO to supplement the commission's funding with gifts, grants, or donations received by TEDTO;
- authorize a legislative member of the commission to provide staffing and administrative support from the member's office to the commission;
- require the commission to prepare and submit to the governor, the lieutenant governor, the speaker of the house of representatives, and each standing committee of each house of the legislature with primary jurisdiction over business and commerce a report, not later than December 1, 2026, that includes the commission's plan and recommendations; and
- abolish the commission on September 1, 2027.