

BILL ANALYSIS

Senate Research Center
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C.S.H.B. 718
By: Bell, Cecil (Parker)
Education K-16
5/21/2025
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Public universities in Texas frequently partner with private entities for the construction of student housing facilities. These partnerships can accelerate the delivery of much-needed housing capacity without burdening state budgets. However, recent cases have highlighted situations where private developers involved in such partnerships have outstanding claims for nonpayment to contractors, subcontractors, or vendors, leading to financial disputes, construction delays, and reputational harm to the university and the state.

These financial disputes, if unresolved, can also pose legal and operational risks for institutions of higher education that rely on timely and quality completion of student housing projects. To protect the state's interest and ensure that public institutions engage only with financially responsible partners, additional safeguards are needed.

H.B. 718 strengthens the financial integrity of student housing construction partnerships by prohibiting public institutions of higher education from contracting with private entities that have a pending lien or legal action for nonpayment of contractors, subcontractors, or vendors. This bill ensures due diligence by requiring that entities involved in these partnerships have resolved any such claims, unless they have posted a payment bond that fully covers the disputed obligations.

By implementing these requirements, H.B. 718 seeks to protect the state and its universities from entering into risky partnerships, promote responsible business practices among private partners, and ensure that student housing projects are delivered on time, to standard, and without financial controversies that could undermine the institution's mission.

Committee Substitute:

Adds two exceptions to the prohibition: a claim for nonpayment does not disqualify a private entity if the entity has provided a payment bond to cover the claim or contests in good faith the validity or accuracy of the claim.

C.S.H.B. 718 amends current law relating to prohibiting a public institution of higher education from partnering with certain private entities for the construction of a student housing facility.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter Z, Chapter 51, Education Code, by adding Section 51.9273, as follows:

Sec. 51.9273. CERTAIN PARTNERSHIPS TO CONSTRUCT STUDENT HOUSING FACILITIES PROHIBITED. (a) Defines "institution of higher education."

(b) Prohibits an institution of higher education from entering into a contract to partner with a private entity to construct a student housing facility if the entity has

a pending action or lien against the entity or entity's property relating to a claim for nonpayment of a contractor, subcontractor, or vendor. Provides that this section does not apply to a claim for nonpayment if the entity has provided a payment bond to cover the claim or contests in good faith the validity or accuracy of the claim.

SECTION 2. Makes application of Section 51.9273, Education Code, as added by this Act, prospective.

SECTION 3. Effective date: September 1, 2025.