

BILL ANALYSIS

C.S.H.B. 3290
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Trade, Workforce & Economic Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Current law requires an owner or an owner's agent, trustee, or receiver to retain reserved funds under a construction contract for 30 days following the completion of the construction project, but does not define "completion" for purposes of establishing an objective timeline in which contractors can expect to receive the last 10 percent of the money owed to them. The bill author has informed the committee that large commercial projects can take years to complete and that there must be objectivity in statute regarding when reserved funds are to be released. C.S.H.B. 3290 seeks to address this issue by requiring an owner or an owner's agent, trustee, or receiver to release reserved funds within a specified period.

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. 3290 amends the Property Code to require an owner or the owner's agent, trustee, or receiver to reserve the following funds for a period ending the earlier of the 31st day after the date the work under an original contract for which a mechanic's lien may be claimed is completed or the 61st day after the date a certificate of occupancy is issued for the improvement or the improvement is first used for its intended purpose:

- 10 percent of the contract price of the work to the owner; or
- 10 percent of the value of the work, measured by the proportion that the work done bears to the work to be done, using the contract price or, if there is no contract price, using the reasonable value of the completed work.

The bill requires the owner or the owner's agent, trustee, or receiver, subject to an exception for a good faith dispute, to pay 50 percent of the reserved funds not later than the 61st day after the date a certificate of occupancy is issued for the improvement or the improvement is first used for its intended purpose.

C.S.H.B. 3290 applies only to a contract entered into on or after the bill's effective date. A contract entered into before the bill's effective date is governed by the law as it existed immediately before the bill's effective date, and that law is continued in effect for that purpose.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 3290 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.

With respect to the provision requiring an owner or the owner's agent, trustee, or receiver to reserve certain funds for a period ending the earlier of the 31st day after the date the work under an original contract for which a mechanic's lien may be claimed is completed or the 61st day after the date a certificate of occupancy is issued for the improvement or the improvement is first used for its intended purpose, the substitute omits the introduced version's provision specifying that the funds are only required to be reserved as such after the completion of work under the contract. The substitute includes a provision absent from the introduced requiring the owner or the owner's agent, trustee, or receiver, subject to an exception for a good faith dispute, to pay 50 percent of the reserved funds not later than the 61st day after the date a certificate of occupancy is issued for the improvement or the improvement is first used for its intended purpose.