

BILL ANALYSIS

C.S.H.B. 4370
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Intergovernmental Affairs
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that growing interest in renewable energy and sustainable infrastructure has led to the identification of efficient energy sources, such as geothermal water conveyance systems. The bill author has also informed the committee that special purpose districts should be allowed to support development and undertake infrastructure projects for these energy sources to promote innovative, sustainable projects while reducing strain on the Texas electric grid and preserving local control and fiscal accountability in public infrastructure development. C.S.H.B. 4370 seeks to address this issue by expanding the scope of permissible projects for certain special districts to include the development of geothermal water conveyance systems.

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. 4370 amends the Local Government Code and Water Code to provide for the authority of certain special districts to authorize a project related to geothermal water conveyance.

Public Improvement Districts

C.S.H.B. 4370 authorizes a public improvement project under the Public Improvement District Assessment Act to include the acquisition, construction, or improvement of geothermal water conveyance facilities or improvements. The bill establishes that the payment of expenses relating to the acquisition, construction, or improvement of water, geothermal water conveyance, wastewater, or drainage facilities or improvements may also include expenses related to the operation and maintenance of a geothermal water conveyance facility or improvement. The bill establishes that the costs of improvements may be paid or reimbursed by any combination of qualifying methods if the improvements are dedicated, conveyed, leased, or otherwise provided to or for the benefit of an entity subject to the regulatory jurisdiction of the Public Utility Commission of Texas.

Municipal Management Districts

C.S.H.B. 4370 requires the relocation, adjustment, raising, lowering, rerouting, or changing the grade of or altering the construction of geothermal water conveyance facilities to be

accomplished at the sole cost and expense of a municipal management district and establishes that damages that are suffered by the owners of the facilities must be borne by the district, if the district requires such an action in exercising any of its applicable powers. The bill authorizes an improvement project or services provided by a municipal management district to include the construction, acquisition, improvement, relocation, operation, maintenance, or provision of geothermal water conveyance facilities or improvements.

Water Control and Improvement Districts

C.S.H.B. 4370 authorizes a water control and improvement district to provide for the preservation and conservation of all natural resources of the state through the use of geothermal water conveyance systems. The bill authorizes such a district to construct all works and improvements necessary for the construction of geothermal water conveyance systems necessary for the conservation of natural resources.

Fresh Water Supply Districts

C.S.H.B. 4370 authorizes a fresh water supply district to do the following:

- purchase, construct, acquire, own, operate, repair, improve, and extend geothermal water conveyance systems in the district; and
- issue bonds payable from property taxes, revenues, or a combination thereof for such purposes.

Municipal Utility Districts

C.S.H.B. 4370 specifies that the purpose of preserving all natural resources of the state for which a municipal utility district is created includes the use of geothermal water conveyance systems for the preservation of natural resources. The bill authorizes a municipal utility district to issue bonds for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending any geothermal water conveyance system.

EFFECTIVE DATE

September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 4370 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.

While both the introduced and the substitute require the relocation, adjustment, raising, lowering, rerouting, or changing the grade of or altering the construction of geothermal water conveyance facilities to be accomplished at the sole cost and expense of a municipal management district, the introduced applied that requirement to any geothermal water conveyance facilities or property, whereas the substitute removes the specification that the requirement applies to any such facilities or property.

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

- authorize a water control and improvement district to construct all works and improvements necessary for the construction of geothermal water conveyance systems necessary for the conservation of natural resources; and
- authorize a fresh water supply district to purchase, construct, acquire, own, operate, repair, improve, and extend geothermal water conveyance systems in the district and to issue bonds payable from property taxes, revenues, or a combination thereof for such purposes.

The substitute omits the provision included in the introduced requiring a fresh water supply district to hold an election in an applicable manner before the district may exercise the power given under the bill's provisions.