

BILL ANALYSIS

C.S.H.B. 5699
By: Schofield
Land & Resource Management
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The bill author has informed the committee that a tract of undeveloped land within the Harris County Municipal Utility District No. 405 needs to be excluded from the district so that services can be provided by a neighboring district. C.S.H.B. 5699 seeks to address this issue by providing for the district and the owner of the undeveloped land to enter into a contract to exclude the property from the district on terms and conditions determined by the district to be advantageous to the district.

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. 5699 amends the Special District Local Laws Code to authorize the Harris County Municipal Utility District No. 405 to enter into a written contract with an owner of undeveloped property in the district to exclude the property from the district on terms and conditions the district's board of directors considers advantageous for the district. The district may issue an order excluding the property from the district only if the terms and conditions of the contract are satisfied. The bill requires the district to record a copy of the order in the real property records of Harris County. Except as provided by the contract and the bill's provisions, the excluded property is no longer part of the district and is not entitled to any services from the district on issuance of the order. The bill establishes that until a property's pro rata share of the district's indebtedness is paid in full after the property is excluded from the district:

- the excluded property's pro rata share of the district's indebtedness remains the obligation of the owner of the excluded property and continues to be secured by statutory liens on the excluded property;
- the district must continue to levy and collect debt service taxes each year on the excluded property at the same rate levied on other property in the district; and
- the taxes collected remain pledged as security for the district's indebtedness and must be applied exclusively to the payment of the excluded property's pro rata share of the district's indebtedness.

The bill requires the contract for exclusion to state the amount of or a method of determining the excluded property's pro rata share of the district's indebtedness. The bill authorizes the owner of any part of the excluded property at any time to pay in full the remaining unpaid portion of the excluded property's pro rata share of the district's indebtedness and establishes that, on such a payment in full, the excluded property is released from payment of the district's debt service

taxes. The bill establishes that the exclusion of property from the district does not diminish or impair the rights of the holders of any outstanding and unpaid bonds, warrants, or other certificates of indebtedness of the district. The bill authorizes the district to issue before an exclusion of property from the district any unissued additional bonds, notes, or other obligations approved by voters of the district before the exclusion without holding a new election to authorize the issuance of the bonds, notes, or other obligations.

C.S.H.B. 5699 establishes that the Harris County Municipal Utility District No. 405 retains all the rights, powers, privileges, authority, duties, and functions that it had before the bill's effective date.

C.S.H.B. 5699 establishes that the legislature validates and confirms all governmental acts and proceedings of the district that were taken before the bill's effective date. The bill's provisions do not apply to any matter that on the bill's effective date:

- is involved in litigation if the litigation ultimately results in the matter being held invalid by a final court judgment; or
- has been held invalid by a final court judgment.

C.S.H.B. 5699 establishes that all applicable requirements relating to the following have been fulfilled and accomplished with respect to the bill:

- the legal notice of intention to introduce;
- governor action;
- Texas Commission on Environmental Quality recommendations; and
- the state constitution and laws and legislative rules and procedures.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 5699 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.

Both the introduced and the substitute authorize the Harris County Municipal Utility District No. 405 to enter into a written contract with an owner of undeveloped property in the district to exclude the property from the district on terms and conditions the district's board of directors considers advantageous for the district but differ as follows:

- the substitute includes a provision absent from the introduced defining "board" as the district's board of directors;
- whereas both the introduced and substitute authorize the district to issue any unissued additional debt approved by the district's voters before the exclusion of property without holding a new election, the substitute specifies such issuance is of any unissued additional bonds, notes, or other obligations authorized without holding a new election to authorize the issuance of the bonds, notes, or other obligations; and
- the substitute omits a provision of the introduced establishing that the excluded property is not released from the payment of its pro rata share of the district's indebtedness.