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H.B. No. 1043

A BILL TO BE ENTITLED

AN ACT

relating to a study by the General Land Office in partnership with a working group consisting of the Texas Department of Insurance, Department of Information Resources, and other entities on the establishment and implementation of a distributed ledger-based title registry pilot program.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. DEFINITIONS. In this Act:

(1) "Distributed ledger" means a peer-to-peer network that operates without a central administrator or database and uses a distributed network of devices to utilize cryptography to immutably record and verify the accuracy of data.

(2) "Office" means the General Land Office.

(3) "Pilot program" means the distributed ledger-based title registry pilot program to be studied under this Act.

(4) "Public ledger" means a method of recording titles in which all records are documented on a publicly accessible distributed ledger where the county provides free public access to all documents.

(5) "Rural county" means a county that is outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area.

(6) "Study" means the study conducted under this Act

1 by the General Land Office in partnership with the working group
2 established under Section 3 of this Act on the establishment and
3 implementation by the office of a distributed ledger-based title
4 registry pilot program.

5 (7) "Urban county" means a county that is partially or
6 entirely inside the boundaries of a primary metropolitan
7 statistical area.

8 SECTION 2. STUDY ON PILOT PROGRAM. (a) The office, in
9 partnership with the working group established by Section 3 of this
10 Act, shall conduct a study on establishing and implementing a
11 distributed ledger-based title registry pilot program to record
12 title transfers with distributed ledger technology.

13 (b) A pilot program considered by the study must:

14 (1) include at least two counties of which at least one
15 is a rural county and one is an urban county and determine the
16 potential impact of the pilot program on those types of counties in
17 particular and counties generally;

18 (2) incorporate the recording of property liens
19 simultaneously with existing recording methods so as to not disrupt
20 current processes;

21 (3) collect cost data sufficient to allow comparison
22 of the costs to a participating county of:

23 (A) continuing to facilitate traditional
24 recordation; and

25 (B) adapting to a distributed ledger;

26 (4) determine whether existing data must be migrated
27 to an immutable and public ledger for backwards compatibility;

1 (5) evaluate both the public ledger and distributed
2 ledger as methods of recording to compare:

3 (A) costs;

4 (B) security;

5 (C) transparency; and

6 (D) overall complexity;

7 (6) provide for the recording of title transfers in
8 connection with the pilot program in addition to existing recording
9 methods;

10 (7) determine the ability to expand the pilot program
11 methods to other types of documents and information relating to
12 real property;

13 (8) incorporate the requirements of existing statutes
14 related to the recording of property liens;

15 (9) consider the authority of the office to solicit
16 and accept gifts, grants, and donations to fund the program; and

17 (10) ensure data privacy and proper protection against
18 fraud.

19 (c) The goals of the study shall include:

20 (1) establishing a protocol for implementation of
21 distributed ledger-based recording;

22 (2) identifying counties to be included in a pilot
23 program;

24 (3) determining the costs of the pilot program and of
25 converting to a statewide distributed ledger system;

26 (4) developing protocols for:

27 (A) working with the selected counties to

1 implement the program by training, educating, and collaborating
2 with the counties to ensure that the pilot program is successful,
3 efficient, and complies with a budget established by the office;
4 and

5 (B) partnering with a software company to create
6 an application programming interface to integrate existing systems
7 with the distributed ledger system and ensure that title transfer
8 records are seamlessly incorporated;

9 (5) identifying and considering issues concerning
10 transparency and regulation of a distributed ledger-based title
11 registry system;

12 (6) determining funding sources for and other
13 available resources to support implementation of the pilot program;
14 and

15 (7) determining appropriate vendor selection
16 processes.

17 SECTION 3. WORKING GROUP. The office shall establish a
18 framework for a working group to discuss ideas, give feedback, and
19 explore other opportunities relating to the study. The working
20 group shall consist of representatives from:

- 21 (1) counties;
22 (2) title insurance agents;
23 (3) title insurance companies;
24 (4) the banking industry;
25 (5) the Texas Department of Insurance;
26 (6) the Department of Information Resources;
27 (7) the office; and

1 (8) the blockchain industry.

2 SECTION 4. PARTICIPATION OF REGULATORS. The office shall
3 engage appropriate regulators to provide information for the study
4 regarding the manner in which regulators could participate in
5 crafting guidance for a pilot program that would include protection
6 for all parties involved in a real estate transaction the title
7 transfer for which is recorded with distributed ledger technology.

8 SECTION 5. RULES. Not later than October 1, 2025, the
9 office shall adopt rules necessary to administer the study.

10 SECTION 6. REPORT. Not later than January 1, 2027, the
11 office shall submit to the legislature a report on the findings of
12 the study and any recommendations for legislative or other action.

13 SECTION 7. EXPIRATION. This Act expires September 1, 2027.

14 SECTION 8. EFFECTIVE DATE. This Act takes effect September
15 1, 2025.