

By: Canales

H.B. No. 3363

A BILL TO BE ENTITLED

AN ACT

relating to the creation of certain regional conservation and reclamation districts.

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

SECTION 1. Section 59.001(b), Water Code, is amended to read as follows:

(b) This chapter applies only in counties:

(1) with a population of at least 3.3 million or bordering a county with a population of at least 3.3 million; or

(2) located on an international border that have a population of more than 400,000 and contain at least two municipalities, each of which has a population of 70,000 or more.

SECTION 2. Section 59.002(a), Water Code, is amended by adding Subdivisions (4) and (5) to read as follows:

(4) "Water district" means a district created under general law or a special Act operating under Chapter 36, 51, 55, 56, 58, or 65.

(5) "Commission" means the Texas Commission on Environmental Quality.

SECTION 3. Section 59.003, Water Code, is amended by amending Subsection (a) and adding Subsections (a-1), (a-2), (a-3), (a-4), and (e) to read as follows:

(a) This subsection applies only to a district to be created in a county described by Section 59.001(b)(1). A district may be

1 created by the commission pursuant to a petition submitted to the
2 commission as follows:

3 (1) the [~~The~~] boards of at least 20 percent of the
4 total number of municipal districts to be included in the proposed
5 district may jointly petition the commission for creation of a
6 district; [~~The petition must describe the territory to be~~
7 ~~included in the district and must include resolutions endorsing~~
8 ~~creation of the district adopted by each municipal district to be~~
9 ~~included in the district.~~]

10 (2) the [~~The~~] owner or owners of 2,000 or more
11 contiguous acres may petition the commission for creation of a
12 district; [~~or~~]

13 (3) the [~~The~~] commissioners courts of one or more
14 counties may petition the commission for the creation of a district
15 in any territory within the county; or [~~or~~]

16 (4) the [~~The~~] governing body of any municipality
17 [~~city~~] may petition the commission for the creation of a district in
18 any territory within the municipality [~~city~~] or its
19 extraterritorial jurisdiction.

20 (a-1) A petition described by Subsection (a)(1) must:

21 (1) describe the territory to be included in the
22 proposed district; and

23 (2) include resolutions endorsing the creation of the
24 proposed district adopted by each municipal district to be included
25 in the district.

26 (a-2) This subsection applies only to a district to be
27 created in a county described by Section 59.001(b)(2). A district

1 may be created by the commission pursuant to a petition submitted to
2 the commission as follows:

3 (1) the boards of at least 60 percent of the total
4 number of water districts to be included in the proposed district
5 may jointly petition the commission for the creation of a district
6 in any territory within the water districts;

7 (2) the commissioners courts of one or more counties
8 may petition the commission for the creation of a district in any
9 territory within the county;

10 (3) the governing body of one or more municipalities
11 may petition the commission for the creation of a district in any
12 territory within the municipality or its extraterritorial
13 jurisdiction; or

14 (4) the governing bodies of two or more water
15 districts, counties, or municipalities may jointly petition the
16 commission for the creation of a district.

17 (a-3) A petition described by Subsection (a-2)(1) must:

18 (1) describe the territory to be included in the
19 proposed district; and

20 (2) include resolutions endorsing the creation of the
21 district adopted by each water district to be included in the
22 district.

23 (a-4) A petition described by Subsection (a-2)(4) must:

24 (1) describe the territory to be included in the
25 proposed district; and

26 (2) include resolutions endorsing the creation of the
27 district adopted by each water district, county, or municipality to

1 be included in the district.

2 (e) Notwithstanding Section 59.021(h), a petition for the
3 creation of a district submitted to the commission under Subsection
4 (a-2) must request that the board of the proposed district be
5 elected to represent a geographic area. If the commission grants
6 the petition, the commission shall establish precincts from which
7 the directors are to be elected in accordance with that subsection
8 and designate polling locations inside the district.

9 SECTION 4. Section 59.007(c), Water Code, is amended to
10 read as follows:

11 (c) A copy of the order of the commission granting or
12 denying a petition shall be mailed to each municipality [~~city~~]
13 having extraterritorial jurisdiction in the county or counties in
14 which the district is to be located [~~that has requested notice of~~
15 ~~hearings as provided by Section 54.019~~].

16 SECTION 5. Chapter 59, Water Code, is amended by adding
17 Subchapter A-1 to read as follows:

18 SUBCHAPTER A-1. PROVISIONS APPLICABLE TO CERTAIN DISTRICTS

19 Sec. 59.0111. APPLICABILITY. This subchapter applies only
20 to a district located wholly or partially in a county described by
21 Section 59.001(b)(2).

22 Sec. 59.0112. PURPOSES. (a) The creation of a district
23 must:

- 24 (1) serve a public use and benefit; and
25 (2) be essential to further the public purposes
26 described by this section.

27 (b) A district may be created to:

1 (1) enhance water security through collaboration and
2 cooperation;

3 (2) coordinate regional solutions and consolidation
4 of areawide water and wastewater services to enhance efficiency by
5 streamlining operations and decision making;

6 (3) develop an areawide water supply and wastewater
7 system in order to encourage:

8 (A) efficient service delivery;

9 (B) cost-effective rate structures;

10 (C) expanded capacity;

11 (D) the use of innovative technologies; and

12 (E) improved management performance; and

13 (4) develop strategies that will:

14 (A) reduce loss and waste of water;

15 (B) improve efficiency in the use of water;

16 (C) increase recycling and reuse of water;

17 (D) provide a sustainable water supply; and

18 (E) provide for wastewater management.

19 (c) A district shall:

20 (1) to improve reliability of the regional water
21 supply and reduce the vulnerability to drought, prioritize projects
22 that secure:

23 (A) reliable water supplies to cover the
24 projected water demands; or

25 (B) additional or new sources of water;

26 (2) improve efficiency by:

27 (A) streamlining operations;

1 (B) ensuring compliance with water quality
2 standards; and

3 (C) protecting existing water uses; and

4 (3) promote the public health, safety, and general
5 welfare of residents by:

6 (A) discouraging noncompliant water systems; or

7 (B) improving inefficient water systems.

8 Sec. 59.0113. GENERAL POWERS. (a) A district has all
9 powers necessary or incidental to exercise or implied by the
10 specific powers granted by this chapter.

11 (b) A district may take any action necessary or appropriate
12 to accomplish the purposes of the district.

13 Sec. 59.0114. IMPROVEMENT PROJECTS. (a) Except as
14 otherwise provided by this chapter, a district may provide, design,
15 construct, acquire, improve, relocate, operate, maintain, or
16 finance an improvement project to accomplish the public purposes
17 stated in this chapter using any money available to the district.

18 (b) A district may undertake an improvement project:

19 (1) inside the boundaries of the district; or

20 (2) in an area outside the district but adjacent to the
21 boundaries of the district if the project is for the purpose of
22 extending public infrastructure improvements beyond the district's
23 boundaries to a logical terminus to accomplish the public purposes
24 stated in this chapter.

25 (c) An improvement project may consist of:

26 (1) controlling, storing, preserving, treating,
27 reclaiming, or distributing stormwater, floodwater, or water from a

1 river or stream in the district for irrigation, power, municipal,
2 domestic, commercial, or other useful purposes;

3 (2) identifying new or additional water sources;

4 (3) constructing, acquiring, or improving water and
5 wastewater projects to serve an economically distressed area or
6 colonia;

7 (4) developing, operating, and maintaining
8 infrastructure to transport water that is made available by a
9 project described by this section;

10 (5) obtaining regulatory authority at the local,
11 state, or federal level to conserve, convey, and develop water
12 resources in the district;

13 (6) planning, developing, managing, maintaining, or
14 coordinating water and wastewater systems and services in the
15 district;

16 (7) collaborating for the construction, acquisition,
17 improvement, or enlargement of projects involving water
18 conservation, water supply development, water quality enhancement,
19 flood control, or drainage of stormwater and floodwater, including
20 aquifer recharge, chloride control, subsidence control, brush
21 control, regionalization, or desalination projects;

22 (8) implementing water conservation, water supply
23 development, desalination, brush control, regionalization, flood
24 control, drainage of stormwater and floodwater, wastewater
25 collection and treatment, or other projects that incorporate
26 multiple service areas into an areawide service facility or system
27 that serves the district;

1 (9) consolidating water or sewer systems into one
2 system with common ownership, management, and operation;

3 (10) interconnecting wastewater systems for regional
4 treatment or water systems for regional water supply;

5 (11) developing water supply projects that create new
6 or additional water sources for the district, including:

7 (A) desalination;

8 (B) aquifer storage and recovery projects; or

9 (C) the acquisition of groundwater or surface
10 water rights;

11 (12) planning and coordinating regional public water
12 and wastewater systems or sewer service facilities or systems owned
13 by a neighboring political subdivision through consolidation,
14 merger, or interconnection of public water and wastewater systems;

15 (13) acquiring the water supply or sewer service
16 facilities or systems owned by a neighboring political subdivision
17 through consolidation, merger, or interconnection of public water
18 and wastewater systems; or

19 (14) acquiring property or an interest in property in
20 connection with an authorized improvement project.

21 (d) A district may not undertake an improvement project
22 unless the board of directors of the district determines that the
23 project is necessary to accomplish a public purpose of the
24 district.

25 Sec. 59.0115. AUTHORITY TO ENTER INTO INTERLOCAL
26 AGREEMENTS. (a) A district may enter into an interlocal agreement
27 with a groundwater conservation district or water supply

1 corporation to:

2 (1) provide services related to water supply,
3 wastewater treatment, or flood control and mitigation;

4 (2) develop, operate, or maintain infrastructure
5 related to water supply, wastewater treatment, or flood control and
6 mitigation; or

7 (3) share facilities, resources, or personnel as
8 necessary to undertake an improvement project to accomplish a
9 public purpose of the district.

10 (b) An interlocal agreement under this section must be
11 approved by the governing bodies of the participating entities.

12 (c) The participating entities in an interlocal agreement
13 under this section may allocate costs based on any method,
14 including proportionate use, benefit, or another equitable basis.

15 Sec. 59.0116. REPORTING AND ACCOUNTABILITY. (a) A
16 district shall submit an annual report to the governing bodies of
17 the water districts, counties, and municipalities included within
18 the boundaries of the district detailing the district's activities,
19 expenditures, and finances.

20 (b) The water districts, counties, and municipalities shall
21 ensure that the district is subject to the appropriate auditing and
22 accountability measures applicable to the district.

23 Sec. 59.0117. ELECTIONS. (a) A district shall hold an
24 election on the uniform election date prescribed by Section 41.001,
25 Election Code, in November of each even-numbered year to elect the
26 appropriate number of directors.

27 (b) Except for a confirmation election described by Section

1 59.025 and a director election described by Subsection (a), a
2 district may not hold a bond election, maintenance tax election,
3 contract election, or other election on a date other than the
4 uniform election date prescribed by Section 41.001, Election Code,
5 in November of the applicable tax year.

6 (c) Notwithstanding Section 59.025(c), if the creation of a
7 district is defeated at a confirmation election, a subsequent
8 confirmation election may be held not less than six months after the
9 date of the preceding confirmation election.

10 (d) After confirmation of a district, the district shall
11 contract with the county election officer as provided by Subchapter
12 D, Chapter 31, Election Code, to perform all duties and functions of
13 the district in relation to a director election.

14 Sec. 59.0118. ELIGIBILITY TO VOTE. After confirmation of a
15 district, to be eligible to vote in an election of the district, a
16 person must be:

17 (1) a qualified voter as defined by Section 11.002,
18 Election Code; and

19 (2) a resident of the district.

20 Sec. 59.0119. PROCEDURES FOR IDENTIFYING VOTERS;
21 PROVISIONAL VOTING. (a) After the confirmation of a district, the
22 district shall submit to the voter registrar for the county a legal
23 description or map of the territory defined by the boundaries of the
24 district that is in sufficient detail to enable the voter registrar
25 to produce the official list of the district's eligible voters.

26 (b) The district shall submit the information required
27 under this section not later than the 30th day after the date of the

1 last day to order a general or special election.

2 (c) If the county election officer is unable to verify
3 whether a voter is eligible under Section 59.0118, the voter may be
4 accepted for provisional voting under Section 63.011, Election
5 Code.

6 Sec. 59.0120. EXCLUSION OF LAND OR TERRITORY. (a) The
7 board may exclude land or territory from the district only as
8 provided by Section 49.303, 49.3075, 49.3076, 49.310, or 54.748.

9 (b) The board may not exclude land or territory unless the
10 board receives a petition requesting the exclusion as provided by
11 Section 49.303, 49.3075, 49.3076, 49.310, or 54.748, as applicable.
12 A landowner who signs a petition for the exclusion of land or
13 territory from a district that is filed with the board of the
14 district as provided by the applicable section must submit a copy of
15 the petition to the commission.

16 (c) On receipt of a copy of a petition as provided by
17 Subsection (b), the executive director of the commission shall
18 request and review the most recent financial information pertaining
19 to the district to confirm that any exclusion of land or territory
20 from the district is conducted in accordance with the applicable
21 provisions of law.

22 (d) The executive director of the commission shall notify
23 the landowner and the district of the results of the review
24 conducted under Subsection (c) when the review is complete.

25 Sec. 59.0121. QUALIFICATIONS FOR DIRECTOR. To be qualified
26 to serve as a director, a person:

27 (1) must be eligible to hold office under Section

1 141.001, Election Code;

2 (2) may not be disqualified from serving as a director
3 under Section 59.0122; and

4 (3) must be a qualified voter of the district under
5 Section 59.0118.

6 Sec. 59.0122. DISQUALIFICATION OF DIRECTORS. (a) A person
7 is disqualified from serving as a director if the person:

8 (1) is currently a member of or has been appointed or
9 elected to the governing body of another political subdivision; or

10 (2) would be disqualified from serving as a director
11 under Section 49.052(a) if that subsection applied to the district.

12 (b) Sections 49.052(b), (c), and (d) apply to a district in
13 the same manner as those subsections apply to a district described
14 by Section 49.052(a).

15 (c) Sections 49.052(e) and (g) apply to a district.

16 Sec. 59.0123. INFORMATION REQUIRED ON DISTRICT WEBSITE.

17 (a) A district shall maintain and update an Internet website that
18 is searchable and intuitive to users.

19 (b) A district shall post regularly for public viewing on
20 the district's Internet website:

21 (1) the annual financial statement required by Section
22 140.005, Local Government Code;

23 (2) the annual audit report required by Section 49.191
24 or the annual financial dormancy affidavit submitted to the
25 executive director of the commission under Section 49.197;

26 (3) budget information of the district described by
27 Sections 26.18(4)-(8), Tax Code;

1 (4) property tax rate information of the district
2 described by Sections 26.18(9), (10), (12), and (13), Tax Code;

3 (5) operating information of the district described by
4 Sections 2051.202(d)(2)-(14), Government Code, as applicable,
5 including the name of the general manager of the district; and

6 (6) financial information of the district that
7 satisfies the requirements of Sections 403.0241(c)(9)-(11),
8 Government Code.

9 (c) A district shall publish on the district's Internet
10 website:

11 (1) the agenda for a board meeting not later than the
12 third day before the date the meeting is held; and

13 (2) the minutes of a board meeting not later than the
14 third day after the date the minutes are adopted.

15 (d) A district shall update the information posted on the
16 district's Internet website as required by this section routinely
17 as the information becomes available to the district.

18 Sec. 59.0124. SEARCHABLE DISTRICT EXPENDITURE DATABASE.

19 (a) A district shall establish and post on the district's Internet
20 website a database of district check register reports, including
21 district expenditures and contracts. The database must include the
22 amount, date, description, payor, and payee of the expenditures
23 and, if applicable, the parties to the contract.

24 (b) A district may not include in the database developed
25 under Subsection (a) a district employee's salary or personal
26 identifying information, as defined by Section 521.002, Business &
27 Commerce Code.

1 (c) A district shall display prominently a link to the
2 database established under this section on the district's Internet
3 website.

4 (d) The information provided in a district check register
5 report must be updated monthly.

6 (e) A district shall keep in the database information
7 required by this section related to an adopted budget until the
8 third anniversary of the date the budget was adopted.

9 Sec. 59.0125. ANNUAL FINANCIAL AUDIT REPORT PROVIDED TO
10 COMMISSION. (a) A district is subject to the audit requirements
11 of Section 49.191 unless the district is financially dormant under
12 Section 49.197. A district is not exempt under Section 49.198 from
13 the audit requirements unless the district:

14 (1) had no outstanding debt obligations during the
15 fiscal year; and

16 (2) did not issue any public securities, as defined by
17 Section 1201.002, Government Code, during the fiscal year.

18 (b) The district shall include in the annual audit report
19 budget-to-actual comparisons in connection with general purpose
20 external financial reporting to demonstrate compliance with
21 applicable law. The district shall include a budgetary comparison
22 schedule of the proprietary fund or enterprise fund to demonstrate
23 compliance with applicable law and contractual provisions.

24 (c) The district shall include in the annual audit report a
25 statistical section that provides a range of trend data covering
26 key financial indicators from the preceding 10 fiscal years, if
27 applicable, including general government revenue and expenditures,

1 property tax collections, and debt burden.

2 (d) The district shall prepare and present the commission's
3 supplementary information schedules in the district's annual audit
4 report.

5 (e) The information required by this section must be
6 subjected to the auditing procedures applied in the audit of the
7 basic financial statements and the independent auditor's opinion of
8 the information.

9 (f) Not later than the third day after the date the audit
10 required by this section is completed, the district shall publish
11 the audit on the district's Internet website.

12 Sec. 59.0126. REVIEW AND COMMENT ON BUDGET. A district
13 shall provide to the district's wholesale customers an opportunity
14 to review and comment on the district's annual budget for services
15 to those customers before the board adopts that budget.

16 Sec. 59.0127. INTERNET POSTING OF MEETING MATERIALS;
17 RECORDING OF CERTAIN HEARINGS. Section 551.1283, Government Code,
18 applies to a district in the same manner as that section applies to
19 districts described by that section.

20 SECTION 6. Section 59.052, Water Code, is amended to read as
21 follows:

22 Sec. 59.052. FILING OF PETITION. A petition requesting the
23 annexation of a defined area that is signed by a majority in value
24 of the owners of land in the defined area, as shown by the tax rolls
25 of the county or counties in which that area is located, that is
26 signed by 50 landowners if the number of landowners is more than 50,
27 that is signed by the single landowner of 2,000 or more acres of

1 land in the area, or that is signed by a majority of the governing
2 body of a municipal district, a water district, a county, or a
3 municipality [~~city~~] requesting annexation shall be filed with the
4 secretary of the board.

5 SECTION 7. Section 59.072, Water Code, is amended by
6 amending Subsection (b) and adding Subsection (d) to read as
7 follows:

8 (b) Except as specifically provided by this chapter,
9 Chapter 49 and Sections 54.018, [~~54.019(a), (b), (c), and (d),~~]
10 54.020, 54.021, 54.023, 54.024, 54.201, 54.205, 54.207, 54.208,
11 54.502 through 54.505, 54.507(b) and (c), 54.510, [~~through~~] 54.512,
12 54.514, [~~54.515,~~] 54.518, 54.520, 54.521, 54.601 through 54.604,
13 and 54.735 through 54.737 apply under this chapter.

14 (d) The following provisions do not apply to a district
15 located wholly or partly in a county described by Section
16 59.001(b)(2):

17 (1) Section 141.001(d), Election Code; and
18 (2) Sections 49.063(d) and (e), 49.102(j) and (k),
19 49.222(c), 49.316, 51.7131, and 54.739 through 54.747.

20 SECTION 8. Section 59.072(c), Water Code, is repealed.

21 SECTION 9. This Act takes effect September 1, 2025.