

By: Zwiener

H.B. No. 5555

A BILL TO BE ENTITLED

AN ACT

relating to municipal utility districts; limiting the rate of a tax.

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

SECTION 1. Section 209.00591, Property Code, is amended by adding Subsection (a-4) to read as follows:

(a-4) A person may not serve on the board of a property owners' association if the person serves as a director of a municipal utility district under Chapter 54, Water Code.

SECTION 2. Subchapter B, Chapter 54, Water Code, is amended by adding Section 54.0135 to read as follows:

Sec. 54.0135. PRE-PETITION NOTICE TO CERTAIN COUNTIES. (a) This section applies only to a proposed district described by Section 54.0161(a).

(b) At least 30 days before a petition requesting creation of a proposed district is filed with the commission under Section 54.014, notice must be sent by certified mail to the commissioners court of each county in which the proposed district is to be located. The notice must:

(1) be sent to the address of the main county mailbox, and the address of each county commissioner and county judge;

(2) generally describe the boundaries of the land to be included in the proposed district, including identifying landmarks such as adjacent streets or geographic features such as

1 rivers or lakes, and if possible, by metes and bounds or by lot and
2 block number if there is a recorded map or plat and survey of the
3 area to be included in the district; and

4 (3) inform the commissioners court of the right to:

5 (A) respond to the notice provided under this
6 section;

7 (B) review the petition requesting creation of
8 the proposed district; and

9 (C) submit a written opinion on the creation of
10 the proposed district under Section 54.0161.

11 (c) Notice under this section must be sent by certified mail
12 at least 30 days before the date a petition requesting creation of
13 the proposed district is filed with the commission under Section
14 54.014.

15 SECTION 3. Section 54.015, Water Code, is amended to read as
16 follows:

17 Sec. 54.015. CONTENTS OF PETITION. The petition shall:

18 (1) describe the boundaries of the proposed district
19 by metes and bounds or by lot and block number, if there is a
20 recorded map or plat and survey of the area;

21 (2) state the general nature of the work proposed to be
22 done, the necessity for the work, and the cost of the project as
23 then estimated by those filing the petition; ~~and~~

24 (3) include a name of the district which shall be
25 generally descriptive of the locale of the district followed by the
26 words Municipal Utility District, or if a district is located
27 within one county, it may be designated "_____ County Municipal

1 Utility District No. ____." (Insert the name of the county and
2 proper consecutive number.) The proposed district shall not have
3 the same name as any other district in the same county; and

4 (4) for a district described by Section 54.0161(a),
5 include a copy of the notice described by Section 54.0135.

6 SECTION 4. Section 54.0161, Water Code, is amended by
7 amending Subsection (a) to read as follows:

8 (a) This section applies [~~only~~] to a proposed district:

9 (1) partly or wholly [all of which is to be] located
10 outside the corporate limits of a municipality, including proposed
11 districts which overlap more than one county; or

12 (2) partly or wholly located inside the
13 extraterritorial jurisdiction of a municipality.

14 SECTION 5. Section 54.022, Water Code, is amended by adding
15 Subsection (d) to read as follows:

16 (d) Notwithstanding any other subsection, the district
17 shall immediately schedule an election to elect permanent directors
18 once 75 percent of the plots under the district's jurisdiction are
19 leased sold, or conveyed in some manner.

20 SECTION 6. Chapter 54, Water Code, is amended by adding
21 Subsection 54.037 to read as follows:

22 Sec. 54.037. REVIEW OF CREATION BY A GROUNDWATER
23 CONSERVATION DISTRICT. (a) This section applies to a proposed
24 district, located in or within five miles of the jurisdiction of a
25 groundwater conservation district, as that term is defined by
26 Chapter 36.

27 (a-1) At least 30 days before a petition requesting creation

1 of a proposed district is filed with the commission under Section
2 54.014, notice must be sent by certified mail to the groundwater
3 conservation district in which the proposed district is to be
4 located or in proximity to, The notice must:

5 (1) be sent to the mailing address of the groundwater
6 conservation district;

7 (2) generally describe the boundaries of the land to
8 be included in the proposed district, including identifying
9 landmarks such as adjacent streets or geographic features such as
10 rivers or lakes, and if possible, by metes and bounds or by lot and
11 block number if there is a recorded map or plat and survey of the
12 area to be included in the district; and

13 (3) inform the groundwater conservation district of
14 the right to:

15 (A) respond to the notice provided under this
16 section;

17 (B) review the petition requesting creation of
18 the proposed district; and

19 (C) submit a written opinion on the creation of
20 the proposed district under Section 54.0161.

21 (a-2) The groundwater conservation district in which the
22 district is to be located, or in proximity to, may review the
23 petition for creation and other evidence and information relating
24 to the proposed district that the groundwater conservation district
25 consider necessary. Petitioners for the creation of a district
26 shall submit to the groundwater conservation district any relevant
27 information requested by the groundwater conservation district.

1 (b) In the event the groundwater conservation district opts
2 to submit information to the commission or to make a recommendation
3 regarding the creation of the proposed district, the groundwater
4 conservation district shall submit to the commission, at least 10
5 days before the date set for action on the petition, a written
6 opinion stating:

7 (1) whether the groundwater conservation district
8 recommends the creation of the proposed district; and

9 (2) any findings, conclusions, and other information
10 that the groundwater conservation district thinks would assist the
11 commission in making a final determination on the petition.

12 (c) In passing on a petition subject to this section, the
13 commission shall consider the written opinion submitted by the
14 groundwater conservation district.

15 SECTION 7. Section 54.102, Water Code, is amended to read as
16 follows:

17 Sec. 54.102. QUALIFICATIONS FOR DIRECTORS. (a) To be
18 qualified to serve as a director, a person shall be at least 18
19 years old, a resident citizen of the State of Texas, and either own
20 land subject to taxation in the district or be a qualified voter
21 within the district.

22 (a-1) a minimum of three directors must be qualified voters
23 within the district, and reside within the district.

24 (b) A person is disqualified from serving as a director if
25 that person is serving on the board of a property owners'
26 association under Chapter 209, Property Code.

27 SECTION 8. Chapter 54, Water Code, is amended by adding Sec.

1 54.103 to read as follows:

2 LENGTH OF TERMS FOR DIRECTORS. Notwithstanding any other
3 Chapter, the length of a term for a director shall not exceed four
4 years. This Section does not impose term limits.

5 SECTION 9. Subchapter C, Chapter 54, Water Code, is amended
6 by adding Section 54.104 to read as follows:

7 Sec. 54.103. POSTING OF NOTICE; POSTING OF BUDGET; TIME AND
8 PLACE OF MEETINGS; GENERAL RULE.

9 (a) Notwithstanding Section 49.062, Water Code or Section
10 551.043, Government Code, a notice of a meeting of the district's
11 board must be posted in a place readily accessible to the general
12 public at all times for at least three business days before the
13 scheduled date of the meeting, except as provided by Sections
14 551.044, 551.045, and 551.046, Government Code.

15 (b) If the board of a district conducts meetings at least
16 quarterly, the board shall conduct a meeting at a designated
17 meeting location inside the district or within 10 miles of the
18 boundary of the district at least once per quarter.
19 Notwithstanding Chapter 551, Government Code, a district to which
20 this section applies may satisfy the requirements of this
21 Subsection by conducting quarterly meetings by telephone
22 conference call or video conference call. A meeting to discuss the
23 tax rate of the district must be conducted in person.

24 (d) The notice of a meeting required to be posted under this
25 Section, Sec. 551.043(a), Government Code or Sec. 49.063, Water
26 Code, at which the district's board will discuss or adopt a budget
27 for the district or board must include a physical copy of the

1 budget.

2 SECTION 10. Subchapter G, Chapter 54, Water Code, is
3 amended by adding Section 54.605 to read as follows:

4 Sec. 54.605 APPLICABILITY OF TAX HEARINGS; AUTOMATIC
5 ELECTIONS FOR CERTAIN TAXES; LIMITATIONS ON TAX RATES; GENERAL
6 RULE. (a) For the purposes of providing notice of a tax hearing and
7 automatic elections to approve tax rates under Sections 49.236,
8 49.23601, 49.23602, and 49.23603, and notwithstanding those
9 sections, a district under this section shall be considered a
10 developed district under Section 49.23602, regardless of whether
11 the district has financed, completed, and issued all bonds to pay
12 for all lands, works, improvements, facilities, plants, equipment,
13 and appliances necessary to serve at least 95 percent of the
14 projected build-out of the district in accordance with the purposes
15 for its creation or the purposes authorized by the constitution,
16 this code, or any other law.

17 (b) For the purposes of providing notice of a tax hearing
18 under Section 49.236, notices shall also apply and include
19 reference to the district's interest and sinking fund rate.

20 (c) For the purposes of an automatic election to approve tax
21 rates under Section 49.23602, the district shall also account for
22 its interest and sinking fund rate under Sec. 49.23602(a)(4) and
23 Sec. 49.23602(c).

24 (d) Notwithstanding any other statutes, the district shall
25 not assess or impose an interest and sinking fund rate in any tax
26 year that exceeds a rate of 50 cents on the \$100 of assessed value.

27 (e) Notwithstanding any other statutes, no district shall

1 levy an ad valorem tax rate in excess of One Dollar and Twenty Five
2 Cents (\$1.25) on the \$100 of assessed valuation in any one tax year
3 for combined district taxes.

4 SECTION 11. Sections 209.00591(a-4), Property Code, and
5 54.102(b), as added by this Act, apply only to a person elected or
6 appointed to serve as the presiding officer of the board of a
7 property owners ' association or president of the board of a
8 municipal utility district on or after the effective date of this
9 Act.

10 SECTION 12. Section 54.0135, Water Code, as added by this
11 Act, and Section 54.015, Water Code, as amended by this Act, apply
12 only to a petition requesting creation of a municipal utility
13 district that is filed with the Texas Commission on Environmental
14 Quality on or after the effective date of this Act. A petition
15 requesting creation of a municipal utility district that was filed
16 with the commission before the effective date of this Act is
17 governed by the law in effect on the date the petition was filed,
18 and the former law is continued in effect for that purpose.

19 SECTION 13. Section 54.102, Water Code, as amended by this
20 Act, does not affect the entitlement of a member serving
21 immediately before the effective date of this Act on the board of
22 directors of a municipal utility district described by that section
23 to continue to carry out the board's functions for the remainder of
24 the member's term. That section applies only to a member of the
25 board of directors of such a district elected or appointed on or
26 after the effective date of this Act. That section does not
27 prohibit a person who is a member of the board of directors of such a

1 district on the effective date of this Act from being reelected or
2 reappointed to the board if the person has the qualifications
3 required for a member under that section.

4 SECTION 14. This Act takes effect September 1, 2025.