

1 AN ACT

2 relating to the financing of water supply projects included in the  
3 state water plan; authorizing the issuance of obligations.

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

5 SECTION 1. Subtitle F, Title 9, Government Code, is amended  
6 by adding Chapter 1373 to read as follows:

7 CHAPTER 1373. OBLIGATIONS FOR WATER PROJECTS

8 Sec. 1373.001. DEFINITIONS. In this chapter:

9 (1) "Eligible project" means one or more related water  
10 supply projects:

11 (A) that are identified as recommended water  
12 management strategies in the state water plan; and

13 (B) the cumulative capital costs of which are not  
14 less than \$750 million.

15 (2) "Indebtedness" means a bond, note, or other  
16 obligation of an issuer issued or incurred pursuant to any  
17 statutory authority other than this chapter.

18 (3) "Issuer" means an agency, authority, board, body  
19 politic, department, district, instrumentality, municipal  
20 corporation, political subdivision, public corporation, or  
21 subdivision of this state.

22 (4) "Obligation" means a bond, note, or other  
23 obligation, whether payable or secured by taxes other than ad  
24 valorem taxes, revenues, or a combination thereof.

1           (5) "Obligation authorization" means the order,  
2 ordinance, or resolution of the issuer authorizing the obligation.

3           (6) "State water plan" means the comprehensive water  
4 plan for the state adopted under Section 16.051, Water Code.

5           Sec. 1373.002. APPLICABILITY. This chapter does not apply  
6 to financial assistance provided by the Texas Water Development  
7 Board.

8           Sec. 1373.003. CONSTRUCTION. This chapter shall be  
9 liberally construed to achieve the legislative intent and purposes  
10 of this chapter. A power granted by this chapter shall be broadly  
11 interpreted to achieve the intent and purposes.

12           Sec. 1373.004. RELATIONSHIP TO OTHER LAW. (a) To the  
13 extent of any conflict or inconsistency between this chapter and  
14 another law or a municipal charter, this chapter controls.

15           (b) An issuer may use any provision of another law that does  
16 not conflict with this chapter to the extent convenient or  
17 necessary as determined by the issuer to carry out any power or  
18 authority, express or implied, granted by this chapter, without  
19 reference to any other laws or any restrictions or limitations  
20 contained in those laws.

21           (c) Chapter 1207 applies to the refunding of obligations  
22 issued or incurred under this chapter.

23           Sec. 1373.005. AUTHORITY TO ISSUE OBLIGATIONS.  
24 Notwithstanding any other law, as authorized and approved by the  
25 governing body of an issuer, obligations may be issued, sold,  
26 incurred, and delivered to:

27           (1) finance or refinance an eligible project;

1           (2) refund obligations, other indebtedness, or  
2 contractual obligations of the issuer issued or incurred in  
3 connection with an eligible project; and

4           (3) pay the costs of issuance or delivery of the  
5 obligations.

6           Sec. 1373.006. SECURITY FOR OBLIGATION. (a) An obligation  
7 may be secured by:

8           (1) the proceeds from the sale of other obligations or  
9 indebtedness of the issuer, including proceeds from the sale of  
10 revenue bonds payable from the revenue to be received from an  
11 eligible project or a specified user of an eligible project;

12           (2) subject to Subsection (d), any revenue that the  
13 issuer is authorized by the constitution, a statute, or the charter  
14 of a home-rule municipality to pledge or pay any kind of general or  
15 special indebtedness by or from those revenues;

16           (3) water supply contracts or water treatment  
17 contracts or other similar contracts or the revenue received from  
18 those contracts; or

19           (4) any combination of the sources described by this  
20 subsection.

21           (b) The governing body of an issuer may secure an obligation  
22 and pay the cost of a contract or other agreement executed and  
23 delivered in connection with the financing of an eligible project  
24 with a pledge of the sources permitted by this chapter.

25           (c) Notwithstanding any other law, if an issuer secures an  
26 obligation with contracts or the revenue from those contracts, the  
27 term of the contracts may not be less than the final maturity or

1 term of such obligations pursuant to Section 1373.008.

2 (d) An obligation may not be secured wholly or partly by a  
3 pledge of ad valorem taxes.

4 Sec. 1373.007. USE OF PROCEEDS. An issuer may use the  
5 proceeds from the issuance or incurrence of an obligation to  
6 finance and refinance an eligible project, including costs  
7 authorized by Section 1201.042(a).

8 Sec. 1373.008. MATURITY OR TERM OF OBLIGATIONS. (a) The  
9 maximum maturity or term of an obligation issued or incurred  
10 pursuant to this chapter may not exceed the lesser of:

11 (1) the reasonably expected weighted average useful  
12 life of the eligible project as certified by a licensed  
13 professional engineer selected by the issuer; or

14 (2) 50 years from the date of issuance or incurrence of  
15 the obligation.

16 (b) The determination of reasonably expected weighted  
17 average useful life of an eligible project made under Subsection  
18 (a) may not be contested for any reason.

19 Sec. 1373.009. OBLIGATION AUTHORIZATION. (a) The  
20 governing body of an issuer must adopt or approve an obligation  
21 authorization before an obligation may be issued or incurred.

22 (b) The obligation authorization must establish:

23 (1) the maximum amount of the obligation to be issued  
24 or incurred or, if applicable, the maximum principal amount that  
25 may be outstanding at any time;

26 (2) subject to Section 1373.008, the maximum term for  
27 which the obligation issued or incurred under the authorization may

1 be outstanding;

2 (3) the maximum interest rate the obligation may bear;

3 (4) subject to Subsection (c)(2), the manner of sale  
4 of the obligation, which may be by public or private sale, the price  
5 of the obligation, the form of the obligation, and the terms,  
6 representations, and covenants of the issuer made in connection  
7 with the issuance or incurrence of the obligation, if applicable;  
8 and

9 (5) each source pledged or to be pledged to the payment  
10 of the obligation.

11 (c) The obligation authorization may:

12 (1) provide for the designation of a paying agent and  
13 registrar for the obligation; and

14 (2) authorize one or more designated officers or  
15 employees of the issuer to act on behalf of the issuer from time to  
16 time in selling, incurring, and delivering obligations and setting  
17 the dates, price, interest rates, interest payment periods,  
18 redemption features, and other procedures relating to the issuance,  
19 sale, incurrence, and delivery of obligations, as specified in the  
20 obligation authorization.

21 Sec. 1373.010. EFFECT OF FINDING OR DETERMINATION UNDER  
22 DELEGATION OF AUTHORITY. A finding or determination made by an  
23 officer or employee acting under the authority delegated to the  
24 officer or employee by an obligation authorization adopted or  
25 approved under this chapter has the same force and effect as a  
26 finding or determination made by the governing body.

27 Sec. 1373.011. REVIEW AND APPROVAL OF OBLIGATION AND

1 CONTRACT BY ATTORNEY GENERAL. (a) Before an obligation may be  
2 issued or incurred, a record of the proceedings of the issuer  
3 authorizing the issuance, execution, incurrence, and delivery of  
4 the obligation and any contract providing revenue or security  
5 pledged to the payment of the obligation must be submitted to the  
6 attorney general for review.

7 (b) If the attorney general finds that the proceedings  
8 authorizing an obligation conform to the requirements of the Texas  
9 Constitution and this chapter, the attorney general shall approve  
10 it and deliver to the comptroller a copy of the attorney general's  
11 legal opinion stating that approval and the record of proceedings.  
12 After approval, the obligation may be executed and delivered,  
13 exchanged, or refinanced from time to time in accordance with those  
14 authorizing proceedings.

15 Sec. 1373.012. REGISTRATION. On receipt of the documents  
16 required by Section 1373.011(b), the comptroller shall register the  
17 record of the proceedings relating to the issuance of an  
18 obligation.

19 Sec. 1373.013. VALIDITY AND INCONTESTABILITY. (a) If  
20 proceedings to authorize an obligation are approved by the attorney  
21 general and registered by the comptroller, each obligation and any  
22 contract that provides revenue or security included in or executed  
23 and delivered according to the authorizing proceedings and pledged  
24 to the payment of the obligation is incontestable in a court or  
25 other forum and is valid, binding, and enforceable according to its  
26 terms.

27 (b) Notwithstanding Subsection (a) and except as provided

1 by this subsection, an obligation authorized by this chapter is not  
2 valid, binding, or enforceable unless the obligation is approved by  
3 the attorney general and registered by the comptroller in  
4 accordance with Chapter 1202.

5 SECTION 2. Section 15.435(c), Water Code, is amended to  
6 read as follows:

7 (c) If the trust company enters into a bond enhancement  
8 agreement under Subsection (b), the board may direct the trust  
9 company to make disbursements from the fund to another fund or  
10 account for the support of bonds the proceeds of which are used to  
11 provide financial assistance in the form of:

12 (1) a loan bearing an interest rate of not less than 50  
13 percent of the then-current market rate of interest available to  
14 the board;

15 (2) a loan to finance a facility under repayment terms  
16 similar to the terms of debt customarily issued by the entity  
17 requesting assistance but not to exceed the lesser of:

18 (A) the expected useful life of the facility; or

19 (B) 30 years or, for an eligible project, as  
20 defined by Section 1373.001, Government Code, 40 years;

21 (3) a deferral of loan repayment, including deferral  
22 of the repayment of:

23 (A) principal and interest; or

24 (B) accrued interest;

25 (4) incremental repurchase terms for an acquired  
26 facility, including terms for no initial repurchase payment  
27 followed by progressively increasing incremental levels of

1 interest payment, repurchase of principal and interest, and  
2 ultimate repurchase of the entire state interest in the facility  
3 using simple interest calculations; or

4 (5) a combination of the methods of financing  
5 described by Subdivisions (1)-(4).

6 SECTION 3. Section 15.474(a), Water Code, is amended to  
7 read as follows:

8 (a) Except as provided by Subsection (c), money in the fund  
9 may be used by the board only to provide financing or refinancing,  
10 under terms specified by the board, for an eligible project, as  
11 defined by Section 1373.001, Government Code, or for projects  
12 included in the state water plan that are authorized under  
13 Subchapter C-1, Q, or R of this chapter, Subchapter E or F, Chapter  
14 16, or Subchapter J or L, Chapter 17, including water conservation  
15 or reuse projects designed to reduce the need for this state or  
16 political subdivisions of this state to develop additional water  
17 resources.

18 SECTION 4. Section 17.852(5), Water Code, is amended to  
19 read as follows:

20 (5) "Project" includes water supply projects,  
21 treatment works, ~~and~~ flood projects, as defined by Section 15.531  
22 or 16.451, and eligible projects as defined by Section 1373.001,  
23 Government Code.

24 SECTION 5. Section 17.957(c), Water Code, is amended to  
25 read as follows:

26 (c) Money on deposit in the state participation account may  
27 be used by the board, in the manner that the board determines

1 necessary for the administration of the fund, for:

2 (1) eligible projects, as defined by Section 1373.001,  
3 Government Code; and

4 (2) projects described in Sections 16.131 and 16.146  
5 ~~[in the manner that the board determines necessary for the~~  
6 ~~administration of the fund].~~

7 SECTION 6. This Act takes effect September 1, 2025.

S.B. No. 1261

\_\_\_\_\_  
President of the Senate

\_\_\_\_\_  
Speaker of the House

I hereby certify that S.B. No. 1261 passed the Senate on April 22, 2025, by the following vote: Yeas 31, Nays 0.

\_\_\_\_\_  
Secretary of the Senate

I hereby certify that S.B. No. 1261 passed the House on May 21, 2025, by the following vote: Yeas 119, Nays 23, three present not voting.

\_\_\_\_\_  
Chief Clerk of the House

Approved:

\_\_\_\_\_  
Date

\_\_\_\_\_  
Governor