

Texas Commission on Environmental Quality

Interoffice Memorandum

To: Commissioners **Date:** June 26, 2026

Thru: Laurie Gharis, Chief Clerk
Kelly Keel, Executive Director

From: *cmf* Cari-Michel La Caille, Director
Office of Water

Docket No.: 2024-1823-RUL

Subject: Commission Approval for Rulemaking Adoption
Chapter 293, Water Districts
88th Legislative Session Districts Implementation Rule
Rule Project No. 2025-009-293-OW

Background and reason(s) for the rulemaking:

The rulemaking will amend 30 Texas Administrative Code (TAC) Chapter 293 to implement the following bills from the 88th Texas Legislature (2023): House Bill (HB) 2815, authored by Jacey Jetton and coauthored by Ellen Troxclair; HB 3437, authored by Justin Holland; HB 3507, authored by Justin Holland; Senate Bill (SB) 1397, authored by Charles Schwertner, Nathan Johnson, Angela Paxton, Charles Perry, and Drew Springer; and SB 938, authored by César Blanco. The rulemaking will also implement HB 1410 from the 87th Texas Legislature (2021), authored by Jim Murphy and Celia Israel.

This rulemaking reflects 30 TAC Chapter 293 changes to incorporate the following:

- Local Government Code (LGC), §375.022, enacted in HB 2815, allows a Municipal Management District (MMD) creation petition to request that a succeeding board of directors be elected under LGC, §375.0645, instead of being appointed under LGC, §375.064.
- Texas Water Code (TWC), §49.011(a), enacted in HB 2815, requires MMDs to complete Creation Notice Actions and Requirements pursuant to TWC, §49.011.
- LGC §375.025(c), enacted in HB 2815, adds LGC, Chapter 375, to this list of TWC chapters (36, 50, 51, 54, 55, 58, 65, and 66) which define the required documentation for an application for creation of a district to be submitted to the Texas Commission on Environmental Quality (TCEQ or commission).
- TWC, §54.030(b), enacted in HB 2815, repeals amendments to TWC, §54.030(b) enacted in HB 2914, 86th Legislature, Regular Session, 2019. The amendments remove outdated references to HB 2914 from 30 TAC §293.15(a)(1) and delete 30 TAC §293.15(c) and its subsections, and revise application requirements for the conversion of a district in 30 TAC Chapter 293.
- TWC, §49.316, enacted in HB 2815, requires that upon a division of a district, the district must submit the final order to the commission and file the order with the real property records of the county.
- TWC, §57.059, enacted in HB 2815, stipulates that a director of a Levee Improvement District must be at least 18 years old; own land subject to taxation in the district or be a qualified voter in the district; and if the director is elected, be a qualified voter of the precinct in the district established by the commissioners court under Section 57.058 from which the director is elected.
- TWC, §49.4645(a), enacted in SB 938, adds El Paso County to the list of counties in which a water district can issue bonds to be supported by ad valorem taxes for recreational facilities.
- TWC, §49.4645(a-1), enacted in HB 1410 (87th Legislative Session) allows a district to have a debt to valuation ratio for recreational facilities of up to 3% (up from 1%) provided the district meets certain criteria.
- TWC, §49.181, enacted in HB 2815, adds Austin, Brazos, Liberty, Grimes, Wharton and Walker Counties to the list of counties with a maximum projected tax rate limit of

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\$1.50. It also adds Bastrop, Bell, Blanco, Burnet, Caldwell, Gillespie, Kendall, Lee, and Milam Counties to the list of counties with a maximum projected tax rate limit of \$1.20.

- TWC, §49.273(d) and (e), enacted in HB 3507, requires that a district must advertise projects if the value of the project is over \$150,000. Additionally, HB 3507 requires that for contracts over \$25,000 but not more than \$150,000, the district must solicit written competitive bids from at least three bidders, but they are not required to advertise.
- TWC, §49.011(b), enacted in SB 1397, requires the commission to provide notice to each state representative and state senator who represents the area inside the proposed district.
- TWC, §49.273(i), enacted in HB 3437, allows a district to approve change orders that involve an increase or decrease of \$150,000 or less.

Scope of the rulemaking:

A.) Summary of what the rulemaking will do:

The rulemaking will accomplish the following:

- amend 30 TAC §293.11 to add to 30 TAC §293.11(j)(1)(G) to allow an MMD creation petition to request that a succeeding board of directors be elected under LGC, §375.0645 instead of being appointed under LGC, §375.064;
- amend 30 TAC §293.12(a) to require MMDs to complete the Creation Notice Actions and Requirements described by and pursuant to TWC, §49.011(a), as amended;
- amend 30 TAC §293.12 to add 30 TAC §293.12(h) requiring the commission to provide notice to each state representative and state senator who represents the area inside a proposed district;
- remove outdated references to HB 2914 from 30 TAC §293.15 and revise application requirements for the conversion of a district in 30 TAC Chapter 293;
- amend 30 TAC §293.15 to add (b)(5) requiring evidence that the resolution on conversion was mailed to the Texas State Senator(s) and State Representative(s) who represent the area in which the district is located be included in the application material.
- amend 30 TAC §293.32 regarding Levee Improvement District director qualifications to reflect changes made to TWC Chapter 57;
- amend 30 TAC §293.41(e) to add El Paso to the list of counties in which water districts can authorize recreational debt;
- amend 30 TAC §293.41(e)(4) to allow a district to have a debt to valuation ratio for recreational facilities of 3% (up from 1%) provided the district meets certain criteria;
- amend Sections in 30 TAC §293.59(k) to add Austin, Brazos, Liberty, Grimes, Wharton and Walker Counties to the list of counties with a maximum projected tax rate limits of \$1.50 and \$2.50;
- amend Sections in 30 TAC §293.59(k) to add Bastrop, Bell, Blanco, Burnet, Caldwell, Gillespie, Kendall, Lee, and Milam Counties to the list of counties with a maximum projected tax rate limits of \$1.20 and \$2.20;
- amend 30 TAC §293.63(a)(8) requiring a district to advertise for projects over \$150,000 (increase from \$75,000 currently) and require a district to solicit written bids from at least three bidders for contracts over \$25,000 but not more than \$150,000 (increase from \$75,000 currently);
- amend 30 TAC §293.81(2) to increase the minimum cost of a change order requiring commission approval to those over \$150,000 (increase to the \$50,000 currently); and
- amend 30 TAC §293.91 to add 30 TAC §293.91(a)(7) requiring a district that's being divided to submit the final order to the commission and file the order with the real property records of the county.

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B.) Scope required by federal regulations or state statutes:

This rulemaking amends 30 TAC Chapter 293, specifically §§293.11, 293.12, 293.15, 293.32, 293.41, 293.59, 293.63, 293.81, and 293.91. No federal regulations apply.

C.) Additional staff recommendations that are not required by federal rule or state statute:

There are no additional staff recommendations.

Statutory authority:

LGC, §§375.022, 375.025, and 375.0645 and TWC, §§49.011, 49.316, 49.4645, 49.181, 49.273, 54.030, and 57.059. The rulemaking implements legislation referenced herein: LGC, §375.022 [HB 2815]; LGC, §375.0645(a)-(f) [HB 2815]; LGC, §375.025(c) [HB 2815]; TWC, §49.011(a) [HB 2815]; TWC, §49.011(b) [SB 1397]; TWC, §49.316(a)-(l) [HB 2815]; TWC, §49.4645(a) [SB 938]; TWC, §49.4645(a-1) [HB 1410, 87th Legislature]; TWC, §49.181(f-1)(1) and (2) [HB 2815]; TWC, §49.273(i) [HB 3437]; TWC, §54.030(b) [HB 2815]; TWC, §49.273(d) and (e) [HB 3507]; and TWC, §57.059(a) [HB 2815].

Effect on the:

A.) Regulated community:

- **HB 2815:** The rulemaking would allow a petitioner requesting the creation of an MMD to include in the petition a request to appoint or elect the board of directors. Upon creation of the district, the regulated entity will have to include this additional information in the Creation application. The regulated entity applying for the Creation of a Municipal Management District would also be subject to a 30-day comment period and potential hearing requests as needed and described by TWC, §49.011.

The regulated entity would have to publish a Notice of Creation and notify the senator and representative of a conversion of any district into a Municipal Utility District. The regulated entity would be responsible for summarizing any pending litigation against the district in the conversion application.

The regulated entity appointing or electing directors for a Levee Improvement District would have to demonstrate in the application for creation of a district that the directors meet TWC, Chapter 57 requirements.

The regulated entities in Austin, Brazos, Liberty, Grimes, Wharton, and Walker counties would have a maximum projected tax rate up to \$1.50. Additionally, those regulated entities in Bastrop, Bell, Blanco, Burnet, Caldwell, Gillespie, Kendall, Lee and Milam counties would have a projected tax rate of up to \$1.20.

After the division of a district the regulated entity managing a district would have to submit the final order to the commission and file the order with the real property records at the county.

- **HB 1410:** The regulated entity across the state applying for recreational bonds would have the option to raise the recreational bond ratio up to 3% in certain circumstances.
- **HB 3437:** The regulated entity submitting change orders on district projects would only have to submit the change orders for approval by the commission if the project has a value greater than \$150,000.
- **HB 3507:** The regulated entity would have to advertise district project contracts if the value of the project is greater than \$150,000.

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- **SB 938:** Water districts in El Paso County would be able to authorize recreational debt.
- **SB 1397:** None. It is the commission's duty to provide notice to the applicable state representative and state senator

B.) Public:

- **HB 2815:** The public would be allowed to be appointed or elected to the board of directors to a newly created MMD. The public would have the opportunity to comment on and hold hearings regarding the creation of MMDs.

The public will be notified by the district of a hearing on conversion of a district into a Municipal Utility District, and the public will have the opportunity to comment and review any pending litigation facing the district at that time; however, the public notice process is no longer required when a conversion application is received by the commission.

Those members of the public seeking appointment or election to a Levee Improvement District must meet the requirements of TWC, Chapter 57.

The public in Austin, Brazos, Liberty, Grimes, Wharton, and Walker counties could be taxed by their district up to \$1.50. Additionally, the public in Bastrop, Bell, Blanco, Burnet, Caldwell, Gillespie, Kendall, Lee and Milam counties could be taxed by their district up to \$1.20.

- **HB 1410:** By increasing the recreational bond debt ratio for districts, the affected public would be liable for more debt incurred by the district and the affected public could be taxed at a higher rate as a result of increased debt incurred by the district.
- **HB 3437:** None. Only the regulated entities submitting change orders on district projects are affected.
- **HB 3507:** None. Only the regulated entities proposing district projects would have to advertise and seek bids.
- **SB 938:** The water districts in El Paso County would be able to authorize recreational debt and charge recreational taxes to the affected public.
- **SB 1397:** None. Notice would be provided directly to the applicable state representative and state senator without any additional notice to the public.

C.) Agency programs:

- **HB 2815:** The Water Supply Division Districts Section would have to take into consideration the appointment or election of the board of directors upon creation of a MMD. Additionally, the creation application of a MMD will come with public notice, comment period, and hearing requirements, as well as notifications sent to the district's senators and representatives.

The Water Supply Division Districts Section will no longer have to process public notice, comment period, or hearing requirements of TWC, §49.011 for the conversion of any district into a Municipal Utility District. Further this section will continue to facilitate the Commission's notification of the district's senators and representatives upon receipt of an application for conversion into a Municipal Utility District.

In the review of a Creation Application for Levee Improvement District, the Districts Section

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will evaluate whether appointed or elected directors meet the requirements of TWC,
Chapter 57.

In the review of bond applications proposed tax rates, the Districts Section would verify that the proposed tax rate in Austin, Brazos, Liberty, Grimes, Wharton, and Walker counties is at or below \$1.50 and the proposed tax rates in Bastrop, Bell, Blanco, Burnet, Caldwell, Gillespie, Kendall, Lee and Milam counties is at or below \$1.20.

After the division of a district, the Districts Section would review the final order and require the district to file the order with the real property records at the county.

- **HB 1410:** The Districts Section would consider recreational bond ratios up to 3% for all applicable districts statewide.
- **HB 3437:** The Districts Section would only review change order applications for project costs that are greater than \$150,000.
- **HB 3507:** Projects with a total cost of \$150,000 or greater would be required to advertise the project contract. The Districts Section will be required to review documentation demonstrating that those projects with a total cost of \$150,000 or greater were advertised in accordance with the rule.
- **SB 938:** The Districts Section would review recreation bond applications for those districts located in El Paso County.
- **SB 1397:** The Districts Section would have to provide notice to the Texas state representative and Texas state senator representing the area in which the proposed district would be located when a creation application or petition is submitted to the commission.

Public Involvement Plan

Yes.

Stakeholder meetings:

No

Alternative Language Requirements

Yes. Spanish.

Public comment:

The commission held a public hearing on March 16, 2026. The comment period closed on March 17, 2026. The commission received comments from Allen Boone Humphries Robinson LLP (ABHR) and Haynes and Boone LLP (HBLLP). Both comments received were neither in support of nor against the rulemaking, rather, suggested changes to the proposed language. No revisions were made to the rule language in response to the comments received.

Significant changes from proposal:

None.

Potential controversial concerns and legislative interest:

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There are no known potential controversial concerns or legislative interest.

Will this rulemaking affect any current policies or require development of new policies?

No.

What are the consequences if this rulemaking does not go forward? Are there alternatives to rulemaking?

The rule changes are required for consistency with state law.

Key points in the adoption rulemaking schedule:

***Texas Register* proposal publication date:** February 27, 2026

Anticipated *Texas Register* adoption publication date: July 15, 2026

Anticipated effective date: August 6, 2026

Six-month *Texas Register* filing deadline: August 12, 2026

Agency contacts:

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Attachments:

HB 1410, HB 2815, HB 3437, HB 3507, SB 938, SB, 1397

cc: Chief Clerk, 2 copies
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