



BRIDGING THE GAP BETWEEN PUBLIC & PRIVATE SECTORS



89TH LEGISLATIVE SESSION

Introduction - A Note from TRB Economic Development & Public Funds

On June 2, 2025, the 89th regular session of the Texas Legislature adjourned sine die. The commonly used phrase after each session is "this session was different" and the 89th was no exception. For starters, at the beginning of the session, the Texas House of Representatives had to elect a new Speaker to lead the 150-member chamber. This procedure not only created an initial division in the lower chamber but also signaled to all stakeholders that house bills would certainly move at a slower pace than usual. When you only have 140 days every 2 years to pass new legislation, time is of the essence. By the end of the 2nd round of voting, the house majority elected Dustin Burrows (R-Lubbock).

With a new legislative session also comes new rules that govern both the Senate and the House of Representatives. For the most part the Senate conducted business as usual, but in the House, the members adopted new rules that changed the makeup of committees and established a new subcommittee structure that created uncertainty about where bills would begin in the legislative process.

The 89th session set new records, including the highest number of bills filed in a regular session, with 8,719 bills and 2,765 resolutions filed by both Senators and Representatives. The uptick in bills filed was due in part to the incoming freshman class of State Representatives that had a lot of new ideas, as well as duplicative bills filed attempting to address the same issue. Of the 8,719 bills filed, 1,189 bills made it to the Governor's desk for final approval. The legislature also approved a record-breaking \$338 billion biennial budget.

Signature bills that took center stage this session:

- SB 2 Education Savings Account aka The Voucher Bill
- HB 2 Public School Funding Boost
- SB 4/ HB 23 Property Tax Cuts
- **HB 9** Personal Property Tax Exemption Increase
- SJR 5 Bail Reform
- HB 33 Uvalde Strong Act
- SB 17 Ban on Foreign Land Ownership
- SB 3 Ban on THC Products

The legislative process in Texas is designed to make it extremely challenging to pass a bill. This is an important safeguard given the volume of proposals that appear promising on the surface but, if looked at closely, would in fact do more harm than good. In the report below we will outline a few bills out of the more than 250 bills we were tracking dealing with banking, economic development, capital markets, natural resources, education, public safety, and government efficiency.

Since adjourning Sine Die, Governor Abbott called the legislature back for a legislative session that started July 21, 2025 to revisit the following:

- · flood warning systems
- flood emergency communications
- relief funding for Hill Country floods
- natural disaster preparedness & recovery
- · elimination of the STAAR Test
- cut property taxes
- protect children from THC
- regulate hemp-derived products
- protect unborn children
- ban taxpayer funded lobbying
- protect human trafficking victims
- police personnel records
- protect women's spaces
- attorney general election powers
- redistricting
- title theft & deed fraud
- water project incentives
- the state judicial department

Your TRB Public Affairs team would like to express our gratitude to the many of you we called upon during the session to lend your expertise on various topics that were being considered. A special thank you to Lincoln Talbert, Tracy Harris, Noe Hinojosa and the Capital Markets team who all travelled to Austin to testify before committees and visit with lawmakers on various bills impacting TRB and our customers. The 89th session was truly a team effort.

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BILLS TRB INTRODUCED

HB 3900 by Guillen / SB2329 by J. Hinojosa Local Government Investments



HIGHLIGHTS: These identical bills aimed to ensure Texas taxpayer dollars remain invested with Texas-based financial institutions. Local Governments in Texas place an overwhelming majority of their investable funds with Investment Pools that are managed by companies outside of Texas. Additionally, these pools take Texas public funds and invest them in vehicles outside of the state and even outside of the United States. Keeping public dollars in Texas is the truest form of economic development. The more funds kept in a Texas-based bank, the more loans the banks can make to local taxpayers that will spur economic growth via new and expanded commerce, and additional residential development that ultimately leads to more sales and property taxes to help government provide better resources to the community.

IMPACT: Although the bills didn't pass, we were successful in having multiple committee hearings and one-on-one discussions with legislators and staff to discuss these bills. While this was the first exposure the legislature had to this topic, TRB will be working with the Speaker's and Lieutenant Governor's offices to have this topic potentially addressed during the interim via an interim charge. (Interim charges require legislators to research specific issues prior to the next Regular Session, in 2027).

LEGISLATION IMPACTING FINANCIAL INSTITUTIONS

HB 1056 by Dorazio

Transactional currency based on gold and silver



HIGHLIGHTS: This bill establishes gold and silver specie as legal tender in the state, provided they meet specific purity and marking requirements, and authorizes the comptroller to create or approve electronic payment systems backed by gold and silver bullion. It also empowers the comptroller to contract with vendors, preferably in-state, to implement these systems and to adopt rules ensuring transaction security, value determination, fee establishment, vendor authorization, and fraud prevention. The bill explicitly allows but does not require acceptance of gold and silver specie or currency and excludes federal currency from its provisions.

IMPACT: Enhances institutional ability to streamline operations, reduce paperwork, and serve clients efficiently, especially in rural or remote areas. After implementation, administrative set up, rulemaking, and vendor solicitation and selection, this may lead to broader adoption of precious metal-backed currency systems, increased financial innovation, and potential shifts in monetary practices within the state, possibly influencing federal-state monetary relations. The legal tender provisions take effect September 1, 2026, while the rest of the act takes effect May 1, 2027.

HB 201 by Perez

Financial Crimes Intelligence Center



HIGHLIGHTS: This legislation establishes and enhances the Financial Crimes Intelligence Center's role in combating card fraud and motor fuel theft in Texas. It outlines the center's purposes and mandates the center must assist various stakeholders in detecting, responding to, and preventing these crimes. The bill also requires detailed reporting, authorizes grant funding for anti-fraud measures, and sets an effective date for implementation.

IMPACT: Financial services, retail (especially merchants accepting card payments), and motor fuel sales will be impacted by enhanced protections against fraud and theft. Banks and card issuers will benefit from reduced fraud losses and improved fraud detection support. This law will take effect September 1, 2025.

LEGISLATION IMPACTING FINANCIAL INSTITUTIONS (CONT.)

SB 2371 by Nichols

Skimmers on electronic terminals



HIGHLIGHTS: The purpose of this legislation is to address the issue of payment card skimmers on electronic terminals. It mandates reporting and investigation procedures for skimmer discoveries, assigns enforcement responsibilities to the Texas Commission of Licensing and Regulation, and creates civil and criminal penalties for violations. The bill aims to enhance consumer protection by requiring merchants and service technicians to report skimmers, enabling coordinated investigations, and safeguarding confidential information related to skimmer reports.

IMPACT: Merchants and service technicians will need to adjust their procedures to comply with reporting and cooperation requirements, potentially causing operational disruptions. Expected to reduce payment card fraud related to skimmers, enhance consumer confidence in electronic transactions, and foster stronger collaboration among stakeholders in the financial and retail sectors. This legislation became effective May 27th.

HB 272 by Perez

Skimmers on electronic terminals



HIGHLIGHTS: This legislation allows for the prosecution of fraudulent use or possession of credit card or debit card information in either the county where the offense occurred or the county of residence of the victim. This law also expanded the applicability of certain trial procedures to include offenses related to credit card or debit card information fraud. The bill will apply to criminal proceedings commencing on or after its effective date of September 1, 2025.

IMPACT: The enhanced legal mechanisms to prosecute fraud may deter criminal activity regarding terminal skimmers. This will benefit banks and credit card companies. This act takes effect September 1, 2025.

SB 2026 by Campbell / HB 4124 by Darby

Credit Card interchange fee bill



HIGHLIGHTS: Thankfully this bill did not make it past the committee hearing process in both chambers. TRB joined IBAT, TBA, TCUA and CUCT opposing this legislation that would have forced the creation of a payment system that would split every credit card transaction solely to benefit retailers over credit card issuers. This would have significantly affected our interchange fees, which help us cover customer service, system operations, fraud prevention, and network security costs.

IMPACT: The bill did not pass but will likely be introduced again next session.

HB 4202 by Swanson

Changes proof of identity measures for Notary Publics



HIGHLIGHTS: This bill clarifies verification of a signer's identity and clears up confusion by expanding the definition of a "credible witness" from simply an individual personally known to a notary public to include a person who provided the notary (or other authorized officer) with a current ID card or other federal or state government-issued document that contained the photograph and signature of the witness.

IMPACT: The expansion of the "credible witness" definition reduces ambiguity for notaries and allows them to utilize witnesses to serve as authorized signers who they might not personally know but who have applicable identification. This act takes effect September 1, 2025.

LEGISLATION IMPACTING WATER

SB 7 by Perry

Sustainable financing for water infrastructure



HIGHLIGHTS: Water remains a great priority for Texas. If voters approve Proposition 4 in November, \$1B derived from state sales and use taxes will be allocated to the Texas Water Fund each year for the next 20 years. The Texas Water Fund managed by the Texas Water Development Board will be allowed to provide financial assistance for a broad range of water supply projects such as desalination, produced water treatment, aquifer storage, water reuse, acquisition of out-of-state water rights, reservoir projects with permits, and infrastructure to transport or integrate water into supply systems. The Texas Water Development Board will also begin facilitating joint planning and coordination among project sponsors and entities to reduce eminent domain use, develop standards and best practices for water transport infrastructure, and ensure interoperability and interconnectivity of water systems.

IMPACT: This will help develop and finance diverse water supply projects, improve infrastructure interoperability, and increase transparency and oversight. This could lead to more efficient water resource management and better preparedness for future water demands and challenges. This will take effect if voters approve Prop 4 on the November 2025 ballot.

LEGISLATION IMPACTING EDUCATION

HB 27 by King

Personal financial literacy courses in public schools



HIGHLIGHTS: This bill mandates the inclusion of a personal financial literacy course as part of the foundation high school program curriculum requirements in Texas public schools starting in the 2026-2027 school year. It requires the State Board of Education to develop and provide free, open-source programs for this course and allows students to fulfill the requirement through designated advanced placement courses.

IMPACT: High School students will now be introduced to basic and advanced financial practices to get them better prepared to handle money. This will guarantee students learn about banking, money management, investments, budgeting, and so much more. This bill became effective on June 20th.

SB 2 by Creighton

Education Savings Account (ESA)



HIGHLIGHTS: The ESA bill, better known as the voucher bill, was finally passed by the Texas Legislature. SB 2 established a universal ESA program that will provide financial resources to eligible Texas students, allowing them to pursue educational opportunities outside of the traditional public school system. Under SB 2, students accepted into the ESA program will receive a minimum annual credit of \$2,000, with higher allocations for private school enrollment of \$10,000 per year for students without disabilities and \$11,500 per year for students with disabilities. Funds can be used for tuition and fees for private schools and higher education institutions, industry certification programs, instructional materials and textbooks, educational therapies and special services, and transportation services related to schooling.

IMPACT: SB 2 mandates the ESA Program begin with the 2026-2027 school year. The program will be administered through the Texas Comptroller of Public Accounts.

LEGISLATION IMPACTING EDUCATION (CONT.)

HB 2 by Buckley Public Education and Public School Finance



HIGHLIGHTS: This is the \$8.5B comprehensive school finance bill that infused more funds and resources into Texas public schools than ever before. One main component of this appropriation is a \$4.2 billion allocation for teacher salary increases: the highest in Texas history. Funding via this bill will provide critical support in teacher compensation, educator preparation, educator rights, special education, early literacy and numeracy, career and technology education, basic allotment automatic increase, and safety funding increases.

IMPACT: Through this allocation, schools will receive more money to fulfill campus safety requirements, have additional resources to fund full-day pre-K, close the gap of students struggling with reading and math, shift funds for special education to a more equitable approach for the student, and enhance the performance pay system for educators. HB 2 goes into effect September 1, 2025.

LEGISLATION IMPACTING GOVERNMENT

HB 19 by Meyer / HB 5267 by C. Bell Local government debt reform bill



HIGHLIGHTS: There has been a target on local governmental entities for the last few legislative sessions. These bills sought to dramatically limit the use of certificates of obligation (COs), mandate all debt-related elections to November, and prohibit local government from issuing debt if property-tax supported debt services payments in a year exceed 20% of the average property tax collections for the preceding three years. For reference, COs are a financial tool governments use to finance essential services like road construction, drainage infrastructure improvements, construction of government buildings, and to purchase necessary equipment for operations. Although these two bills didn't pass this session, the topic of reigning in local government debt will once again see the light of day in future sessions.

IMPACT: These bills did not pass but will likely be introduced again next legislative session.

HB 12 by K. Bell

Review and audit of state agencies subject to sunset review



HIGHLIGHTS: Multiple state agencies are subject to sunset review each year. HB 12 enhances the sunset review process for state regulatory agencies by requiring greater transparency and public involvement. It mandates that agencies notify stakeholders and the public about upcoming reviews and encourages participation in hearings. It also requires performance evaluations based on measurable outcomes from the past decade to ensure accountability. Some of the more notable agencies subject to this new law are the Department of Agriculture, Department of Banking, Cancer Prevention and Research Institute of Texas, Texas Education Agency, Finance Commission of Texas, Health and Human Services Commission, Department of Licensing and Regulation, Texas Lottery Commission, Texas Department of Transportation, and many others.

IMPACT: This should lead to more efficient and effective state agency operations, reduce waste, and improve public trust through transparency and accountability. Successful implementation could lead to cost savings and better service delivery across state government. This bill takes effect September 1, 2025.

LEGISLATION IMPACTING GOVERNMENT (CONT.)

HB 11 by Phelan

Review and audit of state agencies subject to sunset review



HIGHLIGHTS: Texas initiated this to maximize occupational licensing reciprocity agreements with other states, ensuring that licensing requirements are substantially equivalent. Reciprocity agreements can lower costs and administrative burdens for individuals and businesses that conduct interstate commerce by avoiding duplicate licensing processes. The Texas Department of Licensing and Regulation is mandated to identify legal barriers to reciprocity and adopt rules for evaluating and entering into such agreements.

IMPACT: This could lead to increased workforce mobility and reduced licensing barriers, potentially boosting economic activity and employment in regulated professions. However, it may also prompt ongoing adjustments to licensing standards and regulatory oversight. This bill will go into effect September 1, 2025.

LEGISLATION IMPACTING PROPERTY TAXES

SB 4 & SB 23 by Bettencourt

Increased exemptions for residential homesteads



HIGHLIGHTS: The legislature once again focused their efforts on providing property tax relief for Texans. If voters approve proposition 13 in November, SB 4 will go into effect and increase the residence homestead exemption from \$100,000 to \$140,000 for school district ad valorem taxation. School districts will also be entitled to additional state aid to compensate for losses in local revenue and debt service revenue resulting from the increased homestead exemption and related tax limitations.

Similarly, if voters approve Proposition 11 in November, SB 23 will go into effect and raise the additional school property tax exemption for elderly and disabled homeowners from \$10,000 to \$60,000. The increased exemption would reduce school district taxes for qualifying individuals and would also be offset by state funds to maintain district funding levels.

IMPACT: If Props 11 and 13 are approved in November and the bills are fully implemented, homeowners will benefit from sustained property tax relief, while school districts will rely more on state aid to maintain funding levels.

HB 9 by Meyer

Tax exemption of tangible property



HIGHLIGHTS: HB 9 will provide significant tax relief by exempting up to \$125,000 of tangible personal property value, helping small and medium businesses reduce their tax burden. This legislation could encourage business growth by lowering tax burdens on tangible property but may also lead to sustained reductions in local tax revenues, potentially impacting local government funding. This legislation is also contingent on voters approving Proposition 9 on the November ballot.

IMPACT: Although school districts will be made as close to whole via state allocations, counties and municipalities could face budget shortfalls potentially causing them to increase rates or reduce public services to make ends meet.

LEGISLATION IMPACTING COPORATE GOVERNANCE

SB 29 by Hughes

Texas to become a corporate governance hub



HIGHLIGHTS: Texas leads the country in jobs, innovation, and economic growth. While we might celebrate that many corporations are headquartered in Texas, more corporations are incorporated in Delaware, thanks to their clear, pro-business legal framework. SB 29 puts Texas state one step closer to becoming the corporate law capital of the United States by clarifying and strengthening Texas' legal framework through the Texas Business Organizations Code. Reforms in this legislation affect domestic entities including corporations, limited liability companies, limited partnerships, and limited partnerships traded on national securities exchanges.

IMPACT: SB 29 modernizes the Texas Business Organizations Code, codifies the business judgement rule to shield directors from frivolous suits, sets fair thresholds for shareholder actions, and streamlines disputes through Texas Business Courts. This should lead to a more stable and predictable corporate governance environment with reduced litigation risks for directors and officers. This bill became effective on May 14, 2025.



PROPOSITIONS ON THE NOVEMBER 2025 BALLOT

Certain bills passed by the legislature require voter approval before they can be enacted into law. Most propositions are constitutional amendments that if passed, would change the Texas Constitution on a range of topics like tax policies, education funding, infrastructure funding, and property rights. Voters may also encounter opinion polls on their ballot that are non-binding surveys that assist law makers in understanding voter sentiment on certain issues and can guide future legislative action. Voting on propositions is a key aspect of our democratic process and allows citizens to have input in the legislative process.

Proposition 1

Ballot Language: "The constitutional amendment providing for the creation of the permanent technical institution infrastructure fund and the available workforce education fund to support the capital needs of educational programs offered by the Texas State Technical College System."

IMPACT: This amendment would create two dedicated state funds to support infrastructure, land acquisition, and equipment for the Texas State Technical College System (TSTC), seeded with an initial \$850 million from general revenue. These funds would operate outside the normal state budget and legislative oversight.

Proposition 2

Ballot Language: "The constitutional amendment prohibiting the imposition of a tax on the realized or unrealized capital gains of an individual, family, estate, or trust."

IMPACT: This amendment would permanently prohibit the Texas Legislature from imposing any tax on capital gains, whether realized or unrealized. Texas currently does not have such a tax, so the measure functions as a safeguard to preserve the state's existing low-tax structure.

Proposition 3

Ballot Language: "The constitutional amendment requiring the denial of bail under certain circumstances to persons accused of certain offenses punishable as a felony."

IMPACT: This amendment would authorize judges to deny bail to individuals charged with a list of serious felonies, such as murder, aggravated assault, and human trafficking, if the state proves by clear and convincing evidence that release would endanger the public or risk flight. It embeds mandatory bail denial for certain charges into the state constitution, with limited discretion for judges.



Proposition 4

Ballot Language: "The constitutional amendment to dedicate a portion of the revenue derived from state sales and use taxes to the Texas water fund and to provide for the allocation and use of that revenue."

IMPACT: This amendment would divert up to \$1 billion per year in existing sales tax revenue into a new Texas Water Fund to support water infrastructure projects. The funding would occur automatically each year, bypassing the normal legislative appropriations process, and would continue until 2035 unless extended by the legislature.

Proposition 5

Ballot Language: "The constitutional amendment authorizing the legislature to exempt from ad valorem taxation tangible personal property consisting of animal feed held by the owner of the property for sale at retail."

IMPACT: This amendment would give the Texas Legislature the authority to exempt animal feed held for retail sale from local property taxes. It does not require the exemption but permits future legislation to implement it, potentially correcting a tax inconsistency within the agricultural supply chain.

Proposition 6

Ballot Language: "The constitutional amendment prohibiting the legislature from enacting a law imposing an occupation tax on certain entities that enter into transactions conveying securities or imposing a tax on certain securities transactions."

IMPACT: This amendment would preemptively prohibit the Texas Legislature from imposing taxes on securities transactions or from creating new occupation taxes on registered financial market operators like brokers and exchanges. It aims to shield investors and financial institutions from future taxation in this space.

Proposition 7

Ballot Language: "The constitutional amendment authorizing the legislature to provide for an exemption from ad valorem taxation of all or part of the market value of the residence homestead of the surviving spouse of a veteran who died as a result of a condition or disease that is presumed under federal law to have been service-connected."

IMPACT: This amendment allows the Legislature to exempt the homestead of a surviving spouse of a veteran who died from a presumed service-connected condition. The exemption would continue if the spouse remains unmarried and moves to a new qualifying homestead, carrying forward the previous tax relief.

Proposition 8

Ballot Language: "The constitutional amendment to prohibit the legislature from imposing death taxes applicable to a decedent's property or the transfer of an estate, inheritance, legacy, succession, or gift."

IMPACT: This amendment would permanently prohibit the Texas Legislature from imposing estate, inheritance, or gift taxes. Texas does not currently levy such taxes, so this measure acts as a safeguard to prevent future reintroduction.



Proposition 9

Ballot Language: "The constitutional amendment to authorize the legislature to exempt from ad valorem taxation a portion of the market value of tangible personal property a person owns that is held or used for the production of income."

IMPACT: This amendment would allow the Legislature to exempt up to \$250,000 of the market value of income-generating personal property, such as business equipment or tools, from local property taxes. The exemption would ease the tax burden on small businesses and the self-employed.

Proposition 10

Ballot Language: "The constitutional amendment to authorize the legislature to provide for a temporary exemption from ad valorem taxation of the appraised value of an improvement to a residence homestead that is completely destroyed by a fire."

IMPACT: This amendment would give the Legislature authority to provide a temporary property tax exemption for homesteads that are entirely destroyed by fire. The exemption would apply only to the value of the destroyed structure, not the land, and would be implemented through future legislation.

Proposition 11

Ballot Language: "The constitutional amendment authorizing the legislature to increase the amount of the exemption from ad valorem taxation by a school district of the market value of the residence homestead of a person who is elderly or disabled."

IMPACT: This amendment would authorize the Legislature to raise the additional school property tax exemption for elderly and disabled homeowners from \$10,000 to \$60,000. The increased exemption would reduce school district taxes for qualifying individuals and would be offset by state funds to maintain district funding levels.

Proposition 12

Ballot Language: "The constitutional amendment regarding the membership of the State Commission on Judicial Conduct, the membership of the tribunal to review the commission's recommendations, and the authority of the commission, the tribunal, and the Texas Supreme Court to more effectively sanction judges and justices for judicial misconduct."

IMPACT: This amendment would expand and restructure the State Commission on Judicial Conduct (SCJC), increasing its membership and public representation, while enhancing its ability to issue public sanctions against judges. It also introduces new powers, including the authority to suspend judges upon indictment for certain crimes.

Proposition 13

Ballot Language: "The constitutional amendment to increase the amount of the exemption of residence homesteads from ad valorem taxation by a school district from \$100,000 to \$140,000."

IMPACT: This amendment would raise the school district property tax exemption on homesteads from \$100,000 to \$140,000, reducing taxable home values and offering tax relief to homeowners. The state would reimburse school districts for the resulting loss in revenue.



Proposition 14

Ballot Language: "The constitutional amendment providing for the establishment of the Dementia Prevention and Research Institute of Texas, establishing the Dementia Prevention and Research Fund to provide money for research on and prevention and treatment of dementia, Alzheimer's disease, Parkinson's disease, and related disorders in this state, and transferring to that fund \$3 billion from state general revenue."

IMPACT: This amendment would create a new state-run medical research institute and permanently dedicate \$3 billion from general revenue, plus up to \$300 million annually, for research and infrastructure related to dementia and other neurodegenerative diseases. The fund would exist outside the state's regular spending cap.

Proposition 15

Ballot Language: "The constitutional amendment affirming that parents are the primary decision makers for their children."

IMPACT: This amendment would enshrine in the Texas Constitution the inherent right of parents to care for and make decisions about their children's upbringing. It would restrict state or local government interference unless justified by a compelling government interest using the least restrictive means.

Proposition 16

Ballot Language: "The constitutional amendment clarifying that a voter must be a United States citizen."

IMPACT: This amendment would explicitly state in the Texas Constitution that only U.S. citizens may vote in Texas elections. While current law already limits voting to citizens, this measure codifies that restriction in the Constitution to prevent future legal or policy changes allowing non-citizen voting.

Proposition 17

Ballot Language: "The constitutional amendment to authorize the legislature to provide for an exemption from ad valorem taxation of the amount of the market value of real property located in a county that borders the United Mexican States that arises from the installation or construction on the property of border security infrastructure and related improvements."

IMPACT: This amendment would allow the Legislature to exempt from property taxation any increase in value to land in Texas border counties that results from the addition of border security infrastructure. It is a narrowly tailored measure meant to avoid penalizing landowners for voluntary security-related improvements.