<u>Item 7d – 88th Legislative Session Update</u>

The Texas Legislature convened January 10, 2023 for the 88th Legislative Session. There will be bills filed that will affect the management of groundwater. You will be made aware of any bills filed and have the opportunity as a board to not only discuss it but determine whether to support, oppose, or remain neutral on the filing.

The General Manager will be the District's envoy to the Legislature concerning the stance taken by the District. It has been customary for the board, once all bills have been filed, to review all bills affecting groundwater management in the District and take a position giving guidance to the General Manager as visits are made to the Capitol.

Below are the bill fields directly affecting the management of groundwater:

SB 156	Sen. Perry (Attorney fees, Petition for Rulemaking, Permit Application &
	Amendment Notice, Undesirable DFCs)

SB 638	Sen. Springer
	Disqualification of Directors for failure to attend meetings, Quorum for
	permit or permit amendment, time limit for action following an
	administrative law judge recommendation

HB 1971	Rep. Ashby
	Language giving board 180 days for final decision on application after
	SOAH judge issues Proposal for Decision)

HB 2443	Rep. Harris
	Landowner rule for petitions to GCDs

HB 2/35	Rep. King
	Requires plaintiff to file security before contested case hearing or lawsuit
	to cover potential awarded penalties or attorney fees

HB 3059	Rep. King Raises export fees to 20 cents with 3% annual inflation increase
HB 3278	Rep. King

The text revisions for the above listed bills are attached.

DFC adoption transparency

`BILL	AUTHOR	STATUS	COMMENTS
SB156	Perry	Filed 11/14/22 Referred to Senate Water 2/15/23 All changes are	Section 1 – Attorney Fees Section 36.066, Water Code, is amended by amending Subsection (g) and adding Subsection (i) to read as follows: (g) If the district prevails in any suit other than a suit in which it voluntarily intervenes, the district may seek and the court may [shall] grant, in the interests of justice and as provided by Subsection (h), in the same action, recovery for attorney's fees, costs for expert witnesses, and other costs incurred by the district before the court. The amount of the attorney's fees shall be fixed by the court. (i) Notwithstanding Section 36.052(a), Subsections (g) and (h) of this section prevail over
		negotiated amongst stakeholders and acceptable other than Section 1 regarding attorney fees.	any other special law inconsistent with those subsections unless the other law prohibits an award of attorney's fees or costs. Section 2 – Petition for Rule Changes Sec. 36.1025. PETITION TO CHANGE RULES. (a) A person with a real property interest in groundwater may petition the district where the property that gives rise to the real property interest is located to adopt a rule or modify a rule adopted under this chapter. (b) The district by rule shall prescribe the form for a petition submitted under this section and the procedure for the submission, consideration, and disposition of the petition. (c) Not later than the 90th day after the date the district receives the petition, the district shall: (1) deny the petition and provide an explanation for the denial; or (2) engage in rulemaking consistent with the granted petition. (d) Nothing in this section may be construed to create a private cause of action for a decision to accept or deny a petition filed under this section. Section 3 – Management Plans Section 36.1071, Water Code, is amended by amending Subsection (b) and adding Subsections (b-1) and (b-2) to read as follows: (b) The management plan, or any amendments to the plan, shall: (1) be developed using the district's best available data and forwarded to the regional water planning group for use in their planning process; and (2) include the: (A) most recently approved desired future conditions adopted under Section 36.108; and (B) amount of modeled available groundwater corresponding to the most recently approved desired future conditions.

- (b-1) A district shall amend a management plan before the second anniversary of the adoption of desired future conditions included under Subsection (b).
- (b-2) If a petition challenging the reasonableness of a desired future condition is filed under Section 36.1083(b), the executive administrator shall consider the management plan administratively complete if the district includes:
- (1) the most recently approved desired future conditions adopted under Section 36.108;
- (2) the amount of modeled available groundwater corresponding to the desired future conditions;
- (3) a statement of the status of the petition challenging the reasonableness of a desired future condition; and
 - (4) the information required by Subsections (a) and (e).

Section 4 – Notice for Notice Required for Application For Permit or Permit Amendment

Sec. 36.1141. NOTICE REQUIRED FOR APPLICATION FOR PERMIT OR PERMIT AMENDMENT. (a) Except as provided by Subsection (b), a district that has adopted rules regulating the spacing of wells under Section 36.116(a)(1) to require wells to be spaced a certain distance from other wells shall adopt rules requiring that notice of an application for a permit or permit amendment to drill a well or increase the production capacity of an existing well be provided to each landowner whose:

- (1) land is located wholly or partly within the spacing distances from other wells under the spacing rules of the district; and
- (2) right to obtain a permit or permit amendment for a well of a certain size or location under the spacing rules of the district will be affected if the district approves the application.

 (b) Notice is not required under Subsection (a):
- (1) for a replacement well to be drilled at or near the location of the well which it is intended to replace that has an equal or lesser production capacity than the well which it is intended to replace as determined by the rules of the district;
- (2) for an emergency well necessary to mitigate a loss of production capacity of an existing well as determined by the rules of the district;
- (3) if the notice is to be provided to the lessors of the right to produce groundwater from a property where the applicant for the permit or permit amendment is the lessee; or
 - (4) if the district:

(A) posts in a place readily accessible to the public at the district's main office a list of the applications described by Subsection (a) that includes the name of the applicant and address or approximate location of the well or proposed well; and

			(B) posts on the home page of the district's Internet website, if the district
			operates an Internet website:
			(i) a list described by Paragraph (A); or
			(ii) a link to a web application that includes the information included
			on a list described by Paragraph (A).
SB 638	Springer	Filed 1/26/23	Bill is filed for LCRA to address Lost Pines GCD's handling of permit application and
			contested hearing.
HB 1971	Ashby	Filed 2/07/23	LPGCD did not act on permit application within 60 days of final hearing, after
	_		SOAH's PFD was issued, as is required by §36.114(f), Water Code. LPGCD used
		LCRA is amenable to	director abstentions and quorums as reason. LCRA says they want Chapter 36 to spell
		amending bill. Ultimate	out timing of Board action more definitely and the parties are still in litigation over the
		goals is language giving	issues.
		board 180 days for final	
		decision on application	Bill currently disqualifies director from serving on board if have to abstain from more
		after SOAH judge issues	than one permit. LCRA seems to be willing to take this out.
		PFD (proposal for	
		decision)	Ultimate goal is following language in bill: (d) Notwithstanding any other
			timelines provided in this chapter, and unless otherwise agreed to by the applicant, a
		LCRA says language	district must issue its final decision under this section no later than 180 days after receipt
		will be amended from	of the proposal for decision, including final disposition of all motions for rehearing.
		HB1971 language and	
		are willing to take out	Section 1. Texas Water Code Sec. 36.0015, subsection (b), is amended as follows:
		Section 1 of HB1971.	(b) In order to provide for the conservation, preservation, protection, recharging, and
			prevention of waste of groundwater, and of groundwater reservoirs or their subdivisions, and to
			control subsidence caused by withdrawal of water from those groundwater reservoirs or their
			subdivisions, consistent with the objectives of Section 59, Article XVI, Texas Constitution,
			groundwater conservation districts may be created as provided by this chapter. Groundwater
			conservation districts created as provided by this chapter are the state's preferred method of
			groundwater management in order to protect property rights, balance the conservation and
			development of groundwater to meet the needs of this state, and use the best available science in the
			conservation and development of groundwater through rules and procedures developed, adopted, and
			promulgated by a district in accordance with the provisions of this chapter. Section 2. Texas Water Code Sec. 36.003 is added as follows:
			36.003. IMPORTANCE OF GROUNDWATER TO THE STATE'S ECONOMIC
			GROWTH. The legislature recognizes that timely decisions regarding production and transport of
			ONO WITH THE registrature recognizes that timely decisions regarding production and transport of

private groundwater are essential to the state's continued economic development. Delays in such decisions substantially increase uncertainty and expense, and thereby have a detrimental impact on the state's ability to competitively attract businesses. Accordingly, districts should ensure timely decisions in accordance with the procedures set forth in this chapter.

Section 3. Texas Water Code Sec. 36.051 is amended by adding subsection (c-1) as follows:

(c-1) A director who has been recused from voting on more than one application for a permit or permit amendment or fails to attend meetings two consecutive meetings of the district board shall be disqualified from further service on the Board. The resulting vacant position shall be filled as provided by this chapter or as prescribed by the district's enabling legislation.

Section 4. Texas Water Code Sec. 36.053 is amended as follows:

- (a) A majority of the membership of the board constitutes a quorum for any meeting, and a concurrence of a majority of the entire membership of the board is sufficient for transacting any business of the district, except as provided by subsection (b).
- (b) For purposes of reaching a final decision on a permit or permit amendment application, any board member who is recused from voting or fails to attend shall not count towards the quorum or majority requirements set forth in subsection (a).

Section 5. Texas Water Code Sec. 36.409 is amended as follows:

The presiding officer may continue a hearing from time to time and from place to place without providing notice under Section 36.404; however, in no event shall such continuance exceed the time limits prescribed for issuance of a final decision as set forth in Section 36.4165. If the presiding officer continues a hearing without announcing at the hearing the time, date, and location of the continued hearing, the presiding officer must provide notice of the continued hearing by regular mail to the parties.

Section 6. Texas Water Code Sec. 36.412 is amended as follows:

- (a) An applicant in a contested or uncontested hearing on an application or a party to a contested hearing may administratively appeal a decision of the board on a permit or permit amendment application. Except for decisions by the board under Section 36.4165, a party seeking to appeal a decision by the board must request by requesting written findings and conclusions not later than the 20th day after the date of the board's decision.
- (b) On receipt of a timely written request required by subsection (a), the board shall make written findings and conclusions regarding a decision of the board on a permit or permit amendment application. The board shall provide certified copies of the findings and conclusions to the person who requested them, and to each designated party, not later than the 35th day after the date the board receives the request.
- (c) A party to a contested hearing may request a rehearing not later than the 20th day after the date the board issues the findings and conclusions.

- (de) A request for rehearing must be filed in the district office and must state the grounds for the request. If the original hearing was a contested hearing, the party requesting a rehearing must provide copies of the request to all parties to the hearing.
- (ed) If the board grants a request for rehearing, the board shall schedule the rehearing not later than the 45th day after the date the request is granted.
- (<u>fe</u>) The failure of the board to grant or deny a request for rehearing before the 91st day after the date the request is submitted is a denial of the request.

Section 7. Texas Water Code Sec. 36.413 is amended as follows:

- (a) A decision by the board on a permit or permit amendment application is final:
- (1) if a request for rehearing is not filed on time, on the expiration of the period for filing a request for rehearing; or
 - (2) if a request for rehearing is filed on time, on the date:
 - (A) the board denies the request for rehearing; or
 - (B) the board renders a written decision after rehearing, or
 - (3) as provided by section 36.4165(e).
- (b) Except as provided by Subsection (c), an applicant or a party to a contested hearing may file a suit against the district under Section 36.251 to appeal a decision on a permit or permit amendment application not later than the 60th day after the date on which the decision becomes final.
- (c) An applicant or a party to a contested hearing may not file suit against the district under Section 36.251 if a request for rehearing was not filed on time <u>unless no such request is required under</u> section 36.4165(e).

Section 8. Texas Water Code Sec. 36.4165 is amended as follows:

- (a) In a proceeding for a permit application or amendment in which a district has contracted with the State Office of Administrative Hearings for a contested case hearing, the board has the authority to make a final decision on consideration of a proposal for decision issued by an administrative law judge.
- (b) A board may change a finding of fact or conclusion of law made by the administrative law judge, or may vacate or modify an order issued by the administrative judge, only if the board determines:
- (1) that the administrative law judge did not properly apply or interpret applicable law, district rules, written policies provided under Section 36.416(e), or prior administrative decisions;
- (2) that a prior administrative decision on which the administrative law judge relied is incorrect or should be changed; or
 - (3) that a technical error in a finding of fact should be changed.
- (c) The final decision issued by the district under this section must be in writing and shall either adopt the proposed findings of fact and conclusions of law as proposed by the administrative

			law judge or include revised findings of fact and conclusions of law consistent with subsection (b).
			No request for findings of fact or conclusions of law from a party is required under this section.
			(d) Notwithstanding any other timelines provided in this chapter, and unless otherwise agreed
			to by the applicant, a district must issue its final decision under this section no later than 180 days
			after receipt of the proposal for decision, including final disposition of all motions for rehearing.
			(e) If the administrative law judge recommends granting one or more permits, and the district
			fails to issue its final decision as required by subsection (d) for any reason, the district shall be deemed
			to have adopted the recommendations of the administrative law judge as a final order.
			(f) A decision under (e) is final and appealable immediately and not subject to a motion for
			rehearing.
			Section 9. STATUTORY INTERPRETATION. If there is a conflict between this Act and the
			enabling act of a groundwater conservation district or any other deadlines established by Chapter 36,
			this Act controls.
HB 2119	Dorazio	Filed 1/26/23	SECTION 1. Sections 36.066(g) and (h), Water Code, are amended to read as follows:
			(g) Except for [If the district prevails in any suit other than] a suit in which a district [it]
		This bill requires loser	voluntarily intervenes, the prevailing party in a suit governed by this section [district] may seek and
		pay attorney fees to	the court shall grant, in the interests of justice and as provided by Subsection (h), in the same action,
		prevailing party.	recovery for attorney's fees, costs for expert witnesses, and other costs incurred by the <u>prevailing party</u>
		prevailing party.	[district] before the court. The amount of the attorney's fees shall be fixed by the court.
		If CCD cate and and	(h) The court shall award to a prevailing party that [If the district] prevails on some, but not
		If GCD gets sued and	all, of the issues in the suit [, the court shall award] attorney's fees and costs only for those issues on
		loses in court, this	which the party [district] prevails. The prevailing party [district] has the burden of segregating the
		would require GCD to	attorney's fees and costs in order for the court to make an award.
		pay plaintiff's attorney	
		fees.	
HB 1852	Holland	Filed 2/03/23	Bill takes authority away from TCEQ to create GCDs under Chapter 36, water utility
			district under Chapter 49, Water Code, and Municipal Management Districts under Chapter
			175, Local Govt Code.
		Removes TCEQ	175, Eccul Gove Code.
		authority to create	This bill would take away TCEQ's authority to create GCDs and other types of water utility
		GCDs and other water	districts. Only legislature would be allowed to create them.
		districts	
			Many entities are against this, including developers as most water utility districts are
			created through TCEQ.
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HB 3278	Price	Filed 3/02/23	Bill clarifies some DFC adoption information for public transparency and comment:
		DFC adoption transparency	SECTION 1. Section 36.108, Water Code, is amended by amending Subsections (d-2) and (d-3) and adding Subsection (d-2a) to read as follows: (d-2) The desired future conditions proposed under Subsection (d) must provide a balance between the highest practicable level of groundwater production and the conservation, preservation, protection, recharging, and prevention of waste of groundwater and control of subsidence in the management area. This subsection does not prohibit the establishment of desired future conditions that provide for the reasonable long-term management of groundwater resources consistent with the management agoals under Section 36.1071(a). The desired future conditions proposed under Subsection (d) must be approved by a two-thirds vote of all the district representatives for distribution to the districts in the management area. A period of not less than 90 days for public comments begins on the day the proposed desired future conditions are mailed to the districts. During the public comment period and after posting notice as required by Section 36.063, each district shall hold a public hearing on any proposed desired future conditions relevant to that district. During the public comment period, the district shall make available in its office a copy of the proposed desired future conditions and any supporting materials, such as the documentation of factors considered under Subsection (d) and groundwater availability model run results. After the close of the public comment period, the district shall compile and submit to the district representatives for consideration at the next joint planning meeting: (1) a summary of relevant comments received; (2) [5] any suggested revisions to the proposed desired future conditions, and the basis for those [44e] revisions; and (3) any supporting materials, including new or revised groundwater availability model run results. (d-2a) The information compiled and submitted to the district representatives the information required under Subsection (d-2) must be m

			and finally adopted by the district representatives before the end of each successive five-year period after that date. The district representatives shall produce a desired future conditions explanatory report for the management area and submit to the development board and each district in the management area proof that notice was posted for the joint planning meeting, a copy of the resolution, and a copy of the explanatory report. The report must: (1) identify each desired future condition; (2) provide the policy and technical justifications for each desired future condition; (3) include documentation that the factors under Subsection (d) were considered by the districts and a discussion of how the adopted desired future conditions impact each factor; (4) list other desired future condition options considered, if any, and the reasons why those options were not adopted; and (5) discuss reasons why recommendations made by advisory committees and relevant public comments received by the districts during the public comment period or at the joint planning meeting were or were not incorporated into the desired future conditions.
HB 2443	Harris	Filed 02/17/2023 Landowner rule petitions to GCDs	Bill addresses the ability to petition a GCD for rule changes. This version is very different than the agreed to language in Sen. Perry's SB 156. This bill would create a cause of action for the GCD to be sued if it did not agree to a landowner's proposed rule change. Language highlighted below. Whereas, Sen. Perry's bill specifically says it does not create a cause of action, HB 2443 says that the Board's action on the rule petition can be appealed and sued in court.
		Not same as agreed language in SB 156. Creates a cause of action for acting on a petition for rule change. Landowner could appeal and sue GCD for not adopting proposed rule changes.	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS: SECTION 1. Subchapter D, Chapter 36, Water Code, is amended by adding Section 36.1025 to read as follows: Sec. 36.1025. PETITION TO CHANGE RULES. (a) A person with groundwater ownership and rights may petition the district where the property that gives rise to the ownership and rights is located to adopt a rule or modify a rule adopted under this chapter. (b) A petition submitted under this section must include: (1) an explanation of why the adoption or modification of the rule requested is necessary to be consistent with: (A) ownership and rights recognized under Section 36.002; or (B) conservation or beneficial use of the groundwater resources located in the district, in regard to either: (i) the entire district; or (ii) an aquifer, subdivision of an aquifer, or geologic strata located in the district; and

			(2) proof that the petitioner has complied with the notice requirements described by
			Subsection (c).
			(c) A petitioner under this section must provide written notice of the petition to each person
			with groundwater ownership and rights in the geographic area that would be affected by the adoption
			or modification of the rule described in the petition.
			(d) The district shall hold a hearing on a petition submitted under this section in the same
			manner as a rulemaking hearing described by Section 36.101.
			(e) After a hearing held under Subsection (d), the district shall grant or deny the petition and
			may grant or deny the petition wholly or partly. The district shall provide an explanation for the action
			the district takes on the petition, including a determination about the consistency of the action with
			the concerns raised by the petitioner's explanation required by Subsection (b)(1).
			(f) As soon as practicable after a petition or a portion of a petition is granted, the district shall
			engage in rulemaking consistent with the granted petition or the granted portion of the petition.
			(g) A decision on a petition under Subsection (e) is final and appealable under Section
			<u>36.251.</u>
HB 2735	King	Filed 2/23/23	Bill requires a plaintiff who is suing the GCD to file a security or bond before filing the
			suit or contested case hearing of no more than \$100,000, to cover judgment for
			penalties or attorney fees.
		Requires plaintiff to file	
		security before	SECTION 1. Subchapter H, Chapter 36, Water Code, is amended by adding Section 36.2515
		contested case hearing	to read as follows:
		or lawsuit to cover	Sec. 36.2515. SECURITY REQUIRED. (a) In this section, "security" means a bond or
		potential awarded	deposit posted by a plaintiff before filing suit against a district or, as provided by the Texas Rules of
		penalties or attorney	Appellate Procedure, by a judgment debtor to a district to suspend execution of the judgment during
		fees	appeal of the judgment.
			(b) Subject to Section 52.006, Civil Practice and Remedies Code, a district by rule shall
			establish the amount of security required to file suit under Section 36.251 challenging a rule or order
			made by the district, including an appeal of a decision on a permit application. Except as provided by
			Subsection (c), the amount of security required under this section may not exceed \$100,000.
			(c) The amount of security required to be posted by a party to a contested case hearing, other
			than by the applicant, for the appeal of a decision granting a permit application or permit amendment
			application under Section 36.251(b) shall be increased by an amount sufficient to cover the applicant's
			cost to defend the permit or amendment granted by the district against the suit and appeal. The amount
			of an increase under this subsection may not exceed \$100,000. (d) Section 52.006, Civil Practice and Remedies Code, applies to an appeal from a decision
			of the district court affirming a district's rule, order, or decision on a permit application. The amount

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			of security required under this subsection must equal the sum of:
			(1) the amount of any civil penalty awarded;
			(2) interest for the estimated duration of the suit or appeal; and
			(3) attorney's fees and costs required for the district to defend against the suit and
			appeal.
			(e) A security required under this section must be filed into the registry of the district court
			in which the suit is filed.
HB 3059	King	Filed 3/02/23	Bill raises export fees for tax-based and fee-based district to 20 cents, with 3% annual
			inflation.
			Bill also specifically allows fees to be used for mitigation "to maintain the operability of
		Raises export fees to 20	wells significantly affected by groundwater development."
		cents (from 2.5 cents for	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:
		tax-based districts), with	SECTION 1. Section 36.122, Water Code, is amended by amending Subsection (e) and
		3% annual inflation	adding Subsections (e-1) and (e-2) to read as follows:
		370 annual infration	(e) The district may impose an export fee or surcharge using one of the following methods:
			(1) a fee negotiated between the district and the exporter; or
		Addresses idea of using fees for mitigation, although does not use word "mitigation"	(2) for a tax-based district, a rate not to exceed 20 cents [the equivalent of the
			district's tax rate per hundred dollars of valuation for each thousand gallons of water exported from
			the district [or 2.5 cents per thousand gallons of water, if the district assesses a tax rate of less than
			2.5 cents per hundred dollars of valuation]; or
			(3) for a fee-based district, a rate not to exceed the greater of 20 cents for each
			thousand gallons or a 50 percent surcharge, in addition to the district's production fee, for water
		Districts with lower	exported from the district.
		export fees in their	(e-1) Beginning on January 1, 2024, and annually thereafter, the maximum rate of 20 cents for each
		1 *	one thousand gallons of water exported that a district may impose under Subsections (e)(2) or (e)(3)
		enabling act may be able	shall automatically increase at a rate of three percent per year.
		to use higher 36 export fee??	(e-2) A district that is governed by a special law in regard to an export fee or surcharge on
			water exported from the district may charge an export fee or surcharge in accordance with that special
			law or in accordance with Subsections (e) and (e-1).
			SECTION 2. Section 36.207, Water Code, is amended to read as follows:
			Sec. 36.207. USE OF FEES. A district may use funds obtained from administrative,
			production, or export fees collected under a special law governing the district or this chapter for any
			purpose consistent with the district's approved management plan, including, without limitation,
			making grants, loans, or contractual payments to achieve, facilitate, expedite reductions in
			groundwater pumping or the development or distribution of alternative water supplies, or to maintain
			the operability of wells significantly affected by groundwater development.
	I		the operation of went significantly affected by groundwater development.