TEXAS ECONOMIC DEVELOPMENT COUNCIL

LEGISLATIVE WRAP-UP REPORT

Texas 89th Legislative Session

EXECUTIVE SUMMARY

The 89th Texas Legislative Session has concluded, and although it wasn't a session filled with major wins, the Texas Economic Development Council (TEDC) effectively held its ground. Our primary goal entering this session was clear: to protect the economic development tools that enable local communities to control their own futures. On that front, we achieved our aim. Throughout the session, many proposals threatened local flexibility, added reporting burdens, or weakened programs like Chapter 380/381 and Chapter 312. Thanks to coordinated efforts by TEDC members, none became law. Over 50 local EDCs signed a coalition letter against a harmful proposal, sending a strong message to the Capitol. Ultimately, local control and community-driven development remain intact.

Several initiatives to enhance Texas's competitiveness stalled. TEDC raised awareness about the Jobs, Energy, Technology, and Innovation (JETI) program. In the first 20 months of this new program, only four projects have used it. Efforts to fund the Capital Access Program at the Texas Department of Agriculture, which is vital for rural areas, also failed. These missed opportunities emphasize the need for ongoing work.

Looking ahead, the interim period is vital. By working together during the interim, sharing both success and failure stories, and highlighting the importance of economic development, we will be better prepared to move from defense to offense in the next session.

Special Sessions

Governor Greg Abbott has announced two special sessions in 2025. Texas House Democrats prevented a quorum in the first called special session; therefore, no legislation was passed.

The Governor called a second special session with over 20 issues up for debate. None of these items directly impacted our economic development programs, but here is the status of items you may be interested in:

- New Congressional Districts - **PASSED** – A new congressional map aims to shift five congressional seats from the Democratic Party to the Republican Party.
- Reduced Rollback Rate – **FAILED** – Legislation that would have lowered the voter-approved tax rate (also known as the "rollback rate") from 3.5% to 2.5% for cities and counties with populations over 75,000 did not pass.
- Prohibiting Local Governments from Hiring Lobbyists – **FAILED** - Legislation aimed at banning taxpayer funds from being used to hire a lobbyist (or support an association that employs a lobbyist) did not pass.

TEXAS ECONOMIC DEVELOPMENT COUNCIL

Wrap-up Report - Texas 89th Legislative Session

ECONOMIC DEVELOPMENT POLICY

Defensive Wins – Protecting What Matters

- Economic Development Sales Tax (Type A & B) - No legislation passed that undermines these critical tools.
- Chapter 380/381 Agreements - Several bills were filed that would have severely limited local governments' ability to negotiate agreements. Thanks to a strong coalition effort, none of these bills became law. TEDC has committed to working with lawmakers during the interim to address concerns raised about potential misuse of Chapter 380/381 agreements.
- Onerous Reporting Requirements - Efforts to impose duplicate reporting to multiple state agencies were defeated.

Offensive Goals – Opportunities Left on the Table

- JETI Program Improvements - Despite broad recognition that the Jobs, Energy, Technology, and Innovation (JETI) program is underperforming, no reforms were adopted. Only four projects have used the program since its creation, far below expectations.
- Capital Access Program (TDA) - Efforts to preserve and fund this vital rural program at the Texas Department of Agriculture were unsuccessful this session.
- Enhancing Rainy-Day Fund Investments – Chairman Greg Bonnen proposed allocating a portion of the Rainy-Day Fund to innovative Texas-based companies. Unfortunately, this legislation did not pass during this session, but we will continue to work on it during the interim.

Other Notable Legislative Changes

- Changes to Open Meetings Notice - House Bill 1522 by Representative Stan Gerdes makes several changes to the open meetings notice requirements. Most notably, the bill mandates that a governmental body provide public notice **at least three business days** prior to the scheduled meeting date. Currently, law requires notice to be given at least 72 hours before the meeting.

  Additionally, HB 1522 requires more detailed open meeting notices when the local government discusses or adopts a budget. Specifically, the notice must include a physical copy of the proposed budget, unless the proposed budget is clearly accessible on the homepage of the government body's website.

- Restrictions on Local Government's Use of Severance Pay – House Bill 762 by Representative Jeff Leach and Senate Bill 2237 by Senator Bettencourt prohibit local governments from offering severance packages that exceed 20 weeks of pay at the rate they were earning when terminated.

- Research and Development (R&D) Tax Credit Renewed - Senate Bill 2206 extended the state's R&D tax credit program, streamlining the application process and increasing the credit for partnerships with higher education institutions—an important win for innovative industries!

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ECONOMIC DEVELOPMENT POLICY

Infrastructure Investments

- Water Infrastructure – This session saw the passage of transformative investments in water infrastructure! Most importantly, this will fund projects for repairing existing water systems and developing new water supplies.
  - House Joint Resolution 7 by Representative Cody Harris will ask voters to approve dedicating **$1 billion annually** in sales tax revenue towards water projects **over the next 20 years.**
    - ***This will be Proposition 4 on the upcoming November election!***
  - House Bill 500 by Representative Greg Bonnen provides an immediate $2.5 billion investment for water projects.
- Energy Infrastructure
  - The Texas Energy Fund received an additional **$5 billion** appropriation, bringing the total fund to **$10 billion**. This funding will support dispatchable power generation and critical transmission infrastructure to enhance grid reliability and stability.
  - Senate Bill 6 by Senator Phil King amended the process for large load interconnection into the ERCOT grid. TEDC will continue to advocate for an electricity policy that ensures a fair, reliable, and predictable process.

Workforce Development

- Senate Joint Resolution 59 creates an **$850 million** endowment fund for Texas State Technical College. This permanent funding source will support capital projects and equipment purchases for workforce education programs in high-demand technical fields.
    - ***This will be Proposition 1 on the upcoming November election!***
- House Bill 3260, introduced by Representative Keith Bell, simplifies the Texas Industry-Recognized Apprenticeship Programs Grant Program, providing the Texas Workforce Commission with more flexibility in defining qualifying programs and allowing for partial reimbursements, rather than requiring employers to wait up to 18 months for funding.

Significant Funding for Economic Development Programs

- Texas Space Commission – **$300 million** in additional grant funding.
- Texas Semiconductor Innovation Fund – **$250 million** in additional grant funding
- Texas Advanced Nuclear Development Fund – **$350 million** allocated to a newly established office dedicated to advancing this technology.
- Motion Pictures Industry – **$250 million** allocated to the moving image industry incentive program. More importantly, lawmakers committed **$350 million** every two years to this incentive program to ensure steady funding for this capital investment.
- Texas Enterprise Fund – Although no additional appropriation was made, the Enterprise Fund was allowed to use their unexpended balances, which exceed **$300 million**.

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HEADLINE ISSUES

Tax Cuts

- Lawmakers appropriated **$10 billion** in new funding for property tax relief; however, **$6.1 billion** of this new funding is intended to cover tax relief that has already been promised. Lawmakers did approve the following new tax relief measures:
  - Senate Bill 4, by Senator Bettencourt, increases the school district homestead exemption from **$100,000 to $140,000** - this will cost the state **$2.7 billion** over the biennium.
  - Senate Bill 23, by Senator Huffman, increases the senior homestead exemption from **$10,000 to $60,000** – this will cost the state **$1.2 billion** over the biennium.
  - House Bill 9 by Representative Meyer increased the exemption for business personal property from **$2.5k to $125k**. The state held school districts harmless for lost funding due to this exemption – this will cost the state approximately **$250 million** over the biennium.
    - *NOTE: Other local governments (Cities, counties, water districts, etc.) will **not** be held harmless. These local governments are expected to lose around **$442 million** due to this exemption.*

Education Funding

- School Choice/Vouchers (SB 2) – A $10,000 educational savings account per child, which can be used to pay for private school or homeschooling. The program is capped at **$1 billion.**
- Public School Finance (HB 2) - Approximately **$8.4 billion** in additional funding, a significant portion of which is dedicated to increasing teacher pay.
- Texas University Fund (HB 500)– Appropriated **$1.3 billion** towards the TUF, which is an endowment fund for higher education institutions that don't receive PUF dollars.
- Community/Junior College Formula (HB 500)- **$89.5 million** in additional funding provided to community and junior colleges to fully fund the outcomes-based formulas established last session.

2025 Constitutional Amendment Election Day – November 4th, 2025

- Proposition 1 – Texas State Technical College **$850 million** endowment
- Proposition 4 – Dedicates **$1 billion** in sales tax collections towards water projects every fiscal year.
- Proposition 9 – Increases the business personal property tax exemption from **$2.5k to $125k**.
- Proposition 13 – Increases the school district homestead exemption from **$100k to $140k**.
- Proposition 14 – Allocates **$3 billion** to the Dementia Prevention Research Institute of Texas to fund research in Texas.

Find more information about all 17 items on the ballot on the Texas Secretary of State's website