

AN ACT

relating to the approval of land use assumptions, capital improvement plans, and impact fees.

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

SECTION 1. Section 395.043, Local Government Code, is amended to read as follows:

Sec. 395.043. INFORMATION ABOUT LAND USE ASSUMPTIONS AND CAPITAL IMPROVEMENTS PLAN AVAILABLE TO PUBLIC. At least 60 days [~~On or~~] before the date of the first publication of the notice of the hearing on the land use assumptions and capital improvements plan, the political subdivision shall make available to the public its land use assumptions, the time period of the projections, and a description of the capital improvement facilities that may be proposed.

SECTION 2. Section 395.051(a), Local Government Code, is amended to read as follows:

(a) The political subdivision, within 30 days after the date of the public hearing on the imposition of an impact fee, shall approve or disapprove the imposition of an impact fee. Approval of the imposition of an impact fee by a political subdivision requires an affirmative vote of two-thirds of the members of the governing body of the political subdivision.

SECTION 3. Subchapter C, Chapter 395, Local Government Code, is amended by adding Section 395.0515 to read as follows:

1 Sec. 395.0515. LIMITATION ON IMPACT FEE INCREASE. A
2 political subdivision may not increase the amount of an impact fee
3 for three years from the later of the date the fee was adopted or
4 most recently increased, if applicable. Nothing in this section
5 prohibits the political subdivision from implementing an impact fee
6 collection schedule that allows less than the maximum adopted
7 impact fee to be collected or phased in up to the maximum adopted
8 impact fee for a period not to exceed ten years, as authorized by
9 this chapter.

10 SECTION 4. Section 395.053, Local Government Code, is
11 amended to read as follows:

12 Sec. 395.053. HEARING ON UPDATED LAND USE ASSUMPTIONS AND
13 CAPITAL IMPROVEMENTS PLAN. The governing body of the political
14 subdivision shall, within 120 [~~60~~] days after the date it receives
15 the update of the land use assumptions and the capital improvements
16 plan, adopt an order setting a public hearing to discuss and review
17 the update and shall determine whether to amend the plan.

18 SECTION 5. Section 395.054, Local Government Code, is
19 amended to read as follows:

20 Sec. 395.054. HEARING ON AMENDMENTS TO LAND USE
21 ASSUMPTIONS, CAPITAL IMPROVEMENTS PLAN, OR IMPACT FEE. A public
22 hearing must be held by the governing body of the political
23 subdivision to discuss the proposed ordinance, order, or resolution
24 amending land use assumptions, the capital improvements plan, or
25 the impact fee. At least 60 days [~~On or~~] before the date of the
26 first publication of the notice of the hearing on the amendments,
27 the land use assumptions and the capital improvements plan,

1 including the amount of any proposed amended impact fee per service
2 unit, shall be made available to the public.

3 SECTION 6. Section 395.058(b), Local Government Code, is
4 amended to read as follows:

5 (b) The advisory committee is composed of not less than five
6 members who shall be appointed by a majority vote of the governing
7 body of the political subdivision. Not less than 50 ~~[40]~~ percent of
8 the membership of the advisory committee must be representatives of
9 the real estate, development, or building industries who are not
10 employees or officials of a political subdivision or governmental
11 entity. ~~[If the political subdivision has a planning and zoning
12 commission, the commission may act as the advisory committee if the
13 commission includes at least one representative of the real estate,
14 development, or building industry who is not an employee or
15 official of a political subdivision or governmental entity. If no
16 such representative is a member of the planning and zoning
17 commission, the commission may still act as the advisory committee
18 if at least one such representative is appointed by the political
19 subdivision as an ad hoc voting member of the planning and zoning
20 commission when it acts as the advisory committee.]~~ If the impact
21 fee is to be applied in the extraterritorial jurisdiction of the
22 political subdivision, the membership must include a
23 representative from that area.

24 SECTION 7. Subchapter C, Chapter 395, Local Government
25 Code, is amended by adding Section 395.059 to read as follows:

26 Sec. 395.059. INDEPENDENT FINANCIAL AUDIT. (a) Before a
27 political subdivision may increase an existing impact fee or adopt

1 a new impact fee for a service area where an impact fee had
2 previously been adopted, the political subdivision must conduct an
3 independent financial audit in accordance with this section.

4 (b) An independent financial audit conducted under this
5 section must be performed by an independent auditor who:

6 (1) is a certified public accountant or public
7 accountant licensed by the Texas State Board of Public Accountancy;
8 and

9 (2) is not, and has not been during the 12 months
10 preceding the commencement of the audit, under contract to provide
11 any other service to the political subdivision or a related entity
12 of the political subdivision.

13 (c) An independent financial audit conducted under this
14 section must provide, if applicable, a detailed accounting of:

15 (1) the amount of funds collected from any impact fee
16 imposed by the political subdivision in the service area;

17 (2) the amount of interest accumulated under Section
18 395.025 on impact fees collected by the political subdivision in
19 the service area;

20 (3) any proposed capital improvements or facility
21 expansions to be financed from an impact fee collected by the
22 political subdivision in the service area that were not
23 constructed, as described by Section 395.025, including the
24 categories of each improvement and expansion;

25 (4) the amount of funds collected from impact fees by
26 the political subdivision in the service area that have not been
27 spent;

1 (5) each impact fee collected by the political
2 subdivision in the service area;

3 (6) the allocation of each impact fee made to the
4 political subdivision in the service area;

5 (7) any waived impact fees in the service area under
6 Section 395.016(g);

7 (8) any requested refunds of impact fees in the
8 service area under Section 395.025;

9 (9) any impact fees in the service area refunded under
10 Section 395.025; and

11 (10) any errors or omissions of credits in impact fee
12 calculations for impact fees in the service area.

13 (d) An independent financial audit conducted under this
14 section must be submitted to the political subdivision and advisory
15 committee described by Section 395.058. Before the political
16 subdivision may increase an existing impact fee or adopt a new
17 impact fee for a service area where an impact fee had previously
18 been adopted, the political subdivision must hold a public hearing
19 on the results of the audit received under this subsection.

20 (e) A political subdivision shall make available to the
21 public on the political subdivision's Internet website an
22 applicable independent financial audit at least 30 days before:

23 (1) the publication of notice required under Section
24 395.044; and

25 (2) the adoption of an order as required under Section
26 395.053.

27 (f) A political subdivision may use money collected from an

1 impact fee to conduct an audit required under this section.

2 SECTION 8. Section 395.077, Local Government Code, is
3 amended by adding Subsection (f) to read as follows:

4 (f) The attorney general may bring an action on behalf of a
5 property owner to contest an impact fee or to recover a refund for
6 an impact fee under Section 395.025.

7 SECTION 9. Section 395.078, Local Government Code, is
8 repealed.

9 SECTION 10. Section 395.059, Local Government Code, as
10 added by this Act, applies only to a new impact fee or an increase to
11 an existing impact fee adopted on or after the effective date of
12 this Act.

13 SECTION 11. Sections 395.043 and 395.054, Local Government
14 Code, as amended by this Act, apply only to a land use assumption,
15 capital improvement plan, or impact fee that is the subject of a
16 public hearing required to be held by Section 395.042 or 395.053 of
17 that code, as applicable, that is held on or after the 90th day
18 after the effective date of this Act. A land use assumption,
19 capital improvement plan, or impact fee subject to a public hearing
20 that is held before the 90th day after the effective date of this
21 Act is governed by the law in effect immediately before the
22 effective date of this Act, and the former law is continued in
23 effect for that purpose.

24 SECTION 12. Section 395.051(a), Local Government Code, as
25 amended by this Act, applies only to the approval of the imposition
26 of an impact fee on or after the effective date of this Act.

27 SECTION 13. Section 395.0515, Local Government Code, as

1 added by this Act, applies only to the increase of the amount of an
2 impact fee that is adopted on or after the effective date of this
3 Act.

4 SECTION 14. This Act takes effect September 1, 2025.

President of the Senate

Speaker of the House

I hereby certify that S.B. No. 1883 passed the Senate on April 23, 2025, by the following vote: Yeas 26, Nays 5; and that the Senate concurred in House amendments on May 21, 2025, by the following vote: Yeas 26, Nays 5.

Secretary of the Senate

I hereby certify that S.B. No. 1883 passed the House, with amendments, on May 16, 2025, by the following vote: Yeas 87, Nays 32, one present not voting.

Chief Clerk of the House

Approved:

Date

Governor