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Texas Legislative Update: Breaking Down the New Texas Laws Impacting Construction

The Texas Legislature concluded its Regular Session and quickly moved into a Special Session. While political gridlock may dominate headlines at the State Capitol, lawmakers enacted legislation with significant implications for the construction sector. This update highlights the most important legislative developments from the 89th Regular Legislative Session.

The 89th Regular Session convened from January 14th through June 2, 2025, producing several legislative reforms affecting the construction industry. Of 11,277 bills filed, the Legislature enacted 1,155 measures, with Governor Abbott vetoing 28 bills by the June 22, 2025 deadline. Although the Legislature has since entered Special Sessions, no agenda items currently under consideration are expected to directly impact the construction industry.

The following sections review key legislation from the Regular Session, focusing on those bills most relevant to the construction industry. Topics include restrictions on new rules on right to repair accrual dates, prompt payment requirements for public works projects, changes to trust fund assignment rights, lien law deadline reforms, venue provisions for construction contracts, contracting integrity in K-12 and higher education, expanded liability protections for land surveyors, municipal regulation of mixed-use and multifamily projects, bonding limitations on pipelines, updated building energy codes, LNG permitting reforms, and environmental standards for construction materials facilities.

Right to Repair Accrual Date on Public Works Projects

HB 1922, effective September 1, 2025, establishes that causes of action under the right to repair statute accrue on the date the report required under Section 2272.003 of the Texas Government Code is postmarked. Under the right of repair statute, public owners must provide written notice of construction defects to contractors, who then have opportunities to cure defects before litigation proceeds. Previously, the accrual date for limitations purposes could be interpreted as the date of notice delivery, receipt, or contractor response, creating ambiguity for both plaintiffs and defendants. The new statutory language eliminates this uncertainty by tying accrual to an objective, verifiable event — the postal service postmark date.

Prompt Payment on Public Works Projects

HB 3005, effective September 1, 2025, addresses the timely payment of funds under construction contracts for public works projects. The bill clarifies that for purposes of prompt payment requirements, a “bona fide dispute” does not include an audit of the project if that audit extends more than sixty days after substantial completion. In other words, public entities may not withhold payment indefinitely by citing prolonged audits as disputes. The legislation ensures greater certainty for contractors by limiting the time frame in which an audit can delay payment, promoting fairer payment practices on public works projects.

Trust Fund Claim Assignments

SB 841, effective on September 1, 2025, amends the Texas Property Code to clarify and expand protections for construction trust funds. The new law permits the assignments of unpaid trust fund rights to upstream parties in the contract chain. Such assignments are only enforceable if they are in writing, made after the assignee has already paid the beneficiary in full, and not included as part of the construction contract itself. In addition, only another beneficiary, a trustee, or the property owner may receive the assignment. This statutory change directly addresses and overturns the precedent established in *In re RTX Custom Homes, Inc.* (U.S. Bankruptcy Court), which held that trust fund claims were not assignable.

Lien Law Deadlines

SB 929, effective as of May 21, 2025, amends Section 53.003(e) of the Texas Property Code, extending lien notice deadlines to the next business day when statutory deadlines fall on weekends or holidays. Texas lien law imposes strict deadlines for various notice requirements, and courts have traditionally applied these deadlines without equitable exceptions for weekends or holidays. The reform aligns Texas lien law with general statutory construction principles that extend deadlines falling on non-business days.

Venue for Texas Construction Projects

HB 2960, effective on September 1, 2025, amends provisions of the Texas Business & Commerce Code and the Civil Practice and Remedies Code to restrict the enforceability of certain contractual provisions in construction contracts. Specifically, it voids clauses requiring the application of another state's law, litigation in another state, or arbitration outside of Texas, declaring such provisions contrary to public policy. The bill further mandates that construction contract disputes on real property located in Texas must be brought in Texas, and unless the parties agree otherwise after a dispute arises, the action must be filed in the county where the property at issue is located. Additionally, the legislation clarifies that venue agreements in construction contracts are void, not merely voidable, when they conflict with Chapter 272 of the Business & Commerce Code.

Integrity in K-12 Education Contracting

HB 210, effective on September 1, 2025, targets conflicts of interest within school districts and charter schools by prohibiting contracts with vendors where board members or their close relatives hold significant ownership stakes, receive valuable gifts, or otherwise stand to benefit improperly. A "substantial interest" is defined as more than a ten percent ownership or profit share, and violations carry escalating criminal penalties. This measure is designed to safeguard against self-dealing and corruption in K-12 contracting.

Higher Education Student Housing Partnerships

HB 718, effective on September 1, 2025, addresses higher education by prohibiting public universities and colleges from partnering with private entities to build student housing if those entities face unresolved claims or liens for nonpayment to contractors, subcontractors, or vendors. Exceptions exist when the entity has secured a payment bond or is disputing the claim in good faith. By requiring financial reliability from private partners, the bill ensures that institutions avoid contracts that could expose them to disputes or delays tied to unpaid obligations.

Surveyor Liability Protections

SB 687, effective September 1, 2025, expands professional liability protections under Section 130.002 of the Texas Civil Practice and Remedies Code by including land surveyors. This amendment makes certain indemnity and defense provisions in construction contracts void and unenforceable. Contractors cannot be required to indemnify architects, engineers, and land surveyors for damage caused by their own negligence or design defects. Similarly, architects, engineers, and land surveyors cannot be forced to indemnify owners for damage caused by the owner's negligence. Additionally, contracts must hold architects, engineers, and land surveyors to the ordinary professional standard of care, and any attempt to impose a different standard is unenforceable.

Restrictions on Mixed-Use and Multifamily Development

SB 840, effective on September 1, 2025, restricts the authority of large municipalities (those over 150,000 residents in counties over 300,000) from imposing zoning and development barriers on mixed-use and multifamily residential projects, including conversions of older commercial buildings. The bill requires cities to allow such developments in areas zoned for office, retail, commercial, or warehouse use without requiring rezoning, variances, or special permits, while setting limits on density, height, setbacks, and parking regulations to prevent overly restrictive standards. It also prohibits municipalities from imposing additional requirements like traffic studies, parking expansions, or costly utility upgrades on qualifying commercial-to-residential conversions, and bars new impact fees unless they already applied to the site.

Pipeline Construction Bonding

HB 206, effective on September 1, 2025, limits the authority of Texas counties in regulating pipeline construction by prohibiting them from requiring a cash bond as a condition of approval. The measure is intended to streamline the approval process for pipeline projects and reduce financial barriers that counties might otherwise impose on developers. The restriction applies prospectively, meaning it only affects applications for pipeline construction filed on or after September 1, 2025, the date the new law takes effect.

Energy Codes for Commercial and Residential Buildings

SB 783, effective on September 1, 2025, grants the State Energy Conservation Office authority to adopt new energy codes for commercial and residential buildings following public notice and stakeholder input requirements. The statute aims to enhance construction efficiency, reducing consumer costs and electrical grid strain through updated energy standards.

Environmental Permitting for LNG Export Terminals

SB 2037, effective on September 1, 2025, streamlines the permitting process for liquefied natural gas (LNG) export terminal projects by requiring the Texas Commission on Environmental Quality (TCEQ) to respond to public comments within 120 days, establishing an expedited review option funded by applicant-paid fees, and allowing the use of overtime staff or contract labor to accelerate processing. It also revises contested case procedures by requiring parties to specify why they are affected persons and mandating preliminary hearings within sixty days, with limited extensions.

Construction Materials Infrastructure

SB 2351, effective as of May 24, 2025, authorizes the Texas Commission on Environmental Quality (TCEQ) to require operators of permanent concrete plants, such as wet batching, dry batching, or central mixing facilities, to update construction plans to comply with amended standard permits if construction has not yet begun and the operator has requested an extension to start building. This provision applies to both Section 382.05195 and Section 382.05198 of the Texas Health and Safety Code, ensuring that facilities, delayed in construction, align with updated environmental and operational requirements.

Conclusion

Construction professionals are encouraged to review how these measures affect their operations, from contract drafting, payment practices, and project planning. Proactively adapting contract forms, compliance procedures, and internal oversight will help industry participants stay ahead of risk, capitalize on new opportunities, and ensure alignment with the evolving legal landscape.

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