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Texas Bills Propose Significant Reforms to Infrastructure Financing: Frost Brown Todd

Two bills of note pertaining specifically to certificates of obligation are being considered by the Texas Legislature. House Bill (HB) 1453 and Senate Bill (SB) 470 are substantially similar, with some key distinctions, in making significant proposed amendments to the Certificate of Obligation Act. Certificates of obligation are a non-voted ad valorem and revenue and tax-secured financing tool that enables local governments to respond proactively to financing critical infrastructure needs rather than delaying until the next bond election cycle.

Pursuant to HB 1453 and SB 470, certificates of obligation can only be issued to (1) comply with a state or federal law or rule for which the issuer has been notified of noncompliance; (2) mitigate the impact of a public health emergency; (3) finance the cleanup, mitigation, or remediation of a declared natural disaster; (4) comply with a court order; and (5) pay for professional services necessary for a public work.

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