

By: Holt

H.B. No. 4986

A BILL TO BE ENTITLED

AN ACT

relating to the issuance of certificates of obligation by local governments.

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

SECTION 1. This Act shall be known as the Certificate of Obligation Reform Act.

SECTION 2. Section 271.043(7-a), Local Government Code, is amended to read as follows:

(7-a) "Public work" ~~[for an issuer that is a municipality or county:]~~

~~[(A)]~~ means:

(A) ~~[any of the following public improvements as authorized by law:]~~

~~[(i)]~~ a street, road, highway, bridge, sidewalk, ~~[or]~~ parking structure, or

~~[(ii)]~~ a landfill, or

~~[(iii)]~~ an airport, or park;

(B) ~~[(iv)]~~ a part of a utility system, water supply project, water treatment plant, wastewater treatment plant, ~~[or]~~ water or wastewater conveyance facility, or

~~[(v)]~~ a wharf, ~~[or]~~ dock, or

~~[(vi)]~~ a flood control and drainage project;

~~[(vii)] a public safety facility, including~~

~~a police station, fire station, emergency shelter, jail, or juvenile detention facility;~~

~~[(viii) a judicial facility;~~

~~[(ix) an administrative office building housing the governmental functions of the municipality or county;~~

~~[(x) an animal shelter;~~

~~[(xi) a library; or~~

~~[(xii) a park or recreation facility that is generally accessible to the public and is part of the municipal or county park system;~~

~~[(B) means the rehabilitation, expansion, reconstruction, or maintenance of an existing stadium, arena, civic center, convention center, or coliseum that is owned and operated by the municipality or county or by an entity created to act on behalf of the municipality or county; and]~~

(C) a telecommunications, wireless communications, or information technology system and any computer application hardware or software; or

(D) a cybersecurity system ~~[does not include:~~

~~[(i) a facility for which more than 50 percent of the average annual usage is or is intended to be for professional or semi-professional sports;~~

~~[(ii) a new stadium, arena, civic center, convention center, or coliseum that is or is intended to be leased by a single for-profit tenant for more than 180 days in a single calendar year; or~~

~~[(iii) a hotel].~~

SECTION 3. Section 271.045, Local Government Code, is amended by amending Subsections (a) and (b) and adding Subsections (f) and (g) to read as follows:

(a) The governing body of an issuer may authorize certificates only as necessary to pay a contractual obligation to be incurred for the construction, creation, renovation, repair, or improvement of a public work that is necessary:

(1) to comply with a state or federal law or rule, but only if the issuer has been officially notified of noncompliance with the law or rule ~~[construction of any public work]~~;

(2) to mitigate the impact of the following, as determined by the governing body:

(A) a public health emergency in the jurisdiction of the issuer that poses an imminent danger to the physical health or safety of the residents of the issuer; or

(B) a natural disaster in the jurisdiction of the issuer subject to a state of disaster declared or renewed by:

(i) the governor under Section 418.014, Government Code, in the fiscal year that the certificates are authorized; or

(ii) the presiding officer of the governing body of the issuer under Section 418.108, Government Code, in the fiscal year that the certificates are authorized ~~[purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes]~~; or

(3) to respond to a court decision that requires the issuer to construct, create, renovate, repair, or improve a public

1 work [~~payment of contractual obligations for professional~~
2 ~~services, including services provided by tax appraisers,~~
3 ~~engineers, architects, attorneys, map makers, auditors, financial~~
4 ~~advisors, and fiscal agents]~~.

5 (b) If necessary because of a change order for a contractual
6 obligation incurred for the construction, creation, renovation,
7 repair, or improvement of a public work [~~orders~~], the governing
8 body of an issuer may authorize the issuance of certificates [~~may be~~
9 ~~authorized~~] in an amount not to exceed 15 [~~25~~] percent of the [~~a~~]
10 contractual obligation [~~incurred for the construction of public~~
11 ~~works~~], but certificates may be delivered only in the amount
12 necessary to discharge the contractual obligation [~~obligations~~].

13 (f) The governing body of an issuer that authorizes the
14 issuance of a certificate shall enter into a contract for the
15 construction, creation, renovation, repair, or improvement of the
16 public work for which the issuance is authorized not later than the
17 90th day after the date the governing body authorizes the issuance.

18 (g) The governing body of an issuer that authorizes a
19 certificate to pay a contractual obligation under Subsection
20 (a)(2)(A) shall adopt a resolution describing the conditions and
21 circumstances of the public health emergency.

22 SECTION 4. Section 271.0461, Local Government Code, is
23 amended to read as follows:

24 Sec. 271.0461. ADDITIONAL PURPOSE FOR CERTIFICATES:
25 DEMOLITION OF DANGEROUS STRUCTURES [~~OR RESTORATION OF HISTORIC~~
26 ~~STRUCTURES~~]. Certificates may be issued by any municipality for
27 the payment of contractual obligations to be incurred in

1 demolishing dangerous structures ~~[or restoring historic~~
2 ~~structures]~~ and may be sold for cash, subject to the restrictions
3 and other conditions of Section 271.050.

4 SECTION 5. Sections 271.047(c) and (d), Local Government
5 Code, are amended to read as follows:

6 (c) A certificate may not mature over a period greater than
7 30 ~~[40]~~ years from the date of the certificate and may not bear
8 interest at a rate greater than that allowed by Chapter 1204,
9 Government Code.

10 (d) Except as provided by this subsection, the governing
11 body of an issuer may not authorize a certificate to pay a
12 contractual obligation to be incurred if a bond proposition to
13 authorize the issuance of bonds for the same purpose was submitted
14 to the voters during the preceding five ~~[three]~~ years and failed to
15 be approved. A governing body may authorize a certificate that the
16 governing body is otherwise prohibited from authorizing under this
17 subsection:

18 (1) in a case described by Sections 271.056(1)-(3);
19 and

20 (2) to comply with a state or federal law, rule, or
21 regulation if the political subdivision has been officially
22 notified of noncompliance with the law, rule, or regulation.

23 SECTION 6. Section 271.049(c), Local Government Code, is
24 amended to read as follows:

25 (c) If before the date tentatively set for the authorization
26 of the issuance of the certificates or if before the authorization,
27 the municipal secretary or clerk if the issuer is a municipality, or

1 the county clerk if the issuer is a county, receives a petition
2 signed by at least two [~~five~~] percent of the registered [~~qualified~~]
3 voters of the issuer protesting the issuance of the certificates,
4 the issuer may not authorize the issuance of the certificates
5 unless the issuance is approved at an election ordered, held, and
6 conducted in the manner provided for bond elections under Chapter
7 1251, Government Code.

8 SECTION 7. Section 271.057(a), Local Government Code, is
9 amended to read as follows:

10 (a) Except as provided by Subsection (b), a contract let
11 under this subchapter for the construction, creation, renovation,
12 repair, or improvement of a public work [~~works~~] or the purchase of
13 materials, equipment, supplies, or machinery and for which
14 competitive bidding is required by this subchapter must be let to
15 the lowest responsible bidder and, as the governing body
16 determines, may be let on a lump-sum basis or unit price basis.

17 SECTION 8. Section 271.059, Local Government Code, is
18 amended to read as follows:

19 Sec. 271.059. CONTRACTOR'S BONDS. If a contract is for the
20 construction, creation, renovation, repair, or improvement of a
21 public work [~~works~~] and is required by this subchapter to be
22 submitted to competitive bidding, the successful bidder must
23 execute a good and sufficient payment bond and performance bond.
24 The bonds must each be:

- 25 (1) in the full amount of the contract price; and
26 (2) executed, in accordance with Chapter 2253,
27 Government Code, with a surety company authorized to do business in

1 this state.

2 SECTION 9. Section [271.046](#), Local Government Code, is
3 repealed.

4 SECTION 10. The changes in law made by this Act apply only
5 to a certificate of obligation issued on or after the effective date
6 of this Act. A certificate of obligation issued before the
7 effective date of this Act is governed by the law in effect on the
8 date the certificate was issued, and the former law is continued in
9 effect for that purpose.

10 SECTION 11. This Act takes effect September 1, 2025.