By: Flynn

H.B. No. 114

A BILL TO BE ENTITLED

1   AN ACT

2   relating to the issuance of certain capital appreciation bonds by

3   political subdivisions.

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

5   SECTION 1.   Subchapter B, Chapter 1201, Government Code, is

6   amended by adding Section 1201.0245 to read as follows:

7   Sec. 1201.0245. CAPITAL APPRECIATION BONDS BY POLITICAL

8   SUBDIVISIONS.   (a)   In this section, "capital appreciation bond"

9   means a bond that accrues and compounds interest from its date of

10 delivery, the interest on which by its terms is payable only upon

11 maturity or prior redemption.

12   (b) A county, municipality, special district, school

13 district, junior college district, or other political subdivision

14 may not issue capital appreciation bonds that are secured by ad

15 valorem taxes unless:

16   (1)   the bonds have a scheduled maturity date that is

17 not later than 20 years after the date of issuance;

18   (2)   the governing body of the political subdivision

19 has received a written estimate of the cost of the issuance,

20 including:

21   (A)   the amount of principal and interest to be

22 paid until maturity;

23   (B)   the amount of fees to be paid to outside

24 vendors, including vendors who sell products to be financed by the

1 bond issuance;

2 (C) the amount of fees to be paid to each

3 financing team member; and

4 (D) the projected tax impact of the bonds and the

5 assumptions on which the calculation of that impact is based;

6 (3) the governing body of the political subdivision

7 has determined in writing whether any personal or financial

8 relationship exists between the members of the governing body and

9 any financial advisor, bond counsel, bond underwriter, or other

10 professional associated with the bond issuance; and

11 (4) the governing body of the political subdivision

12 posts prominently on the political subdivision's Internet website

13 and enters in the minutes of the governing body:

14 (A) the total amount of the bonds to be voted on;

15 (B) the length of maturity of the bonds;

16 (C) the projects proposed to be financed with

17 bond proceeds;

18 (D) the total amount of the political

19 subdivision's outstanding bonded indebtedness at the time of the

20 election, including the amount of principal and interest to be paid

21 until maturity;

22 (E) the total amount of the political

23 subdivision's outstanding bonded indebtedness, updated quarterly,

24 including the amount of principal and interest to be paid until

25 maturity; and

26 (F) the information received under Subdivision

27 (2) and determined under Subdivision (3).

1   (c) The total amount of capital appreciation bonds may not

2 exceed 25 percent of the political subdivision's total outstanding

3 bonded indebtedness at the time of the issuance, including the

4 amount of principal and interest to be paid on the outstanding bonds

5 until maturity.

6   (d) Except as provided by Subsection (e), a county,

7 municipality, special district, school district, junior college

8 district, or other political subdivision may not extend the

9 maturity date of an issued capital appreciation bond, including

10 through the issuance of refunding bonds that extend the maturity

11 date.

12   (e) A school district may extend the maturity date of an

13 issued capital appreciation bond only if:

14   (1) the maximum legally allowable tax rate for

15 indebtedness has been adopted; and

16   (2) the attorney general certifies in writing that the

17 solvency of the permanent school fund's bond guarantee program

18 would be threatened without the extension.

19   (f) Subsection (b) does not apply to the issuance of:

20   (1) refunding bonds under Chapter 1207; or

21   (2) capital appreciation bonds for the purpose of

22 financing transportation projects.

23   SECTION 2. The change in law made by this Act does not

24 affect the validity of capital appreciation bonds issued before the

25 effective date of this Act.

26   SECTION 3. This Act takes effect September 1, 2015.