

By: Dale

H.B. No. 2099

A BILL TO BE ENTITLED

AN ACT

relating to the issuance of capital appreciation bonds by political subdivisions.

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

SECTION 1. This Act may be cited as the Capital Appreciation Bond Promoting Accountability Measure Act.

SECTION 2. Subtitle C, Title 9, Government Code, is amended by adding Chapter 1253 to read as follows:

CHAPTER 1253. ISSUANCE OF CAPITAL APPRECIATION BONDS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 1253.001. DEFINITIONS. In this chapter:

(1) "Capital appreciation bond" means a bond that accrues and compounds interest from its date of delivery, the interest on which by its terms is payable only upon maturity or prior redemption.

(2) "Political subdivision" means a county, municipality, special district, school district, junior college district, or other political subdivision of this state.

Sec. 1253.002. INAPPLICABILITY TO BONDS FOR TRANSPORTATION PROJECTS. This chapter does not apply to the issuance of capital appreciation bonds to finance transportation infrastructure projects.

SUBCHAPTER B. REQUIREMENTS FOR ISSUANCE

Sec. 1253.051. NOVEMBER UNIFORM ELECTION DATE REQUIRED. A

1 political subdivision may not issue capital appreciation bonds  
2 unless:

3 (1) the bonds were approved at an election held on the  
4 November uniform election date; and

5 (2) the ballot proposition includes:

6 (A) the principal amount of the bond issuance;

7 (B) an estimated amount, based on current  
8 interest rates at the time the decision is made to place the bonds  
9 on the ballot, of the amortized cost of the bonds if the bonds are  
10 not paid off early;

11 (C) a statement that the bonds issued may be  
12 capital appreciation bonds; and

13 (D) a short description of capital appreciation  
14 bonds.

15 Sec. 1253.052. LIMITATION ON AMOUNT OF OUTSTANDING CAPITAL  
16 APPRECIATION BOND DEBT. A political subdivision may not issue  
17 capital appreciation bonds in an amount that would cause its  
18 capital appreciation bond debt to exceed 25 percent of the  
19 political subdivision's total outstanding bonded indebtedness.

20 Sec. 1253.053. LIMITATION ON MATURITY DATE. A political  
21 subdivision may not issue capital appreciation bonds with a  
22 scheduled maturity date more than 25 years after the date of  
23 issuance.

24 Sec. 1253.054. EARLY REPAYMENT OPTION REQUIRED. A  
25 political subdivision may not issue capital appreciation bonds  
26 unless the bond agreement allows early repayment of the bonds by the  
27 political subdivision without penalties or additional fees.

1       Sec. 1253.055. LIMITATIONS ON SCHOOL DISTRICTS. (a) A  
2 school district may not issue capital appreciation bonds unless:

3           (1) the district is a high enrollment growth district  
4 for the purposes of Section 31.0214, Education Code; and

5           (2) before an election is ordered, the governing body  
6 of the district:

7                   (A) adopts, by record vote, a resolution stating  
8 that the district is considering issuing capital appreciation  
9 bonds;

10                   (B) attaches a record of the vote under Paragraph  
11 (A) to the resolution; and

12                   (C) posts the resolution on the district's  
13 Internet website not later than the 90th day before the date of the  
14 bond election.

15       (b) Bonds issued by a school district on or after September  
16 1, 2025, are not eligible for guarantee by the permanent school fund  
17 under Section 45.052, Education Code, if the district's outstanding  
18 capital appreciation bond debt exceeds 25 percent of its total  
19 outstanding bonded indebtedness.

20                   SUBCHAPTER C. USE OF PROCEEDS

21       Sec. 1253.101. USE OF PROCEEDS. (a) A political  
22 subdivision may use proceeds from the issuance of capital  
23 appreciation bonds only to purchase assets, including real estate  
24 and new construction, that have an expected use, to be determined  
25 based on the depreciable life of the asset under the Internal  
26 Revenue Code of 1986, that extends beyond the bonds' maturity date.

27       (b) A political subdivision may not use proceeds from the

1 issuance of capital appreciation bonds for:

2 (1) renovations to existing structures;

3 (2) technology purchases, including computers; or

4 (3) school buses or other vehicles.

5 SUBCHAPTER D. TRANSPARENCY

6 Sec. 1253.151. BOND INFORMATION ON INTERNET WEBSITE. (a) A  
7 political subdivision that has outstanding capital appreciation  
8 bond debt shall post prominently on the political subdivision's  
9 Internet website for each outstanding issuance of capital  
10 appreciation bonds:

11 (1) the principal cost of the bonds;

12 (2) the purpose for which the bonds were issued;

13 (3) the full amortization schedule for the bonds;

14 (4) the total amount to be paid for the bonds if the  
15 bonds are not repaid before maturity; and

16 (5) the bond counsel, underwriter, and financial  
17 institution for the issuance.

18 (b) The information under Subsection (a) must be updated  
19 annually, not later than the 60th day before the November uniform  
20 election date.

21 SECTION 3. This Act takes effect immediately if it receives  
22 a vote of two-thirds of all the members elected to each house, as  
23 provided by Section 39, Article III, Texas Constitution. If this  
24 Act does not receive the vote necessary for immediate effect, this  
25 Act takes effect September 1, 2015.