

By: Campbell

S.B. No. 573

A BILL TO BE ENTITLED

AN ACT

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

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

SECTION 1. Subchapter B, Chapter 1201, Government Code, is amended by adding Section 1201.0245 to read as follows:

Sec. 1201.0245. ISSUANCE OF CAPITAL APPRECIATION BONDS BY LOCAL GOVERNMENTS. (a) In this section, "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.

(b) The total amount of capital appreciation bonds issued by a county, municipality, special district, school district, junior college district, or other political subdivision that are secured by ad valorem taxes may not exceed 25 percent of the political subdivision's total outstanding bonded indebtedness at the time of the issuance, including the amount of principal and interest to be paid on the outstanding bonds until maturity.

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

(1) refunding bonds under Chapter 1207; or

(2) capital appreciation bonds for financing transportation projects.

SECTION 2. The change in law made by this Act does not affect the validity of capital appreciation bonds issued before the

1 effective date of this Act.

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