LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 7, 2015

TO: Honorable Tan Parker, Chair, House Committee on Investments & Financial Services

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1750** by Shaheen (Relating to a prohibition on the issuance of certain capital appreciation bonds by local governments.), **As Introduced**

No fiscal implication to the State is anticipated.

The bill would amend Chapter 1201 of the Government Code to prohibit a local governmental entity from issuing capital appreciation bonds (CABs) that are secured by ad valorem taxes, but would not be applicable to refunding bonds or CABs for transportation projects.

According to the Texas State Soil and Water Conservation Board, no fiscal impact to the state is anticipated.

According to the Texas Education Agency (TEA), the bill would have no direct fiscal implications for the Foundation School Program or the operations of the TEA.

Local Government Impact

Based on the Texas Bond Review Board's (BRB) 2014 Local Government Annual Report, capital appreciation bonds (CABs) amounts issued by local governments in fiscal year 2014 totaled $476.7 million. School Districts utilize CABs more frequently than other issuers of local debt, issuing 99% of total CABs issued in 2014.

The Texas Municipal League indicated that based on the BRB's report, cities did not issue CABs very often in fiscal year 2014.

The Texas Association of Counties indicated the bill would have limited fiscal impact to counties.

According to the TEA, school districts would not be able to issue CABs secured by ad valorem taxes; however, they would be able to issue refunding bonds for cost savings. Because total interest costs on CABs can be higher than interest costs on current interest bonds, school districts could experience savings on the interest paid on bonds if they were prohibited from using CABs.

Source Agencies: 592 Soil and Water Conservation Board, 701 Central Education Agency

LBB Staff: UP, CL, EK, JBi, ED