

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**March 23, 2015**

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

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2099** by Dale (Relating to the issuance of capital appreciation bonds by political subdivisions.), **As Introduced**

**No fiscal implication to the State is anticipated.**

The bill would amend the Government Code to prohibit a political subdivision from issuing a capital appreciation bond (CAB) unless the bond is approved by an election. The bill also provides limitations on the amount of a bond based on the subdivision's total outstanding bonded indebtedness, limitations on a maturity date of a bond and limitations on school districts. The bill would require the bond agreement to allow early repayment of the bond. Under the provision of the bill, proceeds from the issuance of capital appreciation bonds may only be used for the purchasing of certain assets. The bill would require certain capital appreciation bond information to be posted on a political subdivision's website.

The bill would have no direct fiscal implications for the Foundation School Program (FSP) or the operations of the Texas Education Agency (TEA). Beginning September 1, 2025, TEA could not provide Permanent School Fund guarantees for bonds if a district's CAB debt exceeded 25 percent of the total outstanding debt.

**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.

School districts would face additional restrictions regarding the issuance of CABs. There may be some administrative costs for school districts to post board resolutions and CAB information on their websites, but these costs are not anticipated to be significant.

**Source Agencies:** 701 Central Education Agency

**LBB Staff:** UP, CL, SD, EK, JBi