

House Bill 114
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

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

Sec. 1201.0245. CAPITAL APPRECIATION BONDS BY POLITICAL SUBDIVISIONS. (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) A county, municipality, special district, school district, junior college district, or other political subdivision may not issue capital appreciation bonds that are secured by ad valorem taxes unless:

(1) the bonds have a scheduled maturity date that is not later than 25 years after the date of issuance;

(2) the governing body of the political subdivision has received a written estimate of the cost of the issuance, including:

(A) the amount of principal and interest to be paid until maturity;

(B) the amount of fees to be paid to outside vendors, including vendors who sell products to be financed by the bond issuance;

(C) the amount of fees to be paid to each financing team member; and

(D) the projected tax impact of the bonds and the assumptions on which the calculation of the projected tax impact is based;

(3) the governing body of the political subdivision has determined in writing whether any personal or financial relationship exists between the members of the governing body and any financial advisor, bond counsel, bond underwriter, or other professional associated with the bond

SENATE VERSION (CS)

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

Sec. 1201.0245. CAPITAL APPRECIATION BONDS BY POLITICAL SUBDIVISIONS. (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) A county, municipality, special district, school district, junior college district, or other political subdivision may not issue capital appreciation bonds that are secured by ad valorem taxes unless:

(1) the bonds have a scheduled maturity date that is not later than 20 years after the date of issuance;

(2) the governing body of the political subdivision has received a written estimate of the cost of the issuance, including:

(A) the amount of principal and interest to be paid until maturity;

(B) the amount of fees to be paid to outside vendors, including vendors who sell products to be financed by the bond issuance;

(C) the amount of fees to be paid to each financing team member; and

(D) the projected tax impact of the bonds and the assumptions on which the calculation of the projected tax impact is based;

(3) the governing body of the political subdivision has determined in writing whether any personal or financial relationship exists between the members of the governing body and any financial advisor, bond counsel, bond underwriter, or other professional associated with the bond

CONFERENCE

House Bill 114
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

issuance; and

(4) the governing body of the political subdivision posts prominently on the political subdivision's Internet website and enters in the minutes of the governing body:

(A) the total amount of the proposed bonds;

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

(C) the projects to be financed with bond proceeds;

(D) the intended use of bond proceeds not spent after completion of the projects identified in Paragraph (C);

(E) the total amount of the political subdivision's outstanding bonded indebtedness at the time of the election, including the amount of principal and interest to be paid on existing bond indebtedness until maturity;

(F) the total amount of the political subdivision's outstanding bonded indebtedness, including the amount of principal and interest to be paid until maturity; and

(G) the information received under Subdivision (2) and determined under Subdivision (3).

(c) The governing body of a political subdivision that makes a determination that a personal or financial relationship described by Subsection (b)(3) exists shall submit the determination to the Texas Ethics Commission.

(d) The governing body of a political subdivision shall regularly update the debt information posted on the political subdivision's Internet website under Subsection (b)(4)(F) to ensure that the information is current and accurate.

(e) Capital appreciation bond proceeds may not be used to purchase the following items, unless an item has an expected useful life, determined based on the depreciable life of the

SENATE VERSION (CS)

issuance; and

(4) the governing body of the political subdivision posts prominently on the political subdivision's Internet website and enters in the minutes of the governing body:

(A) the total amount of the proposed bonds;

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

(C) the projects to be financed with bond proceeds;

(D) the intended use of bond proceeds not spent after completion of the projects identified in Paragraph (C);

(E) the total amount of the political subdivision's outstanding bonded indebtedness at the time of the election on the bonds, including the amount of principal and interest to be paid on existing bond indebtedness until maturity;

(F) the total amount of the political subdivision's outstanding bonded indebtedness, including the amount of principal and interest to be paid until maturity; and

(G) the information received under Subdivision (2) and determined under Subdivision (3).

(c) The governing body of a political subdivision that makes a determination that a personal or financial relationship described by Subsection (b)(3) exists shall submit the determination to the Texas Ethics Commission.

(d) The governing body of a political subdivision shall regularly update the debt information posted on the political subdivision's Internet website under Subsection (b)(4)(F) to ensure that the information is current and accurate.

(e) Capital appreciation bond proceeds may not be used to purchase the following items, unless an item has an expected useful life, determined based on the depreciable life of the

CONFERENCE

House Bill 114
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

asset under the Internal Revenue Code of 1986, that exceeds the bond's maturity date:

- (1) items more regularly considered maintenance items, including replacement HVAC units, upgraded plumbing, or similar items; or
- (2) transportation-related items, including buses.

(f) Capital appreciation bond proceeds unspent after completion of the project identified as the proceeds' intended use may be used only for a use identified on the political subdivision's website under Subsection (b)(4)(D), unless another use is approved by the voters of the political subdivision at an election held for that purpose.

(g) The total amount of capital appreciation bonds 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.

(h) Except as provided by Subsection (i), a county, municipality, special district, school district, junior college district, or other political subdivision may not extend the maturity date of an issued capital appreciation bond, including through the issuance of refunding bonds that extend the maturity date.

- (i) A political subdivision may extend the maturity date of an issued capital appreciation bond only if:
- (1) the extension of the maturity date will decrease the total amount of projected principal and interest to maturity; or
 - (2) the political subdivision is a school district and:

SENATE VERSION (CS)

asset under the Internal Revenue Code of 1986, that exceeds the bond's maturity date:

- (1) items more regularly considered maintenance items, including replacement HVAC units, upgraded plumbing, or similar items; or
- (2) transportation-related items, including buses.

(f) Capital appreciation bond proceeds unspent after completion of the project identified as the proceeds' intended use may be used only for a use identified on the political subdivision's website under Subsection (b)(4)(D), unless another use is approved by the voters of the political subdivision at an election held for that purpose.

(g) The total amount of capital appreciation bonds 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.

(h) Except as provided by Subsection (i), a county, municipality, special district, school district, junior college district, or other political subdivision may not extend the maturity date of an issued capital appreciation bond, including through the issuance of refunding bonds that extend the maturity date.

- (i) A political subdivision may extend the maturity date of an issued capital appreciation bond only if:
- (1) the extension of the maturity date will decrease the total amount of projected principal and interest to maturity; or
 - (2) the political subdivision is a school district and:

CONFERENCE

House Bill 114
Senate Amendments
Section-by-Section Analysis

HOUSE VERSION

(A) the maximum legally allowable tax rate for indebtedness has been adopted; and

(B) the Texas Education Agency certifies in writing that the solvency of the permanent school fund's bond guarantee program would be threatened without the extension.

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

(1) refunding bonds under Chapter 1207; or

(2) capital appreciation bonds for the purpose of 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 effective date of this Act.

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

SENATE VERSION (CS)

(A) the maximum legally allowable tax rate for indebtedness has been adopted; and

(B) the Texas Education Agency certifies in writing that the solvency of the permanent school fund's bond guarantee program would be threatened without the extension.

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

(1) refunding bonds under Chapter 1207; or

(2) capital appreciation bonds for the purpose of financing transportation projects.

SECTION 2. Same as House version.

SECTION 3. Same as House version.

CONFERENCE