

1-1 By: Flynn, et al. (Senate Sponsor - Hinojosa) H.B. No. 114  
 1-2 (In the Senate - Received from the House May 14, 2015;  
 1-3 May 15, 2015, read first time and referred to Committee on Finance;  
 1-4 May 21, 2015, reported adversely, with favorable Committee  
 1-5 Substitute by the following vote: Yeas 12, Nays 0, 1 present not  
 1-6 voting; May 21, 2015, sent to printer.)

1-7 COMMITTEE VOTE

	Yea	Nay	Absent	PNV
1-8				
1-9	X			
1-10	X			
1-11	X			
1-12			X	
1-13	X			
1-14			X	
1-15	X			
1-16	X			
1-17	X			
1-18	X			
1-19	X			
1-20	X			
1-21	X			
1-22				X
1-23	X			

1-24 COMMITTEE SUBSTITUTE FOR H.B. No. 114 By: Hinojosa

1-25 A BILL TO BE ENTITLED  
 1-26 AN ACT

1-27 relating to the issuance of certain capital appreciation bonds by  
 1-28 political subdivisions.

1-29 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

1-30 SECTION 1. Subchapter B, Chapter 1201, Government Code, is  
 1-31 amended by adding Section 1201.0245 to read as follows:

1-32 Sec. 1201.0245. CAPITAL APPRECIATION BONDS BY POLITICAL  
 1-33 SUBDIVISIONS. (a) In this section, "capital appreciation bond"  
 1-34 means a bond that accrues and compounds interest from its date of  
 1-35 delivery, the interest on which by its terms is payable only upon  
 1-36 maturity or prior redemption.

1-37 (b) A county, municipality, special district, school  
 1-38 district, junior college district, or other political subdivision  
 1-39 may not issue capital appreciation bonds that are secured by ad  
 1-40 valorem taxes unless:

1-41 (1) the bonds have a scheduled maturity date that is  
 1-42 not later than 20 years after the date of issuance;

1-43 (2) the governing body of the political subdivision  
 1-44 has received a written estimate of the cost of the issuance,  
 1-45 including:

1-46 (A) the amount of principal and interest to be  
 1-47 paid until maturity;

1-48 (B) the amount of fees to be paid to outside  
 1-49 vendors, including vendors who sell products to be financed by the  
 1-50 bond issuance;

1-51 (C) the amount of fees to be paid to each  
 1-52 financing team member; and

1-53 (D) the projected tax impact of the bonds and the  
 1-54 assumptions on which the calculation of the projected tax impact is  
 1-55 based;

1-56 (3) the governing body of the political subdivision  
 1-57 has determined in writing whether any personal or financial  
 1-58 relationship exists between the members of the governing body and  
 1-59 any financial advisor, bond counsel, bond underwriter, or other  
 1-60 professional associated with the bond issuance; and

2-1 (4) the governing body of the political subdivision  
2-2 posts prominently on the political subdivision's Internet website  
2-3 and enters in the minutes of the governing body:

2-4 (A) the total amount of the proposed bonds;  
2-5 (B) the length of maturity of the proposed bonds;  
2-6 (C) the projects to be financed with bond  
2-7 proceeds;

2-8 (D) the intended use of bond proceeds not spent  
2-9 after completion of the projects identified in Paragraph (C);

2-10 (E) the total amount of the political  
2-11 subdivision's outstanding bonded indebtedness at the time of the  
2-12 election on the bonds, including the amount of principal and  
2-13 interest to be paid on existing bond indebtedness until maturity;

2-14 (F) the total amount of the political  
2-15 subdivision's outstanding bonded indebtedness, including the  
2-16 amount of principal and interest to be paid until maturity; and

2-17 (G) the information received under Subdivision  
2-18 (2) and determined under Subdivision (3).

2-19 (c) The governing body of a political subdivision that makes  
2-20 a determination that a personal or financial relationship described  
2-21 by Subsection (b)(3) exists shall submit the determination to the  
2-22 Texas Ethics Commission.

2-23 (d) The governing body of a political subdivision shall  
2-24 regularly update the debt information posted on the political  
2-25 subdivision's Internet website under Subsection (b)(4)(F) to  
2-26 ensure that the information is current and accurate.

2-27 (e) Capital appreciation bond proceeds may not be used to  
2-28 purchase the following items, unless an item has an expected useful  
2-29 life, determined based on the depreciable life of the asset under  
2-30 the Internal Revenue Code of 1986, that exceeds the bond's maturity  
2-31 date:

2-32 (1) items more regularly considered maintenance  
2-33 items, including replacement HVAC units, upgraded plumbing, or  
2-34 similar items; or

2-35 (2) transportation-related items, including buses.

2-36 (f) Capital appreciation bond proceeds unspent after  
2-37 completion of the project identified as the proceeds' intended use  
2-38 may be used only for a use identified on the political subdivision's  
2-39 website under Subsection (b)(4)(D), unless another use is approved  
2-40 by the voters of the political subdivision at an election held for  
2-41 that purpose.

2-42 (g) The total amount of capital appreciation bonds may not  
2-43 exceed 25 percent of the political subdivision's total outstanding  
2-44 bonded indebtedness at the time of the issuance, including the  
2-45 amount of principal and interest to be paid on the outstanding bonds  
2-46 until maturity.

2-47 (h) Except as provided by Subsection (i), a county,  
2-48 municipality, special district, school district, junior college  
2-49 district, or other political subdivision may not extend the  
2-50 maturity date of an issued capital appreciation bond, including  
2-51 through the issuance of refunding bonds that extend the maturity  
2-52 date.

2-53 (i) A political subdivision may extend the maturity date of  
2-54 an issued capital appreciation bond only if:

2-55 (1) the extension of the maturity date will decrease  
2-56 the total amount of projected principal and interest to maturity;  
2-57 or

2-58 (2) the political subdivision is a school district  
2-59 and:

2-60 (A) the maximum legally allowable tax rate for  
2-61 indebtedness has been adopted; and

2-62 (B) the Texas Education Agency certifies in  
2-63 writing that the solvency of the permanent school fund's bond  
2-64 guarantee program would be threatened without the extension.

2-65 (j) Subsection (b) does not apply to the issuance of:

2-66 (1) refunding bonds under Chapter 1207; or

2-67 (2) capital appreciation bonds for the purpose of  
2-68 financing transportation projects.

2-69 SECTION 2. The change in law made by this Act does not

3-1 affect the validity of capital appreciation bonds issued before the  
3-2 effective date of this Act.

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

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