

BILL ANALYSIS

H.B. 1750
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Investments & Financial Services
Committee Report (Unamended)

BACKGROUND AND PURPOSE

Interested parties note that the Public Security Procedures Act grants borrowing authority to certain governmental entities to raise funds through a debt obligation under certain circumstances. Additionally, the parties note that, currently, a political subdivision may issue a financial instrument that requires no payment until the maturity date of the bond. Often referred to as capital appreciation bonds or zero coupon bonds, these debt obligations accrue interest over a specific amount of time until, at maturity, full repayment in one lump sum is due. Interested parties assert that such financial instruments can lead to overleveraging by borrowing entities and expose local taxpayers to increased risk of significant tax increases resulting from the debt. Interested parties further assert that since these bonds do not require periodic interest payments, some governmental entities, such as independent school districts, may be incentivized to use these types of obligations to circumvent statutory debt constraints and that such use may prove problematic. H.B. 1750 seeks to address these concerns.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

H.B. 1750 amends the Government Code to prohibit a county, municipality, special district, school district, junior college district, or other political subdivision from issuing capital appreciation bonds that are secured by property taxes. The bill does not apply to the issuance of refunding bonds or to the issuance of capital appreciation bonds for the purpose of financing transportation projects. The bill defines "capital appreciation bond" as 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.

EFFECTIVE DATE

September 1, 2015.