

GOVERNMENT CODE
CHAPTER 1204. INTEREST RATE

Sec. 1204.001. DEFINITIONS. In this chapter:

(1) "Floating rate public security" means a public security or a portion of a public security that bears a rate of interest determined in accordance with a clearly stated formula, computation, or method, under which the net interest cost of the security or portion at any future date cannot be determined on the date of delivery of the security or portion.

(2) "Public agency" means:

(A) this state or a department, board, agency, district, municipal corporation, political subdivision, body politic and corporate, or instrumentality of this state; or

(B) a nonprofit corporation or not-for-profit entity that is an instrumentality of or is acting on behalf of an entity described by Paragraph (A).

(3) "Public security" means a bond, note, or other obligation that a public agency is authorized to issue.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1204.002. APPLICABILITY. (a) A provision of this chapter concerning the sale price of a public security or the maximum rate of interest that a public security may bear applies to any public security without regard to a contrary provision in another law or a charter.

(b) A provision of this chapter concerning the sale price of a public security does not apply to a public security whose maximum rate of interest or maximum net effective interest rate is, at the time the public security is issued, specifically set by the constitution of this state.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1204.003. COMPUTATION OF PUBLIC SECURITY YEARS. (a) Public security years are computed for each separate public security that is part of an issue or series of public securities by dividing the principal amount at par value of the public security by 100 and multiplying the resulting quotient by:

(1) the number of years from the date interest begins to accrue on the public security to the date the security is scheduled to mature; or

(2) for a floating rate public security, the number of years from the date net interest cost begins to accrue on the public security to the earlier of:

(A) the date the security is scheduled to mature;

or

(B) any date interest on the security is computed.

(b) If any portion of an issue or series of public securities is subject to a mandatory redemption before the scheduled maturity that at the time of delivery of the public securities is scheduled to occur on a specific date or dates, the public security years are computed as if the face amount of public securities required to be redeemed on each earlier date were scheduled to mature on that earlier date.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1204.004. COMPUTATION OF NET INTEREST COST. (a) In this section:

(1) "Discount" means an amount equal to the principal amount at par value of an issue or series of public securities plus any accrued interest to the date of delivery minus the total sum of money paid to the public agency.

(2) "Premium" means an amount equal to the total amount of money paid to the public agency for an issue or series of public securities minus:

(A) the principal amount at par value of the issue or series; and

(B) any accrued interest to the date of delivery.

(b) The net interest cost of an issue or series of public securities is the total of all interest to become payable on the issue or series through the final scheduled maturity date of the issue or series, plus any discount or minus any premium included in the price paid for the issue or series.

(c) The net interest cost of an issue or series of floating rate public securities is the total of all interest to accrue from the date of delivery and become payable on the issue or series through any date net interest cost is computed on the issue or series:

(1) plus, in the case of a discount, the figure obtained by multiplying the dollar amount of the discount by a fraction, the numerator of which is the aggregate number of public security years to the date of the net interest cost computation and the denominator of which is the aggregate number of public security years to the scheduled final maturity date of the floating rate public securities; or

(2) minus, in the case of a premium, the figure obtained by multiplying the dollar amount of the premium by a fraction, the numerator of which is the aggregate number of public security years to the date of the net interest cost computation and the denominator of which is the aggregate number of public security years to the scheduled final maturity date of the floating rate public securities.

(d) If any portion of an issue or series of public securities is subject to a mandatory redemption before the scheduled maturity that at the time of delivery of the public securities is scheduled to occur on a specific date or dates:

(1) the net interest cost is computed as if the face amount of public securities required to be redeemed on each earlier date were scheduled to mature on that earlier date;

(2) the net interest cost includes any redemption premium required to be paid on any mandatory redemption date; and

(3) any other form of compensation, whether due on an optional or mandatory prepayment or redemption, may not be included in the net interest cost.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1204.005. COMPUTATION OF NET EFFECTIVE INTEREST RATE. (a) The net effective interest rate of an issue or series of public securities is computed by dividing the net interest cost of the issue or series by the aggregate total number of public security years of all public securities that comprise the issue or series and expressing the result as a rate of interest in percent per year.

(b) In computing the net effective interest rate of an issue or series of public securities that includes one or more public securities on which interest accruing before the maturity of the public security is compounded, the public security years with reference to each separate compounding public security are increased by an amount obtained by dividing the amount of interest that is periodically compounded by 100 and multiplying the resulting quotient by the number of years from the date on which interest begins to accrue on the amount that is being compounded to:

(1) the scheduled date for payment of the amount that is being compounded; or

(2) with respect to a floating rate public security, the date interest on the public security is next computed, if that date is earlier than the scheduled date for payment of the amount that is being compounded.

(c) For purposes of this chapter, interest compounded under Subsection (b) is considered as principal.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1204.006. MAXIMUM INTEREST RATE. (a) The maximum rate of interest for any issue or series of public securities, including an issue or series that is issued in exchange for property, labor, services, materials, or equipment under another law, is a net effective interest rate of 15 percent.

(b) Except as provided by Section 1204.007, a public agency may issue and sell any issue or series of its public securities at any price and bearing interest at any rate or rates determined by the agency's governing body that does not exceed the maximum rate under Subsection (a).

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.

Sec. 1204.007. MAXIMUM INTEREST RATE FOR CERTAIN PUBLIC SECURITIES. (a) Public securities authorized by an election held before April 15, 1981, may be issued, may be sold, and may bear interest as provided by Section 1204.006, except that public securities authorized by an election required by the constitution of this state may not be issued at an interest rate greater than the rate authorized at that election unless an additional election is held at which the issuance of the public securities at a price and at a rate authorized by Section 1204.006 is approved.

(b) A public agency shall hold and give notice of an additional election under Subsection (a) in the manner provided by law applicable to the election that authorized the public securities.

Added by Acts 1999, 76th Leg., ch. 227, Sec. 1, eff. Sept. 1, 1999.