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What Could Ken Paxton's Bank Bans Mean for the Dallas Bond?

As banks are banned from the Texas bond industry, interest rates are inflating and taxpayers are footing the bill.

Finance experts from across the state gathered in Austin last month for The Bond Buyer's Texas Public Finance conference, where they lamented, among other things, the cost of Ken Paxton's bank bans.

The bans stem from a 2021 anti-ESG (environment, social and governance) state law barring banks from underwriting municipal bonds if the bank is seen as boycotting or discriminating against the fossil fuel or firearm industries. The law pertains to any local government contract over \$100,000, and has been enforced through investigations by Attorney General Ken Paxton.

So What Does That Mean for Dallas?

When voters approve a bond package, city officials go to major banks for the loans. Once local governments find underwriters for the bonds, Paxton signs off on the deals, per state law. With a \$1.25 billion bond package approved by Dallas voters on May 4, the city now has to find a bank or banks to loan the money. But now they have fewer options than they did with previous bond measures.

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