

Major Differences Between Current Interest Bonds and Capital Appreciation Bonds

(author has a Ph.D., so hopefully calling "principal" "principle" is someone else's mistake, like a copyeditors of the American Society for Public Administration (whose publication it is))

Current Interest Bonds	Capital Appreciation Bonds
Principle and interest are paid quarterly or semi-annually over term of bond	Principle and compounded interest paid at maturity
Typically callable (refinance) after 10 years	Usually not callable
Cost ratio is typically 2, or 2.5 to 1	Cost ratio varies from 4 to 1 up to as much as 16 to 1
The term of the bond is usually 10 to 25 years	Term of bond can be as long as 40 years
Repayment begins in the first year	Repayment is deferred for several years
Repayments count against property tax rate	Deferred repayment counts against rate restriction as it becomes due

SOURCE: <http://patimes.org/poor-decision-worse-capital-appreciation-bonds-school-districts/>

The chart below displays three California school districts who issued CABs over the past three years. The amount in the green part of the column represents how much the CAB was issued for. Note that the amount in the first column for West Contra Costa School District is so small that it is barely shown. The amount in the red part of the column represents the amount that will be due upon repayment.

a.k.a. "principal"