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of Public Accounts

Your Money and Local Debt

A "Texas, It's Your Money"
report digging deeper
into state and local
government debt.



All business owners and homeowners know that you must manage and monitor your debt and credit use. Left unchecked and unmonitored, debt can spiral, hindering your dreams instead of furthering them.

Governments need to be mindful of debt as well, and they need to tell you, the people who are paying for it, how big the price tag will be. All tax-supported entities have an obligation to adhere to the same financial management and monitoring standards that you maintain for your home or business.

As Texas taxpayers, you need to be informed about the debt governments are taking on in your name: what the debt is buying and how long it will take to repay. Yet all too often, taxpayers have no idea how much public debt governments have issued.

This government debt report is the second in a series of reports that will help Texas taxpayers learn more about the ways in which their wallets are affected. The third report will provide a more in-depth look at education debt in Texas, followed by a fourth report shining a light on public pensions in Texas. The first report, issued in August, provided a closer look at local taxing entities.

We encourage you to visit www.TexasItsYourMoney.org and to read this report for a detailed look at how much debt our state and local governments owe, and how we rank compared with other states.

Follow the Comptroller's

"Texas, It's Your Money" series of reports at www.TexasItsYourMoney.org



As Comptroller, I'm reminded every day of the responsibility our office has to every citizen in the state. As our state's chief tax collector, accountant, revenue estimator and treasurer, we write the checks and keep the books for the multi-billion dollar business of state government.

We're committed to making Texas government transparent and keeping our books open, accessible and understandable to our citizens. Government should not make it hard for you to see the books. But it really only works when taxpayers use the information available to them to make informed decisions and hold their government accountable. I encourage you to do just that."

— SUSAN COMBS

EVERY TEXAN'S RIGHTS

YOU HAVE A RIGHT

to know who is taxing you and for what purpose. Your hard-earned dollars deserve the light of day, down to the penny.

YOU HAVE A RIGHT

to know exactly how and where state and local governments spend your money.

Through our Web resources such as Where the Money Goes, we've opened the state's books for public inspection, and we're encouraging all other levels of Texas government to make transparency their highest priority as well, placing annual budgets, annual financial reports and virtual "check registers" online.

YOU HAVE A RIGHT

to expect that government obligations are transparently funded, and that government finances are managed soundly and prudently.

Government should provide its citizens with an honest assessment of the financial challenges it faces.

YOU HAVE A RIGHT

to know about the debt local officials issue in your name. All ballots proposing new debt should provide voters with a full disclosure of existing debt.

YOU HAVE A RIGHT — AND A RESPONSIBILITY —

to be aware of and engaged in the affairs of your government.

Our democracy depends on it.

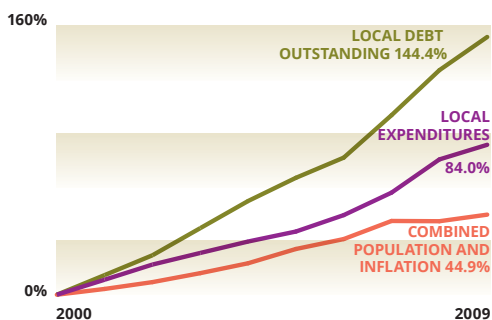
In short, you need to know, and should be in the know.

FAST-GROWING GOVERNMENT DEBT NEEDS MORE LIGHT OF DAY

A sharp economic downturn and worldwide headlines about downgraded credit ratings (outside of Texas) have increased public concern about government debt.

Prudent financial management at all levels of government is crucial to ensuring Texas remains a desirable destination for business and an affordable place for Texans to live and work.

LOCAL DEBT SOARS: COMPARING DEBT, EXPENDITURES AND GROWTH



Note: Between 2000 and 2009, the amount of outstanding Texas local government debt grew more quickly than local government spending. Data on debt and expenditures was unavailable for 2001 and 2003. Sources: U.S. Census Bureau, Bureau of Labor Statistics

Unlike the federal government, Texas lawmakers must adopt a balanced budget, meaning the state cannot budget for deficit spending. All state debt must be repaid from specific revenue streams or from the state's General Revenue fund (GR).

State and local governments levy taxes and fees to finance day-to-day operations and service existing debt. Unlike the ballooning national debt caused by repeated deficit budgets, Texas state and local government borrow primarily for investments in infrastructure, tuition bonds for higher education and other voter-approved debt, such as public school construction and the recent state bond issue for cancer research grants.

TAXPAYERS HAVE A RIGHT TO KNOW ABOUT PUBLIC DEBT

Debt can be somewhat hidden. When voting on a bond initiative, voters are typically only presented with information about the current proposal and not with information about existing debt. In fact, annual budgets and proposed tax rates considered openly at public board or council meetings before each new fiscal year may be the only time elected officials tell taxpayers about how much debt service they fund.

This report examines Texas' current levels of state and local government debt, highlighting trends that have seen our debt load more than double in the past decade. It also shows you where to find out just how much debt governments have accumulated and whether your taxes or other revenue will be used to repay it.

Taxpayers need accurate information to decide how well governments are meeting that responsibility, because government debt places obligations not just on us, but on our children and grandchildren as well.

WHAT IS DEBT?

AUTHORIZED BUT UNISSUED DEBT is debt available for borrowing at any time.

DEBT can refer to debt issued or outstanding debt.

DEBT ISSUED is the total amount of bond debt sold. The amount of debt issued depends on the will of the voters, action of the governing body, market conditions and budgetary needs.

DEBT OUTSTANDING is the principal owed over the remaining life of all debt issues.

DEBT SERVICE is the annual combined principal and interest amount needed to repay all debt on time and in full. This could also include other fees associated with maintaining debt.

PUBLIC DEBT PER CAPITA, 2011



Sources: Office of Management & Budget, Census Bureau, Bureau of Economic Analysis, Texas Bond Review Board and Texas Comptroller of Public Accounts

▲ This is the amount of federal, state and local public debt in 2011 for every man, woman and child in Texas. The Texas per capita gross domestic product (GDP) in 2011 was **\$51,587**. That means paying the federal debt would take almost a year's economic activity from every Texan to pay off, while the state's debt is less than two weeks' GDP.



Local governments issue two main types of debt. **Tax-supported** debt is usually secured by the issuer's tax revenue, while **revenue** debt typically is secured by a specified revenue source. Voter approval is needed for most tax-supported debt issuance, but not usually for revenue debt.

▶ In Texas, **19 state agencies and universities** and three nonprofit corporations are authorized to issue debt.

In fiscal 2011, the Texas Public Finance Authority (TPFA) issued **49 percent** of all new state government debt on behalf of other entities. Excluding TPFA, the Texas Transportation Commission issued **21 percent** of state debt, the largest share of any agency.

WHO ISSUES STATE DEBT AND WHY?

State debt totals include debt issued by state agencies and institutions of higher education either directly or through the Texas Public Finance Authority (TPFA). This includes debt issued by public four-year universities, public health-related institutions and two-year state colleges such as the Texas State Technical College System and the Lamar State Colleges.

Transportation funding accounts for the largest share of state debt outstanding, followed closely by debt issued for state universities and colleges.

On Aug. 31, 2011, Texas state government's total debt outstanding of **\$40.5 billion** includes:

- **\$4.15 billion** of debt to be repaid from the state's general revenue;
- **\$10.22 billion** of debt to be repaid from a dedicated revenue source other than the state's general revenue and subject to the state's full faith and credit if revenues are insufficient to pay the debt service;

- **\$21.83 billion** of debt to be repaid from dedicated revenue source other than the state's general revenue and is not subject to the state's full faith and credit; and

- **\$4.30 billion** is conduit debt (issued on behalf of and repaid from fees or tolls levied by private entities) to be repaid from a dedicated revenue source and not subject to the state's full faith and credit.

The state's full faith and credit pledges the state's revenues not otherwise appropriated to the payment of the debt.

Texas state government's authorized but unissued debt is **\$15.01 billion** with approximately **\$8.04 billion** expected to be repaid from the state's general revenue; as these authorized bonds are issued, the state's debt liability will increase.

AMOUNT OF STATE DEBT BY ISSUER

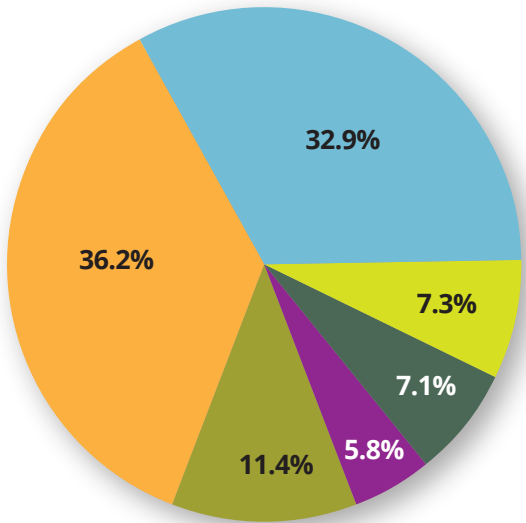
AUTHORIZED STATE DEBT ISSUER	DEBT OUTSTANDING (8/31/11)
MIDWESTERN STATE UNIVERSITY* (t)	\$4,210,000
OFFICE OF ECONOMIC DEVELOPMENT AND TOURISM (c)	\$125,000,000
STEPHEN F. AUSTIN STATE UNIVERSITY (t)	\$177,910,000
TEXAS DEPARTMENT OF AGRICULTURE	\$9,000,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS (c)	\$2,390,843,690
TEXAS HIGHER EDUCATION COORDINATING BOARD	\$798,915,000
TEXAS PRIVATE BOND SURFACE TRANSPORTATION CORPORATION (c)	\$1,015,000,000
TEXAS PUBLIC FINANCE AUTHORITY* (t)	\$4,426,007,605
TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION (c)	\$253,120,681
TEXAS SOUTHERN UNIVERSITY* (t)	\$18,910,000
TEXAS STATE AFFORDABLE HOUSING CORPORATION (c)	\$564,855,464
TEXAS STATE TECHNICAL COLLEGE SYSTEM (t)	\$47,675,714
TEXAS STATE UNIVERSITY SYSTEM	\$777,730,000
TEXAS TECH UNIVERSITY SYSTEM	\$528,077,000
TEXAS TRANSPORTATION COMMISSION (t)	\$13,652,884,052
TEXAS VETERANS LAND BOARD (GENERAL LAND OFFICE)	\$2,053,830,568
TEXAS WATER DEVELOPMENT BOARD (t)	\$2,877,773,000
TEXAS WOMAN'S UNIVERSITY	\$86,965,000
THE TEXAS A&M UNIVERSITY SYSTEM	\$2,248,796,667
THE UNIVERSITY OF NORTH TEXAS SYSTEM	\$455,055,000
THE UNIVERSITY OF TEXAS SYSTEM	\$7,292,062,000
UNIVERSITY OF HOUSTON SYSTEM	\$699,536,000
TOTAL STATE DEBT OUTSTANDING	\$40,504,157,441

* TPFA debt includes \$83.7 million issued on behalf of Midwestern State University and \$107.9 million issued on behalf of Texas Southern University.
 (c) All or part of this debt outstanding is conduit or component unit debt issued on behalf of a private entity that is responsible for repaying the debt.
 (t) All or part of this debt outstanding is tax-supported.
 Note: Education-related state debt will be discussed in a subsequent report in this series.
 Sources: Texas Bond Review Board, Texas Public Finance Authority

TEXAS TOTAL STATE DEBT OUTSTANDING BY CATEGORY

AS OF AUG. 31, 2011

OUTSTANDING TOTAL \$40.5 BILLION



Note: Numbers may not sum due to rounding.
Source: Texas Bond Review Board

TRANSPORTATION	\$14,667,884,000
STATE UNIVERSITIES AND COLLEGES	\$13,327,093,000
HOUSING	\$2,955,699,000
WATER	\$2,877,773,000
MILITARY/VETERANS	\$2,068,636,000
OTHER	\$4,607,073,000

TO THE POINT



Credit Rating agencies consider four primary factors when rating a state's debt: economy, finances, debt and management. International credit rating agencies Fitch Ratings and Moody's Investors Services gave Texas their highest general obligation debt ratings in 2011. Standard and Poors (S&P) ranked only seven states better than Texas.

All three agencies consider Texas credit to be stable.

Both Moody's and Fitch assigned Texas a AAA rating, while S&P rated Texas as AA+.

Source: Texas Bond Review Board Annual Report 2011

- TRANSPORTATION:** Debt issued by the Texas Transportation Commission for the Texas Department of Transportation to fund infrastructure including roads, bridges, rail and aviation. It also includes the Texas Private Activity Bond Surface Transportation Bonds, funding the North Tarrant Express and LBJ Freeway projects in the Metroplex on behalf of private investors to access lower interest rates.
- STATE UNIVERSITIES AND COLLEGES:** Debt issued by 10 public university systems and universities, the Texas State Technical College System and the Texas Higher Education Coordinating Board. It does not include debt serviced by the TPFPA on behalf of universities.
- HOUSING:** Debt issued by the Texas Department of Housing and Community Affairs and the Texas State Affordable Housing Corporation to support programs including first-time homebuyer loans, low-income household repairs, and loans and grants to developers of affordable housing.

- WATER:** Debt issued by the Texas Water Development Board to fund infrastructure projects.
- MILITARY/VETERANS:** Debt issued through the Texas Veterans Land Board to support loans to veterans to buy homes and land, and pay for home improvements. It also includes Texas Military Facility Bonds.
- OTHER:** This includes Texas Public Finance Authority-issued debt on behalf of certain other state agencies and public universities. The largest portion of other debt outstanding was issued in 2010 by the Texas Workforce Commission to cover unemployment insurance payments. This debt also includes the voter-approved Cancer Prevention Research Institute of Texas bonds and economic development bonds.

Note: For a breakdown of how state debt is serviced, see the Texas Bond Review Board (BRB) Annual Report 2011 report at www.brb.state.tx.us/bfo/bfo.aspx.

LOCAL DEBT FAR EXCEEDS STATE DEBT

Local debt comprises more than four-fifths of Texas outstanding state and local debt. State debt, however, has been increasing at a faster rate than local debt during the past decade.

The Texas Bond Review Board (BRB) approves most state debt issues that are more than five years in duration or \$250,000 in value. It collects data on state and local government debt as required by statute, including tax- and revenue-supported bonds, certificates of obligation, and any lease purchases valued at more than \$250,000 or with a term longer than five years. While the

graph below shows the largest long-term debts incurred by governmental entities in Texas, an undetermined volume of debt is missing because it isn't required to be reported to BRB. Examples of debt not reported to BRB include intergovernmental loans from economic development corporations, the Texas Water Development Board, State Energy Conservation Office, education finance corporations, health development corporations, and some direct loans from federal and other state agencies.

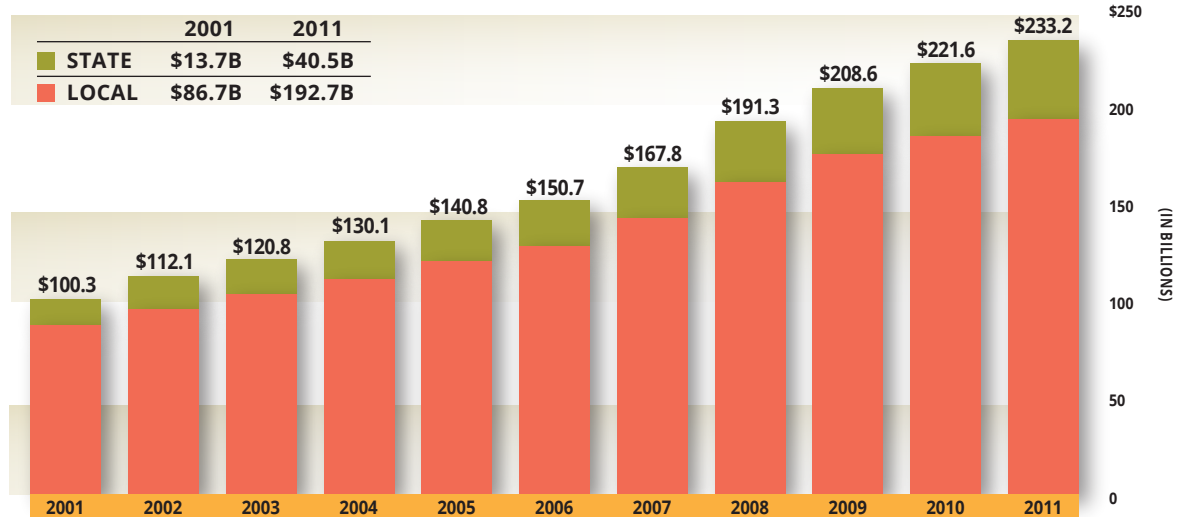
Based on the debt information reported to BRB, local debt outstanding

was **more than \$192.7 billion** in 2011, while state debt was about **\$40.5 billion**, for a combined total of **\$233.2 billion**. At **\$7,507** per capita, this shows an increase of more than **\$330** per capita in just two years from the **\$175 billion** local debt reported by the BRB in 2009.

Since BRB does not collect information on all debt, actual local bond debt per capita is actually higher — the U.S. Census Bureau reports that 2009 local debt per capita in Texas was actually **\$7,983**, based on total local debt outstanding of **\$197.8 billion**. [See table on page 7.]

COMBINED STATE AND LOCAL OUTSTANDING DEBT BY FISCAL YEAR

► In 2011, local debt of **\$192.7 billion** comprised **83 percent** of Texas' **\$233.2 billion** outstanding state and local debt.



LOCAL GOVERNMENT ENTITIES – DEFINED

CITIES – Incorporated cities, towns and villages in Texas can issue both tax-supported and revenue debt.

COMMUNITY COLLEGES – Texas community and junior college districts may issue tax-supported debt, revenue debt and lease purchase agreements.

COUNTIES – Texas counties may issue tax-supported or revenue debt.

HEALTH/HOSPITAL DISTRICTS – Tax-supported and revenue debt may be issued to support the services offered by hospitals, emergency services districts and mental health mental retardation health services.

OTHER SPECIAL PURPOSE DISTRICTS AND AUTHORITIES – These include tollway, transit, or mobility authorities, and districts for purposes such as events venues, public improvements and education. They may issue tax-supported and revenue debt, including sales tax and lease-revenue debt.

SCHOOL DISTRICTS – Texas school districts can issue debt in four ways: voter-approved debt funded by a tax rate up to 50 cents per \$100 for facilities and equipment; maintenance and operations debt for administrative and operational costs; lease-revenue debt; and revenue debt for certain facilities.

WATER DISTRICTS AND AUTHORITIES – Entities that provide limited water-related services — including wholesale, commercial and domestic water supply and wastewater services — may be created under several statutes regulating various types of utility district, river authorities and water control and improvement districts. Most issue tax-supported debt, but some issue revenue-backed or conduit debt (which is issued on behalf of another entity and repaid from utilities fees, tolls or other project revenues). (See table on page 19 for more detail.)

TEXAS DEBT: HOW WE STACK UP

▼ Considering all government-issued debt, Texas is doing fairly well. We have the least amount of state government debt per person among the 10 largest states. On the other hand, our local debt burden per person is second highest among the 10 most populous states — a reason for caution.

Some debt is appropriate and even essential for government. Bonded debt builds our schools, hospitals, roads, water and sewer lines, fire stations and more when they are needed, and is repaid as taxpayers benefit from these services.

Texas state and local governments have a track record of excellent ratings from the credit

rating agencies, which generally makes Texas government debt a high-quality investment and helps secure competitive interest rates for the issuing entities. In fact, as interest rates have decreased, a high proportion of local government debt issues has been refinanced to lower the interest on debt outstanding and achieve savings over the life of the debt.

DEBT RANKINGS AMONG THE 10 MOST POPULOUS STATES

STATE	PER CAPITA		LOCAL	PER CAPITA		COMBINED	PER CAPITA	
	RANK	AMOUNT		RANK	AMOUNT		RANK	AMOUNT
NEW YORK	1	\$6,277	NEW YORK	1	\$8,744	NEW YORK	1	\$15,020
ILLINOIS	2	\$4,412	TEXAS	2	\$7,983	CALIFORNIA	2	\$10,110
CALIFORNIA	3	\$3,641	CALIFORNIA	3	\$6,469	ILLINOIS	3	\$9,923
PENNSYLVANIA	4	\$3,326	PENNSYLVANIA	4	\$6,010	PENNSYLVANIA	4	\$9,336
MICHIGAN	5	\$2,968	FLORIDA	5	\$5,842	TEXAS	5	\$9,212
OHIO	6	\$2,421	ILLINOIS	6	\$5,510	FLORIDA	6	\$7,939
NORTH CAROLINA	7	\$2,122	MICHIGAN	7	\$4,853	MICHIGAN	7	\$7,821
FLORIDA	8	\$2,098	GEORGIA	8	\$4,021	OHIO	8	\$6,406
GEORGIA	9	\$1,369	OHIO	9	\$3,985	GEORGIA	9	\$5,390
TEXAS	10	\$1,228	NORTH CAROLINA	10	\$3,226	NORTH CAROLINA	10	\$5,349

Note: The debt rankings listed above rank states based on the outstanding debt principal per capita for calendar 2009. It is not an amortized total that includes the cost of servicing that debt over the full repayment period.

Government debt comprises all interest-bearing short-term and all long-term credit obligations incurred by government agencies, including warrants, judgments, mortgages, general obligation bonds, revenue and "earning" bonds and special assessment obligations. It includes debt issued for public improvements as well as for the benefit of private entities (industrial development, mortgage revenue, pollution control and abatement, etc.).

Source: U.S. Census Bureau

TO THE POINT



Transparency Duty No. 1:

Before approving new debt, taxpayers should be told how much outstanding debt has been issued and how much would be added.

FEW VOTERS CAST BOND ELECTION BALLOTS

▼ Voter turnout for bond elections has only been collected by the BRB since 2011, and 150 bond proposals have been voted on during that period. Additionally, the Texas Secretary of State publishes voter registration numbers only for counties. Of the five counties that have conducted elections on a total of seven bond proposals in November 2011, turnout ranged from **5.8 percent** of 245,000 registered voters in Montgomery County, where a **\$200 million** proposal for road bonds was defeated, to **16.2 percent** of Karnes County's 7,500 registered voters who approved **\$7 million** in bonds for road and courthouse improvements. Voter turnout for Travis County's two bond proposals totaling **\$215 million** was **8.5 percent** of the county's 581,500 registered voters; more than 29,000 Travis voters approved the bond issues by an almost three to two majority.

COUNTY	REGISTERED VOTERS	NOVEMBER 2011 VOTER PARTICIPATION
TRAVIS	581,576	8.5%
MONTGOMERY	244,955	5.8%
CORYELL	33,535	8.5%
KARNES	7,537	16.2%
MITCHELL	4,453	12.6%

Sources: Texas Bond Review Board, Texas Secretary of State

▲ There is no minimum voter participation required to approve debt issues, and typically few voters cast ballots in bond elections.



Transparency Duty No. 2:

Before approving new debt, taxpayers should be told how much annual debt service they are currently paying and how much new debt service would be added.

A CLOSER LOOK AT LOCAL GOVERNMENT DEBT

Texas' local governments issue debt to finance a variety of projects, from building new schools and purchasing technology upgrades to buying police cars and improving water infrastructure.

In fiscal 2011, Texas' local governments had **1,339 bond** issuances with a total value of

\$24.7 billion. Of those, cities and school districts had **874 bond** issuances with a total value of **\$16.8 billion**. The majority of the local government issuances in fiscal 2011 — about **\$14.7 billion** — refinanced existing debt at more favorable terms.

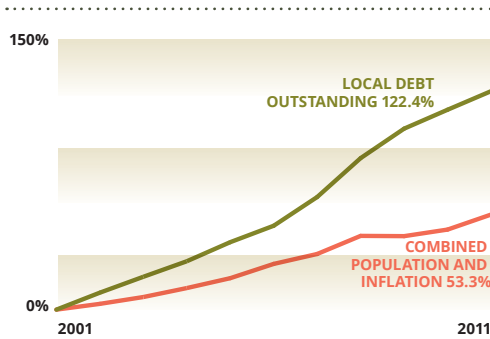
Of the data reported to BRB, it is estimated that local governments will save **more than \$630 million** over the life of these bonds as a result of this refinancing.

As of Aug. 31, 2011, 854 of the state's 1,024 school districts had one or more types of debt outstanding totaling **\$63.6 billion**. This is almost a third of all Texas local government's **\$192.7 billion** debt and the majority of it, about **\$52.7 billion**, is backed by the state's Permanent School

Fund. Cities have **\$62.9 billion** in outstanding debt — just under one-third of the total outstanding local debt. Along with the **\$192.7 billion** in outstanding principal, Texas local governments are scheduled to repay **\$95.9 billion** in interest over the life of the debt.

Almost **61 percent (\$116.9 billion)** of Texas local governments' total debt outstanding will be repaid from local tax collections. Much of this debt was approved by local voters, although certificates of obligation (COs) can be approved by city councils, commissioners courts and directors of health/hospital districts created under Texas government code section 271.043. The other **39 percent** (about **\$75.8 billion**) is revenue-backed debt.

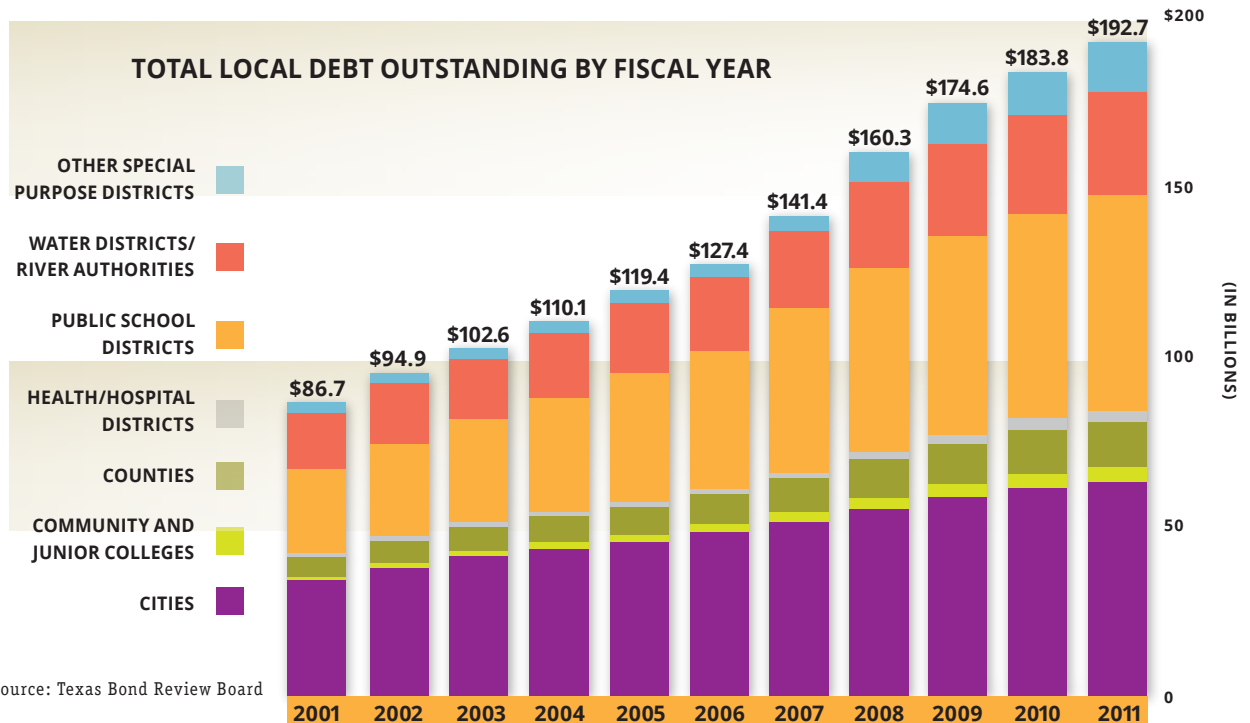
DEBT OUTPACES TEXAS GROWTH



Sources: Texas Bond Review Board, Bureau of Labor Statistics

LOCAL GOVERNMENT DEBT HAS MORE THAN DOUBLED IN 10 YEARS

Local government debt has **more than doubled** from 2001 to 2011. The largest growth sector is in total public school district debt; the biggest percentage increase in debt is in special purpose districts. More information on education debt will be published in a future report.



Source: Texas Bond Review Board

REFINANCING CAN CUT DEBT LOAD, PREVENT TAX INCREASES

Debt issuances by Texas local governments were highest at **\$30.1 billion** in fiscal 2008. Since then debt has decreased to **\$24.7 billion** issued in fiscal 2011.

ONE-THIRD OF DEBT ISSUANCES REFINANCED EXISTING DEBT

Since fiscal 2007, new-money debt issued totaled **\$85.1 billion** and refunding debt (refinancing) totaled **\$47.9 billion**. Cities, school districts and water districts comprised **77.9 percent** of the new-money volume (**\$85.1 billion**) and **72.2 percent** of the refunding transaction volume (**\$47.9 billion**).

From 2007 to 2011, **81.4 percent** of local governmental refundings achieved both a cash and present value savings; **13.7 percent** provided only a net present value savings with a cash loss; and **4.9 percent** resulted in a loss in both. In the latter cases, the primary objective was to restructure debt-service requirements to more evenly match budget flows and thus avoid raising taxes during times of economic weakness or to obtain more favorable terms.

Overall during this five-year period, Texas local issuers achieved a cash savings of **\$1.5 billion**.

TEXAS LOCAL GOVERNMENT

DEBT ISSUANCES 2007-2011

(AMOUNTS IN BILLIONS)

FISCAL YEAR	NEW DEBT	REFUNDED (REFINANCED)	ISSUED
2007	\$18.0	\$11.0	\$29.1
2008	\$19.8	\$10.3	\$30.1
2009	\$18.3	\$7.7	\$26.1
2010	\$14.0	\$8.9	\$23.0
2011	\$14.8	\$9.9	\$24.7
TOTAL	\$85.1	\$47.9	\$133.0

Note: Numbers may not sum due to rounding.
Source: Texas Bond Review Board

DEBT ISSUANCE RULES VARY BY GOVERNMENT TYPE

The **\$192.7 billion** in outstanding local government debt was issued through several processes. Known variously as bonds, certificates of obligation and commercial paper, the debt-issuing options for local governments are subject to different laws specifying what debt they can issue, whether voter approval is required, if debt can be sold or refinanced, or if debt can be sold or refinanced without voter approval by an entity's governing body.

VOTERS OR ELECTED OFFICIALS DECIDE ON DEBT

Depending on the purpose, councils, commissioners courts or local government boards may be required by law or have the

option to call a bond election to get voter approval to issue a bond for a single project or combination of projects. The proposition may be divided into pieces, which gives voters the opportunity to approve some, all or none of the options. If approved, the local government can issue the debt.

For **certificates of obligation**, debt issuance is approved after a notice in a newspaper of general circulation and vote of the governing council, commissioner court or board of directors. Voters protesting the issuance may petition for an election. (See Certificates of Obligation, page 11.)

If the repayments are **tax-supported**, the local government

must identify how much debt will be supported by tax revenue when setting its annual tax rate. If the debt is **revenue supported** — for example, utility infrastructure debt funded by water usage fees — the entity will report in its budget how much revenue generated by users will be allocated to debt service repayments.

Almost **61 percent** of the local debt outstanding in fiscal 2011 is tax-supported debt; the balance is revenue-supported. A substantial portion of municipal and special purpose district debt is revenue-supported for projects that are funded by user fees; such as utilities. County debt is largely

◀ For greater detail, see chart on page 19.

Effect of Overlapping Debt Load is Hard to Understand

▼ Overlapping local government boundaries make it hard for taxpayers to know how much debt they're supporting. The City of Houston's Comprehensive Annual Financial Report presents a table identifying overlapping entities that have outstanding tax-supported debt and the percentage of that debt that applies to Houston residents. For a property in the 8000 block of Westheimer Road in Houston, for example, local government outstanding tax-supported debt as of June 30, 2011, totalled more than **\$7.4 billion**.

EXAMPLE: 8000 BLOCK OF WESTHEIMER ROAD, HOUSTON	APPLICABLE TAX-SUPPORTED DEBT OUTSTANDING
HARRIS COUNTY	\$1,148,153,000.00
HARRIS COUNTY FLOOD CONTROL	\$346,641,000.00
PORT OF HOUSTON AUTHORITY	\$383,676,000.00
HOUSTON COMMUNITY COLLEGE	\$254,185,000.00
CITY OF HOUSTON	\$3,286,892,000.00
HOUSTON ISD	\$2,011,313,000.00
TAX-SUPPORTED DEBT OUTSTANDING	\$7,430,860,000.00

Source: City of Houston Comprehensive Annual Financial Report 2011

tax-supported. School district-issued debt is generally funded by property tax revenue and some state funds.

OTHER DEBT THAT IS UNREPORTED

Information on debt outstanding does not include certain other local credit obligations because no bonds are issued. For example, vehicles and equipment that are acquired through financing or lease-purchase arrangements are locally authorized, funded from local revenue sources and do not require approval from the state attorney general or any other state agency. The volume of this type of outstanding structured debt is not reported to the state.

Another example is the State Energy Conservation Office's (SECO) LoanSTAR program that provides funding for facility improvements. Currently 73 local governments have SECO loans with debt outstanding of **\$104.3 million** as of Aug. 31, 2012. These funds are not included in BRB's debt outstanding reports.

TO THE POINT



Transparency Duty No. 3:

Before approving new debt, taxpayers should be told the outstanding debt per capita and what new debt per capita would be added.

PASS-THROUGH FINANCING LETS LOCAL GOVERNMENTS SPEED UP ROAD PROJECTS BY ISSUING LOCAL DEBT

Local governments work with the Texas Department of Transportation (TxDOT) to plan maintenance and upgrades of state highways for their communities' needs. The challenge of prioritizing funds among competing projects means that some projects won't happen as quickly as local communities wait on state resources.

Some Texas communities have partnered with the state to accelerate their projects in an effort to keep up with drivers' needs using a pass-through financing mechanism approved by the Texas Legislature in 2003 (Texas Transportation Code Section 222.104). By the end of fiscal 2011, TxDOT had signed **32 pass-through financing agreements** with Texas counties, cities and regional mobility authorities for up to **\$1.7 billion** in local funds. **If bonds are issued to generate the local funds, that debt is considered to be local government debt, not state debt, even though the principal will be repaid with state funds.**

As of Aug. 31, 2011, **13 entities** opted to finance

their portion of the pass-through agreement totaling **\$921.6 million**. Typically those agreements are financed with tax-supported or revenue-backed bonds issued by the local government.

For example, Williamson County's 2011 pass-through bond sale statement describes the process as follows: The pass-through program allows the county to manage the improvements of state highways. Reimbursements from TxDOT are based on a per vehicle usage after completion of these projects to repay the local debt.

For Williamson County's 2006 pass-through agreement, TxDOT began repaying the principal in fiscal 2009. Semiannual repayments are based on a rate of 10 cents per vehicle mile traveled up to **\$15,046,200** per year.

The local entity will pay for the interest associated with the debt.

According to TxDOT's FY2011 Annual Financial Report, about **\$37.2 million** was repaid by Aug. 31, 2011, among the executed agreements.

CERTIFICATES OF OBLIGATION DEBT REQUIRES NO VOTER APPROVAL

Some local governments can issue bonds without voter approval. The Certificates of Obligation Act of 1971 authorized certain municipalities, counties and hospital districts to issue debt without an election for purposes including: construction or improvement of public works, such as public buildings or infrastructure; materials, supplies, equipment, machinery, buildings, lands, rights-of-way for authorized needs and purposes; and professional services such as engineers, architects, attorneys and financial advisors.

Certificates of obligation (COs) may be backed by tax revenue, fee revenues or a combination of the two.

Local governments that wish to issue a CO must post a notice of intent to issue certificates in a local newspaper once a week for two weeks; the first notice must be at least 30 days before the date the

council, court or board is scheduled to vote on the proposal. According to the Texas Local Government Code, Chapter 271, the notice must identify the time and place for the vote; the maximum amount and purpose of the project; and the source of repayments (tax- or revenue-backed). If 5 percent of voters in the city or county submit a petition protesting the issue before the CO is authorized by the council, court or board, an election must be conducted to get voter approval for the proposed debt. For information on other elections driven by voter petition, visit www.texastransparency.org/yourmoney/localdebt/power.php.

Since fiscal 2005, local governments have issued **\$12.7 billion** in COs. Since 2005, CO issues were **16.6 percent** of all debt issued by **eligible** entities.

CO debt accounts for about **7.1 percent** of all local government debt issuances since 2005.

TO THE POINT



Certificates of obligation allow certain cities, counties and hospital or health districts to issue bonds without voter approval.

CERTIFICATES OF OBLIGATION BY FISCAL YEAR

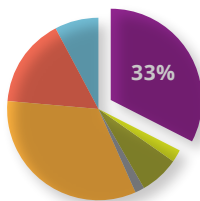


◀ The total amount of funding provided by certificates of obligation has fluctuated considerably in recent years, peaking at **\$2.53 billion** in 2008 and declining to **\$1.56 billion** since then. Between 2005 and 2011, 527 cities, 79 counties and 3 hospital/health districts issued COs.

Note: Data prior to 2005 is unavailable.
Source: Texas Bond Review Board

CITIES OWE ONE-THIRD OF LOCAL GOVERNMENT DEBT IN TEXAS

DEBT AT A GLANCE



CITY DEBT OUTSTANDING, 2011

Cities' debt outstanding increased by **53.1 percent** between 2003 and 2011. Cities had a larger share of local government debt outstanding than any other government type from 2001 until 2008 and in 2010. In fiscal 2011, cities' debt amounted to **\$62.9 billion** or **32.6 percent** of all local government debt outstanding – behind only school districts, which accounted for **33 percent**. The majority of city debt

– **57 percent** – is backed by project revenue such as user fees from public utility services, airports or recreation facilities.

Total debt issuances in fiscal 2011 were **19 percent** higher than fiscal 2001. **Fifty-three percent** of the **\$8.9 billion** debt issued in fiscal 2011 refinanced existing debt, taking advantage of lower interest rates.

TOP 10 CITIES TOTAL DEBT OUTSTANDING – 2011

CITY	TOTAL DEBT OUTSTANDING	POPULATION	DEBT PER CAPITA
HOUSTON	\$13,150,526,369	2,099,451	\$6,263.79
SAN ANTONIO	\$9,424,770,314	1,327,407	\$7,100.14
DALLAS	\$6,555,273,086	1,197,816	\$5,472.69
AUSTIN	\$5,315,491,444	790,390	\$6,725.15
FORT WORTH	\$3,139,402,000	741,206	\$4,235.53
EL PASO	\$1,460,813,000	649,121	\$2,250.45
LUBBOCK	\$1,042,252,000	229,573	\$4,539.96
ARLINGTON	\$910,815,000	365,438	\$2,492.39
CORPUS CHRISTI	\$895,415,000	305,215	\$2,933.72
GARLAND	\$837,487,475	226,876	\$3,691.39
ALL OTHER TEXAS CITIES WITH DEBT	\$20,187,209,071	10,271,978	\$1,965.27

Note: There are many reasons cities take on debt repaid using taxes and/or user fees, including infrastructure projects, public utilities, sports facilities and performing arts venues, etc. This accounts for the variances in different cities' debt seen above.
Source: Texas Bond Review Board

► Go to www.TexasTransparency.org for interactive maps and more details on outstanding debt. Find a list of outstanding debt at www.brb.state.tx.us.

TO THE POINT

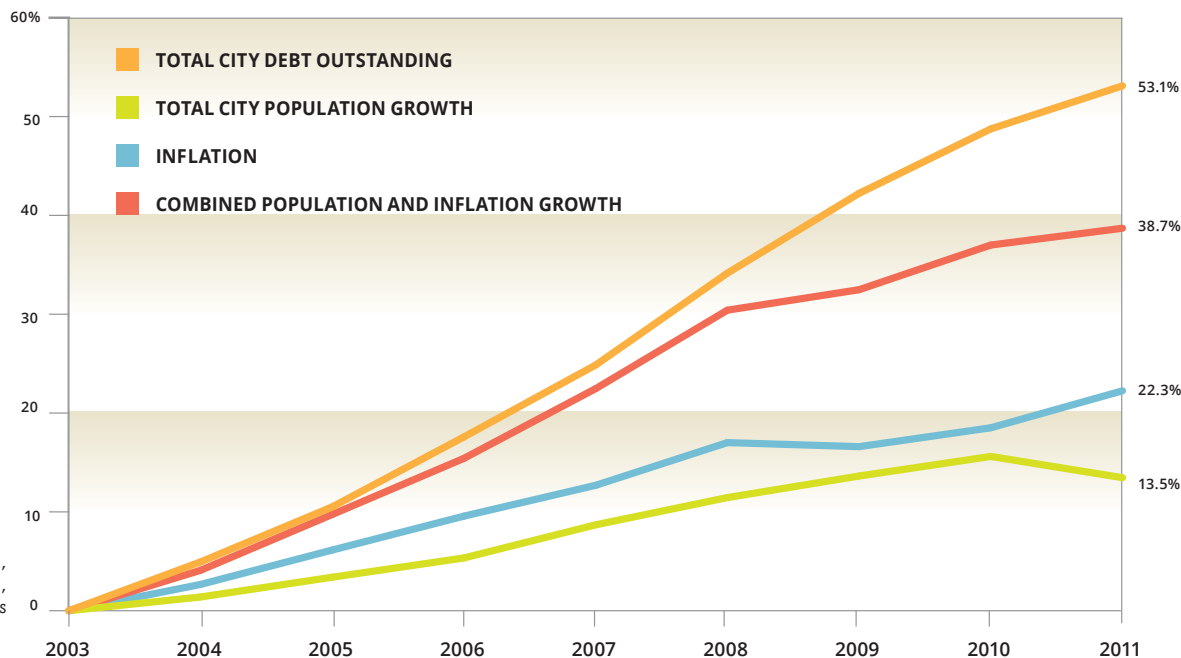


Transparency Duty No. 4:

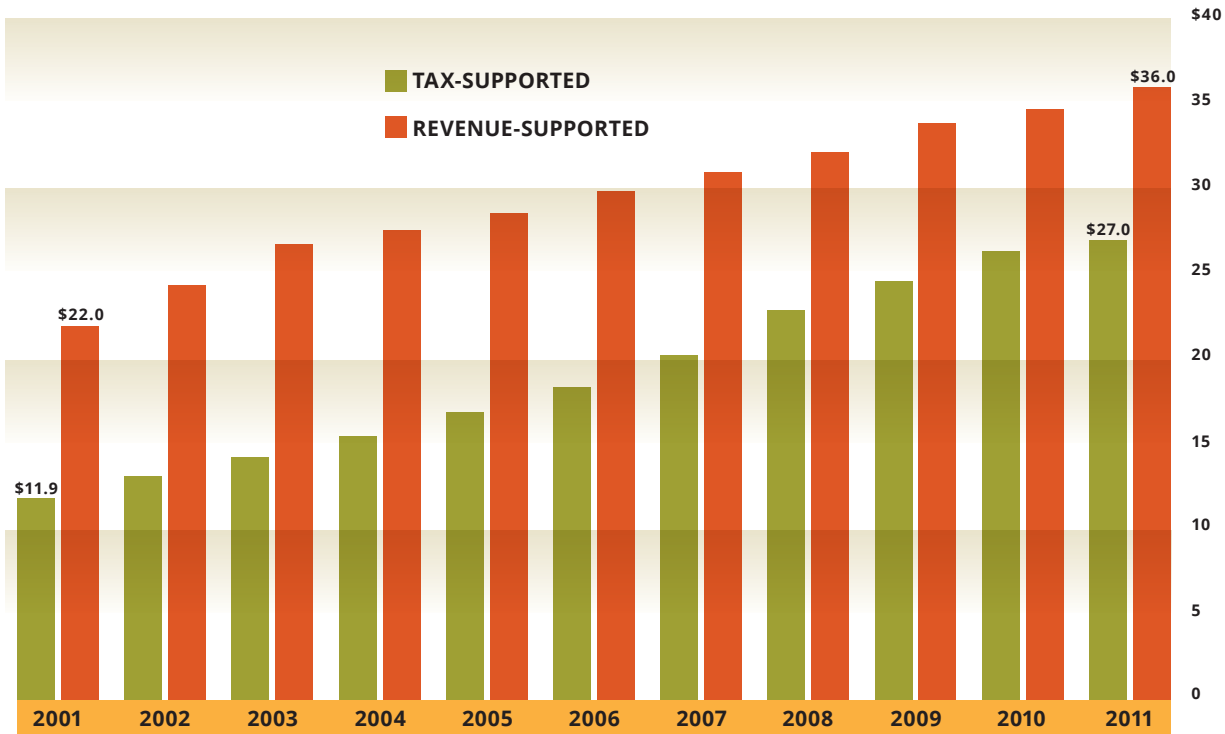
Before approving new debt, taxpayers should be told how the debt will help taxpayers obtain timely services at an affordable price.

Sources: Texas Bond Review Board, Bureau of Labor Statistics, Texas Comptroller of Public Accounts

CUMULATIVE PERCENTAGE GROWTH OF CITY DEBT BY FISCAL YEAR



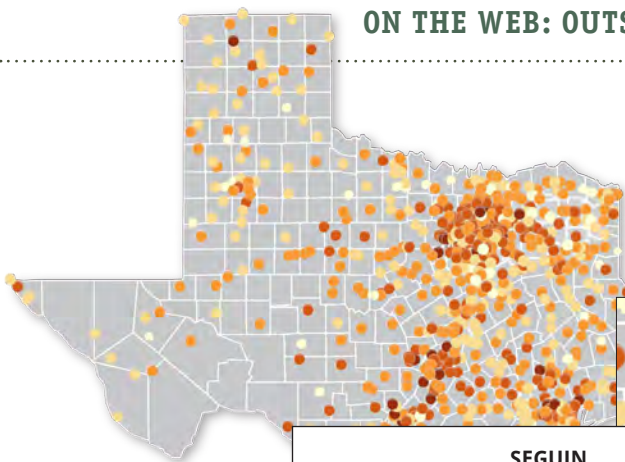
OUTSTANDING CITY DEBT BY FUNDING TYPE AND FISCAL YEAR



Between 2001 and 2011, the amount of tax-supported debt of Texas cities grew by **125.9 percent** to **\$27 billion**, twice as fast as debt support by user fees and other forms of non-tax revenue, which increased by **63.2 percent** to **\$36 billion**.

Source: Texas Bond Review Board

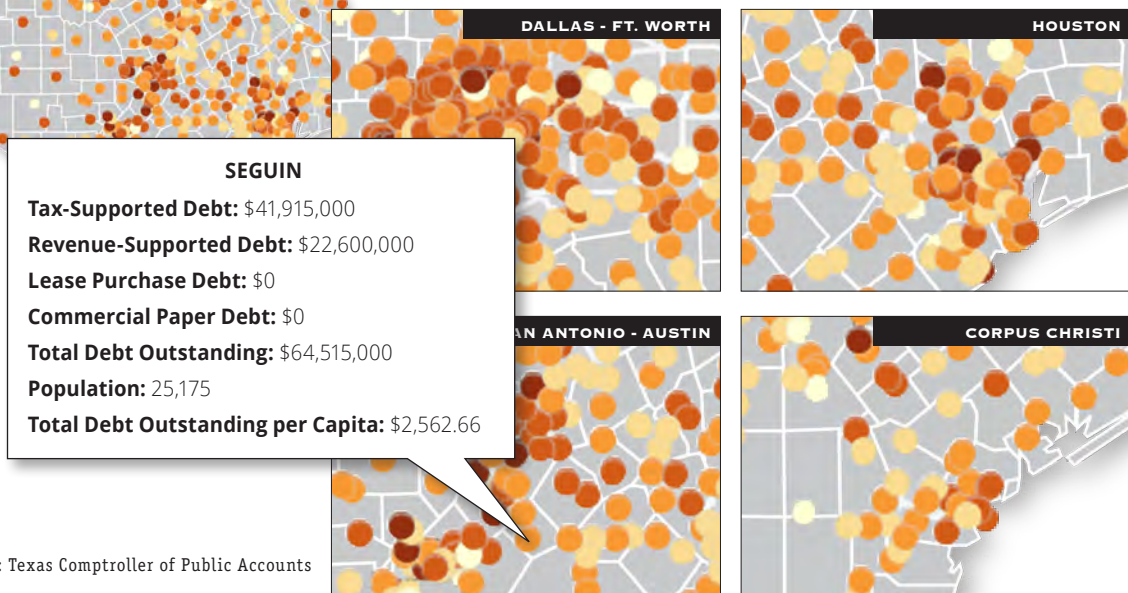
ON THE WEB: OUTSTANDING DEBT PER RESIDENT, TEXAS CITIES, FISCAL 2011



In the map at left, the darkest circles represent the cities with the most outstanding debt per resident. Of cities with debt, the debt per resident in 2011 ranged from **\$3.83** in the small town of Lyford in Willacy County to **\$21,900** in Westlake, a suburb of Fort Worth.

INTERACT ONLINE >>

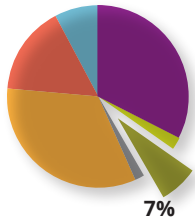
Go to www.TexasTransparency.org for interactive versions of these maps where you can click to see more details on the outstanding debt per city.



Source: Texas Comptroller of Public Accounts

COUNTY DEBT IS SMALL BUT GROWING

DEBT AT A GLANCE



COUNTY DEBT
OUTSTANDING,
2011

Texas' counties issue debt to finance a variety of projects, from building new jails and purchasing technology upgrades to buying equipment and supplies to improving roads and bridges. Texas counties have **\$13.3 billion** in outstanding debt accounting for about **7 percent** of all local government debt.

Some county debt is supported by fees, such as

tolls in Harris County or contract revenue from jails and prisons. Texas counties can issue tax-supported debt either by seeking approval through bond elections or, in some cases, by issuing certificates of obligation. Different factors including population growth, density and the number of other local government entities in the community providing services can affect the debt accrued by a county.

TOP 10 COUNTIES TOTAL DEBT OUTSTANDING – 2011

► Go to www.TexasTransparency.org

for interactive maps and more details on outstanding debt. Find a list of outstanding debt at www.brb.state.tx.us.

COUNTY	TOTAL DEBT OUTSTANDING	POPULATION	DEBT PER CAPITA
HARRIS	\$4,751,169,628	4,110,771	\$1,155.79
BEXAR	\$1,066,745,000	1,723,780	\$618.84
WILLIAMSON	\$813,584,942	426,645	\$1,906.94
TRAVIS	\$605,264,987	1,030,806	\$587.18
MONTGOMERY	\$497,486,840	459,018	\$1,083.81
DENTON	\$477,705,000	667,053	\$716.14
FORT BEND	\$446,895,000	590,350	\$757.00
COLLIN	\$387,580,000	788,407	\$491.60
GALVESTON	\$338,288,422	292,607	\$1,156.12
TARRANT	\$335,050,000	1,817,658	\$184.33
ALL OTHER TEXAS COUNTIES WITH DEBT	\$3,603,460,007	12,174,760	\$295.98

Note: There are many reasons counties take on debt repaid using taxes and/or user fees, including public infrastructure projects, sports facilities and performing arts venues, etc. This accounts for the variances in different counties' debt seen above.
Source: Texas Bond Review Board

TO THE POINT

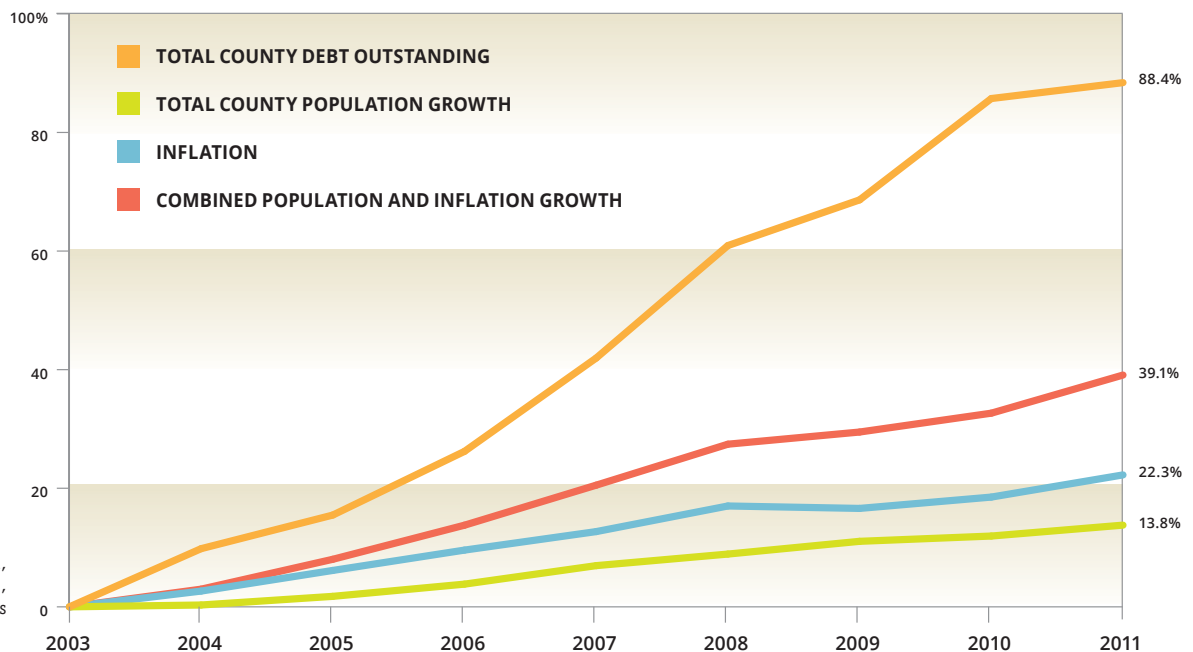


Transparency Duty No. 5:

Before approving debt, taxpayers should be told the true cost of borrowing. For example, how much will a **\$50 million** bond cost taxpayers by the time it is repaid?

Sources: Texas Bond Review Board,
Bureau of Labor Statistics,
Texas Comptroller of Public Accounts

CUMULATIVE PERCENTAGE GROWTH OF COUNTY DEBT BY FISCAL YEAR



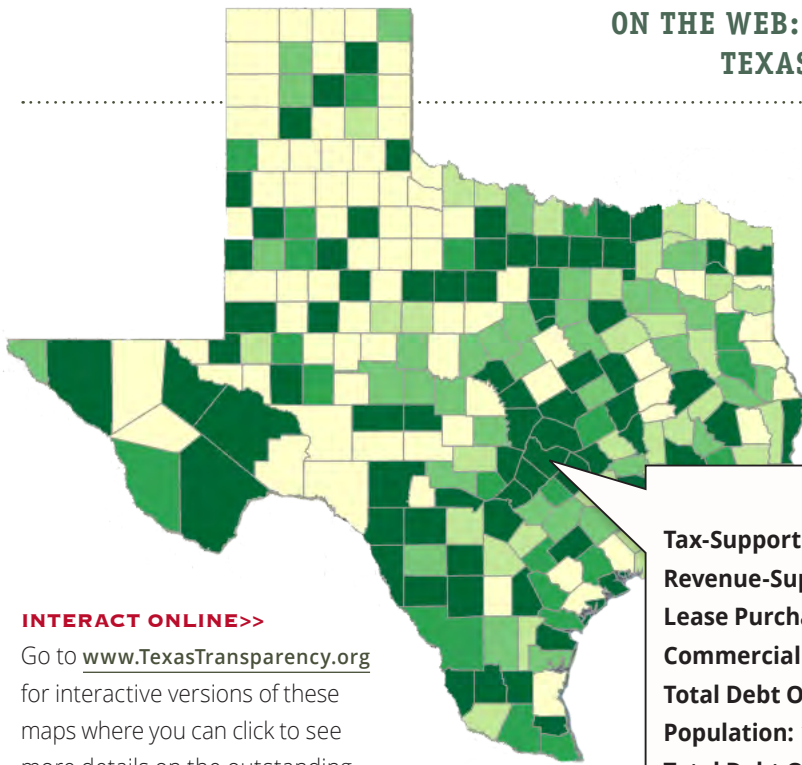
OUTSTANDING COUNTY DEBT BY FUNDING TYPE AND FISCAL YEAR



Between 2001 and 2011, the amount of tax-supported debt of Texas counties grew by **131.3 percent** to **\$10.3 billion**. The amount of revenue-supported debt also more than doubled, increasing by **136.6 percent** to **\$3 billion**. In 2011, Texas counties had **200 percent** more tax-supported debt than revenue-supported debt.

Source: Texas Bond Review Board

ON THE WEB: OUTSTANDING DEBT PER RESIDENT, TEXAS COUNTIES, FISCAL 2011



TRAVIS COUNTY

Tax-Supported Debt: \$605,264,987
Revenue-Supported Debt: \$0
Lease Purchase Debt: \$0
Commercial Paper Debt: \$0
Total Debt Outstanding: \$605,264,987
Population: 1,024,266
Total Debt Outstanding per Capita: \$590.93

Texas counties issued about **7 percent** of all local outstanding debt in 2011.

In the map at left, the darkest-colored counties hold the most outstanding debt per resident. Debt per resident in 2011 ranged from **zero** in 78 counties to **\$6,891** per resident in Garza County.

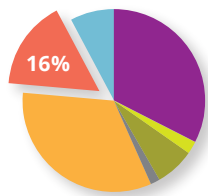
INTERACT ONLINE >>

Go to www.TexasTransparency.org for interactive versions of these maps where you can click to see more details on the outstanding debt per county.

Source: Texas Comptroller of Public Accounts

WATER DISTRICT DEBT INCREASING

DEBT AT A GLANCE



WATER DISTRICT DEBT OUTSTANDING, 2011

Texas' water districts and water authorities are charged with providing water and services including conservation, wastewater treatment, flood control and other purposes. In 2011, they accounted for **\$30.3 billion** or almost **16 percent** of all outstanding local government debt in the state. About **35 percent**

of water district debt is tax-supported. Conduit and component unit debt issued on behalf of other entities and repaid from user fees for utility services accounts for **32 percent** of water district debt, and the remaining **33 percent** is backed by the entities' revenues.

TOP 10 WATER DISTRICTS AND AUTHORITIES TOTAL OUTSTANDING DEBT

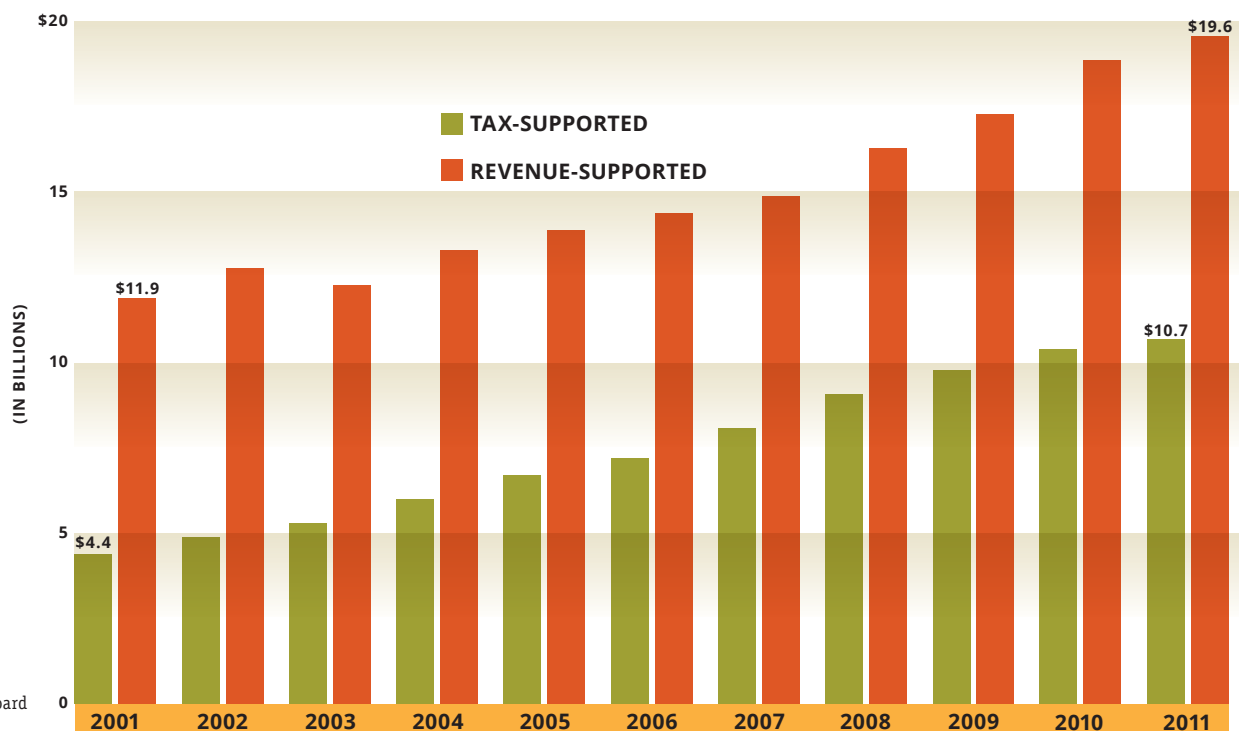
WATER DISTRICT AND AUTHORITY	COUNTY	AS OF AUGUST 31, 2011
LOWER COLORADO RIVER AUTHORITY*	TRAVIS	\$3,959,675,210
BRAZOS RIVER AUTHORITY*	MCLENNAN	\$2,349,797,070
PORT OF PORT ARTHUR NAVIGATION DISTRICT*	JEFFERSON	\$1,436,930,000
GULF COAST WASTE DISPOSAL AUTHORITY	CHAMBERS	\$1,396,035,000
TRINITY RIVER AUTHORITY	DALLAS	\$1,331,882,000
NORTH TEXAS MUNICIPAL WATER DISTRICT	COLLIN	\$1,301,120,000
MATAGORDA COUNTY NAVIGATION DISTRICT NO.1	MATAGORDA	\$980,505,000
PORT OF HOUSTON AUTHORITY	HARRIS	\$763,619,397
HARRIS COUNTY FLOOD CONTROL DISTRICT	HARRIS	\$690,199,024
PORT FREEPORT	BRAZORIA	\$688,130,000
ALL OTHER WATER DISTRICTS AND AUTHORITIES		\$15,422,597,404

* No taxing authority
Source: Texas Bond Review Board

► Go to www.TexasTransparency.org for interactive maps and more details on outstanding debt. Find a list of outstanding debt at www.brb.state.tx.us.

► Project revenues support the majority of debt issued by Texas' water districts. Between 2001 and 2011, however, the district's amount of outstanding tax-supported debt rose **143.4 percent** to **\$10.7 billion**, twice the **64.3 percent** growth of revenue-supported debt to **\$19.6 billion**.

OUTSTANDING WATER DISTRICT DEBT BY TYPE AND FISCAL YEAR



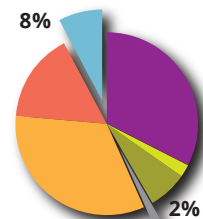
Source: Texas Bond Review Board

SPECIAL PURPOSE DISTRICTS ADDING TO LOCAL DEBT LOAD

Texas' other special purpose districts support a variety of services including toll roads, utilities, fire control and other purposes and accounted for nearly **8 percent** of all outstanding debt among Texas local

governments in fiscal 2011. Hospital/health districts had less than **2 percent** of debt outstanding. In total, special purpose district and health/hospital district debt was **\$18.2 billion**.

DEBT AT A GLANCE



SPECIAL PURPOSE DISTRICTS DEBT OUTSTANDING, 2011

TOP 10 SPECIAL PURPOSE DISTRICTS TOTAL OUTSTANDING DEBT

OTHER SPECIAL PURPOSE DISTRICT	COUNTY	AS OF AUGUST 31, 2011
NORTH TEXAS TOLLWAY AUTHORITY	DALLAS	\$8,595,176,210
DALLAS AREA RAPID TRANSIT	DALLAS	\$3,448,430,000
CENTRAL TEXAS REGIONAL MOBILITY AUTHORITY	TRAVIS	\$809,777,265
BEXAR COUNTY HOSPITAL DISTRICT	BEXAR	\$744,835,000
DALLAS COUNTY HOSPITAL DISTRICT	DALLAS	\$705,000,000
METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY	HARRIS	\$650,610,000
TEXAS MUNICIPAL POWER AGENCY	BRAZOS	\$534,915,815
HARRIS COUNTY HOSPITAL DISTRICT	HARRIS	\$299,910,000
EL PASO COUNTY HOSPITAL DISTRICT	EL PASO	\$256,085,000
CAMINO REAL REGIONAL MOBILITY AUTHORITY	EL PASO	\$233,355,000
ALL OTHER SPECIAL PURPOSE DISTRICTS		\$1,956,341,361

Source: Texas Bond Review Board

Go to www.TexasTransparency.org for interactive maps and more details on outstanding debt. Find a list of outstanding debt at www.brb.state.tx.us.

OUTSTANDING SPECIAL PURPOSE DISTRICT DEBT BY TYPE AND FISCAL YEAR



Between 2001 and 2011, special purpose districts' debt grew faster than any other government type. Tax-supported debt grew by **283.9 percent** to **\$2.3 billion** and revenue-supported debt grew by **295.6 percent** to **\$15.9 billion**.

Source: Texas Bond Review Board

VOTERS SHOULD BE TOLD THE DEBT FACTS

Unless they've done research on their own or proponents of a local government debt issue have shared information about the current debt outstanding, voters are often not fully informed before they walk into the voting booth.

Ballot propositions currently offer no information other than the debt issue being considered.

Key debt information could be included on ballot forms that would let voters decide whether new debt is

merited based on how much debt they, as taxpayers, are already paying.

For example, the sample ballot below shows key information about the local government entity's debt that voters could consider if the details were on the ballot.

SAMPLE BALLOT IF KEY INFORMATION WAS INCLUDED



► Currently, the only information that voters get to see on their ballot when voting on a proposed debt issuance is the amount their local government entity proposes to borrow and a general description of the purpose. As the example here demonstrates, providing increased transparency that informs voters about the tax-supported debt already on that entity's books could be accomplished by simply adding information about existing debt, any change to the tax rate required to support the new debt, and the effect that tax rate would have on the debt service component of average value residential property tax bill in the entity's jurisdiction.

BETA ISD

BOND ELECTION - NOVEMBER 06, 2012

COUNTY OF BETA

BOND ELECTION - NOVEMBER 06, 2012

CITY OF BETA

BOND ELECTION - NOVEMBER 06, 2012

	DEBT OUTSTANDING PRINCIPAL	REMAINING INTEREST	TOTAL DEBT SERVICE PAYMENT	DEBT OUTSTANDING PER CAPITA
AUG. 31, 2012	\$65,030,343	\$42,742,000	\$107,772,343	\$1,400.76
PROPOSED ISSUE	\$25,795,000	\$18,200,000*	\$43,995,000*	\$555.63

EXISTING ANNUAL DEBT TAX RATE	\$0.18 per \$100	EXISTING AVERAGE RESIDENTIAL DEBT SERVICE TAX LEVY**	\$274.97
PROPOSED NEW RATE IF BOND PASSES	\$0.22 per \$100	NEW DEBT SERVICE TAX LEVY IF BOND PASSES	\$336.08
% INCREASE	22.2%	% INCREASE	22.2%

* Estimated interest and total payment.

** Average debt service tax is calculated on the average 2012 residential property value in the city of \$152,760.

PROPOSITION

THE ISSUANCE OF **\$25,795,000 ROAD CONSTRUCTION BONDS** FOR THE CONSTRUCTION, ACQUISITION AND EQUIPMENT OF HIGHWAYS AND BRIDGES (INCLUDING THE REHABILITATION, RENOVATION AND IMPROVEMENT THEREOF) AND THE PURCHASE OF THE NECESSARY RIGHT OF WAY, AND THE LEVYING OF THE TAX IN PAYMENT THEREOF:

- FOR
 AGAINST

TEXANS DESERVE DEBT TRANSPARENCY

As individuals, we know our monthly mortgage payments and our car payments, but we don't know the city, county and state debt and other credit obligation issued by our governments. Texas state and local governments have increasingly turned to long-term financing for projects, accruing long-term debts that are higher than ever.

While debt may be the best option for undertaking projects without having to save up to spend the entire cost upfront, paying off a project over several decades (with substantial interest) falls to future taxpayers and users of the facilities or infrastructure.

The reality is that few government entities make it easy for the taxpayers

to figure out what they owe, what debt costs and what it pays for.

Increased transparency of the amount of debt incurred by government is essential for taxpayers to make knowledgeable choices at the ballot box and understand how much that debt will cost them and the future generations that must repay it.

THE DEBT PROCESS

TYPES OF DEBT	TYPE OF ISSUER ¹	HOW PAID?	IS IT VOTER APPROVED?
Tax-Supported Debt	School districts; cities/towns/villages; water districts and authorities ² ; other special districts and authorities ³ ; counties; community colleges and junior colleges; and health/hospital districts and authorities.	Supported by ad valorem taxes or sales taxes depending on the type of local government.	Yes. Water Districts created under Texas Const. Article III, sec. 52 require 2/3 voter approval. Districts created under Texas Const. Art. XVI, sec. 59 require majority voter approval.
Revenue Debt	School districts; cities; water districts and authorities; other special districts and authorities; counties; community colleges and junior colleges; and health/hospital districts and authorities.	Revenue bonds secured by revenue from a facility or enterprise.	Legal requirements for voter approval varies by district. Cities and counties must have voter approval (Texas Const. Article III, sec. 52) Water districts generally do not need voter approval except for Water Control Improvement Districts. ⁴
Refunding Bonds	School districts; cities; water districts and authorities; other special districts and authorities; counties; community colleges and junior colleges; and health/hospital districts and authorities.	Refunding bonds may be issued to refinance any of the types of debt in this chart.	Generally, refunding bonds do not have to be voted upon. Certain local issuers may have voter approval requirements for refunding bonds. See particular entities' statutes.
Build America Bonds⁵	School districts; cities; water districts and authorities; other special districts and authorities; counties; community colleges and junior colleges; and health/hospital districts and authorities.	Repayment of BABs depends on whether the underlying bonds are tax-supported or revenue bonds.	Varies; to the extent that the underlying type of bond (general obligation or revenue) has to be voted upon, then BABs have to be voted upon.
Certificates of Obligation	Cities (Local Government Code sec. 271.044); counties; health and hospital districts (Health and Safety Code sec. 281.043).	Ad valorem taxes, revenues or a combination of both.	No election required unless 5 percent of registered voters submit valid petition protesting the issuance. ⁶
Commercial Paper	School districts; cities; water districts and authorities; other special districts and authorities; counties; community colleges and junior colleges; and health/hospital districts and authorities.	Repayment of commercial paper can be associated with tax-supported revenues or other revenues.	Depends; if the underlying obligations is secured by tax revenues, then voter approval is required.
Lease Purchase Agreements	School districts; cities; water districts and authorities; other special districts and authorities; counties; community colleges and junior colleges; and health/hospital districts and authorities.	Lease payments are made over time that includes principle and interest for the purchase of an asset. They can be financed through state pool programs. In many instances, the obligation is subject to appropriation.	No voter approval is required.

¹ Types of Issuers is taken from the categories adopted by the Bond Review Board in its annual Local Debt Report.

² Water Districts and Authorities include groundwater conservation districts, water control and improvement districts, fresh water supply districts, municipal utility districts, water improvement districts, drainage districts, levee improvement districts, irrigation districts, regional districts, navigation districts, self-liquidating navigation districts, special utility districts, stormwater control districts, and municipal management districts. (This list of water districts comes from the Texas Commission on Environmental Quality; <http://www.tceq.texas.gov/assets/public/permitting/watersupply/ud/forms/DistrictPowers.pdf>)

³ Other Special Districts and Authorities includes tollway authorities, transit authorities, regional mobility authorities, power agencies, road districts, events venue districts, public improvement districts, education districts. In addition, 35 percent of the interest cost is subsidized by the federal government in the case of direct payment BABs, or a 35 percent tax credit.

⁴ See Water Code Chapter 51 relating to water control improvement districts created under authority of Texas Const. Article XVI, sec. 59.

⁵ BABs may be used in general obligation or revenue bond financing and tax increment reinvestment zones of cities. The federal BAB program has expired so no new BABs bonds will be issued.

⁶ Certificate of Obligation Act of 1971, Local Government Code, Chapter 271, Subchapter C



TEXAS TRANSPARENCY

OPEN GOVERNMENT IS ACCOUNTABLE GOVERNMENT A CLEAR LOOK AT PUBLIC DEBT IN TEXAS

TRANSPARENCY RECOMMENDATIONS

Public notice is required before government debt is issued, but few taxpayers are aware of the magnitude of that debt. These recommendations aim to increase the amount of information presented to Texas taxpayers so that debt — both current and proposed — is transparent.

- 1** As new debt is presented to voters for approval, consider requiring that the following be placed on the ballot:
 - the amount of outstanding debt,
 - debt service,
 - per capita obligation as of the most recent annual financial report,
 - the amount of new debt,
 - estimated debt service, and
 - estimated per capita burden being proposed.
- 2** Certificates of Obligation (COs) — local debt generally not approved by voters — totaled 16.6 percent of all debt issued by eligible entities between 2005 and 2011. Consider significantly narrowing the authority to issue such debt without voter approval, amending the issuing process to provide increased notice and to include the information about debt proposed for ballots in Recommendation 1. Also, revise the petition process to make it easier for taxpayers to compel a public vote.
- 3** Many local entities already post their annual financial reports online. To ensure greater transparency, consider requiring all governmental entities post their annual financial reports along with all long-term debt obligations on a public website. Such disclosure should include:
 - the debt's original stated purpose,
 - total amount of debt authorized,
 - issued and unissued amounts of authorized debt,
 - total of issued debt spent and unspent, and
 - per capita burden on taxpayers.

EXERCISING YOUR POWER AS A TAXPAYER

GET INVOLVED. Attend hearings and meetings of local governments that issue debt in your name. Learn the faces and know the reasons and arguments behind these decisions to take on debt. Make your voice heard.

Texas open meeting laws require all local governments to post their meeting agendas at least 72 hours before the meeting begins. Many post notices online, others post on the notice boards at city hall or in the county courthouse hallway.

PUT YOURSELF IN THE KNOW. The Comptroller's report series "Texas, It's Your Money" looks at broader issues that impact Texas taxpayers every day. Go to www.TexasItsYourMoney.org and see more information as it is added.

LEARN THE BASICS OF STATE AND LOCAL GOVERNMENT DEBT. The Texas Bond Review Board (BRB) offers information and resources on state debt finance and local government debt. The agency's mission is to ensure that debt financing is used prudently to meet Texas' infrastructure needs and other public purposes and to support and enhance the debt issuance and debt management functions of state and local entities. For a list of state debt issuers, guidelines for state issuers, recently approved state transactions, and a searchable database of all state debt visit www.brb.state.tx.us/bfo/bfo.aspx. For reports and resources to help you better understand local government debt, terminology, policies and legislative changes related to local government debt, visit www.brb.state.tx.us/lgs/lgspub.aspx.

SEE HOW YOUR LOCAL DEBT RANKS. Compare how your city or county's debt stacks up with other areas. Look up debt issued by individual city, county, water district and other special purpose district using the Comptroller's maps and look-up tool at www.TexasTransparency.org/yourmoney/localdebt/. Download the "Texas, It's Your Money" worksheets at www.TexasTransparency.org/yourmoney/pdf/YourMoneyWorksheet.pdf to document what you find.

The BRB also offers a searchable database showing local government debt outstanding on an issue-by-issue basis at a snapshot in time. You can also download a spreadsheet that contains debt outstanding data presented by issuer, along with debt ratios, population numbers, tax rates and assessed values. The searchable database, along with brief summaries, charts and tables are available at www.brb.state.tx.us/lgs/lgs.aspx.

KNOW WHAT'S ON THE BALLOT. Stay informed on proposed bond issues in your city or county. Attend your local city and town council meetings, where bond issues are proposed and discussed. Stay abreast of news and updates on proposed bond issues by reading your local newspaper of record. Voice concerns to your local government leaders.

MAKE YOUR VOICE HEARD. Register to vote in state and local elections by visiting the Texas Secretary of State's office at www.votetexas.gov. Exercise your right to vote.

www.TexasItsYourMoney.org