



LEGISLATIVE BUDGET BOARD

Robert E. Johnson Bldg.
1501 N. Congress Ave. - 5th Floor
Austin, TX 78701

512/463-1200
Fax: 512/475-2902
<http://www.lbb.state.tx.us>

MEMORANDUM

TO: Senator Kevin Eltife
Senator Bob Deuell

FROM: Emily Morganti

DATE: February 12, 2013

SUBJECT: Follow up on questions from February 7, 2013 Senate Finance Hearing on Bond Review Board

During the February 7, 2013 Senate Finance Committee Hearing, several questions were raised and requests for information were made relating to outstanding and issued debt for the state. The LBB collaborated with the Bond Review Board and the Texas Public Finance Authority to answer the following questions addressed in this memo.

1. How much has debt outstanding increased over the past 10 years?

The amount of state debt outstanding is \$40.99 billion, which is an increase of \$22.81 billion, or 125 percent over the amount of state debt outstanding 10 years ago in fiscal year 2003.

Attachment A provides additional information for state debt outstanding. The Bond Review Board extended the time period included in their table, State Debt Outstanding with Percentages of Total Debt Outstanding, from page 1 of their SFC presentation to include 10 years of historical data.

2. How much debt has been issued over the past 10 years?

The amount of state debt that has been issued over the past 10 years is \$33.49 billion.

Attachment A also provides a break out of the amount of debt issued in each fiscal year. As a clarification, there is a difference between the amount of debt issued and the amount of debt outstanding. The amount issued since fiscal year 2003 is equivalent to the amount of bonds sold over the past 10 years to raise proceeds for the various bond programs. The amount outstanding refers to the current amount, as of the end of fiscal year 2012 that is required to be repaid. The amount outstanding is higher because it includes debt that was issued prior to 2003 that has not been paid off.

3. What portion of state debt is supported by General Revenue and what is the revenue source of debt not supported by General Revenue?

Approximately \$4.09 billion, or 10 percent of the \$40.99 billion of outstanding debt is supported by General Revenue.

Attachment B provides a break out of the amount of debt outstanding for bond programs at state agencies. General Obligation and non-General Obligation Debt that is not backed by General Revenue is considered *self-supporting* and is not included in the calculation of the Constitutional Debt Limit. We have included a brief statement about the revenue source below each self-supporting debt program in Attachment B, most of which are some sort of loan repayment from the recipients of loans funded by bond proceeds. Approximately \$3.30 billion of the \$40.99 billion outstanding as of the end of fiscal year 2012 was from conduit debt, which is debt that involves a third party borrower needing access to the market and for which the state has no legal obligation to repay.

4. How long will it take to pay off all debt outstanding?

Assuming no new debt is issued and debt service payments are made as scheduled, all currently outstanding debt will be paid off by 2047. Bond issuers vary in the terms they choose for repayment of debt. For example, the Texas Public Finance Authority assumes a 20 year term for fixed-rate bonds, while the Texas Department of Transportation assumes a 30 year term.

We also included some additional attachments that provide additional detail related to state bond debt. Attachment C provides a break out of all debt outstanding by type of debt. Attachment D includes a table related to where the state currently stands in relation to the Constitutional Debt Limit and over the past 10 years. Attachment E is a table from the Legislative Budget Board's Summary of Legislative Budget Estimates that includes debt service appropriations by agency for the 2014-15 biennium and the biennial change over 2012-13 expended and budgeted amounts. Attachment F includes a graph depicting the expected payoff of the various types of outstanding state debt as well as a table comparing where Texas stands in relation to the other nine most populous states for state and local debt outstanding.

As a reference for other debt questions, the Bond Review Board (BRB) publishes an Annual Report in December of each year. This report includes a variety of state and local debt statistics based on the end of each fiscal year. It includes many of the items you inquired about such as debt outstanding, debt issued, debt service requirements, and cost of issuance. These reports are available on BRB's website and are used by a number of agencies. For example, many of these statistics were used as the underlying source of information for the Comptroller of Public Account's recent reports on debt. For your reference, a copy of the 2012 Annual Report is included as a separate attachment.

If you have further questions, please contact Emily Morganti at 512-463-5311.

cc: Senator Tommy Williams
Members of the Senate Finance Committee
John Opperman
Sarah Hicks
Rob Orr
Ursula Parks
John McGeady
Wayne Pulver
Liz Prado
Julie Ivie
Jeremiah Jarrell
Jennifer Jones
Kimberly Wheeler
Central Files
Bob Kline, Bond Review Board
Bob Coalter, Texas Public Finance Authority

Attachment A

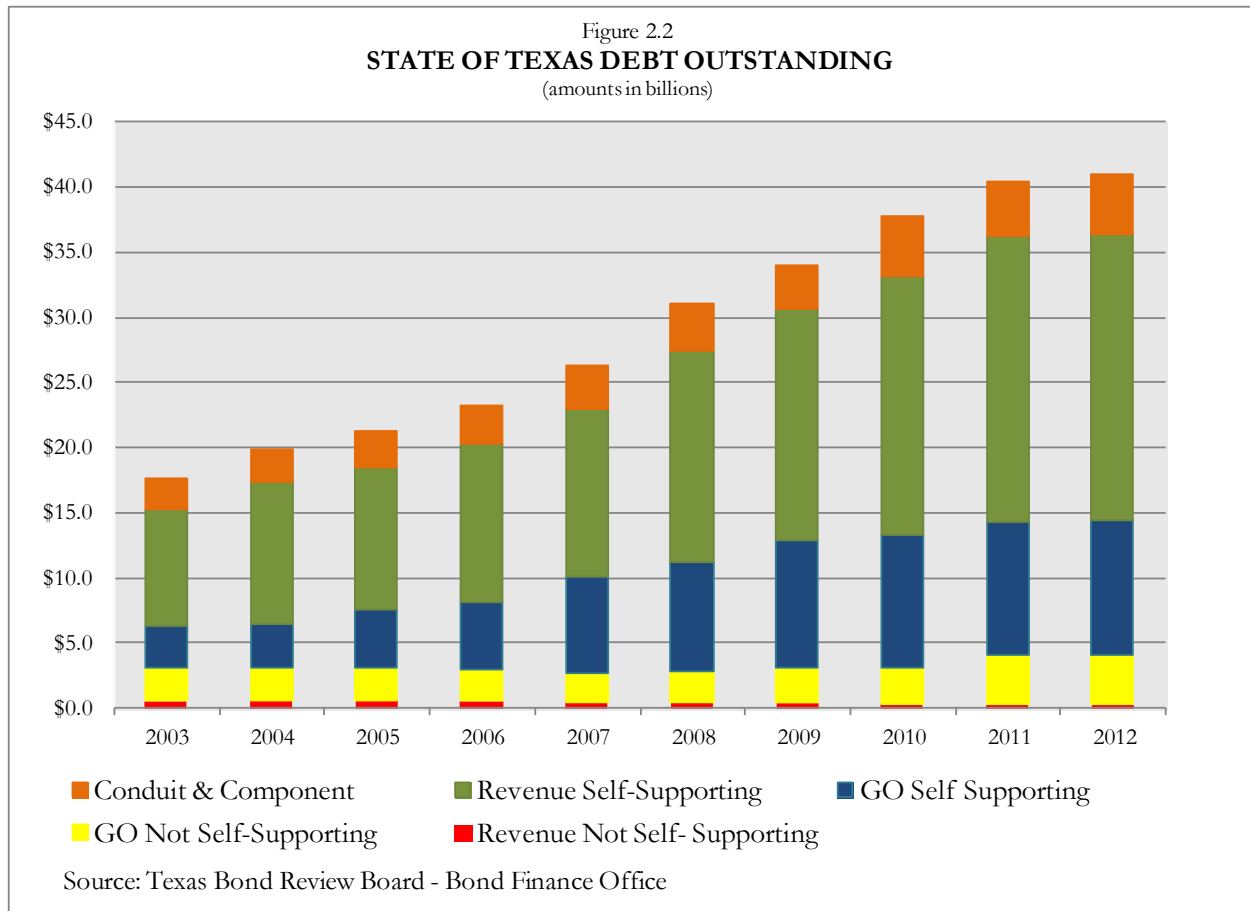
State Debt Outstanding With Percentages of Total Debt Outstanding																				
(Amounts in billions)																				
	8/31/2003		8/31/2004		8/31/2005		8/31/2006		8/31/2007		8/31/2008		8/31/2009		8/31/2010		8/31/2011		8/31/2012	
General Obligation Debt																				
Total Self-Supporting	\$3.29	18.1%	\$3.37	16.9%	\$4.48	20.9%	\$5.18	22.2%	\$7.36	27.9%	\$8.44	27.2%	\$9.81	28.8%	\$10.19	27.0%	\$10.22	25.2%	\$10.43	25.4%
Total Not Self-Supporting	\$2.52	13.9%	\$2.52	12.6%	\$2.51	11.7%	\$2.34	10.0%	\$2.23	8.5%	\$2.34	7.5%	\$2.63	7.7%	\$2.71	7.2%	\$3.81	9.4%	\$3.82	9.3%
Total General Obligation Debt	\$5.81	32.0%	\$5.89	29.5%	\$6.99	32.7%	\$7.52	32.3%	\$9.59	36.4%	\$10.78	34.7%	\$12.44	36.5%	\$12.90	34.1%	\$14.03	34.7%	\$14.25	34.8%
Non-General Obligation Debt																				
Total Self-Supporting	\$10.42	57.3%	\$11.99	60.0%	\$12.07	56.4%	\$13.48	57.9%	\$14.29	54.2%	\$17.55	56.5%	\$19.21	56.4%	\$21.42	56.7%	\$23.14	57.1%	\$23.16	56.5%
Total Not Self-Supporting	\$0.67	3.7%	\$0.64	3.2%	\$0.63	2.9%	\$0.62	2.7%	\$0.52	2.0%	\$0.51	1.6%	\$0.44	1.3%	\$0.38	1.0%	\$0.33	0.8%	\$0.28	0.7%
Conduit	\$1.28	7.0%	\$1.48	7.4%	\$1.70	7.9%	\$1.68	7.2%	\$1.97	7.5%	\$2.20	7.1%	\$1.98	5.8%	\$3.11	8.2%	\$2.99	7.4%	\$3.30	8.1%
Total Non-General Obligation Debt	\$12.37	68.0%	\$14.11	70.6%	\$14.40	67.3%	\$15.78	67.7%	\$16.78	63.6%	\$20.26	65.3%	\$21.63	63.5%	\$24.91	65.9%	\$26.46	65.3%	\$26.74	65.2%
Total Debt Outstanding	\$18.18	100.0%	\$20.00	100.0%	\$21.39	100.0%	\$23.30	100.0%	\$26.37	100.0%	\$31.04	100.0%	\$34.07	100.0%	\$37.81	100.0%	\$40.49	100.0%	\$40.99	100.0%
GO State Debt per Capita	\$263		\$263		\$311		\$329		\$410		\$451		\$511		\$521		\$546		\$547	
Total State Debt per Capita	\$835		\$918		\$982		\$1,070		\$1,211		\$1,299		\$1,401		\$1,526		\$1,577		\$1,573	
State Population	22,118,509		22,418,319		22,490,022		22,859,968		23,407,629		23,904,380		24,326,974		24,782,302		25,674,681		26,059,203	

New Money Debt Issued FY2003-FY 2012										
(in Billions)										
	8/31/2003	8/31/2004	8/31/2005	8/31/2006	8/31/2007	8/31/2008	8/31/2009	8/31/2010	8/31/2011	8/31/2012
Total Debt Issued	\$1.59	\$2.12	\$2.09	\$2.79	\$4.08	\$4.60	\$3.99	\$5.26	\$4.62	\$2.37

Source: Texas Bond Review Board

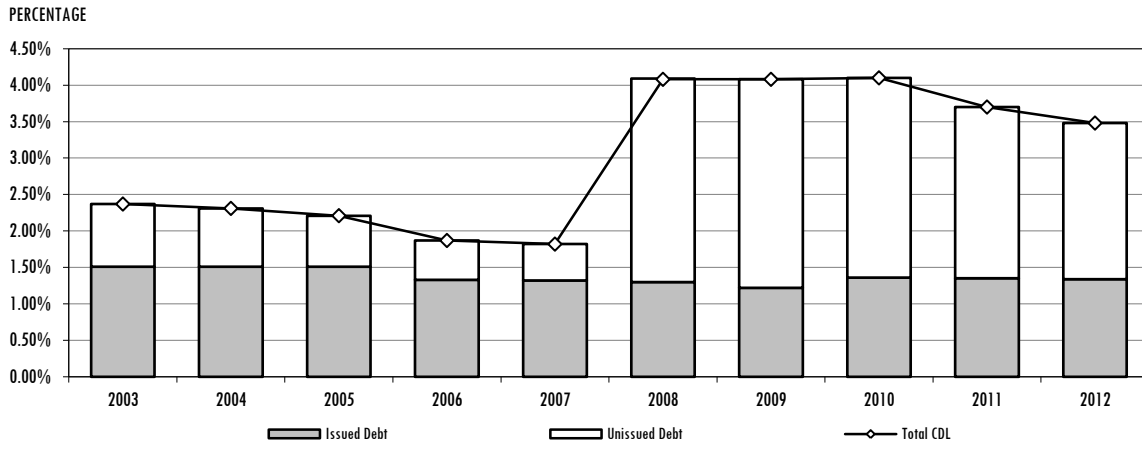
Attachment B

Table 2.3 STATE OF TEXAS DEBT OUTSTANDING (amounts in thousands)					
	8/31/2008	8/31/2009	8/31/2010	8/31/2011	8/31/2012
General Obligation Debt					
Self-Supporting					
Veterans' Land and Housing Bonds <i>Supported by loan repayments by veterans receiving loans for the purchase of land, housing and home improvements.</i>	\$1,832,472	\$1,867,107	\$1,970,203	\$2,031,611	\$2,113,682
Water Development Bonds <i>Supported by loan repayments from local jurisdictions for loans for projects related to water conservation, transportation, storage, and treatment.</i>	803,385	986,195	900,855	865,045	1,046,030
Water Development Bonds-State Participation <i>Supported by loan repayments from local jurisdictions for loans funding future water needs.</i>	0	0	139,585	138,840	113,930
Water Development Bonds - WIF <i>Supported by loan repayments from local jurisdictions for loans funding current water needs.</i>	0	0	230,125	226,530	222,200
Economic Development Bank Bonds <i>Supported by loan repayments from local entities receiving loans for economic development.</i>	45,000	45,000	45,000	45,000	45,000
Park Development Bonds <i>Supported by entrance fees from State Parks and Sporting Goods Sales Tax.</i>	0	0	0	0	0
College Student Loan Bonds <i>Supported by loan repayments by recipients of College Access Loans.</i>	727,343	708,945	746,380	798,915	825,100
Texas Agricultural Finance Authority <i>Supported by loan repayments from entities receiving loans for the purchase of farm or ranch lands.</i>	25,000	25,000	9,000	9,000	9,000
Texas Mobility Fund Bonds <i>Supported by revenue from the Mobility Fund, primarily drivers license and inspection fees.</i>	4,955,850	6,132,055	6,097,325	6,057,680	6,010,910
Texas Public Finance Authority - TMVRLF <i>Supported by loan repayments from local defense communities.</i>	49,595	49,595	49,595	49,145	48,680
Total, Self-Supporting	\$8,438,645	\$9,813,897	\$10,188,068	\$10,221,766	\$10,434,532
Not Self-Supporting ¹					
Higher Education Constitutional Bonds ²	\$51,605	\$54,875	\$49,255	\$40,828	\$32,067
Texas Public Finance Authority Bonds	1,850,644	1,870,530	1,830,410	1,777,810	1,713,250
Cancer Prevention and Research Institute of Texas	0	0	225,000	282,820	358,520
Park Development Bonds	15,164	14,145	12,745	11,340	9,925
Agriculture Water Conservation Bonds	2,575	0	0	0	0
Water Development Bonds - EDAP ³	172,495	162,805	174,375	194,775	197,100
Water Development Bonds - State Participation	140,130	139,750	38,480	35,580	35,080
Water Development Bonds - WIF	106,120	388,870	383,580	492,260	511,210
TTC GO Transportation Bonds	0	0	0	977,810	957,650
Total, Not Self-Supporting	\$2,338,733	\$2,630,975	\$2,713,845	\$3,813,223	\$3,814,802
Total General Obligation Debt	\$10,777,379	\$12,444,872	\$12,901,913	\$14,034,988	\$14,249,334
Non-General Obligation Debt					
Self-Supporting					
Permanent University Fund Bonds <i>Supported by the Available University Fund, which consists of distributions from returns of investment in the Permanent University Fund.</i>					
The Texas A&M University System	\$434,630	\$577,105	\$611,895	\$644,425	\$730,295
The University of Texas System	1,318,980	1,524,235	1,736,380	1,714,230	1,753,030
College and University Revenue Bonds ⁴ <i>Supported by any revenue generated by an institution of higher education, including tuition and funds and balances available to the governing board.</i>	7,362,004	8,457,339	9,487,043	10,128,695	10,528,915
Texas Water Resources Finance Authority Bonds <i>Supported by proceeds generated from the acquisition of bonds of local government jurisdictions.</i>	10,740	5,195	0	0	0
Texas Department of Transportation Bonds - CTIS <i>Supported by toll road collections.</i>	2,563,947	2,563,222	2,538,949	2,538,949	2,536,049
Texas Department of Housing & Community Affairs - SF <i>Supported by the repayment of loans by low income families and individuals receiving loans for housing.</i>	1,393,694	1,434,345	1,463,445	1,290,125	1,278,105
Economic Development Program (Leverage Fund) <i>Supported by revenue from the Governor's Office, primarily from repayment of loans from recipients of loans to promote domestic business development.</i>	6,407	9,332	11,500	20,000	25,000
Veterans' Financial Assistance Bonds <i>Supported by repayment of loans to veterans for home mortgages or nursing-care homes.</i>	23,987	24,227	23,210	22,220	0
Texas Workforce Commission Unemp Comp Bonds <i>Supported by revenue from insurance tax surcharges.</i>	0	0	0	1,780,960	1,466,625
State Highway Fund <i>Supported by revenue to the State Highway fund, primarily from the motor fuel tax and vehicle registration fees.</i>	3,076,660	3,091,755	4,252,655	4,078,445	3,963,935
Water Development Board Bonds - State Revolving Fund <i>Supported by loan repayments from local jurisdictions.</i>	1,357,383	1,522,933	1,296,588	924,743	881,493
Total, Self-Supporting	\$17,548,432	\$19,209,688	\$21,421,665	\$23,142,792	\$23,163,447
Not Self-Supporting ¹					
Texas Public Finance Authority Bonds	\$321,470	\$278,486	\$232,350	\$198,877	\$162,258
TPFA Master Lease Purchase Program	122,440	107,320	96,635	89,260	76,790
Texas Military Facilities Commission Bonds	18,555	17,350	16,105	14,805	13,450
Parks and Wildlife Improvement Bonds	46,895	41,320	35,615	29,740	23,700
Total, Not Self-Supporting	\$509,360	\$444,476	\$380,705	\$332,682	\$276,198
Conduit, Component and Related Organizations ⁵					
Texas Windstorm Insurance Association	\$0	\$0	\$0	\$0	\$500,000
Texas Small Business I.D.C. Bonds	99,335	60,000	60,000	60,000	20,000
Texas Dept. of Housing and Community Affairs Bonds - MF	1,221,465	1,223,809	1,200,354	1,100,719	1,075,881
Texas State Affordable Housing Corporation	696,136	568,780	600,796	564,855	432,787
Texas PAB Surface Transportation Corporation	0	0	1,015,000	1,015,000	1,015,000
TPFA Charter School Finance Corporation	10,145	127,740	236,955	253,121	259,621
Total, Conduit, Component and Related Organizations	\$2,027,081	\$1,980,329	\$3,113,105	\$2,993,695	\$3,303,290
Total Non-General Obligation Debt	\$20,084,873	\$21,634,493	\$24,915,475	\$26,469,169	\$26,742,935
Total Debt Outstanding	\$30,862,252	\$34,079,365	\$37,817,388	\$40,504,157	\$40,992,268
¹ Not self-supporting debt (general obligation and non-general obligation) depends solely on the state's general revenue fund for debt service.					
² While not explicitly a general obligation or full faith and credit bond, the revenue pledge contained in Constitutional Bonds has the same effect.					
³ Economically Distressed Areas Program (EDAP) bonds depend on the state's general revenue fund for 90% of their debt service.					
⁴ Tuition Revenue Bonds are included in these totals. See Table 2.5.					
⁵ This section contains debt that is not a legal liability of the state but rather is backed by third party entities.					
Source: Texas Bond Review Board - Bond Finance Office and Legislative Budget Board					



- 90% of the state’s debt is self-supporting and does not require general revenue for repayment.
- The largest growth in state debt has come from Revenue and General Obligation self-supporting debt.
- Not self-supporting debt has grown from \$3.13 billion in 2003 to \$4.09 billion in 2012, an increase of 30.7%.
- The Constitutional Debt Limit calculation uses only the debt service for the \$4.09 billion of not self-supporting debt.
- The largest contributors to the increase of NSS debt since 2008 are TXDOT with \$958 million (Proposition 12), TWDB with \$405 million (Water Infrastructure Fund) and TPFA with \$359 million (CPRIT).
- Conduit and Component debt is not a liability of the state but is backed by third party entities.

ATTACHMENT D: CDL DEBT SERVICE RATIO, FISCAL YEARS 2003 TO 2012



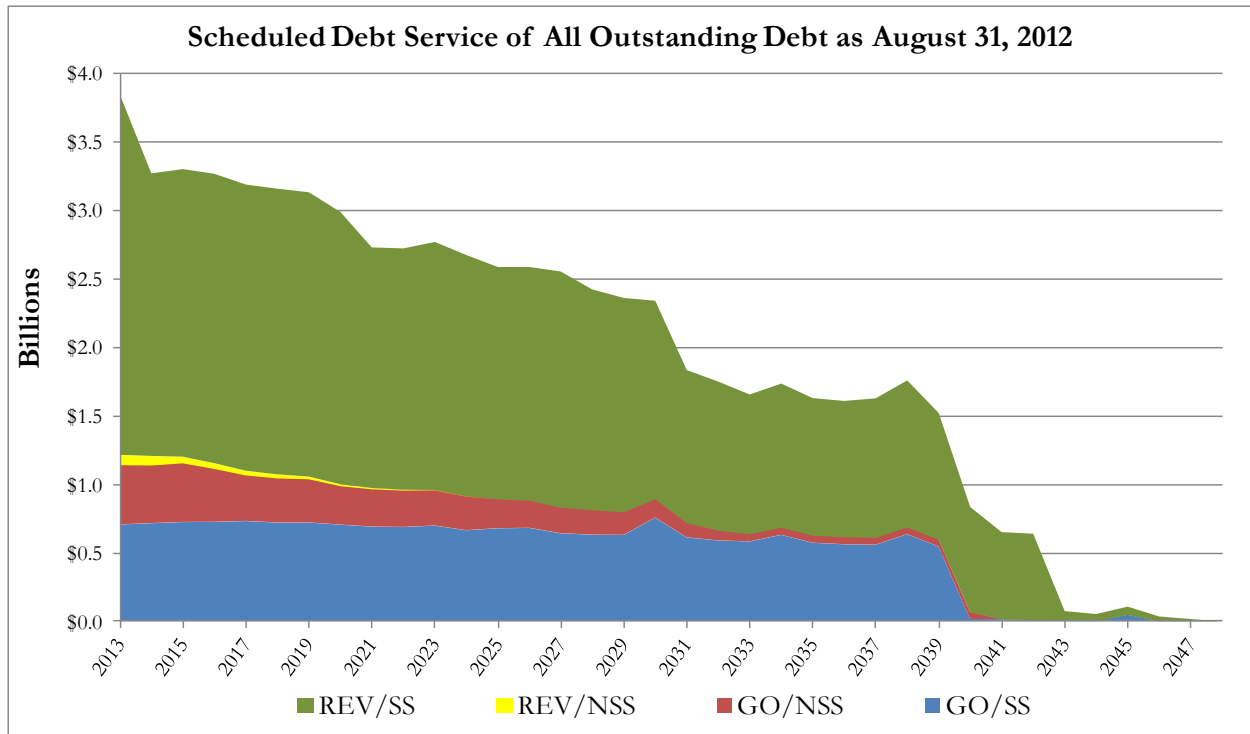
SOURCE: Legislative Budget Board; Bond Review Board.

- The large increase in 2008 was primarily due to the authorization of \$9.25 billion of not self-supporting general obligation debt for TTC (Proposition 12), CPRIT and state repairs and construction (Proposition 4).

Attachment E

DEBT SERVICE PAYMENTS BY AGENCY AND FUND SOURCE, ALL FUNDS				
IN MILLIONS	ESTIMATED/ BUDGETED	RECOMMENDED	BIENNIAL	PERCENTAGE
AGENCY/FUND SOURCE	2012-13	2014-15	CHANGE	CHANGE
FACILITIES COMMISSION - LEASE PAYMENTS	\$76.3	\$58.2	(\$18.1)	(23.8)
TEXAS PUBLIC FINANCE AUTHORITY - MASTER LEASE PURCHASE PROGRAM	18.7	17.5	(1.3)	(6.8)
TEXAS PUBLIC FINANCE AUTHORITY - GENERAL OBLIGATION (GO) BONDS	551.9	687.4	135.5	24.6
GOVERNOR'S OFFICE - ECONOMIC GROWTH AND TOURISM	10.8	9.9	(0.9)	(8.3)
HISTORICAL COMMISSION/NATIONAL MUSEUM OF THE PACIFIC WAR - LEASE PAYMENTS	1.7	1.6	(0.1)	(8.0)
PRESERVATION BOARD/HISTORY MUSEUM - LEASE PAYMENTS	11.8	11.8	0.0	0.0
DEPARTMENT OF STATE HEALTH SERVICES - LEASE PAYMENTS	6.5	5.7	(0.7)	(11.0)
TUITION REVENUE BONDS	583.3	587.8	4.5	0.8
ADJUTANT GENERAL/MILITARY FACILITIES COMMISSION	4.0	3.6	(0.3)	(8.1)
DEPARTMENT OF CRIMINAL JUSTICE - PRIVATE PRISON LEASE/PURCHASE	14.0	5.0	(9.0)	(64.2)
PARKS AND WILDLIFE - LEASE PAYMENTS	14.5	6.8	(7.7)	(52.9)
WATER DEVELOPMENT BOARD - WATER BONDS	224.0	215.4	(8.5)	(3.8)
DEPARTMENT OF TRANSPORTATION - STATE HIGHWAY FUND	748.7	1,267.4	518.8	69.3
DEPARTMENT OF TRANSPORTATION - TEXAS MOBILITY FUND	698.6	734.3	35.7	5.1
DEPARTMENT OF TRANSPORTATION - HIGHWAY IMPROVEMENT GO	191.6	449.6	258.0	134.6
TOTAL, DEBT SERVICE PAYMENTS	\$3,156.3	\$4,062.1	\$905.8	28.7
METHOD OF FINANCING:				
GENERAL REVENUE FUND	\$1,465.3	\$1,752.3	\$287.0	19.6
GENERAL REVENUE—DEDICATED FUNDS	74.7	154.7	80.0	107.0
FEDERAL FUNDS	137.8	137.8	0.0	0.0
OTHER FUNDS	1,478.5	2,017.3	538.8	36.4
TOTAL, ALL FUNDS	\$3,156.3	\$4,062.1	\$905.8	28.7
NOTE: Totals may not add due to rounding.				
Source: Legislative Budget Board				

Attachment F



- The GO/NSS (red) and Rev/NSS (yellow) areas represent the debt service scheduled to be repaid from general revenue.

Table 1.6
TOTAL STATE AND LOCAL DEBT OUTSTANDING: TEN MOST POPULOUS STATES

State	Total State and Local Debt				State Debt				Local Debt			
	Population (thousands)	Amount (millions)	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Capita Rank	Amount (millions)	% of Total Debt	Capita Amount	Capita Rank
New York	19,378	\$316,668	\$16,342	1	\$129,530	40.9%	\$6,684	1	\$187,138	59.1%	\$9,657	1
California	37,254	403,985	10,844	2	148,929	36.9%	3,998	3	255,056	63.1%	6,846	3
Illinois	12,831	135,991	10,599	3	61,412	45.2%	4,786	2	74,579	54.8%	5,812	5
Pennsylvania	12,702	122,319	9,630	5	44,738	36.6%	3,522	4	77,581	63.4%	6,108	4
Texas	25,146	249,882	9,937	4	42,034	16.8%	1,672	9	207,848	83.2%	8,266	2
Florida	18,801	150,579	8,009	6	41,324	27.4%	2,198	7	109,255	72.6%	5,811	6
Michigan	9,884	77,302	7,821	7	32,146	41.6%	3,252	5	45,156	58.4%	4,569	7
Ohio	11,537	76,279	6,612	8	30,004	39.3%	2,601	6	46,275	60.7%	4,011	8
Georgia	9,688	52,446	5,414	10	13,789	26.3%	1,423	10	38,657	73.7%	3,990	9
North Carolina	9,535	51,831	5,436	9	18,853	36.4%	1,977	8	32,978	63.6%	3,459	10
MEAN		\$163,728	\$9,064		\$56,276	34.7%	\$3,211		\$107,452	65.3%	\$5,853	

Note: Detail may not add to total due to rounding.
Source: U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State: 2009-2010*, the most recent data available.

- 83.2% of Texas' debt is held at the local level.