



TEXAS STATE BOND DEBT

Texas uses long-term debt to finance a variety of projects and program areas. State debt is issued by state agencies and universities. It does not include local debt. As of August 31, 2015, Texas had approximately **\$41.0 billion in state bonds outstanding** (excluding \$6.1 billion in revenue conduit issuances not a legal liability of the state). Appropriations include **\$4.0 billion for debt service** requirements in the 2016-17 biennium. As of February 2016 Texas' General Obligation debt was rated at Aaa/AAA/AAA by the three major credit rating agencies.

STATE BONDS OUTSTANDING
\$41.0 BILLION

Types Of Bonds

General Obligation (GO Bonds)

GO bonds are backed by the full faith and credit of the state. GO bond authority must be approved by two-thirds of both chambers to be placed on the ballot, then approved by a majority of voters.

Non-General Obligation Debt (Revenue Bonds)

Revenue bonds are authorized by the Legislature, secured by a specific revenue source, and do not require voter approval.

Some bonds are not subject to authorization limits. Certain self-supported bonds are governed by Comptroller's projections for their funding source. University bonds rated equal to or higher than AA- may be issued without Bond Review Board approval. Other issuers have a variety of legislative limits based on debt service, annual issuance limits, or evergreen authority.

Repayment Category of Bonds

Self-Supporting Debt

Self-supporting debt is expected to be repaid with revenues other than General Revenue (GR) (e.g., loan repayments).

Not Self-Supporting Debt

Not self-supporting debt is expected to be repaid with GR (e.g., repair and construction projects).

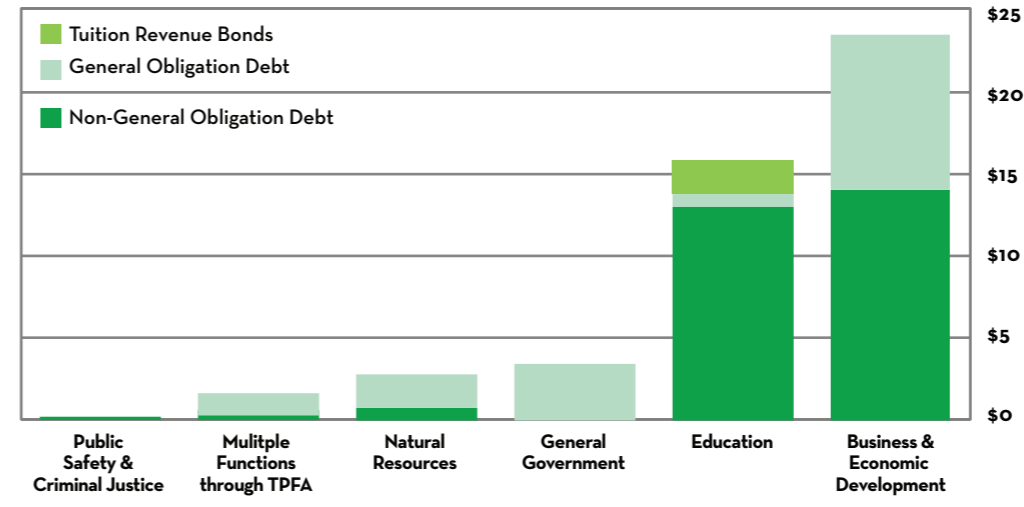
Conduit Debt

Conduit debt is issued by state entities on behalf of third parties and is not a legal liability of the state.

Tuition Revenue Bonds

Tuition revenue bonds are legally self-supporting. However, the Legislature typically appropriates GR to reimburse institutions for their debt service on the bonds.

Outstanding Debt by Government Function FY 2015 (billions of dollars, includes conduits)



The Texas Public Finance Authority (TPFA) issues debt on behalf of multiple state agencies and certain universities. Other state issuers include the Water Development Board, the Texas Veterans Land Board, all state university debt not issued by TPFA, and the Texas Department of Transportation (TxDOT). Note that TxDOT is included in the Business and Economic Development government function.

Authorized Bond Debt

Authorized Bond Debt is all debt that has been authorized by the Legislature.

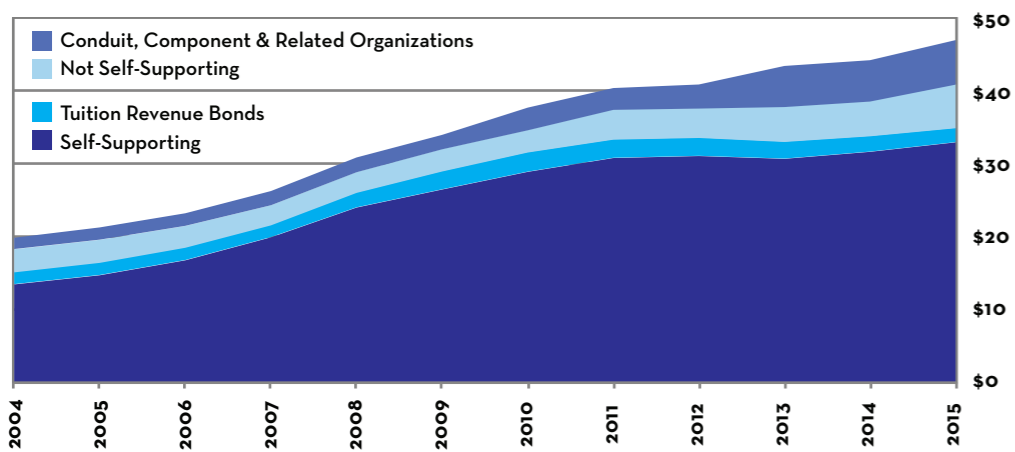
Issued Bond Debt

Issued Bond Debt, or outstanding debt, is debt that has been sold and for which payments of principal and interest must be made over its established repayment schedule. It includes all debt. Only debt that is not self-supporting is included in the Constitutional Debt Limit.

Authorized But Unissued Debt

Authorized but Unissued Debt is debt that may be issued at any time without further action by the Legislature.

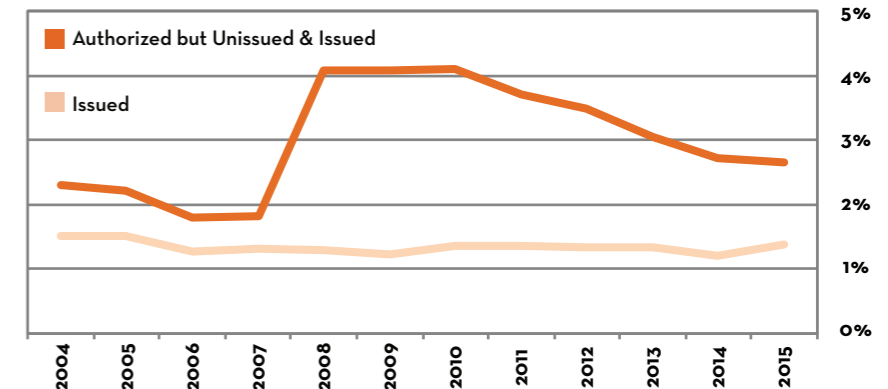
Outstanding Debt by Repayment Category (billions of dollars)



Article III, Section 49(j) of the Texas Constitution limits the authorization of additional state debt if in any fiscal year the resulting annual debt service payable from unrestricted GR (not self-supporting debt), excluding constitutionally dedicated revenues, exceeds 5.0 percent of the average annual unrestricted GR for the previous three years. As of fiscal year 2015, the ratio of debt service on outstanding or issued debt was 1.38 percent; including debt service for authorized but unissued debt increases the ratio to 2.65 percent. The increase in authorized debt from fiscal year 2007 to 2008 occurred due to the passage of three ballot propositions: Proposition 4 (TPFA), Proposition 12 (TxDOT), and Proposition 15 (Cancer Prevention & Research Institute of Texas).

Constitutional Debt Limit

(ratio of not self-supported debt authorized to unrestricted, available GR)





TEXAS LOCAL BOND DEBT

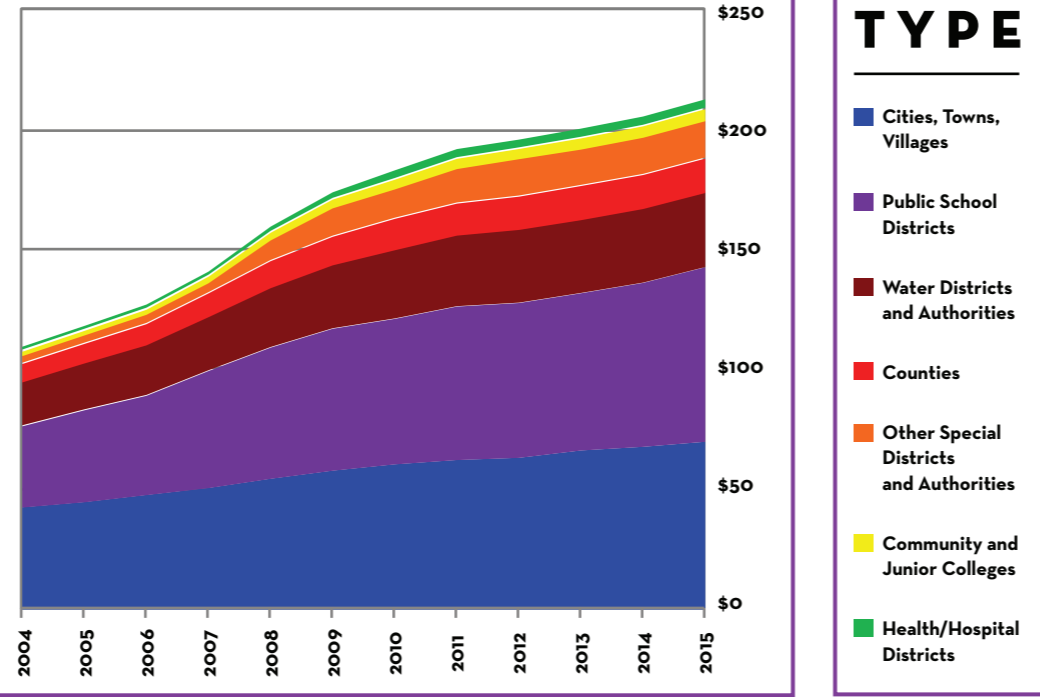
Local governments in Texas issue debt to finance construction and renovation of government facilities, public infrastructure, and various other projects authorized by law. Local governments issue two main types of debt - tax-supported General Obligation (GO) and Revenue Debt. GO debt is secured by the full faith and credit of the issuer's ad valorem tax revenue while Revenue Debt is secured by a specified revenue source. **Total outstanding local debt as of August 31, 2015 was \$212.4 billion including approximately \$8.2 billion of conduit debt.**

LOCAL DEBT OUTSTANDING
\$212.4 BILLION

STATE RECORDS AND OVERSIGHT OF LOCAL DEBT

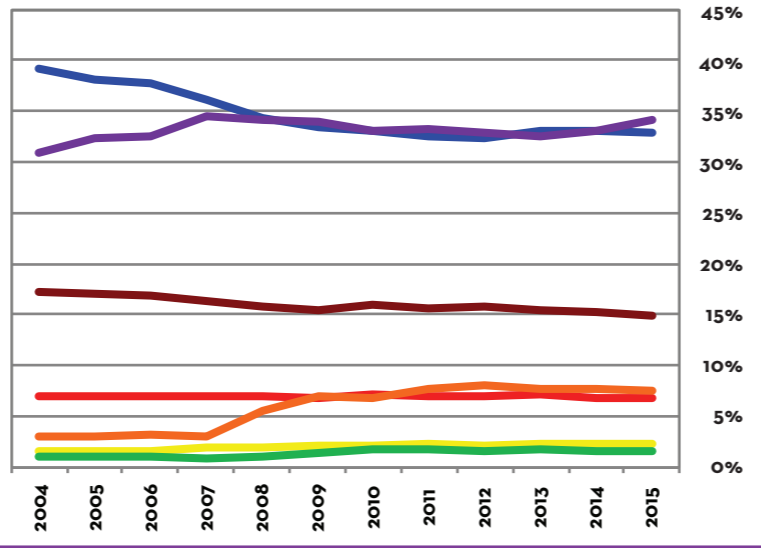
Local debt issues are recorded by the Texas Bond Review Board (BRB) to fulfill Chapter 1231 of the Texas Government Code that requires the BRB to prepare statistical reports on local government debt. The BRB has no direct oversight of local debt issuance. This information is primarily collected by the Office of the Attorney General in its review and approval of public securities under Chapter 1202 of the Government Code and then forwarded to the BRB. These data allow the BRB to track the growth of outstanding local debt over time, as shown in the adjacent chart, distributed across the BRB-defined government types.

Outstanding Local Debt by Government Type (billions of dollars)



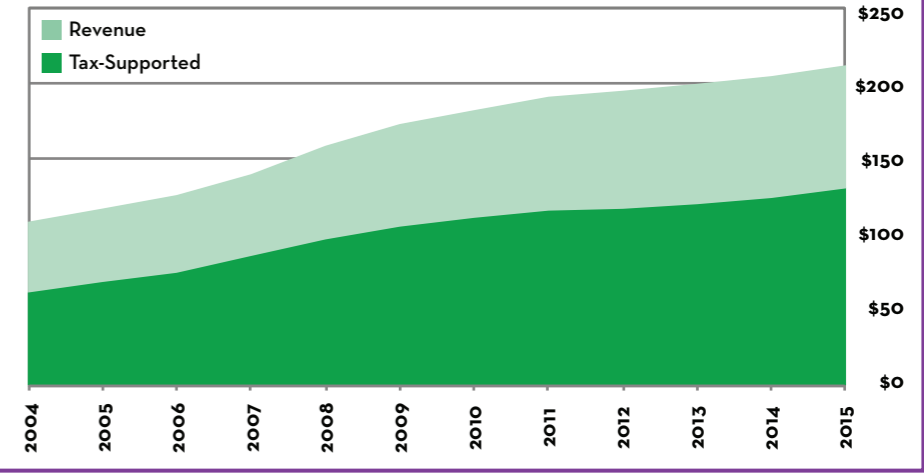
Since 2004, as the overall level of local indebtedness grew from \$109.0 billion to \$212.4 billion, the distribution of debt changed. Cities, towns, and villages owed proportionally less debt, while school districts and other special districts (largely driven by the North Texas Tollway Authority) owed proportionally more.

Change In Distribution Of Local Debt (percent change)



Since 2004, the proportion of tax-supported local GO debt has increased, from 57.0 percent to 62.0 percent. This is largely due to the increase in tax-supported debt represented by public school borrowing followed by cities.

Local Debt by Source of Payment (billions of dollars)



Issued debt is categorized by the BRB as Refunding Debt or New Money Debt. Refunding debt is issued to refinance all or a portion of outstanding debt. New money debt is issued to finance construction and renovation of government facilities, public infrastructure, and various other projects authorized by law. A majority of bond issuances in 2015 were for the purpose of refunding debt.

New Versus Refunding Local Debt: Annual Issuances

