Red Ink Rising: Local Government Debt

Local governments in Texas are awash in a sea of red ink. The Bond Review Board (BRB) estimates that local debt outstanding, or the amount of unpaid principal, reached $218.5 billion in FY 2016, an increase of $34.7 billion since 2010. Local debt per capita is estimated at approximately $8,000 owed for every Texan.

Accounting for interest, the swell of local debt is even larger. The BRB pegged local debt service outstanding, or the amount needed to fully repay the principal and interest owed, at $342.1 billion in FY 2016, an increase of $33.1 billion since 2010. Local debt service outstanding per capita is estimated at approximately $12,500 owed for every Texan.

Increased public debt can burden a community in at least three distinct ways. First, more debt generally means more taxes, creating the conditions for fewer economic opportunities. Second, increased debt service requirements reduce budgetary resources available for other core government programs. Finally, long periods of elevated debt can put a community’s credit rating at risk resulting in higher future borrowing costs.

### How Texas Compares

The BRB's Annual Report for Fiscal 2016 does not shine a positive light on Texas' local debt position (see table below). Compared to the top 10 most populous states in the nation, Texas' local debt per capita ($8,350) ranks as the second highest, behind only New York ($10,646).

### The Consequences

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**Progress Made, But More Work to Be Done**

During the 84th Legislature, a series of local debt reforms were enacted to address problems on several fronts, including: the misuse of capital appreciation bonds, the practice of “rolling polling,” and using certificates of obligation inappropriately.

In spite of last session’s progress, there is still more work to be done on the issue of local government debt, including:

- **Informing Voters at the Ballot Box.** Require each new bond proposition to include basic financial information on the ballot to help Texas voters make informed decisions.
- **Maximizing Voter Input.** Require all bond elections to be held on the November uniform election date to ensure that the greatest number of area residents are participating in the process.
- **Separating Ballot Propositions.** Require that major capital improvement projects, above a certain cost or percentage threshold, be submitted to voters separately.
- **Ending “Rolling Polling.”** The official practice of moving polling locations during the early voting period should be disallowed because it provides an avenue for abuse.

### Source