

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.

Local debt is not only mammoth, but also growing rapidly. From 2000 to 2016, local debt outstanding increased by 170 percent. Over the same period, population and inflation grew a combined 72 percent.

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 amount, behind only New York (\$10,646).

The Consequences

Increased public debt can burden a community in at least three distinct ways. First, more debt generally means more taxes, cre-

ating 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.

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.

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	Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Capita Rank
New York	19,746	\$346,238	\$17,535	1	\$136,014	39.3%	\$6,888	1	\$210,224	60.7%	\$10,646	1
Illinois	12,881	148,689	11,543	2	63,660	42.8%	4,942	2	85,028	57.2%	6,601	4
California	38,803	420,284	10,831	3	152,186	36.2%	3,922	3	268,098	63.8%	6,909	3
Texas	26,957	264,723	9,820	5	39,625	15.0%	1,470	9	225,098	85.0%	8,350	2
Pennsylvania	12,787	130,238	10,185	4	47,021	36.1%	3,677	4	83,217	63.9%	6,508	5
Michigan	9,910	76,315	7,701	6	30,377	39.8%	3,065	5	45,938	60.2%	4,636	7
Florida	19,893	146,427	7,361	7	37,892	25.9%	1,905	8	108,535	74.1%	5,456	6
Ohio	11,594	82,483	7,114	8	33,133	40.2%	2,858	6	49,350	59.8%	4,257	8
Georgia	10,097	55,679	5,514	9	13,293	23.9%	1,317	10	42,386	76.1%	4,198	9
North Carolina	9,944	51,524	5,181	10	19,055	37.0%	1,916	7	32,469	63.0%	3,265	10
MEAN		\$172,260	\$9,279		\$57,226	33.6%	\$3,196		\$115,034	66.4%	\$6,083	

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: 2012-2013*, the most recent data available.

Source: Bond Review Board, [Annual Report for Fiscal 2016](#)