



Ballot Box Transparency



The Issue

Cities, counties, school districts, and special districts in Texas have amassed an alarming amount of debt. In fiscal year 2012—the latest data available online—local debt service outstanding (meaning the remaining principal and interest to be paid) totaled \$323.1 billion, or roughly \$12,500 owed per Texan.

Local government debt is not only staggering in size, but it is also growing at an alarming rate.

From fiscal years 2003 to 2013, local debt outstanding has grown from \$102.6 billion to \$200.2 billion, representing an increase of 95% over the period. By contrast, population and inflation increased over the same period by just 46%. Figures for local debt service outstanding over a similar period were unavailable at the time of publication.

The girth and growth of local government debt in Texas represents one of the state's most pressing public policy problems moving forward. In the absence of meaningful reform, the status quo is sure to produce higher taxes, lower credit ratings, and slower economic growth in communities around the state.

There is no silver bullet solution for Texas' evolving local government debt crisis. The problem is complex and multi-faceted, and requires more than a simple measure to solve. However, an important first step toward addressing the issue is to begin educating the public at the ballot box.

Currently, the voting public has only very little information about a proposition when deciding on its merits at the ballot box. That limited information consists of two items: the amount that a local governmental body proposes to borrow and a brief explanation of its purpose. Absent is any information on existing debt levels, anticipated tax impact, per capita debt estimates, or total debt service repayment projections.

Arming Texans with basic financial information at the voting booth—of the same variety that individuals and families rely on to make intelligent household spending decisions—is critical to ensuring that sound public investment decisions are being made.

To that end, the Legislature should require all local governments seeking to issue bonds to provide a short list of simple facts along with each proposition. Added information could include:

- The total principal and interest amount required to pay all outstanding debt obligations of the asking entity;

Sample of Ballot Box Transparency

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:				
<input type="checkbox"/> FOR				
<input type="checkbox"/> AGAINST				

Source: Texas Comptroller of Public Accounts, "Texas, It's Your Money."

- The estimated combined principal and interest required to pay the proposed bonds on time and in full;
- The estimated rate of interest to be paid; and
- The estimated increase in the tax levy, if any, assuming that the measure is approved.

While legislators should take care not to overwhelm voters with too much information, there is no better place to educate voters than at the ballot box.

The Facts

- As of FY 2012, local government debt service outstanding (principal plus interest) totaled \$323.1 billion. No estimate for FY 2013 has yet been provided.
- The most recent data available estimates local debt service outstanding (principal and interest) at \$323.1 billion for fiscal 2012.
- From fiscal years 2003 to 2013, local debt outstanding grew by 95%. Over the same period, population and inflation increased just a combined 46%.
- In 2012, the Texas Comptroller ranked Texas' local debt per capita as the 2nd highest burden in the nation, behind only New York.
- Texas voters are not fully informed at the ballot box of the propositions that they are being asked to approve or reject.

Recommendation

- Require local governments seeking to issue bonds to provide voters with basic financial information about the proposition being decided upon.

Resources

Improving Financial Transparency at the Ballot Box by James Quintero, Texas Public Policy Foundation (Sept. 2014).

Your Money and Local Debt, Texas Comptroller of Public Accounts (Sept. 2012).

