

**Bond Review Board  
Summary of Budget Recommendations - House**

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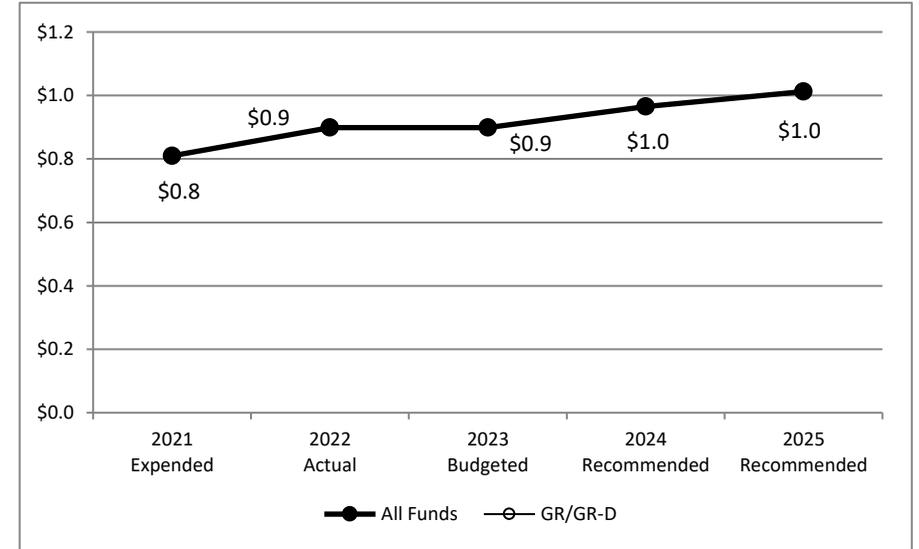
Rob Latsha, Executive Director

Harrison Gregg, LBB Analyst

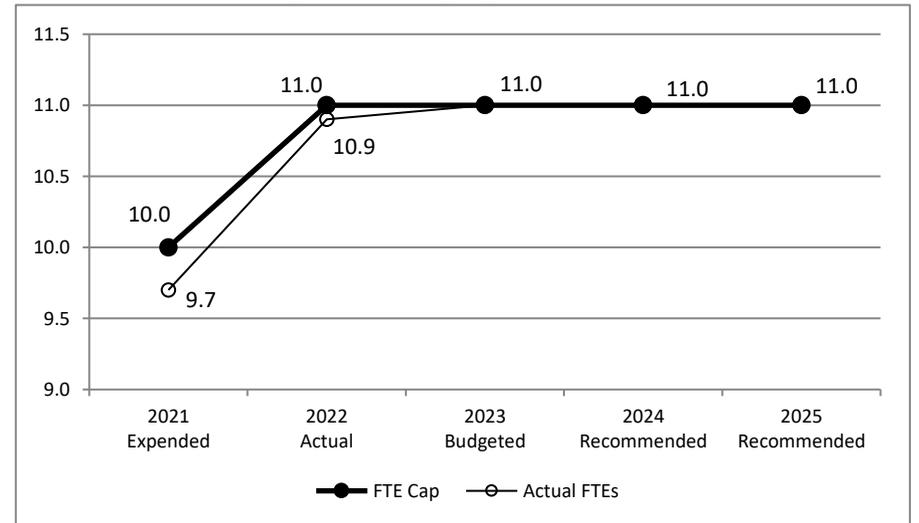
<b>Method of Financing</b>	<b>2022-23 Base</b>	<b>2024-25 Recommended</b>	<b>Biennial Change (\$)</b>	<b>Biennial Change (%)</b>
General Revenue Funds	\$1,797,823	\$1,977,322	\$179,499	10.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$1,797,823</i>	<i>\$1,977,322</i>	<i>\$179,499</i>	<i>10.0%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
<b>All Funds</b>	<b>\$1,797,823</b>	<b>\$1,977,322</b>	<b>\$179,499</b>	<b>10.0%</b>

	<b>FY 2023 Budgeted</b>	<b>FY 2025 Recommended</b>	<b>Biennial Change</b>	<b>Percent Change</b>
FTEs	11.0	11.0	0.0	0.0%

**Historical Funding Levels (Millions)**



**Historical Full-Time-Equivalent Employees (FTEs)**



The bill pattern for this agency (2024-25 Recommended) represents an estimated 100.0% of the agency's estimated total available funds for the 2024-25 biennium.

**Bond Review Board**  
**Summary of Funding Changes and Recommendations - House**

Funding Changes and Recommendations for the 2024-25 Biennium compared to the 2022-23 Base Spending Level (in millions)	General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>						
A) Increase in GR related to statewide salary adjustments and increase in salary for the executive director exempt position.	\$0.2	\$0.0	\$0.0	\$0.0	\$0.2	Various
<b>TOTAL SIGNIFICANT &amp; OTHER Funding Changes and Recommendations (in millions)</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.2</b>	As Listed
<i>SIGNIFICANT &amp; OTHER Funding Increases</i>	\$0.2	\$0.0	\$0.0	\$0.0	\$0.2	As Listed
<i>SIGNIFICANT &amp; OTHER Funding Decreases</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	As Listed

NOTE: Totals may not sum due to rounding.

**Bond Review Board  
Selected Fiscal and Policy Issues - House**

1. **Constitutional Debt Limit (CDL).** 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 the unrestricted General Revenue Fund – excluding revenues constitutionally dedicated for purposes other than state debt payment –exceeds 5 percent of the average annual unrestricted General Revenue Funds for the previous three years.

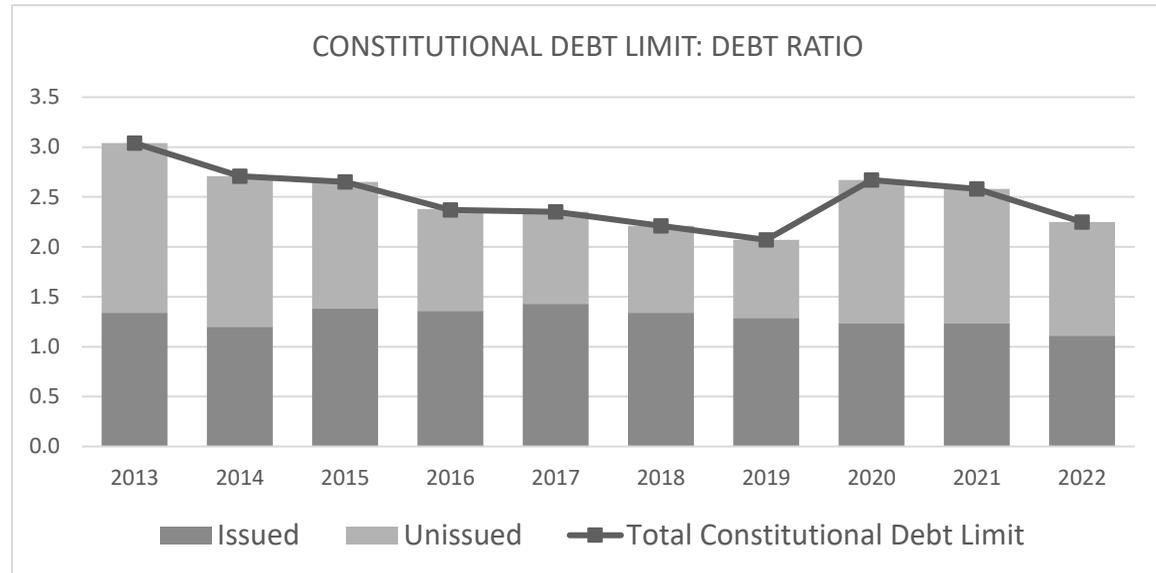
The Bond Review Board calculates two debt ratios to monitor state debt in relation to the constitutional debt limit:

- Debt service on outstanding (issued) debt as a percentage of unrestricted General Revenue Funds. At the end of fiscal year 2022, the Bond Review Board reported that the **issued debt was 1.11 percent**. This reflects a 0.12 percentage point decrease from fiscal year 2021.
- Debt service on outstanding debt and estimated debt service for authorized but unissued debt as a percentage of unrestricted General Revenue Funds. At the end of fiscal year 2022, the **issued, and authorized but unissued debt was 2.25 percent**. This reflects a 0.33 percentage point decrease from fiscal year 2021.

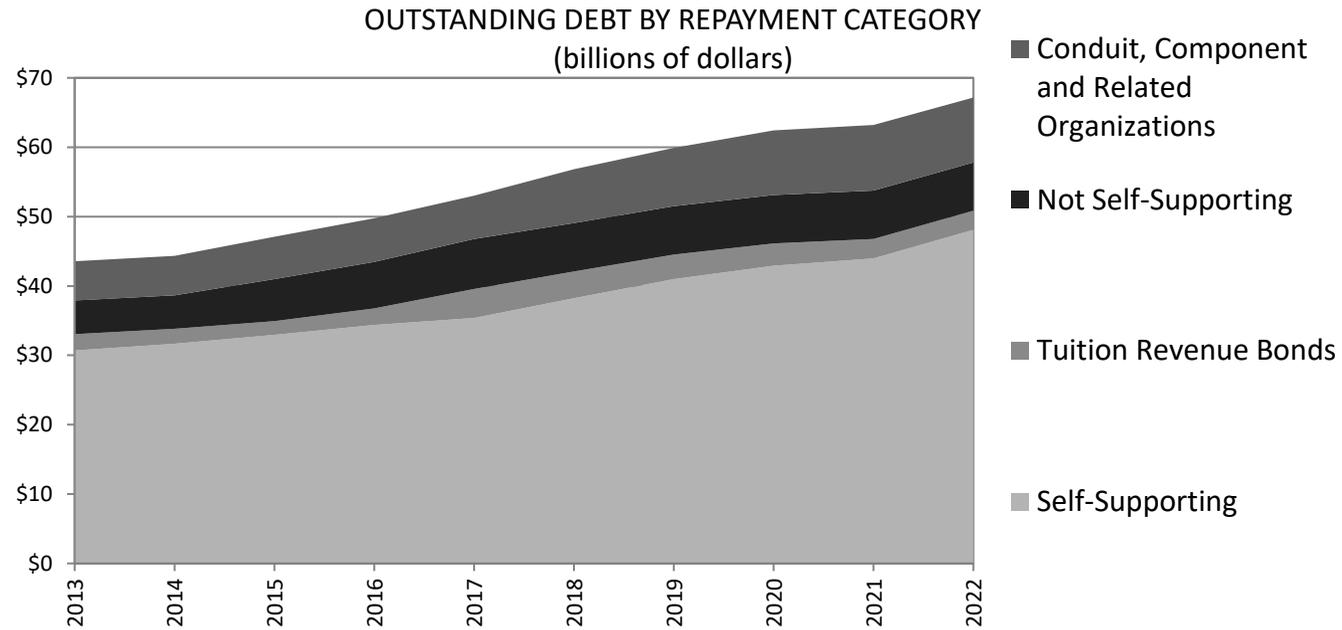
Several factors can impact the state’s CDL debt service ratio:

- the three-year average of unrestricted General Revenue funds;
- amount of debt outstanding and associated debt service;
- a change in unissued debt authorizations and associated estimated debt service; and
- interest rates on issued debt and the assumptions used for authorized but unissued debt.

According to the the Bond Review Board, there is currently \$18.6 billion in additional debt capacity for non-self-supporting debt authorization that would be subject to the constitutional limit.



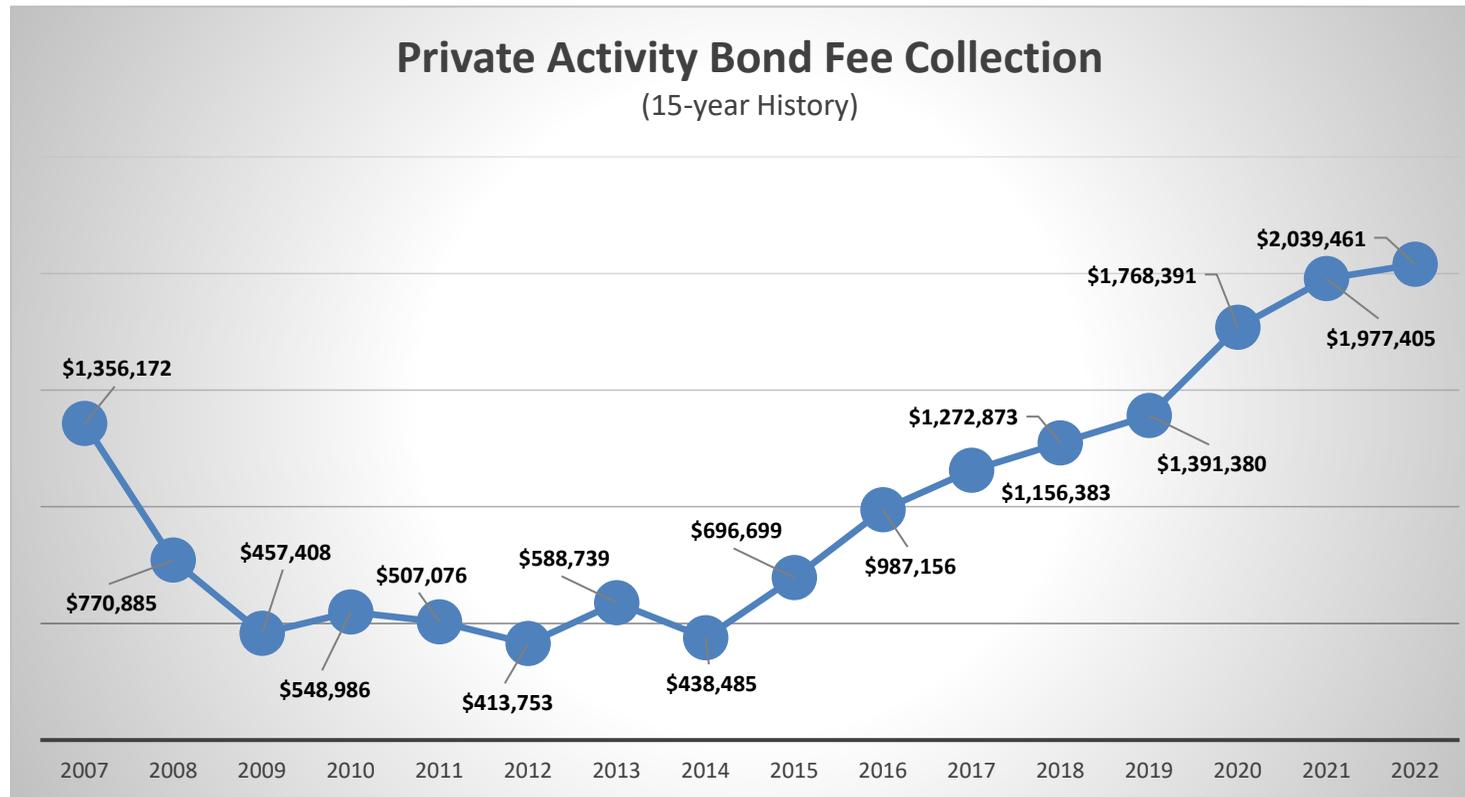
2. **State Debt Versus Local Debt.** According to the Bond Review Board, as of August 31, 2022, state and local debt totaled \$348.6 billion, of which local debt comprised \$284.2 billion, or 81.5 percent. The remaining \$64.4 billion is state debt outstanding including revenue conduit issuances. Conduit debt are securities issued by the state on behalf of third parties that are liable for repayment of the debt. Of the outstanding local debt, approximately \$186.7 billion is general obligation debt supported by tax collection. School district bond issuances account for \$104.2 billion, or 36.7 percent, of all outstanding local debt. At the end of fiscal year 2020, Texas ranked 42<sup>nd</sup> in state debt per capita and 3<sup>rd</sup> in local debt per capita according to the US Census Bureau.



3. **Texas' General Obligation Bond Rating.** The state's general obligation (GO) bond rating is the assessment of the state's creditworthiness by the three major bond-rating agencies: Moody's, Standard and Poor's (S&P), and Fitch. All three rating agencies reevaluated Texas' bond rating in fiscal year 2022 with Texas' GO bonds receiving AAA ratings from each agency.

4. **Private Activity Bond Allocation Program Revenue.** The Bond Review Board administers the private activity bond (PAB) allocation program as required by Government Code, Chapter 1372 and is authorized by statute to collect fees related to the allocation of the state ceiling - the amount of tax-exempt private activity bonds that may be issued by all issuers in the state during a calendar year. At the beginning of fiscal year 2022, the Bond Review Board had up to \$5.9 billion in PAB authority, which included approximately \$2.7 billion in carry-forward from the prior three years and up to the fiscal year 2021 cap of \$3.2 billion.

The Bond Review Board collects a \$500 non-refundable application fee for a reservation of state ceiling, and certain issues are required to remit closing costs of at least \$1,000 to the agency. Additionally, the Bond Review Board is authorized to collect a \$5,000 application fee for qualified residential retail projects such as multi-family housing. Of this amount, statute allocates \$1,000 of the application fee to offset the costs of the Private Activity Bond Allocation program and allows for the transfer of \$4,000 of this fee to the Texas Department of Housing and Community Affairs for the Affordable Housing Research and Information program. All fees currently collected by the Bond Review Board are deposited to unobligated General Revenue.



**Bond Review Board  
Rider Highlights – House**

**New Riders**

2. **Unexpended Balances: Between Fiscal Years within the Biennium.** Recommendations include the addition of a rider that provides the agency unexpended balance authority within the 2024-25 biennium.

**Bond Review Board**  
**Items Not Included in Recommendations - House**

		2024-25 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2026-27
		GR & GR-D	All Funds	FTEs			
<b>Agency Exceptional Items Not Included (in agency priority order)</b>							
1)	Competitive Funding for Critical Classified Staff Positions. Agency requests \$33,000 in fiscal year 2024 and \$67,000 in fiscal year 2025 to attract and retain classified positions.	\$100,000	\$100,000	0.0	No	No	\$0
2)	Website Upgrade for Data Entry Portal. Agency requests \$385,000 in fiscal year 2024 and \$220,000 in fiscal year 2025 for a website upgrade IT capital project.	\$605,000	\$605,000	0.0	Yes	Yes	\$0
<b>TOTAL Items Not Included in Recommendations</b>		<b>\$705,000</b>	<b>\$705,000</b>	<b>\$0</b>			<b>\$0</b>

**Bond Review Board  
Appendices - House**

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\* Appendix is not included - no significant information to report

**Bond Review Board  
Funding Changes and Recommendations by Strategy - House -- GENERAL REVENUE FUNDS**

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
REVIEW BOND ISSUES A.1.1	\$313,809	\$342,512	\$28,703	9.1%	Recommendations reflect: 1) An increase of \$15,191 related to the agency's reallocation of funding from Strategies B.1.1. and C.1.1. to Strategies A.1.1. and A.1.2. (Goal A), primarily for salary expenditures. 2) An increase of \$13,512 related to funding for the agency's exempt salary position, Executive Director, from \$127,500 to \$156,742.
STATE BOND DEBT A.1.2	\$315,144	\$346,112	\$30,968	9.8%	Recommendations reflect: 1) An increase of \$17,456 related to the agency's reallocation of funding from Strategies B.1.1. and C.1.1. to Strategies A.1.1. and A.1.2. (Goal A), primarily for salary expenditures. 2) An increase of \$13,512 related to funding for the agency's exempt salary position, Executive Director, from \$127,500 to \$156,742.
<b>Total, Goal A, PROTECT TEXAS BOND RATING</b>	<b>\$628,953</b>	<b>\$688,624</b>	<b>\$59,671</b>	<b>9.5%</b>	
ANALYZE LOCAL BOND DEBT B.1.1	\$857,882	\$840,512	(\$17,370)	(2.0%)	Recommendations reflect: 1) A decrease of \$30,882 related to the agency's reallocation of funding from Strategies B.1.1. and C.1.1. to Strategies A.1.1. and A.1.2. (Goal A), primarily for salary expenditures. 2) An increase of \$13,512 related to funding for the agency's exempt salary position, Executive Director, from \$127,500 to \$156,742.
<b>Total, Goal B, LOCAL BOND DEBT</b>	<b>\$857,882</b>	<b>\$840,512</b>	<b>(\$17,370)</b>	<b>(2.0%)</b>	
ADMINISTER PRIVATE ACTIVITY BONDS C.1.1	\$310,988	\$322,735	\$11,747	3.8%	Recommendations reflect: 1) A decrease of \$1,765 related to the agency's reallocation of funding from Strategies B.1.1. and C.1.1. to Strategies A.1.1. and A.1.2. (Goal A), primarily for salary expenditures. 2) An increase of \$13,512 related to funding for the agency's exempt salary position, Executive Director, from \$127,500 to \$156,742.
<b>Total, Goal C, PRIVATE ACTIVITY BONDS</b>	<b>\$310,988</b>	<b>\$322,735</b>	<b>\$11,747</b>	<b>3.8%</b>	
SALARY ADJUSTMENTS D.1.1	\$0	\$125,451	\$125,451	100.0%	Recommendations reflect an increase of \$125,451 for the statewide salary adjustments.

**Bond Review Board  
Funding Changes and Recommendations by Strategy - House -- GENERAL REVENUE FUNDS**

Strategy/Goal	2022-23 Base	2024-25 Recommended	Biennial Change	% Change	Comments
<b>Total, Goal D, SALARY ADJUSTMENTS</b>	<b>\$0</b>	<b>\$125,451</b>	<b>\$125,451</b>	<b>100.0%</b>	
<b>Grand Total, All Strategies</b>	<b>\$1,797,823</b>	<b>\$1,977,322</b>	<b>\$179,499</b>	<b>10.0%</b>	

**Bond Review Board  
FTE Highlights - House**

<b>Full-Time-Equivalent Positions</b>	<b>Expended 2021</b>	<b>Actual 2022</b>	<b>Budgeted 2023</b>	<b>Recommended 2024</b>	<b>Recommended 2025</b>
Cap	10.0	11.0	11.0	11.0	11.0
Actual/Budgeted	9.7	10.9	11.0	NA	NA

<b>Schedule of Exempt Positions (Cap)</b>					
Executive Director, Group 4	\$147,869	\$147,869	\$147,869	\$152,306	\$156,742

Notes:

a) The State Auditor's Office Reports, *Executive Compensation at State Agencies* (Report 22-706, August, 2022) indicates a market average salary of \$156,742 for the Executive Director position at the Bond Review Board.

b) The State Auditor's Office is the source of the FY 2021 and FY 2022 annual average (actual) FTE levels.