

**Bond Review Board
Summary of Recommendations - Senate**

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Rob Latsha, Executive Director

Louellen Lowe, LBB Analyst

Method of Financing	2018-19 Base	2020-21 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$1,626,821	\$1,626,821	\$0	0.0%
GR Dedicated Funds	\$0	\$0	\$0	0.0%
<i>Total GR-Related Funds</i>	<i>\$1,626,821</i>	<i>\$1,626,821</i>	<i>\$0</i>	<i>0.0%</i>
Federal Funds	\$0	\$0	\$0	0.0%
Other	\$0	\$0	\$0	0.0%
All Funds	\$1,626,821	\$1,626,821	\$0	0.0%

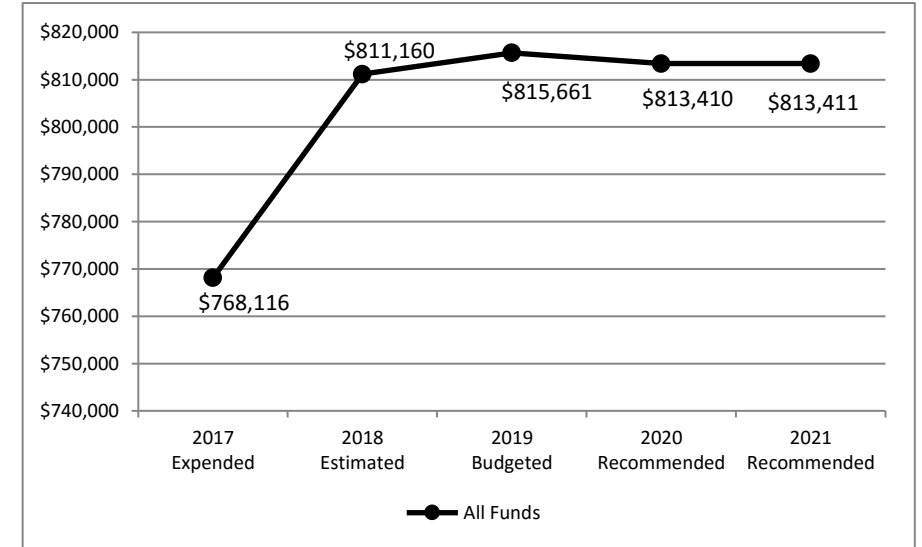
	FY 2019 Budgeted	FY 2021 Recommended	Biennial Change	Percent Change
FTEs	10.0	10.0	0.0	0.0%

Agency Budget and Policy Issues and/or Highlights

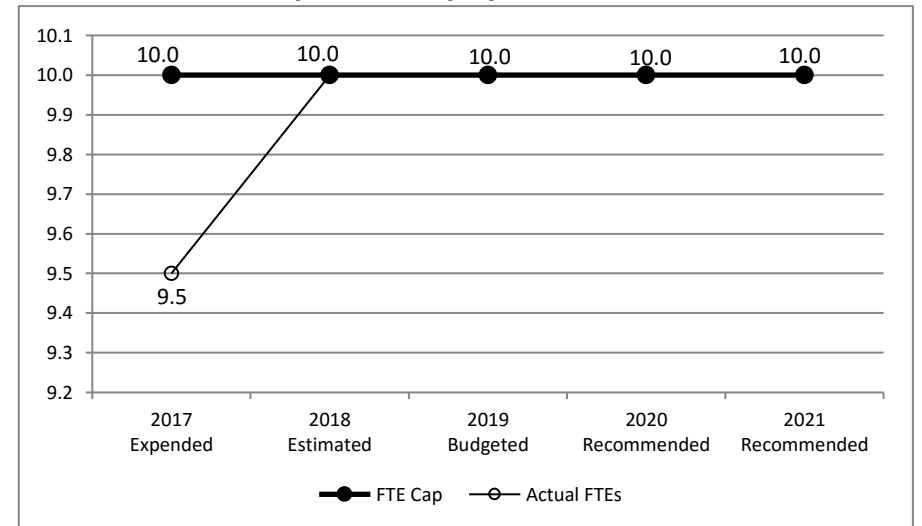
- The Bond Review Board issues guidelines for and reviews bond issuances of state agencies to ensure that Texas state bonds achieve the highest possible bond rating and are issued in the most cost-effective manner. Additionally, the agency collects and provides state and local debt information to public officials and the general public, administers the Private Activity Bond allocation program, and assists in statewide capital planning.

The bill pattern for this agency (2020-21 Recommended) represents an estimated 100% of the agency's estimated total available funds for the 2020-21 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



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

1. **Debt Service and the Constitutional Debt Limit.** Recommendations include \$4.2 billion for debt service in the 2020-21 biennium for approximately \$49.1 billion in outstanding debt (excluding revenue conduit issuances). This represents an \$84.7 million decrease from \$4.3 billion appropriated in the 2018-19 biennium. Article III, Section 49(i) 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 (UGR) Funds. At the end of fiscal year 2018, the Bond Review Board reported that the **issued debt was 1.33 percent**. This reflects a 0.10 percentage point increase from fiscal year 2017.
- 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 2018, the **issued, and authorized but unissued debt was 2.20 percent**. This reflects a 0.15 percentage point decrease from fiscal year 2016.

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 information provided by the Bond Review Board, there is currently \$17.2 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, 2018, state and local debt totaled \$286.8 billion, of which local debt comprised \$230.0 billion, or 82.3 percent; the remaining \$56.8 billion is state debt outstanding including revenue conduit issuances. Of the outstanding local debt, approximately \$150.2 billion is general obligation debt supported by tax collection. School district bond issuances account for \$84.2 billion, or 36.6 percent, of all outstanding local debt. At the end of fiscal year 2017, Texas ranked 42nd in state debt per capita and 3rd in local debt per capita according to the 2017 US Census Bureau estimates.
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. The last action on Texas' bond rating occurred in October 2018 with Texas' GO bonds receiving AAA ratings.

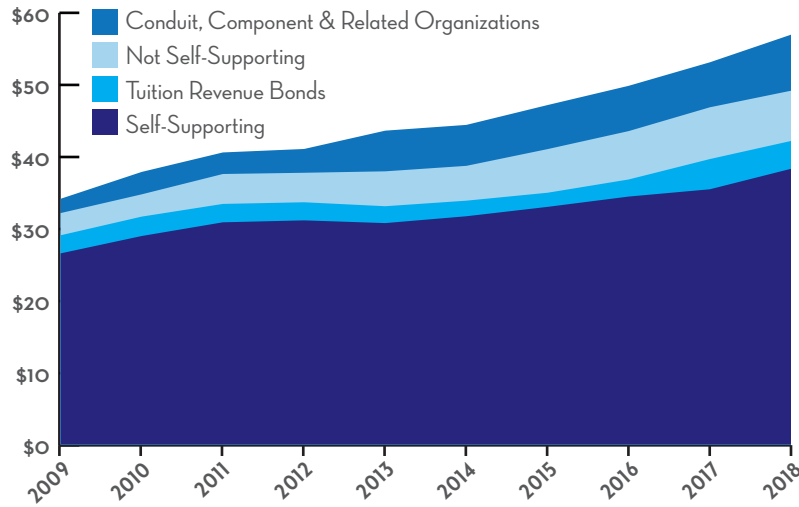


TEXAS STATE BOND DEBT

As of August 31, 2018, Texas had approximately \$49.1 billion in state bond outstanding (excluding \$7.8 billion in revenue conduit issuances not legal liability of the state). General Obligation debt outstanding decreased in FY 2018 by \$93.6 million while Governmental Revenue debt outstanding increased by \$2.4 billion primarily related to college and university revenue debt. General Revenue supported debt comprised of self-supporting and not self-supporting debt decreased by a net total of \$211.6 million.

STATE BONDS
outstanding
\$49.1 BILLION

OUTSTANDING DEBT BY REPAYMENT CATEGORY (billions of dollars)



Types of Bonds

GENERAL OBLIGATION (GO BONDS)

Bonds backed by the full faith and credit of the state. Require approval by two-thirds of both chambers and a majority of voters.

NON-GENERAL OBLIGATION DEBT (REVENUE BONDS)

Bonds authorized by the Legislature and secured by a specific revenue source. Do not require voter approval.

Repayment Category of Bonds

SELF-SUPPORTING DEBT

Debt to be repaid with revenues other than General Revenue (GR).

NOT SELF-SUPPORTING DEBT

Debt to be repaid with GR.

CONDUIT DEBT

Debt issued by state entities on behalf of third parties; not a legal liability of the state.

TUITION REVENUE BONDS

Bonds legally self-supporting, though the Legislature typically appropriates GR to reimburse institutions for debt service on the bonds.

Constitutional Debt Limit

Debt service to be paid in any fiscal year from unrestricted GR (not self-supporting debt), excluding constitutionally dedicated revenues, may not exceed 5.0% of the average annual unrestricted GR for the previous three years. (Article III, Section 49(j), Texas Constitution)

Types of Bonds

AUTHORIZED BOND DEBT

Debt that has been authorized by the Legislature.

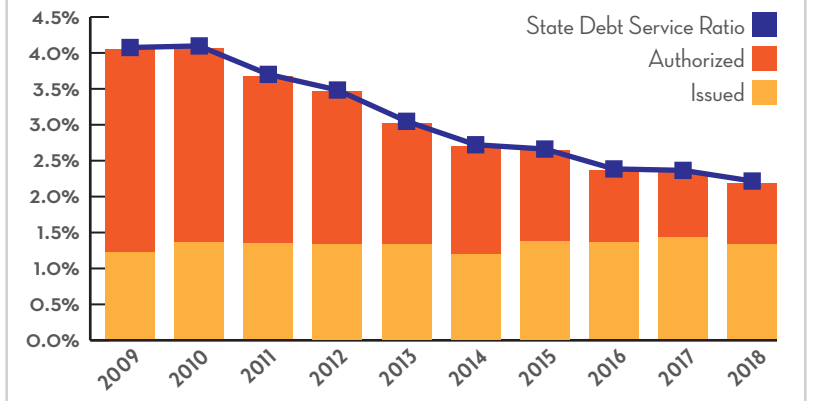
ISSUED BOND DEBT

Debt that has been sold and for which payments of principal and interest must be made over its established repayment schedule.

AUTHORIZED BUT UNISSUED DEBT

Debt that may be issued at any time without further action by the Legislature.

CONSTITUTIONAL DEBT LIMIT: DEBT SERVICE RATIO (ratio of not self-supported debt authorized to unrestricted, available GR)



FY 2018 DEBT SERVICE RATIO: 2.20%

DEBT SERVICE
for
ISSUED
.....**DEBT**
1.33%

DEBT SERVICE FOR
AUTHORIZED
BUT UNISSUED
debt
0.86%

STATE ISSUERS OF DEBT

- Texas Public Finance Authority
- Texas Water Development Board
- Texas Veterans Land Board
- Texas Department of Transportation
- State Universities



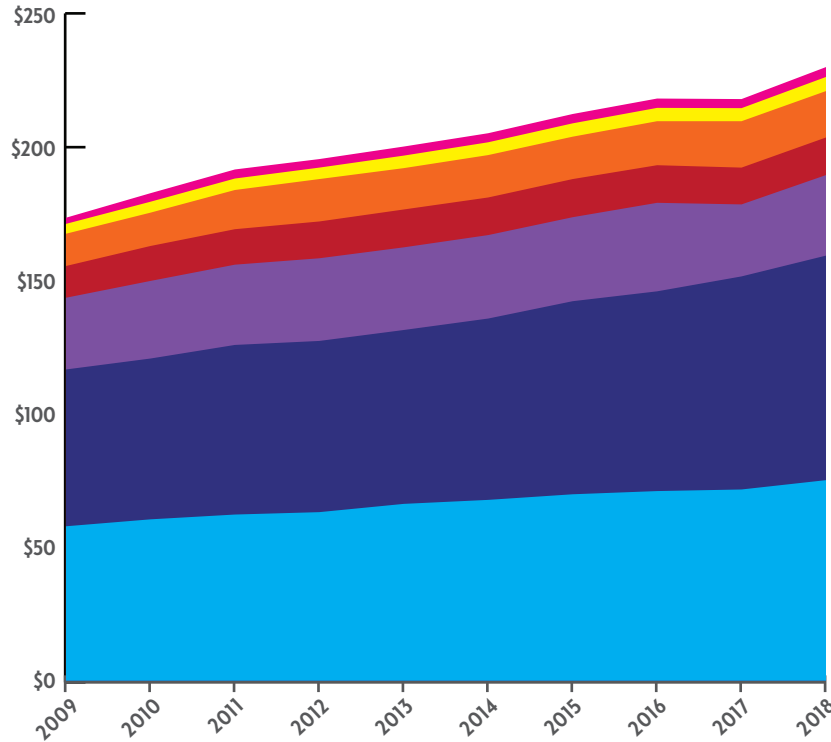
TEXAS LOCAL BOND DEBT

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, 2018 was \$230.0 billion (excluding conduit debt).

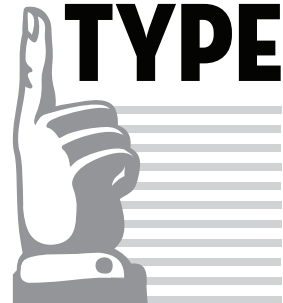
LOCAL DEBT
outstanding
\$230.0
BILLION

OUTSTANDING LOCAL DEBT BY GOVERNMENT TYPE

(billions of dollars)



GOVERNMENT TYPE



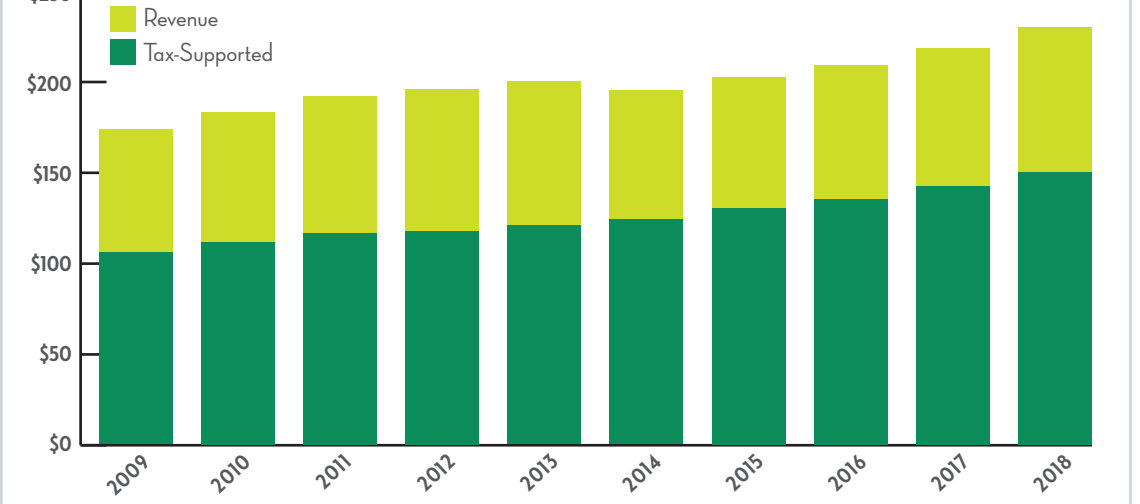
- HEALTH/HOSPITAL DISTRICTS
- COMMUNITY & JUNIOR COLLEGES
- OTHER SPECIAL DISTRICTS & AUTHORITIES
- COUNTIES
- WATER DISTRICTS & AUTHORITIES
- PUBLIC SCHOOL DISTRICTS
- CITIES, TOWNS, VILLAGES

Outstanding Local Debt by Source of Payment

The proportion of tax-supported local GO debt has increased largely due to the increase in tax-supported debt represented by public school borrowing followed by cities.

LOCAL DEBT BY SOURCE OF PAYMENT

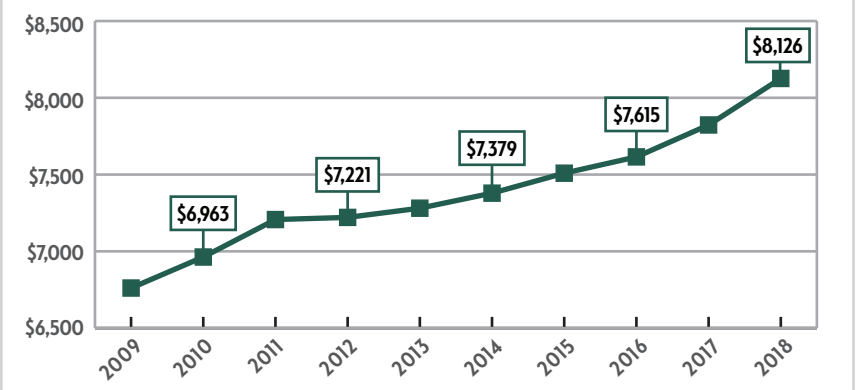
(billions of dollars)



Outstanding Local Debt per Capita

Local government total debt outstanding increased by 40.0% in the past 10 years, and the state's population increased by an estimated 16.4% (U.S. Census Bureau, July 2017 estimates). During that time, debt outstanding per capita increased by 20.2% representing a \$1,365 increase per person.

LOCAL DEBT OUTSTANDING PER CAPITA



Bond Review Board
Items Not Included in Recommendations - Senate

	2020-21 Biennial Total			Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2022-23
	GR & GR-D	All Funds	FTEs			

Agency Exceptional Items - In Agency Priority Order

1)	Funding for a contracted database administrator to perform security patches, software upgrades, and to provide training.	\$42,000	\$42,000	0.0	Yes	Yes	\$42,000
2)	Public Entity and Employment Practices Liability insurance coverage for directors' and officers' liability, employment practices, and professional liability exposures.	\$12,000	\$12,000	0.0	No	No	\$12,000
3)	Website upgrade to consolidate Texas state and local debt data into one centralized, searchable format.	\$106,000	\$106,000	0.0	Yes	Yes	\$0
4)	Funding for Disclosure/Tax Counsel services.	\$20,000	\$20,000	0.0	No	No	\$20,000

TOTAL Items Not Included in Recommendations		\$180,000	\$180,000	0.0			\$74,000
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**Bond Review Board
Appendices - Senate**

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* Appendix is not included - no significant information to report

Bond Review Board
Funding Changes and Recommendations - Senate, by Strategy -- GENERAL REVENUE FUNDS

Strategy/Goal	2018-19 Base	2020-21 Recommended	Biennial Change	% Change
REVIEW BOND ISSUES A.1.1	\$297,080	\$297,080	\$0	0.0%
STATE BOND DEBT A.1.2	\$297,080	\$297,080	\$0	0.0%
Total, Goal A, PROTECT TEXAS BOND RATING	\$594,160	\$594,160	\$0	0.0%
ANALYZE LOCAL BOND DEBT B.1.1	\$735,581	\$735,581	\$0	0.0%
Total, Goal B, LOCAL BOND DEBT	\$735,581	\$735,581	\$0	0.0%
ADMINISTER PRIVATE ACTIVITY BONDS C.1.1	\$297,080	\$297,080	\$0	0.0%
Total, Goal C, PRIVATE ACTIVITY BONDS	\$297,080	\$297,080	\$0	0.0%
Grand Total, All Strategies	\$1,626,821	\$1,626,821	\$0	0.0%

**Bond Review Board
FTE Highlights - Senate**

Full-Time-Equivalent Positions	Expended 2017	Estimated 2018	Budgeted 2019	Recommended 2020	Recommended 2021
Cap	10.0	10.0	10.0	10.0	10.0
Actual/Budgeted	9.5	10.0	10.0	NA	NA

Schedule of Exempt Positions (Cap)					
Executive Director, Group 3	\$125,000	\$117,500	\$136,419	\$136,419	\$136,419

Notes:

a) The State Auditor's Office Reports, Executive Compensation at State Agencies (Report 18-705, August 2018) indicates a market average salary of \$155,652 for the Executive Director position at the Bond Review Board and recommends a change from current Group 3 classification to Group 4. The agency is not requesting any changes to its Exempt Position.

Bond Review Board
Summary of Ten Percent Biennial Base Reduction Options Recommendations - Senate

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Program GR/GR-D Total	Included in LBB Recs?
			GR & GR-D	All Funds	FTEs				
1)	Private Activity Bond Administration	The agency's current number of approved positions is 10 FTEs, and a 2.5% reduction, or \$40,671 reduction, in Private Activity Bond Administration would require a reduction in staff as well as in scope of the database project.	\$40,671	\$40,671	0.5	\$0	14%	\$297,080	No
2)	Analyze Local Bond Debt	The agency's current number of approved positions is 10 FTEs, and a 2.5% reduction, or \$40,671 reduction, in Analyze Local Bond Debt would require a reduction in staff as well as in scope of the database project.	\$40,670	\$40,670	0.5	\$0	6%	\$735,581	No
3)	State Bond Debt	The agency's current number of approved positions is 10 FTEs, and a 2.5% reduction, or \$40,671 reduction, in State Bond Debt would require a reduction in staff as well as in scope of the database project.	\$40,671	\$40,671	0.5	\$0	14%	\$297,080	No
4)	Review Bond Issues	The agency's current number of approved positions is 10 FTEs, and a 2.5% reduction, or \$40,671 reduction, in Review Bond Issues would require a reduction in staff as well as in scope of the database project.	\$40,670	\$40,670	0.5	\$0	14%	\$297,080	No
TOTAL, 10% Reduction Options			\$162,682	\$162,682	2.0	\$0			