



**NEWS** Texas/Southwest

## Texas passed \$10 billion in bonds, but they don't come cheap

If all are sold, debt to double and tax boost possible in budget crisis

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**From Wire Reports April Castro, The Associated Press**

AUSTIN – Now that Texas voters have given the state permission to borrow almost \$10 billion, taxpayers will have to dig into their pockets to cover the costs of one of the largest bond packages ever approved in the state.

Texas already owes about \$390 for each of the 24 million people in the state. If all the bonds approved Tuesday are sold, the debt will nearly double, not counting interest.

The money will help build roads, bring running water into colonias on the border and help search for a cure for cancer, among other things.

But it also guarantees that money to pay the debt will have to be included in every state budget for the foreseeable future – whether it can be afforded or not.

"Over the long term, the increased use of bonds ... could put us in a bind in the future where the only solution would be to raise taxes," said David Guenther, spokesman for the Texas Public Policy Foundation.

Even though voters approved the bonds, they don't all have to be sold and spent, but historically, approved bonds have been sold.

Texas law prohibits debt from exceeding 5 percent of the state budget, and analysts say the new debt will be within that limit.

"That sounds like a lot of debt, but our sense is that the state will be able to manage it within its general fund," said Alex Fraser, Texas analyst for Standard & Poor's.

A growing population, which is expected to almost double over the next few decades, means that Texas' tax revenue will continue to grow, enabling the state to pay back the debt, Mr. Fraser said.

S&P has given Texas an AA credit rating – average.

That's because Texas is historically a tax-averse state, and revenue and cash reserves are not as robust as in states with an income tax, Mr. Fraser said.

Going into debt for projects that will benefit many people for many years can be a justified expense, said Sherri Greenberg, a professor in financial management and state government at the LBJ School of Public Affairs at the University of Texas.

"However, you have to keep that in check," she said.

It is debt, which means it must be repaid with interest, and the interest mounts for 20 to 25 years over the life of the bonds.

Texas has traditionally been a low-debt state but has taken on more in recent years.

Outstanding debt in Texas has more than doubled since 1996. In the last year, the state's annual debt payment increased by 38 percent, according to the state comptroller's office.

While the Legislature has a history of cutting programs and costs in lean budget years, that won't be an option with bond payments.

"That's a contractual commitment not subject to annual appropriations," Ms. Greenberg said. "It is a commitment, and if you don't pay the principle and interest, you're in default."

While voters approved \$3 billion in bonds for cancer research and prevention in Texas, the state can only sell \$300 million a year. An additional \$500 million in bonds for student loans will be paid back by the students.

Mr. Fraser said income from the gas tax is enough to support the \$5 billion in bonds that voters approved to build new roads. But some fiscal conservatives in the state, like Mr. Guenther, question whether the revenue stream will support the debt, as well as the new projects that will be needed for a growing population, along with maintenance on the roads as they are finished.

"One of the concerns with having road bonds of this magnitude pass through is that when you sell those bonds, you end up having to pay them back from a gas tax that is already being stretched to its limit," Mr. Guenther said.

"You run the risk of ... having to pay for maintenance on one of these new roads while you're still paying off the original bond, and you don't have money

left in the gas tax to repair that road or any other roads in the state.

"At that point, you're setting the stage for a substantial gas tax increase."

April Castro,

The Associated Press