



Improving Financial Transparency at the Ballot Box

by James Quintero
Director, Center for Local Governance

Key Points

- Cities, counties, school districts, and special districts in Texas are awash in debt.
- The growth of local government debt in Texas is fast-outpacing population growth and inflation.
- To help rein in the growth of local government debt, state legislators should consider requiring local governments asking to go into debt to provide voters with basic financial information.

Cities, counties, school districts, and special districts in Texas are awash in debt.

According to the most recent data from the Texas Bond Review Board, the principal amount owed by all local governments in Texas totaled \$200.2 billion as of fiscal year 2013.¹ On a per capita basis, Texas' aggregate local debt outstanding amounted to \$7,570 owed per person, which ranks as one of the largest debt burdens in the nation.*

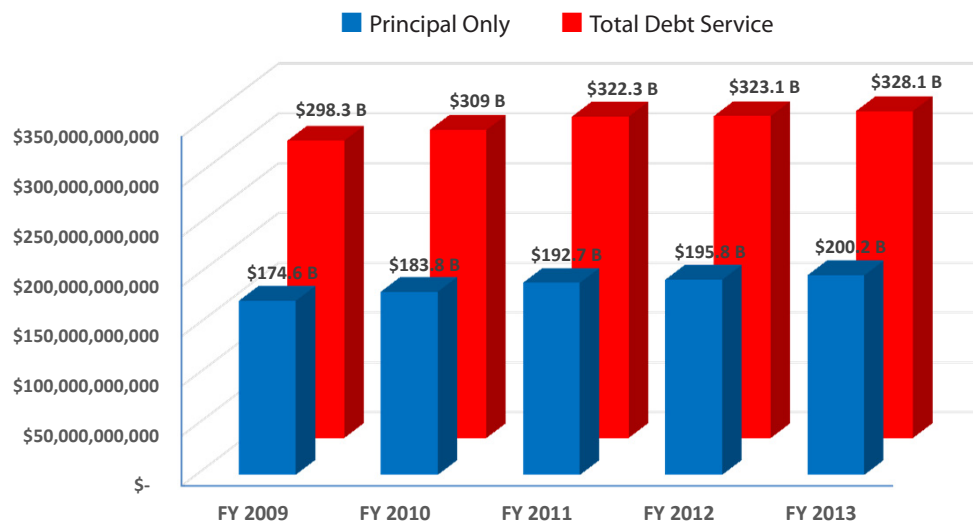
Of course, there is more to retiring Texas' debt than just repaying the principal amount borrowed. Interest must also be accounted for, and its impact on local governments' overall level of indebtedness is significant.

In fiscal year 2013—the latest data available—local debt service outstanding (meaning the remaining principal and interest to be paid) totaled a whopping \$328.1 billion.² This amounts to a total local debt per capita of almost \$12,500 owed per Texan.

Local government debt in Texas is not only immense, but it is also accumulating rapidly.

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

Local Government Debt in Texas



Source: Texas Bond Review Board

* In a September 2012 publication—*Your Money and Local Debt*—the Texas Comptroller ranked Texas' local debt per capita as the second highest among the top 10 most populous states, behind only New York.

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.

Recommendation

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 very little information about a proposition when deciding on its merits at the ballot box. That limited information consists of two items: "the amount their local government entity proposes to borrow and a general description of the purpose."³ Absent is any data 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 voters with a short list of simple facts along with each proposition. Added information could include:

- The total principal and interest amount required to pay all of the asking entity's outstanding debt obligations;
- The estimated combined principal and interest required to pay the proposed bonds on time and in full; and
- The estimated tax impact for the average affected taxpayer.

While legislators should take care not to overwhelm voters with too much information, there are some other data points that may also prove beneficial, including existing and proposed per capita debt burdens, the maturity date of the bonds to be authorized, and the anticipated bond type.

Some will, no doubt, argue that the addition of this type of information is onerous and unnecessary, but the fact is that Texas' growing local debt necessitates a more informed public. And there is no better place to ensure that voters are educated than at the ballot box. ★

¹ Texas Bond Review Board, *Local Government Services: All Local Government Debt Outstanding as of 8/31/13* (31 Aug. 2012) accessed: July 8, 2014.

² Texas Bond Review Board, *Local Government Services: All Local Government Debt Outstanding as of 8/31/12* (31 Aug. 2012) accessed: July 10, 2008.

³ Texas Comptroller of Public Accounts, *Your Money and Local Debt* (Sept. 2012) 18.

