



# LEGISLATOR'S GUIDE TO THE ISSUES 2021-2022

## State Debt

### The Issue

As of 2019, Texas had a total of \$60 billion in state debt outstanding, which translates to about \$2,000 owed per Texan. This debt has grown by 60% since 2010, which is nearly double the growth rate of population and inflation. Fortunately, Texas's debt is relatively low compared to other states, helping provide the state with a high credit rating. However, this fast-growing state debt is leading to rising interest payments and higher taxes, making the cost of living higher for Texans.

Debt issues are minimized when what is reported is only the debt principal rather than the entire amount that will be paid over the life of the debt. The costs of debt should be made more transparent so Texans can fully understand the scope of the state's tax burden. The Texas Comptroller's Office has taken beneficial steps in this direction by providing valuable information on the Comptroller's website [TexasTransparency.org](https://www.texascomptroller.org). Legislators should make it mandatory for the Comptroller to include not only the principal cost of debt (debt outstanding) but also the total cost with interest payments (debt service outstanding). This would provide a more accurate picture of the real cost of debt to Texans.

Consequently, debt outstanding does not tell the whole story. While Texas has done relatively well managing its debt principal, compounding interest payments will force Texans to pay a total of \$99 billion—65% more than the reported principal amount.

By controlling spending, prioritizing debt payments, and increasing debt transparency, legislators can be good stewards of Texans' tax dollars.

### The Facts

- From 2010 to 2019, total state debt outstanding increased to \$60 billion, which rose almost twice as fast as population growth plus inflation.
- Total debt outstanding per capita in Texas has increased substantially over time to about \$2,000 per person.
- The Texas Bond Review Board notes that total debt service outstanding, which includes principal and interest owed, is \$99 billion, or roughly \$3,400 per Texan.

### Recommendations

- Reevaluate all budget areas by implementing zero-based budgeting to eliminate excess spending.
- Prioritize debts to consider in which order they should be paid if given the opportunity for early retirement.
- Pass legislation to provide ballot-box transparency by requiring the ballot to show the principal and interest for any bond proposal and how it will influence taxes.

### Resources

*2019 Annual Report*, Texas Bond Review Board (Dec. 2019).

*Reducing the Burden of Texas' State Liabilities on Current and Future Generations* by Vance Ginn, Talmadge Heflin, and Melissa Schlosberg, Texas Public Policy Foundation (Feb. 2017).