

TEXAS BOND REVIEW BOARD



2020 LOCAL GOVERNMENT ANNUAL REPORT FISCAL YEAR ENDED AUGUST 31, 2020

**Texas Bond Review Board
Local Government
Annual Report 2020**

Fiscal Year Ended August 31, 2020

Greg Abbott, Governor
Chairman

Dan Patrick, Lieutenant Governor

Dade Phelan, Speaker of the House of Representatives

Glenn Hegar, Comptroller of Public Accounts

Rob Latsha
Executive Director

January 2021

Executive Summary

The Texas Bond Review Board (BRB) has no direct oversight of local government debt issuance. Chapter 1231 of the Texas Government Code requires the BRB to prepare statistical reports on local government debt. This information on debt issued by political subdivisions is primarily prepared by the issuer, collected by the Office of the Attorney General (OAG) as a part of the review and approval procedures as required under Chapter 1202 of the Government Code, and then forwarded to the BRB for its report on local debt statistics. Data that has not been provided to the BRB on intergovernmental loans, privately placed loans, or any other debts that is not in the form of a public security are not reflected in this report. Also, pursuant to Texas Government Code, Section 1202.008, conduit debts incurred by nonprofit corporations created by the local governments are not required to provide issuance information to the BRB. As a result, conduit debt is not reflected in this report except for data presented in *Appendix B, Texas Local Government Conduit Debt*, and certain data presented in *Appendix F, Commercial Paper*. The data in this report and on the website is compiled from information provided to the BRB from various sources and has not been independently verified.

The BRB separates the local government issuances into seven categories: Cities, Towns, Villages (Cities); Public School Districts (School Districts); Water Districts and Authorities (WD); Counties; Other Special Districts and Authorities (OSD); Community and Junior Colleges (CCD); and Health/Hospital Districts and Authorities (HHD).

Major Findings

- As of fiscal year-end 2020, Texas local governments had \$251.82 billion in outstanding debt, an increase of \$42.08 billion (20.1 percent) over the past five fiscal years. Of that amount, 65.7 percent (\$165.44 billion) is tax-supported general obligation (GO) debt secured by local ad valorem tax collections, while the remaining 34.3 percent (\$86.39 billion) is secured by revenues generated by various projects such as water, sewer, and electric utility fees (Chapter 1).
- Over the past five fiscal years, local government debt issuance increased by 3.5 percent (\$1.37 billion) from \$39.47 billion in fiscal year 2016 to \$40.84 billion in fiscal year 2020. During that period, new money issuance increased by 27.6 percent (\$4.52 billion) from \$16.39 billion to \$20.91 billion. Refundings decreased by 13.7 percent (\$3.15 billion) from \$23.08 billion to \$19.93 billion (Chapter 1).
- Over the past five years, School Districts have consistently accounted for the highest amount of tax-supported debt outstanding, while Cities and WD accounted for the second and third highest amounts, respectively (Chapter 2).
- The most recent U.S. Census Bureau data for total state and local debt outstanding show that for census year 2018, Texas was the nation's second most populous state, and it ranked third among the ten most populous states in terms of total (general obligation and revenue) local debt per capita, seventh in state debt per capita, and fourth in total state and local debt per capita with 82.4 percent of the state's total debt burden at the local level (Chapter 1). (According to Moody's 2020 State Debt Medians, Texas' state debt ranked 42nd among all states in net tax-supported debt per capita. Texas' state debt net tax-supported debt per capita ranked second lowest when compared to that of the eight other states rated AAA.)

- Capital Appreciation Bond (CAB) par issued for Texas local governments during fiscal year 2020 was 0.2 percent (\$94.8 million) of the total CAB and current interest bond (CIB) debt issued (\$40.84 billion). School Districts issuances accounted for 96.7 percent (\$91.7 million) of the total CABs issued for local governments during fiscal year 2020. In fiscal year 2020, CAB maturity amounts accounted for 2.6 percent (\$9.85 billion) of the total debt service outstanding, including both CAB and CIB (Chapter 4).
- Since fiscal year 2011, CO debt outstanding has increased by 23.1 percent (\$2.97 billion) from \$12.87 billion outstanding in fiscal year 2011 to \$15.85 billion outstanding in fiscal year 2020, and Cities accounted for 79.0 percent of the total CO debt outstanding at fiscal year-end 2020 (Chapter 5).
- As of fiscal year 2020, tax-supported CO debt for Cities accounted for 35.8 percent (\$12.51 billion) of the total Cities tax-supported debt outstanding, while Counties CO debt accounted for 21.1 percent (\$2.70 billion) of total Counties tax-supported debt outstanding. HHD CO debt outstanding accounted for 25.5 percent (\$628.1 million) of total HHD tax-supported debt outstanding (Chapter 5).
- During fiscal year 2020, a total of 100 local governments held 137 bond elections approving 90.0 percent of the total election amount for a potential issuance of \$14.16 billion of additional debt, a decrease of 44.1 percent from the \$25.31 billion of additional debt approved by the voters during fiscal year 2019. Additionally, during the May 2, 2020, bond election, eight local governments cancelled 16 bond elections and 62 local governments postponed 119 bond elections until November 2020. On November 3, 2020, 56 local governments held 98 bond elections, 67 of which approved debt totaling \$9.06 billion (Appendix A).
- Excluding conduit debt, private placements, and short-term notes, the weighted average for total cost of issuance (COI), including underwriter's spread, decreased to \$14.88 per \$1,000 in 2020 from \$17.50 per \$1,000 in 2019. The average transaction size and average fee increased to \$27.6 million and \$410,532 in 2020 from \$22.4 million and \$392,233 in 2019, respectively. Tax-supported competitive transactions generally had the highest cost per \$1,000 for smaller transaction sizes (Appendix D).
- Of the \$3.97 billion of charter school debt outstanding as of October 31, 2020, an estimated \$2.59 billion was guaranteed by the Texas Permanent School Fund Bond Guarantee Program (Appendix C).
- Approximately 69 issuers that issued debt in fiscal year 2020 received a tax-supported general obligation (GO) rating upgrade, and 21 issuers received a GO rating downgrade from at least one of the three major credit rating agencies, Fitch Ratings, Moody's Investors Service, and Standard & Poor's. The rating reports related to the 21 local governments that issued debt in fiscal year 2020 and received a downgrade did not mention that the downgrade was a direct result of the COVID-19 pandemic (Appendix H).

For limitations on the purpose and use of this report, see the disclosure preceding Chapter 1.

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Cautionary Statements

Section 1202.008 of the Texas Government Code authorizes the Office of the Attorney General to collect local debt information and to send that information to the Texas Bond Review Board (BRB) for inclusion in debt statistic reports. Chapter 1231 of the Texas Government Code requires the BRB to submit biennial reports with such data to the legislature. This report is intended to satisfy this Chapter 1231 duty.

The data in this report and on the BRB's website is compiled from information reported to the BRB from various sources and has not been independently verified. The reported debt and defeasance data may vary from actual debt outstanding, and the variance for a specific issuer or types of or all issuers could be substantial.

Local governments are not required to report data for debt that either is not considered a public security as defined by state statute, e.g., a loan not evidenced by a note or evidenced by a note payable to order, or does not require approval by the Office of the Attorney General of the State of Texas, such as certain short-term notes, certain bond anticipation notes, and certain lease purchase agreements for personal property. Consequently, the BRB does not receive information on many privately-placed loans or intergovernmental loans such as State Infrastructure Bank loans for transportation or water development state participation loans that are not evidenced by a public security. In addition, debt issuances for some component corporations of governmental entities such as housing finance corporations, industrial development corporations and other conduit entities are not reported to the BRB. Outstanding debt excludes debt for which sufficient funds have been escrowed to retire the debt either from proceeds of refunding debt or from other sources, if reported to the BRB. Debt totals, percentages, trends, and other data are based entirely on debt and defeasances reported to the BRB.

Future debt repayment and debt-service information for variable-rate, commercial paper, and other short-term and demand debt is estimated on the basis of interest rate and refinancing assumptions described in the report. Actual future data could be affected by changes in issuer financing decisions, prevailing interest rates, market conditions, and other factors that cannot be predicted. Consequently, actual future data could differ from the estimates, and the difference could be substantial. The BRB assumes no obligation to update any such estimate of future data.

Historical data and trends presented are not intended to predict future events or continuing trends, and no representation is made that past experience will continue in the future.

This report is intended to meet Chapter 1231 requirements and inform the state leadership and the Legislature. This report is not intended to inform investors in making a decision to buy, hold, or sell any securities, nor may it be relied upon as such. Data is provided as of the date indicated and may not reflect debt, debt service, population, or other data as of any subsequent date. This data may have changed from the date as of which it is provided. For more detailed or more current information, see the issuers' websites or their filings at Electronic Municipal Market Access (EMMA®). The BRB does not control or make any representation regarding the accuracy, completeness, or currency of any such site, and no referenced site is incorporated herein by reference or otherwise.

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Chapter 1

Texas Local Debt in Perspective

Overview

Local governments in Texas issue debt to finance construction and renovation of government facilities (e.g., schools, public safety buildings, city halls, and county courthouses), public infrastructure (e.g., roads, water, and sewer systems) and various other projects authorized by law. Key factors that affect a government's need and ability to borrow funds for infrastructure development include population changes, revenue sources, tax rates and levies, interest rates, and construction costs. Local governments issue two main types of debt: tax (general obligation or GO) and revenue. GO debt is secured by the full faith and credit of the issuer's *ad valorem* taxing power while revenue debt is secured by a specified revenue source. Tax-supported debt includes debt secured by a combination of ad valorem taxes and other revenue sources, even though the debt may be paid in whole or in part from non-tax revenue. Tax-supported debt generally must be voter approved (with the exception of Certificates of Obligation, tax notes, school district maintenance tax notes, certain time warrants, and certain other obligations).

State law sets limitations on certain local government debt issuers by setting maximum ad valorem tax rates per \$100 of assessed property valuation. These rates vary by government type, but all must generate sufficient funds based on annual ad valorem tax collections to provide for the payment of the debt service on outstanding and projected ad valorem tax (GO) debt. Additionally, all public securities issued by local debt issuers must be approved by the Office of the Attorney General – Public Finance Division (OAG) and registered with the Texas Comptroller of Public Accounts (CPA).

Texas Bond Review Board and Local Government Debt

The Texas Bond Review Board (BRB) has no direct oversight of local government debt issuance. Chapter 1231 of the Texas Government Code requires the BRB to prepare statistical reports on local government debt. This information on debt issued by political subdivisions is primarily prepared by the political subdivision, collected by the OAG as a part of the review and approval procedures as required under Chapter 1202 of the Government Code, and then forwarded to the BRB for its report on local debt statistics. Intergovernmental loans, privately placed loans, and any other debts that are not in the form of a public security are not reflected in this report. Also, conduit debts incurred by nonprofit corporations created by the local governments are not reflected in this report except for data presented in *Appendix B, Texas Local Government Conduit Debt*, and certain data presented in *Appendix F, Commercial Paper*. The data in this report and on the website is compiled from information provided to the BRB from various sources and has not been independently verified.

All reporting on local debt is presented on the agency's website, the BRB Data Center, and the Texas Open Data Portal. Visitors to the BRB website can search databases, access the data center, and access the Data Portal to download spreadsheets that contain debt outstanding, debt issuances, debt ratios, and population data as available by government type at each fiscal year-end. In fiscal year 2020, a monthly average of approximately 2,588 different users of the BRB's website downloaded various datasets containing Texas local government debt data. The BRB posts this information to its website, the data center, and the Data Portal annually within four months after the close of the state's fiscal year. Additionally, this data is supplied to the CPA's office as well as the Legislative Budget Board and the *Texas Tribune* for publication on their debt pages.

The BRB separates the local government issuances into seven categories: Cities, Towns, Villages (Cities); Public School Districts (School Districts); Water Districts and Authorities (WD); Counties; Other Special Districts and Authorities (OSD); Community and Junior Colleges (CCD); and Health/Hospital Districts and Authorities (HHD).

The data in this report and on the website is compiled from information provided to the BRB from various sources and has not been independently verified.

Local Government Debt Outstanding

As of fiscal year-end 2020, Texas local governments had \$251.82 billion in outstanding debt (Table 1.1), an increase of \$42.08 billion (20.1 percent) over the past five fiscal years. Of that amount, 65.7 percent (\$165.44 billion) is GO debt secured by local ad valorem tax collections, while the remaining 34.3 percent (\$86.39 billion) is secured by revenues generated by various projects such as water, sewer, and electric utility fees. Over the past five fiscal years, tax-supported debt outstanding increased 22.4 percent (\$30.33 billion), and revenue debt outstanding increased 15.7 percent (\$11.75 billion).

School Districts accounted for 37.0 percent (\$93.11 billion) of all local debt outstanding, and Cities accounted for 31.6 percent (\$79.59 billion). WDs held the third highest percentage and accounted for 14.6 percent (\$36.65 billion) of all local debt outstanding. The remaining 16.9 percent (\$42.47 billion) was held by CCDs, Counties, HHDs, and OSDs.

Table 1.1
Texas Local Government
Debt Outstanding as of August 31, 2020
(amounts in millions)

Type of Issuer		Tax-Supported*	Revenue**	Total Debt
Public School Districts	Voter-approved tax	91,694.4		91,694.4
	Maintenance tax (ed. equipment)	1,201.0		1,201.0
	Lease-purchase contracts		217.5	217.5
	Revenue (athletic facilities)		1.9	1.9
	Subtotal	\$ 92,895.4	\$ 219.4	\$ 93,114.8
Cities, Towns, Villages	Tax	34,952.9		34,952.9
	Revenue		44,506.4	44,506.4
	Sales Tax		134.1	134.1
	Subtotal	\$ 34,952.9	\$ 44,640.5	\$ 79,593.4
Water Districts and Authorities	Tax	17,561.6		17,561.6
	Revenue		19,071.1	19,071.1
	Sales Tax		17.0	17.0
	Subtotal	\$ 17,561.6	\$ 19,088.0	\$ 36,649.6
Other Special Districts and Authorities	Tax	152.5		152.5
	Revenue		12,970.6	12,970.6
	Sales Tax		4,692.9	4,692.9
	Lease-purchase contracts		30.7	30.7
	Subtotal	\$ 152.5	\$ 17,694.2	\$ 17,846.7
Counties	Tax	12,798.3		12,798.3
	Revenue		2,470.5	2,470.5
	Lease-purchase contracts		14.8	14.8
	Subtotal	\$ 12,798.3	\$ 2,485.3	\$ 15,283.6
Community and Junior Colleges	Tax	4,613.8		4,613.8
	Revenue		1,083.0	1,083.0
	Subtotal	\$ 4,613.8	\$ 1,083.0	\$ 5,696.8
Health/Hospital Districts and Authorities	Tax	2,462.4		2,462.4
	Revenue		1,123.2	1,123.2
	Sales Tax		53.9	53.9
	Subtotal	\$ 2,462.4	\$ 1,177.1	\$ 3,639.5
Total Local Debt Outstanding		\$ 165,436.9	\$ 86,387.5	\$ 251,824.4

*Includes debt secured by a combination of ad valorem taxes and other revenue sources.

**Excludes conduit debt.

Source: Texas Bond Review Board - Bond Finance Office

The most recent U.S. Census Bureau data, for census year 2020, showed that Texas continued to be ranked second in population, third among the ten most populous states in terms of local debt per capita, fourth in total state and local debt per capita, and seventh in state debt per capita (*Table 1.2*).

State	Total State and Local Debt				State Debt				Local Debt			
	Population (thousands)	Amount (millions)	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Per Capita Rank
New York	19,337	354,834	\$18,350	1	147,961	41.7%	\$7,652	1	206,874	58.3%	\$10,698	1
Illinois	12,588	165,161	13,121	2	67,496	40.9%	5,362	2	97,666	59.1%	7,759	4
California	39,368	495,359	12,583	3	148,027	29.9%	3,760	4	347,332	70.1%	8,823	2
Texas	29,361	293,204	9,986	4	51,530	17.6%	1,755	7	241,674	82.4%	8,231	3
Pennsylvania	12,783	127,300	9,958	5	49,064	38.5%	3,838	3	78,236	61.5%	6,120	5
Ohio	11,693	90,607	7,749	6	31,623	34.9%	2,704	6	58,984	65.1%	5,044	6
Michigan	9,967	72,692	7,294	7	33,563	46.2%	3,368	5	39,129	53.8%	3,926	9
Florida	21,733	129,114	5,941	8	27,594	21.4%	1,270	9	101,521	78.6%	4,671	7
Georgia	10,710	58,616	5,473	9	13,306	22.7%	1,242	10	45,311	77.3%	4,231	8
North Carolina	10,601	46,134	4,352	10	15,355	33.3%	1,448	8	30,780	66.7%	2,904	10
MEAN		\$183,302	\$9,481		\$58,552	32.7%	\$3,240		\$124,751	67.3%	\$6,241	

Note: Detail may not add to total due to rounding.
Sources: U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State: 2018*, the most recent data available. July 2020 U.S. Census Bureau, Population Division.

Over the past 10 years, local government total debt (tax-supported plus revenue) increased \$69.06 billion (37.8 percent). Over this time, the state’s population increased by an estimated 14.5 percent (3.7 million), based on July 2020 U.S. Census Bureau population estimates. During that same period, local government total debt outstanding per capita increased by 20.4 percent, or \$1,450 per person, from \$7,127 per capita in fiscal year 2011 to \$8,577 per capita in fiscal year 2020 (*Figure 1.1*).

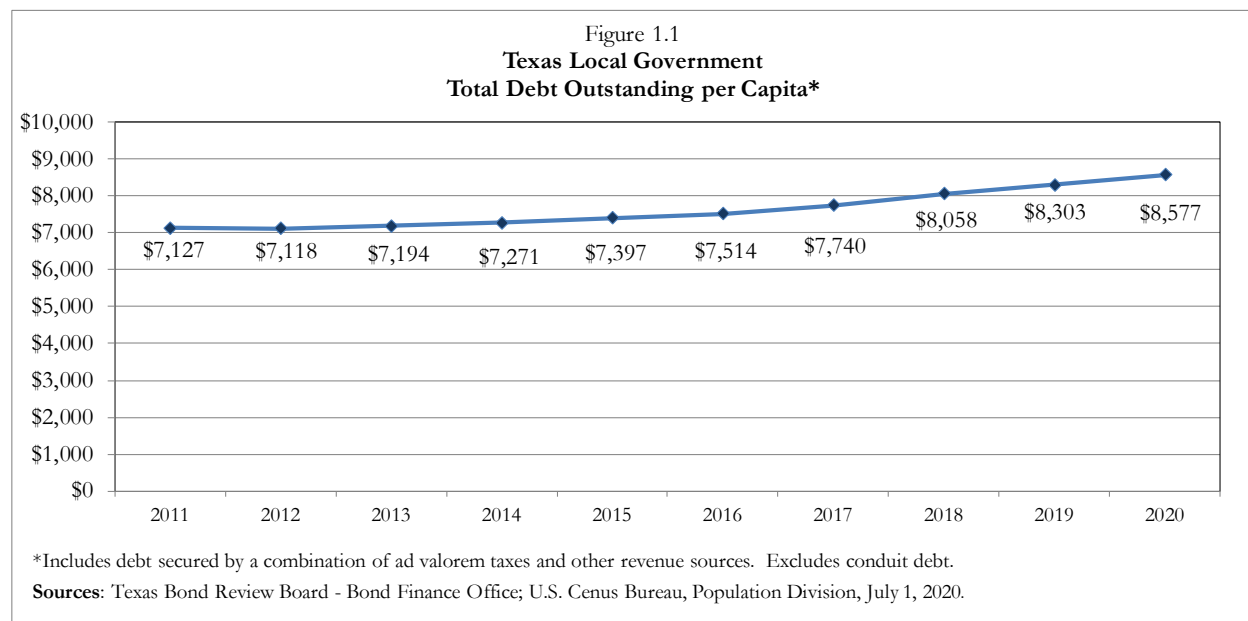


Table 1.3 lists the state's local debt outstanding by category from highest to lowest total amount outstanding.

Table 1.3 Texas Local Government Debt Outstanding by Fiscal Year (amounts in millions)					
	8/31/2016	8/31/2017	8/31/2018	8/31/2019	8/31/2020
Public School Districts					
Tax-Supported*	\$74,583.1	\$79,612.7	\$83,896.7	\$87,664.4	\$92,895.4
Revenue**	313.3	300.6	268.7	258.8	219.4
Total	\$74,896.3	\$79,913.3	\$84,165.4	\$87,923.2	\$93,114.8
Cities, Towns, Villages					
Tax-Supported*	\$30,526.7	\$31,258.4	\$33,134.7	\$34,766.3	\$34,952.9
Revenue**	39,300.1	40,584.0	42,019.8	43,077.8	44,640.5
Total	\$69,826.8	\$71,842.3	\$75,154.4	\$77,844.1	\$79,593.4
Water Districts and Authorities					
Tax-Supported*	\$12,525.8	\$13,654.9	\$14,813.4	\$16,153.5	\$17,561.6
Revenue**	12,811.5	13,395.5	15,341.6	17,281.3	19,088.0
Total	\$25,337.3	\$27,050.5	\$30,155.0	\$33,434.9	\$36,649.6
Other Special Districts and Authorities					
Tax-Supported*	\$175.0	\$178.9	\$166.2	\$159.3	\$152.5
Revenue**	17,686.2	17,910.4	17,963.3	17,695.8	17,694.2
Total	\$17,861.2	\$18,089.3	\$18,129.5	\$17,855.1	\$17,846.7
Counties					
Tax-Supported*	\$11,221.3	\$11,699.4	\$11,558.6	\$12,311.7	\$12,798.3
Revenue**	2,302.2	2,144.9	2,538.8	2,486.3	2,485.3
Total	\$13,523.5	\$13,844.3	\$14,097.4	\$14,798.1	\$15,283.6
Community and Junior Colleges					
Tax-Supported*	\$3,676.8	\$3,645.4	\$4,076.6	\$4,074.2	\$4,613.8
Revenue**	1,105.9	1,225.1	1,184.4	1,184.0	1,083.0
Total	\$4,782.6	\$4,870.5	\$5,260.9	\$5,258.2	\$5,696.8
Health/Hospital Districts and Authorities					
Tax-Supported*	\$2,399.0	\$2,302.5	\$2,517.2	\$2,427.8	\$2,462.4
Revenue**	1,118.8	1,068.1	1,175.9	1,125.1	1,177.1
Total	\$3,517.8	\$3,370.6	\$3,693.0	\$3,552.9	\$3,639.5
Total Tax-Supported*	\$135,107.7	\$142,352.2	\$150,163.3	\$157,557.2	\$165,436.9
Total Revenue**	\$74,637.9	\$76,628.6	\$80,492.5	\$83,109.1	\$86,387.5
Total Debt Outstanding	\$209,745.6	\$218,980.8	\$230,655.7	\$240,666.3	\$251,824.4
*Includes debt secured by a combination of ad valorem taxes and other revenue sources.					
**Excludes conduit debt.					
Source: Texas Bond Review Board - Bond Finance Office					

Figure 1.2 illustrates the local debt outstanding by category over the past 10 fiscal years.

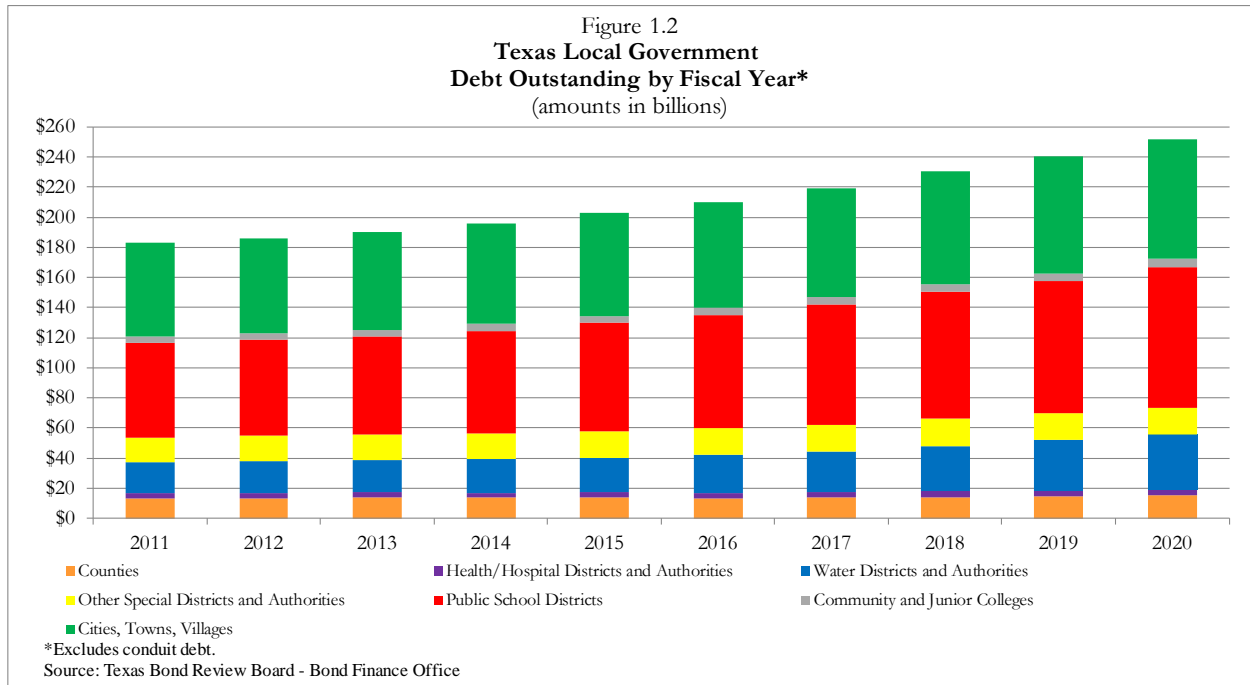
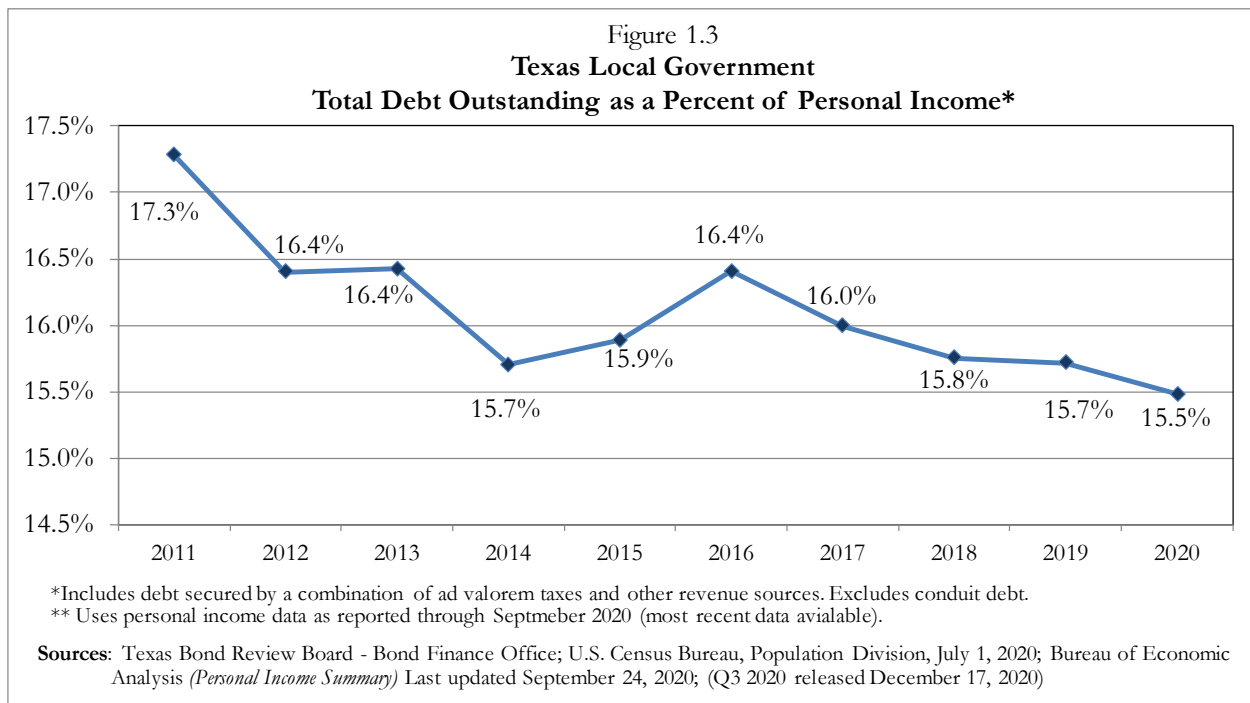


Figure 1.3 illustrates the total local debt outstanding as a percent of personal income over the past 10 years.



Rate of Debt Retirement

Timely repayment of debt is an important factor used by rating agencies to assess a municipal issuer's financial performance. As a guideline, rating agencies look for a repayment schedule that retires 25 percent of principal one quarter through the life of the debt and 50 percent halfway through the life of the debt. Generally, local governments issue debt with varying maturities up to 40 years.

Table 1.4 illustrates the amount of debt retired in the next five-, ten-, and twenty-year periods for both tax-supported and revenue debt outstanding as of fiscal year 2020. Rate of debt retirement for HHD tax-supported debt is lower during the early years because over half of HHD debt was issued as Build America Bonds (BABs) most of which do not begin principal repayment for 10 years after issuance.

Table 1.4 Texas Local Government Rate of Debt Retirement* (\$ in millions)				
Debt Repaid (Principal Only)	Tax-Supported		Revenue	
	Debt	Percent	Debt	Percent
Within Five Years				
Public School Districts	\$19,645.0	21.2%	\$108.4	49.4%
Cities, Towns, Villages	12,484.5	36.0%	9,406.6	21.4%
Water Districts and Authorities	4,137.0	23.8%	3,824.7	20.2%
Other Special Districts and Authorities	67.9	44.5%	2,700.2	15.7%
Counties	4,036.1	32.1%	401.9	17.8%
Community and Junior Colleges	1,158.6	25.1%	347.7	32.1%
Health/Hospital Districts and Authorities	452.9	18.4%	213.2	18.1%
Within Ten Years				
Public School Districts	\$41,381.5	44.7%	\$172.7	78.7%
Cities, Towns, Villages	22,418.3	64.7%	19,515.2	44.5%
Water Districts and Authorities	8,388.7	48.3%	7,887.6	41.7%
Other Special Districts and Authorities	105.8	69.4%	5,656.2	32.8%
Counties	7,613.0	60.6%	875.4	38.8%
Community and Junior Colleges	2,253.1	48.8%	669.8	61.8%
Health/Hospital Districts and Authorities	968.0	39.3%	449.0	38.1%
Within Twenty Years				
Public School Districts	\$77,965.5	84.2%	\$214.2	97.6%
Cities, Towns, Villages	33,215.3	95.8%	36,181.9	82.5%
Water Districts and Authorities	15,413.9	88.8%	14,853.6	78.5%
Other Special Districts and Authorities	144.7	94.9%	12,028.9	69.8%
Counties	11,872.7	94.5%	1,768.0	78.3%
Community and Junior Colleges	4,090.7	88.7%	1,029.5	95.1%
Health/Hospital Districts and Authorities	2,060.0	83.7%	941.4	80.0%
*Excludes commercial paper and conduit debt. Source: Texas Bond Review Board - Bond Finance Office				

Debt Issuance and Use of Proceeds

Over the past five fiscal years, local government debt issuance increased by 3.5 percent (\$1.37 billion) from \$39.47 billion in fiscal year 2016 to \$40.84 billion in fiscal year 2020. During that period, new money issuance increased by 27.6 percent (\$4.52 billion) from \$16.39 billion to \$20.91 billion. Refundings decreased by 13.7 percent (\$3.15 billion) from \$23.08 billion to \$19.93 billion (*Table 1.5*).

During fiscal year 2020, 48.8 percent of local debt issuance was used to refund debt, 24.9 percent was used to finance educational facilities and equipment, 13.9 percent was used to finance water-related infrastructure, 7.2 percent was used for general purpose debt (such as building or improving city halls and court houses), and 2.0 percent was used to finance transportation projects. Water-related financings are likely understated because some issuers, especially Cities, borrow for multiple purposes, over half of which involve financings for water and transportation purposes. The remaining 3.2 percent of local debt issuance was used for multiple purposes, including combined utility systems, commerce, computer technology, economic development, fire safety, health related, housing and land, power, prisons and detention centers, public safety, recreation, and solid waste.

Table 1.5
Texas Local Government
Debt Issuance by Fiscal Year*
(\$ in millions)

	2016	2017	2018	2019	2020
Issuers	1,152	1,072	921	967	1,168
Issuances	1,710	1,531	1,295	1,394	1,727
Public School Districts					
New Money	\$6,171.6	\$8,533.3	\$7,753.0	\$7,622.9	\$9,358.3
Refunding	8,402.1	5,123.1	2,875.2	2,113.2	6,176.9
Total Par Issued	\$14,573.7	\$13,656.4	\$10,628.2	\$9,736.2	\$15,535.2
Cities, Towns, Villages					
New Money	\$4,810.1	\$4,890.3	\$6,658.4	\$5,921.4	\$4,843.4
Refunding	6,169.1	3,137.3	3,580.1	3,420.9	8,627.3
Total Par Issued	\$10,979.2	\$8,027.5	\$10,238.5	\$9,342.3	\$13,470.7
Water Districts					
New Money	\$3,192.1	\$2,862.8	\$4,065.1	\$4,259.8	\$4,213.4
Refunding	2,370.2	1,417.7	1,085.0	1,299.7	2,712.7
Total Par Issued	\$5,562.3	\$4,280.6	\$5,150.1	\$5,559.5	\$6,926.1
Other Special Districts					
New Money	\$1,001.4	\$551.7	\$69.8	\$1,237.5	\$209.0
Refunding	3,052.6	306.9	2,909.4	1,342.7	662.1
Total Par Issued	\$4,054.0	\$858.7	\$2,979.2	\$2,580.1	\$871.1
Counties					
New Money	\$711.5	\$1,212.8	\$1,123.4	\$1,533.8	\$1,195.7
Refunding	2,252.6	595.9	1,082.0	303.9	1,184.8
Total Par Issued	\$2,964.1	\$1,808.6	\$2,205.4	\$1,837.7	\$2,380.5
Community and Junior Colleges					
New Money	\$340.7	\$317.9	\$682.7	\$349.7	\$808.0
Refunding	697.5	362.5	211.3	77.7	221.5
Total Par Issued	\$1,038.2	\$680.5	\$894.0	\$427.3	\$1,029.5
Health/Hospital Districts and Authorities					
New Money	\$160.9	\$87.5	\$497.8	\$39.4	\$285.4
Refunding	135.3	542.7	52.1	245.3	342.1
Total Par Issued	\$296.1	\$630.2	\$549.9	\$284.7	\$627.5
Total New Money	\$16,388.2	\$18,456.4	\$20,850.2	\$20,964.4	\$20,913.1
Total Refunding	\$23,079.5	\$11,486.1	\$11,795.0	\$8,803.5	\$19,927.4
Total Par	\$39,467.7	\$29,942.5	\$32,645.2	\$29,767.9	\$40,840.5

*Excludes commercial paper and conduit issuances.

Source: Texas Bond Review Board - Bond Finance Office

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Chapter 2

Texas Local Government Tax-Supported Debt

Overview

Tax-supported debt includes debt secured by a combination of ad valorem taxes and other revenue sources, even though the debt may be paid in whole or in part from non-tax revenue. Tax-supported debt generally must be voter approved, with the exception for Certificates of Obligation, tax notes, school district maintenance tax notes, certain time warrants, and certain other obligations.

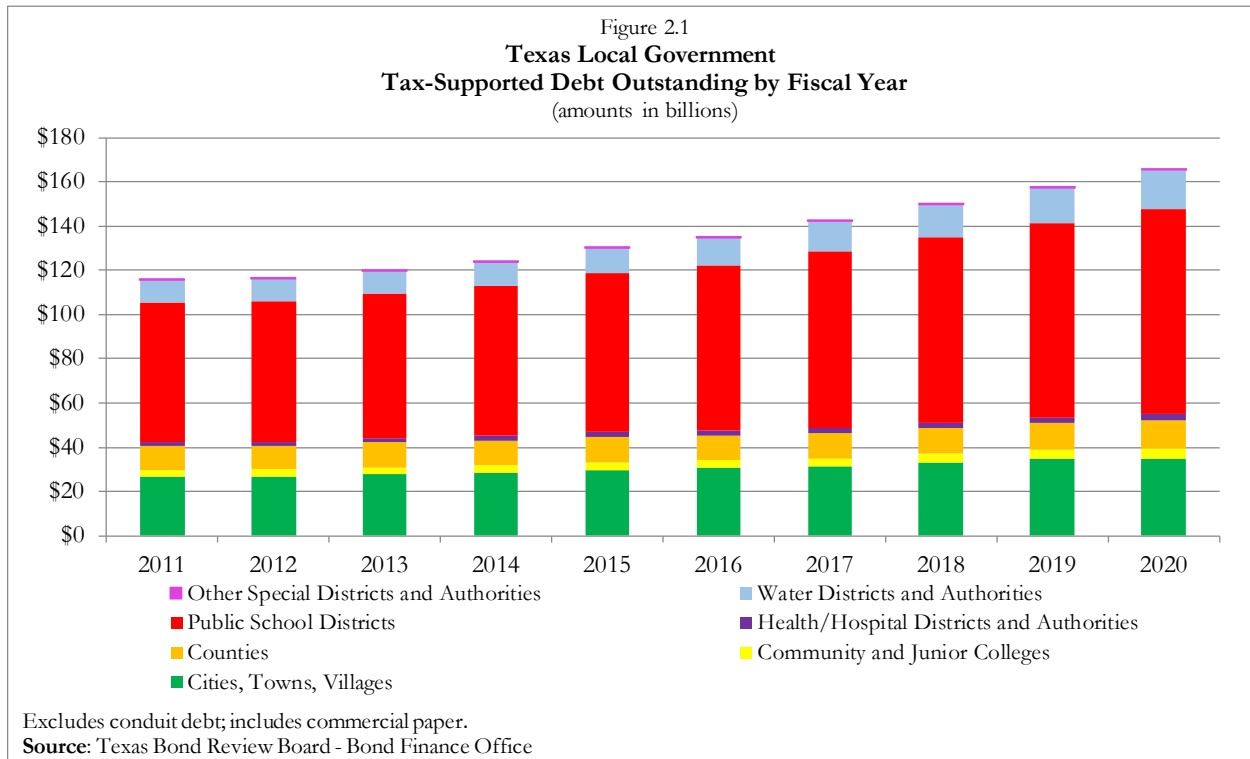
State law sets limitations on certain local government debt issuers by setting maximum ad valorem tax rates per \$100 of assessed property valuation. These rates vary by government type, but all must generate sufficient funds based on annual ad valorem tax collections to provide for the payment of the debt service on outstanding and projected ad valorem tax (general obligation or GO) debt. Additionally, all public securities issued by local debt issuers must receive approval from the Office of the Attorney General – Public Finance Division (OAG) and be registered with the Texas Comptroller of Public Accounts.

Local Government Tax-Supported Debt Outstanding

As of fiscal year-end 2020, Texas local governments had \$165.44 billion in outstanding tax-supported debt, an increase of \$7.88 billion (5.0 percent) over the 2019 total of \$157.56 billion, and a 22.4 percent (\$30.33 billion) increase over the past five fiscal years, from \$135.11 billion in 2016 (*Table 2.1*).

Table 2.1 Texas Local Government Tax-Supported Debt Outstanding by Fiscal Year (amounts in millions)					
	8/31/2016	8/31/2017	8/31/2018	8/31/2019	8/31/2020
Public School Districts	\$74,583.1	\$79,612.7	\$83,896.7	\$87,664.4	\$92,895.4
Cities, Towns, Villages	\$30,526.7	\$31,258.4	\$33,134.7	\$34,766.3	\$34,952.9
Water Districts and Authorities	\$12,525.8	\$13,654.9	\$14,813.4	\$16,153.5	\$17,561.6
Other Special Districts and Authorities	\$175.0	\$178.9	\$166.2	\$159.3	\$152.5
Counties	\$11,221.3	\$11,699.4	\$11,558.6	\$12,311.7	\$12,798.3
Community and Junior Colleges	\$3,676.8	\$3,645.4	\$4,076.6	\$4,074.2	\$4,613.8
Health/Hospital Districts and Authorities	\$2,399.0	\$2,302.5	\$2,517.2	\$2,427.8	\$2,462.4
Total Tax-Supported Debt Outstanding*	\$135,107.7	\$142,352.2	\$150,163.3	\$157,557.2	\$165,436.9
*Includes debt secured by a combination of ad valorem taxes and other revenue sources. Includes commercial paper; excludes conduit debt.					
Source: Texas Bond Review Board - Bond Finance Office					

Over the past ten fiscal years, tax-supported debt outstanding has increased \$49.67 billion (42.9 percent) from \$115.76 billion in 2011. *Figure 2.1* illustrates local tax-supported debt outstanding by local government type over the past ten fiscal years.

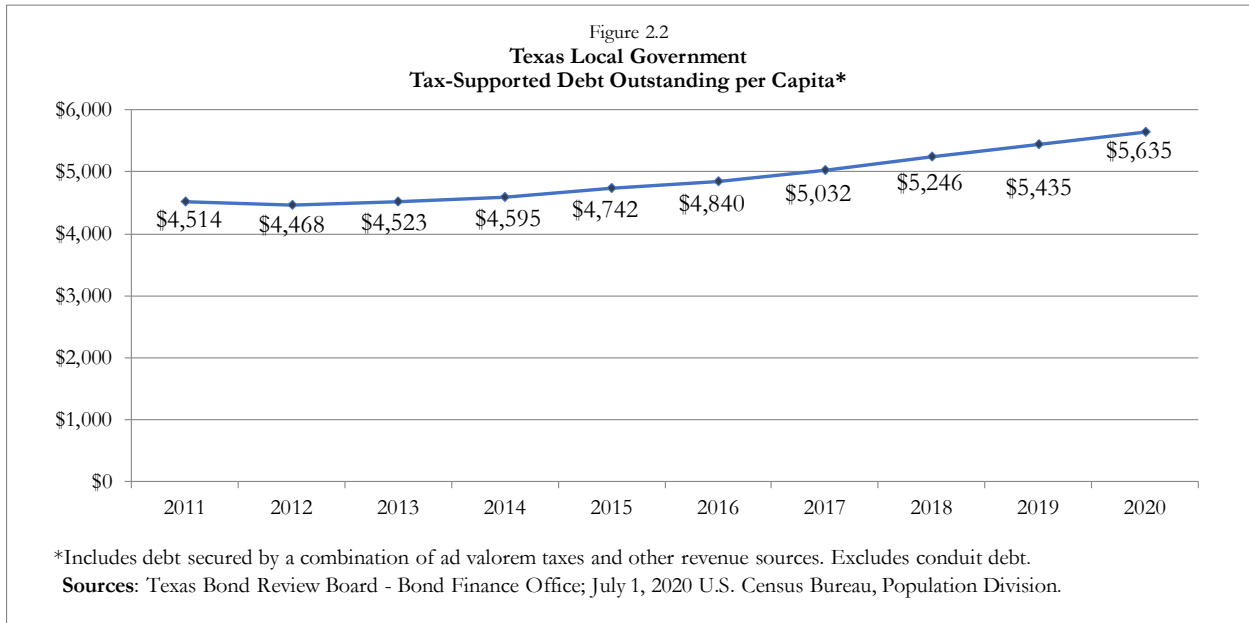


As shown in *Table 2.1* and *Figure 2.1*, Public School Districts (School Districts) have consistently accounted for the highest amount of tax-supported debt outstanding, while Cities, Towns, Villages (Cities) and Water Districts and Authorities (WD) accounted for the second and third highest amounts, respectively.

Of the total Cities tax-supported debt outstanding, the “Big 6 Cities” (Houston, Dallas, San Antonio, Austin, El Paso, and Fort Worth) accounted for an average of 32.5 percent over the last five years and 33.2 percent over the last ten years.

Tax-Supported Debt per Capita

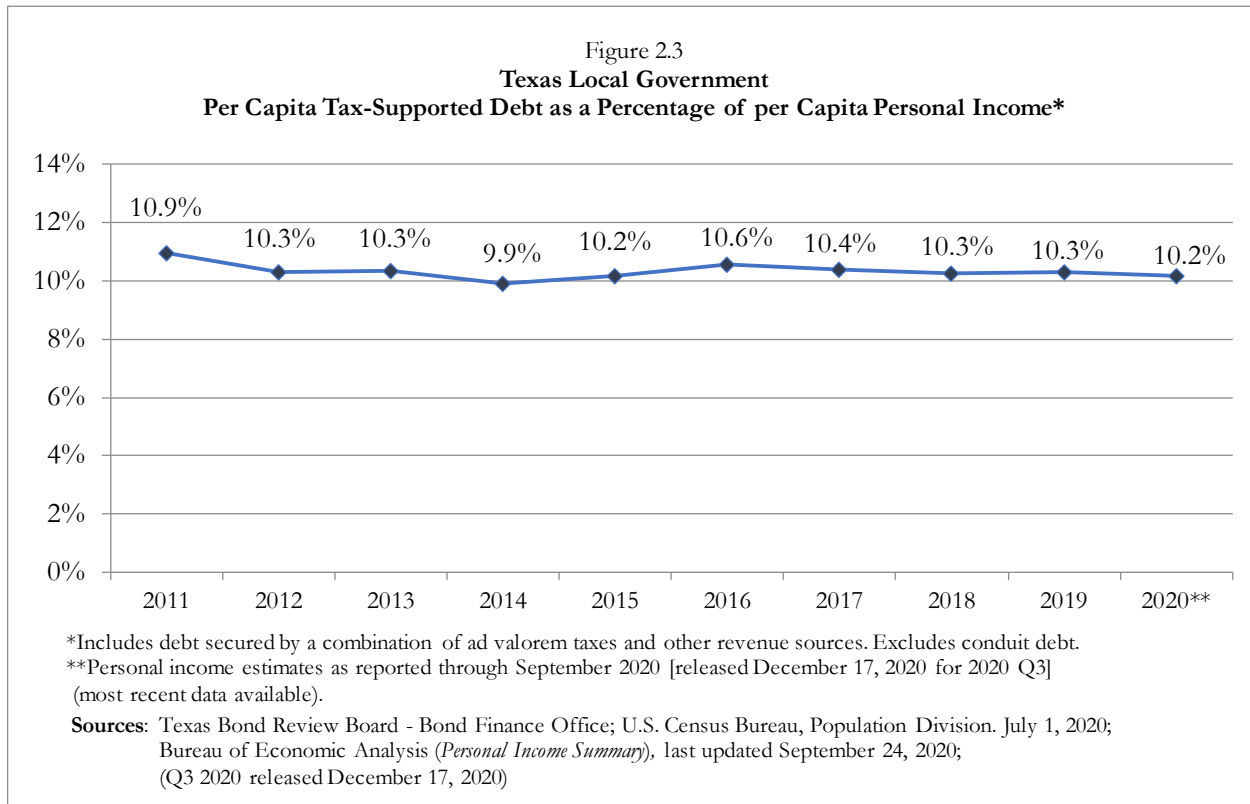
Local government tax-supported debt per capita increased over the past 10 years by 24.8 percent (or \$1,121 per person) from \$4,514 per capita in fiscal year 2011 to \$5,635 per capita in fiscal year 2020. Over this time, the state's population increased by an estimated 14.5 percent (3.7 million), based on July 2020 U.S. Census Bureau population estimates (*Figure 2.2*).



Tax-Supported Debt as a Percentage of Personal Income

As reported by the U.S. Bureau of Economic Analysis, total personal income growth in Texas has grown 53.8 percent in the past 10 years, from \$1.06 trillion in 2011 to \$1.63 trillion in 2020 (through Q3 of 2020, the most recent data available). During the past five years, the growth was 27.2 percent, from \$1.28 trillion in 2016. Per capita personal income has shown a 34.3 percent 10-year growth from \$41,245 in 2011 and a 21.0 percent 5-year growth from \$45,803 in 2016 to \$55,406 in 2020.

Per capita tax-supported debt, as a percentage of per capita personal income, has decreased 7.1 percent during the past 10 years from 10.9 percent in 2011. It has decreased 3.8 percent during the past five years from 10.6 percent in 2016 to 10.2 percent in 2020 (*Figure 2.3*). Over the 10-year period, the growth of the state’s personal income per capita has increased 9.5 percent more than the growth of tax-supported debt per capita.



Tax-Supported Debt Issuance

New tax-supported debt issued during fiscal year 2020 totaled \$27.72 billion (\$16.31 billion in new money and \$11.41 billion in refunding debt). This was an increase of 42.8 percent from the total of \$19.41 billion issued in fiscal year 2019 and an increase of 3.5 percent from the total of \$26.77 billion issued in fiscal year 2016.

During this five-year period, School Districts have consistently issued the most tax-supported debt. For fiscal years 2016-2018 and 2020, School Districts accounted for 50 percent or more of the total tax-supported debt issued. In fiscal year 2019 School Districts accounted for 49.9 percent of the total tax-supported debt issued. In fiscal year 2016, School Districts completed 500 GO issues for a total of \$14.57 billion (54.4 percent of the 2016 total), of which \$6.17 billion was new money debt and \$8.40 billion was refunding debt. In 2020, School Districts completed 394 GO issues for a total of \$15.50 billion (55.9 percent of the 2020 total), of which \$9.36 billion was new money debt and \$6.15 billion was refunding debt.

Tax-supported new money debt issuance over the past five years has risen from \$11.91 billion in 2016 to \$16.31 billion in 2020 (an increase of 36.9 percent).

Tax-supported refunding debt issuance over the past five years has declined steadily from \$14.86 billion in 2016 to \$4.18 billion in 2019, before rising to \$11.41 billion in 2020, an overall decrease of 23.2 percent.

Tax-supported debt issued over the past five fiscal years is shown below, excluding commercial paper and conduit debt (*Table 2.2*).

Table 2.2 Texas Local Government Tax-Supported Debt Issuance by Fiscal Year* (\$ in millions)					
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Issuers	1,067	996	824	891	1,070
Issuances	1,482	1,340	1,065	1,189	1,471
Public School Districts					
New Money	\$6,171.6	\$8,506.5	\$7,753.0	\$7,604.9	\$9,357.3
Refunding	8,402.1	5,101.6	2,875.2	2,085.2	6,147.2
Total Par Issued	\$14,573.7	\$13,608.1	\$10,628.2	\$9,690.0	\$15,504.5
Cities, Towns, Villages					
New Money	\$3,034.2	\$2,747.2	\$4,105.0	\$3,859.6	\$2,808.5
Refunding	3,012.7	1,057.0	1,474.0	830.4	2,396.6
Total Par Issued	\$6,046.9	\$3,804.3	\$5,579.0	\$4,690.0	\$5,205.1
Water Districts and Authorities					
New Money	\$1,632.4	\$1,707.3	\$1,681.2	\$1,977.3	\$1,955.2
Refunding	1,405.7	630.4	521.6	782.8	1,221.7
Total Par Issued	\$3,038.1	\$2,337.8	\$2,202.8	\$2,760.1	\$3,176.9
Other Special Districts and Authorities					
New Money	\$1.1	\$23.6	\$13.9	\$11.0	\$12.0
Refunding	16.0	11.1	0.0	18.2	17.1
Total Par Issued	\$17.1	\$34.8	\$13.9	\$29.2	\$29.1
Counties					
New Money	\$711.5	\$1,212.8	\$680.3	\$1,528.7	\$1,190.6
Refunding	1,482.0	595.9	861.4	167.7	1,094.5
Total Par Issued	\$2,193.5	\$1,808.6	\$1,541.7	\$1,696.3	\$2,285.1
Community and Junior Colleges					
New Money	\$281.1	\$162.2	\$652.4	\$231.1	\$808.0
Refunding	515.8	258.7	165.3	50.8	196.3
Total Par Issued	\$796.9	\$421.0	\$817.7	\$281.9	\$1,004.3
Health/Hospital Districts and Authorities					
New Money	\$81.3	\$0.0	\$285.1	\$13.8	\$175.7
Refunding	22.4	371.1	49.4	245.3	339.3
Total Par Issued	\$103.7	\$371.1	\$334.5	\$259.1	\$515.1
Total New Money	\$11,913.2	\$14,359.7	\$15,170.8	\$15,226.3	\$16,307.3
Total Refunding	\$14,856.7	\$8,025.9	\$5,947.0	\$4,180.3	\$11,412.8
Total Par	\$26,769.9	\$22,385.6	\$21,117.7	\$19,406.7	\$27,720.1

*Excludes commercial paper and conduit debt.
Source: Texas Bond Review Board - Bond Finance Office

The amounts of Gross Cash Savings and Net Present Value Savings earned from tax-supported refunding issuance over the past five years have fluctuated from \$2.81 billion and \$2.16 billion, respectively, in 2016 to \$2.03 billion and \$1.63 billion, respectively, in 2020.

During that period, Texas local governments issued \$44.42 billion in tax-supported refunding debt to realize \$8.01 billion in Gross Cash Savings and \$5.99 billion in Net Present Value Savings.

Rate of Debt Retirement

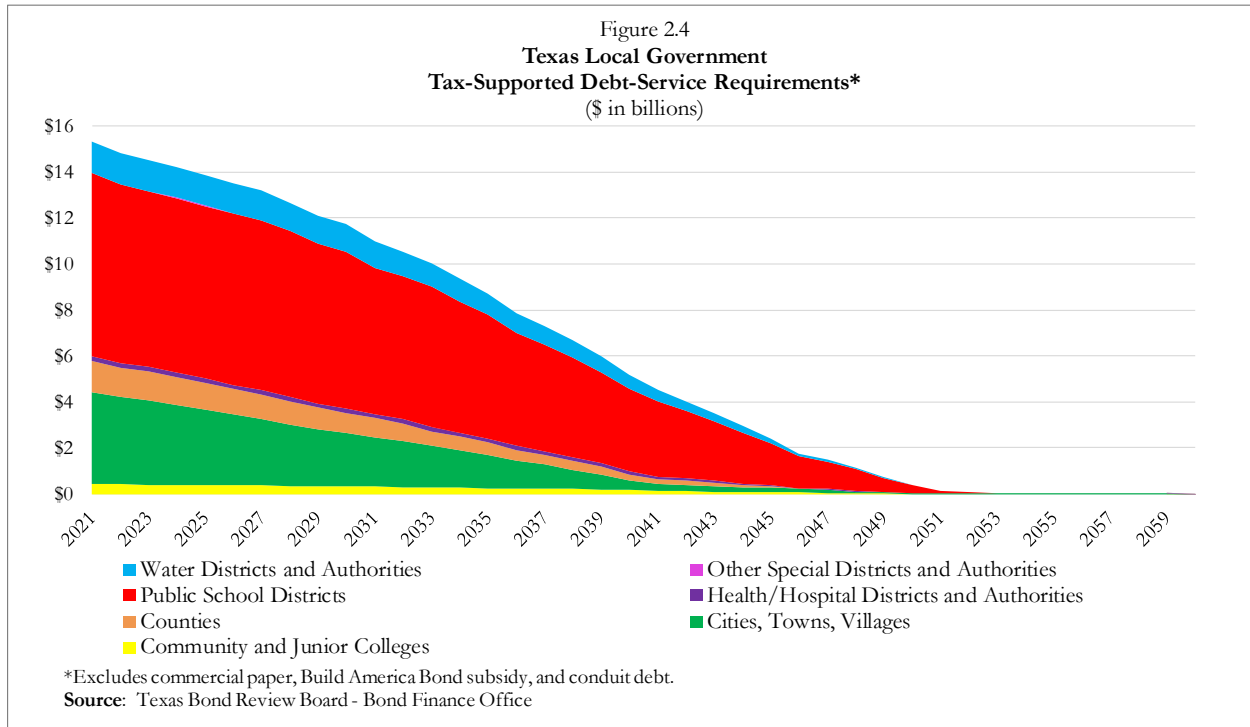
Timely repayment of debt is an important factor used by rating agencies to assess a municipal issuer's financial performance. As a guideline, rating agencies look for a repayment schedule that retires 25 percent of principal a quarter through the life of the debt and 50 percent halfway through the life of the debt. For debt outstanding as of fiscal year-end 2020, Texas local governments will repay 25.5 percent (\$41.98 billion) of tax-supported debt within five years, 50.6 percent (\$83.13 billion) within 10 years, and 88.1 percent (\$144.76 billion) within 20 years (*Table 2.3*). As of August 31, 2020, the final maturity for tax-supported debt was 40 years.

Table 2.3 Texas Local Government Rate of Tax-Supported Debt Retirement* (\$ in millions)						
DEBT REPAID WITHIN:	Five Years	Percent of Total	Ten Years	Percent of Total	Twenty Years	Percent of Total
Public School Districts	19,645.0	21.2%	41,381.5	44.7%	77,965.5	84.2%
Cities, Towns, Villages	12,484.5	36.0%	22,418.3	64.7%	33,215.3	95.8%
Water Districts and Authorities	4,137.0	23.8%	8,388.7	48.3%	15,413.9	88.8%
Other Special Districts and Authorities	67.9	44.5%	105.8	69.4%	144.7	94.9%
Counties	4,036.1	32.1%	7,613.0	60.6%	11,872.7	94.5%
Community and Junior Colleges	1,158.6	25.1%	2,253.1	48.8%	4,090.7	88.7%
Health/Hospital Districts and Authorities	452.9	18.4%	968.0	39.3%	2,060.0	83.7%
TOTALS	\$41,982.0	25.5%	\$83,128.3	50.6%	\$144,762.9	88.1%

*Excludes commercial paper and conduit debt.
Source: Texas Bond Review Board - Bond Finance Office

Tax-Supported Debt Service Outstanding

As of August 31, 2020, tax-supported debt-service requirements (principal and interest) projected over the life of the debt totaled \$241.66 billion, with all scheduled payments made by fiscal year 2060. *Figure 2.4* illustrates annual tax-supported debt-service requirements for each of the local government types.



Chapter 3

Texas Local Government Revenue Debt

Overview

Revenue debt includes debt legally secured by a specified revenue source(s). Most revenue debt does not require voter approval and usually has a maturity based on the life of the project to be financed.

Excluding conduit debt, Texas local governments had \$86.39 billion in revenue debt outstanding as of fiscal year-end 2020, an increase of \$3.28 billion (3.9 percent) over the 2019 total of \$83.11 billion, and a 15.7 percent (\$11.75 billion) increase over the past five fiscal years, from \$74.64 billion in 2016 (*Table 3.1*).

Cities, Towns, Villages (Cities) accounted for 51.7 percent (\$44.64 billion) of the total revenue local debt outstanding, Water Districts and Authorities (WDs) accounted for 22.1 percent (\$19.09 billion), Other Special Districts (OSDs) accounted for 20.5 percent (\$17.69 billion) and the remaining 5.7 percent (\$4.96 billion) was attributable to Public School Districts, Community and Junior College Districts (CCDs), Counties, and Health and Hospital Districts and Authorities (HHDs).

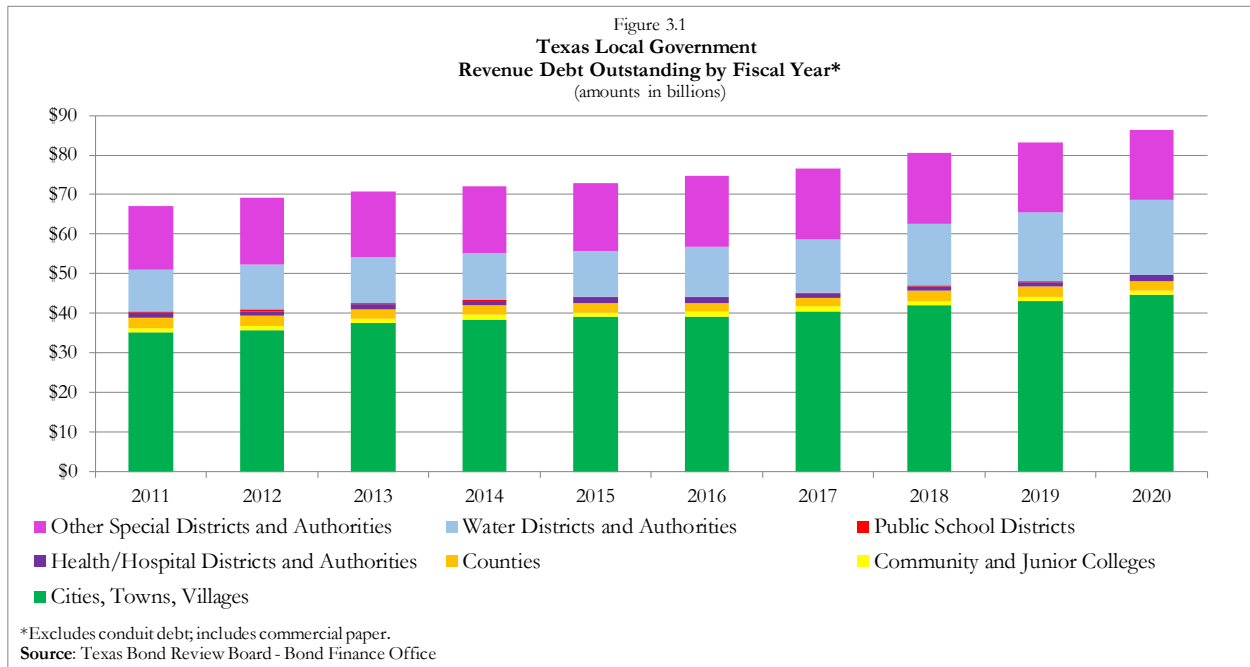
Cities revenue debt increased by 13.6 percent from \$39.30 billion to \$44.64 billion in the five-year period. Since fiscal year 2016, the state's population increased by an estimated 5.2 percent (1.4 million). Urban areas have experienced particularly rapid growth, creating the need for new infrastructure, including roads, bridges, and new and expanded water and sewer systems. The majority of city revenue debt has been used to finance general purpose needs, utility-related projects, including water, wastewater, and, in some localities, electric utility systems. Of the total city revenue debt outstanding, the Big 6 Cities (Houston, San Antonio, Dallas, Austin, Fort Worth, and El Paso, including revenue debt issued by the Dallas/Fort Worth International Airport) accounted for an average of 81.8 percent over the last five years and 82.7 percent over the last 10 years.

Table 3.1					
Texas Local Government					
Revenue Debt Outstanding by Fiscal Year*					
(amounts in millions)					
	8/31/2016	8/31/2017	8/31/2018	8/31/2019	8/31/2020
Public School Districts	\$313.3	\$300.6	\$268.7	\$258.8	\$219.4
Cities, Towns, Villages	39,300.1	40,584.0	42,019.8	43,077.8	44,640.5
Water Districts and Authorities	12,811.5	13,395.5	15,341.6	17,281.3	19,088.0
Other Special Districts and Authorities	17,686.2	17,910.4	17,963.3	17,695.8	17,694.2
Counties	2,302.2	2,144.9	2,538.8	2,486.3	2,485.3
Community and Junior Colleges	1,105.9	1,225.1	1,184.4	1,184.0	1,083.0
Health/Hospital Districts and Authorities	1,118.8	1,068.1	1,175.9	1,125.1	1,177.1
Total Revenue Debt Outstanding*	\$74,637.9	\$76,628.6	\$80,492.5	\$83,109.1	\$86,387.5

*Includes commercial paper; excludes conduit debt.

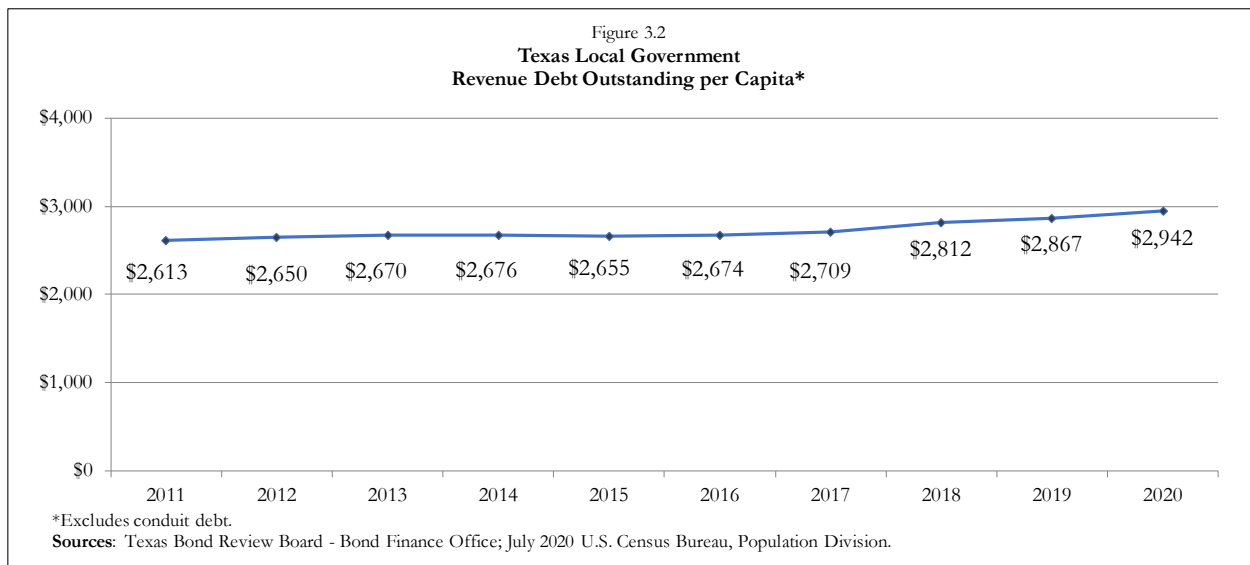
Source: Texas Bond Review Board - Bond Finance Office

Over the past 10 fiscal years, revenue debt outstanding has increased \$19.39 billion (28.9 percent) from \$67.00 billion in 2011. *Figure 3.1* illustrates local revenue debt outstanding by category over the past 10 fiscal years.



Revenue Debt per Capita

Local government revenue debt per capita increased over the past 10 years by 12.6 percent (or \$330 per person) from \$2,613 per capita in fiscal year 2011 to \$2,942 per capita in fiscal year 2020. Over this time, the state's population increased by an estimated 14.5 percent (3.7 million), based on July 2020 U.S. Census Bureau population estimates (*Figure 3.2*).



Revenue Debt Issuance

Excluding conduit debt, new revenue debt issued during fiscal year 2020 totaled \$13.12 billion (\$4.61 billion in new money and \$8.51 billion in refunding debt). This was an increase of 26.6 percent from the total of \$10.36 billion issued in fiscal year 2019 and an increase of 3.3 percent from the total of \$12.70 billion issued in fiscal year 2016.

During this five-year period, Cities have consistently issued the most revenue debt. In fiscal year 2016, Cities completed 90 issues for a total of \$4.93 billion (38.8 percent of the 2016 total), of which \$1.78 billion was new money debt and \$3.16 billion was refunding debt. In 2020, Cities completed 127 issues for a total of \$8.27 billion (63.0 percent of the 2020 total), of which \$2.03 billion was new money debt and \$6.23 billion was refunding debt. Cities revenue debt includes debt issued by the Dallas/Fort Worth International Airport.

Revenue debt issued over the past five fiscal years, excluding commercial paper and conduit debt, is shown in *Table 3.2* below.

Table 3.2
Texas Local Government
Revenue Debt Issuance by Fiscal Year*
(\$ in millions)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Issuers	136	112	139	121	142
Issuances	228	191	230	205	256
Public School Districts					
New Money	\$0.0	\$26.8	\$0.0	\$18.0	\$1.0
Refunding	0.0	21.6	0.0	28.1	29.7
Total Par Issued	\$0.0	\$48.3	\$0.0	\$46.1	\$30.7
Cities, Towns, Villages					
New Money	\$1,775.9	\$2,143.1	\$2,553.4	\$2,061.8	\$2,034.8
Refunding	3,156.4	2,080.2	2,106.1	2,590.6	6,230.7
Total Par Issued	\$4,932.3	\$4,223.3	\$4,659.5	\$4,652.3	\$8,265.6
Water Districts and Authorities					
New Money	\$1,559.7	\$1,155.5	\$2,383.9	\$2,282.5	\$2,258.2
Refunding	964.5	787.3	563.4	516.9	1,491.0
Total Par Issued	\$2,524.2	\$1,942.8	\$2,947.3	\$2,799.4	\$3,749.2
Other Special Districts and Authorities					
New Money	\$1,000.3	\$528.1	\$55.9	\$1,226.5	\$197.0
Refunding	3,036.6	295.8	2,909.4	1,324.5	645.0
Total Par Issued	\$4,037.0	\$823.9	\$2,965.3	\$2,551.0	\$842.0
Counties					
New Money	\$0.0	\$0.0	\$443.1	\$5.1	\$5.1
Refunding	770.6	0.0	220.6	136.3	90.3
Total Par Issued	\$770.6	\$0.0	\$663.7	\$141.3	\$95.3
Community and Junior Colleges					
New Money	\$59.6	\$155.7	\$30.3	\$118.6	\$0.0
Refunding	181.7	103.8	45.9	26.9	25.2
Total Par Issued	\$241.3	\$259.5	\$76.3	\$145.4	\$25.2
Health/Hospital Districts and Authorities					
New Money	\$79.5	\$87.5	\$212.8	\$25.6	\$109.7
Refunding	112.9	171.5	2.6	0.0	2.7
Total Par Issued	\$192.4	\$259.1	\$215.4	\$25.6	\$112.4
Total New Money	\$4,475.0	\$4,096.7	\$5,679.4	\$5,738.0	\$4,605.8
Total Refunding	\$8,222.8	\$3,460.2	\$5,848.1	\$4,623.2	\$8,514.6
Total Par	\$12,697.8	\$7,556.9	\$11,527.4	\$10,361.2	\$13,120.4

*Excludes commercial paper and conduit debt.

Source: Texas Bond Review Board - Bond Finance Office

Revenue new money debt issuance over the past five years has risen from \$4.48 billion in 2016 to \$4.61 billion in 2020. This is an increase of 2.9 percent.

Revenue refunding debt issuance reached a five-year low in 2017 at \$3.46 billion, while showing an overall increase of 3.5 percent for the five-year period from \$8.22 billion in 2016 to \$8.51 billion in 2020.

The amounts of Gross Cash Savings and Net Present Value Savings earned from revenue refunding issuance over the past five years have fluctuated from \$1.00 billion and \$782.6 million, respectively, in 2016 to \$1.67 billion and \$1.28 billion, respectively, in 2020.

During that period, Texas local governments issued \$30.67 billion in revenue refunding debt to realize \$4.90 billion in Gross Cash Savings and \$3.50 billion in Net Present Value Savings.

Rate of Revenue Debt Retirement

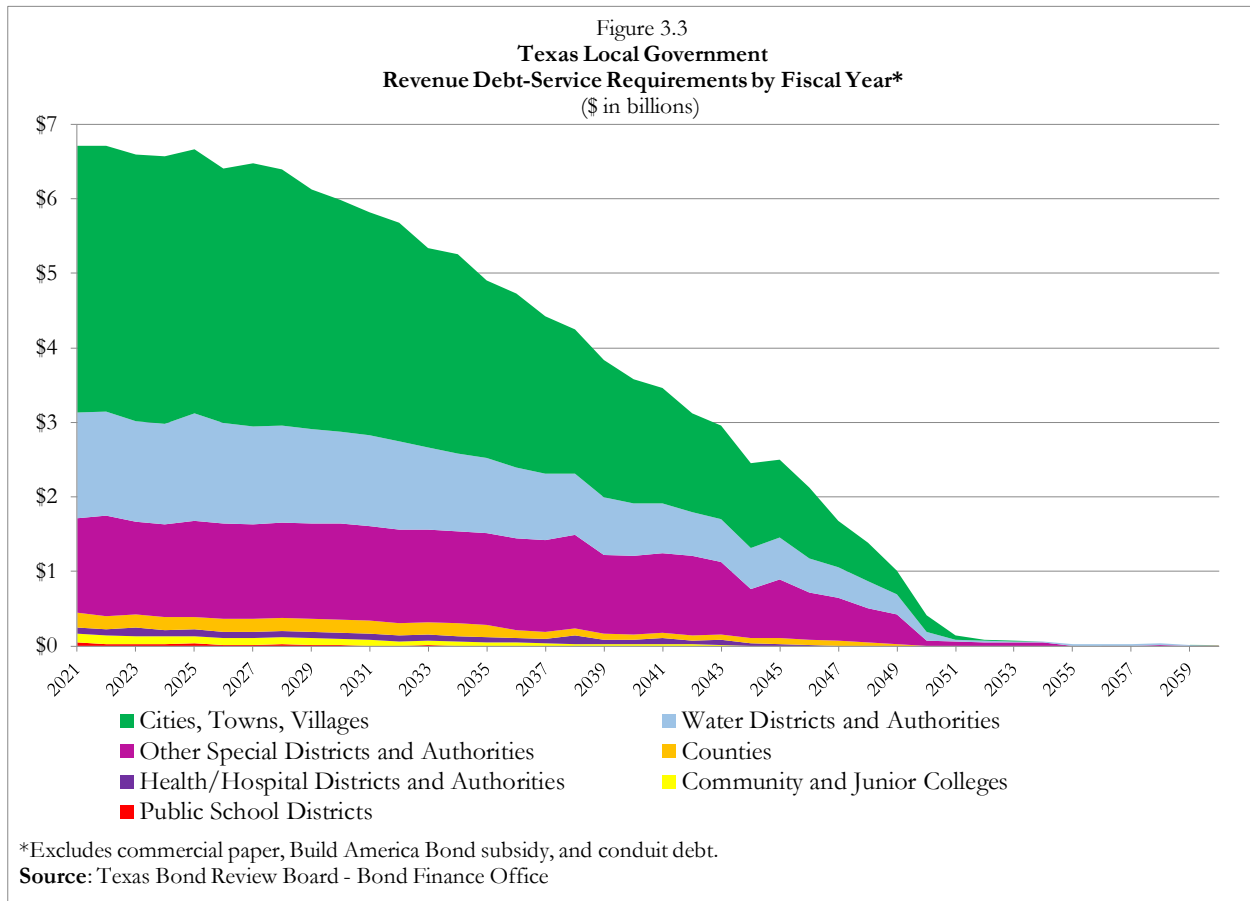
Timely repayment of debt is an important factor used by rating agencies to assess a municipal issuer's financial performance. As a guideline, rating agencies look for a repayment schedule that retires 25 percent of principal a quarter through the life of the debt and 50 percent halfway through the life of the debt. For debt outstanding as of fiscal year-end 2020, Texas local governments will repay 20.1 percent (\$17.00 billion) of revenue debt within five years, 41.6 percent (\$35.23 billion) within 10 years, and 79.1 percent (\$67.02 billion) within 20 years (*Table 3.3*). As of August 31, 2020, the final maturity for revenue debt was 40 years.

Table 3.3 Texas Local Government Rate of Revenue Debt Retirement* (\$ in millions)						
DEBT REPAID WITHIN:	Five Years	Percent of Total	Ten Years	Percent of Total	Twenty Years	Percent of Total
Public School Districts	108.4	49.4%	172.7	78.7%	214.2	97.6%
Cities, Towns, Villages	9,406.6	21.4%	19,515.2	44.5%	36,181.9	82.5%
Water Districts and Authorities	3,824.7	20.2%	7,887.6	41.7%	14,853.6	78.5%
Other Special Districts and Authorities	2,700.2	15.7%	5,656.2	32.8%	12,028.9	69.8%
Counties	401.9	17.8%	875.4	38.8%	1,768.0	78.3%
Community and Junior Colleges	\$347.7	32.1%	\$669.8	61.8%	\$1,029.5	95.1%
Health/Hospital Districts and Authorities	213.2	18.1%	449.0	38.1%	941.4	80.0%
TOTALS	\$17,002.6	20.1%	\$35,226.0	41.6%	\$67,017.4	79.1%

*Excludes commercial paper and conduit debt.
Source: Texas Bond Review Board - Bond Finance Office

Revenue Debt Service Outstanding

As of August 31, 2020, scheduled revenue debt-service requirements (principal and interest) projected over the life of the debt totaled \$134.04 billion, with all scheduled payments made by fiscal year 2060. *Figure 3.3* illustrates the scheduled annual revenue debt-service requirements for each of the local government types.



Chapter 4

Capital Appreciation Bonds

Overview

Capital appreciation bonds (CABs) are sold at a discounted price called the par amount. They are often sold in combination with current interest bonds (CIBs). While the debt service for CIBs is paid throughout the life of the obligation, principal and interest on CABs is paid at maturity. Interest on CABs compounds semiannually and accumulates over the life of the bond, and the amount paid at the maturity is called the maturity value. Interest rates for CABs are generally higher than for CIBs, and CABs can be more expensive than CIBs because of the compounding interest. However, CABs can be an effective financing tool if they are used moderately and with reasonable terms.

Premium CABs (PCABs) provide a lower initial stated par amount and are sold with a premium. PCABs are issued to raise additional proceeds, preserve debt limits, and help local governments reach tax rate targets. Local governments issue more PCABs than non-premium CABs.

Over the past decade, total CAB maturity amounts outstanding have decreased by 43.8 percent from \$17.54 billion in fiscal year 2011 to \$9.85 billion in fiscal year 2020. Additionally, CAB maturity amounts outstanding have decreased 5.1 percent from \$10.38 billion outstanding in fiscal year 2019. The outstanding CAB maturities range from 2021 to 2054.

Heavy use of CABs can result in rating agency downgrades.

CABs are often used to refund existing CAB and CIB debt.

CABs Issued

Table 4.1 shows that the total CAB par issued for Texas local governments during fiscal year 2020 was 0.23 percent (\$94.8 million) of the total CAB and CIB debt issued (\$40.84 billion). Public School Districts (School Districts) issuances accounted for 96.7 percent (\$91.7 million) of the total CABs issued for local governments during fiscal year 2020. Of the total par issued by School Districts, 0.6 percent was issued as CAB par. CABs have been used by School Districts to enable them to remain under the 50-cent debt ceiling that limits the property taxes assessed for debt service costs to 50 cents per \$100 of assessed value. CAB issuances by School Districts are general obligation (tax) debt repaid with ad valorem taxes.

For CAB debt previously issued and outstanding in fiscal year 2020, Texas local governments will owe \$4.67 in interest and principal for every \$1 of principal borrowed.

The 84th Legislature (2015) passed House Bill 114, effective September 1, 2015, which prohibits Texas local governments from issuing CABs secured by property taxes with terms of more than 20 years and (with some exceptions) from refunding CABs to extend their maturity dates. It also limits each government's CAB debt to no more than 25 percent of its total outstanding bond debt, including principal and interest. The 85th Legislature (2017) passed Senate Bill 295, which extends the allowed maturity date for CABs issued for refunding purposes and financing transportation projects.

Table 4.1 Texas Local Government Capital Appreciation Bonds Issued in Fiscal Year 2020							
Entity Type	Total Par Issued (CIB and CAB)	CAB Par	CAB Par/ Total Par	% of Total CAB Par Issued	CAB Premium	CAB Maturity Amount	% of Total CAB Maturity Amount
Public School Districts	\$15,535,223,503	\$91,679,374	0.59%	96.67%	\$397,262,934	\$547,085,000	98.22%
Cities, Towns, Villages	13,470,673,863	425,863	0.00%	0.45%	883,473	1,395,000	0.25%
Water Districts	6,926,066,992	1,244,992	0.02%	1.31%	1,699,396	3,205,000	0.58%
Other Special Districts	871,070,000	-	0.00%	0.00%	-	-	0.00%
Counties	2,380,455,000	1,225,000	0.05%	1.29%	3,249,313	4,805,000	0.86%
Comm Colleges/Junior Colleges	1,029,504,693	259,693	0.03%	0.27%	212,467	520,000	0.09%
Health/Hospital Districts	627,486,221	-	0.00%	0.00%	-	-	0.00%
Total	\$40,840,480,273	\$94,834,923	0.23%	100.00%	\$403,307,583	\$557,010,000	100.00%

Excludes commercial paper & conduit debt.
Source: Texas Bond Review Board - Bond Finance Office

Table 4.2 shows CAB issued amounts for the last five fiscal years. Since 2016, the total amount of CAB par issued has increased 28.5 percent from \$73.8 million in fiscal year 2016 to \$94.8 million in fiscal year 2020.

Table 4.2 Texas Local Government Capital Appreciation Bonds Par Amount Issued by Fiscal Year (\$ in millions)						
	2016	2017*	2018	2019	2020	
Public School Districts	\$70.5	\$38.1	\$16.3	\$1.5	\$91.7	
Cities, Towns, Villages	0.7	1.2	0.4	-	0.4	
Water Districts and Authorities	2.5	11.6	0.6	0.3	1.2	
Other Special Districts and Authorities	-	-	-	-	-	
Counties	-	-	-	-	1.2	
Community and Junior Colleges	-	0.0	-	-	0.3	
Health/Hospital Districts	-	-	-	-	-	
Total CAB Par Amount Issued	\$73.8	\$51.0	\$17.3	\$1.9	\$94.8	
Total Par Amount Issued**	\$39,467.7	\$29,942.5	\$32,645.2	\$29,767.9	\$40,840.5	
CAB Par Amount % of Total	0.19%	0.17%	0.05%	0.01%	0.23%	

* CCDs issued \$35,000 of CABs in 2017.
** Includes current interest bonds, excludes commercial paper authorizations and conduit issuances.
Source: Bond Review Board - Bond Finance Office

Three ratios have been developed to compare CAB issuances. The first is the “Maturity Value/Par” ratio, which is calculated by dividing the CAB maturity amount by the CAB par amount and represents the total amount to be repaid (principal plus interest) compared to the par amount borrowed. This ratio disregards premiums received on PCABs.

The second is the “Maturity Value/Proceeds” ratio, which is calculated by dividing the CAB maturity amount by the total CAB proceeds, including the additional proceeds received as premium on PCAB issuances. This ratio represents the total amount to be repaid at maturity (principal plus interest) compared to the total amount of proceeds received (par plus premium).

The third is the “Accreted Interest/Proceeds” ratio (AIPR), which is calculated by dividing the CAB maturity amount minus the original par amount by the total proceeds including the CAB premium. This ratio represents the total amount of interest to be paid at maturity compared to the total amount of proceeds received including premium (par plus premium).

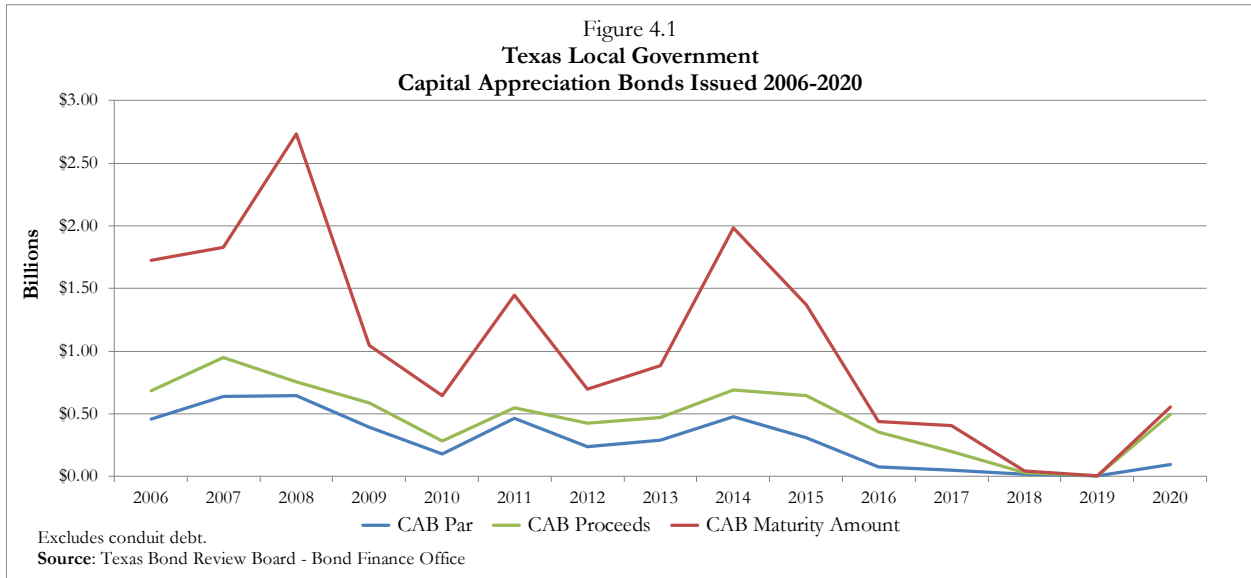
Table 4.3 lists the top 20 most expensive CABs issued and outstanding as of fiscal year-end 2020 as defined by the “Maturity Value/Proceeds” ratio. CABs become increasingly more expensive as interest continues to compound with longer term maturities. For comparison, the Maturity Value/Proceeds ratio for CIBs is generally less than 2.0 and the AIPR is generally less than 1.0. The decline in the Maturity Value/Proceeds ratio compared to the Maturity Value/Par ratio shows the effect of including the premiums on PCABs in the comparison.

Table 4.3 Texas Local Government Top 20 Most Expensive Capital Appreciation Bonds Outstanding as of August 31, 2020						
Issuer	Issue	Closing Date	CAB Maturity Date	Maturity Value/Par	Maturity Value/Proceeds	Accreted Interest / Proceeds Ratio
Forney ISD	Unl Tax Ref Bonds Txbl Ser 2014A	2/18/2014	8/15/2053	12.69	10.87	10.01
Forney ISD	Unl Tax Ref Bonds Ser 2014	2/18/2014	8/15/2053	10.17	8.34	7.52
Harris County-Houston Sports Authority	Sr Lien Rev Ref Bonds Ser 2001A	5/17/2001	5/15/2041	7.10	7.10	6.10
Forney ISD	Unl Tax Ref Bonds Txbl Ser 2013B	8/27/2013	8/15/2043	7.94	6.89	6.03
Hutto ISD	Unl Tax Ref Bonds Ser 2012A	5/3/2012	8/1/2045	249.18	6.71	6.68
Harris County-Houston Sports Authority	Third Lien Rev Ref Bonds Ser 2004A-3	8/5/2004	5/15/2040	6.41	6.41	5.41
Harris County-Houston Sports Authority	Jr Lien Rev Bonds Ser 2001H	1/2/2002	5/15/2042	6.15	6.15	5.15
Anna ISD	Unl Tax School Bldg Bonds Ser 2011	6/23/2011	8/15/2051	6.17	5.87	4.92
Anna ISD	Unl Tax School Bldg Bonds Ser 2010	4/8/2010	8/15/2043	12.00	5.82	5.33
Forney ISD	Unl Tax Ref Bonds Ser 2013A	8/27/2013	8/15/2043	9.35	5.49	4.90
Lake Worth ISD	Unl Tax Ref Bonds Ser 1995	9/21/1995	8/15/2024	8.25	5.31	4.66
Robstown ISD	Unl Tax School Bldg & Ref Bonds Ser 1994	1/4/1995	8/15/2022	13.16	5.26	4.86
Anna ISD	Unl Tax School Bldg Bonds Ser 2009	10/15/2009	8/15/2042	7.57	5.26	4.56
Galena Park ISD	Unl Tax School Bldg & Ref Bonds Ser 1996	8/20/1996	8/15/2031	6.09	5.11	4.27
Crowley ISD	Unl Tax Ref & School Bldg Bonds Ser 1993	5/19/1993	8/1/2023	9.87	5.04	4.53
Central Texas Regional Mobility Authority	Sr Lien Rev Bonds Ser 2010	3/11/2010	7/1/2040	5.03	5.03	4.03
Hillsboro ISD	Unl Tax School Bldg & Ref Bonds Ser 2001	2/15/2001	8/15/2031	75.90	4.94	4.88
Alvarado ISD	Unl Tax Ref Bonds Ser 1995	6/29/1995	8/15/2025	14.78	4.83	4.50
Frisco ISD	Unl Tax School Bldg & Ref Bonds Ser 2002	9/24/2002	8/15/2034	11.65	4.79	4.37
Crowley ISD	Unl Tax School Bldg & Ref Bonds Ser 2002	2/19/2002	8/1/2031	47.10	4.78	4.67

Excludes commercial paper and conduit debt.

Source: Texas Bond Review Board - Bond Finance Office

Figure 4.1 illustrates the total CAB par amount issued, the total proceeds received (including premiums on PCABs), and CAB maturity amounts (total debt-service owed at maturity) since 2006.



CABs Outstanding

Table 4.4 provides a comparison between the total CAB debt outstanding and total CIB and CAB debt outstanding for each type of local government entity. The CAB maturity amount outstanding (principal plus interest) is 2.6 percent (\$9.85 billion) of total debt-service owed by local governments. School Districts owe the most CAB debt service at 47.9 percent of total CAB debt-service owed among all local governments. While CAB par was 0.9 percent of total CIB and CAB par outstanding at fiscal year-end 2020, CAB interest accounted for 6.1 percent of total interest owed.

Table 4.4 Texas Local Government Capital Appreciation Bonds Outstanding as of August 31, 2020											
Entity Type	Total Par Outstanding (CIB+CAB)	CAB Par Outstanding	CAB Par/ Total Par	Total Interest Outstanding (CIB+CAB)	CAB Interest	CAB Interest/ Total Interest	Total Debt Service (CIB+CAB)	CAB Maturity Amount Outstanding	CAB Maturity Amount/ Total Debt Service	% of Total CAB Par Outstanding	% of Total CAB Maturity Amount Outstanding
Public School Districts	\$92,790,094,547	\$902,432,279	0.97%	\$50,458,218,802	\$3,818,881,329	7.57%	\$143,248,313,348	\$4,721,313,608	3.30%	42.79%	47.92%
Cities, Towns, Villages	78,540,385,386	191,825,921	0.24%	35,030,307,890	932,751,291	2.66%	113,570,693,275	1,124,577,212	0.99%	9.09%	11.41%
Water Districts	36,285,346,641	94,064,485	0.26%	15,543,151,574	202,875,515	1.31%	51,828,498,215	296,940,000	0.57%	4.46%	3.01%
Other Special Districts	17,385,712,021	860,438,404	4.95%	14,512,298,063	2,656,876,734	18.31%	31,898,010,084	3,517,315,138	11.03%	40.80%	35.70%
Counties	14,819,000,587	32,250,378	0.22%	6,165,054,788	86,544,622	1.40%	20,984,055,375	118,795,000	0.57%	1.53%	1.21%
Comm Colleges / Junior Colleges	5,696,784,314	16,996,505	0.30%	2,612,268,701	18,978,495	0.73%	8,309,053,014	35,975,000	0.43%	0.81%	0.37%
Health & Hospital Districts	3,639,546,242	11,149,367	0.31%	2,221,941,933	26,756,617	1.20%	5,861,488,175	37,905,984	0.65%	0.53%	0.38%
Total	\$249,156,869,738	\$2,109,157,338	0.85%	\$126,543,241,750	\$7,743,664,603	6.12%	\$375,700,111,488	\$9,852,821,941	2.62%	100.00%	100.00%

Excludes commercial paper, conduit debt and Build America Bond subsidies.
Source: Texas Bond Review Board - Bond Finance Office

Figure 4.2 below shows the maturity amount (principal plus interest) for each local government entity with CABs outstanding since 2006.

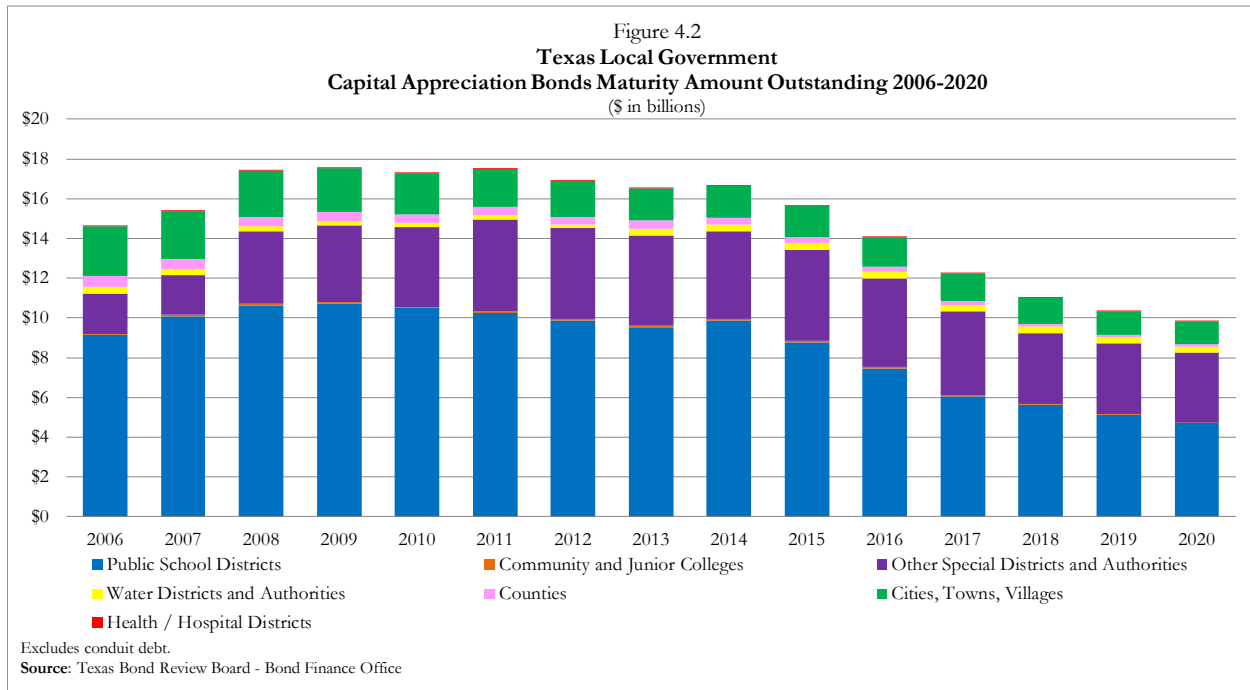


Figure 4.3 shows CIB debt service and CAB debt service for all local governments since 2006. In fiscal year 2020, CAB maturity amounts accounted for 2.6 percent (\$9.85 billion) of the total debt service outstanding.

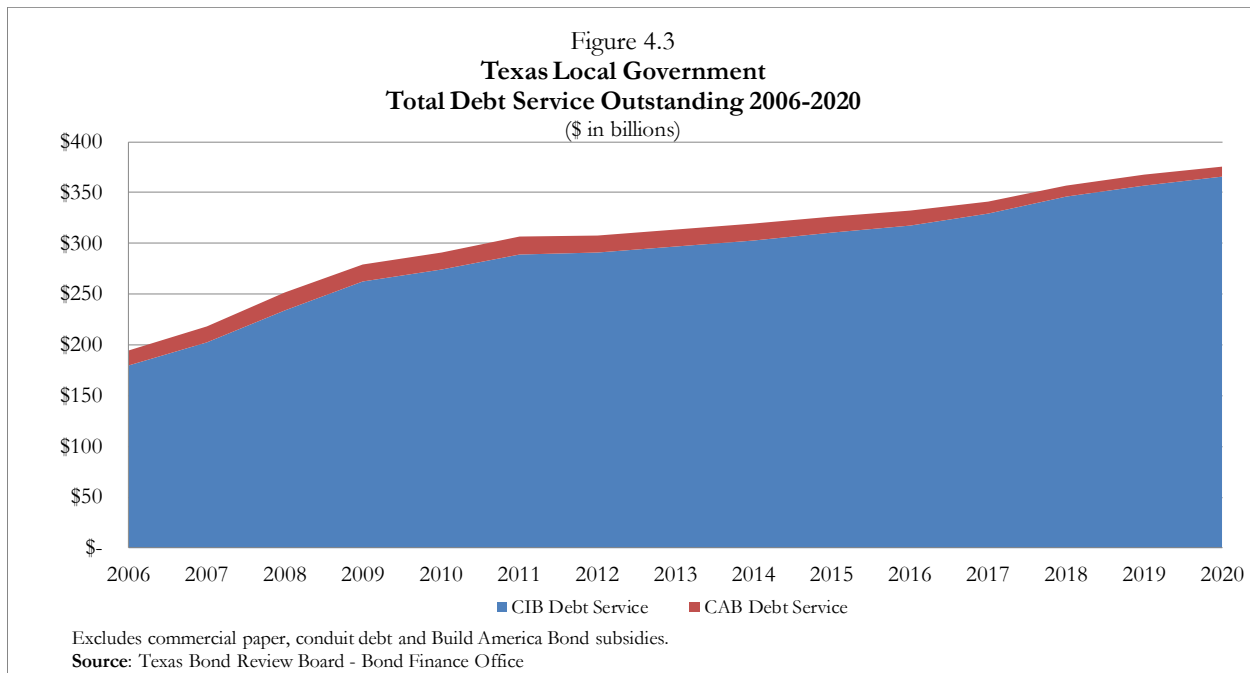


Figure 4.4 compares the ratio of total debt service to total par outstanding for CIB and CAB debt for all local governments. On average, issuers of CAB debt paid \$3.66 in principal and interest for every \$1 of principal borrowed since 2006 compared to \$1.63 for CIB debt.

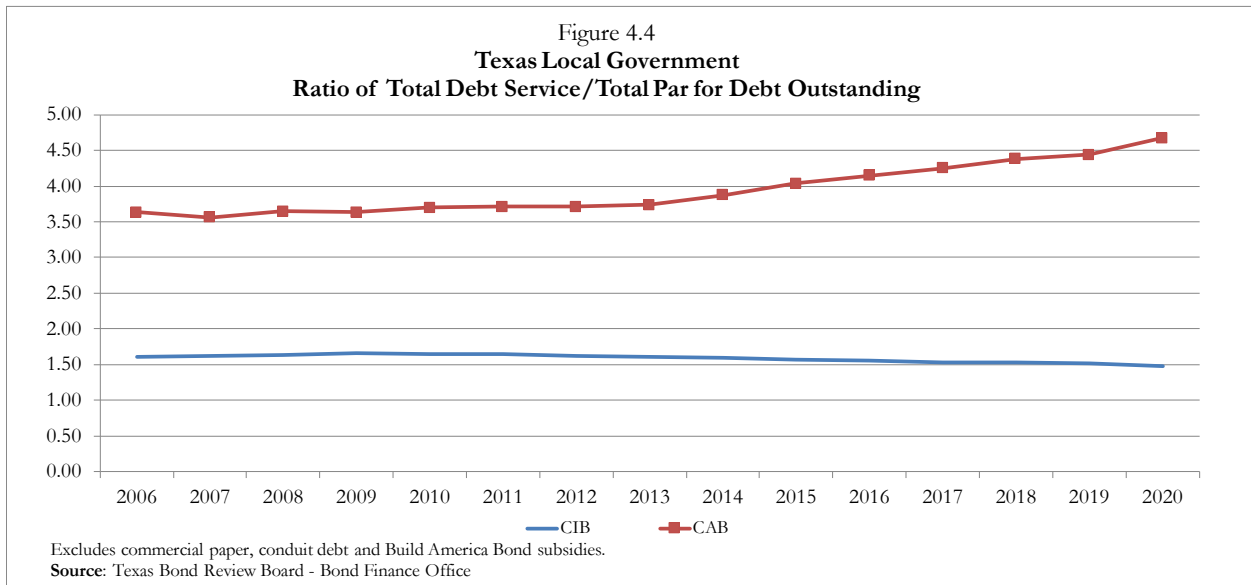
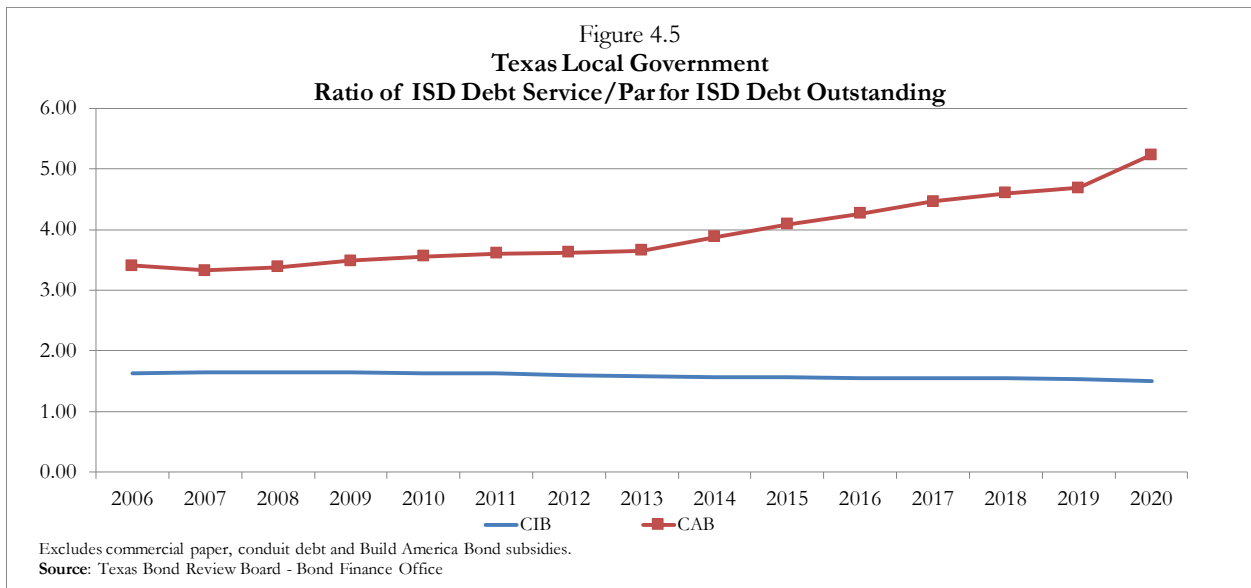


Figure 4.5 compares the ratio of School District debt service to ISD debt outstanding for CIB and CAB debt. On average, School Districts paid \$3.95 in principal and interest for every \$1 of principal borrowed since 2006 for CAB debt compared to \$1.59 for CIB debt.



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Chapter 5 Certificates of Obligation

Certificates of Obligation (COs) are authorized by the Certificate of Obligation Act of 1971, Subchapter C of Chapter 271 of the Texas Local Government Code. COs are generally issued as tax-supported debt to pay for the construction of a public work; purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way; and professional services, such as engineers, architects, attorneys, and financial advisors. Debt for COs is paid from ad valorem taxes and/or a combination of revenues available from other sources. CO issuance does not require voter approval unless a valid petition of 5 percent of the voters requesting an election is presented.

House Bill 477 passed during the 86th Legislative Session (2019), effective September 1, 2019, added additional requirements for the publishing of notices of intention to issue a CO prior to the date the issuer proposes to pass an order or ordinance authorizing the issuance of a CO. With the passage of House Bill 1378 during the 84th Legislative Session (2015), effective January 1, 2016, a CO may not be issued if the voters rejected a bond proposition for the same purpose within the preceding three years, except in the case of public calamity, public health, or unforeseen damage to public property, or to comply with a state or federal regulation. Only Counties, certain Cities, Towns, Village, (Cities), and Health and Hospital Districts and Authorities (HHDs) are authorized to issue COs.

Since fiscal year 2011, CO debt outstanding has increased by 23.1 percent (\$2.97 billion) from \$12.87 billion outstanding in fiscal year 2011 to \$15.85 billion outstanding in fiscal year 2020, and Cities accounted for 79.0 percent of the total CO debt outstanding at fiscal year-end 2020 (*Figure 5.1*).

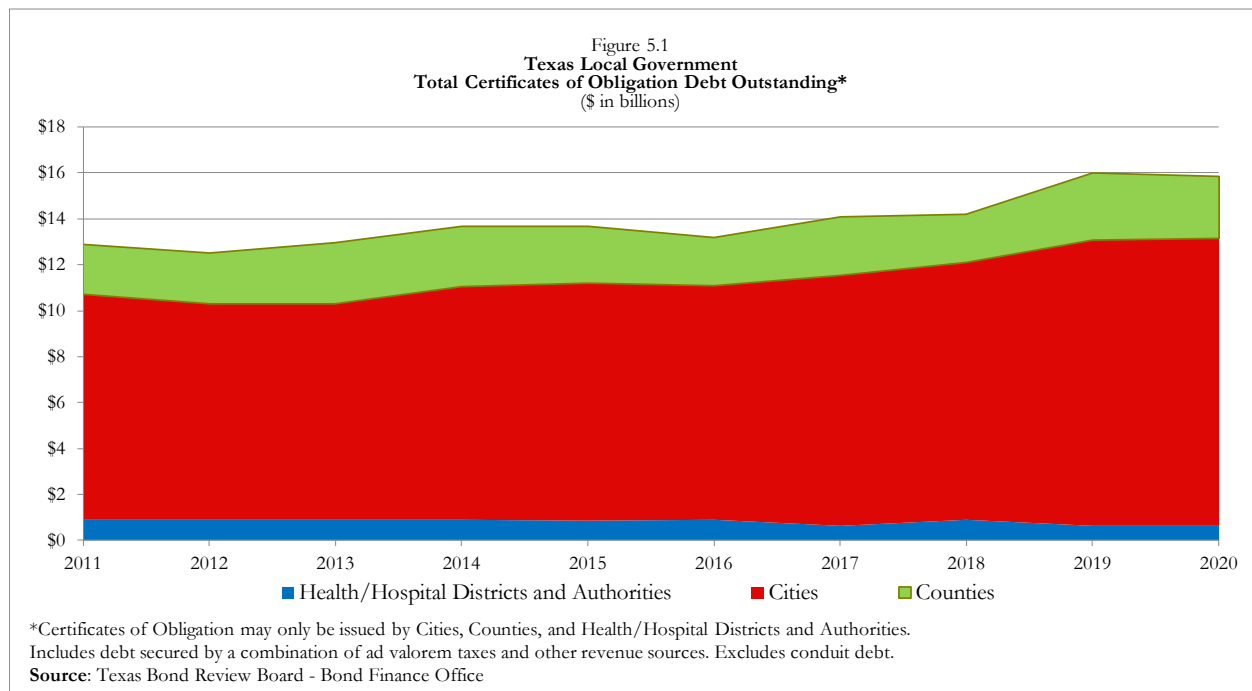
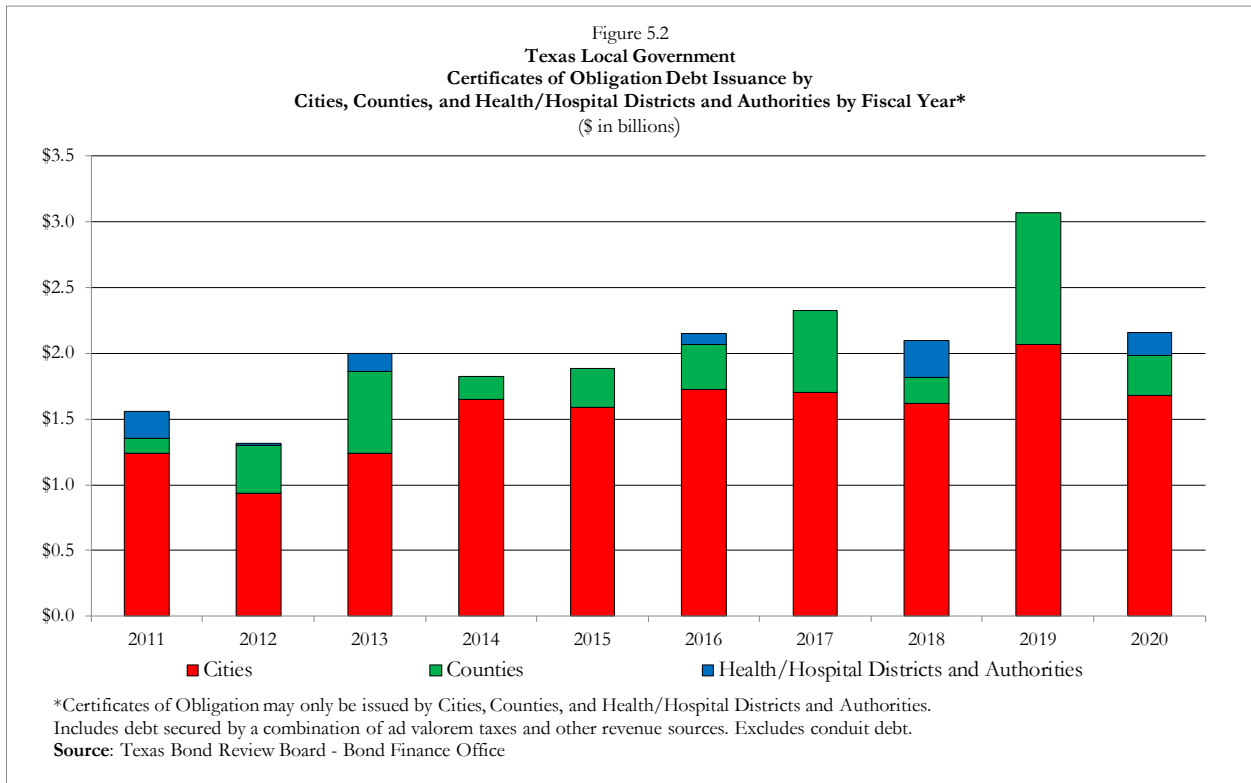


Figure 5.2 illustrates the relative amounts of CO debt issued by Cities, Counties, and HHDs over the past 10 fiscal years.

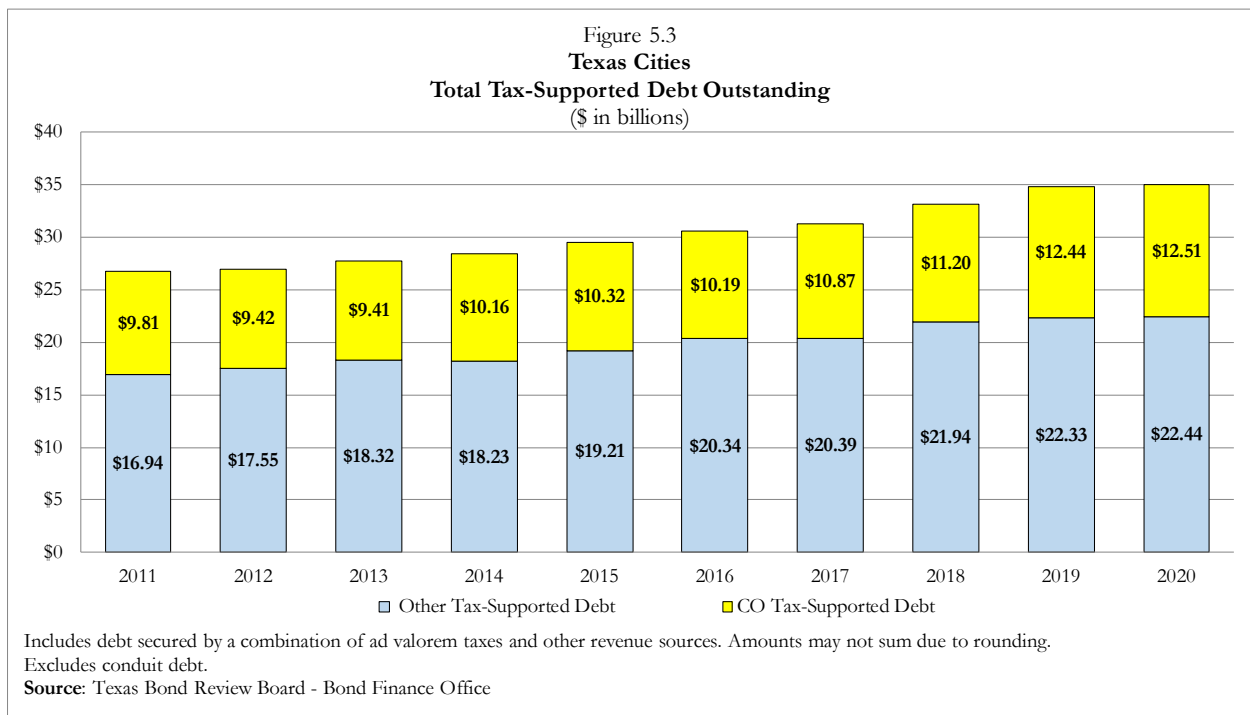


The 20 highest issuers of CO debt accounted for 38.7 percent of all CO debt outstanding (*Table 5.1*).

Table 5.1 Texas Local Government Top 20 Issuers with Certificates of Obligation Debt Outstanding as of August 31, 2020 (\$ in millions)	
Bexar County	\$571.1
Travis County	555.0
El Paso	541.1
Denton	470.9
San Antonio	426.3
Lubbock	421.2
Bexar County Hospital District	413.4
Waco	326.9
Frisco	288.0
Austin	274.4
Conroe	264.4
Hidalgo County	253.6
College Station	240.8
Grand Prairie	236.9
San Marcos	193.1
Sugar Land	135.3
Celina	129.6
El Paso County Hospital District	128.7
Flower Mound	128.3
Bryan	127.9
Subtotal	\$6,126.7
Other CO Issuers	9,718.7
Total	\$15,845.4
Includes debt secured by a combination of ad valorem taxes and other revenue sources.	
Excludes conduit debt.	
Source: Texas Bond Review Board - Bond Finance Office	

Cities, Towns, and Villages

Over the past 10 fiscal years, tax-supported CO debt outstanding has increased by 27.5 percent (\$2.70 billion) from \$9.81 billion to \$12.51 billion. As of fiscal year 2020, outstanding tax-supported CO debt represents 35.8 percent of the total Cities tax-supported debt outstanding and 15.9 percent of the total Cities debt outstanding, including revenue debt. *Figure 5.3* illustrates the portion of total Cities tax-supported debt attributable to COs. As of fiscal year 2020, 665 Cities had tax-supported CO debt outstanding.



The top 30 Cities with CO debt outstanding accounted for 46.4 percent (\$5.81 billion) of the total Cities CO debt outstanding (*Table 5.2*).

Table 5.2 Texas Cities Top 30 Issuers with Certificates of Obligation Outstanding			
	CO Amount (\$ in millions)	CO Debt per Capita*	CO as % of City Tax-Supported Debt Outstanding
El Paso	\$541.1	\$793	38.0%
Denton	470.9	3,399	68.2%
San Antonio	426.3	278	21.6%
Lubbock	421.2	1,646	50.9%
Waco	326.9	2,365	66.5%
Frisco	288.0	1,530	36.7%
Austin	274.4	285	17.8%
Conroe	264.4	3,017	80.8%
College Station	240.8	2,072	66.2%
Grand Prairie	236.9	1,217	77.8%
San Marcos	193.1	3,041	57.3%
Sugar Land	135.3	1,141	42.9%
Celina	129.6	10,142	93.0%
Flower Mound	128.3	1,660	77.7%
Bryan	127.9	1,497	71.4%
Richardson	124.8	1,031	39.4%
Hutto	122.2	4,621	65.5%
Mansfield	119.2	1,679	78.0%
League City	118.6	1,117	53.1%
Laredo	117.7	450	39.0%
Garland	114.1	470	41.2%
Temple	112.3	1,472	50.1%
Midland	111.0	780	51.0%
San Angelo	101.1	1,009	63.6%
Fort Worth	99.4	111	13.0%
Beaumont	96.1	812	50.1%
Granbury	93.7	8,998	72.9%
Abilene	91.3	163,408	26.3%
Georgetown	90.0	1,214	40.4%
Brownsville	88.8	484	51.2%
Subtotal	\$5,805.3		
Other Cities	6,704.8		
Total	\$12,510.1		

Includes debt secured by a combination of ad valorem taxes and other revenue sources.
Excludes conduit debt.
* Population data from the July 2019 U.S. Census Population Division
Source: Texas Bond Review Board - Bond Finance Office

The CO debt for the Big 6 accounted for 11.0 percent (\$1.38 billion) of the total Cities' CO debt outstanding (*Table 5.3*).

Table 5.3 Texas Cities Big 6 Cities with Certificates of Obligation Debt Outstanding				
	CO Amount (\$ in millions)	CO Debt per Capita	CO as % of Issuer's Tax-Supported Debt Outstanding	Rank by CO Debt Outstanding
El Paso	\$541.1	\$793	38.0%	1st
San Antonio	426.3	278	21.6%	3rd
Austin	274.4	285	17.8%	7th
Fort Worth	99.4	111	13.0%	25th
Dallas	21.2	16	1.0%	123rd
Houston	13.0	6	0.4%	182nd
Subtotal	\$1,375.3			
Other City CO Issuers	11,134.8			
Total	\$12,510.1			

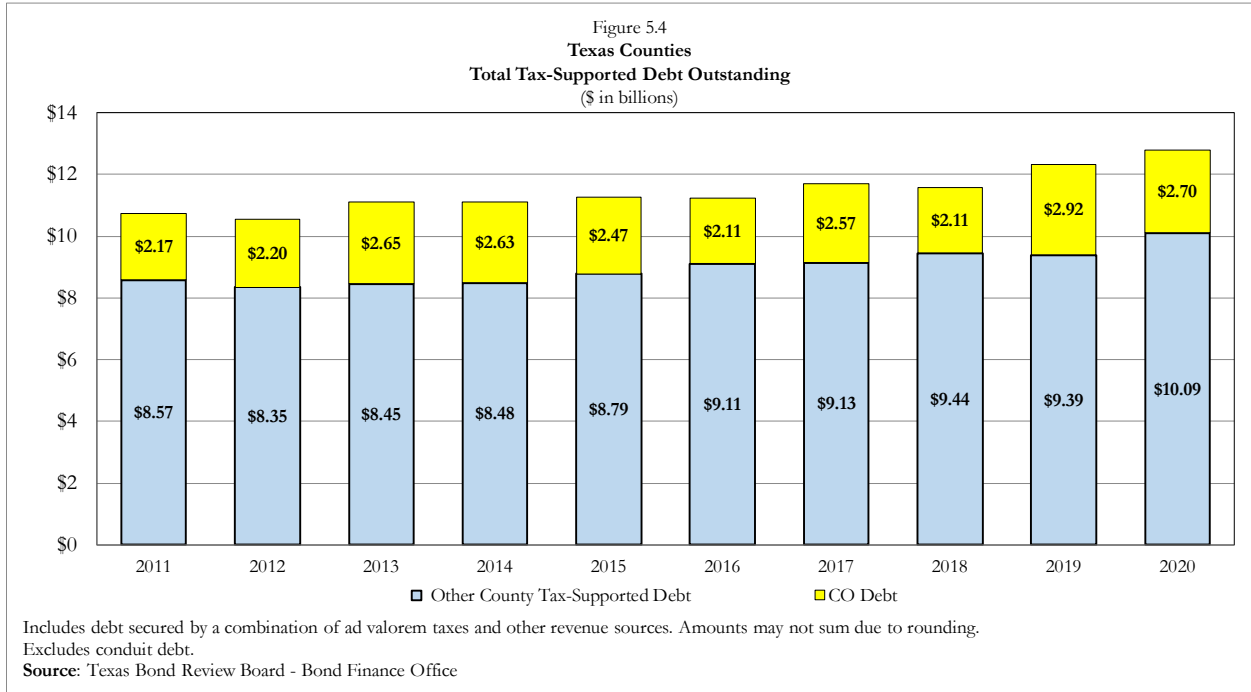
Includes debt secured by a combination of ad valorem taxes and other revenue sources.
Excludes conduit debt.
* Population data from the July 2019 U.S. Census Population Division
Source: Texas Bond Review Board - Bond Finance Office

Counties

As of August 31, 2020, Texas Counties had \$2.70 billion of CO debt outstanding, which was 21.1 percent of the Counties tax-supported debt outstanding. Of the 86 Counties with CO debt outstanding, the top 20 had \$2.25 billion (83.3 percent) of the total Counties CO debt outstanding (Table 5.4).

Table 5.4 Texas Counties Top 20 Issuer of Certificates of Obligation			
	CO Amount (\$ in millions)	Debt per Capita*	% of Issuer's Tax- supported Debt
Bexar County	\$571.1	\$285	29.5%
Travis County	555.0	436	51.3%
Hidalgo County	253.6	292	75.0%
Dallas County	123.1	47	94.4%
Cameron County	98.1	232	49.2%
Fort Bend County	89.5	110	14.0%
Potter County	69.1	589	94.9%
Tom Green County	61.8	518	100.0%
Comal County	51.9	332	37.0%
Bell County	46.1	127	44.2%
Montgomery County	45.6	75	9.0%
Webb County	41.8	151	56.3%
Williamson County	38.4	65	3.6%
McLennan County	36.6	143	94.5%
Nueces County	36.2	100	27.6%
Bastrop County	31.6	356	77.2%
Brazoria County	29.5	79	48.5%
San Patricio County	24.6	368	65.4%
Brazos County	24.5	107	34.3%
Ector County	23.4	141	100.0%
Subtotal of Top 20 CO Issuers	\$2,251.6	\$191	33.3%
Other CO Issuers	452.1	130	45.4%
Total	\$2,703.7	\$177	21.1%
* Population data from the July 2019 U.S. Census Population Division. Total population based on issuers with debt outstanding. Excludes conduit debt.			
Includes debt secured by a combination of ad valorem taxes and other revenue sources.			
Source: Texas Bond Review Board - Bond Finance Office			

Over the past 10 fiscal years ending August 31, 2020, Counties CO debt outstanding has increased by 24.7 percent from \$2.17 billion to \$2.70 billion. The increase was mainly due to multiple issuances by Bexar County totaling \$1.29 billion over the period for flood control purposes, transportation projects, improvements to the courthouse and jail, and general purposes (*Figure 5.4*).



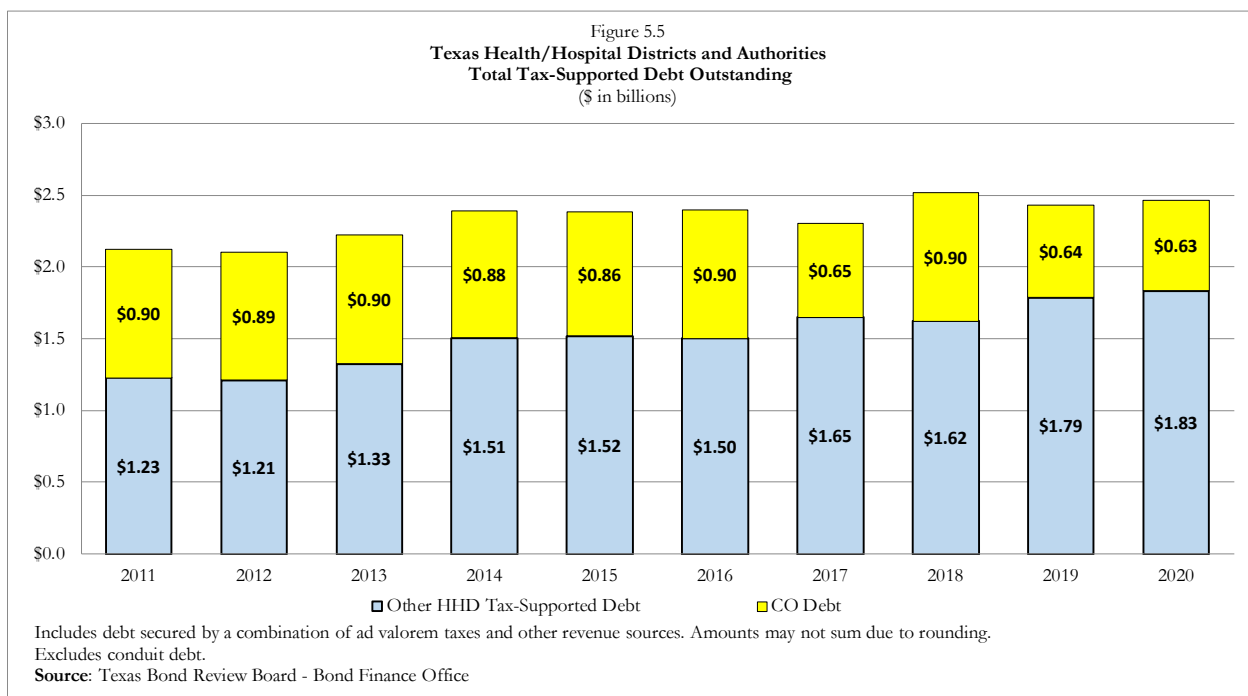
Health/Hospital Districts and Authorities

As of August 31, 2020, three HHDs had CO debt outstanding totaling \$628.1 million (Table 5.5). These issuances accounted for 25.5 percent of total HHD tax-supported debt outstanding (Figure 5.5) and 17.3 percent of total HHD debt outstanding, including revenue debt.

Table 5.5 Texas Health/Hospital Districts and Authorities with Certificates of Obligation Debt Outstanding		
Issuer	Amount* (\$ in millions)	COs as % of Tax-Supported Debt Outstanding
Bexar County Hospital District (University Health System)	\$413.4	44.4%
El Paso County Hospital District	128.7	39.4%
Harris County Hospital District	86.1	100.0%
Total	\$628.1	

*Includes debt secured by a combination of ad valorem taxes and other revenue sources. Excludes conduit debt.
Source: Texas Bond Review Board - Bond Finance Office

Figure 5.5 shows HHD CO debt outstanding relative to total tax-supported HHD debt outstanding.



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Appendix A Bond Election Results

Bond elections are required before the issuance of certain debt obligations that pledge unlimited or limited ad valorem taxes of a local government for repayment. Bond elections are generally held on a uniform election date. Section 41.001 of the Election Code states a uniform election date is one of the following: the first Saturday in May in an odd numbered year; the first Saturday in May in an even numbered year (excluding counties); or the first Tuesday after the first Monday in November.

Texas local governments are not required to provide the Texas Bond Review Board (BRB) with bond election information. Such information has been obtained from various sources, including newspaper articles, the Municipal Advisory Council's *Texas Bond Reporter*, official statements, and the U.S. Department of Justice.

Table A.1 shows the number of voter-approved bond elections for the past five fiscal years. During fiscal year 2020, a total of 100 local governments held 137 bond elections approving the potential issuance of \$14.16 billion of additional debt. Additionally, during the May 2, 2020, bond election, eight local governments cancelled 16 bond elections and 62 local governments postponed 119 bond elections until November 2020.

On November 3, 2020, 56 local governments held 98 bond elections, 67 of which approved debt totaling \$9.06 billion.

	2016		2017		2018		2019		2020		Total Percentage Approved
	Elections Carried	Percent Carried	Elections Carried	Percent Carried	Elections Carried	Percent Carried	Elections Carried	Percent Carried	Elections Carried	Percent Carried	
ISD	115	80%	71	70%	97	72%	100	81%	50	77%	76%
Cities	57	92%	37	82%	67	82%	88	98%	19	63%	87%
WD	116	99%	49	96%	85	94%	93	90%	29	91%	95%
OSD	0	N/A	0	N/A	0	N/A	0	N/A	1	100%	100%
Counties	12	92%	12	92%	8	80%	6	100%	6	86%	90%
CCD	1	50%	4	100%	0	0%	3	100%	1	100%	82%
HHD	0	N/A	1	100%	0	0%	3	100%	0	0%	67%
Total	301	89%	174	81%	257	81%	293	89%	106	77%	85%

Source: Bond Buyer, Municipal Advisory Council's *Texas Bond Reporter* and U.S. Department of Justice, Civil Rights Division - Voting Section

Table A.2 shows the voter-approved election amounts for the past five fiscal years for each of the local government categories.

Table A.2					
Texas Local Government					
Estimated Bond Election Results by Fiscal Year					
(\$ in millions)					
	2016	2017	2018	2019	2020
Public School Districts					
Election Amount	\$11,153.7	\$8,707.0	\$13,478.1	\$14,340.6	\$7,232.9
Amount Approved	10,608.1	7,143.8	11,854.0	11,820.7	5,820.2
Percent Approved	95.1%	82.0%	88.0%	82.4%	80.5%
Cities, Towns, Villages					
Election Amount	\$1,027.5	\$3,039.5	\$3,896.4	\$3,153.8	\$906.0
Amount Approved	928.9	2,793.3	3,659.5	3,123.7	868.7
Percent Approved	90.4%	91.9%	93.9%	99.0%	95.9%
Water Districts and Authorities					
Election Amount	\$8,840.9	\$3,204.5	\$8,444.0	\$7,577.6	\$2,557.8
Amount Approved	8,830.9	3,184.6	8,215.3	7,254.4	2,451.7
Percent Approved	99.9%	99.4%	97.3%	95.7%	95.9%
Other Special Districts and Authorities					
Election Amount	\$0.0	\$0.0	\$0.0	\$0.0	\$3,500.0
Amount Approved	0.0	0.0	0.0	0.0	3,500.0
Percent Approved	N/A	N/A	N/A	N/A	100.0%
Counties					
Election Amount	\$1,557.9	\$551.7	\$707.4	\$917.0	\$712.6
Amount Approved	1,270.7	543.2	562.4	917.0	698.6
Percent Approved	81.6%	98.5%	79.5%	100.0%	98.0%
Community and Junior Colleges					
Election Amount	\$513.5	\$1,199.0	\$48.5	\$1,353.7	\$825.0
Amount Approved	425.0	1,199.0	0.0	1,353.7	825.0
Percent Approved	82.8%	100.0%	0.0%	100.0%	100.0%
Health/Hospital Districts and Authorities					
Election Amount	\$0.0	\$13.8	\$7.2	\$841.5	\$9.0
Amount Approved	0.0	13.8	0.0	841.5	0.0
Percent Approved	N/A	100.0%	0.0%	100.0%	0.0%
Total Election Amount	\$23,093.5	\$16,715.6	\$26,581.6	\$28,184.2	\$15,743.4
Total Amount Approved	\$22,063.5	\$14,877.7	\$24,291.3	\$25,310.8	\$14,164.2
Total Percent Approved	95.5%	89.0%	91.4%	89.8%	90.0%

Source: Bond Buyer, Municipal Advisory Council's *Texas Bond Reporter* and U.S. Department of Justice, Civil Rights Division - Voting Section

The detailed results of the fiscal year 2020 elections are shown in *Tables A.3* through *A.6*.

Table A.3 Texas Local Government Carried Propositions Bond Elections May 02, 2020 (\$ in millions)			
Issuer	County	Purpose	Amount Carried
Public School Districts			
Barbers Hill ISD	Chambers	School Building, Buses & Technology	\$277.5
San Diego ISD	Duval	School Building & Athletic Improvements	1.6
San Diego ISD	Duval	Stadium	0.9
San Diego ISD	Duval	Athletic Facility Improvements	2.2
Public School Districts Total			\$282.2
Total Carried			\$282.2

Table A.4 Texas Local Government Defeated Propositions Bond Elections May 02, 2020 (\$ in millions)			
Issuer	County	Purpose	Amount Defeated
Health/Hospital Districts and Authorities			
Muleshoe Area Hospital District	Bailey-Parmer	Hospital	\$9.0
Health/Hospital Districts and Authorities Totals			\$9.0
Total Defeated			\$9.0

Table A.5
Texas Local Government
Carried Propositions
Bond Elections November 05, 2019
(\$ in millions)

Issuer	County	Purpose	Amount Carried
Public School Districts			
Aledo ISD	Parker	School Building & Buses	\$150.0
Alto ISD	Cherokee	School Building & Gymnasium	10.5
Alvarado ISD	Johnson	School Building	11.2
Angleton ISD	Brazoria	School Building	90.0
Arlington ISD	Tarrant	School Building & Buses	966.0
Balmorhea ISD	Reeves	School Building & Buses	75.0
Bellevue ISD	Clay	School Building	4.5
Brock ISD	Parker	School Building & Buses	21.4
Cleveland ISD	Liberty	Renovations	198.0
Columbia-Brazoria ISD	Brazoria	School Building	11.5
Comfort ISD	Kendall	School Building	37.7
Conroe ISD	Montgomery	School Building & Security	653.6
Crockett County Cons CSD	Crockett	School Building	33.8
Darrouzett ISD	Lipscomb	School Building & Buses	2.0
Del Valle ISD	Travis	School Building	284.0
Denison ISD	Grayson	School Building & Technology	20.9
Dime Box ISD	Lee	Improvements	3.0
Dumas ISD	Moore	School Building	107.0
Eden CISD	Concho	School Building	25.0
Everman ISD	Tarrant	School Building	40.0
Forney ISD	Kaufman	School Building	623.0
Gatesville ISD	Coryell	School Building	9.9
Gruver ISD	Hansford	School Building	7.2
Hallsville ISD	Harrison	School Building & Security	55.0
Hillsboro ISD	Hill	School Building	29.8
Iraan-Sheffield ISD	Pecos	Refund	1.9
Keller ISD	Tarrant	School Building & Security	315.0
Lovelady ISD	Houston	School Building	7.5
Lumberton ISD	Hardin	School Building & Security	78.8
Manor ISD	Travis	School Building & Buses	280.0
Midway ISDb	McLennan	School Building & Technology	148.0
Plainview ISD	Hale	School Building	76.6
Port Neches-Groves ISD	Jefferson	School Building	130.0

Table A.5 (continued)
Texas Local Government
Carried Propositions
Bond Elections November 05, 2019
(\$ in millions)

Issuer	County	Purpose	Amount Carried
Public School Districts Cont'd			
Ropes ISD	Hockley	School Building	\$5.8
Sabine Pass ISD	Jefferson	School Building, Buses & Technology	150.0
San Felipe-Del Rio CISD	Val Verde	School Building	19.0
Santa Maria ISD	Cameron	School Building & Buses	3.5
Somerset ISD	Bexar	School Building & Security	20.0
Sunray ISD	Moore	School Building	9.5
Waller ISD	Waller	School Building & Security	295.2
Water Valley ISD	Tom Green	School Building	16.0
Weimar ISD	Colorado	School Building	9.1
West ISD	McLennan	School Building	21.5
Westwood ISD	Anderson	School Building & Security	40.0
Ysleta ISD	El Paso	School Building	425.0
Zapata County ISD	Zapata	School Building & Buses	15.8
Public School Districts Total			\$5,538.0
Cities, Towns, Villages			
Addison	Dallas	Road & Bridge	\$22.9
Addison	Dallas	Street & Drainage	33.6
Addison	Dallas	Parks & Recreation	6.7
Addison	Dallas	Public Facility	7.4
Denton	Denton	Street & Drainage	154.0
Denton	Denton	Public Safety Facilities	61.9
Denton	Denton	Park	5.0
El Paso	El Paso	Public Safety Facilities	413.1
Friendswood	Galveston	Public Safety	9.1
Friendswood	Galveston	Drainage	41.0
Granite Shoals	Burnet	Water	7.0
Hill Country Village	Bexar	Street & Drainage	8.5
Joshua	Johnson	Street & Drainage	3.9
Sandy Oaks	Bexar	Street & Drainage	0.8
Sugar Land	Fort Bend	Drainage	47.6
Sugar Land	Fort Bend	Public Safety Building	26.3

Table A.5 (continued)
Texas Local Government
Carried Propositions
Bond Elections November 05, 2019
(\$ in millions)

Issuer	County	Purpose	Amount Carried
Cities, Towns, Villages Cont'd			
Sugar Land	Fort Bend	Street	\$10.3
Sugar Land	Fort Bend	Animal Care & Control	6.6
Sulphur Springs	Hopkins	Senior Citizen Center	3.0
Cities, Towns, Villages Total			\$868.7
Water Districts and Authorities			
Bilma PUD	Harris	Park	\$8.5
Brickston MUD	Travis	Utility	187.0
Brickston MUD	Travis	Utility	215.0
Brickston MUD	Travis	Road	96.6
Brickston MUD	Travis	Road	111.1
Brickston MUD	Travis	Parks & Recreation	26.1
Fort Bend County MUD 023	Fort Bend	Road	10.0
Fort Bend County MUD 024	Fort Bend	Road	17.4
Fort Bend County MUD 047	Fort Bend	Water, Sewer & Drainage	27.0
Fort Bend County MUD 162	Fort Bend	Water, Sewer & Drainage	70.0
Galveston County MUD 59	Galveston	Water, Sewer & Drainage	302.9
Galveston County MUD 59	Galveston	Parks & Recreation	90.6
Galveston County MUD 59	Galveston	Road	63.4
Galveston County WCID 08	Galveston	Refunding	8.5
Karis Municipal Management District	Tarrant	Water, Sewer & Drainage	116.0
Karis Municipal Management District	Tarrant	Road	112.7
Karis Municipal Management District	Tarrant	Refunding	116.0
Karis Municipal Management District	Tarrant	Roads and Refunding	112.7
Katy Management District 1	Fort Bend +	Water, Sewer & Drainage	20.0
Katy Management District 1	Fort Bend +	Recreation	25.0
Katy Management District 1	Fort Bend +	Road	25.0
Lower Valley WD	El Paso	Water, Sewer & Drainage	27.5
Lumberton MUD	Hardin	Water, Sewer & Drainage	453.3
Travis County WCID-Point Venture	Travis	Water, Sewer & Drainage	14.5
West Travis County MUD 07	Travis	Water, Sewer & Drainage	31.5
West Travis County MUD 07	Travis	Parks & Recreation	2.1
West Travis County MUD 07	Travis	Refund	50.4
Wilbarger Creek MUD 2	Travis	Road	44.4
Wilbarger Creek MUD 2	Travis	Refund	66.6
Water Districts and Authorities Total			\$2,451.7

Table A.5 (continued)
Texas Local Government
Carried Propositions
Bond Elections November 05, 2019
(\$ in millions)

Issuer	County	Purpose	Amount Carried
Counties			
Fort Bend County	Fort Bend	Flood Control	\$83.0
Kaufman County	Kaufman	Road	104.1
Kaufman County	Kaufman	Justice Center	50.0
McLennan County	McLennan	Zoo	14.5
Williamson County	Williamson	Road	412.0
Williamson County	Williamson	Parks & Rec	35.0
Counties Total			\$698.6
Community and Junior Colleges			
Tarrant County College District	Tarrant	College Facilities	\$825.0
Community and Junior Colleges Total			\$825.0
Other Special Districts and Authorities			
Metropolitan Transit Auth of Harris County	Harris	Transit System	\$3,500.0
Other Special Districts and Authorities Totals			\$3,500.0
Total Carried			\$13,882.0

Table A.6
Texas Local Government
Defeated Propositions
Bond Elections November 05, 2019
(\$ in millions)

Issuer	County	Purpose	Amount Defeated
Public School Districts			
Azle ISD	Tarrant	Improvements	\$79.8
Beeville ISD	Bee	School Building	37.9
Burnet CISD	Burnet	School Building	33.1
Conroe ISD	Montgomery	Athletic Renovations	23.8
Coupland ISD	Travis	School Building & Gymnasium	5.0
Covington ISD	Hill	School Building	5.8
Cumby ISD	Hunt	Improvements	6.2
Fort Stockton ISD	Pecos	School Building	85.0
Graford ISD	Palo Pinto	School Building	49.6
Hamilton ISD	Hamilton	School Building	24.8
Lockhart ISD	Caldwell	School Building	92.4
Midland ISD	Midland	School Building	569.0
Pecos-Barstow-Toyah ISD	Reeves	School Building	357.6
Prairie Lea ISD	Caldwell	School Building	8.0
Royal ISD	Waller	School Building & Security	34.8
Public School Districts Total			\$1,412.7
Cities, Towns, Villages			
Denton	Denton	Art Project	\$0.6
Friendswood	Galveston	Public Works	2.0
Friendswood	Galveston	Community Center	9.0
Friendswood	Galveston	Parks & Recreation	8.0
Friendswood	Galveston	Streets & Roads	7.6
Menard	Menard	Road	4.0
Ovilla	Ellis	City Hall	2.9
Ovilla	Ellis	Community Center	0.1
Ovilla	Ellis	Public Safety Facilities	2.2
Ovilla	Ellis	Public Works	0.1
Ovilla	Ellis	Parks & Recreation	0.7
Cities, Towns, Villages Total			\$37.3

Table A.6 (continued)
Texas Local Government
Defeated Propositions
Bond Elections November 05, 2019
(\$ in millions)

Issuer	County	Purpose	Amount Defeated
Water Districts and Authorities			
Grand Lakes MUD 4	Fort Bend	Water, Sewer & Drainage	\$26.6
Newport MUD	Harris	Water & Sewer	70.0
Nueces County DD 2	Nueces	Drainage	9.5
Water Districts and Authorities Total			\$106.1
Counties			
Camp County	Camp	Justice Center	\$14.0
Counties Total			\$14.0
Total Defeated			\$1,570.2

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Appendix B

Texas Local Government Conduit Debt

Conduit, component, and related organization debt has been excluded from this report, except for data presented in this appendix and certain data presented in *Appendix F, Commercial Paper*. A conduit issuer is usually a government agency or a creation of the agency (such as a nonprofit corporation sponsored by a local government) that issues municipal securities to finance revenue-generating projects. The funds generated are generally used by a third party (known as the "conduit borrower" or "obligor"), and it is generally the responsibility of the obligor to make debt-service payments.

Most conduit debt is issued for projects that benefit the public or segments of the public within the geographical area of the sponsoring agency. Some conduit issuers can issue debt for projects that benefit the Texas public at large. The purposes and locations of projects funded by conduit debt are governed by the Texas law used to establish the conduit issuer. The projects include transportation, airports, ports, housing, utilities, culture, higher education, recreation, and health, as well as industrial and economic development.

Not all Texas local government conduit issuers are required to provide issuance information to the Texas Bond Review Board (BRB) pursuant to Texas Government Code, Chapter 1202.008. However, basic information on all conduit issuances that require approval by the Office of the Attorney General (OAG) is forwarded by the OAG to the BRB. In prior years, this data was retained but not included in the BRB Debt Database. Beginning in fiscal year 2017, the BRB has added current conduit issuances into the database. There is an ongoing BRB project to enter conduit issuance data from prior years into the database as well. At the end of this project, all conduit debt outstanding from 2003 onwards will be included, based on data provided to the BRB in those years.

Conduit Debt Issuance

Currently, only fiscal years 2017 through 2020 have conduit debt issuance information available (*Table B.1*). Conduit debt outstanding and debt service outstanding information will be reported once the BRB conduit project has been completed.

In fiscal year 2020, 66 local government conduits issued 169 new debt instruments for a total of \$6.09 billion, an increase of 56.0 percent from the \$3.91 billion issued in fiscal year 2019. New money debt issuance increased 52.9 percent (from \$2.52 billion in 2019 to \$3.86 billion in 2020), and refunding debt issuance increased 61.8 percent (from \$1.38 billion in 2019 to \$2.24 billion in 2020).

Since fiscal year 2017, total conduit issuance increased \$1.52 billion (33.2 percent) from \$4.57 billion, new money debt issuance increased \$1.41 billion (57.3 percent) from \$2.45 billion, and refunding debt issuance increased \$114.8 million (5.4 percent), from \$2.12 billion.

Conduit debt is generally backed by revenue. All conduit debt issued in the past four years was revenue debt, except for \$83.5 million of toll road combination tax/revenue new money bonds issued in 2017 and \$25.0 million of toll road combination tax/revenue refunding bonds issued in 2020 by the Brazoria County Toll Road Authority.

Conduit entities also issue commercial paper. Commercial paper outstanding balances reported by conduits over the past 10 years are presented at the end of *Appendix F, Commercial Paper*.

Table B.1 shows conduit debt issuance by local government conduit types with a new money/refunding breakdown.

Table B.1					
Texas Local Government					
Conduit Debt Issuance by Fiscal Year*					
(\$ in millions)					
	2017	2018	2019	2020	TOTAL
Issuers	74	50	41	66	231
Issuances	147	100	92	169	508
Public School Districts					
New Money	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Refunding	0.0	0.0	0.0	0.0	0.0
Total Par Issued	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cities, Towns, Villages					
New Money	\$1,529.3	\$955.4	\$1,332.0	\$1,856.0	\$5,672.8
Refunding	1,038.8	573.7	475.8	853.1	2,941.4
Total Par Issued	\$2,568.0	\$1,529.1	\$1,807.9	\$2,709.1	\$8,614.2
Water Districts and Authorities					
New Money	\$0.0	\$0.0	\$315.0	\$6.5	\$321.5
Refunding	0.0	0.0	315.0	4.1	319.1
Total Par Issued	\$0.0	\$0.0	\$630.0	\$10.6	\$640.6
Other Special Districts and Authorities					
New Money	\$246.2	\$375.0	\$345.9	\$840.4	\$1,807.6
Refunding	0.0	0.0	0.0	0.0	0.0
Total Par Issued	\$246.2	\$375.0	\$345.9	\$840.4	\$1,807.6
Counties					
New Money	\$676.8	\$209.9	\$530.3	\$1,154.2	\$2,571.2
Refunding	1,083.4	546.0	591.4	1,379.8	3,600.5
Total Par Issued	\$1,760.2	\$755.9	\$1,121.7	\$2,533.9	\$6,171.7
Community and Junior Colleges					
New Money	\$0.0	\$106.4	\$0.0	\$0.0	\$106.4
Refunding	0.0	0.0	0.0	0.0	0.0
Total Par Issued	\$0.0	\$106.4	\$0.0	\$0.0	\$106.4
Health/Hospital Districts and Authorities					
New Money	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Refunding	0.0	0.0	0.0	0.0	0.0
Total Par Issued	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total New Money	\$2,452.3	\$1,646.8	\$2,523.3	\$3,857.1	\$10,479.4
Total Refunding	\$2,122.2	\$1,119.7	\$1,382.2	\$2,237.0	\$6,861.0
Total Par	\$4,574.5	\$2,766.4	\$3,905.5	\$6,094.1	\$17,340.5

*Excludes commercial paper.
Source: Texas Bond Review Board - Bond Finance Office

Cities conduit entities issued \$2.71 billion in debt in fiscal year 2020, 44.5 percent of the total 2020 conduit debt issued; \$1.86 billion was new money debt, and \$853.1 million was refunding debt. Such revenue debt is often issued as a loan to third parties to finance the acquisition of land, and to construct or expand, furnish, and equip certain cultural, educational, housing, health-related, or correctional facilities.

Counties conduit entities can issue revenue and lease-revenue debt. Some can issue tax-supported debt. Historically, Counties conduit revenue debt has been issued for pollution control and residential rental projects. Many Counties conduit lease-revenue obligations are issued by nonprofit corporations formed by Counties to finance the acquisition of land and to construct or expand, furnish, and equip county projects, including adult or juvenile correctional facilities that may house county, state, or federal prisoners. In fiscal year 2020, Counties issued \$2.53 billion in conduit debt, 41.6 percent of the total issued in 2020; \$1.15 billion was revenue new money debt, \$1.35 billion was revenue refunding debt, and \$25 million was refunding debt supported by a combination of tax and revenue (issued by Brazoria County Toll Road Authority.)

Other Special Districts and Authorities issued \$840.4 million conduit debt, all new money debt, which comprised 13.8 percent of the total fiscal year 2020 conduit debt issued.

Many Water Districts and Authorities (WDs) create conduit issuers to raise funds for pollution and solid waste disposal facilities. In fiscal year 2020, WDs issued \$10.6 million in conduit debt, 0.2 percent of the total 2020 conduit debt issuance; \$6.5 million was new money debt and \$4.1 million was refunding debt.

Community and Junior College Districts (CCDs) can execute lease-purchase agreements that provide security for lease-revenue obligations issued by nonprofit corporations formed by CCDs. No new conduit debt was issued by CCDs in fiscal year 2020.

No conduit debt was issued in fiscal year 2020 by Health/Hospital Districts and Authorities (HHDs). (HHD conduit debt was last issued in 1985 and matured in 2011.)

The conduit debt issued by Public School Districts (School Districts) is not included in this appendix. School Districts create Public Facility Corporations (PFCs) to issue debt on behalf of the school districts. The BRB has historically included this PFC debt as lease purchase revenue debt of the school district, and this revenue debt is included in the total debt outstanding of School Districts as illustrated in Chapter 1 of this report.

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Appendix C

Texas Charter Schools

History

Local government education finance corporations (EFCs) issue the majority of charter school debt in Texas. These conduit corporations are created by Texas municipalities to issue debt on behalf of charter school borrowers. Debt issued by EFCs is secured by the revenues of the borrower and is not an obligation of the municipality. (Because debt issued by local government EFCs is not reported to the Texas Bond Review Board (BRB), staff relied on multiple sources to compile the data used in this Appendix.)

Public charter schools were authorized by the legislature in 1995 to offer publicly funded alternate education options to parents within the public school system. The Texas Education Code Chapter 12 provides for four types of charter schools: home-rule charters, campus or district charters, open-enrollment charters, and university charters. Most charters in Texas are open enrollment.

Open-enrollment charter schools function like public school districts in that they provide tuition-free instruction and must accept any student that applies, subject to enrollment constraints. Charter schools have no taxing authority and receive most of their funding from the state based on their enrollment. Charter schools are subject to fewer restrictions than public schools, but they must meet certain requirements for financial, governing, and operating standards adopted by the Texas Commissioner of Education (Commissioner). State law requires fiscal and academic accountability for charter schools, and the state monitors and accredits charter schools in the same manner as public school districts.

Pursuant to Texas Education Code, Section 53.351, the Texas Public Finance Authority (TPFA) established the Texas Public Finance Authority Charter School Finance Corporation (Corporation) to act as a conduit to facilitate the issuance of revenue bonds for the acquisition, construction, repair, or renovation of educational facilities for authorized open-enrollment charter schools. All issuances of charter school debt issued by the Corporation must be approved by the BRB.

Permanent School Fund Bond Guarantee Program

In 1854, the 5th Legislature created the Texas Permanent School Fund (PSF) expressly for the benefit of public schools. In addition, the Constitution of 1876 stipulated that certain lands and proceeds from the sale of those lands would also be dedicated to the PSF. The Constitution requires that distributions from the returns on the PSF be made to the Available School Fund to be used for the benefit of public schools, and it allows the PSF to be used to guarantee bonds issued by public schools.

The PSF Bond Guarantee Program (BGP) was created in 1983 as an alternative for school districts to avoid the cost of private bond insurance by obtaining a PSF guarantee for voter-approved public school bond issuances.

The Texas Education Agency (TEA) reviews each BGP applicant for financial soundness, accreditation status, and complaints from the public regarding misconduct and rules violations. Applicants for the BGP must have an investment grade rating below triple-A from at least one of the top credit rating agencies. Bonds guaranteed by the BGP are rated AAA from all three credit rating agencies.

Texas Education Code, Section 12.135, passed by the 82nd Legislature, permits charter schools to participate in the BGP, but they must apply and be approved by the Commissioner to participate in the program. In January 2014, the State Board of Education adopted rules for charter school participation in the BGP, and the program was opened to them in March 2014.

The BGP capacity for all schools is currently set at the lower of a multiple of 3.50 times the PSF book value or the Internal Revenue Service-set limitation of \$117.3 billion, minus a 5 percent reserve. The State Board of Education has also required an additional 5 percent of charter capacity to be set aside as a reserve. Prior to fiscal year 2018, the capacity for charter schools was calculated using the available PSF capacity multiplied by the ratio of the number of charter school students to public school students determined annually by the Commissioner (currently set at 6.15 percent), applied against the available capacity of the BGP. The available capacity is defined as maximum allowable for guarantee, less total amount of outstanding guaranteed bonds, and less the State Board of Education-established reserve on the total program. Effective September 1, 2017, the 85th Legislature amended the Educational Code, Section 45.0532, related to the calculation of the capacity of the bond guarantee program, through Senate Bill 1480 (SB 1480). SB 1480 changes the charter capacity calculation formula to apply the ratio of charter students described above directly against the maximum allowable overall program guarantee net of the 5 percent reserve on the total program. This methodology is designed to be fully phased in over five years.

Charter School Closures

Senate Bill 2 passed in the 83rd Legislature in 2013 requires the mandatory revocation of a charter by the Commissioner if a charter school fails to meet academic or financial accountability performance ratings for the preceding three school years. As a result of this legislation, 22 charter school revocations have occurred between 2014 and 2020.

As of October 31, 2020, a total of \$4.93 billion of debt had been issued for charter schools by EFCs and other higher education authorities, of which an estimated \$3.97 billion is currently outstanding. *Table C.1* shows total EFC issuances since the inception of the BGP.

Table C.1 Total Charter School Debt by Issuer (Estimated) As of October 31, 2020			
Issuer	Par Issued	Par Outstanding	% Outstanding
Clifton Higher Education Finance Corporation	1,781,385,213	1,634,523,652	91.8%
Arlington Higher Education Finance Corporation	1,593,419,000	1,519,080,000	95.3%
Houston Higher Education Finance Corp, City of	407,366,600	310,006,600	76.1%
Texas Public Finance Auth Charter School Finance Corp	353,320,000	139,418,476	39.5%
La Vernia Higher Education Finance Corp	202,390,000	27,750,000	13.7%
Newark Higher Education Finance Corporation	138,235,000	131,920,000	95.4%
Danbury Higher Education Auth, Inc.	112,427,000	69,399,000	61.7%
North Texas Education Finance Corporation	80,780,000	10,970,000	13.6%
Pottsboro Higher Education Finance Corporation	66,930,000	63,710,000	95.2%
San Juan Higher Education Finance Authority	43,955,000	8,605,000	0.0%
Pharr Higher Education Finance Authority, City of	29,625,000	-	0.0%
Beasley Higher Education Finance Corp	25,405,000	-	0.0%
Cameron, City of Education Corp	16,640,000	12,395,000	74.5%
Heart of Texas Education Finance Corp	14,835,000	7,885,000	53.2%
Anson Education Facilities Corp	14,465,000	8,240,000	57.0%
Orchard Higher Education Finance Corp	11,330,000	-	0.0%
Waxahachie Education Finance Corporation	6,515,000	6,515,000	100.0%
Northeast Higher Education Facilities Corp	6,330,000	5,565,000	87.9%
Clyde Education Facilities Corporation	6,240,000	4,885,000	78.3%
Austin Achieve Public Schools Inc	5,160,000	4,860,000	94.2%
Hilshire Village Higher Education Finance Corporation	4,123,000	3,388,000	82.2%
Milford Higher Education Facilities Corp	3,275,000	281,047	8.6%
Ames Higher Education Facilities Corporation	2,600,000	2,208,629	84.9%
Bryan, City of Higher Education Auth, Inc.	2,500,000	-	0.0%
Trinity Higher Education Facilities Corp	1,993,005	184,005	9.2%
Total	\$ 4,931,243,818	\$ 3,971,789,409	80.5%

Source: Municipal Advisory Council of Texas; Texas Education Agency

Of the \$3.97 billion of charter school debt outstanding as of October 31, 2020, an estimated \$2.59 billion was guaranteed by the PSF. *Table C.2* shows charter school debt guaranteed by the PSF.

Table C.2			
Charter School Debt Outstanding Guaranteed by the Permanent School Fund as of October 31, 2020 (Estimated)			
Charter School	Total Par Outstanding	PSF Guaranteed Debt Outstanding	% PSF Guaranteed
IDEA Academy, Inc.	\$ 922,615,000	\$ 792,015,000	85.8%
International Leadership of Texas	515,478,652	-	0.0%
KIPP Texas, Inc.	435,708,000	435,708,000	100.0%
Uplift Education	426,085,000	256,005,000	60.1%
Harmony Public Schools	363,530,000	291,395,000	80.2%
Riverwalk Education Foundation, Inc.	183,459,000	183,459,000	100.0%
YES Prep Public Schools	152,231,600	71,585,000	47.0%
Great Hearts America - Texas	123,570,000	123,570,000	100.0%
Responsive Education Solutions	118,825,000	118,825,000	100.0%
LIFESCHOOL of Dallas	85,110,000	85,110,000	100.0%
Trinity Basin Preparatory	62,290,000	62,290,000	100.0%
Golden Rule Schools, Inc.	55,175,000	26,925,000	48.8%
LTTS Charter School, Inc. d/b/a Universal Academy	46,105,000	-	0.0%
Orenda Education	42,395,000	37,145,000	87.6%
Austin Achieve Public Schools, Inc.	40,135,000	-	0.0%
A+ Charter Schools, Inc.	29,925,000	12,450,000	41.6%
Village Tech Schools	28,090,000	-	0.0%
Meridian World School, LLC	27,750,000	-	0.0%
A.W. Brown Fellowship Charter School	24,855,000	24,855,000	100.0%
Eagle Advantage Schools, Inc.	22,895,000	18,810,000	82.2%
UMEP Inc	22,225,000	-	0.0%
Imagine International Academy of North Texas, LLC	21,180,000	-	0.0%
Leadership Prep School	17,925,000	-	0.0%
Newman International Academy	17,310,000	-	0.0%
Odyssey Academy	16,560,000	11,560,000	69.8%
Wayside Schools	16,155,000	-	0.0%
Compass Academy Charter School, Inc.	15,715,000	15,715,000	100.0%
BASIS Texas Charter Schools, Inc.	12,465,000	-	0.0%
Faith Family Academy Charter School	12,395,000	-	0.0%
Aristoi Classical Academy	11,005,000	-	0.0%
BRAINATTION, INC	10,880,000	10,880,000	100.0%
SER-Ninos, Inc.	10,170,000	7,025,000	69.1%
Winfree Academy Charter School	9,150,000	-	0.0%
Shekinah Learning Institute Project	8,250,000	-	0.0%
Arlington Classics Academy	8,240,000	-	0.0%
Austin Discovery School, Inc.	7,930,000	-	0.0%
Gateway Charter Academy	7,885,000	-	0.0%
School of Excellence in Education Project	6,675,000	-	0.0%
Charter School Revenue	5,910,000	-	0.0%
Evolution Academy Charter School	5,710,000	-	0.0%
New Frontiers Public Schools	5,355,000	-	0.0%
Coram Deo Academy	5,190,000	-	0.0%
Nova Academy	4,885,000	4,885,000	100.0%
South Texas Educational Technologies, Inc.	3,723,476	-	0.0%
TLC Academy	2,208,629	-	0.0%
Allen Academy Project	210,000	-	0.0%
Vanguard College Prep School Project	184,005	-	0.0%
Gateway School Project	71,047	-	0.0%
Total	\$ 3,971,789,409	\$ 2,590,212,000	65.2%

Source: Municipal Advisory Council of Texas; Texas Education Agency

Appendix D Cost of Issuance

For fiscal year 2020, the total aggregated cost of issuance (COI), including underwriter's spread for both competitive and negotiated bond sales among Texas local government debt issuers, was \$546.6 million. It was comprised of total direct bond costs of \$337.4 million and total underwriter's spread of \$209.2 million (*Table D.1*).

The largest components of total direct bond costs are fees for financial advisor, bond counsel, and rating agencies, which totaled \$108.7 million, \$101.7 million, and \$38.6 million, respectively. Other direct bond related costs were \$88.4 million and include fees for bond insurance, disclosure counsel, paying agent, trustee and escrow verification, miscellaneous bond program fees, attorney general fees, and various smaller fees.

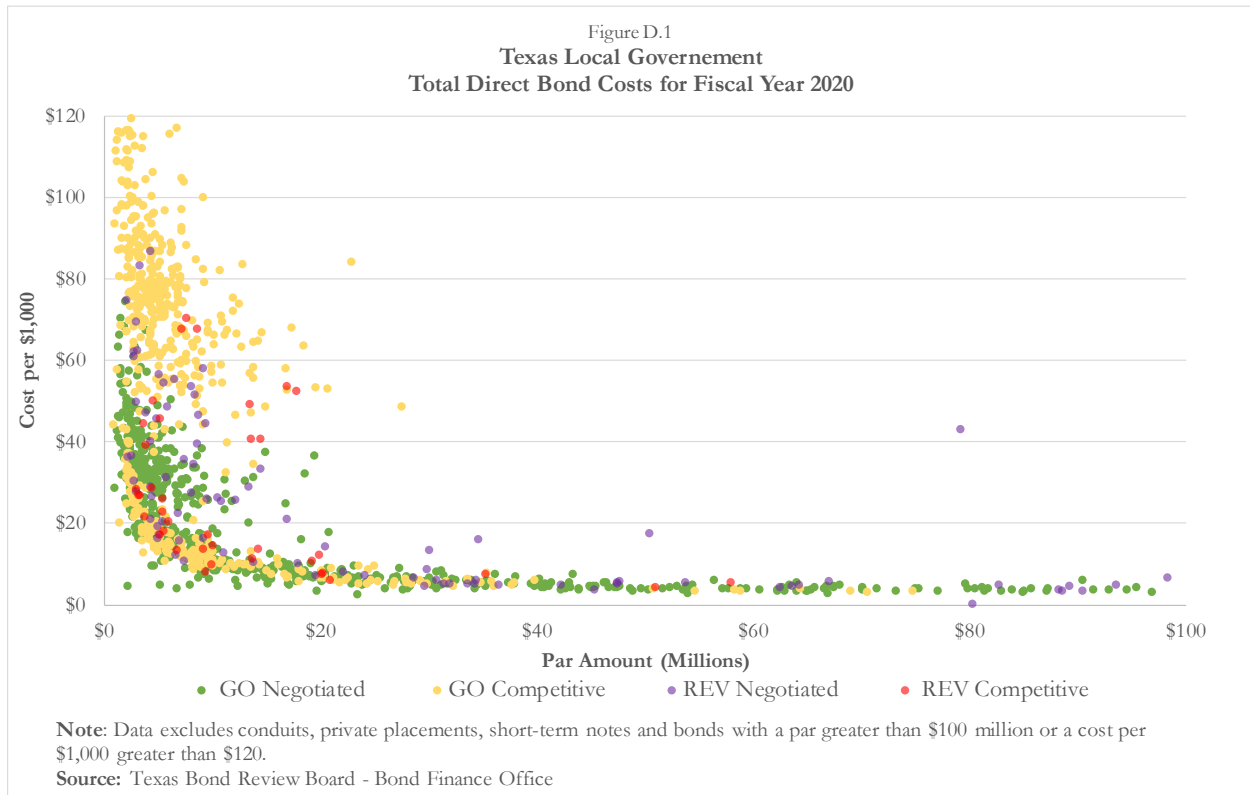
Total underwriter's spread is comprised of the takedown fee, management fee, underwriter's counsel fee, and spread expenses, which totaled \$162.7 million, \$18.2 million, \$16.2 million, and \$12.1 million, respectively.

Table D.1 Texas Local Government Total COI for Fiscal Year 2020	
Financial Advisor Fees	\$ 108,747,380
Bond Counsel Fees	101,710,577
Ratings Fees	38,582,790
Other Direct Bond Related Costs	88,357,473
Total Direct Bond Related Costs	\$ 337,398,219
Takedown Fee	\$ 162,698,416
Management Fee	18,203,987
Underwriter's Counsel Fee	16,213,008
Spread Expenses Fee	12,109,635
Total Underwriter's Spread	\$ 209,225,046
Total COI including UW Spread	\$ 546,623,265
Note: Excludes conduits, private placements, and short-term notes.	
Source: Texas Bond Review Board - Bond Finance Office.	

Trends in Issuance Costs for Texas Local Government Bonds in 2020

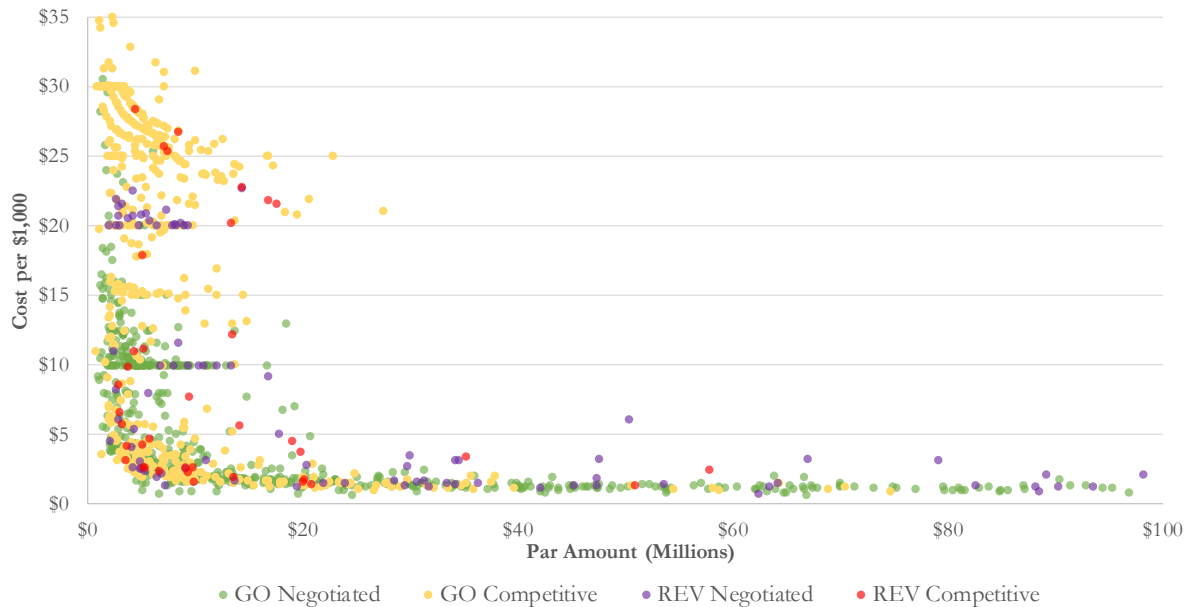
Total direct bond costs include all cost of issuance fees except the underwriter's spread. To analyze these fees on a cost per \$1,000 basis for fiscal year 2020, each major cost of issuance component has been compared by bond type (general obligation vs. revenue) and by method of sale (negotiated vs. competitive) (*Figures D.1, D.2, D.3, D.4, and D.5*).

Excluding issuances of conduit debt, private placement debt, and short-term notes, data was collected from 1,333 transactions for fiscal year 2020 of which 582 were competitive and 751 were negotiated. Of the competitive transactions, 541 were general obligation and 41 were revenue issuances. Of the negotiated transactions, 637 were general obligation and 114 were revenue transactions. The data indicates that cost per \$1,000 for all transactions declined as transaction size increased. General obligation (GO) competitive transactions had the highest cost per \$1,000 for transactions less than \$50.0 million — 526 of the 541 GO competitive transactions were issued for less than \$50.0 million in fiscal year 2020. Generally speaking, cost per \$1,000 decreased as transaction size increased. GO negotiated and GO competitive transactions mostly had lower cost per \$1,000 for transaction sizes over \$20.0 million (*Figure D.1*).



Data for bond counsel cost per \$1,000 for fiscal year 2020 indicates that GO competitive transactions had the highest cost per \$1,000 for smaller transaction sizes. GO negotiated transactions generally had the lowest cost per \$1,000 for transaction sizes larger than \$50.0 million (*Figure D.2*).

Figure D.2
Texas Local Government
Bond Counsel Fees for Fiscal Year 2020

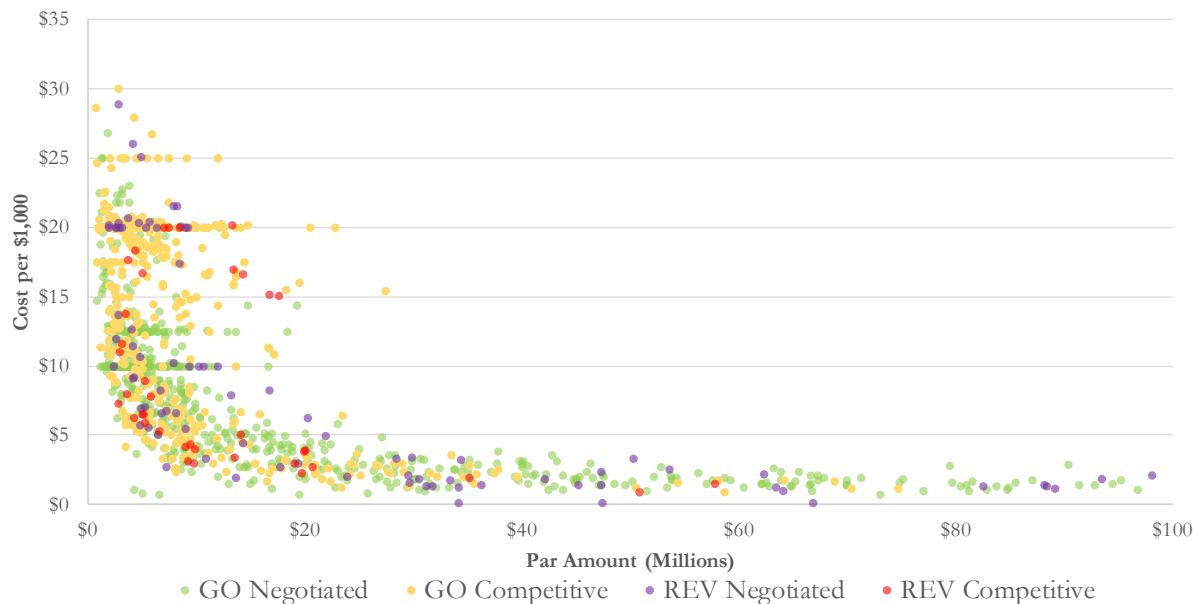


Note: Data excludes conduits, private placements, short-term notes and bonds with a par greater than \$100 million or a cost per \$1,000 greater than \$35.

Source: Texas Bond Review Board - Bond Finance Office

Data for financial advisor cost per \$1,000 indicates that GO competitive transactions had the highest cost per \$1,000 for smaller transaction sizes. GO negotiated had the highest cost per \$1,000 for transaction sizes larger than \$50.0 million (*Figure D.3*).

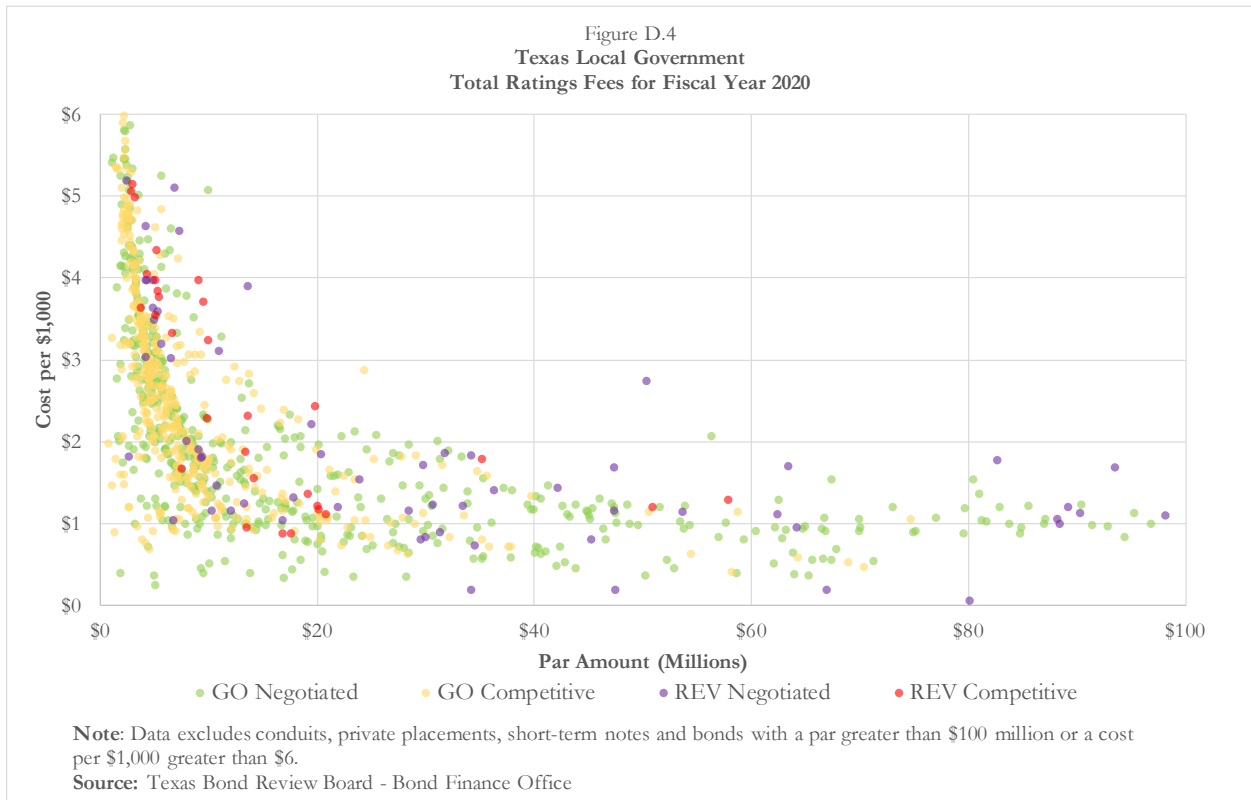
Figure D.3
Texas Local Government
Financial Advisor Fees for Fiscal Year 2020



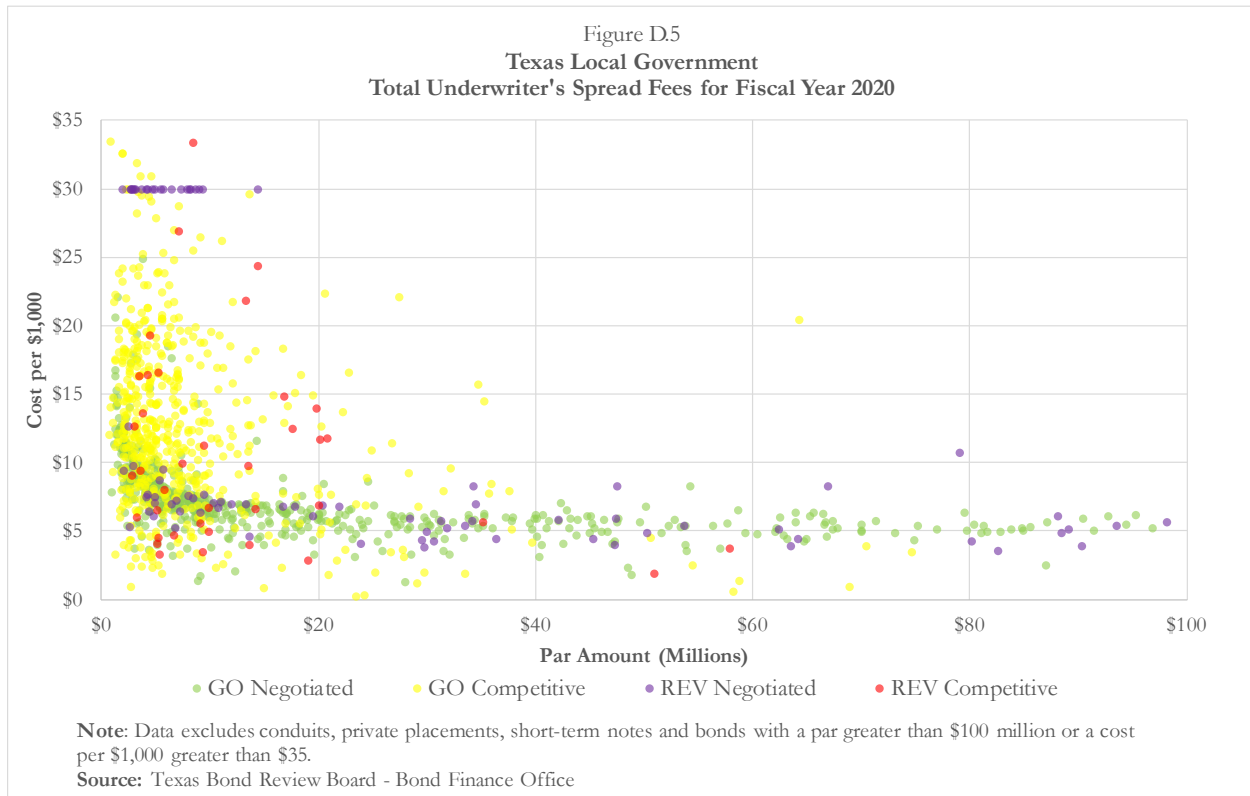
Note: Data excludes conduits, private placements, short-term notes and bonds with a par greater than \$100 million or a cost per \$1,000 greater than \$35.

Source: Texas Bond Review Board - Bond Finance Office

Data for total ratings cost per \$1,000 indicates that GO negotiated transactions had the lowest cost per \$1,000 for smaller transaction sizes. Both GO negotiated and revenue negotiated transactions had the lowest cost per \$1,000 for larger transaction sizes (*Figure D.4*).



Data for total underwriter's spread cost per \$1,000 indicates that GO competitive and revenue negotiated transactions had the highest cost per \$1,000 for smaller transaction sizes. GO negotiated transactions had the lowest cost per \$1,000 for transaction sizes less than \$50.0 million (*Figure D.5*).



2020 Local Texas Governments Cost of Issuance Statistical Information

Table D.2 provides COI statistical information for GO and revenue transactions completed during fiscal year 2020.

The weighted average for total COI, including underwriter's spread, decreased to \$14.88 per \$1,000 in 2020 from \$17.50 per \$1,000 in 2019. The average transaction size and average fee increased to \$27.6 million and \$410,532 in 2020 from \$22.4 million and \$392,233 in 2019, respectively.

Table D.2 Texas Local Government Cost of Issuance Statistics Summary for Fiscal Year 2020						
	Total Direct Bond Costs	Bond Counsel Fees	Financial Advisor Fees	Total Ratings Fees	Total UW Spread Fees	Total COI Including UW Spread
GO Negotiated						
Count	637	633	629	617	637	637
Average Par	\$ 32,556,231	\$ 32,704,453	\$ 31,935,301	\$ 33,306,757	\$ 32,556,231	\$ 32,556,231
Average Fee	\$ 191,299	\$ 53,857	\$ 75,928	\$ 35,572	\$ 171,731	\$ 363,030
Minimum (\$ per 1,000)	2.08	0.18	0.54	0.26	1.30	5.39
Maximum (\$ per 1,000)	74.51	30.53	47.18	13.91	24.97	85.76
Median (\$ per 1,000)	12.13	2.36	5.88	1.70	6.62	18.87
Average (\$ per 1,000)	5.88	1.65	2.38	1.07	5.27	11.15
GO Competitive						
Count	541	541	540	445	541	541
Average Par	\$ 10,674,695	\$ 10,674,695	\$ 10,661,324	\$ 12,038,685	\$ 10,674,695	\$ 10,674,695
Average Fee	\$ 296,605	\$ 93,185	\$ 84,598	\$ 18,584	\$ 95,668	\$ 392,272
Minimum (\$ per 1,000)	2.02	0.74	0.28	0.43	0.26	3.53
Maximum (\$ per 1,000)	198.54	49.38	30.00	11.11	61.79	214.17
Median (\$ per 1,000)	62.37	20.00	18.36	2.31	11.98	76.04
Average (\$ per 1,000)	27.79	8.73	7.94	1.54	8.96	36.75
Rev Negotiated						
Count	114	113	106	89	114	114
Average Par	\$ 81,962,701	\$ 81,979,008	\$ 71,771,961	\$ 100,581,190	\$ 81,962,701	\$ 81,962,701
Average Fee	\$ 387,168	\$ 115,386	\$ 109,729	\$ 78,389	\$ 370,858	\$ 758,026
Minimum (\$ per 1,000)	0.39	0.20	0.13	0.06	0.79	4.63
Maximum (\$ per 1,000)	86.74	22.71	28.90	6.78	30.00	116.74
Median (\$ per 1,000)	8.61	2.31	3.31	1.21	6.06	14.81
Average (\$ per 1,000)	4.72	1.41	1.53	0.78	4.52	9.25
Rev Competitive						
Count	41	41	41	35	41	41
Average Par	\$ 22,380,610	\$ 22,380,610	\$ 22,380,610	\$ 24,877,000	\$ 22,380,610	\$ 22,380,610
Average Fee	\$ 279,509	\$ 101,644	\$ 89,617	\$ 39,667	\$ 143,768	\$ 423,278
Minimum (\$ per 1,000)	3.91	1.24	0.96	0.88	1.95	6.30
Maximum (\$ per 1,000)	70.58	28.41	20.16	7.82	33.45	101.29
Median (\$ per 1,000)	18.30	4.27	6.29	2.33	8.07	27.43
Average (\$ per 1,000)	12.49	4.54	4.00	1.59	6.42	18.91
Total						
Count	1333	1328	1316	1186	1333	1333
Average Par	\$ 27,587,908	\$ 27,604,038	\$ 26,116,909	\$ 30,126,395	\$ 27,587,908	\$ 27,587,908
Average Fee	\$ 253,501	\$ 76,589	\$ 82,635	\$ 32,532	\$ 157,030	\$ 410,532
Minimum (\$ per 1,000)	0.39	0.18	0.13	0.06	0.26	3.53
Maximum (\$ per 1,000)	198.54	49.38	47.18	13.91	61.79	214.17
Median (\$ per 1,000)	21.05	4.40	10.00	1.88	7.82	29.21
Average (\$ per 1,000)	9.19	2.77	3.16	1.08	5.69	14.88

Note: Data excludes conduits, private placements and short-term notes.

Source: Texas Bond Review Board - Bond Finance Office

Appendix E

Build America Bonds

Build America Bonds (BAB) were created by the American Recovery and Reinvestment Act of 2010 and issued as Tax Credit BABs or Direct-Payment BABs. Tax Credit BABs provide a tax credit subsidy to investors equal to 35 percent of the interest payable by the issuer. Direct-Payment BABs provide a direct federal subsidy payment to state and local governmental issuers equal to 35 percent of the interest payable. Authority to issue BABs expired in December 2010.

Under the Budget Control Act of 2011, across-the-board sequestration took effect on March 1, 2013, and direct-pay bonds such as BABs experienced an 8.7 percent reduction of the original 35 percent federal subsidy on BABs interest payments. The Internal Revenue Service reported that, effective October 1, 2014, issuers of BABs and other direct-pay bonds would have their subsidy payments processed in federal fiscal year 2015 reduced by 7.3 percent. In federal fiscal years 2016, 2017, 2018, 2019, and 2020 the subsidy payments were further reduced by 6.8 percent, 6.9 percent, 6.6 percent, 6.2 percent, and 5.9 percent, respectively. In federal fiscal year 2021, the subsidy payments are expected to be reduced by 5.7 percent.

During fiscal years 2010–2011, 63 local government issuers issued \$10.58 billion in Direct-Payment BABs. Of that amount, \$9.85 billion was issued for new-money purposes and \$728.5 million was issued for refunding purposes. Local governments in Texas accounted for approximately 5.8 percent of the total national BAB issuance of \$181.26 billion. As of August 31, 2020, BAB debt outstanding was \$6.01 billion or 2.4 percent of total local debt outstanding (*Table E.1*).

Table E.1 Texas Local Government Build America Bond Debt Outstanding (\$ in millions)	
Government Type	Amount
Other Special Districts and Authorities	\$2,071.4
Public School Districts	1,772.9
Cities, Towns, Villages	1,441.8
Health/Hospital Districts and Authorities	543.1
Water Districts and Authorities	127.1
Counties	50.1
Community and Junior Colleges	-
Total	\$6,006.5
Excludes conduit debt.	
Source: Texas Bond Review Board - Bond Finance Office	

The top five local governments with outstanding BABs account for over 70 percent of the total BAB debt outstanding (*Table E.2*).

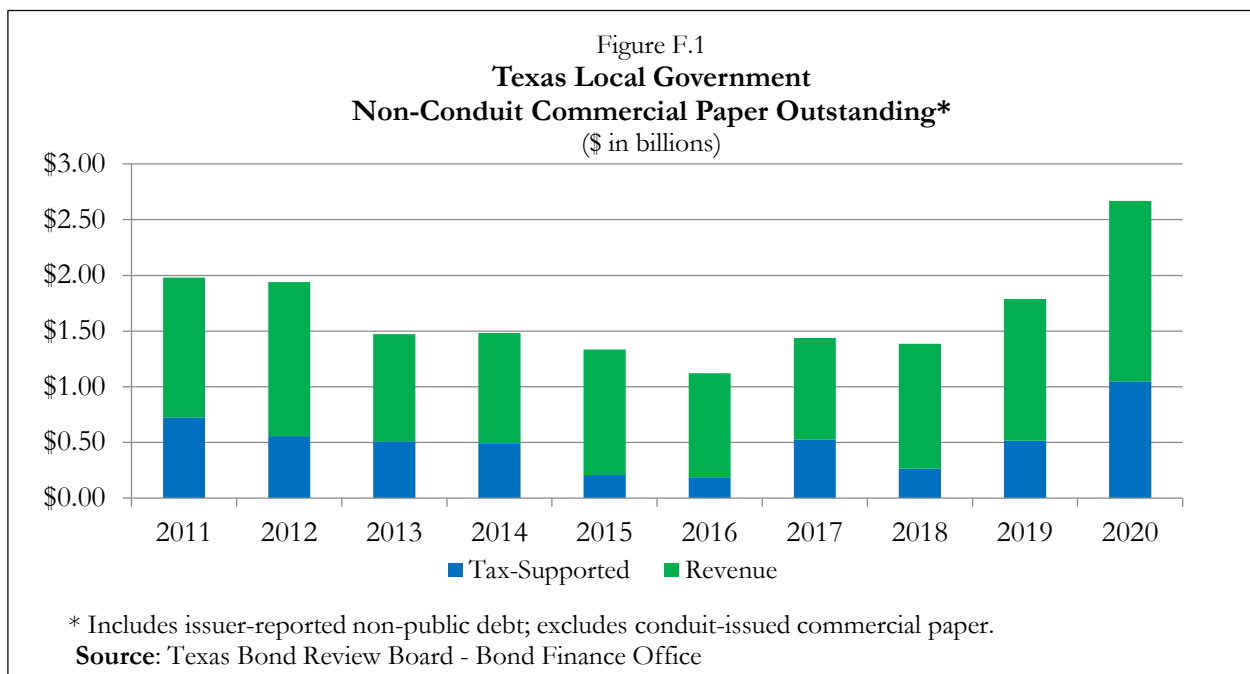
Table E.2 Texas Local Government Top 5 Issuers With Build America Bond Debt Outstanding (\$ in millions)	
Issuer	Principal
Dallas Area Rapid Transit	\$ 1,196.4
San Antonio	1,056.8
Dallas ISD	890.9
North Texas Tollway Authority	875.0
Dallas County Hospital District	412.4
Top 5 Total	\$ 4,431.5
Total BAB Debt Outstanding	\$ 6,006.5
Top 5 Issuers % of Total BAB Debt Outstanding	73.8%
Excludes conduit debt.	
Source: Texas Bond Review Board - Bond Finance Office	

Appendix F Commercial Paper

Commercial paper (CP) is an unsecured debt instrument that matures within 270 days and is backed by a liquidity provider, usually a bank, that stands by to provide liquidity in the event CP notes are not remarketed or redeemed at maturity. Debt that matures in less than 270 days does not require registration with the SEC, so it is less costly to the issuer. Since CP is not backed by collateral, only issuers with solid ratings from the major credit rating agencies are able to offer their CP at reasonable prices. CP generally carries lower interest repayment rates than bonds due to the shorter maturities of CP.

Local governments and their conduit corporations issue CP to provide interim financing for projects for which revenues are not yet available. Texas local governments are not required to provide the Texas Bond Review Board (BRB) with CP issuance information but are required to report new CP programs to the Office of the Attorney General, which forwards such information to the BRB. Current CP balances are obtained by contacting local governments who have had CP programs in prior years or who have opened new CP programs in 2020. Because some local governments reported in the past that they terminated or inactivated their CP programs in favor of various revolving credit, direct purchase agreements, or lines of credit with banking institutions, the BRB has asked all CP contacts to report such non-public debt outstanding along with their CP outstanding balances, starting in 2017. CP data provided in this Appendix includes any reported non-public debt outstanding.

Non-conduit CP can be supported by pledges of tax or revenue. The 2020 reported non-conduit CP total of \$2.67 billion showed a 10-year increase of 34.6 percent from \$1.98 billion in 2011, a five-year increase of 138.2 percent from \$1.12 billion in 2016, and a 49.2 percent increase from the 2019 total of \$1.79 billion (*Figure F.1*).

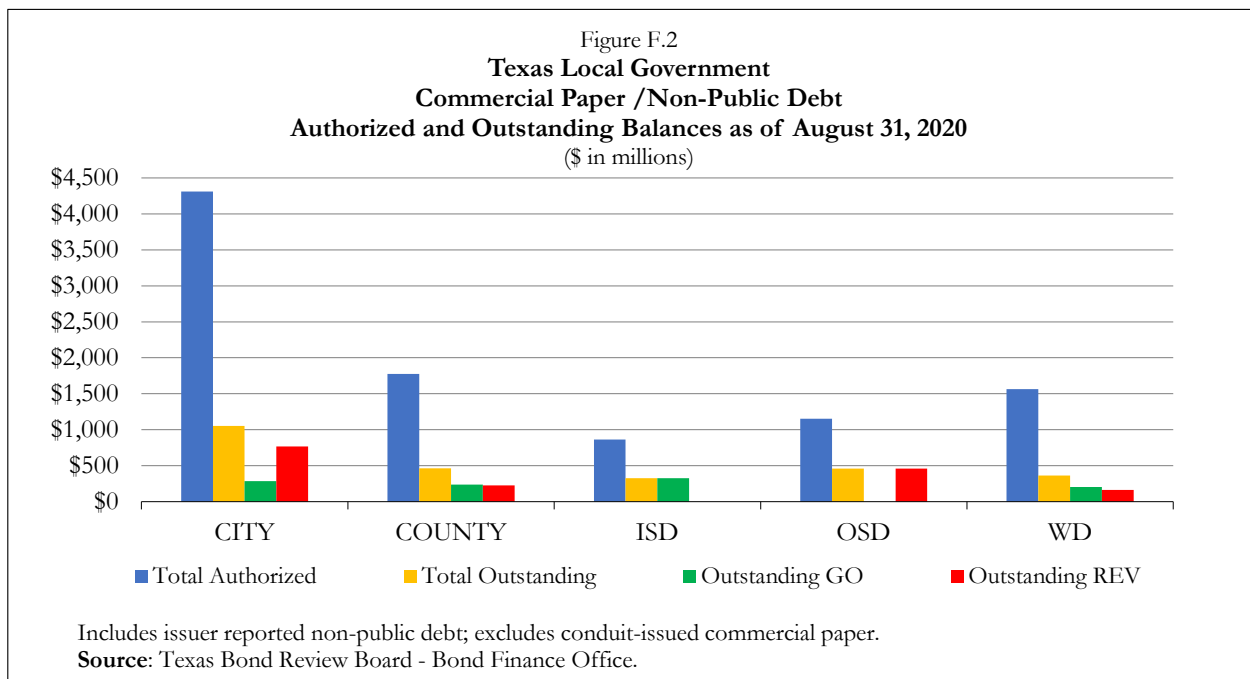


Local government CP outstanding is shown by pledge type for each of the last five fiscal years in Table F.1.

Table F.1 Texas Local Government Commercial Paper Outstanding by Fiscal Year* (\$ in millions)					
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Public School Districts					
Tax-Supported GO	\$0.0	\$144.5	\$72.1	\$87.1	\$324.7
M&O (Tax-Supported)	0.0	0.0	0.0	0.0	0.0
Total Commercial Paper Balance	\$0.0	\$144.5	\$72.1	\$87.1	\$324.7
Cities, Towns, Villages					
Tax-Supported GO	\$144.9	\$285.2	\$109.5	\$226.4	\$284.5
Revenue	369.5	334.4	540.9	716.9	768.6
Sales Tax Revenue	0.0	9.7	6.6	3.3	0.0
Total Commercial Paper Balance	\$514.4	\$629.3	\$657.0	\$946.7	\$1,053.0
Water Districts and Authorities					
Tax-Supported GO	\$0.0	\$0.0	\$0.0	\$52.9	\$202.0
Revenue	192.3	182.9	246.7	184.7	162.2
Total Commercial Paper Balance	\$192.3	\$182.9	\$246.7	\$237.6	\$364.2
Other Special Districts and Authorities					
Tax-Supported GO	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Revenue	89.1	100.1	19.5	23.4	231.1
Sales Tax Revenue	287.4	286.4	241.1	201.2	229.9
Total Commercial Paper Balance	\$376.5	\$386.5	\$260.6	\$224.6	\$461.0
Counties					
Tax-Supported GO	\$36.7	\$93.7	\$83.2	\$150.9	\$236.9
Revenue	0.0	0.0	66.5	141.4	227.7
Total Commercial Paper Balance	\$36.7	\$93.7	\$149.7	\$292.2	\$464.6
Community and Junior Colleges					
Tax-Supported GO	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Revenue	0.0	0.0	0.0	0.0	0.0
Total Commercial Paper Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Health/Hospital Districts and Authorities					
Tax-Supported GO	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Revenue	0.0	0.0	0.0	0.0	0.0
Total Commercial Paper Balance	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Tax-Supported GO	\$181.6	\$523.4	\$264.8	\$517.2	\$1,048.0
Total Tax-Supported M&O	0.0	0.0	0.0	0.0	0.0
Total Revenue	650.9	617.4	873.7	1,066.4	1,389.6
Total Sales Tax Revenue	287.4	296.1	247.7	204.5	229.9
Total Commercial Paper Balance	\$1,119.9	\$1,437.0	\$1,386.1	\$1,788.2	\$2,667.6
*Includes issuer-reported non-public debt; excludes conduit debt. Source: Texas Bond Review Board - Bond Finance Office					

As of 2020 fiscal year-end, nine Cities reported CP and/or non-public debt authorized, with seven reporting CP outstanding. One County reported both authorized and outstanding CP. Of the six Public School Districts (School Districts) reporting CP authorized, three reported CP outstanding. Six Water Districts and Authorities (WDs) reported CP authorized; four of those districts reported CP outstanding. Four Other Special Districts and Authorities (OSDs) reported CP authorized and outstanding. No Community/Junior College Districts (CCDs) or Hospital/Hospital Districts and Authorities (HHDs) reported authorized or outstanding balances as of year-end. Additionally, of the four Cities conduit issuers reporting CP authorized, three reported CP outstanding, and one WD conduit issuer reported both authorized and outstanding CP.

Figure F.2 shows the difference between the total amount of non-conduit authorized CP and the reported outstanding balances for each government type as of 2020 fiscal year-end.



Of the Big 6 Cities (Austin, Dallas, El Paso, Fort Worth, Houston, and San Antonio), five had outstanding non-conduit CP balances as of August 31, 2020. The Big 6 Cities' CP outstanding accounted for 83.5 percent of the total Cities CP outstanding in 2016, 88.9 percent in 2017, 94.9 percent in 2018, 86.3 percent in 2019, and 92.9 percent in 2020.

Table F.2 shows outstanding CP balances for the Big 6 Cities over the past five years.

Table F.2 Texas Local Government Texas BIG 6 Cities Commercial Paper Outstanding* (\$ in millions)						
		2016	2017	2018	2019	2020
Austin	Tax-Supported	\$ -	\$ -	\$ -	\$ -	\$ -
	Revenue	103.7	141.4	243.2	82.3	317.0
Dallas	Tax-Supported	-	9.7	-	3.5	133.5
	Revenue	43.8	10.0	163.7	242.8	139.2
El Paso	Tax-Supported	-	30.7	23.5	16.9	12.6
	Revenue	-	-	-	-	-
Fort Worth	Tax-Supported	-	-	-	-	-
	Revenue	-	-	-	-	-
Houston	Tax-Supported	134.9	244.9	80.0	190.0	131.9
	Revenue	147.0	107.0	100.5	272.5	232.0
San Antonio	Tax-Supported	-	-	-	-	-
	Revenue	-	15.8	12.7	9.4	11.9
Total Tax-Supported		\$ 134.9	\$ 285.2	\$ 103.5	\$ 210.4	\$ 278.0
Total Revenue		\$ 294.5	\$ 274.2	\$ 520.1	\$ 607.0	\$ 700.1
Total Outstanding		\$ 429.4	\$ 559.4	\$ 623.6	\$ 817.4	\$ 978.1

*Does not reflect total authorization amount; includes issuer-reported non-public debt; excludes conduit CP.
Source: Texas Bond Review Board - Bond Finance Office

As conduit issuers generally have no taxing authority, most conduit issued CP is revenue-supported. The fiscal year 2020 reported conduit CP total of \$727.8 million showed a 10-year increase of 10.9 percent from \$656.3 million in 2011, a five-year increase of 10.2 percent from 660.3 million in 2016, and a decrease of 22.8 percent from the 2019 total of \$943.0 million (*Figure F.3*).

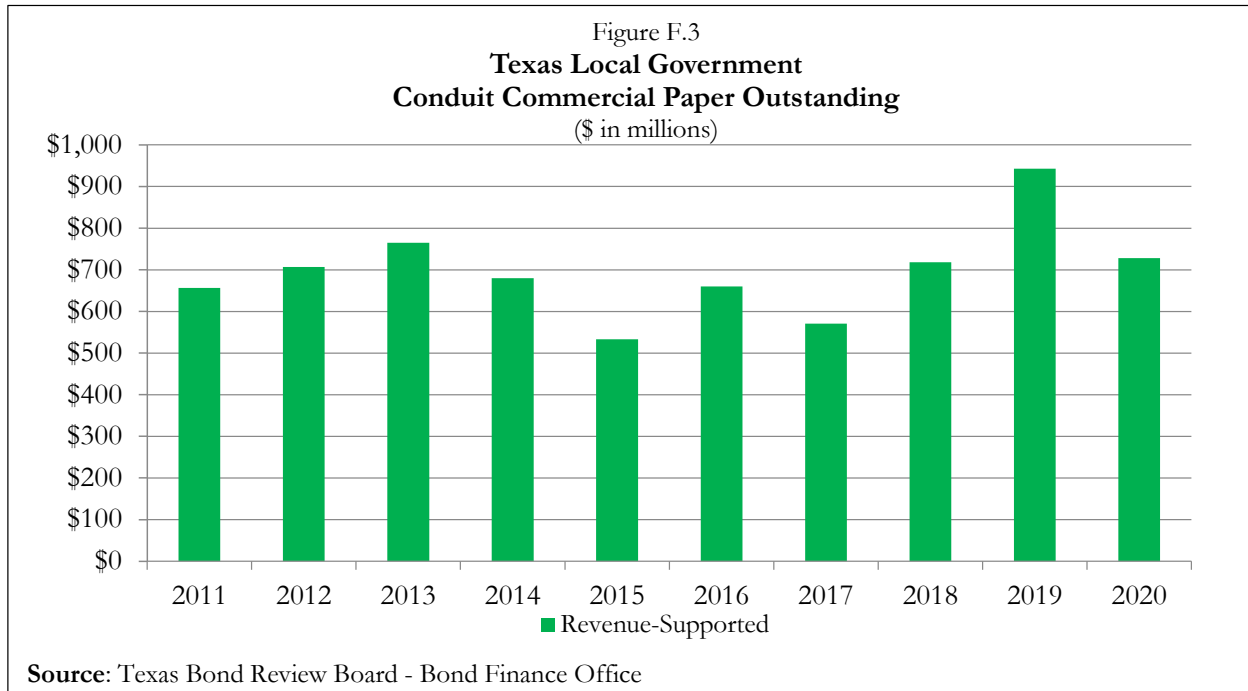


Table F.3 shows the issuers of conduit CP outstanding over the past five years.

Table F.3
**Texas Local Government
Conduit Commercial Paper Outstanding***
(\$ in millions)

		2016	2017	2018	2019	2020
Cities, Towns, Villages						
Brownsville Public Utilities Board	Revenue	\$ 7.0	\$ 7.0	\$ 14.0	\$ 30.0	\$ -
El Paso Water Utilities	Revenue	17.5	28.0	30.0	50.0	50.0
San Antonio CPS Energy	Revenue	385.2	155.2	320.2	375.0	240.0
San Antonio Water System (SAWS)	Revenue	250.6	238.1	168.7	271.8	218.3
Water Districts and Authorities						
Lower Colorado River Authority	Revenue	\$ -	\$ 142.7	\$ 185.1	\$ 216.2	\$ 219.5
Total Conduit CP Outstanding		\$ 660.3	\$ 570.9	\$ 718.0	\$ 943.0	\$ 727.8

*Does not reflect total authorization amount.
Source: Texas Bond Review Board - Bond Finance Office

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Appendix G

Overview of Texas Local Governments with Debt Outstanding

Debt outstanding totals shown in this Appendix and in the annual report include commercial paper issued by local governments but do not include debt issued by conduit entities created by local governments. See *Appendix B, Texas Local Government Conduit Debt*, for conduit debt information.

Texas Community and Junior College Districts

Community and Junior College Districts (CCDs) are two-year institutions that primarily serve local taxing jurisdictions and offer vocational, technical, and academic courses for certifications or associates degrees. CCDs are governed under the Texas Education Code, Chapter 130. As of August 31, 2020, total CCD debt outstanding was 2.3 percent (\$5.70 billion) of total local debt outstanding.

CCDs issue both tax-supported and revenue debt. Proceeds from CCD debt issuances are used to construct, equip, renovate, expand, and improve facilities, acquire information technology equipment, and refund outstanding debt. Debt service is paid from either an ad valorem tax or various revenue streams such as tuition, technology, and miscellaneous fees or lease revenue. Additionally, CCDs create nonprofit conduit entities to issue debt on behalf of, and for projects to benefit, the CCDs. Most of CCD new obligations are authorized under Chapters 45 and 130 of the Texas Education Code.

Texas Cities, Towns, Villages

Texas Cities, Towns and Villages (Cities) issue both tax-supported and revenue debt. Revenue debt also includes sales tax and lease-revenue obligations. As of August 31, 2020, total city debt outstanding was 31.6 percent (\$79.59 billion) of total local debt outstanding.

Tax-supported debt financing is used for authorized municipal purposes, such as, the acquisition of vehicles, road maintenance equipment, road construction, and maintenance materials; construction of road and bridge improvements; maintaining public safety (police, fire, and EMS); renovation, equipping, and construction of city buildings and utility systems; acquisition of real property; and acquisition of computer equipment and software. Most of Cities new ad valorem tax debt is authorized under Chapters 1331 and 1502 of the Government Code and Chapter 271 of the Local Government Code.

Revenue debt financing is used for such purposes as acquiring, constructing, enlarging, remodeling, and renovating authorized municipal systems and infrastructure, such as wastewater and sewer systems, toll roads, and airports.

Cities also issue debt that is supported by a combination of tax and revenue for similar purposes listed above. Such debt is categorized as tax-supported.

Sales tax revenue debt is issued by certain Cities for such purposes as constructing and improving municipal parks and recreation facilities/entertainment centers as well as hike and bike trails.

Cities can form nonprofit conduit entities to issue debt for the benefit of the Cities and to finance the acquisition of land and construction of certain correctional facilities. Pursuant to Texas Government

Code, Chapter 1202.008, the BRB does not receive issuance information for all lease-revenue obligations or conduit issuances. Reported data only reflects the amount of debt issued for certain municipalities.

Texas Counties

Counties issue two types of debt, tax-supported and revenue, which also includes lease-revenue. As of August 31, 2020, county debt was 6.1 percent (\$15.28 billion) of total local debt outstanding.

Tax-supported debt is used for authorized county purposes such as the acquisition of vehicles, road maintenance equipment, road construction, and maintenance materials; construction of road and bridge improvements; renovation, equipping, and construction of county buildings and jails; acquisition of real property; and the acquisition of computer equipment and software. Most of Counties new ad valorem tax debt is authorized under Chapters 1301 and 1473 of the Government Code and Chapter 271 of the Local Government Code.

Revenue debt is used for authorized county purposes such as acquiring, constructing, enlarging, remodeling, and renovating wastewater and sewer systems, toll roads, and hospitals.

Counties create nonprofit conduit entities to issue debt for projects that benefit Counties.

Texas Health/Hospital Districts and Authorities

Health/Hospital Districts and Authorities (HHDs) provide a legal framework to create hospital systems to provide hospital and medical care facilities, emergency services, and mental health services to district residents. As of August 31, 2020, HHD debt outstanding was 1.4 percent (\$3.64 billion) of total local debt outstanding.

HHD tax-supported and revenue debt is used to construct, acquire, and/or improve buildings for hospital, fire, emergency, and mental health facilities. HHDs can create conduit entities to issue debt on their behalf.

The BRB collects debt information on four types of hospital, health, and public safety districts: hospital districts (HD), hospital authorities (HA), emergency services districts (ESD), and mental health mental retardation centers (MHMR). They are described as follows:

District	Purpose	Voter Approved /Taxing Authority	Authorizing Texas Health and Safety Code Chapter
Hospital Districts	Creates hospital systems to provide hospital and medical care facilities. HDs must be voter approved and have taxing authority.	Yes/Yes	Chapters 281, 282, or 283
Hospital Authorities	Creates hospital systems to provide hospital and medical care facilities. HAs are created by a municipality's governing board, do not require voter approval and do not have taxing authority.	No/No	Chapter 262

Emergency Service Districts	Provides rural fire prevention and emergency medical services. ESDs must be voter approved and have taxing authority.	Yes/Yes	Chapter 775
Mental Health & Mental Retardation Centers	Provides child, adolescent, and adult mental health services; substance abuse recovery services; and skills training. MHMRs do not require voter approval, and do not have taxing authority.	No/No	Chapter 534

Texas Public School District Debt

Much of Public School District (School District) debt is authorized under Chapter 45 of the Texas Education Code. School Districts issue four types of debt: voter-approved, maintenance and operations (M&O), lease-revenue, and revenue. Charter school debt issued by nonprofit corporations is not included in School District debt. As of August 31, 2020, total School District debt outstanding was 37.0 percent (\$93.11 billion) of total local debt outstanding.

Over 98.5 percent of School District debt outstanding is voter-approved. The proceeds from voter-approved debt can be used for school capital projects, such as buildings, renovations, technology, athletic facilities, school transportation, and performing arts, and to refund M&O debt. Voter-approved debt is subject to the 50-cent test that limits debt service (interest and sinking fund payments) to a maximum of \$0.50 per \$100 of valuation as described in the Texas Education Code, Section 45.0031. This debt must be approved by the voters prior to a school district issuing new debt.

M&O debt proceeds can be used for administration and operational costs of schools (teachers, buses, classrooms, etc.) but cannot be used for the new construction of school facilities. For M&O debt, only the maintenance tax is approved by the voters; once the voters approve the maintenance tax and the maximum rate, the maintenance tax debt may be issued without an election.

Lease-revenue obligations are issued by a public facility corporation created by a school district and used for acquiring, constructing, and equipping school facilities.

Proceeds from revenue debt issuances are mainly used to build and maintain sports facilities. Revenue and lease-revenue debt do not require voter approval.

Texas Other Special Districts and Authorities

Other Special Districts and Authorities (OSD) include tollway authorities, transit authorities, housing authorities, regional mobility authorities, power agencies, public utility agencies, road districts, events venue districts, education districts, and various economic and community development districts. As of August 31, 2020, total OSD debt outstanding was 7.1 percent (\$17.85 billion) of total local debt outstanding.

OSDs issue both tax-supported and revenue debt including sales tax revenue and lease-revenue debt. OSD tax-supported and revenue debt are both used primarily for road improvements, economic and community development, water and sewer improvements, and developing and maintaining mass transportation systems. OSDs create conduit entities to issue debt on their behalf and for their benefit.

The table below shows the various types of OSDs in the state.

District	Purpose
Economic and Community Development Districts	Community development, redevelopment, and strategic planning; public improvements necessary to serve the district.
Education Districts	Provide services to the school districts and are funded by education taxes at the county and the school district levels.
Events Venue Districts	Items related to creating and maintaining venues.
Housing Authorities	Programs to provide affordable housing.
Power Agencies	Improvements to the electric transmission service.
Public Utility Agencies	An agency created by two or more public entities to plan, finance, construct, own, operate, or maintain facilities.
Regional Mobility Authorities	Constructing and maintaining highways, tollways, ferries, airports, bikeways, and all-purpose transportation centers.
Road Districts	Constructing and maintaining roads.
Tollway Authorities	Develop, construct, and maintain toll roads.
Transit Authorities	Public transportation.

Texas Water Districts and Authorities

Texas Water Districts and Authorities (WDs) are local governmental entities that provide limited water-related services to customers and residents. WDs can be created by the Texas Commission on Environmental Quality, a county commissioner's court, or the legislature. WDs issue both tax-supported and revenue debt. (See generally, Texas Water Code, Chapters 49, 51, 54, 65, and Subtitle G of the Special District Local Laws Code). As of August 31, 2020, total WD debt outstanding was 14.6 percent (\$36.65 billion) of total local debt outstanding.

Texas has many types of WDs. The five most common types that provide services to residential customers are: municipal utility districts (MUD), water control and improvement districts (WCID), special utility districts (SUD), river authorities (RA), and utility & reclamation districts (U&RD). The function of each is described below.

District	Purpose	Authorizing Water Code Chapter
Municipal Utility Districts	Provides waterworks systems, sanitary sewer systems, and drainage systems.	Chapters 49 and 54
Water Control and Improvement Districts	Supplies and stores water for domestic, commercial, and industrial use; operates wastewater systems; and provides irrigation, drainage, and water quality controls.	Chapters 49 and 51
Special Utility Districts	Provides water, wastewater, and fire-fighting services.	Chapters 49 and 65
River Authorities	Operates major reservoirs and sells untreated water on a wholesale basis. Provides for flood control, soil conservation, and water quality protection.	Chapter 30

Utility & Reclamation Districts	Provides conservation and development of all the natural resources within the district.	
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Tax-supported and revenue debt issued by WDs is used to pay capital costs to engineer, construct, acquire, and/or improve water plants, wastewater treatment facilities, and sewer system drainage. Certain WDs can also issue tax debt for road and park construction and create conduit entities to issue conduit revenue debt for pollution control facilities for private entities.

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Appendix H

Overview of Texas Local Government Rating Changes

Local Government Rating Changes

Approximately 69 issuers that issued debt in fiscal year 2020 received a tax-supported general obligation (GO) rating upgrade, and 21 issuers received a GO rating downgrade from at least one of the three major credit rating agencies, Fitch Ratings, Moody's Investors Service, and Standard & Poor's. Texas Bond Review Board (BRB) staff compared the GO rating assigned to issuers in fiscal year 2020 with their GO rating at the time of their last bond issuance. Rating changes that occur aside from the issuance of new debt in fiscal year 2020 are not considered in *Table H.1* and *Table H.2*.

Water Districts and Authorities (WDs) account for almost half of the upgrades with 31, followed by Public School Districts (School Districts) and Cities, Towns, Villages (Cities) with 18 and 17 upgrades, respectively (*Table H.1*). School Districts and WDs accounted for most downgrades with 10 and five, respectively (*Table H.2*).

BRB staff researched various rating reports rationale of the three major credit rating agencies to determine if any of the 21 downgrades that occurred in fiscal year 2020 were a direct result of the COVID-19 pandemic. The rating reports related to the 21 local governments receiving a downgrade, as listed in *Table H.2*, did not mention the downgrade was a direct result of the pandemic. During our research, which began in March of 2020, BRB staff found most of the downgrades across Texas as a direct result of the COVID-19 pandemic pertained to project-based revenue bonds. This included revenue bonds issued for specific projects such as health systems, airport systems, hotel and car rentals, venue tax, and convention centers.

Table H.1
Texas Local Government
2020 Issuers with GO Rating Upgrade Since Previous Issuance

	Fitch	Moody's	S&P
Public Schools (18)			
Bandera ISD		A1 to Aa3, 2010-2020	
Barbers Hill ISD			AA to AA+, 2019-2020
Calhoun Co ISD		Aa3 to Aa2, 2014-2020	
Canutillo ISD		A1 to Aa3, 2017-2020	
Eagle Mt-Saginaw ISD		A1 to Aa2, 2007-2020	
Frenship ISD	AA- to AA, 2015-2020		
Galena Park ISD		Aa2 to Aa1, 2018-2020	
Granbury ISD		Aa3 to Aa2, 2015-2020	A+ to AA-, 2015-2020
Grapevine-Colleyville ISD		Aa2 to Aa1, 2017-2020	AA to AA+, 2017-2020
Greenwood ISD	A+ to AA, 2013-2020		
Hutto ISD		Ba1 to A1, 1997-2020	
Miller Grove ISD			A to A+, 2011-2020
Nixon-Smiley CISD			A+ to AA-, 2015-2020
Petersburg ISD			BBB to A-, 1996-2020
Somerville ISD			A to A+, 2017-2020
Vidor ISD			A to A+, 2016-2020
Weatherford ISD		Aa3 to Aa2, 2016-2020	
Wellman-Union CISD		Baa2 to Baa1, 2013-2020	
Cities (17)			
Abilene		Aa3 to Aa2, 2009-2020	
Alamo			A to A+, 2013-2020
Aledo			AA- to AA, 2017-2020
Big Spring			A+ to AA, 2016-2020
Canadian			A+ to AA-, 2010-2020
Dalhart			A+ to AA-, 2012-2020
Early			A to A+, 2017-2020
Ferris			A+ to AA-, 2011-2020
Granite Shoals			BBB- to AA-, 2008-2020
Jacksonville			A to A+, 2012-2020
Krum			A+ to AA-, 2014-2020
La Porte			AA to AA+, 2016-2020
Murphy			AA to AA+, 2018-2020
Odessa		Aa3 to Aa2, 2018-2020	
Pharr		Baa2 to Aa3, 2006-2020	
Princeton			A+ to AA-, 2017-2020
Stephenville			A+ to AA-, 2013-2020

Table H.1 (continued)
Texas Local Government
2020 Issuers with GO Rating Upgrade Since Previous Issuance

Fitch	Moody's	S&P
Water Districts and Authorities (31)		
Blue Ridge West MUD	A3 to A2, 2017-2020	
Denton County FWSD 08B	Baa1 to A3, 2015-2020	
Fort Bend County MUD 023	A3 to A2, 2017-2020	
Galveston County MUD 06		A- to A, 2018-2020
Galveston County MUD 14	A3 to A2, 2018-2020	
Generation Park Management District	Baa3 to Baa1, 2018-2020	
Grand Mission MUD 2	Baa2 to Baa1, 2019-2020	
Greenhawe WCID 2	Baa1 to A3, 2015-2020	
Harris County MUD 071	A3 to A2, 2016-2020	
Harris County MUD 149		BBB+ to A-, 2010-2020
Harris County MUD 154	A3 to A2, 2016-2020	
Harris County MUD 365		A to A+, 2014-2020
Harris County MUD 401	Baa2 to Baa1, 2018-2020	
Harris County WCID 021		A- to A, 2017-2020
Highlands at Mayfield Ranch MUD	Baa3 to Baa2, 2019-2020	
Kaufman County MUD 06	Baa3 to Baa2, 2019-2020	
Kelly Lane WCID 1	Baa2 to Baa1, 2017-2020	
Lazy Nine MUD 1B	Baa2 to Baa1, 2019-2020	
Malcomson Road UD		A to A+, 2013-2020
Montgomery County MUD 119	Baa1 to A3, 2019-2020	
Montgomery County MUD 88	Baa3 to Baa2, 2019-2020	
Montgomery County MUD 94	A3 to A2, 2016-2020	
North Mission Glen MUD		A- to A, 2018-2020
Northampton MUD	Baa3 to A2, 2020-2020	
Northwest Harris County MUD 05	A2 to A1, 2019-2020	
Paloma Lake MUD 1	Baa1 to A3, 2018-2020	
Presidential Glen MUD	Baa2 to Baa1, 2018-2020	
Rayford Road MUD		A- to A, 2014-2020
Travis County MUD 04	A3 to A1, 2020-2020	
West Harris County MUD 21	A3 to A2, 2018-2020	
Wilbarger Creek MUD 2	Baa3 to A3, 2020-2020	
Counties (2)		
Kaufman County		A+ to AA-, 2017-2020
Liberty County		AA- to AA, 2013-2020
Community & Junior College Districts (1)		
Houston Community College System	Aa1 to Aaa, 2017-2020	
This table is for informational purposes only and has not been independently verified. Rating changes that occur between bond issuances are not collected by the Bond Review Board and are therefore not reflected in the table.		
Source: Texas Bond Review Board - Bond Finance Office		

Table H.2 Texas Local Government 2020 Issuers with GO Rating Downgrade Since Previous Issuance				
	Fitch	Moody's	S&P	Covid-19 Related
Public School Districts (10)				
Harlandale ISD	AA to AA-, 2017-2020			No
Keene ISD			A+ to A, 2011-2020	No
Lake Dallas ISD			AA to AA-, 2019-2020	No
McGregor ISD			A+ to A, 2017-2020	No
Port Arthur ISD	AA- to A+, 2017-2020	Aa3 to A1, 2017-2020		No
Somerset ISD		A2 to A3, 2017-2020		No
South San Antonio ISD			A+ to A, 2013-2020	No
Taft ISD		A2 to A3, 2018-2020		No
United ISD		Aa2 to Aa3, 2019-2020		No
Ysleta ISD		Aa2 to Aa3, 2017-2020		No
Cities (4)				
Bay City			AA- to A+, 2016-2020	No
Fort Worth	AA+ to AA, 2019-2020			No
Hearne			A to BBB+, 2011-2020	No
Odessa			AA- to A+, 2018-2020	No
Water Districts and Authorities (5)				
Harris County ID 18		A1 to A3, 2019-2020		No
Harris County MUD 055		A1 to A2, 2012-2020		No
Harris County UD 06		A1 to A2, 2010-2020		No
Northampton MUD		A2 to Baa3, 2019-2020		No
Parkway UD			BBB+ to BBB, 2017-2020	No
Counties (1)				
Scurry County			AA- to A+, 2017-2020	No
Health & Hospital Districts (1)				
Dallas County Hospital District			AA+ to AA-, 2014-2020	No
This table is for informational purposes only and has not been independently verified. Rating changes that occur between bond issuances are not collected by the Bond Review Board and are therefore not reflected in the table.				
Source: Texas Bond Review Board - Bond Finance Office				

Appendix I Glossary

Ad Valorem Tax – A tax based on the assessed value of real estate or personal property. Property ad valorem taxes are a major source of revenue for local governments.

Advance Refunding – A refunding in which the refunded obligation remains outstanding for a period of more than 90 days after the issuance of the refunding issue. The Tax Cuts and Jobs Act of 2017 eliminated the option of issuing a tax-exempt advanced refunding of a tax-exempt municipal debt after December 31, 2017.

Allotment – Amount of securities distributed to each member of the underwriting syndicate to fill orders.

Assessed Valuation – A municipality’s worth in dollars based on real estate and/or other property for the purpose of taxation, sometimes expressed as a percent of the full market value of the community.

Authorized but Unissued – Debt that has been authorized for a specific purpose by the voters and/or the legislature but has not yet been issued. Authorized but unissued debt can be issued without the need for further legislative action.

Average Daily Attendance (ADA) – The number of students in ADA can be found by adding the number of students who are in attendance each day of the school year for the entire school year and then dividing that number by the number of instructional days in the school year.

Bond – A debt instrument in which an investor loans money to the issuer that specifies when the loan is due (“term” or “maturity” such as 20 years), the interest rate the borrower will pay (such as 5 percent), when the debt-service payments will be made (such as monthly, semi-annually, or annually), and the revenue source pledged to make the payments.

Bond Counsel – Attorney retained by the issuer to give a legal opinion that the issuer is authorized to issue the proposed securities, the legal requirements necessary for issuance have been met, and the proposed securities will be exempt from federal income taxation and state and local taxation where applicable.

Bond Insurance – A legal commitment by an insurance company to make timely payments of principal and interest in the event that the issuer of the debt is unable to make the payments.

Bond Proceeds – The money paid to the issuer by the purchaser or underwriter of a new issue of municipal securities. These funds are used to finance the project or other purpose for which the securities were issued and to pay certain costs of issuance as may be provided in the bond contract or bond purchase agreement. An issuer’s net proceeds equal the issue price less the issuance fees. An investor’s proceeds equal the maturity or sale value plus interest earned up to the maturity date or point of sale.

Build America Bonds (BABs) – A debt instrument created by the American Recovery and Reinvestment Act of 2009 (ARRA) that could be issued as Tax Credit BABs or Direct-Payment BABs. Tax Credit BABs provide a tax credit to investors equal to 35 percent of the interest payable by the issuer. Direct-Payment BABs provide a direct federal subsidy payment to state and local governmental issuers equal to 35 percent of the interest payable. With the implementation of the Budget Control Act of 2011, the BAB subsidies have been reduced. Authority to issue BABs expired in December 2010. See *Appendix E* for a discussion on BABs.

Federal Fiscal Year (October 1 thru September 30)	Sequestration Rate Reduction	Effective BAB Federal Subsidy Payment Percentage
2021	5.7%	33.01%
2020	5.9%	32.94%
2019	6.2%	32.83%
2018	6.6%	32.69%
2017	6.9%	32.59%
2016	6.8%	32.62%
2015	7.3%	32.45%
2014	7.2%	32.48%
2013	8.7%	31.96%

Capital Appreciation Bonds (CABs) – A municipal security in which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity. At maturity, the investor receives a single payment (the “maturity value”) representing both the initial principal amount and the total investment return. CABs are distinct from traditional zero coupon bonds because the investment return is considered to be in the form of compounded interest rather than accreted original issue discount. For this reason, only the initial principal amount of a CAB is counted against a municipal issuer’s statutory debt limit, rather than the total par value, as in the case of a traditional zero coupon bond. See *Chapter 4* for a discussion on CABs.

CAB Maturity Amount – The single payment for a capital appreciation bond an investor receives at maturity, representing both the initial principal amount and interest. For capital appreciation bonds, compound accreted values are calculated as interest in the year of maturity.

CAB Par Amount – The face amount assigned to a capital appreciation bond at issuance and paid to the investor at maturity.

CAB Premium – The amount by which the price paid for a CAB security exceeds par value.

Certificate of Obligation (CO) – An obligation issued by a city, county, or certain hospital districts without the approval of voters to finance public projects. Although voter approval is not required, the sale can be stopped if 5 percent of the total voters in the taxing area sign a petition and submit it prior to approval of the ordinance to sell such certificates. See *Chapter 5* for a discussion on COs.

Certificate of Participation (COP) – A tax-exempt lease-financing agreement used by a municipality or local government in which an investor buys a share or participation in the revenue generated from the lease-purchase of the property or equipment to which the COP is tied. COPs do not require voter approval.

Charter School – Charter schools were created by the Texas Legislature in 1995 as part of the public school system. Under Texas Education Code, Chapter 12, the purpose of charter schools is to improve student learning, increase the choice of learning opportunities within the public school system, create professional opportunities that will attract new teachers to the public school system, establish a new form of accountability for public schools, and encourage different and innovative learning methods. See *Appendix C* for a discussion on charter schools.

Commercial Paper (CP) – Short-term, unsecured promissory notes that mature within 270 days and are backed by a liquidity provider (usually a bank) that stands by to provide liquidity in the event the notes are not remarketed or redeemed at maturity. See *Appendix F* for a discussion on CP.

Competitive Sale – A sale in which the issuer solicits bids from underwriting firms and sells the securities to the underwriter or syndicate offering the most favorable bid that meets the specifications of the notice of sale.

Component Unit (CU) – A legally separate entity for which the elected officials of the primary government (PG) are financially accountable. The nature and significance of the CU's relationship with the PG is such that exclusion from the PG's financial reports would be misleading or create incomplete financial statements.

Conduit Debt – Per the Governmental Accounting Standards Board (GASB), conduit debt obligations are issued by a state or local governmental entity for the express purpose of providing financing for a specific third party that is not a part of the issuer's financial reporting entity. GASB's most recent development of its definition of a conduit debt obligation states the key characteristic should be that there are at least three participants: the government issuer, the third-party borrower, and the bondholder. Although conduit debt obligations bear the name of the governmental issuer, the issuer has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf they are issued. See *Appendix B* for a discussion on conduit debt.

Conduit Issuer – An issuer, usually a government agency, that issues municipal securities to finance revenue-generating projects in which the funds generated are used by a third party (known as the conduit borrower or obligor) for debt-service payments.

Costs of Issuance – The expenses associated with the sale of a new issue of municipal securities, including underwriting costs, legal fees, rating agency fees, and other fees associated with the transaction.

Coupon – The interest rate paid on a security.

Counterparty Risk – The risk to each party in a swap contract that the counterparty will not fulfill its contractual obligations.

Current Interest Bond (CIB) – A bond in which interest payments are made on a periodic basis throughout the life of the bond as opposed to a bond (such as a capital appreciation bond) that pays interest only at maturity. This term is most often used in the context of a combination issuance of bonds that includes both capital appreciation bonds and current interest bonds.

Current Refunding – A refunding transaction in which the municipal securities being refunded will mature or be redeemed within 90 days or less from the date of issuance of the refunding issue.

CUSIP (Committee on Uniform Securities Identification Procedures) – A unique nine-character identification for each class of security approved for trading in the United States. CUSIPs are used to facilitate clearing and settlement for market trades.

Dealer Fee – Cost of underwriting, trading, or selling securities.

Debt Outstanding – The amount of unpaid principal on a debt that will continue to generate interest until paid off.

Debt per Capita – A measurement of the value of a government's debt expressed in terms of the amount attributable to each citizen under the government's jurisdiction. The formula is the debt outstanding as of August 31 divided by the estimated residential population of the issuer.

Debt Service – The amount that is required to cover the repayment of principal and interest on a debt for a particular period.

Defeasance – A provision that voids a debt when the borrower sets aside cash, securities, or investments sufficient to service the borrower's debt.

Derivative – A financial instrument whose value is based on one or more underlying assets. An example is a swap contract between two counterparties that specifies conditions (especially the dates, underlying variables, and notional amounts) under which payments are to be made between the parties.

Disclosure – The act of releasing, accurately and completely, all material information to investors and the securities markets for outstanding or to be issued securities.

Disclosure Counsel – An attorney or law firm retained by the issuer to provide advice on issuer disclosure obligations and prepare the official statement and/or continuing disclosure agreement.

Discount – The amount by which the price paid for a security is less than its par value.

Escrow – Fund established to hold monies or securities pledged to pay debt service.

Escrow Agent – Commercial bank or trust company retained to hold the investments purchased with the proceeds of an advance refunding and use the invested funds to pay debt service on the refunded debt.

Financial Advisor – A securities firm that assists an issuer on matters pertaining to a proposed issue such as structuring, timing, marketing, fairness of pricing, terms, and debt ratings.

Fiscal Year – Information is sorted on the fiscal year of the state, September 1 through August 31. Debt-service adjustments have been made for local governments with different fiscal years. Information is provided on cash, not accrual, basis.

Fixed Rate – An interest rate that does not change during the entire term of the obligation.

Forward or Forward Contract – A contract (variously known as a forward contract, forward delivery agreement, or forward purchase contract) wherein the buyer and seller agree to settle their respective obligations at some specified future date based upon the current market price at the time

the contract is executed. A forward may be used for any number of purposes. For example, a forward may provide for the delivery of specific types of securities on specified future dates at fixed yields for the purpose of optimizing the investment of a debt service reserve fund. A forward may provide for an issuer to issue and an underwriter to purchase an issue of bonds on a specified date in the future for the purpose of effecting a refunding of an outstanding issue that cannot be advance refunded.

General Obligation (GO) Debt – Debt backed by the credit and taxing power of the issuing jurisdiction.

Home Rule City – Cities are classified as either general law or home rule. A city may elect home rule status (i.e., draft an independent city charter) once it exceeds 5,000 population and the voters agree to home rule. Otherwise, it is classified as general law and has very limited powers. One example of the difference in the two structures regards annexation. General law cities cannot annex adjacent unincorporated areas without the property owner’s consent; home rule cities may annex without consent but must provide essential services within a specified period (generally within three years), or the property owner may file suit to be disannexed and reimbursed. Once a city adopts home rule, it may continue to keep this status even if the population later falls below 5,000.

I&S Debt – Interest & sinking fund debt is the debt-service outstanding on bonds issued by public schools for school capital projects such as buildings, renovations, technology, athletic facilities, school transportation, and performing arts, and to refund M&O debt. I&S bonds are backed by revenue from the I&S tax rate.

I&S Tax Rate – A public school district’s property tax rate consists of an M&O tax rate and an I&S (interest and sinking fund) tax rate. The I&S tax rate provides funds for debt-service payments on debt that finances a district’s facilities.

Indenture – Deed or contract, which may be in the form of a resolution, that sets forth the legal obligations between the issuer and the securities holders. The indenture also names the trustee that represents the interests of the securities holders.

Issuer – A legal entity that sells securities for the purpose of financing its operations. Issuers are legally responsible for the obligations of the issue and reporting financial conditions, material developments, and any other operational activities.

Lease Purchase – Financing the purchase of an asset over time through lease payments that include principal and interest. Lease purchases can be financed through a private vendor.

Lease-Revenue Bonds – Bonds issued by a nonprofit corporation or government issuer, which are secured by lease payments made by the local government or third-party borrower for use of specified property.

Letter of Credit – A credit enhancement used by an issuer to secure a higher rating for its securities. A letter of credit is usually a contractual agreement between a major financial institution and the issuer consisting of an unconditional pledge of the institution’s credit to make debt-service payments in the event of a default.

Limited Tax General Obligation Bonds – A type of municipal bond that is guaranteed by the municipal government’s pledge to use all legal resources, including the levying of property taxes, up to a set statutory limit. If a municipality exhausts the property tax resources for bond repayment within that limit, other revenue sources must be used for bond repayment.

Liquidity – The relative ability of a security to be readily traded or converted into cash without substantial transaction costs or loss in value.

Liquidity Provider – A financial institution that facilitates the trading of a security by insuring that it will be purchased if tendered to the issuer or its agent because it cannot be immediately remarketed to new investors.

Local Government Names – The names of governments used in this report are taken from the *Texas Property Tax Appraisal District Directory* published by the Texas State Comptroller of Public Accounts.

M&O Debt – Maintenance & operations debt is the debt-service outstanding on bonds issued by public schools to be used for administration and operational costs of schools (teachers, buses, classrooms, etc.) but cannot be used for the new construction of school facilities. M&O bonds are backed by revenue from the M&O tax rate.

M&O Tax Rate – A public school district’s property tax rate consists of an M&O tax rate and an I&S tax rate. The M&O tax rate provides funds for the general operating fund, which pays for salaries, supplies utilities, insurance, equipment, and other costs of day-to-day operations.

Maintenance Tax – Funds the maintenance and operation costs of a school district but cannot be used for new construction of school facilities.

Management Fee – A component of the underwriting spread that compensates the underwriters for assistance in creating and implementing the financing.

Maturity Date – The date principal is due and payable to the security holder.

Mortgage Credit Certificate – A certificate issued by certain state or local governments that allows a taxpayer to claim a tax credit for some portion of the mortgage interest paid during a given tax year.

Municipal Bond – A debt security issued to finance projects for a state or local government issuer. Municipal securities are typically exempt from federal taxes and from most state and local taxes.

Negotiated Sale – A sale in which an issuer selects an underwriting firm or syndicate to assist with the issuance process. At the time of sale, the issuer negotiates a purchase price for its securities with that underwriting firm or syndicate.

Notice of Sale – Publication by an issuer describing the terms of sale of an anticipated new offering of municipal securities.

Official Statement – The document published by the issuer that provides complete and accurate material information to investors on a new issue of municipal securities, including the purposes of the issue, repayment provisions, and the financial, economic, and social characteristics of the issuing government.

Par – The face value of a security that is due at maturity. A par bond is a bond selling at its face value.

Paying Agent – The entity responsible for processing debt-service payments from the issuer to the security holders.

Permanent School Fund – The Texas Permanent School Fund (PSF) was created in 1854 by the 5th Legislature expressly for the benefit of public schools. In addition, the Texas Constitution of 1876 stipulated that certain lands and proceeds from the sale of those lands would also be dedicated to the PSF. The Texas Constitution requires that distributions from the returns on the PSF be made to the Available School Fund to be used for the benefit of public and charter schools and allows the PSF to be used to guarantee bonds issued by public and charter schools.

Permanent School Fund Bond Guarantee Program (BGP) – The BGP was created in 1983 as an alternative for school districts to avoid the cost of private bond insurance by obtaining a PSF guarantee for voter-approved public school bond issuances. To qualify for the BGP guarantee, school districts and charter schools must be accredited by the state, have investment grade bond ratings (but below AAA), and have their applications approved by the Commissioner of Education. Bonds guaranteed by the BGP are rated AAA.

Premium – The amount by which the price paid for a security exceeds par value.

Premium Capital Appreciation Bond (PCAB) – A type of CAB that has a stated yield or accretion rate that is higher than its actual current yield to investors. This difference results in a lower initial stated par amount, which preserves debt capacity. See *Chapter 4* for a discussion on PCABs.

Principal – The face value of a bond, exclusive of interest.

Printer – A business that produces the official statement, notice of sale, and any bonds required to be transferred between the issuer and purchasers of the bonds. The costs associated with a printer are typically rolled into the costs of issuance.

Private Placement – A securities sale in which an issuer sells its securities directly to investors through a placement agent without a public offering.

Put Bond – A bond that allows the holder to force the issuer to repurchase the security at specified dates before maturity. The repurchase price is set at the time of issue and is usually par value.

Qualified Energy Conservation Bonds (QECCB) – A bond that enables qualified state, tribal, and local government issuers to borrow money at attractive rates to fund energy conservation projects. While not a grant, a QECCB is among the lowest cost public financing tools available because the U.S. Department of the Treasury subsidizes the issuer's borrowing costs.

Qualified School Construction Bonds (QSCB) – QSCBs must meet three requirements: 1) all of the bond proceeds must be used for the construction, rehabilitation, or repair of a public school facility, or for the acquisition of land on which such a bond financed facility is to be constructed; 2) the bond is issued by a state or local government within which such school is located; and 3) the issuer designates such bonds as a qualified school construction bond. For more information regarding QSCBs, contact the Texas Education Agency.

Qualified Zone Academy Bonds (QZAB) – QZABs are tax credit bonds in which the proceeds are used for renovating school buildings, purchasing equipment, developing curricula, and/or training school personnel. QZABs may not be issued for new construction. To qualify to issue QZABs, school districts must create a Zone Academy that is comprised of empowerment zones or enterprise communities comprised of public schools with 35 percent or more of their student body on the free and/or reduced lunch programs. For more information regarding QZABs, contact the Texas Education Agency.

Rating Agency – An entity that provides publicly available ratings of the credit quality of securities issuers, measuring the probability of the timely repayment of principal and interest on municipal securities.

Refunding Bond – Bonds issued to retire or defease all or a portion of outstanding bonds.

Registrar – An entity responsible for maintaining ownership records on behalf of the issuer.

Remarketing Fee – Compensation to an agent for remarketing a secondary offering of short-term securities, usually for a mandatory or optional redemption or put (return of the security to the issuer).

Revenue Debt – Debt that is legally secured by a specified revenue source(s). Most revenue debt does not require voter approval and usually has a maturity based on the life of the project to be financed.

Sales Tax – A tax imposed by the government at the point of sale on retail goods and services. It is collected by the retailer and passed on to the state. Statutes, such as the Development Corporation Act, authorize certain issuers to pledge certain sales taxes to the repayment of debt for certain projects.

Sales Tax Revenue – Debt that is legally secured by a specified sales tax issued by certain cities for such purposes as constructing and improving municipal parks and recreation facilities/entertainment centers as well as hike and bike trails.

Selling Group – Group of municipal securities brokers and dealers that assist in the distribution of a new issue of securities.

Serial Bond – A bond issue in which a portion of the outstanding bonds matures at regular intervals until all of the bonds have matured.

Spread Expenses – A component of the underwriting spread representing the costs of operating the syndicate such as financial advisors, legal counsel, travel, printing, day loans, wire fees, and other associated fees.

Structuring Fee – A component of the underwriting spread that compensates the underwriters for assistance with developing a marketable securities offering within the issuer's legal and financial constraints.

Swap – A derivative in which counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument.

Syndicate – A group of underwriters formed to purchase a new issue of securities from the issuer and offer it for resale to investors.

Takedown – A component of the underwriting spread representing the discount that the members of the syndicate receive when they purchase the securities from the issuer. Takedown is also known as the selling concession.

Tax and Revenue Anticipation Notes (TRAN) – Short-term loans that the issuer uses to address cash flow needs created when expenditures must be incurred before tax or other revenues are received.

Tax-Supported Debt – For local governments, tax-supported debt (sometimes called tax debt) is generally secured by a pledge of the issuer's ad valorem taxing power. Tax-supported debt can have either a limited or an unlimited authority pledge of tax revenues for repayment. For reporting purposes, when the public security contains both a tax and revenue pledge, the public security is categorized as tax-supported debt.

Term Bond – A bond issue in which all or a large part of the issue comes due in a single maturity. Term bond issuers make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity or for payment at maturity.

Trustee – A bank or trust company designated by the issuer or borrower under the indenture or resolution as the custodian of funds. The trustee represents the interests of the security holders, including making debt-service payments.

Underwriter – An investment banking firm that purchases securities directly from the issuer and resells them to investors.

Underwriting Risk Fee – A portion of the underwriting spread designed to compensate the underwriter for the risk associated with market shifts and interest rate fluctuations.

Underwriting Spread – The amount representing the difference between the price at which securities are bought from the issuer by the underwriter and the price at which they are reoffered to the investor. The underwriting spread generally includes the takedown, management fee, expenses, and underwriting risk fee.

Underwriter's Counsel – An attorney who prepares or reviews the issuer's offering documents on behalf of the underwriter and prepares documentation for the underwriting agreement and the agreement among underwriters.

Underwriter's Risk – The risk of loss that could arise due to overestimated demand for an issuance or due to sudden fluctuations in market conditions borne by the underwriters until resale.

Unlimited Tax General Obligation Bond – A municipal bond that is backed by the pledge of the issuer to raise taxes, without limit, to service the debt until it is repaid.

Variable Rate – An interest rate that fluctuates based on market conditions or a predetermined index or formula. (Fixed rates do not change during the life of the obligation.)

Years to Maturity – The period of time for which a financial instrument remains outstanding. Maturity refers to a finite time period at the end of which the financial instrument will cease to exist and the principal is repaid with interest.

Yield – The investor's rate of return.

Zero Coupon Bond – A bond that is issued at a deep discount to its face value but pays no interest.

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