Legislative Brief

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#254 STRONG

COUNTIES AND PUBLIC DEBT

WHAT COUNTIES ARE SAYING

Many parts of our state are growing at a remarkable pace, and counties and other local governments are building the physical infrastructure needed to meet this population surge. Counties, cities and school districts are issuing debt to build streets, roads, jails, schools, parks, water and wastewater facilities, and other public facilities. State government doesn't issue or pay off these bonds – local taxpayers vote to issue the bonds and pay them off. The voters decide whether or not to issue debt when bond elections are held, and the voters ultimately hold elected officials responsible for their actions.

BACKGROUND

Counties in Texas are efficient and effective political subdivisions. Even with the state's high rate of growth, county debt is only 6% of the overall local debt issued in Texas. Thus, county debt grows to meet the demands of a growing population. The state's economy depends heavily on the local infrastructure this local debt builds. For example, many state highway projects move forward only because counties issue debt to pay part of the cost and get these projects underway.

TEXAS COUNTY DEBT IN STATE AND NATIONAL PERSPECTIVE

The Texas Bond Review Board (BRB) noted in a recent **report** that, as of Aug. 31, 2019, the county share of local debt in Texas is very small, comprising only "6.2 percent of total local debt outstanding." School districts, cities and special districts make up the remainder of the local debt share in Texas.

The BRB's report also noted that Texas is ranked second out of the 10 most populous states for having the most local government debt. However, these numbers can be misleading. Other large states provide their local governments with direct financial support. Local governments in other states also have more diverse funding sources. Other states divide responsibilities differently between states and local governmental entities. All this must be taken into account in order to truly compare the weight of local government debt among different states.

Texas is growing fast; 10 out of the top twenty-five fastest growing counties in the nation are in Texas. Debt can be an important tool for counties to cope with fast or unexpected growth.

Most county debt is directly approved by local voters. Debt that isn't immediately subject to a vote, such as certificates of obligation, may become subject to a vote of the people following a petition. In addition, public notice is required prior to issuing certificates of obligation.

Counties acquire debt cautiously and take this responsibility very seriously, holding meetings and gathering input from the public before a bond election.
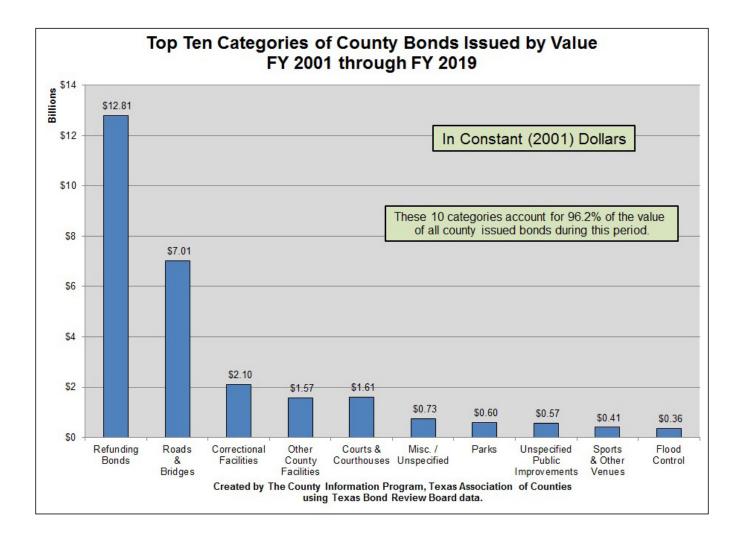
COUNTIES MAKE UP ONLY 6% OF LOCAL GOVERNMENT DEBT IN THE STATE

What does this 6% include?
Of the county bonds issued from FY 2001 through FY 2019, 46% of the total value was for refinancing or refunding of bonds. Counties have a fiduciary duty to the citizens to manage debt responsibly. One way to achieve effective fiscal management is to seek out lower rates on outstanding debt.

Counties also overwhelmingly use debt to fund necessary infrastructure. Improvements in roads and bridges, courts, correctional facilities and flood control are critical to maintaining and improving quality of life.

This brief will be updated as new information becomes available, particularly as it relates to the COVID-19 pandemic. ★

Top Ten Categories of County Bonds Issued by Value FY 2001 through FY 2019

In Constant (2001) Dollars

These 10 categories account for 96.2% of the value of all county issued bonds during this period.

Category	Value (Billions)
Refunding Bonds	$12.81
Roads & Bridges	$7.01
Correctional Facilities	$2.10
Other County Facilities	$1.57
Courts & Courthouses	$1.61
Misc. / Unspecified	$0.73
Parks	$0.60
Unspecified Public Improvements	$0.57
Sports & Other Venues	$0.41
Flood Control	$0.36

Created by The County Information Program, Texas Association of Counties using Texas Bond Review Board data.

Texas Counties Among Top 25 Fastest Growing in Nation

STATE	COUNTY	April 1, 2010	POPULATION ESTIMATE 2019	CHANGE 2010-2019	RANK
Texas	Hays County	157,103	230,191	46.5%	2
Texas	Comal County	108,520	156,209	43.9%	4
Texas	Kendall County	33,384	47,431	42.1%	5
Texas	Williamson County	422,504	590,551	39.8%	9
Texas	Fort Bend County	584,699	811,688	38.8%	12
Texas	Rockwall County	78,345	104,915	33.9%	16
Texas	Denton County	662,557	887,207	33.9%	17
Texas	Montgomery County	455,747	607,391	33.3%	18
Texas	Collin County	781,419	1,034,730	32.4%	20
Texas	Kaufman County	103,348	136,154	31.7%	22