

Texas Bond Review Board

Debt Affordability Study

February 2026



This study provides data on the state's historical, current, and projected debt positions and develops financial data from which policymakers can review various debt strategies by use of the study's Debt Capacity Model.

Debt Affordability Study

February 2026

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Executive Summary

The 80th Legislature, 2007, passed Senate Bill (SB) 1332 that amended the Texas Government Code, Chapter 1231, to require the Texas Bond Review Board (BRB), in consultation with the Legislative Budget Board, to prepare annually the state's Debt Affordability Study (DAS).

The DAS Debt Capacity Model (DCM) assesses the impact of the state's annual debt service requirements for current and projected levels of not self-supporting (NSS) debt on general revenue over the next five years. Credit rating agencies examine variations of these debt capacity measures to assess the state's debt burden, a key factor affecting the state's credit rating and capacity for debt issuance.

State Debt Outstanding and the Constitutional Debt Limit

At the end of fiscal year 2025, Texas had \$77.90 billion in total debt outstanding. Of this amount, \$6.68 billion (8.6 percent) was NSS debt, and \$71.22 billion (91.4 percent) was self-supporting. The state's total NSS debt outstanding has decreased 0.3 percent from \$6.71 billion in fiscal year 2016.

Article III, Section 49-j of the Texas Constitution prohibits the legislature from authorizing additional state debt if the annual debt service in any fiscal year on state debt payable from the General Revenue Fund exceeds 5 percent of the average of unrestricted general revenue (UGR) from the preceding three fiscal years. As of August 31, 2025, the Constitutional Debt Limit (CDL) was 0.88 percent for outstanding debt and 1.58 percent for outstanding and authorized but unissued debt. This is a 7.2 percent decrease from the 1.70 percent calculated for fiscal year 2024.

Assumptions for the Debt Capacity Model

The DCM contains assumptions for the fiscal years under review, 2026–2030, including:

- estimates of UGR
- estimates of NSS debt issuance
- estimates of appropriations for Special Debt Commitments — (Capital Construction Assistance Projects (CCAPs) (formally known as Tuition Revenue Bonds (TRBs)) for higher education, and Instructional Facilities Allotment (IFA), Existing Debt Allotment (EDA), and the Additional State Aid for Homestead Exemption for Facilities (ASAHE – Facilities) for public education)
- estimates of Texas' future population and total personal income

Ratios Used in the Debt Capacity Model

The DCM uses five ratio calculations to assess the impact of the state's annual debt service requirements paid from general revenue for current and projected levels of NSS debt over the next five years. A summary of each ratio follows:

- Ratio 1: Not Self-Supporting Debt Service as a Percentage of Unrestricted General Revenue measures the impact of debt service on the rolling three-year average of UGR. Because NSS debt service as a percentage of UGR has historically been below 2 percent, Ratio 1 has a target of 2 percent, a cap at 3 percent, and a maximum of 5 percent. Ratio 1 resembles the CDL but is only a guideline while the CDL is a legal limit set by the state's constitution. (See *Appendix D* for a discussion of the CDL.) Ratio 1 is calculated in two ways: 1) using only

NSS debt service and 2) using NSS debt service plus Special Debt Commitments (SDCs) to show the latter's impact on the state's debt capacity. (See *Chapters 1 and 3*, and *Appendix C*.)

- Ratio 2: Not Self-Supporting Debt Service as a Percentage of Budgeted General Revenue measures the debt service as a ratio to the budgeted general revenue for fiscal years 2026 and 2027 based on the 2026–27 General Appropriations Act (GAA) Senate Bill (SB) 1 from the 89th Legislature, 2025. This ratio is generally more restrictive because it does not use a rolling three-year average.
- Ratio 3: Not Self-Supporting Debt as a Percentage of Personal Income is an indicator of the state's ability to repay debt obligations by transforming personal income into revenue through taxation.
- Ratio 4: Not Self-Supporting Debt per Capita measures the dollar amount of debt per person.
- Ratio 5: Rate of Debt Retirement is the rate at which outstanding long-term debt is retired and measures the extent to which new debt capacity is created for future debt issuance.

Major Findings

- With moderate economic growth expected over the next five years, the state's General Revenue Fund is expected to increase for fiscal years 2026–2030. Assuming projected NSS debt issuance of \$2.07 billion over the same period, Ratio 1 remains below the target of 2 percent, peaking at 0.97 percent in fiscal year 2028. Assuming general revenues available for NSS debt service average \$8 billion less per year than originally forecast, the ratio peaks at 0.97 percent in fiscal year 2029 and remains below the 2 percent target. (See *Figure 1.2*, *Chapter 3*, *Figure 4.1*, and *Appendix C*.)
- For fiscal years 2026–2030, including SDCs (CCAPs for higher education, and IFA, EDA, and ASAHE — Facilities for public education) and NSS debt, total debt service expected to be paid from general revenue appropriations peaks at 3.30 percent in fiscal year 2026 and decreases to 2.73 percent in fiscal year 2030. (See *Figure 1.2*, *Chapter 3*, *Figure 4.1*, and *Appendix C*.)
- For the five-year period, SDCs are projected to account for 74.3 percent in fiscal year 2026 down to 67.9 percent in fiscal year 2030 of total debt service expected to be paid from general revenue appropriations.
- At fiscal year-end 2025, BRB staff estimated that approximately \$31.40 billion in additional NSS debt capacity was available before reaching the CDL.
- NSS debt as a percentage of personal income and debt per capita are expected to be better than rating agency benchmarks through fiscal year 2030.
- The rates of debt retirement for NSS debt outstanding for the five-year and 10-year periods are expected to exceed the rating agency benchmarks.
- Ratio 1 remains below the 2 percent target after a one-time hypothetical debt issuance of \$1 billion in addition to the \$2.43 billion of NSS debt expected to be issued over the next five fiscal years.
- Assuming \$2.43 billion of projected NSS debt issuance over the next five fiscal years coupled with scheduled retirements projected to be \$2.20 billion, NSS debt outstanding is expected to generally remain constant in upcoming fiscal years.
- As of August 31, 2025, state-funded pensions had approximately \$78.10 billion unfunded actuarial accrued liability (UAAL). (See *Appendix H*.)

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Cautionary Statements

Chapter 1231 of the Texas Government Code directs the Bond Review Board (BRB) to annually prepare a study regarding the state's current debt burden. The report must analyze the amount of additional not self-supporting debt the state can accommodate. It must include analysis, which may serve as a guideline for debt authorizations and debt-service appropriations by including ratios of such debt to personal income, population, budgeted and expended general revenue, as well as the rate of debt retirement and a target and limit ratio for not self-supporting debt service as a percentage of unrestricted general revenues. BRB delivers the report to the Governor, Lieutenant Governor, Texas Comptroller of Public Accounts, Senate Committee on Finance, and House Appropriations Committee. This report is intended to satisfy these Chapter 1231 duties.

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 data of state agencies may vary from actual debt outstanding, and the variance for a specific issuer could be substantial.

State debt data compiled does not include all installment purchase obligations, but certain lease-purchase obligations are included. In addition, the State Energy Conservation Office (SECO) LoanSTAR Revolving Loan Program and certain other revolving loan program debt and privately placed loans are not included. 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.

Future revenues, population, and personal income information of the state are derived from third-party estimates. Forward-looking statements include forecasts, projections, predictions, expectations, anticipation, hopes, beliefs, intentions, and strategies for the future. The forward-looking statements in this report have been made and are based on available information, assumptions, and estimates as of the date of the specified date of the forecast or other forward-looking statements and do not necessarily reflect current expectations. They are inherently subject to various known and unknown risks and uncertainties, including the possible invalidity of underlying assumptions and estimates; possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions; extreme weather events; and actions taken or omitted to be taken by third parties, including consumers, taxpayers, and legislative, judicial, and other governmental authorities and officials, all of which are beyond the control of the BRB. Future debt issuance is based on estimates supplied by each issuing agency. Future debt service on 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 issuance and debt service could be affected by changes in agency financing decisions, prevailing interest rates, market conditions, and other factors that cannot be predicted. Consequently, actual future data could differ from estimates included in this report, 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 to provide a guideline for state debt authorizations and debt-service appropriations. 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 website, and no referenced website is incorporated herein by that reference or otherwise.

Chapter 1 - Summary of Results

Background

The 80th Legislature, 2007, passed Senate Bill (SB) 1332 that amended the Texas Government Code, Chapter 1231, to require the Texas Bond Review Board (BRB), in consultation with the Legislative Budget Board (LBB), to prepare the state's Debt Affordability Study (DAS) annually.

As defined in this study, debt affordability is the determination of the state's capacity for additional not self-supporting (NSS) debt, i.e., debt repaid from unrestricted general revenue that has a direct impact on state finances. Debt affordability provides an integrated approach that helps manage and prioritize state debt by analyzing data on historical, current, and projected uses of NSS debt in conjunction with the financial and economic resources of the state and its capital needs.

Debt service for NSS debt depends solely on legislative appropriations from the state's General Revenue Fund and draws upon the same sources otherwise used to finance the operation of state government. The DAS Debt Capacity Model (DCM) provides financial data policymakers can use to review the impact of various strategies for NSS debt to determine acceptable levels of annual debt service and prioritize the state's available revenues to meet its needs.

The DCM uses five ratio calculations to assess the impact on general revenue of the state's annual debt service requirements for current and projected levels of NSS debt over the next five years. Credit rating agencies examine variations of these debt capacity measures to assess the state's debt burden, which is a key factor affecting the state's credit rating and capacity for debt issuance.

The DAS DCM does not take into account the state's pension liabilities or other post-employment benefit obligations. While pension liabilities are not the focus of this report, the BRB has included a brief discussion of state pension liabilities in this year's debt affordability study. The BRB believes that the state's pension liabilities are significant enough to be considered along with traditional debt for a better understanding of state debt. See *Appendix H* for a summary of the state's pension liabilities.

Summary of Results

Based on the authorizations for which the approximate issuance date is known, an estimated \$2.43 billion in authorized and projected NSS debt is expected to be issued between fiscal years 2026 and 2030 for the following transactions:

- \$1.49 billion in general obligation (GO) debt, related to Proposition 15 for cancer research (Texas Public Finance Authority (TPFA));
- \$545.2 million in GO and revenue debt for capital projects for certain state agencies (TPFA), including \$1.5 million of Proposition 4 authorization from the November 2007 General Election (Article III, Section 50-g), \$570,005 of authorization for various construction and repair projects and equipment acquisitions (Article III, Section 50-f), \$31.5 million of debt authorized by the 86th Legislature, 2019, and 87th Legislature, 2021, for deferred maintenance projects for the Health and Human Services Commission (HHSC), \$415.4 million of debt authorized by the 84th Legislature, 2015, and 86th Legislature, 2019, for phase one and phase two of the Texas Facilities Commission (TFC) Capitol Complex and North Austin Complex projects, and \$127.7 million of debt authorized by the 88th

Legislature, 2023, for the Department of Motor Vehicles Camp Hubbard Renewal Project (TPFA);

- \$295.3 million in GO bonds for the Higher Education Assistance Fund; and
- \$100 million in GO bonds for the Texas Water Development Board's (TWDB) Economically Distressed Areas Program (EDAP).

In November 2011, voters approved Proposition 2, which enables the TWDB to issue additional debt for its Development Fund II Program in an amount not to exceed \$6 billion of debt outstanding at any time. Legislative action is required for the issuance of NSS debt under this authorization. See *Appendix B* for an analysis of the debt ratios if a hypothetical \$1 billion is issued in addition to the \$2.43 billion in new NSS debt issuances currently projected for fiscal years 2026–2030. See *Figure E2* in *Appendix E* for details on the state's debt outstanding as of August 31, 2025.

With moderate economic growth expected over the next five years, the General Revenue Fund is generally projected to increase at an average annual growth rate of 4.2 percent between fiscal years 2026–2030. Additionally, the February 2026 DAS assumes an estimated increase of 3.6 percent (\$113.5 million) in total NSS debt to be issued during fiscal years 2026–2030, including authorized and unauthorized amounts, compared to the \$89.3 million estimated for fiscal years 2025–2029 in last year's DAS. This projected five-year increase is a net result of assuming approximately \$298 million will be issued each year for cancer research.

The following explains the ratios used in the DAS, and the table at the end of this chapter summarizes the results of the study.

Ratio 1: Not Self-Supporting Debt Service as a Percentage of Unrestricted General Revenue

Ratio 1 is calculated by dividing future debt service by the rolling three-year average of unrestricted general revenue (UGR). Chapter 1231 of the Texas Government Code requires the DAS to include a target and cap for Ratio 1, both of which can be adjusted as requested or as directed by the BRB or LBB. Since Texas has historically appropriated less than 2 percent of its UGR for NSS debt service, the analysis of Ratio 1 utilizes 2 percent as the target ratio, 3 percent as the cap ratio, and a maximum of 5 percent. UGR projections are provided by the LBB. (Ratio 1 should not be confused with the Constitutional Debt Limit (CDL) calculation. See *Appendix D* for further discussion of the CDL.)

Ratio 1 can be used to assess the impact of Special Debt Commitments (SDCs) on the General Revenue Fund. The SDCs are comprised of Capital Construction Assistance Projects (CCAPs) (formally known as Tuition Revenue Bonds (TRBs)) for higher education, and the Instructional Facilities Allotment (IFA), Existing Debt Allotment (EDA), and Additional State Aid for Homestead Exemption for Facilities (ASAHE — Facilities) for public education.

Figure 1.1 illustrates Ratio 1 for NSS annual debt service and SDCs. *Figure 1.2* provides additional detail showing the impact of SDCs on Ratio 1. (See also *Chapter 3* and *Appendix C*.)

Figure 1.1
Debt Service Commitments as a Percentage of Unrestricted General Revenue

	2026	2027	2028	2029	2030
NSS Annual Debt Service	0.92%	0.94%	0.97%	0.95%	0.93%
(CCAPs)	0.78%	0.72%	0.64%	0.49%	0.41%
IFA, EDA, and ASAHE - Facilities	1.87%	1.50%	1.51%	1.50%	1.52%
Total	3.57%	3.16%	3.12%	2.94%	2.86%

Totals may not sum due to rounding.
 Source: Texas Bond Review Board.

Results

- Excluding SDCs, debt service as a percentage of UGR is projected to remain below the 2 percent target and the 3 percent cap. (See *Figure 1.2, Chapter 3, and Appendix C.*) Assuming revenues available for NSS debt service average approximately \$8 billion less than originally forecasted, the ratio peaks at 0.97 percent in fiscal year 2029 and remains below the 2 percent target. See *Appendix A* for a discussion of the methodology used for the DCM.
- Including SDCs, debt service as a percentage of UGR is expected to exceed the 2 percent target and 3 percent cap for the five-year period (fiscal years 2026–2030), peaking at 3.30 percent in fiscal year 2026. SDCs are expected to account for 74.3 percent in fiscal year 2026 down to 67.9 percent in fiscal year 2030 of total debt service expected to be paid from general revenue appropriations for the five-year period.

Ratio 2: Not Self-Supporting Debt Service as a Percentage of Budgeted General Revenue

Unlike Ratio 1, this ratio does not use a rolling three-year average of UGR but instead uses the budgeted general revenue figures for fiscal year 2026 based on the 2026–27 General Appropriations Act (GAA) Senate Bill (SB) 1 from the 89th Legislature, 2025.

Results

Ratio 2 peaks at 1.10 percent. Historically, Texas’ NSS debt service commitment has been less than 1.50 percent of budgeted general revenue as shown in *Figure 3.3 in Chapter 3*.

Ratio 3: Not Self-Supporting Debt as a Percentage of Personal Income

This ratio is obtained by dividing NSS debt by total personal income and is an indicator of the state’s ability to repay debt obligations by transforming personal income into revenues through taxation. Rating agencies use this ratio when establishing the state’s credit rating. Personal income projections are provided by the Texas Comptroller of Public Accounts.

Results

Ratio 3 is 0.29 percent for fiscal year 2026 and declines to 0.22 percent for fiscal year 2030. These figures are below the rating agency benchmark of 2 percent.

Ratio 4: Not Self-Supporting Debt per Capita

This ratio is the amount of NSS debt divided by the state’s population and measures the dollar amount of debt per person. Like Ratio 3, Ratio 4 is reviewed when establishing the state’s credit rating.

Results

Ratio 4 is \$214 per capita for fiscal year 2026 and declines to \$197 per capita in fiscal year 2030. These figures are below the rating agency benchmark of \$500 per capita.

Ratio 5: Rate of Debt Retirement

The rate at which long-term debt is retired measures the extent to which new debt capacity is created for future debt issuance. Credit rating agencies review the length of time needed for debt to be retired with the expectation that on average, 25 percent of the principal amount of debt with a 20-year maturity is retired in five years, and 50 percent is retired in 10 years.

Results

In five years, 33.0 percent of NSS debt will be retired, and 62.8 percent will be retired in 10 years. In 15 years, approximately 88.1 percent of NSS debt will be retired. These figures meet the rating agency benchmarks as all existing NSS debt is expected to mature by fiscal year 2046.

Figure 1.2 summarizes the ratio analysis for fiscal year 2026 through fiscal year 2030. The negative numbers in Ratio 1 indicate shortfalls in debt service when compared to the corresponding target, cap, or maximum percentage.

Figure 1.2
Summary of Ratios 1–5

Fiscal Year	2026		2027		2028		2029		2030						
RATIO 1: Not Self-Supporting Debt Service as a Percentage of Unrestricted General Revenue															
NSS Debt Service															
Issued	\$	713,889,218	0.91%	\$	697,694,216	0.86%	\$	677,680,715	0.80%	\$	654,039,347	0.74%	\$	629,344,969	0.69%
Authorized but Unissued	\$	36,427,597	0.03%	\$	98,966,205	0.08%	\$	150,204,624	0.14%	\$	175,964,130	0.19%	\$	175,964,130	0.19%
Projected	\$	31,350	0.01%	\$	58,412	0.01%	\$	9,311,608	0.02%	\$	21,883,115	0.04%	\$	40,119,389	0.06%
Total NSS Debt Service (excluding SDCs)	\$	750,348,165	0.95%	\$	796,718,833	0.95%	\$	837,196,947	0.96%	\$	851,886,592	0.97%	\$	845,428,488	0.94%
Special Debt Commitments	\$	2,166,147,637	2.36%	\$	1,876,449,207	2.23%	\$	1,847,387,178	2.06%	\$	1,790,101,257	1.90%	\$	1,790,642,595	1.79%
Total NSS and SDCs Debt Service	\$	2,916,495,802	3.30%	\$	2,673,168,040	3.18%	\$	2,684,584,125	3.02%	\$	2,641,987,849	2.87%	\$	2,636,071,083	2.73%
SDCs as a % of Total		74.3%		70.2%		68.8%		67.8%		67.9%					
Remaining Debt Service Capacity excluding SDCs*															
Target (2%)	\$	887,733,424	1.05%	\$	891,771,257	1.05%	\$	881,797,701	1.04%	\$	941,246,946	1.03%	\$	996,911,762	1.06%
Cap (3%)	\$	1,706,774,218	2.05%	\$	1,736,016,302	2.05%	\$	1,741,295,025	2.04%	\$	1,837,813,715	2.03%	\$	1,927,280,020	2.06%
Max (5%)	\$	3,344,855,807	4.05%	\$	3,424,506,324	4.05%	\$	3,460,289,674	4.04%	\$	3,630,947,253	4.03%	\$	3,788,016,536	4.06%
Remaining Debt Service Capacity including SDCs*															
Target (2%)	\$	(1,278,414,213)	-1.30%	\$	(984,677,950)	-1.18%	\$	(965,589,477)	-1.02%	\$	(848,854,311)	-0.87%	\$	(793,730,833)	-0.73%
Cap (3%)	\$	(459,373,419)	-0.30%	\$	(140,432,905)	-0.18%	\$	(106,092,152)	-0.02%	\$	47,712,458	0.13%	\$	136,637,425	0.27%
Max (5%)	\$	1,178,708,169	1.70%	\$	1,548,057,185	1.82%	\$	1,612,902,496	1.98%	\$	1,840,845,996	2.13%	\$	1,997,373,941	2.27%
RATIO 2: Not Self-Supporting Debt Service as a Percentage of Budgeted General Revenue															
		0.97%		1.10%											
RATIO 3: Not Self-Supporting Debt as a Percentage of Personal Income															
		0.29%		0.28%		0.26%		0.24%		0.22%					
RATIO 4: Not Self-Supporting Debt per Capita															
		\$214		\$217		\$211		\$204		\$197					
RATIO 5: Rate of Debt Retirement															
		5 Years	10 Years												
Not Self-Supporting Debt		33.0%	62.8%												
Self-Supporting Debt		20.5%	42.0%												

* Debt service capacity is the available capacity to meet target, cap, or maximum percentages.

Totals may not sum due to rounding.

Sources: Texas Bond Review Board, Texas Comptroller of Public Accounts, and Legislative Budget Board.

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Chapter 2 - Current Debt Position of the State

Texas has a decentralized approach to debt management. Debt issuance occurs at the level of the agency or institution of higher education rather than at the state level. Apart from Tax Revenue Anticipation Notes, State Highway Fund Revenue Anticipation Notes, Permanent University Fund (PUF) issuances, and non-general obligation issuances by university systems that have an unenhanced long-term debt rating of at least AA- or its equivalent, the Texas Bond Review Board (BRB) provides oversight for all state debt issuances with a maturity of more than five years or a principal amount greater than \$250,000.

When the legislature considers the authorization of new debt, legislation is typically considered by legislative finance committees. The legislature usually appropriates debt service payments for existing debt in the General Appropriations Act (GAA), which is organized by article based on governmental function. Subsequently, this process leads policymakers to review, develop, and approve proposed budget requests by agency or program.

Debt Types

Debt issued by Texas state entities falls into two major categories:

- **General Obligation (GO) debt** is legally secured by a constitutional pledge of the first monies coming into the state treasury that are not constitutionally dedicated for another purpose. GO debt must be passed by a two-thirds vote of both houses of the legislature and a majority of the voters.
- **Non-General Obligation (Revenue) debt** is legally secured by a specific revenue source and does not require voter approval.

State debt is further classified based on its impact on the state’s General Revenue Fund:

- **Self-Supporting (SS) debt** is designed to be repaid with revenues other than state general revenue and can be either GO debt or Revenue debt. Revenue SS debt also includes conduit debt that is not an obligation of the state and is repaid from funds generated by a third-party borrower. For more information regarding conduit debt, see the Fiscal Year 2025 BRB Annual Report.
- **Not Self-Supporting (NSS) debt** is intended to be repaid with state general revenue and can be either GO debt or Revenue debt.

Figure 2.1 illustrates the classifications for state debt and provides program examples for each type.

Figure 2.1
Debt Type and Examples

Debt Type	General Revenue Impact	Debt Program
General Obligation	Not Self-Supporting	Highway Improvement (Prop 12) Transportation Bonds Cancer Prevention and Research Bonds
General Obligation	Self-Supporting	Texas Mobility Fund Bonds and Student Loan Bonds Veterans Land and Housing Bonds
Revenue	Not Self-Supporting	Building Revenue Bonds (including Capitol Complex Project) Certain Deferred Maintenance Projects financed by Texas Public Finance Authority (TPFA)
Revenue	Self-Supporting	College and University Revenue Financing System Bonds State Highway Fund Transportation Bonds

Source: Texas Bond Review Board.

State Debt Outstanding

Figure 2.2 provides details on the state’s total debt outstanding as of August 31, 2025.

Figure 2.2
Current Debt Outstanding (thousands)

Bond Types	Self-Supporting	Not Self-Supporting	Total
General Obligation	\$ 11,169,575	\$ 5,884,180	\$ 17,053,755
Revenue	\$ 45,216,304	\$ 798,445	\$ 46,014,749
Conduit	\$ 14,829,681	\$ -	\$ 14,829,681
Total	\$ 71,215,560	\$ 6,682,625	\$ 77,898,185

Source: Texas Bond Review Board.

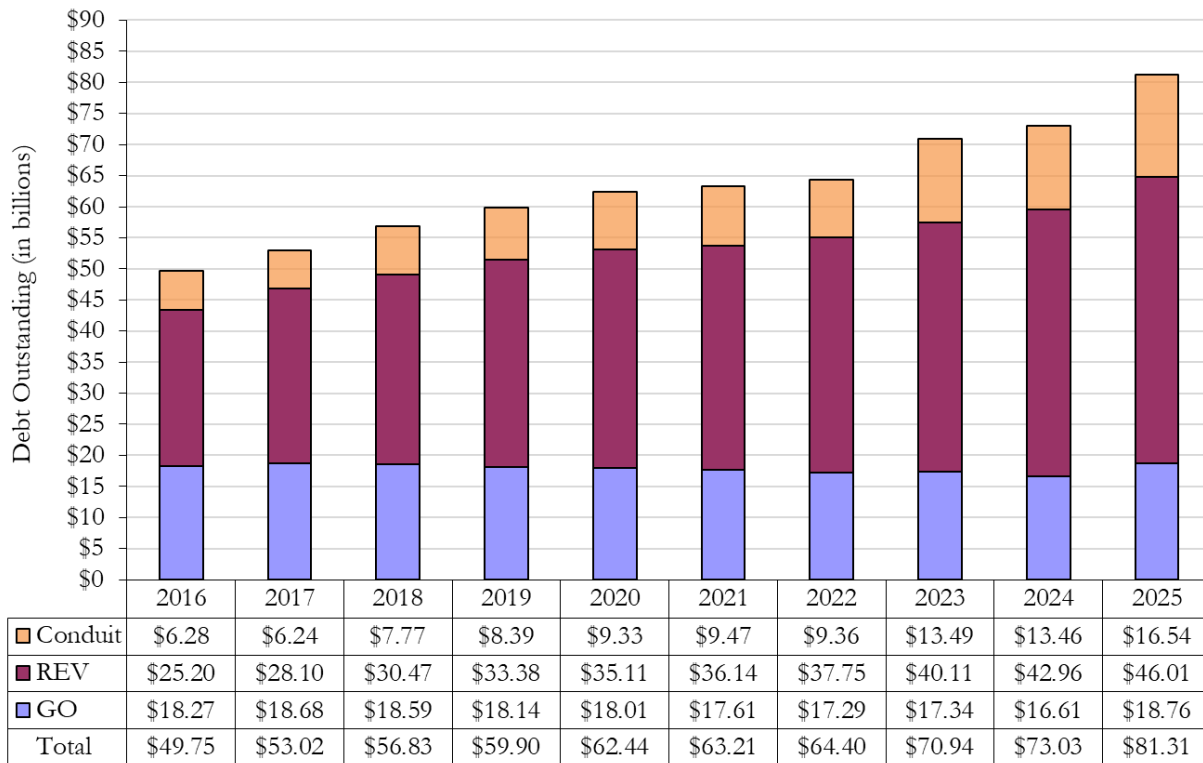
Growth Rates in Unrestricted General Revenue and Total Debt Outstanding

The state’s unrestricted general revenue (UGR) increased from \$50.62 billion in fiscal year 2016 to \$84.47 billion in fiscal year 2025, an increase of 66.9 percent over the 10-year period.

GO debt increased by 2.7 percent from \$18.27 billion in fiscal year 2016 to \$18.76 billion in fiscal year 2025. At fiscal year-end 2025, 33.0 percent of the GO debt outstanding was NSS.

Figure 2.3 illustrates Texas’ debt outstanding during the previous 10-year period by debt type.

Figure 2.3
Texas Debt Outstanding: General Obligation and Revenue for Fiscal Years 2016–2025

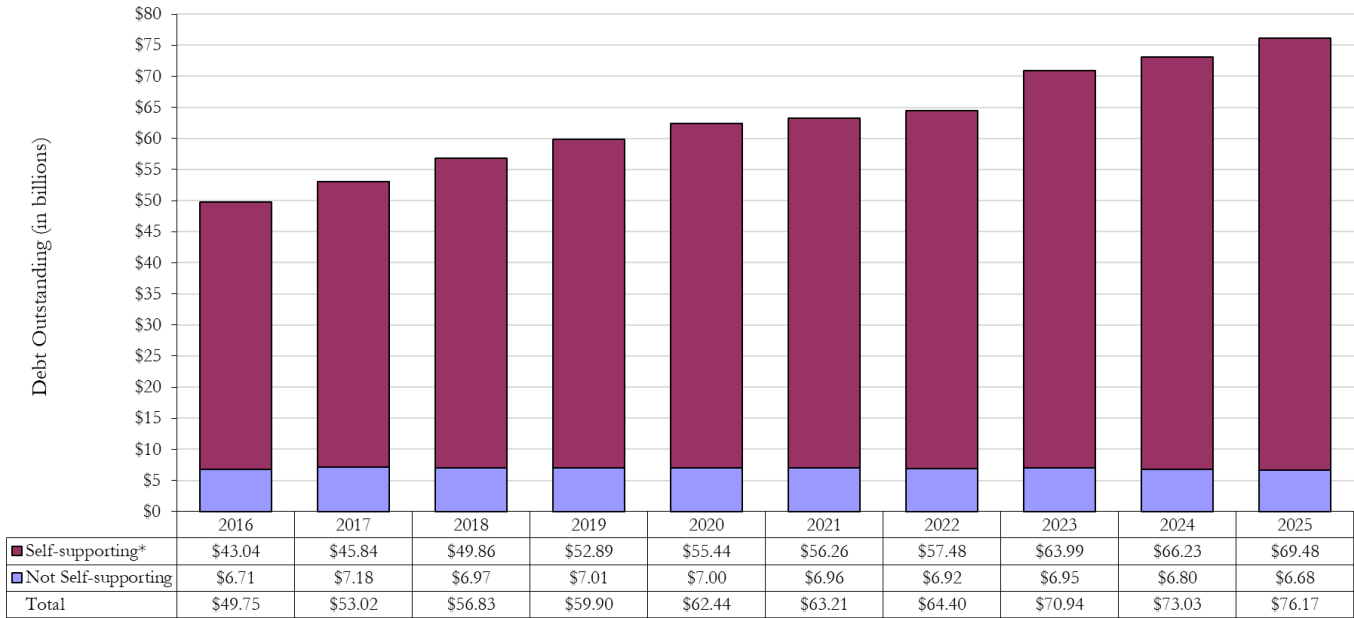


Totals may not sum due to rounding.

Source: Texas Bond Review Board.

As shown in *Figure 2.4*, SS debt (including conduit debt), which is repaid with specific program revenues, increased by 61.4 percent over the previous 10-year period. During the same period, NSS debt, which is typically repaid with general revenue, decreased by 0.3 percent. With projected issuances of NSS debt totaling approximately \$2.43 billion during fiscal years 2026–2030 and retirements of issued NSS debt projected to be \$2.20 billion during the same period, NSS debt outstanding is expected to generally remain constant in upcoming fiscal years.

Figure 2.4
Texas Debt Outstanding: Self-Supporting and Not Self-Supporting for Fiscal Years 2016–2025



*Self-supporting debt portion includes all conduit debt.

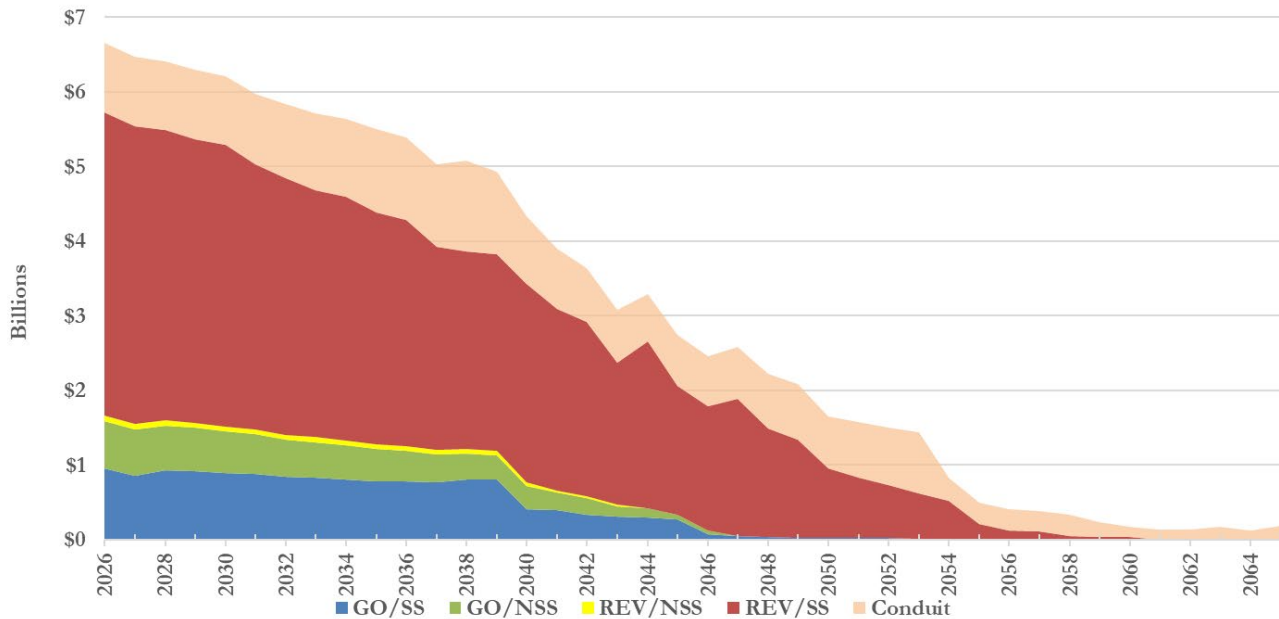
Totals may not sum due to rounding.

Source: Texas Bond Review Board.

Debt Service Commitments

Figure 2.5 illustrates the projected annual debt service for NSS and SS debt outstanding as of August 31, 2025.

Figure 2.5
Texas Debt Service on Outstanding Debt as of August 31, 2025



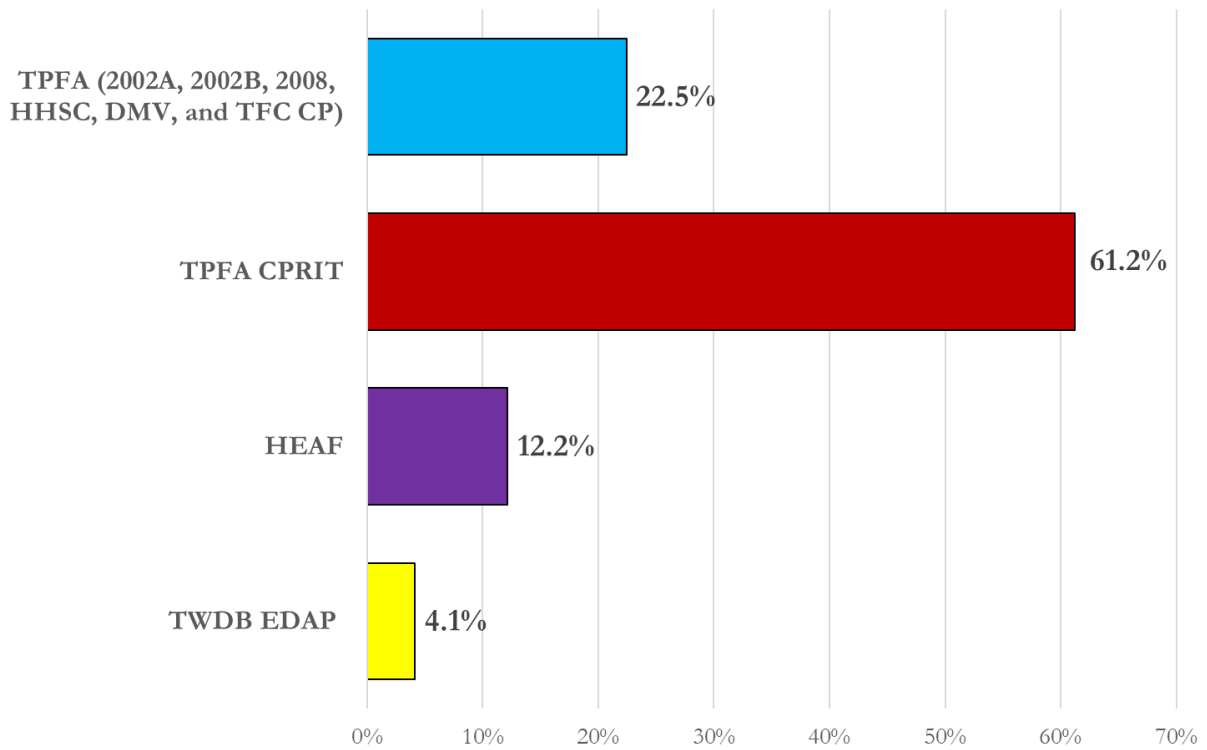
Source: Texas Bond Review Board.

Not Self-Supporting Debt

NSS debt is generally repaid from the state’s General Revenue Fund. At fiscal year-end 2025, NSS debt outstanding comprised 8.8 percent (\$6.68 billion) of the state’s total debt outstanding and consisted of 83.7 percent GO debt and 12.2 percent revenue debt.

Based on the authorizations for which the approximate issuance date is known, an estimated \$2.43 billion in projected NSS debt is expected to be issued between fiscal year 2026 and fiscal year 2030, while retirements of issued NSS debt are currently scheduled to be \$2.20 billion during the same period. The NSS debt issuances are included in each of the five ratios discussed throughout this report. Figure 2.6 shows NSS debt issuance projections by debt program for fiscal years 2026–2030.

Figure 2.6
Not Self-Supporting Debt Issuance Projections for Fiscal Years 2026–2030 (\$2.43 billion)

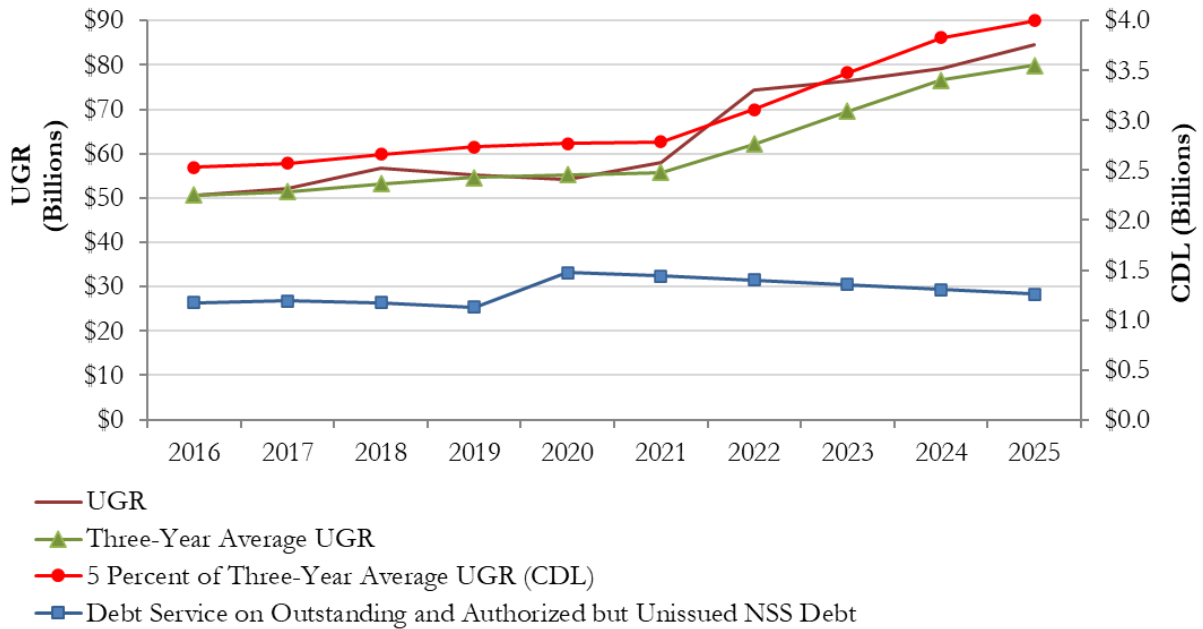


Source: Texas Bond Review Board.

The Constitutional Debt Limit

As of August 31, 2025, the Constitutional Debt Limit (CDL) remained below the maximum of 5 percent with 0.88 percent calculated for NSS debt outstanding and 1.58 percent calculated for both outstanding and authorized but unissued NSS debt. The CDL decreased 7.1 percent from the 1.70 percent calculated for outstanding and authorized but unissued debt calculated for fiscal year 2024. (See *Appendix D* for more discussion regarding the CDL.)

Figure 2.7
Unrestricted General Revenue and Constitutional Debt Limit for Fiscal Years 2016–2025



Source: Texas Bond Review Board.

The two lines at the top of *Figure 2.7* show the state’s UGR (brown line with no shapes included) and the three-year moving average for UGR (green line with triangles) used to calculate the CDL. (Note that the scale for these lines is on the left side of the graph.)

The red line with a circle in the middle of *Figure 2.7* shows the maximum amount of UGR available for debt service under the CDL, i.e., 5 percent of the moving average of the UGR. At the bottom of the figure, the blue line with squares shows debt service for outstanding and authorized but unissued NSS debt. (Note that the scale for these lines is on the right side of the graph.) The white space between the red and blue lines represents available NSS debt service capacity under the CDL.

During the 10-year period from fiscal year 2016 to fiscal year 2025, UGR increased by 66.9 percent from \$50.62 billion to \$84.47 billion, and the projected debt service for outstanding and authorized but unissued NSS debt increased by 3.8 percent from \$1.17 billion in fiscal year 2016 to \$1.26 billion in fiscal year 2025.

Chapter 3 - Debt Ratios in the Debt Capacity Model

An analysis of state debt ratios helps to assess the impact of bond issuances on the state's fiscal position. Credit rating agencies use ratios to evaluate the state's debt position and help determine its credit rating. As a mechanism for the state to determine debt affordability, the Debt Capacity Model (DCM) computes five key ratios that provide an overall view of the state's debt burden. Projections of these ratios under varying debt assumptions can provide state leadership with guidelines for decision making for future debt authorization and debt service appropriations.

Ratio 1: Not Self-Supporting Debt Service as a Percentage of Unrestricted General Revenue

Ratio 1 is calculated by dividing not self-supporting (NSS) debt service by a rolling three-year average of unrestricted general revenue (UGR). Total actual UGR for fiscal year 2025 is from Table 11 of the Comptroller of Public Account's (CPA) 2025 Annual Cash Report. The Legislative Budget Board used data from the Comptroller of Public Account's 2025 Certification Revenue Estimate (CRE) to project the UGR available for NSS debt service for fiscal years 2026 and 2027. With moderate economic growth expected over the next five years, funds available for debt service are expected to increase.

This ratio is a critical determinant of debt capacity because the ability to generate revenue through taxation and appropriate funds for debt service is within the state's control. State revenues available to pay debt service are legislatively determined by taxation on such items as sales, business franchises, fuels, crude oil production, and natural gas production. The legislature then appropriates debt service based on the amounts needed for both existing and newly authorized debt.

Target and cap limits for Ratio 1 provide the legislature with realistic benchmarks against which to weigh the fiscal impact of new bond authorizations. For the purposes of this report, guideline ratios include a 2 percent target, a 3 percent cap to provide room for growth and flexibility, and a maximum of 5 percent. Two percent is used as the target ratio because NSS debt service as a percent of UGR has historically been less than 2 percent.

Figure 3.1 shows that the annual debt service requirements as of August 31, 2025, over the next five fiscal years for issued, authorized but unissued, and projected NSS debt will increase from \$750.3 million in fiscal year 2026 to \$863.8 million by fiscal year 2030. Debt service as a percentage of UGR will increase from 0.92 percent in fiscal year 2026 to a peak of 0.97 percent in fiscal year 2028. *Figure 3.1* only considers the projected debt service ratios for NSS debt for which the state's general revenue is required for repayment. (Neither *Figure 3.1* nor Ratio 1 should be confused with the Constitutional Debt Limit (CDL) calculation. See *Appendix D* for further discussion of the CDL.)

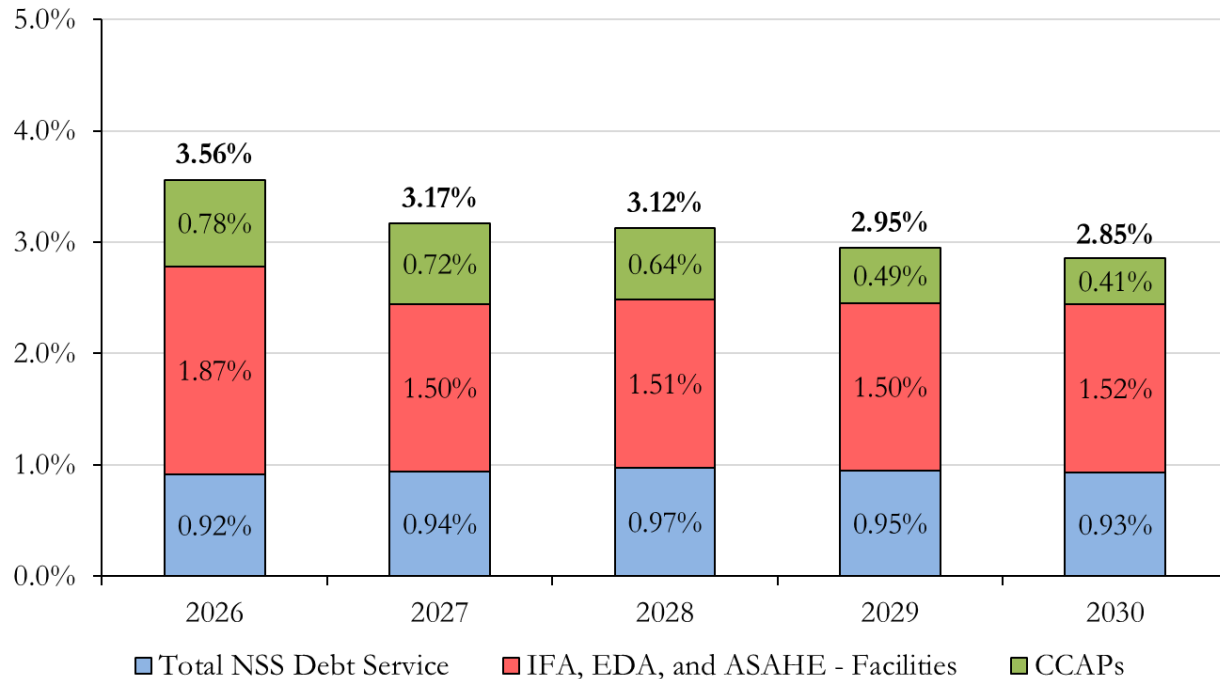
Figure 3.1
Ratio 1: Not Self-Supporting Debt Service as a Percentage of Unrestricted General Revenue for Fiscal Years 2026–2030

Fiscal Year	2026	2027	2028	2029	2030
Projected Unrestricted General Revenue	\$82,101,036,887	\$86,703,476,272	\$89,044,684,165	\$93,221,870,264	\$96,843,922,996
Not Self-Supporting					
Annual Debt Service					
Issued Debt	\$713,889,218	\$697,694,216	\$677,680,715	\$654,039,347	\$629,344,969
Authorized but Unissued Debt	\$36,427,597	\$98,966,205	\$150,204,624	\$175,964,130	\$194,360,396
Projected Debt	\$31,350	\$58,412	\$9,311,608	\$21,883,115	\$40,119,389
Total Debt Service	\$750,348,164	\$796,718,833	\$837,196,948	\$851,886,592	\$863,824,754
Debt Service as a Percentage of Unrestricted General Revenue					
Issued Debt	0.87%	0.83%	0.79%	0.73%	0.68%
plus Authorized but Unissued Debt	0.92%	0.94%	0.96%	0.93%	0.89%
plus Projected Debt	0.92%	0.94%	0.97%	0.95%	0.93%
Remaining Debt Service Capacity					
Target (2%)	\$887,733,424	\$891,771,257	\$881,797,701	\$941,246,946	\$996,911,762
Cap (3%)	\$1,706,774,218	\$1,736,016,302	\$1,741,295,025	\$1,837,813,715	\$1,927,280,020
Max (5%)	\$3,344,855,807	\$3,424,506,392	\$3,460,289,674	\$3,630,947,253	\$3,788,016,536

Sources: Texas Bond Review Board, Texas Comptroller of Public Accounts, and Legislative Budget Board.

Ratio 1 of the DCM can be used to provide various scenarios to assess the impact of increasing or decreasing the debt service capacity of Special Debt Commitments (SDCs). SDCs consist of Capital Construction Assistance Projects (CCAPs) for higher education, and the Instructional Facilities Allotment (IFA), Existing Debt Allotment (EDA), and Additional State Aid for Homestead Exemption for Facilities (ASAHE — Facilities) for public education. The impacts of these payments on total debt capacity are shown in *Figure 3.2*.

Figure 3.2
Debt Service Commitments as a Percentage of Unrestricted General Revenue



Totals may not sum due to rounding.

Sources: Texas Bond Review Board, Texas Comptroller of Public Accounts, and Legislative Budget Board.

Ratio 1 resembles the CDL calculation, but the latter includes certain items that are not included in Ratio 1. For example, because debt service for Higher Education Fund (HEF) bonds is paid from a general revenue appropriation, the CDL calculation process requires that the maximum annual debt service for these bonds be included while Ratio 1 uses annual projections for debt service.

In addition, the CDL calculation omits certain debt service for Economically Distressed Areas Program (EDAP) bonds issued by the Texas Water Development Board (TWDB). Proceeds from the sale of EDAP bonds are used to make loans or grants to local governments or other political subdivisions for projects involving water conservation, transportation, storage, and treatment. Prior to fiscal year 2020, up to 90 percent of the bonds could be used for grants, and at least 10 percent must be used to make loans. With the passage of Senate Joint Resolution (SJR) 79 (including an additional \$200 million of EDAP bonds outstanding at any one time authorized by the voters at the November 2019 general election) and Senate Bill (SB) 2452 by the 86th Legislature, 2019, up to 70 percent of the bonds now can be used for grants, and at least 30 percent must be used to make loans. For purposes of the CDL calculation, the debt service on the 30 percent used for loans is assumed to be repaid from sources other than general revenue and is omitted from the CDL calculation.

The CDL calculation for authorized but unissued debt assumes a single-issue date for all debt, level debt service, an estimated interest rate of 6 percent, and a 20-year term. By comparison, Ratio 1 uses projections provided by each issuer to reflect issuance timing, structure, and term more accurately.

For fiscal year 2026, Ratio 1 is 0.92 percent but increases to 3.56 percent with the addition of SDCs. Including SDCs, Ratio 1 reaches its peak at 3.56 percent in fiscal 2026 and decreases to 2.85 percent in fiscal year 2030. (See *Appendix C* for more information on the impact of SDCs.)

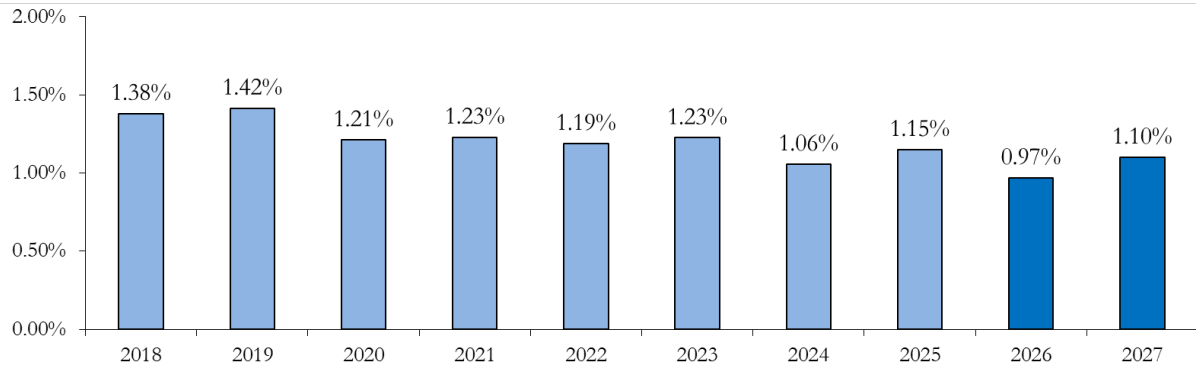
Ratio 2: Not Self-Supporting Debt Service as a Percentage of Budgeted General Revenue

This ratio is like Ratio 1 but is generally more restrictive because the amount of available general revenue in this ratio is limited to budgeted general revenue. Unlike Ratio 2, UGR in Ratio 1 is based on a rolling three-year average (fiscal years 2024–2026).

Texas expended an average of 1.21 percent of budgeted general revenue for NSS debt service in years 2018–2027. Based on the GAA for the 2026–2027 Biennium for SB 1 from the 89th Legislature, 2025, NSS debt service as a percentage of budgeted general revenue is projected to be 1.15 percent, 0.97 percent, and 1.10 percent for fiscal years 2025, 2026, and 2027, respectively. (See *Figure 3.3*.)

Figure 3.3

Ratio 2: Not Self-Supporting Debt Service as a Percentage of Budgeted General Revenue for Fiscal Years 2018–2027



Sources: Texas Bond Review Board and Legislative Budget Board.

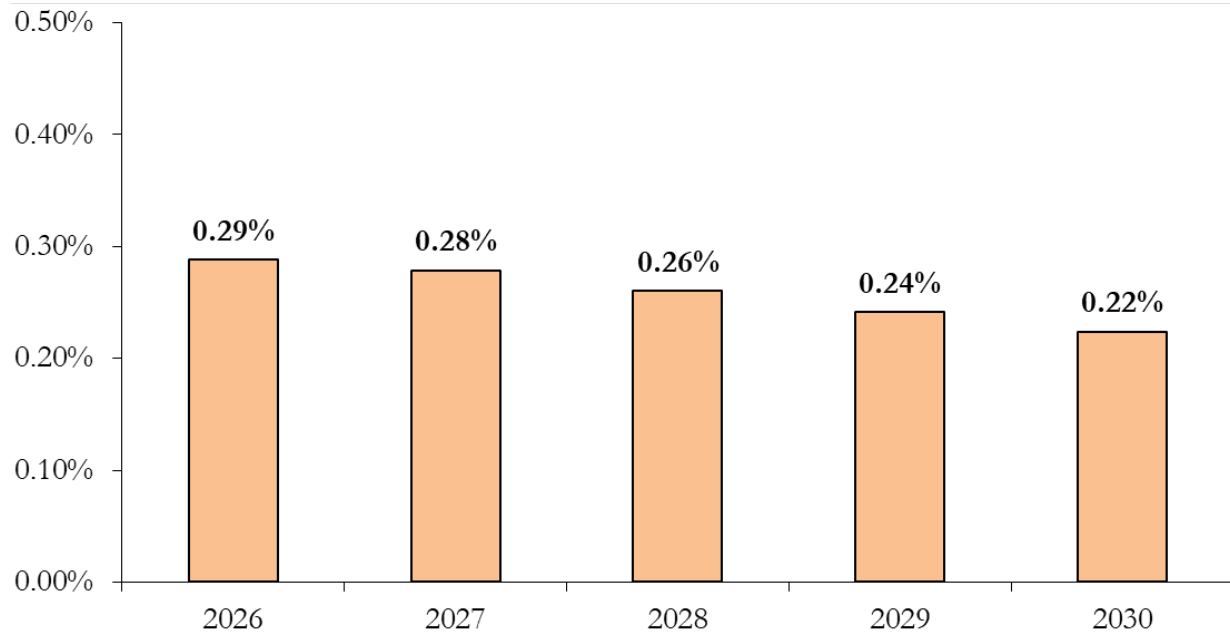
Ratio 3: Not Self-Supporting Debt as a Percentage of Personal Income

Ratio 3 is NSS debt divided by total personal income and is an indicator of a government’s ability to repay debt obligations by transforming personal income into revenues through taxation. The rating agencies review this ratio when establishing the state’s credit rating.

Based on personal income projections from the CPA’s Fall 2024 Texas Economic Forecast, Ratio 3 peaks in fiscal year 2026 at 0.29 percent (*Figure 3.4*). Standard & Poor’s (S&P) considers a debt burden of less than 2 percent to be low.

Figure 3.4

Ratio 3: Not Self-Supporting Debt as a Percentage of Personal Income for Fiscal Years 2026–2030



Sources: Texas Bond Review Board and Texas Comptroller of Public Accounts.

Ratio 4: Not Self-Supporting Debt per Capita

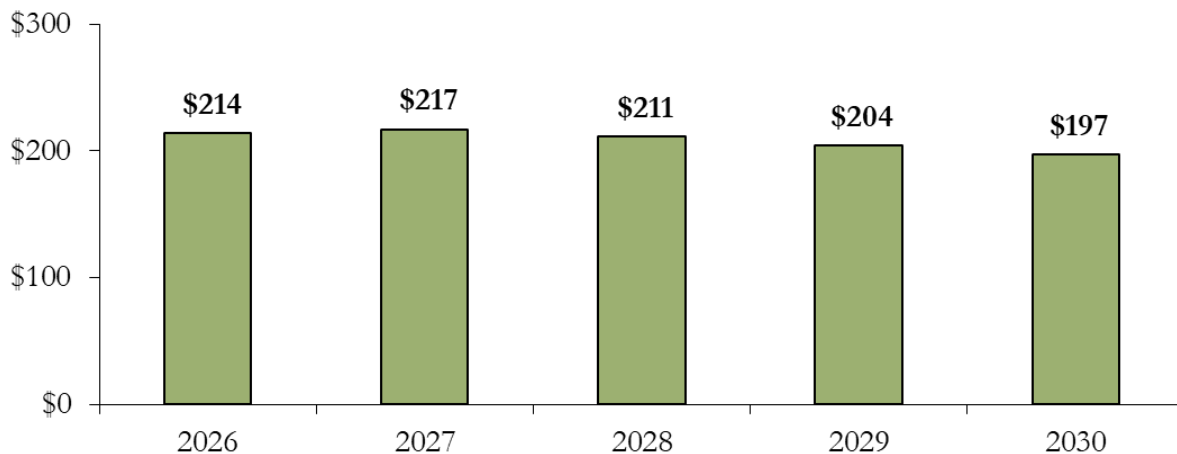
Ratio 4 is the amount of NSS debt divided by the state’s population and measures the dollar amount of debt per person. Like Ratio 3, the rating agencies review this ratio when establishing the state’s credit rating.

Based on population projections in the CPA’s Fall 2025 Texas Economic Forecast, the NSS debt per capita is expected to peak at \$217 in fiscal year 2027 and is projected to decrease to \$197 in fiscal year 2030 (Figure 3.5). S&P considers less than \$500 of state debt per capita to be low.

Although tax-supported debt per capita and debt as a percentage of personal income at the state level are low, it is important to note that Texas’ local debt burden is higher than other states. Among the nation’s 10 most populous states, Texas ranks second in population and seventh in total (general obligation (GO) and revenue) state debt per capita but third in total local debt per capita with an overall rank of third for total state and local debt per capita. Approximately 82.2 percent of the state’s total debt is local debt. (Sources: U.S. Census Bureau, State and Local Government Finances by Level of Government and by State, 2023; U.S. Census Bureau, Population Division, July 2025 data, released January 2026. Both sources are the most recent data available.) See *Appendix F* for a comparison of Texas’ debt with that of other states.

Figure 3.5

Ratio 4: Not Self-Supporting Debt per Capita for Fiscal Years 2026–2030



Sources: Texas Bond Review Board and Texas Comptroller of Public Accounts.

Ratio 5: Rate of Debt Retirement

The rate of debt retirement is calculated as Ratio 5 in the DCM. This rate measures the extent to which new debt capacity is created for future debt issuance. Level principal payments result in more rapid repayment of principal than other structures such as level debt service payments. Annual debt service is higher in the earlier years for debt structured with level principal payments, but the more rapid principal amortization results in lower overall interest costs and more rapid replacement of debt capacity than level debt service payments. Credit rating agencies use the rate of principal retirement for NSS debt as a measure of the state’s debt capacity and have benchmarked a rate of 25 percent of the principal amount of 20-year maturities to be retired in five years and 50 percent in 10 years.

Of Texas’ NSS debt outstanding as of August 31, 2025, 33.0 percent will be retired in five years, and 62.8 percent will be retired in 10 years (see *Figure 3.6*). These figures meet the rating agency benchmarks. In 15 years, approximately 88.1 percent of NSS debt will be retired, and all outstanding NSS bonds are expected to mature by fiscal year 2046.

Approximately 20.5 percent of the state’s self-supporting (SS) debt will be retired in five years, and 42.0 percent of debt will be retired in 10 years. The slower rate of retirement for SS debt is due in part to the use of level debt service and other forms of delayed principal repayment as well as the issuance of debt with maturities of 30 years or more to match the useful life of the projects financed (e.g., housing, highways, and water development programs). All outstanding SS bonds are expected to mature by fiscal year 2065.

Figure 3.6
Ratio 5: Rate of Debt Retirement in 5 and 10 Years for Not Self-Supporting and Self-Supporting Debt

As of August 31, 2025	5 Years	10 Years
Not Self-Supporting Debt	33.0%	62.8%
Self-Supporting Debt	20.5%	42.0%

Source: Texas Bond Review Board.

Chapter 4 - Conclusion

The 80th Legislature, 2007, mandated the Texas Bond Review Board (BRB), in consultation with the Legislative Budget Board (LBB), to prepare annually the state's Debt Affordability Study (DAS). The DAS and its Debt Capacity Model provide the state's policymakers, leadership, and credit rating agencies with a comprehensive tool to evaluate current and proposed debt levels.

Chapter 1231 of the Texas Government Code requires the DAS to include a target and cap for Ratio 1, both of which can be adjusted as requested or as directed by the BRB or LBB. Since Texas has historically appropriated less than 2 percent of its unrestricted general revenue (UGR) for not self-supporting (NSS) debt service, this study utilizes 2 percent as the target, 3 percent as the cap, and 5 percent as the maximum for the key ratio, NSS Debt Service as a Percentage of UGR (Ratio 1).

Major Findings

- With moderate economic growth expected over the next five years, the state's General Revenue Fund is expected to increase for fiscal years 2026–2030. Assuming projected NSS debt issuance of \$2.43 billion over the same period, Ratio 1 remains below the target of 2 percent, peaking at 0.97 percent in fiscal year 2029. Assuming general revenues available for NSS debt service average \$8 billion less per year than originally forecast, the ratio peaks at 0.97 percent in fiscal year 2029 and remains below the 2 percent target.
- Including Special Debt Commitments (SDCs) (Capital Construction Assistance Projects (CCAPs) for higher education, and Instructional Facilities Allotment (IFA), Existing Debt Allotment (EDA), and Additional State Aid for Homestead Exemption for Facilities (ASAHE — Facilities for public education)) and NSS debt, total debt service expected to be paid from general revenue appropriations peaks at 3.30 percent in fiscal year 2026 and decreases to 2.73 percent in fiscal year 2030. (See *Figure 1.2, Chapter 3, Figure 4.1, and Appendix C.*)
- For the five-year period, SDCs are projected to account for 74.3 percent in fiscal year 2026 down to 67.9 percent in fiscal year 2030 of total debt service expected to be paid from general revenue appropriations.
- At fiscal year-end 2025, BRB staff estimated that approximately \$31.40 billion in additional NSS debt capacity was available before reaching the CDL.
- NSS debt as a percentage of personal income and debt per capita is expected to be better than rating agency benchmarks through fiscal year 2030.
- The rates of debt retirement for NSS debt outstanding for the five-year and 10-year periods are expected to exceed the rating agency benchmarks.
- Ratio 1 remains below the 2 percent target after a one-time hypothetical debt issuance of \$1 billion in addition to the \$2.43 billion of NSS debt expected to be issued over the next five fiscal years.
- Assuming \$2.43 billion is projected NSS debt issuance over the next five fiscal years coupled with scheduled retirements projected to be \$2.15 billion, NSS debt outstanding is expected to generally remain constant in upcoming fiscal years.
- As of August 31, 2025, state-funded pensions had approximately \$52.07 billion unfunded actuarial accrued liability (UAAL). (See *Appendix H.*)

Figure 4.1
Summary of Ratios 1–5

Fiscal Year	2026		2027		2028		2029		2030						
RATIO 1: Not Self-Supporting Debt Service as a Percentage of Unrestricted General Revenue															
NSS Debt Service															
Issued	\$	713,889,218	0.91%	\$	697,694,216	0.86%	\$	677,680,715	0.80%	\$	654,039,347	0.74%	\$	629,344,969	0.69%
Authorized but Unissued	\$	36,427,597	0.03%	\$	98,966,205	0.08%	\$	150,204,624	0.14%	\$	175,964,130	0.19%	\$	175,964,130	0.19%
Projected	\$	31,350	0.01%	\$	58,412	0.01%	\$	9,311,608	0.02%	\$	21,883,115	0.04%	\$	40,119,389	0.06%
Total NSS Debt Service (excluding SDCs)	\$	750,348,165	0.95%	\$	796,718,833	0.95%	\$	837,196,947	0.96%	\$	851,886,592	0.97%	\$	845,428,488	0.94%
Special Debt Commitments	\$	2,166,147,637	2.36%	\$	1,876,449,207	2.23%	\$	1,847,387,178	2.06%	\$	1,790,101,257	1.90%	\$	1,790,642,595	1.79%
Total NSS and SDCs Debt Service	\$	2,916,495,802	3.30%	\$	2,673,168,040	3.18%	\$	2,684,584,125	3.02%	\$	2,641,987,849	2.87%	\$	2,636,071,083	2.73%
SDCs as a % of Total		74.3%		70.2%		68.8%		67.8%		67.9%					
Remaining Debt Service Capacity excluding SDCs*															
Target (2%)	\$	887,733,424	1.05%	\$	891,771,257	1.05%	\$	881,797,701	1.04%	\$	941,246,946	1.03%	\$	996,911,762	1.06%
Cap (3%)	\$	1,706,774,218	2.05%	\$	1,736,016,302	2.05%	\$	1,741,295,025	2.04%	\$	1,837,813,715	2.03%	\$	1,927,280,020	2.06%
Max (5%)	\$	3,344,855,807	4.05%	\$	3,424,506,324	4.05%	\$	3,460,289,674	4.04%	\$	3,630,947,253	4.03%	\$	3,788,016,536	4.06%
Remaining Debt Service Capacity including SDCs*															
Target (2%)	\$	(1,278,414,213)	-1.30%	\$	(984,677,950)	-1.18%	\$	(965,589,477)	-1.02%	\$	(848,854,311)	-0.87%	\$	(793,730,833)	-0.73%
Cap (3%)	\$	(459,373,419)	-0.30%	\$	(140,432,905)	-0.18%	\$	(106,092,152)	-0.02%	\$	47,712,458	0.13%	\$	136,637,425	0.27%
Max (5%)	\$	1,178,708,169	1.70%	\$	1,548,057,185	1.82%	\$	1,612,902,496	1.98%	\$	1,840,845,996	2.13%	\$	1,997,373,941	2.27%
RATIO 2: Not Self-Supporting Debt Service as a Percentage of Budgeted General Revenue															
		0.97%		1.10%											
RATIO 3: Not Self-Supporting Debt as a Percentage of Personal Income															
		0.29%		0.28%		0.26%		0.24%		0.22%					
RATIO 4: Not Self-Supporting Debt per Capita															
		\$214		\$217		\$211		\$204		\$197					
RATIO 5: Rate of Debt Retirement															
		5 Years	10 Years												
Not Self-Supporting Debt		33.0%	62.8%												
Self-Supporting Debt		20.5%	42.0%												

* Debt service capacity is the estimated available capacity to meet target, cap, or maximum percentages.

Totals may not sum due to rounding.

Sources: Texas Bond Review Board, Texas Comptroller of Public Accounts, and Legislative Budget Board.

Appendix A - Methodology and the Debt Capacity Model

The core of the Debt Affordability Study is the Debt Capacity Model (DCM), which uses revenue and debt information to calculate the five debt ratios described in the study. This financial model provides a platform for economic sensitivity analyses by considering the state’s financial condition, economic and demographic trends, and outstanding debt levels. Local debt and pension liabilities were omitted from the analysis in the DCM.

Economic Assumptions

The DCM contains three separate scenarios of general revenue available for not self-supporting (NSS) debt service to show the effect of economic factors on additional debt capacity (*Figure A1*). The model uses information and projections for fiscal year 2026 through fiscal year 2035 for general revenues, personal income, and population changes.

Scenario A (base scenario) uses a 10-year average for general revenues available for NSS debt service (i.e., 3.49 percent growth for fiscal years 2026–2035), personal income (i.e., 5.17 percent growth for fiscal years 2026–2035), and population change (e.g., 0.91 percent growth for fiscal years 2026–2035). All the figures listed in this report are based on Scenario A.

Scenario B (positive scenario) reflects a 0.5 percent increase in available general revenues over the base scenario. Total personal income and population change are based on the highest annual growth rate during the 10-year period.

Scenario C (negative scenario) assumes a 0.5 percent decrease relative to the base scenario in general revenues available for NSS debt service. Total personal income and population changes are based on the lowest annual growth rate during the 10-year period.

Figure A1
Percentage Growth Rates of Economic Factors Used in the Debt Capacity Model

Economic Factor	Base Scenario (A)	Positive Scenario (B)	Negative Scenario (C)
Revenues Available for Debt Service	3.49	3.99	2.99
Total Personal Income	5.17	5.73	4.81
Population Change	0.91	0.97	0.85

Sources: Texas Bond Review Board, Comptroller of Public Accounts, and Legislative Budget Board.

Unrestricted General Revenue Available for NSS Debt Service

The Legislative Budget Board (LBB) obtained unrestricted general revenue (UGR) data for fiscal year 2025 from Table 11 of the Texas Comptroller of Public Accounts’ (CPA) 2025 State of Texas Annual Cash Report.

The LBB used data from the CPA’s 2025 Certification Revenue Estimate (CRE) to project the UGR available for NSS debt service for fiscal years 2026 and 2027. After fiscal year 2027, the LBB used the rate of growth for most tax revenue sources to match rates from the baseline scenario of the CPA’s 2016 House Bill (HB) 32 report

(<https://www.comptroller.texas.gov/transparency/reports/hb32/96-1792.pdf>).

Some exceptions to this method must be noted:

- Cigarette tax revenues were adjusted to reflect their irregular collection cycle.
- Revenues from the natural gas tax and oil production tax were estimated using the CPA's 2025 CRE forecast for natural gas and oil prices and production.
- Certain minor revenue sources that were estimated by the CPA to have no growth between fiscal year 2026 and fiscal year 2027 were maintained at the fiscal year 2027 level throughout the forecast period.
- The revenue forecast does not include tax revenue deposited into the Property Tax Relief Fund or the Tax Relief and Excellence in Education Fund because these revenues are statutorily dedicated.

The 89th Legislature, 2025, created one new constitutional restriction and one new statutory restriction. House Joint Resolution 7 requires the Comptroller to deposit the first \$1 billion of sales tax collections that exceed \$46.5 billion of revenue deposited to the treasury in a fiscal year to the credit of the Texas Water Fund, beginning in fiscal year 2028. This deposit expires at the end of fiscal year 2047. Senate Bill 22 requires the Comptroller to deposit \$300 million of sales tax collections in each biennium into the Texas moving image industry incentive fund. The first deposit was made at the beginning of the 2026-27 biennium, and this deposit will expire after the 2034-35 biennium. Previously all of the aforementioned sales tax was deposited to the General Revenue fund as unrestricted revenue.

Various scenarios can be generated at any time by simply varying the forecast assumptions in the DCM.

Appendix B - Debt Capacity – Ratio Analysis

The information presented in this Appendix focuses on existing and projected debt issuances for not self-supporting (NSS) debt. Existing debt consists of both issued and authorized but unissued debt, with a line item for each in the Ratio analyses.

Figure B1 illustrates Ratio 1 (Not Self-Supporting Debt Service as a Percentage of Unrestricted General Revenue), assuming current and projected debt levels for fiscal years 2026–2030. As discussed in *Chapter 3*, if no new debt is added to the existing or projected issuances, NSS debt service as a percentage of unrestricted general revenue (UGR) will be less than the 2 percent target. The ratio is projected to be 0.92 percent in fiscal year 2026 with a high of 0.97 percent in fiscal year 2028.

The report uses 2 percent as the target and 3 percent as the cap for Ratio 1. Based on projections from fiscal year 2026 through fiscal year 2030 for UGR and approximately \$2.43 billion of NSS debt issuances, the 2 percent target for Ratio 1 would not be exceeded. (See *Chapter 1* and *Appendix D* for a list of projected debt issuances.) For fiscal years 2026–2030 under the 2 percent target, the state’s additional debt service capacity ranges from a low of \$881.8 million for fiscal year 2026 to a high of \$996.9 million for fiscal year 2030.

Figure B1
Ratio 1: Not Self-Supporting Debt Service as a Percentage of Unrestricted General Revenue for Fiscal Years 2026–2030

Fiscal Year	2026	2027	2028	2029	2030
Projected Unrestricted General Revenue	\$82,101,036,887	\$86,703,476,272	\$89,044,684,165	\$93,221,870,264	\$96,843,922,996
Not Self-Supporting					
Annual Debt Service					
Issued Debt	\$713,889,218	\$697,694,216	\$677,680,715	\$654,039,347	\$629,344,969
Authorized but Unissued Debt	\$36,427,597	\$98,966,205	\$150,204,624	\$175,964,130	\$194,360,396
Projected Debt	\$31,350	\$58,412	\$9,311,608	\$21,883,115	\$40,119,389
Total Debt Service	\$750,348,164	\$796,718,833	\$837,196,948	\$851,886,592	\$863,824,754
Debt Service as a Percentage of Unrestricted General Revenue					
Issued Debt	0.87%	0.83%	0.79%	0.73%	0.68%
plus Authorized but Unissued Debt	0.92%	0.94%	0.96%	0.93%	0.89%
plus Projected Debt	0.92%	0.94%	0.97%	0.95%	0.93%
Remaining Debt Service Capacity					
Target (2%)	\$887,733,424	\$891,771,257	\$881,797,701	\$941,246,946	\$996,911,762
Cap (3%)	\$1,706,774,218	\$1,736,016,302	\$1,741,295,025	\$1,837,813,715	\$1,927,280,020
Max (5%)	\$3,344,855,807	\$3,424,506,392	\$3,460,289,674	\$3,630,947,253	\$3,788,016,536

Sources: Texas Bond Review Board, Texas Comptroller of Public Accounts, and Legislative Budget Board.

The Debt Capacity Model (DCM) provides policymakers with the ability to review the impact of a state bond financed project or projects of any size on the state’s finances. *Figure B2* shows the impact of new NSS debt authorizations on Ratio 1. The first scenario assumes a \$250 million project, and the second scenario assumes a \$1 billion project. For purposes of this analysis, the debt is assumed to have been issued in September 2025 and the first debt service payments to have been made in February 2026. The examples also assume a 20-year repayment term with 6 percent interest and level principal payments.

Figure B2
Impact of Additional Debt on Ratio 1

Fiscal Year	2026	2027	2028	2029	2030
Debt Service as a Percent of Unrestricted General Revenue					
Actual	0.92%	0.94%	0.97%	0.95%	0.93%
With \$250M Project	0.95%	0.98%	1.00%	0.98%	0.95%
With \$1B Project	1.04%	1.07%	1.10%	1.06%	1.03%
Remaining Debt Service Capacity					
Target (2%)					
Actual	\$887,733,424	\$891,771,257	\$881,797,701	\$941,246,946	\$996,911,762
With \$250M Project	\$861,454,257	\$864,992,090	\$855,768,534	\$915,967,780	\$972,382,595
With \$1B Project	\$782,616,757	\$784,654,590	\$777,681,034	\$840,130,280	\$898,795,095
Cap (3%)					
Actual	\$1,706,774,218	\$1,736,016,302	\$1,741,295,025	\$1,837,813,715	\$1,927,280,020
With \$250M Project	\$1,680,495,052	\$1,709,237,135	\$1,715,265,859	\$1,812,534,549	\$1,902,750,853
With \$1B Project	\$1,601,657,552	\$1,628,899,635	\$1,637,178,359	\$1,736,697,049	\$1,829,163,353

Source: Texas Bond Review Board.

The \$250 million project would decrease annual debt service capacity by approximately \$26.3 million in 2026, and Ratio 1 would rise approximately three basis points (bps) (0.03 percent) in fiscal year 2026. This percentage remains below the target ratio of 2 percent for the five-year period.

The \$1 billion project would decrease annual debt service capacity by approximately \$105.1 million in 2026, and Ratio 1 would rise approximately 12 bps (0.12 percent) in fiscal year 2026. With the \$1 billion project, this percentage remains below the target ratio of 2 percent for the five-year period.

For the \$1 billion project, Ratio 2 (Not Self-Supporting Debt Service as a Percentage of Budgeted General Revenue) would increase from 0.97 percent to 1.11 percent in fiscal year 2026, and from 1.10 to 1.25 percent in fiscal year 2027.

Figure B3 illustrates Ratio 3 (Not Self-Supporting Debt as a Percentage of Personal Income) for fiscal years 2026–2030. For this period, the state will maintain a percentage of NSS debt to personal income below 0.50 percent during the five-year period. The effects of the assumed \$250 million and \$1 billion projected debt are also shown in Figure B3. If \$1 billion of projected debt is added, this ratio would peak at 0.30 percent in fiscal year 2026.

Figure B3

Ratio 3: Not Self-Supporting Debt as a Percentage of Personal Income for Fiscal Years 2026–2030

Fiscal Year	2026	2027	2028	2029	2030
Not Self-Supporting Debt					
Beginning Outstanding	\$6,676,570,000	\$6,894,708,480	\$7,056,493,863	\$6,933,510,529	\$6,764,453,267
Planned Issuances	\$676,208,831	\$647,722,500	\$388,010,874	\$357,499,109	\$357,672,900
Retirements - Existing Debt	\$445,354,533	\$444,435,950	\$444,025,416	\$438,731,313	\$431,765,748
Retirements - New Debt	\$12,715,818	\$41,501,167	\$66,968,792	\$87,825,058	\$107,907,391
Ending Outstanding	\$6,894,708,480	\$7,056,493,863	\$6,933,510,529	\$6,764,453,267	\$6,582,453,028
Total Personal Income	2,393,930,772,533	2,531,063,211,612	2,663,208,291,798	2,797,269,558,864	2,937,524,116,764
Not Self-Supporting Debt as a Percentage of Personal Income					
with \$250 million project	0.29%	0.28%	0.26%	0.24%	0.22%
with \$1 billion project	0.27%	0.26%	0.24%	0.23%	0.21%
with \$1 billion project	0.30%	0.29%	0.27%	0.25%	0.24%

Sources: Texas Bond Review Board and Texas Comptroller of Public Accounts.

Figure B4 illustrates the impact of the \$250 million and \$1 billion projects on Ratio 4 (Not Self-Supporting Debt per Capita).

Figure B4

Ratio 4: Not Self-Supporting Debt per Capita for Fiscal Years 2026–2030

Fiscal Year	2026	2027	2028	2029	2030
Not Self-Supporting Debt Outstanding	\$6,894,708,480	\$7,056,493,863	\$6,933,510,529	\$6,764,453,267	\$6,582,453,028
Projected Population	32,210,963	32,500,146	32,800,240	33,119,042	33,437,056
Not Self-Supporting Debt per Capita	\$214	\$217	\$211	\$204	\$197
with \$250 million project	\$201	\$204	\$198	\$191	\$184
with \$1 billion project	\$224	\$227	\$221	\$214	\$207

Sources: Texas Bond Review Board and Texas Comptroller of Public Accounts.

The \$250 million and \$1 billion project scenarios are structured with level principal payments over the 20-year term and do not impact Ratio 5 (Rate of Debt Retirement) because Ratio 5 is calculated using authorized and issued debt and does not consider projected debt. For fiscal years 2026–2035, the NSS debt issued for both the \$250 million and \$1 billion projects is retired at a rate of approximately 50 percent in 10 years.

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Appendix C - Special Debt Commitments – CCAPs, EDA, and IFA

Two distinct versions of Ratio 1 (Not Self-Supporting Debt Service as a Percentage of Unrestricted General Revenue) have been computed. The first considers only debt service for not self-supporting (NSS) debt for which the state is legally obligated. The second shows the impact of Special Debt Commitments (SDC) on the Debt Capacity Model (DCM) ratios. Although not legal obligations of the state, the state appropriates debt service for SDC, which includes Capital Construction Assistance Projects (CCAPs) for higher education, and the Existing Debt Allotment (EDA), Instructional Facilities Allotment (IFA), and Additional State Aid for Homestead Exemption for Facilities (ASAHE — Facilities) for public education. The following tables provide policymakers with metrics to review not only the impact of NSS debt but also the impact of these SDC, which are paid with general revenue.

Description of Special Debt Commitments

Three SDC are either reimbursed by or receive a contribution from the state. These obligations include:

Capital Construction Assistance Projects (CCAPs)

CCAPs are revenue bonds issued by the individual higher education institutions or systems or the Texas Public Finance Authority (on behalf of certain institutions) for new building construction or renovation. The legislature must authorize the projects in statute, and CCAPs cannot be used for auxiliary space, such as dormitories. All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain “revenue funds” as defined in the Texas Education Code, Chapter 55. Though legally secured through an institution’s tuition and fee revenue, the state historically has used general revenue to reimburse the universities for debt service for these bonds. The 84th Legislature, 2015, authorized \$3.10 billion in CCAP debt with the passing of House Bill (HB) 100. The passage of SB 52 during the 87th Legislature, Third Called Session, 2021, authorized certain college systems, universities, and university systems to issue additional CCAPs in the aggregate amount of approximately \$3.35 billion. These CCAP authorizations are included in the debt ratio calculations for outstanding and authorized but unissued debt projections in the DCM.

Instructional Facilities Allotment (IFA)

A component of the Foundation School Program, the IFA program was authorized in HB 4 by the 75th Legislature, 1997. The provisions that authorize the IFA program are incorporated into the Texas Education Code as Chapter 46, Subchapter A. The IFA program provides appropriated assistance to school districts (ISD or district) on qualifying bonds and lease-purchase agreements legally secured by the ISD. Districts must apply to the Texas Education Agency (TEA) to receive assistance. Bond or lease-purchase proceeds must be used for the construction or renovation of an instructional facility. A maximum allotment is determined based upon the lesser of: (1) annual debt service payments or (2) the greater of \$100,000 or \$250 per student in average daily attendance (ADA).

Expansion of the IFA program through new award cycles is contingent on a specific appropriation for that purpose each biennium. Appropriations for the current biennium do not include additional funding for new awards. The estimates below assume no additional IFA awards in fiscal year 2026 and beyond.

Existing Debt Allotment (EDA)

A component of the Foundation School Program, the 76th Legislature, 1999, added Subchapter B to Chapter 46 of the Texas Education Code to create the EDA in 1999. The EDA is like the IFA program in that it provides appropriated assistance by equalizing local tax effort.

General obligation (GO) bonds of the ISD that have been issued during a biennium, with the first payment made during that biennium, are automatically eligible for EDA in the following biennium without the need for legislative action.

EDA equalizes local interest and sinking (I&S) fund tax effort that is not receiving IFA funding with a maximum rate of \$0.29 per \$100 of valuation. Prior to fiscal year 2019, the guaranteed yield for EDA provided \$35 per student in ADA per penny of tax effort. As a result of House Bill (HB) 21, 85th Legislature, First Called Session, 2017, the yield increased to the lesser of \$40 or the amount that results in an additional \$60 million in state aid over the amount of state aid to which districts would have been entitled at a \$35 yield, beginning in fiscal year 2019.

EDA funding is shared between state and local resources. In addition to the \$0.29 limit, the amount of state aid on eligible bonds during the current biennium (2026–2027) is further limited by the effective rate determined by fiscal year 2025 I&S tax collections. If a district's fiscal year 2025 tax rate did not include tax effort for newly eligible bonds, it is possible the district may not receive EDA funding for those bonds until state fiscal year 2028, depending on local circumstances.

The EDA program operates without applications and has no award cycles. Instead, the program is based on a statutory definition of eligible debt, presently determined by the first payment of debt service in accordance with the Texas Education Code, Section 46.033. Refunding bonds as defined by the Texas Education Code, Section 46.007, are also eligible for EDA assistance. Only GO debt is eligible for the program. The projects originally financed by the debt do not impact eligibility since no restriction to instructional facilities exists.

In 2015, the 84th Legislature increased the amount of homestead valuation that is exempt from school property taxation from \$15,000 to \$25,000. The IFA and EDA structures deliver additional state aid in response to changes in a school district's tax base but do not fully replace the local I&S revenue lost due to the change in the homestead exemption. Beginning with fiscal year 2016, Section 46.071 of the Texas Education Code provides qualifying school districts additional state support to replace local I&S revenue lost due to the increase in the homestead exemption. State support under this provision is limited to the lesser of actual IFA and EDA eligible debt service for bonds each year or IFA and EDA eligible debt service for bonds as of September 1, 2015. For each year, the additional state support to replace local I&S revenue represents the difference between the calculated loss of local revenue associated with allowable debt service and the amount of additional state aid generated by the existing IFA and EDA funding structures in response to the change in taxable value resulting from the increase in the homestead exemption. In keeping with Section 46.071 of the Texas Education Code, this Additional State Aid for Homestead Exemption (ASAHE) for Facilities, which supports eligible debt service, is commonly called the ASAHE — Facilities.

Subsequent legislatures further increased the homestead exemption from \$25,000 to \$40,000, and from \$40,000 to \$100,000. With the passage of Senate Bill (SB) 4 in the 89th Legislature, 2025, the residence homestead exemption increased from \$100,000 to \$140,000. The 89th Legislature also

passed SB 23, which increased the additional homestead exemption for the elderly and disabled from \$10,000 to \$60,000.

Each additional increase to the homestead exemption above \$25,000 also expanded ASAHE to cover the increase. For each increase, state support for ASAHE is limited to the lesser of actual IFA and EDA eligible debt service for bonds each year or IFA and EDA eligible debt service for bonds as of September 1 of a targeted fiscal year. For the increase from \$40,000 to \$100,000 only, eligible debt also includes debt authorized by voters but not yet issued as of September 1, 2023. Additionally, SB 4 and SB 23 included provisions to limit state support for ASAHE to the amount required to pay debt service on bonds for the school year.

State costs for IFA, EDA, and ASAHE — Facilities support for local I&S revenue loss are estimated based on currently available data. Updates to key source data, including local debt service, student counts, property values, and tax rates, may change estimated state costs for IFA, EDA, and ASAHE — Facilities significantly.

By statute, both IFA and EDA have a higher priority for appropriations than any other portion of the Foundation School Program. The Foundation School Program, of which state support for school district bond indebtedness is a part, contains additional revenue sources not included in the definition of unrestricted general revenue (UGR) that are available to fund the state’s obligations for IFA, EDA, and ASAHE — Facilities. These sources include lottery proceeds, the Property Tax Relief Fund, the Tax Reduction and Excellence in Education Fund, and school district recapture payments.

Figure C1 shows the projected annual appropriated payments to be made for CCAPs, IFA, EDA, and ASAHE — Facilities, assuming no further statutory changes are made to IFA and EDA guarantee levels or eligibility. The estimates below assume no additional IFA awards in fiscal year 2026 and beyond.

Figure C1
Annual Projected Debt Appropriation Payments for Special Debt Commitments for Fiscal Years 2026–2030

Commitment Estimates	2026	2027	2028	2029	2030
Special Debt					
Outstanding CCAPs	\$ 604,934,910	\$ 577,694,527	\$ 516,623,766	\$ 409,960,708	\$ 347,514,334
Authorized but Unissued CCAPs*	33,061,055	33,060,700	33,061,080	33,061,100	33,060,420
Instructional Facilities Allotment	48,967,295	54,795,896	46,721,729	40,323,595	34,047,592
Existing Debt Allotment	81,715,958	58,146,443	48,214,777	39,393,632	33,019,743
ASAHE - Facilities**	1,397,468,419	1,152,751,641	1,202,765,826	1,267,362,222	1,343,000,506
Total Debt Service	\$ 2,166,147,637	\$ 1,876,449,207	\$ 1,847,387,178	\$ 1,790,101,257	\$1,790,642,595

*Debt service based on \$1.73 billion authorized but unissued CCAP authority.

**Additional State Aid for Homestead Exemption — Facilities.

Sources: Texas Bond Review Board and Legislative Budget Board.

Figure C2 summarizes Ratio 1 for fiscal years 2024–2028. SDC are projected to account for more than half of total debt service expected to be paid from general revenue appropriations for the next five fiscal years. The negative numbers indicate shortfalls in debt service capacity for the corresponding target, cap, or maximum percentage. Excluding SDC in Ratio 1, NSS annual debt service never exceeds the target capacity of 2 percent. Including SDC, debt service as a percentage of UGR is expected to exceed the 2 percent target but remain below the 3 percent cap for fiscal years 2024–28.

Figure C2
Impact of Special Debt Commitments on Ratio 1 for Fiscal Years 2025–2029

Fiscal Year	2026		2027		2028		2029		2030	
RATIO 1: Not Self-Supporting Debt Service as a Percentage of Unrestricted General Revenue										
NSS Debt Service										
Issued	\$ 713,889,218	0.91%	\$ 697,694,216	0.86%	\$ 677,680,715	0.80%	\$ 654,039,347	0.74%	\$ 629,344,969	0.69%
Authorized but Unissued	\$ 36,427,597	0.03%	\$ 98,966,205	0.08%	\$ 150,204,624	0.14%	\$ 175,964,130	0.19%	\$ 194,360,396	0.19%
Projected Debt	\$ 31,350	0.01%	\$ 58,412	0.01%	\$ 9,311,608	0.02%	\$ 21,883,115	0.04%	\$ 40,119,389	0.06%
Total NSS Debt Service	\$ 750,348,164	0.95%	\$ 796,718,833	0.95%	\$ 837,196,948	0.96%	\$ 851,886,592	0.97%	\$ 863,824,754	0.94%
Remaining Debt Service Capacity (Excludes SDCs)										
Target (2%)	\$ 887,733,424	1.05%	\$ 891,771,257	1.05%	\$ 881,797,701	1.04%	\$ 941,246,946	1.03%	\$ 996,911,762	1.06%
Cap (3%)	\$ 1,706,774,218	2.05%	\$ 1,736,016,302	2.05%	\$ 1,741,295,025	2.04%	\$ 1,837,813,715	2.03%	\$ 1,927,280,020	2.06%
Max (5%)	\$ 3,344,855,807	4.05%	\$ 3,424,506,392	4.05%	\$ 3,460,289,674	4.04%	\$ 3,630,947,253	4.03%	\$ 3,788,016,536	4.06%
Debt Service including Special Debt Commitments										
NSS Debt Service	\$ 750,348,164	0.95%	\$ 796,718,833	0.95%	\$ 837,196,948	0.96%	\$ 851,886,592	0.97%	\$ 863,824,754	0.94%
Special Debt Commitments	\$ 2,166,147,637	2.36%	\$ 1,876,449,207	2.23%	\$ 1,847,387,178	2.06%	\$ 1,790,101,257	1.90%	\$ 1,790,642,595	1.79%
Total	\$ 2,916,495,802	3.30%	\$ 2,673,168,040	3.18%	\$ 2,684,584,126	3.02%	\$ 2,641,987,849	2.87%	\$ 2,654,467,349	2.73%
Remaining Debt Service Capacity (Includes SDCs)										
Target (2%)	\$(1,278,414,213)	-1.30%	\$(984,677,950)	-1.18%	\$(965,589,477)	-1.02%	\$(848,854,311)	-0.87%	\$(793,730,833)	-0.73%
Cap (3%)	\$(459,373,419)	-0.30%	\$(140,432,905)	-0.18%	\$(106,092,152)	-0.02%	\$47,712,458	0.13%	\$136,637,425	0.27%
Max (5%)	\$1,178,708,169	1.70%	\$1,548,057,185	1.82%	\$1,612,902,496	1.98%	\$1,840,845,996	2.13%	\$1,997,373,941	2.27%

Totals may not sum due to rounding.

Sources: Texas Bond Review Board and Legislative Budget Board.

Appendix D - Constitutional Debt Limit

Constitutional Debt Limit

Article III, Section 49-j of the Texas Constitution prohibits the legislature from authorizing additional state debt if the annual debt service in any fiscal year on state debt payable from the General Revenue Fund exceeds 5 percent of the average of unrestricted general revenue (UGR) from the preceding three fiscal years. The Texas Constitution also stipulates that state debt payable from the General Revenue Fund does not include debt that, although backed by the full faith and credit of the state, is reasonably expected to be paid from other revenue sources and is not expected to create a general revenue draw.

The Constitutional Debt Limit (CDL) is expressed as a percentage of debt service to the three-year average of UGR funds. As of August 31, 2025, the CDL percentage remained below the maximum of 5 percent with 0.88 percent calculated for not self-supporting (NSS) debt outstanding and 1.58 percent calculated for both outstanding and authorized but unissued debt, a 7.1 percent decrease from the 1.70 percent calculated for fiscal year 2024.

Based on the authorizations for which the approximate issuance date is known, an estimated \$2.43 billion in authorized and projected NSS debt is expected to be issued between fiscal years 2026 and 2030 for the following transactions:

- \$1.49 billion in general obligation (GO) debt, related to Proposition 15 for cancer research (Texas Public Finance Authority (TPFA));
- \$545.2 million in GO and revenue debt for issued by TPFA on behalf of certain state agencies for capital projects, including \$1.5 million of Proposition 4 authorization from the November 2007 General Election (Article III, Section 50-g), \$570,005 of authorization for various construction and repair projects and equipment acquisitions (Article III, Section 50-f), \$415.4 million of debt authorized by the 84th Legislature, 2015, and 86th Legislature, 2019, for phase one and phase two of the Texas Facilities Commission (TFC) Capitol Complex and North Austin Complex projects, and \$127.7 million of debt authorized by the 88th Legislature, 2023, for the Department of Motor Vehicles Camp Hubbard Renewal Project;
- \$295.3 million in GO bonds for the Higher Education Assistance Fund; and
- \$100 million in GO bonds for the Texas Water Development Board's (TWDB) Economically Distressed Areas Program (EDAP).

Factors Affecting the Constitutional Debt Limit

Five main factors impact the CDL percentage. The first is the level of outstanding NSS debt service. Assuming all other variables are held constant, the CDL varies directly with the amount of NSS debt service to be paid.

The second factor is the inverse relationship between UGR and the CDL. In other words, as UGR increases, the CDL percentage decreases and vice versa. Because the calculation uses the average of UGR over the previous three years, the impact of a substantial change in UGR for one year is reduced.

The third factor is the estimate of debt service for the authorized but unissued NSS debt. Debt service amounts vary directly with interest rates. An interest rate of 5 percent was used for the Master Lease Purchase Program, and 6 percent was used for all other authorized but unissued debt. In addition, debt service varies inversely with the debt amortization period. A maturity of 20 years is used for authorized but unissued debt.

The impact of the fourth factor is determined by legislative action. The Texas Constitution states that debt service for NSS debt reasonably expected to be paid from other revenue sources and not expected to create a general revenue draw is excluded from the CDL calculation. Thus, NSS debt is excluded from the CDL calculation if it becomes self-supporting (SS) through legislative action that provides debt service support from an adequate revenue stream.

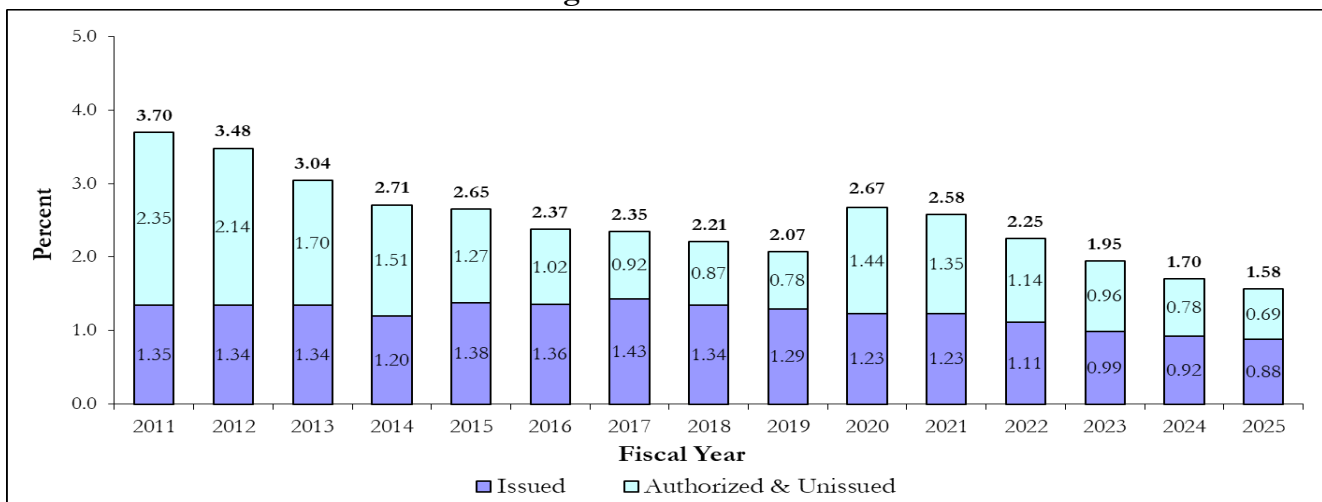
For example, without a stated revenue stream for debt service, the \$5 billion highway improvement general obligation (HIGO) transportation authorization approved by the 80th Legislature, 2007, and approved by voters in the November 2007 general election is defined as NSS debt but would be reclassified to SS if legislative action provided a dedicated revenue stream for debt service for the entire life of the outstanding debt.

Article VIII, Section 7-c provides for the transfer of certain sales tax revenue and motor vehicle sales tax revenue to the State Highway Fund through fiscal year 2042 and 2039, respectively, and allows these monies to be used to pay HIGO debt service. The final maturity of HIGO bonds is April 1, 2046, which is longer than the allowed transfer dates. As a result, Bond Review Board (BRB) staff classifies all HIGO bonds outstanding as NSS debt and includes these bonds in the CDL.

The impact of the fifth factor is determined by a reclassification of NSS debt to SS debt. This occurred for the first time in fiscal year 2010 when seven series of bonds totaling \$369.9 million, comprised of \$139.8 million from the TWDB State Participation Program (SPP) and \$230.1 million from the Water Infrastructure Fund (WIF), were certified by the TWDB to have sufficient cash flow for debt service. In March 2013, an additional \$35.1 million of SPP debt was removed, for a total of \$405 million of TWDB debt removed from the CDL. These reclassifications reduced the CDL by approximately seven basis points (0.07 percent). Additionally, on August 2, 2018, TWDB issued Series 2018B WIF refunding bonds that were certified by the TWDB to have sufficient cash flow for debt service. These refunding bonds defeased the NSS Series 2009B WIF bonds in the amount of \$103,965,000, reducing the CDL by approximately three basis points (0.03 percent).

Figure D1 shows the CDL percentages for fiscal years 2011–2025. For fiscal year 2025, the CDL percentage was 0.88 for issued debt and 1.58 for issued and authorized but unissued debt.

Figure D1
Constitutional Debt Limit as a Percentage of Unrestricted General Revenue



Totals may not sum due to rounding.

Source: Texas Bond Review Board.

Calculation of the Constitutional Debt Limit

The CDL is calculated by first determining 1) the total annual debt service for the fiscal year with the highest debt service for issued NSS debt, then adding in 2) an estimate of the projected annual debt service for one fiscal year for authorized but unissued NSS debt, under the assumption of a 6 percent interest rate and 20-year maturity with level debt service payments. Then, the CDL is determined by dividing 1 and 2 above by the average of UGR from the preceding three fiscal years. The Texas Constitution prohibits the legislature from authorizing additional state debt if this calculation yields a percentage greater than 5 percent.

Calculation of the CDL requires the use of three components of state debt (see *Figures D2, D3, and D4*):

- UGR for the three preceding fiscal years
- debt service on outstanding debt
- debt service for authorized but unissued debt

Unrestricted General Revenue

UGR is the net amount of general revenue remaining after deducting all constitutional allocations and other restricted revenue from total general revenue. The UGR figure can be found in Table 11 in the Comptroller’s Annual Cash Report. The average UGR was \$79.97 billion for fiscal years 2023–2025 (*Figure D2*). Thus, the maximum amount available for debt service is 5 percent of \$79.97 billion, or \$4.00 billion.

Figure D2

Unrestricted General Revenue (thousands)

Unrestricted General Revenue	
General Revenue Available After Constitutional Dedications (Year Ending 8/31/23)	76,299,244
General Revenue Available After Constitutional Dedications (Year Ending 8/31/24)	79,142,216
General Revenue Available After Constitutional Dedications (Year Ending 8/31/25)	84,469,000
Average Amount of Unrestricted General Revenue Available for the Three Preceding Fiscal Years	\$ 79,970,153

Sources: Texas Bond Review Board and Texas Comptroller of Public Accounts.

Debt Service on Outstanding Debt

The debt service on the outstanding debt portion of the CDL calculation uses debt service for the peak year for GO and non-GO NSS debt. Due to debt service amortizations and staggered issuances, the peak year usually occurs within five years of the current year. For the current CDL, the peak debt service year is 2026 (*Figure D3*).

Figure D3

Not Self-Supporting Debt Service Requirements of Texas State Debt by Fiscal Year (thousands)

NOT SELF-SUPPORTING DEBT-SERVICE REQUIREMENTS OF TEXAS STATE DEBT BY FISCAL YEAR						
	2026	2027	2028	2029	2030	2031 & beyond
Not Self-Supporting¹						
General Obligation Debt						
Higher Education Constitutional Bonds ²	\$2,973	\$0	\$0	\$0	\$0	\$0
Texas Public Finance Authority Bonds	108,508	112,415	105,468	94,032	83,374	466,357
Cancer Prevention and Research Institute of Texas	235,205	228,762	222,505	216,393	210,387	1,654,610
Water Development Bonds - EDAP ³	26,673	23,768	23,079	21,651	19,660	134,856
TTC GO Transportation Bonds ⁴	263,789	257,967	253,255	249,895	245,175	2,720,538
Total General Obligation Debt	\$637,149	\$622,911	\$604,306	\$581,971	\$558,596	\$4,976,362
Non-General Obligation Debt						
Texas Public Finance Authority Bonds	\$57,744	\$56,172	\$54,987	\$53,766	\$52,525	\$462,761
TPFA Master Lease Purchase Program	18,996	18,612	18,388	18,302	18,224	236,079
Texas Military Facilities Commission Bonds	0	0	-	-	-	-
Total Non-General Obligation Debt	\$76,740	\$74,784	\$73,374	\$72,068	\$70,749	\$698,840
Total Not Self-Supporting Debt	\$713,889	\$697,694	\$677,681	\$654,039	\$629,345	\$5,675,202

¹ Bonds that are not self-supporting (general obligation and non-general obligation) depend solely on the state's general revenue for debt service.

² While not explicitly a general obligation or full faith and credit bond, the revenue pledge contained in Constitutional Bonds has the same effect. Debt service is paid from the annual constitutional appropriation to qualified institutions of higher education from first monies coming into the state treasury not otherwise dedicated by the Texas Constitution.

³ Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service.

⁴ Article VIII, Section 7-c of the Constitution allows for certain monies deposited to the credit of the State Highway Fund be appropriated to repay GO transportation bonds issued as authorized by Section 49-p, Article III of the Constitution. General revenues have not been used to pay debt service on these bonds since fiscal year 2017.

Source: Texas Bond Review Board.

As of August 31, 2025, debt service for issued debt will require 0.88 percent of the average of UGR for the prior three fiscal years (see *Figure D5*).

Debt Service for Authorized but Unissued Debt

The CDL calculation for authorized but unissued debt is based on the cumulative debt service for all authorized but unissued debt, assuming that the debt is issued at an interest rate of 5 percent for the Master Lease Purchase Program and 6 percent for all other authorized but unissued debt. The calculation assumes a maturity of 20 years and level debt service payments. *Figure D4* illustrates the principal amounts used for the CDL calculation for authorized but unissued debt as of August 31, 2025.

Figure D4

Authorized but Unissued Not Self-Supporting Debt as of August 31, 2025

Not Self-Supporting Program Name			Total Authorized but Unissued (\$ in thousands)
	Constitutional Authorization	Statutory Authorization	
Agricultural Water Conservation Bonds	Article III, Section 50-d	Texas Water Code, Chapter 15, Subchapters G, H, I and J	\$164,840
Higher Education Constitutional Bonds (HEF)	Article VII, Section 17	No bond issuance limit, but debt service may not exceed \$196.9 million per year.	***
Texas Public Finance Authority ¹	Article III, Sections 49-h, 49-h(a), 49-h-(c)(1), 49-h-(d)(1), 49-h(e)(1), 50-f, 49-l, 50-g, and 67		2,595,321
Transportation Commission GO Bonds	Article III, Section 49-p	Transportation Code, Section 222.04	-
Water Development Bonds - EDAP ²	Article III, Sections 49-d-7 and 40-d-10	Texas Water Code, Chapter 17, Subchapter K	103,615
Water Development Bonds - State Participation	Article III, Sections 49-c, 49-d, 49-d-2, 49-d-6 thru 49-d-9, and 49-d-11	Texas Water Code, Chapter 16, Subchapters E & F, Chapter 17	200,000
Water Development Bonds - WIF	Article III, Sections 49-d-9 and 49-d-11	Texas Water Code, Chapter 15, Subchapter Q	-
Total General Obligation Authorized but Unissued			\$3,063,776
		Revenue Authorization	
Texas Public Finance Authority Bonds		Texas Government Code, Sections 1232.104, 1232.110; HB 1, 84th Leg. RS, p. I-45, Rider 19; HB 1, 86th Leg. RS, p. I-46, Rider 16; HB 1, 86th Leg. RS, p. II-50; HB 2, 87th Leg. RS, p. 21 Section 10; HB 1, 87th Leg. RS, p. IX-129-130; 88th Leg. RS, p. VII-16, Rider 11	\$667,582
TPFA Master Lease Purchase Program		Texas Government Code, Section 1232.103	101,390
Total Revenue Authorized but Unissued			\$768,972
Total Not Self-Supporting Debt			\$3,832,748
¹ Includes \$6 billion for cancer prevention that was authorized by voters, including \$3 billion authorized in November 2007 and an additional \$3 billion authorized in November 2019 of which \$2.59 billion remains unissued. ² Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service. ³ Bonds that are not self-supporting depend solely on the state's general revenue for debt service.			

Source: Texas Bond Review Board.

As of August 31, 2025, debt service for authorized but unissued debt will require 0.69 percent of the average of UGR for the prior three fiscal years (see *Figure D5*).

Completing the CDL Calculation

For fiscal 2025, the CDL for both debt classifications was computed by adding the 0.88 percent computed for debt service on outstanding debt plus the 0.69 percent computed for debt service on authorized but unissued debt to obtain the total of 1.58 percent.

Calculation Detail for the CDL for Fiscal Year 2025

Figure D5 illustrates the calculations made for fiscal year 2025.

Additional Debt Capacity under the CDL

At fiscal year-end 2025, BRB staff estimated that approximately \$31.40 billion in additional debt capacity was available before reaching the CDL. Included in the CDL calculation is \$143 million in revenue bonds authorized by the 88th Legislature for the Department of Motor Vehicles Camp Hubbard Renewal Project, the \$767.7 million and \$475.2 million of revenue bonds authorized by the 84th Legislature, 2015, and 86th Legislature, 2019 respectively, for the TFC Capitol Complex and North Austin Complex projects. Also included is the additional \$3 billion for cancer research and \$200 million for TWDB EDAP projects, both authorized by the voters at the November 2019 general election. Additional authorizations include \$208.8 million for HHSC deferred maintenance projects authorized by the 86th Legislature, 2019, as well as an additional \$23.7 million for HHSC deferred maintenance projects. Because the interest rate for authorized

but unissued debt is assumed to be 6 percent, debt issuance has historically increased debt capacity under the CDL. Given a higher interest rate environment over the past few years, BRB staff believes any effect of issuing debt on debt capacity will be less noticeable for debt issued in the near term.

Figure D5
Constitutional Debt Limit Calculation

Constitutional Debt Limit - Article III Section 49-j			
Based on estimated Debt Outstanding as of 8/31/25			
(All figures are thousands, except percentages)			
	Authorized Debt	Debt Service	Percentage of UGR
Maximum Annual Debt Service on Outstanding Debt*			
Debt Service on Bonds Payable from the General Revenue Fund			
General Obligation Bonds (Not Self-Supporting)		\$637,149	
(30 % of EDAP Considered Self-Supporting)		(8,002)	
Non-General Obligation Bonds (Not Self-Supporting)		<u>57,744</u>	
		\$686,891	
Debt Service on Commercial Paper Payable from the General Revenue Fund			
TPFA MLPP Commercial Paper (\$47.0 million MLPP outstanding)***	\$	18,996	
Lease-Purchase Payments Greater Than \$250,000 Payable from the General Revenue Fund		-	
Total Debt Service on Outstanding Debt Payable from the General Revenue Fund	\$	<u>705,887</u>	0.88%
Authorized but Unissued Debt			
TTC Prop 12 General Obligation Bonds (Not Self-Supporting)		-	
General Obligation Bonds (Not Self-Supporting) excluding TTC Prop 12	\$	3,063,776	
(30 % of EDAP Considered Self-Supporting)		(31,085)	
Non-General Obligation Bonds (Not Self-Supporting) excluding MLPP		<u>667,582</u>	
Total Authorized but Unissued Bonds Payable from the General Revenue Fund	\$	3,700,274	
Estimated Debt Service on Authorized but Unissued Bonds Payable from the General Revenue Fund**		\$322,607	
Estimated Debt Service on HEAF Bonds Payable from the General Revenue Fund	\$	193,902	
Amount of Authorized but Unissued MLPP Commercial Paper	\$	101,390	
Estimated Debt Service on MLPP Commercial Paper****	\$	38,866	
Total Debt Service on Authorized but Unissued Debt Payable from the General Revenue Fund		<u>\$555,375</u>	0.69%
Debt Service on Outstanding and Authorized but Unissued Debt		<u>\$ 1,261,262</u>	1.58%
Unrestricted General Revenue			
General Revenue Available After Constitutional Dedications (Year Ending 8/31/23)	76,299,244		
General Revenue Available After Constitutional Dedications (Year Ending 8/31/24)	79,142,216		
General Revenue Available After Constitutional Dedications (Year Ending 8/31/25)	<u>84,469,000</u>		
Average Amount of Unrestricted General Revenue Available for the three preceding Fiscal Years	\$ 79,970,153		
Debt Limit Percentages			
Debt Service on Outstanding Debt as a Percentage of Unrestricted General Revenue			0.88
Debt Service on Authorized but Unissued Debt as a Percentage of Unrestricted General Revenue			0.69
Debt Service on Outstanding and Authorized but Unissued Debt as a Percentage of General Revenue After Constitutional Dedications (The Constitutional Debt Limit) - May not sum due to rounding			1.58
Notes:			
The maximum amount occurs in FY 2024.			
* Debt service is based on maximum annual debt service payable from general revenue.			
** Estimated debt service assumes 20 year, level debt service financing at 6 percent.			
*** Amortization is provided by the Texas Public Finance Authority (TPFA).			
**** Interest rate of 5 percent is provided by TPFA.			

Sources: Texas Bond Review Board and Texas Comptroller of Public Accounts.

Appendix E - State Debt Overview and Debt Outstanding

As the state’s debt oversight agency, the Texas Bond Review Board (BRB) approves state debt issues and lease purchases that have an initial principal amount greater than \$250,000 or a term longer than five years, excluding the approval of Permanent University Fund (PUF), State Highway Fund Revenue Anticipation Notes, Tax and Revenue Anticipation Notes, and non-general obligation debt issuances by university systems that have an unenhanced long-term debt rating of at least AA- or its equivalent.

Texas has 18 state agencies and institutions of higher education as well as six nonprofit corporations authorized to issue debt (*Figure E1*). Effective September 1, 2021, Midwestern State University joined the Texas Tech University System. Stephen F. Austin State University was abolished on September 1, 2023, and was re-created as Stephen F. Austin State University, a member of The University of Texas System.

Figure E1
State Debt Issuers

Office of Economic Development and Tourism	Texas State Technical College System
Texas Agricultural Finance Authority	Texas State University System
Texas Department of Housing and Community Affairs	Texas Tech University System
Texas Department of Transportation	Texas Transportation Finance Corp.
Texas Grand Parkway Transportation Corp.	Texas Veterans Land Board (General Land Office)
Texas Higher Education Coordinating Board	Texas Water Development Board
Texas Natural Gas Securitization Finance Corp.	Texas Woman’s University
Texas Private Activity Bond Surface Transportation Corp.	The Texas A&M University System
Texas Public Finance Authority	The University of North Texas System
Texas Public Finance Authority Charter School Finance Corp.	The University of Texas System
Texas Southern University	University of Houston System
Texas State Affordable Housing Corp.	

Source: Texas Bond Review Board.

The Texas Public Finance Authority (TPFA) is authorized to issue debt on behalf of 21 state agencies and institutions of higher education as well as for specific projects as authorized by the legislature. TPFA continues to issue a significant portion of the state’s not self-supporting (NSS) debt payable from general revenue and administers the state’s Master Lease Purchase Program. The Texas Transportation Commission (TTC) issued all its authorized \$5 billion highway improvement general obligation (HIGO) bonds; BRB categories the debt as NSS. However, with the additional \$3 billion for cancer research projects, which was authorized by the voters in the November 2019 general election, and the additional revenue bonds authorized by the legislature for which TPFA is designated as the state debt issuer, TPFA retook the position of the state’s largest issuer of NSS debt. (For details on state debt outstanding, see *Figure E2*.)

Classifications of Debt Used by the State of Texas

General obligation (GO) debt is legally secured by a constitutional pledge of the first monies coming into the state treasury not constitutionally dedicated for another purpose. GO debt must be approved by a two-thirds vote of both houses of the legislature and a majority of the voters. GO debt may be issued in installments as determined by the legislatively appropriated debt service or by the issuing agency or institution. GO debt often has a 20- to 30-year maturity with level principal debt service payments. The final maturity may depend on the useful life of the project to be

financed. Examples include GO bonds issued by TPGA to finance cancer research and deferred maintenance projects of the state, the Veterans Land Board (VLB) to finance land and housing loans to qualified veterans, Texas Water Development Board (TWDB) to finance water projects, and TTC for road improvements.

Revenue debt is legally secured by a specific revenue source(s), does not require voter approval, and usually has a 20- to 30-year final maturity depending on the project to be financed. Examples include State Highway Fund bonds issued by TTC and secured by the motor fuels tax and other revenues for construction and maintenance of the state's highway system as well as college and university bonds issued by institutions of higher education, secured by tuition and fees, and used to finance projects such as classroom facilities, dormitories, and other university buildings.

Self-supporting (SS) debt is repaid from revenues other than state general revenues. SS debt can be either GO or revenue debt. Examples of SS GO debt include VLB bonds that are repaid from mortgage loan payments made by qualified veterans, GO bonds issued by TWDB that are repaid with loan payments made by political subdivisions for water projects, and GO Texas Mobility Fund bonds issued by TTC that are repaid from motor vehicle inspection fees and driver license fees deposited into the Texas Mobility Fund. An example of SS revenue debt includes bonds issued by institutions of higher education that are repaid from tuition, fees, and other revenues generated by colleges and universities. Revenue SS debt also includes conduit debt that is not an obligation of the state and is repaid from funds generated by a third-party borrower.

NSS debt is intended to be repaid with state general revenues. NSS debt can be either GO debt or revenue debt. NSS GO and revenue debt is included in the Constitutional Debt Limit (CDL). (See *Appendix D* for a discussion of the CDL.) An example of NSS GO debt is TPGA bonds to finance the Cancer Prevention and Research Institute of Texas, approved by the voters during a general election. Examples of NSS revenue debt include bonds to finance deferred maintenance projects authorized by the legislature and building revenue bonds, including bonds for the Capitol Complex and North Austin Complex projects, both issued by TPGA.

Debt Instruments Used by the State of Texas

Commercial Paper (CP) is a short-term debt obligation with a maturity between one and 270 days. A CP program can be secured by the state's GO pledge or by a specified revenue source(s). A CP program secured by the state's GO pledge must be initially approved by a two-thirds vote of both houses of the legislature and a majority of the voters. When CP matures, it can be rolled over (reissued) or refinanced (repaid) with long-term debt. Examples include CP issued by TPGA to finance its Master Lease Purchase Program and CP issued to finance the early stages of construction projects.

Revenue Anticipation notes are short-term obligations that are issued for temporary financing needs. The principal payoff may be covered by a future longer term bond issue, taxes, or other form of revenue. These notes normally have maturities of one year or less, and interest is payable at maturity rather than semiannually.

As needed, Tax and Revenue Anticipation Notes (TRANs) have been issued by the Texas Comptroller of Public Accounts — Treasury Operations to address cash flow shortfalls caused by the timing mismatch of state revenues and expenditures in the General Revenue Fund. TRAN issuances must be repaid by the end of the biennium in which they are issued but are usually repaid by the end of each fiscal year with tax receipts and other revenues of the General Revenue Fund.

TRAN issuances must be approved by the Cash Management Committee, which is comprised of the Governor, Lieutenant Governor, Texas Comptroller of Public Accounts, and the Speaker of the House as a non-voting member. Texas' most recent TRAN was issued in September 2020 in the amount of \$7.20 billion. TRANs are not expected to be issued for the state's fiscal year 2026. It is anticipated that intrafund borrowing will be used to address daily cash flow deficits during the fiscal year, as needed.

Lease purchases finance the purchase of an asset over time through lease payments that include principal and interest. They can be financed through a private vendor or through one of the state's pool programs, such as TPFA's Master Lease Purchase Program. Lease-purchase financings include purchases such as automobiles, computers, data/telecommunications equipment, and equipment purchased for energy savings performance contracts.

The legislature periodically authorizes Capital Construction Assistance Projects (CCAPs), formally known as Tuition Revenue Bonds (TRBs), for specific institutions for specific projects or purposes. CCAPs are revenue bonds issued by the institution, equally secured by and payable from the same pledge as the institution's other revenue bonds and are considered to be SS debt. However, the legislature historically has appropriated general revenue to the institution to offset all or a portion of the debt service on CCAPs. The passage of Senate Bill (SB) 52 during the 87th Legislature, Third Called Session, 2021, authorized certain college systems, universities, and university systems to issue additional CCAPs in the aggregate amount of approximately \$3.35 billion. Of this amount, approximately \$381 million remains authorized but unissued as of August 31, 2025.

The University of Texas and Texas A&M University Systems may issue obligations backed by income of the PUF in accordance with the Texas Constitution, Article VII, Section 18. The state's other institutions may issue Higher Education Fund (HEF) bonds in accordance with the Texas Constitution, Article VII, Section 17.

Refunding bonds are issued to refinance existing bonds. They may be issued to obtain lower interest rates, change bond covenants, or change repayment schedules (i.e., "restructure" the bonds). A current refunding is a refunding in which the municipal securities being refunded will mature or be redeemed within 90 days or less from the date the refunding bonds are issued. An advance refunding is a refunding in which the refunded issue remains outstanding for a period of more than 90 days after the refunding bonds are issued. For tax-exempt bonds issued after 1986, federal tax law allows only one advance refunding but places no limit on the number of current refundings for an issuance. The Tax Cuts and Jobs Act of 2017 eliminated the option of issuing a tax-exempt advance refunding of a tax-exempt municipal debt after December 31, 2017.

Debt Guidelines

The State of Texas Debt Issuance Guidelines and Policies for Interest Rate Management Agreements can be found online at <https://www.brb.texas.gov/state-of-texasdebt-issuance-guidelines/> and <https://www.brb.texas.gov/policies-for-interest-rate-management-agreements/>, respectively.

Figure E2
State Debt Outstanding as of August 31, 2025 (thousands)

Debt Type	Principal Amount
General Obligation Debt	
Veterans Land and Housing Bonds	\$3,017,050
Water Development Bonds	727,500
Water Development Bonds - State Participation	24,090
Water Development Bonds - WIF	0
Economic Development Bank Bonds	0
College Student Loan Bonds	1,394,475
Texas Agricultural Finance Authority	0
Texas Mobility Fund Bonds	5,992,465
Texas Public Finance Authority - TMVRLF	13,995
Total - Self-Supporting	\$11,169,575
Higher Education Constitutional Bonds	\$2,915
Texas Public Finance Authority Bonds	758,610
Cancer Prevention and Research Institute of Texas	2,128,675
Park Development Bonds	0
Water Development Bonds - EDAP	189,135
Water Development Bonds - State Participation	0
Water Development Bonds - WIF	0
TTC GO Transportation Bonds	2,804,845
Total - Not Self-Supporting	\$5,884,180
Total - General Obligation Debt	\$17,053,755
Non-General Obligation Debt	
Permanent University Fund Bonds	
The Texas A&M University System	\$1,628,020
The University of Texas System	4,216,325
College and University Revenue Bonds	19,585,604
Texas Water Resources Finance Authority Bonds	0
TxDot Toll Revenue Bonds	4,500,427
Texas Department of Housing and Community Affairs - SF	3,301,563
Economic Development Program (Leverage Fund)	0
Veterans Financial Assistance Bonds	0
Texas Workforce Commission Unemp. Comp. Bonds	0
State Highway Fund	2,308,890
TPFA Revenue Bonds (TXDOT Austin Campus Project)	270,385
Water Development Bonds - State Revolving Fund	1,561,950
Water Development Bonds - SWIRFT	9,574,870
Total - Self-Supporting	\$46,948,034
Texas Public Finance Authority Bonds	\$599,835
TPFA Master Lease Purchase Program	198,610
Texas Military Facilities Commission Bonds	0
Parks and Wildlife Improvement Bonds	0
Total - Not Self-Supporting	\$798,445
Texas Windstorm Insurance Association	\$0
Texas Natural Gas Securitization Finance Corporation	3,308,860
Texas Dept. of Housing and Community Affairs Bonds - MF	1,485,216
Texas State Affordable Housing Corporation	680,175
Texas Grand Parkway Transportation Corporation	4,452,960
Texas PAB Surface Transportation Corporation	3,064,440
TPFA Charter School Finance Corporation	106,300
Total - Conduit	\$13,097,951
Total - Non-General Obligation Debt	\$60,844,430
Total - Debt Outstanding	\$77,898,185

Certain lease purchase, SECO LoanSTAR, and other revolving loan program debt is not included.

Source: Texas Bond Review Board.

Appendix F - Texas Debt Compared to Other States

The use of debt affordability studies and debt capacity models is common among states with “highest” or “high” credit ratings. Of the 11 states that receive triple-A ratings from the three major credit rating agencies (Moody’s, Standard & Poor’s (S&P), and Fitch), eight—Florida, Georgia, Minnesota, North Carolina, Tennessee, Texas, Utah, and Virginia—use a debt affordability tool. In addition, other highly rated states—including New Mexico, Oregon, Washington, South Carolina, Vermont, Massachusetts, New Hampshire, and New York—as well as lower rated states—such as Alaska, California, and West Virginia—use a debt affordability tool. *Figure F1* provides a comparison of highly rated states that use debt affordability tools to highly rated states that do not.

Figure F1
Comparison of Highly Rated States and Debt Affordability Usage as of January 2026

State	Debt Affordability Study?	Moody’s	Standard & Poor’s	Fitch	Kroll
Delaware	No	Aaa	AAA	AAA	AAA
Florida	Yes	Aaa	AAA	AAA	Not Rated
Georgia	Yes	Aaa	AAA	AAA	Not Rated
Maryland	Yes	Aa1	AAA	AAA	AAA
Minnesota	Yes	Aaa	AAA	AAA	Not Rated
Missouri	No	Aaa	AAA	AAA	Not Rated
North Carolina	Yes	Aaa	AAA	AAA	Not Rated
Ohio	No	Aaa	AAA	AAA	AAA
Tennessee	Yes	Aaa	AAA	AAA	Not Rated
Texas	Yes	Aaa	AAA	AAA	AAA
Utah	Yes	Aaa	AAA	AAA	Not Rated
Virginia	Yes	Aaa	AAA	AAA	Not Rated
South Carolina	Yes	Aaa	AA+	AAA	Not Rated
Washington	Yes	Aaa	AA+	AA+	Not Rated
New Hampshire	Yes	Aa1	AA+	AA+	Not Rated
New York	Yes	Aa1	AA+	AA+	AA+
Vermont	Yes	Aa1	AA+	AA+	Not Rated
Oregon	Yes	Aa1	AA+	AA+	Not Rated
Massachusetts	Yes	Aa1	AA+	AA+	Not Rated
New Mexico	Yes	Aa2	AA	Not Rated	Not Rated

Source: Moody’s, Standard & Poor’s and Fitch Ratings.

Factors Affecting State Debt Ratings

According to data provided in a Moody's Investors Service Report (“State pension liabilities continue to decline improving leverage metrics”), published on September 19, 2025, states' ability to service long-term liabilities further improved in fiscal 2024 as the sector saw moderate revenue growth, while adjusted net pension liabilities (ANPLs), the largest long term liability for most states, declined because of higher interest rates. Total net tax-supported debt (NTSD), the second-largest liability for most states, fell slightly. Other post-employment benefit (OPEB) liabilities generally remained small compared with pension liabilities, though several states with high pension liabilities

also have above-average OPEB liabilities.

The Moody’s report provides a helpful framework to compare Texas’ debt burden with that of other states. This report tracks four key debt measures: 1) NTSD, 2) NTSD as percentage of own-source revenue, 3) NTSD per capita, and 4) NTSD as a percentage of personal income. In its report, Moody’s defines own-source revenue as the total governmental revenue, less funds received from federal sources plus net transfers in, as reported in states’ audited financial statements. When considering debt burdens, Moody’s focuses on NTSD, which is characterized as debt secured by statewide taxes and other governmental revenue, net of obligations that are paid with revenue other than taxes and other governmental revenue, and that is accounted for in non-governmental activities, such as utility or higher education funds. The numbers used for Texas throughout this Appendix are slightly different from those in the Debt Capacity Model (DCM) due to timing and classification differences for data available to Moody’s at the time its report was created.

Texas’ Debt Compared to Other States

Based on U.S. Census Bureau population data for the nation’s 10 most populous states, Texas’ state debt remains below the mean and median for three of the debt measures computed in *Figure F2* (NTSD as a percentage of own-source revenue, NTSD per capita, and NTSD as a percentage of 2024 personal income, as published by Moody’s Investors Service). Texas ranks fourth for total NTSD with \$19.00 billion, compared to the group median of \$18.00 billion. Texas ranks ninth for NTSD as percent of own-source revenue with 15.6 percent, compared to the group median of 31.2 percent. Texas ranks ninth in NTSD per capita with \$608 compared to the group median of \$1,245. For NTSD as a percentage of 2024 personal income, Texas ranks eighth with 0.9 percent compared to the group median of 1.9 percent. (Note that in *Figure F2* and *Figure F4*, debt burdens are ranked on a scale of 1 to 10, with 1 being the highest debt burden. For *Figure F3*, 1 indicates the highest debt burden while 50 represents the lowest.)

Figure F2

State Debt: Texas Compared to the 10 Most Populous States, 2025

State	Population	Moody’s Credit Rating	Net Tax-Supported Debt (billions)		Net Tax-Supported Debt as % of Own-Source Revenue		Net Tax-Supported Debt per Capita		Net Tax-Supported Debt as a % of 2024 Personal Income	
California	39,355,309	Aa2	\$101.00	1	35.9%	4	\$2,563	3	3.0%	3
Texas	31,709,821	Aaa	19.00	4	15.6%	9	608	8	0.9%	8
Florida	23,462,518	Aaa	14.00	7	18.0%	8	608	8	0.9%	8
New York	20,002,427	Aa1	65.00	2	40.1%	2	3,287	1	3.8%	2
Pennsylvania	13,059,432	Aa1	19.00	4	32.3%	5	1,515	4	2.1%	5
Illinois	12,719,141	A2	36.00	3	49.1%	1	2,873	2	3.9%	1
Ohio	11,900,510	Aaa	17.00	6	39.1%	3	1,445	5	2.3%	4
Georgia	11,302,748	Aaa	11.00	8	30.0%	6	1,045	6	1.7%	6
North Carolina	11,197,968	Aaa	6.00	10	14.0%	10	551	10	0.9%	8
Michigan	10,127,884	Aa1	9.00	9	20.4%	7	970	7	1.5%	7
Ten Most Populous Mean			\$29.70		29.5%		\$1,547		2.1%	
Ten Most Populous Median			\$18.00		31.2%		\$1,245		1.9%	
					National Mean		\$1,756		2.4%	
					National Median		\$1,214		1.8%	

Sources: Moody’s Investors Service Report, “Revenue growth and lower ANPLs boost capacity to manage long-term debt,” published September 19, 2025; U.S. Census Bureau, Population Division, July 2025 data, released January 2026.

According to the Moody’s report, Texas ranked 32nd among all states in fiscal year 2024 (the most recent data available) state NTSD as a percentage of own-source revenue (*Figure F3*).

Figure F3
Selected Debt Measures by State

FISCAL 2024 STATE NET TAX-SUPPORTED DEBT (NTSD) METRICS							
RANKING BASED ON FISCAL 2024 NTSD AS % OF OWN-SOURCE REVENUE							
Rank	State	FY 2023 NTSD (\$ thousands)	FY 2024 NTSD (\$ thousands)	FY 2024 NTSD as % of own-source revenue	FY 2024 NTSD per capita	FY 2024 NTSD as % of personal income	FY 2024 NTSD as % of state GDP
1	Connecticut	\$28,483,437	\$28,092,770	105.80%	\$7,636	8.20%	7.70%
2	Massachusetts	\$48,519,859	\$51,349,717	86.90%	\$7,188	7.70%	6.60%
3	Hawaii	\$9,857,635	\$9,740,148	78.30%	\$6,730	9.70%	8.40%
4	New Jersey	\$44,098,292	\$42,440,243	69.20%	\$4,463	5.30%	5.00%
5	Washington	\$27,366,335	\$27,947,436	66.40%	\$3,510	4.20%	3.30%
6	Delaware	\$4,670,416	\$4,711,123	52.00%	\$4,472	6.50%	4.60%
7	Oregon	\$13,095,466	\$13,015,743	51.50%	\$3,045	4.30%	3.90%
8	Rhode Island	\$3,389,850	\$3,288,208	51.10%	\$2,953	4.20%	4.00%
9	Maryland	\$18,244,719	\$18,354,280	49.20%	\$2,927	3.70%	3.40%
10	Illinois*	\$36,000,000	\$36,531,110	49.10%	\$2,873	3.90%	3.20%
11	West Virginia	\$4,501,092	\$4,202,164	45.60%	\$2,374	4.30%	3.90%
12	Louisiana	\$8,859,762	\$8,888,713	43.20%	\$1,934	3.20%	2.70%
13	Mississippi*	\$5,572,386	\$5,600,484	41.90%	\$1,904	3.70%	3.60%
14	New York	\$67,573,000	\$65,332,000	40.10%	\$3,287	3.80%	2.80%
15	Ohio	\$18,360,027	\$17,179,597	39.10%	\$1,445	2.30%	1.90%
16	Wisconsin	\$11,113,288	\$10,412,896	39.00%	\$1,746	2.60%	2.30%
17	Virginia	\$17,735,365	\$17,939,670	38.80%	\$2,034	2.60%	2.30%
18	California*	\$98,000,000	\$101,062,376	35.90%	\$2,563	3.00%	2.50%
19	Pennsylvania	\$19,744,826	\$19,834,440	32.30%	\$1,515	2.10%	1.90%
20	Georgia	\$12,135,383	\$11,694,214	30.00%	\$1,045	1.70%	1.30%
21	Kentucky	\$6,524,973	\$6,232,132	28.70%	\$1,357	2.40%	2.10%
22	Colorado	\$5,969,100	\$5,910,993	26.00%	\$991	1.20%	1.10%
23	Alabama	\$5,738,690	\$5,285,871	25.50%	\$1,024	1.80%	1.60%
24	Kansas	\$3,981,960	\$3,722,017	23.50%	\$1,252	1.80%	1.60%
25	Maine	\$1,732,247	\$1,670,700	23.30%	\$1,188	1.70%	1.70%
26	Minnesota	\$8,850,170	\$9,115,513	22.60%	\$1,571	2.10%	1.80%
27	Michigan	\$10,239,400	\$9,835,100	20.40%	\$970	1.50%	1.40%
28	Nevada*	\$2,185,711	\$2,339,555	20.30%	\$715	1.00%	0.90%
29	New Hampshire	\$1,058,626	\$1,022,721	19.90%	\$726	0.90%	0.80%
30	Florida	\$16,070,098	\$14,241,738	18.00%	\$608	0.90%	0.80%
31	Vermont	\$712,241	\$804,522	15.60%	\$1,239	1.80%	1.80%
32	Texas	\$19,950,107	\$19,073,714	15.60%	\$608	0.90%	0.70%
33	Idaho	\$1,539,887	\$1,343,974	14.10%	\$669	1.10%	1.00%
34	North Carolina	\$6,875,856	\$6,098,691	14.00%	\$551	0.90%	0.70%
35	South Dakota	\$514,789	\$485,802	13.70%	\$525	0.70%	0.60%
36	Alaska	\$1,373,043	\$1,395,811	13.30%	\$1,884	2.50%	2.00%
37	New Mexico	\$3,573,969	\$3,078,722	12.60%	\$1,444	2.50%	2.20%
38	Missouri	\$2,459,794	\$2,388,520	12.40%	\$382	0.60%	0.50%
39	Utah	\$2,367,452	\$2,005,846	12.00%	\$572	0.90%	0.70%
40	Oklahoma*	\$1,905,185	\$1,905,185	11.50%	\$465	0.70%	0.70%
41	North Dakota	\$891,033	\$864,133	9.80%	\$1,084	1.50%	1.10%
42	South Carolina	\$2,263,546	\$2,154,812	9.20%	\$392	0.70%	0.60%
43	Indiana	\$2,441,308	\$2,312,145	8.10%	\$334	0.50%	0.40%
44	Iowa	\$1,308,333	\$1,130,975	7.90%	\$349	0.50%	0.40%
45	Tennessee	\$1,931,115	\$2,256,922	7.60%	\$312	0.50%	0.40%
46	Arkansas	\$899,731	\$870,107	6.80%	\$281	0.50%	0.50%
47	Arizona	\$2,226,292	\$1,800,816	6.80%	\$237	0.40%	0.30%
48	Montana	\$188,225	\$195,129	3.50%	\$171	0.30%	0.30%
49	Wyoming	\$197,159	\$121,986	2.20%	\$207	0.20%	0.20%
50	Nebraska	\$86,602	\$85,566	0.90%	\$43	0.10%	0.00%
	TOTAL	\$613,377,779	\$607,367,049	29.40%	\$1,756	2.40%	2.10%
	MEAN	\$12,267,556	\$12,147,341	23.00%	\$1,214	1.80%	1.70%
	MEDIAN	\$5,121,401	\$4,998,497	34.40%	\$1,788	2.50%	2.10%

*Fiscal 2024 debt and revenue figures are estimated by Moody's because the state's fiscal 2024 financial statements were not available as of the publication of this report.

Sources: State audited financial statements and unaudited draft statements (for Arizona and Nevada) and Moody's Investors Service Report, "States - Revenue growth and lower ANPLs boost capacity to manage long-term debt" (published September 19, 2025).

It is important to note that states with higher state debt levels may have lower local debt levels and vice versa. During calendar year 2023 (the most recent U.S. Census Bureau data available compared to other states), local debt accounted for approximately 82.2 percent of Texas’ total debt burden. (Local debt includes debt issued by cities, school districts, water districts, counties, community colleges, special districts, and health and hospital districts). Among the nation’s 10 most populous states, Texas ranks second in population and seventh in total (GO and revenue) state debt per capita but third in total local debt per capita with an overall rank of third for total state and local debt per capita (Figure F4).

Figure F4
Total State and Local Debt Outstanding

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	20,002	\$332,291	\$16,613	1	\$128,598	38.7%	\$6,429	1	\$203,694	61.3%	\$10,183	2
California	39,355	580,193	14,742	2	162,001	27.9%	4,116	2	418,192	72.1%	10,626	1
Illinois	12,719	130,908	10,292	4	42,487	32.5%	3,340	4	88,421	67.5%	6,952	4
Texas	31,710	370,234	11,676	3	65,895	17.8%	2,078	7	304,339	82.2%	9,598	3
Pennsylvania	13,059	113,275	8,674	5	47,681	42.1%	3,651	3	65,594	57.9%	5,023	5
Ohio	11,901	67,124	5,640	7	31,101	46.3%	2,613	6	36,023	53.7%	3,027	9
Michigan	10,128	75,097	7,415	6	26,724	35.6%	2,639	5	48,373	64.4%	4,776	6
Florida	23,463	131,771	5,616	8	21,815	16.6%	930	10	109,956	83.4%	4,686	7
Georgia	11,303	61,285	5,422	9	14,484	23.6%	1,281	8	46,802	76.4%	4,141	8
North Carolina	11,198	45,495	4,063	10	12,825	28.2%	1,145	9	32,670	71.8%	2,917	10
MEAN		\$190,767	\$9,015		\$55,361	30.9%	\$2,822		\$135,406	69.1%	\$6,193	

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: 2023 (the most recent data available); July 2025 U.S. Census Bureau, Population Division (released in January 2026).

Appendix G - Investment Grade Credit Ratings

Rating Agencies

The four credit rating agencies for state debt are Moody’s Investors Service (Moody’s), Standard & Poor’s (S&P), Fitch (Fitch), and Kroll Bond Rating Agency (Kroll). Ratings from these agencies provide investors with a measure of an issuer’s overall financial soundness and ability to repay its debt and have a direct impact on the interest rate state issuers will pay on debt issuances. Higher credit ratings result in lower financing costs. Ratings for the state’s general obligation (GO) debt are the most important because the state’s full faith and credit is pledged to its repayment, and GO ratings provide a benchmark rate for the state’s revenue debt. Texas’ GO debt is rated at Aaa, AAA, AAA, and AAA by Moody’s, S&P, Fitch, and Kroll, respectively. All four rating agencies maintain their outlook as “stable.”

Figure G1 provides a summary of the investment grade ratings scale for each rating agency.

Figure G1
Investment Grade Bond Ratings by Rating Agencies

Rating	Moody’s	S&P	Fitch	Kroll
Highest	Aaa	AAA	AAA	AAA
High	Aa1	AA+	AA+	AA+
	Aa2	AA	AA	AA
	Aa3	AA-	AA-	AA-
Medium	A1	A+	A+	A+
	A2	A	A	A
	A3	A-	A-	A-
Lower medium	Baa1	BBB+	BBB+	BBB+
	Baa2	BBB	BBB	BBB
	Baa3	BBB-	BBB-	BBB-

Sources: Moody’s, S&P, Fitch, and Kroll.

The rating agencies take a wholistic approach when evaluating a state’s credit worthiness. Primary areas of evaluation include: the economy and underlying demographics; financial performance; reserves and liquidity; management; debt, liabilities, and other continuing obligations. Texas’ economic stabilization fund enhances the state’s reserves and liquidity metrics. In addition, rating agencies consider environmental, social, and governance (ESG) factors when assessing the credit quality of a debt issuer and assigning a public finance credit rating.

Figure G2 includes, but is not limited to, the four general criteria looked at by rating agencies when assessing the Texas GO debt rating.

Figure G2
Factors Affecting State General Obligation Bond Ratings

Economy	Finances
Population trends	Change in major general revenue sources
Wealth	Change in permanent or FTE positions
Economic diversity	Spending per capita
Economic stability	General fund balances, rainy day fund balance
Infrastructure needs	Accounting and financial reporting practices
	Tax and revenue administration
	Investment practices
Debt	Management
Pay down price for net long-term debt	Coherent structure of governance
Net debt per capita	Constitutional constraints
Net debt as a percent of personal income	Initiatives and referenda
Net debt as a percent of tax valuation	Executive branch controls
Annual debt service on net debt as a percentage of general fund	Mandates to balance budget
Pension liabilities	Fund reserve policies

Sources: Moody’s, S&P, Fitch, and Kroll.

Ratings for Texas General Obligation Debt

Texas GO debt receives the highest available credit rating from Moody’s, S&P, Fitch, and Kroll ratings and is perceived as a strong credit in the municipal bond market.

According to recent rating agency reports, Texas’ credit ratings reflect a strong, diversified, and fast-growing economy with a broad tax base that supports resilient revenue performance and employment trends that outpace national averages. The state’s disciplined fiscal management and conservative budgeting practices have yielded substantial reserve levels—especially in the Economic Stabilization Fund—enhancing flexibility to weather economic volatility and maintain balanced budgets. Low direct debt burdens relative to peers and prudent governance practices further underpin fiscal stability, while ongoing population growth and employment gains contribute to long-term credit strength and a stable outlook from all major rating agencies

To address the state’s growing water needs, the Texas Water Development Board administers cost-effective financial programs for constructing water supply, wastewater treatment, flood control, and agricultural water conservation projects, including the State Water Implementation Revenue Fund for Texas, Flood Infrastructure Fund, and the Texas Infrastructure Resiliency Fund.

The state's GO bond ratings history is shown in *Figure G3*.

Figure G3
Changes in Texas' GO Bond Ratings for Calendar Years 1961 to Current

Year	Moody's	S&P	Fitch	Kroll
1961 (Initial)	*	AAA	*	*
1962 – 1985	Aaa	AAA	*	*
1986	Aaa	AA+	*	*
1987 – 1992	Aa	AA	*	*
1993 – 1996	Aa	AA	AA+	*
1997 – 1998	Aa2**	AA	AA+	*
1999 – 2008	Aa1	AA	AA+	*
2009	Aa1	AA+	AA+	*
2010 – 2012	Aaa**	AA+	AAA**	*
2013 – 2016	Aaa	AAA	AAA	*
2016 – Current	Aaa	AAA	AAA	AAA
* Not rated				
** Recalibration				

Sources: Moody's, S&P, Fitch, and Kroll.

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Appendix H - State Pension Liabilities

Pension Liabilities

According to the Texas Pension Review Board (PRB), there are 350 public retirement systems in Texas. Of these, 99 are actuarially funded defined benefit plans, including two hybrid plans, 170 are defined contribution plans, and 81 are pay-as-you-go volunteer firefighter plans. Based on the most recent filings on record with the PRB, the 99 defined benefit retirement systems had approximately \$398.6 billion in total net assets and nearly 3.5 million members, as of January 2026. The following information summarizes liabilities of Texas public retirement systems that receive state funds.

In November 1936, voters approved an amendment to the Texas Constitution to create a statewide teacher retirement system. The Teacher Retirement System of Texas (TRS) was officially established by the Legislature in 1937. TRS is the largest public retirement system in Texas, in both membership and assets. All revisions in funding, benefits, membership eligibility, and creditable service under TRS require legislative action. As of August 31, 2025, TRS had approximately \$64.90 billion of unfunded actuarial accrued liability (UAAL) for its pensions alone (not including other post-employment benefits (OPEB)).

Figure H1
Teacher Retirement System (TRS) (\$ in Millions)

Summary of Current Plan Data										
Date of Actuarial Valuation	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Discount Rate	Amortization Period (Years)	Membership		Contribution	
							Active	Annuitant	Member	Employer
8/31/2025	\$288,536.03	\$223,633.55	\$64,902.48	77.51%	7.00%	35	976,406	523,657	8.25%	9.47%

Note: The state contributed 8.25% for fiscal year 2024 and contributes each year thereafter. In addition, public education employers contribute an additional 2.00% of the minimum salary schedule for fiscal year 2025 and beyond. For fiscal year 2026, these combined contributions are expected to be 9.37% of total payroll. There is also an additional 0.10% from contributions on behalf of retired members who have returned to work. This leads to a total employer contribution rate of 9.47%.

In November 1946, voters approved an amendment to the Texas Constitution to create a retirement fund for state employees. The Employees Retirement System of Texas (ERS) was officially established by the Legislature in 1947. ERS is responsible for overseeing retirement benefits for elected state officials and state employees. All revisions in funding, benefits, membership eligibility, and creditable service under ERS require legislative action. As of August 31, 2025, ERS had approximately \$13.2 billion of UAAL for its pension alone (not including OPEB). In 2021, the 87th Legislature created a fourth tier for new members hired after September 1, 2022, which operates as a cash balance defined benefit plan. They also adopted a legacy contribution schedule to fund the unfunded liability over the course of 33 years. This legacy contribution is \$510 million, which began in fiscal year 2022.

Figure H2
Employees Retirement System of Texas (ERS) (\$ in Millions)

Summary of Current Plan Data										
Date of Actuarial Valuation	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Discount Rate	Amortization Period (Years)	Membership		Contribution	
							Active	Annuitant	Member	Employer
8/31/2025	\$51,630.19	\$38,425.64	\$13,204.55	74.42%	7.00%	19	146,783	127,195	8.58%	10.00%

Note: Member contributions are 9.50% of compensation for all members hired before 9/1/2022 and 6.00% of compensation for all members hired on or after 9/1/2022. The rate shown reflects the blended rate as of the valuation date. Employer contribution represents state contribution at 9.50% and state agency contribution at 0.50%. There is also an additional \$510 million-dollar legacy contribution.

The Judicial Retirement System Plan One Fund (JRS I) is a pay-as-you-go pension plan and not administered through a trust. In accordance with GASB Statement No. 73, a pension plan that is not administered through a trust should be reported as an agency fund. Therefore, JRS I was reclassified from a Pension and Other Employee Benefit Trust Fund to an agency fund, effective September 1, 2015.

The Judicial Retirement System of Texas Plan Two (JRS II) is a retirement plan for state judges and justices who took office after August 31, 1985. This plan is also administered by ERS. All revisions in funding, benefits, membership eligibility, and creditable service under JRS II require legislative action.

In 2023, the 88th Legislature created a new tier for new members hired after September 1, 2024, which operates as a cash balance defined benefit plan.

Figure H3
Judicial Retirement System of Texas Plan Two (JRS II) (\$ in Millions)

Summary of Current Plan Data										
Date of Actuarial Valuation	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Discount Rate	Amortization Period (Years)	Membership		Contribution	
							Active	Annuitant	Member	Employer
8/31/2025	\$803.60	\$818.62	(\$15.02)	101.87%	7.00%	0	675	622	8.42%	19.25%

Note: Member contributions are 9.50% of compensation for all members hired before 9/1/2024 and 6.00% of compensation for all members hired on or after 9/1/2024. Contributions may cease after 20 years or Rule of 70 with 12 years' service on Appellate Court. The current average member contribution rate is 8.42%.

The Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF) was created by the Legislature in 1979. It is a supplemental plan to ERS and is administered by ERS. Membership is limited to law enforcement officers who have been commissioned by the Department of Public Safety, Texas Alcoholic Beverage Commission, Parks and Wildlife Department, and those members whose commissions are recognized by the Commission on Law Enforcement Officer Standards and Education. Membership is also provided to custodial officers employed by the Texas Department of Criminal Justice and certified by the department as having direct contact with inmates. The supplemental benefits are available to any employee who completes 20 years of service in an eligible position.

Figure H4
Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF)
(\$ in Millions)

Summary of Current Plan Data										
Date of Actuarial Valuation	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Discount Rate	Amortization Period (Years)	Membership		Contribution	
							Active	Annuitant	Member	Employer
8/31/2025	\$1,996.68	\$2,039.15	(\$42.48)	102.13%	7.00%	0	35,546	17,163	0.95%	2.28%

Note: Member contributions are 0.50% of compensation for members hired before 9/1/2022 and 2.00% for all members hired on or after 9/1/2022. Employer contribution represents state contribution at 1.75% and court fee contributions equivalent to 0.53%. Rates are in addition to rates paid for ERS.

The Texas Emergency Services Retirement System (TESRS) was initially created in 1977 by the 65th Legislature as the Statewide Volunteer Fire Fighter’s Retirement Act. TESRS was previously administered by the Office of the Fire Fighters' Pension Commissioner and became a stand-alone state agency effective September 1, 2013, with the passing of Senate Bill 220, 83rd Legislature, 2013. TESRS covers volunteer fire fighters and emergency services personnel in 238 member departments. The system was created as a funded alternative to numerous local volunteer plans operated under the Texas Local Fire Fighters Retirement Act (TLFFRA). The state pays some of the costs of administering this fund and has a statutory obligation to contribute an amount not to exceed one-third of fire department contributions to the extent the system needs the funds to be actuarially sound.

In 2025, the 89th Legislature adopted an actuarially determined contribution to be updated each biennial with a target funding date of September 1, 2055.

Figure H5
Texas Emergency Services Retirement System (TESRS) (\$ in Millions)

Summary of Current Plan Data										
Date of Actuarial Valuation	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Discount Rate	Amortization Period (Years)	Membership		Contribution	
							Active	Annuitant	Member	Employer
8/31/2025	\$200.88	\$148.81	\$52.07	74.08%	7.00%	30	3,301	4,065	0.00%	Varies

Note: TESRS contributions are comprised of two parts paid by local municipalities. Part one varies with a minimum contribution of \$36 per member, per month. Part two does not affect annuities and is adjusted by the state board based on the most recent actuarial valuation, effective for the following two state fiscal years. Members are volunteers and the covered group does not have a payroll. The state will begin contributing an actuarially determined contribution in 2027 based on the 2025 actuarial valuation.

As of August 31, 2025, state-funded pensions had approximately \$78.10 million of UAAL.

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Appendix I - Glossary

Additional State Aid for Homestead Exemption for Facilities (ASAHE — Facilities) –

In 2015, the 84th Legislature increased the amount of homestead valuation that is exempt from school property taxation from \$15,000 to \$25,000. The Instructional Facilities Allotment (IFA) and Existing Debt Allotment (EDA) structures deliver additional state aid in response to changes in a school district’s tax base but do not fully replace the local interest and sinking (I&S) revenue lost due to the change in the homestead exemption. Beginning with fiscal year 2016, Section 46.071 of the Texas Education Code provided qualifying school districts with additional state support to replace local I&S revenue lost due to the increase in the homestead exemption. In keeping with Section 46.071 of the Texas Education Code, this Additional State Aid for Homestead Exemption (ASAHE) for Facilities, which supports eligible debt service, is commonly called the ASAHE — Facilities.

The 87th Legislature, Third Called Session, 2021, passed Senate Bill (SB) 1, increasing the residence homestead exemption from \$25,000 to \$40,000. The 88th Legislature, with the passage of SB 2, Second Called Session, 2023, further increased the residence homestead exemption from \$40,000 to \$100,000. SB 2 includes a provision to expand ASAHE to cover the additional increase in the homestead exemption from \$40,000 to \$100,000. State support under this provision is limited to the lesser of actual IFA and EDA eligible debt service for bonds each year or IFA and EDA eligible debt service for bonds as of September 1, 2023, or authorized by voters but not yet issued as of September 1, 2023.

Advance Refunding – A refunding transaction in which the issue to be refunded 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 advance refunding of a tax-exempt municipal debt after December 31, 2017.

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 total number of students in attendance each day of the entire school year divided by the number of instructional days in the school year.

Bond – A certificate of debt issued by a government or corporation guaranteeing payment of the original investment plus interest by a specific future date. The bond specifies the date the debt is due (“term” or “maturity,” e.g., 20 years), the interest rate (e.g., 5 percent), the repayment dates (e.g., monthly, semiannually, annually), and the revenue source pledged to make the payments.

Budgeted General Revenue – The amount of revenue budgeted by the legislature to be expended during each fiscal year for state operations. This figure is generally less than unrestricted general revenue available for debt service.

Capital Construction Assistance Projects (CCAPs) (formally known as Tuition Revenue Bonds (TRBs)) – Revenue bonds issued by the individual higher education

institutions or systems or the Texas Public Finance Authority (on behalf of certain institutions) for new building construction or renovation. The legislature has to authorize the projects in statute, and CCAPs cannot be used for auxiliary space, such as dormitories. All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain “revenue funds” as defined in the Texas Education Code, Chapter 55. Though legally secured through an institution’s tuition and fee revenue, the state historically has used general revenue to reimburse the universities for debt service for these bonds. The 84th Legislature, 2015, authorized \$3.10 billion in CCAP debt with the passing of House Bill (HB) 100. The passage of Senate Bill 52 during the 87th Legislature, Third Called Session, 2021, authorized certain college systems, universities, and university systems to issue additional CCAPs in the aggregate amount of approximately \$3.35 billion. These CCAP authorizations are included in the debt ratio calculations for outstanding and authorized but unissued debt projections in the Debt Capacity Model (DCM).

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.

Constitutional Debt Limit (CDL) – Article III, Section 49-j of the Texas Constitution prohibits the legislature from authorizing additional state debt if the annual debt service in any fiscal year on state debt payable from the General Revenue Fund exceeds 5 percent of the average of unrestricted general revenue from the preceding three fiscal years. The Texas Constitution also stipulates that state debt payable from the General Revenue Fund does not include debt that, although backed by the full faith and credit of the state, is reasonably expected to be paid from other revenue sources and is not expected to create a general revenue draw.

Coupon – The interest rate paid on a security.

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

Debt Capacity Model (DCM) – A financial model that assesses the impact on unrestricted general revenue of the state’s annual debt service requirements for current and projected levels of not self-supporting debt over the next five years.

Existing Debt Allotment (EDA) – Appropriated as part of the Foundation School Program, the EDA program was created by the 76th Legislature, 1999, and incorporated as Subchapter B to Chapter 46 of the Texas Education Code. The EDA is similar to the Instructional Facilities Allotment (IFA) program in that it provides appropriated assistance by equalizing local tax effort. EDA equalizes local interest and sinking fund tax effort that is not receiving IFA funding with a maximum rate of \$0.29 per \$100 of valuation. Prior to fiscal year 2019, the guaranteed yield for EDA provided \$35 per student in average daily attendance (ADA) per penny of tax effort. As a result of House Bill (HB) 21, 85th Legislature, First Called Session, 2017, beginning in fiscal year 2019, the yield increased to the lesser of \$40 or the amount that results in an additional \$60 million in state aid over the amount of state aid to which districts would have been entitled at a \$35 yield, beginning in fiscal year 2019.

Foundation School Program (FSP) – The primary source of state funding for Texas school districts. This program ensures that all school districts, regardless of property wealth, receive "substantially equal access to similar revenue per student at similar tax effort."

General Obligation (GO) Debt – Debt legally secured by a constitutional pledge of the first monies coming into the State Treasury not otherwise constitutionally dedicated for another purpose. GO debt must be approved by a two-thirds vote of both houses of the legislature and by a majority of the voters.

General Revenue (GR) – The amount of total state tax collections and federal monies distributed to the state for its operations.

Higher Education Fund (HEF) – Appropriations that became available beginning in 1985 through a constitutional amendment to fund permanent capital improvements for certain public higher education institutions. This term may refer either to HEF Treasury Funds (funds reimbursed from the state HEF appropriation for university expenditures) or HEF Bond Funds (monies received through the issuance of bonds and secured by HEF Treasury Funds).

Instructional Facilities Allotment (IFA) – Appropriated as part of the Foundation School Program, the IFA program was authorized in House Bill (HB) 4 by the 75th Legislature, 1997. The provisions that authorize the IFA program are incorporated into the Texas Education Code as Chapter 46, Subchapter A. The IFA program provides appropriated assistance to school districts (ISD or district) on qualifying bonds and lease-purchase agreements legally secured by the ISD. Districts must apply to the Texas Education Agency (TEA) to receive assistance. Bond or lease-purchase proceeds must be used for the construction or renovation of an instructional facility. A maximum allotment is determined based upon the lesser of annual debt service payments or the greater of \$100,000 or \$250 per student in average daily attendance (ADA).

Interest & Sinking Fund (I&S) Tax Rate – The I&S tax rate provides funds for payments on the debt that finances a district's facilities.

Lease Purchase – The purchase of an asset over time through lease payments that include principal and interest. Lease purchases can be financed through a private vendor or through one of the state's pool programs such as the Texas Public Finance Authority's Master Lease Purchase Program.

Municipal Bond – A debt security issued by a state, municipality, or county. Municipal securities are generally exempt from federal taxes and from most state and local taxes.

Non-General Obligation (Revenue) Debt – Debt that is legally secured by a specific revenue source and does not require voter approval.

Not Self-Supporting (NSS) Debt – Either general obligation (GO) or revenue debt intended to be repaid with state general revenues.

Permanent University Fund (PUF) – The PUF is a state endowment contributing to the support of certain institutions and agencies of The University of Texas System and The Texas

A&M University System. The PUF was established by the Texas Constitution in 1876 with land grants ultimately totaling 2.1 million acres, primarily in West Texas (PUF Lands).

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.

Refunding Bond – A bond that is issued to retire or defease all or a portion of outstanding debt.

Self-Supporting (SS) Debt – Debt that is designed to be repaid with revenues other than state general revenues. Self-supporting debt can be either general obligation (GO) debt or revenue debt.

Special Debt Commitments (SDC) – Revenue debt commitments supported by state general revenues but not legally backed by the state’s GO pledge: Capital Construction Assistance Projects (CCAP), Existing Debt Allotment (EDA), Instructional Facilities Allotment (IFA), and Additional State Aid for Homestead Exemption for Facilities (ASAHE — Facilities).

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

Unfunded Actuarial Accrued Liability (UAAL) – An actuarial term that refers to the difference between the actuarial values of assets and the actuarial accrued liabilities of a pension plan. Essentially, the UAAL is the amount of retirement that is owed to an employee in future years that exceed current assets and their projected growth.

Unrestricted General Revenue (UGR) – The net amount of general revenue remaining after deducting all constitutional allocations and other restricted revenue from total general revenue.

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