

THE BOND BUYER

Amount of bonds on May Texas ballots down from a supersized 2023

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Texas voters will decide Saturday on 270 bond propositions totaling \$17.4 billion, which marks a drop in debt requests compared to the last two years.

The proposed debt authorizations sought by schools, cities, and other issuers are down from the state's biannual bond elections since November 2022 that all topped \$20 billion, according to Texas Bond Review Board data. School districts account for \$10.14 billion or 58% of the debt sought in the May 4 election.

Texas law restricts local bond elections to two dates per year, in May and November. Saturday's slate is the smallest since November 2021, when an estimated [\\$10.8 billion of local debt](#) was on the ballot.



"The spend down from previously issued bonds has kept issuers from having to seek more authorization this calendar year," said Ajay Thomas, national head of public finance at FHN Financial. *Callie Lipkin*

Several factors shrank the amount of debt requests, including the front loading of capital improvement funding to get ahead of still escalating construction costs, a delayed pace of spending due to labor and supply chain shortages, and a big state-funded school property tax cut passed by Texas lawmakers last year that added some uncertainty for school districts, according to Ajay Thomas, national head of public finance at FHN Financial.

"The spend down from previously issued bonds has kept issuers from having to seek more authorization this calendar year," he said in an email, adding the amount of proposed bonds will likely rise in 2025.

With voters approving much of their bond requests in recent years, schools unleashed a barrage of bond deals in the municipal market helping to propel Texas to [lead the nation](#) in municipal bond issuance in 2023 for the first time since 1981 with total debt sales of \$59 billion.

In the upcoming election, Dallas has the biggest bond ask on ballots at \$1.25 billion. Mayor Eric Johnson pushed for the city's first bond package since 2017 in his November state of the city address.

"This bond package should allow us to make critical investments in our city without raising your taxes," he said, adding that streets and parks should get the biggest allocations of bond proceeds.

The [10-part proposal](#) includes \$521.2 million of bonds for streets and transportation and \$345.27 million for parks and recreation with other areas like flood protection, libraries, and public safety receiving much smaller amounts.

Housing was only allocated \$26.4 million, which [was a lot less](#) than the \$200 million the Dallas Housing Coalition wanted to help address the city's affordability problem.

Dallas has \$2.16 billion of GO debt outstanding, according [to its latest financial disclosure](#) on the Municipal Securities Rulemaking Board's EMMA website. That debt is rated AA by Fitch Ratings, AA-plus by Kroll Bond Rating Agency, and AA-minus by S&P Global Ratings.

With \$777 million of bonds, Mansfield Independent School District in the Dallas-Fort Worth area, [has the biggest request](#) among schools. The five-part package includes renovations, safety improvements, technology, and athletic complexes.

Georgetown Independent School District north of Austin, which serves more than 13,200 students, [is asking for](#) \$649.5 million of bonds. The four-part proposal would largely fund new construction to accommodate enrollment that has grown by nearly 14% over the last five years. Other propositions earmark bonds for technology and for renovating performing arts and athletic facilities.

"Three of the district's current elementary schools, two of the current middle schools and East View High School are all projected to be at or near capacity by the 2027-2028 school year," the district said in a statement. "New facilities in the fastest growing areas of the district will help alleviate crowding at these campuses and provide engaging spaces for students to learn."

Galena Park ISD, east of Houston, [has \\$530 million of bonds](#) on the ballot mainly to replace or expand schools. District voters approved \$290 million of debt in 2016.

Argyle ISD north of Fort Worth is seeking [a three-part package](#) totaling \$511.54 million of bonds with nearly \$482.4 million allocated to new school construction and the expansion of existing schools.

Unlike during the bond elections a year ago, districts [no longer face constraints](#) in obtaining the state's triple-A-rated guarantee for their debt after the Internal

Revenue Service took action last May to increase capacity in the Texas Permanent School Fund's bond guarantee program.

Net capacity stood at \$153.44 billion as of the end of March. In the first seven months of fiscal 2024, the guarantee has backed \$8 billion of public school bonds.

Grayson County Junior College District, which had \$16.6 million of GO bonds outstanding as of Aug. 31, [put \\$456.5 million of bonds](#) on the ballot for projects to accommodate existing and new programs, expand and update residence halls, as well as for campus infrastructure improvements.

McKinney, a city north of Dallas, is [seeking \\$485.5 million of bonds](#) in its first trip to the ballot since May 2019 when voters approved \$350 million of GO debt. Like Dallas, most of the city's five-part package would fund street and park projects.

Attempts to restrict bond elections from twice a year to just November and require two-thirds voter approval [failed to gain traction](#) in the Texas Legislature last year.

Financing for the renovation of Fort Worth's convention center [would get a boost](#) from a 2 percentage point hike in the city's hotel occupancy tax on the ballot. The increase is projected to generate \$10 million annually, which would be used to back revenue bonds for the project.

Looking ahead to the fall round of Texas bond elections, Thomas said some school districts opted for the November 2023 ballot to avoid this year's presidential election.



While some Texas issuers may be avoiding November's presidential election ballot, Houston Independent School District is considering seeking "long overdue" bond authorization this fall. *Houston Independent School District*

But Houston Independent School District is exploring a "long overdue" bond request this fall given its last trip to the ballot was in November 2012 when voters approved \$1.89 billion of bonds to replace and repair 40 schools.

"The district has not yet determined the total amount for a potential bond package," a statement from its administration said. "That will happen in the next several weeks with input from stakeholders across the community. However, the administration has made clear that any bond HISD proposes will not raise taxes."

Texas' largest public school district is run by a [state-appointed board of managers](#) and superintendent after the Texas Education Agency took it over last year due to academic performance issues.

Some Texas issuers are finding their previous bond propositions are not covering construction costs. A report released last week by Fort Bend ISD probed a \$132.6 million shortfall in a \$1.26 billion bond program approved by voters in May 2023.

"One of the main contributing factors was the prior administration's conscious decision not to adjust certain project budgets for anticipated inflation following the

delay of the proposed 2022 bond election to 2023," [a school board audit committee summary](#) of the report said.