

# PROPOSITION BONDS

## Description

A proposition bond amendment is the approval of a predetermined amount of bonds that can be issued by a commission or department for project financing. These bonds are made as general obligations of the State of Texas and are paid with first order appropriations in the event that the bond is outstanding or unpaid. The approval process for issuing a set of proposition bonds requires legislation passed by the Texas State Legislature to add the amendment to the constitution and a public vote to finalize the amendment.



<http://www.entrepreneur.com/blog/224030>

**Proposition 14:** In 2003, the Texas Legislature and Texas voters passed House Joint Resolution (H.J.R.) 28, which granted the Commission the authority to authorize TxDOT to issue \$3 billion in bonds backed by the State Highway Fund. A minimum of \$600 million was to be spent on safety improvement projects. The 80th Texas legislature increased the bonding capacity to \$6 billion with a maximum annual issuance of \$1.5 billion. A minimum of \$1.2 billion must be dedicated to safety projects.

**Who: State**

**Cost to Collect: N/A**

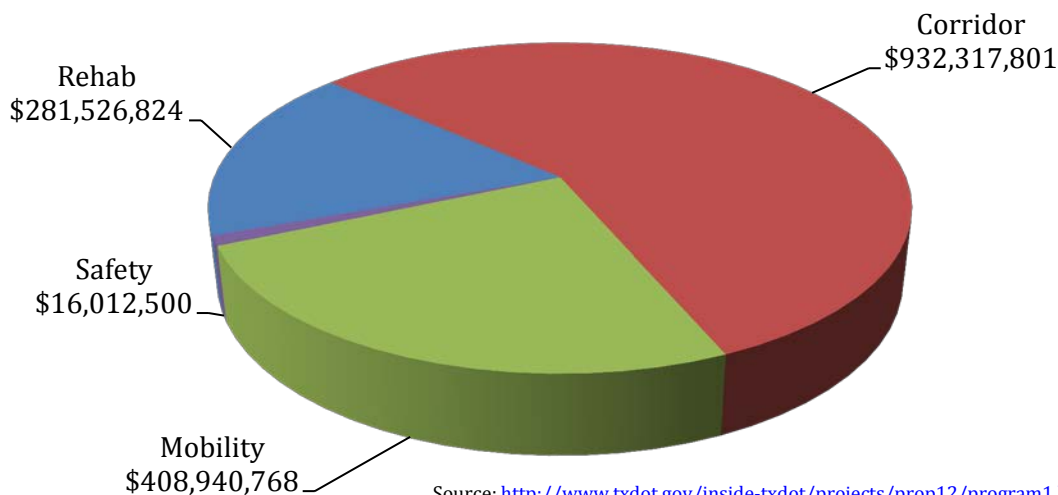
**Sustainability: N/A**

**Reliability: N/A**

**Implementation: Complex**

**Proposition 12:** Following the passing of Senate Joint Resolution (S.J.R.) 64, authorizing \$5 billion in bonds to be issued by the Texas Transportation Commission, the Commission approved these bonds under Proposition 12. Funds collected from these bonds were distributed to TxDOT and Metropolitan Planning Organizations for use in reducing highway congestion, improving transportation between metropolitan areas, and restoring bridges around the state. These bonds have been fully appropriated under two phases shown in Exhibits 1 and 2, and a new amendment would be necessary for the Commission to further issue bonds.

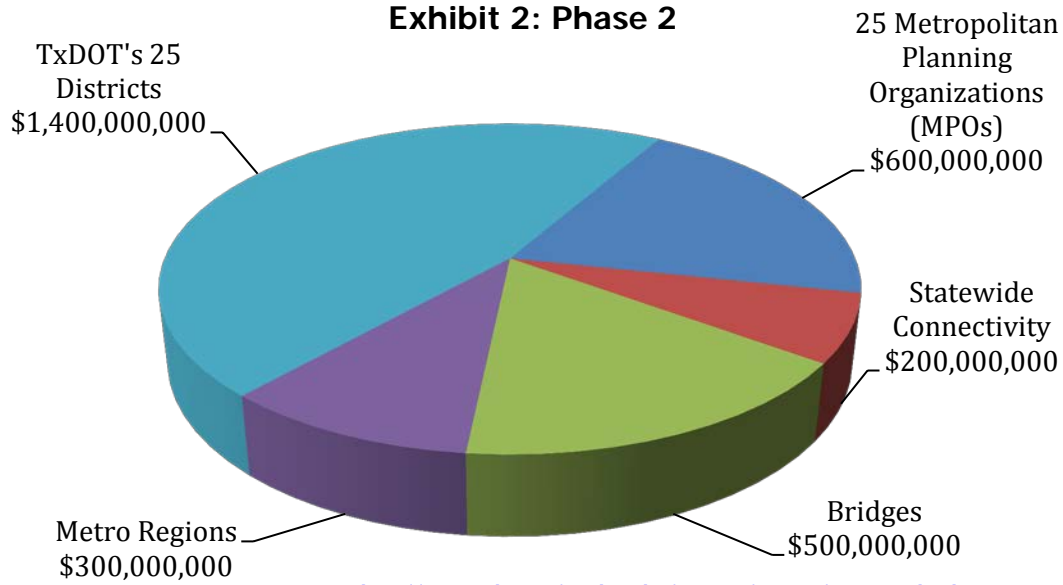
**Exhibit 1: Phase 1**



Source: <http://www.txdot.gov/inside-txdot/projects/prop12/program1.html>

For more information, please refer to: <http://mobility.tamu.edu/mip/strategies.php>.

## Exhibit 2: Phase 2



Source: <http://www.txdot.gov/inside-txdot/projects/prop12/program2.html>

### How Will This Help?

**Delays project costs** – With presently low interest rates, the state can borrow money now and pay off debt in the future at low cost.

**Avoids new taxation** – The Texas Legislature has been opposed to increasing or creating new taxes in recent sessions. Proposition bonds allow Texas to fund necessary projects now and pay back large initial costs over time.

### What's the Downside?

- **Increases debt** – These bonds are pushing costs into the future, which will have to then be paid by future Texans.
- **Short term solution** – Proposition bonds have to be paid back with interest; therefore, future revenues will have to be higher to cover the costs. These bonds can be beneficial for funding large, high priority projects but are not a long-term solution for financing Texas's transportation infrastructure.

### Implementation Issues

- Legislative action is required to implement this funding change if modeled after Proposition 12.
- Increases to the Rainy Day Fund needed if bonds are modeled after Proposition 14.
- Voters/users would need to be educated regarding the costs and benefits.

### Projects Funded With Proposition Bonds

**Dallas Horseshoe Project** was the largest Proposition 12 project with over \$800 million in bonds.

**IH 35 in Waco** received over \$200 million in Proposition 12 bond funds for new highway lanes.

**Loop 375 in El Paso** was able to expand its number of roadway lanes with \$70 million from Proposition 14 funds.