



Debt Reduction Report

Rider 31, TxDOT Bill Pattern, General Appropriations
Act FY 2024-2025, 88th Legislature

August 31, 2024



Introduction

Through several debt financing programs provided by the Texas Legislature, the Texas Transportation Commission (Commission) and the Grand Parkway Transportation Corporation (GPTC) have been able to deliver additional transportation projects throughout the State of Texas. The Texas Department of Transportation (TxDOT) continually monitors its financing programs for opportunities to reduce debt service costs through refunding, restructuring, refinancing and defeasing existing debt.

In accordance with Rider 31 of TxDOT's bill pattern (General Appropriations Act, HB 1, 88th Legislature, 2023) TxDOT hereby submits its "Debt Reduction Report" outlining the results of its efforts to capture savings on bond indebtedness and reduce debt during fiscal year 2024.

Rider 31 states:

"It is the intent of the Legislature that the Texas Transportation Commission and the Department of Transportation look for any and all opportunities for savings that may be accomplished for the department and the state from efforts to refinance the outstanding bond indebtedness issued for its transportation programs under terms and conditions that the commission finds to be in the best interest of the state. The department shall report to the Governor, Lieutenant Governor, Speaker of the House, and the Legislature annually on the outcomes of these efforts with the report due on or before August 31 of each fiscal year in which the Texas Transportation Commission finds opportunities to refinance its debt."

Debt Savings Efforts in FY 2024

In the fiscal year 2024, the department generated a total savings of \$372 million (or approximately \$265 million in savings on a present value basis) by completing 3 separate refunding transactions as detailed below.

State Highway Fund First Tier Revenue Refunding Bonds, Series 2024

In March 2024, TxDOT refinanced approximately \$347 million in existing State Highway Fund revenue bonds. The refunding resulted in total interest rate savings of approximately \$46.3 million (or approximately \$36.1 million on a present value basis) which would have been paid from fiscal years 2025 to 2034. The savings represents 9.0% of the bonds refunded, a savings level well in excess of the Commission's guideline of 3%.

State of Texas Highway Improvement General Obligation Refunding Bonds, Series 2024

Also in March 2024, TxDOT refinanced approximately \$696 million in existing Highway Improvement General Obligation bonds. The refunding resulted in total interest rate savings of approximately \$89.6 million (or approximately \$65.6 million on a present value basis) which would have been paid from fiscal years 2025 to 2044. The savings represents 8.1% of the bonds refunded.

This refinancing also included the first successful tender offer by a state agency in Texas which contributed to the high level of savings. A tender is a public offer by an issuer to purchase outstanding bonds (in this particular case taxable bonds) from existing holders typically at a slight premium to

market value but lowering the cost of the debt by issuing lower cost tax-exempt replacement bonds. Investor participation is voluntary but over \$300 million in bonds were tendered, representing 30% of the universe of bondholders solicited.

Central Texas Turnpike System First Tier Revenue Refunding Bonds, Series 2024-A; First Tier Revenue Refunding Put Bonds, Taxable Series 2024-B; and First Tier Revenue Refunding Bonds, Taxable Series 2024-C

In August 2024, TxDOT refinanced approximately \$1.4 billion in existing Central Texas Turnpike System toll revenue debt. The refunding resulted in total interest rate savings of approximately \$236 million (or approximately \$163 million on a present value basis) which would have been paid from fiscal years 2025 to 2042. The savings represents 11.1% of the bonds refunded, a savings level well in excess of the Commission’s guideline of 3%.

Cumulative Debt Savings Since FY 2014

The table below presents cumulative debt service savings since the inception of this report in FY 2014.

Cumulative Debt Service Savings Since the Inception of the Debt Reduction Report						
Program	Prior Fiscal Years ¹		FY 2024		Total*	
	Gross Savings	PV Savings ²	Gross Savings	PV Savings ²	Gross Savings	PV Savings ²
Texas Mobility Fund Bonds	\$938 million	\$655 million	-	-	\$938 million	\$655 million
State Highway Fund/ Prop 14 Bonds	\$307 million	\$247 million	\$46 million	\$36 million	\$353 million	\$283 million
Highway General Obligation/ Prop 12 Bonds	\$327 million	\$225 million	\$90 million	\$66 million	\$417 million	\$291 million
Central Texas Turnpike System Bonds	\$1.09 billion	\$479 million	\$236 million	\$163 million	\$1.32 billion	\$642 million
Grand Parkway Transportation Corporation System Bonds	\$725 million	\$399 million	-	-	\$725 million	\$399 million
Total*	\$3.38 billion	\$2.00 billion	\$372 million	\$265 million	\$3.75 billion	\$2.27 billion

¹ Activity since inception of the Debt Reduction Report requirement under TxDOT Rider 31 which includes FY 2014 - FY 2023.
² PV Savings as of the date of the refinancing.
* Amounts may not sum due to rounding.

Conclusion

It is the policy of the Commission to ensure that all debt programs and municipal bond transactions are undertaken in the most efficient manner and with the expectation of achieving the lowest cost of capital. The Commission will continue to monitor its debt programs to look for opportunities to capture debt service savings.