Texas Department of Transportation

Debt Reduction Report

Rider 30, TxDOT Bill Pattern, General Appropriations Act FY 2026-2027, 89th Legislature

August 31, 2026

Introduction

The Texas Legislature has established several debt financing programs, which have enabled the Texas Transportation Commission (Commission), the Grand Parkway Transportation Corporation (GPTC) and the Texas Transportation Finance Corporation (TTFC) to deliver additional transportation projects across the state. 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. Throughout the years, TxDOT has been able to take advantage of refinancing opportunities across several debt programs including the Texas Mobility Fund (TMF), State Highway Fund / Proposition 14 (SHF), Highway Improvement General Obligation / Proposition 12 (HIGO), Central Texas Turnpike System (CTTS) and GPTC.

In accordance with Rider 30 of TxDOT's bill pattern (General Appropriations Act, 89th Legislature, 2025) 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 (FY) 2026.

Rider 30 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 2026

In the fiscal year 2026, the department generated total savings of $267 million (or approximately $202 million in savings on a present value (PV) basis) by completing the refunding transactions detailed below.

State of Texas General Obligation Mobility Fund and Refunding Bonds, Series 2025

In November 2025, TxDOT refinanced approximately $733 million in existing TMF bonds. The refunding resulted in total interest rate savings of approximately $132 million (or approximately $107 million on a present value basis) which would have been paid from fiscal years 2026 to 2037. The savings represent 12.8% 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 2026

In May 2026, TxDOT refinanced approximately $798 million in existing HIGO bonds. The refunding resulted in total interest rate savings of approximately $132 million (or approximately $91 million on a present value basis) which would have been paid from fiscal years 2027 to 2046. The savings represent 10.2% of the bonds refunded, a savings level well in excess of the Commission's guideline of 3%.

Additionally, this refinancing included TxDOT's third successful tender offer, highlighting TxDOT's unique status as the only state agency in Texas to successfully complete a tender offer. This contributed to a higher 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 approximately $79 million in bonds were tendered, representing 11% of the universe of bondholders solicited. This was the second tender offer made to holders who did not participate in the initial offer in March 2024, during which approximately $307 million in bonds were tendered, representing 30% of the bondholders solicited.

State Highway Fund First Tier Revenue Refunding Bonds, Series 2026

In August 2026, TxDOT refinanced approximately $62 million in existing SHF bonds. The refunding resulted in total interest rate savings of approximately $3 million (or approximately $4 million on a present value basis) which would have been paid from fiscal years 2027 to 2031. The savings represent 5.8% 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.

Table 1 - Cumulative Debt Service Savings since the Inception of the Debt Reduction Report (In Millions)[1]

Bond Program	Prior FY Gross Savings[2]	Prior FY PV Savings[2,3]	FY 2026 Gross Savings	FY 2026 PV Savings[3]	**Total Gross Savings**	**Total PV Savings[3]**
TMF	$1,011	$709	$132	$107	**$1,143**	**$816**
HIGO	$416	$291	$132	$91	**$548**	**$382**
SHF	$353	$283	$3	$4	**$357**	**$287**
CTTS	$1,324	$642	$0	$0	**$1,324**	**$642**
GPTC	$725	$399	$0	$0	**$725**	**$399**
Total	**$3,830**	**$2,324**	**$267**	**$202**	**$4,098**	**$2,526**

[1] Amounts in Table 1 may not sum due to rounding.
[2] Activity since the inception of the Debt Reduction Report requirement under TxDOT rider 30 which includes FY 2014 – FY 2025.
[3] PV Savings as of the date of the refinancing.

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.