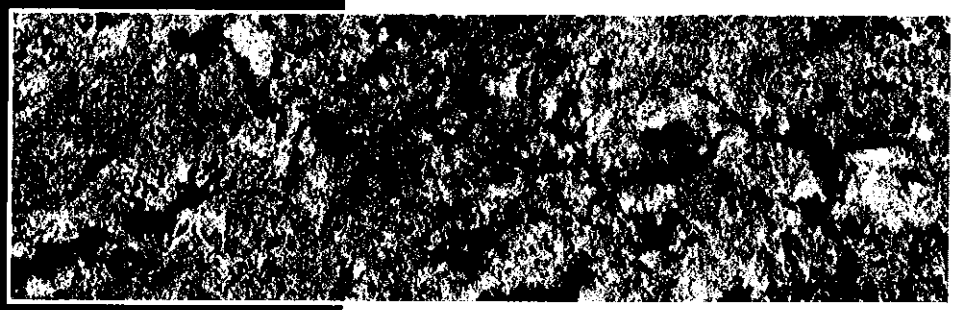


TEXAS BOND REVIEW BOARD 1992 ANNUAL REPORT

TEXAS BOND REVIEW BOARD

ANNUAL REPORT FISCAL YEAR 1992

Year Ended August 31, 1992

Ann W. Richards, Governor, Chairwoman

Bob Bullock, Lieutenant Governor

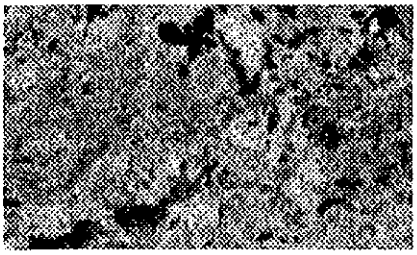
Gibson D. (Gib) Lewis, Speaker of the House of Representatives

John Sharp, Comptroller of Public Accounts

Kay Bailey Hutchison, State Treasurer

Tom K. Pollard, Ph.D.
Executive Director

November 1992



INTRODUCTION

The 1992 Annual Report of the Texas Bond Review Board presents an overview and analysis of Texas state debt.

During fiscal year 1992, the Board approved and Texas state agencies and universities issued $1.6 billion in bonds and executed $62.5 million in lease- or installment-purchases.

Texas state bonds, unless specifically exempted, may be issued only with the Board's approval. State agencies and universities also must obtain the Board's approval prior to executing lease- or installment-purchase agreements for acquisitions in excess of $250,000 or which are financed for more than five years.

The strong demand for Texas' bonds continued to grow during 1992. Texas' sound creditworthiness, due to a growing economy, strong state finances, and low state debt burden, is examined in Chapter 1.

Texas has a low, but rapidly growing, state debt burden. A detailed assessment of recent trends in state debt and a policy discussion are presented in Chapter 2.

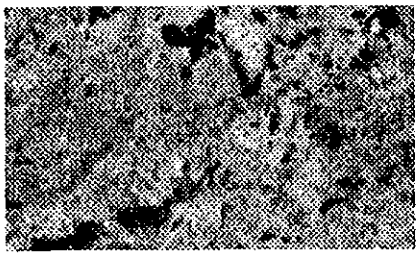
Texas' issuance of $1.6 billion in bonds during fiscal year 1992 was the greatest annual volume since 1986. Chapter 3 reviews bond issuance during 1992.

The various costs involved in the issuance of Texas bonds during 1992 are examined in Chapter 4. The chapter includes recent trends in average costs for negotiated and competitively sold bonds.

Texas had a total of $8.3 billion in state bonds outstanding on August 31, 1992—up from $7.8 billion on August 31, 1991. Chapter 5 reports total Texas bond debt outstanding by source and type, along with the annual debt service requirements associated with this debt.

Appendix A includes a capsule summary of each bond issue approved by the Board and sold during fiscal year 1992. Appendix B provides a description of each program under which state bonds may be issued. Appendix C contains the current administrative rules of the Board.

Texas Bond Review Board



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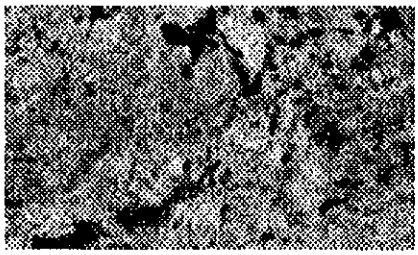


CHAPTER ONE

TEXAS IN THE BOND MARKET–1992

The market for Texas bonds continued to strengthen during fiscal 1992. The state's economy is expanding at a steady pace, state finances remain strong, and the bond rating agencies and investors continue to express confidence in the state's creditworthiness.

Texas' Economic Recovery Leading U.S.

Texas' economic growth is outpacing that of the U.S., continuing a pattern that began in late 1989. The June 1992 numbers show a 1 percent increase in statewide non-farm employment over last year compared to just 0.22 percent employment growth nationally (*Figure 1*). Texas' unemployment rate stands at 7.4 percent, below the 7.7 percent rate for the U.S. (*Figure 2*).

The state has escaped the worst of the U.S. recession because Texas' real estate and petroleum sectors are recovering ahead of those sectors nationwide. Only two of the ten most populous states—Texas and North Carolina—registered increases in employment during the year prior to June 1992 (*Table 1*).

Although the state's economy is performing relatively well, the national downturn has slowed annual growth in the state by about two-thirds from its peak in 1990. The outlook for Texas is for moderate growth at or slightly above the national rate. The Texas economy is expected to expand by an average of about 2.5 percent annually over the next three years (*Table 2*).

Texas State Finances Continue Strong

The state closed its books on the fiscal year ending August 31, 1992, with a General Revenue Fund cash balance of $609 million after posting a $1.005 billion balance at the end of fiscal 1991 (*Figure 3*).

A significant contributor to the strong cash condition at the end of fiscal 1992 was the record-setting startup of the Texas lottery. The lottery was originally scheduled to begin selling tickets by mid-July 1992, with estimated fiscal 1992 proceeds of $69 million. The Comptroller's Office began sales 47 days early, and Texas established world records for first-day, first-week, and first-month sales. Lottery proceeds for the fiscal year totalled $312 million.

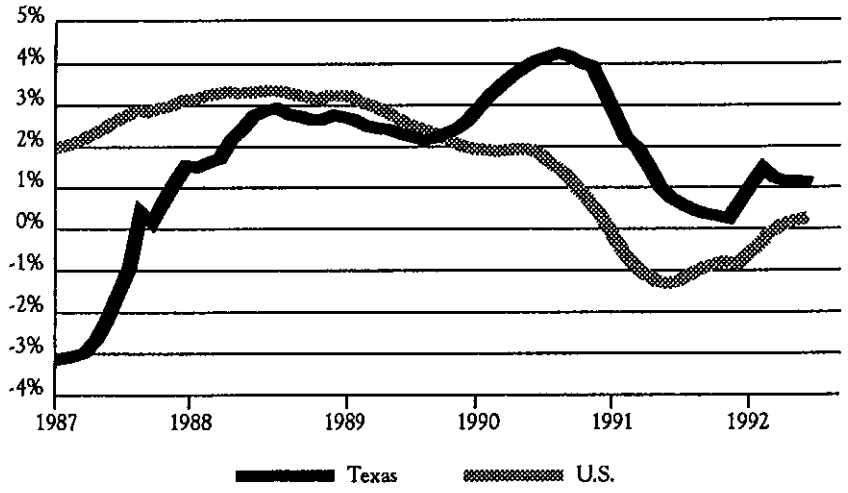
Overall, fiscal 1992 general revenues were up $2.6 billion, or 20.9 percent, over fiscal 1991, according to the State Comptroller (*Table 3*).

Fiscal 1992 tax collections were up by $1.0 billion, or 6.7 percent, from the previous year. Most of the increase is attributable to legislative changes made to the corporate franchise tax and motor fuels taxes during the 1991 session of the Texas Legislature. The franchise tax was revised to include a new component of "earned surplus," which includes corporate income. Motor fuels taxes were increased from 15 to 20 cents per gallon.

Although the positive balance at the end of fiscal 1992 is an indicator of fiscal

FIGURE 1

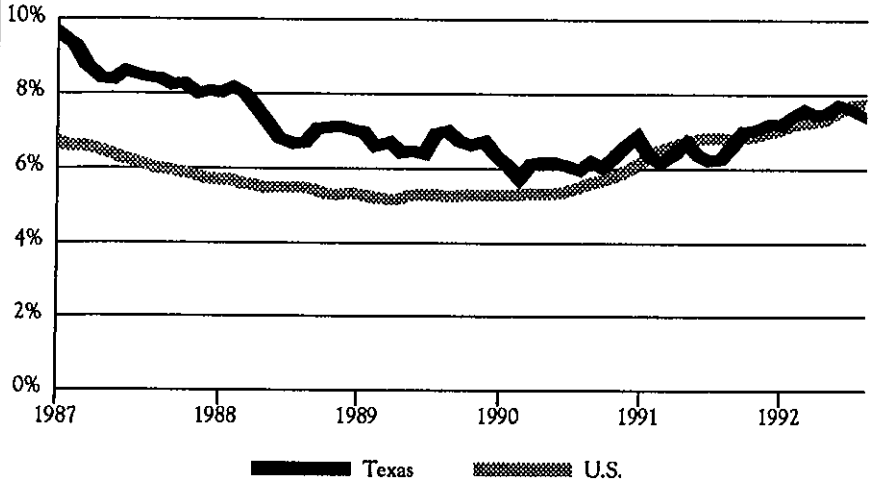
Employment Growth, Texas vs U.S.
January 1987 through July 1992
(percent change from same month, previous year)



SOURCE: Texas Comptroller of Public Accounts & Texas Employment Commission.

FIGURE 2

Unemployment Rate for Texas & the U.S.
January 1987 through August 1992
(three month moving average)



SOURCE: Texas Comptroller of Public Accounts & Texas Employment Commission.

TABLE 1

Job Growth in the Ten Most Populous States
June 1991 to June 1992

Rank (1)	State	Job Growth	Percent Change	Rank (2)
1	TEXAS	75,800	1.05%	13
2	North Carolina	17,600	0.57	21
3	Michigan	-4,500	-0.12	32
4	Illinois	-26,500	-0.50	33
5	Florida	-31,000	-0.59	34
6	Ohio	-31,700	-0.65	36
7	Pennsylvania	-68,600	-1.34	39
8	California	-228,900	-1.82	44
9	New York	-182,600	-2.28	45
10	New Jersey	-97,300	-2.74	49
	UNITED STATES	237,000	0.22	

(1)Rank in percentage job growth among the 10 most populous states.
(2)Rank in percentage job growth among the 50 states.

NOTE: Figures are not seasonally adjusted.

SOURCE: U.S. Bureau of Labor Statistics.

strength, it does not represent $609 million in additional state revenue that is available for spending. Of this balance, $257 million is in oil overcharge settlement receipts dedicated to specific energy conservation projects and $46 million is reserved for a 1 percent state employee pay increase in fiscal 1993. This leaves a balance of $306 million available for general spending, which is $734 million above the original estimate of a negative year-end balance of $428 million.

Other States Face Greater Financial Stress

Fiscal year 1992 has seen a deterioration in the overall financial condition of state governments across the nation. Forty states responding to a survey published by the National Conference of State Legislatures (NCSL) reported a decline in general revenue balances from an average of 2.6 percent of total general revenue appropriations at the beginning of fiscal 1991 to an average balance of 1.4 percent at the end of fiscal 1992. The NCSL views a 5 percent balance in general revenue as a prudent level of reserve.

At the end of 1992, forty-one states held less than the recommended 5 percent in general fund balances, and twenty-six states held less than 1 percent. Texas ended fiscal 1992 with an ending general fund balance of about 4 percent *(Figure 4)*.

As the NCSL states, "State finances are at a very low point. Slow employment growth in most states indicates that economic recovery will continue to be slow." Eastern and western states continue to be suffering the most from the recession *(Figure 5)*.

Bond Rating Actions Reflect States' Financial Weakness

Weakness in state economies and

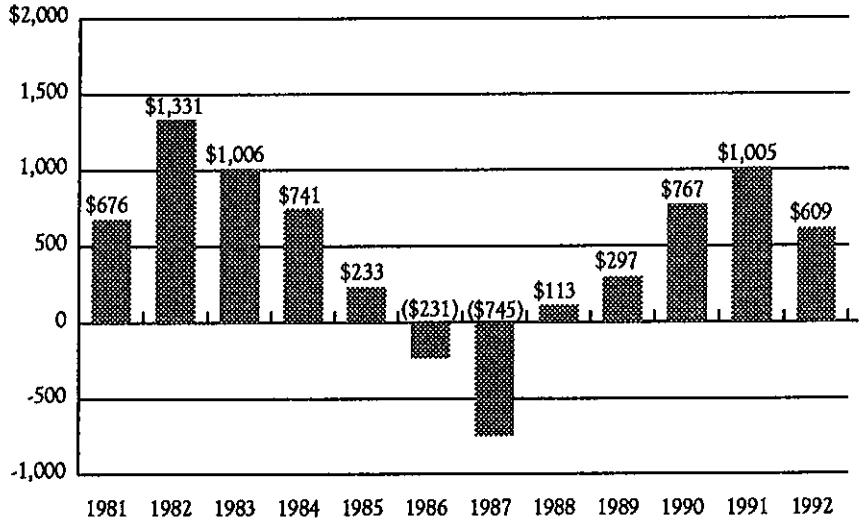
finances has led to rating downgrades for nine states over the last two years. Between September 1990 and September 1992, California, Illinois, Maine, Missouri, New Hampshire, New Jersey, New York, Rhode Island, and Vermont saw their bond ratings lowered *(Table 4)*.

Recovery among states hardest hit by the collapse in world oil prices contributed to rating upgrades in Alaska, Arkansas, and Louisiana during that period.

Standard & Poor's, in their May 18, 1992 *Creditweek*, affirmed Texas' AA general obligation bond rating, adding that the outlook for the rating was stable. Moody's has also assigned Texas an AA rating. The state's 1986-87 economic recession and the accompanying weakness in state finances

FIGURE 3

Ending Cash Balance in Texas' General Revenue Fund
(millions of dollars)



SOURCE: Texas Comptroller of Public Accounts.

TABLE 2

The Texas Economy, Calendar Years 1990 – 1994
Spring 1992 Forecast

Texas Forecasts	1990	1991	1992*	1993*	1994*
Gross State Product (Billions of 1987$)	$326.4	$333.3	$341.2	$350.3	$359.4
Annual Percent Change	3.7	2.1	2.3	2.7	2.6
Personal Income (Billions of Dollars)	$285.1	$300.8	$321.4	$346.1	$371.1
Annual Percent Change	8.2	5.5	6.8	7.7	7.2
Nonfarm Employment (Thousands)	7,100.1	7,167.80	7,290.2	7,450.7	7,601.7
Annual Percent Change	3.8	1.0	1.7	2.2	2.0
Resident Population (Thousands)	17,094.6	17,391.1	17,702.3	17,959.1	18,144.8
Annual Percent Change	1.5	1.7	1.8	1.5	1.0
Unemployment Rate (Percent)	6.2	6.6	7.3	7.1	6.5
Oil Price ($ per Barrel)	$22.31	$18.86	$18.48	$19.23	$20.32
Natural Gas Price ($ per MCF)	$1.50	$1.40	$1.41	$1.46	$1.52
Oil/Gas Drilling Rig Count	350	316	245	263	295
U. S. Economy					
Gross National Prod. (Billions of 1987$)	$4,884.9	$4,849.9	$4,947.6	$5,099.8	$5,259.7
Annual Percent Change	1.0	-0.7	2.0	3.1	3.1
Consumer Price Index (1982-84 = 100)	130.7	136.3	140.4	145.2	150.6
Annual Percent Change	5.4	4.2	3.0	3.4	3.7
Prime Interest Rate (Percent)	10.0	8.5	6.8	8.0	9.6

*Estimate

SOURCES: Texas Comptroller of Public Accounts and DRI/McGraw Hill, December 1991, U.S. Economic Forecast.

TABLE 3

Statement of Cash Condition, General Revenue Fund
(amounts in thousands)

	Fiscal 1991	Fiscal 1992	Percent Change
REVENUES AND BEGINNING BALANCES			
Beginning Balance, September 1	$766,832	$1,004,641	
TAX COLLECTIONS			
Sales Tax	8,223,571	8,531,217	3.7 %
Oil Production Tax	689,174	512,749	-25.6
Natural Gas Production Tax	662,599	497,129	-25.0
Motor Fuels Taxes	1,509,285	1,953,453	29.4
Cigarette and Tobacco Taxes	637,000	582,784	-8.5
Motor Vehicle Taxes	1,073,201	1,220,493	13.7
Franchise Tax	562,827	1,090,924	93.8
Alcoholic Beverages Taxes	142,044	141,939	-0.1
Insurance Companies Taxes	542,759	468,541	-13.7
Inheritance Tax	127,225	141,007	10.8
Hotel and Motel Tax	121,140	127,080	4.9
Utilities Taxes	248,082	217,600	-12.3
Other Taxes	27,882	51,597	85.1
TOTAL TAX COLLECTIONS	**14,566,788**	**15,536,511**	**6.7 %**
Federal Funding	362,668	936,964	158.4
Interest & Investment Income	188,471	71,959	-61.8
Licenses, Fees, Permits & Fines	360,942	503,253	39.4
Lottery Proceeds	0	312,063	- -
Other Revenue Sources	277,149	676,438	144.1
Interfund Transfers / Allocations	-3,212,467	-2,876,761	-10.5
TOTAL REVENUE AND OTHER SOURCES	**$12,543,552**	**$15,160,428**	**20.9 %**
EXPENDITURES AND ENDING BALANCE			
General Government	419,405	435,783	3.9 %
Health and Human Services	1,324,058	2,494,324	88.4
Public Safety and Correction	894,316	1,046,612	17.0
Education	3,538,433	3,714,357	5.0
Employee Benefits	794,048	833,737	5.0
Other Expenditures	477,626	455,061	-4.7
Interfund Transfers / Investment Transactions	4,857,857	6,576,040	35.4
TOTAL EXPENDITURES AND OTHER USES	**$12,305,744**	**$15,555,913**	**26.4 %**
Ending Balance, August 31	$1,004,641	$609,155	

Source: John Sharp, Comptroller of Public Accounts.

caused the rating agencies to lower our long-held AAA rating to AA in 1987.

Much improvement has occurred since then in Texas' economy and finances. Standard & Poor's, in the May 18 report, cited Texas' "steady and diversifying economy, satisfactory financial performance, and a low tax-supported debt burden" as reasons for the state's AA rating.

Although each rating agency has a unique classification system, bonds of the highest quality are rated AAA. Ratings of AA and A denote very sound investments, but of lower quality. Ratings below A, from BBB downward through C, indicate higher and higher levels of risk *(Table 5)*.

Although reinstatement of the AAA rating that Texas enjoyed throughout its economic boom would be welcomed, the maintenance of an AA rating through very trying economic times is testimony to the state's underlying economic strength and fiscal conservatism.

Bond-rating moves are important because of the close relationship between bond ratings and borrowing costs. Increased risk, signified by lower ratings, pushes up the interest rates that investors demand on state bonds.

Texas Bond Interest Rates Continue to Improve

The final decision regarding the risk and interest rate on bonds is not made, however, at the rating agencies, but on the bond trading floor. Bond ratings are just a broad measure of credit quality. All but seven of the forty-one states rated by Moody's and five of the forty-one states rated by Standard & Poor's have an AA rating or better. Each bond purchaser assesses the risk involved within these broad categories and demands a commensurate interest rate.

The relative interest rates demanded on Texas bonds have declined as the state's economy and finances have gained strength. According to a June 1992 survey by the Chubb Corporation, investors are charging Texas an average .11 of a percentage point above the interest rate on benchmark AAA-rated bonds (*Figure 6*).

This interest rate margin is a measure of the higher risk investors place on Texas' bonds relative to the most highly rated bonds. In the summer of 1987, the interest rate penalty placed on Texas bonds peaked at 0.36 percentage points. The margin has been cut by two-thirds, due in large part to improvements in the state's economy and the ability of Texas' policymakers to keep state finances sound.

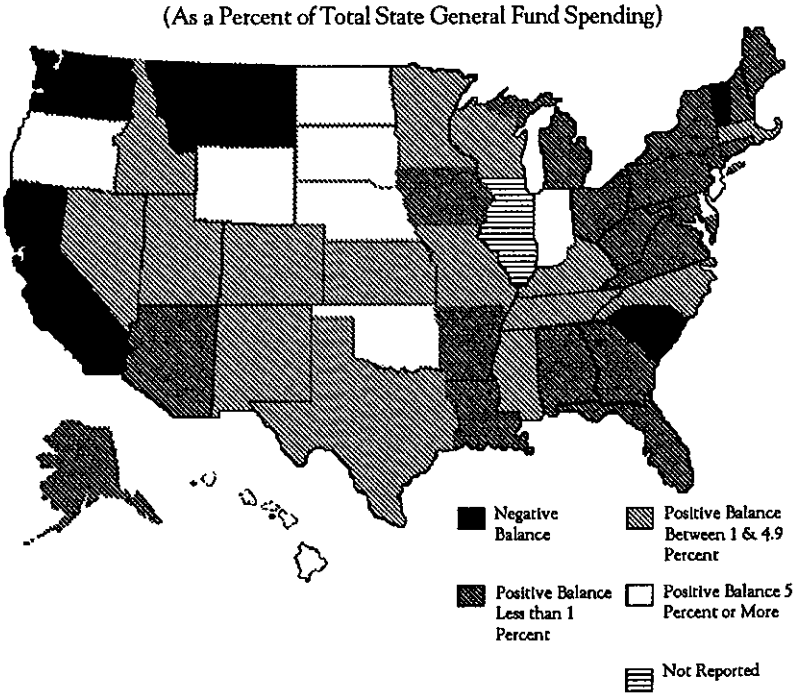
The relative yields on California and Massachusetts bonds are shown for comparison.

Massachusetts' state financial crisis of the late 1980s and early 1990s shows up vividly in the increases in the rates that investors are demanding on that state's bonds. In December 1988, the rate on Massachusetts' bonds was just 0.17 of a percentage point above the AAA benchmark and 0.1 of a point below the rate on Texas bonds. By December 1990, Massachusetts' bonds carried rates averaging 1.02 percentage points above the AAA benchmark and more than 0.85 of a percentage point above Texas' rate. Massachusetts' bond interest rates had not been this much higher than Texas' since late 1981, when oil price increases brought a boom to Texas while the Northeast experienced a deep recession.

Rates demanded on Massachusetts have come down to 0.33 percentage points above the AAA benchmark with the improvement in that state's finances.

FIGURE 4

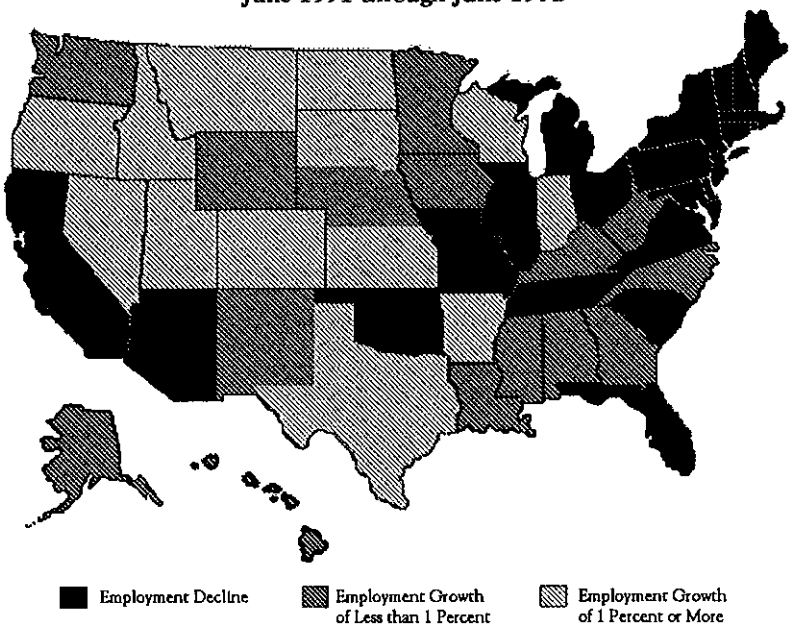
Ending Balance in General Fund, 1992
(As a Percent of Total State General Fund Spending)



SOURCE: National Conference of State Legislatures.

FIGURE 5

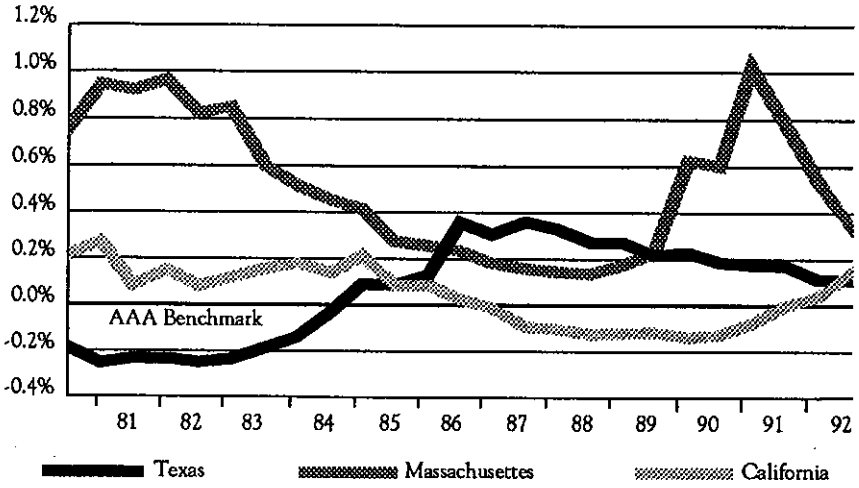
Employment Growth by State
June 1991 through June 1992



SOURCE: Texas Comptroller of Public Accounts and U.S. Bureau of Labor Statistics.

FIGURE 6

Yield Differences on Texas, California & Massachusetts General Obligation Bonds
(Relative to AAA-Benchmark)



SOURCE: The Chubb Corporation.

California, on the other hand, has seen yields on its bonds rise from being 0.14 percentage points below the yield on benchmark AAA bonds in 1989 to being 0.14 percentage points above that rate. In 1989, California was selling bonds at lower rates than any other state. Today the bonds of thirty-three states—including Texas—are selling at lower rates than those of California, according to the Chubb Report.

Not since 1984 have investors demanded a higher interest rate on California's bonds than on Texas' bonds. And this is in spite of the downward pressure on the rates on California bonds due to their exemption from that state's income tax.

California's credit rating fell in part as a result of the weakening in that

TABLE 4

Upgrades and Downgrades in State General Obligation Bond Ratings During the Last Two Years September 1990 to September 1992*

UPGRADES

State	Rating Change
Alaska	AA- to AA by Standard & Poor's
Arkansas	A1 to Aa by Moody's
Louisiana	BBB+ to A by Standard & Poor's

DOWNGRADES

State	Rating Change
California	AAA to AA by Fitch Aaa to Aa by Moody's AAA to A+ by Standard and Poor's
Illinois	Aaa to Aa by Moody's AA+ to AA- by Standard & Poor's
Maine	AAA to AA+ by Standard & Poor's
Missouri	AA+ to AA by Fitch
New Hampshire	AA+ to AA by Standard & Poor's Aa1 to Aa by Moody's
New Jersey	AAA to AA+ by Standard & Poor's AAA to Aa1 by Moody's
New York	A to A- by Standard and Poor's
Rhode Island	AA to AA- by Standard & Poor's Aa to A1 by Moody's AA to AA- by Fitch
Vermont	AA to AA- by Standard & Poor's

*Changes represent the cumulative effect on each state's ratings of all rating actions taken within the period.

SOURCE: Moody's Investors Service, Standard & Poor's Corporation and Fitch Investors Service.

state's economy, but primarily because of the failure of the state's leadership to take the necessary actions to keep state finances on an even keel: "The downgrade reflects chronic deficit operations and the elimination of budget reserves since the end of 1990." And "...it is unlikely that the state will be able to improve its financial position to a point where it could avert future deficits resulting from economic downturns for at least several years."[1]

Even with the passage of a balanced budget, the rating agencies were predicting future financial trouble for the state. "Though California has adopted a budget and is no longer relying on IOU's, its fiscal problems are not over.... Some projections indicate that the [California] budget may be out of balance by as much as $2 billion by June."[2]

TABLE 5

State General Obligation Bond Ratings

August 31, 1992

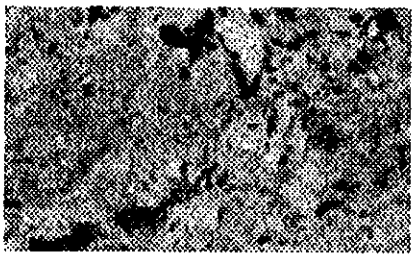
	Moody's Investors Service	Standard & Poor's Corporation	Fitch Investors Service
Alabama	Aa	AA	AA
Alaska	Aa	AA	*
Arkansas	Aa	AA	*
California	Aa	A+	AA
Connecticut	Aa	AA	AA+
Delaware	Aa	AA+	*
Florida	Aa	AA	*
Georgia	Aaa	AA+	AAA
Hawaii	Aa	AA	*
Illinois	Aa	AA-	*
Kentucky	Aa	AA	*
Louisiana	Baa1	A	*
Maine	Aa1	AA+	*
Maryland	Aaa	AAA	AAA
Massachusetts	Baa	BBB	A
Michigan	A1	AA	AA
Minnesota	Aa	AA+	AA+
Mississippi	Aa	AA-	*
Missouri	Aaa	AAA	AA
Montana	Aa	AA-	*
Nevada	Aa	AA	*
New Hampshire	Aa	AA	AA+
New Jersey	Aa1	AA+	*
New Mexico	Aa	AA	*
New York	A	A-	A+
North Carolina	Aaa	AAA	AAA
North Dakota	Aa	AA-	*
Ohio	Aa	AA	*
Oklahoma	Aa	AA	*
Oregon	Aa	AA-	AA
Pennsylvania	A1	AA-	AA-
Rhode Island	A1	AA-	AA-
South Carolina	Aaa	AAA	*
Tennessee	Aaa	AA+	*
Texas	Aa	AA	*
Utah	Aaa	AAA	AAA
Vermont	Aa	AA-	AA
Virginia	Aaa	AAA	AAA
Washington	Aa	AA	AA
West Virginia	A1	A+	*
Wisconsin	Aa	AA	*

* Not Rated

SOURCE: Moody's Investors Service, Standard & Poor's Corporation and Fitch Investors Service.

[1] Standard & Poor's *Creditweek Municipal*, December 16, 1991.

[2] Standard & Poor's *Creditweek Municipal*, September 14, 1992.



CHAPTER TWO

TEXAS DEBT IN PERSPECTIVE

Texas has a light state debt burden, but the recent growth in Texas' state debt is cause for caution. The state does not want to create such a debt burden that its creditworthiness and its bond rating are threatened. And with the recent growth in the use of debt financing for state capital projects, it is increasingly important that each transaction be accomplished in the most cost-effective manner possible.

This chapter will focus on recent trends in debt financing and recent policy developments aimed at improving capital planning and debt management for Texas' state government.

Recent Growth in State Debt

Debt service from general revenue has grown by an average of 21.2 percent per year since 1986, while general revenue collections have increased by only an average of 9 percent per year. During the 1986–87 budget period, debt service from general revenue averaged $42.5 million annually, just 0.4 percent of general revenue collections. In the 1992–93 budget period, debt service from general revenue will average $180 million annually, 1.1 percent of general revenue collections.

Texas Still Has a Low State Debt Burden

In spite of the recent increases, Texas' state debt burden remains relatively low.

Texas' tax-supported debt outstanding is about 1.2 percent of total state personal income, compared to a nationwide median of 2.2 percent and a median of 2.4 percent among the ten most populous states. On this measure, Moody's ranks Texas 38th among the fifty states and 9th among the ten most populous states (*Table 6*).

Texas had $200 in tax-supported debt per capita in Moody's 1992 report, compared to a nationwide median of $364 per capita and a median of $413 per capita among the ten most populous states.

Texas bears a very low burden relative to other states based on another measure—the ratio of annual debt service from general revenue to total annual general revenue collections. This state's bond debt service ratio of 1.1 percent of general revenue during the 1992–93 budget period is well below the nationwide average of 5 percent.

Moody's tax-supported debt measure for Texas should be considered an upper limit of possible debt-service draws on the state's general revenue fund. Moody's tax-supported debt total combines what this report labels "not self-supporting" bonds and the self-supporting general obligation bonds of the Texas Water Development Board, Veterans Land Board, and Texas Parks and Wildlife Department. The possibility is remote that any of these self-supporting programs will ever draw on general revenue. (See Chapter 5 for a detailed accounting of Texas debt by type.)

Texas' Debt Burden Lower than Most AAA States

While Texas' bond rating is AA, based on its overall financial situation, the state's debt burden is lighter than five of the eight states possessing the highest rating of AAA from Moody's (*Table 6*).

In 1992, the AAA-rated states had debt ratios ranging from 0.6 percent of personal income for North Carolina to 3.4 percent for Maryland, with the average for all AAA states being 1.7 percent. Texas' tax-supported debt totalled 1.2 percent of personal income.

Currently Authorized but Unissued Bonds Could Add Substantially to State Debt Burden

Texas has the potential to substantially increase its debt burden, considering just the unused bond authorization currently on the books.

As of August 31, 1992, approximately $2.1 billion in bonds payable from general revenue had been authorized by the Legislature but had not yet been issued. However, they may be issued at any time without further legislative action. With the issuance of all authorized bonds, debt service from general revenue would more than double from $180 million annually to $375 million annually, 2.3 percent of estimated annual general revenue collections during the current biennium.

With the issuance of these authorized bonds, Texas' tax-supported debt outstanding would increase from 1.2 percent, reported by Moody's in 1992, to 2.8 percent of current personal income, above the mean of 1.7 percent among the AAA-rated states and about equal to the median for the ten most populous states.

Texas' low debt burden, even when considering currently authorized but unissued bonds, gives the state the opportunity to utilize debt in a prudent manner without threatening the state's financial soundness.

Texas' Local Debt Burden High

Any optimism over Texas' low state debt must be tempered, however, with the knowledge that local debt burdens in the state are very high. Although Texas ranks last among the ten most populous states in state debt per capita, the state ranks 2nd in local debt per capita. In 1990, local government accounted for 87.7 percent of the $64.1 billion in Texas' total state and local debt. The average in that year for the ten most populous states was 64.9 percent (*Table 7*).

The local government portion of total state and local debt in Texas has remained stable, in the 85 to 90 percent range, since 1950. This is in contrast to the decline of local debt nationwide since 1950 (*Figure 7*).

Texas has local government debt per capita of $3,312, compared to an average of $2,200 per capita for the ten most populous states. The heavy local debt burden pushed Texas' ranking to number five based on combined state and local debt. Texas recorded a combined state and local debt per capita of $3,775, compared to an average of $3,398 per capita among the ten most populous states.

Not only is local debt high, there has been a decline in the tax base used to repay the debt. The major source of tax revenue at the local level to support debt finance is the property tax. Total taxable property value across the state is 10 percent below its 1985 level.

The depressed property values have forced local communities to raise levies on existing property. Texas ranked number one nationwide in the percentage increase in property-tax rates between 1980 and 1990. Texas now ranks 8th in local tax burden compared to 29th in 1980.

Such trends have produced an unwillingness and/or inability of local jurisdictions to continue to finance infrastructure improvements.

Growing Need for State and Local Capital Improvements

The pressure on state finances will continue to build with the growing need for infrastructure improvements. State and local governments in Texas will be faced with an estimated $120 billion in infrastructure needs during the next 10–20 years, according to an estimate by the State Comptroller's Office.

The state will need approximately 5.7 million square feet of office space in Travis County alone in 1995 (*Master Facilities Plan*, General Services Commission, 1990). This represents an 11.7 percent increase from the 1990 level and is approximately 2.3 million square feet more than the amount of office space the state owned in Travis County in 1990.

The need for investment in state office space is small when compared to the state's dedication of $1.9 billion in bonds (issued and authorized to be issued) for construction of correctional facilities and $1 billion in bonds (issued and authorized) for construction of the Superconducting Super Collider.

Texas State and Local Debt Issuance Process Fragmented

Texas will face the need for large infrastructure investments with a very decentralized approach to capital finance. Debt issuance in Texas is a fragmented process at both the state and local

TABLE 6

Tax-Supported Debt as a Percentage of Personal Income, 1992 by State

Rank	State	Rating	1992 Debt/ Personal Income Ratio
1	Hawaii	Aa	10.2 %
2	Connecticut	Aa	8.7
3	Delaware	Aa	8.1
4	Massachusetts	Baa	8.0
5	Louisiana	Baa1	6.5
6	Rhode Island	A1	6.1
7	New York	A	5.6
8	Kentucky	Aa	4.7
9	West Virginia	A1	4.7
10	Vermont	Aa	4.5
11	Washington	Aa	4.4
12	Maryland	Aaa	3.4
13	Nevada	Aa	2.9
14	Illinois	Aa	2.7
15	Pennsylvania	A1	2.7
16	Wisconsin	Aa	2.7
17	Alaska	Aa	2.5
18	Georgia	Aaa	2.5
19	New Hampshire	Aa	2.5
20	Alabama	Aa	2.4
21	Ohio	Aa	2.4
22	Florida	Aa	2.2
23	Maine	Aa1	2.2
24	Minnesota	Aa	2.2
25	Montana	Aa	2.2
26	New Jersey	Aa1	2.2
27	South Dakota	NA	2.2
28	California	Aa	2.0
29	Mississippi	Aa	1.8
30	New Mexico	Aa	1.8
31	South Carolina	Aaa	1.8
32	Arizona	NA	1.6
33	Utah	Aaa	1.6
34	Oregon	Aa	1.5
35	Missouri	Aaa	1.3
36	Michigan	A1	1.2
37	North Dakota	Aa	1.2
38	**TEXAS**	**Aa**	**1.2**
39	Virginia	Aaa	1.2
40	Tennessee	Aaa	1.0
41	Arkansas	Aa	0.7
42	Indiana	NA	0.7
43	North Carolina	Aaa	0.6
44	Kansas	NA	0.5
45	Oklahoma	Aa	0.4
46	Colorado	NA	0.3
47	Idaho	NA	0.3
48	Iowa	NA	0.2
49	Nebraska	NA	0.2
50	Wyoming	NA	0.0
	U.S. Median		**2.2 %**

SOURCE: Moody's Medians, 1992.

levels. There are twenty-three individual state issuers and 2,519 local issuers with debt outstanding.

Little has been done at the state or local level in Texas to gain economies of scale in bond issuance and to use the state's bond rating to provide lower-cost financing to smaller state and local borrowers. With a few exceptions, these local issuers enter the market individually, many with very small bond issues. The pooling of a number of smaller bond issues into a single larger issue would reduce average issuance costs.

In many cases, there could also be a bond rating advantage to pooled local bond issuance or some other state-local partnership if the state's credit is used directly or as a backup to local bonds. Moody's Investors Service maintains bond ratings for 291 cities and 86 counties in Texas. Of these ratings, 63 percent of the cities and 33 percent of the counties have less than an A rating. Since Texas' state rating—AA for G.O. bonds and A for revenue bonds—is higher, the state could help these lower-rated local governments through some form of financing mechanism by utilizing the state's rating.

Legislature Paves the Way for More Cost-Effective Capital Finance

The 1991 Legislature, in recognition of the trends in state and local debt, passed Senate Bill 3, which made a number of changes in the manner in which the state handles capital planning and debt management.

Legislature Sets Debt Limit

Senate Bill 3 placed a statutory limitation on the authorization of debt. While the limit may be overridden by future legislatures, it states the intent of the 1991 Legislature that additional tax-supported debt may not be authorized if the maximum annual debt service on debt payable from general revenue, including lease-purchases greater than $250,000, exceeds 5 percent of the average annual general fund revenues for the previous three years.

The debt-service ratio is 1.5 percent, considering bonds outstanding on August 31, 1992 (*Figure 8*). The issuance of all bonds authorized by the Legislature, but unissued, would have pushed the ratio to an estimated 2.9 percent.

Report on State and Local Debt Burden

The Legislature, in addition to passing a specific state debt-service limit, directed the Bond Review Board to report, in advance of each regular legislative session, on the level of state and local debt.

The Board is directed to provide the Legislature with recent trends for a

TABLE 7

Total State and Local Debt Outstanding: Ten Most Populous States, 1990

	Total State and Local Debt			State Debt				Local Debt			
State Population	Per Capita Rank	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
New York	1	$94,538	$5,255	1	$46,547	49.2	2,587	4	$47,991	50.8	$2,668
New Jersey	2	32,565	4,213	2	18,908	58.1	2,446	7	13,657	41.9	1,767
Florida	3	53,464	4,132	8	9,950	18.6	769	1	43,514	81.4	3,363
Pennsylvania	4	45,728	3,849	7	10,926	23.9	920	3	34,802	76.1	2,929
TEXAS	5	64,127	3,775	10	7,864	12.3	463	2	56,264	87.7	3,312
California	6	93,358	3,137	6	28,866	30.9	970	5	64,492	69.1	2,167
Illinois	7	32,027	2,802	3	15,262	47.7	1,335	8	16,764	52.3	1,467
North Carolina	8	15,723	2,372	9	3,071	19.5	463	6	12,652	80.5	1,909
Michigan	9	21,414	2,304	5	9,170	42.8	987	9	12,245	57.2	1,317
Ohio	10	23,191	2,138	4	11,209	48.3	1,033	10	11,983	51.7	1,105
Mean		$47,614	$3,398		$16,177	35.1%	$1,197		$31,436	64.9%	$2,200

SOURCES: U.S. Department of Commerce, Bureau of the Census: *Government Finances:1989-1990*, Census Bureau, *State Government Finances in 1990.*

Detail may not add to total due to rounding.

broad set of measures regarding state and local debt, including per-capita debt; debt as a percentage of personal income and real property valuation; utilization of short-term notes and capitalized interest; savings from refundings; bond issuance costs, etc.

These measures will provide the Legislature with the information necessary to refine state debt-service limits and to identify possible strategies to assist local governments in their capital finance and debt management.

A New Capital Planning and Budgeting System for Texas

The Legislature also mandated the development of a capital planning and budgeting system to ensure that each capital-finance decision for state government is made in the most informed manner possible.

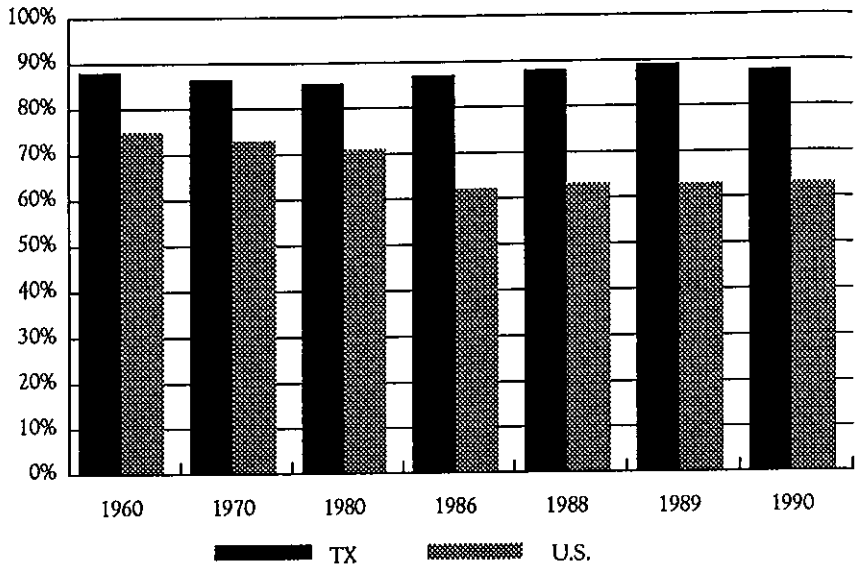
This new focus on capital finance was brought about by increased use of general obligation and other general revenue-backed bonds for state capital investment. The amount of bonds attributable to state capital investment has quadrupled since 1986, to $1.8 billion outstanding at the end of fiscal 1992.

This new approach to capital finance is aimed at rationing debt capacity so that the entire capacity is not pledged in the short term for projects that, over time, would not be of the highest priority. A priority list of the top ten capital projects for bond financing today probably would not be the same list of ten projects considered highest priority five or ten years from now.

The capital-finance system is based, therefore, on a six-year strategic capital improvement plan adopted by the Governor and the Legislative Budget Board in preparation for each Regular Session of the Legislature. The overall plan will take into consideration each state agency's strategic operating plan.

FIGURE 7

Local Debt as a Percentage of Total State & Local Debt for Texas & the U.S.



SOURCE: U.S. Department of Commerce, Bureau of the Census.

The biennial budget submission of each agency contains detailed information regarding proposed purchases of land, buildings, equipment, and other capital assets during the upcoming budget period and during the six years covered by the strategic plan.

The Bond Review Board will make recommendations to the Legislature on the structure and timing of the debt financing of each capital improvement included in the six-year strategic capital improvement plan.

The Legislature will also develop a capital budget as part of its biennial budget-writing process. Each capital improvement project included in the two-year budget must have been included in the six-year strategic plan, except in emergency situations. The two-year budget will specify which capital improvements are to be debt financed and the method and timing of incurring this debt.

The Bond Review Board will recommend to the Legislature the method of finance for each asset included in the two-year capital budget and the structure and timing of any resulting debt issuance, and the Board will report to the Legislature on the aggregate impact of recommended debt issuance on the state's debt burden.

Savings Targeted in Capital Budgeting Process

The capital budgeting process should allow substantial savings in the state's acquisition of office and non-office space, equipment, and other capital items.

For example, the state currently is leasing a large portion of its office, warehouse, and other space. State and federal studies indicate that in most cases leasing is a substantially more costly alternative than outright purchase.

The General Services Commission (GSC) reports that the state owned approximately 57 percent of the office

space managed by GSC in Travis County during 1989. This percentage, although up somewhat from 1979, is down substantially from previous highs (70% in 1959, 62% in 1969, and 48% in 1979).

Statewide, including Travis County, 72 percent of the GSC-managed office space was leased and 28 percent was owned. This is almost reverse the ratio that federal studies indicate is the most economical mix of lease versus own.

The General Services Administration, which manages space needs for the federal government, has concluded that the most economical mix for occupied space is 80 percent owned and 20 percent leased (General Accounting Office, *Building Purchases*, 1989). The General Services Commission believes that the 80/20 mixture also is a prudent target for state space needs.

A 1987 study conducted by Arthur Andersen & Co. for the Texas Public Finance Authority (TPFA) found that for seven particular projects, the cost of leasing exceeded the cost of a bond-financed purchase by about 64 percent (44 percent in present-value terms), not including the benefit of gaining equity in the buildings being purchased. The analysis was based on operational and cost estimates provided by TPFA and the General Services Commission.

The General Accounting Office found in 1989 that the purchase of buildings resulted in lower costs than leasing for eleven of the twelve federal government buildings included in the GAO study. The 30-year present value savings for the eleven buildings ranged from 15% to 46% of the purchase costs, for an average savings of 30%.

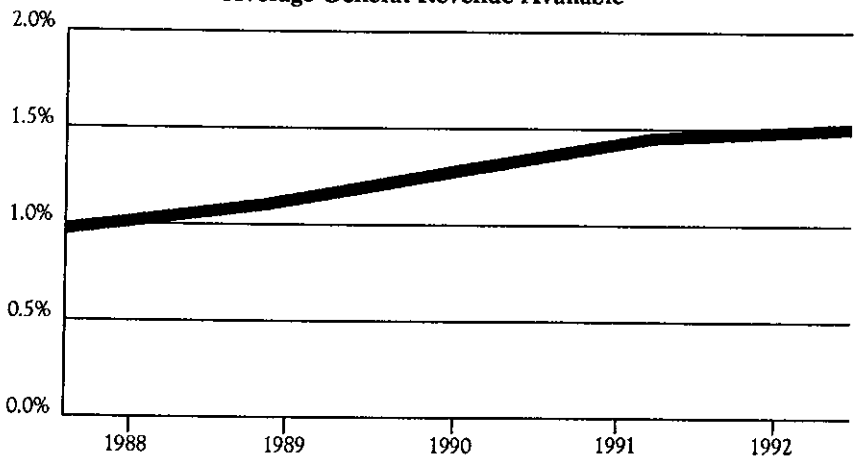
More Cost-Effective Financing of Equipment

Substantial savings could result also through pooling of the purchase and finance of equipment and other capital items, which will be identified in agency budget requests and monitored throughout the budget-writing process.

Capital items (or bundles of similar items) with a value of at least $25,000 are identified specifically in each agency's biennial capital budget. This information will allow the Legislature to make an informed decision on whether the state should pay cash up front for a specific capital asset, should purchase the asset over time with debt financing, or should pay over time for the use of an asset using an operating lease. Also involved would be the decision as to whether purchases are better financed individually or through the master-lease pool administered by the Texas Public Finance Authority. The making of these choices during the budget-writing process will maximize savings to the state.

FIGURE 8

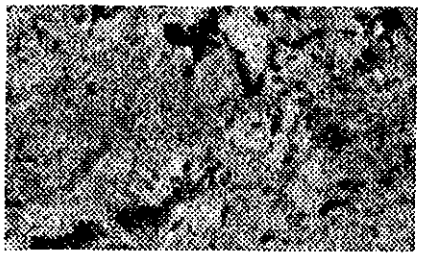
Texas Annual Debt Service on Outstanding Texas Tax-supported Debt as a Percent of Average General Revenue Available



SOURCE: Texas Bond Review Board, Office of the Executive Director.

Summary and Conclusion

Texas' current debt burden is low, but the recent growth in state debt for capital finance has intensified the need for prudent capital planning and debt management by the state. Senate Bill 3, passed by the 1991 Texas Legislature, established debt management and capital planning and budgeting components within the budget-writing process for the accomplishment of these objectives. The bill did not, however, set out particular rules and regulations regarding capital finance. The development of a successful capital-finance and debt-management plan for the state depends on the effectiveness with which the bill is implemented. Successful implementation will hinge on the cooperation among the legislative and executive entities involved in the writing of the budget and the purchase of capital assets.



CHAPTER THREE

TEXAS BOND ISSUANCE DURING FISCAL 1992

Texas state agencies and universities issued $1.6 billion in bonds during fiscal 1992, $1.1 billion in new-money bonds, and $508 million in refunding bonds (Table 8). New-money bond issues raise additional funds for new projects and add to the state's outstanding debt, while refunding bonds, for the most part, replace bonds issued previously.

This is the first year that new-money bond issuance has reached $1 billion since 1986, when the state sold $2.4 billion in new-money bonds (Figure 9).

New-Money Bonds Issued in 1992 for a Variety of Programs

The new-money bonds issued during 1992 financed a wide variety of new and existing programs.

The Texas Public Finance Authority (TPFA) issued $300 million in Workers' Compensation Fund Revenue Bonds in December 1991 to fund the initial surplus, reserves, and set-up costs of the Worker's Compensation Fund. The Fund will essentially act as an insurance company, writing workers' compensation insurance in Texas. The bonds are payable from a maintenance tax surcharge assessed against each insurance company writing workers' compensation insurance in Texas. The surcharge will be set by the State Board of Insurance at a level sufficient to produce twice the total amount needed for debt service in the coming year. The bonds are not a debt of the state of Texas and the state's credit is not pledged to payment on the bonds.

The Texas National Research Laboratory Commission Financing Corporation issued $250 million in lease-revenue bonds in December 1991. The Financing Corporation was created by the Texas National Research Laboratory Commission (TNRLC) to act as a financing conduit for the issuance of such bonds. Proceeds will be used to fund eligible undertakings in the development of the Super-

TABLE 8

Texas Bonds Issued During Fiscal Year 1992

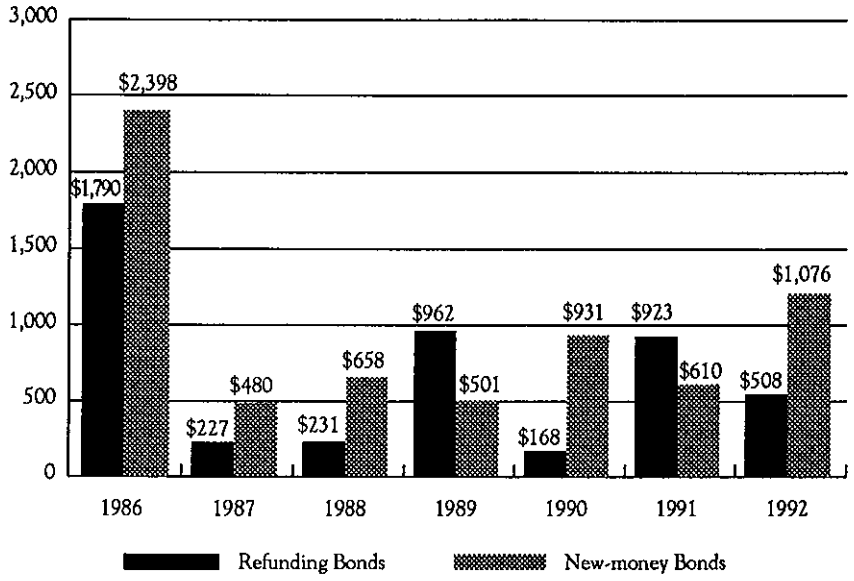
	Refunding Bonds	New-Money Bonds	Total Bonds Issued
Texas Public Finance Authority, General Obligation*		$91,250,000	$91,250,000
Texas Public Finance Authority, Revenue		6,580,000	6,580,000
Texas Public Finance Authority - Workers' Compensation, Revenue		300,000,000	300,000,000
Texas Natonal Research Laboratory Commission, Revenue		250,000,000	250,000,000
The University of Texas System, PUF Revenue	$212,015,000	64,000,000	276,015,000
Texas A&M University System, PUF Revenue	95,619,976		95,619,976
Constitutional Appropriation Bonds, General Obligation	54,770,000		54,770,000
Southwest Texas State University, Revenue		7,700,000	7,700,000
Texas Water Development Board, General Obligation		37,760,000	37,760,000
Texas Water Development Board State Revolving Fund, Revenue		50,000,000	50,000,000
Texas Department of Housing & Community Affairs, Revenue	112,085,000	132,200,000	244,285,000
Texas Higher Education Coordinating Board, General Obligation		100,000,000	100,000,000
Veterans Land Board, General Obligation	33,684,751	35,000,000	68,684,751
Texas National Guard Armory Board, Revenue		1,300,000	1,300,000
TOTAL	**$508,174,727**	**$1,075,790,000**	**$1,583,964,727**

*See Chapter 5 for an explanation of the distinction between general obligation and revenue bonds.

SOURCE: Texas Bond Review Board, Office of the Executive Director.

FIGURE 9

Texas New Money & Refunding Bond Issues 1986 through 1992
(millions of dollars)



SOURCE: Texas Bond Review Board, Office of the Executive Director.

TABLE 9

Lease- and Installment-Purchase Agreements

Interest	Amount	Purpose
Adjutant General	$394,276	Telecommunications
Texas Commission on Alcohol and Drug Abuse	450,000	Computer
Department of Information Resources	1,051,533	Computer
Department of Information Resources	425,000	Computer
General Services Commission	8,535,000	Office Facilities
General Services Commission	7,420,000	Office Facilities
General Services Commission	1,305,000	Office Facilities
General Services Commission	14,500,000	Office Facilities
Higher Education Coordinating Board	300,000	Computer
Lamar University	530,967	Telecommunications
Lamar University	942,742	Computer
Lamar University	1,934,911	Computer
San Antonio State Chest Hospital	622,000	Hospital Equipment
Texas Department of Criminal Justice	18,285,000	Prison Facilities
Texas Employment Commission	1,235,000	Office Facilities
Texas Employment Commission	790,000	Office Facilities
Texas Employment Commission	1,015,000	Office Facilities
Texas State Technical College	278,000	Printing Equipment
University of Houston	349,360	Computer
University of Texas-Health Science Center	500,000	Computer
Texas Water Commission	1,624,500	Computer
TOTAL	**$62,488,289**	

SOURCE: Texas Bond Review Board, Office of the Executive Director.

conducting Super Collider. The TNRLC's obligation to make rental payments is subject to a biennial appropriation of general revenue by the Legislature.

The Texas Higher Education Coordinating Board in January 1992 sold $100 million in G.O. college student loan bonds to provide low interest loans to students seeking undergraduate, graduate, and professional degrees at institutions of higher education in Texas. Although the bonds are backed by a pledge of the state's credit, revenue from repaid student loans has historically been sufficient to pay debt service. No draw on the state's general revenue fund is expected.

The Texas Water Development Board (TWDB) issued $50 million in State Revolving Fund Revenue Bonds in March 1992, initially at a variable rate to allow the Board to provide political subdivisions with low-cost interim financing for water treatment projects. The bonds are special obligations of the TWDB, payable primarily from principal and interest on acquired obligations of participating political subdivisions. The bonds do not constitute indebtedness of the state and the state's credit is not pledged.

The TPFA in August 1992 issued $61 million in Texas general obligation bonds on behalf of the Texas Department of Criminal Justice (TDCJ) to finance correctional facilities. Approximately $39 million will be used to purchase and renovate existing facilities housing 3,000 beds. Approximately $17 million will cover the design phase of a number of new facilities, and $5 million will cover renovation and repairs of existing facilities. This is the first issuance for correctional facilities from the $1.1 billion in general obligation bonds approved by the voters in November 1991.

Also, the TPFA during August issued the first $5.4 million in commercial paper notes under the state's new master-lease program. The program will provide the state with a cost-effective method to pool debt-financed equipment purchases. Under the program, eligible equipment will be purchased by the TPFA and leased to various client agencies. The lease payments made by the agencies will come from general revenue appropriations. The program initially will finance only equipment for which an agency can show an available general revenue appropriation equivalent to the full purchase price of the equipment. This provides ironclad security to the bondholder and the provider of the liquidity facility, so that if something goes wrong with the lease-purchase payments during this biennium, the full cash value of the equipment is available for debt service.

New Lease and Installment Purchases

A total of $62.5 million in lease- and installment-purchases were approved by the Bond Review Board in 1992 *(Table 9)*. While it does not involve the issuance of state bonds, a lease- or installment-purchase is a method of paying for a building or equipment over time and carries finance charges. The Bond Review Board is required to review all lease- or installment-purchases in excess of $250,000 in principal or with a term of greater than five years.

About $53.1 million of the total was for the lease purchase of buildings, while the remaining $9.4 million in approved purchases were for computers, telecommunications systems, and other capital equipment.

The largest single building lease purchase approved was $18.3 million for the acquisition by the TDCJ—Pardons and Paroles Division of a work facility in Lockhart. Bonds issued by the Lockhart Correctional Facilities Financing Corporation will finance the construction of the work facility, which will house 500 inmates and include private business entities that will provide employment for the inmates. Qualifying inmates will volunteer to be housed and perform wage-paying employment within the facility. TDCJ will make payments to the Corporation during the lease-purchase period to cover operations. At the end of the lease term the facility will become the property of TDCJ.

The General Services Commission (GSC) obtained approval for the conversion of a number of operating lease agreements into leases with option to buy to allow the state to eventually gain title to the buildings.

The largest building acquisition approved was a $14.5 million facility for the Disability Determination Division of the Texas Rehabilitation Commission. The operating budget of the Disability Determination Division is financed totally with federal funds from the Social Security Administration. The state of Texas will, however, gain title to the building upon completion of a 25-year lease term.

Another three-part lease purchase of office space by GSC totalling $17.3 million will facilitate the consolidation of the operations of the Texas Air Control Board (TACB) and the Texas Water Commission (TWC). Under the approved agreement, existing leases of office space by the TACB and TWC will be converted to leases with an option to purchase. Unless the option to purchase is exercised sooner, the state will gain title to the buildings at the end of a 20-year lease term.

Bond Issuance Outlook—1993

Texas state agencies and universities plan to issue approximately $2.9 billion in bonds and commercial paper during fiscal year 1993 according to the results of an annual survey by the Bond Review Board. *(Table 10)*. Approximately $1.7 billion will be issued to finance projects or programs, while about $1.2 billion will be used to refund existing debt.

The TPFA is expected to be the largest issuer of new-money bonds. The TPFA plans to issue $513 million in new-money general obligation bonds on behalf of the Parks and Wildlife Department ($10 million) and Texas Department of Mental Health and Mental Retardation, Texas Youth Commission, and the Texas Department of Criminal Justice ($503 million).

The TPFA will also issue $28.1 million in new-money revenue bonds on behalf of the General Services Commission ($21 million), the National Guard Armory Board ($3.9 million), and Texas State Technical College ($3.2 million). The TPFA also expects to issue about $70 million in commercial paper to provide interim financing for the state's Master Equipment Lease-Purchase Program.

Another major issuer of new-money bonds will be the Texas Water Development Board. The Board plans to issue about $242 million in state revolving fund revenue bonds in the fall of 1992 and an additional $153 million in the summer. Proceeds from these issues will be used to purchase bonds or other obligations issued by political subdivisions within the state to finance the construction of wastewater treatment projects. The Board also plans to issue $40 million in general obligation bonds for water and wastewater projects and $25 million in commercial paper (through the Texas Water Resources Finance Authority) for interim project financing.

The proceeds from other major new-money issues will be used to finance

TABLE 10

Texas State Bond Issues Expected During Fiscal Year 1993

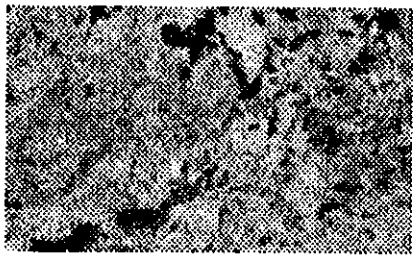
Issuer	Amount	Purpose	Approximate Issue Date
GENERAL OBLIGATION BONDS			
Texas Veterans Land Board	$35,000,000	Veterans Land Program	Oct-92
Texas Veterans Land Board	40,000,000	Housing & Home Improvement Loans	Jul-93
Texas Water Development Board	40,000,000	Water and Wastewater Projects	Nov-92
Texas Higher Education Coordinating Board	75,000,000	College Student Loans	Jan-93
Texas Department of Commerce	10,000,000	Small Business Incubator	Feb-93
Texas Department of Commerce	25,000,000	Product Development	Feb-93
Texas Agricultural Finance Authority	5,000,000	Rural Microenterprise Loan Program	Jan-93
Texas Agricultural Finance Authority*	8,000,000	Agribusiness Development	Continuous
Texas Public Finance Authority	600,000,000	Refunding - Texas Department of Criminal Justice, Texas Youth Commission, Mental Health & Mental Retardation	Sep-92
Texas Public Finance Authority	30,000,000	Texas Parks & Wildlife Department - new money & refunding	Nov-92
Texas Public Finance Authority	240,000,000	Refunding - Superconducting Super Collider	Dec-92
Texas Public Finance Authority	73,000,000	Texas Department of Criminal Justice, Mental Health & Mental Retardation	Feb-93
Texas Public Finance Authority	211,000,000	Texas Youth Commission and Texas Department of Criminal Justice	May-93
Texas Public Finance Authority	219,000,000	Texas Youth Commission and Texas Department of Criminal Justice	Aug-93
TOTAL GENERAL OBLIGATION BONDS	**$1,611,000,000**		
NON-GENERAL OBLIGATION BONDS			
Texas A&M University PUF	72,020,000	Refunding	Sep-92
Texas A&M University PUF*	30,000,000	Facilities and Equipment	Oct-92
Texas A&M University System	48,000,000	Refunding	Sep-92
Texas A&M University System*	40,000,000	Facilities and Equipment	Oct-92
Texas A&M University System	17,700,000	Wastewater Treatment	Jan-93
The University of Texas System	42,000,000	Refunding - Revenue Bonds	Oct-92
Texas State University System	2,350,000	Refunding - Sam Houston State University	Nov-92
University of Houston System	22,000,000	Facility Construction	Feb-93
Texas Tech University	14,775,000	Refunding	Jan-93
Texas Department of Housing & Community Affairs	30,000,000	Multi-Family (taxable)	Feb-93
Texas Department of Housing & Community Affairs	110,000,000	Single Family	Jun-93
Texas Agricultural Finance Authority	100,000,000	Agricultural Projects	Jan-93
Texas Department of Commerce*	25,000,000	Texas Economic Development Program	Continuous
Texas Water Resources Finance Authority*	25,000,000	Interim Financing	Mar-93
Texas Water Development Board	242,000,000	State Revolving Fund - Wastewater Projects	Oct-92
Texas Water Development Board	152,855,000	State Revolving Fund - Wastewater Projects	Jun-93
Texas Public Finance Authority	129,510,000	General Services Commission - new money & refunding	Oct-92
Texas Public Finance Authority	12,800,000	Texas State Technical College - new money & refunding	Nov-92
Texas Public Finance Authority	3,900,000	National Guard Armory Board	Dec-92
Texas Public Finance Authority	50,000,000	Revenue Bonds - Master Lease-Purchase Program	Apr-93
Texas Public Finance Authority*	70,000,000	Master Lease-Purchase Program	Continuous
TOTAL NON-GENERAL OBLIGATION BONDS	**$1,239,910,000**		
TOTAL	**$2,850,910,000**		

* Commercial Paper program.
SOURCE: Texas Bond Review Board, Office of the Executive Director, Survey of Texas State Bond Issuers.

various state loan programs. The Texas Department of Housing and Community Affairs plans to issue $110 million for single-family housing and $30 million for multi-family housing. The Texas Higher Education Coordinating Board plans to issue $75 million in student loan bonds. The Texas Veterans Land Board plans to issue $35 million to finance the Veterans Land Program and $40 million to finance the Veterans Housing Assistance and Home Improvement Program. The Texas Agricultural Finance Authority is considering the issuance of approximately $100 million in revenue bonds to provide financial assistance to agricultural businesses.

The TPFA will issue the majority of the refunding bonds in 1993. The TPFA plans to issue $860 million in general obligation refunding bonds. Approximately $240 million of the general obligation bonds will be used to refund bonds previously issued for the superconducting super collider, $20 million will be used to refund park development bonds, and $600 million will be used to refund bonds that were issued for the Texas Department of Criminal Justice, Texas Youth Commission, and Texas Department of Mental Health and Mental Retardation. The TPFA also plans to issue $168 million in revenue refunding bonds.

Higher education institutions plan to issue about $179 million in refunding bonds during fiscal 1993. About two-thirds of the expected volume is attributable to refunding issues planned by the Texas A&M University (Permanent University Fund bonds) and the Texas A&M University System.



CHAPTER FOUR

TEXAS BOND ISSUANCE COSTS

Texas state bond issuers paid an average of $651,061 per issue and $14.02 per $1,000 in issuance costs on the 22 bond issues sold during 1992 (Table 11). Appendix A includes an accounting of the issuance costs for each 1992 issue.

Types of Fees

Issuance costs are composed of the fees and expenses paid to consultants to market Texas bonds to investors. Several types of professional services are commonly used in the marketing of all types of bond issues.

- Underwriter — The underwriter or underwriting team acts as a financial intermediary for the state, purchasing the state's bond issues for resale to investors. In a negotiated sale, the underwriter may also have a significant role in the structuring of the issue.
- Bond Counsel — Bond counsel prepares the necessary legal documents and ensures that a bond issue meets state and federal legal requirements. The legal and financial disclosure to bondholders regarding a bond issue is included in what is known as the official statement. The bond counsel, in most cases, has primary responsibility for the official statement.
- Financial Advisor — The financial advisor assists in the structuring of a bond issue, preparing and distributing the official statement, securing a bond rating, advertising, and conducting a bond sale. A financial advisor may be employed by an issuer to negotiate with the underwriter regarding fees and other terms of the sale.
- Credit Rating Services — The credit rating services evaluate and assign a rating to the credit quality, or investor risk, associated with each state bond issue. These evaluations are the industry standard used by investors in their decisions about which bonds to purchase.
- Paying Agent/Registrar — The paying agent and registrar are responsible for maintaining a list of bondholders and ensuring that they receive principal and interest payments on appropriate dates.
- Printer — The printer produces the official statement, notice of sale, and any bonds required to be transferred between the state issuer and purchasers of the bonds.

The underwriting fee, or spread, is the largest component of issuance costs, averaging $512,675 per issue and $8.66 per $1,000 of bonds sold during 1992. This single component accounted for, on average, about 79 percent of the total cost of issuance. Legal counsel fees were next in importance, averaging $55,216 per issue and $2.11 per $1,000 of bonds sold. Financial advisory fees averaged $23,662 per issue and $1.11 per $1,000 of bonds sold.

Economies of Scale

In general, the larger a bond issue, the greater the issuance cost, but the lower the issuance cost as a percentage of the size of the bond issue. This relationship is called economies of scale in bond issuance.

Economies of scale result because there are costs of issuance that do not vary proportionately with the size of a bond issue. Professional fees for legal and financial advisory services, document drafting and printing, travel, and other expenses must be paid no matter how small the issue. On the positive side, however, these costs do not increase proportionately with the size of an issue.

As a result, the smallest issues are by far the most costly in percentage terms *(Figure 10)*. At the extreme, total issuance costs for bond issues of less than $5 million averaged $52,300 per issue and $21.58 per $1,000 in bonds issued. Bond issues over $100 million had total costs averaging $1,805,116 million per issue and $9.84 per $1,000.

Primarily because average issue size fell from $79 million in 1991 to $55 million in 1992, average issuance costs on a per $1,000 basis increased. Issuance cost averaged $14.02 per $1,000 in 1992, up from $12.26 per $1,000 in 1991 but below the $17.25 per $1,000 average for 1990.

Although issuance costs per $1,000 decrease with issue size, costs increase with the complexity of the financing. Greater complexity translates into greater expenditures for financial advice and legal counsel and greater commissions and fees to the underwriters who are paid to sell Texas bonds on the state's behalf.

Negotiated vs. Competitive Sales

The more complicated financings during 1992 were marketed by negotiated sale.

In a negotiated sale, an underwriter is chosen by the issuer in advance of the sale date and agrees to buy the state's bonds at some future date and to resell them to investors.

With the knowledge that they have the bonds to sell, the underwriter can do whatever presale marketing is necessary to accomplish a successful sale. And in the more complicated financings, the presale marketing can be crucial to obtaining the lowest possible interest cost.

In a competitive sale, sealed bids from a number of underwriters are opened on a predetermined sale date, with the state's bonds being sold to the underwriter submitting the lowest bid.

Underwriters bidding competitively usually do less presale marketing to investors, since in a competitive sale, underwriters cannot be sure they own the state's bonds until the day the bids are opened.

To more accurately compare the average issuance costs per bond on negotiated and competitively sold bonds, it is necessary to correct for size differences between negotiated and competitively sold bond issues—the smallest issues are much more likely to be sold competitively. And smaller issues, as described above, tend to have much higher issuance costs per $1,000, regardless of their complexity.

Comparisons of average costs on negotiated and competitive financings for 1992 and past years are, therefore, based only on those issues over $20 million. Among bond issues greater than $20 million, issuance costs for bonds sold via negotiated sale during fiscal year 1992 averaged $12.21 per $1,000, compared to an average cost of $10.26 per $1,000 for those bonds sold by competitive sale *(Table 12)*.

The average underwriting spread on issues sold by negotiated sale was $7.99 per $1,000, while the average spread on competitively sold issues was $8.13.

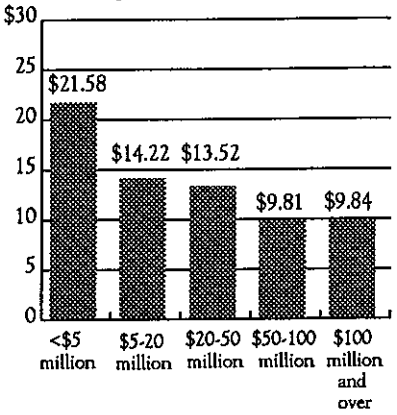
Legal fees on negotiated financings were also greater than those on competitive financings, reflecting in part the greater complexity of these financings. The average legal fee was $2.41 per $1,000 on the bond issues sold by negotiated sale, compared to $0.76 per $1,000 on bonds competitively sold.

Financial advisory fees on negotiated sales averaged $0.35 per $1,000, while the financial advisory fee on competitive sales averaged $0.48 per $1,000. The average financial advisory fee on negotiated sales was lower in large part because two of the eight negotiated offerings during the year were marketed without a financial advisor.

FIGURE 10

Average 1992 Issuance Costs by Size of Issue

(costs per $1,000 of bonds issued)



SOURCE: Texas Bond Review Board, Office of the Executive Director.

TABLE 11

Average Issuance Costs for 1992 Texas Bond Issues

	Average Cost Per Bond Issue	Average Cost Per $1,000 in Bonds Issued
Average Issue Size—$55 Million		
Underwriter's Spread	$512,675	$8.66
Other Issuance Costs:		
Legal Fees	55,216	2.11
Financial Advisor Fees	23,662	1.11
Rating Agency Fees	29,855	0.98
Printer Fees	9,795	0.69
Paying Agent/Registrar Fees	6,936	0.20
Other	12,922	0.27
TOTAL	**$651,061**	**$14.02**

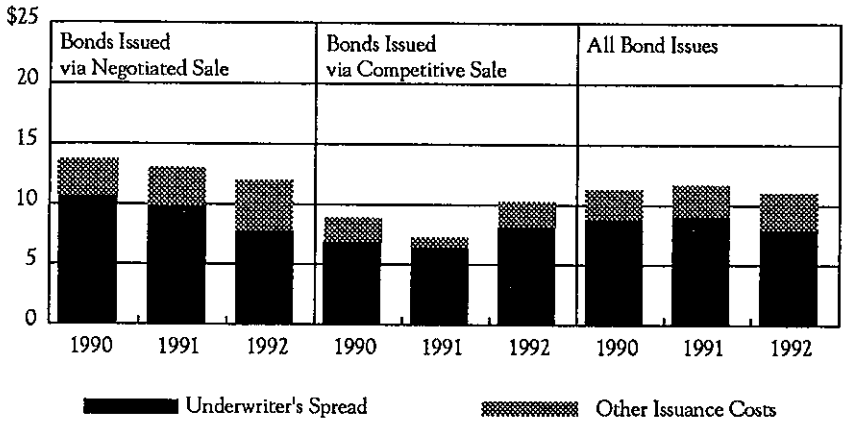
*The calculations regarding average issuance costs include only those bonds sold via competitive or negotiated sale for which complete data were available. Bond insurance premiums are not included for purposes of average cost calculations. The figures are simple averages of the dollar costs and costs per $1,000 associated with each 1992 state bond issue.

SOURCE: Texas Bond Review Board, Office of the Executive Director.

FIGURE 11

Recent Trends in Issuance Costs for Texas Bonds

(Average Cost Per $1,000 for Issues Greater than $20 Million)



SOURCE: Texas Bond Review Board, Office of the Executive Director.

TABLE 12

Average Issuance Costs for 1992 Texas Bond Issues Greater than $20 Million by Negotiated and Competitive Sale

	Negotiated ($/1,000)	Competitive ($/1,000)
Underwriter's Spread	$7.99	$8.13
Other Issuance Costs:		
Legal Fees	2.41	0.76
Financial Advisor Fees	0.35	0.48
Rating Agency Fees	0.55	0.49
Printing	0.23	0.23
Paying Agent/Registrar	0.38	0.03
Other	0.30	0.14
TOTAL	**$12.21**	**$10.26**
Average Issue Size (in millions)	$114	$50

The calculations regarding average issuance costs include only those bond issues of greater than $20 million sold via competitive or negotiated sale for which complete data were available. Bond insurance premiums are not included for purposes of average cost calculations. The figures are the simple average of the costs per $1,000 associated with each 1992 state bond issue.

SOURCE: Texas Bond Review Board, Office of the Executive Director.

Recent Trends in Issuance Costs

The average cost per $1,000 of issuing bonds declined slightly in 1992, for that group of issues of greater than $20 million *(Figure 11)*. Total issuance costs, including underwriting spread, averaged $11.45 per $1,000 in 1992, compared to $11.70 in 1991 and $11.30 in 1990.

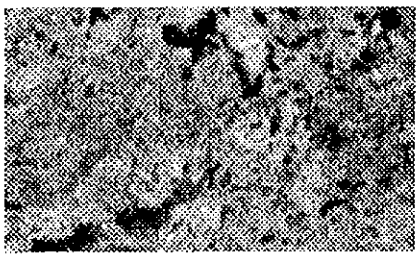
The average cost of selling bonds through negotiated sale fell to $12.21 per $1,000 in 1992, from $13.03 per $1,000 in 1991 and $13.74 in 1990.

Underwriting spreads have declined substantially over the last three years on negotiated financings primarily because of increased competition among underwriters. Average spreads on negotiated sales fell to $7.99 per $1,000 in 1992, from $9.84 per $1,000 in 1991 and $10.60 per $1,000 in 1990.

Total issuance costs on competitive financings have consistently been less than costs on negotiated sales, but the margin is erratic over time. Issuance costs on competitively sold bonds averaged $10.26 per $1,000 in 1992, up from $7.27 per $1,000 in 1991 and $8.86 in 1990. Underwriting spread on competitive financings increased to $8.13 in 1992, from $6.35 in 1991 and $6.83 in 1990. Other issuance costs on competitively sold bonds increased to an average of $2.13 per $1,000 in 1992, from $0.92 per $1,000 in 1991 and $2.03 per $1,000 in 1990.

This discussion is not meant to imply that the cost differences between negotiated and competitive financings are unreasonable. A negotiated sale tends to be used on those bond issues which are more difficult and, therefore, more costly to structure and market.

It is the responsibility of state bond issuers to determine the type of sale and level of services necessary to issue state bonds in the most cost-effective manner possible. And it is the goal of the Bond Review Board to ensure that this happens.



CHAPTER FIVE

TEXAS BONDS OUTSTANDING: AUGUST '92

Texas had a total of $8.3 billion in state bonds outstanding on August 31, 1992—up from $7.8 billion outstanding on August 31, 1991, $7.4 billion outstanding on August 31, 1990, and $6.7 billion outstanding on August 31, 1989 (Table 13).

Reduction in General Obligation Bonds Outstanding

Approximately $2.9 billion of Texas' total state debt outstanding on August 31, 1992, carries the general obligation (G.O.) pledge of the state, down slightly from the amount of G.O. bonds outstanding at the end of fiscal 1991. This decline in G.O. bonds outstanding was due primarily to a cash defeasance of $228.5 million in outstanding bonds by the Texas Veterans Land Board.

Texas G.O. bonds carry a constitutional pledge of the full faith and credit of the state to pay off the bonds if program revenues are insufficient. G.O. debt is the only legally binding debt of the state. The issuance of G.O. bonds requires passage of a proposition by two-thirds of both houses of the Texas Legislature and by a majority of Texas voters.

The repayment of non-G.O. debt is dependent only on the revenue stream of an enterprise or an appropriation from the Legislature. Any pledge of state funds beyond the current budget period is contingent upon an appropriation by a future legislature—an appropriation that cannot be guaranteed under state statute.

Investors are willing to assume the added risk of non-G.O. bonds for a price—by charging the state a higher interest rate on such bonds. The rate of interest on a non-G.O. bond issue ranges from 0.1 to 0.5 of a percentage point higher than for a comparable G.O. issue.

Increase in Bonds Payable from General Revenues

All bonds do not have the same financial impact on the state. Many bond-financed programs (G.O. and non-G.O. alike) are designed so that debt service is paid from sources outside the state's general revenue fund or from outside state government entirely. These self-supporting bonds do not put direct pressure on state finances. Bonds that are not self-supporting depend solely on the state's general revenue fund for debt service, drawing funds from the same source used by the Legislature to finance the operation of state government.

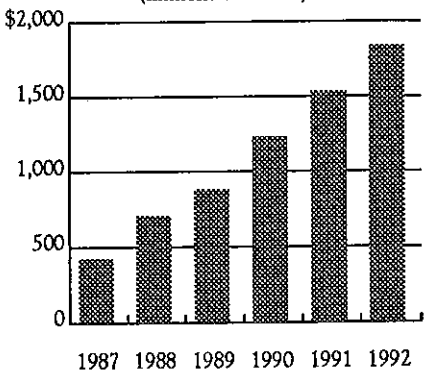
Bond issuance during fiscal 1992 continued a trend toward increased issuance of non-self-supporting Texas bonds *(Figure 12)*.

On August 31, 1992, Texas had about $1.8 billion in bonds outstanding which must be paid back from the state's general revenue fund. This is up from $1.5 billion in such bonds outstanding at the end of fiscal 1991 and $1.2 billion in such bonds outstanding at the end of 1990.

Tremendous growth in the amount of bonds payable from general revenue has occurred over the last five years, a result of the issuance of bonds to finance construction of correctional facilities and the initial phase of the Superconducting Super Collider (SSC). At the end of fis-

FIGURE 12

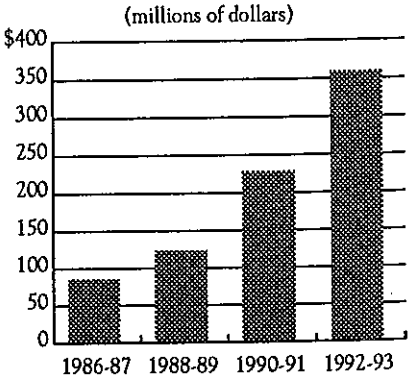
Texas State Bonds Outstanding Backed Only by General Revenue
(millions of dollars)



SOURCE: Texas Bond Review Board, Office of the Executive Director.

FIGURE 13

Debt Service Paid from General Revenue During Two-year Budget Periods
(millions of dollars)



SOURCE: Texas Bond Review Board, Office of the Executive Director.

cal 1987, before the expansion of correctional facilities and the SSC bonds were approved, Texas had only $422 million in bonds outstanding payable from general revenue. Since that time the state has issued $805 million in bonds for correctional facilities and $500 million for the SSC, all payable solely from the state's general revenue.

The amount of general revenue that must go to pay debt service is, as expected, increasing along with the amount of bonds outstanding that are not self-supporting *(Table 14)*.

During the 1992–93 two-year budget period, the state will pay an average $180 million annually from general revenue for debt service on state bonds outstanding on August 31, 1992, up from $114 million annually during 1990-91, $62 million annually during 1988–89, and $43 million annually during 1986–87 *(Figure 13)*.

Texas Debt Remains Well Within Prudent Limits

Even with recent debt issuance, debt service from general revenue remains well within prudent limits.

In 1992–93 the state will pay an estimated 1.1 percent of its general revenue budget for debt service on bonds outstanding on August 31, 1992. The percentage of general revenue going to debt service remains well below the 5 percent average for all states and the 10 percent considered a fiscal danger sign. (A more detailed examination of Texas' debt burden is presented in Chapter 2.)

During the 1990–91 budget period, 0.9 percent of general revenue went to pay debt service; in 1988–89, debt-service payments made up about 0.6 percent of general revenue.

Texas Bonds Authorized but Unissued

The current debt burden measures do not include a sizable amount of authorized but unissued bonds. Authorized bonds are defined as those bonds which may be issued without further action by the Legislature.

As of August 31, 1992, Texas had $6.1 billion in authorized but unissued bonds *(Table 15)*.

Approximately $4.2 billion (68 percent) of these authorized but unissued bonds would be state general obligations.

Only $2.1 billion (34 percent) of all authorized but unissued bonds, however, would require the payment of debt service from general revenue. The remainder are in programs that are self-supporting.

Long-Term Contracts and Lease-Purchases Outstanding

Long-term contracts and lease- or installment-purchase agreements can serve as alternatives to bonds when the issuance of bonds is not feasible or practical. These agreements are, like bonds, a method of financing capital purchases over time. Payments on these contracts or agreements can be either general obligations of the state or subject to biennial appropriations by the legislature. These contracts and agreements are not, however, classified as state bonds and must be added to bonds outstanding to get a complete picture of state debt.

The Texas Water Development Board has entered into a long-term contract with the federal government to gain storage rights at a reservoir. The balance due on the contract at the end of fiscal year 1992 was $43.6 million. This contract is a general obligation of the state, but the TWDB does not anticipate a draw on general revenue for contract payments.

Until recently, lease-purchase agreements represented a relatively small part of Texas debt and were used exclusively for the short-term financing of furniture and equipment.

As of August 31, 1991, capital leases outstanding for furniture and equipment totalled approximately $27.2 million, 86 percent to be paid off within five years.

Lease-purchase agreements for prison facilities and state office buildings have greatly increased the significance of this type of debt.

As of the end of fiscal 1991, the Texas Department of Criminal Justice was party to four long-term lease-purchase agreements, totalling $142.6 million, for the purchase or construction of prison facilities. The lease-purchase payments for the prisons will come totally from appropriations of general revenue by the Legislature to the Texas Department of Criminal Justice.

Lease purchases as of August 31, 1991, including furniture, equipment and prison facilities, totalled $154.5 million.

Inclusion of just the $53.1 million in lease-purchases of buildings and $9.4 million in approved equipment lease purchases by the Bond Review Board during 1992 would add another $62.5 million to the total amount of lease-purchases outstanding.

TABLE 13

Texas Bonds Outstanding
(amounts in thousands)

	8/31/89	8/31/90	8/31/91	8/31/92
GENERAL OBLIGATION BONDS				
Self-Supporting				
Veterans' Land and Housing Bonds	$1,365,030	$1,340,171	$1,311,222	$1,092,330
Water Development Bonds	85,500	126,430	125,310	155,220
Park Development Bonds	29,300	28,800	27,800	26,800
College Student Loan Bonds	167,885	208,109	223,541	313,047
Farm and Ranch Security Bonds	10,000	10,000	10,000	0
Texas Agricultural Finance Authority	0	0	3,500	17,000
Total, Self-Supporting	**$1,657,715**	**$1,713,510**	**$1,701,373**	**$1,604,397**
Not Self-Supporting [1]				
Higher Education Constitutional Bonds [2]	$181,420	$155,740	$128,035	$98,800
Texas Public Finance Authority Bonds	474,510	554,810	856,950	930,000
Texas National Research Laboratory Commission	0	250,000	250,000	250,000
Water Development Bonds-EDAP [3]	0	0	0	5,435
Total, Not Self-Supporting	**$655,930**	**$960,550**	**$1,234,985**	**$1,284,235**
GENERAL OBLIGATION, TOTAL	**$2,313,645**	**$2,674,060**	**$2,936,358**	**$2,888,632**
NON-GENERAL OBLIGATION BONDS				
Self-Supporting				
Permanent University Fund Bonds				
A&M	$248,050	$255,685	$308,300	$288,427
UT	477,205	542,155	551,465	626,840
College and University Revenue Bonds	950,374	915,760	944,372	931,867
Texas Hospital Equip. Finance Council Bonds	37,400	36,150	12,750	12,500
Texas Department of Housing & Community Affairs	1,434,098	1,543,546	1,515,271	1,481,575
Texas Small Business I.D.C. Bonds	100,400	99,335	99,335	99,335
Texas Turnpike Authority Bonds	384,444	520,619	524,294	528,617
Texas Water Resources Finance Authority	508,035	498,470	486,645	473,235
College Student Loan Bonds	0	0	74,989	67,373
Texas Workers' Compensation Fund Bonds	0	0	0	300,000
Texas Water Development Board (State Revolving Fund)	0	0	0	50,000
Total, Self-Supporting	**$4,140,006**	**$4,411,720**	**$4,517,421**	**$4,859,769**
Not Self-Supporting[1]				
Texas Public Finance Authority Bonds	$206,148	$246,243	$275,126	$280,711
National Guard Armory Board Bonds	20,915	20,950	23,905	24,088
Texas National Research Laboratory Commission	0	0	0	250,000
Total, Not Self-Supporting	**$227,063**	**$267,193**	**$299,031**	**$554,799**
NON-GENERAL OBLIGATION BONDS, TOTAL	**$4,367,069**	**$4,678,913**	**$4,816,452**	**$5,414,568**
GRAND TOTAL	**$6,680,714**	**$7,352,973**	**$7,752,810**	**$8,303,200**

1 Bonds which are not self-supporting depend solely on the state's general revenue for debt service. Not self-supporting bonds totalled $1.8 billion outstanding on August 31, 1992, $1.5 billion outstanding on August 31, 1991, $1.2 billion outstanding on August 31, 1990, and $883 million on August 31, 1989.

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

3 Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service; however, up to 75 percent of bonds issued may be used for grants.

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

TABLE 14

Debt Service Requirements of Texas State Bonds by Fiscal Year

(amounts in thousands)

	1992	1993	1994	1995	1996	1997 plus
GENERAL OBLIGATION BONDS						
Self-Supporting						
Veterans' Land and Housing Bonds	143,085	131,427	132,691	132,676	127,154	1,350,384
Water Development Bonds	13,348	14,959	15,605	15,670	15,702	240,381
Park Development Bonds	3,172	3,556	3,417	3,281	3,639	25,640
College Student Loan Bonds	28,298	34,033	34,429	34,744	33,129	373,322
Farm and Ranch Security Bonds	450	0	0	0	0	0
Texas Agricultural Finance Authority Bonds	484	1,020	1,020	1,020	1,020	52,700
Total, Self-Supporting	**$188,837**	**$184,995**	**$187,162**	**$187,391**	**$180,644**	**$2,042,427**
Not Self-Supporting[1]						
Higher Education Constitutional Bonds[2]	37,238	35,553	35,450	35,865	0	0
Texas Public Finance Authority Bonds	78,102	86,815	89,270	89,225	89,163	1,285,100
Texas National Research Laboratory Commission Bonds	17,705	20,795	20,781	20,769	20,757	500,646
Water Development EDAP Bonds[3]	0	605	436	440	444	8,238
Total, Not Self-Supporting	**$133,045**	**$143,768**	**$145,937**	**$146,299**	**$110,364**	**$1,793,984**
GENERAL OBLIGATION BONDS, TOTAL	**$321,882**	**$328,763**	**$333,099**	**$333,690**	**$291,008**	**$3,836,411**
NON-GENERAL OBLIGATION BONDS						
Self-Supporting						
Permanent University Fund Bonds						
A&M	50,891	27,304	27,789	28,742	29,261	391,308
UT	56,096	65,906	66,042	65,513	55,395	850,982
College and University Revenue Bonds	120,455	119,951	122,247	117,022	116,429	1,016,398
Texas Hospital Equip. Finance Council Bonds	677	421	421	421	421	16,289
Texas Department of Housing & Community Affairs Bonds	186,398	132,964	182,257	130,379	129,999	3,388,171
Texas Small Business I.D.C. Bonds	5,463	5,463	5,463	5,463	5,463	263,238
Texas Turnpike Authority Bonds	34,873	34,860	34,859	40,357	40,360	1,187,553
Texas Water Resources Fin. Auth. Bonds	49,071	50,155	53,946	55,558	55,338	628,654
College Student Loan Bonds	3,496	4,086	4,086	4,261	5,947	128,263
Texas Workers' Compensation Fund Bonds	12,954	36,705	36,645	36,594	36,404	395,596
Texas Water Development Board Bonds (State Revolving Fund)	567	2,437	4,410	4,415	4,414	79,956
Total, Self Supporting	**$520,941**	**$480,252**	**$538,164**	**$488,726**	**$479,431**	**$8,346,408**
Not Self-Supporting[1]						
Texas Public Finance Authority Bonds	25,169	25,975	25,925	25,769	25,826	428,854
National Guard Armory Board Bonds	2,622	2,978	2,970	2,964	2,969	23,227
Texas National Research Laboratory Commission Bonds	8,667	17,335	17,335	17,335	20,150	562,949
Total, Not Self-Supporting	**36,458**	**46,288**	**46,230**	**46,068**	**48,945**	**1,015,030**
NON-GENERAL OBLIGATION BONDS, TOTAL	**$557,399**	**$526,540**	**$584,394**	**$534,794**	**$528,376**	**$9,361,438**
GRAND TOTAL	**$879,281**	**$855,303**	**$917,493**	**$868,484**	**$819,384**	**$13,197,849**

[1] Bonds which are not self-supporting depend solely on the state's general revenue for debt service. Debt service from general revenue totalled $170 million during fiscal 1992, and will reach $190 million in fiscal 1993.

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

[3] Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service; however, up to 75 percent of the bonds issued may be used for grants.

The debt service figures do not include the early redemption of bonds under the state's various loan programs. The future debt service figures for variable rate bonds and commercial paper programs are estimated amounts.

SOURCES: Texas Bond Review Board, Office of the Executive Director, and Texas Comptroller of Public Accounts.

TABLE 15

Texas Bonds Authorized, but Unissued
(amounts in thousands)

	8/31/90	8/31/91	8/31/92
GENERAL OBLIGATION BONDS			
Self-Supporting			
Veterans' Land and Housing Bonds	$405,000	$405,000	$370,000
Water Development Bonds	1,448,570	1,448,570	1,266,245
Farm and Ranch Loan Bonds	500,000	500,000	500,000
Park Development Bonds	29,250	29,250	29,250
College Student Loan Bonds	25,011	1	200,001
Farm and Ranch Loan Security Bonds	0	0	0
Texas Department of Commerce Bonds	45,000	45,000	45,000
Texas Agricultural Finance Authority Bonds	30,000	26,500	13,000
Agriculture Water Conservation Bonds	200,000	200,000	200,000
Total, Self-Supporting	**$2,682,831**	**$2,654,321**	**$2,623,496**
Not Self-Supporting [1]			
Higher Education Constitutional Bonds	*	*	*
Texas Public Finance Authority Bonds [2]	$337,390	$23,650	$1,032,400
Superconducting Super Collider Bonds	250,000	250,000	250,000
Water Development Bonds-EDAP [3]	100,000	100,000	244,565
Total, Not Self-Supporting	**$687,390**	**$373,650**	**$1,526,965**
GENERAL OBLIGATION BONDS, TOTAL	**$3,370,221**	**$3,027,971**	**$4,150,461**
NON-GENERAL OBLIGATION BONDS			
Self-Supporting			
Permanent University Fund Bonds [4]			
A&M	$87,809	$45,229	$76,369
UT	145,194	155,592	102,398
College and University Revenue Bonds	**	**	**
Texas Department of Housing & Community Affairs	**	**	**
Texas Turnpike Authority Bonds	**	**	**
Texas Agricultural Finance Authority Bonds	500,000	500,000	500,000
Texas Department of Commerce Bonds	**	**	**
Texas Water Resources Finance Authority Bonds	**	**	**
Texas School Facilities Finance Program	750,000	750,000	750,000
Texas Water Development Bonds (Water Resources Fund)	**	**	**
College Student Loan Bonds	0	0	0
Low-Level Radioactive Waste Disposal Authority	0	0	**
Texas Worker' Compensation Fund Bonds	0	0	**
Texas Water Development Board (State Revolving Fund)	**	**	**
Total, Self-Supporting	**$1,483,003**	**$1,450,821**	**$1,428,767**
Not Self Supporting [1]			
Texas Public Finance Authority Bonds	$322,781	$281,021	$294,129
National Guard Armory Board Bonds	**	**	**
Superconducting Super Collider Bonds	500,000	500,000	250,000
Total, Not Self-Supporting	**$822,781**	**$781,021**	**$544,129**
NON-GENERAL OBLIGATION BONDS, TOTAL	**$2,305,784**	**$2,231,842**	**$1,972,896**
TOTAL— ALL BONDS	**$5,676,005**	**$5,259,813**	**$6,123,357**

* No limit on bond issuance, but debt service may not exceed $50 million per year.

** No issuance limit has been set by the Texas Constitution. Bonds may be issued by the agency without further authorization by the Legislature. Bonds may not be issued, however, without the approval of the Bond Review Board and the Attorney General.

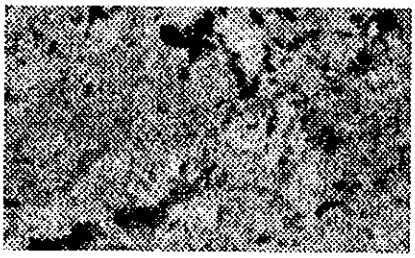
1 Bonds which are not self-supporting depend solely on the state's general revenue for debt service.

2 This figure represents voter-approved bonds that have not been issued. The Legislature has authorized $679.8 million for specific projects to be funded from the total. Issuance of bonds for additional projects requires further legislative authorization.

3 Ecomically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service; however, up to 75 percent of bonds issued may be used for grants.

4 Issuance of PUF bonds by A&M is limited to 10 percent, and issuance by UT is limited to 20 percent of the cost value of investments and other assets of the PUF, except real estate. PUF authorization figures are as of July 31, 1992.

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



APPENDIX A

TEXAS BONDS ISSUED DURING 1992

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs (TDHCA) Collateralized Home Mortgage Revenue Bonds, Series 1991A—$36,000,000, Series 1991B —$25,000,000 and Series 1991C—$30,000,000.

Purpose: The bonds were issued to provide funds to purchase mortgage-backed pass-through Government National Mortgage Association (GNMA) certificates. To participate in the program, mortgage lenders will originate mortgage loans in accordance with eligibility requirements and will sell the loans to a mortgage servicer. The servicer will pool the loans and issue mortgage certificates, which are sold to the trustee who buys the certificates on behalf of TDHCA.

Dates: Board Approval—September 19, 1991
Negotiated Sale—November 5, 1991

Structure: The Series A bonds were issued as long-term, fixed-rate serial and term bonds with a final maturity in 2023. Series B and Series C were issued as convertible term bonds maturing in 2023. The interest rate on Series B and Series C shall be converted to fixed rates on the interest adjustment date for that series. The bonds are secured by a pledge of principal and interest payments on GNMA certificates. The State's credit is not pledged.

Bond Ratings: Standard & Poor's—AAA

Consultants: Co-Bond Counsel—Vinson & Elkins
Barnes, Darby, McKenzie & Poston
Senior Underwriters—Donaldson, Lufkin and Jenrette
Goldman, Sachs & Co.

Effective Interest Rate (Series A Only): 6.71%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 117,563	$ 1.29
Rating Agencies	27,300	.30
Printing	19,306	.21
Paying Agent/Registrar	27,319	.30
Miscellaneous	40,345	.44
	$ 231,833	$ 2.54
Underwriter's Spread	$ 550,840	$ 6.05

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs (TDHCA) Multi-Family Guaranteed Mortgage Refunding Bonds, Series 1991A—$12,180,000 and Series 1991B—$8,905,000.

Purpose: Proceeds will be used to refund two outstanding bond issues of two separate multi-family rental housing developments. Mortgage loans were made to two limited partnerships, each organized to own and operate one of the developments. The refunding reduces the interest rate on the bonds for the developments and permits refinancing that will enable the borrowers to continue to operate the developments as low-income housing projects and to meet debt service obligations.

Dates: Board Approval—July 18, 1991
Negotiated Sale—November 14, 1991

Structure: The bonds were sold as tax-exempt securities with interest payable monthly and principal at maturity, not later than 2007. The interest rate will be variable and adjusted weekly. The bonds are subject to mandatory call upon a change from variable to fixed interest rate and are guaranteed by Phoenix Mutual Life Insurance Company. Debt service on the bonds will be paid from loan repayments received from borrowers. If these payments are insufficient, the guarantor, Phoenix, will make payments. The State's credit is not pledged.

Bond Ratings: Standard & Poor's—AA

Consultants: Bond Counsel—Barnes, Darby, McKenzie & Poston
Vinson & Elkins
Financial Advisor—Rauscher Pierce Refsnes
Senior Underwriter—Kemper Securities Group

Effective Interest Rate: 6.25%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 217,358	$ 10.31
Rating Agencies	16,000	.76
Printing	10,749	.51
Paying Agent/Registrar	37,801	1.79
	$ 281,908	$ 13.37
Underwriter's Spread	$ 142,324	$ 6.75

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs (TDHCA) Collateralized Home Mortgage Revenue Bonds, Series 1992A—$29,500,000, Series 1992B—$30,000,000, and Series 1992C—$72,700,000.

Purpose: Proceeds of the bonds were used to purchase GNMA certificates to provide funds to finance the purchase of low-interest mortgages. A portion of the bonds are new money bonds that used the TDHCA's private activity bond allocation for 1992. The remainder of the bonds were used to redeem $55 million in short-term fixed rate bonds issued in November 1991.

Dates: Board Approval—May 21, 1992
Negotiated Sale—June 29, 1992

Structure: The bonds were sold as three tax-exempt term bonds maturing in 2024, with annual mandatory redemptions, and were issued in book entry form. Although the TDHCA will pay a fixed rate, two series of variable rate bonds were issued in combination. The TDHCA expects to obtain long-term fixed rate funds at a net interest cost below the comparable rate for fixed rate bonds. The bonds are secured by a pledge of principal and interest payments on the GNMA certificates purchased with bond proceeds. The State's credit is not pledged.

Bond Ratings: Standard & Poor's—pending

Consultants: Co-Bond Counsel—Vinson & Elkins
Barnes, McGhee, Neal, Poston & Segue
Financial Advisor—Rauscher Pierce Refsnes
Senior Underwriters—Lehman Brothers
Merrill Lynch

Effective Interest Rate: 6.78%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 214,060	$ 1.62
Financial Advisor	45,000	.34
Rating Agencies	35,000	.26
Printing	15,983	.12
Paying Agent/Registrar	40,098	.30
Miscellaneous	41,225	.31
	$ 391,366	$ 2.95
Underwriter's Spread	$1,017,940	$ $7.70

TEXAS HIGHER EDUCATION COORDINATING BOARD

Issue: State of Texas College Student Loan Bonds, Series 1992—$100,000,000.

Purpose: Proceeds will be used to make low-interest loans available under the Hinson-Hazlewood student loan program. The program provides loans to students seeking undergraduate, graduate, and professional degrees at institutions of higher education in Texas.

Dates: Board Approval—January 23, 1991
Competitive Sale—January 30, 1992

Structure: The bonds were sold as long-term, fixed-rate, tax-exempt (subject to the alternative minimum tax) securities maturing serially from 1995 through 2011. The bonds are callable at par beginning in 2002.

Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel - McCall, Parkhurst & Horton
Financial Advisor - First Southwest

Effective Interest Rate: 6.17%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 20,509	$ .21
Financial Advisor	50,000	.50
Rating Agencies	37,400	.37
Printing	14,977	.15
Paying Agent/Registrar	375	nm
Miscellaneous	31,465	.31
	$ 154,726	$ 1.54
Underwriter's Spread	$ 990,116	$ 9.90

TEXAS NATIONAL GUARD ARMORY BOARD

Issue: Armory Improvement Revenue Bonds, Series 1991A—$1,300,000.

Purpose: Proceeds will be used to fund the Armory Board's ongoing facility construction and improvement program for use within the state by the Texas National Guard.

Dates: Board Approval—October 17, 1991
Competitive Sale—November 6, 1991

Structure: The bonds were sold as fixed-rate, tax-exempt securities maturing serially with final maturity in 2007 and are callable at par after 10 years.

Bond Ratings: Moody's—A
Standard & Poor's—AA-

Consultants: Bond Counsel—McCall, Parkhurst & Horton
Financial Advisor—First Southwest

Effective Interest Rate: 6.21%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 10,451	$ 8.04
Financial Advisor	10,000	7.69
Rating Agencies	5,600	4.31
Printing	4,383	3.37
Paying Agent/Registrar	1,500	1.15
Miscellaneous	1,743	1.34
	$ 33,677	$ 25.90
Underwriter's Spread	$ 18,549	$ 14.27

TEXAS NATIONAL RESEARCH LABORATORY COMMISSION

Issue: Texas National Research Laboratory Commission Financing Corporation Lease Revenue Bonds, Series 1991—$250,000,000.

Purpose: Proceeds will be used to finance various undertakings in connection with the Superconducting Super Collider research facility project in Ellis County, Texas.

Dates: Board Approval—October 17, 1991
Negotiated Sale—December 11, 1991

Structure: The bonds were issued as long-term, fixed-rate, tax-exempt bonds maturing serially through April 1, 2020. The bonds are not a general obligation debt of the State. The lease-purchase payments which back the bonds are subject to appropriation by the Legislature.

Bond Ratings: Fitch—A
Standard & Poor's—A-
Moody's—A

Consultants: Bond Counsel—Johnson & Gibbs
Ronquillo & Quintanilla
Financial Advisor—Lazard Freres & Co.
Walton Johnson & Co.
Senior Underwriter—Goldman, Sachs & Co.

Effective Interest Rate: 7.08%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 179,854	$ .72
Financial Advisor	199,000	.80
Rating Agencies	105,000	.42
Printing	20,212	.08
Trustee	11,000	.04
Miscellaneous	75,000	.30
	$ 590,066	$ 2.36
Underwriter's Spread	$1,935,000	$ 7.74

UNIVERSITY OF NORTH TEXAS

Issue: Board of Regents of the University of North Texas Constitutional Appropriation Refunding Bonds, Series 1992—$6,320,000.

Purpose: Proceeds will be used to current refund $6,320,000 in University of North Texas Constitutional Appropriation Bonds, Series 1986.

Dates: Board Approval—January 23, 1992
Competitive Sale—March 12, 1992

Structure: The refunded bonds were sold as fixed-rate, tax-exempt securities, are not callable, and were sold at a premium in order to pay issuance costs. The refunded bonds will mature in three serial amounts on the same date the refunded bonds would have matured.

Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel—McCall, Parkhurst & Horton
Financial Advisor—Rauscher Pierce Refsnes

Effective Interest Rate: 3.72%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 5,505	$ .87
Financial Advisor	9,428	1.49
Rating Agencies	4,500	.71
Printing	5,500	.87
Miscellaneous	1,786	.28
	$ 26,719	$ 4.22
Underwriter's Spread	$ 19,488	$ 3.08

TEXAS PUBLIC FINANCE AUTHORITY

Issue: State of Texas General Obligation Bonds Series 1991B—$22,900,000.

Purpose: Proceeds will be used for heating and ventilation renovation, industry facility construction, and roofing and other construction at various Texas Department of Criminal Justice (TDCJ) sites.

Dates: Board Approval—August 22, 1991
Competitive Sale—September 17, 1991

Structure: The bonds were issued in book entry form and were sold as tax-exempt securities maturing serially from 1992 through 2011. The bonds are callable, as a whole or in part, on October 1, 1999, or on any interest payment date, April 1 and October 1 of each year, thereafter. The bonds are general obligations of the State of Texas. If legislative appropriation to pay debt service is insufficient, the first monies coming into the state treasury not otherwise appropriated will be appropriated to pay debt service.

Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel—Akin, Gump, Hauer & Feld
Financial Advisor—The Principal/Eppler, Guerin & Turner, Inc.

Effective Interest Rate: 6.33%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 22,300	$ .97
Financial Advisor	4,420	.19
Rating Agencies	12,940	.57
Printing	7,267	.32
Miscellaneous	768	.03
	$ 47,695	$ 2.08
Underwriter's Spread	$ 143,125	$ 6.25

TEXAS PUBLIC FINANCE AUTHORITY

Issue: State of Texas Building Revenue Bonds Series 1991A—$1,985,000.

Purpose: Proceeds will be used to finance renovation of Republic Plaza and to pay for architectural and other professional services related to the design of a new office building in Austin.

Dates: Board Approval—August 22, 1991
Competitive Sale—October 1, 1991

Structure: The bonds were sold as fixed-rate, tax-exempt securities and issued in book entry form. The bonds are not a general obligation of the State. Lease-purchase payments which back the bonds are subject to appropriation by the Legislature.

Bond Ratings: Moody's—A
Standard & Poor's—A+

Consultants: Bond Counsel—Akin, Gump, Hauer & Feld
Financial Advisor—The Principal/Eppler, Guerin & Turner, Inc.

Effective Interest Rate: 5.81%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 9,877	$ 4.98
Financial Advisor	4,654	2.34
Rating Agencies	4,560	2.30
Printing	7,046	3.55
Miscellaneous	767	.39
	$ 26,904	$ 13.56
Underwriter's Spread	$ 14,013	$ 7.06

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Workers' Compensation Insurance Fund Maintenance Tax Surcharge Revenue Bonds, Taxable Series 1991—$300,000,000.

Purpose: Proceeds will be used by the Texas Workers' Compensation Insurance Fund to establish the initial fund surplus, establish and maintain reserves and pay initial operating costs. This fund will act as an insurance company and will compete against other workers' compensation carriers in Texas.

Dates: Board Approval—December 2, 1991
Negotiated Sale—December 12, 1991

Structure: The bonds were sold as taxable securities with final maturity in 2007. The bonds are payable from a maintenance tax surcharge assessed against each insurance company writing worker's compensation insurance in Texas, each certified self-insurer, and the Fund. The surcharge is set by the State Board of Insurance in an amount sufficient to pay all debt service on the bonds. The bonds are not backed by the credit of the State nor will they draw on general revenue.

Bond Ratings: Fitch—A-
Moody's—A

Consultants: Bond Counsel—Akin, Gump, Hauer & Feld
Financial Advisor—The Principal/Eppler, Guerin & Turner
Senior Underwriter—PaineWebber
Rauscher Pierce Refsnes
Estrada Securities

Effective Interest Rate: 8.93%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 40,000	$ .13
Financial Advisor	25,000	.08
Rating Agencies	225,000	.75
Printing	25,000	.08
Miscellaneous	26,250	.09
	$ 341,250	$ 1.13
Underwriter's Spread	$1,800,000	$ 6.00

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority Building Revenue Bonds, Series 1992A—$4,595,000.

Purpose: Proceeds will be used to fund the installation of computer cabling and modular furniture to complete renovation of One Capitol Square in Austin.

Dates: Board Approval—January 31, 1992
Competitive Sale—February 2, 1992

Structure: The bonds were sold in a limited competitive sale as fixed-rate, tax-exempt securities maturing serially from 1993 through 2002.

Bond Ratings: Moody's—A
Standard & Poor's—A+

Consultants: Bond Counsel—Akin, Gump, Hauer & Feld
Financial Advisor—The Principal/Eppler, Guerin & Turner, Inc.

Effective Interest Rate: 5.73%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 12,001	$ 2.61
Financial Advisor	6,371	1.39
Rating Agencies	9,500	2.07
Printing	6,424	1.40
	$ 34,296	$ 7.47
Underwriter's Spread	$ 41,726	$ 9.08

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority State of Texas General Obligation Bonds, Series 1992A—$7,520,000.

Purpose: Proceeds were used by the Texas Department of Mental Health and Mental Retardation and the Texas Youth Commission for project design, construction, and facility renovation and rehabilitation.

Dates: Board Approval—March 19, 1992
Competitive Sale—April 1, 1992

Structure: The bonds were sold as fixed-rate, tax-exempt securities maturing in serials from 1993 through 2002. The bonds are general obligations of the State.

Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel—Akin, Gump, Hauer & Feld
Financial Advisor—The Principal/Eppler, Guerin & Turner, Inc.

Effective Interest Rate: 5.62%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 12,698	$ 1.69
Financial Advisor	6,096	.81
Rating Agencies	8,500	1.13
Printing	6,115	.81
Miscellaneous	57	.01
	$ 33,466	$ 4.45
Underwriter's Spread	$ 54,068	$ 7.19

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority State of Texas General Obligation Bonds, Series 1992B—$60,830,000.

Purpose: Proceeds will be used by the Texas Department of Criminal Justice (TDCJ) for purchase, design, and construction of various projects. TDCJ projects include the design phase for all legislatively approved additional capacity; the design and construction costs for renovation, repair, and minor construction projects; and $36 million will be used to acquire six privately constructed prisons and 3,000 substance abuse beds.

Dates: Board Approval—July 23, 1992
Competitive Sale—August 1, 1992

Structure: The bonds were sold as fixed-rate, tax-exempt securities maturing serially from 1993 through 2002. The bonds are general obligations of the State.

Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel—Ferchill & Associates
Financial Advisor— Masterson Moreland Sauer Whisman, Inc.

Effective Interest Rate: 6.03%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 6,000	$ .10
Financial Advisor	10,000	.16
Rating Agencies	23,000	.38
Printing	8,000	.13
Miscellaneous	2,296	.04
	$ 49,296	$ .81
Underwriter's Spread	$ 382,012	$ 6.28

SOUTHWEST TEXAS STATE UNIVERSITY

Issue: Southwest Texas State University Combined Fee Revenue Bonds, Series 1992—$7,700,000.

Purpose: Proceeds will be used to fund construction of a new recreational sports building on the Southwest Texas campus in San Marcos. The facility will consist of a 7,100-square-foot area for aerobics and dance and a 74,172-square-foot area that will be comprised of basketball, volleyball, and handball courts; a weight room; jogging track; lounge; locker rooms; and offices.

Dates: Board Approval —January 23, 1992
Competitive Sale—February 20, 1992

Structure: The bonds were sold as fixed-rate, tax-exempt securities maturing serially from 1994 through 2012 and are insured. The bonds are payable solely from pledged fees of the university.

Bond Ratings: Moody's—Aaa
Standard & Poor's—AAA

Consultants: Bond Counsel—McCall, Parkhurst & Horton
Financial Advisor—Rauscher Pierce Refsnes

Effective Interest Rate: 6.51%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 8,725	$ 1.13
Financial Advisor	2,425	.31
Rating Agencies	17,300	2.25
Printing	4,121	.54
Paying Agent/Registrar	150	.02
Miscellaneous	2,059	.27
	$ 34,780	$ 4.52
Underwriter's Spread	$ 102,765	$ 13.35

TEXAS STATE UNIVERSITY SYSTEM

Issue: Board of Regents of the Texas State University System Constitutional Appropriation Refunding Bonds, Series 1992—$26,145,000.

Purpose: Proceeds were used to current refund $26,145,000 in Texas State University System Constitutional Appropriation Bonds, Series 1985. The bonds were callable at par on the April 1, 1992, interest payment date.

Dates: Board Approval—January 23, 1992
Competitive Sale—March 17, 1992

Structure: The refunding bonds were sold as fixed-rate, tax-exempt securities and are not callable. The refunding bonds will mature in three serial amounts on the same date the refunded bonds would have matured.

Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel—McCall, Parkhurst & Horton
Financial Advisor—Rauscher Pierce Refsnes

Effective Interest Rate: 3.81%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 26,840	$ 1.03
Financial Advisor	26,145	1.00
Rating Agencies	15,206	.58
Printing	4,998	.19
Paying Agent/Registrar	150	.01
Miscellaneous	1,670	.06
	$ 75,009	$ 2.87
Underwriter's Spread	$ 89,871	$ 3.44

TEXAS TECH UNIVERSITY SYSTEM

Issue: Board of Regents of Texas Tech University Constitutional Appropriation Refunding Bonds, Series 1992 — $14,090,000.

Purpose: Proceeds were used to current refund Texas Tech University System Constitutional Appropriation Bonds, Series 1985. The refunded bonds had six remaining principal payments on April 1 and October 1 of 1992 through 1994, on a principal amount outstanding of $16,115,000, of which only $14,090,000, or five payments, were refunded.

Dates: Board Approval—February 20, 1992
Competitive Sale— March 26, 1992

Structure: The refunding bonds were sold as fixed-rate, tax-exempt securities and are not callable. The refunding bonds will mature in three serial amounts on the same date the refunded bonds would have matured.

Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel—McCall, Parkhurst & Horton
Financial Advisor— Rauscher Pierce Refsnes

Effective Interest Rate: 3.97%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 11,443	$ .81
Financial Advisor	12,536	.89
Rating Agencies	7,369	.52
Printing	5,500	.39
Miscellaneous	1,377	.10
	$ 38,225	$ 2.71
Underwriter's Spread	$ 57,450	$ 4.08

TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Issue: Board of Regents of Texas Tech University Constitutional Appropriation Refunding Bonds, Series 1992—$3,405,000.

Purpose: Proceeds were used to current refund Texas Tech University Health Sciences Center Constitutional Appropriation Bonds, Series 1985.

Dates: Board Approval—February 20, 1992
Competitive Sale—March 24, 1992

Structure: The refunding bonds were sold as fixed-rate, tax-exempt securities, will not be callable, and were sold at a premium in order to pay issuance costs out of proceeds. The refunding bonds will mature in five serial amounts on the same date that the refunded bonds would have matured.

Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel—McCall, Parkhurst & Horton
Financial Advisor—Rauscher Pierce Refsnes

Effective Interest Rate: 4.07%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 6,254	$ 1.84
Financial Advisor	8,262	2.43
Rating Agencies	1,783	.52
Printing	820	.24
Miscellaneous	786	.23
	$ 17,905	$ 5.26
Underwriter's Spread	$ 9,303	$ 2.73

VETERANS LAND BOARD

Issue: State of Texas Veterans Land Board Refunding Bonds, Series 1991—$33,684,751.

Purpose: The bonds were sold to current refund principal payments on Veterans Land Refunding Bonds, Series 1985 and 1986. The refunding strengthens cash flows by deferring debt service into years when the program is more financially sound.

Dates: Board Approval—August 22, 1991
Negotiated Sale—October 15, 1991

Structure: The bonds were sold as fixed-rate, tax-exempt securities. Approximately $6 million of the bonds were sold as college savings bonds and will mature from 2001 through 2011. The balance were sold as term bonds with mandatory redemption from 2012 until maturity in 2021. The bonds are general obligations of the State of Texas. If program revenues are insufficient to pay debt service, the first money coming into the state treasury is appropriated. The Veterans Land Program has never drawn on general revenue to pay debt service.

Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel—Johnson & Gibbs
Financial Advisor—Donaldson, Lufkin & Jenrette
Senior Underwriter— Merrill Lynch

Effective Interest Rate: 7.43%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 25,263	$ .75
Financial Advisor	8,421	.25
Rating Agencies	20,300	.60
Printing	14,935	.44
Paying Agent/Registrar	200	.01
Miscellaneous	34,046	1.01
	$ 103,165	$ 3.06
Underwriter's Spread	$ 376,595	$ 11.18

VETERANS LAND BOARD

Issue: State of Texas Veterans Land Board Housing Assistance General Obligation Bonds, Series 1992—$35,000,000.

Purpose: Proceeds of the bonds will be used to fund the Housing Assistance Program, which makes home-ownership and home-improvement loans to eligible Texas veterans.

Dates: Board Approval— May 21, 1992
Negotiated Sale—July 22, 1992

Structure: The bonds were sold as fixed-rate, tax-exempt securities, with the final maturity in 2023. The bonds mature semiannually from 6/1/94 through 12/01/02. A super-sinker term bond matures in 2010 with mandatory semiannual redemption beginning in 2003. Another term bond matures in 2023 with mandatory semiannual redemption beginning in 2011. The bonds are general obligations of the State.

Bond Ratings: Moody's— Aa
Standard & Poor's—AA

Consultants: Bond Counsel—Vinson & Elkins
Financial Advisor—Rauscher Pierce Refsnes
Senior Underwriter— First Boston

Effective Interest Rate: 6.463%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 39,625	$ 1.13
Financial Advisor	12,250	.35
Rating Agencies	20,600	.59
Printing	6,725	.19
Miscellaneous	11,031	.32
	$ 90,231	$ 2.58
Underwriter's Spread	$ 367,500	$ 10.50

TEXAS WATER DEVELOPMENT BOARD

Issue: State of Texas Water Development Bonds Series 1992A—$13,500,000; Series 1992B—$2,735,000; Series 1992C-$8,305,000; Series 1992D—$2,700,000; Taxable Series 1992E—$10,205,000; and Taxable Series 1992F—$315,000. All bonds are general obligations of the State of Texas.

Purpose: Proceeds will be used to develop water resources, water quality enhancement, flood control, and for development of water supply and quality in economically distressed areas: Series A and E will be used for water supply projects; Series B and D will be used to develop water supply and water quality enhancement in economically distressed areas; Series C will be used for flood control and floodplain management; and Series F will be used for water quality enhancement.

Dates: Board Approval—December 19, 1991
Competitive Sale—January 15, 1992

Structure: All bond issues will mature serially. The bonds dedicated to assistance to economically distressed areas, Series B and D, will mature in 2014, and nondedicated bonds will mature in 2017. The bonds are general obligations of the State.

Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel—McCall, Parkhurst and Horton
Vinson and Elkins
Financial Advisor—First Southwest

Effective Interest Rate (Series A-D only): 5.951%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 56,388	$ 1.49
Financial Advisor	21,380	.57
Rating Agencies	21,300	.56
Printing	14,261	.38
Paying Agent/Registrar	6,000	.16
Miscellaneous	10,119	.27
	$ 129,448	$ 3.43
Underwriter's Spread	$ 380,328	$ 10.07

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board State Revolving Fund Multi-Modal Interchangeable Rate Revenue Bonds, Series 1992—$50,000,000.

Purpose: Proceeds will be used to provide partial funding for the State Revolving Loan Fund. The fund will make loans to political subdivisions at or below market interest rates to construct sewage treatment projects.

Dates: Board Approval—February 20, 1992
Negotiated Sale— March 3, 1992

Structure: The bonds were sold as tax-exempt, variable-rate demand bonds, which can be converted to a fixedrate or refunded by a new issue of fixed-rate bonds.

Bond Ratings: Moody's—Aa3/VMIG1
Standard & Poor's—AA-/A-1+

Consultants: Bond Counsel—Vinson & Elkins
Financial Advisor— First Southwest
Senior Underwriter—J. P. Morgan

Effective Interest Rate: Variable

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 165,759	$ 3.32
Financial Advisor	50,350	1.01
Rating Agencies	33,100	.66
Printing	8,510	.17
Paying Agent/Registrar	28,000	.56
Miscellaneous	1,250	.03
	$ 286,969	$ 5.75
Underwriter's Spread	$ 399,319	$ 7.99

TEXAS WOMEN'S UNIVERSITY

Issue: Board of Regents of Texas Women's University Constitutional Appropriation Refunding Bonds, Series 1992—$4,810,000.

Purpose: Proceeds were used to current refund Texas Women's University Constitutional Appropriation Bonds, Series 1985.

Dates: Board Approval—February 20, 1992
Competitive Sale—March 24, 1992

Structure: The refunding bonds will mature in three serial amounts on the same date that the refunded bonds would have matured. The refunding bonds were sold as fixed-rate, tax-exempt securities and will not be callable.

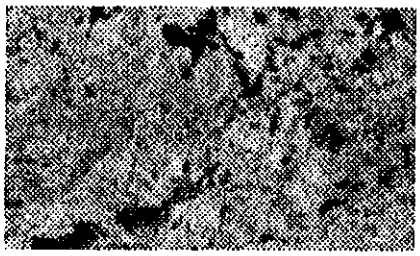
Bond Ratings: Moody's—Aa
Standard & Poor's—AA

Consultants: Bond Counsel—McCall, Parkhurst & Horton
Financial Advisor— Rauscher Pierce Refsnes

Effective Interest Rate: 3.96%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 6,285	$ 1.31
Financial Advisor	8,824	1.83
Rating Agencies	4,142	.86
Printing	4,654	.97
PMiscellaneous	1,001	.21
	$ 24,906	$ 5.18
Underwriter's Spread	$ 12,586	$ 2.62



APPENDIX B

TEXAS STATE BOND PROGRAMS

COLLEGE STUDENT LOAN BONDS

STATUTORY/CONSTITUTIONAL AUTHORITY:
Article III, Sections 50b and 50b1, b2, and b3 of the Texas Constitution, adopted in 1965, 1969, 1989, and 1991, authorize the issuance of general obligation bonds by the Texas Higher Education Coordinating Board. In 1991, legislation was enacted giving the Coordinating Board authority to issue revenue bonds.

PURPOSE:
Proceeds from the sale of bonds are used to make loans to eligible students attending public or private colleges and universities in Texas.

SECURITY:
The first monies coming into the state treasury not otherwise dedicated by the Constitution are pledged to pay debt service on the general obligation bonds. Revenue bonds will be repaid solely from program revenues.

DEDICATED/PROJECT REVENUE:
Principal and interest payments on the loans are pledged to pay debt service on the bonds issued by the Coordinating Board. The majority of loans made through the Texas College Student Loan Program are guaranteed either by the U.S. Department of Education or the U.S. Department of Health and Human Services. No draw on general revenue is anticipated.

CONTACT:
Mack Adams
Assistant Commissioner for Student Services
Texas Higher Education Coordinating Board
(512) 483-6340

COLLEGE AND UNIVERSITY REVENUE BONDS

STATUTORY AUTHORITY:
Section 55.13 of the Education Code authorizes the governing boards of institutions of higher education to issue revenue bonds. The statute that provides this authority (Art. 2909c-3, V.A.T.C.S.) was enacted in 1969 by the 61st Legislature and was designed to supplement or supersede numerous similar statutes that contained restrictions which often made it difficult or impossible to issue bonds under prevailing market conditions.

The 1991 Texas Legislature authorized the Texas Public Finance Authority, effective January 1, 1992, to issue bonds on behalf of all institutions of higher education authorized to issue bonds under Chapter 55, Education Code with the exception of The University of Texas System, The Texas A&M University System, a component of those systems, and higher education institutions authorized to issue bonds under Article VII, Section 17, of the Texas Constitution. As a result of the exceptions, the only higher education institution for which the Texas Public Finance Authority issues bonds is the Texas State Technical College.

Legislative approval is not required for specific projects or for each bond issue. The governing boards are required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuing bonds and are required to register their bonds with the Comptroller of Public Accounts.

PURPOSE:
Proceeds are to be used to acquire, construct, improve, enlarge, and/or equip any property, buildings, structures, activities, services, operations, or other facilities.

SECURITY:
The revenue bonds issued by the governing boards are pledged against the income of the institutions and are in no way an obligation of the State of Texas. Neither the State's full faith and credit nor its taxing power is pledged toward payment of the bonds.

DEDICATED/PROJECT REVENUE:
Bonds are to be repaid from income from special fees of the institutions, including student use fees, a portion of tuition, dormitory fees, etc.

CONTACT:
Individual colleges and universities.

FARM AND RANCH LOAN BONDS

STATUTORY/CONSTITUTIONAL AUTHORITY:
Article III, Section 49f of the Texas Constitution, adopted in 1985, authorizes the Veterans Land Board to issue general obligation bonds for the purposes described below.

PURPOSE:
Proceeds from the sale of the general obligation bonds may be used to make loans of up to $100,000 to eligible Texans for the purchase of farms and ranches. The program is currently dormant.

SECURITY:
The bonds are general obligations of the State of Texas. The first monies coming into the state treasury not otherwise dedicated by the Constitution are pledged to pay debt service on the bonds.

DEDICATED/PROJECT REVENUE:
Principal and interest payments on the farm and ranch loans are

pledged to pay debt service on the bonds issued by the Veterans Land Board. The program is designed to be self-supporting. No draw on general revenue is anticipated.

CONTACT:
Bruce Salzer
Director of Funds Management
General Land Office
(512) 463-5198

HIGHER EDUCATION CONSTITUTIONAL BONDS

STATUTORY AUTHORITY:
Article VII, Section 17 of the Texas Constitution, adopted in 1985, authorizes the issuance of constitutional appropriation bonds by institutions of higher education outside the Texas A&M and University of Texas systems. Legislative approval of bond issues is not required. Approval of the Bond Review Board and the Attorney General is required for bond issues, and the bonds must be registered with the Comptroller of Public Accounts.

PURPOSE:
Proceeds from the sale of bonds are to be used by qualified institutions for land acquisition, construction, major repairs, and permanent improvements to real estate.

SECURITY:
The first $100 million coming into the state treasury not otherwise dedicated by the Constitution goes to qualified institutions of higher education to fund certain land acquisition, construction, and repair projects. Fifty percent of this amount is pledged to pay debt service on any bonds or notes issued. While not explicitly a general obligation or full faith and credit bond, the stated pledge has the same effect.

DEDICATED/PROJECT REVENUE:
None. Debt service is payable solely from the State's general revenue fund.

CONTACT:
Individual colleges and universities.

NATIONAL GUARD ARMORY BOARD BONDS

STATUTORY AUTHORITY:
The National Guard Armory Board was created as a state agency in 1935 by Title 4, Chapter 435, of the Government Code and authorized to issue long-term debt. Legislative approval of bond issues is not required. The Board is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

S.B. 3, 72nd Legislature, authorized the Texas Public Finance Authority to issue bonds on behalf of the National Guard Armory Board.

PURPOSE:
Proceeds from the sale of bonds are used to acquire land to construct, remodel, repair, and equip buildings for the Texas National Guard.

SECURITY:
Any bonds issued are obligations of the Board and are payable from "rents, issues, and profits" of the Board. The Board's bonds are not a general obligation of the State of Texas, and neither the State's full faith and credit nor its taxing power is pledged toward payment of Armory Board bonds.

DEDICATED/PROJECT REVENUE:
The rent payments used to retire Armory Board debt are paid primarily by the Adjutant General's Department with general revenue funds appropriated by the Legislature. Independent project revenue, in the form of income from properties owned by the Board, also is used to pay a small portion of debt service.

CONTACT:
William E. Beaty
Executive Director
Texas National Guard Armory Board
(512) 451-6394

PARK DEVELOPMENT BONDS

STATUTORY/CONSTITUTIONAL AUTHORITY:
Article III, Section 49e of the Texas Constitution, adopted in 1967, authorized the Texas Parks and Wildlife Department to issue general obligation bonds for the purposes described below. S.B. 3, 72nd Legislature, authorized the Texas Public Finance Authority to issue bonds on behalf of the Parks and Wildlife Department.

PURPOSE:
Proceeds from the sale of the general obligation bonds are to be used to purchase and develop state park lands.

SECURITY:
The bonds are general obligations of the State of Texas. The first monies coming into the state treasury not otherwise dedicated by the Constitution are pledged to pay debt service on the bonds.

DEDICATED/PROJECT REVENUE:
Entrance fees to state parks are pledged to pay debt service on the park development bonds. The program is designed to be self-supporting. No draw on general revenue is anticipated.

CONTACT:
Jayna Burgdorf
Chief Financial Officer
Texas Parks & Wildlife Department
(512) 389-4803

PERMANENT UNIVERSITY FUND BONDS

STATUTORY/CONSTITUTIONAL AUTHORITY:
Article VII, Section 18 of the Texas Constitution, initially adopted in 1947, as amended in November 1984, authorizes the Boards of Regents of the University of Texas and Texas A&M University systems to issue revenue bonds payable from and secured by the income of the Permanent University Fund (PUF). Neither legislative approval nor Bond Review Board approval is

required. The approval of the Attorney General is required, however, and the bonds must be registered with the Comptroller of Public Accounts.

PURPOSE:
Proceeds are used to make permanent improvements and buy equipment for the two university systems.

SECURITY:
Any bonds issued are obligations of the UT and A&M systems. Neither the State's full faith and credit nor its taxing power is pledged toward payment of PUF bonds.

DEDICATED/PROJECT REVENUE:
Bonds are to be repaid from income of the Permanent University Fund. The total amount of PUF bonds outstanding is limited to 30 percent of the book value of the Fund, exclusive of land.

CONTACTS:
Greg Anderson
Director of Treasury Services
Texas A&M University System
(409) 845-4046

John A. Roan
Executive Director of Finance
University of Texas System
(512) 499-4323

SUPERCONDUCTING SUPER COLLIDER BONDS

STATUTORY/CONSTITUTIONAL AUTHORITY:
The Texas National Research Laboratory Commission was created in 1987 by the 70th Legislature and given the authority to issue both revenue and general obligation bonds. Art. 4413, Section 47g, V.A.T.C.S., authorizes the Commission to issue revenue bonds. Article III, Section 49g of the Texas Constitution authorizes the Commission to issue general obligation bonds. S.B. 3, 72nd Legislature, authorizes the Texas Public Finance Authority to issue bonds on behalf of the Texas National Research Laboratory Commission.

Legislative approval of specific bond issues is not required. The Commission is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

PURPOSE:
Proceeds from the sale of bonds will be used to finance construction of buildings, the acquisition of land, installation of equipment, and other "eligible undertakings" related to the development of the superconducting super collider facility.

SECURITY:
The general obligation bonds pledge the first monies not otherwise appropriated by the Constitution that come into the state treasury each fiscal year.

Any revenue bonds issued are solely obligations of the Commission and are payable from funds of the Commission which includes appropriations from the Legislature.

DEDICATED/PROJECT REVENUE:
Debt service on the general obligation bonds is payable solely from the state's general revenue fund. Debt service on the revenue bonds is payable solely from rental payments made by the Commission under the lease-purchase agreement. Each revenue bond must state on its face that such revenues shall be available to pay debt service only if appropriated by the Legislature for that purpose.

CONTACT:
Kenneth S. Welch
Associate Director for Administration
Texas National Research Laboratory Commission
(214) 709-6481

TEXAS AGRICULTURAL FINANCE AUTHORITY BONDS

STATUTORY AUTHORITY:
The Texas Agricultural Finance Authority was created in 1987 (V.T.C.A., Agriculture Code Chapter 58) and authorized to issue revenue bonds. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds was approved. Legislative approval of bond issues is not required. The Authority is required to obtain the approval of the Attorney General's Office and the Bond Review Board prior to issuance and to register its bonds with the Comptroller of Public Accounts.

PURPOSE:
Proceeds from the sale of bonds will be used to make or acquire loans to eligible agricultural businesses, to make or acquire loans to lenders, to insure loans, to guarantee loans, and to administer or participate in programs to provide financial assistance to eligible agricultural businesses.

SECURITY:
Revenue bonds are obligations of the Authority and are payable from revenues, income, and property of the Authority and its programs. The Authority's revenue bonds are in no way an obligation of the State of Texas, and neither the State's full faith and credit nor its taxing power is pledged toward payment of the bonds. The Authority is also authorized to issue general obligation debt, which is payable from revenues and income of the Authority. In the event that such income is insufficient to repay the debt, the first monies coming into the state treasury not otherwise appropriated are pledged to repay the bonds.

DEDICATED/PROJECT REVENUE:
Mortgages or other interests in financed property; repayments of financial assistance; investment earnings; any fees and charges; and appropriations, grants, subsidies, or contributions are pledged to the payment of principal and interest on the Authority's bonds.

CONTACT:
Geoffrey S. Connor
General Counsel
Texas Department of Agriculture
(512) 463-7476

TEXAS DEPARTMENT OF COMMERCE BONDS

STATUTORY AUTHORITY:

The Texas Department of Commerce was created by the 70th Legislature in 1987 (Art. 4413(301), V.A.T.C.S.) and given the authority to issue revenue bonds. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds was approved. Legislative approval of bond issues is not required. The Department is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

PURPOSE:

Proceeds from the sale of bonds will be used to provide financial assistance to export businesses, to promote domestic business development, and to provide loans to finance the commercialization of new and improved products and processes.

SECURITY:

Revenue bonds are obligations of the Department and are payable from funds of the Department. The Department's revenue bonds are in no way an obligation of the State of Texas and neither the State's full faith and credit nor its taxing power is pledged toward payment of the Department's bonds. The Department is also authorized to issue general obligation debt, which is payable from revenues, income, etc. In the event that such income is insufficient to repay the debt, the first monies not otherwise appropriated that come into the state treasury are pledged to repay the bonds.

DEDICATED/PROJECT REVENUE:

Revenue of the Department, principally from the repayment of loans and the disposition of debt instruments, is pledged to the payment of principal and interest on bonds issued.

CONTACT:

Dan McNeil
Director of Business Finance
Texas Department of Commerce
(512) 320-9689

TEXAS HOSPITAL EQUIPMENT FINANCING COUNCIL BONDS

STATUTORY AUTHORITY:

The Texas Hospital Equipment Financing Council was created as a state agency in 1983 (Art. 4437e-3, V.A.T.C.S.) and authorized to issue revenue bonds. The authority of the Council to issue bonds was repealed by the 71st Legislature (S.B. 1387), effective September 1, 1989.

PURPOSE:

Proceeds from the sale of bonds were to be used to purchase equipment for lease or sale to health care providers or to make loans to health care providers for the purchase of equipment.

SECURITY:

Any bonds issued are obligations of the Council and are payable from lease or other project revenues. The Council's bonds are in no way an obligation of the State of Texas, and neither the State's full faith and credit nor its taxing power is pledged toward payment of the Council's bonds.

DEDICATED/PROJECT REVENUE:

Bonds are to be repaid from revenues received by the Council from the repayment of loans from the program.

CONTACT:

Rose-Michel Munguia
Staff Attorney
Texas State Treasury
(512) 463-5971

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

STATUTORY AUTHORITY:

The Texas Housing Agency was created in 1979 (Art. 1269l, V.A.T.C.S.) and authorized to issue revenue bonds. On September 1, 1991, the Agency was merged with the Texas Department of Community Affairs. Legislative approval of bond issues is not required. The Department is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

PURPOSE:

Proceeds from the sale of bonds are used to make construction, mortgage, and energy conservation loans at below-market interest rates.

SECURITY:

Any bonds issued are obligations of the Department and are payable entirely from funds of the Department. The Department's bonds are in no way an obligation of the State of Texas, and neither the State's full faith and credit nor its taxing power is pledged toward payment of the Department's bonds.

DEDICATED/PROJECT REVENUE:

Revenue to the Department from the repayment of loans and investment of bond proceeds is pledged to the payment of principal and interest on bonds issued.

CONTACT:

Scott McGuire
Assistant Deputy for Housing Finance and Development
Texas Department of Housing & Community Affairs
(512) 475-2123

TEXAS PUBLIC FINANCE AUTHORITY BONDS

STATUTORY/CONSTITUTIONAL AUTHORITY:

The Texas Public Finance Authority is authorized to issue both revenue and general obligation bonds.

The Authority was created by the Legislature in 1983 (Article 601d, V.A.T.C.S.) and given the authority to issue revenue bonds to finance state office buildings. The Legislature

approves each specific project and limits the amount of bonds issued by the Authority.

Article III, Section 49h of the Texas Constitution, adopted in 1987, authorized the Texas Public Finance Authority to issue general obligation bonds for correctional and mental health facilities.

With the passage of House Bill 2721 in 1989 (which has since been codified as Tex. Rev. Civ. Stat. Ann. art. 601d, 9A), the Authority was authorized to establish a Master Equipment Lease Purchase Program. This program was created to finance the purchase of equipment on behalf of various state agencies through the General Services Commission at tax-exempt interest rates.

In 1991, the Authority was given the responsibility of issuing revenue bonds for the Texas Workers' Compensation Fund under Subchapter G, Chapter 5 of the Insurance Code.

The 1991 Texas Legislature authorized the Authority, effective January 1, 1992, to issue bonds on behalf of the Texas National Guard Armory Board, Texas National Research Laboratory Commission, Parks and Wildlife Department, and all institutions of higher education authorized to issue bonds under Chapter 55, Education Code, with the exception of The University of Texas System, The Texas A&M University System, a component of those systems, and higher education institutions authorized to issue bonds under Article VII, Section 17 of the Texas Constitution. As a result of the exceptions, the only higher education institution for which the Texas Public Finance Authority issues bonds is the Texas State Technical College.

The Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to bond issuance and to register its bonds with the Comptroller of Public Accounts.

PURPOSE:
Proceeds from the sale of general obligation bonds for correctional and mental health facilities are used to finance the cost of constructing, acquiring, and/or renovating prison facilities, youth correction facilities, and mental health/mental retardation facilities. Proceeds from the sale of building revenue bonds are used to purchase, renovate, and maintain state buildings. Proceeds from the sale of bonds for the Workers' Compensation Fund are used to raise funds to provide Workers' Compensation insurance coverage through the Fund. Proceeds from the issuance of revenue bonds for the Master Equipment Lease Purchase Program are used to finance equipment for various state agencies. For a description of the use of funds for bonds issued on behalf of the Texas National Guard Armory Board, Texas National Research Laboratory Commission (superconducting super collider bonds), Parks and Wildlife Department, and higher education institutions, see the applicable sections in this Appendix.

SECURITY:
Building revenue bonds issued are obligations of the Authority and are payable from "rents, issues, and profits" resulting from leasing projects to the State. These sources of revenue come primarily from legislative appropriations. The general obligation bonds issued for correctional and mental health facilities pledge the first monies not otherwise appropriated by the Constitution that come into the state treasury each fiscal year to pay debt service on the bonds. Bonds issued on behalf of the Workers' Compensation Insurance Fund are secured solely by pledged revenues of the Fund. Revenue bonds issued for the Master Equipment Lease Purchase Program are secured by lease-purchase payments from state agencies, a large portion of which come from state appropriations. For a description of the security for bonds issued on behalf of the Texas National Guard Armory Board, Texas National Research Laboratory Commission (superconducting super collider bonds), Parks and Wildlife Department, and higher education institutions, see the applicable sections in this Appendix.

DEDICATED/PROJECT REVENUE:
Debt service on the general obligation bonds for correctional and mental health facilities is payable solely from the State's general revenue fund. Debt service on the revenue bonds is also payable from general revenue appropriated by the Legislature. The Legislature, however, has the option to appropriate debt service payments on the bonds from any other source of funds that is lawfully available. Bonds issued on behalf of the Workers' Compensation Fund are payable solely from maintenance tax surcharges and other fees the Fund is authorized to levy. The bonds will be self-supporting, and the State's credit is not pledged. For a description of the dedicated/project revenues for bonds issued on behalf of the Texas National Guard Armory Board, Texas National Research Laboratory Commission (superconducting super collider bonds), Parks and Wildlife Department, and higher education institutions, see the applicable sections in this Appendix.

CONTACT:
Anne Schwartz
Interim Executive Director
Texas Public Finance Authority
(512) 463-5544

TEXAS SCHOOL FACILITIES FINANCE PROGRAM

STATUTORY/CONSTITUTIONAL AUTHORITY:
The 1989 Texas Legislature adopted the Public School Facilities Funding Act (S.B. 951, 71st Legislature). The Act authorizes the Bond Review Board to make loans or purchase the bonds of qualifying public school districts. The Board is authorized to direct the State Treasurer to issue revenue bonds to finance the school district loans.

PURPOSE:
The proceeds of bonds issued under this program are to be used to make loans to qualifying school districts for the acquisition, construction, renovation, or improvement of instructional facilities. Districts will be qualified on the basis of need.

SECURITY:
The bonds are special obligations of the program and are payable only from program revenues. The bonds are not a general obligation of the State of Texas, and neither the State's full faith and credit nor its taxing power is pledged toward payment of the bonds.

DEDICATED/PROJECT REVENUE:
Repayment of principal and interest on local school district loans is pledged to pay debt service on the state bonds. In the event of a loan delinquency, the program may draw on the state foundation school fund payment otherwise due the school district.

CONTACTS:

John Bell
Public Finance Programs
Texas State Treasury
(512) 463-6000

Sonja Suessenbach, Director
Public School Facilities
Funding Program
Bond Review Board
(512) 463-1741

TEXAS SMALL BUSINESS INDUSTRIAL DEVELOPMENT CORPORATION BONDS

STATUTORY AUTHORITY:
The Texas Small Business Industrial Development Corporation (TSBIDC) was created as a private nonprofit corporation in 1983 (Art. 5190.6, Secs. 4-37, V.A.T.C.S.) pursuant to the Development Corporation Act of 1979 and was authorized to issue revenue bonds. The authority of TSBIDC to issue bonds was repealed by the Legislature, effective September 1, 1987.

PURPOSE:
Proceeds from the sale of the TSBIDC bonds were to be used to provide financing to state and local governments and to other businesses and nonprofit corporations for the purchase of land, facilities, and equipment for economic development.

SECURITY:
Any bonds issued are obligations of the Corporation. The Corporation's bonds are in no way an obligation of the State of Texas or any political subdivision of the state, and neither the State's full faith and credit nor its taxing power is pledged toward payment of Corporation bonds.

DEDICATED/PROJECT REVENUE:
Debt service on bonds issued by the TSBIDC is payable from the repayment of loans made from bond proceeds and investment earnings on bond proceeds.

CONTACT:
Dan McNeil
Director of Business Finance
Texas Department of Commerce
(512) 320-9689

TEXAS TURNPIKE AUTHORITY BONDS

STATUTORY AUTHORITY:
The Texas Turnpike Authority was created as a state agency in 1953 (Art. 6674V, V.A.T.C.S.) and authorized to issue revenue bonds. Legislative approval is not required for specific projects or for each bond issue. The Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to bond issuance and to register its bonds with the Comptroller of Public Accounts.

PURPOSE:
Proceeds from the sale of bonds are used for the construction, operation, and maintenance of toll roads, bridges, and tunnels.

SECURITY:
Any bonds issued are obligations of the Authority and are payable from tolls or other project revenues. The Authority's bonds are in no way an obligation of the State of Texas and neither the State's full faith and credit nor its taxing power is pledged toward payment of Turnpike Authority Bonds.

DEDICATED/PROJECT REVENUE:
Bonds are to be repaid from tolls and other project revenues.

CONTACT:
Harry Kabler
Secretary/Treasurer
Texas Turnpike Authority
(214) 522-6200

TEXAS UNEMPLOYMENT COMPENSATION FUND BONDS

STATUTORY AUTHORITY:
The Texas Employment Commission was created in 1936. The 70th Legislature authorized the issuance of bonds by the Commission (Art. 5221b-7d, V.A.T.C.S.) to replenish the state's unemployment compensation fund. Legislative approval of bond issues is not required. The Commission is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

PURPOSE:
Proceeds from the sale of bonds will be used to replenish the state's unemployment compensation fund.

SECURITY:
Any bonds issued are obligations of the Commission and are payable from Commission funds. The bonds are in no way an obligation of the State of Texas, and neither the State's full faith and credit nor its taxing power is pledged toward payment of Commission bonds.

DEDICATED/PROJECT REVENUE:
Revenue of the Commission, in the form of special unemployment taxes on employers, is pledged to the payment of principal and interest on the bonds.

CONTACT:
William Grossenbacher
Administrator
Texas Employment Commission
(512) 463-2652

TEXAS WATER RESOURCES FINANCE AUTHORITY BONDS

STATUTORY AUTHORITY:
The Texas Water Resources Finance Authority was created in 1987 (V.T.C.A., Water Code, Chapter 20) and given the

authority to issue revenue bonds. Legislative approval of bond issues is not required. The Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

PURPOSE:
Proceeds from the sale of bonds will be used to finance the acquisition of the bonds of local government jurisdictions, including local jurisdiction bonds that are owned by the Texas Water Development Board.

SECURITY:
Any bonds issued are obligations of the Authority and are payable from funds of the Authority. The Authority's bonds are in no way an obligation of the State of Texas, and neither the State's full faith and credit nor its taxing power is pledged toward payment of Authority bonds.

DEDICATED/PROJECT REVENUE:
Revenue from the payment of principal and interest on local jurisdiction bonds it acquires is pledged to the payment of principal and interest on bonds issued.

CONTACT:
Dan Black
Development Fund Manager
Texas Water Development Board
(512) 463-7867

VETERANS LAND AND HOUSING BONDS

STATUTORY/CONSTITUTIONAL AUTHORITY:
Article III, Section 49b of the Texas Constitution, initially adopted in 1946, authorized the issuance of general obligation bonds to finance the Veterans Land Program. Article III, Section 49b-1 of the Texas Constitution, adopted in 1983, authorized additional land bonds and the issuance of general obligation bonds to finance the Veterans' Housing Assistance Program.

PURPOSE:
Proceeds from the sale of the general obligation bonds are loaned to eligible Texas veterans for the purchase of land, housing, and home improvements.

SECURITY:
The bonds are general obligations of the State of Texas. The first monies coming into the state treasury not otherwise dedicated by the Constitution are pledged to pay debt service on the bonds.

DEDICATED/PROJECT REVENUE:
Principal and interest payments on the loans to veterans are pledged to pay debt service on the bonds. The programs are designed to be self-supporting and have never had to rely on the general revenue fund.

CONTACT:
Bruce Salzer
Director of Funds Management
General Land Office
(512) 463-5198

TEXAS WATER DEVELOPMENT BONDS

STATUTORY AUTHORITY:
The Texas Water Development Board is authorized to issue both revenue and general obligation bonds.

The Texas Water Resources Fund, administered by the Board, was created by the 70th Legislature in 1987 (Chapter 17.853, Water Code, Ch. 17.853) and authorized to issue revenue bonds.

Article III, Sections 49c, 49d, 49d-1, 49d-2, 49d-4, 49d-6, 49d-7, and 50d of the Texas Constitution, initially adopted in 1957, contain the authorization for the issuance of general obligation bonds by the Texas Water Development Board.

The 71st Legislature in 1989 passed comprehensive legislation that established the Economically Distressed Areas Program. Article III, Section 49-d-7(e) provides for subsidized loans and grants from the proceeds of bonds authorized by this section.

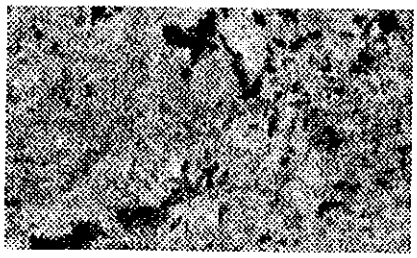
Further legislative approval of specific bond issues is not required. The Board is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

PURPOSE:
Proceeds from the sale of revenue bonds will be used to provide funds to the State Water Pollution Control Revolving Fund and to provide financial assistance to local government jurisdictions through the acquisition of their obligations. Proceeds from the sale of the general obligation bonds are used to make loans (and grants under the Economically Distressed Areas Program) to political subdivisions of Texas for the performance of various projects related to water conservation, transportation, storage, and treatment.

SECURITY:
Any revenue bonds issued are obligations of the Board and are payable solely from the income of the program, including the repayment of loans to political subdivisions. The general obligation bonds pledge, in addition to program revenues, the first monies coming into the state treasury not otherwise dedicated by the Constitution.

DEDICATED/PROJECT REVENUE:
Principal and interest payments on the loans to political subdivisions for water projects are pledged to pay debt service on the bonds issued by the Board. The Water Development Bond Programs, with the exception of the Economically Distressed Areas Program, are designed to be self-supporting. No draw on general revenue has been made since 1980, and no future draws are anticipated, except for the Economically Distressed Areas Program.

CONTACT:
Dan Black
Development Fund Manager
Texas Water Development Board
(512) 463-7867



APPENDIX C

BOND REVIEW BOARD RULES

Sec. 181.1 DEFINITIONS. The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise:

Board—The Bond Review Board, created by Acts of the 70th Legislature, 1987, particularly Senate Bill 1027.

State bond—

(a) a bond or other obligation issued by:

(1) a state agency;

(2) an entity expressly created by statute and having statewide jurisdiction; or

(3) any other entity issuing a bond or other obligation on behalf of the state or on behalf of any entity listed in clause (1) or (2) of this subparagraph; or

(b) an installment sale or lease-purchase obligation issued by or on behalf of an entity listed in clauses (1), (2), or (3) of this subparagraph that has a stated term of longer than five years or has an initial principal amount of greater than $250,000.

Sec. 181.2. NOTICE OF INTENTION TO ISSUE.

(a) An issuer intending to issue state bonds shall submit a written notice to the bond finance office no later than three weeks prior to the date requested for board consideration. The director of the bond finance office shall forward one copy of the notice to each member of the board.

Prospective issuers are encouraged to file the notice of intention as early in the issuance planning stage as possible. The notice is for information purposes only, to facilitate the scheduling of board review activities.

(b) A notice of intention to issue under this section shall include:

(1) a brief description of the proposed issuance, including, but not limited to, the purpose, the tentative amount, and a brief outline of the proposed terms;

(2) the proposed timing of the issuance with a tentative date of sale and a tentative date for closing;

(3) a request to have the bond issue scheduled for consideration by the board during a specified monthly meeting; and

(4) an agreement to submit the required application set forth herein in Sec. 181.3 of this title (relating to application for board approval of state bond issuance) no later than two weeks prior to the requested board meeting date.

(c) An issuer may reschedule the date requested for board consideration of the state bonds by submitting an amended notice of intention at any time prior to the application date in the same manner as provided in this section.

(d) The requested date for board consideration shall be granted whenever possible; however, if it becomes necessary in the board's discretion to change the date of the board meeting for consideration of the proposed issuance of state bonds, written notice of such change shall be sent to the issuer as soon as possible. Priority scheduling for consideration at board meetings shall be given to refunding issues and to those state bonds which also require a submission to the Department of Commerce to obtain a private activity bond allocation.

Sec. 181.3. APPLICATION FOR BOARD APPROVAL OF STATE BOND ISSUANCE.

(a) An officer or entity may not issue state bonds unless the issuance has been approved or exempted from review by the Bond Review Board. An officer or entity that has not been granted an exemption from review by the board and that proposes to issue state bonds shall apply for board approval by filing one application with original signatures and six copies with the director of the bond finance office. The director of the bond finance office shall forward one copy of the application to each member of the board and one copy to the Office of the Attorney General.

(b) Applications must be filed with the bond finance office no later than the first Tuesday of the month in which the applicant requests board consideration. Applications filed after that date will be considered at the regular meeting only with the approval of the governor or three or more members of the board.

(c) An application for approval of a lease-purchase agreement must include:

(1) a description of, and statement of need for, the facilities or equipment being considered for lease-purchase;

(2) the statutory authorization for the lease-purchase proposal;

(3) evidence of all necessary approvals from any state boards, state agencies, etc.; and

(4) a detailed explanation of the terms of the lease-purchase agreement, including, but not limited to, amount of purchase, trade-in allowances, interest charges, service contracts, etc.

(d) An application for all state bonds other than lease-purchase agreements must include:

(1) a substantially complete draft or summary of the proposed resolution, order, or ordinance providing for the issuance of state bonds;

(2) a brief description of the program under which the state bonds are proposed to be issued, which may include a reference to a legislative enactment or to existing rules if the program is established in accordance with an existing statute or existing rules;

(3) the applicant's plans for use of state bond

proceeds, including a description of, statement of the need for, and cost of each specific project for which bond proceeds are proposed to be used;

(4) the applicant's plans for the administration and servicing of the state bonds to be issued, including, when applicable, a disbursement schedule of bond proceeds, the proposed flow of funds, the sources and methods of repayment, and an estimated debt service schedule;

(5) a description of the applicant's investment provisions for bond proceeds, including any specific provisions for safety and security and a description of the duties and obligations of the trustee and paying agent/registrar as applicable;

(6) a timetable for financing that contains dates of all major steps in the issuance process, including all necessary approvals;

(7) if the applicant has authority to issue both general obligation and revenue bonds and the proposed issuance is of one of these, a statement of the applicant's reasons for its choice of type of state bonds;

(8) a statement of the applicant's estimated costs of issuance, listed on an item by item basis, including, as applicable, the estimated costs for:

(A) bond counsel
(B) financial advisor
(C) paying agent/registrar
(D) rating agencies
(E) official statement printing
(F) bond printing
(G) trustee
(H) credit enhancement
(I) liquidity facility
(J) miscellaneous issuance costs;

(9) an estimate, if bond sale is negotiated, of underwriter's spread, broken down into the following components and accompanied by a list of underwriters' spreads from recent comparable bond issues:

(A) management fee
(B) underwriter's fees
(C) selling concessions
(D) underwriter's counsel
(E) other costs;

(10) a list of the firms providing the services reported in subsections (8) and (9) of this section and a statement of prior representation of the issuer by each firm;

(11) a justification of the decision of whether or not to apply for municipal bond insurance or other credit enhancement, including a comparison of expected bond ratings and borrowing costs for the issue with and without the particular enhancement(s) considered;

(12) a statement of any potential liability of the general revenue fund or any other state funds resulting from the issuance;

(13) a copy of any preliminary written review of the issuance that has been made by the attorney general;

(14) a statement addressing the participation of women and minorities. The purpose of this section is to promote economic opportunity by affording equal access to the procurement of contracts for professional services for the financing of bonds by state issuers. Therefore, the following information about each participant (including, but not limited to, bond counsel, underwriters, underwriter's counsel, and financial advisor) must be included:

(A) the degree of ownership and control of each participant firm by minorities and women;

(B) the number and percentage of professionally employed women and minorities in each participant's firm; and

(C) a brief description of the effort made by each participant to encourage and develop participation of women and minorities. This description can include internal firm recruitment efforts, any offers tendered for apportioning responsibilities by subcontract or joint venture, and the equal opportunity goals and policies of each participant's firm.

(15) The notification procedures used by or on behalf of the issuer to select the participants referenced in subsection (14) above.

(e) In addition to the information required by Subsections (c) or (d) of this section, an application under this section may include any other relevant information the applicant wants to submit to the board.

(f) At any time before the date for consideration of an application by the board, an applicant may withdraw the application. Revisions to an application must be submitted in writing not less than seventy-two (72) hours prior to the board meeting.

Sec. 181.4. MEETINGS.

(a) The regular meeting of the board shall be held the Thursday following the third Tuesday of each month.

(b) As chairman of the board, the governor may call additional meetings of the board and is responsible for filing notice of meetings as required by Texas Civil Statutes, Article 6252-17, and giving timely notice of meetings to members of the board. On the petition of three or more members of the board, the governor shall call an additional meeting of the board or cancel a meeting.

(c) A planning session will be held regarding applications pending before the board on or before the second Tuesday of each month. Planning sessions regarding applications to be heard at additional meetings of the board will be held as far in advance of the additional board meeting as is practicable. At a planning session, board members, their designated representatives, or their staff representatives may discuss pending applications, but may not conduct board business. Applicants may be required to attend a planning session and may be asked to make a presentation and answer questions regarding their application. Applicants may be asked to submit written answers to questions regarding their application in lieu of, or in addition to, their attendance at a planning session.

(d) At a meeting of the board, a board member or designated representative may allow an applicant to make an oral presentation to the board.

(e) At a meeting, the board may, by order, resolution, or other process adopted by the board, approve an issuance of state bonds as proposed in the application; may approve an issuance of state bonds on conditions stated by the board; or may fail to act on a proposed issuance. If the board does not act on a proposed issuance during the meeting at which the application

is scheduled to be considered, the application is no longer valid on the occurrence of the earlier of the expiration of 45 days from the date of the meeting at which the application was scheduled to be considered or immediately following the board's next meeting if the board fails to act on the proposed issuance at that meeting. If an application becomes invalid under this subsection, the applicant may file a new application for the proposed issuance.

(f) The executive director of the bond finance office shall notify applicants in writing of any action taken regarding their application. A letter of approval shall contain the terms and conditions of the issue as approved by the board. Issuers must inform the director of the bond finance office of changes to the aspects of their application that are specified in the approval letter. Such changes may prompt reconsideration of the application by the Bond Review Board. A copy of the approval letter shall be forwarded to the attorney general.

(g) If applicable law requires the approval by the attorney general of an issuance of state bonds that are not exempt from review by the board, attorney general approval must be obtained after approval by the board.

(h) If there is a dispute among members regarding the conduct of board meetings, standard parliamentary rules shall apply.

Sec. 181.5. SUBMISSION OF FINAL REPORT.

(a) Within 60 days after the signing of a lease-purchase agreement or delivery of the state bonds and receipt of the state bond proceeds, the issuer or purchaser, as applicable, shall submit one original and one copy of a final report to the bond finance office and a single copy of the final report to the Texas Comptroller of Public Accounts.

(b) A final report for lease-purchases must include a detailed explanation of the terms of the lease-purchase agreement, including, but not limited to, amount of purchase, trade-in allowance, interest charges, service contracts, etc.

(c) A final report for all state bonds other than lease-purchase agreements must include:

(1) all actual costs of issuance, including, as applicable, the specific items listed in Secs. 181.3(d)(8) and (9), as well as the underwriting spread for competitive financings and the private placement fee for private placements, all closing costs, and any other costs incurred during the issuance process; and

(2) a complete bond transcript, including the preliminary official statement and the final official statement, private placement memorandum, if applicable, or any other offering documents as well as all other executed documents pertaining to the issuance of the state bonds. The issuer also must submit a copy of the winning bid form and a final debt service schedule (if applicable).

(d) Submission of this final report is for the purpose of compiling data and disseminating information to all interested parties. The cost of reproduction of any and all portions of the final documents shall be borne by each requesting party.

(e) The bond finance office shall prepare and distribute to the members of the bond review board a summary of each final report within 30 days after the final report has been submitted by the issuer. This summary shall include a comparison of the estimated costs of issuance for the items listed in Sections 181.3(d)(8) and (9) contained in the application for approval with the actual costs of issuance listed in Section 181.5(c)(1) submitted in the final report. This summary must also include other such information that in the opinion of the bond finance office represents a material addition to or a substantial deviation from the application for approval.

Sec. 181.6. OFFICIAL STATEMENT.

(a) The official statement or any other offering documents prepared in connection with issuance of bonds approved by the board must conform, to the extent feasible, to the most recent Disclosure Guidelines for State and Local Government Securities published by the Government Finance Officers Association. The preliminary official statement or other offering documents shall be submitted to and reviewed by the director of the bond finance office prior to mailing. Issuers should submit early drafts of the preliminary official statement to the director of the bond finance office to allow adequate time for review. Review of the preliminary official statement by the director of the bond finance office is not to be interpreted as a certification as to the accuracy, timeliness, and completeness of the specific data in the document. These standards remain the responsibility of the provider(s) of the data.

(b) The comptroller shall certify the accuracy and completeness of statewide economic and demographic data, as well as revenues, expenditures, current fund balances, and debt service requirements of bonded indebtedness of the state contained in the preliminary official statement. This data shall be used unchanged in the final official statement unless changes are approved in writing by the comptroller. The comptroller may execute a waiver of any part of this subsection.

Sec. 181.7. DESIGNATION OF REPRESENTATION.

A member of the board may designate another person to represent the member on the board by filing a designation to that effect with the director of the bond finance office. A designation of representation filed under this section is effective until revoked by a subsequent filing by the member with the bond finance office. During the time a designation of representation is in effect, the person designated has all powers and duties as a member of the board, except the authority to make a designation under this section.

Sec. 181.8. ASSISTANCE OF AGENCIES.

A member of the board may request the Legislative Budget Board, the Office of the Attorney General, or any other state agency to assist the member in performing duties as a member of the board.

Sec. 181.9. EXEMPTIONS.

The board may exempt certain bonds from review and approval by the board. The board may from time to time publish in the Texas Register a list of state bonds that are exempt.

Sec. 181.10. ANNUAL ISSUER REPORT.

All state bond issuers whose bonds are subject to review by the board must file a report with the bond finance office no later than September 15 of each year, to include:

(1) the investment status of all unspent state bond proceeds (i.e., the amount of proceeds, name of institution, type of investment program or instrument, maturity, and interest rate);

(2) an explanation of any change during the fiscal year previous to the deadline for this report, in the debt retirement schedule for any outstanding bond issue (e.g. exercise of redemption provision, conversion from short-term to long-term bonds, etc.); and

(3) a description of any bond issues expected during the fiscal year, including type of issue, estimated amount, and expected month of sale.

Sec. 181.11. FILING OF REQUESTS FOR PROPOSAL. The Bond Review Board wishes to encourage use of the request for proposal process to maximize participation in the bond issuance process. Any state bond issuer whose bonds are subject to review by the board is requested, for information purposes only, to submit to the executive director at the time of distribution one copy of any request for proposal for consultants prepared in connection with the planned issuance of state bonds. The Bond Finance Office, upon request, will make the request for proposals available to consultants, other state bond issuers and the general public.

Issued in Austin, Texas, on May 29, 1991.

Tom K. Pollard
Executive Director
Texas Bond Review Board

Effective June 24, 1991