TEXAS Bond Review Board

1993 Annual Report

TEXAS BOND REVIEW BOARD

ANNUAL REPORT FISCAL 1993

Year Ended August 31, 1993

Ann W. Richards, Governor
Chairwoman

Bob Bullock, Lieutenant Governor

James E. "Pete" Laney, Speaker of the House of Representatives

John Sharp, Comptroller of Public Accounts

Martha Whitehead, State Treasurer

November 1993

INTRODUCTION

The 1993 Annual Report of the Texas Bond Review Board presents an overview and analysis of Texas state debt.[1] Texas state bonds, unless specifically exempted, must be approved by the Bond Review Board. State agencies and universities also must obtain the Board's approval prior to executing lease- or installment-purchase agreements for acquisitions that are financed over more than five years or have a principal amount greater than $250,000.

The market for Texas bonds remained strong during fiscal 1993. The state's economy continues to grow and the state's finances are sound. Chapter One provides an overview of the state's economic and financial condition and describes the state's bond ratings and performance in the bond market.

The amount of Texas state debt supported by general revenues has increased significantly since the late 1980s; however, Texas still has a low debt burden compared to other states. Chapter Two analyzes Texas' debt burden and describes several recent initiatives to improve debt management in Texas.

During fiscal 1993, Texas state agencies and institutions of higher education issued approximately $1 billion in new-money bonds, $1.3 billion in refunding bonds, and $192 million in new-money commercial paper or variable rate notes. Chapter Three provides a summary of state debt issuance in fiscal 1993.

Texas state bond issuers paid average issuance costs of $9.80 per $1,000 of bonds issued during fiscal 1993. Chapter Four provides a breakdown of the costs, along with recent trends in issuance costs by size of issue and type of sale.

Texas had a total of $9 billion in state bonds outstanding (including commercial paper and variable rate notes) on August 31, 1993, up from $8.3 billion on August 31, 1992. Chapter Five reports total Texas bonds outstanding by type, along with the annual debt service requirements associated with this debt.

Texas state agencies and institutions of higher education plan to issue approximately $2.3 billion in bonds (including commercial paper and variable rate notes) during fiscal 1994. Chapter Six describes these planned issues and provides an overview of new debt authorized by the voters and the 73rd Legislature.

Appendix A includes a summary of each bond issue approved by the Board and sold during fiscal 1993. Appendix B describes state commercial paper and variable rate note or bond programs. Appendix C provides a description of each program under which state bonds may be issued. Appendix D contains the current administrative rules of the Board.

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[1]This report does not address short-term debt issued for cash management purposes.

Contents

List of Tables and Figures

Cautionary Statements

Chapter 1231 of the Texas Government Code directs issuers of state securities to report their securities transactions to the Bond Review Board (BRB). Chapter 1231 also requires the BRB to report the data to the governor, lieutenant governor, the speaker of the house, and each member of the legislature in an annual report within 90 days of the end of each state fiscal year. This report is intended to satisfy these Chapter 1231 duties.

The data in this report and on the BRB's website is compiled from information reported to the BRB from various sources and has not been independently verified. The reported debt and defeasance data of state agencies may vary from actual debt outstanding, and the variance for a specific issuer could be substantial.

State debt data compiled does not include all installment purchase obligations, but certain lease-purchase obligations are included. In addition, SECO LoanSTAR Revolving Loan Program and certain other revolving loan program debt and privately-placed loans are not included. Outstanding debt excludes debt for which sufficient funds have been escrowed to retire the debt either from proceeds of refunding debt or from other sources.

Future debt issuance is based on estimates supplied by each issuing agency. Future debt service on variable-rate, commercial paper, and other short-term and demand debt is estimated on the basis of interest rate and refinancing assumptions described in the report. Actual future data could be affected by changes in legislative and oversight direction, agency financing decisions, prevailing interest rates, market conditions, and other factors that cannot be predicted. Consequently, actual future data could differ from the estimates, and the difference could be substantial. The BRB assumes no obligation to update any such estimate of future data.

Historical data and trends presented are not intended to predict future events or continuing trends, and no representation is made that past experience will continue in the future.

This report refers to credit ratings. An explanation of the significance of the ratings may be obtained from the rating agencies furnishing the ratings. Ratings reflect only the respective views of each rating agency. In reporting ratings herein, the BRB does not intend to endorse the ratings or make any recommendation to buy, sell or hold securities.

This report is intended to meet chapter 1231 requirements and inform the state leadership and the Legislature. This report is not intended to inform investors in making a decision to buy, hold, or sell any securities, nor may it be relied upon as such. Data is provided as of the date indicated and may not reflect debt, debt service, population or other data as of any subsequent date. This data may have changed from the date as of which it is provided. For more detailed or more current information, see the issuers' web sites or their filings at Electronic Municipal Market Access (EMMA®). The BRB does not control or make any representation regarding the accuracy, completeness or currency of any such site, and no referenced site is incorporated herein by that reference or otherwise.

TEXAS IN THE BOND MARKET–FISCAL 1993

THE MARKET FOR TEXAS BONDS remained strong during fiscal 1993. The state's economy is growing, the state's finances are sound, and the bond rating agencies and investors continue to express confidence in the state's creditworthiness.

Texas Economy Continues to Grow

Texas' economic growth exceeds that of the U.S., continuing a pattern that began in late 1989. The June 1993 figures show a 2.0 percent increase in Texas nonfarm employment over last year compared to a 1.5 percent nonfarm employment growth nationwide *(Figure 1)*.

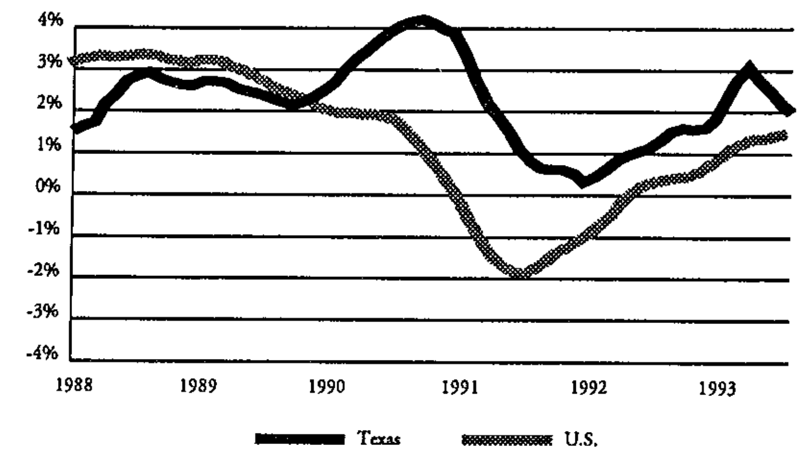
The unemployment rate in Texas as of August 1993 was 6.8 percent, slightly higher than the 6.6 percent unemployment rate for the nation. *Figure 2* shows an historical comparison of the Texas unemployment rate to the U.S. unemployment rate.

Among the ten most populous states, Texas gained the largest number of jobs during the period June 1992 through June 1993. In percentage terms, Texas ranked third among the ten most populous states, slightly behind Florida and North Carolina (*Table 1, p. 2)*. Nationwide, Texas ranked eleventh in terms of percentage job growth. *Figure 3, p. 3,* shows employment growth by state.

The outlook for Texas is for moderate growth. Texas' gross state product is expected to grow at an average rate

FIGURE 1

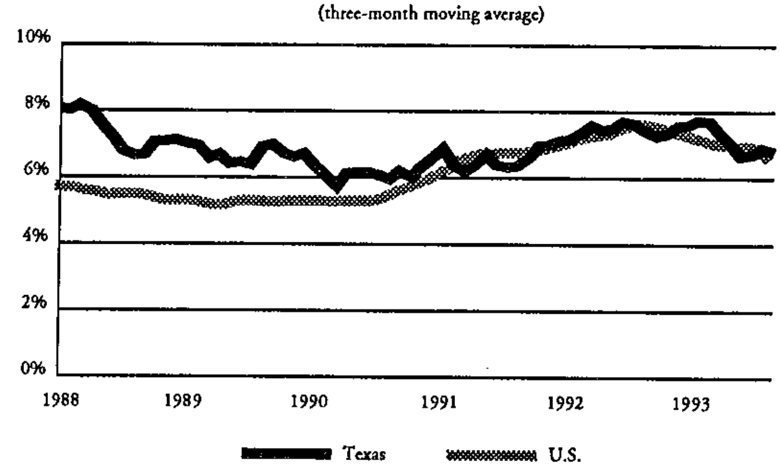
Employment Growth for Texas and the U.S.
January 1988 through July 1993
Percent Change from Previous Year



SOURCES: Texas Comptroller of Public Accounts, U.S. Bureau of Labor Statistics, and Texas Employment Commission.

FIGURE 2

Unemployment Rate for Texas and the U.S.
January 1988 through July 1993
(three-month moving average)



SOURCES: Texas Comptroller of Public Accounts, U.S. Bureau of Labor Statistics, and Texas Employment Commission.

TABLE 1				
Job Growth in the Ten Most Populous States June 1992 to June 1993				

Rank[1]	State	Job Growth	Percentage Change	Rank[2]
1	TEXAS	151,400	2.1%	11
2	Florida	120,900	2.3	6
3	North Carolina	69,400	2.2	8
4	Michigan	47,500	1.2	24
5	Ohio	23,000	0.5	33
6	Illinois	16,600	0.3	35
7	Pennsylvania	13,200	0.3	37
8	New York	-32,700	-0.4	42
9	New Jersey	-44,600	-1.3	47
10	California	-210,700	-1.7	49
	UNITED STATES	1,648,000	1.5%	

[1]Ranked by the number of new jobs added among the ten 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.

of 3.1 percent annually over the next three years (*Table 2*). Personal income is expected to increase by an average of 6.7 percent annually and nonfarm employment is projected to increase by an average of 2.0 percent annually. Resident population is expected to increase from approximately 18.0 million in 1993 to 18.7 million by 1996.

Texas State Finances Remain Strong

Fiscal 1993 general revenues were up $3.6 billion, or 23.8 percent, over fiscal 1992, according to the State Comptroller *(Table 3, p. 4)*.[1] Fiscal 1993 tax collections were up

[1] "Federal Funding" and "Interfund Transfers," which showed large percentage changes, include the disproportionate share revenues for Medicaid, which do not affect the cash position because all such revenues are immediately transferred to another special fund to be spent on Medicaid services.

TABLE 2

The Texas Economy, Calendar Years 1991–1996
Fall 1993 Forecast

Texas Forecasts	1991	1992	1993*	1994*	1995*	1996*
Gross State Product (billions of 1987 $)	$330	$338	$348	$359	$370	$380
Annual Percentage Change	1.6	2.5	2.8	3.3	3.0	2.9
Personal Income (billions of dollars)	$299	$317	$337	$359	$383	$409
Annual Percentage Change	5.7	5.9	6.4	6.5	6.7	6.8
Nonfarm Employment (thousands)	7,174	7,271	7,427	7,551	7,720	7,884
Annual Percentage Change	1.1	1.3	2.1	1.7	2.2	2.1
Resident Population (thousands)	17,387	17,688	17,966	18,227	18,457	18,693
Annual Percentage Change	1.7	1.7	1.6	1.5	1.3	1.3
Unemployment Rate (percent)	6.6	7.5	6.9	6.6	6.4	6.3
Oil Price ($ per barrel)	$19	$18	$18	$19	$20	$21
Natural Gas Price ($ per MCF)	$1	$2	$2	$2	$2	$2
Oil/Gas Drilling Rig Count	316	258	253	271	280	289
U. S. Economy						
Gross Domestic Product (billions of 1987 $)	$4,821	$4,923	$5,052	$5,209	$5,365	$5,513
Annual Percentage Change	-1.2	2.1	2.6	3.1	3.0	2.8
Consumer Price Index (1982–84 = 100)	136.3	140.4	145.0	150.0	155.6	161.8
Annual Percentage Change	4.2	3.0	3.3	3.5	3.7	4.0
Prime Interest Rate (percent)	8.5	6.3	6.0	6.5	7.1	7.7

*Projected

SOURCES: Texas Comptroller of Public Accounts and The WEFA Group.

by $1.2 billion, or 7.5 percent, from the previous year. Most of the increase is attributable to sales tax, motor vehicle taxes, motor fuels taxes, and natural gas production tax. The lottery continues its record-setting pace with lottery proceeds totaling over $1.1 billion in fiscal 1993.

Total expenditures from the General Revenue Fund increased 14.1 percent in fiscal 1993 compared to the fiscal 1992 figures. Expenditures from "Interfund Transfers/Investment Transactions" were up $1 billion primarily due to large increases in medical assistance transfers and transfers to the Foundation School Fund to satisfy the requirements of the Foundation School Program.

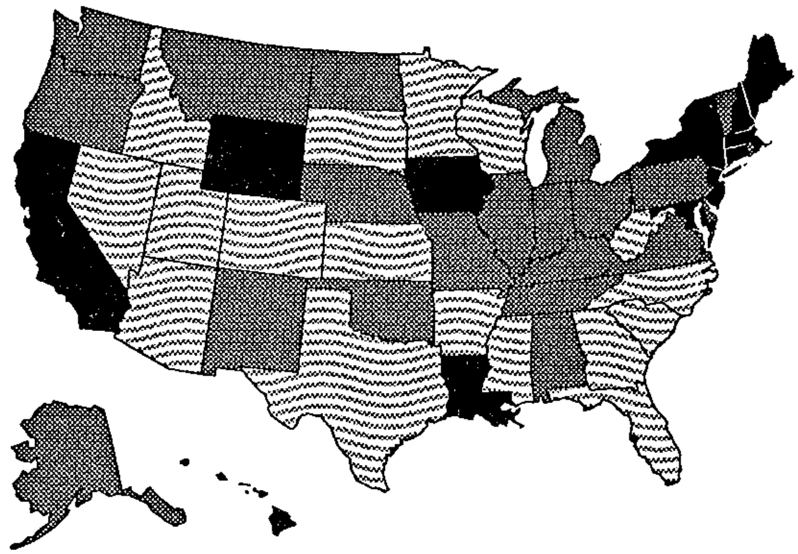
As of August 31, 1993, the State of Texas had a General Revenue Fund cash balance of $1.6 billion. About $1.2 billion of the ending cash balance was attributable to the consolidation of funds into the General Revenue Fund. Fiscal 1993 was the sixth straight year that Texas has had a positive ending fund balance *(Figure 4)*. Approximately $330 million of the 1993 ending fund balance is in lottery receipts that are not available for expenditures, and oil overcharge settlement receipts that are dedicated to specific energy conservation projects. The remaining portion of the 1993 ending General Revenue Fund balance has been appropriated by the 73rd Legislature for the 94–95 biennium.

Texas' Year-End Financial Position Ranks High Relative to Other States

Texas' General Revenue Fund cash balance (excluding the $330 million in restricted funds) and rainy day fund balance as of August 31, 1993, were equal to approximately 7.6 percent of the General Revenue Fund's fiscal 1993 expenditures

FIGURE 3

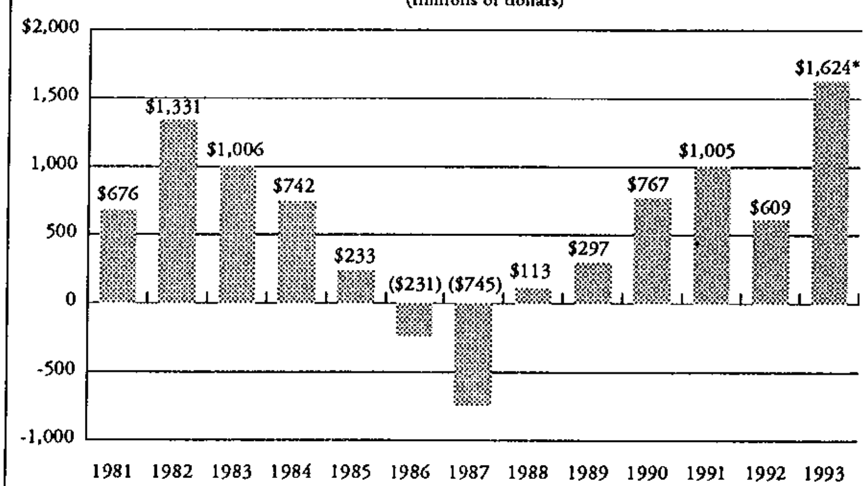
Employment Growth by State
June 1992 through June 1993



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

FIGURE 4

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



SOURCE: Texas Comptroller of Public Accounts.

*Approximately $1.2 billion of the ending cash balance was attributable to the consolidation of funds into the General Revenue Fund.

TABLE 3

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

	Fiscal 1992	Fiscal 1993	Percentage Change
REVENUES AND BEGINNING BALANCE			
Beginning Balance, September 1	$1,004,641	$609,155	
TAX COLLECTIONS			
Sales Tax	8,531,217	9,101,207	6.7 %
Oil Production Tax	512,749	492,258	-4.0
Natural Gas Production Tax	497,129	682,926	37.4
Motor Fuels Taxes	1,953,453	2,085,524	6.8
Cigarette and Tobacco Taxes	582,784	616,836	5.8
Motor Vehicle Taxes	1,220,493	1,420,656	16.4
Franchise Tax	1,090,924	1,193,299	9.4
Alcoholic Beverages Taxes	141,939	144,989	2.1
Insurance Companies Taxes	468,541	418,185	-10.7
Inheritance Tax	141,007	142,201	0.8
Hotel and Motel Tax	127,080	135,735	6.8
Utilities Taxes	217,600	227,286	4.5
Other Taxes	51,597	37,930	-26.5
TOTAL TAX COLLECTIONS	$15,536,511	$16,699,031	7.5%
Federal Funding	936,964	4,233,061	351.8
Interest & Investment Income	71,959	46,838	-34.9
Licenses, Fees, Permits & Fines	503,253	576,834	14.6
Lottery Proceeds	312,063	1,113,574	256.8
Other Revenue Sources	676,438	773,217	14.3
Interfund Transfers/Allocations	-2,876,761	-4,675,920	62.5
TOTAL REVENUES AND OTHER SOURCES	$15,160,428	$18,766,634	23.8%
EXPENDITURES AND ENDING BALANCE			
General Government	435,783	508,201	16.6%
Health and Human Services	2,494,324	2,893,927	16.0
Public Safety and Correction	1,046,612	1,247,441	19.2
Education	3,714,357	3,780,758	1.8
Employee Benefits	833,737	1,007,079	20.8
Other Expenditures	455,061	766,770	68.5
Interfund Transfers/ Investment Transactions	6,576,040	7,548,123	14.8
TOTAL EXPENDITURES AND OTHER USES	$15,555,913	$17,752,298	14.1%
Ending Balance, August 31	$609,155	$1,623,491	

SOURCE: Texas Comptroller of Public Accounts.

(including other uses of funds). Based on estimated data collected by the National Conference of State Legislators (NCSL), the comparable average percentage among the 50 states was 5.3 percent. Texas' year-end balance as a percentage of expenditures was the eleventh highest among the states.

The NCSL views five percent as a prudent level of reserve. As of the end of fiscal 1993, 32 states held less than the recommended five percent and 12 of those states had less than a one percent balance *(Figure 5, p. 5)*.

Thirty states, including Texas, reported an increase in their ending balances as a percentage of expenditures for fiscal 1993 compared to fiscal 1992, while 16 states reported a decline. The other four states reported no change.

Texas Has Two AA Bond Ratings and a New AA+ Rating

Each rating agency has a unique classification system; however, 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.

As of the end of fiscal 1993, Texas state general obligation bonds were rated as follows: AA by Standard & Poor's, Aa by Moody's Investors Services, and AA+ by Fitch. The Fitch rating is a new rating obtained in October 1992, while the other two ratings are confirmation of ratings from prior years.

Prior to 1987, Texas had a AAA rating; however, the state's economic recession in 1986–87 and the accompanying weakness in state finances led Standard & Poor's and Moody's to lower the state's rating to AA in 1987. However, much improvement has occurred since that time. Fitch, in its publication dated October 29, 1992, states that the Texas economy "has recovered well from the oil-induced recession of the mid 1980s and diversification and steady, although moderate, growth is evident." Standard & Poor's *Creditweek*, February 1, 1993, states that Texas' rating "reflects a steady and diversifying economy, satisfactory financial performance, and a low tax-supported debt burden."

Only Five States Have AAA Ratings From All Three Rating Companies

Table 4, p. 6, shows bond ratings by state. Only five states (Maryland, Missouri, North Carolina, Utah, and Virginia) have AAA ratings from each of the three rating companies. Two additional states (Georgia and Tennessee) have AAA bond ratings from two of the three rating companies.

Weakness in state economies and finances has led to rating downgrades for eight states over the last two years. Between September 1991 and September 1993, California, Illinois, Maine, New Hampshire, New Jersey, New York, Rhode Island, and South Carolina saw their bond ratings lowered. Alaska, Massachusetts, and Minnesota received rating increases *(Table 5, p. 7)*.

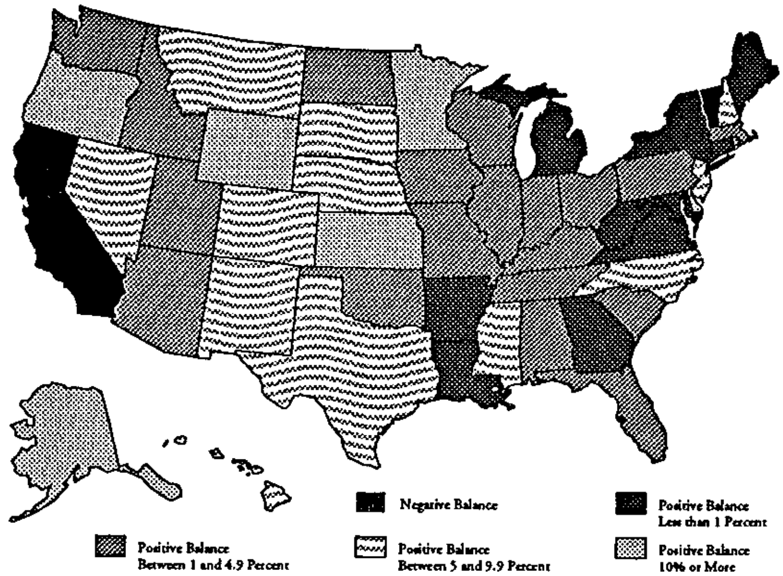
Bond-rating moves are important because of the close relationship between bond ratings and borrowing costs. Increased risk, signified by lower ratings, pushes up the interest rates that investors demand on state bonds.

Texas Bonds Traded 0.12 of a Percentage Point Above AAA-Rated Bonds

The final decision regarding the interest rate on bonds is not made at the rating agencies, but on the bond trading floor. Bond ratings are just a

FIGURE 5

Ending Balance in General Fund by State*, 1993
(As a Percentage of Total State General Fund Spending)

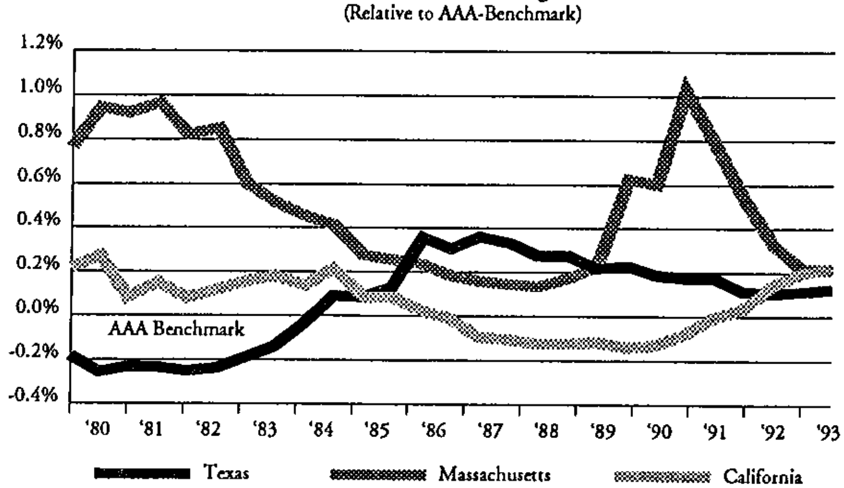


SOURCE: National Conference of State Legislatures.

*The figure for Texas was revised to reflect actual year-end amounts rather than the estimates provided to NCSL.

FIGURE 6

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



SOURCE: The Chubb Corporation.

broad measure of credit quality. Each bond purchaser must assess the risk involved within the broad rating categories and demand a commensurate interest rate.

The relative interest rates demanded on Texas bonds generally have declined since 1987 as the state's economy and finances have gained strength. According to a July 1993 survey by the Chubb Corporation, investors are charging Texas an average 0.12 of a percentage point more than the interest rate on benchmark AAA-rated bonds. *(Figure 6, p. 5*—The relative yields on California and Massachusetts bonds are shown for comparison.)

The 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 of a percentage point. 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.

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 0.10 of a percentage point below the rate on Texas bonds. By December 1990, Massachusetts' bonds carried rates averaging 1.02 percentage points above the AAA benchmark and 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. The interest rates demanded on Massachusetts'

TABLE 4

State General Obligation Bond Ratings
August 31, 1993

	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	AA
Georgia	Aaa	AA+	AAA
Hawaii	Aa	AA	*
Illinois	Aa	AA-	*
Kentucky	Aa	AA	*
Louisiana	Baa1	A	*
Maine	Aa	AA+	*
Maryland	Aaa	AAA	AAA
Massachusetts	A	A	A
Michigan	A1	AA	AA
Minnesota	Aa	AA+	AAA
Mississippi	Aa	AA-	*
Missouri	Aaa	AAA	AAA
Montana	Aa	AA-	*
Nevada	Aa	AA	*
New Hampshire	Aa	AA	AA
New Jersey	Aa1	AA+	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	AA
Oregon	Aa	AA-	AA
Pennsylvania	A1	AA-	AA-
Rhode Island	A1	AA-	AA-
South Carolina	Aaa	AA+	*
Tennessee	Aaa	AA+	AAA
Texas	Aa	AA	AA+
Utah	Aaa	AAA	AAA
Vermont	Aa	AA-	AA
Virginia	Aaa	AAA	AAA
Washington	Aa	AA	AA
West Virginia	A1	A+	A+
Wisconsin	Aa	AA	*

*Not Rated

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

bonds have decreased since 1990 as that state's finances have improved. As of July 1993, the interest rate demanded on Massachusetts' bonds was 0.21 of a percentage point above the AAA benchmark and 0.09 of a percentage point above Texas' rate.

California, on the other hand, has seen yields on its bonds rise from 0.18 of a percentage point below the yield on benchmark AAA bonds in late 1989 to 0.22 of a percentage point above that rate as of July 1993. According to the Chubb Corporation data, 1992 was the first time since 1984 that investors have demanded a higher interest rate on California's bonds than on Texas' bonds. This is in spite of the downward pressure on the rates on California bonds due to their exemption from that state's income tax. As of July 1993, the interest rate demanded on California's bonds was 0.10 of a percentage point higher than the rate demanded on Texas' bonds.

TABLE 5

Upgrades and Downgrades in State General Obligation Bond Ratings During the Last Two Years

September 1991 to September 1993*

UPGRADES	
State	**Rating Change**
Alaska	AA- to AA by Standard & Poor's
Massachusetts	Baa to A by Moody's BBB to A by Standard & Poor's
Minnesota	AA+ to AAA by Fitch
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	Aa1 to Aa by Moody's
New Hampshire	AA+ to AA by Fitch Aa1 to Aa by Moody's
New Jersey	AAA to AA+ by Fitch Aaa to Aa1 by Moody's
New York	A to A- by Standard and Poor's
Rhode Island	Aa to A1 by Moody's AA to AA- by Fitch
South Carolina	AAA to AA+ by Standard & Poor's

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

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

Chapter Two

Texas Debt in Perspective

The amount of Texas state debt supported by general revenues has increased significantly since the late 1980s; however, Texas still has a low debt burden compared to other states. The prudent management of state debt continues to be important given the substantial amount of state authorized but unissued debt and the high level of local debt in Texas. This chapter provides an overview of Texas debt and describes several recent initiatives to improve debt management in Texas.

Texas Has a Low State Debt Burden

Texas has a relatively low state debt burden compared to other states. Moody's Investors Service lists Texas' tax-supported debt outstanding at 1.1 percent of total state personal income, compared to a nationwide median of 2.2 percent and a median of 2.5 percent among the ten most populous states. On this measure, Moody's ranks Texas 40th among the fifty states and 9th among the ten most populous states *(Table 6, p. 9)*.

Texas also has a relatively low level of tax-supported debt per capita. According to Moody's 1993 report, Texas had $192 in tax-supported debt per capita compared to a nationwide median of $391 per capita and a median of $475 per capita 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.

Texas bears a 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. Moody's shows Texas at 2.4 percent compared to a median of 3.7 percent for the fifty states and 4.0 percent for the ten most populous states. On this measure, Moody's ranks Texas 35th among the 50 states and 8th among the ten most populous states.

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.) Therefore, Moody's tax-supported debt measures for Texas should be considered as upper limits on the indicators for the state's debt burden.

Texas' Debt Burden Is Lower than Most AAA States

Texas' bond rating from Moody's is AA; however, the debt burden measures for Texas are lower than the median figures for the eight states possessing the highest rating of AAA from Moody's.

In 1993, the AAA-rated states had debt expressed as a percent of personal income ranging from 0.6 percent in North Carolina to 3.3 percent in Maryland, with a median of 1.5 percent for all AAA states. Texas' tax-supported debt as a percent of personal income, as measured by Moody's, totaled 1.1 percent. The AAA-rated states had per capita debt figures ranging from $104 in North Carolina to $725 in Maryland with a median of $254. Texas compares favorably with a per capita debt amount of $192. On both of these debt outstanding measures, Texas had lower debt levels than six of the eight AAA-rated states.

The AAA-rated states had debt service as a percentage of revenues ranging from 1.4 percent in North Carolina to 4.8 percent in Georgia, with a median of 2.9 percent. Moody's lists Texas at 2.4 percent, which is lower than or equal to the figures for six of the eight AAA-rated states.

Recent Growth in State Debt Supported by General Revenues

State debt service paid from general revenue has grown significantly since 1987. As of the end of fiscal 1993, state debt payable from general revenue was approximately $2.3 billion compared to $422 million outstanding as of the end of fiscal 1987. 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 averaged $183 million annually, 1.1 percent of general revenue collections *(Figure 7, p. 10)*.

Authorized but Unissued Bonds Could Add Substantially to Texas' Debt Burden

As of August 31, 1993, approximately $1.66 billion in bonds payable from general revenue were authorized but had not yet been issued.[1] Voter approval of new general obligation debt in the election held November 2, 1993, and the authorization of new non-general obligation debt by the 73rd Legislature have increased the total amount of authorized but unissued general revenue debt by $1.07 billion. The new level of authorized but unissued debt payable from general revenues is $2.73 billion.

With the issuance of all authorized bonds, debt service to be paid from general revenue would increase by approximately $250 million annually. Texas' general revenue debt outstanding, including debt that had been issued prior to August 31, 1993, and the $2.73 billion in authorized but unissued debt, would be equal to about $5 billion or 1.5 percent of the state's estimated 1993 personal income. Texas' debt as a percentage of personal income would be equal to the median of 1.5 percent among the AAA-rated states and less than the median of 2.5 percent for the ten most populous states as reported by Moody's.

Texas' low debt burden, even when considering currently authorized but unissued bonds, gives the state the

[1]Of the total authorized but unissued debt, $500 million is debt authorized for the Superconducting Super Collider (SSC) project. Given the decision by the U.S. Congress to terminate federal funding for the SSC, this debt is not likely to be issued unless circumstances change.

TABLE 6

Tax-Supported Debt Measures by State*

State	Moody's Rating	Debt/Personal Income Ratio**	Rank	Debt Service as a % of Revenues	Rank
Hawaii	Aa	10.4 %	1	7.3 %	5
Connecticut	Aa	8.9	2	11.3	1
Rhode Island	A1	8.8	3	7.1	6
Massachusetts	A	8.5	4	9.7	3
Delaware	Aa	7.5	5	11.1	2
Louisiana	Baa1	6.3	6	9.4	4
New York	A	6.1	7	5.6	8
Kentucky	Aa	5.1	8	5.5	9
Washington	Aa	5.0	9	4.9	13
Vermont	Aa	4.6	10	6.5	7
West Virginia	A1	3.4	11	4.5	18
Maryland	Aaa	3.3	12	4.3	19
Wisconsin	Aa	3.1	13	3.6	26
New Jersey	Aa1	3.0	14	4.9	14
Georgia	Aaa	2.9	15	4.8	16
Illinois	Aa	2.7	16	4.3	20
Maine	Aa	2.7	17	4.9	15
Nevada	Aa	2.7	18	4.7	17
New Hampshire	Aa	2.7	19	5.2	11
Alaska	Aa	2.6	20	3.5	27
Pennsylvania	A1	2.6	21	5.0	12
California	Aa	2.5	22	4.0	21
Ohio	Aa	2.5	23	3.8	25
Florida	Aa	2.3	24	4.0	22
South Dakota	NA	2.3	25	3.5	28
Alabama	Aa	2.2	26	5.5	10
Minnesota	Aa	2.2	27	3.4	29
Montana	Aa	2.1	28	2.5	31
South Carolina	Aaa	1.9	29	4.0	23
Arizona	NA	1.8	30	2.4	33
Mississippi	Aa	1.8	31	2.4	36
New Mexico	Aa	1.7	32	3.9	24
Utah	Aaa	1.7	33	3.3	30
Michigan	A1	1.6	34	2.1	38
Kansas	NA	1.3	35	1.4	41
Missouri	Aaa	1.3	36	2.4	34
Virginia	Aaa	1.3	37	2.5	32
North Dakota	Aa	1.2	38	1.9	39
Oregon	Aa	1.1	39	1.1	43
TEXAS	Aa	1.1	40	2.4	35
Indiana	NA	1.0	41	1.2	42
Tennessee	Aaa	0.8	42	2.2	37
Arkansas	Aa	0.7	43	0.7	44
North Carolina	Aaa	0.6	44	1.4	40
Idaho	NA	0.4	45	0.3	49
Iowa	NA	0.4	46	0.5	47
Oklahoma	Aa	0.4	47	0.6	45
Colorado	NA	0.3	48	0.6	46
Nebraska	NA	0.2	49	0.5	48
Wyoming	NA	0.0	50	0.0	50
U.S. Median		2.2 %		3.7 %	

*Debt as reported by individual states at varying dates.
**Based on 1991 personal income.

SOURCE: Moody's Medians, 1993.

to local participants. For the original Program, which pools voted-school bonds for facilities, the state revenue bonds may utilize the same Permanent School Fund (PSF) guarantee that is available to school districts directly. The Internal Revenue Service recently confirmed use of this feature in a private letter ruling to the Board. Bonds guaranteed by the PSF receive a AAA rating by both Moody's and Standard & Poor's.

For contractual obligations and cash-flow notes, for which the PSF guarantee is not available as a credit-enhancement vehicle, the Program will utilize an "intercept of state-aid" feature. For an equipment pool, this feature permits the pooling of different credits, with the pool expected to receive an A rating. With 67 percent of Texas school districts rated less than A-, this amendment offers a no-cost rating improvement (and a no-cost reduction of interest costs) for many Texas districts.

To further facilitate lower costs of borrowing at the local level, the Texas Legislature passed legislation in fiscal 1993 that authorizes the Bond Review Board to establish a local government sales- and use-tax intercept program to improve the bond ratings on locally issued debt. Municipalities, counties and hospital districts that levy a local sales and use tax will be eligible to participate in this program.

Capital Planning to be Integrated with Strategic Planning

The 72nd Legislature directed state agencies and institutions of higher education to develop and implement a six-year strategic plan. The plan describes the entity's mission, goals, objectives, and strategies and identifies input, output, and outcome measures that can be used to monitor and evaluate progress in implementing the plan.

The 73rd Legislature added a provision requiring state agencies to include a description of their capital improvement needs during the period covered by the plan. This process should help facilitate a more integrated approach to strategic planning and capital planning.

TEXAS BOND ISSUANCE DURING FISCAL 1993

TEXAS STATE AGENCIES AND UNIVERSITIES issued $2.3 billion in bonds during fiscal 1993, $1.0 billion in new-money bonds and $1.3 billion in refunding bonds (Table 8). New-money bond issues raise additional funds for projects or programs and add to the state's outstanding debt, while refunding bonds replace bonds issued previously. Several state agencies and universities also issued variable rate notes and commercial paper in fiscal 1993.

New-Money Bonds Issued for a Variety of Purposes

Texas state agencies and institutions of higher education issued $1 billion in new-money bonds (not including commercial paper) during fiscal 1993. This represents a decrease from the

TABLE 8

Texas Bonds Issued During Fiscal 1993
Summarized by Issuer

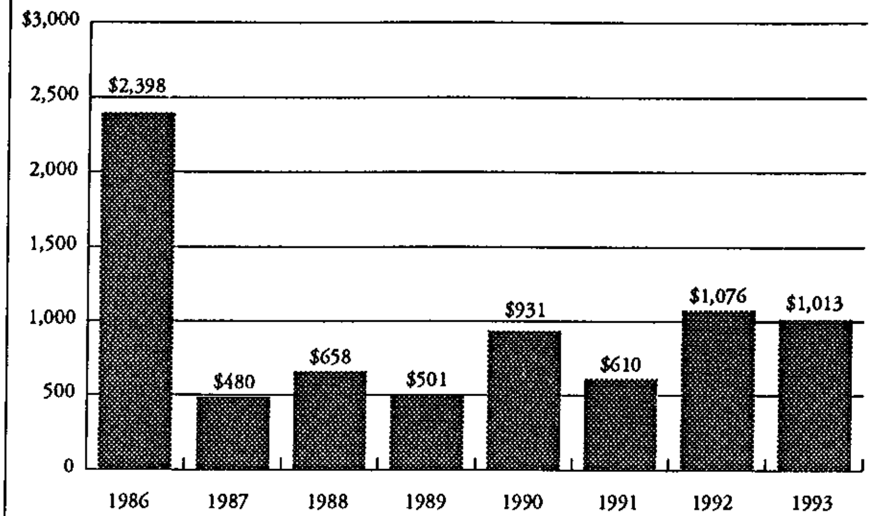
Issuer	Refunding Bonds	New-Money Bonds	Total Bonds Issued
GENERAL OBLIGATION BONDS*			
Texas Higher Education Coordinating Board		$75,000,000	$75,000,000
Texas Public Finance Authority	$602,605,000	407,465,000	1,010,070,000
Texas Public Finance Authority—Tx Parks & Wildlife Department	25,300,000	3,275,000	28,575,000
Texas Public Finance Authority—Tx Nat'l Research Laboratory Comm.	250,000,000		250,000,000
Texas Water Development Board		54,000,000	54,000,000
Veterans Land Board		160,000,000	160,000,000
TOTAL GENERAL OBLIGATION BONDS	$877,905,000	$699,740,000	$1,577,645,000
NON-GENERAL OBLIGATION BONDS*			
Texas A&M University System	$47,125,000	$5,920,000	$53,045,000
Texas A&M University System—Permanent University Fund	116,375,000		116,375,000
Texas Department of Housing & Community Affairs	35,060,000		35,060,000
Texas Public Finance Authority	104,625,000	32,463,021	137,088,021
Texas Public Finance Authority—Nat'l Guard Armory Board		4,285,000	4,285,000
Texas Public Finance Authority—Texas State Technical College	10,826,405	3,253,595	14,080,000
Texas State University System	39,215,000		39,215,000
Texas Water Development Board		241,000,000	241,000,000
University of Houston	41,200,000	26,085,000	67,285,000
University of Texas System	35,340,000		35,340,000
TOTAL NON-GENERAL OBLIGATION BONDS	$429,766,405	$313,006,616	$742,773,021
TOTAL ALL TEXAS BONDS ISSUED	$1,307,671,405	$1,012,746,616	$2,320,418,021**

*See Chapter 5 for an explanation of the distinction between general obligation and non-general obligation bonds.
**Total does not include amounts for commercial paper or variable rate notes issued during fiscal 1993.

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

FIGURE 9

Texas New-Money Bond Issues
1986 through 1993
(millions of dollars)



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

1992 level of new-money bonds issued *(Figure 9)*. The new-money bonds issued in fiscal 1993 were used for a variety of purposes, including the financing of state facilities and loan programs.

The Texas Public Finance Authority (TPFA) issued $407 million in new-money general obligation bonds on behalf of the Texas Department of Criminal Justice ($357 million), the Texas Youth Commission ($33 million), and the Texas Department of Mental Health and Mental Retardation ($17 million). This debt is a portion of the $1.1 billion in general obligation bonds that were approved by the voters in November 1991. This debt is secured by the full faith and credit of the state and will be repaid from general revenues.

The Texas Department of Criminal Justice used the bond proceeds to finance five 2,000-bed transfer facilities, two 2,250-bed maximum security units, two 500-bed substance abuse facilities, two regional centers, and various other renovation, repair, and minor construction projects. The Texas Youth Commission plans to use bond proceeds to finance a mental health facility for youth, security improvements, renovation and repairs to dormitories and support facilities, and various other maintenance, repair, and improvement projects. The Texas Department of Mental Health and Mental Retardation used bond proceeds to finance architectural costs associated with two new facilities and the construction, repair, and remodeling of various other buildings and facilities.

TPFA also issued $3 million in new-money general obligation bonds on behalf of the Texas Parks and Wildlife Department. The proceeds, along with other funds, were used to finance the construction and refurbishing of park facilities, the purchase of new park land, and habitat reclamation in existing park land. Although the bonds are legally secured by the state's full faith and credit, the debt will be repaid with revenues from state park admission fees and other available park revenues. No draw on general revenue is expected.

During fiscal 1993, TPFA issued an additional $40 million in new-money revenue bonds. These bonds were issued to finance a state office building in Austin ($10 million), a facility at Corpus Christi State University ($12 million), housing and recreational facilities at Texas State Technical College ($3 million), projects undertaken by the National Guard Armory Board ($4 million), and the refinancing of equipment lease purchases ($10 million). This debt, with the exception of the debt issued on behalf of the Texas State Technical College (TSTC), is expected to be repaid from general revenues that are subject to appropriation. The TSTC debt will be repaid primarily from designated fees and revenues associated with facilities.

The Texas Water Development Board (TWDB) issued $54 million in new-money general obligation debt in fiscal 1993 to finance water projects. Approximately $25 million of the total amount was used to make loans to political subdivisions, including nonprofit corporations, for water supply projects and an additional $14 million was used for loans for water quality projects. Approximately $12 million was used to finance the Economically Distressed Areas Program (EDAP), which provides loans and grants to eligible communities for water projects. The remaining $3 million was used for the state's interest in a facility funded under the State Participation Program. This program provides interim financing for a portion of regional water facilities that are built in anticipation of future growth.

The TWDB general obligation bonds, with the exception of the EDAP bonds, are designed to be self-supporting, *i.e.*, debt service will be repaid from revenue sources associated with the loan programs. A draw on general revenue will be necessary to finance the debt service on the grant portion associated with the EDAP bonds. For fiscal 1993, up to 75 percent of the amount of EDAP bonds issued may be used for grants. All of the TWDB debt is tax-exempt except for the $2 million portion that was to be used to make loans to nonprofit water supply corporations.

The TWDB also issued $241 million in revenue bonds for the State Revolving Fund (SRF) program. The SRF program makes loans at below-market interest rates to political subdivisions for the construction of wastewater treatment projects. The $241 million issue was to be used to finance approximately 31 loans totaling $218 million. 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.

Another major debt issuer in fiscal 1993 was the Veterans Land Board (VLB). VLB issued $125 million in housing assistance bonds and $35 million in land bonds. The proceeds from the housing assistance bonds were used to fund the Housing Assistance Program which makes home ownership and home improvement loans to eligible Texas veterans. The proceeds from the land bonds were used to purchase land that will be resold to eligible Texas veterans and surviving spouses. The VLB debt will be repaid with revenues generated by the loan program.

The Texas Higher Education Coordinating Board (HECB) issued $75 million in college student loan bonds in fiscal 1993 to finance the Hinson-Hazelwood Loan Program. This program provides low-interest loans to students seeking an undergraduate, graduate or professional education at institutions of higher education in Texas. Although the bonds are backed by a pledge of the state's credit, no draw on the state's General Revenue Fund is expected. Debt service will be paid from revenues associated with the loan program.

The University of Houston System issued $26 million in new-money bonds in fiscal 1993 to finance the construction of an athletic and alumni facility.

Increased Usage of Commercial Paper/Variable Rate Notes

State agencies and institutions also issued commercial paper and variable rate notes in fiscal 1993 to finance equipment, interim construction, and loan programs.

The Texas Department of Commerce (TDOC) established a new economic development loan program in fiscal 1993 that is being financed through commercial paper. Currently, TDOC is providing funds for loans to industrial development corporations located in Texas. These loans are secured by revenues from an optional local one-half cent sales tax for economic development. In the future, TDOC plans to expand the program to include other types of loans to promote economic development. As of the end of fiscal 1993, TDOC had issued $25 million in commercial paper.

The Texas Public Finance Authority (TPFA) issued approximately $51 million in commercial paper in fiscal 1993 to finance the state's Master Lease Purchase Program. Under this program, which was started in fiscal 1992, TPFA issues debt to finance the purchase of equipment and then leases the equipment to state agencies. TPFA uses the lease payments from the agencies to pay debt service.

In fiscal 1993, the Texas A&M University System replaced a variable rate note program that had been terminated in 1991 with a commercial paper program to provide financing for equipment acquisition and interim construction. The System issued $50 million in commercial paper during fiscal 1993. Texas A&M University also issued $40 million in variable rate notes in fiscal 1993 that are secured by the Permanent University Fund (PUF).

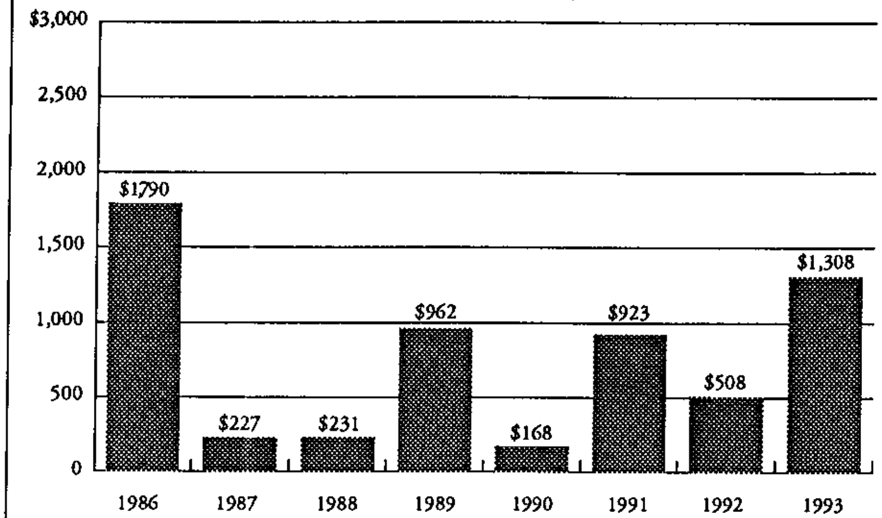
Two other agencies/institutions issued variable rate notes or commercial paper in fiscal 1993 under existing programs. The University of Texas System issued approximately $23 million in variable rate notes to provide interim financing for capital projects, while the Texas Agricultural Finance Authority issued approximately $3 million in commercial paper to purchase and guarantee loans made to agribusinesses.

Refunding Debt Volume Highest Level Since Fiscal 1986

During fiscal 1993, Texas state agencies and institutions of higher education issued $1.3 billion in refunding debt. This is the highest level of refunding debt issued since fiscal 1986 *(Figure 10, p. 16)*. The majority of this debt was issued to take advantage of the lowest tax-exempt interest rates during the past decade. Refunding bonds issued in fiscal 1993 will save the state more than $41 million in present value savings over the life of the bonds *(Table 9, p. 16)*.

FIGURE 10

Texas Refunding Bond Issues 1986 through 1993
(millions of dollars)



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

The largest dollar amount of present value savings was obtained through refunding bonds issued by the Texas Public Finance Authority. Through the issuance of $878 million in general obligation refunding bonds, TPFA was able to achieve a total present value savings of approximately $23 million. This figure includes $6 million in present value savings from the refunding of $250 million in Texas National Research Laboratory Commission Superconducting Super Collider Bonds. TPFA also obtained a present value savings of $1 million from the issuance of $105 million in building revenue refunding bonds.

Higher education institutions also issued refunding bonds in fiscal 1993

TABLE 9

State of Texas Refunding Bonds* Issued for Present Value Savings in Fiscal 1993

Issuer	Refunding Bonds	Series	Present Value Savings: Amount	Present Value Savings: As a % of the Refunded Bonds
Texas A&M University System	Permanent University Fund	1992C	$5,807,164	9.14
Texas A&M University System	Permanent University Fund	1993	2,163,672	5.46
Texas A&M University System	Revenue Financing System	1993	2,915,811	6.90
Texas Public Finance Authority	General Obligation	1992A/B	17,028,486	2.83
Texas Public Finance Authority	Texas National Research Laboratory Comm. General Obligation	1992	6,031,666	2.41
Texas Public Finance Authority	Revenue and Revenue Refunding	1992	1,021,750	1.02
Texas State University System	Sam Houston State University Housing System Revenue	Taxable 1993	464,636	21.02
Texas State University System	Sam Houston State University Combined Fee Revenue	1993	355,728	5.74
Texas State University System	Southwest Texas State University Utility Revenue	1993	501,305	5.14
Texas State University System	Southwest Texas State University Housing System Revenue	1993	1,189,367	7.06
University of Houston	Consolidated Revenue	1993	2,081,744	5.71
University of Texas System	General Tuition Revenue	1992	1,476,329	4.72
TOTAL PRESENT VALUE SAVINGS			$41,037,658	

*This table does not include two Texas Department of Housing and Community Affairs multi-family housing revenue refunding bond issues that utilized variable rate financing.

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

to obtain present value savings. Refunding bonds issued by the Texas A&M University System, the Texas State University System, the University of Houston System, and the University of Texas System resulted in an aggregate present value savings of approximately $17 million.

The other major issuer of refunding bonds was the Texas Department of Housing and Community Affairs (TDHCA). TDHCA issued $35 million in bonds in fiscal 1993 to refund bonds associated with three multifamily rental housing developments. The refundings were undertaken to decrease interest costs and enable the borrowers to continue to operate the developments as low-income housing projects while generating sufficient revenues to meet debt service requirements.

Lease Purchases Approved for Real Property and Equipment

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. Lease purchases are similar to bonds in that they result in a series of payments, including an interest component that must be paid over a period of years.

In fiscal 1993, the Bond Review Board approved a total of $101 million in lease- and installment-purchases *(Table 10)*. Lease purchases of real property accounted for about $58 million of the total, while the lease purchase of computers, telecommunications systems, and other capital equipment accounted for the remaining $43 million.

Three of the lease purchases approved were for the construction of new correctional facilities. The Texas Department of Criminal Justice (TDCJ) received approval to enter into lease purchases for (1) a 400-bed intermediate sanction facility in Houston ($6.8 million), (2) a 500-bed detention facility in Lockhart ($13.0 million) and (3) a 500-bed detention facility in Venus ($11.8 million). Each of these lease purchases was to be financed through the issuance of revenue bonds issued by a nonprofit corporation. TDCJ will make payments to the corporation and the corporation will use the lease payments to pay debt service. At the end of each of the leases, the facility will become the property of TDCJ.

TDCJ also received Bond Review Board approval in fiscal 1993 for the refunding of certificates of participation that were issued through the Coffield

TABLE 10

Lease- and Installment-Purchase Agreements Approved by the Bond Review Board in Fiscal 1993

AGENCY NAME	TOTALS	REAL PROPERTY	EQUIPMENT Computer	Printing	Telecommunication
REAL PROPERTY					
General Services Commission	$26,500,000	$26,500,000			
Texas Department of Criminal Justice	31,640,000	31,640,000			
TOTAL REAL PROPERTY	$58,140,000 *				
EQUIPMENT					
Comptroller of Public Accounts	$3,055,376		$2,750,000	$305,376	
Office of the Attorney General	361,700		361,700		
Texas Department of Human Services	34,019,643		32,561,010	285,000	$1,173,633
Texas Dept. of Protective & Regulatory Svcs.	4,898,518		3,998,518		900,000
Texas State Technical College	755,000		755,000		
TOTAL EQUIPMENT	$43,090,237				
TOTAL APPROVED LEASE-PURCHASE AGREEMENTS	$101,230,237	$58,140,000*	$40,426,228	$590,376	$2,073,633

*Does not include amounts approved for purposes of refinancing outstanding obligations.

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

Prison Farm Project Corporation. The Corporation had issued the certificates in 1986 to finance the construction costs of the Mark W. Michael Unit, which is leased by the corporation to TDCJ. The refunding was accomplished through the issuance of $65.1 million in revenue bonds by Anderson County that are secured by and payable from lease-purchase payments made by TDCJ.

The other real property lease purchases approved in fiscal 1993 were for the General Services Commission (GSC) to convert several operating leases into leases with the option to purchase. The primary reason for converting the leases was to obtain annual savings. The state also will obtain equity in the buildings if the purchase options are exercised.

One of the GSC lease conversions approved was for two buildings in Austin that are currently occupied by the Texas Department of Transportation. The total amount to be financed under the lease with the option to purchase was $12.0 million.

The other lease conversion was for a $14.5 million facility in Austin that will be occupied by the Texas Water Commission. The approval of this conversion was an amendment to the 1992 approval by the Bond Review Board for the same building with a different occupant.

A breakdown of the equipment lease purchases approved by type of equipment is shown in *Table 10, p. 17.* Most of the equipment lease purchases approved were for computer equipment. All of the equipment lease purchases were to be financed through the Master Lease Purchase Program (MLPP).

TEXAS BOND ISSUANCE COSTS

TEXAS STATE BOND ISSUERS PAID an average of $616,611 per issue and $9.80 per $1,000 in issuance costs on the 23 bond issues sold during fiscal 1993 (Table 11). Appendix A includes an accounting of the issuance costs for each 1993 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.

TABLE 11

Average Issuance Costs for 1993 Texas Bond Issues

	Average Cost Per Bond Issue	Average Cost Per $1,000 in Bonds Issued
Average Issue Size—$97 Million		
Underwriter's Spread	$511,805	$6.52
Other Issuance Costs:		
Legal Fees	33,220	0.94
Financial Advisor Fees	25,825	0.71
Rating Agency Fees	27,191	0.87
Printer Fees	8,883	0.38
Paying Agent/Registrar Fees	802	0.03
Other	8,885	0.35
TOTAL	$616,611	$9.80

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 1993 state bond issue. The underwriter's spread average does not include one private placement issue which did not include an underwriting component or placement fee.

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

- 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 underwriter's fee, or spread, is the largest component of issuance costs, averaging $511,805 per issue and $6.52 per $1,000 of bonds sold during 1993. This single component accounted for, on average, about 83 percent of the total cost of issuance.

Legal counsel fees were next in importance, averaging $33,220 per issue and $0.94 per $1,000 of bonds sold. Financial advisory fees averaged $25,825 per issue and $0.71 per $1,000 of bonds sold, while rating agency fees averaged $27,191 per issue and $0.87 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 11)*. At the extreme, total issuance costs for bond issues of less than $5 million averaged $66,326 per issue and $21.02 per $1,000 in bonds issued. Bond issues over $100 million had total costs averaging $1,434,660 per issue and $6.25 per $1,000.

Primarily because average issue size rose from $55 million in 1992 to $97 million in 1993, average issuance costs on a per $1,000 basis decreased. Issuance costs averaged $9.80 per $1,000 in 1993, down from $14.02 per $1,000 in 1992, and also below the $12.26 per $1,000 average for 1991.

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 1993 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.

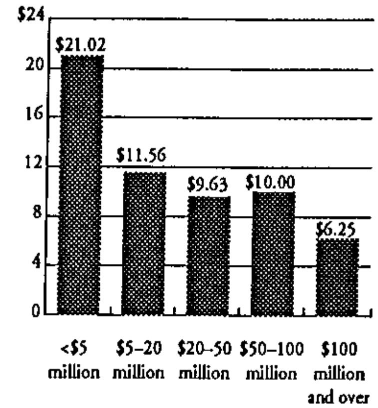
With the knowledge that they have the bonds to sell, the underwriter can do whatever presale marketing is necessary to accomplish a successful sale. And in the more complicated financings, the presale marketing can be crucial to obtaining the lowest possible interest cost.

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.

FIGURE 11

Average 1993 Issuance Costs by Size of Issue

(costs per $1,000 of bonds issued)



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

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. 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 1993 and past years are, therefore, based only on those issues over $20 million. In the greater than $20 million category, there were four competitively sold issues and ten issues that were sold on a negotiated basis. Among bond issues greater than $20 million, total issuance costs, including underwriter's spread, for bonds sold via negotiated sale during fiscal year 1993 averaged $8.62 per $1,000, compared to an average cost of $7.22 per $1,000 for those bonds sold by competitive sale *(Table 12, p. 21)*.

TABLE 12

Average Issuance Costs for 1993 Texas Bond Issues Greater than $20 Million by Negotiated and Competitive Sale

	Negotiated per $1,000	Competitive per $1,000
Underwriter's Spread	$6.71	$5.92
Other Issuance Costs:		
Legal Fees	0.65	0.42
Financial Advisor Fees	0.42	0.33
Rating Agency Fees	0.46	0.35
Printing	0.16	0.07
Paying Agent/Registrar Fees	0.01	0.00
Other	0.21	0.13
TOTAL	$8.62	$7.22
Average Issue Size (in millions)	$162	$130

The calculations regarding average issuance costs include only those bond issues of greater than $20 million sold via competitive or negotiated sale. 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 1993 state bond issue.

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

The average underwriter's spread on issues sold by negotiated sale was $6.71 per $1,000, while the average spread on competitively sold issues was $5.92.

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 $0.65 per $1,000 on the bond issues sold by negotiated sale, compared to $0.42 per $1,000 on bonds competitively sold.

Financial advisory fees on negotiated sales averaged $0.42 per $1,000, while the financial advisory fees on competitive sales averaged $0.33 per $1,000. Rating agency fees averaged $0.46 per $1,000 and $0.35 per $1,000 on negotiated and competitively sold issues, respectively.

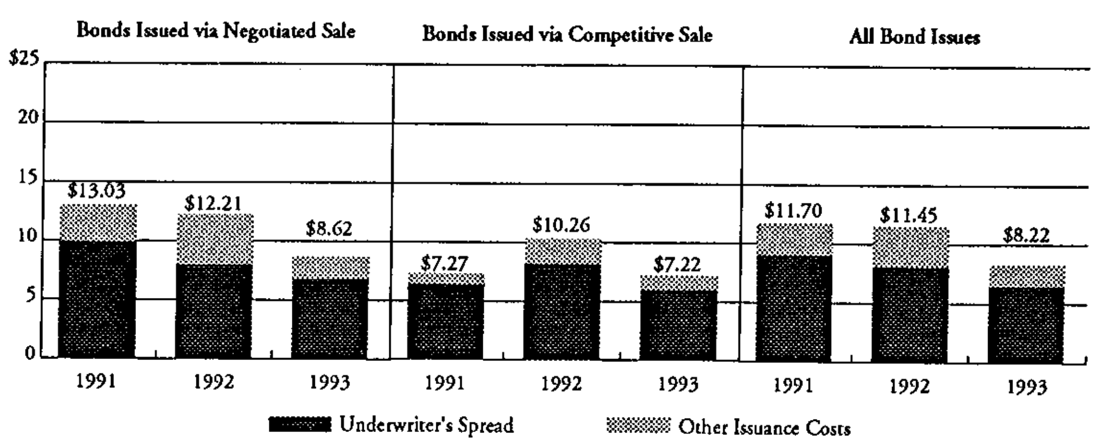
Recent Trends in Issuance Costs

The average cost per $1,000 of bonds declined significantly in 1993, for those issues greater than $20 million *(Figure 12)*. Total issuance costs,

FIGURE 12

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.

including underwriter's spread, averaged \$8.22 per \$1,000 in 1993, compared to \$11.45 in 1992 and \$11.70 in 1991.

The average cost of selling bonds through negotiated sale fell to \$8.62 per \$1,000 in 1993, from \$12.21 per \$1,000 in 1992 and \$13.03 in 1991.

Underwriter's 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 \$6.71 per \$1,000 in 1993, from \$7.99 per \$1,000 in 1992 and \$9.84 per \$1,000 in 1991.

Total issuance costs on competitive financings have consistently been less than costs on negotiated sales, but the margin has fluctuated over time. Issuance costs on competitively sold bonds averaged \$7.22 per \$1,000 in 1993, down from \$10.26 per \$1,000 in 1992 and \$7.27 in 1991. Underwriter's spread on competitive financings decreased to \$5.92 in 1993, from \$8.13 in 1992 and \$6.35 in 1991. Other issuance costs on competitively sold bonds decreased to an average of \$1.30 per \$1,000 in 1993, from \$2.13 per \$1,000 in 1992, but not as low as the \$0.92 per \$1,000 level in 1991.

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 that 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. It is the goal of the Bond Review Board to ensure that this happens.

CHAPTER FIVE

TEXAS BONDS OUTSTANDING: AUGUST 1993

TEXAS HAD A TOTAL OF $9.0 BILLION in state bonds outstanding on August 31, 1993—up from $8.3 billion outstanding on August 31, 1992, $7.8 billion outstanding on August 31, 1991, and $7.4 billion outstanding on August 31, 1990 (Table 13, p. 25).[1]

Increase in General Obligation Bonds Outstanding

Approximately $3.4 billion of Texas' total state debt outstanding on August 31, 1993, carries the general obligation (G.O.) pledge of the state, up $557 million from the amount of G.O. bonds outstanding at the end of fiscal 1992. This increase in G.O. bonds outstanding was due primarily to bonds issued in fiscal 1993 by the Veterans Land Board, Texas Water Development Board, Higher Education Coordinating Board, and Texas Public Finance Authority. (See Chapter 3 for a description of bonds issued in fiscal 1993.)

Texas G.O. bonds carry a constitutional pledge of the full faith and credit of the state to pay off the bonds if pledged 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.

[1]In this chapter, the term "bonds" includes commercial paper and variable rate notes other than those issued for cash management purposes.

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

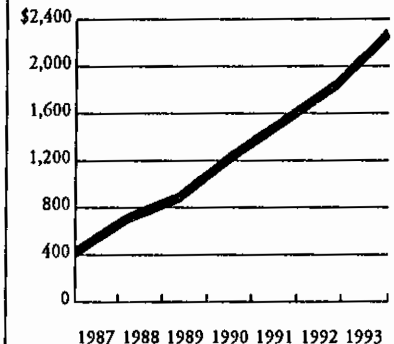
All bonds do not have the same financial impact on the state. Many bond-financed programs (G.O. and non-G.O. alike) are designed so that debt service is paid from sources outside the state's General Revenue Fund or from outside state government entirely. These self-supporting bonds do not put direct 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 1993 continued a trend toward increased usage of not self-supporting Texas bonds *(Figure 13)*. On August 31, 1993, Texas had about $2.3 billion in bonds outstanding that must be paid back from the state's General Revenue Fund. This is up from $1.8 billion in such bonds outstanding at the end of fiscal 1992, $1.5 billion outstanding at the end of fiscal 1991, and $1.2 billion outstanding at the end of 1990.

FIGURE 13

Texas State Bonds Outstanding Backed Only by General Revenue

(millions of dollars)



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

Tremendous growth in the amount of bonds payable from general revenue has occurred over the last six years, primarily as 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 fiscal 1987, before the expansion of correctional facilities and the SSC bonds were approved, Texas had only $422 million

TABLE 14

Debt Service Requirements of Texas State Bonds by Fiscal Year
(amounts in thousands)

	1993	1994	1995	1996	1997	1998 plus
GENERAL OBLIGATION BONDS						
Self-Supporting						
Veterans Land and Housing Bonds	135,650	144,565	144,832	139,313	139,116	1,545,623
Water Development Bonds	16,185	18,977	19,040	19,058	19,119	287,842
Park Development Bonds	3,069	1,339	2,498	2,995	3,242	37,670
College Student Loan Bonds	36,470	38,606	38,921	39,550	43,498	429,179
Texas Agricultural Finance Authority Bonds*	678	1,100	1,100	1,100	1,100	57,266
Total Self-Supporting	**$192,052**	**$204,587**	**$206,391**	**$202,016**	**$206,075**	**$2,357,580**
Not Self-Supporting[1]						
Higher Education Constitutional Bonds[2]	35,553	35,450	35,865	0	0	0
Texas Public Finance Authority Bonds	86,274	111,115	123,093	122,453	121,802	1,731,961
Superconducting Super Collider Bonds	22,492	20,404	20,393	20,382	20,370	471,155
Water Development Bonds—EDAP[3]	605	1,741	1,395	1,398	1,402	25,71
Total Not Self-Supporting	**$144,924**	**$168,710**	**$180,746**	**$144,233**	**$143,574**	**$2,228,828**
TOTAL GENERAL OBLIGATION BONDS	**$336,976**	**$373,297**	**$387,137**	**$346,249**	**$349,649**	**$4,586,408**
NON-GENERAL OBLIGATION BONDS						
Self-Supporting						
Permanent University Fund Bonds						
Texas A&M University System	26,574	27,417	28,366	29,383	29,877	418,333
University of Texas System	65,906	66,042	65,513	55,395	55,395	795,587
College and University Revenue Bonds	112,414	124,489	120,094	120,084	118,167	1,137,791
Tx Hospital Equipment Finance Council Bonds	706	484	484	484	484	15,825
Texas Department of Housing & Community Affairs Bonds	153,659	158,762	105,635	105,120	103,007	2,651,269
Texas Small Business Industrial Development Corporation Notes	3,092	3,973	3,973	3,973	3,973	214,564
Economic Development Program*	720	1,375	1,375	1,375	1,375	60,578
Texas Turnpike Authority Bonds	34,860	34,859	40,357	40,360	52,433	1,135,121
Tx Water Resources Finance Authority Bonds	50,155	53,946	55,558	55,338	55,244	573,410
College Student Loan Bonds	4,086	3,971	4,146	5,832	6,641	119,668
Texas Workers' Compensation Fund Bonds	36,705	36,645	36,594	36,404	36,347	359,249
Texas Water Development Board Bonds (State Revolving Fund)	11,654	23,377	27,079	27,825	25,810	392,975
Total Self-Supporting	**$500,531**	**$535,340**	**$489,174**	**$481,573**	**$488,753**	**$7,874,370**
Not Self-Supporting[1]						
Texas Public Finance Authority Bonds	22,231	30,806	31,069	28,017	27,740	418,684
TPFA Master Lease Purchase Program*	9,099	17,640	17,853	10,347	4,027	2,667
National Guard Armory Board Bonds	3,059	3,404	3,394	3,398	3,386	24,942
Superconducting Super Collider Bonds	17,335	17,335	17,335	20,150	20,158	542,791
Total Not Self-Supporting	**$51,724**	**$69,185**	**$69,651**	**$61,912**	**$55,311**	**$989,084**
TOTAL NON-GENERAL OBLIGATION BONDS	**$552,255**	**$604,525**	**$558,825**	**$543,485**	**$544,064**	**$8,863,454**
TOTAL ALL BONDS	**$889,231**	**$977,822**	**$945,962**	**$889,734**	**$893,713**	**$13,449,862**

*Commercial Paper

[1]Bonds that are not self-supporting depend solely on the state's general revenue for debt service. Debt service from general revenue totalled $197 million during fiscal 1993, and will reach $238 million in fiscal 1994.

[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. Effective September 1, 1993, up to 90 percent of the bonds may be used for grants.

NOTE: 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 notes, 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)

	8/31/91	8/31/92	8/31/93
GENERAL OBLIGATION BONDS			
Self-Supporting			
Veterans Land and Housing Bonds	$405,000	$370,000	$210,000
Water Development Bonds	1,448,570	1,266,245	1,224,245
Farm and Ranch Loan Bonds	500,000	500,000	500,000
Park Development Bonds	29,250	29,250	25,975
College Student Loan Bonds	1	200,001	125,001
Texas Department of Commerce Bonds	45,000	45,000	45,000
Texas Agricultural Finance Authority Bonds	26,500	13,000	10,000
Agriculture Water Conservation Bonds	200,000	200,000	200,000
Total Self-Supporting	**$2,654,321**	**$2,623,496**	**$2,340,221**
Not Self-Supporting [1]			
Higher Education Constitutional Bonds	*	*	*
Texas Public Finance Authority Bonds	$23,650	$1,032,400	$624,935
Superconducting Super Collider Bonds	250,000	250,000	250,000
Water Development Bonds—EDAP [2]	100,000	244,565	232,565
Total Not Self-Supporting	**$373,650**	**$1,526,965**	**$1,107,500**
TOTAL GENERAL OBLIGATION BONDS	**$3,027,971**	**$4,150,461**	**$3,447,721**
NON-GENERAL OBLIGATION BONDS			
Self-Supporting			
Permanent University Fund Bonds [3]			
Texas A&M University System	$45,229	$76,369	$79,238
University of Texas System	155,592	102,398	204,006
College and University Revenue Bonds	**	**	**
Texas Dept. of Housing & Community Affairs Bonds	**	**	**
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	**	**	**
Public School Finance Program	750,000	750,000	750,000
Texas Water Dev. Bonds (Water Resources Fund)	**	**	**
College Student Loan Bonds	0	0	0
Low-Level Radioactive Waste Disposal Authority	0	**	**
Texas Workers' Compensation Fund Bonds	0	**	**
Texas Water Development Board (State Revolving Fund)	**	**	**
Total Self-Supporting	**$1,450,821**	**$1,428,767**	**$1,533,244**
Not Self-Supporting [1]			
Texas Public Finance Authority Bonds	$281,021	$294,129	$272,020
TPFA Master Lease Purchase Program—Commercial Paper	0	44,600	26,400
National Guard Armory Board Bonds	**	**	**
Superconducting Super Collider Bonds	500,000	250,000	250,000
Total Not Self-Supporting	**$781,021**	**$588,729**	**$548,420**
TOTAL NON-GENERAL OBLIGATION BONDS	**$2,231,842**	**$2,017,496**	**$2,081,664**
TOTAL ALL BONDS	**$5,259,813**	**$6,167,957**	**$5,529,385**

*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]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.

[3]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. The PUF value used in this table is as of July 31, 1993.

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

August 31, 1992. The lease-purchase payments for the prisons will come totally from appropriations of general revenue by the Legislature to the TDCJ.

Lease purchases as of August 31, 1992, including furniture, equipment (excluding lease purchases financed through MLPP), and prison facilities, totaled $154.5 million. Inclusion of just the lease purchases of facilities approved by the Bond Review Board during fiscal 1993 would add another $58.1 million to the total amount of lease purchases outstanding. (The equipment lease purchases approved by the Bond Review Board in fiscal 1993 were all financed through MLPP, and, therefore, are shown as bonds outstanding.)

FUTURE OUTLOOK FOR TEXAS DEBT ISSUANCE

THE AMOUNT OF DEBT AUTHORIZED to be issued by Texas state agencies and institutions of higher education has increased as a result of voter approval and action taken by the 73rd Legislature. This chapter provides an overview of the new debt authorization.

During fiscal 1994, state agencies and institutions of higher education expect to issue approximately $2.3 billion in bonds and commercial paper. Approximately $1.9 billion will be new-money debt and approximately $430 million will be refunding bonds.

Voters Approved $1.75 Billion New General Obligation Debt

Texas voters approved $1.75 billion in new general obligation debt in the election held November 2, 1993.

The amount approved by the voters includes $1 billion in new general obligation debt authorization to finance corrections and mental health and mental retardation facilities. These bonds were authorized by S.J.R. 45. The debt service on these bonds will be paid from the general revenues of the state.

The 73rd Legislature appropriated $335.2 million in bond proceeds from the new $1 billion authorization to be used to finance projects during the fiscal 1994–1995 biennium. The appropriated amount includes $298 million for the Texas Department of Criminal Justice, $21.5 million for the Texas Youth Commission, and $15.7 million for the Texas Department of Mental Health and Mental Retardation. The remaining portion of the $1 billion will be available for the Legislature to appropriate in the future. (The 73rd Legislature also appropriated $226.8 million in bond proceeds for criminal justice facilities from amounts remaining from the authorization approved by Texas voters in November 1991.)

The debt approved by the voters also includes $750 million in new general obligation debt authorization to finance the loan programs of the Veterans Land Board. Two hundred fifty ($250) million of the authorization will be used for the Veterans Land Program and $500 million will be used for the Veterans Housing Assistance Program. These programs are designed to be self-supporting and are not expected to require a draw on general revenue. The 73rd Legislature authorized this debt in S.J.R. 34.

Funding for Debt Service for Higher Education Constitutional Bonds Increased

The 73rd Legislature, pursuant to the provisions of Article VII, Section 7(a) of the Texas Constitution, increased the constitutional appropriation for higher education from $100 million to $175 million, effective September 1, 1995 (H.B. 1207). Since half of this amount can be used for debt service on bonds issued by the higher education institutions covered by the provision, the amount available annually for debt service will increase from $50 million to $87.5 million.

Legislature Authorized New Non-General Obligation Bonds

The 73rd Legislature authorized $471 million in new non-general obligation debt.

H.B. 2058 authorizes $352.4 million in new non-general obligation bonds to be issued by specified higher education institutions to finance the construction, improvement, enlargement, renovation, and equipping of buildings and other facilities. These higher education revenue bonds are classified as self-supporting since the pledged revenues are solely revenues from the higher education institutions or systems. For the 1994–95 biennium, the Legislature has appropriated general revenues to reimburse the institutions for the debt service paid on these bonds.

The 73rd Legislature also passed S.B. 737, which authorizes $50 million for an alternative fuels loan program. The bond proceeds will be used to finance eligible alternative fuel projects undertaken by the state, school districts, local mass transit authorities or departments, or eligible joint ventures. These bonds will be issued by the Texas Public Finance Authority.

Additional new-money bonds were authorized by the Legislature to finance six building construction projects with estimated total construction costs of $26.4 million (S.B. 5 and H.B. 2626). The Legislature also increased the estimated costs associated with the purchase and renovation of the Texas Employment Commission (TEC) office buildings by $19.25 million to a total estimated cost of $46 million. The TEC building procurement and renovations, as well as the six building construction projects, will be financed through bonds issued by the Texas Public Finance Authority on behalf of the General Services Commission. The debt service on the bonds will be paid from state general revenues.

The total project cost to be funded from building revenue bonds issued by the Texas Public Finance Authority, as authorized by the 73rd Legislature, is an estimated $45.65 million. However, *Table 16* shows an authorized amount of $68.475 million for this category. This amount reflects the authorization given to the Public Finance Authority in its statute, Article 601d, Tex. Rev. Civ. Stat. Ann., to issue bonds in an amount equal to 1.5 times the estimated project cost to cover issuance costs, capitalized interest, reserve funds and administrative costs of the Authority, and to take into account that the project costs are only estimates and can later increase.

See *Table 16* for a summary of new bond authorization.

TABLE 16

Bonds Authorized by the 73rd Legislature (amounts in thousands)

Issuer	Amount
GENERAL OBLIGATION BONDS*	
Self-Supporting	
Veterans Land and Housing Bonds	$750,000
Total Self-Supporting	**$750,000**
Not Self-Supporting[1]	
Higher Education Constitutional Bonds[2]	**
Texas Public Finance Authority Bonds	1,000,000
Total Not Self-Supporting	**$1,000,000**
TOTAL GENERAL OBLIGATION BONDS	**$1,750,000**
NON-GENERAL OBLIGATION BONDS	
Self-Supporting	
College and University Revenue Bonds	$352,400
Texas Public Finance Authority Bonds	50,000
Total Self-Supporting	**$402,400**
Not Self-Supporting	
Texas Public Finance Authority Bonds	68,475
Total Not Self-Supporting	**$68,475**
TOTAL NON-GENERAL OBLIGATION BONDS	**$470,875**
TOTAL ALL BONDS	**$2,220,875**

*The 73rd Legislature also authorized an additional $75 million for the Texas Agricultural Finance Authority and $50 million for historically underutilized businesses; however, these initiatives were voted down by the voters in the November 2, 1993, election.

**The maximum annual debt service payable from the constitutional appropriation was increased from $50 million to $87.5 million, effective September 1, 1995.

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

[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 a constitutional appropriation to qualified institutions of higher education from the first monies coming into the State Treasury not otherwise dedicated by the Constitution.

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

73rd Legislature Encourages Use of Historically Underutilized Businesses

The 73rd Legislature passed several statutes that direct specified state agencies and institutions of higher education to make a good-faith effort to utilize "historically underutilized businesses" in the bond issuance process and in the use of bond proceeds. "Historically underutilized businesses" include women-owned firms and minority-owned firms. The statutes include various participation targets, ranging from 10–30 percent.

The General Appropriations Act for fiscal 1994–95 (S.B. 5) notes that it is the intent of the Legislature that each state agency and institution of higher education receiving appropriations in the Act make a good-faith effort to include historically underutilized businesses in at least 20 percent of the total value of contracts awarded for acquiring, constructing, or equipping new or existing facilities and in the operational implementation of the strategies funded in the Act.

State Agencies and Institutions Plan to Issue $2.3 Billion in Fiscal 1994

Texas state agencies and universities plan to issue approximately $2.3 billion in bonds and commercial paper during fiscal 1994 according to the results of an annual survey by the Bond Review Board *(Table 17, p. 32)*. Approximately $1.9 billion will be issued to finance projects or programs and about $430 million will be issued to refund existing debt.

The Texas Public Finance Authority (TPFA) is expected to be the largest issuer of new-money bonds and commercial paper. TPFA plans to issue approximately $925 million in new-money general obligation bonds or commercial paper on behalf of the Texas Department of Criminal Justice, Texas Youth Commission, and Texas Department of Mental Health and Mental Retardation. Over 95 percent of the total planned issuance amount will be used to finance projects to be undertaken by the Texas Department of Criminal Justice.

TPFA also plans to issue approximately $208 million in new-money non-general obligation bonds. Approximately $100 million will be issued on behalf of the General Services Commission for various construction, major repairs/rehabilitation, and building procurement projects. Approximately $7 million will be issued on behalf of the National Guard Armory Board. TPFA expects to issue $26 million in new-money equipment revenue bonds and $75 million in commercial paper to provide financing for the state's Master Lease Purchase Program.

Institutions of higher education also plan to issue a significant amount of new-money debt in fiscal 1994. A total of approximately $222 million in new-money bonds and commercial paper will be issued by higher education institutions to finance various construction projects, improvements, renovations, and equipment.

Another major issuer of new-money bonds in fiscal 1994 will be the Texas Water Development Board. The Board plans to issue about $125 million in state revolving fund revenue bonds in the fall of 1993 and an additional $125 million in the summer of 1994. 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 $45 million in general obligation bonds to finance loans (and grants under the Economically Distressed Areas Program) to political subdivisions in Texas for water and wastewater projects.

The Texas State Treasurer, as issuer, and the Texas Bond Review Board, as program administrator, are expected to complete steps to make the Public School Finance Program (Article 717t., Tx. Rev. Civ. Stat. Ann.) operational during fiscal 1994. Revenue bonds, not to exceed $750 million, may be issued to purchase bonds and other obligations of Texas public school districts. State bonds may be issued to fund loans for facilities, equipment, and cash flow needs. A target issuance amount for fiscal 1994 has yet to be determined.

The proceeds from other major new-money issues will be used to finance various other state loan programs. The Texas Department of Housing and Community Affairs plans to issue $96 million for single-family housing and $17 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 $25 million to finance the Veterans Land Program. The Texas Agricultural Finance Authority (TAFA) is planning to issue $25 to $50 million in new-money general obligation bonds to be used to make loans to eligible Texans for the purchase of farms and ranches. TAFA also plans to issue approximately $5 million in new-money general obligation commercial paper to provide financial assistance to eligible agricultural businesses.

The largest issuer of refunding bonds in fiscal 1994, according to the Bond Review Board survey, will be the Texas Department of Housing and Community Affairs (TDHCA). TDHCA plans to issue $154 million in single-family refunding bonds and an additional $30 million in multi-family refunding bonds. Other refunding bond issues planned for fiscal 1994 include a $140 million refunding issue by the Texas Turnpike Authority, $60 million in refunding bonds to be issued by various institutions of higher education, and a $48 million equipment revenue refunding bond issue by the Texas Public Finance Authority.

TABLE 17

Texas State Bond Issues Expected During Fiscal 1994

Issuer	Amount	Purpose	Approximate Issue Date
GENERAL OBLIGATION BONDS			
Self-Supporting			
Texas Veterans Land Board	$25,000,000	Veterans Land Program	May-94
Texas Higher Education Coordinating Board	75,000,000	College Student Loans	Apr-94
Texas Agricultural Finance Authority	25,000,000	Farm and Ranch Program	Nov-93
Texas Agricultural Finance Authority*	5,000,000	Agricultural Businesses	Continuous
Texas Water Development Board	40,000,000	Water Supply and Quality	Nov-93
Not Self-Supporting			
Texas Public Finance Authority**	221,800,000	Texas Department of Criminal Justice	Sep-93
Texas Public Finance Authority**	5,890,110	Texas Department of Mental Health & Mental Retardation	Nov-93
Texas Public Finance Authority**	9,000,000	Texas Youth Commission	Dec-93
Texas Public Finance Authority**	325,067,400	Texas Department of Criminal Justice and Texas Dept. of Mental Health & Mental Retardation	Jan-94
Texas Public Finance Authority**	86,001,500	Texas Department of Criminal Justice and Texas Youth Commission	Apr-94
Texas Public Finance Authority**	277,472,000	Texas Department of Criminal Justice	Jul-94
Texas Water Development Board	5,000,000	Economically Distressed Areas Program	Nov-93
TOTAL GENERAL OBLIGATION BONDS	**$1,100,231,010**		
NON-GENERAL OBLIGATION BONDS			
Self-Supporting			
Lamar University System	900,000	Facility Construction	Feb-94
Texas A&M University PUF*	30,000,000	Facilities and Equipment	Apr-94
Texas A&M University System	4,100,000	Refunding	Oct-93
Texas A&M University System*	30,000,000	Facilities and Equipment	Apr-94
Texas A&M University System	13,760,000	Wastewater Treatment	Oct-93
The University of Texas System*	66,270,000	Facility Construction	Continuous
The University of Texas PUF*	10,500,000	Facility Construction	Apr-94
Texas State University System	27,000,000	Facility Construction—All Member Universities	Nov-93
University of North Texas	10,000,000	Facilities and Equipment	Jan-94
University of Houston System	18,000,000	Facility Construction	Apr-94
Texas Southern University	20,000,000	Consolidated Revenue and Refunding Bonds	Dec-93
Texas Woman's University	5,000,000	Tuition Revenue Bonds	Jan-94
Texas Tech University	47,215,000	Current and Advance Refunding	Nov-93
Texas Dept. of Housing & Community Affairs	30,000,000	Refunding—Multi-Family Housing	Jul-94
Texas Dept. of Housing & Community Affairs	154,000,000	Refunding—Single Family Housing	Feb-94
Texas Dept. of Housing & Community Affairs	17,000,000	Multi-Family Housing	Nov-93
Texas Dept. of Housing & Community Affairs	58,475,000	Single Family Housing	Nov-93
Texas Dept. of Housing & Community Affairs	30,000,000	Single Family Housing	Jul-94
Texas Dept. of Housing & Community Affairs	7,500,000	Single Family Housing—Lease Purchase	Feb-94
Texas Water Development Board	125,000,000	State Revolving Fund—Wastewater Projects	Nov-93
Texas Water Development Board	125,000,000	State Revolving Fund—Wastewater Projects	Jun-94
Texas Turnpike Authority	140,135,000	Refunding—Dallas North Tollway	Oct-93
Texas State Treasury	to be determined	Public School Finance Program	to be determined
Not Self-Supporting			
Texas Public Finance Authority	54,096,700	General Services Commission	Jan-94
Texas Public Finance Authority	46,000,000	General Services Commission	Jul-94
Texas Public Finance Authority	7,219,269	National Guard Armory Board	Dec-93
Texas Public Finance Authority	73,890,000	Equipment Revenue & Revenue Refunding Bonds—Master Lease Purchase Program	Sep-93
Texas Public Finance Authority*	75,000,000	Master Lease Purchase Program	Continuous
TOTAL NON-GENERAL OBLIGATION BONDS	**$1,226,060,969**		
TOTAL ALL BONDS	**$2,326,291,979**		

*Commercial Paper Program or Variable Rate Note Program
**These issues assume an initial general obligation commercial paper offering and a subsequent conversion to long-term bonds.

SOURCES: Texas Bond Review Board, Office of the Executive Director, Survey of Texas State Bond Issuers.

Appendix A

Texas Bonds Issued During Fiscal 1993*

TEXAS A&M UNIVERSITY SYSTEM

Issue: The Board of Regents of the Texas A&M University System, Revenue Financing System Commercial Paper Notes, Series B: Authorized—$125,000,000; Issued to date—$50,000,000.

Purpose: The proceeds of the notes provided financing for eligible projects, including equipment acquisition and interim construction, throughout the Texas A&M System.

Dates: Board Approval—August 20, 1992
Negotiated Sale—November 16, 1992
Delivery Date—November 24, 1992

Structure: Commercial paper is short-term promissory notes with maturities ranging from 1 to 270 days. The tax-exempt program was initially supported by a self-liquidity facility for up to $50,000,000. (At the August 1993 meeting of the Bond Review Board, the self-liquidity provision was increased to $100,000,000.)

Bond Ratings: Moody's—Prime 1
Standard & Poor's—A-1+
Fitch—F-1+

Consultants: Bond Counsel—McCall, Parkhurst & Horton, L.L.P.
Financial Advisor—First Southwest Company
Commercial Paper Dealer—The First Boston Corporation

Interest Rate: Variable Rate Program

Initial Issuance Costs:

	Fees
Bond Counsel	$ 52,196.61
Financial Advisor	77,804.78
Rating Agencies	42,000.00
Printing	2,170.22
Issuing and Paying Agent	1,250.00
	$ 175,421.61
Underwriter's Counsel	$ 17,487.27

Recurring Fees:
Annual Remarketing Fee — 5 basis points on the average daily annual outstanding balance

Costs per $1,000 are not reported for commercial paper programs due to possible fluctuations in the amount of outstanding notes during the life of the program.

*For definition of terms used in Appendix A, see p. 47.

TEXAS A&M UNIVERSITY SYSTEM

Issue: The Board of Regents of the Texas A&M University System, Revenue Financing System Refunding Bonds, Series 1993—$47,125,000.

Purpose: The proceeds of the bonds were used to refund the Combined Fee and Revenue System Refunding and Improvement Bonds, Series 1988A and 1988B. The callable date of the refunded bonds is August 15, 1998. The callable portion equals $42,260,000 and is scheduled to mature in the years 1999 through 2009.

Dates: Board Approval—September 17, 1992
Negotiated Sale—January 7, 1993
Delivery Date—February 17, 1993

Structure: The bonds were sold as fixed rate tax-exempt securities. The issue was composed of serial and term bonds with the final maturity in 2009.

Bond Ratings: Moody's—Aa
Standard and Poor's—AA
Fitch—AA

Consultants: Bond Counsel—McCall, Parkhurst & Horton, L.L.P.
Financial Advisor—First Southwest Company
Senior Underwriter—The First Boston Corporation

Interest Rates: True Interest Cost—5.88%
Net Interest Cost—5.79%

Issuance costs:

	Fees	Per $1,000
Bond Counsel	$ 38,489.70	$ 0.82
Financial Advisor	54,390.90	1.15
Rating Agencies	38,500.00	0.82
Printing	22,171.48	0.47
Paying Agent/Registrar	150.00	0.00
Escrow Agent Fee	7,000.00	0.15
	$ 160,702.08	$ 3.41
Underwriter's Spread	$ 368,517.50	$ 7.82

TEXAS A&M UNIVERSITY SYSTEM

Issue: The Board of Regents of the Texas A&M University System, Revenue Financing System Bonds, Series 1993A—$5,920,000.

Purpose: The proceeds of the bonds, together with other available funds, were used to construct a wastewater treatment facility for the Prairie View University Campus to replace facilities which could not support needed wastewater flow rates. The new facility was needed to remain in compliance with EPA and Texas Water Commission regulations.

Dates: Board Approval—January 21, 1993
Private Placement—March 4, 1993
Delivery Date—April 27, 1993

Structure: The bonds were sold as fixed rate tax-exempt securities with final maturity in 2013. The bonds were purchased by the Texas Water Development Board through the State Revolving Fund Program.

Bond Rating: Unrated

Consultants: Bond Counsel—McCall, Parkhurst & Horton, L.L.P.
Financial Advisor—First Southwest Company
Purchaser—Texas Water Development Board

Interest Rates: True Interest Cost—5.04%
Net Interest Cost—5.08%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 6,622.40	$ 1.12
Financial Advisor	16,584.91	2.80
Miscellaneous	150.00	0.03
	$ 23,357.31	$ 3.95
Underwriter's Spread	N/A	N/A

TEXAS DEPARTMENT OF COMMERCE

Issue: Texas Department of Commerce, Taxable Commercial Paper Notes, Series A: Authorized—$25,000,000; Issued to date—$25,000,000.

Purpose: The proceeds of the notes were approved to be used to fund loans to businesses for the following: loans to industrial development corporations located in Texas, purchase of small business loans fully guaranteed by the Small Business Administration, and loans to businesses that have collateral and guarantees acceptable to Bank One, the letter of credit provider.

Dates: Board Approval—September 17, 1992
Negotiated Sale—October 15, 1992
Delivery Date—October 15, 1992

Structure: Commercial Paper is short-term promissory notes with maturities ranging from 1 to 270 days. Notes can be rolled over or redeemed to match expense outflows with revenues. Once redeemed the commercial paper can be reissued.

Bond Ratings: Moody's—Prime-1
Standard & Poor's—A-1+

Consultants:
Bond Counsel—Fulbright & Jaworski, L.L.P.
Co-Bond Counsel—Barnes, Darby, McKenzie & Poston
Senior Structuring Agent and Commercial Paper Dealer—J.P. Morgan Securities
Co-Senior Structuring Agent—Walton Johnson & Company
Letter of Credit Provider—Bank One, Texas

Interest Rate: Variable Rate Program

Initial Issuance Costs:

	Fees
Bond Counsel	$ 111,971.39
Structuring Fee	186,000.00
Rating Agencies	24,500.00
Letter of Credit Provider	72,315.36
Trustee, Paying Agent	19,222.68
	$ 414,009.43

Recurring Fees:
Annual Remarketing Fee

Balance Outstanding Less than $25 million	.125%
Balance Outstanding Greater than $25 million	.100%
Balance Outstanding Greater than $75 million	.055%

Recurring Letter of Credit Fees
35–90 basis points based on letter of credit amount

Costs per $1,000 are not reported for commercial paper programs due to possible fluctuations in the amount of outstanding notes during the life of the program.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multi-Family Housing Refunding Revenue Bonds (High Point III Development), Series 1993A—$12,490,000.

Texas Department of Housing and Community Affairs, Multi-Family Housing Refunding Revenue Bonds (Remington Hill Development), Series 1993B—$13,880,000.

Purpose: The proceeds of the bonds were used to refund certain bonds issued in 1987 to finance two multi-family rental housing developments, a 372-unit multi-family rental residential development (High Point III Development) and a 440-unit multi-family rental residential development (Remington Hill Development). The refunding bonds have a lower interest rate, which will enable the owners to continue to operate the developments as low-income housing projects, and to satisfy the debt-service requirements.

Dates: Board Approval—January 21, 1993
Negotiated Sale—March 11, 1993
Delivery Date—March 11, 1993

Structure: The bonds are variable rate tax-exempt securities with a final maturity in 2023. The interest rates are subject to weekly adjustments and may be changed to an alternative variable mode or fixed rate. The bonds are guaranteed by General Electric Capital Corporation.

Bond Rating: Standard & Poor's—AAA-A/1+

Consultants: Bond Counsel—Vinson & Elkins, L.L.P.
Co-Bond Counsel—Barnes, McGhee, Neal, Poston & Segue
Financial Advisor—Rauscher Pierce Refsnes, Inc.
Senior Underwriter—Chemical Securities, Inc.

Interest Rate: Weekly Variable Rate

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 114,799.50*	$ 4.35*
Financial Advisor	20,000.00	0.76
Rating Agencies	16,000.00	0.61
Printing	13,851.00	0.52
Trustee	37,378.00	1.42
Department Fees & Exp.	74,925.00	2.84
Miscellaneous	3,000.00	0.12
	$ 279,953.50	$ 10.62
Underwriter's Spread	$ 189,213.00	$ 7.18

*Estimated amount.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multi-Family Housing Refunding Revenue Bonds (Colorado Club Development), Series 1993—$8,690,000.

Purpose: The proceeds of the bonds were used to refund certain bonds issued in 1985 to provide financing for a 300-unit multi-family rental housing development located in Houston, Texas. The refunding bonds have a lower interest rate which will enable the borrower to continue to operate the development as a low-income housing project and to meet debt-service requirements.

Dates: Board Approval—January 21, 1993
Negotiated Sale—April 1, 1993
Delivery Date—April 1, 1993

Structure: The bonds are variable rate, tax-exempt securities with a final maturity in 2017. Interest rates are subject to weekly adjustments and may be changed to an alternative variable mode or fixed rate. The bonds are guaranteed by ITT Capital Resources Group. The guaranty has a term of five years and upon expiration the guarantor must purchase the bonds or the borrower must provide a replacement guaranty.

Bond Rating: Standard & Poor's—A/A-1

Consultants: Bond Counsel—Vinson & Elkins, L.L.P.
Co-Bond Counsel—Barnes, McGhee, Neal, Poston & Segue
Financial Advisor—Rauscher Pierce Refsnes, Inc.
Senior Underwriter—Merrill Lynch & Co.

Interest Rate: Weekly Variable Rate

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 85,000.00*	$ 9.78*
Financial Advisor	7,000.00	0.80
Rating Agencies	13,000.00	1.50
Printing	12,000.00	1.38
Trustee	33,104.00	3.81
Department Fees & Exp.	26,725.00	3.08
	$ 176,829.00	$ 20.35
Underwriter's Spread	$ 116,725.00	$ 13.43

*Estimated amount.

TEXAS HIGHER EDUCATION COORDINATING BOARD

Issue: Texas Higher Education Coordinating Board, College Student Loan Bonds, Series 1993—$75,000,000.

Purpose: The proceeds of the bonds were used to fund the Hinson-Hazelwood Loan Program. The program provides low-interest loans to students seeking an undergraduate, graduate or professional education through public and independent institutions of higher education in Texas. The loan amount an individual may receive is determined by the student's financial need.

Dates: Board Approval—December 18, 1992
Competitive Sale—January 21, 1993
Delivery Date—February 23, 1993

Structure: The bonds were issued as fixed rate tax-exempt securities with a final maturity in 2017. Bonds maturing on and after August 1, 2003, will be callable at par on August 1, 2002, or any date thereafter.

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

Consultants: Bond Counsel—McCall, Parkhurst & Horton, L.L.P.
Financial Advisor—First Southwest Company
Senior Underwriter—Chemical Securities, Inc.

Interest Rates: True Interest Cost—5.74%
Net Interest Cost—5.60%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 22,785.00	$ 0.30
Financial Advisor	37,500.00	0.50
Rating Agencies	26,500.00	0.35
Printing	3,500.00	0.04
Attorney General's Fee	1,250.00	0.02
Private Activity Fee	19,250.00	0.26
Miscellaneous	6,031.00	0.08
	$ 116,816.00	$ 1.55
Underwriter's Spread	$ 707,239.30	$ 9.43

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, General Obligation Refunding Bonds, Series 1992A/B—$602,605,000.

Purpose: The proceeds of the refunding bonds were used to advance refund the callable portion of 13 series of general obligation bonds issued 1987 through 1991. The total principal amount refunded was $602,605,000.

Dates: Board Approval—September 17, 1992
Negotiated Sale—September 17, 1992
Delivery Date—October 21, 1992

Structure: Series A bonds consist of $549,620,000 in current interest bonds and $2,185,000 in insured capital appreciation bonds (CABs), which were sold at a premium. Series A bonds were fixed rate tax-exempt securities with a final maturity in 2009. Series B bonds, $50,800,000, were entirely composed of inverse floaters. Series B bonds mature in 2011.

	Inverse Floaters & Current Interest Bonds	CABs (Insured)
Bond Ratings: Moody's	Aa	Aaa
Standard & Poor's	AA	AAA

Consultants: Bond Counsel—Fulbright & Jaworski, L.L.P.
Co-Bond Counsel—Walker & Satterthwaite
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—Merrill Lynch & Co. (Series A)
Lehman Brothers (Series B)

Interest Rates: True Interest Cost—6.01%
Net Interest Cost—6.03%

Issuance Costs:

	Fees	Per $1,000*
Bond Counsel	$ 49,210.95	$ 0.08
Financial Advisor	45,765.08	0.07
Rating Agencies	28,000.00	0.04
Printing	21,159.00	0.03
Trustee Fee	9,418.12	0.02
Escrow Verification	5,000.00	0.01
Miscellaneous	5,769.30	0.01
	$ 164,322.45	$ 0.26
Underwriter's Spread	$2,543,534.71	$ 4.04*

*The premium on the CABs is included in the calculation.

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Texas National Research Laboratory Commission, General Obligation Refunding Bonds, Series 1992—$250,000,000.

Purpose: The proceeds of the bonds were used to advance refund $250 million in outstanding Texas National Research Laboratory Commission General Obligation Bonds. The refunded bonds are callable in April 2000.

Dates: Board Approval—October 22, 1992
Negotiated Sale—October 23, 1992
Delivery Date—December 15, 1992

Structure: The bonds were sold as fixed rate tax-exempt securities. The bonds included $11,055,000 in insured capital appreciation bonds (CABs), which were sold at a premium. The bonds have final maturity in 2020.

		Current Interest Bonds	CABs (Insured)
Bond Ratings:	Moody's	Aa	Aaa
	Standard & Poor's	AA	AAA
	Fitch	AA+	AAA

Consultants: Bond Counsel—Ferchill & Associates, P.C.
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—Smith Barney Shearson, Inc.

Interest Rates: True Interest Cost—6.29%
Net Interest Cost—6.46%

Issuance Costs:

	Fees	Per $1,000*
Bond Counsel	$ 29,037.15	$ 0.10
Financial Advisor	33,489.98	0.12
Rating Agencies	30,000.00	0.11
Printing	6,243.79	0.02
Escrow Verification	8,000.00	0.03
Miscellaneous	3,687.47	0.01
	$ 110,458.39	$ 0.39
Underwriter's Spread	$1,283,827.83	$ 4.50*

*The premium on the CABs is included in the calculation.

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Revenue and Revenue Refunding Bonds, Series 1992B—$126,780,000.

Purpose: The proceeds of the refunding bonds, $104,625,000, were used to advance refund $100,495,000 in outstanding TPFA Building Revenue Bonds. The proceeds of the new-money bonds, $22,155,000, provided $12 million for construction and acquisition at the Republic Plaza complex and $10 million for the construction of the Center for Environmental Studies at Corpus Christi State University.

Dates: Board Approval—September 17, 1992
Board Amendment—November 3, 1992
Negotiated Sale—October 28, 1992
Delivery Date—November 18, 1992

Structure: The bonds were issued as tax-exempt fixed rate serial bonds. The refunding bonds have a final maturity in 2010 and the new-money bonds have a final maturity in 2012. The bonds are insured.

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

Consultants: Bond Counsel—Vinson & Elkins, L.L.P.
Co-Bond Counsel—Batchan & Scott, P.C.
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—Rauscher Pierce Refsnes, Inc.
Co-Senior Underwriter—George K. Baum & Company

Interest Rates: True Interest Cost—6.48%
Net Interest Cost—6.33%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 57,164.56	$ 0.45
Financial Advisor	32,475.52	0.26
Rating Agencies	45,100.00	0.36
Printing	13,098.00	0.10
Escrow Verification	8,000.00	0.06
Miscellaneous	1,359.85	0.01
	$ 157,197.93	$ 1.24
Underwriter's Spread	$ 824,070.00	$ 6.50

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Texas State Technical College Revenue and Revenue Refunding Bonds, Series 1992—$14,080,000.

Purpose: The proceeds of the refunding bonds, $10,826,405, were used to advance refund $9.515 million in outstanding Texas State Technical College Housing System & Auxiliary Services Revenue Bonds. The new-money revenue bonds, $3,253,595, provided Texas State Technical College (formerly Texas State Technical Institute) with funds to construct student housing at the Harlingen campus and a new student recreation complex at the Waco campus.

Dates: Board Approval—October 22, 1992
Negotiated Sale—October 28, 1992
Delivery Date—November 24, 1992

Structure: The refunding bonds were sold as fixed rate tax-exempt securities with final maturity in 2009. The bonds are insured.

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

Consultants: Bond Counsel—Mayor, Day, Caldwell & Keeton, L.L.P.
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—Walton Johnson & Company

Interest Rates: True Interest Cost—6.65%
Net Interest Cost—6.40%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 25,394.81	$ 1.80
Financial Advisor	12,201.45	0.87
Rating Agencies	20,500.00	1.46
Printing	4,926.90	0.35
Trustee Fee	6,583.60	0.47
Escrow Verification	5,250.00	0.37
Miscellaneous	1,418.75	0.10
	$ 76,275.51	$ 5.42
Underwriter's Spread	$ 98,137.60	$ 6.97

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Texas Parks and Wildlife Department, General Obligation Refunding and Park Development Bonds, Series 1992—$28,575,000.

Purpose: The proceeds of the refunding bonds, $25,300,000, were used to advance refund $25.3 million in outstanding Texas Parks & Wildlife Department General Obligation Bonds. The new-money bond proceeds, $3,275,000, were used to finance park projects, including the construction and refurbishment of park facilities and the purchase of new park land.

Dates: Board Approval—October 22, 1992
Board Amendment—November 19, 1992
Negotiated Sale—November 20, 1992
Delivery Date—December 16, 1992

Structure: The bonds were sold as fixed rate tax-exempt securities. The bonds consisted of $25,585,000 in current interest bonds and $2,990,000 in capital appreciation bonds (CABs), which sold at a premium. The bonds have a final maturity in 2007.

		Current Interest Bonds	CABs (Insured)
Bond Ratings:	Moody's	—	Aaa
	Standard & Poor's	AA	AAA
	Fitch	AA+	—

Consultants: Bond Counsel—Sherman E. Stimley
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—Bear, Stearns & Co., Inc.

Interest Rates: True Interest Cost—5.83%
Net Interest Cost—6.01%

Issuance Costs:

	Fees	Per $1,000*
Bond Counsel	$ 26,169.27	$ 0.83
Financial Advisor	17,532.45	0.56
Rating Agencies	16,200.00	0.52
Printing	8,668.68	0.28
Escrow Verification	2,250.00	0.07
Miscellaneous	7,845.38	0.25
	$ 78,665.78	$ 2.51
Underwriter's Spread	$ 195,839.39	$ 6.25*

*The premium on the CABs is included in the calculation.

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Equipment Revenue Bonds, Series 1992A—$10,308,021.

Purpose: The proceeds of the bonds were used to refund certain equipment installment-purchase contracts and lease financings by various state agencies in order to lower interest costs.

Dates: Board Approval—November 19, 1992
Private Placement—December 15, 1992
Delivery Date—December 29, 1992

Structure: A single tax-exempt bond was privately placed to finance the aggregate principal amount of all of the installment-purchase contracts that were refinanced. The bond matures in 1997.

Bond Rating: Unrated

Consultants: Bond Counsel—Leonard Marsh Hurt Terry & Blinn
Co-Bond Counsel—Batchan & Scott, P.C.
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—Grigsby Brandford & Co., Inc.

Interest Rates: True Interest Cost—5.45%
Net Interest Cost—5.12%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 27,781.18	$ 2.70
Financial Advisor	8,992.15	0.87
Attorney General's Fee	1,000.00	0.10
Miscellaneous	208.35	0.02
	$ 37,981.68	$ 3.69
Underwriter's Spread	$ 82,464.17	$ 8.00

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, National Guard Armory Board, Revenue Bonds, Series 1992A—$4,285,000.

Purpose: The proceeds of the bonds were used to finance construction, renovation, roofing, and asbestos removal projects of the National Guard Armory Board.

Dates: Board Approval—November 19, 1992
Competitive Sale—December 15, 1992
Delivery Date—January 12, 1993

Structure: The bonds were issued as fixed rate tax-exempt securities. The bonds have a final maturity in 2007.

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

Consultants: Bond Counsel—Vinson & Elkins, L.L.P.
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—Rauscher Pierce Refsnes, Inc.

Interest Rates: True Interest Cost—5.74%
Net Interest Cost—5.64%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 17,446.04	$ 4.07
Financial Advisor	9,291.30	2.17
Rating Agencies	8,500.00	1.98
Printing	5,400.00	1.26
Attorney General's Fee	750.00	0.18
Miscellaneous	1,891.81	0.44
	$ 43,279.15	$ 10.10
Underwriter's Spread	$ 40,120.40	$ 9.36

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, General Obligation Bonds, Series 1993A—$65,440,000.

Purpose: The proceeds of the bonds were used by the Texas Department of Criminal Justice and Texas Department of Mental Health and Mental Retardation to finance the design, construction and major repair or renovation of various projects.

Dates: Board Approval—December 18, 1992
Competitive Sale—January 12, 1993
Delivery Date—January 28, 1993

Structure: The bonds were issued as fixed rate tax-exempt securities with a final maturity in 2012.

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

Consultants: Bond Counsel—Akin, Gump, Strauss, Hauer & Feld, L.L.P.
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—Morgan Stanley & Co., Inc.

Interest Rates: True Interest Cost—5.72%
Net Interest Cost—5.65%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 14,606.47	$ 0.22
Financial Advisor	14,221.88	0.22
Rating Agencies	27,500.00	0.42
Printing	5,267.77	0.08
Attorney General's Fee	1,250.00	0.02
Miscellaneous	94.15	0.00
	$ 62,940.27	$ 0.96
Underwriter's Spread	$ 445,646.40	$ 6.81

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, General Obligation Bonds, Series 1993B—$323,750,000.

Purpose: The proceeds of the bonds were used by the Texas Department of Criminal Justice and the Texas Youth Commission to finance the design, construction and major repair or renovation of various projects.

Dates: Board Approval—March 18, 1993
Board Amendment—April 23, 1993
Competitive Sale—May 13, 1993
Delivery Date—June 9, 1993

Structure: The bonds were issued as fixed rate tax-exempt securities with a final maturity in 2013.

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

Consultants: Bond Counsel—Fulbright & Jaworski, L.L.P.
Co-Bond Counsel—Batchan & Scott, P.C.
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—J. P. Morgan Securities Inc.

Interest Rates: True Interest Cost—5.34%
Net Interest Cost—5.23%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 21,642.90	$ 0.07
Financial Advisor	16,645.03	0.05
Rating Agencies	65,000.00	0.20
Printing	6,923.28	0.02
Attorney General's Fee	1,250.00	0.00
Miscellaneous	156.05	0.00
	$ 111,617.26	$ 0.34
Underwriter's Spread	$(474,415.00)	$ (1.46)

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, General Obligation Bonds, Series 1993C—$18,275,000.

Purpose: The proceeds of the bonds will be used by the Texas Youth Commission for the payment of expenses incurred in connection with the New Secure Facility project. This project includes a main building, six 24-bed dormitories, a classroom, academic school building, vocational training areas, a physical education building, kitchen/cafeteria, warehouse and maintenance building.

Dates: Board Approval—June 17, 1993
Competitive Sale—July 27, 1993
Delivery Date—August 23, 1993

Structure: The bonds were issued as fixed rate tax-exempt securities with a final maturity in 2013.

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

Consultants: Bond Counsel—Ferchill & Associates, P.C.
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—Merrill Lynch & Co.

Interest Rates: True Interest Cost—5.27%
Net Interest Cost—5.30%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 10,000.00*	$ 0.55*
Financial Advisor	17,705.45	0.97
Rating Agencies	18,500.00	1.01
Printing	4,174.72	0.23
Attorney General's Fee	1,250.00	0.07
Miscellaneous	864.35	0.04
	$ 52,494.52	$ 2.87
Underwriter's Spread	$ 137,793.50	$ 7.54

*Estimated amount.

TEXAS STATE UNIVERSITY SYSTEM

Issue: Texas State University System, Sam Houston State University, Housing System Revenue Refunding Bonds, Taxable Series 1993—$2,180,000.

Purpose: The proceeds of the refunding bonds were used to current refund the outstanding Student Housing System Revenue Refunding Bonds, Series 1982, and to pay costs of issuance.

Dates: Board Approval—March 18, 1993
Competitive Sale—April 1, 1993
Delivery Date—April 29, 1993

Structure: The bonds were issued as fixed rate taxable securities. The bonds have final maturity in 2001. The bonds will be repaid from pledged housing system revenues and are not general obligations of the state. The bonds are insured.

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

Consultants: Bond Counsel—McCall, Parkhurst & Horton, L.L.P.
Financial Advisor—Rauscher Pierce Refsnes, Inc.
Senior Underwriter—First Southwest Company

Interest Rates: True Interest Cost—6.18%
Net Interest Cost—5.68%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 5,000.00	$ 2.29
Financial Advisor	2,180.00	1.00
Rating Agencies	10,200.00	4.68
Printing	6,029.00	2.77
Attorney General's Fee	750.00	0.34
Miscellaneous	3,294.15	1.51
	$ 27,453.15	$ 12.59
Underwriter's Spread	$ 21,800.00	$ 10.00

TEXAS STATE UNIVERSITY SYSTEM

Issue: Texas State University System, Sam Houston State University, Combined Fee Revenue Refunding Bonds, Series 1993—$6,620,000.

Purpose: The proceeds of the bonds were used to partially refund the outstanding General Fee Revenue Bonds, Series 1974, and Combined Fee Revenue Refunding Bonds, Series 1984 and 1988, and to pay for the costs of issuance.

Dates: Board Approval—June 17, 1993
Negotiated Sale—July 1, 1993
Delivery Date—July 21, 1993

Structure: The bonds were sold as fixed rate tax-exempt securities. The bonds have final maturity in 2005. The bonds are not general obligations of the state and are payable solely from pledged revenues. The bonds are insured.

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

Consultants: Bond Counsel—McCall, Parkhurst & Horton, L.L.P.
Financial Advisor—Rauscher Pierce Refsnes, Inc.
Senior Underwriter—Masterson Moreland Sauer Whisman, Inc.

Interest Rates: True Interest Cost—4.84%
Net Interest Cost—4.68%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 9,315.00	$ 1.41
Financial Advisor	6,860.00	1.04
Rating Agencies	16,000.00	2.42
Printing	6,500.00	0.98
Attorney General's Fee	1,000.00	0.15
Paying Agent	500.00	0.07
Cost to call bonds	5,690.50	0.86
Miscellaneous	852.52	0.13
	$ 46,718.02	$ 7.06
Underwriter's Spread	$ 38,528.40	$ 5.82

TEXAS STATE UNIVERSITY SYSTEM

Issue: Texas State University System, Southwest Texas State University, Student Housing System Revenue Refunding Bonds, Series 1993—$19,200,000.

Purpose: The proceeds of the bonds were used to partially refund outstanding Housing System Revenue Bonds, Series 1989, and to pay for the costs of issuance.

Dates: Board Approval—June 17, 1993
Negotiated Sale—July 1, 1993
Delivery Date—July 21, 1993

Structure: The bonds were sold as fixed rate tax-exempt securities. The bonds have final maturity in 2004. The bonds are not general obligations of the state and will be repaid from pledged revenues. The bonds are insured.

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

Consultants: Bond Counsel—McCall, Parkhurst & Horton, L.L.P.
Financial Advisor—Rauscher Pierce Refsnes, Inc.
Senior Underwriter—Masterson Moreland Sauer Whisman, Inc.

Interest Rates: True Interest Cost—5.26%
Net Interest Cost—5.04%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 18,750.00	$ 0.98
Financial Advisor	18,895.00	0.98
Rating Agencies	18,200.00	0.95
Printing	8,762.00	0.45
Attorney General's Fee	1,000.00	0.05
Paying Agent	500.00	0.03
Cost to call bonds	7,125.00	0.37
Miscellaneous	921.18	0.05
	$ 74,153.18	$ 3.86
Underwriter's Spread	$ 132,480.00	$ 6.90

TEXAS STATE UNIVERSITY SYSTEM

Issue: Texas State University System, Southwest Texas State University, Utility Revenue Refunding Bonds, Series 1993—$11,215,000.

Purpose: The proceeds of the bonds were used to partially refund Utility System Revenue Bonds, Series 1987A, and to pay for the costs of issuance.

Dates: Board Approval—June 17, 1993
Negotiated Sale—July 1, 1993
Delivery Date—July 21, 1993

Structure: The bonds were sold as fixed rate tax-exempt securities. The bonds have final maturity in 2004. The bonds are not general obligations of the state and will be repaid from pledged revenues. The bonds are insured.

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

Consultants: Bond Counsel—McCall, Parkhurst & Horton, L.L.P.
Financial Advisor—Rauscher Pierce Refsnes, Inc.
Senior Underwriter—Masterson Moreland Sauer Whisman, Inc.

Interest Rates: True Interest Cost—4.83%
Net Interest Cost—4.66%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 12,761.25	$ 1.14
Financial Advisor	11,030.00	0.98
Rating Agencies	17,600.00	1.57
Printing	8,450.00	0.75
Attorney General's Fee	1,000.00	0.09
Paying Agent	500.00	0.05
Cost to call bonds	6,375.00	0.57
Miscellaneous	1,421.47	0.12
	$ 59,137.72	$ 5.27
Underwriter's Spread	$ 68,075.05	$ 6.07

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board, State Revolving Fund Senior Lien Revenue Bonds, Series 1992—$241,000,000.

Purpose: The proceeds of the bonds were used to provide partial funding for the State Revolving Fund (SRF), which receives funding from the Environmental Protection Agency and state bond proceeds. The SRF is used to make loans below-market interest rates to political subdivisions to construct sewer-treatment projects. The proceeds will be used to fund an estimated 31 loans totaling $218 million.

Dates: Board Approval—October 22, 1992
Negotiated Sale—October 29, 1992
Delivery Date—November 12, 1992

Structure: The bonds were fixed rate tax-exempt securities. The issue was composed of a combination of serial and term bonds with the final maturity in 2013.

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

Consultants: Bond Counsel—Vinson & Elkins, L.L.P.
Financial Advisor—First Southwest Company
Senior Underwriter—Kidder, Peabody & Co., Inc.

Interest Rates: True Interest Cost—6.25%
Net Interest Cost—6.29%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 89,989.71	$ 0.37
Financial Advisor	86,385.90	0.36
Rating Agencies	85,000.00	0.35
Printing	30,384.98	0.13
Attorney General's Fee	1,250.00	0.01
Paying Agent	800.00	0.00
	$ 293,810.59	$ 1.22
Underwriter's Spread	$2,149,720.00	$ 8.92

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board, Tax-Exempt General Obligation Bonds, Series 1993A, 1993B, 1993C, 1993D, 1993E—$52,000,000.

Texas Water Development Board, Taxable General Obligation Bonds, Series 1993F—$2,000,000.

Purpose: The proceeds of the bonds were used to make funds available to various political subdivisions and non-profit water supply corporations for water projects. Specific issues were used as follows:

Series A—to fund loans to political subdivisions for water supply purposes ($23,000,000);
Series B—to acquire TWDB's interest in a facility under the TWDB's State Participation Program ($3,000,000);
Series C—to fund water supply projects in economically distressed areas ($2,000,000);
Series D—to fund loans to political subdivisions for water quality enhancement purposes ($14,000,000);
Series E—to fund water quality enhancement projects in economically distressed areas ($10,000,000);
Series F—to fund loans to political subdivisions, including nonprofit water supply corporations, for water supply purposes ($2,000,000).

Dates: Board Approval—December 18, 1992
Competitive Sale—January 21, 1993
Delivery Date—February 17, 1993

Structure: The bonds were issued in registered form with annual serial maturities. The final maturity is in 2015.

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

Consultants:
Bond Counsel—
McCall, Parkhurst & Horton, L.L.P.
(water supply and storage participation bonds)
Vinson & Elkins, L.L.P.
(water quality enhancement and flood control bonds)
Financial Advisor—First Southwest Company
Senior Underwriter—The First Boston Corporation
(Series A, B, C, D & E)
Lehman Brothers
(Series F)

Interest Rates:

True Interest Cost—	5.90%	Series A, B & D ($40,000,000)
	5.91%	Series C & E ($12,000,000)
	8.05%	Series F ($2,000,000)
Net Interest Cost—	5.89%	Series A, B & D ($40,000,000)
	5.90%	Series C & E ($12,000,000)
	8.00%	Series F ($2,000,000)

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 57,914.81	$ 1.11
Financial Advisor	29,892.37	0.55
Rating Agencies	22,500.00	0.42
Printing	7,719.88	0.14
Attorney General's Fee	5,500.00	0.10
Advertising	2,026.60	0.04
	$ 125,553.66	$ 2.36
Underwriter's Spread	$ 481,600.00	$ 8.92

UNIVERSITY OF HOUSTON SYSTEM

Issue: University of Houston System, Consolidated Revenue Refunding Bonds, Series 1993—$41,200,000.

University of Houston System, Consolidated Revenue Bonds, Series 1993A—$26,085,000.

Purpose: The proceeds of the refunding bonds were used to refund $36,440,000 of callable Consolidated Revenue Refunding Bonds, Series 1990 A & B, and to pay for the costs of issuance. The proceeds of the new-money revenue bonds will be used to construct an athletic/alumni facility at the University of Houston.

Dates: Board Approval—May 20, 1993
(Refunding bonds only)
Board Approval—July 22, 1993
Negotiated Sale—July 28, 1993
Delivery Date—August 12, 1993

Structure: The bonds were sold as fixed rate tax-exempt securities with a final maturity in 2018. The bonds are insured.

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

Consultants: Bond Counsel—Vinson & Elkins, L.L.P.
Co-Bond Counsel—Medina & Associates
Financial Advisor—Masterson Moreland Sauer Whisman, Inc.
Senior Underwriter—Lehman Brothers
Co-Senior Underwriter—Rauscher Pierce Refsnes, Inc.

Interest Rates: True Interest Cost—5.59%
Net Interest Cost—5.41%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 50,000.00	$ 0.74
Financial Advisor	65,000.00	0.96
Rating Agencies	42,500.00	0.63
Printing	9,766.78	0.15
Escrow Agent	8,750.00	0.13
Verification Agent	14,000.00	0.21
Miscellaneous	7,974.34	0.12
	$ 197,991.12	$ 2.94
Underwriter's Spread	$ 409,117.10	$ 6.08

UNIVERSITY OF TEXAS SYSTEM

Issue: University of Texas System, General Tuition Revenue Refunding Bonds, Series 1992—$35,340,000.

Purpose: The proceeds of the refunding bonds were used to advance refund Series 1986 bonds with maturities ranging from 1998 through 2002. The refunding will obtain savings and release $1.8 million in excess reserve funds, which will be used for qualifying capital projects at campuses of the System.

Dates: Board Approval—October 22, 1992
Negotiated Sale—December 15, 1992
Delivery Date—January 12, 1993

Structure: The bonds were issued as fixed rate tax-exempt securities. The bonds have final maturity in 2002.

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

Consultants: Bond Counsel—McCall, Parkhurst & Horton, L.L.P.
Co-Bond Counsel—Lannen & Moye, P.C.
Senior Underwriter—PaineWebber Inc.

Interest Rates: True Interest Cost—5.41%
Net Interest Cost—5.38%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 37,489.59	$ 1.06
Rating Agencies	41,600.00	1.18
Printing	9,976.36	0.28
Escrow Agent	3,000.00	0.08
Escrow Verification	7,500.00	0.21
Miscellaneous	1,209.03	0.04
	$ 100,774.98	$ 2.85
Underwriter's Spread	$ 208,859.40	$ 5.91

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, Housing Assistance General Obligation Bonds, Series 1993—$125,000,000.

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

Dates: Board Approval—December 18, 1992
Negotiated Sale—January 12, 1993
Delivery Date—January 28, 1993

Structure: The bonds were sold as fixed rate tax-exempt securities, with the final maturity in 2023. The bonds mature semi-annually from December 1, 1993, through December 1, 2005. A "super sinker" term bond matures in 2012 with mandatory semi-annual redemption beginning in 2006. Another term bond matures in 2023 with mandatory semi-annual redemption beginning in 2013.

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

Consultants: Bond Counsel—Vinson & Elkins, L.L.P.
Co-Bond Counsel—Lannen & Moye, P.C.
Financial Advisor—Rauscher Pierce Refsnes, Inc.
Senior Underwriter—The First Boston Corporation

Interest Rates: True Interest Cost—6.55%
Net Interest Cost—6.51%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 89,787.00	$ 0.72
Financial Advisor	44,480.00	0.36
Rating Agencies	34,500.00	0.27
Printing	12,375.00	0.10
Miscellaneous	12,672.00	0.10
	$ 193,814.00	$ 1.55
Underwriter's Spread	$1,250,000.00	$ 10.00

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, Veterans Land Bonds, Series 1993—$35,000,000.

Purpose: Proceeds of the bonds were used to purchase land to be resold to eligible Texas veterans and surviving spouses.

Dates: Board Approval—September 17, 1992
Board Amendment—December 18, 1992
Negotiated Sale—January 13, 1993
Delivery Date—January 28, 1993

Structure: The bonds were sold through a negotiated sale as fixed rate tax-exempt securities, with the final maturity in 2022.

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

Consultants: Bond Counsel—Johnson & Gibbs, L.L.P.
Financial Advisor—Rauscher Pierce Refsnes, Inc.
Co-Senior Underwriter—The First Boston Corporation
Co-Senior Underwriter—Walton Johnson & Company

Interest Rates: True Interest Cost—6.51%
Net Interest Cost—6.56%

Issuance Costs:

	Fees	Per $1,000
Bond Counsel	$ 46,694.00	$ 1.33
Financial Advisor	12,455.00	0.36
Rating Agencies	13,000.00	0.37
Printing	2,800.00	0.08
Miscellaneous	20,066.00	0.58
	$ 95,015.00	$ 2.72
Underwriter's Spread	$ 246,750.00	$ 7.05

Definition of Terms

Call: The exercise of the right of the issuer to prepay its debt prior to the specified maturity date on a specified date at a specified price at or above par.

Capital Appreciation Bonds (CABs): A long-term security sold at a large discount. The yield, or accretion, is reinvested at a stated rate until maturity at which time the investor receives total payment. The payment represents both principal and interest.

Commercial Paper: Short-term promissory notes with maturities of substantially less than one year, usually from 1 to 270 days. Most instruments are discounted, although some are interest bearing. Commercial paper may be rolled over through the issuance of new notes or reissued, as needed. Remarketing and liquidity facilities are generally included as part of the transaction.

Current Interest Bonds: Bonds in which periodic interest payments are made.

Inverse Floaters: A bond issue which is sold in two equal variable rate portions, one of which varies with interest rates (the "floater") and the other which varies inversely with interest rates (the "inverse"). The issuer of the bonds pays a fixed rate which is allocated between the variable rate portions.

Liquidity Facility: A provision whereby an entity agrees to lend funds in the event that a remarketing agent is unable to remarket obligations. The provider of a liquidity facility is normally a bank that extends a letter or line of credit to an issuer of variable rate debt or commercial paper. However, in some cases, an institution of higher education or the State Treasurer may provide the liquidity facility.

Net Interest Cost (NIC): A measure of interest cost that is distinguished from the true interest cost (TIC) in that the NIC does not take into account the time value of money. The interest cost is derived by adding together all interest payments for the term of the issue, then dividing that sum by the sum for all bonds of the amount of each bond multiplied by the number of years it is outstanding. If the bonds are issued at a discount, the amount of the discount is added to the interest total. If the bonds are issued at a premium, that amount is subtracted from the interest total.

Refunding Bond: A bond issued to retire or defease a bond that is already outstanding. If the new bonds are issued within 90 days of the call date or maturity date on the old bonds, the refunding is called a "current refunding;" otherwise, the refunding is called an "advance refunding."

Remarketing Agent: The firm that buys back and resells to investors variable rate obligations that have been "put" or commercial paper that has matured.

Serial Bonds: A bond issue in which some bonds mature each year over a period of years.

Super Sinker Bond: A long-term bond with a potentially short maturity. A super sinker is typically a housing bond associated with home financing. A super sinker bond has a specifically identified long-term maturity, but may be redeemed early with mortgage prepayments received by the issuer of the bonds.

Term Bonds: Bonds that have a single stated maturity date. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity or for payment at maturity.

True Interest Cost (TIC): A measure of the interest cost of an issue that takes into account the time value of money. The TIC is the rate that will discount all future payments so that the sum of their present values equals the original purchase price of the bonds.

Variable Rate Obligations: A note or bond upon which the interest rate is periodically changed according to the rise and fall of either a certain interest rate index or a specified fixed income security. These obligations may be issued with interest rates subject to daily, weekly or longer adjustments. The bondholder has the right on specified dates, upon notice, to demand that the obligation be purchased (or redeemed) by the issuer (the "put").

Verification Agent: A firm that verifies the adequacy of the federal securities in the escrow used to pay the debt service on refunded bonds that have been defeased.

APPENDIX B

TEXAS COMMERCIAL PAPER AND VARIABLE RATE NOTE OR BOND PROGRAMS

During the past few years, several state agencies and higher education institutions have established variable rate debt programs that provide financing for equipment or capital projects or provide loans to eligible entities.

As of August 31, 1993, a total of $1.295 billion was authorized for state commercial paper or variable rate note or bond programs. Of this amount, $286 million was outstanding as of the end of fiscal 1993 *(Table 18)*. (The figures shown in *Table 18* were included in the bonds outstanding and authorized but unissued figures reported in Chapter 5.)

A brief summary of each variable rate debt program follows.

University of Texas System

The University of Texas has authorized two variable rate financing programs, one secured by the income from the Permanent University Fund (PUF) and the other secured by revenues of the University of Texas System. The University has the authority to issue up to $250 million in PUF variable rate notes; however, as of August 31, 1993, there were no variable rate notes outstanding.

The System's variable rate note program was established in 1990 to provide interim financing for capital projects, including construction, acquisition, renovation, or equipping of facilities. The notes are secured by a pledge of all legally available revenues of the University

TABLE 18

Texas Commercial Paper and Variable Rate Note or Bond Programs as of 8/31/93

Issuer	Type of Program	Authorized Amount	Amount Outstanding
University of Texas			
Permanent University Fund	Variable Rate Notes	$250,000,000	$0
UT System	Variable Rate Notes	100,000,000	52,811,000
Texas A&M University			
Permanent University Fund	Variable Rate Notes	95,000,000	40,000,000
Texas A&M System	Commercial Paper	125,000,000	50,000,000
Texas Department of Agriculture	Commercial Paper	25,000,000	20,000,000
Texas Department of Commerce	Commercial Paper	25,000,000	25,000,000
Texas Water Development Board	Variable Rate Demand Bonds	100,000,000	50,000,000
Texas Public Finance Authority			
Revenue	Commercial Paper	75,000,000	48,600,000
General Obligation	Commercial Paper	500,000,000	0
TOTAL		**$1,295,000,000**	**$286,411,000**

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

of Texas System, including pledged tuition fees, general fees, and other revenue sources. In fiscal 1994, the System plans to increase the authorized amount of notes from $100 million to $150 million, convert to self liquidity, and expand the pledge to include tuition revenues.

Texas A&M University System

The Texas A&M University System has also authorized two variable rate financing programs: a variable rate note program secured by PUF interest earnings and a commercial paper program secured by University System revenues. The A&M PUF note program was established in 1988 to provide interim financing for eligible construction projects.

The System's commercial paper program was established in 1992 to provide interim financing for capital projects, including construction, acquisition, renovation, or equipping of facilities throughout the A&M System. The commercial paper is secured by a pledge of all legally available revenues to the Texas A&M University System, including pledged tuition fees, general fees, and other revenue sources. The System has a self-liquidity facility for this program. In fiscal 1994, the System plans to expand the pledge to include tuition revenues.

Texas Department of Agriculture

In 1991, the Texas Department of Agriculture was authorized to establish a $25 million commercial paper program through the Texas Agricultural Finance Authority (TAFA). The Authority issues commercial paper to purchase and guarantee loans made to businesses involved in the production, processing, marketing, and export of Texas agricultural products. The commercial paper is a general obligation of the state; however, the program is designed to be self-supporting.

Texas Department of Commerce

In 1992, the Texas Department of Commerce (TDOC) was granted the authority to issue up to $25 million in commercial paper to fund loans to Texas businesses under the following three programs: (1) loans to local industrial development corporations secured by revenues from a local optional one-half cent sales tax for economic development, (2) the purchase of small business loans which are fully guaranteed by the Small Business Administration, and (3) loans made directly to businesses from program reserves. Currently, TDOC is focusing on loans to local industrial development corporations.

The commercial paper issued by TDOC is taxable. The program is designed to be self-supporting.

Texas Water Development Board

As part of the State Revolving Fund program, the Texas Water Development Board (TWDB) is authorized to issue up to $100 million in subordinate lien variable rate demand revenue bonds (VRDBs). The proceeds from the VRDBs go into the State Revolving Fund, which is used to buy bonds of political subdivisions issued to finance sewage treatment capital projects. The State Revolving Fund also receives funds from the Environmental Protection Agency, state general obligation bond proceeds, and senior lien long-term revenue bond proceeds.

Texas Public Finance Authority

In 1992, the Texas Public Finance Authority (TPFA) established a Master Lease Purchase Program (MLPP) that is funded through commercial paper. The commercial paper issued to date has been used to finance the purchase of equipment, primarily computers and telecommunications equipment. TPFA also has the authority to use commercial paper to provide interim financing for capital projects undertaken on behalf of state agencies.

TPFA's MLPP commercial paper is a special revenue obligation of the state, payable only from legislative appropriations to the participating agencies for lease payments.

In fiscal 1994, TPFA plans to convert the existing commercial paper into fixed rate bonds in order to use the commercial paper authorization to finance new lease purchases.

Toward the end of fiscal 1993, TPFA established another commercial paper program that will be secured by the state's general obligation pledge. The proceeds will be used to provide interim financing for capital projects that have been authorized by the Legislature to be financed through general obligation bonds. The liquidity facility will be provided by the State Treasury. The first issuance of commercial paper under this program is scheduled to occur during the first quarter of fiscal 1994. TPFA plans to eventually roll out the commercial paper into fixed rate long-term general obligation bonds.

Legislation Passed to Enable State Treasurer to Serve as Liquidity Facility Provider

The 73rd Legislature passed new legislation in 1993 that allows the State Treasurer to enter into agreements to provide liquidity for obligations issued for governmental purposes by an agency of the state as long as the agreements do not conflict with the liquidity needs of the Treasury. Eligible obligations include commercial paper, variable rate demand obligations, and bonds. Although Treasury funds will not be sufficient to cover all state variable rate debt programs, the use of state funds for liquidity will produce a significant savings for the state.

Appendix C

Texas State Bond Programs

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 not 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

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:

James McWhorter
Assistant Commissioner for Administration
Texas Higher Education Coordinating Board
(512) 483-6160

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 not 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. and, effective September 1, 1993, all tuition revenues (H.B. 2058).

CONTACT:
Individual colleges and universities.

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 not 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:
Tom Larkin
Program Administrator
Texas Department of Commerce
(512) 320-9653

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 not 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.

CONTACTS:

Scott McGuire	Natalia Sanchez
Director of Housing Finance	Chief Financial Officer
Tx Department of Housing & Community Affairs	Tx Department of Housing & Community Affairs
(512) 475-2122	(512) 475-3345

FARM AND RANCH LOAN BONDS

STATUTORY/CONSTITUTIONAL AUTHORITY:
Article III, Section 49f of the Texas Constitution, adopted in 1985, authorizes the issuance of 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 $150,000 to eligible Texans for the purchase of farms and ranches. The program has been dormant. The program was transferred from the Veterans Land Board to the Texas Agricultural Finance Authority (TAFA) with the passage of House Bill 1684 by the 73rd session of the Legislature. TAFA is to administer the program, and the Veterans Land Board will administer the Fund.

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 Texas Agricultural Finance Authority. The program is designed to be self-supporting. No draw on general revenue is anticipated.

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

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 may be 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. (Effective September 1, 1995, the constitutional appropriation will increase from $100 million to $175 million.)

DEDICATED/PROJECT REVENUE:
None. Debt service is payable solely from the state's General Revenue Fund.

CONTACT:
Individual colleges and universities.

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:
The bonds are obligations of the Council and are payable from lease or other project revenues. The Council's bonds

are not 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:
Susan Albers
General Counsel
Texas State Treasury
(512) 463-5971

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) 406-6905

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. Senate Bill 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 University of Texas and Texas 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	John A. Roan
Director of Treasury Services	Exec. Director of Finance
Tx A&M University System	University of Tx System
(409) 845-4046	(512) 499-4323

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 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, construct, 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 commercial paper for the Master Lease Purchase Program are used to finance equipment, and may also be used to finance construction and renovation of buildings 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 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 L. Schwartz
Executive Director
Texas Public Finance Authority
(512) 463-5544

PUBLIC SCHOOL FINANCE PROGRAM

STATUTORY/CONSTITUTIONAL AUTHORITY:

The 1989 Texas Legislature adopted the Public School Facilities Funding Act (S.B. 951, 71st Legislature, amended in S.B. 3, 71st Legislature, Sixth Called Session and H.B. 1608, 73rd 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; for equipment and minor repair; for cash management purposes; and for refunding of school district bonds.

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 for bonds issued under Subchapter A, Chapter 271, Local Government Code, and Chapter 20.49 of the Education Code. Bonds issued with the guarantee of the Texas Permanent School Fund may draw on the principal of the Fund in the event of a pending default.

CONTACTS:

Paul Williams
Deputy Treasurer
Texas State Treasury
(512) 463-6048

Sonja Suessenbach
Director of Public School Facilities Funding Program
Texas 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 non-profit 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 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:

The bonds are obligations of the Corporation. The Corporation's bonds are not 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 Capital Development
Texas Department of Commerce
(512) 320-9689

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. Senate Bill 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 can 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.

Revenue bonds are sole 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 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:
Robert P. Carpenter
Director for Fiscal Affairs
Texas National Research Laboratory Commission
(214) 709-3815

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 to finance 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

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 49d-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:

Kevin Ward
Development Fund Manager
Texas Water Development Board
(512) 463-7867

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 not 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:
Kevin Ward
Development Fund Manager
Texas Water Development Board
(512) 463-7867

Appendix D

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.

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In compliance with the Americans with Disabilites Act, this document may be requested in alternate formats by contacting or visiting:

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Street: 300 W. 15th St., Ste. 409
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Mail: P.O. Box 13292
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1-512-463-1741
or
1-800-732-6637