Texas Bond Review Board Annual Report 2000

Fiscal Year Ended August 31, 2000

George W. Bush, Governor
Chairman
Rick Perry, Lieutenant Governor
James E. "Pete" Laney, Speaker of the House of Representatives
Carole Keeton Rylander, Comptroller of Public Accounts

Jim Buie
Executive Director

November 2000

Introduction

The Texas Bond Review Board (BRB) is responsible for the approval of all state bond issues and lease purchases with an initial principal amount of greater than $250,000 or of a term longer than five years. The BRB also is responsible for the collection, analysis, and reporting of information on the debt of local political subdivisions in Texas. Lastly, the BRB is charged with the responsibility of administering the state's private activity bond allocation program. This report discusses the activities undertaken by the Board, and related events of the past fiscal year.

The Texas economy continues to perform well, experiencing employment growth at a rate higher than that of the United States. Employment opportunities are more diverse across sectors, consumer confidence has increased, and the Gross State Product is increasing at a steady, but more sustainable pace, than previous years. The performance of the economy is reflected in the state's financial position, with the ending General Revenue Fund balance totaling approximately $3.8 billion, a slight decrease from 1999. Other funds and petty cash increased by approximately 74 percent to $9.7 billion in 2000. The total of all funds increased by 37 percent to $13.58 billion for fiscal 2000.

Tax-supported debt ratios for Texas rank favorably with other states, including comparisons with the ten most populous states and those rated AAA by the three major rating agencies. Although tax-supported debt outstanding increased modestly during the past fiscal year, due to the increase in unrestricted general revenue, the percentage of these funds utilized for debt service also increased. Bureau of the Census figures depict the significant level of local debt burden in the state as a percentage of combined state and local debt, and contrasts Texas with the ten most populous states. The state remains well below its constitutional debt limit of 5 percent, with a ratio of 2.03 percent, a decrease of 8 percent from fiscal year 1999, due primarily to increases in general revenues.

Approximately $2.13 billion in new-money and refunding bonds and commercial paper was issued by state agencies and institutions of higher education in fiscal 2000. The refunding transactions resulted in net present value savings of approximately $8.9 million for state issuers. Projections for the upcoming fiscal year forecast a similar level of state debt issuance.

Issuance cost data for the transactions that closed in fiscal 2000 reveals the average issuance cost for state bonds was $547,496, or $9.15 per $1,000 in bonds issued. This is a decrease of 5 percent in total average costs per issue from last fiscal year, on a per $1,000 basis. The average issue size decreased by 29 percent to $68.3 million in fiscal 2000.

Although the state's private activity bond volume cap increased to $1,002,207,050 from $988 million in 2000, the program experienced application demand of $3.44 billion, more than 343 percent of the available authority. Initial applications for the 2000 program year indicate a similar level of requests, $3.20 billion, for bond allocation authority to finance "private activities" such as housing, industrial development, pollution control, and student loans.

The report concludes with five appendices. Appendix A provides a detailed description of each state bond transaction that closed in fiscal 2000. Appendix B reports on commercial paper and variable rate debt programs used by state agencies and universities. Appendix C is a brief discussion of each of the state's bond issuing entities, and Appendix D contains the BRB's current administrative rules. Appendix E contains a glossary of public finance terms and definitions.

Acknowledgments

The Board's 2000 Annual Report is a result of significant contributions and efforts by:

Board Alternates
- Wayne Roberts
- Danette Rich
- Mike Morrissey
- Leslie Lemon
- Lita Gonzalez

Bond Finance Office Staff
Texas Comptroller of Public Accounts
Issuers of Texas State Bonds

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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.

CHAPTER I
Texas Debt in Perspective

Total debt outstanding in the state of Texas remains concentrated at the local level. State debt continues to account for less than 20 percent of the total state and local debt outstanding. Comparisons with other states reveal that Texas' overall debt position is manageable.

Texas' Financial Position Remains Positive

Texas ended the fiscal year on a positive note with a General Revenue Fund cash balance of $3.8 billion. This represents an 11.6 percent decrease over the fiscal 1999 balance of $4.3 billion. This marks the thirteenth straight year that Texas has ended the fiscal year in the black *(Figure 1)*.

Net revenues and other cash sources totaled $75 billion, as did net expenditures *(Table 1)*. Total tax collections received in the General Revenue Fund increased by 7 percent over fiscal 1999. During fiscal 2000, the state's primary source of revenue, the sales tax, contributed 55 percent of the total taxes received. Sales taxes increased by 7 percent from the previous fiscal year. Two other large contributors to the tax base of the state, the motor vehicle sales and motor fuels tax, increased by 12 and 4 percent, respectively.

76th Legislature Passes $98.1 Billion Budget

The 76th Legislature convened in Austin in January 1999 and developed the budget for the 2000-01 biennium. This budget, House Bill 1, calls for total expenditures of $98.1 billion, an increase of 10.9 percent over actual expenditures for the 1998-99 biennium. Included in this all-funds amount was $61.4 billion of dedicated and non-dedicated general revenue spending. This was an increase of $8.3 billion, or 15.6 percent, over the 1998-99 biennium

Table 1

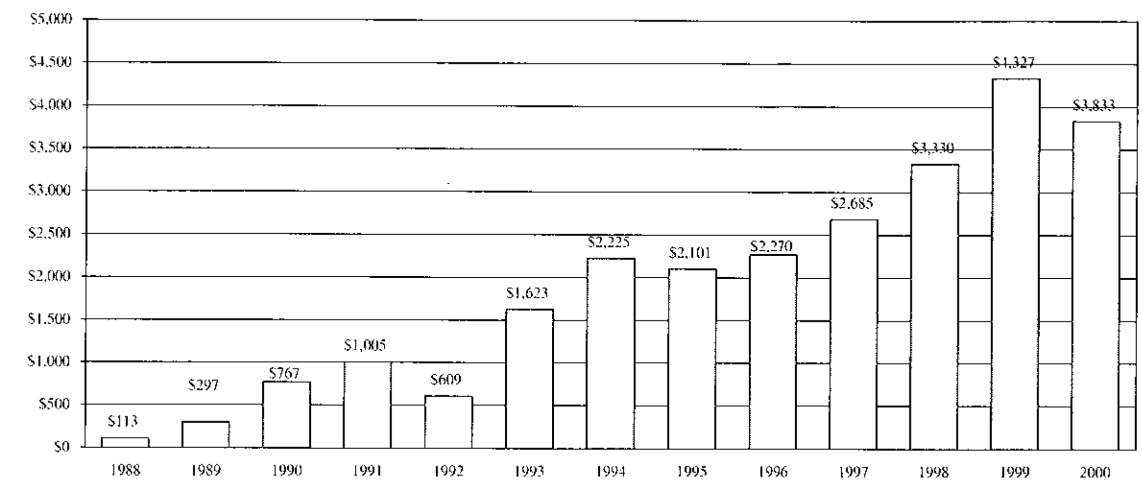
STATEMENT OF CASH CONDITION
CONSOLIDATED GENERAL REVENUE FUND
(amounts in thousands)

	Fiscal 1999	Fiscal 2000	Percent Change
Revenues and Beginning Balance			
Beginning Balance, September 1	$ 3,329,944	$ 4,336,448	30.23%
Tax Collections			
Sales Tax	13,069,131	13,976,657	6.94%
Oil Production Tax	210,813	416,620	97.63%
Natural Gas Production Tax	488,583	697,666	42.79%
Motor Fuels Taxes	2,592,571	2,688,158	3.69%
Cigarette and Tobacco Taxes	623,569	531,853	-14.71%
Motor Vehicle Sale/Rental, Mfg. Housing Sale	2,483,240	2,782,017	12.03%
Franchise Tax	2,077,633	2,065,276	-0.59%
Alcoholic Beverages Taxes	483,172	514,803	6.55%
Insurance Occupation Taxes	811,707	796,567	-1.87%
Inheritance Tax	256,277	278,485	8.67%
Hotel and Motel Tax	219,917	235,804	7.22%
Utilities Taxes	265,798	264,424	-0.52%
Other Taxes	32,200	35,438	10.06%
Total Tax Collections	$23,614,611	$25,283,768	7.07%
Federal Income	$12,335,967	$12,912,718	4.68%
Interest & Investment Income	170,724	171,266	0.32%
Licenses, Fees, Permits, Fines, & Penalties	3,244,225	3,240,043	-0.13%
Contributions to Employee Benefits	100,434	116,545	16.04%
Sales of Goods and Services	179,618	184,657	2.81%
Land Income	18,328	18,900	3.12%
Settlements of Claims	1,108,587	315,162	-71.57%
Net Lottery Proceeds	1,421,261	1,304,198	-8.24%
Other Revenue Sources	1,225,728	1,062,778	-13.29%
Interfund Transfers / Investment Transactions	28,632,165	30,427,694	6.27%
Total Net Revenue and Other Sources	$72,051,648	$75,037,729	4.14%
Expenditures and Ending Balance			
General Government	$ 1,541,720	$ 1,609,584	4.40%
Health and Human Services	16,024,537	16,322,275	1.86%
Public Safety and Correction	2,582,088	2,736,167	5.97%
Education	15,573,289	17,344,324	11.37%
Employee Benefits	1,592,676	1,739,625	9.23%
Lottery Winnings Paid	323,735	249,692	-22.87%
Other Expenditures	1,167,124	1,254,441	7.48%
Interfund Transfers / Investment Transactions	32,213,373	34,247,850	6.32%
Total Expenditures and Other Uses	$71,018,542	$75,503,958	6.32%
Ending Balance, August 31	$ 4,363,050	$ 3,870,219	-11.30%

Source: Texas Comptroller of Public Accounts.

Figure 1

ENDING CASH BALANCE IN TEXAS' GENERAL REVENUE FUND
(millions of dollars)



* Of the ending cash balance, approximately $1.2 billion in 1994, and $1.4 billion in 1995 were attributable to the consolidation of funds into the General Revenue Fund.

Source: Texas Comptroller of Public Accounts.

general revenue funding. As required by the Texas Constitution, the State Comptroller certified that sufficient revenue is available to pay for the state's 2000-01 budget.

Of the total $98.1 billion (all funds) that will be spent during the biennium, 62.6 percent will come from appropriated general revenue and dedicated general revenue funds. Federal funds will comprise 27.7 percent of the state's available revenues, with the remainder, 9.2 percent, coming from other sources.

Major funding changes from the 1998-99 biennium of dedicated general revenue and non-dedicated general revenue include: (1) a 17.2 percent increase of funding for public education, (2) an increase of 9.9 percent for institutions of higher education and, (3) a 3.9 percent increase of funding for health and human services. The Texas Legislature allocated agencies of education and health and human services 61.5 and 18 percent, respectively, of 2000-01 general revenue and dedicated general revenue funds. Public safety and criminal justice is the third largest expenditure of dedicated and non-dedicated general revenue and will consume 10.7 percent of these funds in 2000-01. This amount is an increase of 8.8 percent over 1998-99 funding levels.

Texas GO Bonds Recently Upgraded in 1999 from Aa2 to Aa1

The major credit rating agencies, Moody's, Standard and Poor's, and Fitch IBCA, currently rate Texas general obligation debt Aa1/AA/AA+, respectively.

When making their assessments, rating agencies assess the likelihood of timely repayment of principal and interest. Those entities with the strongest credit quality are assigned a rating of AAA. Ratings of AA or A also indicate good quality credit, but not as strong as AAA ratings *(Table 2)*.

Texas' AAA rating was downgraded in 1987 due to the economic recession experienced by the state during the 1980s. Since that time, however, there has been considerable improvement in the diversification of the state's economic base. A steady transition from a mining (oil & gas) economy to one based increasingly on services and manufacturing has broadened the state's sources of revenue.

In June 1999, Moody's Investors Services upgraded the state's general obligation debt from Aa2 to Aa1. The core factors that led to the increase in the rating are: (1) the state's economic expansion, (2) reduced dependence on oil and gas, (3) debt ratios remain low, (4) states finances are balanced (5) increasing cash balances, and (6) tobacco settlement funds are targeted for health and higher education. The risks associated with Texas' general obligation credits are: (1) future of internet taxation; and (2) modest fiscal reserves.

Although Moody's elected to upgrade the state's debt rating, Standard & Poor's elected to downgrade the state's ratings outlook from "positive" to "stable." The agency cited a modest level of financial reserves ("rainy day fund") as the primary reason for the downgrade. The agency's analysis concluded that the state's financial flexibility could become impaired without adequate financial reserves that are supported by a financially sound budget.

Ten States Receive Rating Upgrades in FY 2000

The improved financial condition of state governments throughout the United States has led to a number of rating upgrades for state general obligation bonds by the three major rating agencies during fiscal year ended August 2000 *(Table 3)*.

Moody's Investors Services upgraded the general obligation debt for Arkansas, Massachusetts, Rhode Island, and Vermont during fiscal 2000. Standard & Poor's issued upgrades for California, Delaware, and New York. Fitch IBCA issued upgrades for Maine, Rhode Island, Illinois and West Virginia.

Texas Bonds Trading Closer to AAA-Rated Bonds

Investors determine the rate of interest they will demand for the use of their money based upon the credit ratings of the issuer and the economic conditions prevailing at the time of purchase. Those entities with lower credit ratings will be required to pay higher rates of interest.

Of the thirty-nine states that have general obligation debt outstanding, twenty-eight have Moody's ratings of Aa2 or better. Standard and Poor's has assigned ratings of AA or better to thirty-two states, and Fitch has assigned ratings of AA or better to thirty-three states.

The "relative value" of a state's bonds is determined by how its bonds trade in relation to another state's bonds. This "relative value" can be used as a gauge to determine how the bonds should be priced at the initial pricing, as well as how they trade on the secondary market.

The Chubb Corporation compiles yield differences from a semi-annual poll of major municipal bond dealers. Traders are asked to express the average yield they demand on the general obligation debt of a number of states relative to the benchmark state.

According to the July 2000 study, Texas general obligation bonds are trading an average of 0.088 percentage points above the interest rate on the benchmark general obligation bond.[1] This is up from the 0.074 that was recorded the previous year, but down considerably from 1987's 0.36 percentage points. The economic performance of Texas, and its resulting increased tax revenue, is responsible for the improved trading value of Texas' bonds.

Texas general obligation bonds were trading 0.104 percentage points above the average of the nine states rated AAA by Moody's, and Standard & Poor's. This is an improvement from the 0.11 percentage points recorded last year and the 0.12 percentage points recorded in fiscal 1996 and 1995, but a decline from .086 and .091 percentage points posted in fiscal 1997 and 1998, respectively.

Table 2

STATE GENERAL OBLIGATION BOND RATINGS
August 2000

State	Moody's Investors Service	Standard & Poor's Corporation	Fitch IBCA
Alabama	Aa3	AA	AA
Alaska	Aa2	AA	AA
Arkansas	Aa2	AA	*
California	Aa3	AA	AA
Connecticut	Aa3	AA	AA
Delaware	Aaa	AAA	AAA
Florida	Aa2	AA+	AA
Georgia	Aaa	AAA	AAA
Hawaii	A1	A+	AA
Illinois	Aa2	AA	AA+
Louisiana	A2	A-	A
Maine	Aa2	AA+	AA+
Maryland	Aaa	AAA	AAA
Massachusetts	Aa2	AA-	AA-
Michigan	Aa1	AA+	AA+
Minnesota	Aaa	AAA	AAA
Mississippi	Aa3	AA	AA
Missouri	Aaa	AAA	AAA
Montana	Aa3	AA-	*
Nevada	Aa2	AA	AA
New Hampshire	Aa2	AA+	AA+
New Jersey	Aa1	AA+	AA+
New Mexico	Aa1	AA+	*
New York	A2	A+	A+
North Carolina	Aaa	AAA	AAA
Ohio	Aa1	AA+	AA+
Oklahoma	Aa3	AA	AA
Oregon	Aa2	AA	AA
Pennsylvania	Aa3	AA	AA
Rhode Island	Aa1	AA-	AA
South Carolina	Aaa	AAA	AAA
Tennessee	Aa1	AA+	AAA
TEXAS	Aa1	AA	AA+
Utah	Aaa	AAA	AAA
Vermont	Aa1	AA	AA
Virginia	Aaa	AAA	AAA
Washington	Aa1	AA+	AA+
West Virginia	Aa3	AA-	AA
Wisconsin	Aa2	AA	AA+

* Not Rated

Sources: Moody's Investors Service, Standard & Poor's Ratings Services, and Fitch IBCA.

Table 3

UPGRADES AND DOWNGRADES IN STATE GENERAL OBLIGATION BOND RATINGS
June 1999 to August 2000

State	Rating Change	Agency
Upgrades		
Arkansas	Aa3 to Aa2	Moody's
California	A+ to AA	S&P's
Delaware	Aa1 to Aaa	Moody's
	AA+ to AAA	S&P's
Hawaii*	AA	Fitch IBCA
Illinois	AA to AA-	Fitch IBCA
Maine	AA to AA+	Fitch IBCA
Massachusetts	Aa3 to Aa2	Moody's
New York	A to A+	S&P's
Rhode Island	A1 to Aa1	Moody's
	AA- to AA	Fitch IBCA
Vermont	Aa2 to Aa1	Moody's
West Virginia	AA- to AA	Fitch IBCA
Downgrades		
Tennessee	Aaa to Aa1	Moody's
	AAA to AA+	S&P's

* New rating.
Sources: Moody's Investors Service, Standard & Poor's Ratings Services, and Fitch IBCA.

Texas' Debt Ratios Compare Favorably Among the Fifty States and Those Rated AAA

The current debt position for the state of Texas compares favorably to other states. During 2000, Texas fell from 36th among all states to 38th in net tax-supported debt per capita according to *Moody's 2000 State Debt Medians (Table 4)*. According to the Moody's report, Texas has $295 in net tax-supported debt per capita compared to a national median of $505 and an average of $727. Using the Moody's data to compare Texas' net tax-supported debt per capita among the ten most populous states, the state's $295 compares favorably against a median of $679. The average net tax-supported debt among these ten states was $855.

Another method of comparing Texas' current debt position is to compare it against the nine states rated Aaa/AAA/AAA by Moody's, Standard and Poor's, and Fitch IBCA respectively *(Table 5)*. Ranked against these states, Texas' net tax-supported debt per capita ranks 8th. Maryland had the highest net tax-supported debt at $895, while Tennessee ranked 10th at $227 per capita.

According to U.S. Department of Commerce figures, Texas' position in 1999 personal income per capita is 26th among the fifty states at $26,858. This amount is above the national median of $26,376 and below the national average of $27,239 for states rated AAA.

However, when compared against those states rated AAA by the three major rating agencies, Texas ranks above five of the states: North Carolina, South Carolina, Tennessee, Utah, and Missouri.

Examining net tax-supported debt as a percentage of 1998 personal income shows that Texas ranks 39th among the fifty states. Among the nine states rated AAA, Texas is 8th at 1.2 percent. Only Missouri had a lower net tax-supported debt as a percentage of personal income. Texas came in below the national median of 2.2 percent and the national average of 2.7 percent.

Additional data provided by the U.S. Census Bureau shows that Texas' debt status among the ten most populous states is manageable *(Table 6)*. While Texas ranks 5th among the ten most populous states in terms of local debt per capita, it ranks 10th in state debt and 7th in combined state and local debt.

Debt Supported by General Revenue Increases

The use of general obligation debt by the state allows for "the full faith and credit of the state" to back the payment of the bonds. This pledge states that in the event that any revenue used to support the bonds is insufficient to repay the debt, the first monies coming into the Office of the Comptroller - Treasury Operations, not otherwise constitutionally appropriated, shall be used to pay the debt service on these obligations.

Some of these general obligation bonds, such as those issued by the Texas Veterans Land Board, are self-supporting. Others, however, such as those issued by the Texas Public Finance Authority to finance programs for the Texas Department of Criminal Justice, the Texas Department of Mental Health and Mental Retardation, and the Texas Youth Commission, are appropriated annual debt-service payments from the state's general revenue fund.

State debt service payable from general revenue continues to grow modestly as more general obligation debt is issued by the state. At the end of fiscal 2000, outstanding state debt payable from general revenue was $3.4 billion.

The Texas Legislature has appropriated $947.3 million in unrestricted general revenue funds for general obligation and revenue bond debt service during the 2000-01 biennium. Annual debt service as a percent of unrestricted general revenue during fiscal 2000 was 1.41 percent. This is a slight decrease from the 1.49 percent paid during fiscal 1999 *(Figure 2)*.

Although the debt outstanding, as well as the corresponding debt service payable from general revenue has seen a modest increase, the funds accessible to make payments have grown significantly. Unrestricted general revenue is typically considered the source available to make bond debt service payments and to fund appropriations for state operations. As the state's overall economic performance has improved, so has its effect on state finances *(Figure 3)*.

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

Texas continues to have a moderate amount of authorized but unissued debt on the books. This is debt that has been authorized by the Legislature, but has not been issued. As of August 31, 2000, approximately $382.4 million in bonds payable from general revenue had been authorized by the Legislature but remain unissued. Some of these authorized but unissued bonds may be issued at any time without further legislative action, and others would require a legislative appropriation of debt service prior to issuance.

If the state of Texas were to issue all the authorized but unissued debt, debt service from general revenue would increase by an estimated $126.5 million annually. If these additional bonds were issued, the outstanding general revenue debt would be approximately $3.6 billion.

Texas' Constitutional Debt Limit

The state of Texas is currently limited by its constitution as to the amount of tax-supported debt that may be issued. The 75th Legislature passed House Joint Resolution 59, which limits the amount of debt that may be issued. The resolution called for a constitutional amendment that was placed on the ballot and approved by the voters in November 1997.

This legislation states that additional tax-supported debt may not be authorized if the maximum annual debt service on debt payable from general revenue, including authorized but unissued debt, exceeds five percent of the average annual unrestricted General Revenue Fund revenues for the previous three fiscal years.

Table 4

SELECTED TAX-SUPPORTED DEBT MEASURES BY STATE

State	Moody's Rating	Net Tax-Supported Debt as a % of 1998 Personal Income	Rank	Net Tax- Supported Debt Per Capita**	Rank
Hawaii	A1	11.6%	1	$3,054	1
Connecticut	Aa3	8.1%	2	3,052	2
Massachusetts	Aa2	8.0%	3	2,612	3
New York	A2	6.4%	4	2,029	4
Rhode Island	Aa3	6.2%	5	1,661	6
New Jersey	Aa1	5.3%	6	1,804	5
Delaware	Aa1	5.2%	7	1,544	7
Mississippi	Aa3	4.7%	8	886	11
Washington	Aa1	4.6%	9	1,277	8
Vermont	Aa1	3.8%	10	925	9
Kentucky	Aa2	3.5%	11	760	13
Florida	Aa2	3.4%	12	866	12
Utah	Aaa	3.3%	13	693	16
West Virginia	Aa3	3.3%	14	641	20
New Mexico	Aa1	3.1%	15	625	21
Maryland	Aaa	3.0%	16	895	10
Georgia	Aaa	2.8%	17	697	15
Wisconsin	Aa2	2.7%	18	686	17
Ohio	Aa1	2.7%	19	668	18
Illinois	Aa2	2.6%	20	753	14
Kansas	*	2.4%	21	601	22
California	Aa3	2.4%	22	654	19
Louisiana	A2	2.4%	23	505	27
Alabama	Aa3	2.3%	24	503	28
Pennsylvania	Aa3	2.2%	25	601	23
Maine	Aa2	2.1%	26	488	29
Virginia	Aaa	2.1%	27	570	24
New Hampshire	Aa2	2.0%	28	567	25
Minnesota	Aaa	1.9%	29	513	26
Nevada	Aa2	1.8%	30	466	30
Montana	Aa3	1.7%	31	351	33
South Carolina	Aaa	1.6%	32	347	34
Arizona	*	1.6%	33	353	32
Michigan	Aa1	1.5%	34	398	31
South Dakota	*	1.5%	35	330	36
North Carolina	Aaa	1.4%	36	343	35
Oklahoma	Aa3	1.3%	37	282	39
Oregon	Aa2	1.3%	38	314	37
Texas	Aa1	1.2%	39	295	38
Wyoming	*	1.0%	40	238	42
Alaska	Aa2	1.0%	41	260	40
Missouri	Aaa	1.0%	42	245	41
Tennessee	Aaa	1.0%	43	227	43
Indiana	Aa1	0.9%	44	225	44
Arkansas	Aa3	0.9%	45	173	45
North Dakota	*	0.7%	46	147	46
Iowa	*	0.4%	47	106	47
Idaho	*	0.4%	48	84	48
Nebraska	*	0.1%	4	22	49
Colorado	*	0.0%	50	8	50
U.S. Median		**2.2%**		**$540**	
U.S. Mean		**2.7%**		**$727**	

* No general obligation debt
** Based on 1999 population figures

Sources: Moody's Investors Service 2000 *State Debt Medians, February 2000*, U.S. Bureau of Economic Analysis, and U.S. Census Bureau.

The debt limit ratio of 1.51 percent is for outstanding debt as of August 31, 2000. With the inclusion of authorized but unissued debt, the ratio increases to 2.03 percent. These figures are slightly less than 1.58 and 2.2 percent recorded during fiscal 1999.

Debt Burden In Texas Remains Unchanged at the Local Level

Data provided by the U.S. Census Bureau reveals that Texas' local debt burden has fallen into the range of 80 to 85 percent. At the national level, the use of local debt remains relatively unchanged *(Figure 4)*.

A breakdown among the ten most populous states shows that Texas ranks 5th in terms of local debt per capita. Local debt includes debt issued by cities, counties, school districts, and special districts.

During fiscal 2000, local debt per capita in Texas increased by 2.6 percent to $3,294. The increase in local debt per capita is a direct response to the growing infrastructure needs of the local communities. Due to the state's economic prosperity, many communities are experiencing significant population growth. This net migration to the state has forced many small and medium-sized communities to increase financing for infrastructure such as roads, school construction, water and wastewater service, etc. Due to the aforementioned factors, Texas' local debt per capita does not compare favorably to the national average of $2,884. In percentage terms, local debt accounts for 84.1 percent of the total $78.3 million of state and local debt outstanding in Texas.

When comparing the ten most populous states in terms of state and local debt per capita, the U.S. Census Bureau figures show that Texas ranks 7th on a combined basis at $3,917. The

Table 5

SELECTED DEBT MEASURES FOR TEXAS AND STATES RATED AAA

State	Rating *	Net Tax-Supported Debt as a % of 1998 Personal Income	Net Tax-Supported Debt Per Capita**	1999 Personal Income Per Capita
Utah	AAA	3.3	$693	$23,288
Maryland	AAA	3.0	895	32,465
Georgia	AAA	2.8	697	27,320
Virginia	AAA	2.1	570	29,789
Minnesota	AAA	1.9	513	30,793
South Carolina	AAA	1.6	347	23,545
North Carolina	AAA	1.4	343	26,003
TEXAS	AA	1.2	295	26,858
Missouri	AAA	1.0	245	26,376
Tennessee***	AAA	1.0	227	25,574
Median of AAA States		**1.9**	**$513**	**$26,376**
Mean of AAA States		**2.0**	**$503**	**$27,239**

* States listed as AAA are rated Aaa/AAA/AAA by Moody's, Standard & Poor's, and Fitch IBCA respectively. Texas is rated Aa1/AA/AA+ by Moody's, Standard & Poor's, and Fitch IBCA, respectively. Median and mean figures do not include Texas.

** Based on 1999 population figures.

*** In June and August 2000, Tennessee was downgraded to Aa1 and AA+ by S&P and Moody's respectively.

Sources: Moody's Investors Service 2000 *State Debt Medians, February 2000*, U.S. Census Bureau, and Bureau of Economic Analysis.

Table 6

1996-97 TOTAL STATE AND LOCAL DEBT OUTSTANDING: TEN MOST POPULOUS STATES

	Total State and Local Debt				State Debt				Local Debt			
State	Population (thousands)	Per Capita Rank	Amount (millions)	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount
New York	18,197	1	$151,539	$8,328	1	$74,078	48.9%	$4,071	1	$77,460	51.1%	$4,257
New Jersey	8,143	2	43,334	5,322	2	26,591	61.4%	3,266	9	16,743	38.6%	2,056
Pennsylvania	11,994	3	59,874	4,992	6	15,368	25.7%	1,281	2	44,506	74.3%	3,711
Florida	15,111	4	70,449	4,662	8	16,022	22.7%	1,060	3	54,427	77.3%	3,602
California	33,145	5	156,130	4,711	5	45,337	29.0%	1,368	4	110,793	71.0%	3,343
Illinois	12,128	6	52,159	4,301	3	23,801	45.6%	1,962	7	28,359	54.4%	2,338
TEXAS	**20,004**	**7**	**78,349**	**3,917**	**10**	**12,462**	**15.9%**	**623**	**5**	**65,887**	**84.1%**	**3,294**
Michigan	9,864	8	35,559	3,605	4	14,431	40.6%	1,463	8	21,128	59.4%	2,142
Georgia	7,788	9	25,884	3,324	9	6,186	23.9%	794	6	19,698	76.1%	2,529
Ohio	11,257	10	31,101	2,763	7	13,437	43.2%	1,194	10	17,663	56.8%	1,569
MEAN			**$70,438**	**$4,592**		**$24,771**	**36%**	**$1,708**		**$45,666**	**64%**	**$2,884**

Detail may not add to total due to rounding.

Source: U.S. Census Bureau, State and Local Government Finances by Level of Government and State: 1996-97.

average among these states for this measure was $4,592. The state with the lowest combined state and local debt per capita was Ohio ($2,763).

Consolidation of Debt Issuance at the State Level

The debt issuance process in Texas remains fragmented on the local level, while becoming more consolidated at the state level. On the local level, there are more than 3,600 debt issuing entities. At the state level, the number of direct issuers has been reduced to 16.

Capital Planning Review and Approval Process

The 76th Legislature, with the passage of House Bill 1, Article 9, Section 9-6.52, directed the Bond Review Board to produce the state's Capital Expenditure Plan (CEP) for FY 2002-2003.

The legislation specifies that all state agencies and higher educational institutions appropriated funds by the General Appropriations Act are required to report capital planning information for projects that fall within four specific project areas. Those categories are: (1) acquisition of land and other real property, (2) construction of buildings and facilities, (3) repairs and/or rehabilitation, and (4) acquisition of information resource technologies.

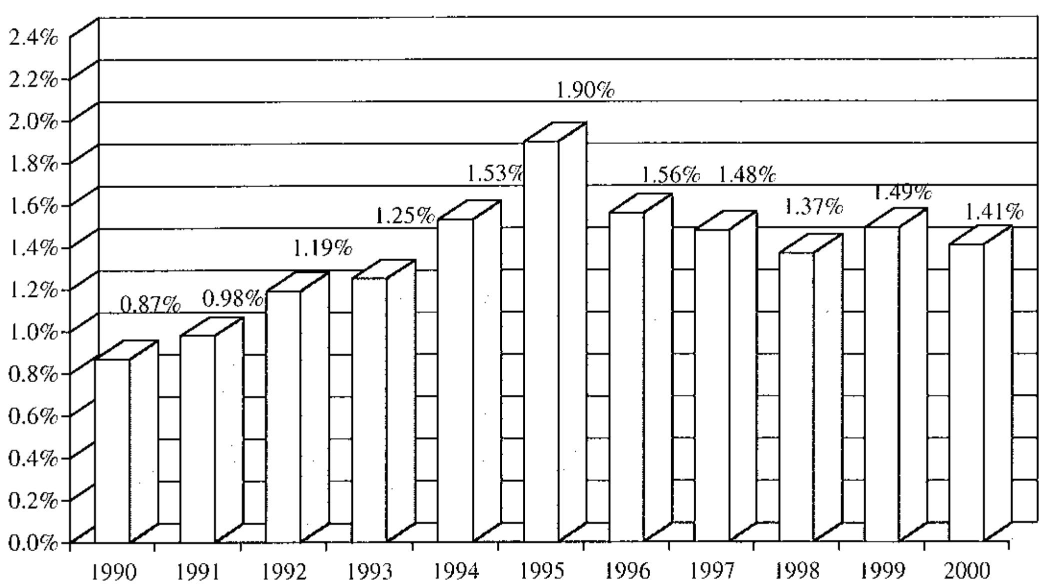
The Texas Bond Review Board developed a process for submission of capital projects for all state agencies. Input in the development process was solicited from various state agencies including the Governor's Office of Budget and Planning, Legislative Budget Board, Texas Higher Education Coordinating Board, General Services Commission, and staff of the Bond Review Board (BRB). As a result of this collaboration, the BRB developed program guidelines, instructions, and a formal application process for submitting capital project requests based on the legislative mandate.

From a budgetary and capital planning standpoint, a number of state agencies work together to coordinate capital reporting and budget approval process of state agencies. They include the Governor's Office of Budget and Planning, Legislative Budget Board, Texas Higher Education Coordinating Board, Comptroller's Office, House Committee on Appropriations, Senate Finance Committee and the General Services Commission.

Through the legislative process, the legislature defines the types of projects and cost thresholds to be reported in the CEP. The BRB coordinates the submission of capital projects through the CEP, develops the report, and determines the effect of the additional capital requests on the state's budget and debt capacity. The completed plan is then forwarded to the Governor's Office of Budget and Planning and the Legislative Budget Board (LBB) for their use in the development of recommended appropriations to the legislature. The two budget offices, with input from the requesting agencies or universities, also assess short-term and long-term needs. The legislature determines priority needs through consideration of recommenda-

Figure 2

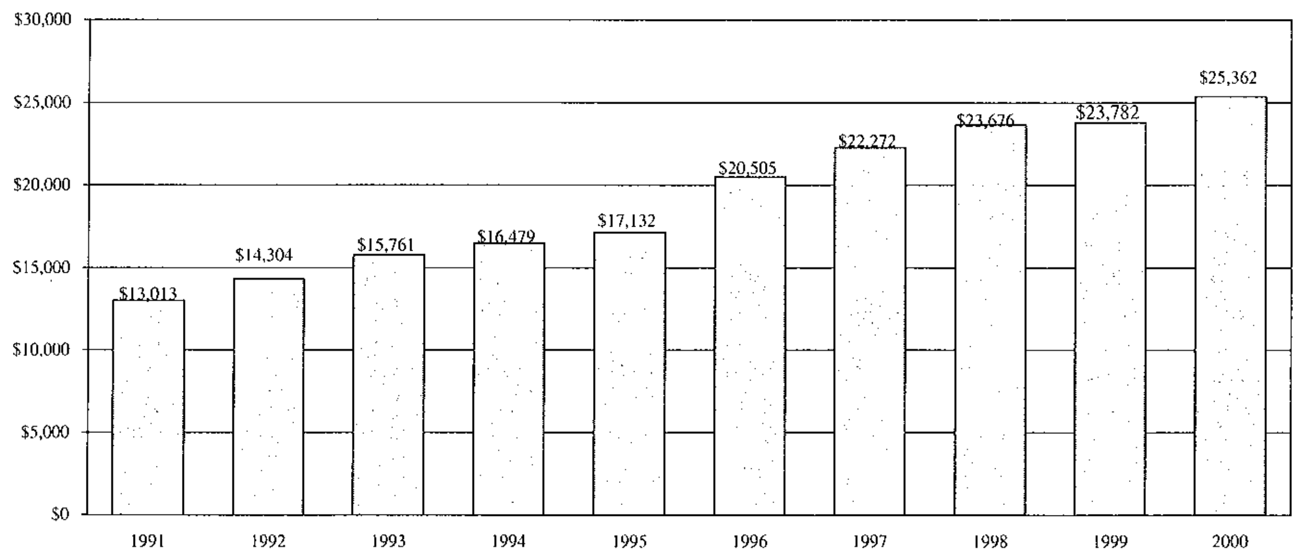
ANNUAL DEBT SERVICE AS A PERCENT OF UNRESTRICTED GENERAL REVENUE



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

Figure 3

UNRESTRICTED GENERAL REVENUE
(millions of dollars)



Source: Texas Comptroller of Public Accounts.

tions from the two budget offices. The legislature, with the approval of the Governor, then makes the final decision on which projects will be funded. Approved capital and operating budgets are integrated into the General Appropriations Act, which authorizes specific debt issuance for capital projects. Through the capital budgeting process, capital projects are approved for the biennial period. In addition, the CEP reports on the remaining three out-years (2004-2006), to identify long-term needs of the state and to plan for the future.

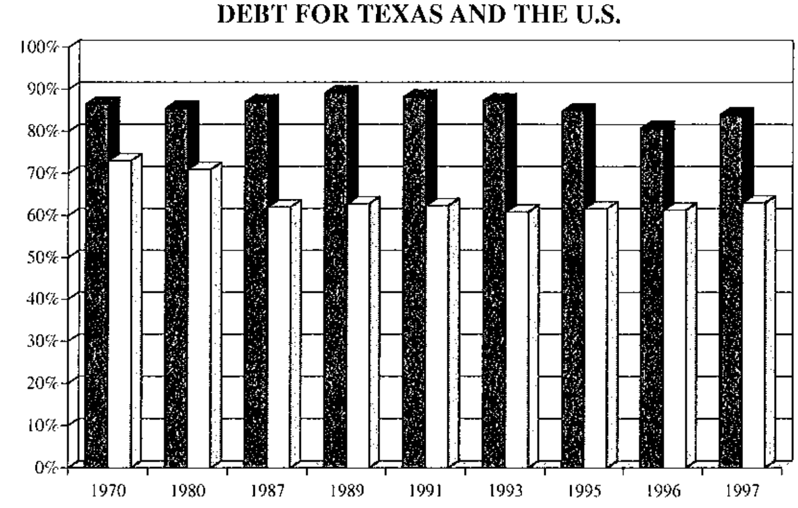
The Texas Bond Review Board received responses from 182 state agencies and institutions of higher education, representing a response rate of 82 percent for the 2000 CEP. Of those agencies responding, 71 state entities (22 state agencies, 49 institutions of higher education) reported 715 capital project request submissions (706 were included in the CEP). When considering estimated expenditures from all funding sources for fiscal 2002 through 2006, the total funding need is $5,905,342,095.

The 2000 CEP represents the first published capital expenditure plan for the state. The CEP is another management tool for the state of Texas, and an ongoing developmental process that will assist decision makers in assessing future individual capital expenditure requests within the framework of the state's overall financial position.

[1] The benchmark state used for the Chubb Corporation's survey is New Jersey, which is currently rated Aa1/AA+/AA+ by the three major rating agencies. The survey is a relative value study of 20-year general obligation bonds.

Figure 4

LOCAL DEBT AS A PERCENTAGE OF TOTAL STATE AND LOCAL DEBT FOR TEXAS AND THE U.S.



Source: U.S. Census Bureau, State and Local Government Finances by Level of Government.

CHAPTER 2
Texas Bonds Issued in Fiscal 2000

Issuance of debt by Texas state agencies and universities decreased only slightly from the prior year, with an aggregate total of $1.7 billion, compared to $1.8 billion in fiscal 1999. The fiscal 2000 issues included almost $1.4 billion in new money and $339 million in refunding bonds (Table 7). *Additional debt issued included $393 million of commercial paper and variable-rate notes.*

Fewer Issues Provide Increased New Money Funding

New-money bonds issued by Texas state agencies and institutions of higher education during fiscal 2000 totaled almost $1.4 billion, as compared to $829 million during fiscal 1999, representing an increase of 68.9 percent *(Figure 5)*. Issuance of commercial paper is not included. The proceeds provided financing for infrastructure, housing, and loan programs.

The Veterans Land Board (VLB) issued 46 percent of total fiscal 2000 new-money debt, for a total of $630 million. The majority of the funds - $580 million - will provide loans to eligible veterans for purchase and/or improvement of homes. New money ($40 million) for the VLB's land program will provide loans to eligible veterans to purchase land.

Construction of two skilled nursing care facilities for veterans located in Big Spring and Bonham was funded by the remaining $10 million of new money. The VLB facilities are expected to be self-supporting from combined revenue from the residents, veterans benefits and social security benefits.

The Texas Water Development Board (TWDB) issued 20.7 percent of fiscal 2000 new-money debt - totaling $283.9 million - including $250 million for its state revolving fund to make loans to political subdivisions throughout the state for construction of water treatment facilities. The remainder will provide financial assistance, through various TWDB programs, for water supply, water quality and flood control for political subdivisions.

The Texas Department of Housing and Community Affairs (TDHCA) issued 12.8 percent of total new-money bonds amounting to $175.2 million.

Almost $103 million of new-money bonds were issued for the TDHCA's single-family mortgage revenue bond program. The program provides financing for the purchase of low interest rate mortgage loans made by lenders to first-time homebuyers with very low, low, and moderate income who are acquiring modestly-priced residences.

Seven transactions provided $72.9 million for affordable multifamily housing in Houston, Dallas, McKinney and DeSoto, Texas. Federal tax law requires a percentage of the rental units in these properties to be set aside for low- to moderate-income households.

The Texas Public Finance Authority (TPFA) closed on five new-money transactions totaling just over $97 million (7 percent of total new-money bonds). Two TPFA transactions totaling $35.1 million provided funding for the Texas Parks and Wildlife Department (TPWD). Approximately $16.3 million of these proceeds will enable acquisi-

Table 7

TEXAS BONDS ISSUED DURING FISCAL 2000
SUMMARIZED BY ISSUER

ISSUER	REFUNDING BONDS	NEW-MONEY BONDS	TOTAL BONDS ISSUED
Texas Department of Housing & Community Affairs	$88,505,000	$175,190,000	$263,695,000
Texas Public Finance Authority		97,070,000	97,070,000
Texas Veterans Land Board	102,820,000	630,020,000	732,840,000
Texas Water Development Board	26,080,000	283,920,000	310,000,000
Texas Woman's University		10,000,000	10,000,000
University of North Texas	6,035,000	9,500,000	15,535,000
University of Texas System	115,213,000	167,362,000	282,575,000
Total Texas Bonds Issued	**$338,653,000**	**$1,373,062,000**	**$1,711,715,000**

Note: See Table 17, Appendix B, for commercial paper issuance.

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

tion of new park sites and improvement and development of existing sites. The TPWD planned to use $18.8 million of the funds for repair and improvements at parks throughout the state. The TPFA also issued $7 million on behalf of Stephen F. Austin State University for improvements to student residential facilities.

The TPFA issued almost $55 million in building revenue bonds for the General Services Commission (GSC) and the State Preservation Board (SPB). The GSC will oversee repair and renovation of the John H. Reagan state office building, including removal of asbestos, using proceeds from an issue of $24.5 million. The TPFA also issued bonds ($29.5 million) on behalf of the SPB for the final construction stage of the Bob Bullock State History Museum. The museum is slated to open on April 21, 2001.

The remaining 13.6 percent of total new-money issues for fiscal 2000 will fund construction and improvement projects at other institutions of higher education in Texas. The University of Texas System financed construction of buildings and facilities with $167.4 million. The Texas Woman's University issued $10 million to fund building upgrades at its campus locations in Dallas, Denton and Houston. Finally, the University of North Texas issued $9.5 million to construct a parking facility at its Health Sciences Center in Fort Worth.

Refunding Transactions Decrease in Fiscal 2000

Rising interest rates led to a decrease in refunding issues during fiscal 2000. Refunding bonds issued by state agencies and universities totaled $338.7 million, achieving net present value savings of almost $8.9 million. The refunding bonds comprise almost 20 percent of total debt issued in fiscal 2000, as compared to refunded debt amounting to more than 50 percent of the total bonds issued in fiscal 1999.

The University of Texas System refunded the largest amount of outstanding debt, issuing $115.2 million for its Revenue Financing System commercial paper programs.

The Texas Veterans Land Board issued $102.8 million in refunding bonds for its land and housing programs. Refunding bonds also enabled the VLB to achieve consolidation of issuance of home revenue bonds to construct skilled care nursing facilities for veterans.

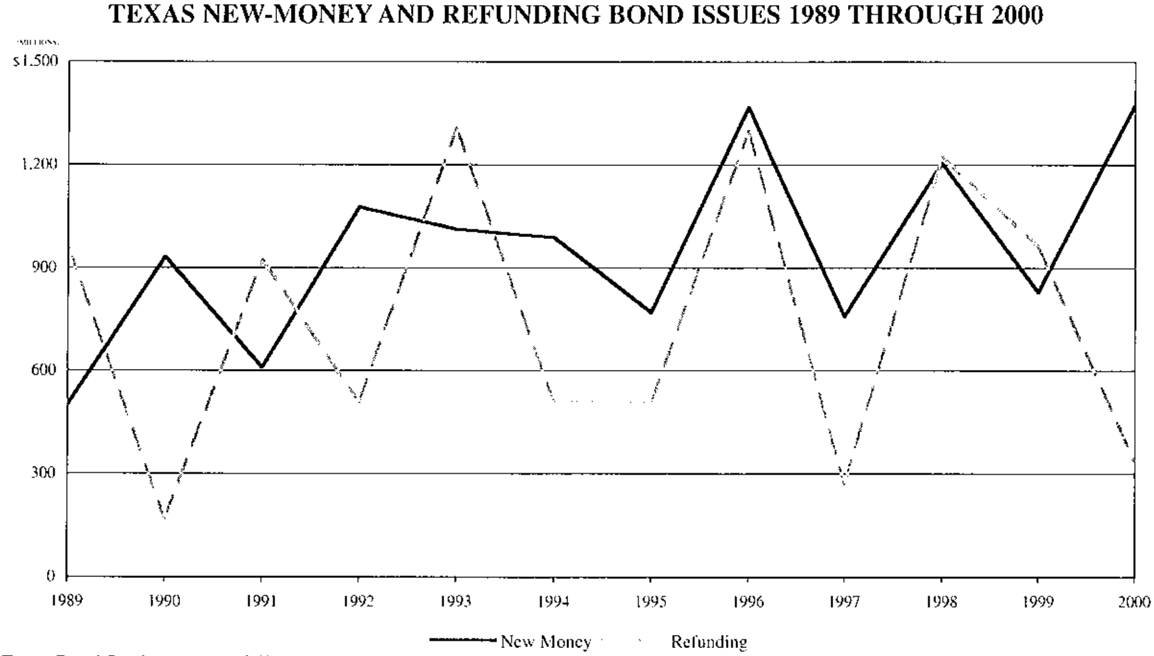
The Texas Department of Housing and Community Affairs (TDHCA) issued $38.5 million in single-family mortgage revenue refunding bonds. In addition, the TDHCA issued $50 million to refund convertible option bonds (COBs) that had been issued to preserve its private activity bond allocation.

The Texas Water Development Board issued approximately $26 million to refund outstanding bonds for its program that provides loans for construction of local or regional water supply, wastewater treatment, flood control, and municipal solid waste management projects.

The final issue - just over $6 million - allowed the University of North Texas to refund outstanding revenue bonds for its Health Sciences Center.

Figure 5

TEXAS NEW-MONEY AND REFUNDING BOND ISSUES 1989 THROUGH 2000



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

Table 8

LEASE-PURCHASE AGREEMENTS
APPROVED BY THE BOND REVIEW BOARD
Fiscal 2000

AGENCY	Equipment	Other	TOTAL
Commission on State Emergency Communications	$1,216,000		$1,216,000
General Services Commission	500,000		500,000
Texas Department of Human Services	6,300,000		6,300,000
Texas State Technical College	1,127,000	$990,755	2,117,755
University of North Texas Health Science Center		3,200,000	3,200,000
Total Approved Lease-Purchase Agreements	**$9,143,000**	**$4,190,755**	**$13,333,755**

Note: Amounts listed above are Texas Bond Review Board approved amounts.

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

Decreased Interim Financing

Commercial paper and variable-rate notes are utilized by state agencies and institutions of higher education to provide interim financing for equipment, construction, and loan programs. Total issuance in fiscal 2000 was almost $393 million, almost 16 percent less than the $467 million that was put to use in fiscal 1999.

The Texas Public Finance Authority issued $78.6 million in general obligation commercial paper during fiscal 2000. As of August 31, 2000, the TPFA had a total of $407.8 million in general obligation commercial paper debt outstanding. The TPFA established its general obligation commercial paper program in 1993 to provide interim construction financing for state agencies such as the Texas Department of Criminal Justice, the Texas Youth Commission, and the Texas Department of Mental Health and Mental Retardation.

During fiscal 2000, the TPFA also issued $18 million in variable-rate debt to fund its revenue commercial paper program. As of August 31, 2000, a total of $33.7 million of revenue commercial paper debt was outstanding. The revenue commercial paper program was established in 1992 to finance the agency's Master Lease Purchase Program (MLPP). This program offers low-cost financing for state agencies to purchase items such as computer equipment, automobiles, and real property. Through the MLPP, the TPFA purchases the requested item and leases it back to the client agency. Upon completion of lease payments, the title is transferred to the lessee.

The University of Texas System issued approximately $73.6 million in Revenue Financing System (RFS) commercial paper notes, and $100 million in Permanent University Fund (PUF) variable-rate notes during fiscal 2000. As of August 31, 2000, the System had $115.6 million of RFS commercial paper and $100 million of PUF variable-rate notes outstanding. The System uses commercial paper and variable-rate notes to provide interim financing for construction projects and to purchase equipment.

The Texas A&M University System issued $50 million in RFS commercial paper, and $18 million in PUF variable-rate notes during fiscal 2000. As of August 31, 2000, the System had $45 million of RFS commercial paper outstanding and $18 million of PUF variable-rate notes outstanding. The System uses commercial paper and variable-rate notes to finance construction projects on its campuses.

During fiscal 2000, the Texas Tech University System issued $19.7 million in RFS commercial paper. As of August 31, 2000, the TTU System had $17.7 million of commercial paper outstanding. The System established its commercial paper program in 1998 to finance construction projects.

The Texas Department of Housing and Community Affairs issued $31.9 million in commercial paper during fiscal 2000. The total amount of commercial paper outstanding as of August 31, 2000, was also $31.9 million. The TDHCA established its commercial paper program in 1994 to enable the agency to recycle certain prepayments of single-family mortgage loans, thereby preserving the private activity volume cap allocation under its single-family programs. Once the TDHCA has issued a substantial aggregate amount of notes, the notes are refunded with single-family mortgage revenue bonds. The preservation of the volume cap allows the TDHCA to make additional mortgage loans for modestly priced housing. The program targets first-time homebuyers of very low, low, and moderate income.

The Texas Agricultural Finance Authority (TAFA) issued $3 million in commercial paper notes to purchase participation notes from lenders or fund direct loans to eligible agricultural businesses or other rural economic development projects. No notes were issued in fiscal 2000 for the TAFA's

Table 9

TEXAS STATE BOND ISSUES EXPECTED DURING FISCAL 2001

ISSUER	APPROXIMATE AMOUNT	PURPOSE	APPROXIMATE ISSUE DATE
General Obligation Bonds			
Self-Supporting			
Texas Higher Education Coordinating Board	$75,000,000	College Student Loans	Oct-00
Texas Veterans Land Board	39,960,000	Veterans Land Refunding Bonds	Nov-00
Texas Veterans Land Board	15,420,000	Veterans Housing Assistance Program Refunding Bonds	Nov-00
Texas Veterans Land Board	10,750,000	Veterans Housing Assistance Program Refunding Bonds	Nov-00
Texas Veterans Land Board	40,000,000	Veterans Housing Bonds	Jan-01
Texas Veterans Land Board	60,000,000	Veterans Housing Bonds	Apr-01
Texas Veterans Land Board	20,000,000	Veterans Land Bonds	Jul-01
Texas Veterans Land Board	20,000,000	Veterans Land Bonds	Jul-01
Texas Veterans Land Board	50,000,000	Veterans Housing Bonds	Aug-01
Texas Water Development Board	130,000,000	Water Financial Assistance Bonds	Dec-00
Texas Water Development Board	75,000,000	Water Financial Assistance Bonds	Aug-01
Total Self-Supporting	**$536,130,000**		
Not Self-Supporting			
Texas Public Finance Authority*	$31,000,000	Texas Department of Criminal Justice - Facilities Repair and Renovation	Dec-00
Texas Public Finance Authority*	14,500,000	Texas Youth Commission - Facilities Construction	Jan-01
Texas Water Development Board	25,000,000	Economically Distressed Areas Program - Water Financial Assistance	Aug-01
Total Not Self-Supporting	**$70,500,000**		
Total General Obligation Bonds	**$606,630,000**		
Non-General Obligation Bonds			
Self-Supporting			
Texas A&M University System - PUF*	$17,200,000	Facility Construction, Renovation, and Equipment	As Needed
Texas A&M University System - RFS*	45,000,000	Facility Construction and Renovation	As Needed
Texas A&M University System - RFS	105,710,000	Facility Construction and Refunding	Mar-01
Texas Department of Housing& Community Affairs	82,975,000	Single-Family Housing - Mortgage Revenue Bonds	Oct-00
Texas Department of Housing & Community Affairs	13,675,000	Single-Family Housing - Mortgage Revenue Refunding Bonds	Oct-00
Texas Department of Housing & Community Affairs	18,265,000	Single-Family Housing - Mortgage Revenue Refunding Bonds	Oct-00
Texas Department of Housing & Community Affairs	10,000,000	Single-Family Housing - Mortgage Revenue Bonds	Oct-00
Texas Department of Housing & Community Affairs	83,515,000	Single-Family Housing - Mortgage Revenue Bonds	Jun-01
Texas Department of Housing & Community Affairs	10,000,000	Single-Family Housing - Mortgage Revenue Refunding Bonds	Jun-01
Texas Department of Housing & Community Affairs	10,000,000	Single-Family Housing - Mortgage Revenue Bonds	Jun-01
Texas Department of Housing & Community Affairs*	10,000,000	Single-Family Housing	As Needed
Texas State University System - RFS	9,700,000	Facility Renovation - expansion of athletic facilities	May-01
Texas Tech University - RFS*	55,000,000	Facility Construction	As Needed
Texas Water Development Board	100,000,000	State Water Pollution Control Revolving Fund	Sep-00
Texas Water Development Board	100,000,000	State Water Pollution Control Revolving Fund	Feb-01
Texas Water Development Board	250,000,000	State Water Pollution Control Revolving Fund	Jun-01
The University of Texas System - PUF	150,000,000	Facility Construction and Refunding	May-01
The University of Texas System - RFS	85,000,000	Facility Construction Refunding Bonds	May-01
The University of Texas System - RFS	150,000,000	Facility Construction and Refinancing Short-Term Debt	May-01
The University of Texas System - RFS*	150,000,000	Facility Construction	As Needed
Total Self-Supporting	**$1,456,040,000**		
Not Self-Supporting			
Texas Public Finance Authority	$12,685,000	Building Revenue Bonds—Park Renovation	Feb-01
Texas Public Finance Authority*	8,551,879	Master Lease Purchase Program	As Needed
Total Not Self-Supporting	**$21,236,879**		
Total Non-General Obligation Bonds	**$1,477,276,879**		
Total All Bonds	**$2,083,906,879**		

* Commercial Paper or Variable-Rate Note program.
Source: Texas Bond Review Board, Office of the Executive Director, Survey of Texas State Bond Issuers.

Farm and Ranch Finance Program that provides loans or other assistance for purchase of farm or ranch land. An amount of $30 million was outstanding as of August 31, 2000, for both TAFA programs.

Additional information about commercial paper and variable-rate note programs is included as Appendix B of this report.

Texas Lease Purchases

Lease purchases with an initial principal greater than $250,000, or with a term of more than five years are required to be approved by the Bond Review Board. Six fiscal 2000 acquisitions were financed through the Texas Public Finance Authority's Master Lease Purchase Program (MLPP). The MLPP assists state agencies and universities in obtaining competitive, low-interest, short-term acquisition financing. The Texas Bond Review Board approved $13.3 million for lease-purchase acquisitions during fiscal 2000 *(Table 8)*, compared to $18.7 million in fiscal 1999.

The largest lease-purchase transaction - $6.3 million - enabled the Department of Human Services (DHS) to acquire computer equipment and specialized software for its electronic benefits transfer project. This DHS project delivers food stamp benefits and temporary assistance for needy families to eligible Texans.

The Texas State Technical College (TSTC) financed $2.1 million in two MLPP transactions. Four airplanes were acquired for TSTC's student pilot training program at its Waco campus at a cost of $1.1 million. The airplanes replaced training aircraft that were retired from service. The remaining $990,755 was used for an energy conservation system at its Harlingen campus. The new energy-efficient system will generate cost savings that will be used to pay debt service.

The Commission on State Emergency Communications financed a portion ($1.2 million) of the cost to upgrade its telephone answering equipment network for the Texas Poison Control Program at six poison control centers located around the state.

The University of North Texas Health Sciences Center at Fort Worth financed a campus-wide energy savings performance system with a total cost of $3.2 million. Debt service for the system will be met through projected future energy cost savings from the new system.

An amount of $500,000 was financed by the General Services Commission to acquire a printing press to improve the operational efficiency and cost effectiveness of its print shop. The print shop provides services for the GSC and other state agencies including the Comptroller of Public Accounts and the Texas Education Agency.

Funding Needs Projected to Remain Steady During Fiscal 2001

Texas state issuers expect to issue only slightly less debt in fiscal 2001 than was issued during fiscal 2000. The results of an annual survey conducted by the Bond Review Board show that Texas state agencies and institutions of higher education are planning to issue just over $2 billion in bonds and commercial paper during fiscal 2001 *(Table 9)*. It is estimated that $1.6 billion will finance projects, programs, and facilities and $493 million will refund outstanding debt.

The largest amount of debt issuance in fiscal 2001 will provide funding for Texas Water Development Board programs. The TWDB anticipates that it will issue $680 million in new money. The State Water Pollution Control Revolving Fund will utilize the majority of this new debt - $450 million - to provide funds for financial assistance to local governmental jurisdictions in Texas that seek to improve their wastewater infrastructure. The TWDB also plans to issue $205 million for water quality enhancement programs and $25 million for the agency's Economically Distressed Areas Program (EDAP).

The Texas Veterans Land Board expects to issue $190 million of new-money debt during fiscal 2001. Of this projected debt, $150 million will augment the Veterans Housing Loan Program and $40 million will provide loans for eligible veterans to acquire land through the Veterans Land Loan Program. The VLB also anticipates refunding approximately $39.9 million of its general obligation debt in the Veterans Land Program, and $26.1 million of its general obligation debt in the Veterans Housing Assistance Program.

The Texas Department of Housing and Community Affairs expects to issue approximately $186.5 million of new-money debt during fiscal 2001. The proceeds will finance the TDHCA's Residential Mortgage Revenue Bond Program. The TDHCA also plans to issue refunding bonds of approximately $41.9 million to refund a portion of its outstanding residential mortgage revenue bonds. In addition, issuance of approximately $10 million of commercial paper notes will provide funds to recycle certain prepayments of single-family mortgage loans.

The Texas Higher Education Coordinating Board plans to issue $75 million in new-money bonds to provide financing for its Hinson-Hazelwood student loan program. The program is self-supporting and is repaid from payment revenues received from the student loans.

The Texas Public Finance Authority expects to issue significantly less debt during fiscal 2001. The TPFA plans to issue approximately $12.7 million in building revenue bonds for renovation of park facilities by the Texas Parks and Wildlife Department. The remainder of TPFA's new debt for 2001 will consist of commercial paper issues, with $45.5 million in general obligation commercial paper to finance facilities construction and/or repair for the Texas Youth Commission and the Texas Department of Criminal Justice, and $8.5 million in revenue commercial paper to fund the Master Lease Purchase Program.

Texas institutions of higher education are planning to issue bonds and commercial paper during fiscal 2001 to provide funding for facility expansion and renovation.

The University of Texas System expects to issue $535 million of debt during the new fiscal year. Of this amount, approximately $150 million will refund previously issued Revenue Financing System (RFS) commercial paper and $85 million will refund outstanding RFS bonds.Issuance of Permanent University Fund bonds totaling $150 million will provide funding for construction and refunding of outstanding flexible-rate notes. The System expects to issue $150 million of new-money RFS commercial paper notes to fund construction projects.

The Texas A&M University System projects that it will issue $105.7 million of Revenue Financing System (RFS) bonds during fiscal 2001 for facilities improvement and construction. A portion of these bonds will refund RFS commercial paper notes previously issued for construction financing. In addition, the System will be issuing $45 million of RFS commercial paper and $17.2 million of Permanent University Fund commercial paper to fund the acquisition, construction and equipping of various university facilities.

The Texas Tech University System estimates that it will issue $55 million of commercial paper notes in fiscal 2001 for interim financing of construction projects.

The Texas State University System expects to issue $9.7 million of Revenue Financing System bonds to expand the athletic facilities at Southwest Texas State University.

CHAPTER 3
Texas Bonds and Notes Outstanding

Texas had a total of $13.2 billion in state bonds and notes outstanding on August 31, 2000, compared to $12.2 billion on August 31, 1999, and $11.8 billion in 1998.

General Obligation Bonds Outstanding Increase in Fiscal 2000

Approximately $5.6 billion of the state's $13.2 billion debt outstanding on August 31, 2000, is backed by the general obligation (G.O.) pledge of the state, an increase of $300 million, or 6 percent, from the $5.3 billion G.O. bonds outstanding at the end of fiscal 1999 *(Table 10)*. This increase in G.O. bonds outstanding is largely attributed to the issuance of Land and Housing bonds by the Veterans' Land Board and the issuance of Financial Assistance bonds by the Texas Water Development Board. (See Chapter 2 for a description of bonds issued in fiscal 2000.)

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

Conversely, 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 associated with the purchase of non-G.O. bonds by charging the state a higher interest rate on such bonds. The rate of interest on non-G.O. bond issues may range from 0.1 to 0.5 percentage points higher than comparable G.O. issues.

General Revenue Supported Debt Decreases Slightly

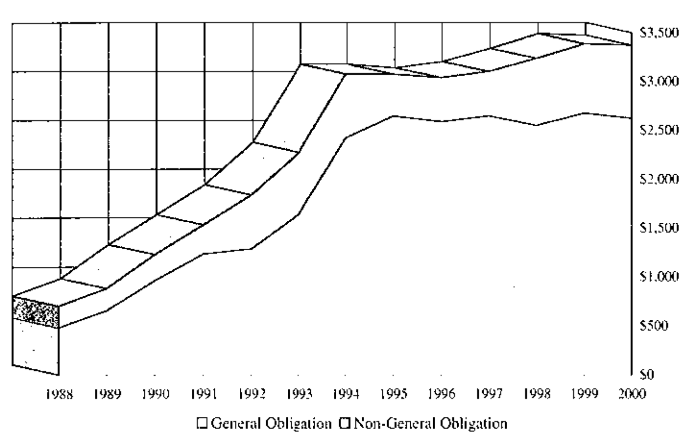
All bonds do not have the same financial impact on the state's general revenue. Self-supporting bonds (both G.O. and non-G.O.) rely on sources other than the state's general revenue to pay debt service; thus, self-supporting bonds do not directly impact state finances. However, bonds that are non-self-supporting 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 of non-self-supporting general obligation and revenue bonds decreased slightly, $13.5 million, during fiscal 2000 *(Figure 6)*. While non-self-supporting G.O. bonds outstanding decreased by $52.1 million since the end of fiscal 1999, the non-self-supporting revenue bonds outstanding increased by $38.6 million. As a result, Texas had $3.4 billion in outstanding bonds that must be paid from the state's general revenue as of August 31, 2000, an amount equal to fiscal 1999 at year-end. Non-self-supporting G.O. and revenue bonds totaled $3.2 billion and $3.1 billion in fiscal years 1998 and 1997, respectively.

Significant growth in the amount of bonds payable from general revenue occurred over the 1988-94 time period, 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) project. At the end of fiscal 1987, before the expansion of correctional facilities and the SSC bonds were approved, Texas had $422 million in bonds outstanding payable from general revenue. Since that time, the state has issued over $2.4 billion in debt for correctional facilities and $500 million for the SSC, all payable solely from the state's general revenue. The $250 million in SSC project revenue bonds were defeased June 1, 1995. In fiscal 1997, through provisions contained in the General Appropriations Act, the Texas Public Finance Authority defeased another $89.6 million of the

Figure 6

TEXAS STATE BONDS OUTSTANDING BACKED ONLY BY GENERAL REVENUE
(millions of dollars)



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

Table 10

TEXAS BONDS OUTSTANDING
(amounts in thousands)

	8/31/97	8/31/98	8/31/99	8/31/00
General Obligation Bonds				
Self-Supporting				
Veterans Land and Housing Bonds	$1,419,053	$1,465,715	$1,324,332	$1,701,244
Water Development Bonds	465,953	560,740	624,665	644,545
Park Development Bonds	36,000	34,284	32,563	30,462[4]
College Student Loan Bonds	500,521	547,127	595,606	565,084
Farm and Ranch Security Bonds*	100	0	1,000	1,000
Texas Agricultural Finance Authority*	22,000	21,500	26,000	29,000
Agriculture Water Conservation Bonds	15,505	13,470	11,230	8,915
Total, Self-Supporting	**$2,459,132**	**$2,642,836**	**$2,615,396**	**$2,980,250**
Not Self-Supporting[1]				
Higher Education Constitutional Bonds[2]	$72,125	$90,605	$78,970	$66,775
Texas Public Finance Authority Bonds	2,355,761	2,284,653	2,368,192	2,363,223[4,7]
Park Development Bonds	0	0	0	16,310
Texas National Research Laboratory Commission Bonds	132,315	67,136	47,739	0[8]
Water Development Bonds—EDAP[3]	86,050	107,400	129,710	126,165
Water Development Bonds—State Participation Bonds	0	0	50,000	50,000
Total, Not Self-Supporting	**$2,646,251**	**$2,549,794**	**$2,674,611**	**$2,622,473**
Total General Obligation Bonds	**$5,105,383**	**$5,192,630**	**$5,290,007**	**$5,602,723**
Non-General Obligation Bonds				
Self-Supporting				
Permanent University Fund Bonds				
A&M	$355,703	$336,809	$331,117	$312,870[4,7]
UT	669,200	661,030	623,625	703,210[7]
College and University Revenue Bonds	1,727,552	1,805,646	2,255,736	2,444,554[7]
Texas Hospital Equip. Finance Council Bonds	11,150	10,900	0	0
Texas Department of Housing & Community Affairs Bonds	1,129,259	1,209,362	1,227,762	1,308,348[7]
Texas Small Business I.D.C. Bonds	99,335	99,335	99,335	99,335
Economic Development Program *	5,400	4,700	6,100	7,750
Texas Turnpike Authority Bonds	844,780	0	0	0[5]
Texas Water Resources Finance Authority Bonds	341,570	293,515	169,100	104,875
College Student Loan Bonds	53,078	45,547	37,311	28,432
Texas Workers' Compensation Fund Bonds	189,524	158,250	146,095	132,848
Veterans' Financial Assistance Bonds	0	0	9,980	200,000
Texas Public Finance Authority Bonds (Special Revenue)	10,050	38,800	37,505	36,165
Texas Water Development Board Bonds (State Revolving Fund)	809,820	1,244,260	1,226,045	1,452,140
Total, Self-Supporting	**$6,246,421**	**$5,908,154**	**$6,169,711**	**$6,830,526**
Not Self-Supporting[1]				
Texas Public Finance Authority Bonds	$399,771	$617,876	$626,646	$650,273
TPFA Master Lease Purchase Program*	27,500	32,100	33,800	33,700[6]
Texas Military Facilities Commission	26,710	24,205	21,540	18,715
Parks and Wildlife Improvement Bonds	0	11,460	28,165	46,080
Total, Not Self-Supporting	**$453,981**	**$685,641**	**$710,151**	**$748,768**
Total Non-General Obligation Bonds	**$6,700,402**	**$6,593,795**	**$6,879,862**	**$7,579,294**
Total Bonds	**$11,805,785**	**$11,786,425**	**$12,169,869**	**$13,182,017**

* commercial paper

1 Bonds that are not self-supporting (general obligation and non-general obligation) depend solely on the state's general revenue fund for debt service. Not self-supporting bonds totaled $3.4 billion outstanding on August 31, 2000, $3.4 billion outstanding on August 31, 1999, $3.2 billion outstanding on August 31, 1998, and $3.1 billion outstanding on August 31, 1997.

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 90 percent of bonds issued may be used for grants.

4 Amounts do not include premium on capital appreciation bonds.

5 Effective September 1, 1997, the outstanding assets and liabilities of the Texas Turnpike Authority were transferred to a regional tollway authority.

6 This figure reflects only the commercial paper component of the Master Lease Purchase Program (MLPP).

7 Includes commercial paper notes outstanding.

8 These bonds were fully defeased on September 29, 1999.

Note: The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2000.

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

outstanding general revenue bonds issued for the SSC project. An additional $58.6 million and $16.3 million of SSC bonds were defeased in fiscal 1998 and 1999, respectively. The 76th Legislature appropriated funds to defease the remaining balance of the SSC bonds in fiscal 2000.

The amount of general revenue that is required to pay debt service has increased together with the amount of bonds outstanding that are not self-supporting *(Table 11)*. During fiscal 2000, the state paid $357.1 million from general revenue for debt service compared to $339.5 million annually during 1998-99, and $324 million annually during 1996-97 *(Figure 7 is on a biennial basis)*.

Texas Bonds Authorized but Unissued

Authorized bonds are defined as those bonds that may be issued without further action by the Legislature. As of August 31, 2000, Texas had $5.4 billion in authorized but unissued bonds *(Table 12)*. Of the total authorized but unissued bonds, approximately $2.4 billion, or 44 percent, are general obligation bonds. At the end of fiscal 2000, only $424 million, or 8 percent, of all authorized but unissued bonds require the payment of debt service from general revenue. The remainder of the outstanding bonds are in programs that are designed to be self-supporting.

New Bond Authority - 76th Texas Legislature

Texans approved a constitutional amendment in November 1999, authorizing $400 million of additional general obligation bond issuance by the Texas Higher Education Coordinating Board. The bond proceeds will provide financing for the Hinson-Hazelwood Student Loan Program, which provides loans to Texas residents to attend public or private institutions of higher education in Texas.

Although the authorized bonds are backed by the general obligation pledge of the state, the likelihood that the bonds will draw on the general revenue is remote. Historically, program revenues have been sufficient to pay debt service on the obligations.

The Texas Water Development Board was authorized to issue and sell an amount not to exceed $50 million in state participation bonds during the 2000-01 biennium. The bonds will be issued under its existing general obligation bonding authority. The bonds will initially depend solely on the general revenue fund for debt service; thus the legislature appropriated funds to pay debt service on these bonds.

Other legislation passed that gives certain state agencies authority to issue revenue bonds, but requires no further action by the voters. Senate Bill 7 authorizes the Texas Public Finance Authority to issue revenue bonds on behalf of a municipal power agency for the recovery of stranded costs, and Senate Bill 77 authorizes certain state agencies to issue revenue bonds to finance projects resulting from agreements with Mexico or a political subdivision of Mexico.

Long-Term Contracts and Lease Purchases Add to Texas' Debt Picture

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

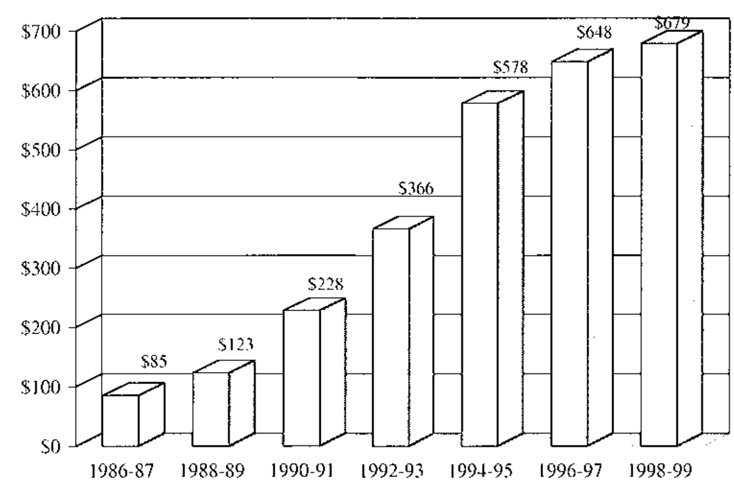
An exception to contracts, which are subject to biennial appropriation, is a contract by the Texas Water Development Board (TWDB). The TWDB has entered into a long-term contract with the federal government to gain storage rights at a reservoir. The balance due on the contract as of August 31, 2000, is $42.4 million. This contract is a general obligation of the state; however, the TWDB does not anticipate a draw on general revenue for contract payments.

Prior to the end of the 1998 fiscal

Figure 7

DEBT SERVICE PAID FROM GENERAL REVENUE DURING TWO-YEAR BUDGET PERIODS

(millions of dollars)



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

Table 11

DEBT SERVICE REQUIREMENTS OF TEXAS STATE BONDS BY FISCAL YEAR

(amounts in thousands)

	2000	2001	2002	2003	2004	2005 beyond
General Obligation Bonds						
Self-Supporting						
Veterans' Land and Housing Bonds	$152,565	$180,425	$176,676	$173,583	$139,628	$2,693,340
Water Development Bonds	46,224	51,939	55,524	57,433	58,393	856,540
Park Development Bonds	4,134	4,139	4,136	4,133	4,138	23,515
College Student Loan Bonds	65,272	69,457	74,258	74,970	82,037	498,876
Farm and Ranch Loan Bonds	62	70	70	70	70	1,980
Texas Agricultural Finance Authority	1,714	2,030	2,030	2,030	2,030	59,450
Agriculture Water Conservation Bonds	3,133	3,153	3,162	1,975	760	1,454
Total Self-Supporting	$273,104	$311,213	$315,856	$314,194	$287,057	$4,135,155
Not Self-Supporting [1]						
Higher Education Constitutional Bonds [2]	$16,139	$16,139	$15,181	$15,153	$15,116	$15,524
Texas Public Finance Authority Bonds	236,731	241,126	245,339	245,326	243,815	2,474,284
Park Development Bonds	0	1,730	1,686	1,641	1,595	19,284
Water Development EDAP Bonds [3]	10,050	10,746	10,734	10,769	10,741	155,934
Water Development State Participation Bonds	2,740	2,740	2,740	2,740	2,740	117,678
Total Not Self-Supporting	$265,660	$272,481	$275,679	$275,628	$274,007	$2,782,705
Total General Obligation Bonds	$538,764	$583,693	$591,535	$589,822	$561,063	$6,917,860
Non-General Obligation Bonds						
Self-Supporting						
Permanent University Fund Bonds						
A&M	$38,725	$39,221	$39,195	$38,220	$38,465	$309,139
UT	125,274	66,087	62,229	62,230	62,225	659,080
College and University Revenue Bonds	243,326	247,365	249,675	242,251	239,339	2,712,452
Texas Dept. of Housing & Community Affairs Bonds	86,134	94,652	96,988	94,416	96,658	2,789,628
Texas Small Business I.D.C. Bonds	3,865	4,967	4,967	4,967	4,967	212,742
Economic Development Program	415	427	427	427	427	12,588
Texas Water Resources Finance Authority Bonds	56,857	19,918	18,141	17,471	15,658	61,764
College Student Loan Bonds	4,408	3,893	4,548	4,749	4,809	36,729
Texas Workers' Compensation Fund Bonds [4]	25,799	25,746	25,689	25,624	25,553	76,180
Veterans' Financial Assistance Bonds	5,892	16,316	16,316	16,316	16,316	646,374
Texas Public Finance Authority Bonds (Special Revenue)	3,140	3,138	3,143	3,141	3,141	42,298
Texas Water Development Bonds (State Revolving Fund)	98,778	104,681	104,597	106,959	107,761	2,005,076
Total Self Supporting	$692,614	$626,409	$625,915	$616,771	$615,319	$9,564,049
Not Self-Supporting [1]						
Texas Public Finance Authority Bonds	$65,535	$71,195	$70,994	$70,183	$71,458	$508,966
TPFA Master Lease Purchase Program	19,119	12,358	9,620	4,628	3,678	8,489
Military Facilities Commission Bonds	4,006	4,009	4,016	4,005	1,941	9,551
Parks and Wildlife Improvement Bonds	2,820	3,597	3,772	4,232	4,175	55,974
Total Not Self-Supporting	$91,481	$91,159	$88,403	$83,047	$81,252	$582,979
Total Non-General Obligation Bonds	$784,095	$717,568	$714,318	$699,819	$696,571	$10,147,028
Total All Bonds	$1,322,859	$1,301,261	$1,305,853	$1,289,641	$1,257,634	$17,064,888

[1] Bonds that are not self-supporting depend solely on the state's general revenue for debt service. Debt service from general revenue totaled $354.8 million during fiscal 1999, and will total approximately $357.1 million in fiscal 2000.

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

[4] Texas Workers' Compensation Fund Bonds were economically defeased. Full legal debt service requirements are reflected in this table.

Notes: The debt-service figures do not include the early redemption of bonds under the state's various loan programs.
The future debt-service figures for variable-rate bonds and commercial paper programs are estimated amounts.
Detail may not add to total due to rounding.
Sources: Texas Bond Review Board, Office of the Executive Director and Texas Comptroller of Public Accounts.

Table 12

TEXAS BONDS AUTHORIZED BUT UNISSUED

(amounts in thousands)

	08/31/98	08/31/99	08/31/00
General Obligation Bonds			
Self-Supporting			
Veterans Land and Housing Bonds	$805,002"	$805,002"	$365,002
Water Development Bonds	759,065	684,330	600,410
Farm and Ranch Loan Bonds[4]	475,000	474,000	474,000
Park Development Bonds	16,310	16,310	0
College Student Loan Bonds	149,822	74,822	474,822
Texas Department of Economic Development Bonds	45,000	45,000	45,000
Texas Agricultural Finance Authority Bonds	33,500	29,000	26,000
Agriculture Water Conservation Bonds	181,000	181,000	181,000
Total Self-Supporting	**$2,464,699**	**$2,309,464**	**$2,166,234**
Not Self-Supporting[1]			
Higher Education Constitutional Bonds	*	*	*
Texas Public Finance Authority Bonds	$320,240	$127,940	$49,340
Water Development Bonds-EDAP[2]	136,700	111,705	111,705
Water Development Bonds-State Participation Bonds	50,000	0	50,000
Total Not Self-Supporting	**$506,940**	**$239,645**	**$211,045**
Total General Obligation Bonds	**$2,971,639**	**$2,549,109**	**$2,377,279**
Non-General Obligation Bonds			
Self-Supporting			
Permanent University Fund Bonds[3]			
A&M	$215,351	$269,365	$479,208
UT	443,291	577,338	980,946
College and University Revenue Bonds	**	**	**
Texas Department of Housing & Community Affairs	**	**	**
Texas Turnpike Authority Bonds	**	**	**
Texas Agricultural Finance Authority Bonds	500,000	500,000	500,000
Texas Department of Economic Development Bonds	**	**	**
Texas Water Resources Finance Authority Bonds	**	**	**
Texas School Facilities Finance Program	750,000	750,000	750,000
Texas Water Development Bonds (Water Resources Fund)	**	**	**
Low-Level Radioactive Waste Disposal Authority	**	**	**
Texas Workers' Compensation Fund Bonds	**	**	**
Alternative Fuels Program	50,000	50,000	50,000
Texas Public Finance Authority Bonds (Special Revenue)	0	0	0
Veterans' Financial Assistance Bonds	250,000	240,020	50,000
Texas Water Development Board (State Revolving Fund)	**	**	**
Total Self-Supporting	**$2,208,642**	**$2,386,723**	**$2,810,154**
Not Self Supporting[1]			
Texas Public Finance Authority Bonds	$279,100	$248,997	$92,404
TPFA Master Lease Purchase Program—commercial paper	67,900	66,200	66,300
Texas Military Facilities Commission Bonds	**	**	**
Parks and Wildlife Improvement Bonds	48,540	31,485	12,685
Total Not Self-Supporting	**$395,540**	**$346,682**	**$171,389**
Total Non-General Obligation Bonds	**$2,604,182**	**$2,733,405**	**$2,981,544**
Total All Bonds	**$5,575,821**	**$5,282,514**	**$5,358,823**

* No limit on bond issuance, but debt service may not exceed $87.5 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 that 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 90 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 August 31, 2000.

[4] Effective in November 1995, state voters authorized the use of $200 million of the existing $500 million Farm and Ranch Program authority for the purposes of the Texas Agricultural Finance Authority (TAFA). Of the $200 million, the Bond Review Board has approved an initial amount of $25 million for the Texas Agricultural Fund Program of TAFA.

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

Table 13

SCHEDULED REAL PROPERTY LEASE-PURCHASE PAYMENTS FROM GENERAL REVENUE BY FISCAL YEAR

(amounts in thousands)

	2000	2001	2002	2003	2004	2005 and Beyond
General Services Commission	$3,393	$3,390	$3,387	$3,389	$3,383	$45,590
TOTAL	$3,393	$3,390	$3,387	$3,389	$3,383	$45,590

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

year, lease-purchase agreements for prison facilities had increased the significance of lease-purchase debt for the state. As of the end of fiscal 1997, the Texas Department of Criminal Justice (TDCJ) was party to twelve long-term lease-purchase agreements for the purchase or construction of prison facilities. The TDCJ lease purchases had a total principal amount equal to $197.6 million outstanding as of August 31, 1997. The existing local conduit debt underlying the lease-purchase obligations for the prisons was defeased with the proceeds of Texas Public Finance Authority building revenue bonds in July 1998. Lease payments from appropriations of general revenue by the Legislature to the Texas Department of Criminal Justice will be forwarded to the TPFA for debt service on the new bonds. The state General Services Commission is party to six lease-with-option-to-purchase agreements for state agency office and warehouse facilities. Depending on the occupying agency, either all or a portion of these leases are paid from appropriated general revenue funds. *(Table 13).*

There were no lease purchases of facilities approved by the Bond Review Board during fiscal 2000. All of the equipment lease purchases approved by the Bond Review Board in fiscal 2000 were financed through the Master Lease Purchase Program and are shown as bonds outstanding.

CHAPTER 4
Texas Bond Issuance Costs

Texas' state bond issuers spent an average of $547,497 per issue or $9.15 per $1,000 on bond issues sold during the 2000 fiscal year.[1] Appendix A of this report details the issuance costs associated with each of these issues.

The Costs of Issuing Bonds

Issuance costs are composed of the fees and expenses paid to consultants and underwriters to market Texas bonds to investors. Several types of professional services commonly used in the marketing of all types of municipal securities are listed below:[2]

- Underwriter - The underwriter or underwriting syndicate acts as a dealer that purchases a new issue of municipal securities from the issuer for resale to investors. The underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding. In a negotiated sale, the underwriter may also have a significant role in the structuring of the issue.
- Bond Counsel - Bond counsel is retained by the issuer to give a legal opinion that the issuer is authorized to issue the proposed securities, has met all legal requirements necessary for issuance, and whether interest on the proposed securities will be exempt from federal income taxation and, where applicable, from state and local taxation. Typically, bond counsel may prepare, or review and advise the issuer regarding authorizing resolutions or ordinances, trust indentures, official statements, validation proceedings, disclosure requirements, and litigation.
- Financial Advisor - The financial advisor advises the issuer on matters pertinent to a proposed issue, such as structure, timing, marketing, fairness of pricing, terms, and bond ratings. A financial advisor may also be employed to provide advice on subjects unrelated to a new issue of securities, such as advising on cash flow and investment matters.
- Rating Agencies - Rating agencies provide publicly available ratings of the credit quality of securities issuers. These ratings are intended to measure the probability of the timely repayment of principal and interest on municipal securities. Ratings are initially made before issuance and are periodically reviewed and may be amended to reflect changes in the issuer's credit position.
- Paying Agent/Registrar - The paying agent is responsible for transmitting payments of principal and interest from the issuer to the security holders. The registrar is the entity responsible for maintaining records on behalf of the issuer for the purpose of noting the owners of registered bonds.
- Printer - The printer produces the official statement, notice of sale, and any bonds required to be transferred between the issuer and purchasers of the bonds.

Issuance Costs for Texas Bond Issues

The largest portion of the costs associated with the issuance of bonds is the fee paid to the underwriter, known as the "underwriter's spread." This "spread" is paid to the underwriter as compensation for the risk of holding the bonds and to cover the expenses associated with the marketing of the bonds.

In fiscal 2000, the underwriter's spread accounted for 71 percent of all issuance costs *(Table 14)*. This did not

Table 14

AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES

	Fiscal 1999		Fiscal 2000	
	Average Cost Per Bond Issue	Average Cost Per $1,000 of Bonds Issued	Average Cost Per Bond Issue	Average Cost Per $1,000 of Bonds Issued
Average Issue Size (In Millions)	$88.3		$68.3	
Underwriter's Spread	$527,721	$6.29	$388,194	$5.94
Other Issuance Costs:				
Bond Counsel	62,877	1.30	53,793	1.10
Financial Advisor	48,962	0.88	35,307	0.94
Rating Agencies	39,037	0.56	25,625	0.60
Printing	9,933	0.21	8,342	0.21
Other	57,319	0.36	36,235	0.36
Total	$745,849	$9.60	$547,496	$9.15

Note: 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 state bond issue exclusive of conduit issues.

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

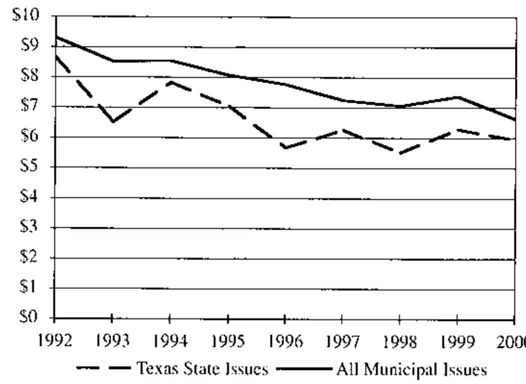
change from the previous year. However, there was a significant decrease in the average cost per issue and average cost per $1,000 of bonds issued. In fiscal 2000, the average cost per issue was $388,194 compared to $527,721 in fiscal 1999. When measured on a per $1,000 basis, the $5.94 average spread paid in fiscal 2000 is lower then the $6.29 reported in fiscal 1999. The decrease in the average cost of issuance is primarily attributable to several Veterans' Land Board (VLB) bond issues. For example, the VLB closed on two particular issues with significantly low issuance costs, one issue for $30,050,000 and another for $150,000,000 with underwriter's spreads per $1,000 of $3.92 and $1.74, respectively. The structuring and size of these transactions allowed the VLB to issue these bonds at a lower than average rate. As a result, the overall average cost of bonds issued in fiscal 2000 is significantly lower than bond issuance costs in fiscal 1999.

Other costs of issuance primarily consist of bond counsel fees, financial advisor fees, rating agency fees, and printing costs. These costs averaged $159,302 per issue or $3.21 per $1,000 in fiscal 2000 compared to $218,128 or $3.31 per $1,000 in fiscal 1999. Overall, there was very little change in the average issuance costs per $1,000.

A comparison of gross spreads paid to underwriters on a national basis to those paid by Texas issuers reveals that the state's bond issuers paid lower underwriting fees than the national average *(Figure 8)*. Data published by Thomson Financial Securities shows that spreads paid by issuers nationally have averaged $6.63 per $1,000 compared to Texas' average of $5.94 per $1,000.

Figure 8

GROSS UNDERWRITING SPREADS: 1992-2000
TEXAS STATE BOND ISSUES vs. ALL MUNICIPAL BOND ISSUES



Note: 2000 figures are for the first six months only. Amounts represent dollars per $1,000 face value of bond issues. Gross spreads include managers' fees, average takedowns, and expenses. Private placements, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded.
Sources: The *Bond Buyer* (8/7/00), Thomson Financial Securities (7/15/00), and Texas Bond Review Board, Office of the Executive Director.

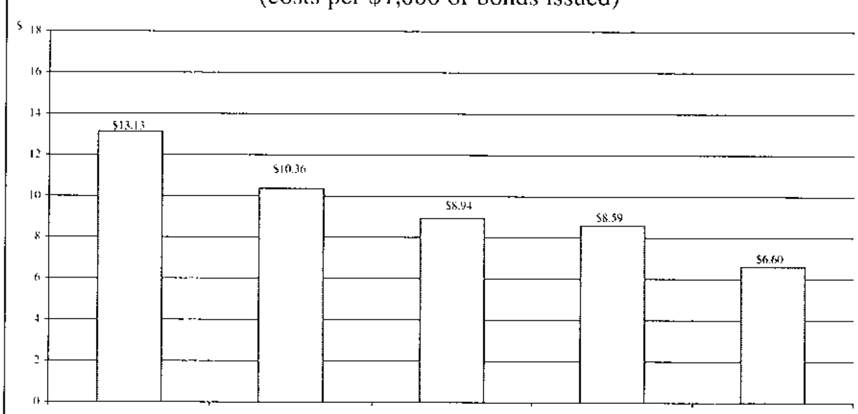
Comparison of Issuance Costs by Size

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 occurs because there are costs of issuance that do not vary proportionately with the size of a bond issue. For example, professional fees for legal services, financial advisory services, and document drafting must be paid no matter how small the size of the bond issue.

Texas bond issues followed this general pattern; the smaller issues were more costly than the larger issues *(Figure 9)*. In fiscal 2000, total issuance costs for bond issues of less than $10 million averaged $111,910 per issue or $13.13 per $1,000. Costs for the larger issues of over $100 million averaged $1,267,713 per issue or $6.60 per $1,000.

Figure 9

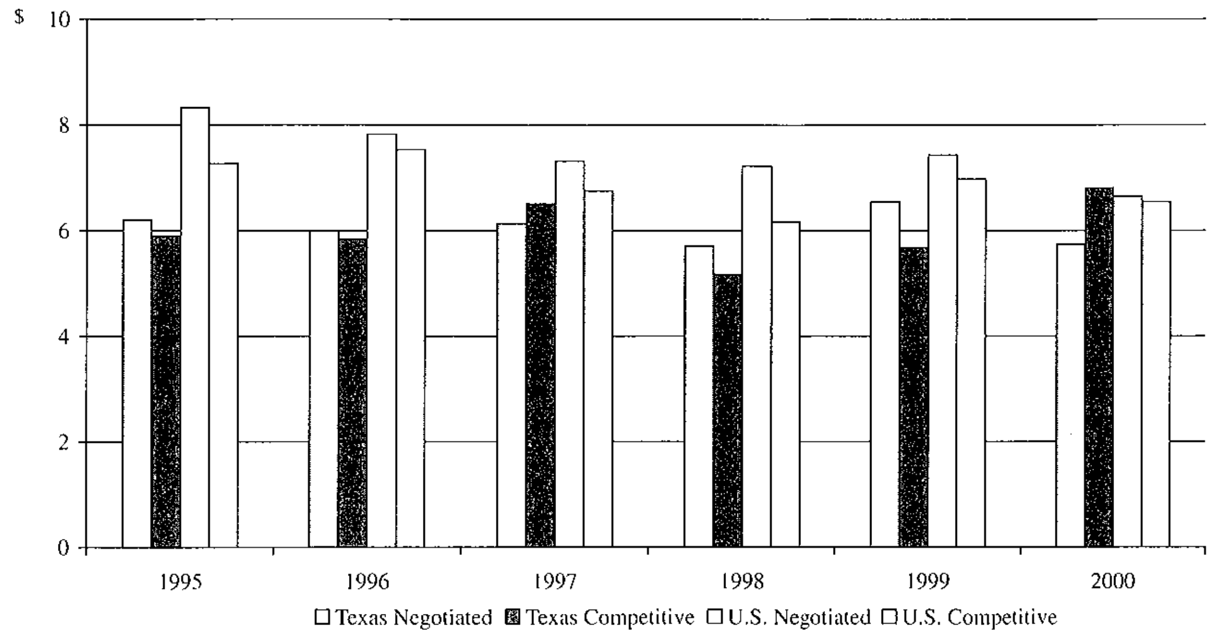
AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES BY SIZE OF ISSUE
(costs per $1,000 of bonds issued)



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

Figure 10

GROSS UNDERWRITING SPREADS: 1995-2000
Negotiated vs. Competitive Municipal Issues



Note: 2000 figures are for the first six months only. Amounts represent dollars per $1,000 face value of bond issues. Gross spreads include manager's fees, underwriting fees, average takedowns, and expenses. Private placements, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded.

Sources: The *Bond Buyer* (8/7/00), Thomson Financial Securities (7/15/00), and Texas Bond Review Board, Office of the Executive Director.

Negotiated Versus Competitive Sales

One of the most important decisions an issuer of municipal securities has to make is selecting a method of sale. Competitive sales and negotiated sales each have their own advantages and disadvantages. The challenge facing the issuer is evaluating factors related to the proposed financing and selecting the appropriate method of sale.

In a competitive sale, sealed bids or electronic bids from a number of underwriters are opened on a predetermined sale date. The bonds are then awarded to the underwriter submitting the lowest bid that meets the terms and conditions of the sale. Generally, underwriters that bid competitively perform less presale marketing because they cannot be sure (until the day the bids are opened) that they have been awarded the contract.

Advantages of the competitive bid include: (1) a competitive environment where market forces determine the price, (2) historically lower spreads, and (3) an open process. Disadvantages of the competitive sale include: (1) limited timing and structuring flexibility, (2) minimum control over the distribution of bonds, and (3) the possibility of underwriters including a risk premium in their bids to compensate for uncertainty regarding market demand.

The conditions that favor a competitive sale are a stable, predictable market in which market demand for the securities can be readily ascertained. Stable market conditions lessen the bidder's risk of holding unsold balances. Market demand is generally easier to assess for securities issued by a well-known, highly-rated issuer that regularly borrows in the public market, securities that have a strong source of repayment. These conditions will generally lead to aggressive bidding since bidders will be able to ascertain market demand without extensive pre-marketing activities.

In a negotiated sale, an underwriter is chosen by the issuer in advance and agrees to buy the bonds at some future date for resale. Thereafter, the underwriter will try to ensure a successful sale by marketing the bonds. In more complicated financings, presale marketing can be crucial to obtaining the lowest possible interest cost. In addition, the negotiated method of sale offers issuers timing and structural flexibility as well as more influence in bond distribution directed to selected underwriting firms or customers.

Disadvantages of negotiated sales are a lack of competition in pricing and the possible appearance of favoritism. In addition, a wide fluctuation in spread between comparable deals may be greater in a negotiated environment. Conditions favoring a negotiated sale are market volatility or securities for which market demand is difficult to ascertain.

Market demand is generally more difficult to assess for securities issued by an infrequent issuer or problem credits, securities that include innovative structuring or derivative products, or securities that are backed by a weak source of repayment. These conditions generally favor a negotiated method of sale.

Comparisons of the spreads paid on Texas negotiated and competitive transactions in fiscal 2000 reveal that bond issues sold in the competitive market had higher underwriting costs than the negotiated transactions *(Figure 10)*. During fiscal 2000, Texas bond issuers paid an average of $5.74 per $1,000 through negotiated sales, and $6.80 per $1,000 through competitive bids. Compared to the national averages compiled by Thomson Financial Securities Data, which recorded averages of $6.65 per $1,000 for negotiated transactions and $6.55 per $1,000 for competitive transactions, Texas shows to be within the average range in competitive sales, but substantially lower than the national average in negotiated sales.

Theoretically, the competitive gross spread provides compensation for risk and the distribution of bonds, but it does not include significant components in a negotiated spread, such as management fees or underwriters' counsel. As negotiated gross spreads are now sometimes below competitive gross spreads, it appears that bonds sold through negotiation may be priced to essentially eliminate the likelihood of loss.

Issuers should primarily focus on how their bonds are being priced in the market and secondarily focus on the underwriting spread. Issuers need to be cognizant of the possibility that, by reducing the takedown component below comparable market levels, they may be reducing the sales effort needed to move their bond issue, which will most likely result in a lower price (higher yield) for their bonds.

Recent Trends in Issuance Costs

In order to determine any trends in issuance costs, it is important to review the make up of the 24 bond transactions (exclusive of conduit issues) occurring in fiscal 2000. Four of those issues were sold via competitive bids, one was a private placement, and nineteen were negotiated transactions. All four of the issues sold competitively were issued for amounts under $20 million. Of the nineteen negotiated transactions, only three were $20 million or less. Among those bond issues, total issuance costs for bonds issued via negotiated sale averaged $8.30 per $1,000, whereas bonds issued via competitive bid had an average cost of $12.41 per $1,000.

An accurate comparison of the average issuance costs per $1,000 on negotiated and competitively bid bond issues for fiscal 2000 is difficult because there were only four competitively bid transactions, all were under $20 million. This is important because smaller bond issues tend to be more costly due to the costs that occur no matter the size of the issue. This can be shown more effectively by separating the average underwriter's spread and the average issuance costs. For the transactions bid competitively, the average spread was $6.80 per $1,000 and average issuance cost per $1,000 was $5.61 for a total of $12.41. Negotiated issues, however, had a total average of $8.30, an average spread of $5.74 per $1,000 and average issuance cost of $2.56 per $1,000.

This trend towards negotiated bond transactions is consistent with what is happening to the bond market on a national level. According to a recent article in The Bond Buyer, higher interest rates and volatile pricing environments have increased the market risk for firms holding municipal bonds, thus, syndicates are seeking larger spreads when bidding on competitive deals. These conditions and a decrease in competitive bidders on transactions are allowing the underwriters to increase the spreads for competitive deals causing the margin between competitive and negotiated deals to decrease.

The purpose of this synopsis is to analyze recent trends in issuance costs. A definitive conclusion regarding the most efficient method of sale for Texas bonds should not be drawn from such a limited number of bond issues.

The responsibility of choosing the method of sale lies with the issuer. In determining the method of sale, factors such as size, complexity, and time frame influence the issuer's decision. Texas bond issuers have demonstrated the a bility to issue bonds in a cost-efficient manner. It is the responsibility of the Bond Review Board to ensure that they remain vigilant in achieving this goal.

[1] Issuance cost calculations in this chapter do not include issues where the state acted as a conduit issuer.
[2] Definitions adapted from the Municipal Securities Rulemaking Board's Glossary of Municipal Securities Terms.

Chapter 5
State of Texas Private Activity Bond Allocation Program

Tax-exempt financing of "private activities" is limited by federal law since the passage of the Tax Reform Act of 1986 (the "Tax Act"). Private activity bonds are those that meet any or all of the following tests: 1) Private Business Use Test - more than ten percent of the proceeds are to be used for any private business use; 2) Private Security or Payment Test - payment on principal or interest of more than ten percent of the proceeds is to be directly or indirectly secured by, or payments are to be derived from, a private business use; and 3) Private Loan Financing Test - proceeds are to be used to make or finance loans to persons other than government units.

The Tax Act also restricted the types of privately owned public purpose projects that can take advantage of tax-exempt financing. The types of issues authorized are: mortgage revenue bonds (MRBs); small-issue industrial development bonds (IDBs); certain state-voted bond issues; student loan bonds; and a variety of "exempt facilities," including qualified residential rental projects (multifamily housing), sewage facilities, solid waste disposal facilities, and hazardous waste disposal facilities.

In addition, the Tax Act imposed a volume ceiling on the aggregate principal amount of tax-exempt private activity bonds that may be issued within each state during any calendar year. As a result, the ceiling is currently $50 per capita or $150 million, whichever is greater.

Section 146(e) of the Internal Revenue Code also provided for each state to devise an allocation formula or a process for allocating the state's ceiling. This provision gave each state the ability to allocate this limited resource in a manner consistent with the needs of that state. Since different states have different needs and demands, there are many varied allocation systems in place.

The Texas Revised Civil Statutes, Article 5190.9a, as amended, and Chapter 1372, Government Code (collectively the "Act"), mandate the allocation process for the state of Texas. The Private Activity Bond Allocation Program regulates the volume ceiling and monitors the amount of demand and the use of private activity bonds each year. The Texas Bond Review Board has administered this program since January 1, 1992.

In an effort to address the high demand for most types of private activity bond financing, the state of Texas devised a system that ensures an opportunity for allocation for each eligible project type. Because of the limited state ceiling, it is impossible to meet all the demands, but a system is in place that ensures an equitable method of allocation.

The 76th Texas Legislature passed Senate Bill 1155 (SB 1155), which made significant amendments to the Act. For the 2000 program year, the Act specified that, for the first seven and a half months of the year, the state's ceiling be set aside as follows:

- 25 percent for single family housing to issuers of qualified mortgage revenue bonds (MRBs). Of that amount, one-third continued to be set aside for the Texas Department of Housing and Community Affairs (TDHCA) and the other two-thirds for the local issuers. The local issuers may apply for an amount determined by a formula, which is based on their population, but in no event for more than the maximum of $25,000,000.
- 11 percent for issues authorized by a state constitutional amendment. The Texas Higher Education Coordinating Board may apply for a maximum of $75,000,000 while other issuers eligible in this category are limited to a maximum of $50,000,000.
- 7.5 percent for issuers of qualified small issue industrial development bonds (IDBs) and empowerment zone bonds (EZ bonds) for use in federally designated empowerment zones and enterprise communities. The maximum amount in this subceiling is $10,000,000.
- 16.5 percent for issuers of qualified residential rental project issue bonds (multifamily housing). Issuers within this category have a maximum amount of the lesser of $15,000,000 or 15 percent of the amount set aside for this subceiling.
- 10.5 percent for issuers of qualified student loan bonds authorized by §53.47, Education Code. Each issuer is limited to a maximum of $35,000,000.
- 29.5 percent for issuers of "all other" bonds requiring an allocation. This final subceiling receives applications from local issuers of exempt facility bonds and any other eligible bonds not covered by the other subceilings. Applications in this subceiling may not exceed $25,000,000.

In addition to amending the set-aside amounts, the new statute required a priority system for residential rental (multifamily housing) applications. The multifamily category now has three priorities to encourage developers to reach residents at a lower income level. Priority one requires that 100 percent of the units be set aside for residents at or below 60 percent of the area median family income (AMFI) and that the rents on those units be capped at the 50 percent level. Priority two requires that 100 percent of the units be set aside for residents at or below 60 percent AMFI and that the rents on those units be capped at the 60 percent level. Priority three does not require any rent caps or set asides other than the federal requirements of either 40 percent of the units be set aside for residents earning at or below 60 percent AMFI or 20 percent of the units be set aside for residents earning at or below 50 percent AMFI. For the first two priorities, the developer is required to use the four percent low income housing tax credits, including applying for such credits with TDHCA before a bond reservation can be issued. Tax credits are optional in the third priority.

SB 1155 also caused all six subceilings to collapse on August 15th rather than September 1st. Any remaining amounts were combined and made available exclusively to the multifamily applications, in priority order, until August 31st. Any amounts available on or after September 1st were then offered to remaining applications by lot order, regardless of project type or priority.

With the exception of single family housing and student loan bonds, the reservations of state ceiling have been allocated by lottery for applications received from October 10 - October 20 of the year preceding the program year, and thereafter on a first-come, first-served basis. Single family housing and student loan bonds have a separate priority system based on prior applications and prior bond issues. This system, used exclusively within these two subceilings, is in place from January until August 14th of each year. As mentioned earlier, on August 15th of each year, unreserved allocation, from all the subceilings, is now combined and redistributed to qualified residential rental project issue bonds. Furthermore, on September 1st, unreserved allocation from all subceilings is combined and redistributed by lot order, regardless of project type.

All issuers, except MRB issuers, must complete their transaction and close on the bond issue within 120 days of the reservation date. Issuers of MRBs must close within a 180-day time limit. If an applicant receives a reservation for allocation and is unable to consummate the transaction, or closes for a lesser amount, the original request is considered satisfied. Subsequently, the unused reservation or excess allocation is redistributed and used by the next applicant in line. This often results in an actual distribution, which might vary slightly from the predetermined set-asides at the beginning of the program year *(Table 15)*.

The state of Texas has the second largest state ceiling in the nation, second only to California in population and volume cap. Texas once again experienced an increase of volume cap for the 2000 Private Activity Bond Allocation Program. Based on the Texas population figures of 20,044,141, the 2000 volume cap was set at $1,002,207,050, an increase of $14,226,350 (1.44 percent) from the 1999 cap of $987,980,700. However, the increase fell short of the demand for the program. The allocation program in Texas has been over-subscribed each year since 1988 *(Figure 11)*. Applications received in 2000 totaled $3.44 billion or 343 percent of the available allocation amount *(Table 16)*. The 2000 program year will leave $2.44 billion in requests for allocation unsatisfied.

Since the state ceiling is currently based on population, with no adjustment for inflation, the $50 per capita allocation will actually decrease in real value over time, with an increasing demand relative to the available ceiling. This dilemma creates a difficult problem in Texas, with its growing economy, critical affordable housing needs, large student population, and increasing environmental demands. Demand for private activity bond cap allocation will certainly continue to increase significantly. The cost of financing projects continues to increase each year and as a result, so does the need for allocation. For example, applications received for the 2001 program year totaled $3.03 billion as of November 1, 2000. However, without amendments to the per capita formula at the federal level, the volume cap will rise at a minimal rate as the population increases. Consequently, if Texas experiences a population loss, the volume cap will decrease.

In October 1998, Congress enacted a bill to phase in an increase in the volume cap formula beginning in 2003. Beginning that year, the volume cap will increase by $5 per capita each year through 2007, when it will cap out at

Table 15

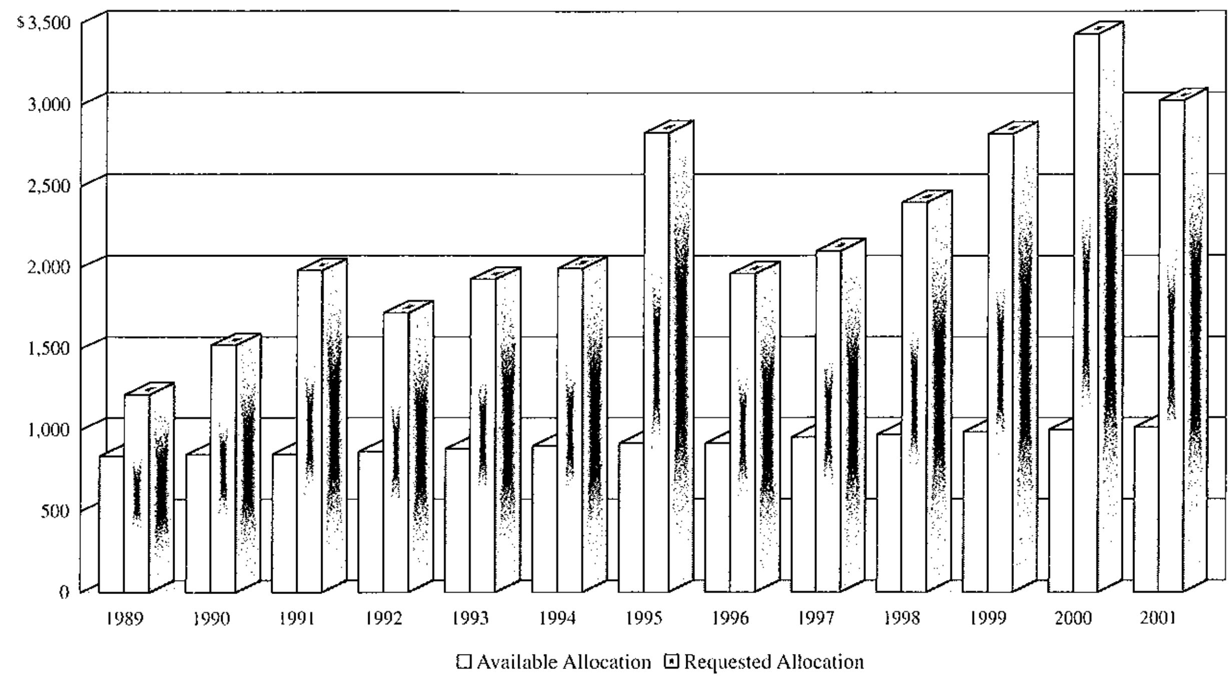
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2000 SET-ASIDE vs. ISSUED ALLOCATION AMOUNTS

SUBCEILINGS	SET-ASIDE ALLOCATION	PERCENT OF TOTAL	ISSUED ALLOCATION	PERCENT OF TOTAL
Single Family Housing	$250,551,762	25.00%	$251,092,535	25.05%
State-Voted Issues	110,242,776	11.00%	95,000,000	9.48%
Small Issue IDBs	75,165,529	7.50%	67,935,000	6.78%
Multifamily Housing	165,364,163	16.50%	187,564,515	18.72%
Student Loan Bonds	105,231,740	10.50%	105,000,000	10.48%
All Other Issues	295,651,080	29.50%	295,615,000	29.50%
TOTALS	**$1,002,207,050**	**100.00%**	**$1,002,207,050**	**100.00%**

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

Figure 11

STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
AVAILABLE vs. REQUESTED ALLOCATION
(millions of dollars)



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

$75 per capita, an increase of 50 percent. The new legislation does not include an inflation index for the years following 2007. This amendment will certainly provide some relief, but the amount of state ceiling available in Texas is expected to remain far below the anticipated future demand. Since the aforementioned increase in volume cap does not go into effect until 2003, and since it does not take into consideration an inflation factor, several pieces of federal legislation are pending to have the increase in volume cap become effective at an earlier date.

Table 16

STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2000 APPLICATIONS FOR ALLOCATION
(as of November 1, 2000)

	Available Allocation	Requested Allocation	Requests as a % of Availability
Mortgage Revenue Bonds	$250,551,762	$633,116,675	252.69%
State-Voted Issue Bonds	110,242,776	95,000,000	86.17%
Industrial Development Bonds	75,165,529	101,501,000	135.04%
Multifamily Rental Project Bonds	165,364,163	1,656,209,187	1001.55%
Student Loan Bonds	105,231,740	245,000,000	232.82%
All Other Bonds Requiring Allocation	295,651,080	706,890,000	239.10%
Total	**$1,002,207,050**	**$3,437,716,862**	**343.01%**

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

Appendix A
Summary of Bonds Issued

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Residential Mortgage Revenue Bonds, Series 1999B-1 & B-2, and Series 1999 C&D - $140,765,000

Purpose: Proceeds of the Series 1999B-1 & B-2 bonds were used for the purpose of providing funds to acquire mortgage certificates and to pay a portion of the costs of issuance. Proceeds of the Series 1999C bonds were used to refund outstanding TDHCA commercial paper notes. Proceeds of the Series 1999D bonds were used to refund outstanding TDHCA bonds and to pay a portion of the costs of issuance.

Dates:	Board Approval –	October 21, 1999
	Negotiated Sale –	October 28, 1999
	Closing Date –	December 2, 1999

Structure: The Series 1999B-1 bonds were issued as two fixed-rate, tax-exempt term securities, maturing in July 2021 and 2032. The Series 1999B-2 bonds were issued as variable-rate, tax-exempt Convertible Option Bonds (COBS) with a final maturity of January 2033. The Series 1999C bonds were issued as fixed-rate, tax-exempt securities with a final maturity of July 2014, in addition to a term bond maturing in July 2024. The Series 1999D bonds are tax-exempt, fixed-rate securities which mature in July 2014, in addition to three term bonds maturing in July of 2012, 2020, and 2021.

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

Interest Cost:
True Interest Cost (TIC) – 5.79%
Net Interest Cost (NIC) – 5.80%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	M.R. Beal & Company

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$124,074	$0.88
Financial Advisor	82,000	0.58
Rating Agencies	32,330	0.23
Printing	19,924	0.14
Trustee	17,000	0.12
Trustee Counsel	14,400	0.10
Disclosure Counsel	59,382	0.42
Escrow Verification	23,500	0.17
TDHCA Fees	85,000	0.60
Private Activity Fee	26,404	0.19
Accounting Fee	13,320	0.09
Attorney General	2,500	0.02
	$499,834	**$3.54**
Underwriter's Spread	**$810,790**	**$5.76**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Residential Mortgage Revenue Refunding Bonds, Series 2000A – $50,000,000

Purpose: Proceeds of the bonds were used to refund an equal amount of outstanding Residential Mortgage Revenue Bonds Series 1999B-2.

Dates:	Board Approval –	February 17, 2000
	Negotiated Sale –	March 9, 2000
	Closing Date –	May 1, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing in July 2009, in addition to four term bonds with final maturities of January 2019, July 2019, January 2031, and July 2031.

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

Interest Cost:
True Interest Cost (TIC) – 6.11%
Net Interest Cost (NIC) – 6.12%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	M.R. Beal & Company

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$62,719	$1.25
Financial Advisor	43,000	0.86
Rating Agencies	13,500	0.27
Printing	19,895	0.40
Trustee	5,000	0.10
Trustee Counsel	6,300	0.13
Disclosure Counsel	36,024	0.72
Escrow Verification	7,500	0.15
TDHCA Fees	20,000	0.40
Miscellaneous	17,717	0.35
Attorney General	1,250	0.03
	$232,905	**$4.66**
Underwriter's Spread	**$428,020**	**$8.56**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Mortgage Revenue Bonds (Woodglen Village Apartments), Series 1999 - $10,660,000

Purpose: Proceeds of the bonds were used to fund a mortgage loan to Woodglen Village Ltd. Partnership, a Texas limited partnership, to finance the acquisition, construction, equipment, and long-term financing of a 250-unit multifamily residential project located in Houston, Texas. The project will include set-aside units and rent caps to ensure availability for low-to-moderate income households.

Dates:		
	Board Approval –	November 18, 1999
	Private Placement –	December 22, 1999
	Closing Date –	December 22, 1999

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing in December 2039. The bonds are secured by a non-recourse mortgage loan and were privately placed.

Bond Ratings: The bonds were not rated.

Interest Cost:
True Interest Cost (TIC) – 7.49%
Net Interest Cost (NIC) – 7.38%

Consultants:
Bond Counsel – Vinson & Elkins L.L.P.
Financial Advisor – Dain Rauscher, Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$71,500	$6.71
Financial Advisor	20,000	1.88
TDHCA Fees	70,550	6.62
Initial Marketing	25,000	2.35
Trustee	15,000	1.41
Disclosure Counsel	3,959	0.37
Private Activity Fee	1,426	0.13
Financial Consultant	81,600	7.65
Miscellaneous	78,852	7.40
Attorney General	1,250	0.12
	$369,137	**$34.64**
Placement Agent	**$87,600**	**$8.22**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Mortgage Revenue Bonds (Deerwood Pines Apartments), Series 2000 - $6,435,000

Purpose: Proceeds of the bonds were used to fund a mortgage loan to Maxey Houston Apartments Ltd. Partnership, a Texas limited partnership, to finance the acquisition, construction, equipment, and long-term financing of a 140-unit multifamily residential project located in Houston, Texas. The project will include set-aside units and rent caps to ensure availability for low-to-moderate income households.

Dates:		
	Board Approval –	April 20, 2000
	Negotiated Sale –	May 15, 2000
	Closing Date –	May 16, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing in June 2012, in addition to two term bonds maturing in June 2020 and December 2032. The bonds are secured by a non-recourse mortgage loan.

Bond Ratings: Standard & Poor's – AAA

Interest Cost:
True Interest Cost (TIC) – 6.32%
Net Interest Cost (NIC) – 6.34%

Consultants:
Bond Counsel – Vinson & Elkins L.L.P.
Financial Advisor – Dain Rauscher, Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$70,000	$10.88
Financial Advisor	20,000	3.11
TDHCA Fees	46,675	7.25
Trustee	9,500	1.48
Trustee Counsel	4,000	0.62
Rating Agencies	13,500	2.10
Printing	5,000	0.78
Cashflow Verification	3,500	0.54
Private Activity Fee	2,625	0.41
Disclosure Counsel	5,000	0.78
Attorney General	1,250	0.19
	$181,050	**$28.14**
Underwriter's Spread	**$78,980**	**$12.27**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Mortgage Revenue Bonds (Honey Creek Apartments), Series 2000 – $20,485,000.

Purpose: Proceeds of the bonds were used to fund a mortgage loan to Honey Creek KIWI L.L.C., a Texas limited liability corporation, to provide long-term financing of a 656-unit multifamily residential project located in Dallas, Texas. The project will include set-aside units and rent caps to ensure availability for low-to-moderate income households.

Dates:		
	Board Approval –	July 11, 2000
	Private Placement –	July 21, 2000
	Closing Date –	July 21, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing in July 2035. The bonds are secured by a non-recourse mortgage loan and were privately placed.

Bond Ratings: The bonds were not rated.

Interest Cost:
True Interest Cost (TIC) – 7.75%
Net Interest Cost (NIC) – 7.63%

Consultants:
Bond Counsel – Vinson & Elkins L.L.P.
Financial Advisor – Dain Rauscher, Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$61,500	$3.00
Financial Advisor	32,000	1.56
TDHCA Fees	72,613	3.54
Trustee	9,000	0.44
Trustee Counsel	8,750	0.43
TEFRA Notice	2,300	0.11
Disclosure Counsel	1,951	0.10
Attorney General	1,250	0.06
	$189,364	**$9.24**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Creek Point Apartments), Series 2000 – $7,200,000

Purpose: Proceeds of the bonds were used to fund a mortgage loan to Creek Point Apartments Limited Partnership, a Texas limited partnership, to finance the acquisition, construction, equipment, and long-term financing of a 200-unit multifamily residential rental project located in McKinney, Texas. The project will include set-aside units and rent caps to ensure availability for low-to-moderate income households.

Dates:		
	Board Approval –	April 20, 2000
	Negotiated Sale –	May 24, 2000
	Closing Date –	May 24, 2000

Structure: The bonds were issued as variable-rate, tax-exempt securities maturing in October 2032. The bonds are secured by a non-recourse mortgage loan.

Bond Ratings: Moody's – Aaa / VMIG 1

Interest Cost:
True Interest Cost (TIC) – Floating
Net Interest Cost (NIC) – Floating

Consultants:
Bond Counsel – Vinson & Elkins L.L.P.
Financial Advisor – Dain Rauscher, Inc.
Senior Underwriter – Newman and Associates, Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$75,500	$10.49
Financial Advisor	20,000	2.78
TDHCA Fees	52,000	7.22
Trustee	8,040	1.12
Trustee Counsel	5,000	0.69
Rating Agencies	11,000	1.53
Printing	3,000	0.42
Disclosure Counsel	5,000	0.69
Private Activity Fee	2,300	0.32
Miscellaneous	18,250	2.53
Attorney General	1,250	0.17
	$201,340	**$27.96**
Underwriter's Spread	**$72,000**	**$10.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Mortgage Revenue Bonds (Oaks at Hampton Apartments), Series 2000A&B – $10,060,000

Purpose: Proceeds of the bonds were used to fund a mortgage loan to Texas Hampton Senior Limited Partnership, a Texas limited partnership, to finance the acquisition, construction, equipment, and long-term financing of a 250-unit multifamily residential rental project geared toward senior citizens located in Dallas, Texas. The project will include set-aside units and rent caps to ensure availability for low-to-moderate income households.

Dates:		
	Board Approval –	March 23, 2000
	Private Placement –	April 27, 2000
	Closing Date –	April 27, 2000

Structure: The bonds were issued in two series. The Series 2000A bonds ($9,535,000) were issued as fixed-rate, tax-exempt securities maturing in March 2040. The Series 2000B bonds ($525,000) were issued as fixed-rate, taxable securities and will mature in May 2010. The bonds are secured by a non-recourse mortgage loan and were privately placed.

Bond Ratings: The bonds were not rated.

Interest Cost:	2000A	2000B
True Interest Cost (TIC) –	7.24%	9.00%
Net Interest Cost (NIC) –	7.22%	9.00%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Financial Advisor –	Dain Rauscher, Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$65,000	$6.46
Financial Advisor	25,000	2.49
TDHCA Fees	67,550	6.71
Trustee	10,000	0.99
Trustee Counsel	5,000	0.50
TEFRA Notice	2,289	0.23
Private Activity Fee	2,384	0.24
Disclosure Counsel	2,500	0.25
Attorney General	1,250	0.12
	$180,973	**$17.99**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Mortgage Revenue Bonds (Timber Point), Series 2000 – $8,100,000

Purpose: Proceeds of the bonds were used to fund a mortgage loan to Timber Point Apartments Limited Partnership, a Texas limited partnership, to finance the acquisition, construction, equipment, and long-term financing of a 240-unit multifamily residential rental project located in Houston, Texas. The project will include set-aside units and rent caps to ensure availability for low-to-moderate income households.

Dates:		
	Board Approval –	April 20, 2000
	Negotiated Sale –	April 25, 2000
	Closing Date –	April 26, 2000

Structure: The bonds were issued as variable-rate, tax-exempt securities maturing in September 2032. The bonds are secured by a non-recourse mortgage loan.

Bond Ratings: Moody's – Aaa / VMIG 1

Interest Cost:

True Interest Cost (TIC) –	Floating
Net Interest Cost (NIC) –	Floating

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Newman and Associates, Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$73,000	$9.01
Financial Advisor	25,000	3.09
TDHCA Fees	57,500	7.10
Trustee	8,670	1.07
Trustee Counsel	5,000	0.62
Rating Agencies	7,500	0.93
Escrow Verification	3,000	0.37
Private Activity Fee	1,750	0.22
Disclosure Counsel	5,000	0.62
Printing	3,000	0.37
Attorney General	2,025	0.25
	$191,445	**$23.65**
Underwriter's Spread	**$81,000**	**$10.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Mortgage Revenue Bonds (Parks at Westmoreland), Series 2000 – $9,990,000

Purpose: Proceeds of the bonds were used to fund a mortgage loan to Parks at Westmoreland Senior Housing Limited Partnership, a Texas limited partnership, to finance the acquisition, construction, equipment, and long-term financing of a 250-unit multifamily residential rental project geared toward senior citizens located in DeSoto, Texas. The project will include set-aside units and rent caps to ensure availability for low-to-moderate income households.

Dates:	Board Approval –	July 11, 2000
	Private Placement –	July 17, 2000
	Closing Date –	July 17, 2000

Structure: The bonds were issued in two series. The Series 2000A bonds ($9,535,000) were issued as fixed-rate, tax-exempt securities maturing in July 2040. The Series 2000B bonds ($455,000) were issued as fixed-rate, taxable securities and will mature in November 2009. The bonds are secured by a non-recourse mortgage loan and were privately placed.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) –	7.37%
Net Interest Cost (NIC) –	7.27%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Financial Advisor –	Dain Rauscher, Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$60,000	$6.01
Financial Advisor	32,500	3.25
TDHCA Fees	67,200	6.73
Trustee	15,000	1.50
Trustee Counsel	5,000	0.50
TEFRA Notice	2,289	0.23
Private Activity Fee	2,384	0.24
Disclosure Counsel	2,500	0.25
Attorney General	1,250	0.13
	$188,123	**$18.84**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Park Development Bonds (Texas Parks and Wildlife Projects), Series 2000 – $16,310,000

Purpose: The proceeds of the bonds were used to provide funds to the Texas Parks and Wildlife Department to pay costs to acquire additional state park sites, to improve and develop existing park sites, and to pay the costs of issuing the bonds.

Dates:	Board Approval –	December 17, 1999
	Competitive Sale –	January 19, 2000
	Closing Date –	February 15, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in October 2000 with a final maturity in October 2019. The bonds are general obligations of the state.

Bond Ratings:	Moody's –	Aa1
	Standard & Poor's –	AA
	Fitch IBCA –	AA+

Interest Cost:

True Interest Cost (TIC) –	5.68%
Net Interest Cost (NIC) –	5.63%

Consultants:

Bond Counsel –	Mayor, Day, Caldwell & Keeton L.L.P.
Financial Advisor –	First Southwest Company
Co-Financial Advisor –	Walton Johnson & Company
Senior Underwriter –	Wachovia Securities, Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$22,819	$1.40
Financial Advisor	18,535	1.14
Co-Financial Advisor	8,330	0.51
Rating Agencies	20,201	1.24
Printing	2,716	0.17
Delivery Fees	14	0.00
Attorney General	1,000	0.06
	$73,615	**$4.52**
Underwriter's Spread	**$115,393**	**$7.07**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Revenue Bonds (Texas Parks and Wildlife Projects), Series 2000 – $18,800,000

Purpose: The proceeds of the bonds were used to provide funds to the Texas Parks and Wildlife Department to pay for infrastructure repair and facility improvements at various sites, including the repair and replacement of water and wastewater systems, and to pay the costs of issuing the bonds.

Dates:	Board Approval –	December 17, 1999
	Competitive Sale –	January 19, 2000
	Closing Date –	February 15, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in February 2001 with a final maturity in February 2020. The bonds are insured.

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

Interest Cost:
True Interest Cost (TIC) – 5.77%
Net Interest Cost (NIC) – 5.70%

Consultants:

Bond Counsel –	Wickliff & Hall P.C.
Co-Bond Counsel –	Mayor, Day, Caldwell & Keeton L.L.P.
Financial Advisor –	First Southwest Company
Co-Financial Advisor –	Walton Johnson & Company
Senior Underwriter –	Dain Rauscher, Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$23,394	$1.24
Financial Advisor	17,010	0.90
Co-Financial Advisor	8,330	0.44
Rating Agencies	11,464	0.61
Printing	3,181	0.17
Miscellaneous	19	0.00
Attorney General	1,000	0.00
	$64,398	**$3.41**
Underwriter's Spread	**$156,506**	**$8.32**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Board of Regents of Stephen F. Austin State University Revenue Financing System, Texas Public Finance Authority Revenue Bonds, Series 2000 – $7,000,000

Purpose: The proceeds of the bonds were used to pay for improvements on the University campus and to pay the costs of issuing the bonds.

Dates:	Board Approval –	February 17, 2000
	Competitive Sale –	March 8, 2000
	Closing Date –	March 29, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in October 2003 with a final maturity in October 2009. The bonds are insured.

Bond Ratings:	Moody's –	Aaa
	Fitch IBCA –	AAA

Interest Cost:
True Interest Cost (TIC) – 5.22%
Net Interest Cost (NIC) – 5.11%

Consultants:

Bond Counsel –	McCall, Parkhurst & Horton L.L.P.
Financial Advisor –	First Southwest Company
Co-Financial Advisor –	Walton Johnson & Company
Senior Underwriter –	U.S. Bancorp Piper Jaffray

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$11,984	$1.71
Financial Advisor	17,129	2.45
Co-Financial Advisor	18,126	2.59
Rating Agencies	8,500	1.21
Printing	3,816	0.55
Paying Agent/Registrar	1,500	0.21
Delivery Fees	5	0.00
Attorney General	1,000	0.14
	$62,060	**$8.86**
Underwriter's Spread	**$28,000**	**$4.00**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Building Revenue Bonds (General Services Commission Project) Series 2000A – $25,480,000

Purpose: The proceeds of the bonds were used to pay the costs of renovation and asbestos abatement of the John H. Reagan State Office Building located in Austin, and to pay the costs of issuing the bonds.

Dates:		
	Board Approval –	April 20, 2000
	Negotiated Sale –	May 9, 2000
	Closing Date –	May 24, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in February 2001, with a final maturity in February 2020. The issue also contains term bonds maturing in February 2020. The 2004 through 2020 maturities are insured.

		Uninsured	Insured
Bond Ratings:	Moody's –	Aa2	Aaa
	Fitch IBCA –	A+	AAA

Interest Cost:
True Interest Cost (TIC) – 5.84%
Net Interest Cost (NIC) – 5.84%

Consultants:

Bond Counsel –	Fulbright & Jaworski L.L.P.
Co-Bond Counsel –	Delgado, Acosta, Braden & Jones P.C.
Financial Advisor –	First Southwest Company
Co-Financial Advisor –	Walton Johnson & Company
Senior Underwriter –	Ramirez & Co., Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$27,500	$1.08
Co-Bond Counsel	11,397	0.45
Financial Advisor	29,290	1.15
Co-Financial Advisor	11,236	0.44
Rating Agencies	19,300	0.76
Printing	3,582	0.14
Miscellaneous	2,118	0.08
Attorney General	1,250	0.05
	$105,673	**$4.15**
Underwriter's Spread	**$141,317**	**$5.55**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Building Revenue Bonds (State Preservation Board Project) Series 2000B – $29,480,000

Purpose: The proceeds of the bonds were used to finance the third stage of construction of the State History Museum and to pay the costs of issuing the bonds.

Dates:		
	Board Approval –	June 22, 2000
	Negotiated Sale –	July 11, 2000
	Closing Date –	July 27, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in August 2001, with a final maturity in August 2020. The 2011 through 2020 maturities are insured.

		Uninsured	Insured
Bond Ratings:	Moody's –	Aa2	Aaa
	Fitch IBCA –	A+	AAA

Interest Cost:
True Interest Cost (TIC) – 5.44%
Net Interest Cost (NIC) – 5.48%

Consultants:

Bond Counsel –	Akin Gump Strauss, Hauer & Feld L.L.P.
Co-Bond Counsel –	Wickliff & Hall P.C.
Financial Advisor –	First Southwest Company
Co-Financial Advisor –	Walton Johnson & Company
Senior Underwriter –	Salomon Smith Barney

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$26,264	$0.89
Co-Bond Counsel	12,829	0.44
Financial Advisor	21,537	0.73
Co-Financial Advisor	10,959	0.37
Rating Agencies	17,600	0.60
Printing	4,770	0.16
Miscellaneous	670	0.02
Attorney General	1,250	0.04
	$95,879	**$3.25**
Underwriter's Spread	**$174,772**	**$5.93**

THE UNIVERSITY OF NORTH TEXAS

Issue: Board of Regents of the University of North Texas System, Revenue Financing System Refunding and Improvement Bonds, Series 1999A – $15,535,000

Purpose: Proceeds of the bonds were used to fund the Health Science Center (HSC) parking garage, to refund outstanding HSC General Revenue Fee Bonds, Series 1978, and HSC General Tuition Revenue Bonds, Series 1994, and to pay the costs of issuance.

Dates:	Board Approval –	August 19, 1999
	Negotiated Sale –	September 14, 1999
	Closing Date –	October 13, 1999

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in April 2000 with a final maturity in April 2017. The issue also includes term bonds that mature in April 2019.

Bond Ratings:	Moody's –	A1
	Standard & Poor's –	A+

Interest Cost:

True Interest Cost (TIC) –	5.40%
Net Interest Cost (NIC) –	5.39%

Consultants:

Bond Counsel –	McCall, Parkhurst & Horton L.L.P.
Financial Advisor –	First Southwest Company
Senior Underwriter –	Goldman, Sachs & Co.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$15,650	$1.01
Financial Advisor	15,695	1.01
Rating Agencies	9,200	0.59
Paying Agent	1,100	0.07
Printing	11,547	0.74
Escrow Agent	8,025	0.52
Escrow Verification	3,500	0.23
Attorney General	1,000	0.06
	$65,717	**$4.23**
Underwriter's Spread	**$100,919**	**$6.50**

THE UNIVERSITY OF TEXAS SYSTEM

Issue: Board of Regents of the University of Texas System, Revenue Financing System Bonds, Series 1999A&B – $282,575,000

Purpose: Proceeds of the bonds were used to current refund a portion of the Board's Revenue Financing System Commercial Paper Notes, Series A, to finance the cost of acquiring and equipping property and facilities for the Revenue Financing System, and to pay the costs of issuance.

Dates:	Board Approval –	August 19, 1999
	Negotiated Sale –	August 26, 1999
	Closing Date –	September 21, 1999

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in August 2001 with a final maturity in August 2018. The issue also includes term bonds that mature in August 2020.

Bond Ratings:	Moody's –	Aa1
	Standard & Poor's –	AAA
	Fitch IBCA –	AAA

Interest Cost:	1999A	1999B
True Interest Cost (TIC) –	5.47%	5.47%
Net Interest Cost (NIC) –	5.51%	5.51%

Consultants:

Bond Counsel –	McCall, Parkhurst & Horton L.L.P.
Senior Underwriter –	Lehman Brothers – 1999A
	Goldman, Sachs & Co. – 1999B

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$113,125	$0.40
Rating Agencies	80,000	0.28
Paying Agent	4,560	0.02
Printing	15,280	0.05
Escrow Agent	500	0.00
Escrow Verification	1,500	0.01
Miscellaneous	2,000	0.01
Attorney General	2,500	0.01
	$219,465	**$0.78**
Underwriter's Spread	**$1,506,705**	**$5.33**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, Veterans Housing Assistance Program, Fund II, Series 1999B – $100,000,000

Purpose: The bond proceeds were used to make housing and home improvement loans to eligible Texas veterans.

Dates:		
	Board Approval –	August 19, 1999
	Negotiated Sale –	September 23, 1999
	Closing Date –	October 7, 1999

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing in December 2014. The issue also contains term bonds maturing in December 2022, December 2030, and June 2031. The bonds are general obligations of the state.

Bond Ratings:		
	Moody's –	Aa1
	Standard & Poor's –	AA

Interest Cost:
True Interest Cost (TIC) – 5.84%
Net Interest Cost (NIC) – 5.83%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Co-Bond Counsel –	Lannen & Oliver, P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Salomon Smith Barney

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$59,885	$0.60
Co-Bond Counsel	19,154	0.19
Financial Advisor	36,250	0.36
Rating Agencies	16,250	0.16
Printing	12,893	0.13
TEFRA Notice	3,547	0.04
Attorney General	1,250	0.01
	$149,229	**$1.49**
Underwriter's Spread	**$665,000**	**$6.65**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, Veterans Land Refunding Bonds, Taxable Series 1999B – $ 36,720,000

Purpose: The bond proceeds were used to refund outstanding current interest Veterans' Land Bonds, Series 1989, that mature on or before December 1, 2004.

Dates:		
	Board Approval –	August 19, 1999
	Negotiated Sale –	October 26, 1999
	Closing Date –	October 27, 1999

Structure: The bonds were issued as variable-rate, taxable securities, subject to mandatory sinking fund redemption beginning in December 2004. The bonds are general obligations of the state.

Bond Ratings:		
	Moody's –	Aa1/VMIG 1
	Standard & Poor's –	AA/A-1+

Interest Cost:
True Interest Cost (TIC) – floating
Net Interest Cost (NIC) – floating

Consultants:

Bond Counsel –	Akin, Gump, Strauss, Hauer & Feld L.L.P.
Co-Bond Counsel –	Wickliff & Hall P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Goldman, Sachs & Co.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$18,689	$0.51
Co-Bond Counsel	11,430	0.31
Financial Advisor	14,102	0.38
Rating Agencies	16,250	0.44
Printing	3,882	0.11
Liquidity Prov. Counsel	4,500	0.12
Attorney General	1,250	0.03
	$70,103	**$1.90**
Underwriter's Spread	**$93,440**	**$2.54**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, Veterans Housing Assistance Program, Fund I, Series 1999 Refunding Bonds – $30,050,000

Purpose: The bond proceeds were used to refund the outstanding State of Texas Veterans' Bonds, Series 1984, that mature on and after December 1, 2000.

Dates:		
	Board Approval –	August 19, 1999
	Negotiated Sale –	October 4, 1999
	Closing Date –	October 27, 1999

Structure: The bonds were issued as a single fixed-rate, tax-exempt term bond, maturing in December 2003. The bonds are general obligations of the state.

Bond Ratings:		
	Moody's –	Aa1
	Standard & Poor's –	AA

Interest Cost:

True Interest Cost (TIC) –	4.60%
Net Interest Cost (NIC) –	4.60%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Co-Bond Counsel –	Lannen & Oliver, P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Salomon Smith Barney

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$28,600	$0.95
Co-Bond Counsel	8,956	0.30
Financial Advisor	11,768	0.39
Rating Agencies	16,250	0.54
Printing	7,118	0.24
Escrow Agent	400	0.01
Attorney General	1,250	0.04
	$74,342	**$2.47**
Underwriter's Spread	**$117,663**	**$3.92**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, Veterans Housing Assistance Program, Fund II, Taxable Series 1999A-1 – $50,000,000

Purpose: The bond proceeds were used to provide funds for the purpose of making housing and home improvement loans to eligible Texas veterans, and to pay the costs of issuance.

Dates:		
	Board Approval –	August 19, 1999
	Negotiated Sale –	September 21, 1999
	Closing Date –	October 7, 1999

Structure: The bonds were issued as three fixed-rate, taxable term bonds, maturing in December 2010, 2021, and 2029. The bonds are general obligations of the state.

Bond Ratings:		
	Moody's –	Aa1
	Standard & Poor's –	AA

Interest Cost:

True Interest Cost (TIC) –	7.43%
Net Interest Cost (NIC) –	7.40%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Co-Bond Counsel –	Lannen & Oliver, P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Goldman, Sachs & Co.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$44,021	$0.88
Co-Bond Counsel	12,702	0.25
Financial Advisor	18,125	0.36
Rating Agencies	8,125	0.16
Printing	7,665	0.15
Attorney General	1,250	0.03
	$91,888	**$1.83**
Underwriter's Spread	**$324,500**	**$6.49**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, Veterans Housing Assistance Program, Fund II, Taxable Series 1999A-2 – $150,000,000

Purpose: The bond proceeds were used to provide funds for the purpose of making housing and home improvement loans to eligible Texas veterans, and to pay the costs of issuance.

Dates:	Board Approval –	August 19, 1999
	Negotiated Sale –	October 6, 1999
	Closing Date –	October 7, 1999

Structure: The bonds were issued as variable-rate, taxable securities. The bonds are general obligations of the state.

Bond Ratings:	Moody's –	Aa1 / VMIG 1
	Standard & Poor's –	AA/A-1+

Interest Cost:

True Interest Cost (TIC) –	floating
Net Interest Cost (NIC) –	floating

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Co-Bond Counsel –	Lannen & Oliver, P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Goldman, Sachs & Co.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$44,021	$0.29
Co-Bond Counsel	22,077	0.15
Financial Advisor	53,125	0.35
Rating Agencies	8,125	0.05
Printing	4,065	0.03
Liquidity Prov. Counsel	7,500	0.05
Attorney General	1,250	0.01
	$140,163	**$0.93**
Underwriter's Spread	**$261,000**	**$1.74**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, Veterans Housing Assistance Program, Fund I and Fund II, Taxable Series 1999C&D – $26,070,000

Purpose: The bond proceeds were used to refund the outstanding principal amount of bonds maturing on December 1, 1999 (Fund I), to refund outstanding bonds issued for Fund II, and to pay the costs of issuance.

Dates:	Board Approval –	October 21, 1999
	Negotiated Sale –	November 3, 1999
	Closing Date –	November 23, 1999

Structure: The bonds were issued as fixed-rate, taxable term bonds maturing in December 2009. The bonds are general obligations of the state.

Bond Ratings:	Moody's –	Aa1
	Standard & Poor's –	AA

Interest Cost:

True Interest Cost (TIC) –	7.15%
Net Interest Cost (NIC) –	7.15%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Co-Bond Counsel –	Lannen & Oliver, P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Merrill Lynch & Co.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$30,038	$1.15
Co-Bond Counsel	8,056	0.31
Financial Advisor	10,375	0.40
Rating Agencies	20,100	0.77
Printing	8,135	0.31
Attorney General	2,000	0.08
	$78,704	**$3.02**
Underwriter's Spread	**$199,276**	**$7.64**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, Veterans Housing Assistance Program, Fund II, Series 2000C – $100,000,000

Purpose: The bond proceeds were used to provide funds for the purpose of making housing and home improvement loans to eligible Texas veterans and to pay the costs of issuance.

Dates:		
	Board Approval –	March 23, 2000
	Negotiated Sale –	April 6, 2000
	Closing Date –	May 10, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in December 2002 with a final maturity of December 2015. The issue also contains four term bonds maturing in June 2021, and December 2028, 2030, and 2031. The bonds are general obligations of the state.

Bond Ratings:		
	Moody's –	Aa1
	Standard & Poor's –	AA

Interest Cost:

True Interest Cost (TIC) –	5.95%
Net Interest Cost (NIC) –	5.97%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Co-Bond Counsel –	Lannen & Oliver, P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Salomon Smith Barney

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$74,441	$0.74
Co-Bond Counsel	20,694	0.21
Financial Advisor	37,500	0.38
Rating Agencies	37,800	0.38
Printing	8,140	0.08
TEFRA Notice	5,217	0.05
Attorney General	1,250	0.01
	$185,042	**$1.85**
Underwriter's Spread	**$667,218**	**$6.67**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, State of Texas Veterans Mortgage Revenue Bonds, Taxable Series 2000A – $100,000,000

Purpose: The bond proceeds were used to purchase GNMA mortgage-backed pass-through certificates backed by home mortgage loans made to eligible Texas veterans, and to pay the costs of issuance.

Dates:		
	Board Approval –	January 20, 2000
	Negotiated Sale –	February 3, 2000
	Closing Date –	March 1, 2000

Structure: The bonds were issued as fixed-rate, taxable term bonds maturing in December 2032.

Bond Ratings:		
	Standard & Poor's –	AAA

Interest Cost:

True Interest Cost (TIC) –	8.19%
Net Interest Cost (NIC) –	8.19%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Co-Bond Counsel –	Lannen & Oliver, P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Bear, Stearns & Co. Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$109,464	$1.09
Co-Bond Counsel	20,680	0.21
Financial Advisor	37,000	0.37
Rating Agencies	20,000	0.20
Printing	7,094	0.07
Trustee's Counsel	4,750	0.05
Attorney General	1,250	0.01
	$200,238	**$2.00**
Underwriter's Spread	**$745,000**	**$7.45**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, State of Texas Veterans Mortgage Revenue Bonds, Taxable Series 2000B – $80,000,000

Purpose: The bond proceeds were used to purchase GNMA mortgage-backed pass-through certificates backed by home mortgage loans made to eligible Texas veterans, and to pay the costs of issuance.

Dates:		
	Board Approval –	March 23, 2000
	Negotiated Sale –	April 16, 2000
	Closing Date –	June 20, 2000

Structure: The bonds were issued as fixed-rate, taxable term bonds maturing in December 2032.

Bond Ratings: Standard & Poor's – AAA

Interest Cost:
True Interest Cost (TIC) – 8.37%
Net Interest Cost (NIC) – 8.37%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Co-Bond Counsel –	Lannen & Oliver, P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Goldman, Sachs & Co.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$60,898	$0.76
Co-Bond Counsel	18,121	0.23
Financial Advisor	30,000	0.37
Rating Agencies	20,000	0.25
Printing	1,937	0.02
Trustee's Counsel	4,750	0.06
Attorney General	1,250	0.01
	$136,956	**$1.70**
Underwriter's Spread	**$596,000**	**$7.45**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, State of Texas Veterans Home Revenue Bonds, Series 2000 – $20,000,000

Purpose: The bond proceeds were used to refund Veterans Home Revenue Bonds (Temple & Floresville Projects), to pay a portion of the costs to construct two skilled nursing care projects for Texas veterans located in Big Spring and Bonham, to pay capitalized interest on the bonds, to fund a debt service reserve fund, and to pay the costs of issuance.

Dates:		
	Board Approval –	March 23, 2000
	Private Placement –	February 28, 2000*
	Closing Date –	March 28, 2000

*Approval of pricing and sale by VLB (subject to subsequent BRB approval, including rescinding 1/20/00 BRB action)

Structure: The bonds were issued as fixed-rate, tax-exempt serial bonds which will mature in November 2032. The bonds were privately placed.

Bond Ratings: The bonds were not rated.

Interest Cost:
True Interest Cost (TIC) – 7.21%
Net Interest Cost (NIC) – 7.18%

Consultants:

Bond Counsel –	Fulbright & Jaworski L.L.P.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	William R. Hough & Co.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$49,000	$2.45
Financial Advisor	32,000	1.60
Placement Agent Counsel	26,500	1.32
Trustee/Registrar	5,000	0.25
Trustee's Counsel	5,000	0.25
Attorney General	1,000	0.05
	$118,500	**$5.92**
Placement Agent	**$130,140**	**$6.51**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, State of Texas Veterans Land Bonds, Series 2000 – $20,000,000

Purpose: The bond proceeds were used to augment the Land Fund for the purpose of acquiring land for resale to eligible Texas veterans.

Dates:	Board Approval –	June 22, 2000
	Negotiated Sale –	June 29, 2000
	Closing Date –	July 26, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt serial bonds maturing in June 2015. The issue also contains term bonds maturing in December 2020 and 2030. The bonds are general obligations of the state.

Bond Ratings:	Moody's –	Aa1
	Standard & Poor's –	AA

Interest Cost:
True Interest Cost (TIC) – 6.03%
Net Interest Cost (NIC) – 5.98%

Consultants:

Bond Counsel –	Akin, Gump, Strauss, Hauer & Feld L.L.P.
Co-Bond Counsel –	Wickliff & Hall P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Morgan Stanley Dean Witter

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$18,801	$0.94
Co-Bond Counsel	5,908	0.30
Financial Advisor	8,250	0.41
Rating Agencies	15,890	0.80
Printing	5,245	0.26
TEFRA Notice	4,788	0.24
Private Activity Fee	5,500	0.28
Attorney General	1,000	0.05
	$65,382	**$3.28**
Underwriter's Spread	**$127,881**	**$6.39**

TEXAS VETERANS LAND BOARD

Issue: Texas Veterans Land Board, State of Texas Veterans Land Bonds, Taxable Series 2000A – $20,000,000

Purpose: The bond proceeds were used to augment the Land Fund for the purpose of acquiring land for resale to eligible Texas veterans.

Dates:	Board Approval –	June 22, 2000
	Negotiated Sale –	July 26, 2000
	Closing Date –	July 26, 2000

Structure: The bonds were issued as variable-rate, taxable term bonds maturing in December 2030. The bonds are general obligations of the state.

Bond Ratings:	Moody's –	Aa1/P-1
	Standard & Poor's –	AA/A-1+

Interest Cost:
True Interest Cost (TIC) – Floating
Net Interest Cost (NIC) – Floating

Consultants:

Bond Counsel –	Akin, Gump, Strauss, Hauer & Feld L.L.P.
Co-Bond Counsel –	Wickliff & Hall P.C.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Morgan Stanley Dean Witter

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$20,801	$1.04
Co-Bond Counsel	5,908	0.30
Financial Advisor	8,250	0.41
Rating Agencies	28,090	1.40
Printing	5,245	0.26
Liquidity Prov. Counsel	8,000	0.40
Attorney General	1,000	0.05
	$77,294	**$3.86**
Underwriter's Spread	**$42,000**	**$2.10**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board, State Revolving Fund, Senior Lien Revenue Bonds, Series 1999A – $100,000,000

Purpose: The bond proceeds were used to make loans to political subdivisions for the construction of sewer treatment facilities, including treatment plants and collection lines. The proceeds were also used to pay the costs of issuance.

Dates:		
	Board Approval –	July 22, 1999
	Negotiated Sale –	August 27, 1999
	Closing Date –	September 28, 1999

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in July 2001 with a final maturity of July 2017, in addition to term bonds maturing in July 2021.

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

Interest Cost:

True Interest Cost (TIC) – 5.52%
Net Interest Cost (NIC) – 5.54%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Financial Advisor –	First Southwest Company
Senior Underwriter –	Bear, Stearns & Co. Inc.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$51,903	$0.52
Financial Advisor	69,180	0.69
Rating Agencies	65,000	0.65
Paying Agent	93	0.00
Printing	13,669	0.14
Attorney General	1,250	0.01
	$201,095	**$2.01**
Underwriter's Spread	**$606,920**	**$6.07**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board, State Revolving Fund, Senior Lien Revenue Bonds, Series 1999B – $150,000,000

Purpose: The bond proceeds were used to make loans to political subdivisions for the construction of sewer treatment facilities, including treatment plants and collection lines. The proceeds were also used to pay the costs of issuance.

Dates:		
	Board Approval –	July 22, 1999
	Negotiated Sale –	November 19, 1999
	Closing Date –	December 14, 1999

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in July 2001 with a final maturity of July 2018, in addition to term bonds maturing in July 2021.

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

Interest Cost:

True Interest Cost (TIC) – 5.59%
Net Interest Cost (NIC) – 5.58%

Consultants:

Bond Counsel –	Vinson & Elkins L.L.P.
Financial Advisor –	First Southwest Company
Senior Underwriter –	Bear, Stearns & Co.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$31,528	$0.21
Financial Advisor	72,182	0.48
Rating Agencies	52,000	0.35
Printing	11,835	0.08
Attorney General	1,250	0.01
	$168,795	**$1.13**
Underwriter's Spread	**$847,054**	**$5.65**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board, Water Financial Assistance Refunding and Financial Assistance, Series 2000 – $60,000,000

Purpose: The bond proceeds were used to current refund outstanding Water Development Bonds, Series 1999A, and to provide financial assistance to political subdivisions for water supply, water quality enhancement, and flood control. A portion of the proceeds was used to pay the costs of issuance.

Dates:		
	Board Approval –	April 20, 2000
	Negotiated Sale –	May 2, 2000
	Closing Date –	May 25, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in August 2001 with a final maturity of August 2016, in addition to term bonds maturing in August 2019 and 2022.

Bond Ratings:		
	Moody's –	Aa1
	Standard & Poor's –	AA
	Fitch IBCA –	AA+

Interest Cost:
True Interest Cost (TIC) – 5.61%
Net Interest Cost (NIC) – 5.64%

Consultants:

Bond Counsel –	McCall, Parkhurst & Horton L.L.P.
Co-Bond Counsel –	Wickliff & Hall P.C.
Financial Advisor –	First Southwest Company
Senior Underwriter –	Siebert Brandford Shank & Co., L.L.C.

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$25,286	$0.42
Co-Bond Counsel	6,790	0.11
Financial Advisor	55,139	0.92
Rating Agencies	34,150	0.57
Paying Agent	188	0.01
Printing	3,998	0.07
Escrow Agent	200	0.01
Escrow Verification	1,750	0.03
Miscellaneous	2,070	0.03
Attorney General	1,250	0.01
	$130,821	**$2.18**
Underwriter's Spread	**$353,706**	**$5.90**

TEXAS WOMAN'S UNIVERSITY

Issue: Board of Regents of Texas Woman's University, Combined Fee Revenue Bonds, Series 2000 – $10,000,000

Purpose: Proceeds of the bonds were used to renovate and upgrade buildings on the Denton and Houston campuses and to pay the costs of issuance.

Dates:		
	Board Approval –	February 17, 2000
	Competitive Sale –	March 8, 2000
	Closing Date –	April 6, 2000

Structure: The bonds were issued as fixed-rate, tax-exempt securities maturing serially beginning in July 2000 with final maturity in July 2009. The bonds are insured.

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

Interest Cost:
True Interest Cost (TIC) – 5.24%
Net Interest Cost (NIC) – 5.22%

Consultants:

Bond Counsel –	McCall, Parkhurst & Horton L.L.P.
Financial Advisor –	Dain Rauscher, Inc.
Senior Underwriter –	Morgan Stanley Dean Witter

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$11,425	$1.14
Financial Advisor	17,637	1.76
Rating Agencies	19,250	1.93
Paying Agent	450	0.05
Printing	6,241	0.62
Attorney General	1,000	0.10
	$56,003	**$5.60**
Underwriter's Spread	**$77,751**	**$7.78**

Appendix B
Texas Commercial Paper and Variable-Rate Note Programs

In recent years, some state agencies and institutions of higher education have established variable-rate debt financing programs that provide financing for equipment or capital projects or provide loans to eligible entities.

As of August 31, 2000, a total of $1.77 billion was authorized for state commercial paper or variable-rate note programs. Of this amount, $807.6 million was outstanding as of the end of fiscal 2000 *(Table 17)*. (The figures shown in *Table 17* were included in the bonds outstanding and authorized but unissued figures reported in Chapter 3). A brief summary of each variable-rate debt program is provided below.

The University of Texas System

The University of Texas System ("System") has authorized two variable-rate financing programs: a flexible-rate note program secured by distributions from the investment income of the Permanent University Fund (PUF), and a commercial paper program secured by the revenues of The University of Texas System.

The System's PUF Flexible Rate Note program provides interim financing for permanent improvements at various eligible component institutions of the System. The PUF

Table 17

TEXAS COMMERCIAL PAPER AND VARIABLE-RATE NOTE PROGRAMS
as of August 31, 2000

ISSUER	TYPE OF PROGRAM	AMOUNT AUTHORIZED	AMOUNT ISSUED FISCAL 2000	AMOUNT OUTSTANDING
The University of Texas System				
Permanent University Fund	Variable-Rate Notes	$250,000,000	$100,000,000	$100,000,000
Revenue Financing System	Commercial Paper	350,000,000	73,655,000	115,634,000
The Texas A&M University System				
Permanent University Fund	Variable-Rate Notes	95,000,000	18,000,000	18,000,000
Revenue Financing System	Commercial Paper	125,000,000	50,000,000	45,000,000
Texas Tech University System				
Revenue Financing System	Commercial Paper	100,000,000	19,730,000	17,760,000
Texas Department of Agriculture	Commercial Paper *	50,000,000	3,000,000	29,000,000
	Commercial Paper	100,000,000		1,000,000
Texas Department of Economic Development	Commercial Paper	25,000,000		7,750,000
Texas Department of Housing and Community Affairs	Commercial Paper	75,000,000	31,940,000	31,940,000
Texas Public Finance Authority				
Revenue	Commercial Paper	100,000,000	18,000,000	33,700,000
General Obligation	Commercial Paper	500,000,000	78,600,000	407,800,000
Total		**$1,770,000,000**	**$392,925,000**	**$807,584,000**

* Represents maximum amount outstanding approved by the Bond Review Board for the Farm and Ranch Program. The TAFA Board has approved a $100 million program amount.

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

Flexible Rate Note Program replaces a similar program established in 1985. The prior program became obsolete when an amendment to the Texas Constitution was adopted on November 2, 1999, altering the source and method for determining distributions from the PUF. The System's PUF Flexible Rate Notes may be issued in a maximum of $250 million in principal amount outstanding at any one time.

The University of Texas System's Revenue Financing System (RFS) commercial paper note program was established in 1990 to provide interim financing for capital projects, including construction, acquisition, and renovation or equipping of facilities. The commercial paper is secured by a pledge of all legally available revenues of The University of Texas System, including pledged tuition fees, general fees, and other revenue sources. The System's RFS commercial paper notes may be issued in a maximum of $350 million in principal amount outstanding at any one time.

The Texas A&M University System

The Texas A&M University System ("A&M System") has also authorized two variable-rate financing programs: a variable-rate note program secured by the Permanent University Fund (PUF) and a commercial paper program secured by A&M System revenues. The Texas A&M PUF note program was established in 1988 to provide interim financing and equipping of facilities for eligible construction projects.

The Texas A&M University's Revenue Financing System 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 A&M System has a self-liquidity facility for this program. In fiscal 1994, the A&M System expanded the pledge to include tuition revenues.

Texas Tech University and Texas Tech University Health Sciences Center

In November 1997, the Board of Regents of Texas Tech University (TTU) authorized a Revenue Financing System commercial paper program in an amount not to exceed $100 million. Under the terms of the prior authorization, commercial paper notes could not be issued in an aggregate principal amount at any one time exceeding $50 million without approval of the Board of Regents. Subsequent authorizations from the Board have raised the limit to $70 million.

The program was established to provide interim financing for capital projects, including construction, acquisition, renovation, and equipment for facilities of TTU. The commercial paper is secured by a pledge of all legally available revenues of TTU, including pledged tuition fees, general fees, and other revenue sources. The University has entered into a liquidity agreement in an aggregate amount not to exceed $77,770,000 to pay principal and interest due under the commercial paper program.

Texas Department of Agriculture

In 1991, The Texas Agricultural Finance Authority (TAFA), a public authority within the Texas Department of Agriculture, was authorized to establish a taxable commercial paper note program. The TAFA 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 notes are a general obligation of the state; however, the program is designed to be self-supporting.

During fiscal 1995, TAFA established a second general obligation taxable commercial paper note program with authority to issue up to $100 million in obligations. Proceeds from this program will be used to make funds available for the Farm and Ranch Finance Program. The program was established to provide loans and other financial assistance through local lending institutions to eligible borrowers for the purchase of farm or ranch land.

Texas Department of Economic Development

In 1992, the Texas Department of Economic Development (TDED) was granted the authority to issue commercial paper to fund loans to Texas businesses under three programs. Under the first program, the TDED approves loans to local industrial development corporations. Revenues from an optional local half-cent sales tax for economic development secure these loans. The second program provides for the purchase of small business loans, which are fully guaranteed by the Small Business Administration. A third program may make loans directly to businesses from program reserves. Currently, TDED is focusing on loans to local industrial development corporations. The commercial paper issued by TDED is taxable. The program is designed to be self-supporting.

Texas Department of Housing and Community Affairs

The Texas Department of Housing and Community Affairs (TDHCA) established a single-family mortgage revenue commercial paper program in 1994. The program enables the TDHCA to capture mortgage prepayments and recycle them into mortgage loans. By issuing commercial paper notes to satisfy the mandatory redemption provisions of outstanding single-family mortgage revenue bonds instead of using the prepayments to redeem bonds, the TDHCA is able to preserve private activity volume cap and generate new mortgage loans with the prepayments. The commercial paper refunding bonds pay off the commercial paper notes, and the prepayments are used to make new mortgage loans. These new loan revenues repay the commercial paper refunding bonds.

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 primarily has been used to finance the purchase of equipment, such as computers and telecommunications equipment. The TPFA also has the authority to use the commercial paper to provide interim financing for capital projects undertaken on behalf of state agencies. The MLPP commercial paper is a special revenue obligation of the state, payable only from legislative appropriations to the participating agencies for lease payments.

During fiscal 1993, TPFA established a variable-rate financing program that is secured by the state's general obligation pledge. The proceeds are used to provide interim financing for capital projects that have been authorized by the Legislature to be financed through general obligation bonds.

Other State Issuers of Variable-Rate Debt

Several other state issuers have the authority to issue debt in variable-rate form. State issuers may utilize variable-rate debt in order to diversify their debt portfolio and to take advantage of lower short-term interest rates that may be available.

The Veterans Land Board has issued variable-rate housing assistance bonds to diversify its debt portfolio. Similarly, the Texas Water Development Board is authorized to issue subordinate-lien variable-rate-demand revenue bonds (VRDBs) as part of the State Revolving Fund program. Additionally, the Texas Water Resources Finance Authority issued periodic auction reset securities (PARS) in conjunction with its Revenue Refunding Bonds, Series 1999.

Comptroller of Public Accounts Liquidity Facility Provider Duties

The 73rd Legislature passed legislation that authorized 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 did not conflict with the liquidity needs of the Treasury. Eligible obligations included commercial paper, variable-rate demand obligations, and bonds. Although Treasury funds were not sufficient to cover all state variable-rate debt programs, the use of state funds for liquidity provision resulted in significant savings.

The voters abolished the office of the State Treasurer, effective September 1, 1996. The duties of this office were transferred to the Comptroller of Public Accounts-Treasury Operations.

Appendix C
Texas State Bond Programs

TEXAS AGRICULTURAL FINANCE AUTHORITY BONDS

Statutory Authority: The Texas Agricultural Finance Authority was created in 1987 (Texas Agriculture Code, Chapter 58) and authorized to issue revenue bonds. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds under Article III, Section 49-I, of the Texas Constitution was approved. In 1993, a constitutional amendment authorized the issuance of general obligation bonds under Article III, Section 49-f, of the Texas Constitution in an amount not to exceed $200 million. Legislative approval is not required 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 issuing bonds and is required to register its bonds with the Comptroller of Public Accounts.

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

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 Comptroller of Public Accounts – Treasury Operations, not otherwise appropriated by the Constitution, 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. The program is designed to be self-supporting. No draw on general revenue is anticipated.

Contact:
Robert Kennedy
Deputy Assistant Commissioner for Finance
Texas Department of Agriculture
(512) 463-7639
robert.kennedy@agr.state.tx.us

COLLEGE STUDENT LOAN BONDS

Statutory/Constitutional Authority: Article III, Sections 50b and 50b1, b2, b3, and b4, of the Texas Constitution, adopted in 1965, 1969, 1989, 1991, and 1995, 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. The Board 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 are used to make loans to eligible students attending public or private colleges and universities in Texas.

Security: The first monies coming into the Comptroller of Public Accounts – Treasury Operations, 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. Approximately 45 percent of the loans made (Stafford and Supplemental Loans for Students) are guaranteed by the Texas Guaranteed Student Loan Corporation.

Dedicated/Project Revenue: Principal and interest payments on the loans are pledged to pay debt service on the bonds issued by the Coordinating Board. No draw on general revenue is anticipated.

Contact:
Gary Prevost
Acting Assistant Commissioner for Administration
Texas Higher Education Coordinating Board
(512) 483-6100
prevostgy@thecb.state.tx.us

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. Enacted originally in 1969, by the 61st Legislature (Article2909c-3,Tex.Rev.Civ.Stat.Ann.), the statute 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 these exceptions, the only higher education institution for which the Texas Public Finance Authority (TPFA) issued bonds was Texas State Technical College. In 1993, the voters approved an amendment to Article VII, Section 17, which added the Texas State Technical College System to the section.

In 1997, the 75th Legislature passed House Bill 1077, adding Midwestern State University, Stephen F. Austin State University, and Texas Southern University to the TPFA's list of state entities on whose behalf the Authority will issue bonds.

Legislative approval is not required for specific projects or for each bond issue, but certain capital projects must be approved by the Texas Higher Education Coordinating Board in accordance with Chapter 61, Texas Education Code. 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 institutions' governing boards are secured by 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 pledged revenues. Pledged revenues include the pledged tuition, and any or all of the revenues, funds and balances now or hereafter lawfully available to the governing boards and derived from or attributable to any member of the Revenue Financing System.

Contact:
Individual colleges and universities.

TEXAS DEPARTMENT OF ECONOMIC DEVELOPMENT BONDS

Statutory Authority: The Texas Department of Economic Development was created by Senate Bill 932, 75th Legislature, 1997 as the successor agency to the Texas Department of Commerce 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. House Bill 1, 75th Legislature, Rider 6, specifically prohibits the use of general revenue for debt service on the Department's general obligation bonds. Therefore, any general obligation bonds issued by the Department are required to be self-supporting, and no draw on general revenue is anticipated.

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:
Craig Pinkley
Director of Finance
Texas Department of Economic Development
(512) 936-0269
craigp@tded.state.tx.us

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS BONDS

Statutory Authority: The Texas Department of Housing and Community Affairs was created pursuant to the Act of June 16, 1991, Ch. 762, 1991 Tex.Sess.Law Serv.2672 (Section 2 of which has been codified as Chapter 2306, Texas Government Code). The Department is the successor agency to the Texas Housing Agency and the Texas Department of Community Affairs, both of which were abolished by the Act and their functions and obligations transferred to the Department.

Pursuant to the Act, the Department may issue bonds, notes, or other obligations to finance or refinance residential housing and to refund bonds previously issued by the Agency, the Department, or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the

Agency become revenue bonds of the Department. 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 provide assistance to individuals and families of low, very low, and moderate income and persons with special needs to obtain decent, safe, and sanitary housing.

Security: Any bonds issued are obligations of the Department and are payable solely from the revenues and funds pledged for the payment thereof. 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 received by 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:
Byron Johnson
Director of Bond Finance
Texas Department of Housing and Community Affairs
(512) 475-3856
bjohnson@tdhca.state.tx.us

Brent Stewart
Director of Multifamily Finance
Texas Department of Housing and Community Affairs
(512) 475-2213
bstewart@tdhca.state.tx.us

FARM AND RANCH LOAN BONDS

Statutory/Constitutional Authority: Article III, Section 49-f, of the Texas Constitution, adopted in 1985, authorizes the issuance of general obligation bonds by the Veterans Land Board. The program was transferred from the Veterans Land Board to the Texas Agricultural Finance Authority with the passage of House Bill 1684 by the 73rd Legislature. In 1993, a constitutional amendment was authorized and approved that transfers the constitutional authority for the program from the Veterans Land Board to the Texas Agricultural Finance Authority and allows no more than $200 million of the authority to be used for the purposes defined in Article III, Section 49-i of the Texas Constitution. In 1997, House Bill 2499, 75th Legislature increased the maximum loan amount available through the program to $250,000.

Purpose: Proceeds from the sale of the general obligation bonds may be used to make loans of up to $250,000 to eligible Texans for the purchase of farms and ranches.

Security: The bonds are general obligations of the state of Texas. The first monies coming into the Comptroller of Public Accounts – Treasury Operations 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:
Robert Kennedy
Deputy Assistant Commissioner for Finance
Texas Department of Agriculture
(512) 463-7639
robert.kennedy@agr.state.tx.us

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 not eligible to issue bonds payable from and secured by the income of the Permanent University Fund. 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 $175 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.

Dedicated/Project Revenue: Debt service is payable solely from state General Revenue Fund appropriations to institutions of higher education.

Contact:
Individual colleges and universities.

TEXAS NATURAL RESOURCES CONSERVATION COMMISSION BONDS

Statutory Authority: The Texas Low-Level Waste Disposal Authority was created in 1981 (Health and Safety Code, Chapter 402), and authorized to issue revenue bonds in 1987 (Health and Safety Code, Chapter 402.291) to finance certain costs relating to the creation of a radioactive waste disposal site. The Authority was 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. House Bill 1077, 75th Legislature, 1997 authorized the Texas Public Finance Authority to issue the bonds on behalf of the Texas Low-Level Radioactive Waste Disposal Authority.

In 1999, the 76th Legislature abolished the Authority effective September 1, 1999, and transferred all of its duties, responsibilities, and resources to the Texas Natural Resources Conservation Commission ("the Commission").

Purpose: Proceeds from the sale of bonds may be used to reimburse the General Revenue Fund for the expenses incurred and paid by the Commission; to pay the expenses of selecting, licensing, and constructing a low-level radioactive waste disposal site; to provide required reserve funds; and to pay capitalized interest and operating costs of the Commission that were not paid from the General Revenue Fund. The Commission may finance project costs from sources other than bond proceeds.

Security: If bonds are issued, they would be obligations of the Commission and would be payable from revenues and income collected by the Commission and its programs and credited to the low-level waste fund. These bonds would not obligate the state, the Texas Public Finance Authority, or a public entity to pay the principal or interest.

Although the statutory authority remains, it is unlikely that any such bonds will be issued.

Contact:
Kimberly K. Edwards
Executive Director
Texas Public Finance Authority
(512) 463-5544
kedwards@tpfa.state.tx.us

TEXAS MILITARY FACILITIES COMMISSION BONDS

Statutory Authority: The Texas Military Facilities Commission was created by Senate Bill 352, 75th Legislature, 1997 as the successor agency to the National Guard Armory Board, which 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 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.

Senate Bill 3, 72nd Legislature, 1991, authorized the Texas Public Finance Authority to issue bonds on behalf of the Texas Military Facilities Commission.

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 Commission and are payable from "rents, issues, and profits" of the Commission. The Commission'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 Military Facilities Commission bonds.

Dedicated/Project Revenue: The rent payments used to retire Military Facilities Commission 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 Commission, also is used to pay a small portion of debt service.

Contacts:
Jerry D. Malcolm
Executive Director
Texas Military Facilities Commission
(512) 406-6905
jerry.malcolm@mail.capnet.state.tx.us

Kimberly K. Edwards
Executive Director
Texas Public Finance Authority
(512) 463-5544
kedwards@tpfa.state.tx.us

TEXAS PARKS AND WILDLIFE DEPARTMENT 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 to acquire and develop state parks. Senate Bill 3, 72nd Legislature, 1991, authorized the Texas Public Finance Authority ("the Authority") to issue bonds on behalf of the Parks and Wildlife Department. House Bill 3189, 75th Legislature, 1997, authorized the Texas Public Finance Authority to issue revenue bonds or other revenue obligations not to exceed $60 million in the aggregate on behalf of the Department, for construction and renovation projects for parks and wildlife facilities.

Purpose: Proceeds from the sale of the general obligation bonds are to be used to purchase and develop state park lands. Proceeds from the sale of revenue bonds are to be used to finance the repair, renovation, improvement, and equipping of parks and wildlife facilities.

Security: General obligation debt issued on behalf of the Department is payable from revenues and income of the Department. In the event that such income is insufficient to repay the debt, the first monies coming into the state treasury not otherwise dedicated by the Constitution are pledged to pay debt service on the bonds.

Revenue obligations issued on behalf of the Department are to be repaid from rent payments made by the Department to the Authority. The Department may receive legislative appropriations of general revenue for its required rent payments.

Dedicated/Project Revenue: Entrance fees to state parks are pledged to pay debt service on the general obligation park development bonds. Additionally, the sporting goods sales tax revenue may also be used to pay debt service on general obligation park development bonds.

The Department's obligations to TPFA are repaid from the Department's lease revenue. These revenues are appropriated to the Department out of general revenue.

Contacts:
Melanie L. Callahan, CPA
Financial Manager
Texas Parks & Wildlife Department
(512) 389-4616
melanie.callahan@tpwd.state.tx.us

Kimberly K. Edwards
Executive Director
Texas Public Finance Authority
(512) 463-5544
kedwards@tpfa.state.tx.us

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). The constitutional amendment approved by voters on November 2, 1999, allows for distributions from the PUF to be based on the "total return" on all PUF investment assets, including current income as well as capital gains. 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 for acquiring land either with or without permanent improvements, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding Permanent University Fund bonds or Permanent University Fund notes.

Security: Bonds are to be repaid from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of PUF Land, in amounts determined by the Board of Regents.

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:
Terry Hull
Director of Finance
The University of Texas System
(512) 499-4334
thull@utsystem.edu

Greg Anderson
Associate Vice Chancellor and Treasurer
Texas A&M University System
(409) 458-6330
anderson@sagomail.tamu.edu

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 initially created by the Legislature in 1983 (Tex.Rev.Civ.Stat.Ann., Article 601d) and given the authority to issue revenue bonds to finance state office buildings. The Legislature approves each project and the amount of bonds to be 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; additional authorization was passed in 1989, 1991 and 1993.

With the passage of Tex.Rev.Civ.Stat.Ann., Article 601d, 9A, in 1989, 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 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 73rd Legislature authorized the Authority, effective January 1, 1992, to issue bonds on behalf of the Texas Military Facilities Commission, Texas National Research Laboratory Commission, Texas Parks and Wildlife Department, and the Texas State Technical College. In 1993, the Authority was authorized to issue bonds or other obligations to finance alternative fuels equipment and infrastructure projects for state agencies, institutions of higher education, and political subdivisions.

In 1995, the 74th Legislature authorized the Authority to issue building revenue bonds on behalf of the Texas Department of Health for financing a Public Health Laboratory in Travis County, and general obligation bonds on behalf of the Texas Juvenile Probation Commission.

The Authority was subject to Sunset Commission review during the 75th Legislature in 1997. The Legislature continued the Authority for twelve years and authorized the Authority, effective September 1, 1997, to issue bonds on behalf of the Texas Low-Level Radioactive Waste Disposal Authority (See: Texas Natural Resources Conservation Commission), Midwestern State University, Texas Southern University, and Stephen F. Austin State University. Other legislation passed during the 75th Legislature authorized the Authority to issue revenue bonds on behalf of the Health and Human Services Commission and the Texas Parks and Wildlife Department. In the General Appropriations Act, the Legislature also authorized the Authority to issue bonds to finance the Texas State History Museum on behalf of the State Preservation Board.

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 fund the Workers' Compensation Insurance Fund. Proceeds from the issuance of commercial paper for the Master Lease Purchase Program are used to finance equipment for various state agencies. For a description of the use of funds for bonds issued on behalf of the Texas Military Facilities Commission, the Texas National Research Laboratory Commission (Superconducting Super Collider Bonds), the Texas Parks and Wildlife Department, and the Texas state colleges and universities that are TPFA clients, 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 payments from state agencies, which come from state appropriations.

Dedicated/Project Revenue: Debt service on the general obligation bonds for correctional and mental health facilities are payable solely from the state's General Revenue Fund. Debt service on the general obligation bonds for park facilities is paid first from department revenues, as further described in the applicable section of this appendix. Debt service on the revenue bonds is payable from lease payments, which are primarily general revenue funds appropriated to the respective agencies and institutions by the Legislature. The Legislature, however, has the option to appropriate lease payments to be used for debt service on the bonds from any other source of funds that is lawfully available. For example, debt service on the bonds issued on behalf of the Department of Health is appropriated from lab fees collected by the Department. Bonds issued on behalf of the Workers' Compensation Fund are payable solely from maintenance tax surcharges authorized in Article 5.76 of the Texas Insurance Code. With monies contributed by the Fund in 1995, in June 1998 and June 1999, securities have been deposited into an escrow fund with the Texas Safekeeping Trust Company in an amount sufficient to fully pay principal and interest on the bonds until they mature. Consequently, no additional maintenance tax surcharges will need to be collected to service the debt on these bonds. College and university revenue bonds issued are repaid from pledged revenue such as tuition and fees. The university bonds are self-supporting, and the state's credit is not pledged.

Contact:
Kimberly K. Edwards
Executive Director
Texas Public Finance Authority
(512) 463-5544
kedwards@tpfa.state.tx.us

PUBLIC SCHOOL FINANCE PROGRAM

Statutory/Constitutional Authority: The 1989 Texas Legislature adopted the Public School Facilities Funding Act (Senate Bill 951, 71st Legislature, amended in Senate Bill 3, 71st Legislature, Sixth Called Session, and House Bill 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 Comptroller of Public Accounts – Treasury Operations 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 Texas Education Code. Bonds issued with the guarantee of the Texas Permanent School Fund (PSF) may draw on the principal of the PSF in the event of a pending default.

Contacts:
Mike Doyle
Director of Treasury Operations Administration
Texas Comptroller of Public Accounts - Treasury Operations
(512) 305-9112
mike.doyle@cpa.state.tx.us

Jim Buie
Executive Director
Texas Bond Review Board
(512) 463-1741
buie@brb.state.tx.us

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 (Article 5190.6, Sections 4-37, Tex.Rev.Civ.Stat.Ann.) 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 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:
Craig Pinkley
Director of Finance
Texas Department of Economic Development
(512) 936-0269
craigp@tded.state.tx.us

TEXAS NATIONAL RESEARCH LABORATORY COMMISSION BONDS

Statutory/Constitutional Authority: The Texas National Research Laboratory Commission ("the Commission") was created in 1987 by the 70th Legislature and given the authority to issue both revenue and general obligation bonds. Article 4413, Section 47g, Tex.Rev.Civ.Stat.Ann.(now, Texas Government Code, Chapter 465) authorized the Commission to issue revenue bonds. Article III, Section 49g, of the Texas Constitution authorized the Commission to issue general obligation bonds. Senate Bill 3, 72nd Legislature authorized the Texas Public Finance Authority ("the Authority") to issue bonds on behalf of the Commission. The Commission was dissolved on July 29, 1997, and the Texas Public Finance Authority assumed all bond-related responsibilities of the Commission.

Legislative approval of specific bond issues was not required. The Commission was 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 were to be used to finance construction of buildings, the acquisition of land, installation of equipment, and other "eligible undertakings" related to the Superconducting Super Collider project. The project was canceled by the federal government in October 1993.

Security: The general obligation bonds pledged 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 include 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 a lease 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.

Current Status: In June 1995, the Commission redeemed $109,510,000 of revenue bonds issued in 1991 and the remaining $140,490,000 of outstanding revenue bonds were economically defeased. Also in 1995, the 74th Legislature appropriated remaining settlement monies from the U.S. Department of Energy and proceeds from the sale of facility assets for the purpose of defeasing all or a portion of the outstanding General Obligation Refunding Bonds, Series 1992C, issued by the Authority to refund the Series 1990 General Obligation Bonds that had been issued by the Commission. In 1997, the 75th Legislture continued the appropriation authority to use proceeds from the sale of facility assets to defease additional bonds. The 76th Legislature appropriated additional general revenue to fully defease the remaining outstanding general obligation debt, which was completed in September 1999.

Contact:
Kimberly K. Edwards
Executive Director
Texas Public Finance Authority
(512) 463-5544
kedwards@tpfa.state.tx.us

TEXAS DEPARTMENT OF TRANSPORTATION BONDS

Statutory Authority: The Texas Turnpike Authority ("the Authority") was created as a division of the Department of Transportation ("the Department") by the 75th Legislature in 1997 by Senate Bill 370. (Senate Bill 370 also established the North Texas Tollway Authority, consisting of Collin, Dallas, Denton, and Tarrant counties, as a successor agency to the previous Texas Turnpike Authority. The North Texas Tollway Authority does not require Bond Review Board approval to issue bonds.)

The Authority is authorized to study, design, construct, operate or enlarge turnpike roads. The Department is also authorized to create a State Infrastructure Bank (SIB) to be funded by federal funds, state matching funds, and the proceeds of revenue bonds. The SIB will be used to fund transportation infrastructure development projects such as interchanges, off-system bridges, collector roads, toll roads, utility adjustments, right-of-way acquisitions, and other eligible projects.

The Department is authorized to issue revenue bonds payable from the income and receipt of the revenues of the SIB including principal and interest on obligations acquired and held by the SIB. Legislative approval is not required for specific projects or for each bond issue. The Department 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. The Authority is authorized to issue turnpike revenue bonds pursuant to Sec. 361.171 of the Transportation Code, and turnpike revenue refunding bonds pursuant to Sec. 361.175.

Purpose: Proceeds from the sale of bonds to fund the SIB can be used to encourage public and private investment in transportation facilities, develop financing techniques to expand the availability of funding transportation projects, and maximize private and local participation in financing projects. SIB assistance may include direct loans, credit enhancements, the establishment of a capital reserve for bond financing, subsidized interest rates, ensuring the issuance of a letter of credit, financing a purchase or lease agreement, providing security for bonds, or providing various methods of leveraging money approved by the United States Secretary of Transportation. Proceeds from the sale of turnpike revenue bonds by the Authority may be used to pay for all or part of the cost of a turnpike project, provided that they are only used to pay costs of the project for which they are issued.

Security: Any bonds issued are obligations of the Department and are payable from income from the SIB and other project revenues. The Department's bonds are in no way an obligation of the state of Texas and neither the state's full faith and credit nor its taxing power is pledged toward payment of Texas Department of Transportation Bonds. Likewise, bonds issued by the Authority are payable from project revenues and other identified revenue sources. Bonds issued by the Authority are also not debts of the state or a pledge of the full faith and credit of the state.

Dedicated/Project Revenue: Bonds are to be repaid from income from the SIB and other project revenues. Likewise, bonds issued by the Authority are payable from project revenues and other identified revenue sources.

Contact:
For SIB-related matters:
James Bass
Director - Finance Division
Texas Department of Transportation
(512) 463-8684
jbass@dot.state.tx.us

For turnpike-related matters:
Phillip E. Russell, P.E.
Director - Turnpike Authority Division
Texas Department of Transportation
(512) 936-0903
prussel@dot.state.tx.us

VETERANS LAND AND HOUSING ASSISTANCE BONDS

Statutory/Constitutional Authority: Article III, Section 49-b, of the Texas Constitution, initially adopted in 1946, authorized the issuance of general obligation bonds to finance the Veterans Land Program. Article III, Section 49-b-1, of the Texas Constitution, adopted in 1983, authorized additional land bonds and created the Veterans' Housing Assistance Program, establishing the Veterans' Housing Assistance Fund within the program. Article III, Section 49-b-2, of the Texas Constitution, adopted in 1993, authorized additional land bonds and the issuance of general obligation bonds to finance the Veterans Housing Assistance Program, Fund II. Chapter 164 of the Natural Resources Code authorized the Veterans Land Board to issue revenue bonds for its programs, including the financing of veterans' homes.

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. Proceeds from the sale of revenue bonds are used to assist veterans with the purchase or selling of land to veterans, making home mortgage loans to veterans, or providing for one or more veterans skilled nursing care homes.

Security: The general obligation bonds are paid from the first monies coming into the Comptroller of Public Accounts – Treasury Operations not otherwise dedicated by the Constitution to pay debt service on the bonds. The revenue bonds issued under Chapter 164 are special obligations of the board and are payable only from and secured by the revenue and assets pledged to secure payment of the bonds under the Texas Constitution and Chapter 164. The revenue bonds are not and do not constitute a pledge, gift, or loan of the full faith, credit or taxing authority of the state.

Dedicated/Project Revenue: Principal and interest payments on the loans to veterans are pledged to pay debt service on the general obligation bonds. The revenue bonds will be paid from all available revenue from the projects financed, which will be pledged as security for the bonds. The programs are designed to be self-supporting and have never had to rely on the General Revenue Fund.

Contact:
Rusty Martin
Director of Funds Management
General Land Office
(512) 463-5120
rusty.martin@glo.state.tx.us

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 (Texas Water Code, Chapter 17.853) and authorized to issue revenue bonds.

Article III, Sections 49c, 49d, 49d-1, 49d-2, 49d-4, 49d-6, 49d-7, 49d-8, 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 (EDAP). 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 are used to provide funds to the State Water Pollution Control Revolving Fund, or any other state revolving funds, 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 Comptroller of Public Accounts – Treasury Operations 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 and the State

Participation 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 and the State Participation Program.

Contact:
J. Kevin Ward
Development Fund Manager
Texas Water Development Board
(512) 463-8221
kevin.ward@twdb.state.tx.us

TEXAS WATER RESOURCES FINANCE AUTHORITY BONDS

Statutory Authority: The Texas Water Resources Finance Authority was created in 1987 (Texas Water Code, Chapter 20) and given the authority to issue revenue bonds. 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 acquired is pledged to the payment of principal and interest on bonds issued.

Contact:
J. Kevin Ward
Development Fund Manager
Texas Water Development Board
(512) 463-8221
kevin.ward@twdb.state.tx.us

APPENDIX D
Bond Review Board Rules

Sec. 181.1 Definitions.

The following words and terms, when used in this chapter, shal 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 the first Tuesday of the month in which the applicant requests board consideration.

(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 Bond Review Board 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 nine 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.

Sec. 181.12. Charges for Public Records.

The charge to any person requesting copies of any public records of the Texas Bond Review Board will be the charge established by the General Services Commission; however, the Texas Bond Review Board will charge the following amounts necessary to recoup the costs of items as follows:

(1) Computer resources charges (mainframe and programming time), as determined by the Department of Information Resources.

(2) Copies of public records shall be furnished without charge or at a reduced charge if the executive director determines that waiver or reduction of the fee is in the public interest because furnishing the information can be considered as primarily benefiting the general public.

(3) Any additional reasonable cost will be added at actual cost, with full disclosure to the requesting party as soon as it is known.

(4) A reasonable deposit may be required for requests where the total charges are over $200.

(5) All requests will be treated equally. The executive director may waive charges at his/her discretion.

(6) If records are requested to be inspected instead of receiving copies, access will be by appointment only during regular business hours of the agency and will be at the discretion of the executive director.

(7) Confidential documents will not be made available for examination or copying except under court order or other directive.

(8) All open records requests will be referred to the executive director or designee before the agency staff will release the information.

APPENDIX E
Glossary

Additional Bonds Test

The conditions under which an issuer is permitted, pursuant to the terms of the resolution or indenture, to issue additional bonds on a parity with an outstanding obligation. For example, an issuer may be permitted to issue additional bonds when pledged revenues are sufficient to cover existing and projected debt service by some specific multiple (e.g. 1.25x).

Arbitrage

In the municipal market, arbitrage refers to the difference between the tax-exempt interest rate paid by the borrower and the interest rate at which the proceeds of the issue are invested. The Internal Revenue Code contains specific regulations concerning the amount that can be earned from the investment of tax-exempt proceeds.

Bank-Qualified Obligation

Obligations issued by governments that do not expect to sell in excess of $10 million of "qualified tax-exempt obligations" in a calendar year. The issuer must designate its securities as "qualified tax-exempt obligations" at the time of issuance, and the securities may not be private-activity bonds. The designation of bonds as qualified tax-exempt obligations is an exception to the general rule of Section 265(b)(1) for bank purchasers.

Basis Point

An expression of interest rate equal to one-hundredth of a percent (0.01%).

Bearer Bonds

Bonds that do not identify the owner. Possession is considered to be ownership. Current federal law requires that all debt obligations with a maturity greater than one year be issued in registered form; these are known as registered bonds.

Bond Bank

A financing structure used to pool a number of distinct borrowings to take advantage of reduced issuance costs and a common reserve. In many cases, bond banks are administered by large jurisdictions (often states) and the issuer covenants to create and/or make up a deficiency in a reserve fund available to program participants.

Bond Indenture

A legal document that spells out the specific terms and conditions under which bonds may be issued. The indenture is used when a trustee is involved in a financing and forms the basis of the trustee's responsibilities to bondholders (also called the "trust indenture").

Bond Purchase Agreement

The agreement signed by the issuer and the underwriter(s) spelling out the price to be paid for the bonds and the interest rates that the bonds are to bear. The bond purchase agreement also details any options or certifications to be delivered on the date of closing (delivery).

Bond Resolution or Bond Ordinance

The act of the governing body that authorizes the issuance of bonds (sometimes called an "Authorizing Resolution or Ordinance"). State statutes generally govern the procedures that need to be followed by the governing body to permit issuance of debt. Of the two terms, the bond ordinance is the more formal legislative action.

Bond-Year Dollars

Bond-year dollars are calculated by adding the results of the amount of bonds outstanding times the number of years they are outstanding. (See "Net Interest Cost.")

Call or Call Provision

The conditions under which a debt obligation may be redeemed prior to its stated maturity. Such provisions specify the date on which an obligation may be redeemed and the price investors will receive if their bonds are redeemed. Such provisions typically take one of the following forms: mandatory redemption provisions, optional redemption provisions, or extraordinary redemption provisions.

Call Premium

The price an issuer will pay to investors to redeem its obligations prior to their stated maturity date. The call premium is expressed as a percent of the par value.

Capital Budget

A spending plan for capital outlays for the current or upcoming budget year(s). The capital budget is usually the first year of a multiyear capital improvement plan or capital expenditures plan.

Certificate of Participation

A security that represents a share of an issuer's lease payment. When a municipality finances a public facility through a lease-purchase transaction, the interest in that government's lease payment often is assigned to a third party that issues certificates of participation. The certificate represents a share of the lease payment to be received by the investor.

Closing Date

The date on which the issuer legally issues its debt or other obligation. On that date, the purchaser provides the funds to the issuer and the issuer delivers the securities to the purchaser. At closing, bond counsel will provide the approving legal opinion.

Commercial Paper

A form of financing consisting of short-term unsecured promissory notes usually backed by a line of credit with a bank.

Conduit Financing

The sale of bonds or notes for the benefit of a third party, usually a corporation.

Coupon Interest Rate

The rate of interest paid on a specific bond. The coupon interest rate appears on the face of the bond or, in the case of book-entry-only bonds, on the bond record maintained by the securities depository.

Coverage Covenant

A pledge by the issuer, in the trust indenture or bond resolution, to maintain a specified level of coverage of debt-service requirements from pledged revenues.

Credit Enhancement

A guarantee by a third party in a debt financing that strengthens the credit quality behind the obligation.

Dated Date

The date on which a debt obligation begins to accrue interest. For example, if a bond issue was dated July 1 and was delivered to the purchaser (closed) on July 14, the purchaser would need to pay the issuer accrued interest from the dated date (July 1) up to but not including the delivery date (July 14). (See "Delivery Date.")

Defeasance

The provision for payment of an outstanding obligation with cash or securities that are placed in escrow until the due date.

Delivery Date

The date on which debt obligations are delivered to the purchaser. This is also known as the closing date.

Denomination

The face value, or par amount, of a bond that is due at maturity. Most municipal bonds are issued in denominations of $5,000 or integral multiples thereof.

Derivative Products

A term used to describe a wide range of financial products derived from more conventional securities or debt-service cash flows. Often contractual arrangements, derivative products include interest rate swaps, inverse floaters, and other hybrid securities.

Double-Barrel Bonds

A bond that has two pledged sources of security. Most often, a double-barrel bond is a general obligation that is initially secured by some specified revenue stream.

501(c) (3) Bond

Section 501c (3) of the Internal Revenue Code refers to organizations that are traditional charitable organizations, including but not limited to those organized for religious, scientific, literary, or educational purposes.

General Obligation Bonds

Bonds that are secured by the issuer's full-faith and credit pledge. Most GO bonds are backed by the issuer's ability to level an ad valorem tax in an amount sufficient to meet debt-service requirements. Some GO bonds, known as limited-tax GO bonds, are backed by the pledge of a defined portion of the issuer's general taxing power.

Issuer Structure

The repayment schedule for a bond or other obligation that is set out in the legal documents at the time of issue.

Lease-Purchase Agreement

An agreement entered into by two parties in which one provides a facility or equipment in exchange for a pledge from the other to make regular lease payments. Upon completion of the lease term, the lessee assumes ownership of the item. Most lease-purchase agreements provide that the lessee will continue to make lease payments only as long as its governing body appropriates funds for that purpose.

Legal Opinion

An opinion concerning the legality of a municipal bond issue. Such opinions usually address the legal authority of the issuer to sell bonds, the issuer's compliance with all procedural requirements prior to issuance, and the tax status of the bonds as an investment. To ensure the marketability of their offerings, governments usually retain the services of firms which specialize in municipal bond issues. (See "Nationally Recognized Bond Counsel.")

Level Debt Service Maturity Schedule

A debt repayment structure that is characterized by lower principal maturity amounts in the early years that gradually increase. When these principal repayment requirements are combined with interest payments, the result is a level debt-service payment (similar to a home mortgage).

Level Principal Maturity Schedule

A debt repayment structure that provides for equal principal payments in each year. When combined with interest requirements, this structure results in a debt-service schedule that is higher in the early years.

Master Lease Purchase Program

Administered by the Texas Public Finance Authority (TPFA), this commercial paper program enables state agencies to finance equipment acquisitions and other revenue bond projects that may be authorized by the Legislature through the TPFA. The program is available to finance purchases in excess of $10,000 and projects with a useful life of at least three years.

Maturity Amount

The amount of an issue's principal, or par value, that is scheduled to be redeemed on a given date.

Maturity Date

The date on which a given security is scheduled for redemption.

Municipal Securities Rulemaking Board (MSRB)

Created in 1975 as a product of amendments to the Securities Exchange Act of 1934, the MSRB is an independent, self-regulatory organization. The 15-member MSRB is charged with providing regulatory oversight of dealers, dealer banks, and brokers in the municipal securities industry.

Nationally Recognized Bond Counsel

Firms that have experience providing legal opinions related to the issuance of municipal bonds. The market generally considers firms listed in *The Bond Buyer's Municipal Marketplace* to be nationally recognized.

Net Interest Cost (NIC)

A method to calculate the overall interest cost of borrowing. The NIC is calculated by dividing total interest payments over the life of the issue by the total bond year dollars. Total bond year dollars is the sum of the products of the amount of bonds outstanding and the number of years they are outstanding. If the issue is sold at a discount, the amount of the discount is added to the total interest payments. If the issue is sold at a premium, the amount of the premium is subtracted from the total interest payments.

Official Statement

A disclosure document prepared in connection with a specific offering that provides detailed information concerning security provisions, maturity dates and amounts, optional redemption provisions, ratings, coupon rates and reoffering yields, and other relevant credit data. The official statement is prepared and circulated after the sale has been completed. (See "Preliminary Official Statement.")

Par Value

The face or maturity value of a security.

Parity Bonds

Separate bond issues that have the same lien against pledged revenues.

Pay-as-you-go-basis

The financial policy of a municipality that finances all capital outlays from current revenues rather than borrowing.

Preliminary Official Statement

A disclosure document prepared in connection with a specific offering that provides detailed information concerning security provisions, maturity dates and amounts, optional redemption provisions, and other relevant credit data. The preliminary official statement is prepared and circulated as a marketing tool prior to the sale of the securities. (See "Official Statement.")

Present Value

The sum of future payments due discounted back to the present date at an assumed rate of interest.

Primary Market

A term used to describe the underwriting, sale, or placement of securities at the time of original pricing.

Revenue Bonds

Bonds payable from an identified source of revenue that is typically derived from operation of the financed project, but may be derived from grants, excise or other specified non-ad valorem taxes. Revenue bonds do not permit the bondholders to compel taxation or legislative appropriation of funds not pledged for payment of debt service, and generally, do not require voter approval prior to issuance.

Revolving Loan Fund

A centrally administered (usually by a state) fund that makes loans to subordinate units of government to address specific funding objectives. Loan repayments are recycled into additional loans. Original capitalization often comes from a combination of federal grants and state monies. Examples are the wastewater treatment revolving loan funds created pursuant to the Water Quality Act of 1987.

Rule 15c2-12

A rule promulgated by the Securities and Exchange Commission that requires underwriters of municipal obligations to obtain and review certain disclosure materials prior to making a commitment to purchase securities.

Secondary Market
A term used to describe the sale or trading of securities at market prices -- not at the time of original offer.

Source of Funds
Identifies what money will be used to finance the project. Examples of sources of funds include the State's general revenue fund, federal funds, and bond proceeds.

Takedown
A component of the underwriting spread, takedown is a fee expressed either as dollars per thousand dollars of par value or as the sales commission component of the underwriting spread.

Taxable Equivalent Yield
The yield an investor in a certain tax bracket would need to obtain on a taxable investment to equal the yield on a tax-exempt security. The equation is: tax-exempt yield/1– investor's tax bracket)=taxable equivalent yield.

True Interest Cost (TIC)
A method of calculating the overall cost of a financing that takes into account the time value of money. The TIC is the rate of interest that will discount all future payments so that the sum of their present value equals the issue proceeds.

Type of Financing
Identifies how a capital project will be financed. Examples of types of financing include legislative appropriations, general obligation bonds, revenue bonds, and lease-purchase agreements.

Underwriter
In the municipal market, the term is used broadly to refer to the firm that purchases a securities offering from a governmental issuer. In some cases, the underwriter might be a syndicate of firms that have joined together to submit a bid for the issue.

Underwriting Spread
The compensation paid to the underwriter for the purchase of the governmental obligation. The underwriting spread is expressed as either dollars per thousand dollars of par value (e.g., $6.50) or as a percent of par value (0.65%). Underwriting spread consists of four components: takedown, management fee, underwriting fee (or "risk"), and expenses.

Variable Rate
A tax-exempt security with an interest rate that is periodically reset usually according to an index or preset measure. Also typically known as a "floater."

Yield to Maturity
Total return on a bond, taking into consideration its coupon, length of maturity, and dollar price.