ANNUAL REPORT

2005

TEXAS BOND REVIEW BOARD

Texas Bond Review Board Annual Report 2005

Fiscal Year Ended August 31, 2005

Rick Perry, Governor
Chairman

David Dewhurst, Lieutenant Governor

Tom Craddick, Speaker of the House of Representatives

Carole Keeton Strayhorn, Comptroller of Public Accounts

Robert C. Kline
Executive Director

December 2005

Overview

The Texas Bond Review Board (BRB) is responsible for the approval of state bond issues and lease purchases with an initial principal amount of greater than $250,000 or a term of longer than five years. The BRB is also responsible for the collection, analysis and reporting of information on the debt of the state and local political subdivisions in Texas. In addition, 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 continued to rebound during fiscal 2005 after the downturn that began in 2001. The Comptroller's Economic Forecast for the Texas economy projects that the gross state product will grow by 3.2% in each of calendar years 2006 and 2007. In addition, the Comptroller projects that the average annual growth rate in personal income in Texas will be 5.4% and 5.6%, respectively, during the same time periods.

The state's financial position at fiscal year end 2005 was substantially better than at the same time in 2004. The ending consolidated General Revenue Fund balance totaled $4.80 billion in cash, an increase of 138% from fiscal 2004's $2.02 billion. For fiscal 2005, total net revenues increased by $4.04 billion, or 5.1% from fiscal 2004 to $83.23 billion, and total expenditures increased by 3.7%, or $2.87 billion to $80.45 billion.

Tax-supported debt ratios for Texas rank well below other states, including comparisons with the ten most populous states and those rated AAA by the three major rating agencies. U.S. Bureau of the Census figures rank Texas 3rd among the ten most populous states in terms of local debt burden, 9th in state debt burden and 6th in total state and local debt burden. Texas remains well below its constitutional debt limit of 5% with a ratio of 2.21% including authorized but unissued debt, a decrease from the fiscal 2004 ratio of 2.31%.

State and Local Financings in FY 2005

Approximately $4.10 billion in new-money and refunding bonds and commercial paper were issued by state agencies and institutions of higher education in fiscal 2005 compared to $3.65 billion in fiscal 2004. Lower interest rates resulted in the issuance of nearly $1.3 billion in refundings of state debt that resulted in a net present value savings to the state of $50.1 million. Projections for fiscal year 2006 indicate an increase of 12.2% in overall state debt issuance to $5.05 billion with refundings expected to be approximately equal in dollar amount to fiscal 2004. Much of the anticipated increase is attributable to projected financings for the Texas Department of Transportation ($600 million) and The University of Texas System - PUF ($300 million). At August 31, 2005, Texas had a total of $21.41 billion in state debt outstanding, an increase of 7.1% over fiscal 2004.

Local government debt issuance in fiscal 2005 increased significantly by approximately 30% when compared to 2004 — $20.92 billion versus $27.16 billion, respectively. New-money and refunding bond volume both increased equally by 30% over fiscal 2004. Although preliminary, data for fiscal 2005 indicate that of the $27.16 billion issued, approximately $14.49 billion was issued for new-money purposes while $12.67 billion was issued for refunding prior outstanding debt. For fiscal year end 2004, outstanding local government debt was $110.15 billion, a 7.4% increase from the $102.59 billion outstanding at the end of fiscal 2003.

Issuance Costs

Issuance cost data for state debt transactions that closed in fiscal 2005 reveals that the total costs of issuance, including the underwriting spread, offering expenses and fees averaged $893,230, or $9.29 per $1,000 compared to $745,562 in total costs and $10.08 per $1000, respectively, in fiscal 2004. The increase in average costs and the decrease in the costs per $1,000 are explained by the fact that fiscal 2005 saw more large-sized issues in contrast to fiscal 2004 when almost 83% of the non-conduit issues had a par amount that was under $100 million. For fiscal

2005, most of Texas' competitive issues were smaller in size than the negotiated issues with average sizes of $18.1 million and $163.3 million, respectively.

Private Activity Bond Allocation Program

Texas experienced a slight increase in volume cap for the 2005 Private Activity Bond Allocation Program. The calendar 2005 volume cap was set at $1,799,201,760, an increase of almost $29.7 million (1.7%) from the 2004 cap of $1,769,480,721. Applications received for program year 2004 totaled $4.57 billion, and unlike previous years, virtually all of that amount was offered a reservation through initial offerings, recycled portions and allocation carryforwards from earlier years.

Initial applications for the 2006 program year indicate a lower level of requests with only $1.3 billion for bond allocation authority to finance "private activities" such as single family mortgages, multifamily housing, pollution control facilities and student loans. The largest decrease in requests has come in the multi-family housing subceiling which has generated the smallest dollar amount of requests since the inception of the lottery in 1990. This decrease is due in part to the city of Dallas' request at mid-2005 that no housing tax credits be issued within its jurisdiction until a federal investigation into low-income tax credit multi-family projects in the city of Dallas has been completed. Additionally, the rules for receiving tax credits for location and rehabilitation "hard costs" have become more restrictive.

The report concludes with four appendices. Appendix A provides a detailed description of each state bond transaction closed in fiscal 2005. Appendix B reports on commercial paper and variable-rate debt programs used by state agencies and universities. While not a debt of the state, the aggregate notional amount of interest rate swaps outstanding at the state level was $1.71 billion at the end of fiscal 2005, and Appendix C has been added this year to provide a background discussion on Texas Swap Programs, including a listing of the state's swaps outstanding and their debt-service requirements. Appendix D provides a brief description of each of the state's bond issuing entities.

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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 1
Texas Debt in Perspective

During fiscal 2005, Texas expended $279 in net tax supported debt per capita, up from $220 in fiscal 2004, compared to a national median of $703 and an average of $999. Among the ten most populous states, the median and average net tax-supported debt per capita was $937 and $1344, respectively.

Texas' Financial Position Continues to Rebound

Texas ended the fiscal year with a General Revenue Fund cash balance of $4.80 billion. This represents a 138% increase from the fiscal 2004 year-end balance of $2.02 billion. Although the General Revenue Fund year-end cash balance decreased significantly in fiscal year 2002 and again in fiscal 2003, it rebounded in fiscal year 2004 and continued to grow in fiscal 2005 *(Figure 1)*.

Year-end Total Net Revenues and Other Sources increased 5.1% to $83.23 billion while Net Expenditures and Other Uses declined by 3.7% to $80.45 billion *(Table 1)*. Total Tax Collections received in the General Revenue Fund increased by 6.9% to $29.81 billion. The state's primary source of revenue is the Sales Tax which contributed 54.6% of the Total Tax Collections during fiscal 2005. Sales Tax collections rose to $16.28 billion, a 5.8% increase from the prior fiscal year. Natural Gas Production Tax collections ended the year at $1.66 billion, an increase of 19% from fiscal 2004. Motor Fuels Taxes increased by 0.6% and the combined Motor Vehicle and Manufactured Housing Sales and Use Tax collections increased by 3.9% in fiscal 2005.

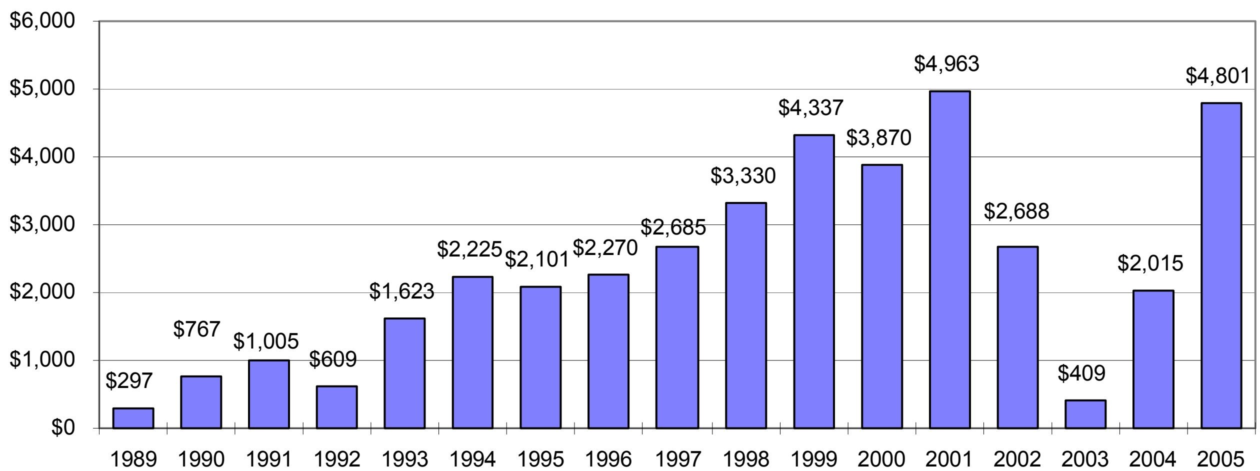
79th Legislature Passed $139.41 Billion Budget

The 79th Legislature convened in January 2005 and approved Senate Bill 1, the budget for the 2006-07 biennium. Senate Bill 1 called for total expenditures of $139.41 billion, an increase of 10.1% over actual expenditures for the 2004-05 biennium. Included in this all-funds amount was $65.58 billion in general revenue spending - an increase of $5.88 billion or 9.8% over the 2004-05 biennium general revenue spending level. As required by the Texas Constitution, the State Comptroller certified that sufficient revenue was available to pay for the state's 2006-07 budget.

Of the all-funds total of $139.41 billion that will be spent during the biennium, 51.3% is appropriated general revenue and dedicated general revenue funds. Federal funds comprise 35.2% of the state's available revenues and the remaining 13.5% comes from all other sources.

Major funding changes of non-dedicated general revenue from the 2004-05 biennium include: (1) an increase of 13.1% for general government, (2) a 15.2% increase in funding for the health and human services and (3) a 9.9% decrease in funding for natural

Figure 1
ENDING CASH BALANCE IN TEXAS' GENERAL REVENUE FUND
(millions of dollars)



Note: Of the ending cash balance, approximately $1 2 billion in 1993, $1.6 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.

Table 1
STATEMENT OF CASH CONDITION
CONSOLIDATED GENERAL REVENUE FUND
(amounts in thousands)

	Fiscal 2004	Fiscal 2005	Percent Change
Revenues and Beginning Balance			
Beginning Balance, September 1	$408,998	$2,015,421	392.8%
Tax Collections			
General Revenue Fund			
Sales Tax	15,385,421	16,279,807	5.8%
Oil Production Tax	496,111	681,891	37.4%
Natural Gas Production Tax	1,392,436	1,657,086	19.0%
Motor Fuels Taxes	2,917,707	2,934,581	0.6%
Cigarette and Tobacco Taxes	534,577	599,368	12.1%
Motor Vehicle Sale/Rental, Mfg. Housing Sale	2,740,288	2,847,653	3.9%
Franchise Tax	1,835,014	2,170,081	18.3%
Alcoholic Beverages Taxes	601,840	626,278	4.1%
Insurance Taxes	1,184,922	1,208,866	2.0%
Inheritance Tax	151,131	101,674	-32.7%
Hotel and Motel Tax	238,862	262,092	9.7%
Utilities Taxes	356,245	380,006	6.7%
Other Taxes	46,712	55,889	19.6%
Total Tax Collections	$27,881,267	$29,805,273	6.9%
Federal Income	$19,108,002	$19,492,530	2.0%
Interest & Investment Income	3,913	42,634	989.5%
Licenses, Fees, Permits, Fines, & Penalties	4,570,448	5,104,195	11.7%
Contributions to Employee Benefits	178,178	197,311	10.7%
Sales of Goods and Services	170,929	163,997	-4.1%
Land Income	50,045	20,678	-58.7%
Settlements of Claims	509,888	548,816	7.6%
Net Lottery Proceeds	1,596,764	1,584,493	-0.8%
Other Revenue Sources	1,715,171	1,808,914	5.5%
Interfund Transfers / Investment Transactions	23,403,702	24,463,955	4.5%
Total Net Revenue and Other Sources	$79,188,308	$83,232,794	5.1%
Expenditures and Ending Balance			
General Government	$1,982,644	$2,096,316	5.7%
Health and Human Services	22,958,091	24,197,252	5.4%
Public Safety and Correction	2,899,045	2,911,782	0.4%
Education	18,858,669	19,112,170	1.3%
Employee Benefits	2,373,869	2,401,184	1.2%
Lottery Winnings Paid	517,150	448,504	-13.3%
Other Expenditures*	1,332,974	1,205,386	-9.6%
Interfund Transfers / Investment Transactions	26,659,525	28,074,569	5.3%
Total Expenditures and Other Uses	$77,581,966	$80,447,163	3.7%
Net decrease to Petty Cash Accounts	81	106	
Ending Balance, August 31	$2,015,421	$4,801,158	138.2%

Source: Texas Comptroller of Public Accounts.

* Includes Transportation, Natural Resources/Recreational Services, Regulatory Agencies.

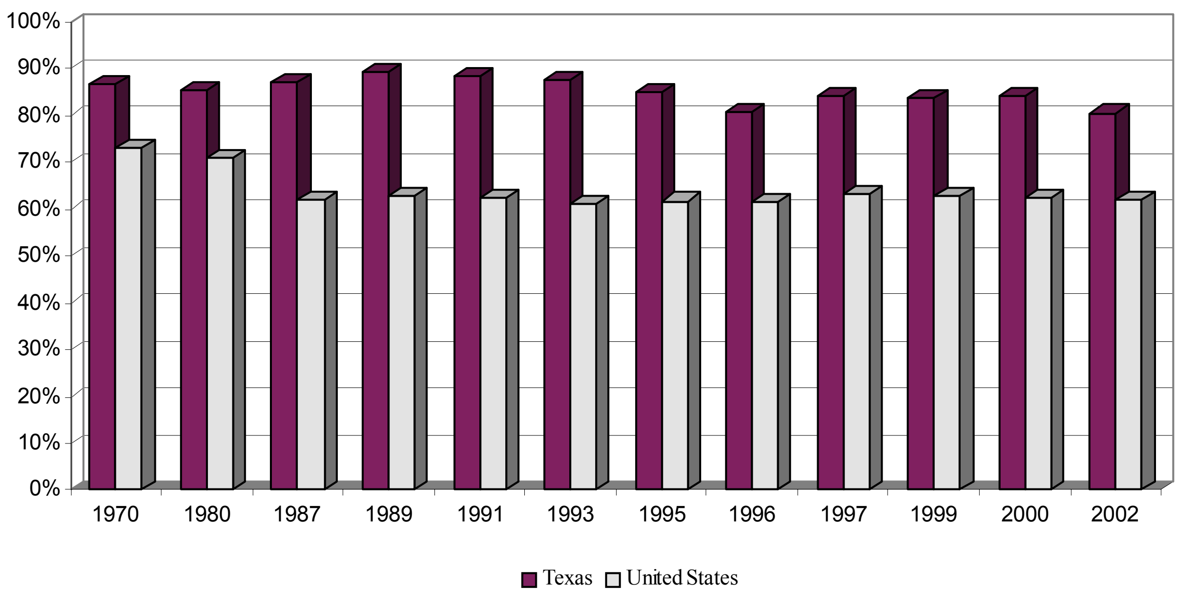
resources. The Texas Legislature allocated agencies of education and health and human services 54.8% and 26.7%, respectively of 2006-07 general revenue and dedicated general revenue funds. Public safety and criminal justice is the third largest expenditure of non-dedicated general revenue and will consume 9.8% of these funds in 2006-07.

Texas GO Bond Ratings

Credit rating agencies consider four primary factors when rating a state's debt: economy, finances, debt and management. Within economic factors, the agencies review the state's income, employment, economic diversity and demographics. Financial factors considered are the state's revenues, cost structure, balance sheet health and liquidity. Debt factors reviewed include debt ratios

Figure 2

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



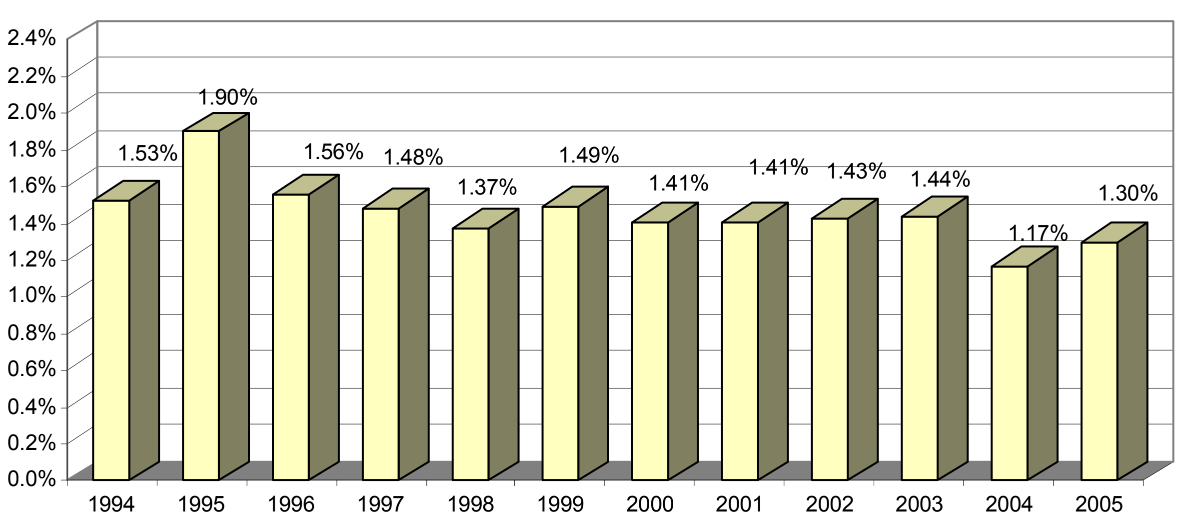
Source: U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State 2001-2002,* the most recent data available.

and debt security and structure. Management, a major factor for the rating agencies includes: budget development and management practices; constitutional constraints, initiatives and referenda; executive branch controls; mandates to maintain a balanced budget; rainy day funds; and political polarization.

Texas' general obligation debt is split-rated at Aa1/AA/AA+ by the three major credit rating agencies, Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch), respectively *(Table 2)*. Texas' AAA rating was downgraded in 1987

Figure 3

ANNUAL DEBT SERVICE AS A PERCENTAGE OF UNRESTRICTED GENERAL REVENUE



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

Table 2
STATE GENERAL OBLIGATION BOND RATINGS
July 2005

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

* Not rated
Sources: Moody's Investors Service, Standard & Poor's, and Fitch Ratings.

due to the state's economic recession during the 1980s. Since that time, however, the state's economic base has shown considerable improvement and diversification. A steady transition from an oil and gas economy to one increasingly based on services, manufacturing and technology has broadened the state's sources of revenue.

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

Although Moody's elected to upgrade the state's debt rating, S&P downgraded the state's rating outlook from "positive" to "stable." S&P cited a modest level of financial reserves ("Rainy Day Fund") as the primary reason for the downgrade and concluded that the state's financial flexibility could become impaired without adequate financial reserves supported by a financially sound budget.

Five States Receive Rating Upgrades

During the last year, five states have received a rating upgrade for their general obligation bonds while three states have received downgrades. During fiscal 2005, California, Florida, Hawaii, Massachusetts and New York received rating upgrades for their general obligation bonds *(Table 3)*. Michigan and Maine were downgraded in fiscal 2004 and have been downgraded a second time in fiscal 2005 by Moody's, Standard & Poor's, and Fitch. Moody's also downgraded New Jersey's G.O. rating in fiscal 2005.

Texas' Debt Ratios Compared to Triple A-Rated and Other States

According to *Moody's 2005 State Debt Medians (Table 4),* during fiscal 2005 Texas ranked 46th among all states in net tax supported debt per capita. According to the Moody's report, Texas expended $279 in net tax supported debt per capita, up from $220 in fiscal 2004, and compared to a national median of $703 and an average of $999. Among the ten most populous states, the median and average net tax supported debt per capita was $937 and $1344, respectively.

Texas ranks 43rd among the 50 states in net tax supported debt as a percent of 2003 personal income and is also well below the national median and average of 2.4% and 3.2%, respectively (*Table 4)*. Among the seven states rated AAA by all three major rating agencies, Texas ranks lowest at 1.0% net tax-supported debt as a percent of 2003 personal income *(Table 5)*.

With net tax supported debt per capita at $279, Texas ranks lower than AAA-rated states. By comparison, Delaware had the highest debt per capita at $1,865. Additionally, Texas' 2003 personal income per capita of $30,697 is below the national average of $32.053, but ranks above that of Utah, South Carolina, Georgia and Missouri, all of which are rated AAA.

The most recent data from the U.S. Census Bureau (2002) on state and local debt outstanding shows that Texas ranks 3rd among the ten most populous states in terms of Local Debt Per Capita, 9th in State Debt Per Capita and 6th in Total State and Local Debt Per Capita *(Table 6)*. In 2002, 80.5% of Texas' total state and local debt burden was at the local level *(Figure 2)*. Local debt includes debt issued by cities, counties, school and hospital districts and special districts.

Many communities throughout Texas are experiencing significant

Table 3
UPGRADES AND DOWNGRADES IN STATE GENERAL OBLIGATION BOND RATINGS
August 2004 to July 2005

State	Rating Change	Agency
	Upgrades	
California	A3 to A2	Moody's
California	BBB to A	Standard & Poor's
California	BBB to A	Fitch Ratings
Florida	Aa2 to Aa1	Moody's
Florida	AA+ to AAA	Standard & Poor's
Florida	AA to AA+	Fitch Ratings
Hawaii	Aa3 to Aa2	Moody's
Massachusetts	AA- to AA	Standard & Poor's
Massachusetts	AA- to AA	Fitch Ratings
New York	A2 to A1	Moody's
	Downgrades	
Maine	Aa2 to Aa3	Moody's
Maine	AA to AA-	Standard & Poor's
Maine	AA+ to AA	Fitch Ratings
Michigan	Aa1 to Aa2	Moody's
Michigan	AA+ to AA	Standard & Poor's
Michigan	AA+ to AA	Fitch Ratings
New Jersey	Aa2 to Aa3	Moody's

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

population growth with resulting increased demand for infrastructure, programs and services. Net migration to the state has forced many small and medium-sized communities to increase financing for infrastructure such as roads, school construction, and water and waste-water services to meet those needs. Based on projections of current demographic trends, Texas will continue to experience increasing demand for expenditures in these areas.

Debt Supported by General Revenue Decreases

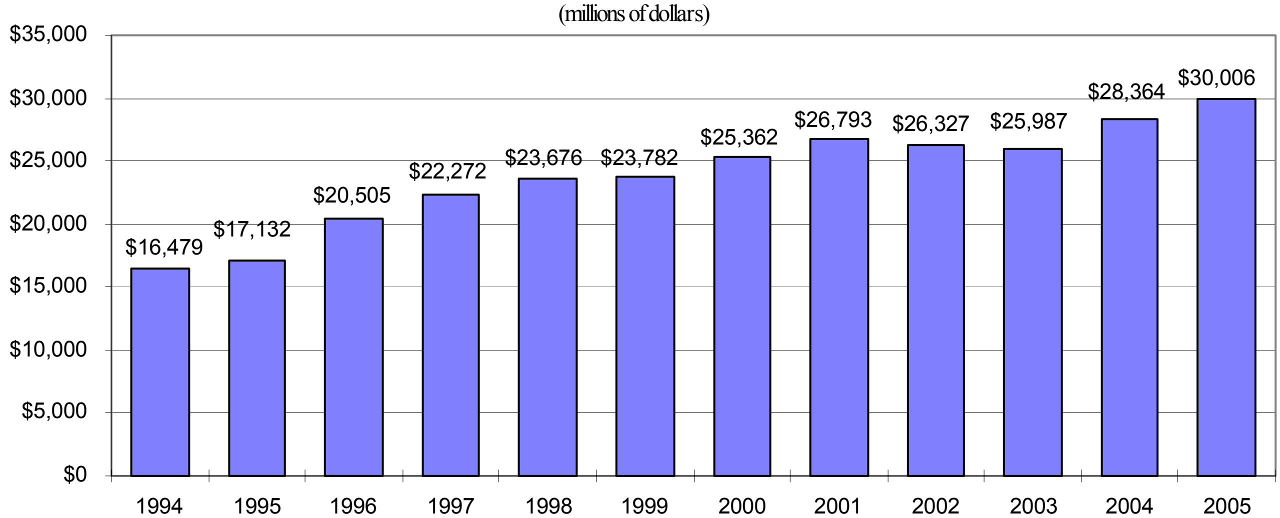
Texas' general obligation debt pledges "the full faith and credit of the state" to back the payment of the debt. In the event that revenue to support the debt is insufficient to service the debt, the first monies coming into the Office of the Comptroller - Treasury Operations not otherwise constitutionally appropriated, shall be used to pay the debt service on these obligations.

Some general obligation bonds, such as those issued by the Texas Veterans Land Board are self-supporting, that is, the debt is repaid from revenues generated from projects the debt finances. Other general obligation debt, such as that issued by the Texas Public Finance Authority to finance programs for the Texas Department of Criminal Justice, the Texas Department of Aging and Disability Services and the Texas Youth Commission are not self-supporting and must receive annual legislatively appropriated debt-service payments from the state's general revenue fund.

State debt payable from general revenue has decreased slightly since fiscal 1999 when the total of such not self-supporting debt was $3.38 billion. At the end of fiscal 2005, outstanding state debt payable from general revenue was $3.14 billion, a slight decrease from the $3.15 billion outstanding in fiscal 2004.

Annual debt service as a percent of unrestricted general revenue during fiscal 2005 was 1.30% compared to 1.17% in fiscal 2004 *(Figure 3)*.

Figure 4
UNRESTRICTED GENERAL REVENUE
(millions of dollars)



Source: Texas Comptroller of Public Accounts.

Table 4

SELECTED TAX-SUPPORTED DEBT MEASURES BY STATE

State	Moody's Rating	Net Tax-Supported Debt as a % of 2003 Personal Income	Rank	Net Tax-Supported Debt Per Capita***	Rank
Hawaii	Aa3	11.1%	1	$3,343	3
Massachusetts	Aa2	8.5%	2	3,372	2
Connecticut	Aa3	8.5%	3	3,614	1
New Jersey	Aa3	7.4%	4	2,901	4
New York	A1	7.2%	5	2,593	5
Illinois	Aa3	6.2%	6	2,019	6
Delaware	Aaa	5.5%	7	1,865	7
New Mexico	Aa1	5.3%	8	1,301	13
Washington	Aa1	4.9%	9	1,598	8
Mississippi	Aa3	4.8%	10	1,116	16
Oregon	Aa3	4.7%	11	1,351	11
California	A3	4.7%	12	1,545	9
West Virginia	Aa3	4.6%	13	1,127	15
Wisconsin	Aa3	4.3%	14	1,312	12
Rhode Island	Aa3	4.3%	15	1,373	10
Kentucky	Aa2*	4.0%	16	1,057	18
Kansas	Aa1*	4.0%	17	1,170	14
Florida	Aa1	3.4%	18	1,008	19
Utah	Aaa	3.2%	19	792	23
Maryland	Aaa	2.9%	20	1,064	17
Ohio	Aa1	2.9%	21	866	21
Alaska	Aa2	2.8%	22	933	20
Georgia	Aaa	2.8%	23	803	22
Arizona	Aa3*	2.6%	24	685	27
North Carolina	Aa1	2.5%	25	682	28
Louisiana	A1	2.4%	26	617	31
Vermont	Aa1	2.3%	27	716	25
Pennsylvania	Aa2	2.3%	28	730	24
South Carolina	Aaa	2.2%	29	558	34
Michigan	Aa2	2.2%	30	691	26
Maine	Aa2	2.2%	31	634	30
Minnesota	Aa1	2.0%	32	679	29
Nevada	Aa2	2.0%	33	601	32
Alabama	Aa3	2.0%	34	523	35
Virgina	Aaa	1.8%	35	589	33
Arkansas	Aa2	1.6%	36	392	39
Missouri	Aaa	1.5%	37	449	36
Indiana	Aa1*	1.4%	38	415	38
New Hampshire	Aa2	1.3%	39	457	37
Oklahoma	Aa3	1.2%	40	306	41
Montana	Aa3	1.1%	41	274	43
Colorado	NGO**	1.0%	42	347	40
TEXAS	Aa1	1.0%	43	279	42
South Dakota	NGO**	0.9%	44	245	44
Wyoming	NGO**	0.7%	45	239	45
Tennessee	Aa2	0.7%	46	209	46
North Dakota	Aa2*	0.6%	47	160	47
Idaho	Aa3*	0.6%	48	154	48
Iowa	Aa1*	0.5%	49	130	49
Nebraska	NGO**	0.1%	50	42	50
Mean		3.1%		$944	
Median		2.4%		$701	
Puerto Rico		51.2%		$5,758	

* Issuer Rating
** No general obligation debt
***Based on 2002 population figures.

Sources: Moody's Investors Service, *2005 State Debt Medians.*

Table 5

SELECTED DEBT MEASURES FOR TEXAS AND STATES RATED AAA*

State	Rating	Net Tax-Supported Debt as a % of 2003 Personal Income	Net Tax-Supported Debt Per Capita	Personal Income Per Capita
Delaware	AAA	5.5	$1,865	$35,559
Georgia	AAA	2.8	803	30,074
Maryland	AAA	2.9	1,064	39,629
Missouri	AAA	1.5	449	30,516
South Carolina	AAA	2.2	558	25,474
TEXAS	AA	1.0	279	30,697
Utah	AAA	3.2	792	26,946
Virginia	AAA	1.8	589	36,175
Median of AAA States		**2.8**	**$792**	**$30,516**
Mean of AAA States		**2.8**	**$874**	**$32,053**

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

Sources: Moody's Investors Service, *2005 State Debt Medians;* Bureau of Economic Analysis.

Debt service payable from general revenue saw an increase in fiscal 2005 since debt-service payments in fiscal 2004 had decreased as a result of the debt restructurings of fiscal 2003. Additionally, funds accessible to make debt-service payments also increased *(Figure 4)*. Unrestricted general revenue is typically considered the most available funding source to make bond debt-service payments and to fund appropriations for state operations.

Authorized but Unissued Bonds Add to Texas' Debt Burden

Texas continues to have a moderate amount of authorized but unissued debt on the books. Debt that has been authorized by the legislature may be issued at any time without further legislative action. At the end of fiscal year 2005, Texas had approximately $1.07 billion in non-general obligation and general obligation bonds payable from general revenue authorized by the legislature but unissued.

Texas' Constitutional Debt Limit and Debt-Management Policy

The Texas Constitution limits the amount of tax-supported debt that may be issued. In 1997, the 75th Legislature passed and voters approved House Joint Resolution 59, which 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 5% of the average annual unrestricted General Revenue Fund revenues for the previous three fiscal years.

The debt-limit ratio for debt outstanding at fiscal year end 2005 remained unchanged at 1.51%. With the inclusion of authorized but unissued debt, the fiscal 2005 ratio is 2.21% compared to the fiscal 2004 ratio of 2.31%.

Table 6

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	18,976	1	$197,195	$10,392	1	$89,856	45 6%	$4,735	1	$107,339	54 4%	$5,657
Pennsylvania	12,281	3	83,809	6,824	7	20,983	25 0%	1,709	2	62,827	75 0%	5,116
New Jersey	8,414	2	57,590	6,845	2	32,093	55 7%	3,814	9	25,497	44 3%	3,030
Illinois	12,419	4	80,936	6,517	3	34,761	42 9%	2,799	6	46,176	57 1%	3,718
California	34,600	5	209,299	6,049	5	71,263	34 0%	2,060	5	138,037	66 0%	3,989
Michigan	9,938	7	54,195	5,453	4	21,947	40 5%	2,208	7	32,248	59 5%	3,245
Florida	16,713	8	90,276	5,402	8	20,266	22 4%	1,213	4	70,010	77 6%	4,189
TEXAS	**20,852**	**6**	122,810	**5,890**	**9**	**24,008**	**19.5%**	**1,151**	**3**	**98,801**	**80.5%**	**4,738**
Georgia	8,186	10	34,301	4,190	10	8,243	24 0%	1,007	8	26,058	76 0%	3,183
Ohio	11,353	9	51,344	4,522	6	20,009	39 0%	1,762	10	31,335	61 0%	2,760
MEAN			**$98,175**	**$6,208**		**$34,343**	**34.9%**	**$2,246**		**$63,833**	**65.1%**	**$3,963**

Note: Detail may not add to total due to rounding

Source: U S Census Bureau, *State and Local Government Finances by Level of Government and by State: 2001-2002,* the most recent data available

With the passage of House Bill 2190, the 77th Legislature directed the Bond Review Board to adopt formal debt policies and issuer guidelines to provide guidance to issuers of state securities and to ensure that state debt is prudently managed. This report is available on the agency's website.

Capital Planning Review and Approval Process

The 76th Legislature passed legislation that directs the Bond Review Board to produce the state's Capital Expenditure Plan (CEP). This legislation specifies that all state agencies and institutions of higher education appropriated funds by the General Appropriations Act are required to report capital planning information for projects that fall within four specific project areas: (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.

From a budgetary and capital planning standpoint, a number of state agencies work together to coordinate both capital reporting and the budget approval process for all state agencies. These include the Governor's Office of Budget and Planning, the Legislative Budget Board, the Texas Higher Education Coordinating Board, the Comptroller of Public Accounts, the House Committee on Appropriations, the Senate Finance Committee and the Texas Building and Procurement Commission.

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 appropriations' recommendations 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 then prioritizes needs through consideration of recommendations from the two budget offices, and with the approval of the governor, makes the final decisions 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, in order to plan for the future and identify longer term needs for the state, the CEP also reports on three out-years.

The 2006-2007 CEP represents the third published capital expenditure plan for the state, per House Bill 1, Article 9, Section 9-6.38, 77th Legislature (2001). The CEP is another management tool for state decision makers to use in assessing future individual capital expenditure requests within the framework of the state's overall financial position. The 2006-07 Capital Expenditure Plan, which also covers the out-years 2008-2010, is available on the agency's website.

The debt-issuance process at the local level in Texas remains highly fragmented while becoming more consolidated at the state level. On the local level, there are nearly 4,000 debt issuing entities, but at the state level the number of active, direct debt issuing agencies has been reduced to seventeen.

Local Debt Issuance Process

Local governments in Texas issue debt to finance construction and renovation of government facilities (school instructional facilities, public safety buildings, city halls, county courthouses), public infrastructure (roads, water and sewer systems) and various other projects for economic development. Key factors that affect a government's need or ability to borrow funds for infrastructure development include population changes, revenue sources, tax rates and levies, interest rates and construction costs. Other factors that affect debt issuance may simply be the importance of a project to a particular community.

Like state government, local governments issue two major types of long-term debt—general obligation debt and revenue debt. General obligation debt is secured by the full faith and credit of the issuers (i.e. the government's taxing authority) while revenue debt is secured solely by a specified revenue source.

The Texas Constitution indirectly sets debt limitations for local government entities by setting maximum ad valorem tax rates per $100 of assessed property valuation. These rates vary by government type, but all must generate sufficient funds based on annual ad valorem tax collections to provide for the payment of the principal and interest on all ad valorem tax (general obligation) debt. Additionally, all local debt issuance must be approved by the Office of the Attorney General – Public Finance Division and registered with the Texas Comptroller of Public Accounts.

Local Debt Issuance Volume Increases 67% in Five Years

Nationwide, municipal bond issuance has set record highs each successive year since 2002 with 2005 projected to outpace all years with over $400 billion in muni bond sales. Texas local governments continue to break records as well issuing $22.09 billion in fiscal 2003 and $20.92 billion in 2004. Since fiscal 2000, local debt issuance volume has increased by 67% from $12.53 billion to $20.92 billion.

The new-money portion issued during the five-year period (fiscal 2000-2004) was $59.45 billion with refunding totals reaching $33.16 billion. Cities, school districts and water districts comprised 87.3% of the new-money volume ($51.92 billion) and 83.8% of the refunding transaction volume ($27.79 billion) since fiscal 2000.

Debt refinancing climbed in 2002 and 2003 and peaked in 2004 when interest rates hovered near four-decade lows. Although many government entities achieved both a cash and present value savings with these refundings (especially Texas counties, health/hospital districts and other special districts) many transactions resulted in only a net present value savings with a cash loss. In these cases, the primary objective was to restructure debt-service requirements to more evenly match budget flows and thus avoid raising taxes during those times of U.S. economic weakness. Extending debt-service schedules to reduce annual payment requirements assisted in meeting this objective.

Majority of Debt Financing Supports Educational Facilities and Water-Related Infrastructure

During the five-year reporting period, the primary use of bond proceeds (36.4%) was for educational facilities and equipment, including school buses. Financing for water-related infrastructure needs continues to be the second major purpose for debt issuance by Texas local governments (19.5%). The general-purpose category ranks third at 18.1%. Some issuers, especially cities, borrow for multipurpose uses. Nearly half of these multipurpose borrowings involve debt financings for water and transportation purposes; therefore, these two categories may be understated.

Financing for transportation needs including projects for roads, bridges, parking facilities, airports and rapid transit was again the fourth major purpose at 14.6%. For purposes of tracking the use of bond proceeds, the Bond Review Board has selected the following additional categories: economic development, commerce, recreation, solid waste, prisons/detention, power, combined utility systems, health-related facilities and fire safety.

Texas Local Governments: $110.15 Billion In Debt – a 42% Increase in Five Years

As of August 31, 2004, Texas local governments had $110.15 billion in outstanding debt, or $32.61 billion (42.1%) greater than the amount outstanding at the end of fiscal 2000. Approximately $62.46 billion (56.7%) of that debt is general obligation debt and will be repaid from local tax collections while the remaining $47.69 billion (43.3%) will be repaid from revenues generated by various projects such as water and sewer and electric utility fees. As previously noted, Texas ranks 3rd among the ten most populous states in terms of Local Debt Per Capita, 9th in State Debt Per Capita and 6th in Total State and Local Debt Per Capita.

Cities Account for Largest Portion of Total Debt and Revenue Debt Outstanding

Thirty-nine percent of all local government debt is carried by Texas cities. Slightly over one-third ($15.52 billion) of the city debt is tax supported and the remaining ($27.60 billion) is revenue debt—debt that is repaid from a special revenue source rather than from general tax collections. The majority of city revenue debt has been used to finance utility-related projects, including water, wastewater and in some localities, electric utility systems. Most of this type of debt is to be repaid from user charges.

As shown in *Figure 5,* city revenue debt increased by 41.6% ($8.11 billion) since 2000. This increase coincides with the boom in new housing spurred by the steady increase in Texas' population of an estimated 1.5 million people, or 7.4% since 2000.

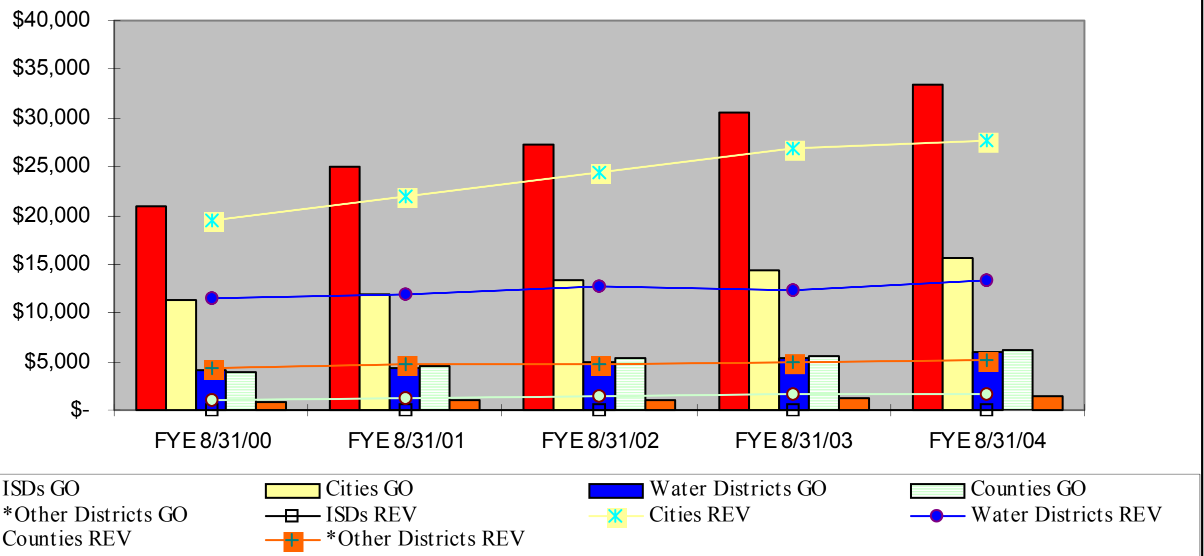
Counties and community/junior college districts also had similar increases in revenue debt outstanding in the five-year period, 53.7% and 46.3%, respectively. As of August 31, 2004, counties had $1.69

Figure 5

GROWTH IN TEXAS LOCAL DEBT OUTSTANDING

[Tax-Supported (GO) and Revenue Debt]

(millions of dollars)



*Other districts include health / hospital districts, community / junior college districts, road, power and housing

Source: Texas Bond Review Board - local government debt databases, which include conduit debt as well as lease-purchase obligations for educational and jail facilities.

billion in revenue debt outstanding while community/junior colleges had $767 million.

School District Tax-Supported Debt Rises 60% in Five Years

Thirty percent of all local government debt is carried by Texas school districts. Outstanding tax-supported debt totaled $33.49 billion as of August 31, 2004, a 59.9% ($12.54 billion) increase since 2000 *(Figure 5).* During that five-year period, Texas public school attendance increased by approximately 302,000 students, an 8.2% increase. School district debt is primarily used to finance instructional facilities while only a handful of school districts carry revenue debt for constructing, improving and equipping athletic/ stadium facilities.

Community/junior college districts had a significant increase (179.9%) in tax-supported debt during the five-year time period, from $383.1 million outstanding as of August 31, 2000, to $1.07 billion outstanding as of August 31, 2004. Community/junior college student enrollment grew in five years by 110,987 (25.8%) to 541,040 for the 50 college districts in Texas.

Tax-supported debt outstanding for health/hospital districts increased 138.2% to $238.8 million outstanding as of August 31, 2004. County tax-supported debt was 51.8% higher with $6.07 billion outstanding. Water districts which include navigation and port districts, river authorities, municipal utility districts (MUDs) and municipal water authorities, experienced a 42.2% rise in tax-supported debt outstanding with $5.96 billion on the books as of August 31, 2004. Cities experienced a similar increase of 38.8% with $15.52 billion tax-supported debt outstanding as of August 31, 2004.

On a cumulative level for all Texas local governments, five-year statistics show a 51.7% or $21.28 billion increase in tax-supported debt outstanding, and a 31.2% or $11.33 billion increase in revenue debt outstanding.

Texas Bond Review Board and Local Government Debt

The Texas Bond Review Board (BRB) has no direct oversight of local government debt issuance in Texas. Legislative mandates charge the Board with collecting, maintaining, analyzing and reporting on the status of local government debt. When the Office of the Attorney General approves each transaction, the required information on bonds issued by political subdivisions of the state is collected and forwarded to the BRB for its report on local debt statistics (Chapter 1202, Texas Government Code). All reporting on local debt is presented on the agency's website. Visitors to the site can either search databases and/or download spreadsheets that contain debt outstanding, debt ratio and population data by government type at each fiscal year end. The BRB will continue to provide this information annually and post it to the website within approximately four months after the close of the fiscal year.

Chapter 2
Texas Bonds Issued in Fiscal 2005

Debt issued by Texas state agencies and universities increased by 11.46% from the prior year to an aggregate total of $3.38 billion, compared to $3.04 billion issued in fiscal 2004. The fiscal 2005 issues included $2.09 billion in new money and almost $1.30 billion in refunding bonds (Table 7). *Other debt issued included almost $712 million of commercial paper and variable-rate notes. Additional information on bond transactions can be found in Appendix A of this report. The Bond Review Board also approved $41.1 million for lease-purchases by Texas state agencies in fiscal 2005* (Table 8).

New-Money Funding Decreases in FY 2005

New-money bonds issued by Texas state agencies and institutions of higher education during fiscal 2005 totaled just under $2.09 billion, a slight 1.4% decrease compared to $2.12 billion issued during fiscal 2004 (*Figure 6*). Issuance of commercial paper is not included. The proceeds provided financing for infrastructure, housing and loan programs.

For fiscal year 2005, the Texas Transportation Commission (TTC), the governing body of the Texas Department of Transportation (TxDOT), was the top issuer of new-money bonds with 47.9% of the total while the Texas Department of Housing and Community Affairs (TDHCA) issued 16.3%. These two agencies captured 64.3% of the total new-money issuance for fiscal 2005.

Uses of New Money for FY 2005

The TTC issued $1 billion (nearly 48% of the total) of new-money bonds in fiscal 2005. These bonds were voter-approved general obligation bonds that will be used to construct and expand state highways as well as provide funds for the state's participation in certain publicly owned toll roads and other public transportation projects.

The TDHCA sold 16.3% of the total new-money bonds issued in fiscal 2005, amounting to almost $341 million which was a 50.5% increase from the $226.6 million issued in fiscal 2004.

In fiscal 2004 TDHCA provided more funds for multifamily than for single family housing. The trend continued in fiscal 2005 with TDHCA providing $164.2 million of new-money bonds for its single family mortgage revenue bond program, compared to $176.7 million issued in multifamily housing bonds. The single family 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.

Fourteen TDHCA transactions accounted for the $176.7 million in financing for affordable multifamily housing in Arlington, Corinth, Dallas, Grand Prairie, Houston, Humble, Plano, San Antonio, and Sherman, Texas. Federal tax law requires that a percentage of the rental units in these properties be set aside for low-to-moderate income households.

The Texas State Affordable Housing Corporation (TSAHC) maintains its own single family housing and multifamily housing programs. In fiscal 2005 TSAHC issued $14.3 million in multifamily housing bonds for a rental development in San Antonio. TSAHC also issued $23.9 million for its single family Professional Educators Home Loan Program.

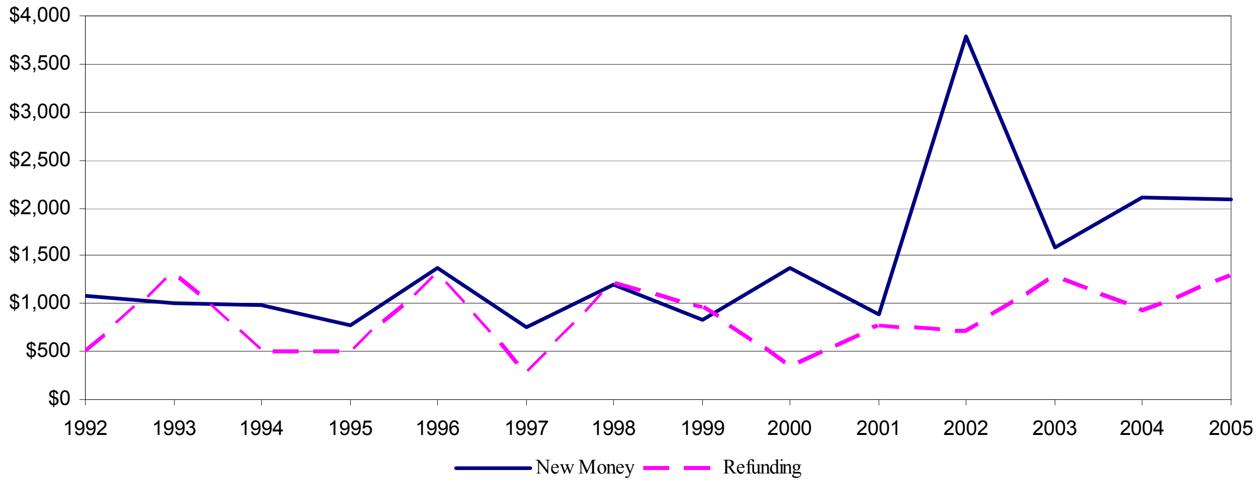
Table 7
TEXAS BONDS ISSUED DURING FISCAL 2005
SUMMARIZED BY ISSUER

ISSUER	REFUNDING BONDS	NEW-MONEY BONDS	TOTAL BONDS ISSUED
Texas Department of Housing & Community Affairs	$110,825,000	$340,975,000	$451,800,000
Texas State Affordable Housing Corporation	0	38,180,000	38,180,000
Texas Veterans Land Board	68,625,000	150,000,000	218,625,000
Texas Southern University	0	30,935,000	30,935,000
Texas State University System	45,060,000	40,890,000	85,950,000
Texas Woman's University	3,570,000	8,250,000	11,820,000
The University of Texas System	309,436,000	261,344,000	570,780,000
The Texas A&M University System	387,380,000	37,270,000	424,650,000
Midwestern State University	0	11,185,000	11,185,000
University of Houston System	0	25,800,000	25,800,000
Texas Transportation Commission	0	1,000,000,000	1,000,000,000
Texas Economic Development Bank	0	45,000,000	45,000,000
Texas Public Finance Authority	206,979,398	55,250,000	262,229,398
Texas Water Development Board	165,920,000	40,810,000	206,730,000
Total Texas Bonds Issued	**$1,297,795,398**	**$2,085,889,000**	**$3,383,684,398**

Note: See Table 16, Appendix B, for commercial paper issuance.

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

Figure 6
TEXAS NEW MONEY AND REFUNDING BOND ISSUES 1992 - 2005
(millions of dollars)



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

Just over 21% of fiscal 2005 new money financing was used for institutions of higher education in Texas as compared to the almost 10% figure for fiscal 2004.

The Texas State University System issued $40.9 million, Texas Woman's University issued $8.3 million, the University of Houston System issued $25.8 million, and Midwestern State University issued $11.2 million to fund property and facility improvements at their campuses. Texas Southern University issued $30.9 million for repairs and for the construction of a school of public affairs.

The TPFA closed two bond transactions totaling $22.7 million issued on behalf of Stephen F. Austin State University. The money will be used to construct student housing and provide additional parking capacity.

The University of Texas System issued $261.3 million and Texas A&M University System issued $37.3 million in financings for various campus improvements.

Of the three additional issues sold by TPFA in fiscal 2005, only one was a new-money issue. TPFA issued $32.6 million on behalf of the Texas Building and Procurement Commission (TBPC) to acquire land and facilities by exercising purchase options on several leased facilities.

The Veterans Land Board (VLB) issued $150 million or 7.2% of total fiscal 2005 new-money debt. The proceeds will be used to make housing and home improvement loans to eligible Texas veterans.

The Texas Water Development Board (TWDB) issued $40.8 million, just under 2% of new-money bonds. The proceeds will be used for low-interest loans for water supply and water-quality enhancements, interagency contracts and water resource conservation and development.

The Texas Economic Development Bank (TEDB) issued $45 million (2.2%) of new-money bonds to fund its Product Development and Small Business Incubator Programs.

Refunding Amounts Increase In FY 2005

State agencies and universities continued to take advantage of the lower interest rate environment by issuing almost $1.30 billion in refunding bonds, achieving $50.1 million in total net present value savings. The refunding bonds comprise 38.4% of total debt issued in fiscal 2005, as compared to 30.3% of the total bonds issued in fiscal 2004. This represents a 41.1% increase and $377.9 million more in dollar amount than in fiscal 2004.

The Texas A&M University System refunded the largest amount of outstanding debt, issuing $387.4 million in refunding bonds. This amount represented 29.9% of the total amount of refunding money issued in fiscal 2005.

Other institutions of higher education that issued refunding bonds in fiscal 2005 were The University of Texas System ($309.4 million); the Texas State University System ($45.1 million); and Texas Woman's University ($3.6 million). Institutions of higher education accounted for 57.4% of all refunding bonds issued in fiscal 2005.

The TWDB issued $165.9 million in bonds to refund certain outstanding water development bonds.

The TDHCA issued $110.8 million in bonds to refund outstanding single family mortgage revenue issues.

The TPFA issued $207 million in bonds to refund park development general obligation bonds as well as several revenue obligations issued by TPFA on behalf of its client agencies.

Lastly, the VLB issued $68.6 million to refund outstanding veterans' housing assistance bonds and veterans' land bonds.

Increased Interim Financing

State agencies and institutions of higher education use commercial paper and variable-rate notes to provide interim financing for equipment, construction and loans. Total issuance in fiscal 2005 was nearly $712 million, a 15.6% increase from the $616.1 million issued in fiscal 2004 (*Table 16*).

The University of Texas System issued $281.5 million in Revenue Financing System (RFS) commercial paper notes and $125 million in Permanent University Fund (PUF) variable-rate notes during fiscal 2005. As of August 31, 2005, the System had $525.1 million of RFS commercial paper and no 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 TPFA issued $37 million in revenue commercial paper and $126.2 million in general obligation commercial paper during fiscal 2005. As of August 31, 2005, TPFA had a total of $77.3 million in revenue commercial paper and $184.8 million in general obligation commercial paper outstanding.

The Texas A&M University System issued $53.4 million in RFS commercial paper notes during fiscal 2005. As of August 31, 2005, the System had $29.2 million of RFS commercial paper outstanding and $80 million of PUF variable-rate notes outstanding. The System utilizes commercial paper and variable-rate notes to finance construction projects on its campuses.

The University of North Texas System issued $27.2 million in RFS commercial paper notes during fiscal 2005. As of August 31, 2005, the System had $28.9 million of RFS commercial paper outstanding.

The TDHCA issued $36.2 million in commercial paper during fiscal 2005. The total amount of commercial paper outstanding as of August 31, 2005, was $75 million. 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 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 TDHCA to make additional mortgage loans for modestly priced housing. The program targets first-time homebuyers of very low, low and moderate income.

During fiscal 2005, the Texas Tech University System issued $22.5 million in RFS commercial paper. As of August 31, 2005, the TTU System had $38.9 million of commercial paper outstanding. The System established its commercial paper program in 1998 to finance construction projects.

The Texas Economic Development and Tourism Office issued $3 million in commercial paper during fiscal 2005. As of August 31, 2005, the Office had $15 million of commercial paper outstanding.

The Texas Department of Agriculture issued no commercial paper in fiscal 2005. As of August 31, 2005, the Department had $30 million of commercial paper outstanding.

TxDOT is authorized to issue $500 million in commercial paper to carry out the functions of the Department. TxDOT issued no commercial paper in fiscal 2005 and as of August 31, 2005, no commercial paper was outstanding.

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

Table 8
LEASE-PURCHASE AGREEMENTS
APPROVED BY THE BOND REVIEW BOARD
FISCAL 2005

AGENCY	PROJECT	AMOUNT
Midwestern State University	Buses	$454,852
Texas Transportation Commission	Buildings	38,000,000
University of North Texas Health Science Center	Research Equipment	981,000
Texas Department of Criminal Justice	Computers	1,700,000
Total Approved Lease-Purchase Agreements		**$41,135,852**

Note: Amounts listed above are Texas Bond Review Board *approved* amounts.
Source: Texas Bond Review Board, Office of the Executive Director.

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. The BRB approved $41.1 million for four lease-purchase acquisitions during fiscal 2005 (*Table 8*), compared to approximately $95.2 million in fiscal 2004.

The largest lease purchase was a $38 million Texas Transportation (TTC) transaction. TxDOT will use the proceeds to fund the design and construction of its Houston district headquarters building.

The University of North Texas received approval for a $981,000 lease purchase to fund the purchase of a mass spectrometer for the Health Science Center.

The Texas Department of Criminal Justice (TDCJ) was approved for a $1.7 million lease purchase for personal computer replacements.

Midwestern State University received lease-purchase approval for the purchase of new buses in the amount of $454,852.

Funding Needs Projected to Increase for FY 2006

Texas state issuers expect to issue more debt in fiscal 2006 than was issued during fiscal 2005. 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 $5.05 billion in bonds and commercial paper during fiscal 2006 *(Table 9)*, an increase of 12.2% over fiscal 2004.

TxDOT, and its governing board the TTC, expect to issue $1.60 billion in fiscal 2006. One billion dollars is expected to be issued as Texas Mobility Fund Bonds and $600 million issued as State Highway Fund Bonds.

TPFA plans to issue approximately $987.4 million in bonds and commercial paper during fiscal 2006. TPFA bonding packages include $250 million in general obligation bonds for the Military Preparedness Commission. TPFA also plans to issue general obligation bonds in the amount of $282.6 million for various projects by the Texas Department of State Health Services, the Texas Department of Aging and Disability Services, the Texas Department of Parks and Wildlife, the Texas Department of Criminal Justice, the Adjutant General's Department, the Texas Youth Commission, the Texas School for the Deaf, the Texas School for the Blind and Visually Impaired and the Texas Building and Procurement Commission. Of the $282.6 million, the Department of State Health Services expects to issue $31 million for construction of a healthcare facility at The University of Texas Health Science Center at San Antonio.

TPFA plans to issue $200 million in revenue bonds for the Texas Education Agency for the lease purchase of textbooks. Other revenue issues planned for fiscal 2006 include $75 million for the Nursing Home Liability Fund as well as $75 million for the Fair Access to Insurance Requirements (FAIR) Plan. In addition, TPFA plans to issue revenue bonds in the amount of $104.8 million for projects that include the Department of Public Safety's satellite system equipment and web browser, the Parks and Wildlife Department's Nimitz Museum and East Texas Fishery projects, the Department of State Health Services' Texas Integrated Eligibility System (TIERS) projects, and the Department of Information Resources' telecommunications upgrade. The $104.8 million will also include energy projects for the Texas Department of Aging and Disability Services, the Texas Parks and Wildlife Department and Lamar University. The $104.8 million will also include projects for the Department of Family and Protective Services and Angelo State University.

The University of Texas System expects to issue $950 million of Permanent University Fund and Revenue Financing System debt during the new fiscal year. The debt will be used to finance facility construction, renovation and purchase equipment as well as refund outstanding commercial paper.

The TWDB anticipates that it will issue $240 million in new-money debt. The Clean Water State Revolving Fund will utilize the majority of this new debt — $165 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 $75 million for Water Financial Assistance Bonds. In addition the TWDB plans to issue $130 million for refunding. Of the total refunding, $100 million is earmarked for the Clean Water State Revolving Fund and $30 million for the Water Financial Assistance Program Bonds.

The VLB expects to issue $176.1 million in bonds during fiscal 2006. Of this projected debt, $100 million will augment the Veterans' Housing Assistance Program and $22.8 million will provide loans for eligible veterans to acquire land through the Veterans Land Loan Program. The VLB also anticipates refunding approximately $53.3 million of housing bonds.

The Texas Department of Housing and Community Affairs plans to issue approximately $345 million in bonds during fiscal 2006. Of the total, the proceeds from $170 million will finance TDHCA's Single Family Mortgage Revenue Bond Program. TDHCA also plans to issue approximately $50 million in bonds to refund a portion of its outstanding residential mortgage revenue commercial paper notes. The remaining bonds expected to be issued will be Private Activity Bonds, estimated to be $125 million.

The Texas State Affordable Housing Corporation expects to issue $95 million in bonds during fiscal 2006. The largest portion ($55 million) will be used to provide loans to professional educators, firefighters, law enforcement or security officers, and nursing faculty. The Corporation expects to issue $40 million in private activity multi-family bonds.

The Texas A&M University System plans to issue approximately $125 million in bonds and commercial paper in fiscal 2006. Of that amount, $110 million will be issued as Revenue Financing System commercial paper and $15 million will be issued as Permanent University Fund commercial paper. Texas A&M also plans to issue Permanent University Fund bonds for refunding obligations as well as providing funds for certain projects, but the amounts have not been determined.

Texas State University System plans to issue $84.3 million for facility construction and renovations. Proceeds will be used to construct student housing at the Angelo State University and Sam Houston State University campuses, as well as capital improvements at Texas State University San Marcos.

The University of Houston System expects to issue $85 million of new-money Consolidated Revenue Bonds for construction at its Downtown and Sugar Land campuses.

The University of North Texas System anticipates issuing $114.4 million in fiscal 2006. The System will use $23.4 million for developing its Dallas campus and $14.6 million is scheduled for a planned Student Wellness Center. Thirty million dollars will be used for the University of North Texas Health Science Center. The University of North Texas will also issue $43.8 million in tuition revenue refunding debt. In addition, $2.6 million will be issued as commercial paper to equip and improve various facilities.

The Texas Tech University System expects to issue $100 million in fiscal 2006. Forty-five million dollars will be issued as tuition revenue bonds to be used for the El Paso Medical School Building while the remaining $55 million will be issued as revenue bonds for other purposes.

The Texas State Technical College System will issue $16 million in Constitutional Appropriation Bonds in fiscal 2006 for construction projects at several campuses.

Table 9

TEXAS STATE BOND ISSUES EXPECTED DURING FISCAL 2006

ISSUER	APPROXIMATE AMOUNT	PURPOSE	APPROXIMATE ISSUE DATE
General Obligation Bonds			
Self-Supporting			
Texas Veterans Land Board	$22,795,000	Veterans Land Refunding Bonds	Nov-05
Texas Veterans Land Board	$41,730,000	Veterans Housing Refunding Bonds	Nov-05
Texas Veterans Land Board	$11,540,000	Veterans Housing Refunding Bonds	Nov-05
Texas Veterans Land Board	$50,000,000	Veterans Housing Bonds	Feb-06
Texas Veterans Land Board	$50,000,000	Veterans Housing Bonds	Sep-06
Texas Water Development Board	$50,000,000	Water Financial Assistance Bonds - New Money	Dec-05
Texas Water Development Board	$30,000,000	Water Financial Assistance Bonds - Refunding	Apr-05
Texas Water Development Board	$25,000,000	Water Financial Assistance Bonds (EDAP) - New Money	Aug-06
Total Self-Supporting	**$281,065,000**		
Not Self-Supporting			
Texas Public Finance Authority*	$5,300,000	Texas Department of State Health Servces - Healthcare Facility at UTHSC San Antonio	Unknown
Texas Public Finance Authority*	$11,600,000	Texas Department of State Health Servces - Healthcare Facility at UTHSC San Antonio	Unknown
Texas Public Finance Authority*	$14,100,000	Texas Department of State Health Servces - Healthcare Facility at UTHSC San Antonio	Unknown
Texas Public Finance Authority*	$5,418,644	Texas Department of State Health Services - Repair and Renovation	Apr-06
Texas Public Finance Authority*	$21,931,000	Texas Department of State Health Services	Unknown
Texas Public Finance Authority*	$3,000,000	Texas Department of State Health Services	Unknown
Texas Public Finance Authority*	$3,631,356	Texas Department of Aging and Disability Services - Repair and Renovation	Apr-06
Texas Public Finance Authority*	$26,086,000	Texas Department of Aging and Disability Services	Unknown
Texas Public Finance Authority*	$18,075,000	Texas Parks and Wildlife Department	Unknown
Texas Public Finance Authority*	$4,500,000	Adjutant General's Department	Unknown
Texas Public Finance Authority*	$25,745,577	Texas Department of Public Safety	Various
Texas Public Finance Authority*	$9,857,750	Texas Youth Commission	Unknown
Texas Public Finance Authority*	$36,452,000	Texas School for the Blind and Visually Impaired	Unknown
Texas Public Finance Authority*	$1,729,500	Texas School for the Deaf	Unknown
Texas Public Finance Authority*	$66,000,000	Texas Department of Criminal Justice	Feb-06
Texas Public Finance Authority*	$29,142,000	Texas Building and Procurement Commission	Unknown
Texas Public Finance Authority*	$50,000,000	Military Preparedness Commission	Unknown
Texas Public Finance Authority*	$200,000,000	Military Preparedness Commission	Unknown
Texas State Technical College System	$16,000,000	Constitutional Apprpriation Bonds - Construction at Various Campuses	Dec-05
Total Not Self-Supporting	**$548,568,827**		
Total General Obligation Bonds	**$829,633,827**		
Non-General Obligation Bonds			
Self-Supporting			
The Texas A&M University System - RFS*	$110,000,000	Facility Construction, Renovation, and Equipment	As Needed
The Texas A&M University - PUF*	$15,000,000	Facility Construction, Renovation, and Equipment	Sep-05 - Oct-05
The Texas A&M University - PUF	Unkown	Refund Outstanding Obligations and Provide Funds For Certain Projects	As Needed
Texas State University System - RFS	$43,250,000	Angelo State University - Student Housing Facility	Sep-05
Texas State University System - RFS	$24,000,000	Sam Houston State University - Student Housing Facility	Apr-06
Texas State University System - RFS	$17,000,000	Texas State University San Marcos - Capital Improvements	Aug-06
Texas Water Development Board	$100,000,000	Clean Water State Revolving Fund - Refunding	Feb-06
Texas Water Development Board	$165,000,000	Clean Water State Revolving Fund - New Money	May-06
University of Houston System	$85,000,000	Consolidated Revenue Bonds - Construction at Downtown and Sugar Land Campuses	Jan-06 - Feb-06
University of North Texas	$23,397,851	Dallas - Tuition Revenue for Developing Campus and Facilities	Oct-05 - Nov-05
University of North Texas	$14,600,000	Tuition Revenue for Student Wellness Center	Oct-05 - Nov-05
University of North Texas	$43,800,000	Tuition Revenue Bond Refunding	Oct-05 - Nov-05
University of North Texas	$30,000,000	UNT Health Science Center	Oct-05 - Nov-05
University of North Texas*	$2,600,000	Commercial Paper - Electrical Upgrades at Fouts Field and Victory Hall Construction	Oct-05 - Nov-10
The University of Texas System - RFS	$650,000,000	Construction and Refund All or a Portion of RFS Commercial Paper Notes Series A	Nov-05 - Aug-06
The University of Texas System - PUF	$300,000,000	Construction and Refund All or a Portion of PUF Commercial Paper Notes Series A	Nov-05 - Aug-06
Texas Tech University System	$45,000,000	Tuition Revenue for El Paso Medical School Building	Feb-06
Texas Tech University System	$55,000,000	Revenue Bonds	Feb-06
Texas Department of Housing and Community Affairs	$48,000,000	Single-Family Housing Revenue Bonds	Dec-05
Texas Department of Housing and Community Affairs	$61,000,000	Single-Family Housing Revenue Bonds	Apr-05
Texas Department of Housing and Community Affairs*	$25,000,000	Single-Family Commercial Paper Refunding Bonds	Apr-05
Texas Department of Housing and Community Affairs	$61,000,000	Single-Family Housing Revenue Bonds	Aug-06
Texas Department of Housing and Community Affairs*	$25,000,000	Single-Family Commercial Paper Refunding Bonds	Aug-06
Texas Department of Housing and Community Affairs	$125,000,000	Private Activity Bonds	Various
Texas State Affordable Housing Corporation	$25,000,000	Professional Educators Home Loan Program	Unkown
Texas State Affordable Housing Corporation	$25,000,000	Firefighter and Law Enforcement or Security Officer Home Loan Program	Unkown
Texas State Affordable Housing Corporation	$5,000,000	Nursing Faculty Home Loan Program	Unkown
Texas State Affordable Housing Corporation	$40,000,000	Multifamily Private Activity Bonds	Unkown
Total Self-Supporting	**$2,163,647,851**		
Not Self-Supporting			
Texas Department of Transportation	$600,000,000	State Highway Fund	Dec-05
Texas Department of Transportation	$1,000,000,000	Texas Mobility Fund	Jun-06
Texas Public Finance Authority	$75,000,000	Texas Department of Insurance - Nursing Home Liability Fund	Unknown
Texas Public Finance Authority	$200,000,000	Texas Education Agency - Lease Purchase of Textbooks	Unknown
Texas Public Finance Authority	$9,000,000	Texas Parks and Wildlife Department - Nimitz Museum	Unknown
Texas Public Finance Authority	$15,000,000	Texas Parks and Wildlife Department - East Texas Fish Hatchery	Unknown
Texas Public Finance Authority	$75,000,000	Texas Department of Insurance - FAIR Plan	Unknown
Texas Public Finance Authority*	$12,726,303	Texas Department of State Health Services - TIERS Project, Part II	Various
Texas Public Finance Authority*	$5,736,548	Texas Department of State Health Services - TIERS Project, Part III	Various
Texas Public Finance Authority*	$54,237	DIR - Telecommunications Upgrade	Various
Texas Public Finance Authority*	$222,123	DPS - Satellite System	Various
Texas Public Finance Authority*	$7,674,835	DPS - Web Browser	Various
Texas Public Finance Authority*	$35,870,789	Texas Department of Aging and Disabilty Services - Energy Retrofit	Various
Texas Public Finance Authority*	$975,960	TPWD - Energy and Water Conservation	Various
Texas Public Finance Authority*	$4,252,786	Lamar University - Energy and Water Conservation	Various
Texas Public Finance Authority*	$5,296,239	Department of Family and Protective Services	Various
Texas Public Finance Authority*	$8,000,000	Angelo State University	Various
Total Not Self-Supporting	**$2,054,809,820**		
Total Non-General Obligation Bonds	**$4,218,457,671**		
Total All Bonds	**$5,048,091,498**		

* Commercial Paper or Variable-Rate Note program.

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

Chapter 3
Texas Debt Outstanding

In fiscal 2005, the state's total debt outstanding increased 7.1% to $21.41 billion compared to $19.99 billion in fiscal 2004 and $18.19 billion in fiscal 2003.

General Obligation Bonds Outstanding Increased in FY 2005

Texas G.O. bonds carry a constitutional pledge of the full faith and credit of the state to pay the bonds and require passage of a proposition by a vote of two-thirds of both houses of the Texas Legislature and by a majority of Texas voters.

At the end of fiscal 2005, $6.99 billion of the state's $21.41 billion debt outstanding was backed by the state's general obligation (G.O.) pledge, an increase of $1.1 billion (18.7%) from the $5.89 billion G.O. bonds outstanding at the end of fiscal 2004 *(Tables 10 and 10A)*. G.O. bond issues contributing to the fiscal 2005 increase include Texas Mobility Fund bonds, Veterans Housing Assistance and Land bonds, Texas Public Finance Authority bonds and Higher Education Constitutional bonds. (See Chapter 2 and Appendix A for a description of bonds issued in fiscal 2005.)

The repayment of non-G.O. (Revenue) debt is dependent only on the revenue stream of a project or enterprise or an appropriation from the legislature. Any pledge of state funds beyond the current budget period is contingent upon appropriation by future legislatures, and such an appropriation cannot be guaranteed under state statute.

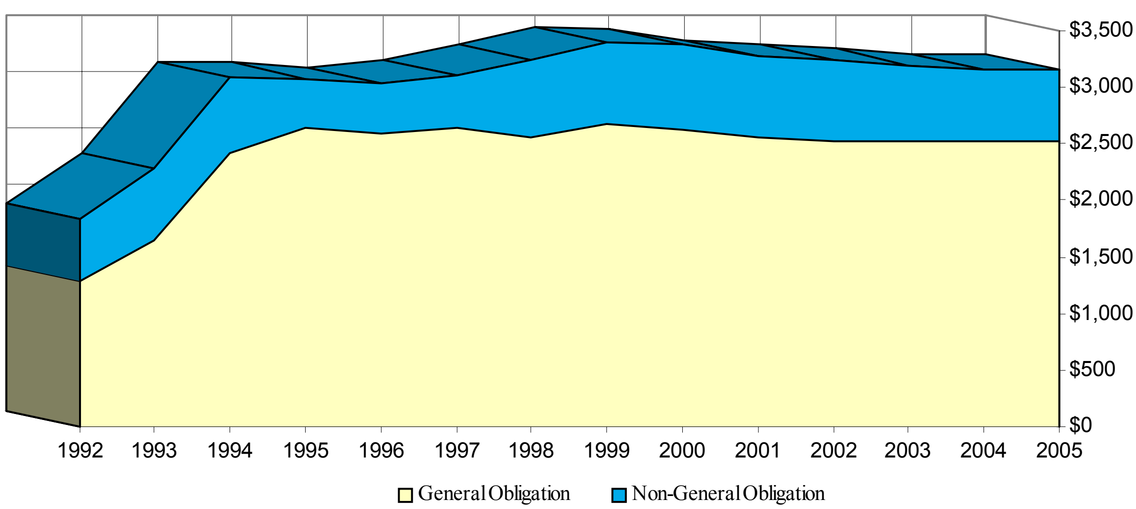
Investors are willing to assume the additional risk associated with the purchase of Revenue bonds by requiring a higher interest rate to compensate for the added risk. The interest rate on Revenue bond issues may range from 5 to 20 basis points (0.05% to 0.20%) higher than that of comparably-rated G.O. issues.

General Revenue Supported Debt Decreased Slightly in FY 2005

All bonds do not have the same financial impact on the state's general revenue. Self-supporting bonds, both G.O. and Revenue, 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 not self-supporting depend solely on the state's general revenue fund for debt service, and draw upon the same sources used by the legislature to finance the operation of state government.

The combined total of not self-supporting General Obligation and Revenue bonds outstanding decreased by $8.8 million during fiscal 2005 *(Figure 7)*. Outstanding not self-supporting G.O. bonds increased by $2.5 million in fiscal 2005 while not self-supporting Revenue bonds outstanding decreased by $11.3 million. As a result, Texas had $3.14 billion in outstanding bonds that must be paid from the state's general revenue as of August 31, 2005. Not self-supporting G.O. and Revenue bonds totaled $3.15 billion in fiscal year 2004 and $3.19 billion in fiscal 2003.

Figure 7
TEXAS STATE BONDS OUTSTANDING
BACKED ONLY BY GENERAL REVENUE
(Not Self-Supporting)



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

Table 10

TEXAS DEBT OUTSTANDING

(amounts in thousands)

	8/31/2002	8/31/2003	8/31/2004	8/31/2005
General Obligation Bonds				
Self-Supporting				
Veterans' Land and Housing Bonds	$1,723,742	$1,660,840	$1,682,940	$1,773,251
Water Development Bonds	879,580	881,345	953,020	959,000
Economic Development Bank Bonds	0	0	0	45,000
Park Development Bonds	28,862	22,336	18,555	24,485 [4]
College Student Loan Bonds	635,418	691,698	688,647	652,923
Farm and Ranch Security Bonds*	1,000	0	0	0
Texas Agricultural Finance Authority*	34,000	36,000	30,000	30,000
Mobility Fund Bonds	0	0	0	1,000,000
Total, Self-Supporting	**$3,302,603**	**$3,292,219**	**$3,373,161**	**$4,484,659**
Not Self-Supporting [1]				
Higher Education Constitutional Bonds [2]	$41,545	$28,490	$25,905	$52,685
Texas Public Finance Authority Bonds	2,158,128	2,162,316	2,140,167	2,133,778 [4, 6]
Park Development Bonds	14,850	14,025	13,200	4,125
Agriculture Water Conservation Bonds	16,160	14,050	11,900	9,690
Water Development Bonds—EDAP [3]	166,195	160,735	179,460	173,005
Water Development Bonds—State Participation Bonds	119,840	141,710	141,710	141,580
Total, Not Self-Supporting	**$2,516,718**	**$2,521,326**	**$2,512,342**	**$2,514,863**
Total General Obligation Bonds	**$5,819,321**	**$5,813,545**	**$5,885,503**	**$6,999,522**
Non-General Obligation Bonds				
Self-Supporting				
Permanent University Fund Bonds				
The Texas A&M University System	$299,395	$306,932	$303,631	$301,571 [4, 6]
The University of Texas System	796,790	887,475	888,820	973,560 [6]
** College and University Revenue Bonds	3,186,916	4,109,514	4,617,953	5,061,421 [6]
Texas Dept of Housing and Community Affairs Bonds	1,608,150	1,794,377	1,931,634	2,169,157 [6]
Texas State Affordable Housing Corporation	486,929	501,898	551,770	542,898
Texas Small Business I D C Bonds	99,335	99,335	99,335	99,335
Economic Development Program*	9,000	13,258	14,000	15,000
Texas Water Resources Finance Authority Bonds	69,790	54,430	38,070	27,155
College Student Loan Bonds	15,051	8,206	3,511	878
Texas Department of Transportation Bonds	2,199,994	2,199,994	2,199,994	2,199,994 [6]
Texas Workers' Compensation Fund Bonds	102,669	85,513	66,815	46,433
Veterans' Financial Assistance Bonds	197,284	188,998	26,277	25,689
Texas Public Finance Authority Bonds (Special Revenue)	33,320	31,805	30,225	27,290
TPFA Worker's Unemployment Compensation Obligation Bonds	0	0	1,371,720	1,018,840 [6]
Texas Water Development Board Bonds (State Revolving Fund)	1,493,025	1,422,100	1,322,145	1,268,275
Total, Self-Supporting	**$10,597,647**	**$11,703,836**	**$13,465,900**	**$13,777,496**
Not Self-Supporting [1]				
Texas Public Finance Authority Bonds	$596,259	$540,540	$508,230	$484,200
TPFA Master Lease Purchase Program*	56,400	65,259	58,359	77,259 [5]
Texas Military Facilities Commission Bonds	17,710	14,095	25,985	23,385
Parks and Wildlife Improvement Bonds	54,715	51,835	48,705	45,125
Total, Not Self-Supporting	**$725,084**	**$671,729**	**$641,279**	**$629,969**
Total Non-General Obligation Bonds	**$11,322,731**	**$12,375,565**	**$14,107,179**	**$14,407,465**
Total Debt Outstanding	**$17,142,052**	**$18,189,110**	**$19,992,683**	**$21,406,987**

Note: The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2005

* Commercial Paper

** Outstanding amounts for tuition revenue bonds are included in these totals Table 10A provides amounts of outstanding revenue bonds for the individual institutions

All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined in Chapter 55, Texas Education Code, as amended, of the applicable system or institution of higher education Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code ("Tuition Revenue Bonds")

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

2 While not explicitly a general obligation or full faith and credit bond, the revenue pledge contained in Constitutional Bonds has the same effect Debt service is paid from 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

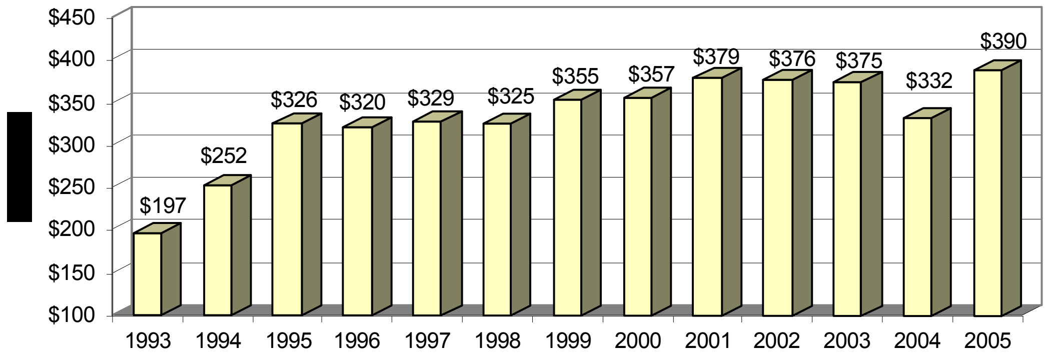
4 Amounts do not include premium on capital appreciation bonds

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

6 Includes commercial paper and bond anticipation notes outstanding

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

Figure 8
ANNUAL DEBT SERVICE PAID FROM GENERAL REVENUE



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

Debt-Service Payments from General Revenue Increased in FY 2005

Debt-service payments from general revenue increased 17.6% from $331.8 million in fiscal 2004 to $390.3 million in fiscal 2005 *(Figure 8*). This increase was anticipated since the fiscal 2004 payments were significantly lower as a result of the debt restructuring that occurred in fiscal 2003. During fiscal 2003, the state paid $375.5 million from general revenue for debt service compared to $376.1 million paid in 2002 *(Table 11)*. Please note that debt-service requirements for tuition revenue bonds are not included in this analysis since all college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" of the applicable system or institution of higher education. Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code. *Table 11A* provides debt-service detail for each institution.

Texas Bonds Authorized but Unissued Decreased in FY 2005

Authorized but unissued bonds are defined as those bonds that may be issued without further action by the legislature. As of August 31, 2005, Texas had $11.18 billion in authorized but unissued bonds compared to $12.09 billion in fiscal 2004 *(Table 12)*. The decrease in unissued bonds is partially the result of the Public School Facilities Funding Act being repealed by House Bill 1106 during the 79th Legislature which became effective immediately.

Of the total authorized but unissued bonds, $4.43 billion or 39.6% are G.O. bonds. Additionally, the total G.O. authorized but unissued bonds that are not self-supporting and require the payment of debt service from general revenue is $1.07 billion at the end of fiscal 2005 compared to $1.19 billion at fiscal year end 2004. The remaining authorized but unissued bonds are in programs that are designed to be self-supporting.

New Bond Authority - 79th Texas Legislature

Legislation passed by the 79th Legislature includes House Bill 3147 which authorizes the Texas Public Finance Authority to issue revenue bonds to refinance leases with the option to purchase at the request of the Texas Building and Procurement Commission. Additionally, House Bill 2702 includes authorization for the Texas Public Finance Authority to issue revenue bonds to finance headquarters and other administrative facilities for the Texas Department of Transportation.

Long-Term Contracts and Lease Purchases

Long-term contracts and lease or installment-purchase agreements can serve as financing alternatives when the issuance of bonds is not feasible or practical. Like bonds, these agreements are a method of financing capital purchases over time. Payments on these contracts and agreements are generally subject to biennial appropriations by the legislature. These contracts and agreements are not classified as state bonds but must be added to debt outstanding to obtain an accurate total of all state debt.

During fiscal 2005, the Texas Building and Procurement Commission, formerly the General Services Commission, refinanced its lease-with-option-to-purchase agreements for state agency office and warehouse facilities.

The equipment lease purchases approved by the Bond Review Board are typically financed through the Master Lease Purchase Program which is included in the state's total debt outstanding. There were no lease purchases of facilities approved by the Bond Review Board during fiscal 2005.

Texas Swaps Outstanding

At the end of fiscal 2005, three state issuers had swap agreements in place: the Veterans Land Board (VLB), The University of Texas System (The UT System) and the Texas Department of Housing and Community Affairs (TDHCA). Each entered the swap market in 1994, 1999 and 2004, respectively. As of August 31, 2005, the aggregate notional amount of swaps outstanding at the state level was $1.71 billion. Interest rate swaps do not represent additional debt of the State but are used as a financial management tool primarily to reduce interest expense and hedge against interest rate, tax, basis and other risks. (See *Appendix C* for a background discussion of swaps.)

State issuers are authorized to enter into swap agreements under the Texas Government Code, Section 1371, which grants special authority to enter into credit agreements. However, the Texas Department of Housing and Community Affairs and the Veterans Land Board have broad authority to enter into swaps under Section 2306.35 of the Texas Government Code and Section 161.074, 162.052 and 164.010 of the Natural Resources Code, respectively.

At the end of fiscal 2005, the VLB was a party to 36 pay-fixed, receive-variable interest rate swaps that were associated with forty variable rate demand bond issues totaling $1.27 billion. TDHCA had three pay-fixed, receive-variable interest rate swaps totaling $188 million in notional amount, and The UT System had one pay-fixed, receive-variable interest rate swap with a notional amount of $36.1 million.

Additionally, the VLB's four outstanding pay-variable, receive-variable interest rate swaps were associated with three variable rate demand bonds totaling $213.4 million. (See *Table 17* in Appendix C for details regarding Texas' interest rate swaps outstanding at August 31, 2005.)

Debt-service requirements and net swap payments for the VLB's pay-fixed, receive-variable and pay-variable, receive-variable swaps total $1.57 billion, TDHCA's and The UT System's total $328.5 million and $43.5 million, respectively. (See *Table 18* in Appendix C for debt-service requirements of variable-rate debt outstanding and net interest rate swap payments.)

Table 10A
TEXAS COLLEGE AND UNIVERSITY REVENUE DEBT OUTSTANDING
(amounts in thousands)

	FY 2002			FY 2003			FY 2004			FY 2005		
College and University Revenue Bonds	**Non-Tuition Revenue Bonds**	**Tuition Revenue Bonds**	**Total**	**Non-Tuition Revenue Bonds**	**Tuition Revenue Bonds**	**Total**	**Non-Tuition Revenue Bonds**	**Tuition Revenue Bonds**	**Total**	**Non-Tuition Revenue Bonds**	**Tuition Revenue Bonds**	**Total**
The Texas A&M University System	$499,169	$179,260	$678,429	$545,406	$308,993	$854,399	$516,907	$377,078	$893,985	$561,446	$348,209	$909,655
The University of Texas System	1,075,472	387,345	1,462,817	1,444,776	456,740	1,901,516	1,649,474	566,952	2,216,426	1,985,409	633,985	2,619,394
The Texas Tech University System	242,955	72,570	315,525	244,853	69,101	313,954	244,255	153,227	397,482	241,892	150,496	392,388
University of Houston System	114,375	53,035	167,410	132,885	150,060	282,945	124,980	169,545	294,525	142,475	163,325	305,800
Texas State University System	109,255	91,390	200,645	142,305	180,625	322,930	147,385	199,160	346,545	179,305	190,390	369,695
The University of North Texas System	54,800	113,670	168,470	92,285	108,435	200,720	93,355	106,540	199,895	69,063	129,030	198,093
Texas Woman's University	12,110	25,835	37,945	14,755	24,525	39,280	24,245	23,640	47,885	22,725	30,540	53,265
Texas State Technical College System	7,355	0	7,355	6,485	3,910	10,395	5,560	9,990	15,550	4,381	9,575	13,956
Midwestern State University	4,645	17,090	21,735	17,580	16,505	34,085	17,000	15,875	32,875	12,560	15,215	27,775
Stephen F. Austin State University	10,475	19,485	29,960	10,120	18,770	28,890	34,430	18,100	52,530	37,540	17,395	54,935
Texas Southern University	32,130	64,495	96,625	30,775	89,625	120,400	32,870	87,385	120,255	31,415	85,050	116,465
Total Revenue Debt Outstanding	**$2,162,741**	**$1,024,175**	**$3,186,916**	**$2,682,225**	**$1,427,289**	**$4,109,514**	**$2,890,462**	**$1,727,491**	**$4,617,953**	**$3,288,211**	**$1,773,210**	**$5,061,421**

Notes:
The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2005.
All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined in Chapter 55, Texas Education Code, as amended, of the applicable system or institution of higher education. Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code ("Tuition Revenue Bonds").
Amounts do not include premium on capital appreciation bonds.
Includes commercial paper notes outstanding.

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)

	2005	2006	2007	2008	2009	2010 & beyond
General Obligation Bonds						
Self-Supporting						
Veterans' Land and Housing Bonds	$137,807	$126,793	$129,525	$127,151	$127,378	$2,400,444
Water Development Bonds	78,188	84,927	88,650	89,843	91,976	1,171,640
Park Development Bonds	4,215	4,535	4,533	4,528	1,161	16,543
College Student Loan Bonds	65,105	52,500	15,500	24,561	42,686	760,943
Mobility Fund Bonds	337	62,227	61,244	61,271	61,297	1,606,069
Economic Development Bank Bonds	371	1,607	1,607	1,607	1,607	102,834
Texas Agriculture Finance Authority	865	1,200	1,350	1,500	1,500	39,000
Total Self-Supporting	**$286,888**	**$333,788**	**$302,408**	**$310,461**	**$327,604**	**$6,097,472**
Not Self-Supporting[1]						
Higher Education Constitutional Bonds [2]	$16,234	$5,552	$5,099	$6,932	$6,928	$38,752
Texas Public Finance Authority Bonds	254,020	293,995	294,825	293,576	291,127	1,607,352
Park Development Bonds	1,312	1,029	984	938	893	848
Agriculture Water Conservation Bonds	2,696	2,693	2,698	2,694	2696	0
Water Development EDAP Bonds [3]	15,520	15,620	15,501	15,463	15,482	206,114
Water Development State Participation Bonds	7,776	6,404	7,777	7,775	7,773	283,239
Total Not Self-Supporting	**$297,558**	**$325,294**	**$326,885**	**$327,379**	**$324,899**	**$2,136,305**
Total General Obligation Bonds	**$584,446**	**$659,082**	**$629,293**	**$637,840**	**$652,502**	**$8,233,778**
Non-General Obligation Bonds						
Self-Supporting						
Permanent University Fund Bonds						
The Texas A&M University System	$34,170	$18,623	$32,044	$32,064	$26,237	369,673
The University of Texas System	79,598	86,681	86,784	86,783	86,643	1,470,931
* College and University Revenue Bonds	499,689	485,022	484,886	477,379	474,443	5,919,096
Texas Dept of Housing & Community Affairs Bonds	119,832	125,506	135,946	139,919	140,464	4,203,911
Texas State Affordable Housing Corporation	34,746	55,352	37,641	37,857	37,896	970,163
Texas Small Business I D C Bonds	1,969	3,973	4,470	4,967	4,967	79,492
Economic Development Program	368	600	675	750	750	8,250
Texas Water Resources Finance Authority Bonds	8,021	7,610	6,880	6,130	6,253	5,539
College Student Loan Bonds	1,155	714	119	13	8	204
Texas Workers' Compensation Fund Bonds [4]	25,478	22,216	24,217	0	0	0
Texas Workforce Comm Unemp Compensation Bonds	141,000	208,995	214,905	216,940	102,468	392,160
Veterans' Financial Assistance Bonds	724	1,942	1,938	1,939	1,938	51,695
Texas Public Finance Authority Bonds (Special Revenue)	3,110	2,895	2,875	2,876	2,871	24,193
Texas Department of Transportation Bonds	84,353	84,981	209,911	854,141	40,672	4,097,583
Texas Water Development Bonds (State Revolving Fund)	86,437	94,743	100,458	103,621	107,038	1,486,865
Total Self Supporting	**$1,120,651**	**$1,199,854**	**$1,343,748**	**$1,965,378**	**$1,032,648**	**$19,079,755**
Not Self-Supporting [2]						
Texas Public Finance Authority Bonds	$67,519	$73,733	$66,577	$64,839	$64,315	$359,504
TPFA Master Lease Purchase Program	16,419	17,890	13,507	8,525	6,242	33,132
Military Facilities Commission Bonds	3,173	2,618	2,413	2,417	1,981	22,934
Parks and Wildlife Improvement Bonds	5,578	5,394	5,299	5,179	5,078	39,417
Total Not Self-Supporting	**$92,688**	**$99,635**	**$87,796**	**$80,961**	**$77,615**	**$454,986**
Total Non-General Obligation Bonds	**$1,213,339**	**$1,299,489**	**$1,431,544**	**$2,046,339**	**$1,110,263**	**$19,534,742**
Total All Bonds	**$1,797,785**	**$1,958,571**	**$2,060,837**	**$2,684,180**	**$1,762,766**	**$27,768,520**

* Debt-service requirements for tuition revenue bonds are included in these totals Table 11A provides debt-service detail for each institution All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined in Chapter 55, Texas Education Code, as amended, of the applicable system or institution of higher education Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code ("Tuition Revenue Bonds")

1 Bonds that are not self-supporting (general obligation and non-general obligation) depend solely on the state's general revenue for debt service Debt service paid from general revenue for not self-supporting bonds totaled $331 8 million in fiscal 2004 and approximately $390 3 million in fiscal 2005

2 While not explicitly a general obligation or full faith and credit bond, the revenue pledge contained in Constitutional Bonds has the same effect Debt service is paid from 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 the bonds issued may be used for grants

4 Texas Workers' Compensation Fund Bonds were economically defeased Legally required debt-service payments 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
Future debt-service payments for variable-rate bonds and commercial paper programs are estimated
Detail may not add to total due to rounding

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

Table 11A

DEBT-SERVICE REQUIREMENTS OF TEXAS COLLEGE AND UNIVERSITY REVENUE BONDS BY FISCAL YEAR

(amounts in thousands)

College and University Revenue Bonds	2005	2006	2007	2008	2009	2010 & beyond
The University of Texas System - Non-TRB	$164,327	$175,756	$171,819	$170,388	$170,023	$2,516,775
The University of Texas System -TRB	51,275	59,279	59,282	59,281	59,283	716,823
The University of Texas System - TOTAL	215,602	235,035	231,101	229,669	229,306	3,233,598
The Texas A&M University System - Non-TRB	99,176	62,980	59,363	59,571	59,313	567,127
The Texas A&M University System - TRB	36,866	41,479	41,923	38,630	36,404	341,371
The Texas A&M University System - TOTAL	136,042	104,459	101,286	98,201	95,718	908,498
The Texas Tech University System - Non-TRB	34,696	25,822	24,495	21,947	21,946	302,535
The Texas Tech University System - TRB	10,004	13,165	13,154	13,161	13,173	178,224
The Texas Tech University System - TOTAL	44,701	38,987	37,649	35,108	35,119	480,759
Texas State University System - Non-TRB	16,678	18,629	19,532	19,543	19,613	193,933
Texas State University System - TRB	17,444	18,599	18,606	18,611	18,468	199,792
Texas State University System - TOTAL	34,122	37,228	38,138	38,154	38,080	393,725
University of Houston System - Non-TRB	15,677	16,303	16,364	16,362	16,377	151,939
University of Houston System - TRB	11,631	13,820	14,434	14,415	14,394	172,194
University of Houston System - TOTAL	27,307	30,124	30,797	30,777	30,771	324,133
The University of North Texas System - Non-TRB	8,936	9,144	9,283	8,887	8,946	160,691
The University of North Texas System - TRB	6,983	10,347	10,356	10,364	10,368	108,637
The University of North Texas System - TOTAL	15,920	19,491	19,638	19,251	19,314	269,329
Texas Woman's University - Non-TRB	5,381	2,216	2,266	2,266	2,273	27,283
Texas Woman's University - TRB	2,701	2,074	2,072	2,066	2,051	36,827
Texas Woman's University - TOTAL	8,082	4,289	4,338	4,332	4,323	64,111
Texas State Technical College System - Non-TRB	1,328	1,273	1,273	1,269	1,270	0
Texas State Technical College System - TRB	857	844	839	831	824	9,955
Texas State Technical College System - TOTAL	2,185	2,117	2,112	2,100	2,094	9,955
Stephen F. Austin State University - TRB	2,620	5,021	5,031	4,976	4,921	59,884
Stephen F. Austin State University - Non-TRB	1,511	1,517	1,526	1,533	1,534	18,721
Stephen F. Austin State University - TOTAL	4,132	26	6,557	6,509	6,455	78,604
Midwestern State University - TRB	819	1,120	1,117	1,116	1,117	13,693
Midwestern State University - Non-TRB	1,375	1,376	1,382	1,386	1,383	15,997
Midwestern State University - TOTAL	2,193	2,495	2,498	2,502	2,501	29,690
Texas Southern University - Non-TRB	2,796	2,742	2,746	2,746	2,738	27,922
Texas Southern University - TRB	6,607	8,028	8,025	8,029	8,024	98,772
Texas Southern University - TOTAL	9,403	10,770	10,771	10,775	10,763	126,694
Total College and University Revenue Bonds	**$499,689**	**$485,022**	**$484,886**	**$477,379**	**$474,443**	**$5,919,096**

Legend: TRB = Tuition Revenue Bonds

Notes: All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined in Chapter 55, Texas Education Code, as amended, of the applicable system or institution of higher education. Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code ("Tuition Revenue Bonds").

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

Table 12
TEXAS BONDS AUTHORIZED BUT UNISSUED
(amounts in thousands)

	8/31/2002	8/31/2003	8/31/2004	8/31/2005
General Obligation Bonds				
Self-Supporting				
Veterans' Land and Housing Bonds	$655,002	$605,002	$505,002	$355,002
Water Development Bonds	2,344,886	2,286,264	2,170,906	2,127,961
Farm and Ranch Loan Bonds [4]	474,000	475,000	475,000	475,000
College Student Loan Bonds	325,000	250,000	250,000	250,000
Texas Economic Development Bank Bonds	45,000	45,000	45,000	45,000
Texas Agricultural Finance Authority Bonds	21,000	19,000	19,000	20,000
Texas Public Finance Authority[5]	0	250,000	250,000	250,000
Texas Mobility Fund Bonds			***	***
Agricultural Water Conservation Bonds	164,840	164,840	164,840	164,840
Total Self-Supporting	**$4,029,728**	**$4,095,106**	**$3,879,748**	**$3,687,803**
Not Self-Supporting [1]				
Higher Education Constitutional Bonds	*	*	*	*
Texas Public Finance Authority[5, 6]	$1,016,235	$824,483	$774,077	$689,566
Water Development Bonds-EDAP [2]	61,571	61,571	37,011	37,011
Water Development Bonds-State Participation Bonds	15,000	15,000	15,000	15,000
Total Not Self-Supporting	**1,092,806**	**901,054**	**826,088**	**741,577**
Total General Obligation Bonds	**$5,122,534**	**$4,996,159**	**$4,705,836**	**$4,429,380**
Non-General Obligation Bonds				
Self-Supporting				
Permanent University Fund Bonds [3]				
The Texas A&M University System	$436,275	$406,824	$473,391	$538,129
The University of Texas System	655,174	927,420	677,892	759,228
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	500,000
Texas Economic Development Bank Bonds	**	**	**	**
Texas State Affordable Housing Corporation	**	**	**	**
Texas Water Resources Finance Authority Bonds	**	**	**	**
Texas School Facilities Finance Program [7]	750,000	750,000	750,000	0
Texas Water Development Bonds (Water Resources Fund)	**	**	**	**
Texas Workers' Compensation Fund Bonds	**	**	**	**
Texas Workforce Commission Unemp Comp Bonds	0	2,000,000	623,280	623,280
Nursing Home Liability Insurance	0	75,000	75,000	75,000
FAIR Plan	0	75,000	75,000	75,000
Alternative Fuels Program	50,000	50,000	50,000	50,000
Veterans' Financial Assistance Bonds	795,720	795,720	795,720	795,720
Texas Mobility Fund Bonds			***	***
State Highway Fund Revenue Bonds	0	0	3,000,000	3,000,000
Texas Water Development Board (State Revolving Fund)	**	**	**	**
Total Self-Supporting	**$3,187,169**	**$5,579,963**	**$7,020,283**	**$6,416,357**
Not Self Supporting [1]				
Texas Public Finance Authority Bonds[5]	$116,337	$321,120	$259,863	$259,499
TPFA Master Lease Purchase Program	43,600	84,741	94,641	72,741
Texas Military Facilities Commission Bonds	**	20,271	**	**
Parks and Wildlife Improvement Bonds	9,000	13,500	9,000	0
Total Not Se f-Supporting	**$168,937**	**$439,632**	**$363,504**	**$332,240**
Total Non-General Obligation Bonds	**$3,356,106**	**$6,019,595**	**$7,383,787**	**$6,748,597**
Total All Bonds	**$8,478,641**	**$11,015,755**	**$12,089,623**	**$11,177,976**

* No bond issuance limit, but debt service may not exceed $87 5 million per year through FY 2007 and $131 25 million per year beginning FY 2008

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

*** No bond issuance limit, but debt service on all bonds issued and proposed to be issued pursuant to the Article III, Section 49-k of the Texas Constitution can not be greater than the Comptroller's certified projection that the amount of money dedicated to the fund is equal to at least 110 percent of the debt-service requirements for as long as the obligations are outstanding

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, 2005

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

5 See Appendix D - Texas State Bond Programs for a description of the Texas Public Finance Authority bonds

6 Includes $850 million that was authorized by state voters in November 2001; however, the Legislature has appropriated $601,027,715 as of August 31, 2005

7 Effective immediately, the 79th Legislature passed HB 1106 that repeals the Public School Facilities Funding Act, Chapter 1402, Government Code

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

Chapter 4
Texas Bond Issuance Costs

Texas' state bond issuers spent an average of $893,230 per issue, or $9.29 per $1,000 on bond issues sold during fiscal 2005.[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 provide legal advice and a legal opinion that: 1) the issuer is authorized to issue the proposed securities; 2) has met all legal requirements necessary for issuance; 3) the interest on the proposed securities is exempt from federal income taxation and, where applicable, from state and local taxation. Typically, bond counsel prepares and/or reviews documentation and advises the issuer regarding: 1) authorizing resolutions or ordinances; 2) trust indentures; 3) official statements; 4) validation proceedings; 5) disclosure requirements; and 6) litigation.
• Financial Advisor — The financial advisor advises the issuer on matters pertinent to a proposed issue, such as structure, timing, marketing, 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 reviewed periodically and may be amended up or down to reflect changes in the issuer's creditworthiness.
• 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 Issuers

The largest portion of the costs associated with the issuance of bonds is the fee paid to the underwriter, known as the "underwriting spread." This spread is paid to the underwriter as compensation for purchasing the bonds from the issuer and reselling them in the bond market. The spread consists of four components: takedown, management fee, underwriting fee (a risk premium to compensate the underwriter for market risk of the underwriting) and an amount to cover the expenses associated with the marketing of the bonds.

Table 13
AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES

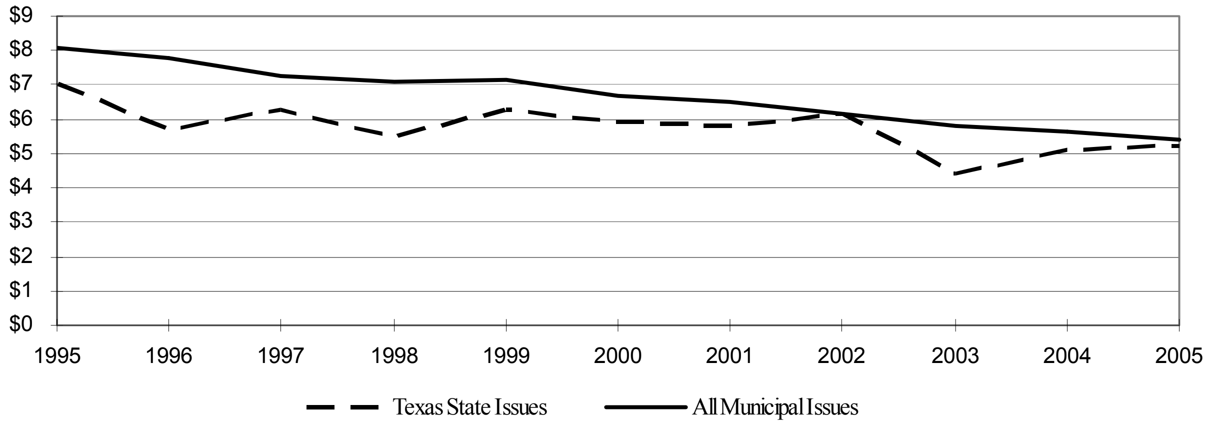
	Fiscal 2004		Fiscal 2005	
	Average Cost Per Bond Issue	**Average Cost Per $1,000 of Bonds Issued**	**Average Cost Per Bond Issue**	**Average Cost Per $1,000 of Bonds Issued**
Average Issue Size (In Millions)	$120.9		$133.0	
Underwriter's Spread	$396,243	$5.13	$543,393	$5.25
Other Issuance Costs:				
Bond Counsel	64,051	1.73	88,613	1.38
Financial Advisor	48,626	1.55	71,184	1.21
Rating Agencies	48,180	0.94	50,687	0.79
Printing	2,733	0.08	3,317	0.09
Other	185,729	0.65	136,036	0.57
Subtotal	$349,319	$4.95	$349,837	$4.04
Total	$745,562	$10.08	$893,230	$9.29

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.

Figure 9

GROSS UNDERWRITING SPREADS: 1995 - 2005
TEXAS STATE BOND ISSUES VS ALL MUNICIPAL BOND ISSUES



Note: 2005 Municipal figures are for the first six months only. Amounts represent dollars per $1,000 face value of bond issues. Gross spreads include managers' 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* (8/08/05); Thomson Financial Securities; and Texas Bond Review Board, Office of the Executive Director.

In fiscal 2005, the underwriting spread accounted for 60.83% of all issuance costs *(Table 13)*. The cost of the average underwriting spread per issue increased from $396,243 in fiscal 2004 to $543,393 in fiscal 2005, an increase of 37.14%. However, when measured on a per $1,000 basis, the $5.25 average underwriting spread paid in fiscal 2005 is only 2.34% higher than the $5.13 reported in fiscal 2004.

Other costs of issuance consist primarily of bond counsel fees, financial advisor fees, rating agency fees and printing costs. These costs averaged $349,837 per issue or $4.04 per $1,000 compared to $349,319, or $4.95 per $1,000 in fiscal 2004.

Gross spreads paid to underwriters on a national basis compared to those paid by Texas issuers reveals that the state's bond issuers paid slightly lower underwriting fees than the national average *(Figure 9)*. Data published by Thomson Financial Securities Data show that spreads paid by issuers nationally have averaged $5.42 per $1,000 compared to Texas' average of $5.25 per $1,000. As noted above, Texas' underwriting fees in 2005 were higher than in 2004 when the spread was $5.13 per $1,000. While the spread per $1,000 in 2005 is higher than the spread per $1,000 in 2004, it is below the spread per $1,000 amounts in Texas from 1996 through 2002.

The combination of an increase in average costs and the relative decrease in the costs per $1,000 are explained by the fact that fiscal 2005 saw more large-sized issues in contrast to fiscal 2004 when 82.61% of the non-conduit issues had a par amount under $100 million. For fiscal 2005, most of Texas' competitive issues were smaller in size than the negotiated issues with average sizes of $18.1 million and $163.3 million, respectively.

Comparison of Issuance Costs by Size

In general, larger bond issues have a higher cost of issuance than smaller ones; however, larger issues have a lower cost of issuance as a percentage of the size of the bond issue. This occurs because certain fixed costs of issuance do not vary proportionately with the size of a bond issue. For example, professional fees for legal services, financial advisory services and document drafting fees are not dependent on issue size.

Texas bond issues followed this general pattern with smaller issues proportionally more costly than the larger issues (*Figure 10*). In fiscal 2005, total issuance costs for bond issues of less than $25 million averaged $212,019 per issue or $13.96 per $1,000. Costs for the larger issues of over $150 million averaged $2,634,345 per issue or $5.40 per $1,000. On the basis of cost per $1,000, the costs for the larger issues were 61.32% less than the costs of smaller issues.

Negotiated Versus Competitive Sales

One of the most important decisions an issuer of securities must make is selecting a method of sale. Competitive sales and negotiated sales each have their own advantages and disadvantages, described below. The challenge facing an issuer is evaluating factors related to the proposed financing and selecting the most 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 and time. 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 pre-sale marketing because they cannot know if they have been awarded the underwriting contract until the day the bids are opened.

Advantages of the competitive bid include: 1) bids are developed in a competitive environment where market forces determine the price; 2) spreads are historically lower; and 3) the winning bid is developed in an open process among underwriters. Disadvantages of the competitive sale include: 1) limited timing and structuring flexibility; 2) limited pre-sale marketing; 3) minimum control over the distribution of bonds; and 4) the likelihood that underwriters' bids will include a risk premium 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 relatively easily determined. Stable market conditions lessen the underwriters' risk of holding unsold balances. Market demand is generally easier to assess for securities: 1) that are issued by well-known, highly-rated issuers that regularly access the public market; 2) that are conventionally structured, such as serial and term coupon bonds; and 3) that have a strong source of repayment and thus a high credit rating. These conditions will generally lead to aggressive bidding resulting in lower costs of issuance since the underwriters will be able to more easily assess market demand without extensive pre-marketing activities.

In a negotiated sale, an underwriter chosen in advance of the sale agrees to buy the bonds at a mutually agreed future date for resale. As part of the preparation for the underwriting at that future date, the underwriter actively markets the bonds to potential buyers to ensure a successful resale at the time of the underwriting. In more complicated financings, pre-sale marketing can be crucial to obtaining the lowest possible interest cost. In addition, the negotiated method of sale offers issuers greater timing and structural flexibility than competitive sales, as well as more influence in directing bond distribution to selected underwriting firms and investors.

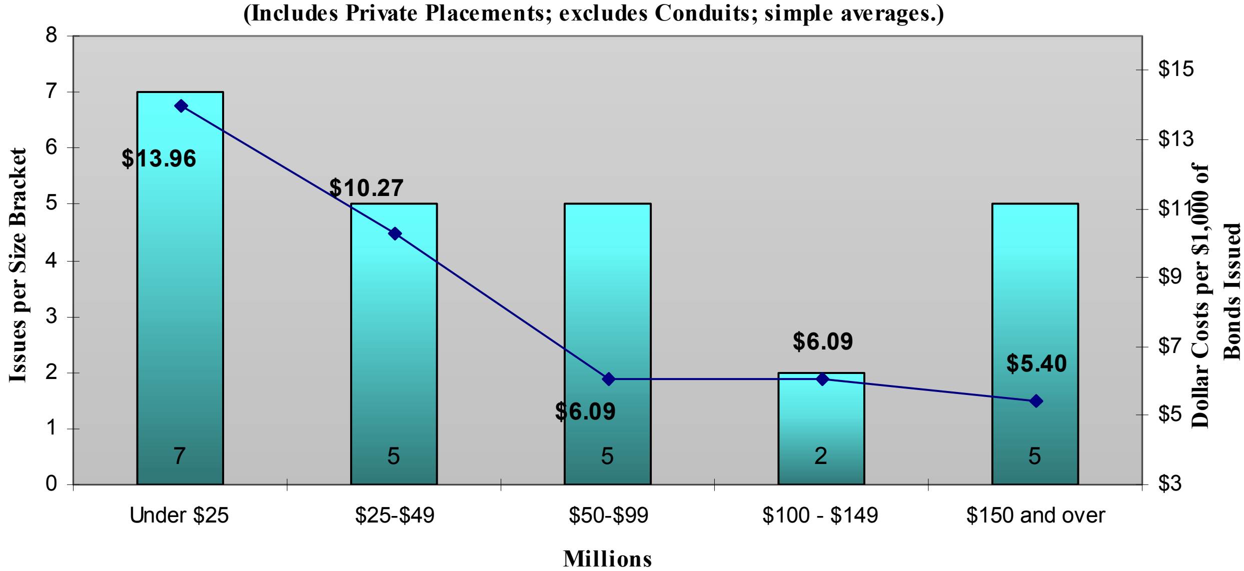
Disadvantages of negotiated sales are a lack of competition in pricing and the possible appearance of favoritism. These factors can result in wider fluctuations in underwriting spreads for negotiated transactions than for comparable competitive transactions.

Conditions suggesting a negotiated sale are market volatility and securities for which market demand is difficult to ascertain. This includes securities issued by an infrequent issuer or an issuer with credit rating problems or securities that contain innovative structuring, derivatives or other complexities.

Comparisons of the spreads paid on Texas negotiated and competitive transactions in fiscal 2005 reveal that bond issues sold in the competitive market had much higher underwriting costs than the negotiated transactions *(Figure 11)*. During fiscal 2005, Texas bond issuers paid an average of $4.00 per $1,000 through negotiated sales, and $10.00 per $1,000 through competitive bids. Compared to the national averages compiled by Thomson Financial Securities Data which recorded averages of $5.49 per $1,000 for negotiated transactions and $4.75 per $1,000 for competitive transactions, Texas' competitive average was higher than the national average and its negotiated average was lower than the national average. As noted above, during fiscal 2005 most of Texas' competitive issues were smaller issues with an average size of $18.1 million while the negotiated issues had an average size of over $163.3 million.

Theoretically, the competitive gross spread provides the underwriter with compensation for the risk of purchasing and distributing bonds, but it does not include significant components that are specific to a negotiated spread such as management fees or fees for underwriters' counsel. As negotiated gross spreads

Figure 10
AVERAGE ISSUANCE COSTS FOR TEXAS BONDS BY SIZE OF ISSUE
(Includes Private Placements; excludes Conduits; simple averages.)



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

are now sometimes below competitive gross spreads, it appears that bonds sold through negotiation may be priced with a reduced risk premium compared to that usually found in competitive transactions because underwriters have sufficient time in negotiated transactions to accurately assess the market before the underwriting occurs.

Issuers should focus primarily on how their bonds are being priced in the market and focus secondarily on the underwriting spread. Issuers need to be cognizant of the possibility that reducing the takedown (selling) component of the spread may reduce the sales effort needed to successfully market the bond issue which could result in a lower price (higher yield) for the issue.

Trends in State Bond Issuance Costs in 2005

In order to determine trends in issuance costs, it is important to review the characteristics of the 24 bond transactions (exclusive of conduit issues) that occurred in fiscal 2005. Five of those issues were sold competitively for amounts under $31.9 million. Of the nineteen negotiated transactions, only four were less than $25 million. The total issuance costs for the competitive and negotiated issues averaged $16.13 per $1,000 and $7.50 per $1,000, respectively.

With only five competitive transactions completed in fiscal 2005, an accurate comparison of the average issuance costs per $1,000 on negotiated and competitive bond issues is not possible. One particular competitive issue paid an underwriting spread of only $67,743, but due to its small size ($5.46 million), the cost per $1,000 was a relatively high at $12.41 per $1,000. Such outliers skew the average for the group.

In addition to the problem of small sample size, smaller bond issues tend to have higher costs of issuance because certain fixed costs are incurred irrespective of issue size. This latter point can be demonstrated by separating the total cost of issuance into its two component parts: underwriting spread and issuance costs. In fiscal 2005, transactions bid competitively had an average spread of $10.00 per $1,000 and average issuance costs of $6.13 per $1,000 for a total cost of issuance of $16.13 per $1,000. Negotiated issues, however, had an average spread of $4.00 per $1,000 and average issuance costs of $3.50 per $1,000 for a total of $7.50 per $1,000.

The purpose of this synopsis is to analyze recent trends in issuance costs by comparing data for competitive and negotiated transactions. However, a definitive conclusion regarding the most cost efficient method of sale for Texas bonds cannot be drawn from such a limited number of bond issues with such large disparities in issue size.

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

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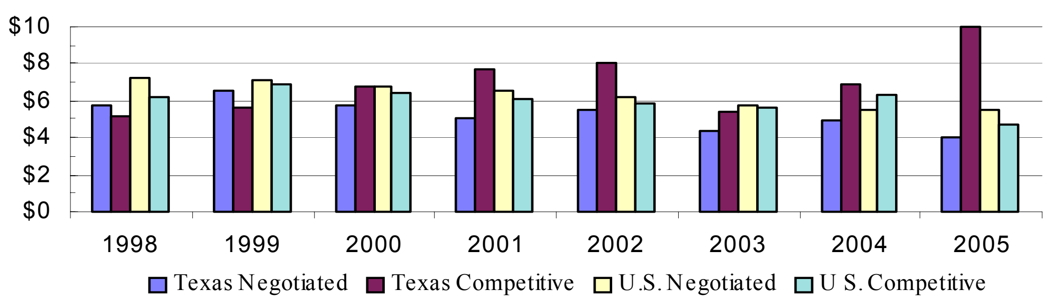
[1] Issuance cost calculations in this chapter do not include issues where the state acted as a conduit issuer.

[2] Definitions adapted from the Municipal Securities Rulemaking Board's *Glossary of Municipal Securities Terms.*

Figure 11

GROSS UNDERWRITING SPREADS: 1998 - 2005
NEGOTIATED VS COMPETITIVE MUNICIPAL ISSUES
(Excludes Private Placements and Conduits; simple averages)



Note: 2005 U.S. 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* (8/08/05); Thomson Financial Securities; and Texas Bond Review Board, Office of the Executive Director.

Chapter 5
Texas Private Activity Bond Allocation Program

Texas experienced an increase in volume cap for the 2005 Private Activity Bond Allocation Program. The 2005 volume cap was set at $1,799,201,760, an increase of almost $29.7 million (1.7%) over the 2004 cap of $1,769,480,721. Applications received for program year 2004 totaled $4.57 billion, and unlike previous years, virtually all that amount was offered a reservation through initial offerings, recycled portions and allocation carryforwards from earlier years.

The Allocation Program

Since the passage of the Tax Reform Act of 1986 (the "Tax Act"), federal law has limited tax-exempt financing of private activities. Private activity bonds are those bonds that meet any of the following tests: 1) Private Business Use Test - more than 10% 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 10% 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 governmental units.

The Tax Act also restricts 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. Besides non governmental airports, projects allowed under exempt facilities have increased over recent years to include high-speed inter-city rail facilities, environmental enhancements of hydroelectric generating facilities or qualified public educational facilities.

In addition, the Tax Act imposes 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 described below, the current ceiling is the greater of $75 per capita or $225 million. Section 146(e) of the Internal Revenue Code also provides for each state to devise an allocation formula or a process for allocating the state's ceiling. This provision gives each state the ability to allocate this limited resource in a manner consistent with its own specific needs.

Chapter 1372 of the Texas Government Code mandates 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.

The federal government determines the state's private activity ceiling, and the demand for financing for qualified private activities typically far outstrips the supply of available federal funding. In an effort to address the excess demand over supply for most types of private activity bond financing, the Bond Review Board devised a lottery system that ensures an equal allocation opportunity for each eligible project type.

Past Major Legislative Changes

The 76th Texas Legislature passed significant changes to the allocation process for the state's ceiling. Beginning with the 2000 program year, the Legislature specified that for the first seven and one-half months of the year, issuers are limited to certain amounts and the state's ceiling must be set aside as follows:

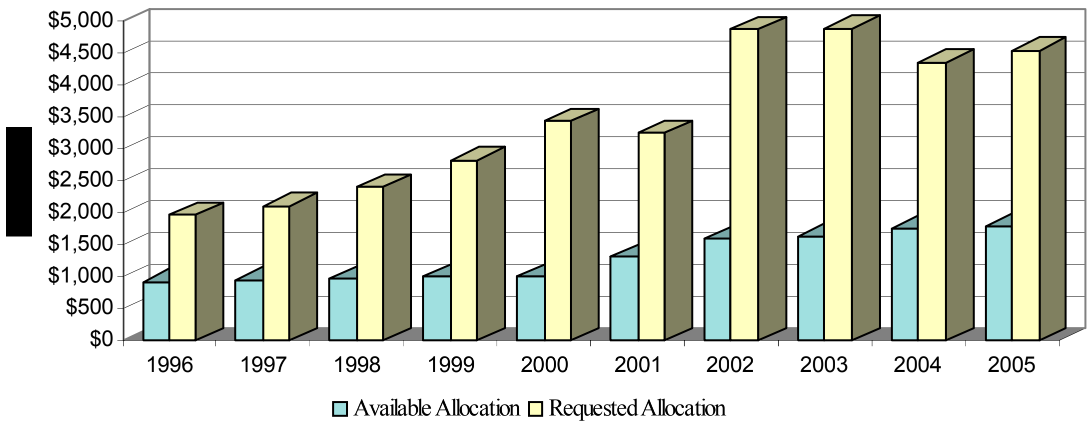
• 25% for single family housing to issuers of qualified mortgage revenue bonds (MRBs); 11% for issuers authorized by a state constitutional amendment.

Table 14
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2005 SET-ASIDE vs. ISSUED ALLOCATION AMOUNTS
(as of November 21, 2005)

SUBCEILINGS	SET-ASIDE ALLOCATION	PERCENT OF TOTAL	ISSUED ALLOCATION	PERCENT OF TOTAL
Single Family Housing	$503,776,493	28.00%	$225,615,311	12.54%
State-Voted Issues	143,936,141	8.00%	0	0.00%
Small Issue IDBs	35,984,035	2.00%	4,225,000	0.23%
Multifamily Housing	395,824,388	22.00%	275,335,000	15.30%
Student Loan Bonds	188,916,185	10.50%	345,650,000	19.21%
All Other Issues	530,764,518	29.50%	131,750,000	7.32%
TOTALS	**$1,799,201,760**	**100.00%**	**$982,575,311**	**54.61%**

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

Figure 12
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
Available vs. Requested Allocation



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

• 7.5% for issuers of qualified, small-issue industrial development bonds (IDBs) and empowerment zone bonds (EZ bonds).

• 16.5% for issuers of qualified residential rental project issue bonds (multi-family housing).

• 10.5% for issuers of qualified student loan bonds authorized by §53.47, Texas Education Code.

• 29.5% for issuers of "all other" bonds requiring an allocation.

On August 15th all six subceilings collapse, after which any unreserved or unallocated amounts are combined and made available exclusively for the multi-family applications, in priority order until August 31st. Any amounts available on or after September 1st are then offered to remaining applications by lot, regardless of project type or priority.

State legislation passed during the 77th Legislative Session shifted the distribution of the state's ceiling once again. Senate Bill 322 established new set-aside percentages for the state's six subceilings that took effect for the 2002 Private Activity Bond Allocation Program. Those set-aside percentages currently remain in effect:

• Subceiling #1 Single Family MRBs: Increased from 25 to 29.6%. Of that amount, one-third will continue to be set aside for the Texas Department of Housing and Community Affairs (TDHCA) with the other two-thirds dedicated to local issuers. Local issuers may apply for an amount determined by a formula based on population, but in no event for more than a maximum of $25 million per year.

• Subceiling #2 State-Voted Issues: Decreased from 11 to 8%. The Texas Higher Education Coordinating Board may apply for a maximum of $75 million per year while other issuers eligible in this category are limited to a maximum of $50 million per year.

• Subceiling #3 Qualified Small-Issue IDBs and EZs: Decreased from 7.5 to 4.6%. The maximum allocation amount in this subceiling is $10 million per year

• Subceiling #4 Multifamily Revenue Bonds: Increased from 16.5 to 23%. Issuers within this category may apply for a maximum amount of the lesser of $15 million or 15% of the amount set aside for this subceiling per project.

• Subceiling #5 Student Loan Bonds: Decreased from 10.5 to 8.8%.

• Subceiling #6 All Other Issues: Decreased from 29.5 to 26%.

During the 77th Legislative Session, Texas dedicated $25 million per year out of subceiling #1 to the Texas State Affordable Housing Corporation (TSAHC) to initiate a Teacher Home Loan Program. Proceeds from the sale of bonds are to be used to provide low-interest loans and down-payment assistance to first-time, home-buying teachers residing in the state.

The 78th Legislative Session dedicated $25 million per year out of subceiling #1 for TSAHC to create the Firefighter and Police Officer Home Loan Program. House Bill 3329 dedicated 2% of subceiling #6 until August 15th specifically to projects that would promote the development of new drinking water sources. Additionally, House Bill 3329 further dedicated one-third of the volume cap available to subceiling #3 to the Texas Agricultural Finance Authority until June 1st of each year. No projects have yet come forth for new drinking water sources, nor has the Texas Agricultural Finance Authority used its dedicated volume cap.

The 79th Legislative Session raised the ceiling on subceiling #6 from $25 million to $50 million.

With the exception of single family housing and student loan bonds, reservations of state ceilings are allocated by lottery for applications received from October 5 – October 20 of the year preceding the program year, and thereafter on a first-come, first-serve basis. Single family housing and student loan bonds have a separate priority system based on prior applications and prior bond issues. This system is used exclusively within these two subceilings and is in place from January through August 14th of each year. As previously noted, on August 15th of each year, unreserved allocation from all the subceilings is then combined and redistributed to qualified residential rental projects, and on September 1st, unreserved allocation from all subceilings is combined and redistributed by lot, regardless of project type or priority.

Except for MRB and qualified residential rental projects issuers, all 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 while residential rental projects must close within 150 days. 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 practice oftentimes results in a volume cap distribution that varies from the predetermined set-asides at the beginning of the program year *(Table 14)*.

Volume Cap

The state of Texas is second only to California in population and resulting volume cap. Texas once again experienced an increase in volume cap for the 2005 Private Activity Bond Allocation Program. Based on the Texas population, the 2005 volume cap was set at $1,799,201,760, an increase of almost $29.7 million (1.7%) from the 2004 cap of $1,769,480,721.

The increase in the amount of cap allocation can be attributed not only to the growth of the state's population, but also to new federal legislation that increased the per-capita formula. On December 20, 2000, federal legislation was passed that accelerated the increase in private-activity volume cap, the first such increase since the Tax Reform Act of 1986. The cap phase-in began January 1, 2001 when the limit was increased from $50 per capita to $62.50 per capita. The second part of the plan occurred in January 2002 when the cap multiplier increased to $75 per capita or $225 million, whichever is greater. While the cap was indexed to inflation beginning in 2003, inflation levels have remained lower than the minimum federal requirement to boost the multiplier, and thus the formula remained at $75 per capita since 2003.

Despite Texas' increased volume cap in 2005, demand again exceeded the funds available for the allocation program. The program in Texas has been technically oversubscribed each year since 1988 *(Figure 12)*. Applications received for program year 2005 totaled $4.57 billion, or 254% of the available allocation amount *(Table 15)*. Unlike previous years, all of the $4.57 billion was offered a reservation through initial offerings, recycled portions and allocation carryforwards from earlier years.

Table 15
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2005 APPLICATIONS FOR ALLOCATION

SUBCEILINGS	AVAILABLE ALLOCATION *	REQUESTED ALLOCATION	REQUESTS AS A % OF AVAILABILITY
Mortgage Revenue Bonds	$503,776,493	$468,718,679	93.04%
State-Voted Issue Bonds	143,936,141	0	0.00%
Industrial Development Bonds	35,984,035	4,225,000	11.74%
Multifamily Rental Project Bonds	395,824,388	2,552,672,633	644.90%
Student Loan Bonds	188,916,185	844,340,000	446.94%
All Other Bonds Requiring Allocation	530,764,518	696,450,000	131.22%
TOTALS	$1,799,201,760	$4,566,406,312	253.80%

***Does not include Carryforward**

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

Appendix A
Summary of Bonds Issued

MIDWESTERN STATE UNIVERSITY

Issue: Board of Regents of Midwestern State University, Constitutional Appropriation Bonds, Series 2004 - $11,185,000

Purpose: The proceeds of the bond issue were used for the purpose of 1) providing funds to acquire land either with or without permanent improvements, to construct and equip buildings or other permanent improvements, and for major repair and rehabilitation of buildings or other permanent improvements and 2) for paying costs of issuance.

Dates:

Board Approval -	July 22, 2004
Competitive Sale -	August 6, 2004
Closing Date -	September 1, 2004

Structure: The bonds were sold on a competitive basis as fixed-rate, tax-exempt securities maturing on September 15, 2013.

Bond Ratings:

Moody's -	Aa1

Interest Cost:

True Interest Cost (TIC) -	3.35%
Net Interest Cost (NIC) -	3.24%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	RBC Dain Rauscher, Inc.
Senior Underwriter -	Coastal Securities, LP

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$16,000	$1.43
Financial Advisor	35,595	3.18
Paying Agent	1,000	0.09
O.S. Preparation	750	0.07
Printing	2,352	0.21
Attorney General	1,250	0.11
Rating Agencies	5,460	0.49
	$62,407	**$5.58**
Underwriters' Spread	**$72,485**	**$6.48**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Single Family Mortgage Revenue Refunding Bonds, Series 2004C, Single Family Variable Rate Mortgage Revenue Bonds, Series 2004D, Single Family Mortgage Revenue Refunding Bonds, Series 2004E, and Single Family Mortgage Revenue Bonds, Series 2004F - $175,070,000

Purpose: The proceeds of the Series 2004C and 2004D bonds were used to purchase mortgage-backed, pass-through certificates backed by qualifying FHA-insured or VA-or RHS-guaranteed mortgage loans, or conventional mortgage loans made to eligible borrowers for single-family residences located in the state of Texas. The proceeds of the Series 2004E bonds were used to refund and redeem all of the Departments outstanding Collateralized Home Mortgage Revenue Bonds. The proceeds of the Series 2004F bonds were invested into a guaranteed investment agreement.

Dates:

Board Approval -	September 23, 2004
Negotiated Sale -	October 6, 2004
Closing Date -	October 28, 2004

Structure: The Series 2004C, 2004E, and 2004F bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on March 1, 2036, September 1, 2013, and September 1, 2037, respectively. The Series 2004D bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on March 1, 2035. The Series 2004C, 2004D, and 2004E bonds are insured by Financial Security Assurance, Inc.

Bond Ratings:	**2004C/E:**	**2004D:**	**2004F:**
Moody's -	Aaa	Aaa/VMIG 1	Aa1/VMIG 1
Standard & Poor's -	AAA	AAA/A-1+	A-1+

Interest Cost:	**2004C/E:**	**2004D:**	**2004F:**
True Interest Cost (TIC) -	3.83%	Floating	1 95%
Net Interest Cost (NIC) -	3.82%	Floating	1.95%

Consultants:

Bond Counsel -	Vinson & Elkins L.L.P.
Financial Advisor -	RBC Dain Rauscher, Inc.
Senior Underwriters -	Piper Jaffray & Co.
	Bear, Stearns & Co. Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$159,861	$0.91
Financial Advisor	125,000	0.71
Trustee	10,000	0.06
Trustee's Counsel	17,000	0.10
Escrow Verification	7,500	0.04
Attorney General	2,500	0.01
Printing	6,618	0.04
Disclosure Counsel	79,841	0.46
Private Activity Fee	27,525	0.16
Rating Agencies	76,943	0.44
Miscellaneous	18,000	0.10
	$530,788	**$3.03**
Underwriter's Spread	**$553,943**	**$3.16**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Providence at Village Fair Apartments), Series 2004 - $14,100,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Chicory Court – Madison III, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 236-unit multifamily residential rental development located in Dallas, Texas.

Dates:

Board Review -	December 22, 2004
Private Placement -	December 23, 2004
Closing Date -	December 23, 2004

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company (Charter Mac) as fixed-rate, tax-exempt securities maturing on December 1, 2044.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.34%
Net Interest Cost (NIC) -	6.43%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$70,000	$4.96
Financial Advisor	25,000	1.77
Trustee	8,000	0.57
Trustee Counsel	5,500	0.39
Disclosure Counsel	2,500	0.18
Attorney General	1,250	0.09
Private Activity Fee	8,750	0.62
TEFRA Notice Publication	3,750	0.27
TDHCA Fees	117,100	8.30
	$241,850	**$17.15**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Homes at Pecan Grove), Series 2005 - $14,030,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Chicory Court – Simpson Stuart, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 250-unit multifamily residential rental development located in Dallas, Texas.

Dates:

Board Review -	January 14, 2005
Private Placement -	January 26, 2005
Closing Date -	January 26, 2005

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company (Charter Mac) as fixed-rate, tax-exempt securities maturing on January 1, 2045.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.34%
Net Interest Cost (NIC) -	6.43%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$70,000	$4.99
Financial Advisor	25,000	1.78
Trustee	8,000	0.57
Trustee Counsel	5,500	0.39
Disclosure Counsel	2,500	0.18
Attorney General	1,250	0.09
Private Activity Fee	8,508	0.61
TEFRA Notice Publication	3,750	0.27
TDHCA Fees	115,460	8.23
	$239,968	**$17.10**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Providence at Prairie Oaks Apartments), Series 2005 - $11,050,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Chicory Court – Marine Creek, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 206-unit multifamily residential rental development located in Arlington, Texas.

Dates:

Board Review -	January 14, 2005
Private Placement -	January 27, 2005
Closing Date -	January 27, 2005

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company (Charter Mac) Equity Issuer Trust as fixed-rate, tax-exempt securities maturing on January 1, 2045.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.30%
Net Interest Cost (NIC) -	6.41%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$70,000	$6.33
Financial Advisor	25,000	2.26
Trustee	8,000	0.72
Trustee Counsel	5,500	0.50
Disclosure Counsel	2,500	0.23
Attorney General	1,250	0.11
Private Activity Fee	8,350	0.76
TEFRA Notice Publication	2,390	0.22
TDHCA Fees	93,500	8.46
	$216,490	**$19.59**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Mission Del Rio Homes), Series 2005 - $11,490,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Chicory Court II, L.P , a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 240-unit multifamily residential rental development located in San Antonio, Texas.

Dates:

Board Review -	January 14, 2005
Private Placement -	February 4, 2005
Closing Date -	February 4, 2005

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company (Charter Mac) Equity Issuer Trust as fixed-rate, tax-exempt securities maturing on February 1, 2045.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.33%
Net Interest Cost (NIC) -	6.42%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$70,000	$6.09
Financial Advisor	25,000	2.18
Trustee	8,000	0.70
Trustee Counsel	5,500	0.48
Disclosure Counsel	2,500	0.22
Attorney General	1,250	0.11
Private Activity Fee	8,000	0.70
TEFRA Notice Publication	3,750	0.33
TDHCA Fees	97,430	8.48
	$221,430	**$19.27**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Port Royal Homes), Series 2005 - $12,200,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Woodshire, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 250-unit multifamily residential rental development located in San Antonio, Texas.

Dates:

Board Review -	January 14, 2005
Private Placement -	February 4, 2005
Closing Date -	February 4, 2005

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company (Charter Mac) Equity Issuer Trust as fixed-rate, tax-exempt securities maturing on February 1, 2045.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.33%
Net Interest Cost (NIC) -	6.42%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$70,000	$5.74
Financial Advisor	25,000	2.05
Trustee	8,000	0.66
Trustee Counsel	5,500	0.45
Disclosure Counsel	2,500	0.20
Attorney General	1,250	0.10
Private Activity Fee	8,550	0.70
TEFRA Notice Publication	3,750	0.31
TDHCA Fees	97,900	8.02
	$222,450	**$18.23**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Atascocita Pines Apartments), Series 2005 - $11,900,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Conroy Partners, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 192-unit multifamily residential rental development located in Humble, Texas.

Dates:

Board Review -	March 21, 2005
Negotiated Sale -	April 14, 2005
Closing Date -	April 14, 2005

Structure: The bonds were sold on a negotiated basis to Newman & Associates as variable-rate, tax-exempt securities maturing on April 15, 2038.

Bond Ratings:

Moody's -	Aa2/VMIG 1

Interest Cost:

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

Consultants:

Bond Counsel -	Vinson & Elkins L.L.P.
Financial Advisor -	RBC Dain Rauscher, Inc.
Underwriter -	Newman & Associates

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$80,000	$6.72
Financial Advisor	25,000	2.10
Rating Agency	15,500	1.30
Trustee	8,500	0.71
Trustee Counsel	6,500	0.55
Disclosure Counsel	5,000	0.42
Attorney General	2,500	0.21
Private Activity Fee	7,975	0.67
TEFRA Notice Publication	2,636	0.22
TDHCA Fees	99,100	8.33
	$252,711	**$21.24**
Underwriters' Spread	**$83,300**	**$7.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Tower Ridge Apartments), Series 2005 - $15,000,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Tower Ridge Corinth 1 Ltd., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 224-unit multifamily residential rental development located in Corinth, Texas.

Dates:

Board Review -	April 13, 2005
Negotiated Sale -	April 18, 2005
Closing Date -	April 19, 2005

Structure: The bonds were sold on a negotiated basis to Newman & Associates as variable-rate, tax-exempt securities maturing on April 1, 2038.

Bond Ratings:

Moody's -	Aa3/VMIG 1

Interest Cost:

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

Consultants:

Bond Counsel -	Vinson & Elkins L.L.P.
Financial Advisor -	RBC Dain Rauscher
Underwriter -	Newman & Associates

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$5.00
Financial Advisor	25,000	1.67
Rating Agency	12,500	0.83
Trustee	7,500	0.50
Trustee Counsel	5,500	0.37
Disclosure Counsel	5,000	0.33
Attorney General	1,250	0.08
Private Activity Fee	8,750	0.58
TEFRA Notice Publication	2,500	0.17
TDHCA Fees	121,600	8.11
	$264,600	**$17.64**
Underwriters' Spread	**$135,000**	**$9.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Alta Cullen Apartments), Series 2005 - $14,000,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Alta Cullen, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 248-unit multifamily residential rental development located in Houston, Texas.

Dates:

Board Review -	March 21, 2005
Private Placement -	April 20, 2005
Closing Date -	April 20, 2005

Structure: The bonds were privately placed with MuniMae TEI Holdings, LLC, as fixed-rate, tax-exempt securities maturing on March 1, 2045.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.52%
Net Interest Cost (NIC) -	6.56%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$4.64
Financial Advisor	25,000	1.79
Trustee	4,479	0.32
Trustee Counsel	4,000	0.29
Disclosure Counsel	2,500	0.18
Attorney General	1,250	0.09
Private Activity Fee	15,000	1.07
TEFRA Notice Publication	2,500	0.18
TDHCA Fees	115,000	8.21
	$234,729	**$16.77**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Single Family Variable Rate Mortgage Revenue Refunding Bonds, Series 2005A - $100,000,000

Purpose: The proceeds of the bonds were used to refund a portion of the Department's Single Family Mortgage Revenue Refunding Tax-Exempt Commercial Paper Notes, Series A and the Department's Single Family Mortgage Revenue Bonds, 2004 Series F.

Dates:

Board Approval -	March l7, 2005
Negotiated Sale -	April 19, 2005
Closing Date -	April 20, 2005

Structure: The bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on September 1, 2036. The bonds are insured by Financial Security Assurance, Inc.

Bond Ratings:

Moody's -	Aaa/VMIG 1
Fitch -	AAA/A-1+

Interest Cost:

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

Consultants:

Bond Counsel -	Vinson & Elkins L.L P.
Financial Advisor -	RBC Dain Rauscher, Inc.
Senior Underwriters -	Bear, Stearns & Co. Inc.
	George K. Baum & Company

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$117,951	$1.18
Financial Advisor	125,000	1.25
Trustee	3,500	0.04
Trustee Counsel	12,600	0.13
Escrow Verification	7,000	0.07
Attorney General	1,250	0.01
Rating Agencies	60,500	0.61
TDHCA Fees	50,000	0.50
Disclosure Counsel	49,325	0.49
Printing	3,016	0.03
Miscellaneous	18,000	0.18
	$448,142	**$4.48**
Underwriters' Spread	**$317,253**	**$3.17**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Lafayette Village Apartments), Series 2005 - $14,100,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Lafayette Village Apartments, L P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 250-unit multifamily residential rental development located in Houston, Texas.

Dates:

Board Review -	June 6, 2005
Negotiated Sale -	June 14, 2005
Closing Date -	June 15, 2005

Structure: The bonds were sold on a negotiated basis to Newman & Associates as variable-rate, tax-exempt securities maturing on June 15, 2038.

Bond Ratings:

Moody's -	Aa1/VMIG 1

Interest Cost:

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

Consultants:

Bond Counsel -	Vinson & Elkins L.L.P.
Financial Advisor -	RBC Dain Rauscher, Inc.
Underwriter -	Newman & Associates

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$76,500	$5.43
Financial Advisor	25,000	1.77
Rating Agency	13,000	0.92
Printing	2,500	0.18
Trustee	6,935	0.49
Trustee Counsel	10,000	0.71
Disclosure Counsel	5,000	0.35
Attorney General	1,250	0.09
Private Activity Fee	8,750	0.62
TEFRA Notice Publication	2,500	0.18
TDHCA Fees	115,950	8.22
	$267,385	**$18.96**
Underwriters' Spread	**$130,000**	**$9.22**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan – Prairie Ranch Apartments), Series 2005 - $12,200,000

Purpose: The proceeds of the bonds were used to fund a Federal Housing Administration insured mortgage loan to ARDC GPwest, Ltd., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 176-unit multifamily residential rental development located in Grand Prairie, Texas.

Dates:

Board Review -	July 7, 2005
Negotiated Sale -	July 11, 2005
Closing Date -	July 20, 2005

Structure: The bonds were sold on a negotiated basis to Newman & Associates as fixed-rate, tax-exempt securities maturing on June 20, 2045.

Bond Ratings:

Moody's -	Aaa

Interest Cost:

True Interest Cost (TIC) -	4.85%
Net Interest Cost (NIC) -	4.85%

Consultants:

Bond Counsel -	Vinson & Elkins L.L.P.
Financial Advisor -	RBC Dain Rauscher, Inc.
Underwriter -	Newman & Associates

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$6.15
Financial Advisor	25,000	2.05
Rating Agency	14,000	1.15
Printing	3,250	0.27
Trustee	8,380	0.69
Trustee Counsel	5,500	0.45
Disclosure Counsel	5,000	0.41
Attorney General	1,250	0.10
Private Activity Fee	8,350	0.68
TEFRA Notice Publication	1,127	0.09
TDHCA Fees	100,800	8.26
	$247,657	**$20.30**
Underwriters' Spread	**$122,000**	**$10.00**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (St. Augustine Estates), Series 2005 - $7,650,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to St. Augustine Estates Apartments, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 150-unit multifamily residential rental development located in Dallas, Texas.

Dates:

Board Review -	July 14, 2005
Negotiated Sale -	August 15, 2005
Closing Date -	August 16, 2005

Structure: The bonds were sold on a negotiated basis to Newman & Associates as variable-rate, tax-exempt securities maturing on September 15, 2038.

Bond Ratings:

Moody's -	Aa2/VMIG 1

Interest Cost:

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

Consultants:

Bond Counsel -	Vinson & Elkins L.L.P.
Financial Advisor -	RBC Dain Rauscher, Inc.
Underwriter -	Newman & Associates

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$9.80
Financial Advisor	25,000	3.27
Rating Agency	13,500	1.76
Printing	2,000	0.26
Trustee	5,000	0.65
Trustee Counsel	10,000	1.31
Disclosure Counsel	5,000	0.65
Attorney General	1,250	0.16
Private Activity Fee	7,500	0.98
TEFRA Notice Publication	2,500	0.33
TDHCA Fees	68,300	8.93
	$215,050	**$28.11**
Underwriters' Spread	**$60,000**	**$7.84**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Park Manor Senior Community), Series 2005 - $10,400,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to OHC/Park Manor, Ltd., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 196-unit multifamily residential rental development located in Sherman, Texas.

Dates:
Board Approval - July 21, 2005
Private Placement - August 22, 2005
Closing Date - August 23, 2005

Structure: The bonds were privately placed with MuniMae TEI Holdings, LLC, as fixed-rate, tax-exempt securities maturing on July 1, 2045.

Bond Ratings: The bonds were not rated.

Interest Cost:
True Interest Cost (TIC) - 6.24%
Net Interest Cost (NIC) - 6.33%

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$6.25
Financial Advisor	25,000	2.40
Trustee	4,494	0.43
Trustee Counsel	4,000	0.38
Disclosure Counsel	2,500	0.24
Attorney General	1,250	0.12
Private Activity Fee	7,600	0.73
TEFRA Notice Publication	1,150	0.11
TDHCA Fees	88,700	8.53
	$199,694	**$19.20**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Plaza at Chase Oaks Apartments), Series 2005 - $14,250,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to UHF Chase Oaks Housing, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 240-unit multifamily residential rental development located in Plano, Texas.

Dates:
Board Approval - August 12, 2005
Private Placement - August 30, 2005
Closing Date - August 31, 2005

Structure: The bonds were privately placed with Washington Mutual Bank as fixed-rate, tax-exempt securities maturing on April 1, 2024.

Bond Ratings: The bonds were not rated.

Interest Cost:
True Interest Cost (TIC) - 5.05%
Net Interest Cost (NIC) - 5.05%

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$4.56
Financial Advisor	25,000	1.75
Trustee	3,500	0.25
Trustee Counsel	3,000	0.21
Disclosure Counsel	2,500	0.18
Attorney General	1,250	0.09
Private Activity Fee	8,563	0.60
TDHCA Fees	116,750	8.19
	$225,563	**$15.83**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Providence Mockingbird Apartments), Series 2005 - $14,360,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Hines 68, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new, 251-unit multifamily residential rental development located in Dallas, Texas.

Dates:

Board Approval -	August 23, 2005
Private Placement -	August 26, 2005
Closing Date -	August 31, 2005

Structure: The bonds were privately placed with Charter MAC Equity Issuer Trust as fixed-rate, tax-exempt securities maturing on August 1, 2045.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.40%
Net Interest Cost (NIC) -	6.40%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$72,000	$5.01
Financial Advisor	25,000	1.74
Trustee	7,000	0.49
Trustee Counsel	6,500	0.45
Disclosure Counsel	2,500	0.17
Attorney General	1,250	0.09
Private Activity Fee	8,590	0.60
TEFRA Notice Publication	2,244	0.16
TDHCA Fees	117,795	8.20
	$242,879	**$16.91**

TEXAS ECONOMIC DEVELOPMENT BANK

Issue: Texas Economic Development Bank, State of Texas, General Obligation Variable Rate Demand Bonds, Taxable Series 2005A and 2005B - $45,000,000

Purpose: The proceeds of the Series A bonds were used to 1) fund the Product Development Program and 2) pay a portion of the costs of issuance. The proceeds of the Series B bonds were used to 1) fund the Small Business Incubator Program and 2) pay a portion of the costs of issuance.

Dates:

Board Approval -	May 19, 2005
Negotiated Sale -	June 2, 2005
Closing Date -	June 2, 2005

Structure: The bonds were sold on a negotiated basis as variable-rate, taxable securities maturing on June 1, 2045.

Bond Ratings:

Moody's -	Aa1/VMIG 1
Standard and Poor's -	AA/A-1+
Fitch -	AA+/F1+

Interest Cost:

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

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	$85,500	$1.90
Financial Advisor	44,888	1.00
Paying Agent	700	0.02
Liquidity Provider	2,750	0.06
Liquidity Provider's Counsel	30,000	0.67
Attorney General	2,250	0.05
Rating Agencies	50,600	1.12
Other	6,000	0.13
	$222,688	**$4.95**
Underwriters' Spread	**$69,823**	**$1.55**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2004A - $5,460,000

Purpose: The bond proceeds were used to construct a parking facility adjacent to the Stephen F. Austin State University Center.

Dates:

Board Approval -	July 22, 2004
Competitive Sale -	August 17, 2004
Closing Date -	September 8, 2004

Structure: The bonds were sold on a competitive basis as fixed-rate tax-exempt revenue bonds with a final maturity of October 15, 2024. The bonds are insured by the MBIA Insurance Corporation.

Bond Ratings:

Moody's -	Aaa
Fitch -	AAA

Interest Cost:

True Interest Cost (TIC) -	4.28%
Net Interest Cost (NIC) -	4.26%

Consultants:

Bond Counsel -	Delgado, Acosta, Braden & Jones, P.C.
Financial Advisor -	Public Financial Management
Senior Underwriter -	Southwest Securities, Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$22,948	$4.20
Financial Advisor	20,134	3.69
Paying Agent/Registrar	3,000	0.55
Rating Agencies	12,250	2.24
Printing	2,432	0.45
Attorney General	1,000	0.18
Other	635	0.12
	$62,399	**$11.43**
Underwriters' Spread	**$67,743**	**$12.41**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, General Obligation Park Development Refunding Bonds, Ser 2004 - $14,249,398

Purpose: The bond proceeds were used to 1) refund a portion of the Authority's outstanding general obligation Park Development Bonds and (2) pay the costs of issuance.

Dates:

Board Approval -	October 15, 2004
Negotiated Sale -	October 27, 2004
Closing Date -	November 18, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate tax-exempt securities with a final maturity of October 1, 2019. The bonds are general obligations of the state and are insured by Financial Guaranty Insurance Company.

Bond Ratings:

Moody's -	Aaa/Aa1
Standard & Poor's -	AAA/AA
Fitch -	AAA/AA+

Interest Cost:

True Interest Cost (TIC) -	3.63%
Net Interest Cost (NIC) -	3.81%

Consultants:

Co-Bond Counsel -	Winstead Sechrest & Minick P.C.
Co-Bond Counsel -	Renee Higginbotham-Brooks
Financial Advisor -	Coastal Securities, LP
Senior Underwriter -	First Albany Capital Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Co-Bond Counsel	$20,668	$1.45
Co-Bond Counsel	20,707	1.45
Financial Advisor	26,063	1.83
Escrow Agent	1,500	0.11
Escrow Verification	3,000	0.21
Rating Agencies	21,700	1.52
Printing	564	0.04
Attorney General	1,000	0.07
Travel	1,744	0.12
	$96,946	**$6.80**
Underwriters' Spread	**$92,558**	**$6.50**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Revenue Refunding Bonds, (Building and Procurement Commission Projects) Series 2004A, (State Preservation Board Projects) Series 2004B, (Parks and Wildlife Department Projects) Series 2004C, and Special Revenue Refunding Bonds (Department of State Health Services Projects), Series 2004D - $192,730,000

Purpose: The bond proceeds were used to 1) refund and defease certain outstanding bonds issued by the Authority on behalf of the Texas Building and Procurement Commission (formerly the General Services Commission), the Texas State Preservation Board, the Texas Parks and Wildlife Department, and the Department of State Health Services (formerly the Texas Department of Health); and 2) pay the costs of issuance.

Dates:

Board Approval -	October 15, 2004
Negotiated Sale -	October 27, 2004
Closing Date -	November 18, 2004

Structure: The Series 2004A, 2004B, and 2004C bonds were sold on a negotiated basis as fixed-rate tax-exempt revenue bonds with a final maturity of February 1, 2020. The Series 2004D bonds were sold on a negotiated basis as fixed-rate tax-exempt revenue bonds with a final maturity of February 1, 2018. The bonds are insured by Ambac Assuance Corporation.

Bond Ratings:

Moody's -	Aaa
Standard & Poor's -	AAA

Interest Cost:

True Interest Cost (TIC) -	3.66%
Net Interest Cost (NIC) -	3.86%

Consultants:

Co-Bond Counsel -	Winstead Sechrest & Minick P.C.
Co-Bond Counsel -	Renee Higginbotham-Brooks
Financial Advisor -	Coastal Securities, LP
Senior Underwriter -	Piper Jaffray & Co.

Issuance Costs:	**Amount**	**Per $1,000**
Co-Bond Counsel	$41,494	$0.22
Co-Bond Counsel	18,000	0.09
Financial Advisor	49,592	0.26
Escrow Agent	1,500	0.01
Escrow Verification	6,000	0.03
Rating Agencies	55,800	0.29
Printing	875	0.00
Attorney General	2,500	0.01
Other	4,378	0.02
	$180,139	**$0.93**
Underwriters' Spread	**$918,612**	**$4.77**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2005 - $17,215,000

Purpose: The bond proceeds were used to construct a University residence hall and parking garage.

Dates:

Board Approval -	May 19, 2005
Competitive Sale -	June 23, 2005
Closing Date -	June 23, 2005

Structure: The bonds were sold on a competitive basis as fixed-rate tax-exempt revenue bonds with a final maturity of October 15, 2025. The bonds are insured by the Financial Guaranty Insurance Corporation.

Bond Ratings:

Moody's -	Aaa/A2
Fitch -	AAA/A+

Interest Cost:

True Interest Cost (TIC) -	4.12%
Net Interest Cost (NIC) -	4.13%

Consultants:

Bond Counsel -	Delgado, Acosta, Braden & Jones, P.C.
Financial Advisor -	First Southwest Company
Senior Underwriter -	Merrill Lynch & Co., Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$19,930	$1.16
Financial Advisor	30,000	1.74
Paying Agent/Registrar	1,000	0.06
Rating Agencies	22,500	1.31
Printing	3,000	0.17
Attorney General	1,000	0.06
Other	5,000	0.29
	$82,430	**$4.79**
Underwriters' Spread	**$168,490**	**$9.79**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority Revenue Bonds (Texas Building and Procurement Projects), Series 2005 - $32,575,000

Purpose: The bond proceeds were used to 1) finance the acquisition of land and facilities currently leased to the Texas Building and Procurement Commission by exercising the purchase option under the existing leases and 2) provide funds for capital improvements to certain of the facilities.

Dates:

Board Approval -	August 12, 2005
Negotiated Sale -	August 24, 2005
Closing Date -	August 31, 2005

Structure: The bonds were sold on a negotiated basis as fixed-rate tax-exempt revenue bonds with a final maturity of August 1, 2022. The bonds are insured by the MBIA Insurance Corporation.

Bond Ratings:

Moody's -	Aaa/Aa2
Standard & Poor's -	AAA/AA-

Interest Cost:

True Interest Cost (TIC) -	3.95%
Net Interest Cost (NIC) -	3.98%

Consultants:

Bond Counsel -	Locke Liddell & Sapp L.L.P.
Co-Bond Counsel -	Winstead Sechrest & Minick P.C.
Financial Advisor -	Coastal Securities, LP
Co-Financial Advisor -	Caprock Securities, Inc.
Senior Underwriter -	Estrada Hinojosa & Company, Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$32,500	$1.00
Co-Bond Counsel	32,500	1.00
Financial Advisor	47,623	1.46
Co-Financial Advisor	25,467	0.78
Rating Agencies	18,800	0.58
Printing	3,000	0.09
Attorney General	1,250	0.04
Title Insurance	103,200	3.17
	$264,340	**$8.11**
Underwriters' Spread	**$187,879**	**$5.77**

TEXAS SOUTHERN UNIVERSITY

Issue: State of Texas Constitutional Appropriation Bonds (Texas Southern University), Series 2005 - $30,935,000

Purpose: The proceeds of the bond issue were used for the purpose of providing funds to 1) construct and equip buildings or other permanent improvements, including a school of public affairs; to 2) perform major repair or rehabilitation of buildings; to 3) purchase capital equipment and other equipment authorized to be purchased with Higher Education Assistance Funds; and 4) pay certain costs related to the issuance of the bonds.

Dates:

Board Approval -	July 21, 2005
Private Placement -	August 2, 2005
Closing Date -	August 10, 2005

Structure: The bonds were sold on a competitive basis as fixed-rate, tax-exempt securities maturing on October 1, 2014.

Bond Ratings:

Moody's -	Aa1

Interest Cost:

True Interest Cost (TIC) -	3.59%
Net Interest Cost (NIC) -	3.64%

Consultants:

Bond Counsel -	Fulbright & Jaworski L.L.P.
Co-Bond Counsel -	Bates & Coleman, PC
Financial Advisor -	SBK-Brooks Investment Corp.
Senior Underwriter -	JPMorgan Securities, Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$20,800	$0.67
Co-Bond Counsel	5,000	0.16
Financial Advisor	45,000	1.45
Paying Agent	600	0.02
Disclosure Counsel	25,000	0.81
Printing	2,600	0.08
Attorney General	1,250	0.04
Rating Agencies	11,000	0.36
Other	3,700	0.12
	$114,950	**$3.72**
Underwriters' Spread	**$363,941**	**$11.76**

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation, Multifamily Housing Revenue Bonds (Marshall Meadows Project), Series 2005 - $14,260,000

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Chicory Court XXV, L.P., a Texas limited partnership, to finance the acquisition, construction, equipping and long-term financing of a new 250-unit multifamily residential rental development located in San Antonio, Texas.

Dates:

Board Approval -	January 4, 2005
Private Placement -	January 7, 2005
Closing Date -	January 7, 2005

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company (Charter Mac) as fixed-rate, tax-exempt securities maturing on December 1, 2044.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.42%
Net Interest Cost (NIC) -	6.43%

Consultants:

Bond Counsel -	Andrews Kurth L.L.P.
Issuer's Counsel -	Jackson Walker L.L.P.
Financial Advisor -	First Southwest Company

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$125,000	$8.77
Issuer's Counsel	15,000	1.05
Financial Advisor	40,000	2.81
Trustee	8,500	0.60
Trustee Counsel	5,500	0.39
Attorney General	2,500	0.18
Private Activity Fee	4,065	0.29
TEFRA Notice Publication	2,500	0.18
TSAHC Fees	32,390	2.27
Cash Flow Preparation	7,500	0.53
	$242,955	**$17.04**

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation, Single Family Mortgage Revenue Bonds (Professional Educators Home Loan Program), Series 2005A - $23,920,000

Purpose: The proceeds of the bonds will be initially invested in an investment agreement and will be withdrawn to purchase certificates following the origination and pooling of mortgage loans.

Dates:

Board Approval -	June 20, 2005
Negotiated Sale -	June 22, 2005
Closing Date -	July 27, 2005

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on September 1, 2039.

Bond Ratings:

Moody's	Aaa

Interest Cost:

True Interest Cost (TIC) -	5.15%
Net Interest Cost (NIC) -	4.98%

Consultants:

Bond Counsel -	Fulbright & Jaworski L.L.P
Financial Advisor -	First Southwest Company
Senior Underwriters -	RBC Dain Rauscher, Inc.
	Morgan Keegan & Company, Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$52,500	$2.19
Financial Advisor	73,250	3.06
Trustee	3,500	0.15
Trustee Counsel	5,000	0.21
Rating Agency	13,600	0.57
Attorney General	1,250	0.05
Private Activity Fee	6,750	0.28
Cash Flow Preparation	7,500	0.31
Printing	3,000	0.13
Other	17,550	0.73
	$183,900	**$7.69**
Underwriters' Spread	**$203,600**	**$8.51**

TEXAS STATE UNIVERSITY SYSTEM

Issue: Board of Regents, Texas State University System, Revenue Financing System Revenue and Refunding Bonds, Series 2004 - $85,950,000

Purpose: The proceeds of the bond issue were used for the purpose of 1) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping the property, buildings, structures, facilities, roads, or related infrastructure for the University System; 2) refunding certain outstanding debt obligations of the Board; and 3) paying costs of issuance.

Dates:

Board Approval -	November 9, 2004
Negotiated Sale -	November 19, 2004
Closing Date -	December 3, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on March 15, 2034. The bonds are insured by Financial Security Assurance Inc.

Bond Ratings:

Moody's -	Aaa/Aa3
Standard & Poor's -	AAA/A+

Interest Cost:

True Interest Cost (TIC) -	4.26%
Net Interest Cost (NIC) -	4.27%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	RBC Dain Rauscher, Inc.
Senior Underwriter -	UBS Financial Services, Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$72,000	$0.84
Financial Advisor	88,500	1.03
Paying Agent	750	0.01
Escrow Agent	13,410	0.16
Printing	5,000	0.06
Attorney General	1,250	0.01
Rating Agencies	64,000	0.74
	$244,910	**$2.85**
Underwriters' Spread	**$516,560**	**$6.01**

TEXAS TRANSPORTATION COMMISSION

Issue: Texas Transportation Commission, State of Texas General Obligation Mobility Fund Bonds Series 2005A and Series 2005B (Variable Rate Bonds) - $1,000,000,000

Purpose: The proceeds of the bonds will be used to pay, or reimburse the State Highway Fund for the payment of the costs of 1) constructing, reconstructing, acquiring, and expanding state highways and providing participation by the state in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects; and 2) issuing the bonds.

Dates:

Board Approval -	May 5, 2005
Negotiated Sale -	June 2, 2005
Closing Date -	June 8, 2005

Structure: The Series 2005A bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on April 1, 2035. The Series 2005B bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on April 1, 2030.

Bond Ratings:	**2005A**	**2005B**
Moody's -	Aa1	Aa1/VMIG 1
Standard & Poor's -	AA	AA/A1+
Fitch	AA+	AA+/F1+

Interest Cost:	**2005A**	**2005B**
True Interest Cost (TIC) -	4.43%	Floating
Net Interest Cost (NIC) -	4.57%	Floating

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	RBC Dain Rauscher, Inc.
Senior Underwriter -	UBS Financial Services, Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$568,000	$0.57
Financial Advisor	395,000	0.40
Printing	11,420	0.01
Attorney General	2,500	0.00
Paying Agent	1,275	0.00
Rating Agencies	224,600	0.22
Disclosure Counsel	250,000	0.25
Liquidity Provider's Counsel	41,000	0.04
	$1,493,795	**$1.49**
Underwriters' Spread	**$4,269,038**	**$4.27**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Housing Assistance Program, Fund II Series 2004B - $50,000,000

Purpose: The proceeds of the bonds were used to provide home loans for eligible Texas veterans.

Dates:

Board Review -	August 6, 2004
Negotiated Sale -	September 14, 2004
Closing Date -	September 15, 2004

Structure: The bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on December 1, 2034. The bonds are general obligations of the state and are not insured.

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 -	RBC Dain Rauscher, Inc.
Senior Underwriter -	Bear, Stearns & Co. Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$55,000	$1 10
Co-Bond Counsel	13,908	0 28
Financial Advisor	19,000	0 38
Rating Agencies	32,220	0.64
Attorney General	2,500	0.05
Printing	1,471	0.03
Liquidity Provider's Counsel	10,000	0 20
	$134,099	**$2.68**
Underwriters' Spread	**$96,594**	**$1 93**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Housing Assistance Program Fund I Series 2004C, Fund II Series 2004D and 2004E, Taxable Refunding Bonds - $43,870,000

Purpose: The proceeds of the bonds were used to refund the State of Texas Veterans' Housing Assistance Program Bonds, Fund I Series 1994D, Fund II Series 1994A, and Fund II Taxable Series 1994B.

Dates:

Board Review -	October 9, 2004
Negotiated Sale -	November 17, 2004
Closing Date -	November 18, 2004

Structure: The bonds were sold on a negotiated basis as variable-rate, taxable securities with final maturity dates of December 1, 2018 for Series 2004C, June 1, 2020 for Series 2004D, and December 1, 2006 for Series 2004E. The bonds are general obligations of the state and are not insured.

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 -	RBC Dain Rauscher, Inc.
Senior Underwriter -	JPMorgan

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$1.48
Co-Bond Counsel	23,813	0 54
Financial Advisor	16,855	0 38
Rating Agencies	25,496	0 58
Attorney General	2,500	0.06
Printing	1,108	0.03
Liquidity Provider's Counsel	8,500	0 19
Liquidity Provider's Foreign Counsel	3,100	0.07
	$146,372	**$3 34**
Underwriters' Spread	**$83,098**	**$1 89**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Land Refunding Bonds Taxable Series 2004 - $24,755,000

Purpose: The proceeds of the bonds were used to refund the State of Texas Veterans' Land Bonds, Series 1994.

Dates:

Board Review -	October 9, 2004
Negotiated Sale -	November 17, 2004
Closing Date -	November 18, 2004

Structure: The bonds were sold on a negotiated basis as variable-rate, taxable securities with a final maturity date of December 1, 2024. The bonds are general obligations of the state and are not insured.

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 -	RBC Dain Rauscher, Inc.
Senior Underwriter -	Morgan Stanley & Co. Incorporated

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$25,634	$1.04
Co-Bond Counsel	7,753	0 31
Financial Advisor	11,500	0.46
Rating Agencies	18,414	0.74
Attorney General	1,250	0.05
Printing	1,945	0.08
Liquidity Provider's Counsel	8,000	0 32
	$74,496	**$3.01**
Underwriters' Spread	**$58,531**	**$2 36**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Housing Assistance Program, Fund II Series 2005A - $50,000,000

Purpose: The proceeds of the bonds were used to provide home loans for eligible Texas veterans.

Dates:

Board Review -	February 2, 2005
Negotiated Sale -	February 23, 2005
Closing Date -	February 24, 2005

Structure: The bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on June 1, 2035. The bonds are general obligations of the state and are not insured.

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 -	RBC Dain Rauscher, Inc.
Senior Underwriter -	Goldman, Sachs & Co.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$55,000	$1 10
Co-Bond Counsel	13,979	0 28
Financial Advisor	19,000	0 38
Rating Agencies	31,980	0.64
Attorney General	1,250	0.03
Printing	1,519	0.03
Liquidity Provider's Counsel	8,000	0 16
	$130,728	**$2.61**
Underwriters' Spread	**$98,500**	**$1 97**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Housing Assistance Program, Fund II Series 2005B - $50,000,000

Purpose: The proceeds of the bonds were used to provide home loans for eligible Texas veterans.

Dates:

Board Review -	July 12, 2005
Negotiated Sale -	August 8, 2005
Closing Date -	August 9, 2005

Structure: The bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on June 1, 2036. The bonds are general obligations of the state and are not insured.

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 -	RBC Dain Rauscher, Inc.
Senior Underwriter -	Lehman Brothers Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$55,000	$1 10
Co-Bond Counsel	13,984	0 28
Financial Advisor	19,000	0 38
Rating Agencies	31,980	0.64
Attorney General	1,250	0.03
Printing	1,448	0.03
Liquidity Provider's Counsel	8,000	0 16
	$130,662	**$2.61**
Underwriters' Spread	**$91,296**	**$1 83**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board, State Revolving Fund Subordinate Lien Revenue Bonds (Variable Rate Refunding), Series 2005 - $136,055,000

Purpose: The proceeds of the bonds were used for the purpose of 1) providing funds to refund the outstanding Series 2003 bonds and certain of the Board's outstanding senior lien revenue obligations and 2) paying the costs of issuance.

Dates:

Board Review -	February 10, 2005
Negotiated Sale -	April 26, 2005
Closing Date -	April 26, 2005

Structure: The bonds were sold on a negotiated basis as variable-rate, tax-exempt securities maturing on July 15, 2026. The bonds are not insured.

Bond Ratings:

Moody's -	Aaa/VMIG 1
Standard & Poor's -	AAA/A-1+
Fitch:	AAA/F1+

Interest Cost:

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

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	First Southwest Company
Senior Underwriter -	Morgan Stanley & Co. Incorporated

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$55,599	$0.41
Financial Advisor	100,428	0.74
Rating Agencies	104,100	0.77
Attorney General	1,250	0.01
Printing	3,933	0.03
Paying Agent	1,125	0.01
Escrow Agent	200	0.00
Escrow Verification	1,250	0.01
Liquidity Provider's Counsel	18,000	0 13
Other	5,704	0.04
	$291,588	**$2 14**
Underwriters' Spread	**$324,273**	**$2 38**

TEXAS WATER DEVELOPMENT BOARD

Issue: State of Texas Water Financial Assistance and Refunding Bonds, Series 2005A and Water Financial Assistance Bonds, Taxable Series 2005B - $70,675,000

Purpose: The proceeds of the 2005A bonds were used to 1) provide financial assistance to political subdivisions for water supply, water quality enhancement and flood control purposes; 2) transfer to any state revolving fund administered by the Water Development Board; and 3) refund certain of the Water Development Board's outstanding Water Development bonds. The proceeds of the 2005B bonds were used to 1) provide financial assistance to water supply corporations and other political subdivisions for water supply, water quality and flood control purposes; and 2) transfer to any state revolving fund administered by the Water Development Board.

Dates:

Board Review -	June 10, 2005
Negotiated Sale -	June 22, 2005
Closing Date -	July 14, 2005

Structure: The 2005A bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on August 1, 2027. The 2005B bonds were sold on a negotiated basis as fixed-rate, taxable securities maturing on August 1, 2027. The bonds are general obligations of the state and are not insured.

Bond Ratings:

Moody's -	Aa1
Standard & Poor's -	AA
Fitch:	AA+

Interest Cost:	**2005A**	**2005B**
True Interest Cost (TIC) -	4.08%	5.00%
Net Interest Cost (NIC) -	4.29%	5.01%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Co-Bond Counsel -	Delgado, Acosta, Braden & Jones, P.C.
Financial Advisor -	First Southwest Company
Senior Underwriter -	Siebert Brandford Shank & Co., LLC

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$20,374	$0 29
Co-Bond Counsel	9,786	0 14
Financial Advisor	51,148	0.72
Rating Agencies	41,650	0 59
Attorney General	2,250	0.03
Printing	1,781	0.03
Paying Agent	500	0.01
Escrow Agent	200	0.00
Escrow Verification	1,250	0.02
Other	5,659	0.08
	$134,598	**$1 90**
Underwriters' Spread	**$427,752**	**$6.05**

TEXAS WOMAN'S UNIVERSITY

Issue: Board of Regents, Texas Woman's University, Revenue Financing System Refunding and Improvement Bonds, Series 2004A - $11,820,000

Purpose: The proceeds of the bond issue were used for the purpose of 1) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads, or related infrastructure for the University; 2) refunding certain outstanding debt obligations of the Board; and 3) paying costs of issuance.

Dates:

Board Approval -	November 18, 2004
Negotiated Sale -	December 2, 2004
Closing Date -	December 23, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on July 1, 2024. The bonds are insured by MBIA Insurance Corporation.

Bond Ratings:

Moody's -	Aaa/A2
Standard & Poor's -	AAA/A

Interest Cost:

True Interest Cost (TIC) -	4.37%
Net Interest Cost (NIC) -	4.29%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	RBC Dain Rauscher, Inc.
Senior Underwriter -	UBS Financial Services Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$17,500	$1.48
Financial Advisor	25,500	2.16
Paying Agent	1,000	0.08
Escrow Agent	250	0.02
Printing	5,000	0.42
Attorney General	1,000	0.08
Rating Agencies	20,800	1.76
	$71,050	**$6.01**
Underwriters' Spread	**$75,648**	**$6.40**

THE TEXAS A&M UNIVERSITY SYSTEM

Issue: Board of Regents of The Texas A&M University System, Revenue Financing System Bonds, Series 2005A and 2005B - $424,650,000

Purpose: Proceeds of the bonds were used to 1) advance refund a portion of the Board's Revenue Financing Bonds; 2) refund a portion of the Board's Revenue Financing Commercial Paper; 3) finance the costs of campus improvements; and 4) pay costs of issuance.

Dates:

Board Approval -	May 10, 2005
Negotiated Sale -	June 3, 2005
Closing Date -	June 30, 2005

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities. The Series 2005A bonds have a final maturity date of May 15, 2025, and the Series 2005B bonds, May 15, 2029. The bonds are not insured.

Bond Ratings:

Moody's -	Aa1
Standard & Poor's -	AA+
Fitch -	AA+

Interest Cost:

True Interest Cost (TIC) -	3.96%
Net Interest Cost (NIC) -	4.12%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	First Southwest Company
Senior Underwriters -	Lehman Brothers, Inc.
	Goldman, Sachs & Co.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$133,913	$0 32
Financial Advisor	215,683	0 51
Rating Agencies	126,500	0 30
Paying Agent/Registrar	450	0.00
Escrow Agent	3,000	0.01
Escrow Verification	8,000	0.02
Attorney General	1,250	0.00
Printing	6,297	0.01
Miscellaneous	8,150	0.02
	$503,242	**$1 19**
Underwriters' Spread	**$1,647,288**	**$3 88**

THE UNIVERSITY OF TEXAS SYSTEM

Issue: Board of Regents of The University of Texas System, Revenue Financing System Bonds, Series 2004C and 2004D - $570,780,000

Purpose: Proceeds of the bonds were used to 1) refund a portion of the Board's Revenue Financing Commercial Paper Notes, 2) finance the costs of campus improvements, and 3) pay costs of issuance.

Dates:

Board Review -	October 11, 2004
Negotiated Sale -	November 4, 2004
Closing Date -	November 12, 2004

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities. The Series 2004C bonds have a final maturity date of August 15, 2023, and the Series 2004D bonds, August 15, 2034. The bonds are not insured.

Bond Ratings:

Moody's -	Aaa
Standard & Poor's -	AAA
Fitch -	AAA

Interest Cost:

True Interest Cost (TIC) -	4.33%
Net Interest Cost (NIC) -	4.54%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Senior Underwriters -	**2004C** - Goldman, Sachs & Co.
	2004D - J.P. Morgan

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$194,852	$0 34
Rating Agencies	106,100	0 19
Disclosure Counsel	30,000	0.05
Paying Agent/Registrar	3,000	0.01
Escrow Agent	500	0.00
Attorney General	2,500	0.00
Printing	2,973	0.01
Travel	3,561	0.01
	$343,486	**$0.60**
Underwriters' Spread	**$2,090,295**	**$3.66**

UNIVERSITY OF HOUSTON SYSTEM

Issue: Board of Regents of the University of Houston System, Consolidated Revenue Bonds, Series 2005 - $25,800,000

Purpose: The proceeds of the bond issue were used for the purpose of 1) financing the acquisition, purchase, construction, improvement, renovation, enlargement, and equipping of any property, buildings, structures, activities, operations or other facilities of the System; and 2) paying costs of issuance.

Dates:

Board Review -	February 14, 2005
Competitive Sale -	March 8, 2005
Closing Date -	April 5, 2005

Structure: The bonds were sold on a competitive basis as fixed-rate, tax-exempt securities maturing on February 15, 2025. The bonds are insured by Ambac Assurance Corporation.

Bond Ratings:

Moody's -	Aaa/Aa3
Standard & Poor's -	AAA/AA-

Interest Cost:

True Interest Cost (TIC) -	4.35%
Net Interest Cost (NIC) -	4.37%

Consultants:

Bond Counsel -	Winstead Sechrest & Minick P.C.
Co-Bond Counsel -	Bates & Coleman, P.C.
Financial Advisor -	First Southwest Company
Senior Underwriter -	Merrill Lynch & Co., Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$55,201	$2 14
Co-Bond Counsel	4,050	0 16
Financial Advisor	28,000	1.09
Paying Agent	500	0.02
Printing	4,189	0 16
Attorney General	1,250	0.05
Rating Agencies	39,500	1 53
Miscellaneous	216	0.01
	$132,906	**$5 15**
Underwriters' Spread	**$246,138**	**$9 54**

Appendix B
Texas Commercial Paper and Variable Rate Note Progams

Several 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, 2005 a total of $3.06 billion was authorized for state commercial paper or variable-rate note programs. Of this amount, $1.08 billion was outstanding as of the end of fiscal 2005 *(Table 16)*.

A brief summary of each variable-rate debt program is provided below:

The University of Texas System

The University of Texas System (the "System") has authorized two variable-rate financing programs: a flexible-rate note program secured by distributions from the total return on all investment assets of the Permanent University Fund (PUF) and a commercial paper program secured by the revenues of the 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 Flexible Rate Note Program replaced 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 outstanding PUF flexible rate notes may not exceed $400 million in principal amount at any time.

The 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 System, including pledged tuition fees, general fees, and other revenue sources. The System's outstanding RFS commercial paper notes may not exceed $800 million in principal amount at any time.

The Texas A&M University System

The Texas A&M University System (the "A&M System") has also authorized two variable-rate financing programs: a flexible-rate note program secured by the Permanent University Fund (PUF) and a commercial paper program secured by the 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 A&M System's outstanding PUF

Table 16
TEXAS COMMERCIAL PAPER AND VARIABLE-RATE NOTE PROGRAMS
as of August 31, 2005

ISSUER	TYPE OF PROGRAM	AMOUNT AUTHORIZED	AMOUNT ISSUED FISCAL 2005	AMOUNT OUTSTANDING
The University of Texas System				
Permanent University Fund	Flexible-Rate Notes	$400,000,000	$125,000,000	$0
Revenue Financing System	Commercial Paper	$800,000,000	281,460,000	525,064,000
The Texas A&M University System				
Permanent University Fund	Flexible-Rate Notes	$80,000,000	0	80,000,000
Revenue Financing System	Commercial Paper	$200,000,000	53,400,000	29,200,000
Texas Tech University System				
Revenue Financing System	Commercial Paper	$100,000,000	22,500,000	38,858,000
The University of North Texas System				
Revenue Financing System	Commercial Paper	$50,000,000	27,195,149	28,858,000
Texas Department of Agriculture	Commercial Paper	$50,000,000	0	30,000,000
	Commercial Paper	$25,000,000	0	0
Texas Economic Development & Tourism Office	Commercial Paper	$25,000,000	3,000,000	15,000,000
Texas Department of Transportation	Commercial Paper	$500,000,000	0	0
Texas Dept. of Housing & Community Affairs	Commercial Paper	$200,000,000	36,223,000	75,000,000
Texas Public Finance Authority				
Revenue	Commercial Paper	$150,000,000	37,000,000	77,259,000
General Obligation	Commercial Paper	$1,056,000,000	$126,200,000	$184,840,000
Total		**$3,636,000,000**	**$711,978,149**	**$1,084,079,000**

* Represents the maximum amount outstanding approved by the Bond Review Board; however, the Texas Agriculture Finance Authority (Department of Agriculture) has approved a $100 million program amount.

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

flexible rate notes may not exceed $80 million in principal amount at any time.

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, and 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 A&M 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. The A&M System's outstanding RFS commercial paper notes may not exceed $200 million in principal amount at any time.

Texas Tech University System 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 exceeding $50 million at any one time without approval of the Board of Regents. Subsequent authorizations from the Board have raised the limit to $100 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.

The University of North Texas System

In May 2004, the Board of Regents of The University of North Texas System (the "System") authorized a Revenue Financing System commercial paper program in an amount not to exceed $50 million. The program was established to provide interim financing for capital projects, including construction, acquisition, renovation, and equipment for facilities of the System. The commercial paper is secured by a pledge of all legally available revenues of the System, including pledged tuition fees, general fees and other revenue sources.

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 exporting 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 are 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 Economic Development and Tourism Office

In 1992, the Texas Economic Development and Tourism Office (the "Office") was granted the authority to issue commercial paper to fund loans to Texas businesses under three programs. Under the first program, the Office 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. The commercial paper issued by the Office 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 principal and interest on commercial paper refunding bonds.

Texas Department of Transportation

In July 2005, the Texas Transportation Commission (the "Commission"), the governing body of the Texas Department of Transportation (the "Department"), authorized a commercial paper program. TxDOT is authorized to issue up to $350,000,000 in notes to carry out the functions of the Department. However, the Department may issue up to $500,000,000 in notes upon an increase in the amount available to the Department under a liquidity or credit facility that is currently limited to $350,000,000.

Texas Public Finance Authority

In 1992, the Texas Public Finance Authority (TPFA) established a Master Lease Purchase Program (MLPP) that is funded through commercial paper. The commercial paper issued to date has primarily 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 are authorized by the legislature and financed through general obligation bonds. In 2002, TPFA established a commercial paper program that is also secured by the state's general obligation pledge to provide financial assistance to border counties for roadways in colonias.

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 is one example of a state issuer that 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.

Comptroller of Public Accounts Liquidity Facility Provider Duties

The 73rd Legislature passed legislation that authorized the Comptroller of Public Accounts - Treasury Operations 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 include 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.

Appendix C
Texas Swap Progams

Interest rate swaps do not represent additional debt of the State but are used as a financial management tool primarily to reduce interest expense and hedge against interest rate, tax, basis and other risks. Swaps can also increase the issuers' financial flexibility and are used when the issuer is able to achieve objectives that are consistent with overall program goals and financial policies.

Swap Transactions

While there are a variety of derivative products available, the two most often used by Texas issuers are pay-fixed, receive-variable interest rate swaps and pay-variable, receive-variable interest rate swaps.

By accepting certain risks with pay-fixed, receive-variable swaps, issuers are typically able to lower their borrowing costs compared to issuing traditional fixed-rate bonds. Under this arrangement which creates *synthetic fixed-rate debt*, the issuer agrees to make fixed-rate payments to the swap counterparty and the swap counterparty agrees to pay the issuer variable, index-based rate payments that are expected to be comparable to the rates payable on the variable-rate debt associated with the swap agreement. This swap program is illustrated below.

To structure such a transaction, issuers analyze the impact of issuing either natural or synthetic fixed-rate debt. If the spread between the two is sufficient to compensate the issuer for accepting certain risks associated with synthetic fixed-rate debt, the issuer will execute the swap and issue the associated variable-rate debt. The issuer remains obligated to make debt service payments to the variable-rate bondholders, even if the variable rate received from the swap counterparty doesn't cover the variable rate due on the associated bonds (see Basis Risk on page 55).

The variable rates received under most of Texas' existing pay-fixed, receive-variable interest rate swaps are based on various taxable London Interbank Offered Rates (LIBOR).

A tax-exempt index also often used in the swap market is the Bond Market Association Municipal Swap Index (BMA) produced by Municipal Market Data. The four VLB pay-variable, receive-variable swaps are *LIBOR-to-BMA basis swaps* and effectively convert the variable rate on the associated variable-rate bond issues from a LIBOR (taxable) based rate to a BMA (tax-exempt) based rate. At August 31, 2005 the VLB also had one outstanding auction rate securities transaction as well as an inverse floating-rate transaction.

In addition to interest rate swaps, additional derivative products include the following:

Options on swaps – sale or purchase of options may be used to commence or cancel interest rate swaps. Several of the VLB swaps contain embedded barrier options that provide for the VLB to be "knocked out" of the swaps by the respective counterparties for varying periods of time upon the breach of certain predetermined barriers. In each of the cases, the VLB was paid an upfront option premium by the respective counterparties.

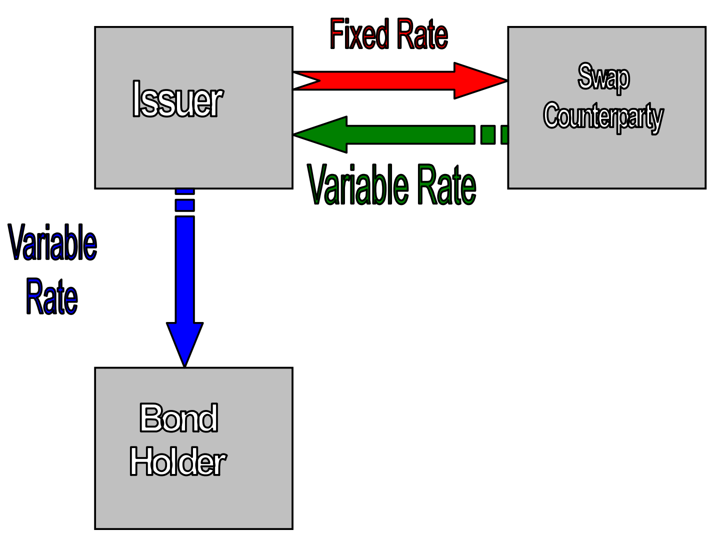
Interest rate caps – financial contracts (caps, collars, floors) may be used to limit or bound exposure to interest rate volatility.

Rate locks – rate locks are often based on interest rate swaps and may be used to hedge an upcoming fixed-rate bond issue.

Risk Analysis

State issuers considering entering into an interest rate swap agreement must assess the risks associated with the transaction. Generally, the risks associated with interest rate swaps fall into the following categories:

Termination Risk – the risk that an interest rate swap could be terminated prior to its scheduled termination date as a result of any of several events relating to either the issuer or its counterparty.



The issuer or the counterparty may terminate a swap if the other party fails to perform under the terms of the swap agreement. If a swap has a negative fair value, the issuer would owe the respective counterparty a termination payment equal to the swap's fair value at the time of termination. (See Fair Value discussion below.)

Credit Risk – the risk that either the counterparty or the issuer will not fulfill its obligations as specified by the terms of the swap agreement. State issuers mitigate this risk by entering into transactions with highly-rated counterparties. The issuers also mitigate concentrations of credit risk by diversifying their swap portfolios among different counterparties. Credit risk also includes the risk of the occurrence of an event that would modify the credit rating of an issuer or its counterparty.

Basis Risk – the risk of a mismatch between the rate received and the rate paid on the related debt issue. An issuer mitigates this risk by: 1) matching the notional amount and amortization schedule of the swap to the principal amount and amortization schedule of the associated variable-rate bond issue, and 2) selecting a variable-rate leg for the swap that is reasonably expected to match the interest rate on the associated variable-rate bonds over the life of the bond issue.

Rollover Risk – the risk associated with the counterparty's option to terminate the swap. If the swap is terminated by the counterparty, the associated variable-rate bonds would no longer have a synthetic fixed-rate and would be subject to interest rate risk to the extent the variable-rate bonds were not hedged with another swap or with variable-rate assets on the issuer's balance sheet. The VLB had two swaps subject to rollover risk at August 31, 2005.

Tax Risk – the risk associated with potential changes in the taxation of the issuer's tax-exempt, variable-rate bonds as a result of changes in marginal income tax rates and other changes in the federal and state tax systems.

Fair Value – the value of a swap estimated by using market-standard practice that includes a calculation of future net settlement payments required by the swap based on market expectations implied by the current yield curve for interest rate transactions. For a swap with embedded options, an additional calculation is conducted to determine the value of the options.

Due to the general reduction in interest rates over the last several years, the fair values of the pay-fixed, receive-variable swaps was negative at August 31, 2005, indicating that the issuers would be liable for the fair values of the swaps in the unlikely event of termination. However, it is important to note that issuers have achieved significant savings in interest costs over the last several years by issuing synthetic fixed-rate debt rather than natural fixed-rate debt. (See *Table 17* for the terms, counterparty credit ratings and fair values for the state's swaps outstanding at August 31, 2005.)

If interest rates change such that the fair value of any of the swaps becomes positive, the counterparties would be liable for that fair value in the event of termination of the swaps. In this case, the issuers would become exposed to counterparty credit risk; however, the issuers' swap agreements contain varying collateral agreements and insurance policies with their counterparties to mitigate credit risk.

Table 17

TEXAS INTEREST RATE SWAPS

As of 8/31/2005

(amounts in thousands)

UNAUDITED

Pay-Fixed, Receive-Variable

(Synthetic Fixed-Rate Swaps)

Bond Issue	Original Notional Amount	8/31/2005 Notional Amount	Effective Date	Swap Termination Date	Fixed-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Fair Value
Vet Hsg Ref Bds Ser '95	$88,490	$68,280	11/29/1995	12/01/2016	5 5200%	Actual Bond Rate	AAA/Aaa	($9,823)
Vet Land Ref Bds Ser '99A	40,025	33,400	06/01/1999	12/01/2018	5 1120%	68% of 6M LIBOR	AAA/Aaa	(4,496)
Vet Land Tax Ref Bds Ser '99B	36,720	31,600	12/01/1999	12/01/2009	5 1250%	100% of 6M LIBOR	AA+/Aaa	(1,114)
Vet Land Tax Ref Bds Ser 2000	39,960	39,960	12/01/2000	12/01/2020	6 1060%	100% of 6M LIBOR	AA+/Aaa	(6,754)
Vet Hsg Fund II Bds Ser 2001A-2	20,000	20,000	12/03/2001	12/01/2029	4 3000%	68% of 1M LIBOR	AA-/Aa1	(2,953)
Vet Hsg Fund II Bds Ser 2001C-2	25,000	25,000	12/18/2001	12/01/2033	4 3650%	68% of 1M LIBOR	AA+/Aaa	(4,554)
Vet Land Bds Ser 2002	20,000	19,335	02/21/2002	12/01/2032	4 1400%	68% of 1M LIBOR	AA-/Aa3	(2,348)
Vet Hsg Fund II Bds Ser 2002A-2	38,300	37,170	07/10/2002	06/01/2033	3 8725%	68% of 1M LIBOR	AAA/Aaa	(2,776)
Vet Land Tax Ref Bds Ser 2002	27,685	27,685	12/01/2002	12/01/2021	4 9350%	100% of 6M LIBOR	AA-/Aa3	(2,375)
Vet Hsg Fund I Tax Ref Bds Ser 2002B	22,605	20,635	12/01/2002	06/01/2023	4 9100%	100% of 6M LIBOR	AA+/Aaa	(1,611)
Vet Hsg Fund II Bds Ser 2003A	50,000	47,580	03/04/2003	06/01/2034	3 3040%	68% of 1M LIBOR	AA-/Aa3	(1,258)
Vet Hsg Fund II Bds Ser 2003B	50,000	48,485	10/22/2003	06/01/2034	3 4030%	64 5% of 1M LIBOR	AAA/Aaa	(1,963)
Vet Land Tax Ref Bds Ser 2003	29,285	28,155	12/01/2003	12/01/2023	5 1230%	100% of 1M LIBOR	AA-/Aa3	(2,561)
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865	47,865	12/01/2003	06/01/2021	5 1900%	100% of 6M LIBOR	AA+/Aaa	(4,696)
Vet Hsg Fund II Bds Ser 2004A	50,000	49,045	04/07/2004	12/01/2034	3 3130%	68% of 1M LIBOR	AAA/Aaa	(1,323)
Vet Hsg Tax Ref Bds Ser 2004	19,550	18,605	06/01/2004	12/01/2024	5 4500%	100% of 6M LIBOR	AAA/Aaa	(2,415)
Vet Hsg Fund II Bds Ser 2004B	50,000	50,000	09/15/2004	12/01/2034	3 6800%	68% of 1M LIBOR	AAA/Aaa	(2,985)
Vet Land Tax Ref Bds Ser 2004	24,755	24,560	12/01/2004	12/01/2024	5 4550%	100% of 6M LIBOR	AA-/Aa3	(3,163)
Vet Hsg Fund I, II Tax Ref Bds Ser 2004C,D,E	43,870	43,705	12/01/2004	06/01/2020	5 3480%	100% of 1M LIBOR	AA-/Aa3	(4,423)
Vet Hsg Fund II Bds Ser 2005A	50,000	50,000	02/24/2005	06/01/2035	3 2790%	68% of 1M LIBOR	AAA/Aaa	(1,216)
Vet Hsg Fund II Bds Ser 2005B	50,000	50,000	08/09/2005	06/01/2036	3 0870%	68% of 1M LIBOR	AAA/Aaa	(253)
Vet Land Tax Ref Bds Ser 2005	22,795	22,795	12/01/2005	12/01/2026	6 5170%	100% of 6M LIBOR	AAA/Aaa	(5,029)
Vet Hsg Fund II Tax Ref Bds Ser 2005A,B,C	24,885	24,885	12/01/2005	06/01/2026	5 1450%	100% of 1M LIBOR	AA-/Aa3	(3,761)
Vet Hsg Fund II Tax Ref Bds Ser 2005D	19,860	19,860	12/01/2005	12/01/2023	4 9290%	100% of 1M LIBOR	AA-/Aa3	(1,997)
Vet Hsg Fund II Tax Ref Bds Ser 2005E	8,525	8,525	12/01/2005	12/01/2009	4 3300%	100% of 1M LIBOR	AA-/Aa3	(21)
Vet Land Tax Ref Bds Ser 2006	31,030	31,030	06/01/2006	12/01/2027	6 5400%	100% of 6M LIBOR	AAA/Aaa	(6,567)
Vet Hsg Fund II Tax Ref Bds Ser 2006	22,325	22,325	06/01/2006	12/01/2027	5 7900%	100% of 6M LIBOR	AAA/Aaa	(3,328)
Vet Hsg Fund II Tax Ref Bds Ser 2006A	38,570	38,570	06/01/2006	12/01/2026	5 8300%	100% of 1M LIBOR	AA-/Aa3	(6,932)
Vet Land Tax Ref Bds Ser 2006B	24,035	24,035	06/01/2006	12/01/2026	4 6100%	100% of 6M LIBOR	AAA/Aaa	(1,229)
Vet Land Tax Ref Bds Ser 2006A	41,050	41,050	12/01/2006	12/01/2027	6 5130%	100% of 1M LIBOR	AA-/Aa3	(8,328)
Vet Hsg Fund II Tax Ref Bds Ser 2006B	39,560	39,560	12/01/2006	12/01/2026	5 4610%	100% of 1M LIBOR	AA-/Aa3	(7,337)
Vet Hsg Fund II Tax Ref Bds Ser 2007	54,160	54,160	12/01/2007	06/01/2029	4 6580%	100% of 1M LIBOR	AA-/Aa4	(2,633)
Vet Hsg Fund II Tax Ref Bds Ser 2009	16,950	16,950	12/01/2009	12/01/2021	6 2200%	100% of 6M LIBOR	AAA/Aaa	(1,740)
Vet Hsg Fund II Tax Ref Bds Ser 2009A	65,845	65,845	12/01/2009	06/01/2031	5 4525%	100% of 6M LIBOR	AAA/Aaa	(7,138)
Vet Hsg Fund II Tax Ref Bds Ser 2010A	66,720	66,720	06/01/2010	12/01/2031	5 4010%	100% of 1M LIBOR	AA-/Aa3	(10,106)
Vet Hsg Fund II Tax Ref Bds Ser 2010	16,480	16,480	12/01/2010	12/01/2030	5 2090%	100% of 1M LIBOR	AA-/Aa3	(2,032)
UT RFS Ref Bds Ser 2001A	48,318	21,669	08/15/2001	08/15/2013	4 6330%	67% of 1M LIBOR	Aa2/AA+	(1,382)
UT RFS Ref Bds Ser 2001A	32,212	14,446	08/15/2001	08/15/2013	4 6330%	67% of 1M LIBOR	Aaa/AA+	(921)
TDHCA 2004B Single Family	53,000	53,000	09/01/2004	09/01/2034	3 8430%	63% of LIBOR + 30%	AA+/Aa2/AA	(3,013)
TDHCA 2004D Single Family	35,000	35,000	01/01/2005	03/01/2035	3 6125%	*	A+/Aa3/AA-	(1,582)
TDHCA 2005A Single Family	100,000	100,000	08/01/2005	09/01/2036	3 9900%	*	AAA/AAA/A	(4,941)
Pay-Fixed, Receive-Variable Total	**$1,585,430**	**$1,497,970**						**($145,078)**

Pay-Variable, Receive-Variable

(Basis Swaps)

Bond Issue	Original Notional Amount	8/31/2005 Notional Amount	Effective Date	Swap Termination Date	Variable-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Fair Value
Vet Hsg Fund II Tax Bds Ser 1997B-2	$25,000	$25,000	09/27/2002	12/01/2010	132 60% of BMA	100% of 3M LIBOR	AA-/Aa3	$26
Vet Hsg Fund II Tax Bds Ser 1999A-2	90,000	90,000	08/05/2002	09/01/2011	134 40% of BMA	100% of 1M LIBOR	AAA/Aaa	(464)
Vet Hsg Fund II Tax Bds Ser 1999A-2	60,000	60,000	08/05/2002	09/01/2011	134 40% of BMA	100% of 1M LIBOR	AA+/Aaa	(294)
Vet Land Tax Bds Ser 2000A/2002A	40,000	38,445	08/05/2002	12/01/2032	131 25% of BMA	100% of 1M LIBOR	AA-/Aa3	(1,227)
Pay-Variable, Receive-Variable Total	**$215,000**	**$213,445**						**($1,958)**
Total Interest Rate Swaps	**$1,800,430**	**$1,711,415**						**($147,036)**

*Lessor of (the greater of 65% of LIBOR or 56% of LIBOR + 45%) and LIBOR

Sources: Texas Veterans' Land Board, The University of Texas System and the Texas Department of Housing and Community Affairs (TDHCA)

Table 18

DEBT-SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT OUTSTANDING
AND NET INTEREST RATE SWAP PAYMENTS
As of August 31, 2005
(amounts in thousands)
UNAUDITED

Veterans' Land Board

Pay-Fixed, Receive Variable
(Synthetic Fixed-Rate Swaps)

FY Ending	Variable-Rate Bonds		Interest Rate	
8-31-2005	Principal	Interest	Swaps, Net	Total
2006	$25,620	$21,557	$11,829	$59,006
2007	29,440	21,005	11,428	61,874
2008	28,230	20,211	10,972	59,413
2009	29,470	19,423	10,515	59,408
2010	33,380	18,603	10,033	62,015
2011-2015	157,795	80,948	42,590	281,333
2016-2020	218,975	52,327	25,160	296,462
2021-2025	125,445	24,481	11,210	161,136
2026-2030	76,505	11,923	5,555	93,982
2031-2035	55,860	3,002	1,388	60,249
2036-2040	345	4	1	350
Total Pay-Fixed, Receive Variable	**$781,065**	**$273,486**	**$140,679**	**$1,195,230**

Pay-Variable, Receive-Variable
(Basis Swaps)

FY Ending	Principal	Interest	Swaps, Net	Total
2006	$585	$7,565	-$1,234	$6,915
2007	620	7,543	-1,230	6,933
2008	660	7,520	-1,226	6,954
2009	700	7,496	-1,222	6,978
2010	745	7,470	-1,218	5,879
2011-2015	4,485	36,903	-2,337	40,529
2016-2020	6,055	35,969	-859	41,384
2021-2025	18,495	34,088	-640	52,238
2026-2030	175,785	27,239	-344	202,983
2031-2035	5,315	239	-41	5,554
2036-2040	0	0	0	0
Total Pay-Variable, Receive-Variable	**$213,445**	**$172,032**	**-$10,352**	**$375,125**
VLB Total Debt Service and Net Interest Rate Swap Payments	**$994,510**	**$445,518**	**$130,326**	**$1,570,355**

Source: Texas Veterans' Land Board.

Table 18 (continued)
DEBT-SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT OUTSTANDING AND NET INTEREST RATE SWAP PAYMENTS
As of August 31, 2005
(amounts in thousands)
UNAUDITED

Texas Department of Housing and Community Affairs

Pay-Fixed, Receive Variable

FY Ending	Variable-Rate Bonds		Interest Rate	
8-31-2005	**Principal**	**Interest**	**Swaps, Net**	**Total**
2006	$0	$4,199	$2,279	$6,478
2007	885	4,580	2,512	7,977
2008	1,820	4,546	2,492	8,857
2009	1,895	4,499	2,463	8,857
2010	1,970	4,450	2,433	8,853
2011-2015	13,115	21,441	11,670	46,226
2016-2020	30,000	18,770	10,188	58,958
2021-2025	36,750	14,635	7,960	59,345
2026-2030	42,615	9,726	5,305	57,645
2031-2035	50,700	3,851	2,118	56,669
2036-2037	8,250	209	128	8,587
TDHCA Total Debt Service and Net Interest Rate Swap Payments	**$188,000**	**$90,906**	**$49,547**	**$328,453**

The University of Texas System

Pay-Fixed, Receive Variable

FY Ending	Variable-Rate Bonds		Interest Rate	
08-31-2005	**Principal**	**Interest**	**Swaps, Net**	**Total**
2006	$8,300	$873	$826	$9,999
2007	4,600	675	639	5,914
2008	3,800	566	535	4,901
2009	4,000	475	450	4,925
2010	4,300	380	360	5,040
2011	4,600	278	263	5,140
2012	3,400	168	159	3,727
2013	3,665	87	83	3,835
The UT System Total Debt Service and Net Interest Rate Swap Payments	**$36,665**	**$3,501**	**$3,315**	**$43,481**

Note: Future debt-service payments for variable-rate bonds and interes rate swaps are estimated assuming interest rates at August 31, 2005 remain constant for the terms of the bonds and the swaps.

Sources: Texas Department of Housing and Community Affairs and The University of Texas System.

Appendix D
Texas State Bond Progams

TEXAS AGRICULTURAL FINANCE AUTHORITY BONDS

Statutory/Constitutional Authority: The Texas Agricultural Finance Authority (the "Authority") was created in 1987 (Texas Agriculture Code, Chapter 58) and given the authority 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; however, the Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance, and is required to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are 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; therefore, no draw on general revenue is anticipated.

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COLLEGE STUDENT LOAN BONDS

Statutory/Constitutional Authority: Article III, Sections 50b and 50b-1, 50b-2, 50b-3, 50b-4, and 50b-5, of the Texas Constitution, adopted in 1965, 1969, 1989, 1991, 1995 and 1999, 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 30% of the loans made are guaranteed by the Texas Guaranteed Student Loan Corporation, the U.S. Department of Education and the U.S. Department of Health and Human Services.

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.

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Texas Higher Education Coordinating Board
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COLLEGE AND UNIVERSITY REVENUE BONDS

Statutory Authority: Section 55.13 of the Texas Education Code authorizes the governing boards of institutions of higher education to issue revenue bonds to provide funds to acquire, construct, improve, enlarge and equip property, buildings, structures or facilities.

In 1997, the 75th Legislature passed House Bill 1077, designating the Texas Public Finance Authority as the exclusive issuer for Midwestern State University, Stephen F. Austin State University, and Texas Southern University.

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 issuance, and are required to register their bonds with the Comptroller of Public Accounts.

Purpose: Proceeds are used to acquire, purchase, construct, improve, enlarge, and/or equip 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 repaid with income from pledged revenues. Pledged revenues include the pledged tuition, and any or all of the revenues, funds and balances 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 ECONOMIC DEVELOPMENT AND TOURISM BONDS

Statutory/Constitutional Authority: As the successor Office to the Texas Department of Economic Development, the Economic Development and Tourism Office within the Office of the Governor (the "Office") was created by Senate Bill 275 of the 78th Legislature. Senate Bill 275 authorizes the Office to issue bonds. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds was approved. Although legislative approval of bond issues is not required, the Office 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 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 Office and are payable from funds of the Office. The 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 Office is also authorized to issue general obligation debt, which is payable from revenues received by the Office. House Bill 1, 75th Legislature, Rider 6, specifically prohibits the use of general revenue for debt service on the general obligation bonds issued by the Office; therefore, any general obligation bonds issued by the Office are required to be self-supporting.

Dedicated/Project Revenue: Revenue of the Office, primarily from the repayment of loans and the disposition of debt instruments, is pledged to the payment of principal and interest on bonds issued.

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS BONDS

Statutory Authority: The Texas Department of Housing and Community Affairs (the "Department") was created pursuant to Chapter 762, 1991 Tex.Sess.Law Serv. 2672, the Act, codified as Chapter 2306, Texas Government Code. The Department is the successor agency to the Texas Housing Agency (THA) and the Texas Department of Community Affairs, both of which were abolished by the Act with 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 THA, the Department, or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the THA become revenue bonds of the Department. Legislative approval of bond issues is not required; however, 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.

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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 approved that transferred 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, in House Bill 2499, the 75th Legislature increased the maximum loan amount available through the program to $250,000. In 2001, Senate Bill 716 authorized the Authority to provide a guarantee to a local lender for an eligible applicant.

Purpose: Proceeds from the sale of the general obligation bonds may be used to make loans of up to $250,000 to each eligible Texan 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; therefore, no draw on general revenue is anticipated.

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HIGHER EDUCATION CONSTITUTIONAL BONDS

Statutory/Constitutional 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 (PUF). Legislative approval of bond issues is not required; however, approval of the Bond Review Board and the Attorney General is required and the bonds must be registered with the Comptroller of Public Accounts.

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

Security: The first $175 million coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, goes to qualified institutions of higher education to fund certain land acquisition, construction, and repair projects. In 2005, the Legislature increased the total allocation to qualified institutions to $262.5 million beginning in fiscal year 2008. Fifty (50) 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:
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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Statutory Authority: The Texas Low-Level Radioactive Waste Disposal Authority (the “Authority”) was created in 1981 (Texas Health and Safety Code, Chapter 402), and authorized to issue revenue bonds in 1987 to finance certain costs related 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, in 1997, authorized the Texas Public Finance Authority to issue the bonds on behalf of the Texas Low-Level Radioactive Waste Disposal Authority.

The 76th Legislature abolished the Authority effective September 1, 1999, and transferred all of its duties, responsibilities, and resources to the Texas Natural Resource Conservation Commission (“the Commission”) that was renamed the Texas Commission on Environmental Quality.

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: Bonds issued are obligations of the Commission 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.

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TEXAS MILITARY FACILITIES COMMISSION BONDS

Statutory Authority: The Texas Military Facilities Commission (the “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 (Texas

Government Code, Chapter 435), and authorized to issue long-term debt. Legislative approval of bond issues is not required; however, 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 (Texas Government Code, Sec. 435.041).

Purpose: Proceeds from the sale of bonds are used to acquire land, to construct, remodel, repair or 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, is also used to pay a small portion of debt service.

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TEXAS PARKS AND WILDLIFE DEPARTMENT BONDS

Statutory/Constitutional Authority: Article III, Section 49-e, of the Texas Constitution, adopted in 1967, authorized the Texas Parks and Wildlife Department (the "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 Department. House Bill 3189, 75th Legislature, 1997, authorized the 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 general obligation bonds are used to purchase and develop state park lands. Proceeds from the sale of revenue bonds are 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 Comptroller of Public Accounts – Treasury Operations, 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, sporting goods sales tax revenue may also be used to pay debt service on general obligation park development bonds.

The Department's lease obligations to the Authority for revenue bonds are repaid from the Department's general revenue appropriation for lease payments.

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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 The 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. 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 PUF bonds or PUF notes.

Security: Bonds are equally and ratably secured by and payable from a first lien on and pledge of the interest of the UT System or the A&M System in the Available University Fund. The total amount of PUF bonds is subject to the constitutional limitation in that the aggregate amount of bonds payable from the Available University Fund cannot, at the time of issuance, exceed 30 percent of the cost value of investments and other assets of the PUF, exclusive of real estate.

The PUF bonds do not constitute general obligations of the UT Board or A&M Board, the Systems, the state of Texas, or any political subdivision of the state of Texas. Neither Board has taxing power; neither the credit nor the taxing power of the state of Texas or any political subdivision thereof is pledged as security for the bonds.

Dedicated/Project Revenue: Bonds are repaid from the Available University Fund, which consists of distributions from the "total return" on all investment assets of the PUF, including the net income attributable to the surface of PUF land, in amounts determined by the Board.

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TEXAS PUBLIC FINANCE AUTHORITY BONDS

Statutory/Constitutional Authority: The Texas Public Finance Authority (the "Authority") is authorized to issue both revenue and general obligation bonds.

The Authority was initially created by the legislature in 1983, by Tex.Rev.Civ.Stat.Ann., Article 601d (now Chapter 1232, Texas Government Code), and was authorized to issue revenue bonds to finance state office buildings.

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

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 Texas 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.

The 74th Legislature authorized the Authority to issue building revenue bonds on behalf of the Texas Department of State Health Services, formerly 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 75th Legislature authorized the Authority to issue bonds on behalf of the Texas Low-Level Radioactive Waste Disposal Authority (see Texas Commission on Environmental Quality), Midwestern State University, Texas Southern University and Stephen F. Austin State University. Other legislation passed by the 75th Legislature authorized the Authority to issue revenue bonds on behalf of the Texas Health and Human Services Commission and the Texas Parks and Wildlife Department. The legislature also authorized the Authority to issue bonds to finance the Texas State History Museum on behalf of the State Preservation Board.

The 76th Legislature authorized revenue obligations to finance automated information systems for the Texas Department of Human Services' electronic benefits transfer (EBT) and integrated eligibility (TIERS) programs.

In 2001, constitutional amendments were adopted authorizing the issuance of (1) up to $850 million of general obligation bonds to finance construction, renovation, and equipment acquisitions for thirteen state agencies (Texas Constitution, Article III, Section 50-f); and (2) up to $175 million of general obligation bonds to finance assistance to border counties for roadways in colonias (Texas Constitution, Article III, Section 49-l). Additionally, the 77th Legislature authorized the Authority to issue bonds to finance nursing home liability insurance and to establish a corporation to issue bonds for charter schools. Bonds issued for charter schools do not constitute state debt.

In 2003, the 78th Legislature authorized the Authority to issue revenue bonds on behalf of the Texas Workforce Commission to fund the unemployment compensation program. (See H.B. 3324 and S.B. 280.) The 78th Legislature also authorized: (1) the Authority's issuance of general obligation bonds to finance assistance to local governments for economic development projects to enhance the military value of military facilities, contingent on voter approval of SJR55, which was approved by Texas voters on September 13, 2003 (S.B. 652); and (2) the Authority's issuance of up to $75 million of revenue bonds to fund the FAIR Plan, which is residential property insurance of last resort (S.B. 14).

The 79th Legislature authorized the Authority to issue revenue bonds to finance building improvements for the Texas Department of Transportation and to refinance certain of the Texas Building and Procurement Commission's lease-purchase agreements.

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 general obligation bonds issued under Article III, Section 49-h, are used to finance the cost of constructing, acquiring, and/or renovating prison facilities, youth correction facilities, and mental health/mental retardation facilities. Proceeds of obligations issued under Article III, Section 50-f, are to be used for state agency renovation, construction and equipment acquisition projects. Proceeds of obligations issued under Article III, Section 49-l, are to be used to provide assistance to border counties for colonia roadway projects. 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 were 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 Parks and Wildlife Department, and the Texas state colleges and universities that are clients of the Authority, see the applicable sections in this appendix. Proceeds of bonds issued on behalf of the Texas National Research Laboratory Commission were used to finance costs of the Superconducting Super Collider; however, the project was canceled in 1995. The revenue bonds issued for the project were defeased in 1995, and the general obligation bonds were economically defeased in November 1999.

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 pledge the first monies not otherwise appropriated by the Constitution that come into the Comptroller of Public Accounts - Treasury Operatons each fiscal year to pay debt service on the bonds. Revenue debt issued from the Unemployment Compensation Insurance Fund is secured by a special obligation assessment imposed on Texas employers by the Texas Workforce Commission. 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 all general obligation bonds, except the park development bonds, is payable solely from the state's General Revenue Fund. Debt service on the general obligation bonds for park development is paid first from department revenues, as 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 Texas Department of State Health Services 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 in 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. 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.

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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 (Title 83, 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 are used to provide financing to state and local governments and to businesses and non-profit 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.

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TEXAS STATE AFFORDABLE HOUSING CORPORATION

Statutory Authority: Chapter 2306, Subchapter Y, of the Texas Government Code, authorizes the Texas State Affordable Housing Corporation (the "Corporation") to issue revenue bonds. In accordance with the Texas Government Code, as amended, the Corporation is authorized to issue statewide 501(c)(3) tax-exempt multifamily mortgage revenue bonds under Section 2306.555, and qualified mortgage revenue bonds under the Teachers Home Loan Program as established under Section 2306.562. The 78th Legislature authorized the Fire Fighter and Police Officer Home Loan Program and the 79th Legislature expanded the program to include law enforcement and security officers. Currently, there are no limits on the issuance of 501(c)(3) bonds for multifamily properties owned by nonprofit organizations. The Teachers Home Loan Program and the Fire Fighter and Security Officer Home Loan Program are each authorized to issue $25 million in revenue bonds.

The Corporation 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: The Corporation's primary public purpose is to facilitate the provisions of housing and the making of affordable loans to individuals and families of low, very low, and extremely low income, and for teachers under the Teachers Home Loan Program as provided by Section 2306.562 of the Texas Government Code. The Corporation is required to perform such activities and services that will promote and facilitate the public health, safety and welfare through the provision of adequate, safe and sanitary housing for individuals and families of low, very low, and extremely low income.

Security: Any bonds issued are payable solely from the revenues and funds pledged for the payment thereof. The Corporation'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 the payment of the Corporation's bonds.

Dedicated/Project Revenue: Revenue received by the Corporation from the repayment of loans and investment of bond proceeds is pledged to the payment of principal and interest on the bonds issued.

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TEXAS DEPARTMENT OF TRANSPORTATION BONDS

Statutory Authority: The Texas Turnpike Authority ("the Authority") was created as a division of the Texas Department of Transportation ("the Department") by the 75th Legislature by Senate Bill 370 (Texas Transportation Code, Chapter 361). [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 Texas Transportation Code, and turnpike revenue refunding bonds pursuant to Sec. 361.175.

Senate Bill 4, 77th Legislature, and the constitutional amendment voters approved in November 2001, created the Texas Mobility Fund and authorized the Department to issue bonds backed by the Fund.

Purpose: Proceeds from the sale of bonds to fund the SIB can be used to encourage public and private investment in transportation facilities, to develop financing techniques to expand the availability of funding transportation projects and to maximize private and local participation in financing projects. SIB assistance may include direct loans, credit enhancements, development 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. The Texas Mobility Fund will provide funding for the acquisition, construction, maintenance, reconstruction, and expansion of state highways, and the participation by the state in the costs of constructing publicly owned toll roads.

Security: Bonds issued are obligations of the Department and are payable from income from the SIB and other project revenues. Bonds issued by the Authority are payable from project revenues and other identified revenue sources. Bonds issued by the Authority are not obligations of the state or a pledge of the full faith and credit of the state. Only the bonds secured by the Texas Mobility Fund carry the state's full faith and credit and its taxing power is pledged toward payment of the bonds. The Transportation Commission may guarantee on behalf of the state the payment of any obligations by pledging the full faith and credit of the state if the dedicated revenues are insufficient.

Dedicated/Project Revenue: Debt for bonds is paid from income from the State Infrastructure Bank and other project revenues with the exception of debt paid for bonds secured by the Texas Mobility Fund. Likewise, bonds issued by the Authority are payable from project revenues and other identified revenue sources. The Texas Mobility Fund obligations are secured by and payable from a pledge of and lien on all or part of the money in the Fund.

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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. Article III, Section 49-b, amended in 2001 and 2003, also authorizes the VLB to use assets from the Veterans' Land Fund, the Veterans' Housing Assistance Fund, or the Veterans' Housing Assistance Fund II in connection with veterans cemeteries and veterans long-term care facilities. Chapter 164 of the Texas Natural Resources Code authorized the Veterans Land Board to issue revenue bonds for its programs, including the financing of veterans' long-term care facilities.

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 make land loans to veterans, to make home mortgage loans to veterans, or to provide for veterans' skilled nursing-care homes. Additionally, funds are used to provide cemeteries for veterans.

Security: The general obligation bonds pledge the first monies coming into the Comptroller of Public Accounts - Treasury Operations not otherwise dedicated by the Constitution in addition to program revenues. 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 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 are paid from all available revenue from the projects financed which is 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.

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TEXAS WATER DEVELOPMENT BONDS

Statutory/Constitutional Authority: The Texas Water Development Board (the "Board") is authorized to issue both revenue and general obligation bonds.

Article III, Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-4, 49-d-6, 49-d-7, 49-d-8, 49-d-9, and 50-d of the Texas Constitution, initially adopted in 1957, contain the authorization for the issuance of general obligation bonds by the Board.

The Texas Water Resources Fund, administered by the Board, was created by the 70th Legislature in 1987 (Texas Water Code, Sec. 17.853) to issue revenue bonds that facilitate the conservation of water resources.

The 71st Legislature (1989) passed comprehensive legislation that established the Economically Distressed Areas Program (EDAP). Article III, Section 49-d-7(b), 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; however, 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 are secured by program revenues and 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.

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TEXAS WATER RESOURCES FINANCE AUTHORITY BONDS

Statutory Authority: The Texas Water Resources Finance Authority (the "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 are 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: Issued bonds 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.

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