# Texas Bond Review Board

## 2009 Annual Report

Fiscal Year Ended August 31, 2009

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Fiscal Year Ended August 31, 2009

Rick Perry, Governor
Chairman

David Dewhurst, Lieutenant Governor

Joe Straus, Speaker of the House of Representatives

Susan Combs, Comptroller of Public Accounts

Robert C. Kline
Executive Director

**December 2009**

# Overview

The Texas Bond Review Board (BRB) is responsible for the approval of all state debt issues (excluding Permanent University Fund and Tax and Revenue Anticipation Notes financings) and lease purchases with an initial principal amount 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 state debt as well as the debt of 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 BRB and related events of the past fiscal year.

Even though Texas' economy declined during fiscal 2009, it still remained relatively strong compared to other states around the nation. In August 2009, Standard & Poor's raised its credit rating on Texas' general obligation debt to AA+ from AA based on the state's strong and diverse economy coupled with its projected surplus in the state's Economic Stabilization (rainy day) Fund of $9 billion. Texas' general obligation debt is now rated Aa1/AA+/AA+ by the three major credit rating agencies, Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively. S&P also raised its rating on the state's appropriation debt to AA from AA-.

Texas ended fiscal year-end 2009 with a consolidated General Revenue Fund cash balance of $3.91 billion, a decrease of 60.2% from fiscal 2008's $9.82 billion. According to the Comptroller of Public Accounts, the decrease is primarily due to a decline in tax collections coupled with expenditures of the anticipated surplus balance from appropriations made by the 80th Legislature.

Not self-supporting debt ratios for Texas rank well below those of other states, including comparisons with the ten most populous states and those rated AAA by the three major rating agencies. (Not self-supporting debt receives annual legislative appropriations from state general revenue for debt-service payments.) U.S. Census Bureau figures for 2006-2007 rank Texas 2nd in population, 2nd among the ten most populous states in terms of Local Debt Per Capita, 10th in State Debt Per Capita and 5th in Total State and Local Debt Per Capita.

As of August 31, 2009 Texas' constitutional debt limit remained below the maximum of 5.00% with 1.22% calculated for debt outstanding and 4.08% calculated including authorized but unissued debt. These figures represent a decrease of 6.2% from fiscal 2008's 1.30% for debt outstanding while the 4.08% calculated including authorized but unissued debt decreased by 0.01%. During fiscal 2008 the state's constitutional debt limit for authorized but unissued debt increased by 124.9% from fiscal 2007's 1.82% as a result of the passage in the November 2007 general election of constitutional amendments for more than $9.75 billion in additional general obligation debt including $3 billion for cancer research and $5 billion for transportation projects.

**State and Local Financings in FY 2009**

Approximately $4.79 billion in new-money and refunding bonds were issued by state agencies and institutions of higher education in fiscal 2009 compared to $6.14 billion in fiscal 2008, a decrease of 22.0%. In addition, approximately $1.39 billion in commercial paper and variable-rate notes were issued in fiscal 2009 compared to approximately $1.52 billion issued in fiscal 2008, a decrease of 8.3%. New-money bond issuances totaled $3.99 billion during fiscal 2009 compared to $4.59 billion in fiscal 2008, a decrease of 13.3%. Continued lower interest rates resulted in the issuance of nearly $799.3 million in refundings of state debt in fiscal 2009 compared to nearly $1.54 billion in refundings completed in fiscal 2008.

For the fiscal year ending August 31, 2009 Texas' total state debt outstanding increased by 9.8% to $34.08 billion compared to $31.03 billion at fiscal year-end 2008. This increase is primarily attributable to increased issuances of Revenue Finance System (RFS) debt by various colleges and universities and $1.21 billion in issuances by the Texas Transportation Commission for the Texas Mobility Fund.

Projections for fiscal year 2010 indicate an increase in overall state debt issuance of approximately $2.29 billion (37.1%) over the actual amount of debt issued in fiscal 2009. Much of the anticipated increase is attributable to projected financings by the Texas Department of Transportation for the Proposition 12 Transportation Bonds ($400 million) and the State Highway Fund ($1.5 billion), The University of Texas System – RFS ($2.05 billion) and Texas Water Development Board for the Clean Water State Revolving Fund and Development Fund II Programs ($1.13 billion).

Local government debt issuance in Texas reached $26.03 billion in fiscal 2009, a 13.6% decrease from the record $30.11 billion issued in fiscal 2008. New-money volume decreased by 7.1% over fiscal 2008 as did refunding bond volume by 25.9%. Data for fiscal 2009 indicate that of the $26.03 billion issued, approximately $18.40 billion was issued for new-money purposes ($2.61 billion were Build America Bonds) and $7.63 billion was issued to refund prior outstanding debt.

For the fiscal year ending August 31, 2008, Texas' total local government debt outstanding increased by 13.4% to $160.31 billion compared to $141.39 billion outstanding at fiscal year-end 2007. Debt outstanding totals for fiscal 2009 are not yet available for local governmental entities.

**Issuance Costs**
Issuance cost data for state debt transactions in fiscal 2009 reveal that the total costs of issuance, including the underwriting spread, offering expenses, and fees for all issues averaged $1,373,645 ($8.94 per $1,000) compared to $918,096 in total costs ($9.37 per $1,000) in fiscal 2008. In fiscal 2009 total issuance costs for bond issues of less than $25 million averaged $203,619 per issue ($18.16 per $1,000). Costs for the larger issues of over $150 million averaged $2,536,936 per issue ($6.70 per $1,000). On the basis of cost per $1,000, the costs for the larger issues were 63.1% less than the costs of smaller issues. Overall, the increase in average costs and the decrease in the costs per $1,000 are explained by the fact that fiscal 2009 saw fewer issuances under $49 million than fiscal 2008. In fiscal 2009, 20% of all issuances were under $49 million compared to 36% in fiscal 2008.

**Texas Private Activity Bond Allocation Program and Other Bonding Authority**
Texas experienced a 7.8% increase in volume cap for the calendar 2009 Private Activity Bond Allocation Program to finance "private activities" such as single-family mortgages, multifamily housing, pollution control facilities and student loans. The 2009 volume cap was set at $2,189,427,660, an increase of $157.6 million from the 2008 cap of $2,031,872,300.

Although Texas' volume cap increased in 2009, demand decreased, and only slightly more than half of the available allocation had been requested before the August 15th collapse. After the collapse the BRB received just over $2 billion in requests. Applications received for Program Year 2009 including carryforward requests, totaled $3.59 billion or 80.5% of the total available allocation of $4.47 billion. As of November 15, 2009 all requests for reservations were granted, but 79.3% of the state's 2009 PAB volume cap had not been allocated. A substantial portion of that amount will be converted to carryforward.

In July 2008, the Housing and Economic Recovery Act of 2008 increased the amount of Private Activity Bond volume cap available to the state for single-family and multifamily housing projects by $748.5 million.

In October 2008, the Heartland Disaster Tax Relief Act of 2008 created $1.86 billion in tax-exempt bonding authority for the Hurricane Ike disaster area which includes 34 counties along the Texas coast.

In February 2009, the American Recovery and Reinvestment Act of 2009 created four new types of bonding authority and expanded authority under three existing programs. The four new types of bonding authority created are Build America Bonds, Recovery Zone Economic Development Bonds, Recovery Zone Facility Bonds and Qualified School Construction Bonds. The three expanded programs are Qualified Zone Academy Bonds, Qualified Energy Conservation Bonds and Clean Renewable Energy Bonds.

**81st Legislature - Regular Session and Special Session**

The 81st Legislature appropriated debt service for the issuance of $225 million annually for fiscal years 2010-2011 by the Cancer Prevention and Research Institute of Texas. In addition, House Bill 4409 was enacted authorizing the issuance of three different classes of public securities totaling $2.50 billion to fund excess losses incurred by the Texas Windstorm Insurance Agency and Senate Bill 2064 was enacted modifying the Private Activity Bond Program and the responsibilities of the Bond Review Board.

The 81st Legislature's First Called Special Session appropriated debt service of $100.0 million for the issuance of $2 billion in Proposition 12 bonds for highway projects during the 2010-2011 biennium.

This report concludes with four appendices. Appendix A provides a detailed description of each state bond transaction closed in fiscal 2009. Appendix B reports on commercial paper and variable-rate debt programs used by state agencies and universities. Appendix C provides a background discussion of Texas Swap Programs and reports on the state's swaps outstanding and debt-service requirements. While not a debt of the state, the aggregate notional amount of interest rate swaps outstanding at the state level was $4.43 billion at fiscal year-end 2009. 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

*In August 2009 Standard & Poor's raised its credit rating on Texas' general obligation debt to AA+ from AA based on the state's strong and diverse economy coupled with its projected surplus in the state's Rainy Day Fund of $9 billion. Texas' general obligation debt is now rated Aa1/AA+/AA+ by the three major credit rating agencies, Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively. S&P also raised its rating on the state's appropriation debt to AA from AA-.*

*Based on 2008 data, Texas had $520 in net tax-supported debt per capita outstanding, up from $481 in the prior year, compared to a national median of $865 and an average of $1,195.*

## STATE DEBT

### Texas' Financial Position

Texas ended fiscal year 2009 with a total consolidated General Revenue Fund cash balance of $3.91 billion *(Figure 1.1),* a 60.2% decrease from the fiscal 2008 year-end closing balance of $9.82 billion.

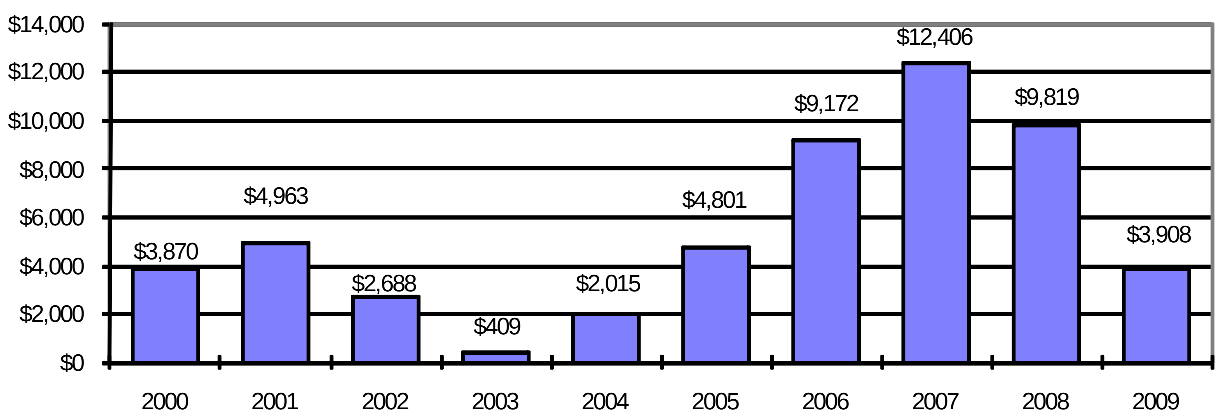
According to the Texas Comptroller of Public Accounts, the decrease was primarily due to a decline in tax collections coupled with expenditures of the anticipated surplus balance from appropriations made by the 80th Legislature.

Total Tax Collections received decreased by 9.0% to $35.31 billion. Total Net Revenues and Other Sources fell by less than 1% while Total Expenditures and Other Uses increased by 2.9% to $114.96 billion *(Table 1.1).*

The state's primary source of revenue is the Sales Tax which accounted for 59.4% of Total Tax Collections during fiscal 2009. Sales Tax collections decreased to $20.97 billion, a 2.7% decrease from the prior fiscal year. Cigarette and Tobacco Taxes ended the year at $579.8 million, an increase of 8.6% from the prior fiscal year. The Oil Production Tax, Natural

Gas Production Tax and Motor Vehicle Sales Tax all decreased significantly from the prior fiscal year by 38.4%, 47.6% and 22.6%, respectively.

Figure 1.1
ENDING CASH BALANCE IN TEXAS' CONSOLIDATED GENERAL REVENUE FUND
(millions of dollars)




**Source:** Texas Comptroller of Public Accounts, 2009 Annual Cash Report.

Table 1.1

**STATEMENT OF CASH CONDITION**

**CONSOLIDATED GENERAL REVENUE FUND**

**(amounts in thousands)**

| | Fiscal 2008 | Fiscal 2009 | Percent Change |
|---|---|---|---|
| **Revenues and Beginning Balance** | | | |
| Beginning Balance, September 1 | $12,406,484 | $9,819,410 | -20.9% |
| **Tax Collections** | | | |
| **General Revenue Fund** | | | |
| Sales Tax | 21,565,182 | 20,974,434 | -2.7% |
| Oil Production Tax | 1,436,879 | 884,511 | -38.4% |
| Natural Gas Production Tax | 2,684,648 | 1,407,739 | -47.6% |
| Motor Fuels Taxes | 3,101,527 | 3,032,770 | -2.2% |
| Cigarette and Tobacco Taxes | 534,091 | 579,820 | 8.6% |
| Motor Vehicle Sale/Rental, Mfg. Housing Sale | 3,329,545 | 2,578,633 | -22.6% |
| Franchise Tax | 2,874,564 | 2,777,811 | -3.4% |
| Alcoholic Beverages Taxes | 784,069 | 796,948 | 1.6% |
| Insurance Taxes | 1,450,184 | 1,257,314 | -13.3% |
| Inheritance Tax | 5,580 | 2,004 | -64.1% |
| Hotel and Motel Tax | 370,980 | 343,544 | -7.4% |
| Utilities Taxes | 503,879 | 518,884 | 3.0% |
| Other Taxes | 176,285 | 156,608 | -11.2% |
| **Total Tax Collections** | $38,817,413 | $35,311,020 | -9.0% |
| Federal Income | 23,395,635 | 26,179,959 | 11.9% |
| Interest & Investment Income | 316,228 | 91,581 | -71.0% |
| Licenses, Fees, Permits, Fines, & Penalties | 5,652,557 | 5,585,109 | -1.2% |
| Contributions to Employee Benefits | 15,020 | 271 | -98.2% |
| Sales of Goods and Services | 177,448 | 164,585 | -7.2% |
| Land Income | 19,635 | 23,148 | 17.9% |
| Settlements of Claims | 547,599 | 563,222 | 2.9% |
| Net Lottery Proceeds | 1,597,487 | 1,581,962 | -1.0% |
| Other Revenue Sources | 2,735,865 | 3,311,752 | 21.0% |
| Interfund Transfers / Investment Transactions | 35,810,310 | 36,238,981 | 1.2% |
| **Total Net Revenue and Other Sources** | $109,085,197 | $109,051,590 | 0.0% |
| **Expenditures and Ending Balance** | | | |
| General Government | 2,399,138 | 2,756,079 | 14.9% |
| Health and Human Services | 29,621,557 | 32,858,353 | 10.9% |
| Public Safety and Correction | 3,525,201 | 4,495,437 | 27.5% |
| Education | 28,857,993 | 31,269,186 | 8.4% |
| Employee Benefits | 2,598,136 | 2,555,492 | -1.6% |
| Lottery Winnings Paid | 422,895 | 491,322 | 16.2% |
| Other Expenditures* | 1,854,103 | 2,064,839 | 11.4% |
| Interfund Transfers / Investment Transactions | 42,393,462 | 38,472,678 | -9.2% |
| **Total Expenditures and Other Uses** | $111,672,485 | $114,963,386 | 2.9% |
| **Net Increase to Petty Cash Accounts** | 217 | 120 | |
| **Ending Balance, August 31** | $9,819,413 | $3,907,734 | -60.2% |

**Source:** Texas Comptroller of Public Accounts, 2009 Cash Report, Tables 1 & 11.

* Includes Transportation, Natural Resources/Recreational Services, Regulatory Agencies, Payment of Interest and Capital
Totals may not sum due to rounding.

**81st Legislature - Regular Session and 1st Called Special Session**
The 81st Legislature made appropriations to the Cancer Prevention and Research Institute of Texas in the amount of $225 million annually for fiscal years 2010-2011. In addition, House Bill (HB) 4409 was enacted authorizing the issuance of three different classes of public securities totaling $2.50 billion to fund excess losses incurred by the Texas Windstorm Insurance Agency, and Senate Bill (SB) 2064 was enacted modifying the Private Activity Bond Program and the responsibilities of the Bond Review Board (BRB). See Chapter 5 for a discussion of recent changes to the Private Activity Bond Program.

In November 2007 voters authorized the issuance of $5 billion in general obligation bonds by the Texas Transportation Commission to provide funding for highway improvement projects. The 1st Called Special Session of the 81st Legislature appropriated $2 billion to the Texas Transportation Commission for the 2010-2011 biennium for those purposes.

**80th Legislature - Regular Session**
The 80th Legislature authorized more than $9.75 billion in additional general obligation debt that was approved by the voters in the November 2007 general election. These include: SJR 64 to finance $5 billion for transportation projects; HJR 90 to finance $3 billion for cancer research; SJR 65 to finance $1 billion for capital projects for certain state agencies; SJR 57 to finance $500 million for student loans and SJR 20 to finance $250 million for water projects.

The passage of SB 1332 modified the BRB statutes. Among its provisions the bill requires issuers to submit Requests for Proposals to provide services, final proposals for those services and executed contracts upon request. The BRB has requested that all state issuers provide this information. The bill also added a definition of interest rate management (derivative) agreements and requires the BRB to develop a state policy for such agreements. The definition of a state security was expanded to include certain obligations issued under the Texas Education Code, Chapter 53. Under SB 1332, the BRB, in conjunction with the Legislative Budget Board is annually required to submit a Debt Affordability Study to state leadership.

SB 968 expanded and clarified interest rate management agreements as defined in the Texas Government Code, Chapter 1371. This bill requires issuers to have appropriate policies and oversight unless they are considered experienced as defined within statute. SB 792 expanded authority for State Highway Fund Bonds from $3 billion to $6 billion.

**Additional Bonding Authority**
In July 2008, the Housing and Economic Recovery Act of 2008 (HERA) increased the amount of Private Activity Bond volume cap available to the state by $748.5 million for single-family and multifamily housing projects. In October 2008, the Heartland Disaster Tax Relief Act of 2008 created $1.86 billion in tax-exempt bonding authority for the Hurricane Ike disaster area which includes 34 counties along the Texas coast. See Chapter 5 for further details regarding the Housing and Economic Recovery Act of 2008 and Hurricane Ike bonding authority.

In February 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) created four new types of bonding authority and expanded authority under three existing programs. The four new types of bonding authority created are Build America Bonds (*see Chapter 2)*, Recovery Zone Economic Development Bonds, Recovery Zone Facility Bonds and Qualified School Construction Bonds. The three expanded programs are Qualified Zone Academy Bonds, Qualified Energy Conservation Bonds and Clean

Table 1 2
**STATE GENERAL OBLIGATION BOND RATINGS**
**August 2009**

| Steps from AAA Ranking | State | Moody's Investors Service | Standard & Poor's | Fitch Ratings |
|---|---|---|---|---|
| 0 | Delaware | Aaa | AAA | AAA |
| 0 | Georgia | Aaa | AAA | AAA |
| 0 | Maryland | Aaa | AAA | AAA |
| 0 | Missouri | Aaa | AAA | AAA |
| 0 | North Carolina | Aaa | AAA | AAA |
| 0 | Utah | Aaa | AAA | AAA |
| 0 | Virginia | Aaa | AAA | AAA |
| 1 | Minnesota | Aa1 | AAA | AAA |
| 1 | South Carolina | Aaa | AA+ | AAA |
| 2 | Florida | Aa1 | AAA | AA+ |
| 2 | Vermont | Aaa | AA+ | AA+ |
| 3 | New Mexico | Aa1 | AA+ | ** |
| 3 | Tennessee | Aa1 | AA+ | AA+ |
| **3** | **TEXAS** | **Aa1** | **AA+** | **AA+** |
| 4 | Washington | Aa1 | AA+ | AA |
| 4 | Nevada | Aa2 | AA+ | AA+ |
| 5 | Alaska | Aa2 | AA+ | AA |
| 5 | Ohio | Aa2 | AA+ | AA |
| 6 | Alabama | Aa2 | AA | AA |
| 6 | Arkansas | Aa2 | AA | ** |
| 6 | Hawaii | Aa2 | AA | AA |
| 6 | Massachusetts | Aa2 | AA | AA |
| 6 | New Hampshire | Aa2 | AA | AA |
| 6 | Pennsylvania | Aa2 | AA | AA |
| 6 | Oregon | Aa2 | AA | AA |
| 6 | Montana | Aa2 | AA | AA |
| 6 | Oklahoma | Aa3 | AA+ | AA |
| 7 | Connecticut | Aa3 | AA | AA |
| 7 | Maine | Aa3 | AA | AA |
| 7 | Mississippi | Aa3 | AA | AA |
| 8 | Rhode Island | Aa3 | AA | AA- |
| 8 | New Jersey | Aa3 | AA | AA- |
| 8 | Wisconsin | Aa3 | AA | AA- |
| 8 | New York | Aa3 | AA | AA- |
| 9 | West Virginia | Aa3 | AA- | AA- |
| 10 | Michigan | Aa3 | AA- | A+ |
| 12 | Illinois | A1 | AA- | A |
| 12 | Louisiana | A1 | A+ | A+ |
| 17 | California | Baa1 | A | BBB |
| * | Arizona | * | * | * |
| * | Colorado | * | * | * |
| * | Idaho | * | * | * |
| * | Indiana | * | * | * |
| * | Iowa | * | * | * |
| * | Kansas | * | * | * |
| * | Kentucky | * | * | * |
| * | Nebraska | * | * | * |
| * | North Dakota | * | * | * |
| * | South Dakota | * | * | * |
| * | Wyoming | ** | * | * |

* GO debt has not been rated
** Not rated
**Sources:** Moody's Investors Service, Standard & Poor's, and Fitch Ratings.

Renewable Energy Bonds. See Chapter 5 for further details regarding the new and expanded programs.

## Texas Receives Upgraded Credit Ratings

In August 2009 Standard & Poor's raised its credit rating on Texas' general obligation debt to AA+ from AA based on the state's strong and diverse economy coupled with its projected surplus in the state's Rainy Day Fund of $9 billion. Texas' general obligation debt is now rated 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. S&P also raised its rating on the state's appropriation debt to AA from AA-.

The impact of the ratings upgrade from S&P on borrowing costs for the state has not been significant. Because Moody's and Fitch have for years rated Texas' general obligation debt one step below triple-A, the state's debt has traditionally been well-received in the municipal bond market and has generally traded at rates of less than 10 basis points higher than the debt of triple-A rated states.

*Table 1.2* provides a tier ranking of each state relative to states that are rated triple-A by all three rating agencies. Texas is currently three steps away from a triple-A rating from each of the three rating agencies.

## Recent Credit Rating Agency Reports on Texas' General Obligation Debt

*S&P* based its upgrade on Texas' 2010-11 biennial budget, increased reserves in the state's Rainy Day Fund and the state's low tax-supported debt burden. S&P credit analyst Horacio Aldrete-Sanchez commented that, "The ratings continue to reflect our opinion of the state's large and steadily diversifying economy, which despite the recession continues to perform better than the nation in terms of both economic activity and employment. Furthermore, we expect that the Texas economy will recover earlier and at a faster rate than most other states given its continued population growth and relatively low cost of doing business, which we expect will contribute to gradual employment gains in 2010, particularly in the health, education and services sectors."

The state's credit ratings from Moody's and Fitch remained unchanged at fiscal year-end 2009.

*Moody's* addressed its Aa1 rating for Texas in a report dated August 25, 2009 stating that "The Aa1 rating reflects a state economy with strong fundamentals that lagged the nation entering the downturn but that now is fully feeling the effects of the recession, a history of balanced budgets but growing structural imbalance resulting in part from recent changes to its school finance and property tax relief funding mechanism, near-term reliance on federal stimulus funds that further delays difficult fiscal decisions, and low but rising debt levels. The rating outlook is stable."

*Fitch* continues to assign the state a stable credit rating of AA+. In a report dated August 10, 2009, Fitch provided some analysis on its current rating of Texas stating that, "Financial pressures arise from the demands that rapid growth places on the state's consumption-based tax system, as well as from efforts to address transportation needs and property tax relief. In particular, the general revenue fund remains sensitive to longer-term funding shortfalls of property tax relief in the form of increased state funding for school finance. After remaining resilient to the national economic downturn during 2008, economic and revenue performance has now slipped. The state forecasts a sizable revenue slowdown this year and next. The fiscal 2010-2011 appropriations budget, enacted in June 2009, achieves balance by lowering planned spending from the prior biennium and relying on federal stimulus funds."

Table 1.3
**CHANGES IN STATE GENERAL OBLIGATION BOND RATINGS**
**August 2008 to August 2009**

| State | Rating Change | Agency |
|---|---|---|
| | **Upgrades** | |
| Texas | AA to AA+ | Standard & Poor's |
| | **Downgrades** | |
| California | A1 to Baa1 | Moody's |
| California | A+ to A | Standard & Poor's |
| California | A+ to BBB | Fitch |
| Illinois | Aa3 to A1 | Moody's |
| Illinois | AA to AA- | Standard & Poor's |
| Illinois | AA to A | Fitch |
| Michigan | AA- to A+ | Fitch |
| Nevada | Aa1 to Aa2 | Moody's |
| Ohio | Aa1 to Aa2 | Moody's |
| Ohio | AA+ to AA | Fitch |
| Rhode Island | AA to AA- | Fitch |

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

## Factors Affecting the Rating of Texas' General Obligation Debt

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 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' AAA rating was downgraded in 1987 due to the state's economic recession during the 1980s. Since that time 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

Table 1.4

**SELECTED TAX-SUPPORTED DEBT MEASURES BY STATE**

| State | Moody's Rating | Net Tax-Supported Debt as a % of 2007 Personal Income | Rank | Net Tax-Supported Debt Per Capita | Rank |
|---|---|---|---|---|---|
| Hawaii | Aa2 | 9.4% | 1 | $3,675 | 3 |
| Massachusetts | Aa2 | 8.9% | 2 | 4,323 | 2 |
| Connecticut | Aa3 | 8.2% | 3 | 4,490 | 1 |
| New Jersey | Aa3 | 7.3% | 4 | 3,621 | 4 |
| New York | Aa3 | 6.3% | 5 | 2,921 | 5 |
| Delaware | Aaa | 5.4% | 6 | 2,128 | 6 |
| Mississippi | Aa3 | 5.2% | 7 | 1,478 | 13 |
| Washington | Aa1 | 5.1% | 8 | 2,087 | 7 |
| Kentucky | Aa2* | 4.8% | 9 | 1,477 | 14 |
| Oregon | Aa2 | 4.6% | 10 | 1,606 | 11 |
| Illinois | A1 | 4.6% | 11 | 1,877 | 8 |
| Rhode Island | Aa3 | 4.5% | 12 | 1,812 | 9 |
| New Mexico | Aa1 | 4.6% | 13 | 1,394 | 16 |
| California | Baa1 | 4.4% | 14 | 1,805 | 10 |
| Wisconsin | Aa3 | 4.0% | 15 | 1,429 | 15 |
| Louisiana | A1 | 3.3% | 16 | 1,164 | 18 |
| West Virginia | Aa3 | 3.6% | 17 | 1,050 | 20 |
| Maryland | Aaa | 3.3% | 18 | 1,507 | 12 |
| Kansas | Aa1* | 3.2% | 19 | 1,164 | 17 |
| Georgia | Aaa | 3.0% | 20 | 984 | 21 |
| South Carolina | Aaa | 2.9% | 21 | 899 | 24 |
| Florida | Aa1 | 2.9% | 22 | 1,115 | 19 |
| Ohio | Aa2 | 2.8% | 23 | 962 | 22 |
| North Carolina | Aaa | 2.5% | 24 | 832 | 28 |
| Arizona | Aa3* | 2.5% | 25 | 807 | 29 |
| Alabama | Aa2 | 2.5% | 26 | 796 | 30 |
| Pennsylvania | Aa2 | 2.5% | 27 | 950 | 23 |
| Maine | Aa3 | 2.2% | 28 | 743 | 33 |
| Michigan | Aa3 | 2.2% | 29 | 766 | 32 |
| Nevada | Aa2 | 2.2% | 30 | 865 | 26 |
| Alaska | Aa2 | 2.2% | 31 | 861 | 27 |
| Minnesota | Aa1 | 2.1% | 32 | 866 | 25 |
| Missouri | Aaa | 2.0% | 33 | 670 | 35 |
| Virginia | Aaa | 1.9% | 34 | 782 | 31 |
| Vermont | Aaa | 1.8% | 35 | 692 | 34 |
| Idaho | Aa2* | 1.6% | 36 | 513 | 38 |
| Oklahoma | Aa3 | 1.5% | 37 | 511 | 39 |
| Utah | Aaa | 1.5% | 38 | 447 | 41 |
| Indiana | Aa1* | 1.5% | 39 | 482 | 40 |
| TEXAS | Aa1 | 1.4% | 40 | 520 | 37 |
| New Hampshire | Aa2 | 1.3% | 41 | 525 | 36 |
| Arkansas | Aa2 | 1.3% | 42 | 375 | 43 |
| Montana | Aa2 | 1.2% | 43 | 391 | 42 |
| North Dakota | Aa2* | 1.0% | 44 | 356 | 44 |
| Colorado | NGO** | 0.8% | 45 | 340 | 45 |
| South Dakota | NGO** | 0.8% | 46 | 274 | 46 |
| Tennessee | Aa1 | 0.7% | 47 | 233 | 47 |
| Iowa | Aa1* | 0.2% | 48 | 79 | 49 |
| Wyoming | NGO** | 0.2% | 49 | 84 | 48 |
| Nebraska | NGO** | 0.0% | 50 | 17 | 50 |
| Mean | | 3.1% | | $1,195 | |
| Median | | 2.5% | | $865 | |
| Puerto Rico*** | Baa3 | 66.3% | | $33,489 | |

* Issuer Rating (No G.O. Debt)

** No general obligation debt

*** Included for comparison purposes only. Not included in any totals, averages or median calculations.

**Source:** Moody's Investors Service, *2009 State Debt Medians.*

| Table 1.5 SELECTED DEBT MEASURES FOR TEXAS AND STATES RATED AAA | | | | | | |
|---|---|---|---|---|---|---|
| State | Rating* | Net Tax-Supported Debt as a % of 2007 Personal Income | Rank | Net Tax-Supported Debt Per Capita | Rank | 2007 Personal Income Per Capita |
| Delaware | AAA | 5.4% | 6 | $2,128 | 6 | $40,068 |
| Georgia | AAA | 3.0% | 20 | 984 | 21 | 34,650 |
| Maryland | AAA | 3.3% | 18 | 1,507 | 12 | 47,050 |
| Missouri | AAA | 2.0% | 33 | 670 | 35 | 33,964 |
| North Carolina | AAA | 2.5% | 24 | 832 | 28 | 34,952 |
| Utah | AAA | 1.5% | 38 | 447 | 41 | 31,739 |
| Virginia | AAA | 1.9% | 34 | 782 | 31 | 43,275 |
| TEXAS | Aa1/AA+/AA+ | 1.4% | 40 | $520 | 37 | $36,829 |
| **Median of AAA States**** | | **2.5%** | | **$832** | | **$34,952** |
| **Mean of AAA States**** | | **2.8%** | | **$1,050** | | **$37,957** |

* Rated Aaa by Moody's, and AAA by Standard & Poor's and Fitch Ratings.

**Median and mean figures do not include Texas.

**Sources**: Moody's Investors Service, *2009 State Debt Medians;* Bureau of Economic Analysis, State Bear Facts

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.

## Six States Receive Rating Downgrades

During fiscal 2009, six states received rating downgrades for their general obligation debt. Texas was the only state to receive a rating upgrade in fiscal 2009. California and Illinois received rating downgrades from all three rating agencies while Ohio received a downgrade from Moody's and Fitch. In addition, Michigan and Rhode Island received a downgrade from Fitch, and Nevada received a downgrade from Moody's *(Table 1.3)*. Fitch no longer carries a rating for the states of Arkansas and New Mexico. Similarly,

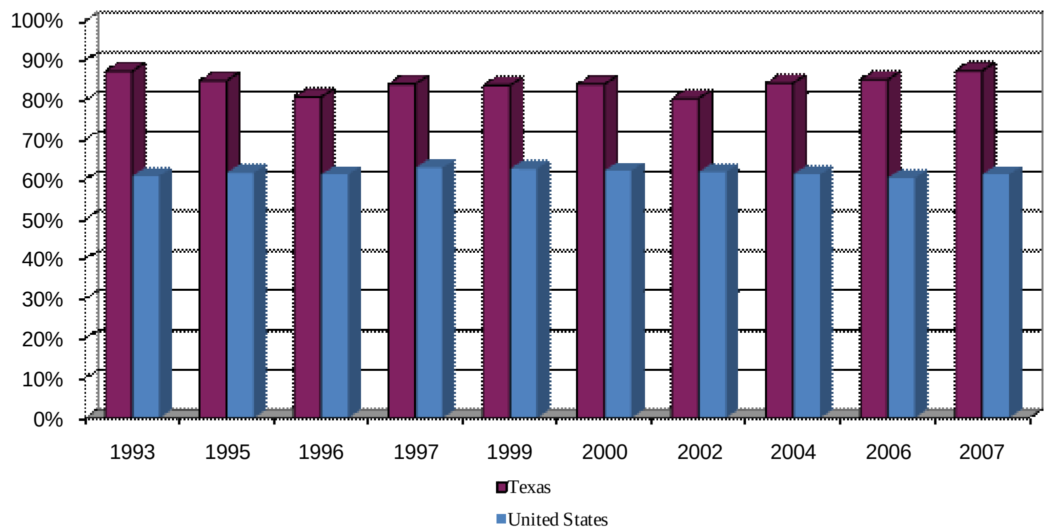
Table 1.6
**TOTAL STATE AND LOCAL DEBT OUTSTANDING: TEN MOST POPULOUS STATES**

| | 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 | 19,298 | 1 | $259,518 | $13,448 | 1 | $110,085 | 42.4% | $5,704 | 1 | $149,433 | 57.6% | $7,743 |
| Illinois | 12,853 | 2 | 116,471 | 9,062 | 2 | 54,535 | 46.8% | 4,243 | 6 | 61,936 | 53.2% | 4,819 |
| Pennsylvania | 12,433 | 3 | 112,378 | 9,039 | 4 | 37,125 | 33.0% | 2,986 | 3 | 75,253 | 67.0% | 6,053 |
| California | 36,553 | 4 | 330,150 | 9,032 | 3 | 114,702 | 34.7% | 3,138 | 4 | 215,448 | 65.3% | 5,894 |
| **Texas** | **23,904** | **5** | **189,371** | **7,922** | **10** | **23,909** | **12.6%** | **1,000** | **2** | **165,462** | **87.4%** | **6,922** |
| Florida | 18,251 | 6 | 133,954 | 7,340 | 8 | 36,483 | 27.2% | 1,999 | 5 | 97,471 | 72.8% | 5,341 |
| Michigan | 10,072 | 7 | 72,807 | 7,229 | 5 | 28,522 | 39.2% | 2,832 | 7 | 44,285 | 60.8% | 4,397 |
| Ohio | 11,467 | 8 | 68,162 | 5,944 | 6 | 26,065 | 38.2% | 2,273 | 9 | 42,097 | 61.8% | 3,671 |
| North Carolina | 9,061 | 9 | 50,155 | 5,535 | 7 | 19,246 | 38.4% | 2,124 | 10 | 30,909 | 61.6% | 3,411 |
| Georgia | 9,545 | 10 | 48,463 | 5,077 | 9 | 11,370 | 23.5% | 1,191 | 8 | 37,093 | 76.5% | 3,886 |
| **MEAN** | | | **$138,143** | **$7,963** | | **$46,204** | **33.6%** | **$2,749** | | **$91,939** | **66.4%** | **$5,214** |

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: 2006-2007,* the most recent data available.

Figure 1.2
**LOCAL DEBT AS A PERCENTAGE OF TOTAL STATE AND LOCAL DEBT FOR TEXAS AND THE U.S.**



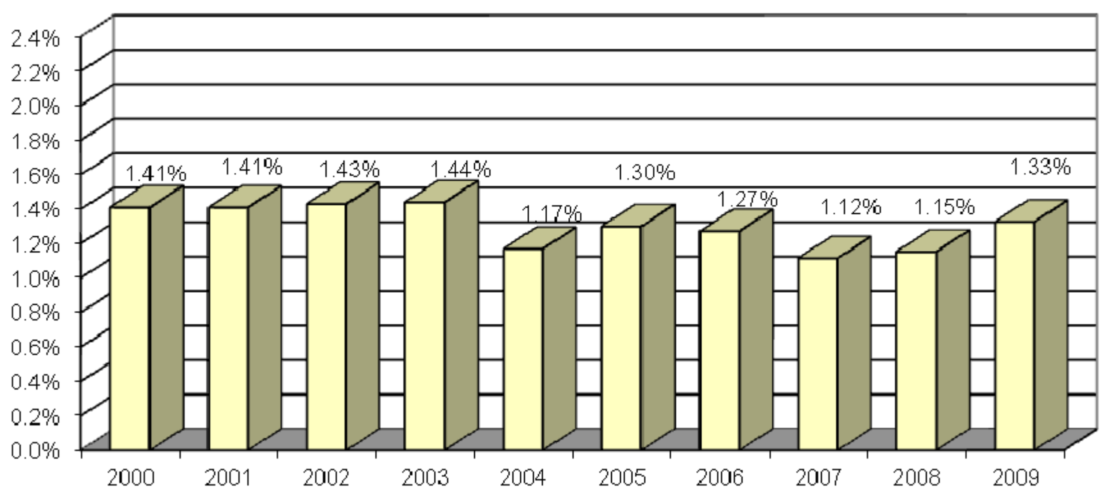

**Source:** U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State 2006-2007,* the most recent data available.

Moody's no longer rates Wyoming.

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

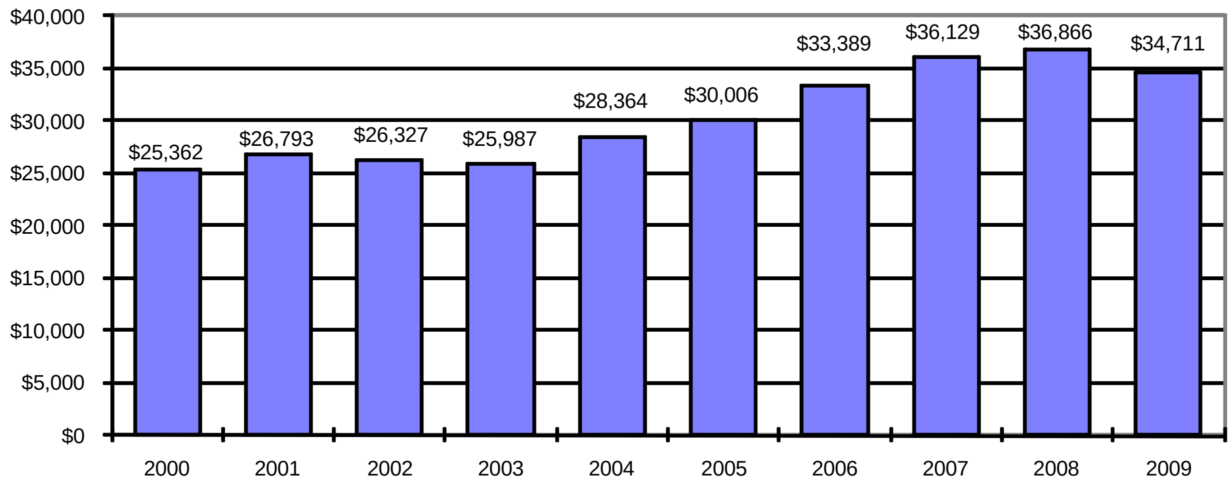
According to Moody's *2009 State Debt Medians (Table 1.4),* Texas ranked 37th among all states in net tax-supported debt per capita, up from 39th in the prior year. According to the Moody's report, Texas expended $520 in net tax-supported debt per capita, up from $481 in the prior year. The national median and mean for such debt were $865 and $1,195,

Figure 1.3
**ANNUAL DEBT SERVICE AS A PERCENTAGE OF UNRESTRICTED GENERAL REVENUE**




**Sources:** Texas Bond Review Board - Bond Finance Office and the Texas Comptroller of Public Accounts.

Figure 1.4
**UNRESTRICTED GENERAL REVENUE**
(millions of dollars)




**Source:** Texas Comptroller of Public Accounts.

respectively.

Texas' net tax-supported debt as a percent of 2007 personal income was 1.4%, 40th among the 50 states and well-below the national median and mean of 2.5% and 3.1%, respectively *(Table 1.4)*. Compared to the seven states rated AAA by all three major rating agencies, Texas' ranked lowest at 1.4% while the median and mean of the seven states were 2.5% and 2.8%, respectively *(Table 1.5)*.

With net tax-supported debt per capita at $520, Texas ranked lower than the seven AAA-rated states. By comparison, AAA-rated Delaware had the highest debt per capita at $2,128. Additionally, Texas' 2007 personal income per capita of $36,829 is above that of Georgia, Missouri, North Carolina and Utah, all of which are rated AAA.

The most recent U.S. Census Bureau data on state and local debt outstanding shows that for 2006-2007 Texas ranked 2nd among the ten most populous states in terms of Local Debt Per Capita, 10th in State Debt Per Capita and 5th in Total State and Local Debt Per Capita *(Table 1.6)*. In 2007, 87.4% of Texas' total state and local debt burden was at the local level *(Figure 1.2)*. Local debt includes debt issued by cities, counties, school and hospital districts and special districts.

Many communities throughout Texas are continuing to experience significant 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, schools and water and wastewater 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**

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 for debt service, 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 programs or 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 appropriations from the legislature for debt-service payments from the state's general revenue fund.

At the end of fiscal year 2000, the total of not self-supporting state debt payable from general revenue was $3.37 billion. At the end of fiscal 2009, $3.07 billion of such debt was outstanding, a decrease of 8.9% since fiscal 2000, but an increase (7.7%) from the $2.85 billion outstanding in fiscal 2008. This increase is mainly attributed to the additional bonds that were issued by the Texas Water Development Board under its Water Infrastructure Fund Program during fiscal 2009.

Annual debt service as a percent of unrestricted general revenue increased from 1.15% in fiscal year 2008 to 1.62% in fiscal year 2009 *(Figure 1.3)*. Funds accessible to make debt-service payments decreased 5.9% in fiscal 2009 to $34.71 billion from a total of $36.87 billion in fiscal 2008 *(Figure 1.4)*. Unrestricted general revenue is typically considered the most available funding source to make debt-service payments and to fund appropriations for state operations.

## Authorized but Unissued Debt Adds to Texas' Debt Burden

Authorized but unissued debt (debt that has been authorized by the legislature and may be issued at any time without further legislative action) decreased by 8.6% from approximately $18.45 billion at the end of fiscal 2008 to approximately $16.87 billion at the end of fiscal 2009. Of the $16.87 billion, approximately $12.08 billion is general obligation debt while $4.79 billion is non-general obligation debt. Approximately $10.27 billion of the authorized but unissued amount includes general obligation and non-general obligation debt payable from general revenue.

## 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 HJR 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.

As of August 31, 2009 Texas' constitutional debt limit remained below the maximum of 5% with 1.22% calculated for debt outstanding and 4.08% calculated including authorized but unissued debt. These figures represent a decrease of 6.2% from fiscal 2008's 1.30% for debt outstanding while the 4.08% calculated including authorized but unissued debt decreased by 0.01%. During fiscal 2008 the state's constitutional debt limit for authorized but unissued debt increased by 124.9% from fiscal 2007's 1.82% as a result of the passage in the November 2007 general election of constitutional amendments for more than $9.75 billion in additional general obligation debt including $3 billion for cancer research and $5 billion for transportation projects.

With the passage of HB 2190, the 77th Legislature directed the BRB 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. These policies and guidelines are posted on the agency's website.

With the passage of SB 1332, the 80th Legislature amended the agency's statutes to require the BRB to adopt a state policy related to the risks and effects of the execution of interest rate management (derivative) agreements. At its meeting on August 29, 2008 the BRB awarded Swap Financial Group, LLC the contract for swap advisor under RFP No. 352-8-001, to assist the BRB with the development of a state interest rate management policy and its analysis of interest rate management agreements.

**Capital Planning Review and Approval Process**

The 76th Legislature (1999) passed legislation that biennially directs the BRB 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, Planning & Policy, 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 Facilities Commission (formerly 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, Planning & Policy and the Legislative Budget Board 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, to plan for the future and identify longer-term needs for the state, the CEP also reports on three out-years.

The 2010-2011 CEP, was released September 1, 2008 pursuant to HB 1, Article IX, Section 11.02, 80th Legislature (2007) and covers the out-years 2012-2013. This report represents the fifth published CEP for the state. 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 2010-2011 CEP is available on the agency's website. The 2012-2013 CEP will be released September 1, 2010 and will cover out years 2014-2015.

The debt-issuance process has become more consolidated at the state level while at the local level the process remains highly fragmented. At the state level the number of active, direct debt-issuing agencies has been reduced to seventeen, but on the local level that number is nearly 4,400.

**Debt Affordability Study**

The state's Debt Affordability Study (DAS) is designed to provide the state leadership with an integrated approach to manage state debt by assessing historical debt use and analyzing the state's financial and economic resources in conjunction with long-term needs contained in the CEP. The BRB, Legislative Budget Board and the Texas Public Finance Authority prepared the state's first DAS, released in February 2007. With the passage of SB 1332 during the 80th Legislature the BRB in conjunction with the Legislative Budget Board is responsible for subsequent editions of the DAS. The 2007, 2008 and 2009 DAS reports are available on the agency's website. The 2010 DAS will be released in February 2010.

## LOCAL DEBT

### 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 and 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.

### Texas Local Debt Issuance Slows After Record High

Nationwide, municipal bond issuance has fluctuated upward and downward since 2003. Bond issuance reached a record high of $429.88 billion in calendar year 2007. Calendar 2008 saw a 9.3% decline to $389.86 billion despite an unsurpassed volume of municipal bonds being issued for the months of April, May and June 2008 ($51.56 billion, $43.75 billion and $50.79 billion, respectively).

Texas local governments had similar year-to-year swings in debt issuance with $20.92 billion in fiscal 2004, $27.16 billion in fiscal 2005, $19.99 billion in fiscal 2006, and $29.07 billion in fiscal 2007. There was a continuing upward climb in fiscal year 2008 to a record $30.11 billion, a rise of 3.6% since 2007 and nearly 44% since fiscal 2004. Breaking the pattern of many other states during calendar 2008, Texas saw an increase in total state and local issuance volume of nearly 7%.

National market statistics for fiscal 2009 indicate a significant slowdown in issuances (down 20.6% for the September 2008 – August 2009 period). Texas local government entities declined at a slower rate and issued approximately $26.03 billion in local debt, down from $30.11 billion or 13.6% from fiscal 2008. During this period, seven local government entities took advantage of the

financing opportunities made available through the American Recovery and Reinvestment Act (ARRA) and issued $2.61

Table 1.7

# TEXAS LOCAL GOVERNMENTS
## Debt Outstanding Summary
## As of August 31, 2008
**(most recent data available)**

| Type of Issuer | Tax-Supported | Revenue | Total Debt |
|---|---|---|---|
| **Cities, Towns, Villages** | | | **$55,132,822,218** |
| Tax | $22,918,519,790 | | |
| Revenue | | $31,957,997,124 | |
| Sales Tax | | 222,860,000 | |
| Conduit revenue | | 16,865,304 | |
| Lease-purchase contracts (jail facilities only) | | 16,580,000 | |
| **Community and Junior Colleges** | | | **3,235,753,104** |
| Tax | 2,060,989,600 | | |
| Revenue | | 919,527,102 | |
| Lease-purchase contracts (ed. facilities) | | 255,236,402 | |
| **Counties** | | | **11,380,592,267** |
| Tax | 8,697,409,798 | | |
| Revenue | | 2,053,786,100 | |
| Conduit revenue | | 7,300,000 | |
| Lease-purchase contracts (jail facilities only) | | 622,096,369 | |
| **Health / Hospital Districts** | | | **1,947,433,912** |
| Tax | 508,329,999 | | |
| Sales Tax | 26,437,000 | | |
| Revenue | | 1,402,421,913 | |
| Conduit revenue | | 10,245,000 | |
| **Public School Districts** | | | **54,349,699,820** |
| Voter-approved tax (ed. facilities) | 53,527,893,115 | | |
| Maintenance tax (ed. equipment) | 491,742,337 | | |
| Lease-purchase contracts (ed. facilities) | 327,679,368 | | |
| Revenue (athletic facilities) | | 2,385,000 | |
| **Water Districts and Authorities** | | | **25,406,177,674** |
| Tax | 9,100,898,337 | | |
| Revenue | | 7,564,569,338 | |
| Conduit revenue | | 8,740,710,000 | |
| **Other Special Districts and Authorities (Road, power, housing, mobility and transit authorities)** | | | **8,853,346,444** |
| Tax | 98,676,000 | | |
| Sales Tax | | 1,854,160,000 | |
| Revenue | | 6,817,540,444 | |
| Lease-purchase contracts (ed. facilities and public transit buses) | | 82,970,000 | |
| **TOTAL LOCAL DEBT OUTSTANDING** | **$ 97,758,575,343** | **$ 62,547,250,095** | **$160,305,825,439** |

*Not included are obligations of less than one-year maturity and special obligations not requiring Attorney General approval.

**Source:** Texas Bond Review Board - Bond Finance Office (local government debt databases).

billion in Build America Bonds that carry a 35% interest subsidy from the federal government.

The new-money portion issued during the five-year period (FY 2004 - FY 2008) was $76.01 billion with refunding totals reaching $51.24 billion. Cities, school districts and water districts comprised 85.5% of the new-money volume ($64.97 billion) and 77.8% of the refunding transaction volume ($39.86 billion) since fiscal 2004.

Local debt refinancing reached the second highest volume at $11.03 billion in fiscal 2007, but decreased to $10.30 billion in fiscal 2008. Over the past five years, most governmental entities (81.2%) achieved both a cash and present value savings with these refundings. Some transactions resulted in only a net present value savings with a cash loss and others (5.9%) resulted in a loss in both. In the latter cases, the primary objective was to restructure debt-service requirements to more evenly match budget flows and thus avoid raising taxes during times of economic weakness. Extending debt-service schedules to reduce annual payment requirements assisted in meeting this objective. Overall during this five-year period, Texas local issuers achieved cash savings of approximately $2 billion with a present value savings of $1.69 billion.

**Texas Local Governments: $160.31 Billion of Outstanding Debt– a 46% Increase in Five Years**

As of August 31, 2008, Texas local governments had $160.31 billion in outstanding debt *(Table 1.7),* or 45.5% ($50.16 billion) greater than the amount outstanding at the end of fiscal 2004. Approximately 61% ($97.76 billion) of that debt is general obligation debt to be repaid from local tax collections while the remaining 39% ($62.55 billion) will be repaid from revenues generated by various projects such as water and sewer and electric utility fees. The U.S. Census Bureau data for 2006-2007 showed that Texas continued to be ranked 2nd among the ten most populous states in terms of Local Debt Per Capita, 10th in State Debt Per Capita and 5th in Total State and Local Debt Per Capita.

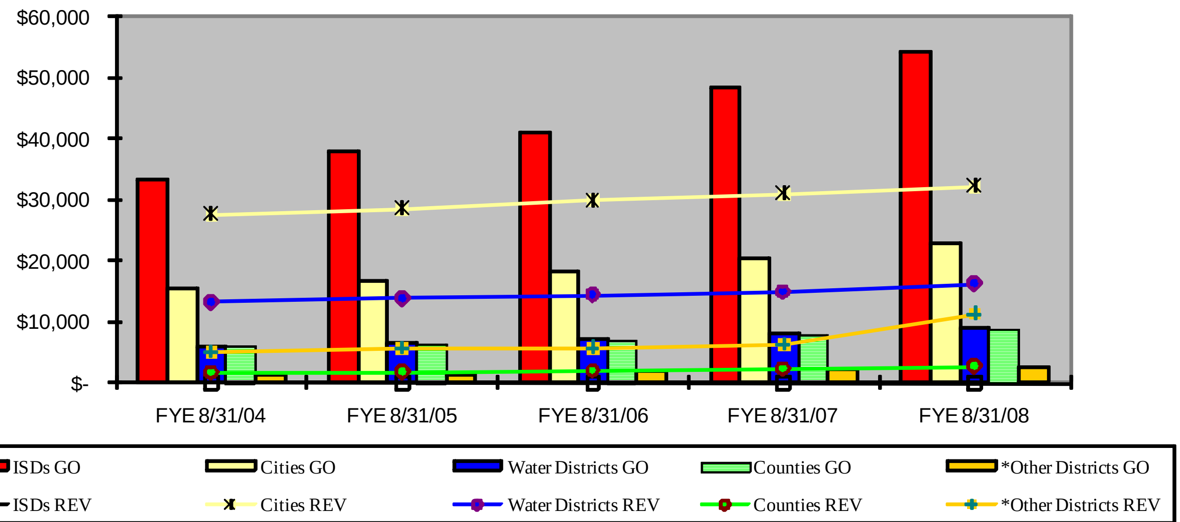
On a cumulative level for all Texas local governments, five-year statistics show a 56.5% or $35.30 billion increase in tax-supported debt outstanding and a 31.2% or $14.86 billion increase in revenue debt outstanding.

**Majority of Local Debt Financing Supports Educational Facilities and Equipment**

During the five-year reporting period, the primary use of local bond proceeds (44%) was for educational facilities and equipment including school buses. The general-purpose category continued to be the second primary use at 18.8%. Financing for water-related infrastructure needs was the third major purpose for debt issuance by Texas local governments (17.4%). Some issuers, especially cities borrow for multiple purposes, and over half of these multipurpose borrowings involve debt financings for water and transportation purposes; therefore, these two categories are likely understated.

Financing for transportation needs including projects for roads, toll ways, bridges, parking facilities, airports, rapid transit and other public transportation (includes acquisition of hybrid diesel electric buses) ranked as the fourth major purpose at 7.1%. 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, recycle materials, prisons/detention, power, combined utility systems, health-related facilities, fire protection, public safety and pension obligations.

Figure 1 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 districts

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

**Special Districts' Revenue Debt Rises 174% in Five Years**

Special districts which include road districts, power agencies, government housing authorities, transit authorities and the newly formed regional mobility authorities, showed a noteworthy 174.1% ($5.56 billion) increase in revenue debt since 2004. The increase was largely due to North Texas Tollway Authority issuing $4.15 billion in fiscal year 2008 in order to refund previous issues and defease Bond Anticipation Notes. As of August 31, 2008 special districts had $8.75 billion in revenue debt outstanding.

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

Thirty-four percent of all local government debt is carried by Texas cities. Nearly 42% or $22.92 billion of the city debt is tax-supported and the remaining $32.21 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 debt is revenue debt to be repaid from user charges.

As shown in *Figure 1.5,* city revenue debt increased by 16.7% ($4.61 billion) since 2004. The rate of increase is slowly rising reflecting the need to keep pace with infrastructure projects spurred by an 8.5% ($1.9 million) increase in Texas' population since 2004, particularly in the urban areas where rapid growth has prompted new infrastructure needs including roads and construction for new and expanded water and sewer systems.

Counties had the second highest percentage increase in revenue debt outstanding in the five-year period at 58%. As of August 31, 2008, counties had $2.68 billion in revenue debt outstanding. Harris County carries nearly 90% or $1.85 billion of this debt for its toll road projects.

**Tax-Supported Debt Rises Significantly in Five Years**

Nearly thirty-four percent of all local government debt is carried by Texas school districts. Outstanding tax-supported debt totaled $54.35 billion as of August 31, 2008, a 62.3% ($20.85 billion) increase since 2004 *(Figure 1.5)*. During that five-year period, Texas public school attendance increased by approximately 6.4% (254,427 students). 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 continue to experience significant increases (92.2%) in tax-supported debt during the same five-year time period from $1.07 billion outstanding as of August 31, 2004 to $2.06 billion outstanding as of August 31, 2008. Community/junior college student enrollment increased in five years by 12.1% (65,652) to 606,692 for the 50 college districts in Texas. The increase in community/junior college tax-supported debt levels results from the rising costs of tuition at major universities that has caused many students to attend community/junior colleges for their first two years of higher education. This growth in students has required increases in both construction expenditures for new and expanded campuses along with increases in maintenance outlays.

Tax-supported debt outstanding for health/hospital districts continued to climb (124%) during the five-year period to $534.8 million outstanding as of August 31, 2008. This significant increase is due to population increases along with the increased health care needs of aging baby boomers (ages 45-63). Aging healthcare facilities are being renovated or replaced to accommodate advances in medical technology, energy efficiency and to comply with new fire & building codes.

County tax-supported debt increased by 43.4% over the five-year period with $8.70 billion outstanding at August 31, 2008. Water districts including navigation and port districts, river authorities, municipal utility districts (MUDs) and municipal water authorities, experienced a 52.8% rise in tax-supported debt outstanding with $9.10 billion on the books as of August 31, 2008. Cities increased their tax-supported debt outstanding to $22.92 billion, an increase of 47.6% in five years.

**Texas Bond Review Board and Local Government Debt**

The BRB has no direct oversight of local government debt issuance. 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. In fiscal 2009, approximately 4,300 different users of the BRB's website downloaded over 14,000 spreadsheets containing Texas local government debt data. 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
## State Debt Issued in Fiscal 2009

*Debt issued by Texas state agencies and universities during fiscal 2009 decreased to an aggregate total of $4.79 billion compared to $6.14 billion issued in fiscal 2008. The fiscal 2009 issues included $3.99 billion in new-money and $799.3 million in refunding bonds* (Table 2.1). *Additional information on bond transactions can be found in Appendix A of this report. Other debt issued included $1.39 billion of commercial paper and variable-rate notes. Additional information on commercial paper and variable-rate notes can be found in Appendix B. In fiscal 2009 the Bond Review Board also approved $12.0 million for lease purchases by Texas state issuers* (Table 2.2).

### New-Money Funding Decreases in FY 2009

New-money bonds issued by Texas state agencies and institutions of higher education during fiscal 2009 totaled $3.99 billion, a decrease of approximately $609.9 million (13.3%) compared to $4.59 billion issued during fiscal 2008 *(Figure 2.1)*, not including commercial paper issuances. The proceeds provided financing for infrastructure, housing and loan programs.

For fiscal 2009 the Texas Transportation Commission (TTC), the governing body of the Texas Department of Transportation (TxDOT) issued 30.3% of the total of all new-money bonds. The next highest issuer was The University of Texas System (UTS) with 20.8% of the total. These two agencies accounted for 51.1% of the total new-money issuance for fiscal 2009.

### Build America Bonds for FY 2009

In fiscal 2009 the American Recovery and

Table 2.1
**TEXAS BONDS ISSUED DURING FISCAL 2009**
**SUMMARIZED BY ISSUER**

| ISSUER | REFUNDING BONDS | NEW-MONEY BONDS | TOTAL BONDS ISSUED |
|---|---|---|---|
| Stephen F. Austin State University | $0 | $10,200,000 | $10,200,000 |
| Texas Department of Housing & Community Affairs | $36,605,000 | $108,690,000 | $145,295,000 |
| Texas Higher Education Coordinating Board | $0 | $71,730,000 | $71,730,000 |
| Texas Public Finance Authority | $270,920,000 | $204,774,575 | $475,694,575 |
| Texas State Technical College System | $0 | $1,000,000 | $1,000,000 |
| Texas State University System | $0 | $86,745,000 | $86,745,000 |
| Texas Tech University System | $44,690,000 | $126,135,000 | $170,825,000 |
| Texas Transportation Commission | $149,275,000 | $1,208,495,000 | $1,357,770,000 |
| Texas Veterans Land Board | $0 | $100,000,000 | $100,000,000 |
| Texas Water Development Board | $200,545,000 | $752,595,000 | $953,140,000 |
| Texas Woman's University | $0 | $20,400,000 | $20,400,000 |
| The Texas A&M University System | $61,965,000 | $267,855,000 | $329,820,000 |
| University of Houston System | $18,975,000 | $160,595,000 | $179,570,000 |
| The University of Texas System | $16,320,000 | $830,965,000 | $847,285,000 |
| University of North Texas System | $0 | $38,650,000 | $38,650,000 |
| **Total Texas Bonds Issued** | **$799,295,000** | **$3,988,829,575** | **$4,788,124,575** |

**Note:** Table 2.1 excludes commercial paper and variable-rate notes. See Table B1, Appendix B, for these issuances.
**Source:** Texas Bond Review Board - Bond Finance Office.

Reinvestment Act of 2009 (ARRA) created a new form of bonds called Build America Bonds (BABs). Two different types of BABs may be issued: Tax Credit BABs and Direct Payment BABs. Tax Credit BABs provide a federal subsidy to investors equal to 35% of the interest payable by the issuer, and Direct Payment BABs provide a direct federal subsidy payment to state and local governmental issuers equal to 35% of the interest payable. Under the terms of ARRA, both types must be issued before January 1, 2011.

Of the total of $3.99 billion in new-money bonds issued during fiscal 2009, $1.72 billion (43.1%) were issued as Direct Payment BABs of which TTC issued $1.21 billion, The UTS issued $330.5 million and the remaining $181.8 million was issued by the Texas Public Finance Authority (TPFA). No state issuers issued Tax Credit BABs during fiscal 2009.

**Uses of New-Money for FY 2009**

The TTC accounted for nearly $1.21 billion (30.3%) of the total new-money bonds issued in fiscal 2009, all of which were issued as Direct Payment BABs as State of Texas General Obligation (GO) Mobility Bonds to pay or reimburse the State Highway Fund or Mobility Fund for transportation projects including the costs to construct, reconstruct, expand, acquire and maintain state highways.

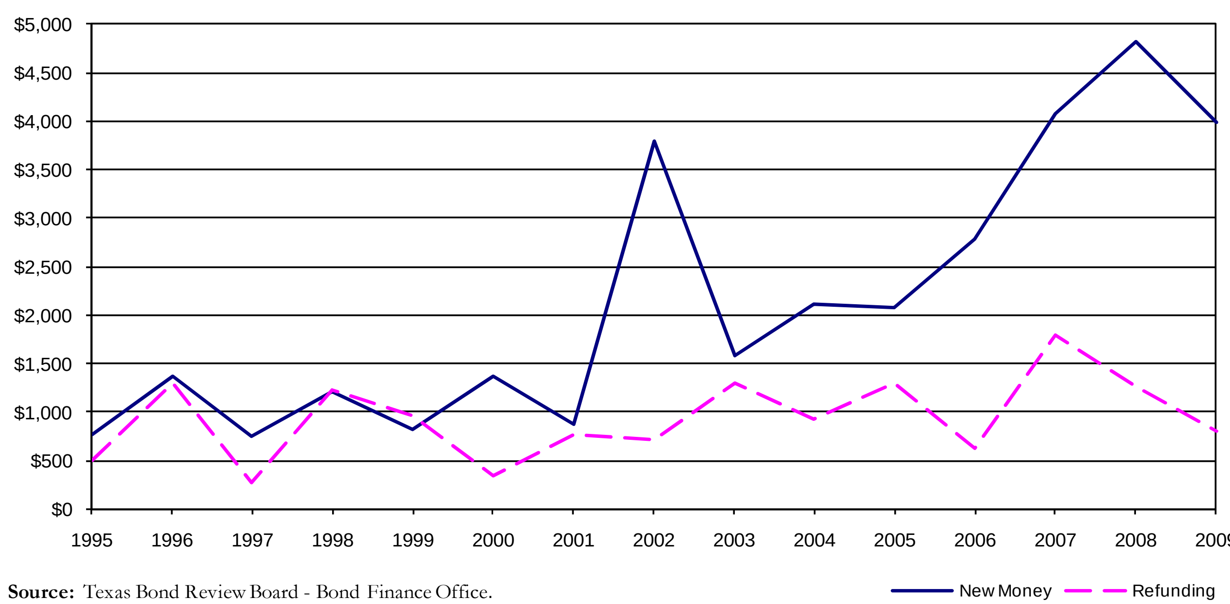
The UTS accounted for $830.9 million in new-money bonds issued in fiscal 2009, of which $330.5 million were issued as Revenue Financing System (RFS) Direct Payment BABs. The proceeds from the bonds were used to finance improvements on various campuses.

Texas Water Development Board (TWDB) issued a total of $752.6 million in new-money bonds in fiscal 2009, of which $302.2 million was issued for its Water Infrastructure Fund, a financial assistance program for the planning, design and construction of projects under the State Water Plan. A total of $225.4 million was used for the Rural Water Assistance Fund, a financial assistance program that enables small rural water utilities to obtain low cost financing for water-related projects. The remaining $224.9 million was used to support TWDB's Clean Water State Revolving Fund, a financial assistance program that provides

Figure 2 1

**TEXAS NEW MONEY AND REFUNDING BOND ISSUES 1995 - 2009**

(millions of dollars)




**Source:** Texas Bond Review Board - Bond Finance Office.

loans at below-market interest rates to political subdivisions authorized to own and operate a wastewater system.

The Texas Public Finance Authority (TPFA) issued a total of $204.8 million in new-money bonds in fiscal 2009, of which $181.8 million was issued as Direct Payment BABs as GO bonds to finance a portion of projects authorized under Texas Constitution, Article III, Sections 50-f and 50-g. TPFA also issued $22.9 million in RFS bonds on behalf of Stephen F. Austin State University (SFA).

The Texas Department of Housing and Community Affairs (TDHCA) issued a total of $108.7 million in new-money debt in fiscal 2009, of which $80.0 million was used for its single family mortgage revenue bond program that provides financing for the purchase of low interest rate mortgage loans made by lenders to first-time home buyers with very low, low or moderate income who are acquiring modestly-priced residences. The remaining $28.7 million was used for TDHCA's multifamily housing program under which certain percentages of the rental units are set aside for low-to-moderate income households.

The Texas Higher Education Coordinating Board (THECB) issued $71.7 million in new-money debt for its GO College Student Loan Program during fiscal 2009.

The Texas Veterans Land Board (VLB) issued $100 million of new-money debt during fiscal 2009, the proceeds from which will be used to make housing and home improvement loans to eligible Texas veterans and certain surviving spouses.

The remaining $711.6 million (17.8%) of new-money financing in fiscal 2009 was issued for institutions of higher education. The Texas A&M University System (TAMUS) issued $267.9 million; University of Houston System (UHS) issued $160.6 million; Texas Tech University System (TTUS) issued $126.1 million; Texas State University System (TSUS) issued $86.7 million; University of North Texas System (UNTS) issued $38.7 million; Texas Woman's University (TWU) issued $20.4 million; Stephen F. Austin State University (SFA) issued $10.2 million and Texas State Technical College System (TSTCS) issued $1.0 million. These financings will be used to fund property and facility improvements.

**Refunding Amounts Decrease in FY 2009**

State agencies and universities issued $799.3 million in refunding bonds in fiscal 2009 compared to $1.54 billion issued in fiscal 2008, a decrease of 48.1% ($741.8 million). The refunding bonds comprised 16.7% of the total debt issued in fiscal 2009 as compared to 25.1% of the total bonds issued in fiscal 2008.

TPFA issued $270.9 million (33.9%) of the fiscal year total to fix out commercial paper (CP) outstanding under TPFA's Commercial Paper Programs.

The TWDB issued $200.5 million (25.1%) in GO Refunding Bonds to refund outstanding GO Water Development Bonds Series 1998A and 1998C and Series 1999A and 1999C.

The Texas Transportation Commission (TTC) issued $149.3 million (18.7%) to refund TTC's First Tier Revenue Bonds, Series 2002B.

The TAMUS issued $61.9 million (7.8%) to refund its outstanding CP notes and RFS Bonds, Series 1997.

TTUS issued $44.7 million (5.6%) to refund the RFS Revenue and Refunding Bonds, Series 1998A and 1998B (Angelo State University portion) and Refunding and Improvement Bonds Sixth Series (1999).

TDHCA issued $36.6 million (4.6%) to refund the debt originally issued to construct the Alta Cullen Apartments and to refund

Residential Mortgage Revenue and Refunding Bonds, Series 1999B and 1999C.

UHS issued $18.9 million (2.4%) to refund RFS Revenue Bonds, Series 1999.

The UTS issued $16.3 million (2.0%) to refund outstanding RFS Revenue Bonds, Series 1998B.

**Interim Financing Decreases in FY 2009**

State agencies and institutions of higher education use commercial paper (CP) and variable-rate notes (VRN) to provide interim financing for equipment purchases, construction projects and loan programs. Issuance of this debt totaled $1.39 billion in fiscal 2009, an 8.3% decrease from the $1.52 billion issued in fiscal 2008 *(Table B1, Appendix B).*

The UTS issued $264.6 million in RFS CP and $250 million in Permanent University Fund (PUF) flexible-rate notes in fiscal 2009 and had $180.8 million of RFS CP and $250.0 million of PUF flexible-rate notes outstanding at fiscal year-end. The UTS uses CP and PUF flexible-rate notes to provide interim financing for equipment purchases and construction projects.

UNTS issued $63.8 million in RFS CP in fiscal 2009 and had $4.4 million outstanding at fiscal year-end.

The TAMUS issued $32.6 million in RFS CP and $100 million in PUF flexible-rate notes in fiscal 2009 and had $16.2 million of RFS CP and no PUF flexible-rate notes outstanding at fiscal year-end. The System utilizes CP and PUF flexible-rate notes to finance construction projects.

TTUS issued $40.8 million in RFS CP in fiscal 2009 and had $44.4 million outstanding at fiscal year-end. TTUS utilizes its CP program to finance construction projects.

UHS issued $46.0 million in RFS CP in fiscal 2009 and had $27.3 million outstanding at fiscal year-end.

TTC, the governing body of TxDOT issued $445.0 million in CP in fiscal 2009 and had $300 million outstanding at fiscal year-end.

TPFA issued $5.5 million in revenue CP and $137.6 million in GO CP during fiscal 2009 and had $107.3 million and $23.0 million, respectively outstanding at fiscal year-end.

In the November, 2007 general election voters approved Proposition 15 – HJR 90 authorizing the state to establish the Cancer Prevention and Research Institute of Texas (CPRIT) and to issue $3 billion in GO bonds over ten years to fund grants for cancer research and prevention. The 81st Legislature appropriated $225 million annually to CPRIT for fiscal years 2010 and 2011. In fiscal 2009 TPFA created a new GO CP program to fund CPRIT and issued $12.7 million in CP in September, 2009.

TDHCA did not issue CP during fiscal 2009 and had no CP outstanding at fiscal year-end.

Texas Economic Development and Tourism Office issued $9.3 million in RFS CP during fiscal 2009 and had $9.3 million outstanding at fiscal year-end.

The Texas Department of Agriculture did not issue CP in fiscal 2009 but had $25.0 million of CP outstanding at fiscal year-end.

Additional information about CP and VRN programs is included in Appendix B of this report.

**Texas Lease Purchases**

Lease purchases with an initial principal greater than $250,000 or with a term of more than five years must be approved by the Bond Review Board (BRB). The BRB approved $12.0 million for five lease-purchase

| Table 2.2<br>**LEASE-PURCHASE AGREEMENTS**<br>**APPROVED BY THE BOND REVIEW BOARD**<br>**FISCAL 2009** | | |
|---|---|---|
| **AGENCY** | **PROJECT** | |
| Midwestern State University (TPFA) | Equipment | $2,130,000 |
| Texas A&M University - Main Campus (Phillips) | Equipment | $6,402,308 |
| Texas State Technical College System - Marshall (Regents Circle) | Land | $2,200,000 |
| Texas Tech University (TPFA) | Equipment | $800,000 |
| Texas Tech University (TPFA) | Equipment | $500,000 |
| **Total Approved Lease-Purchase Agreements** | | **$12,032,308** |

**Note:** Amounts listed above are Texas Bond Review Board *approved* amounts
**Source:** Texas Bond Review Board - Bond Finance Office

transactions during fiscal 2009 *(Table 2.2)* compared to approximately $64.1 million for four lease purchases in fiscal 2008.

The largest lease purchase was $6.4 million for the Texas A&M University's main campus for medical equipment, software and a related service agreement to be used for research and development at the University's Texas Institute for Preclinical Studies.

TSTCS received approval for the lease purchase of 22.29 acres of land including two buildings totaling $2.2 million at its Marshall campus.

Midwestern State University received approval for the lease purchase of HVAC systems for both the Coliseum and Music Hall buildings totaling $2.1 million.

TTUS also received two lease-purchase approvals for the purchase of two gas stack heat recovery units (boiler economizers) totaling $1.3 million.

**Debt Issuance Projected to Increase in FY 2010**

Texas state issuers expect to increase debt issuance in fiscal 2010. The results of an annual survey conducted by the BRB show that state agencies and institutions of higher education are planning to issue approximately $8.47 billion in bonds, CP and VRN during fiscal 2010 *(Table 2.3)*, a projected increase of $2.29 billion (37.1%) over the actual amount issued in fiscal 2009.

The UTS expects to issue $2.95 billion of bonds in fiscal 2010, of which $2.05 billion is expected to be issued to finance various capital projects and to refund portions of outstanding RFS debt. The remaining $900 million will refund portions of outstanding PUF debt and finance various PUF projects.

TxDOT and its governing board is expected to issue $1.9 billion in fiscal 2010, of which $1.5 billion is expected to be issued as State Highway Fund bonds and the remaining $400 million for Proposition 12 Transportation Bonds authorized by the First Called Special Session of the 81st Legislature.

TWDB anticipates issuing $1.26 billion in new-money debt of which $400.0 million will be used for the Development Fund II. The remaining issuances are anticipated to be: $340.0 million for the Clean Water State Revolving Fund, $284.6 million for the Water Infrastructure Fund, $187.6 million for the State Participation Program and $50.6 million for the Economically Distressed Areas Program (EDAP). In addition, TWDB plans to issue $393.0 million in refunding bonds: $312.0 million to refund the Clean Water State Revolving Fund Bonds, Series 1998A, 1999B and 2000A; and $81.0 million to refund the Development Fund II Bonds, Series 2000 and 2000A.

Table 2 3

**TEXAS STATE DEBT ISSUES EXPECTED DURING FISCAL 2010**

| ISSUER | APPROXIMATE AMOUNT | PURPOSE | APPROXIMATE ISSUE DATE |
|---|---|---|---|
| **General Obligation Debt** | | | |
| **Self-Supporting** | | | |
| Texas Higher Education Coordinating Board | $75,000,000 | Hinson-Hazlewood Loan Program (New Money) | Jun-2010 |
| Texas Veterans Land Board | $16,950,000 | Veterans' Housing Assistance Program, Fund II Taxable Refunding Bonds, Series 2009C ( Ref Series 1999A-1) | Nov-2009 |
| Texas Veterans Land Board | $65,845,000 | Veterans' Housing Assistance Program, Fund II Taxable Refunding Bonds, Series 2009D (Ref Series 1999B) | Nov-2009 |
| Texas Veterans Land Board | $50,000,000 | Veterans' Housing Assistance Program, Fund II Series 2010A | Jan-2010 |
| Texas Veterans Land Board | $66,720,000 | Veterans' Housing Assistance Program, Fund II Taxable Refunding Bonds, Series 2010B (Ref Series 2000C) | May-2010 |
| Texas Veterans Land Board | $50,000,000 | Veterans' Housing Assistance Program, Fund II Series 2010C | Jun-2010 |
| Texas Water Development Board | $400,000,000 | DFUND II Program - New Money Bonds | Jul-2010 |
| Texas Water Development Board | $81,000,000 | DFUND II Program - Refunding Bonds Ser 2000 & 2000A | Jul-2010 |
| **Total Self-Supporting** | **$805,515,000** | | |
| **Not Self-Supporting** | | | |
| Texas Department of Transportation | $400,000,000 | Proposition 12 Transportation Bonds | Apr-2010 |
| Texas Public Finance Authority* | $6,535,000 | Adjutant General | TBD |
| Texas Public Finance Authority* | $26,987,000 | Department of Aging and Disability Services | Nov-2009 |
| Texas Public Finance Authority* | $80,000,000 | Department of Criminal Justice | Nov-2009 |
| Texas Public Finance Authority* | $16,100,000 | Department of Public Safety | TBD |
| Texas Public Finance Authority* | $27,228,000 | Department of State Health Services | Nov-2009 |
| Texas Public Finance Authority* | $20,000,000 | Historical Commission | TBD |
| Texas Public Finance Authority* | $5,556,651 | Youth Commission | TBD |
| Texas Water Development Board | $284,615,000 | WIF New Money Bonds | Dec-2009 |
| Texas Water Development Board | $187,550,000 | State Participation New Money Bonds | Dec-2009 |
| Texas Water Development Board | $50,620,000 | EDAP New Money Bonds | Dec-2009 |
| **Total Not Self-Supporting** | **$1,105,191,651** | | |
| **Total General Obligation Debt** | **$1,910,706,651** | | |
| **Non-General Obligation Debt** | | | |
| **Self-Supporting** | | | |
| Midwestern State University | $14,000,000 | Continued Renovation to D.L. Ligon Coliseum | Apr-2010 |
| Texas Department of Housing and Community Affairs | $120,000,000 | Single-Family Mortgage Revenue Bonds (2010A New Money Bonds - Volume Cap) | Aug-2010 |
| Texas Department of Housing and Community Affairs | $84,000,000 | Single-Family Mortgage Credit Certificates ($21 million in certificates) | Aug-2010 |
| Texas Department of Housing and Community Affairs | $100,000,000 | Multifamily Mortgage Revenue Bonds | TBD |
| Texas Department of Transportation | $1,500,000,000 | State Highway Fund | Jul-2010 |
| Texas Public Finance Authority | TBD | Stephen F. Austin State University ( New Money & Refunding Ser 1998) | TBD |
| Texas State Affordable Housing Corporation | $30,000,000 | MCC Program for Professional Educators and Homes for Texas Heroes Home Loan Program | Sep-2009 |
| Texas State Technical College System | $32,000,000 | Acquire, purchase, construct, improve, renovate, enlarge or equip various facilities within the System | Nov-2009 |
| Texas State University System - RFS | $2,070,000 | LSC - PA Computer/ Learning Resource Center | Apr-2010 |
| Texas State University System - RFS | $21,000,000 | SHSU - University Center at the Woodlands (New) | Apr-2010 |
| Texas State University System - RFS | $4,000,000 | TxST - SM Center for Research Commercialization | Apr-2010 |
| Texas State University System - RFS | $7,500,000 | SRSU - Central Plant Boiler Replacement and Underground Utilities | Apr-2010 |
| Texas State University System- RFS | $1,476,000 | TxST - SM Pecos & State Street Realignment | Apr-2010 |
| Texas Tech University System - RFS* | $33,030,615 | Expected CP issuances for various projects | TBD |
| Texas Tech University System - RFS* | $14,838,052 | Expected CP issuances for various projects at Angelo State University | TBD |
| Texas Water Development Board | $340,000,000 | Clean Water State Revolving Fund - New Money | Jun-2010 |
| Texas Water Development Board | $70,000,000 | Refunding Ser 2000A (Clean Water State Revolving Fund) | May-2010 |
| Texas Water Development Board | $110,000,000 | Refunding Ser 1998A (Clean Water State Revolving Fund) | May-2010 |
| Texas Water Development Board | $132,000,000 | Refunding Ser 1999B (Clean Water State Revolving Fund) | Feb-2010 |
| Texas Woman's University-RFS | $17,500,000 | Construction of a Fitness & Recreation Center | Winter - 2010 |
| The Texas A&M University System - PUF* | $275,000,000 | Acquire, purchase, construct, improve, and equip various facilities within the System | As Needed |
| The Texas A&M University System - RFS*(1) | $375,000,000 | Acquire, purchase, construct, improve, and equip various facilities within the System, including TRBs | Oct-2009 |
| The University of Texas System - PUF | $400,000,000 | Refund portion outstanding PUF debt; Acquire, purchase, construct, improve, and equip various facilities | TBD |
| The University of Texas System - PUF | $500,000,000 | Refund portion outstanding PUF debt; Acquire, purchase, construct, improve, and equip various facilities | As Needed |
| The University of Texas System - RFS(1) | $800,000,000 | Refund portion outstanding RFS debt; Acquire, purchase, construct, improve, and equip various facilities, including TRBs | TBD |
| The University of Texas System - RFS*(1) | $1,250,000,000 | Refund portion outstanding RFS debt; Acquire, purchase, construct, improve, and equip various facilities, including TRBs | As Needed |
| University of Houston System - RFS | $26,000,000 | UH Classroom/ Business Building | Feb-2010 |
| University of Houston System - RFS | $32,000,000 | UH Health and Biomedical Science Center | Feb-2010 |
| University of Houston System - RFS | $27,000,000 | UH University Business Park | Feb-2010 |
| University of Houston System - RFS | $11,000,000 | UH Moody Towers Dining Hall Renovation | Feb-2010 |
| University of Houston System - RFS | $10,300,000 | UH Stadium Garage 1 | Feb-2010 |
| University of Houston System - RFS | $4,250,000 | UH Victoria Residence Hall | Feb-2010 |
| University of Houston System - RFS | $50,000,000 | UH Residence Hall | TBD |
| University of Houston System - RFS | $26,000,000 | UH Classroom/ Engineering Building | TBD |
| University of North Texas System - RFS | $25,000,000 | TRBs for building UNT Dallas/ System Center | Nov-2009 |
| University of North Texas System - RFS | $50,000,000 | TRBs for building the Business Leadership Building | Nov-2009 |
| University of North Texas System - RFS | $38,000,000 | Building Football Stadium | Nov-2009 |
| University of North Texas System - RFS | $20,725,940 | Building Parking Garage adjacent to Business Leadership Building | Nov-2009 |
| **Total Self-Supporting** | **$6,553,690,607** | | |
| **Not Self-Supporting** | | | |
| Texas Public Finance Authority* | $10,000,000 | Revenue Refunding (Series 1997B and 1999A) | TBD |
| **Total Not Self-Supporting** | **$10,000,000** | | |
| **Total Non-General Obligation Debt** | **$6,563,690,607** | | |
| **Total All Debt** | **$8,474,397,258** | | |

* Commercial Paper or Variable-Rate Note program.

(1) Includes TRBs.

**Source:** Texas Bond Review Board - Bond Finance Office.

The TAMUS expects to issue $650.0 million in PUF and RFS debt during fiscal 2010 to finance facility construction and renovation, purchase equipment and refund outstanding CP.

TDHCA plans to issue approximately $304.0 million in bonds during fiscal 2010, of which $120.0 million will be used for TDHCA's Single Family Mortgage Revenue Bond Program. The remaining $184.0 million will be used for TDHCA's Single Family Mortgage Credit Certificate Program ($84 million) and TDHCA's Multifamily Mortgage Revenue Bond Program ($100 million).

The Texas VLB expects to issue $100.0 million in new-money bonds and $149.5 million in taxable refunding bonds for its Veterans' Housing Assistance Program, Fund II during fiscal 2010.

TPFA plans to issue approximately $192.4 million in bonds and CP during fiscal 2010. Approximately $182.4 million will be GO bonds for various projects for the Adjutant General, the Texas Department of Aging and Disability Services, the Texas Department of Criminal Justice, the Texas Department of Public Safety, the Texas Department of State Health Services, the Texas Historical Commission and the Texas Youth Commission. TPFA plans to issue the remaining $10 million as revenue refunding bonds.

UHS expects to issue $186.6 million of new-money debt in fiscal 2010 for the purchase, construction and expansion of various projects on UH campuses.

UNTS expects to issue $133.7 million of new-money debt in fiscal 2010, of which $75.0 million will be issued as Tuition Revenue Bonds (TRB) for constructing the UNT Dallas/System Center and the Business Leadership Building on its Denton campus. The remaining $58.7 million will be used for the construction of a football stadium and parking garage.

THECB plans to issue $75 million in bonds for its College Student Loan Program during fiscal 2010.

TTUS expects to issue $47.9 million in CP for various projects on its campuses during fiscal year 2010, of which $14.8 million will be used for Angelo State University.

TSUS plans to issue $36.0 million of RFS bonds for facility construction and renovation projects at Lamar State College - Port Arthur, Sam Houston State University in Huntsville, Texas State University - San Marcos and Sul Ross State University in Alpine.

TSTCS plans to issue approximately $32.0 million in RFS bonds to acquire, purchase, construct, improve, renovate, enlarge or equip various facilities within the System.

TSAHC expects to issue $30 million in bonds during fiscal 2010 for its Mortgage Credit Certificate Program for the Professional Educators and the Homes for Texas Heroes Home Loan Programs.

Texas Woman's University plans to issue $17.5 million in new-money bonds for construction of a fitness and recreation center.

Midwestern State University intends to issue $14 million in new-money bonds to renovate the D.L. Ligon Coliseum on its campus in Wichita Falls.

## Chapter 3
## State Debt Outstanding

*In fiscal 2009 the state's total debt outstanding increased 9.9% to $34.08 billion compared to $31.03 billion in fiscal 2008 and $26.37 billion in fiscal 2007.*

### General Obligation Debt Outstanding Increased in FY 2009

Texas General Obligation (GO) debt carries a constitutional pledge of the full faith and credit of the state to repay the debt and requires 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 2009 $12.44 billion of the state's $34.08 billion of debt outstanding was backed by the state's general obligation (GO) pledge, an increase of $1.67 billion (15.5%) from the $10.78 billion outstanding at the end of fiscal 2008 *(Table 3.1 and Figure 3.1)*. GO debt issues that contributed to the fiscal 2009 increase include bond issuances for the Texas Mobility Fund and the Texas Water Development Board. (See Chapter 2 and Appendix A for a description of debt issued in fiscal 2009.)

The repayment of non-GO (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 require a higher rate of interest to compensate for the additional risk associated with revenue debt.

Figure 3.1
**STATE OF TEXAS DEBT OUTSTANDING**
**(amounts in billions)**

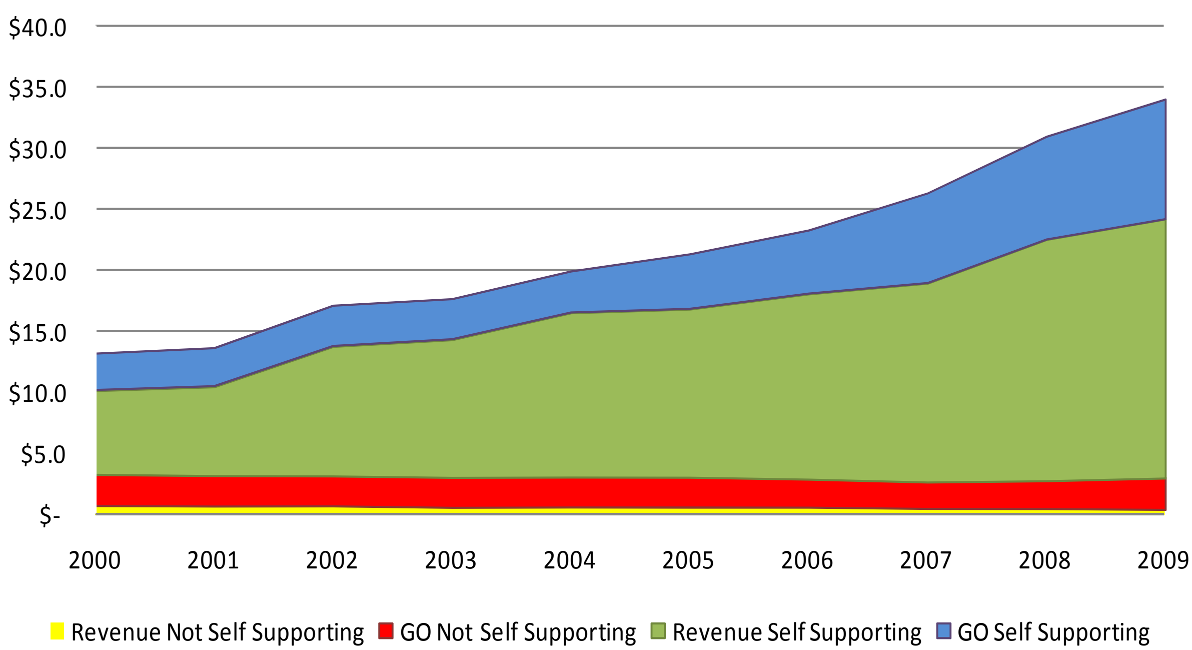


Table 3.1

**STATE OF TEXAS DEBT OUTSTANDING**

**(amounts in thousands)**

| | 8/31/2005 | 8/31/2006 | 8/31/2007 | 8/31/2008 | 8/31/2009 |
|---|---|---|---|---|---|
| **General Obligation Bonds** | | | | | |
| **Self-Supporting** | | | | | |
| Veterans' Land and Housing Bonds | $1,773,251 | $1,852,137 | $1,845,187 | $1,832,472 | $1,867,107 |
| Water Development Bonds | 959,000 | 887,340 | 847,905 | 803,385 | 986,195 |
| Economic Development Bank Bonds | 45,000 | 45,000 | 45,000 | 45,000 | 45,000 |
| Park Development Bonds [1] | 24,485 | 20,080 | 1,805 | 0 | 4,865 |
| College Student Loan Bonds | 652,923 | 625,601 | 661,367 | 727,343 | 708,945 |
| Texas Agricultural Finance Authority[2] | 30,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Texas Mobility Fund Bonds | 1,000,000 | 1,725,515 | 3,886,750 | 4,955,850 | 6,132,055 |
| Texas Public Finance Authority - TMVRLF | 0 | 0 | 49 595 | 49 595 | 49 595 |
| **Total, Self-Supporting** | **$4,484,659** | **$5,180,673** | **$7,363,334** | **$8,438,645** | **$9,818,762** |
| **Not Self-Supporting [3]** | | | | | |
| Higher Education Constitutional Bonds [4] | $52,685 | $63,000 | $58,310 | $51,605 | $54,875 |
| Texas Public Finance Authority Bonds [5] | 2,133,778 | 1,978,685 | 1,810,644 | 1,850,644 | 1,870,530 |
| Park Development Bonds | 4,125 | 3,300 | 16,544 | 15,164 | 9,280 |
| Agriculture Water Conservation Bonds | 9,690 | 7,410 | 5,040 | 2,575 | 0 |
| Water Development Bonds - EDAP [6] | 173,005 | 165,725 | 180,185 | 172,495 | 162,805 |
| Water Development Bonds - State Participation | 141,580 | 141,445 | 160,280 | 140,130 | 139,750 |
| Water Development Bonds - WIF | 0 | 0 | 0 | 106,120 | 388,870 |
| **Total, Not Self-Supporting** | **$2,514,863** | **$2,359,565** | **$2,231,003** | **$2,338,733** | **$2,626,110** |
| **Total General Obligation Bonds** | **$6,999,522** | **$7,540,238** | **$9,594,337** | **$10,777,379** | **$12,444,872** |
| **Non-General Obligation Bonds** | | | | | |
| **Self-Supporting** | | | | | |
| Permanent University Fund Bonds | | | | | |
| The Texas A&M University System [5] | $301,571 | $429,210 | $409,344 | $434,630 | $577,105 |
| The University of Texas System [5] | 973,560 | 1,032,860 | 1,062,625 | 1,318,980 | 1,524,235 |
| College and University Revenue Bonds [5, 7] | 5,061,421 | 5,857,034 | 6,305,867 | 7,362,004 | 8,457,339 |
| Texas Dept. of Housing and Community Affairs Bonds [5] | 2,169,157 | 2,305,689 | 2,606,999 | 2,783,482 | 2,658,191 |
| Texas State Affordable Housing Corporation | 542,898 | 515,148 | 621,887 | 696,136 | 568,780 |
| Texas Small Business I.D.C. Bonds | 99,335 | 99,335 | 99,335 | 99,335 | 60,000 |
| Economic Development Program[2] | 15,000 | 13,000 | 8,235 | 6,407 | 9,332 |
| Texas Water Resources Finance Authority Bonds | 27,155 | 21,315 | 15,830 | 10,740 | 5,195 |
| College Student Loan Bonds | 878 | 0 | 0 | 0 | 0 |
| Texas Department of Transportation Bonds - CTTS | 2,199,994 | 2,199,994 | 2,075,063 | 2,563,947 | 2,563,222 |
| Texas Workers' Compensation Fund Bonds | 46,433 | 24,217 | 0 | 0 | 0 |
| Veterans' Financial Assistance Bonds | 25,689 | 25,689 | 24,444 | 23,987 | 24,227 |
| TPFA Charter School Finance Corporation | 0 | 0 | 10,380 | 10,145 | 127,740 |
| Texas Workforce Commission Unemp Comp Bonds | 1,018,840 | 712,935 | 396,060 | 0 | 0 |
| State Highway Fund | 0 | 688,850 | 1,689,740 | 3,076,660 | 3,091,755 |
| Water Development Board Bonds - State Revolving Fund | 1,268,275 | 1,234,300 | 932,448 | 1,357,383 | 1,522,933 |
| **Total, Self-Supporting** | **$13,750,206** | **$15,159,576** | **$16,258,257** | **$19,743,835** | **$21,190,054** |
| **Not Self-Supporting [3]** | | | | | |
| Texas Public Finance Authority Bonds | $484,200 | $454,085 | 337,015 | 321,470 | 278,486 |
| TPFA Master Lease Purchase Program[2,8] | 77,259 | 105,290 | 110,800 | 122,440 | 107,320 |
| Texas Military Facilities Commission Bonds | 23,385 | 21,690 | 20,150 | 18,555 | 17,350 |
| Parks and Wildlife Improvement Bonds | 45,125 | 41,880 | 52,330 | 46,895 | 41,320 |
| **Total, Not Self-Supporting** | **$629,969** | **$622,945** | **$520,295** | **$509,360** | **$444,476** |
| **Total Non-General Obligation Bonds** | **$14,380,175** | **$15,782,521** | **$16,778,552** | **$20,253,195** | **$21,634,530** |
| **Total Debt Outstanding** | **$21,379,697** | **$23,322,759** | **$26,372,889** | **$31,030,574** | **$34,079,402** |

1 Amounts do not include premium on capital appreciation bonds.

2 Commercial Paper

3 Bonds that are not self-supporting (general obligation and non-general obligation) depend solely on the state's general revenue fund for debt service.

4 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.

5 Includes commercial paper and bond anticipation notes outstanding.

6 Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service.

7 Outstanding amounts for tuition revenue bonds are included in these totals. Table 3.2 provides amounts of outstanding revenue bonds 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").

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

**Note:** The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2009.

**Source:** Texas Bond Review Board - Bond Finance Office.

Table 3.2

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

| College and University Revenue Bonds | FY 2007 Non-Tuition Revenue Bonds | FY 2007 Tuition Revenue Bonds | FY 2007 Total | FY 2008 Non-Tuition Revenue Bonds | FY 2008 Tuition Revenue Bonds | FY 2008 Total | FY 2009 Non-Tuition Revenue Bonds | FY 2009 Tuition Revenue Bonds | FY 2009 Total |
|---|---|---|---|---|---|---|---|---|---|
| Midwestern State University | 24,090 | 24,370 | 48,460 | 69,740 | 23,610 | 93,350 | 60,400 | 22,445 | 82,845 |
| Stephen F. Austin State University | 104,280 | 15,875 | 120,155 | 100,575 | 32,660 | 133,235 | 96,575 | 52,465 | 149,040 |
| Texas Southern University | 24,820 | 80,700 | 105,520 | 23,175 | 73,470 | 96,645 | 21,470 | 69,170 | 90,640 |
| Texas State Technical College System | 0 | 8,720 | 8,720 | 0 | 11,245 | 11,245 | 929 | 10,660 | 11,589 |
| Texas State University System | 337,119 | 171,031 | 508,150 | 424,864 | 238,676 | 663,540 | 484,823 | 220,551 | 705,374 |
| Texas Tech University System | 265,766 | 178,619 | 444,385 | 293,119 | 180,921 | 474,040 | 297,926 | 240,106 | 538,032 |
| Texas Woman's University | 18,795 | 27,950 | 46,745 | 16,375 | 48,235 | 64,610 | 34,385 | 45,950 | 80,335 |
| The Texas A&M University System | 594,305 | 318,820 | 914,125 | 637,819 | 333,464 | 971,283 | 643,811 | 501,874 | 1,145,685 |
| The University of Texas System | 2,898,619 | 614,740 | 3,513,359 | 3,302,432 | 818,488 | 4,120,920 | 3,780,099 | 976,099 | 4,756,198 |
| University of Houston System | 158,230 | 148,610 | 306,840 | 257,220 | 195,830 | 453,050 | 370,915 | 239,986 | 610,901 |
| University of North Texas System | 176,783 | 112,625 | 289,408 | 173,971 | 106,115 | 280,086 | 151,956 | 134,745 | 286,701 |
| **Total Revenue Debt Outstanding** | **$4,602,807** | **$1,702,060** | **$6,305,867** | **$5,299,290** | **$2,062,714** | **$7,362,004** | **$5,943,288** | **$2,514,051** | **$8,457,339** |

**Notes:**

The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2009.

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.

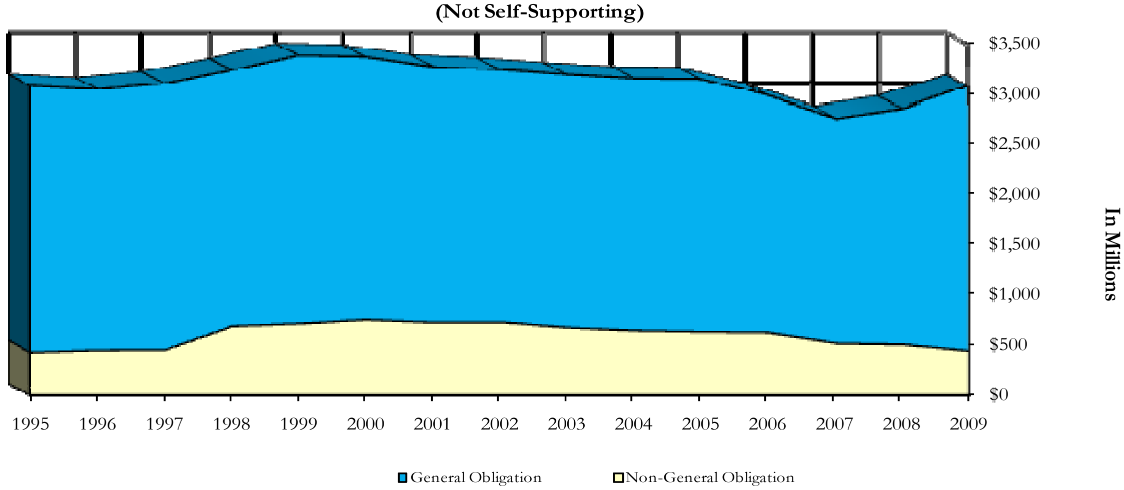
**Source:** Texas Bond Review Board - Bond Finance Office.

## General Revenue Supported Debt Increased Slightly in FY 2009

All debt does not have the same financial impact on the state's general revenue. Self-supporting GO and revenue debt rely on sources other than the state's general revenue to pay debt service; thus self-supporting debt does not directly impact state finances. However, debt that is not self-supporting depends solely on the state's general revenue fund for debt service and draws upon the same sources used by the legislature to finance the operation of state government.

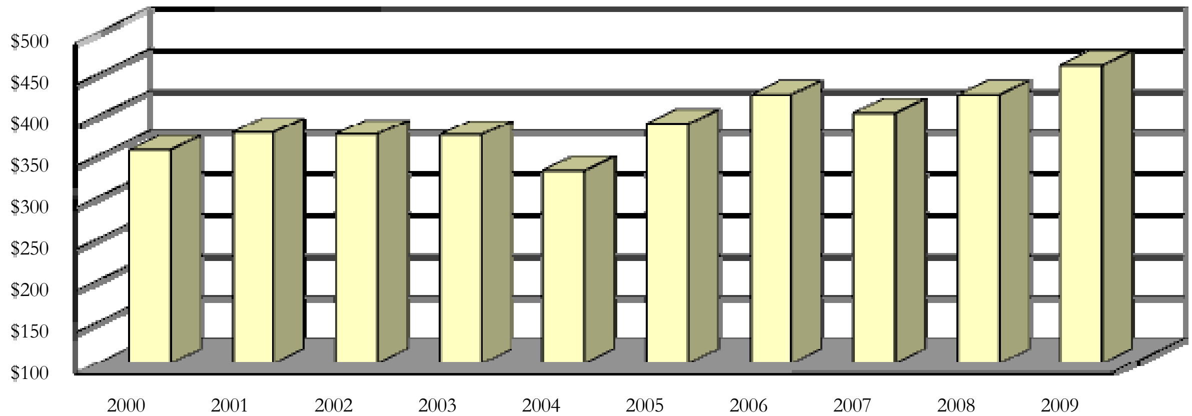
Not self-supporting GO and revenue debt outstanding increased during fiscal 2009, the second such increase in as many years that reversed an eight-year trend of decreases that began in 2000.

Figure 3 2
**TEXAS STATE DEBT OUTSTANDING BACKED ONLY BY GENERAL REVENUE (Not Self-Supporting)**




**Source:** Texas Bond Review Board - Bond Finance Office

Figure 3.3
**ANNUAL DEBT SERVICE PAID FROM GENERAL REVENUE**
**(amounts in millions)**




**Source:** Texas Bond Review Board - Bond Finance Office.

While not self-supporting revenue debt actually decreased by $64.9 million, not self-supporting GO debt increased by $287.4 million for an overall net increase of $222.5 million in fiscal 2009 *(Figure 3.2)*. As of August 31, 2009 Texas had $3.07 billion in debt outstanding that must be paid from the state's general revenue. By comparison, not self-supporting debt totaled $2.85 billion in fiscal year 2008, $2.75 billion in fiscal year 2007 and $2.98 billion in fiscal 2006.

**Debt-Service Payments from General Revenue Increased in FY 2009**

Debt-service payments from general revenue increased by 8.3% from $425.1 million in fiscal 2008 to $460.6 million in fiscal 2009 *(Figure 3.3)*. During fiscal years 2006 and 2007 respectively, the state paid $424.9 million and $403.1 million for debt service from general revenue. (See *Table 3.4* for debt-service requirements by fiscal year for Texas state bonds.)

Please note that debt-service requirements for tuition revenue debt are not included in this analysis since all college and university revenue debt is 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. However, pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code, the legislature has historically appropriated funds in an amount equal to all or a portion of the debt service on revenue debt issued. (For principal outstanding and for debt-service detail for each system or institution, see *Tables 3.2 and 3.5, respectively*.)

**Texas' Authorized but Unissued Debt Increased in FY 2009**

Authorized but unissued debt is defined as debt that may be issued without further legislative action. As of August 31, 2009 Texas had $16.87 billion in authorized but unissued debt compared to $18.62 billion in fiscal 2008 *(Table 3.6)*. Of the $16.84 billion, $12.05 billion (71.5%) was GO debt of which $10.04 billion (83.4%) was not self-supporting. This compares to $9.69 billion in not self-supporting GO authorized but unissued debt at fiscal year-end 2008. This increase resulted from the reclassification of certain Water Development Board debt from self-supporting to not self-supporting as a result of legislative appropriation.

Authorized but unissued not self-supporting revenue debt totaled $193.2 million at the end of fiscal 2009 compared to $178.0 million at fiscal year-end 2008. The remaining authorized but unissued debt was self-supporting.

## Debt Authority – 80th Texas Legislature, Regular Session

The 80th Legislature authorized more than $9.75 billion in additional general obligation debt that was approved by the voters at the November 2007 general election. These include: SJR 64 to finance $5 billion for transportation projects; HJR 90 to finance $3 billion for cancer research; SJR 65 to finance $1 billion for capital projects for certain state agencies; SJR 57 to finance $500 million for student loans and SJR 20 to finance $250 million for water projects.

In addition, the 80th Legislature appropriated debt service for the $1.86 billion in tuition revenue bonds (TRBs) authorized by HB 153, 79th Legislature, Third Special Session. TRBs are used to finance construction and improvements of infrastructure and related facilities, and their authorization and issuance is not contingent on an appropriation for related debt service. As described above the Texas Legislature has historically appropriated general revenue to reimburse the institutions for TRB debt service.

As noted earlier, the passage of SB 792 increased the State Highway Fund authority from $3 billion to $6 billion.

## Debt Authority – 81st Texas Legislature, Regular Session

The 81st Legislature authorized no additional GO debt but converted $707 million of Water Development Board debt from self-supporting to not self-supporting by appropriation *(Table 3.6)*.

As of the August 31, 2009 Texas colleges and universities had a total of $653.4 million in authorized but unissued TRB debt (*Table 3.3*). The University of Texas System had the most

Table 3.3
**TEXAS COLLEGE AND UNIVERSITY AUTHORIZED BUT UNISSUED TUITION REVENUE DEBT**

| | Total Unissued |
|---|---|
| **The Texas A&M University System** | |
| Prairie View A&M University | $0 |
| Tarleton State University | $32,890,207 |
| West Texas A&M University | $0 |
| Texas A&M International University | $1,321,600 |
| Texas A&M University - Kingsville | $8,586,000 |
| Texas A&M University - Central Texas | $22,821,000 |
| Texas A&M University - Corpus Christi | $0 |
| Texas A&M University - Commerce | $0 |
| Texas A&M University - San Antonio | $36,513,500 |
| Texas A&M University - Texarkana | $0 |
| Texas A&M Health Science Center | $0 |
| Texas A&M University - Galveston | $5,000,000 |
| Texas A&M University | $19,330,500 |
| **The Texas A&M University System Total** | $126,462,807 |
| **The University of Texas System** | $0 |
| The University of Texas at Austin | $0 |
| The University of Texas at Arlington | $0 |
| The University of Texas at Brownsville | $18,248,000 |
| The University of Texas at Dallas | $5,334,000 |
| The University of Texas at El Paso | $45,534,000 |
| The University of Texas - Pan American | $39,796,000 |
| The University of Texas of the Permian Basin | $38,769,000 |
| The University of Texas at San Antonio | $0 |
| The University of Texas at Tyler | $13,799,000 |
| The University of Texas Southwestern Medical Center | $0 |
| The University of Texas HSC at Houston | $51,042,000 |
| The University of Texas Medical Branch at Galveston | $150,000,000 |
| The University of Texas HSC at Tyler | $17,120,000 |
| The University of Texas HSC at San Antonio (RAHC) | $1,733,000 |
| The University of Texas M.D. Anderson Cancer Center | $0 |
| The University of Texas HSC at San Antonio | $20,423,000 |
| **The University of Texas System Total** | $401,798,000 |
| **Texas Tech University System** | |
| Angelo State University | $0 |
| Texas Tech University | $0 |
| Texas Tech University and Health Sciences Center | $0 |
| **Texas Tech University System Total** | $0 |
| **Texas Southern University Total** | $46,500,000 |
| **Midwestern State University Total** | $0 |
| **Stephen F. Austin State University Total** | $0 |
| **University of Houston System** | $0 |
| University of Houston | $0 |
| University of Houston - Victoria | $0 |
| University of Houston - Clear Lake | $0 |
| University of Houston - Downtown | $0 |
| **Universtiy of Houston System Total** | $0 |
| **University of North Texas** | |
| University of North Texas | $50,000,000 |
| University of North Texas at Dallas | $25,000,000 |
| University of North Texas HSC at Fort Worth | $0 |
| Texas College of Osteopathic Medicine | $0 |
| **Universtiy of North Texas Total** | $75,000,000 |
| **Texas Woman's University Total** | $0 |
| **Texas State University System** | $0 |
| Lamar University | $0 |
| Lamar University - Beaumont | $0 |
| Lamar University Institute of Technology | $0 |
| Lamar University - Orange | $1,837,280 |
| Lamar University - Port Arthur | $1,849,500 |
| Sam Houston State University | $0 |
| Texas State University at San Marcos | $0 |
| Sul Ross State University | $0 |
| **Texas State University System Total** | $3,686,780 |
| **Texas State Technical College System** | $0 |
| Texas State Technical College - Harlingen | $0 |
| Texas State Technical College - Marshall | $0 |
| Texas State Technical College - Waco | $0 |
| Texas State Technical College - West Texas | $0 |
| **Texas State Technical College System Total** | $0 |
| **Total** | $653,447,587 |

unissued authority ($401.8 million) followed by The Texas A&M University System ($126.5 million).

**Debt Authority – 81st Texas Legislature, Special Session**

The 81st Legislature's First Called Special Session authorized no additional GO debt, but appropriated $100.0 million for debt service during the 2010-2011 biennium for the issuance of $2 billion in Proposition 12 bonds for highway projects. The Texas Transportation Commission's general obligation bonds were approved by voters in November, 2007 as Proposition 12.

**Long-Term Contracts and Lease Purchases**

Long-term contracts and lease or installment-purchase agreements can serve as cost-effective 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, and payments on these contracts and agreements are generally subject to biennial legislative appropriations. Although these contracts and agreements are not classified as state debt, they must be added to debt outstanding to obtain an accurate total of all state debt.

The equipment lease purchases approved by the Bond Review Board are typically financed through the Texas Public Finance Authority's Master Lease Purchase Program and are included in the state's total debt outstanding. No lease purchases of facilities were approved by the Bond Review Board during fiscal 2009.

**Texas Swaps Outstanding**

At the end of fiscal 2009, four state issuers had swap agreements in place: the Veterans Land Board (VLB), The University of Texas System (The UT System), the Texas Department of Housing and Community Affairs (TDHCA) and the Texas Transportation Commission (TTC). Each entered the swap market in 1994, 1999, 2004 and 2006, respectively. As of August 31, 2009 the aggregate notional amount of swaps outstanding at the state level was $4.43 billion. Interest rate swaps do not represent additional debt of the state but are primarily used as financial-management tools to reduce interest expense and hedge against interest rate, tax, basis and other risks. (See *Appendix C* for a background discussion of swaps and related data.)

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 TDHCA and the VLB have broad authority to enter into swaps under Section 2306.35 of the Texas Government Code and Sections 161.074, 162.052 and 164.010 of the Texas Natural Resources Code, respectively.

At the end of fiscal 2009, the VLB was a party to 41 pay-fixed, receive-variable (synthetic fixed-rate) swaps associated with its variable-rate demand bond issues. The total notional amount for these swaps was $1.34 billion at fiscal year-end 2009. TDHCA had five such swaps on single family bonds totaling $351.6 million in notional amount and The UT System had nine Revenue Financing System agreements and three Permanent University Fund agreements totaling $2.01 billion in notional amount.

TDHCA had four such swaps on multi-family bond issuances that are conduit debt.

Additionally, at the end of fiscal 2009 the VLB had five outstanding basis (pay-variable, receive-variable) swaps with $243.2 million in notional amount that were associated with variable-rate demand debt issues. The TTC had three basis swaps outstanding with $400

Table 3.4
**DEBT-SERVICE REQUIREMENTS OF TEXAS STATE BONDS BY FISCAL YEAR**
**(amounts in thousands)**

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 & beyond |
|---|---|---|---|---|---|---|
| **General Obligation Bonds** | | | | | | |
| **Self-Supporting** | | | | | | |
| Veterans' Land and Housing Bonds | $139,078 | $179,653 | $164,933 | $134,157 | $134,226 | $2,216,356 |
| Water Development Bonds | 78,036 | 92,440 | 93,592 | 93,112 | 90,528 | 1,222,377 |
| Economic Development Bank Bonds | 846 | 2,048 | 2,048 | 2,048 | 2,048 | 110,520 |
| Park Development Bonds | 732 | 735 | 734 | 732 | 738 | 2,940 |
| College Student Loan Bonds | 132,599 | 102,556 | 98,186 | 80,101 | 89,739 | 645,878 |
| Texas Agriculture Finance Authority | 433 | 1,180 | 2,022 | 2,020 | 2,020 | 32,370 |
| Texas Mobility Fund Bonds | 265,971 | 304,098 | 334,227 | 339,514 | 343,738 | 11,073,094 |
| Texas Public Finance Authority - TMVRLF | 2,504 | 2,504 | 2,945 | 2,942 | 3,718 | 79,944 |
| **Total Self-Supporting** | **$620,199** | **$685,214** | **$698,686** | **$654,626** | **$666,756** | **$15,383,479** |
| **Not Self-Supporting**[1] | | | | | | |
| Higher Education Constitutional Bonds [2] | $8,997 | $10,160 | $10,153 | $10,156 | $10,146 | $22,326 |
| Texas Public Finance Authority Bonds | 302,281 | 275,147 | 305,221 | 270,204 | 251,729 | 1,449,203 |
| Park Development Bonds | 429 | 1,281 | 1,233 | 1,188 | 1,140 | 6,670 |
| Agriculture Water Conservation Bonds | 2,696 | 0 | 0 | 0 | 0 | 0 |
| Water Development Bonds - EDAP [3] | 13,770 | 16,199 | 16,266 | 16,331 | 16,293 | 171,676 |
| Water Development Bonds - State Participation | 6,453 | 7,304 | 7,876 | 7,885 | 7,896 | 243,193 |
| Water Development Bonds - WIF | 26,895 | 26,476 | 25,198 | 27,462 | 27,436 | 519,017 |
| **Total Not Self-Supporting** | **$361,521** | **$336,567** | **$365,947** | **$333,224** | **$314,640** | **$2,412,084** |
| **Total General Obligation Bonds** | **$981,720** | **$1,021,781** | **$1,064,633** | **$987,851** | **$981,396** | **$17,795,563** |
| **Non-General Obligation Bonds** | | | | | | |
| **Self-Supporting** | | | | | | |
| Permanent University Fund Bonds | | | | | | |
| The Texas A&M University System | $85,971 | $46,743 | $46,741 | $41,667 | $41,673 | $838,568 |
| The University of Texas System | 100,210 | 125,488 | 97,538 | 97,579 | 97,496 | 2,255,037 |
| College and University Revenue Bonds [4] | 737,987 | 768,063 | 762,971 | 751,416 | 752,407 | 9,956,202 |
| Texas Dept. of Housing & Community Affairs Bonds | 445,288 | 146,683 | 151,689 | 155,062 | 156,931 | 4,797,799 |
| Texas State Affordable Housing Corporation | 48,791 | 36,116 | 41,449 | 41,499 | 41,536 | 990,597 |
| Texas Small Business I.D.C. Bonds | 40,555 | 3,830 | 3,830 | 3,830 | 3,830 | 109,076 |
| Economic Development Program | 75 | 753 | 755 | 755 | 754 | 11,788 |
| Texas Water Resources Finance Authority Bonds | 6,253 | 5,539 | 0 | 0 | 0 | 0 |
| College Student Loan Bonds | 0 | 0 | 0 | 0 | 0 | 0 |
| Texas Department of Transportation Bonds - CTTS | 45,585 | 63,462 | 75,297 | 81,441 | 86,694 | 6,807,218 |
| Texas Workers' Compensation Fund Bonds [5] | 0 | 0 | 0 | 0 | 0 | 0 |
| Veterans' Financial Assistance Bonds | 1,914 | 1,860 | 1,862 | 1,862 | 1,860 | 41,377 |
| TPFA Charter School Finance Corporation | 8,740 | 8,788 | 8,861 | 8,860 | 8,860 | 209,201 |
| Texas Workforce Commission Unemp Comp Bonds | 0 | 0 | 0 | 0 | 0 | 0 |
| State Highway Fund | 232,795 | 237,428 | 258,920 | 261,450 | 261,451 | 3,622,963 |
| Water Development Bonds - State Revolving Fund | 128,888 | 119,057 | 134,783 | 136,736 | 140,644 | 1,768,212 |
| **Total Self Supporting** | **$1,883,052** | **$1,563,811** | **$1,584,697** | **$1,582,157** | **$1,594,135** | **$31,408,038** |
| **Not Self-Supporting** [1] | | | | | | |
| Texas Public Finance Authority Bonds | $68,581 | $69,204 | $55,181 | $57,069 | $51,101 | $160,256 |
| TPFA Master Lease Purchase Program | 21,606 | 8,187 | 10,602 | 10,333 | 10,065 | 124,468 |
| Texas Military Facilities Commission Bonds | 1,981 | 1,979 | 1,985 | 1,988 | 1980 | 15,002 |
| Parks and Wildlife Improvement Bonds | 6,906 | 7,618 | 7,504 | 7,390 | 7,284 | 20,160 |
| **Total Not Self-Supporting** | **$99,074** | **$86,988** | **$75,272** | **$76,781** | **$70,430** | **$319,886** |
| **Total Non-General Obligation Bonds** | **$1,982,126** | **$1,650,800** | **$1,659,968** | **$1,658,938** | **$1,664,565** | **$31,727,924** |
| **Total All Bonds** | **$2,963,846** | **$2,672,580** | **$2,724,601** | **$2,646,789** | **$2,645,961** | **$49,523,486** |

[1] Bonds that are not self-supporting (general obligation and non-general obligation) depend solely on the state's general revenue for debt service.

[2] While not explicitly a general obligation or full faith and credit bond, the revenue pledge 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.

[4] Debt-service requirements for tuition revenue bonds are included in these totals. Table 3.5 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").

[5] 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 - Bond Finance Office.

Table 3 5

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

**(amounts in thousands)**

| College and University Revenue Bonds | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 & Beyond |
|---|---|---|---|---|---|---|
| The University of Texas System - Non-TRB | $224,546 | $298,586 | $300,909 | $302,868 | $302,814 | $4,853,347 |
| The University of Texas System - TRB | 69,233 | 102,775 | 102,767 | 102,775 | 102,774 | 976,081 |
| The University of Texas System - TOTAL | 293,779 | 401,361 | 403,676 | 405,643 | 405,588 | 5,829,428 |
| The Texas A&M University System - Non-TRB | 89,271 | 69,912 | 67,662 | 66,427 | 68,414 | 656,120 |
| The Texas A&M University System - TRB | 82,141 | 57,188 | 55,174 | 47,613 | 47,587 | 527,616 |
| The Texas A&M University System - TOTAL | 171,412 | 127,100 | 122,836 | 114,040 | 116,001 | 1,183,736 |
| Texas Tech University System - Non-TRB | 65,216 | 28,610 | 26,316 | 25,648 | 25,435 | 363,111 |
| Texas Tech University System - TRB | 25,061 | 24,714 | 24,721 | 22,723 | 22,745 | 250,780 |
| Texas Tech University System - TOTAL | 90,277 | 53,324 | 51,037 | 48,371 | 48,180 | 613,891 |
| Texas State University System - Non-TRB | 40,162 | 46,889 | 45,003 | 42,492 | 41,801 | 579,946 |
| Texas State University System - TRB | 24,810 | 23,717 | 23,730 | 23,734 | 23,603 | 218,939 |
| Texas State University System - TOTAL | 64,972 | 70,606 | 68,733 | 66,226 | 65,404 | 798,885 |
| University of Houston System - Non-TRB | 25,553 | 26,781 | 27,700 | 28,242 | 28,507 | 506,504 |
| University of Houston System - TRB | 25,813 | 24,010 | 23,977 | 23,963 | 23,681 | 243,885 |
| University of Houston System - TOTAL | 51,366 | 50,791 | 51,677 | 52,205 | 52,188 | 750,389 |
| University of North Texas System - Non-TRB | 11,621 | 11,939 | 12,151 | 12,241 | 12,314 | 200,116 |
| University of North Texas System - TRB | 15,293 | 14,765 | 14,778 | 14,785 | 14,812 | 129,366 |
| University of North Texas System - TOTAL | 26,914 | 26,704 | 26,929 | 27,026 | 27,126 | 329,482 |
| Texas Woman's University - Non-TRB | 3,803 | 3,141 | 2,487 | 2,489 | 2,490 | 43,778 |
| Texas Woman's University - TRB | 4,544 | 4,420 | 4,426 | 4,432 | 4,446 | 49,709 |
| Texas Woman's University - TOTAL | 8,347 | 7,561 | 6,913 | 6,921 | 6,936 | 93,487 |
| Texas State Technical College System - Non-TRB | 76 | 80 | 80 | 79 | 78 | 671 |
| Texas State Technical College System - TRB | 1,095 | 1,095 | 1,095 | 1,098 | 1,095 | 10,141 |
| Texas State Technical College System - TOTAL | 1,171 | 1,175 | 1,175 | 1,177 | 1,173 | 10,812 |
| Stephen F Austin State University - Non-TRB | 8,374 | 8,373 | 8,367 | 8,178 | 8,180 | 103,982 |
| Stephen F Austin State University - TRB | 4,752 | 4,479 | 4,475 | 4,466 | 4,472 | 57,358 |
| Stephen F Austin State University - TOTAL | 13,126 | 12,852 | 12,842 | 12,644 | 12,652 | 161,340 |
| Midwestern State University - Non-TRB | 3,860 | 4,068 | 4,634 | 4,635 | 4,635 | 81,940 |
| Midwestern State University - TRB | 2,155 | 2,152 | 2,151 | 2,159 | 2,158 | 22,041 |
| Midwestern State University - TOTAL | 6,015 | 6,220 | 6,785 | 6,794 | 6,793 | 103,981 |
| Texas Southern University - Non-TRB | 2,738 | 2,494 | 2,491 | 2,493 | 2,494 | 17,950 |
| Texas Southern University - TRB | 7,870 | 7,875 | 7,877 | 7,876 | 7,872 | 62,820 |
| Texas Southern University - TOTAL | 10,608 | 10,369 | 10,368 | 10,369 | 10,366 | 80,770 |
| **Total College and University Revenue Bonds** | **$737,987** | **$768,063** | **$762,971** | **$751,416** | **$752,407** | **$9,956,202** |

**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") The table includes commercial paper, but excludes HEAF and PUF debt

**Source:** Texas Bond Review Board - Bond Finance Office

Table 3.6

**TEXAS BONDS AUTHORIZED BUT UNISSUED**

**(amounts in thousands)**

| | 8/31/2006 | 8/31/2007 | 8/31/2008 | 8/31/2009 |
|---|---|---|---|---|
| **General Obligation Bonds** | | | | |
| **Self-Supporting** | | | | |
| Veterans' Land and Housing Bonds | $318,372 | $180,592 | $147,157 | $68,032 |
| Water Development Bonds | 2,077,961 | 2,066,427 | 1,974,238 | 711,825 |
| Farm and Ranch Loan Bonds [1] | 300,000 | 300,000 | 300,000 | 300,000 |
| College Student Loan Bonds | 250,000 | 177,195 | 600,482 | 525,482 |
| Texas Economic Development Bank Bonds | 0 | 0 | 0 | 0 |
| Texas Agricultural Finance Authority Bonds | 200,000 | 200,000 | 200,000 | 200,000 |
| Texas Public Finance Authority - TMVRLF [2] | 250,000 | 200,405 | 200,405 | 200,405 |
| Texas Mobility Fund Bonds | * | * | * | * |
| Texas Rail Relocation and Improvement Fund | * | * | * | * |
| **Total Self-Supporting** | **$3,396,333** | **$3,124,619** | **$3,422,282** | **$2,005,744** |
| **Not Self-Supporting [3]** | | | | |
| Agricultural Water Conservation Bonds | $164,840 | $164,840 | $164,840 | $164,840 |
| Higher Education Constitutional Bonds | *** | *** | *** | *** |
| Texas Public Finance Authority [2, 4] | 644,337 | 525,950 | 4,260,623 | 3,941,243 |
| Transportation Commission GO Transportation Bonds | 0 | 0 | 5,000,000 | 5,000,000 |
| Water Development Bonds - EDAP [5] | 37,011 | 12,013 | 262,013 | 262,013 |
| Water Development Bonds - State Participation | 15,000 | 0 | 0 | 200,050 |
| Water Development Bonds - WIF | 0 | 0 | 0 | 473,365 |
| **Total Not Self-Supporting** | **$861,188** | **$702,803** | **$9,687,476** | **$10,041,511** |
| **Total General Obligation Bonds** | **$4,257,521** | **$3,827,422** | **$13,109,758** | **$12,047,255** |
| | | | | |
| **Non-General Obligation Bonds** | | | | |
| **Self-Supporting** | | | | |
| Permanent University Fund Bonds [6] | | | | |
| The Texas A&M University System | $573,421 | $613,387 | $647,901 | $374,182 |
| The University of Texas System | 972,402 | 992,970 | 839,020 | 378,339 |
| College and University Revenue Bonds | ** | ** | ** | ** |
| Texas Department of Housing & Community Affairs | ** | ** | ** | ** |
| Texas Turnpike Authority Bonds | ** | ** | ** | ** |
| Texas Agricultural Finance Authority Bonds | 0 | 0 | 0 | 0 |
| Texas Economic Development Bank Bonds | ** | ** | ** | ** |
| Texas State Affordable Housing Corporation | ** | ** | ** | ** |
| Texas Water Resources Finance Authority Bonds | ** | ** | ** | ** |
| Texas Water Development Bonds (Water Resources Fund) | ** | ** | ** | ** |
| Texas Windstorm Insurance Association | 0 | 0 | 0 | ***** |
| Texas Workers' Compensation Fund Bonds | ** | ** | ** | ** |
| Texas Workforce Commission Unemp Comp Bonds | **** | **** | **** | **** |
| Nursing Home Liability Insurance | 75,000 | 75,000 | 75,000 | 75,000 |
| FAIR Plan | 75,000 | 75,000 | 75,000 | 75,000 |
| Veterans' Financial Assistance Bonds | 795,720 | 795,720 | 795,720 | 795,720 |
| State Highway Fund Revenue Bonds [7] | 2,372,669 | 4,372,961 | 2,900,671 | 2,900,671 |
| Water Development Board - State Revolving Fund | ** | ** | ** | ** |
| **Total Self-Supporting** | **$4,864,212** | **$6,925,038** | **$5,333,312** | **$4,598,912** |
| | | | | |
| **Not Self Supporting [3]** | | | | |
| Texas Public Finance Authority Bonds [2] | $259,499 | $133,021 | $150,471 | $150,471 |
| TPFA Master Lease Purchase Program | 44,710 | 39,200 | 27,560 | 42,680 |
| Texas Military Facilities Commission Bonds | ** | ** | ** | ** |
| Parks and Wildlife Improvement Bonds | 0 | 0 | 0 | 0 |
| **Total Not Self-Supporting** | **$304,209** | **$172,221** | **$178,031** | **$193,151** |
| **Total Non-General Obligation Bonds** | **$5,168,421** | **$7,097,259** | **$5,511,343** | **$4,792,063** |
| **Total All Bonds** | **$9,425,942** | **$10,924,681** | **$18,621,101** | **$16,839,318** |

* 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.

** 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 may not exceed $131.25 million per year.

**** No bond issuance limit, but each issuance may not exceed $2 billion.

***** No bond issuance limit, but may not exceed $2.5 billion annually.

[1] 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.

[2] See Appendix D - Texas State Debt Programs for a description of the Texas Public Finance Authority bonds.

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

Includes $850 million that was authorized by state voters in November 2001; however, as of August 31, 2008 the Legislature has appropriated $864,558,639 including $31,500,000 that was reappropriated. Includes $3 billion that was authorized by state voters in November 2007.

[5] Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service.

[6] 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 September 11, 2009.

[7] With the passage of SB792, the State Highway Fund Program was expanded to an amount not to exceed $6 billion.

**Source:** Texas Bond Review Board - Bond Finance Office

million in notional amount as of fiscal year-end 2009.

The Net Fair Values for the swap agreements in place at the end of fiscal 2009 for the four state issuers were as follows: VLB, negative \$234.6 million; The UT System, negative \$56.4 million; TDHCA, negative \$22.8 million; and TTC, \$6.8 million. A negative value indicates that the state issuer would owe its counterparties the net amounts indicated if the swaps were terminated. (See *Table C1 in Appendix C* for details regarding Texas' interest rate swaps outstanding and fair value data at August 31, 2009.)

At fiscal year-end 2009,estimated debt-service requirements and net swap payments for the VLB's pay-fixed, receive-variable swaps totaled \$1.87 billion. Both TDHCA and The UT System had only synthetic fixed-rate swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled \$586.0 million and \$2.35 billion, respectively. The TTC had three basis swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled \$1.92 billion, and those for the VLB's basis swaps totaled \$344.3 million. (See *Table C2 and Table C3 in Appendix C* for debt-service requirements of debt outstanding and service requirements of debt outstanding and net interest rate swap payments.)

## Chapter 4
## State Bond Issuance Costs

*Excluding conduit issues, Texas' state bond issuers spent an average of $1,373,645 per issue ($8.94 per $1,000) on bond issues sold during fiscal 2009. 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 professional fees and expenses paid to service providers and underwriters to market bonds to investors. Professional services commonly used in the marketing of all types of municipal securities are listed below:[1]

•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.

The largest portion of the costs associated with the issuance of bonds is the fee paid to the underwriter (or underwriters), known as the "underwriting spread." The spread is the underwriter's compensation for purchasing the bonds from the issuer and reselling them in the bond market. It 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.

•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) the issuer has met all legal requirements necessary for issuance; 3) if appropriate, 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 as well as the issuer's overall debt-management policies.

•Credit Rating Agencies — Credit rating agencies provide public or private ratings on the credit quality of securities issues. These ratings are intended to measure the probability of the timely repayment of principal and interest on municipal securities. Ratings are initially released before issuance and are reviewed periodically after issuance 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 of the owners of registered bonds on behalf of the issuer.

•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.

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

**Choosing the Method of Sale: Negotiated versus Competitive**

One of the most important decisions an issuer of securities must make is selecting a method of sale. Negotiated sales and competitive sales each have their own distinct 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 negotiated sale an underwriter is chosen in advance of the sale that 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 that suggest a negotiated sale are market volatility and securities for which market demand is difficult to ascertain. Often called "story bonds," these include securities issued by an infrequent issuer or an issuer with weak or declining credit rating(s) or securities that contain innovative structuring, derivatives or other complexities.

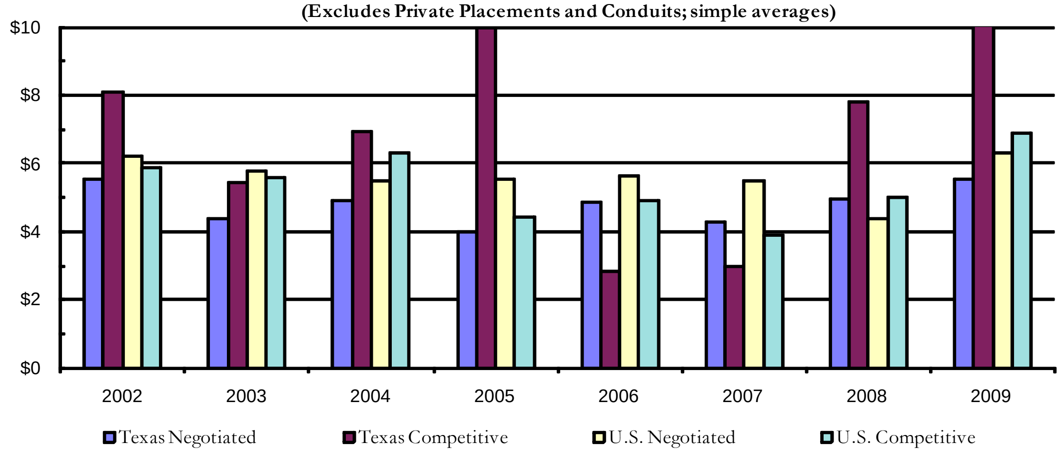
In a competitive sale sealed bids or electronic bids from a number of underwriters are opened on a predetermined sale date and time. The bonds are then awarded to the underwriter submitting the lowest bid that meets the terms and conditions of the sale. Generally, underwriters that bid competitively perform less pre-sale marketing because they will not 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 typically lower; and 3) the winning bid is developed in an open process among underwriters. Disadvantages of the competitive sale include: 1) limited flexibility in timing the sale and structuring the transaction; 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.

Conditions that suggest 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 that: 1) are issued by well-known, highly-rated issuers that regularly access the debt market; 2) are conventionally structured, such as serial and term coupon bonds; and 3) 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.

Theoretically, the gross spread in a competitive sale provides the underwriter with compensation for assuming the risk of purchasing and distributing bonds, but it does not include significant components that are specific to a negotiated spread such as

Figure 4.1
**GROSS UNDERWRITING SPREADS: 2002 - 2009**
**NEGOTIATED vs. COMPETITIVE MUNICIPAL ISSUES**
**(Excludes Private Placements and Conduits; simple averages)**




**Note:** 2009 U.S. figures are through June 30, 2009. 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* (08/09); Thomson Financial Securities; and Texas Bond Review Board - Bond Finance Office.

management fees or fees for underwriters' counsel. When negotiated gross spreads are below those for competitive transactions, it appears that bonds sold through negotiation were priced with a reduced risk premium compared to the premium usually found in competitive transactions because underwriters in negotiated transactions had sufficient time to accurately assess the market risk before the underwriting occurred. This trend occurs in fiscal years 2000 through 2005 and again in fiscal 2008 and 2009 *(Figure 4.1)*,

In determining the method of sale, factors such as size, complexity, market conditions and time frame most influence the issuer's decision. Issuers should focus primarily on how their bonds are being priced in the market and focus secondarily on the underwriting spread. For example, reducing the takedown (selling) component of the underwriters' spread to reduce costs may result in reducing the sales effort needed to successfully place the issue which in turn could result in a lower price (higher yield) for the issue in aftermarket trading.

**Issuance Costs for Texas Bond Issuers**

For fiscal 2009 the average issuance size for Texas' state issuers decreased to $189.8 million from $195.1 million in fiscal 2008. Excluding conduit issues, fourteen (56%) of the 25 bond transactions completed in fiscal 2009 were $100 million in size or above. Seventeen (55%) of the 31 issues completed in fiscal 2008 were in that size category.

Excluding conduit and private placement issuances, in fiscal 2009 the underwriting spread accounted for 81.7% of all issuance costs *(Table 4.1)*. The cost of the average underwriting spread per issue increased 66.0% from $675,754 in fiscal 2008 to $1,121,843 in fiscal 2009. When measured on a per $1,000 bond basis, the $6.07 average underwriting spread paid in fiscal 2009 was 15.4% more than the $5.26 reported in fiscal 2008.

As reported by Dan Seymour in the article "Muni Underwriting Fees at 8-Year High," *The Bond Buyer,* August 21, 2009, p.11, three factors account for the cost increases in underwriter's spread in fiscal 2009: reduced competition in the underwriting industry, issuance of Build America Bonds (BABs) and

Table 4.1

**AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES**

| | Fiscal 2008 | | Fiscal 2009 | |
|---|---|---|---|---|
| | **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) | $195.1 | | $189.8 | |
| Underwriter's Spread | $675,754 | $5.26 | $1,121,843 | $6.07 |
| Other Issuance Costs: | | | | |
| Bond Counsel | 81,102 | 1.17 | 76,515 | 0.93 |
| Financial Advisor | 56,062 | 1.24 | 51,717 | 0.61 |
| Rating Agencies | 63,475 | 0.69 | 80,918 | 0.64 |
| Printing | 2,294 | 0.07 | 2,770 | 0.04 |
| Other | 39,409 | 0.94 | 39,882 | 0.65 |
| Subtotal | $242,342 | $4.11 | $251,802 | $2.87 |
| **Total** | $918,096 | $9.37 | $1,373,645 | $8.94 |

**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 - Bond Finance Office.

significantly higher underwriting risk in the municipal bond market. During fiscal 2009 a number of major investment banks exited the municipal bond market, either through insolvency or forced merger with other investment banks, thus reducing competition for municipal underwriting and permitting underwriters to increase their fees. As a new product with characteristics different than those found in typical taxable municipal debt transactions, BABs necessarily command higher underwriting spreads. Lastly, wide-spread risk in the municipal bond market as a result of the financial meltdown during fiscal 2009 resulted in underwriters charging higher premiums for increased market risk.

Three BAB transactions were issued in fiscal 2009: Texas Department of Transportation issued $1.21 billion with an underwriter's spread of $6.44 per $1,000, The University of Texas System issued $330.5 million with an underwriter's spread of $8.75 per $1,000 and the Texas Public Finance Authority issued $181.8 million with an underwriter's spread of $5.29 per $1,000.

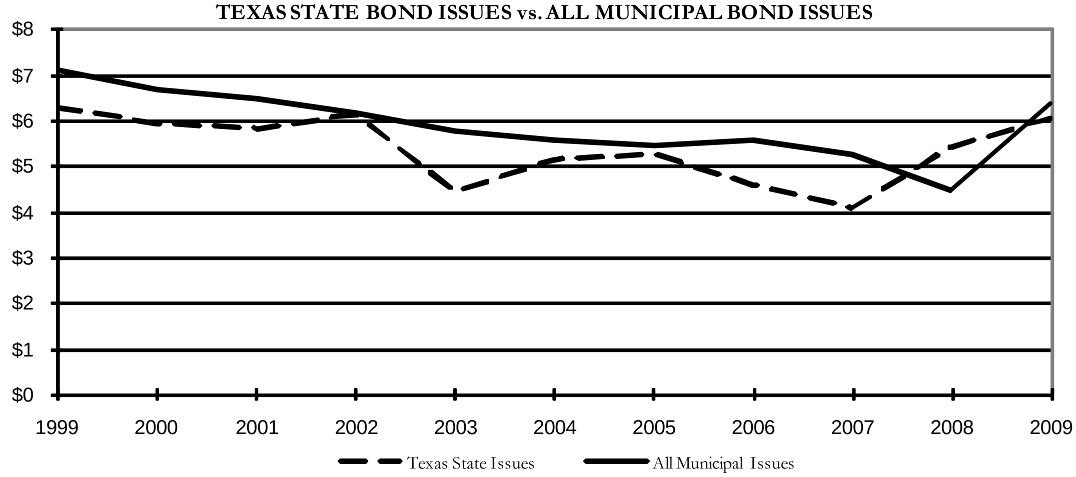
Other Issuance Costs (fees for bond counsel, financial advisor, rating agency, printing and other costs) increased by 3.9% in fiscal 2009 to an average of $251,802 per issue compared to $242,342 in fiscal 2008. However, when measured on a per $1,000 bond basis, the $2.87 average for Other Issuance Costs in fiscal 2009 was 30.2% less than the $4.11 reported in fiscal 2008 *(Table 4.1)*. The slight increase in average cost was attributable to increased rating agency fees in fiscal 2009 as compared to fiscal 2008. The large decrease in cost per $1,000 for other issuance costs is explained by the fact that 80% of the bonds issued in fiscal 2009 had a par amount greater than $50 million as compared to 65% in fiscal 2008.

Excluding conduit issuances, during fiscal 2009 Texas' state bond issuers paid lower underwriting fees compared to the national averages *(Figure 4.2)*. Statistics published by Thomson Financial Securities Data show that underwriting spreads paid by issuers nationally averaged $6.38 per $1,000 compared to Texas' average of $6.07 per $1,000.

Figure 4 2

GROSS UNDERWRITING SPREADS: 1999 - 2009

TEXAS STATE BOND ISSUES vs. ALL MUNICIPAL BOND ISSUES




**Note:** 2009 Municipal figures are through June 30, 2009 Amounts represent dollars per $1,000 face value of bond issues Gross spreads include managers' fees, underwriting fees, average takedowns, and expenses Private placements, conduits, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded

**Sources:** *The Bond Buyer* (08/09); Thomson Financial Securities; and Texas Bond Review Board - Bond Finance Office

**Comparison of Issuance Costs by Transaction Size**

In general, larger bond issues have a higher cost of issuance than smaller ones; however, larger issues have a lower cost of issuance on a per $1,000 basis and also 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 certain legal services, financial advisory services and document drafting fees are generally not dependent on issue size.

Texas bond issues followed this general pattern with smaller issues proportionally more costly than the larger issues. In fiscal 2009 total issuance costs for bond issues of less than $25 million averaged $203,619 per issue ($18.16 per $1,000). Costs for the larger issues of over $150 million averaged $2,536,936 per issue ($6.70 per $1,000). On the basis of cost per $1,000, the costs for the larger issues were 63.1% less than the costs of smaller issues *(Figure 4.3)*. Overall, the increase in average costs and the decrease in the costs per $1,000 are explained by the fact that fiscal 2009 saw fewer issuances under $49 million than fiscal 2008. In fiscal 2009, 20% of all issuances were under $49 million compared to 36% in fiscal 2008.

**Comparison of Issuance Costs by Type of Sale**

During fiscal 2009, Texas' negotiated issues averaged $202.8 million in size while the average for competitive issues was $40.7 million. For fiscal 2008 those sizes averaged $224.4 million and $67.9 million, respectively.

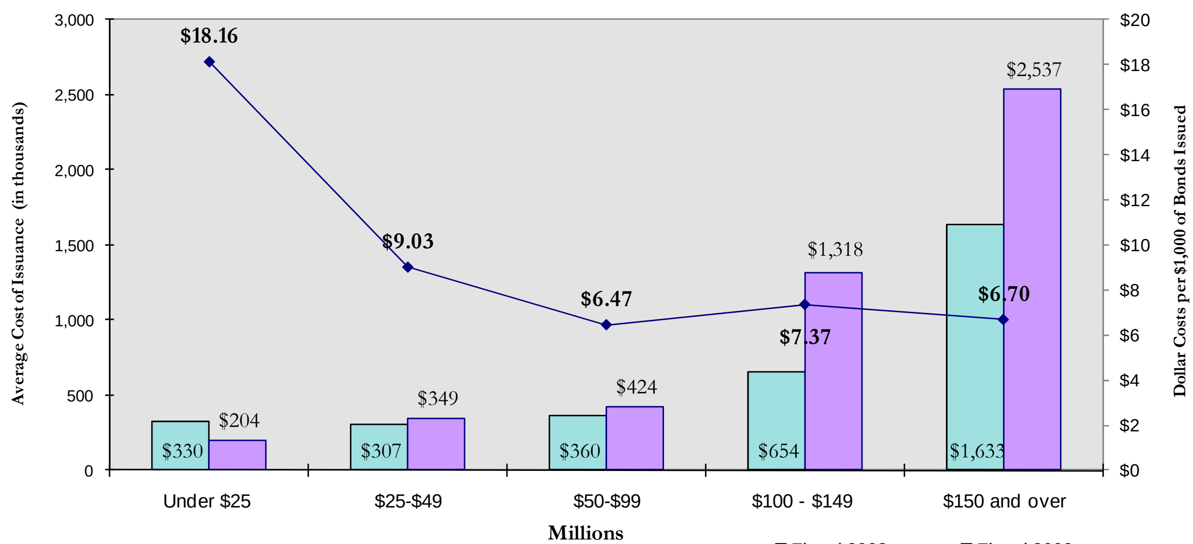
As previously noted, fiscal 2006 and fiscal 2007 saw higher average underwriting costs for Texas' negotiated transactions than for the state's competitively bid transactions *(Figure 4.1)*. Fiscal 2006 was the first year to reverse a trend that began in fiscal 2000 in which average competitive underwriting costs were higher than those for negotiated transactions.

The trend continued in fiscal 2008 and fiscal 2009. Texas bond issuers paid an average of $5.52 per $1,000 for negotiated sales and

Figure 4 3

**AVERAGE ISSUANCE COSTS FOR TEXAS BONDS BY SIZE OF ISSUE**

**(Includes Private Placements; excludes Conduits; simple averages.)**




**Source:** Texas Bond Review Board - Bond Finance Office.

$12.36 per $1,000 for competitively bid sales. Thomson Financial Securities Data recorded national averages of $6.33 per $1,000 for negotiated transactions and $6.91 per $1,000 for competitive transactions, indicating that Texas' negotiated average was 12.8% below the national average and its competitive average was 78.9% above the national average.

## Trends in State Bond Issuance Costs in 2009

To determine trends in issuance costs, the characteristics of the 25 non-conduit bond transactions that occurred in fiscal 2009 must be reviewed. Two of the non-conduit issues were sold competitively with par amounts of $10.2 million and $71.2 million. Of the 23 negotiated transactions, three were less than $25 million in size. No issues were placed privately in fiscal 2009.

Although the total issuance costs for the negotiated and competitive issues averaged $5.52 per $1,000 and $12.36 per $1,000, respectively in fiscal 2009, an accurate comparison of the average issuance costs per $1,000 on negotiated and competitive bond issues is not possible since only two competitive transactions were completed. 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.

Recent trends in issuance costs can be determined by comparing the data from competitive and negotiated transactions; but a definitive conclusion regarding the most cost efficient method of sale for Texas bonds cannot be drawn from such a limited number of issues with such large disparities in issue size. Over the years Texas state issuers have demonstrated the ability to execute bond transactions in an overall cost-efficient manner.

## Historical Trends in Issuance Costs for State GO Bonds

As described in this chapter, four major components comprise the costs of issuing bonds: fees for bond counsel and financial advisor, underwriters' spread and fees paid to credit rating agencies. To benchmark these fees on a cost per $1,000 basis for state GO issues of less than $250 million, data from fiscal years 2004–2009 has been graphically depicted in the figures that follow *(Figures 4.4, 4.5, 4.6 and 4.7)*. Each cost of issuance component has been compared by method of sale (negotiated vs. competitive) and by financing structure (fixed-rate vs. variable-rate debt).

The data was obtained from GO transactions for five agencies and three institutions of higher education. A total of 57 issuances were completed in fiscal years 2004-2009 with an average par amount of $60.9 million. Of the 57 issuances, 21 were negotiated fixed-rate issues, 27 were negotiated variable-rate issues and eight (8) were competitive fixed-rate issues. Because only one competitive variable-rate issuance occurred within the five-year period, a graph for this type of transaction was not compiled. For comparison accuracy, underwriter's counsel fees for negotiated sales were deleted because those fees are typically not present in competitive sales.

Figure 4 4
**Bond Counsel Fee: 2004 - 2009**
**GO < $250 Million**

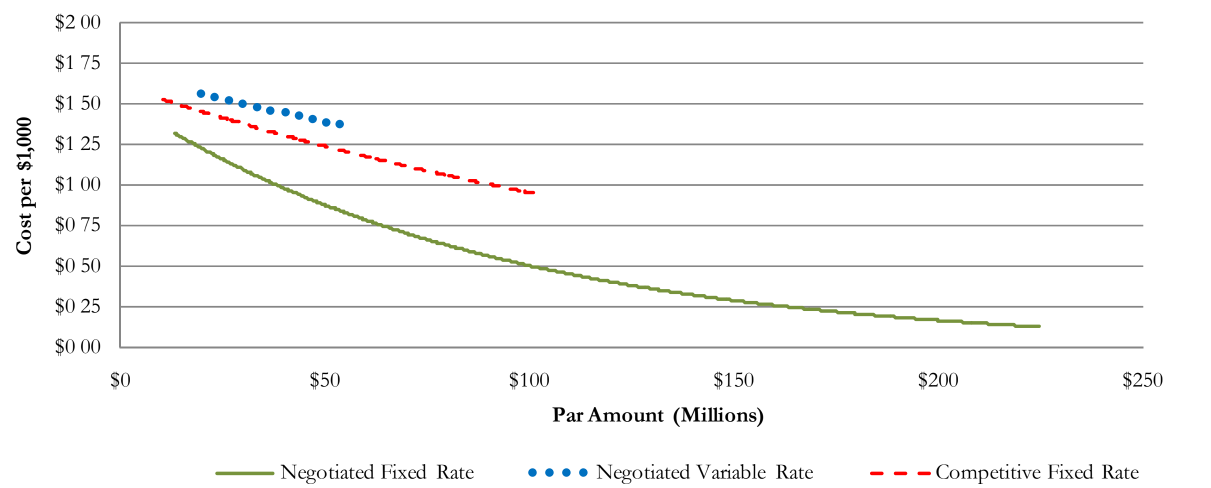


Figure 4 5
**Financial Advisor Fee: 2004 - 2009**
**GO < $250 Million**

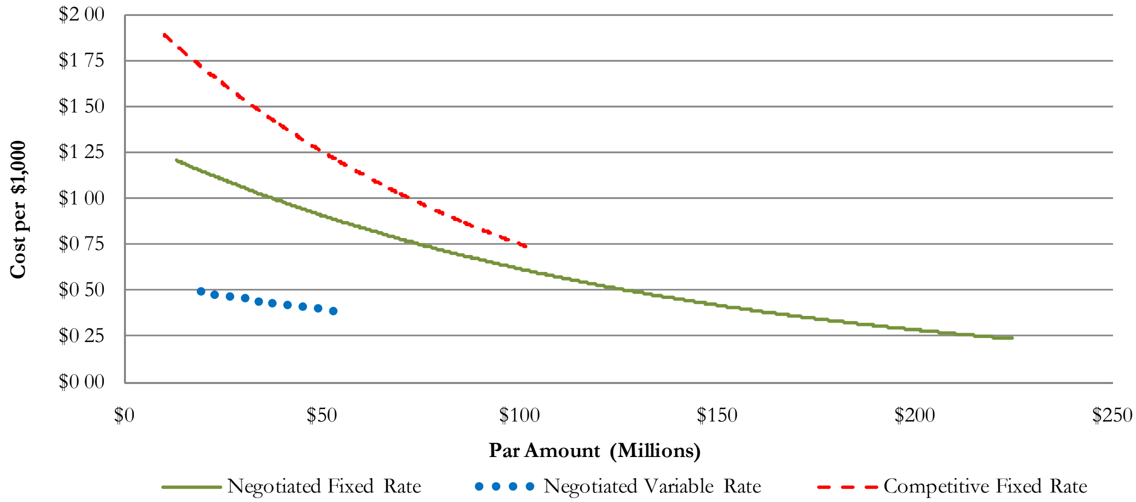



Figure 4 6
**Underwriters' Spread excluding Counsel: 2004 - 2009**
**GO < $250 Million**

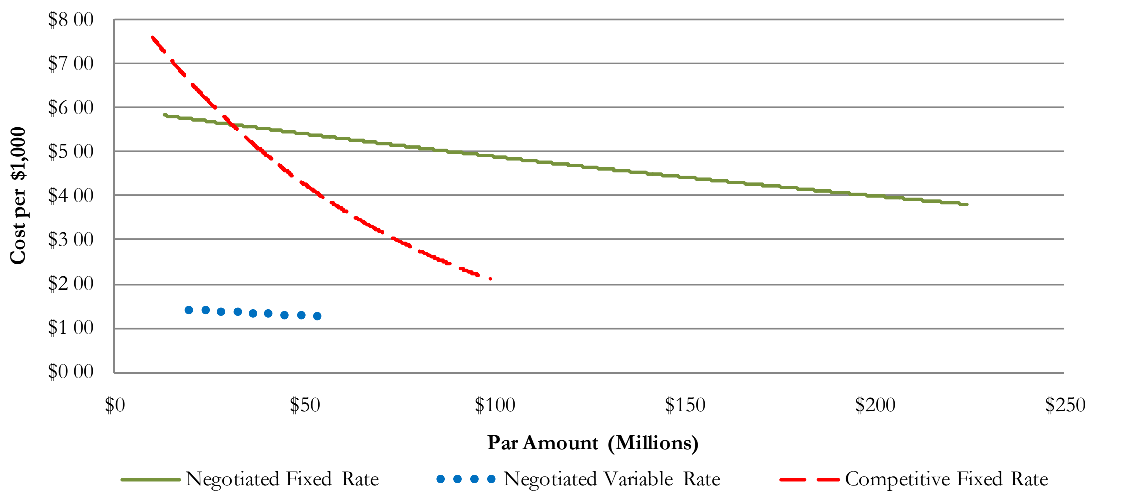
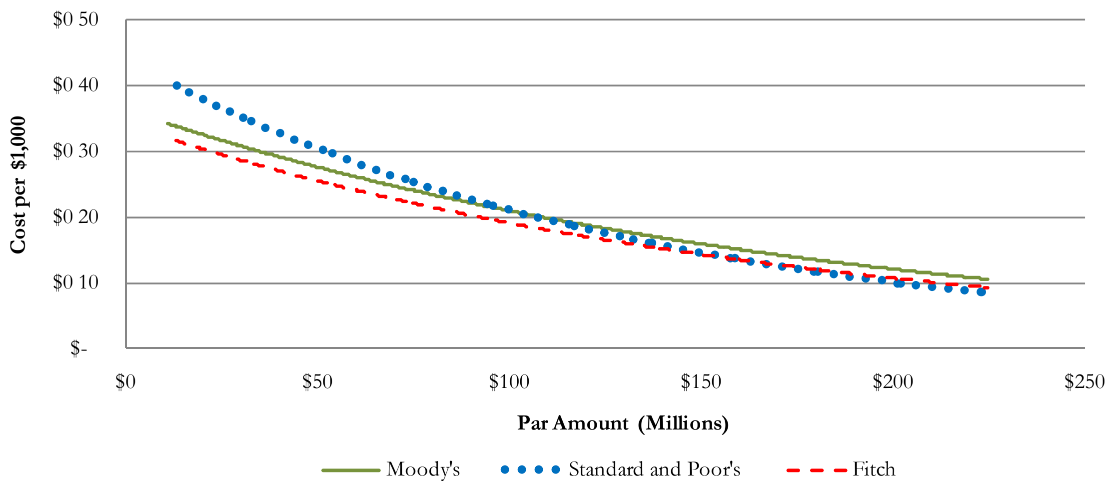


Figure 4 7
**Rating Agency Fee: 2004 - 2009**
**GO < $250 Million**



## Chapter 5
## Texas Private Activity Bond Allocation Program and Other Bonding Authority

*Texas again experienced an increase in volume cap for the calendar 2009 Private Activity Bond Allocation Program. The 2009 volume cap was set at $2,189,427,660, an increase of $157.6 million (7.8%) over the calendar 2008 cap of $2,031,872,300. The total size of the PAB program including carryforward amounts was $4.47 billion. For Program Year 2009, application requests exceeded $3.59 billion.*

### The Program

Since the passage of the Tax Reform Act of 1986 (the "Tax Act"), federal law has limited the use of tax-exempt financing for private activities. Tax-exempt private activity bonds may be used to finance certain privately-owned projects that serve a public purpose and meet 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 authorizes the issuance of six types (subceilings) of private activity bond issues: 1) Single-Family housing projects (permitted to issue qualified mortgage revenue bonds (MRB) or mortgage credit certificates (MCC); 2) Certain state-voted bond issues; 3) Qualified small-issue industrial development bonds (IDBs) or enterprise zone bonds (EZBs); 4) Multifamily residential rental projects; 5) Student loan bonds; and 6) All other issues that include a variety of exempt facilities such as sewage facilities, solid waste disposal facilities and hazardous waste disposal facilities. In recent years a widening variety of projects have been permitted to utilize tax-exempt private activity bonds including non-governmental airports, high-speed intercity rail facilities, environmental enhancements to hydroelectric generating facilities and qualified public educational facilities.

In addition, the Tax Act imposes a volume ceiling (or cap) 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 volume cap is the greater of $90 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 volume cap. 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 (PAB or Program) regulates the volume cap and monitors the amount of demand and use of private activity bonds each year. The Texas Bond Review Board (BRB) has administered this program since January 1, 1992.

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

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-served 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. On August 15th (the collapse date) all unreserved allocation from all the subceilings are combined and redistributed by lottery number or on a first-come, first-serve basis if all applicants from the lottery have received a reservation.

**81st Legislative Changes**

To provide issuers using PAB authority with increased flexibility during difficult market conditions, such as those experienced in fiscal year 2009, and to respond to the announcement of new federal bond programs as well as new federal guidelines for the existing PAB Program, the 81st Texas Legislature (2009) passed Senate Bill 2064 that made the following changes both to the Program and also to the responsibilities of the BRB:

- If designated by the applicable state official, the BRB is now authorized to administer other bond authority programs created by federal legislation;
- The BRB now has specific authority to administer and create rules for any additional state ceiling that may be created by federal legislation;
- Certain facilities including sewage facilities, solid waste disposal and qualified hazardous waste facilities are now permitted to include multiple projects on one application but are still required to pay an application fee for each facility;
- The project limit for single-family issuers was increased from $25 million to $40 million;
- The project limit for multifamily issuers was increased from $15 million to $20 million;
- The utilization percentage was modified so that an issuer who has an utilization percentage below 25% will receive 25% of their available allocation, and an issuer who has an utilization percentage above 80% will receive 100% of their available allocation;
- Issuers subject to an utilization percentage will not be penalized if in a previous program year less than 50% of volume cap dedicated to single-family issuers was not allocated for such purposes;
- The last day to apply for a reservation and to receive a reservation was changed from December 1 to November 15;
- An issuer who requests non-traditional carryforward must now pay a $500 carryforward fee;
- Any unencumbered volume cap at the end of the program year may be granted to any state agency that requests it; and
- The Texas Agriculture Finance Authority's set-aside in Subceiling #3 was repealed.

**Past Major Legislative Changes**

The 76th Texas Legislature in 1999 made significant changes to the allocation process for the state's volume cap. 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 of the state's volume cap. The state's volume cap must be set-aside as follows:

- 25% for single family housing to issuers of qualified MRBs and MCCs;
- 11% for issuers authorized by a state constitutional amendment;
- 7.5% for issuers of qualified, small-issue IDBs and EZBs;

- 16.5% for issuers of qualified residential rental project issue bonds (multifamily 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 by lot regardless of project type or priority.

Legislation passed during the 77th and 78th Legislative Sessions shifted the distribution of the state's ceiling once again for the Private Activity Bond Allocation Program. As a result of those changes, the following set-aside percentages currently remain in effect:

- Subceiling #1 Single-Family MRBs: Increased from 25% to 29.6% after the 77th and then decreased to 28% after the 78th. Of that amount, one third was to continue to be set-aside for the Texas Department of Housing and Community Affairs (TDHCA), $50 million was to be set-aside for the Texas State Affordable Housing Corporation (TSAHC) and the remaining was to be made available to local issuers. Local issuers could apply for an amount determined by a formula based on population subject to a total maximum for all local issuers of $25 million per year.

- Subceiling #2 State-Voted Issues: Decreased from 11% to 8% after the 77th. The Texas Higher Education Coordinating Board was allowed to apply for a maximum of $75 million per year while other eligible issuers in this category were limited to a maximum of $50 million per year.

- Subceiling #3 Qualified Small-Issue IDBs and EZBs: Decreased from 7.5% to 4.6% after the 77th and then to 2% after the 78th. The maximum total allocation in this subceiling was continued and remains at $10 million per year.

- Subceiling #4 Multifamily Revenue Bonds: Increased from 16.5% to 23% after the 77th and then reduced to 22% after the 78th. Issuers within this category could apply for a per-project maximum of the lesser of $15 million or 15% of the total set-aside for this subceiling.

- Subceiling #5 Student Loan Bonds: Decreased from 10.5% to 8.8% after the 77th but increased back to 10.5% after the 78th.

- Subceiling #6 All Other Issues: Decreased from 29.5% to 26% after the 77th but increased back to 29.5% after the 78th Session.

During the 77th Legislative Session in 2001, Texas dedicated $25 million per year of subceiling #1 to 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 Legislature further defined the eligibility for this program to include classroom teachers, teacher aides, school librarians, school nurses and school counselors employed by a Texas public school district. The program was more appropriately renamed the Professional Educators Home Loan Program.

HB 3329 passed during the 77th Legislature specifically dedicated 2% of subceiling #6 until August 15th of each year to projects that would promote the development of new drinking water sources. Additionally, HB 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. (To date, the Texas Agricultural Finance Authority has yet to use its dedicated volume cap.)

The 78th Legislative Session in 2003 dedicated $25 million per year of subceiling #1 for TSAHC to create the Firefighter and Police Officer Home Loan Program. The 79th Legislature further defined the eligibility for this program to include peace officers, Texas Department of Criminal Justice (TDCJ) employees receiving hazardous duty pay, county jailers and public security officers. Proceeds from the sale of bonds for this Program are to be used to provide low-interest loans and down-payment assistance to first-time home-buyers employed in one of the professions listed above who reside in the state.

In 2005, the 79th Legislature also dedicated $5 million per year of subceiling #1 for TSAHC to create the Nursing Faculty Home Loan Program. Proceeds from the sale of bonds for this Program are to be used to provide low-interest loans and down-payment assistance to first-time home-buying faculty members of either a Texas undergraduate or graduate professional nursing program who reside in the state.

The 79th Legislative Session also raised the maximum cap per project on subceiling #6 from $25 million to $50 million.

The 80th Legislative Session in 2007 gave the Texas Economic Development Bank priority not only over all other issuers within subceiling #6, but also over all issuers with carryforward applications.

HB 3552 passed during the 80th Legislature made a number of changes within subceiling #4. Multiple-site multifamily projects are now allowed in a single application from issuers located in rural counties where the median income is less than the state median income. The legislation also provided that at the beginning of the year subceiling #4 is to be divided between state and local issuers, and those local issuers are further segregated among regions with a set-aside for rural issuers. HB 3552 also consolidated several of the collapses within subceiling #4.

In addition, HB 3552 allows TSAHC to issue Single Family Mortgage Revenue Bonds in the same issue size as allowed to TDHCA. (Formerly TSAHC had been statutorily limited to $25 million per issue).

**Set-Aside vs. Issued Allocation**

Except for MRB and qualified residential rental project 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 5.1)*.

**Volume Cap**

Texas is second only to California in population and resulting volume cap. Texas experienced an increase in volume cap for the 2009 Private Activity Bond Allocation Program. Based on its population, Texas' 2009 volume cap was set at $2,189,427,660, an increase of $157.6 million (7.8%) over the calendar 2008 cap of $2,031,872,300.

The increase in the amount of volume cap allocation can be attributed not only to the growth of the state's population, but also to federal legislation that increased the per-capita

| Table 5.1<br>**STATE OF TEXAS**<br>**PRIVATE ACTIVITY BOND ALLOCATION PROGRAM**<br>**2009 SET-ASIDE vs. ISSUED ALLOCATION AMOUNTS**<br>**(as of November 15, 2009)** | | | | |
|---|---|---|---|---|
| **SUBCEILINGS** | **SET-ASIDE ALLOCATION** | **PERCENT OF TOTAL** | **ISSUED ALLOCATION** | **PERCENT OF TOTAL** |
| Single Family Housing | $613,039,745 | 28.00% | $54,664,820 | 2.50% |
| State-Voted Issues | 175,154,213 | 8.00% | 24,999,101 | 1.14% |
| Small Issue IDBs | 43,788,553 | 2.00% | 16,043,250 | 0.73% |
| Multifamily Housing | 481,674,085 | 22.00% | 0 | 0.00% |
| Student Loan Bonds | 229,889,904 | 10.50% | 0 | 0.00% |
| All Other Issues | 645,881,160 | 29.50% | 358,800,000 | 16.39% |
| **TOTAL** | **$2,189,427,660** | **100.00%** | **$454,507,171** | **20.76%** |
| **Source:** Texas Bond Review Board - Private Activity Bond Program. | | | | |

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 remained lower than the minimum federal requirement to boost the multiplier and remained at $80 per capita until 2007. The multiplier increased from $80 to $85 for 2007 and remained at $85 for the 2008 Program Year. The multiplier increased again from $85 to $90 for 2009.

Although Texas' volume cap increased in 2009, demand decreased, and only slightly more than half of the available allocation had been requested before the August 15th collapse. After the collapse the BRB received just over $2 billion in requests. Applications received for Program Year 2009 including carryforward requests, totaled $3.59 billion or 80.5% of the total available allocation of $4.47 billion *(Table 5.2)*. As of November 15, 2009 all requests for reservations had been granted.

**Recent Major Issues Impacting the Program**

As of November 15, 2009 only $454.5 million (20.8%) of Program Year 2009 volume cap had been allocated. As of the same date in Program Years 2007 and 2008, $1.62 billion (81.2%) and $970.2 million (47.7%) of volume cap, respectively, had been allocated. As a result of turmoil in the bond market that began in the summer of 2008, overall applications decreased from 200 in Program Year 2008 to 74 in Program Year 2009. Through the course of Program Year 2009, many issuers waited for market conditions to improve enough to close transactions late in the year, or they applied for volume cap with the intention of converting it to carryforward. Although market turmoil negatively affected every subceiling, housing (single-family and multifamily) and student loan transactions suffered the greatest adverse impact.

In Program Years 2007 and 2008 the combined total allocations for MRBs and MCC programs were $550.5 million and $134 million, respectively. As of November 15, 2009 no mortgage revenue bonds had closed utilizing Program Year 2009 volume cap, and only $54.7 million of Program Year 2009

| Table 5.2<br>**STATE OF TEXAS**<br>**PRIVATE ACTIVITY BOND ALLOCATION PROGRAM**<br>**2009 APPLICATIONS FOR ALLOCATION** | | | |
|---|---|---|---|
| **SUBCEILINGS** | **AVAILABLE ALLOCATION*** | **REQUESTED ALLOCATION** | **REQUESTS AS A % OF AVAILABILITY** |
| Mortgage Revenue Bonds | $969,006,738 | $1,354,700,871 | 139.80% |
| State-Voted Issue Bonds | 225,154,213 | 150,000,000 | 66.62% |
| Industrial Development Bonds | 43,788,553 | 45,500,000 | 103.91% |
| Multifamily Rental Project Bonds | 617,609,085 | 235,000,000 | 38.05% |
| Student Loan Bonds | 987,195,866 | 452,524,283 | 45.84% |
| All Other Bonds Requiring Allocation | 896,381,160 | 1,183,000,000 | 131.98% |
| Emergency Housing Volume Cap | 730,000,000 | 176,250,000 | 24.14% |
| **TOTALS** | **$4,469,135,614** | **$3,596,975,154** | **80.48%** |

*Includes carryforward amounts
**Source:** Texas Bond Review Board - Private Activity Bond Program.

volume cap had been converted to MCC programs. Multifamily issuers closed eleven projects in 2008 as compared to three projects as of November 15, 2009, none of which used 2009 volume cap. Student loan issuers closed only one transaction in 2008 and none in 2009.

At the beginning of Program Year 2009, the amount of carryforward ($2.28 billion) was more than the total amount of volume cap for the entire year ($2.19 billion). This large amount of carryforward forced many issuers to use carryforward volume cap (as required by IRS Code) before using Program Year 2009 volume cap. As a result more carryforward volume cap ($490.8 million) was allocated than current year volume cap ($454.5 million) for Program Year 2009 (*Figure 5.1*). Because less current year volume cap was used, more volume cap became available at the August 15$^{th}$ collapse date. Project requests after the collapse date were not subject to project limits, and because closing dates generally extend into the next program year, issuers were able to convert their reservations into carryforward. This cycle of issuers not using current year volume cap will likely continue for several years as issuers with carryforward must close that volume cap before using current year volume cap.

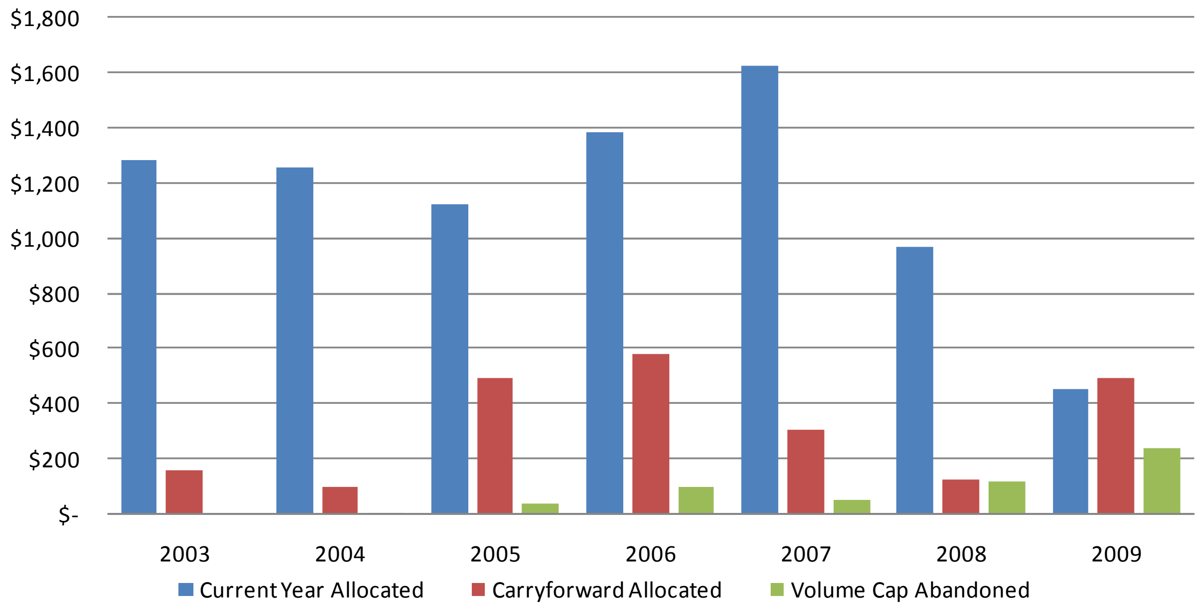
As of November 15, 2009 $1.73 billion (79.3%) of the state's 2009 PAB volume cap had been reserved but had not been allocated. A substantial portion of that amount will be converted to carryforward.

**Housing and Economic Recovery Act of 2008**

On July 30, 2008 President George W. Bush signed the Housing and Economic Recovery Act (HERA) of 2008 which provided for a one-time increase in PAB allocation for certain housing issues for the United States and its territories. Texas received $748,500,523 of the total HERA increase of $11 billion.

Several conditions were placed on the use of the HERA volume cap: 1) the allocation was limited to qualified housing issues (mortgage revenue bonds or multifamily projects); 2) the volume cap was only available for the Program Year 2008; 3) all carryforward must be used by December 31, 2010; and 4) the loan origination period for MRBs was reduced from 42 month to 12 months.

Figure 5.1
**STATE OF TEXAS**
**PRIVATE ACTIVITY BOND ALLOCATION PROGRAM**
**Current Year vs. Carryforward Allocated**
**(amounts in millions)**




**Source**: Texas Bond Review Board - Private Activity Bond Program.

With input from TDHCA, TSHAC and the Texas Association of Local Housing Finance Authorities, on August 29, 2008 the BRB passed emergency rules governing the process for applying and administering the new allocation. The emergency rules were adopted as Texas Administrative Code §190.9 and were effective for 120 days after adoption.

After the BRB created its emergency rules, the IRS provided additional guidance for administering the HERA volume cap and carryforward that gave some added flexibility for issuers. The new guidelines allow issuers with HERA carryforward to transfer it to any other issuer in the state, and they also provide issuers with the option to use their HERA carryforward for either mortgage revenue bond or multifamily projects.

As of November 15, 2009, $264 million of HERA volume cap had been allocated, and $484.5 million remains outstanding in carryforward that expires at the end of calendar year 2010.

### Hurricane Ike Bond Authority

On October 3, 2008 President George W. Bush signed into law the Heartland Disaster Tax Relief Act (HDTRA) of 2008 which created $1,863,270,000 in tax-exempt bonding authority for the areas affected by Hurricane Ike. The 34 counties so affected in Texas are Angelina, Austin, Brazoria, Chambers, Cherokee, Fort Bend, Galveston, Gregg, Grimes, Hardin, Harris, Harrison, Houston, Jasper, Jefferson, Liberty, Madison, Matagorda, Montgomery, Nacogdoches, Newton, Orange, Polk, Rusk, Sabine, San Augustine, San Jacinto, Shelby, Smith, Trinity, Tyler, Walker, Waller and Washington. The authority to issue bonds for areas affected by Hurricane Ike can be used through 2012.

Hurricane Ike bonds can be used for: 1) the acquisition, construction, renovation, and reconstruction of nonresidential real property;

2) the acquisition, construction, renovation, and reconstruction of qualified residential rental property; 3) financing the repair or reconstruction of public utility property; 4) rehabilitation projects at certain existing facilities; and 5) the issuance of qualified mortgage bonds.

Persons using Hurricane Ike bond proceeds for a business must have suffered an actual business loss or receive a designation that the business being replaced suffered a loss attributable to Hurricane Ike.

HDTRA requires the Governor of Texas to designate projects "on the basis of providing assistance to areas in the order in which assistance is most needed."

On April 10, 2009 the Governor issued Proclamation 41-3177 designating projects in Brazoria, Chambers, Galveston, Jefferson and Orange counties as having priority for utilization of Hurricane Ike bonds. On the same date Proclamation 41-3178 allocated up to $300 million in authority to Jefferson County Industrial Development Corporation for use by Jefferson Refinery LLC.

Pursuant to SB 2064, the BRB is authorized to administer this program if designated by the Governor. As of November 15, 2009 the designation had not been made.

**Other Bonding Authority**

In February 2009 the American Recovery and Reinvestment Act of 2009 (ARRA) created four new types of bonding authority and expanded three existing authorities. The four new types created are Build America Bonds (*see Chapter 2*), Recovery Zone Economic Development Bonds, Recovery Zone Facility Bonds and Qualified School Construction Bonds. The three existing programs with expanded authority are Qualified Zone Academy Bonds, Qualified Energy Conservation Bonds and Clean Renewable Energy Bonds. Pursuant to SB 2064 the BRB may be the administrator of these bond programs as appointed by the Governor.

Recovery Zone Economic Development Bonds (RZEDB) are similar to Build America Bonds in that interest on the bonds is taxable, but the federal government provides issuers with a payment equal to 45% of the total interest payable to investors. RZEDBs can be used for qualified economic development purposes to promote development or other economic activity in a recovery zone including capital expenditures with respect to property located in the recovery zone, public infrastructure or job training and educational programs. Texas was allocated the minimum of $90 million in RZEDB authority.

Recovery Zone Facility Bonds (RZFB) are tax-exempt private activity bonds that do not have any direct subsidy but instead offer lower interest rates typically associated with tax-exempt bonds. RZFBs can be used to finance certain recovery zone property in recovery zones designated as having significant poverty, unemployment or rate of home foreclosures. Texas was allocated the minimum of $135 million in RZFB authority.

Qualified Zone Academy Bonds (QZAB) may be used by school districts to reduce costs for school renovation projects. The program is designed to provide tax credits to bondholders that are approximately equal to the interest that states and local issuers would ordinarily pay for taxable bonds. ARRA increased the amount of QZAB volume cap nationwide, and Texas obtained $132.9 million in volume cap available for 2009 that expires at the end of 2010. The Texas Education Agency has administered this program since its creation by the federal Taxpayer Relief Act of 1997.

Qualified School Construction Bonds are for the construction, rehabilitation or repair of public schools. Texas has been allocated $538.6 million of QSCB authority and the

Texas Education Agency will administer this program as well.

Qualified Energy Conservation Bonds (QECB) can be used for qualified conservation purposes. ARRA increased the QECB volume cap by $2.4 billion to a total of $3.2 billion. Texas was allocated $252.4 million of QECB authority.

Clean Renewable Energy Bonds (CREB) are for use by public power providers, cooperative electric companies or governmental bodies. ARRA increased the CREB volume cap by $1.6 billion to a total of $2.4 billion. Allocations of volume cap are administered by the U.S. Department of the Treasury, but no specific allocations were given to individual states.

As of November 15, 2009 the BRB had not been designated as the administrator for any of these newly-created bonding authorities.

# Appendix A
## Summary of Bonds Issued

| Table A1<br>BONDS BY ISSUER<br>REPORTED FOR FISCAL YEAR 2009 | | |
|---|---|---|
| **Stephen F. Austin State University** | | |
| State of Texas Constitutional Appropriation Bonds (Stephen F Austin State University), Series 2008 | $ | 10,200,000 |
| **Texas Department of Housing and Community Affairs (TDHCA)** | | |
| TDHCA Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Alta Cullen Apartments), Series 2008 | $ | 14,000,000 |
| TDHCA Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments), Series 2009 | $ | 13,690,000 |
| TDHCA Variable Rate Demand Multifamily Housing Revenue Bonds (Woodmont Apartments), Series 2009 | $ | 15,000,000 |
| TDHCA Residential Mortgage Revenue Bonds, Series 2009A (Non-AMT) and Residential Mortgage Revenue Refunding Bonds, Series 2009B (AMT) | $ | 102,605,000 |
| **Texas Higher Education Coordinating Board** | | |
| State of Texas (General Obligation Bonds) College Student Loan Bonds, Series 2009 | $ | 71,730,000 |
| **Texas Public Finance Authority (TPFA)** | | |
| TPFA Stephen F Austin State University Revenue Financing System Revenue Bonds, Series 2009 | $ | 22,994,575 |
| TPFA State of Texas General Obligation Refunding Bonds, Series 2009A and Taxable General Obligation Bonds, Series 2009B (Build America Bonds-Direct Payment) | $ | 452,700,000 |
| **Texas State Technical College System** | | |
| Texas State Technical College System, Revenue Financing System Bonds, Taxable Series 2008A | $ | 1,000,000 |
| **Texas State University System** | | |
| Board of Regents of Texas State University System, Revenue Financing System Revenue Bonds, Series 2009 | $ | 86,745,000 |
| **Texas Tech University System** | | |
| Board of Regents of Texas Tech University System, Revenue Financing System Refunding and Improvement Bonds, Twelfth Series (2009) | $ | 170,825,000 |
| **Texas Transportation Commission** | | |
| TTC Central Texas Turnpike System, First Tier Revenue Refunding Put Bonds, Series 2009 | $ | 149,275,000 |
| TTC State of Texas General Obligation Mobility Fund Bonds, Taxable Series 2009A (Build America Bonds-Direct Payment) | $ | 1,208,495,000 |
| **Texas Veterans Land Board** | | |
| State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2008B Bonds | $ | 50,000,000 |
| State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2009A Bonds | $ | 50,000,000 |
| **Texas Water Development Board** | | |
| State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Refunding Bonds, Series 2008B and Series 2008C (EDAP) | $ | 60,745,000 |
| State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds , Series 2009, Sub-series 2009A (Water Infrastructure Fund) | $ | 144,995,000 |
| State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2009C-1, and Water Financial Assistance Refunding Bonds, Series 2009C-2, and Series 2009D (State Participation Program) | $ | 332,420,000 |
| State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2009, Sub-series 2009B (Water Infrastructure Fund) | $ | 157,240,000 |
| State Revolving Fund Subordinate Lien Revenue Bonds, Series 2009A, Sub-series 2009A-1 and Subordinate Lien Revenue Refunding Bonds, Series 2009A and Sub-series 2009A-2 | $ | 257,740,000 |
| **Texas Woman's University** | | |
| Board of Regents of Texas Woman's University, Revenue Financing System Bonds, Series 2009 | $ | 20,400,000 |
| **The Texas A&M University System** | | |
| Board of Regents of The Texas A&M University System, Revenue Financing System Bonds, Series 2009A and Series 2009B | $ | 329,820,000 |
| **The University of Houston System** | | |
| Board of Regents of The University of Houston System, Consolidated Revenue and Refunding Bonds, Series 2009 | $ | 108,395,000 |
| Board of Regents of The University of Houston System, Consolidated Revenue and Refunding Bonds, Series 2009A | $ | 71,175,000 |
| **The University of Texas System** | | |
| Board of Regents of The University of Texas System, Revenue Financing System Bonds, Series 2008A | $ | 256,735,000 |
| Board of Regents of The University of Texas System, Revenue Financing System Taxable Bonds, Series 2009B (Build America Bonds-Direct Payment) | $ | 330,545,000 |
| Board of Regents of The University of Texas System, Revenue Financing System Bonds, Series 2009D | $ | 260,005,000 |
| **University of North Texas System** | | |
| Board of Regents of the University of North Texas System, Revenue Financing System Bonds, Series 2009 | $ | 38,650,000 |
| | **$** | **4,788,124,575** |

**Source:** Texas Bond Review Board - Bond Finance Office

**Stephen F. Austin State University**

**Issue:** State of Texas Constitutional Appropriation Bonds (Stephen F Austin State University), Series 2008

**Purpose:** The Bonds are being issued for the purpose of providing a portion of the funds to (i) complete construction and equipment of the Early Childhood Research Center and (ii) pay certain costs related to the issuance of the Bonds

| | |
|---|---|
| **Par:** | $10,200,000 |
| **Method of Sale:** | Competitive |
| **Board Approval:** | November 20, 2008 |
| **Competitive Sale:** | December 2, 2008 |
| **Closing Date:** | December 18, 2008 |
| **True Interest Cost (TIC):** | 4 37% |
| **Net Interest Cost (NIC):** | 4 39% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 22,000 | 2 16 |
| Financial Advisor | First Southwest Co | No | 32,000 | 3 14 |
| Printing | i-Deal/Clements Printing | No | 3,000 | 0 29 |
| Paying Agent/Registrar | Wells Fargo Bank, N A | No | 2,000 | 0 20 |
| Miscellaneous | | N/A | 5,000 | 0 49 |
| Attorney General | | N/A | 9,500 | 0 93 |
| **Rating Agencies** | **Rating** | | | |
| Fitch | AA+ | | 6,500 | 0 64 |
| **Subtotal** | | | **$ 80,000** | **$ 7.84** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Underwriting Risk | 121,788 | 11 94 |
| Takedown | 93,126 | 9 13 |
| Spread Expenses | 16,203 | 1 59 |
| **Total*** | **$ 231,117** | **$ 22.66** |

*Total Underwriting Spread **does not** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | N/A | N/A | N/A |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Management Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Southwest Securities Inc | No | 0 00% | - | 25 00% | 23,282 |
| Wachovia Bank, N A | No | 0 00% | - | 25 00% | 23,282 |
| RBC Capital Markets | No | 0 00% | - | 25 00% | 23,282 |
| SAMCO | No | 0 00% | - | 25 00% | 23,282 |
| **Total** | | **100.00%** | **$ -** | **100.00%** | **$ 93,128** |

**Texas Department of Housing and Community Affairs**

**Issue:** Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Alta Cullen Apartments), Series 2008

**Purpose:** The proceeds of the bonds were used to refinance the original $14 million in tax-exempt bonds issued through TDHCA in 2005, which financed the construction of the Alta Cullen Apartments in Houston.

| | |
|---|---|
| **Par:** | $14,000,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | November 20, 2008 |
| **Negotiated Sale:** | November 25, 2008 |
| **Closing Date:** | November 26, 2008 |
| **True Interest Cost (TIC):** | 5.12% |
| **Net Interest Cost (NIC):** | 5.07% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 85,000 | 6.07 |
| Financial Advisor | RBC Capital Markets | No | 30,000 | 2.14 |
| Trustee | U.S. Bank, N.A. | No | 2,293 | 0.16 |
| Trustee Counsel | McGuire, Craddock & Strother | No | 3,000 | 0.21 |
| Disclosure Counsel | Andrews Kurth LLP | No | 5,000 | 0.36 |
| Issuer Fees | TDHCA | N/A | 96,600 | 6.90 |
| Miscellaneous | | N/A | 2,000 | 0.14 |
| **Rating Agencies** | **Rating** | | | |
| Standard & Poor's | AAA/A-1+ | | 12,000 | 0.86 |
| **Subtotal** | | | **$ 235,893** | **$ 16.85** |

| | | | | |
|---|---|---|---|---|
| **Additional COI** | | N/A | 822,085 | 58.72 |
| **Total** | | | **$ 1,057,978** | **$ 75.57** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 37,026 | 2.64 |
| **Total*** | **$ 37,026** | **$ 2.64** |

*Total Underwriting Spread **does not** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Gilmore & Bell P.C. | No | 23,200 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Management Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Stern Brothers & Co. | N/A | 100.00% | 37,026 | 100.00% | - |
| **Total** | | **100.00%** | **$ 37,026** | **100.00%** | **$ -** |

**Texas Department of Housing and Community Affairs**

**Issue:** Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Mariposa Apartments), Series 2009

**Purpose:** The proceeds of the bonds were used to fund a mortgage loan to Costa Mariposa, Ltd, a Texas limited partnership, for the acquisition and construction of a 252-unit multifamily residential rental development to be known as Costa Mariposa Apartments. to be located on the north side of Monticello Drive, directly east of the College of the Mainland and approximately 50 yards northwest of the intersection of Monticello Drive and N. Vauthier Road, in Texas City, Galveston County, Texas.

| | |
|---|---|
| **Par:** | $13,690,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | May 21, 2009 |
| **Negotiated Sale:** | May 27, 2009 |
| **Closing Date:** | May 28, 2009 |
| **True Interest Cost (TIC):** | 6.16% |
| **Net Interest Cost (NIC):** | 6.08% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson and Elkins LLP | No | 85,000 | 6.21 |
| Financial Advisor | RBC Capital Markets | No | 35,000 | 2.56 |
| Trustee | Wells Fargo Bank, N.A. | No | 8,000 | 0.58 |
| Trustee Counsel | Naman, Howell, Smith & Lee | No | 6,000 | 0.44 |
| Disclosure Counsel | Andrews Kurth LLP | No | 5,000 | 0.37 |
| Private Activity Fee | Texas Bond Review Board | No | 8,750 | 0.64 |
| Limited Partner's Counsel | | N/A | 73,500 | 5.37 |
| Limited Partner's Advisor | | N/A | 3,500 | 0.26 |
| Borrower's Counsel | | N/A | 49,250 | 3.60 |
| Nor-for-Profit Partner's Counsel | | N/A | 10,000 | 0.73 |
| Issuer's Issuance Fee | TDHCA | No | 68,450 | 5.00 |
| Issuer's Application Fee | TDHCA | No | 11,000 | 0.80 |
| Issuer's Bond Admin Fee | TDHCA | No | 27,380 | 2.00 |
| Issuer's Compliance Fee | TDHCA | No | 6,300 | 0.46 |
| TEFRA Notice Publication | | N/A | 2,000 | 0.15 |
| LOC Origination | Bank of America | No | 256,797 | 18.76 |
| LOC Ongoing Fees | Bank of America | No | 484,664 | 35.40 |
| Lender Related Costs | | N/A | 384,875 | 28.11 |
| Printing | Island Printing | No | 2,000 | 0.15 |
| Attorney General | | N/A | 9,500 | 0.69 |
| Miscellaneous | | N/A | 3,000 | 0.22 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa3/VMIG-1 | | 12,400 | 0.91 |
| **Subtotal** | | | **$ 1,552,366** | **$ 113.39** |

| Additional COI | | | | |
|---|---|---|---|---|
| Tax Credit Fees | | N/A | 65,500 | 4.78 |
| Lease-Up Reserves | | N/A | 214,200 | 15.65 |
| Construction Contingency | | N/A | 520,424 | 38.01 |
| Soft Costs | | N/A | 1,039,500 | 75.93 |
| Construction Interest | | N/A | 658,215 | 48.08 |
| Title & Recording | | N/A | 159,000 | 11.61 |
| **Total** | | | **$ 4,209,205** | **$ 307.47** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 102,675 | 7.50 |
| Spread Expenses | 30,000 | 2.19 |
| **Total** | **$ 132,675** | **$ 9.69** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Katten Muchin Rosenman LLP | No | 30,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Citigroup | No | 100.00% | 100.00% | 102,675 | 0.00% | - |
| **Total** | | **100.00%** | **100.00%** | **$ 102,675** | **0.00%** | **$ -** |

**Texas Department of Housing and Community Affairs**

**Issue:** Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Woodmont Apartments), Series 2009

**Purpose:** The proceeds of the bonds were used to fund a mortgage loan to Woodmont Apartments, Ltd., a Texas limited partnership,for the acquisition and construction of a 252-unit multifamily residential rental development to be known as Woodmont Apartments located at approximately the north east corner of Oak Grove Road and Loop I-820 in Fort Worth, Tarrant County, Texas.

| | |
|---|---|
| **Par:** | $15,000,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | May 21, 2009 |
| **Negotiated Sale:** | July 27, 2009 |
| **Closing Date:** | July 30, 2009 |
| **True Interest Cost (TIC):** | 6.00% |
| **Net Interest Cost (NIC):** | 5.93% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson and Elkins LLP | No | 135,000 | 9.00 |
| Financial Advisor | RBC Capital Markets | No | 35,000 | 2.33 |
| Trustee | Wells Fargo Bank, N.A. | No | 8,000 | 0.53 |
| Trustee Counsel | Naman, Howell, Smith & Lee | No | 6,000 | 0.40 |
| Disclosure Counsel | Andrews Kurth LLP | No | 5,000 | 0.33 |
| Private Activity Fee | Texas Bond Review Board | No | 8,750 | 0.58 |
| Limited Partner's Counsel | | N/A | 40,300 | 2.69 |
| Borrower's Counsel | | N/A | 143,500 | 9.57 |
| General Partner's Counsel | | N/A | 115,000 | 7.67 |
| Issuer's Issuance Fee | TDHCA | No | 75,000 | 5.00 |
| Issuer's Application Fee | TDHCA | No | 11,000 | 0.73 |
| Issuer's Bond Admin Fee | TDHCA | No | 30,000 | 2.00 |
| Issuer's Compliance Fee | TDHCA | No | 6,300 | 0.42 |
| Freddie Mac's Counsel | | N/A | 44,500 | 2.97 |
| Freddie Mac's Fees | | N/A | 187,500 | 12.50 |
| TEFRA Notice Publication | | N/A | 1,341 | 0.09 |
| LOC Origination | Bank of America | No | 281,870 | 18.79 |
| LOC Ongoing Fees | Bank of America | No | 531,043 | 35.40 |
| Lender Related Costs | | N/A | 165,000 | 11.00 |
| Lender Legal Fees | | N/A | 27,500 | 1.83 |
| Interest Rate Cap | | N/A | 1,725,000 | 115.00 |
| Attorney General | | N/A | 9,500 | 0.63 |
| Miscellaneous | | N/A | 11,250 | 0.75 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa3/ VMIG- 1 | | 13,880 | 0.93 |
| **Subtotal** | | | **$ 3,617,234** | **$ 241.15** |

| Additional COI | | | | |
|---|---|---|---|---|
| Tax Credit Fees | | N/A | 65,500 | 4.37 |
| Lease-Up Reserves | | N/A | 214,200 | 14.28 |
| Construction Contingency | | N/A | 520,424 | 34.69 |
| Soft Costs | | N/A | 1,039,500 | 69.30 |
| Construction Interest | | N/A | 658,215 | 43.88 |
| Title & Recording | | N/A | 159,000 | 10.60 |
| **Total** | | | **$ 6,274,073** | **$ 418.27** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 71,431 | 4.76 |
| Takedown | 37,500 | 2.50 |
| Spread Expenses | 63,569 | 4.24 |
| **Total** | **$ 172,500** | **$ 11.50** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Katten Muchin Rosenman LLP | No | 60,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Citigroup | No | 100.00% | 100.00% | 71,431 | 100.00% | 37,500 |
| **Total** | | **100.00%** | **100.00%** | **$ 71,431** | **100.00%** | **$ 37,500** |

## Texas Department of Housing and Community Affairs

**Issue:** Texas Department of Housing and Community Affairs, Residential Mortgage Revenue Bonds, Series 2009A (Non-AMT) and Residential Mortgage Revenue Refunding Bonds, Series 2009B (AMT)

**Purpose:** Proceeds of the Series 2009A Bonds were deposited to the 2009 A/B Mortgage Loan Account of the Mortgage Loan Fund and used to purchase 2009A Mortgage Certificates, used to fund capitalized interest, used to fund down payment and closing cost assistance and used to pay a portion of the Costs od Issuance of the Series 2009 Bonds Proceeds of the 2009B Bonds will be used to refund all or a portion of the Department's outstanding Residential Mortgage Revenue Bonds, Series 1999B and Residential Mortgage Revenue Refunding Bonds, Series 1999C Upon the delivery of the Series 2009B Bonds, the 1999 Transferred Mortgage Cetrificates will be transferred to the 2009A/B Mortgage Loan Account

| | |
|---|---|
| **Par:** | $102,605,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | July 23, 2009 |
| **Negotiated Sale:** | July 31, 2009 |
| **Closing Date:** | August 18, 2009 |
| **True Interest Cost (TIC):** | 5 11% |
| **Net Interest Cost (NIC):** | 5 19% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson and Elkins LLP | No | 260,000 | 2 53 |
| Financial Advisor | RBC Capital Markets | No | 165,000 | 1 61 |
| Trustee | The Bank of NY Mellon Trust Co | No | 3,500 | 0 03 |
| Trustee Counsel | Petruska & Associates | No | 15,000 | 0 15 |
| Disclosure Counsel | McCall, Parkhurst & Horton LLP | No | 55,000 | 0 54 |
| Private Activity Fee | Texas Bond Review Board | N/A | 21,319 | 0 21 |
| Escrow Verification | Causey Demgen & Moore Inc | N/A | 15,000 | 0 15 |
| Issuer's Issuance Fee | TDHCA | No | 50,000 | 0 49 |
| TEFRA Notice Publication | | N/A | 14,478 | 0 14 |
| Printing | ImageMaster | No | 3,188 | 0 03 |
| Attorney General | | N/A | 19,000 | 0 19 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 51,303 | 0 50 |
| Standard & Poor's | AAA | | 35,000 | 0 34 |
| **Subtotal** | | | **$ 707,788** | **$ 6.90** |

| Additional COI | | | | |
|---|---|---|---|---|
| Auditor Letter | | N/A | 11,000 | 0 11 |
| **Total** | | | **$ 718,788** | **$ 7.01** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 51,303 | 0 50 |
| Takedown | 714,613 | 6 96 |
| Structuring Fee | 125,000 | 1 22 |
| Spread Expenses | 156,039 | 1 52 |
| **Total** | **$ 1,046,955** | **$ 10.20** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Locke Lord Bissell & Liddell LLP | No | 110,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| JP Morgan | No | 55 00% | 100 00% | 51,303 | 56 06% | 400,626 |
| Loop Capital Markets LLC | BA | 15 00% | 0 00% | - | 4 19% | 29,914 |
| Merrill Lynch & Co | No | 15 00% | 0 00% | - | 18 04% | 128,923 |
| Morgan Stanley | No | 15 00% | 0 00% | - | 21 71% | 155,149 |
| **Total** | | **100.00%** | **100.00%** | **$ 51,303** | **100.00%** | **$ 714,612** |

**Texas Higher Education Coordinating Board**

**Issue:** Texas Higher Education Coordinating Board, State of Texas (General Obligation Bonds) College Student Loan Bonds, Series 2009

**Purpose:** Proceeds from the Bonds were used to fund an ongoing student loan program which provides low interest loans to eligible students at institutions of higher education in Texas

| | |
|---|---|
| **Par:** | $71,730,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | March 5, 2009 |
| **Negotiated Sale:** | June 2, 2009 |
| **Closing Date:** | June 30, 2009 |
| **True Interest Cost (TIC):** | 4 44% |
| **Net Interest Cost (NIC):** | 4 59% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 84,680 | 1 18 |
| Financial Advisor | First Southwest Co | No | 36,018 | 0 50 |
| Printing | ImageMaster | No | 3,187 | 0 04 |
| Paying Agent/Registrar | Wells Fargo Bank, N A | No | 150 | 0 00 |
| Private Activity Fee | Texas Bond Review Board | No | 500 | 0 01 |
| TEFRA Notice Publication | | No | 7,816 | 0 11 |
| Attorney General | | N/A | 9,500 | 0 13 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 14,100 | 0 20 |
| Standard & Poor's | AA | | 15,400 | 0 21 |
| **Subtotal** | | | **$ 171,351** | **$ 2.39** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 251,055 | 3 50 |
| Spread Expenses | 32,278 | 0 45 |
| **Total*** | **$ 283,333** | **$ 3.95** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | McCall, Parkhurst & Horton LLP | No | 17,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Wachovia Bank, N A | No | 50 00% | 0 00% | - | 58 96% | 148,033 |
| Edward D Jones & Co | No | 16 67% | 0 00% | - | 7 31% | 18,365 |
| Morgan Keegan & Co | No | 16 67% | 0 00% | - | 16 61% | 41,708 |
| RBC Capital Markets | No | 16 67% | 0 00% | - | 15 12% | 37,963 |
| Wells Fargo Bank, N A | No | 0 00% | 0 00% | - | 1 99% | 4,988 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 251,057** |

## Texas Public Finance Authority

**Issue:** Texas Public Finance Authority, Stephen F Austin State University Revenue Financing System Revenue Bonds, Series 2009

**Purpose:** Tuition Revenue Bond proceeds were used to fund campus deferred maintenance projects and to construct a new building for SFA's School of Nursing

| | |
|---|---|
| **Par:** | $22,994,575 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | November 20, 2008 |
| **Negotiated Sale:** | January 14, 2009 |
| **Closing Date:** | February 4, 2009 |
| **True Interest Cost (TIC):** | 4 34% |
| **Net Interest Cost (NIC):** | 4 23% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 18,106 | 0 79 |
| Financial Advisor | First Southwest Co | No | 39,996 | 1 74 |
| Printing | i-Deal/Clements Printing | No | 3,436 | 0 15 |
| Paying Agent/Registrar | Wells Fargo Bank, N A | No | 400 | 0 02 |
| Miscellaneous | | N/A | 603 | 0 03 |
| Attorney General | | N/A | 9,500 | 0 41 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | A2/Aa2 | | 14,625 | 0 64 |
| Fitch | A+/AAA | | 9,000 | 0 39 |
| **Subtotal** | | | **$ 95,666** | **$ 4.16** |

| Additional COI | | | | |
|---|---|---|---|---|
| Bond Insurance | AGC | No | 237,447 | 10 33 |
| **Total** | | | **$ 333,113** | **$ 14.49** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 100,044 | 4 35 |
| Structure Fee | 17,246 | 0 75 |
| Spread Expenses | 24,018 | 1 04 |
| **Total*** | **$ 141,308** | **$ 6.15** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | 17,500 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Structuring Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Morgan Keegan & Co | No | 100 00% | 100 00% | 17,246 | 36 28% | 36,294 |
| Citigroup | No | 0 00% | 0 00% | - | 35 74% | 35,753 |
| Edward Jones | No | 0 00% | 0 00% | - | 19 27% | 19,275 |
| RBC Capital Markets | No | 0 00% | 0 00% | - | 8 72% | 8,723 |
| Siebert Brandford Shank & Co | BA | 0 00% | 0 00% | - | 0 00% | - |
| **Total** | | **100.00%** | **100.00%** | **$ 17,246** | **100.00%** | **$ 100,044** |

**Texas Public Finance Authority**

**Issue:** Texas Public Finance Authority, State of Texas General Obligation Refunding Bonds, Series 2009A - $270,920,000 and Taxable General Obligation Bonds, Series 2009B (Build America Bonds-Direct Payment) - $181,780,000

**Purpose:** The proceeds for Series 2009A were used to refund TPFA's outstanding General Obligation commercial paper within its Series 2002A, 2002B and 2008 Programs and pay the costs of issuance of the Tax-Exempt Bonds. The proceeds from Series 2009B Taxable Bonds were used to repair, renovate and construct state facilities for the Department of Aging and Disability Services, the Department of Public Safety, the Department of State Health Services and the Texas Historical Commission, and to pay the costs of issuance of the Taxable Bonds.

| | |
|---|---|
| **Par:** | $452,700,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | July 23, 2009 |
| **Negotiated Sale:** | August 11, 2009 |
| **Closing Date:** | August 27, 2009 |
| **True Interest Cost (TIC):** | 3.36% |
| **Net Interest Cost (NIC):** | 4.71% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson and Elkins LLP | No | 80,863 | 0.18 |
| Co-Bond Counsel | Bickerstaff Heath Delgado Acosta LLP | No | 25,000 | 0.06 |
| Financial Advisor | Coastal Securities | No | 75,413 | 0.17 |
| Printing | ImageMaster | No | 2,318 | 0.01 |
| Attorney General | | No | 19,000 | 0.04 |
| Miscellaneous | | No | 5,651 | 0.01 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 37,550 | 0.08 |
| Standard and Poor's | AA+ | | 35,000 | 0.08 |
| Fitch | AA+ | | 37,500 | 0.08 |
| **Subtotal** | | | **$ 318,295** | **$ 0.70** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 113,175 | 0.25 |
| Takedown | 2,142,581 | 4.73 |
| Spread Expenses | 138,021 | 0.30 |
| **Total** | **$ 2,393,777** | **$ 5.29** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | 65,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Bank of America/Merrill Lynch & Co. | No | 45.00% | 45.00% | 50,929 | 44.27% | 948,572 |
| Siebert Brandford and Shank | BA | 15.00% | 15.00% | 16,976 | 12.41% | 265,883 |
| Morgan Stanley | No | 5.00% | 5.00% | 5,659 | 6.94% | 148,787 |
| Estrada Hinojosa & Co. | HA | 5.00% | 5.00% | 5,659 | 4.18% | 89,586 |
| RBC Capital Markets | No | 5.00% | 5.00% | 5,659 | 7.61% | 163,052 |
| Morgan Keegan & Co. | No | 5.00% | 5.00% | 5,659 | 6.63% | 142,131 |
| Loop Capital Markets LLC | BA | 5.00% | 5.00% | 5,659 | 5.35% | 114,581 |
| Ramirez & Co. | HA | 5.00% | 5.00% | 5,659 | 3.02% | 64,788 |
| Piper Jaffray | No | 5.00% | 5.00% | 5,659 | 5.68% | 121,600 |
| Southwest Securties | No | 5.00% | 5.00% | 5,659 | 3.90% | 83,602 |
| **Total** | | **100.00%** | **100.00%** | **$ 113,175** | **100.00%** | **$ 2,142,581** |

**Texas State Technical College System**

**Issue:** Texas State Technical College System, Revenue Financing System Bonds, Taxable Series 2008A

**Purpose:** The TSTC issued bonds for the purpose of refinancing a portion of the costs to acquire, construct and install a wind turbine as a renewable energy project near the System's campus located in Sweetwater, Texas by refunding a portion of outstanding commercial paper notes issued by the Texas Public Finance Authority to initially finance such project and to pay costs of issuance

**Par:** $1,000,000
**Method of Sale:** Negotiated (Private Placement)
**Board Approval:** September 18, 2008
**Private Placement Sale:** November 17, 2008
**Closing Date:** December 3, 2008
**True Interest Cost (TIC):** 1 00%
**Net Interest Cost (NIC):** n/a

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 6,500 | 6 50 |
| Paying Agent/Registrar | The Bank of N Y Mellon Trust Co | No | 500 | 0 50 |
| Purchase Counselor | Hunton & Williams, LLP | No | 5,000 | 5 00 |
| Attorney General | | N/A | 1,000 | 1 00 |
| **Subtotal** | | | **$ 13,000** | **$ 13.00** |

| | | | | |
|---|---|---|---|---|
| **Additional COI** | First Southwest Co | No | 6,759 | 6 76 |
| **Total** | | | **$ 19,759** | **$ 19.76** |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Management Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| N/A | N/A | 0 00% | - | 0 00% | - |
| **Total** | | **100.00%** | **$ -** | **100.00%** | **$ -** |

## Texas State University System

**Issue:** Board of Regents of Texas State University System, Revenue Financing System Revenue Bonds, Series 2009

**Purpose:** The proceeds from the sale of the Bonds were used for the following purposes: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for members of the Revenue Financing System, and (ii) paying certain costs of issuing the Bonds.

| | |
|---|---|
| **Par:** | $86,745,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | May 21, 2009 |
| **Negotiated Sale:** | June 10, 2009 |
| **Closing Date:** | June 30, 2009 |
| **True Interest Cost (TIC):** | 4.58% |
| **Net Interest Cost (NIC):** | 4.87% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 61,619 | 0.71 |
| Financial Advisor | First Southwest Co. | No | 43,890 | 0.51 |
| Printing | i-deal/ First Southwest Co. | No | 4,990 | 0.06 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co. | No | 4,500 | 0.05 |
| Attorney General | | N/A | 9,500 | 0.11 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa3 | | 30,875 | 0.36 |
| Standard & Poor's | AA- | | 50,000 | 0.58 |
| **Subtotal** | | | **$ 205,374** | **$ 2.37** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 20,000 | 0.23 |
| Takedown | 389,224 | 4.49 |
| Spread Expenses | 86,357 | 1.00 |
| **Total*** | **$ 495,581** | **$ 5.71** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Fulbright & Jaworski LLP | No | 65,059 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Barclays Capital | No | 45.00% | 100.00% | 20,000 | 78.72% | 306,410 |
| Morgan Stanley | No | 30.00% | 0.00% | - | 9.87% | 38,403 |
| Loop Capital Markets LLC | BA | 12.50% | 0.00% | - | 4.52% | 17,576 |
| Jackson Securities | BA | 12.50% | 0.00% | - | 6.89% | 26,835 |
| **Total** | | **100.00%** | **100.00%** | **$ 20,000** | **100.00%** | **$ 389,224** |

**Texas Tech University System**

**Issue:** Board of Regents of Texas Tech University System, Revenue Financing System Refunding and Improvement Bonds, Twelfth Series (2009)

**Purpose:** The TTUS issued these bonds for the following purposes: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads, or related infrastructure for TTUS; (ii) refunding the refunded bonds; (iii) refunding the refunded Commercial Paper Notes and; (iv) paying the related issuance costs

| | |
|---|---|
| **Par:** | $170,825,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | September 18, 2008 |
| **Negotiated Sale:** | February 2, 2009 |
| **Closing Date:** | April 3, 2009 |
| **True Interest Cost (TIC):** | 4 25% |
| **Net Interest Cost (NIC):** | 4 46% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Fulbright & Jaworski LLP | No | 120,527 | 0 71 |
| Financial Advisor | First Southwest Co | No | 86,913 | 0 51 |
| Printing | i-Deal/Clements Printing | No | 4,255 | 0 02 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co | No | 4,500 | 0 03 |
| Escrow Agent | The Bank of NY/Deutsche Bank | No | 3,900 | 0 02 |
| Attorney General | | N/A | 9,500 | 0 06 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa3 | | 68,330 | 0 40 |
| Standard & Poor's | AA | | 60,000 | 0 35 |
| Fitch | AA | | 45,000 | 0 26 |
| **Subtotal** | | | **$ 402,925** | **$ 2.36** |

| Other Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Computer Structure Fee | First Southwest Co | No | 12,000 | 0 07 |
| Contingency | System | No | 13,000 | 0 08 |
| FA Fee for CP program increase | First Southwest Co | No | 25,000 | 0 15 |
| **Total** | | | **$ 452,925** | **2.65** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 128,119 | 0 75 |
| Takedown | 672,176 | 3 93 |
| Spread Expenses | 110,258 | 0 65 |
| **Total*** | **$ 910,553** | **$ 5.33** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Vinson & Elkins LLP | No | 68,330 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| RBC Capital Markets | No | 30 00% | 30 00% | 38,436 | 54 23% | 364,536 |
| JP Morgan | No | 20 00% | 20 00% | 25,624 | 14 98% | 100,689 |
| Citigroup | No | 12 50% | 12 50% | 16,015 | 15 86% | 106,606 |
| Frost Bank | No | 12 50% | 12 50% | 16,015 | 1 23% | 8,250 |
| Estrada Hinojosa & Co | HA | 12 50% | 12 50% | 16,015 | 0 65% | 4,382 |
| Morgan Keegan & Co | No | 12 50% | 12 50% | 16,015 | 13 05% | 87,712 |
| **Total** | | **100.00%** | **100.00%** | **$ 128,120** | **100.00%** | **$ 672,175** |

**Texas Transportation Commission**

**Issue:** Texas Transportation Commission, Central Texas Turnpike System, First Tier Revenue Refunding Put Bonds, Series 2009

**Purpose:** Bond proceeds were used to refund the CTTS First Tier Revenue Series 2002B Variable-Rate Bonds outstanding and to pay associated costs of issuance and accrued interest

| | |
|---|---|
| **Par:** | $149,275,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | December 2, 2008 |
| **Negotiated Sale:** | February 26, 2006 |
| **Closing Date:** | March 5, 2009 |
| **True Interest Cost (TIC):** | 5.05% |
| **Net Interest Cost (NIC):** | 5.03% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 238,587 | 1.60 |
| Financial Advisor | RBC Capital Markets | No | 51,874 | 0.35 |
| Trustee | The Bank of NY Mellon Trust Co | No | 20,500 | 0.14 |
| Printing | Image Master | No | 3,074 | 0.02 |
| Disclosure Counsel | McCall, Parkhurst & Horton LLP | No | 29,855 | 0.20 |
| Liquidity Provider Counsel | | N/A | 15,500 | 0.10 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co | No | 500 | 0.00 |
| Attorney General | | N/A | 9,500 | 0.06 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Baa1 | | 35,826 | 0.24 |
| Standard & Poor's | BBB+ | | 49,500 | 0.33 |
| Fitch | BBB+ | | 45,000 | 0.30 |
| **Subtotal** | | | **$ 499,716** | **$ 3.35** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 1,119,563 | 7.50 |
| Spread Expenses | 133,596 | 0.89 |
| **Total*** | **$ 1,253,159** | **$ 8.39** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Winstead PC | No | 100,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Citigroup | No | 50.00% | 0.00% | - | 49.96% | 559,350 |
| Estrada Hinojosa & Co | HA | 25.00% | 0.00% | - | 24.72% | 276,788 |
| Southwest Securities | No | 25.00% | 0.00% | - | 25.32% | 283,425 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 1,119,563** |

**Texas Transportation Commission**

**Issue:** Texas Transportation Commission, State of Texas General Obligation Mobility Fund Bonds, Taxable Series 2009A (Build America Bonds-Direct Payment)

**Purpose:** Bond proceeds were used to pay, or reimburse the State Highway Fund or Mobility Fund, for paying costs of 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 publicly owned toll roads and other public transportation projects, and paying costs of issuance

| | |
|---|---|
| **Par:** | $1,208,495,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | May 21, 2009 |
| **Negotiated Sale:** | August 19, 2009 |
| **Closing Date:** | August 26, 2009 |
| **True Interest Cost (TIC)*:** | 3 62% |
| **Net Interest Cost (NIC):** | 5 54% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 221,313 | 0 18 |
| Financial Advisor | RBC Capital Markets | No | 48,795 | 0 04 |
| O S Preparation | ImageMaster | No | 4,741 | 0 00 |
| Paying Agent/Registrar | Wells Fargo Bank, N A | No | 200 | 0 00 |
| Disclosure Counsel | Fulbright & Jaworski LLP | No | 121,850 | 0 10 |
| Attorney General | | N/A | 9,500 | 0 01 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 99,800 | 0 08 |
| Standard & Poor's | AA+ | | 77,900 | 0 06 |
| Fitch | AA+ | | 85,000 | 0 07 |
| **Subtotal** | | | **$ 669,099** | **$ 0.55** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 7,480,584 | 6 19 |
| Spread Expenses | 298,782 | 0 25 |
| **Total*** | **$ 7,779,366** | **$ 6.44** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Bates & Coleman, PC | No | 52,000 |
| **Co-Underwriter's Counsel** | Locke Lord Bissell & Liddell LLP | No | 78,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Merrill Lynch & Co | No | 56 00% | 0 00% | - | 56 00% | 4,356,445 |
| Estrada Hinojosa & Co | HA | 5 50% | 0 00% | - | 5 50% | 427,865 |
| Jefferies & Company | No | 5 50% | 0 00% | - | 5 50% | 427,865 |
| JP Morgan | No | 5 50% | 0 00% | - | 5 50% | 427,865 |
| Loop Capital Markets LLC | BA | 5 50% | 0 00% | - | 5 50% | 427,865 |
| Morgan Stanley | No | 5 50% | 0 00% | - | 5 50% | 427,865 |
| Piper Jaffray | No | 5 50% | 0 00% | - | 5 50% | 427,865 |
| Southwest Securities | No | 5 50% | 0 00% | - | 5 50% | 427,865 |
| Wachovia Bank, N A | No | 5 50% | 0 00% | - | 5 50% | 427,865 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 7,779,365** |

*True Interest Cost is shown net of federal subsidy

**Texas Veterans Land Board**

**Issue:** Texas Veterans Land Board, State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2008B Bonds

**Purpose:** The proceeds of the bonds were used to originate loans to eligible Texas veterans from the Veterans' Housing Assistance Fund II

| | |
|---|---|
| **Par:** | $50,000,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | August 29, 2008 |
| **Negotiated Sale:** | September 4, 2008 |
| **Closing Date:** | September 11, 2008 |
| **True Interest Cost (TIC):** | floating |
| **Net Interest Cost (NIC):** | floating |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 55,000 | 1 10 |
| Co-Bond Counsel | Lannen & Oliver PC | BA | 13,541 | 0 27 |
| Financial Advisor | RBC Captial Markets | No | 18,500 | 0 37 |
| Printing | Island Printing | No | 1,347 | 0 03 |
| Liquidity Provider's Counsel | Chapman and Cutler LLP | No | 10,100 | 0 20 |
| Foreign Liquidity Provider's Counsel | Dexia Credit Local | No | 1,500 | 0 03 |
| Attorney General | | N/A | 9,500 | 0 19 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1/VMIG 1 | | 15,500 | 0 31 |
| Fitch | AA+/F1+ | | 15,000 | 0 30 |
| **Subtotal** | | | **$ 139,988** | **$ 2.80** |

| | Amount | Per $1,000 |
|---|---|---|
| Spread Expenses | 29,112 | 0 58 |
| Takedown | 62,500 | 1 25 |
| **Total** | **$ 91,612** | **$ 1.83** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | 25,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Management Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Goldman Sachs | No | 0 00% | - | 52 00% | 32,500 |
| George K Baum & Company | No | 0 00% | - | 16 00% | 10,000 |
| JP Morgan | No | 0 00% | - | 16 00% | 10,000 |
| Ramirez & Co | HA | 0 00% | - | 16 00% | 10,000 |
| **Total** | | **100.00%** | **$ -** | **100.00%** | **$ 62,500** |

**Texas Veterans Land Board**

**Issue:** Texas Veterans Land Board, State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2009A Bonds

**Purpose:** The proceeds of the bonds were used to originate home loans to eligible Texas veterans (and certain surviving spouses) from the Veterans' Housing Assistance Fund II. Loans are to be used to toward the purchase of homes in Texas or toward making qualified improvements to homes in the state.

| | |
|---|---|
| **Par:** | $50,000,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | February 12, 2009 |
| **Negotiated Sale:** | February 26, 2009 |
| **Closing Date:** | March 5, 2009 |
| **True Interest Cost (TIC):** | 4.34% |
| **Net Interest Cost (NIC):** | 4.52% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 55,000 | 1.10 |
| Co-Bond Counsel | Lannen & Oliver PC | BA | 13,539 | 0.27 |
| Financial Advisor | RBC Capital Markets | No | 18,500 | 0.37 |
| Printing | Island Printing | No | 1,154 | 0.02 |
| Registrar | Wells Fargo Bank, N.A. | No | - | 0.00 |
| Paying Agent/Registrar | Texas Comptroller of Public Accounts | N/A | - | 0.00 |
| Attorney General | | N/A | 9,500 | 0.19 |
| **Rating Agencies** | **Rating** | | | |
| Standard & Poor's | AA | | 13,300 | 0.27 |
| Fitch | AA+ | | 15,000 | 0.30 |
| **Subtotal** | | | **$ 125,993** | **2.52** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 239,683 | 4.79 |
| Spread Expenses | 32,754 | 0.66 |
| **Total*** | **$ 272,437** | **$ 5.45** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Fulbright & Jaworski LLP | No | 25,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| JP Morgan | No | 52.00% | - | - | 55.24% | 132,401 |
| Estrada Hinojosa & Co. | HA | 16.00% | - | - | 2.91% | 6,963 |
| Morgan Stanley | No | 16.00% | - | - | 26.56% | 63,662 |
| Raymond James & Associates, Inc. | No | 16.00% | - | - | 15.29% | 36,657 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 239,683** |

## Texas Water Development Board

**Issue:** Texas Water Development Board, State of Texas General Obligation Bonds, Water Financial Assistance Refunding Bonds, Series 2008B - $23,510,000 and Series 2008C (EDAP) - $34,235,000

**Purpose:** The proceeds of the bonds were deposited into the Financial Assistance Account and used to refund the Water Assistance Projects through the Water Infrastructure Fund program which provides financial assistance to certain political subdivisions for water and water-related projects, and to pay costs of issuance.

| | |
|---|---|
| **Par:** | $60,745,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | September 18, 2008 |
| **Negotiated Sale:** | December 4, 2008 |
| **Closing Date:** | January 6, 2009 |
| **True Interest Cost (TIC):** | 3.79% |
| **Net Interest Cost (NIC):** | n/a |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 37,262 | 0.61 |
| Financial Advisor | First Southwest Co. | No | 48,399 | 0.80 |
| Paying Agent | The Bank of NY Mellon Trust Co. | No | 1,083 | 0.02 |
| Escrow Agent | The Bank of NY Mellon Trust Co. | No | 133 | 0.00 |
| Attorney General | | N/A | 19,000 | 0.31 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 14,500 | 0.24 |
| Standard & Poor's | Aa1 | | 15,400 | 0.25 |
| Fitch | AA+ | | 15,000 | 0.25 |
| **Subtotal** | | | **$ 150,778** | **$ 2.48** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 45,559 | 0.75 |
| Takedown | 243,158 | 4.00 |
| Spread Expenses | 47,302 | 0.78 |
| **Total*** | **$ 336,018** | **$ 5.53** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Vinson & Elkins LLP | No | $ 32,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Management Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Loop Capital Markets LLC | BA | 84.64% | 38,559 | 75.08% | 182,551 |
| Ramirez & Co. | HA | 4.39% | 2,000 | 3.91% | 9,500 |
| RBC Capital Markets | No | 10.97% | 5,000 | 6.66% | 16,200 |
| Wachovia Bank, N.A. | No | 0.00% | - | 0.43% | 1,050 |
| **Selling Group:** | | | | | |
| Citigroup | No | | | 0.87% | 2,125 |
| Goldman Sachs | No | | | 1.66% | 4,025 |
| Morgan Keegan & Co. | No | | | 0.41% | 988 |
| JP Morgan | No | | | 4.62% | 11,225 |
| Morgan Stanley | No | | | 2.92% | 7,094 |
| Southwest Securites | No | | | 1.95% | 4,750 |
| Piper Jaffray | No | | | 1.50% | 3,650 |
| **Total** | | **100.00%** | **$ 45,559** | **100.00%** | **$ 243,158** |

**Texas Water Development Board**

**Issue:** Texas Water Development Board, State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2009, Sub-series 2009A (Water Infrastructure Fund)

**Purpose:** The proceeds of the bonds were deposited into the Financial Assistance Account and used to finance certain Water Assistance Projects through the Water Infrastructure Fund program which provides financial assistance to certain political subdivisions for water and water-related projects and to pay costs of issuance

| | |
|---|---|
| **Par:** | $144,995,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | January 22, 2009 |
| **Negotiated Sale:** | February 3, 2009 |
| **Closing Date:** | April 10, 2009 |
| **True Interest Cost (TIC):** | 4 29% |
| **Net Interest Cost (NIC):** | 4 45% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 24,083 | 0 17 |
| Financial Advisor | First Southwest Co | No | 82,559 | 0 57 |
| Paying Agent | The Bank of NY Mellon Trust Co | No | 458 | 0 00 |
| Attorney General | | N/A | 9,500 | 0 07 |
| Travel Expenses | | N/A | 4,025 | 0 03 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 28,900 | 0 20 |
| Standard & Poor's | Aa1 | | 23,100 | 0 16 |
| Fitch | AA+ | | 23,000 | 0 16 |
| **Subtotal** | | | **$ 195,625** | **$ 1.35** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 72,498 | 0 50 |
| Takedown | 635,280 | 4 38 |
| Spread Expenses | 78,539 | 0 54 |
| **Total*** | **$ 786,317** | **$ 5.42** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | $ 45,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Morgan Stanley | No | 36 00% | 62 76% | 45,498 | 50 53% | 320,987 |
| Citigroup | No | 8 00% | 4 83% | 3,500 | 8 09% | 51,410 |
| Goldman Sachs | No | 8 00% | 0 00% | 0 | 4 41% | 28,010 |
| JP Morgan | No | 8 00% | 9 66% | 7,000 | 9 33% | 59,250 |
| Loop Capital Markets LLC | No | 8 00% | 4 83% | 3,500 | 3 48% | 22,103 |
| Ramirez & Co | No | 8 00% | 2 76% | 2,000 | 0 32% | 2,050 |
| RBC Capital Markets | No | 8 00% | 9 66% | 7,000 | 17 98% | 114,246 |
| Southwest Securities | No | 8 00% | 4 14% | 3,000 | 5 86% | 37,225 |
| Walton Johnson & Co | BA | 8 00% | 1 38% | 1,000 | 0 00% | 0 |
| **Total** | | **100.00%** | **100.02%** | **$ 72,498** | **100.00%** | **$ 635,281** |

**Texas Water Development Board**

**Issue:** Texas Water Development Board, State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2009C-1, and Water Financial Assistance Refunding Bonds, Series 2009C-2, and Series 2009D (State Participation Program)

**Purpose:** The bonds were issued for two separate programs, the Texas Water Development Fund II (D-FUND II) Program and the State Participation Program The proceeds of the Tax-Exempt Bonds Series 2009C were used to: (i) fund new loans in the D-Fund II Program and for a current refunding of the Board's remaining outstanding State of Texas Water Financial Assistance Bonds - Series 1999A and (ii) pay costs of issuance The proceeds of the Tax-Exempt Bonds Series 2009D were used: (i) for a current refunding of the Board's remaining outstanding State of Texas Water Financial Assistance Bonds, Series 1999C (State Participation Program) and (ii)

| | |
|---|---|
| **Par:** | $332,420,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | May 28, 2009 |
| **Negotiated Sale:** | June 10, 2009 |
| **Closing Date:** | June 30, 2009 |
| **True Interest Cost (TIC):** | C1 4 71; C2 3 48; D 4 80 |
| **Net Interest Cost (NIC):** | C1 4 81; C2 3 57; D 4 85 |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkurst & Horton LLP | No | 19,949 | 0 06 |
| Financial Advisor | First Southwest Co | No | 105,628 | 0 32 |
| Printing | ImageMaster | No | 1,655 | 0 00 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co | No | 1,142 | 0 00 |
| Escrow Verification | Grant Thornton | No | 1,250 | 0 00 |
| Attorney General | | N/A | 19,000 | 0 06 |
| Miscellaneous | | N/A | 8,635 | 0 03 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 33,100 | 0 10 |
| Standard & Poor's | AA | | 30,000 | 0 09 |
| Fitch | AA+ | | 36,000 | 0 11 |
| **Subtotal** | | | **$ 256,359** | **$ 0.77** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 83,105 | 0 25 |
| Takedown | 1,568,517 | 4 72 |
| Spread Expenses | 84,435 | 0 25 |
| **Total*** | **$ 1,736,057** | **$ 5.22** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Fulbright & Jaworski LLP | No | 30,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| JP Morgan | No | 30 02% | 40 10% | 33,329 | 45 10% | 707,413 |
| RBC Capital Markets | No | 20 00% | 25 00% | 20,776 | 16 56% | 259,707 |
| Barclays Capital | No | 7 14% | 8 12% | 6,750 | 9 84% | 154,406 |
| M R Beal and Company | No | 7 14% | 0 00% | - | 7 10% | 111,403 |
| Coastal Securities | No | 7 14% | 3 31% | 2,750 | 1 76% | 27,664 |
| Sterne Agee & Leach, Inc | No | 7 14% | 4 81% | 4,000 | 3 36% | 52,635 |
| Fidelity Capital Markets | No | 7 14% | 8 12% | 6,750 | 9 85% | 154,554 |
| Frost National Bank | No | 7 14% | 8 12% | 6,750 | 3 21% | 50,313 |
| SAMCO | No | 7 14% | 2 41% | 2,000 | 3 21% | 50,422 |
| **Total** | | **100.00%** | **100.00%** | **$ 83,105** | **100.00%** | **$1,568,517** |

**Texas Water Development Board**

**Issue:** Texas Water Development Board, State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2009, Sub-series 2009B (Water Infrastructure Fund)

**Purpose:** Bond proceeds were used to augment the funding of the Texas Water Infrastructure Fund to provide financial assistance to eligible Texas political subdivisions and pay the costs of issuance of the bonds.

| | |
|---|---|
| **Par:** | $157,240,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | January 22, 2009 |
| **Negotiated Sale:** | May 5, 2009 |
| **Closing Date:** | May 28, 2009 |
| **True Interest Cost (TIC):** | 4.02% |
| **Net Interest Cost (NIC):** | 4.22% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 15,698 | 0.10 |
| Financial Advisor | First Southwest Co. | No | 41,438 | 0.26 |
| Paying Agent/ Registrar | The Bank of NY Mellon Trust Co. | No | 375 | 0.00 |
| Printing | ImageMaster | No | 1,180 | 0.01 |
| Miscellaneous | | No | 1,529 | 0.01 |
| Attorney General | | N/A | 9,500 | 0.06 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 28,900 | 0.18 |
| Standard & Poor's | AA | | 12,895 | 0.08 |
| Fitch | AA+ | | 25,000 | 0.16 |
| **Subtotal** | | | **$ 136,515** | **$ 0.87** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 78,620 | 0.50 |
| Takedown | 715,014 | 4.55 |
| Spread Expenses | 61,470 | 0.39 |
| **Total*** | **$ 855,104** | **$ 5.44** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | 30,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Morgan Stanley | No | 37.00% | 65.66% | 51,260 | 63.28% | 452,439 |
| Citigroup | No | 9.00% | 7.63% | 6,000 | 8.54% | 61,081 |
| Goldman Sachs | No | 9.00% | 1.27% | 1,000 | 2.38% | 17,000 |
| JP Morgan | No | 9.00% | 7.63% | 6,000 | 10.14% | 72,506 |
| Loop Capital Markets LLC | BA | 9.00% | 1.27% | 1,000 | 2.78% | 19,880 |
| Ramirez & Co. | HA | 9.00% | 5.09% | 4,000 | 0.21% | 1,500 |
| RBC Capital Markets | HA | 9.00% | 3.82% | 3,000 | 4.17% | 29,878 |
| Southwest Securities | No | 9.00% | 7.63% | 6,000 | 8.50% | 60,760 |
| **Total** | | **100.00%** | **100.00%** | **$ 78,260** | **100.00%** | **$ 715,044** |

**Texas Water Development Board**

**Issue:** Texas Water Development Board, State Revolving Fund Subordinate Lien Revenue Bonds, Series 2009A, Sub-series 2009A-1 and Subordinate Lien Revenue Refunding Bonds, Series 2009A and Sub-series 2009A-2

**Purpose:** The Series 2009A Bonds were issued (i) to provide funds to reimburse the State Revolving Fund for its previous purchase of Political Subdivision Bonds (the "Series 2009A-1 Bonds"), (ii) to provide funds to refund a portion of the "Refunded Bonds" (the "Series 2009A-2 Bonds"), and (iii) to pay the costs of issuance of the Series 2009A Bonds.

| | |
|---|---|
| **Par:** | $257,740,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | July 20, 2009 |
| **Negotiated Sale:** | July 29, 2009 |
| **Closing Date:** | August 18, 2009 |
| **True Interest Cost (TIC):** | 4.01%; 2.42% |
| **Net Interest Cost (NIC):** | 4.23%; 2.59% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkurst & Horton LLP | No | 28,063 | 0.11 |
| Financial Advisor | First Southwest Co. | No | 112,183 | 0.44 |
| Printing | ImageMaster | No | 3,024 | 0.01 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co. | No | 500 | 0.00 |
| Escrow Agent | The Bank of NY Mellon Trust Co. | No | 67 | 0.00 |
| Escrow Verification | Grant Thorton | No | 1,250 | 0.00 |
| Attorney General | | N/A | 9,500 | 0.04 |
| Miscellaneous | | N/A | 7,093 | 0.03 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 33,100 | 0.13 |
| Standard & Poor's | AAA | | 46,800 | 0.18 |
| Fitch | AAA | | 36,000 | 0.14 |
| **Subtotal** | | | **$ 277,580** | **$ 1.08** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 77,322 | 0.30 |
| Takedown | 1,187,400 | 4.61 |
| Spread Expenses | 80,923 | 0.31 |
| **Total*** | **$ 1,345,645** | **$ 5.22** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Vinson & Elkins LLP | No | 37,500 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Merrill Lynch & Co. | No | 35.00% | 42.71% | 33,022 | 55.00% | 653,091 |
| Jefferies & Company | No | 20.00% | 27.16% | 21,000 | 11.25% | 133,625 |
| Estrada Hinojosa & Co. | HA | 7.50% | 2.13% | 1,650 | 0.29% | 3,500 |
| Raymond James & Associates, Inc. | No | 7.50% | 1.94% | 1,500 | 2.83% | 33,554 |
| Siebert Brandford and Shank | BA | 7.50% | 2.13% | 1,650 | 6.11% | 72,527 |
| Morgan Keegan & Co. | No | 7.50% | 9.05% | 7,000 | 13.86% | 164,624 |
| Stifel Nicolaus | No | 7.50% | 7.44% | 5,750 | 2.23% | 26,466 |
| Piper Jaffray | No | 7.50% | 7.44% | 5,750 | 8.42% | 100,013 |
| **Total** | | **100.00%** | **100.00%** | **$ 77,322** | **100.00%** | **$ 1,187,400** |

**Texas Woman's University**

**Issue:** Board of Regents of Texas Woman's University, Revenue Financing System Bonds, Series 2009

**Purpose:** The proceeds of the bonds were used to construct and equip a new Institute for Health Sciences - Dallas Center which will consolidate the existing Parkland and Presbyterian campuses into one facility to establish a collaborative learning environment The eight story facility will contain approximately 190,000 sq ft with a 220 seat auditorium with stepped seating, a stroke center, a one-stop student services center and lobby, several tiered and non-tiered classrooms of various sizes and a building services facility that includes a dock/maintenance area The Center will also house student study spaces, dining/lounge space, a fitness center, student organizational spaces and a large multi-purpose room In addition, the Center will also contain a number of teaching and observation laboratories

| | |
|---|---|
| **Par:** | $20,400,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | January 30, 2009 |
| **Negotiated Sale:** | February 4, 2009 |
| **Closing Date:** | April 4, 2009 |
| **True Interest Cost (TIC):** | 4 52% |
| **Net Interest Cost (NIC):** | 4 50% |

| **Issuance Costs** | **Firm** | **HUB** | **Amount** | **Per $1,000** |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 16,000 | 0 78 |
| Financial Advisor | RBC Capital Markets | No | 43,094 | 2 11 |
| Printing | Island Printing/i-Deal Prospectus | No | 2,420 | 0 12 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co | No | 415 | 0 02 |
| Attorney General | | N/A | 9,500 | 0 47 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa3 | | 22,500 | 1 10 |
| Standard & Poor's | AAA | | 18,000 | 0 88 |
| **Subtotal** | | | **$ 111,929** | **$ 5.49** |

| **Other Costs** | **Firm** | **HUB** | **Amount** | **Per $1,000** |
|---|---|---|---|---|
| Credit Enhancement | Financial Security Insurance | No | 97,897 | 4 80 |
| **Total** | | | **$ 209,826** | **10.29** |

| **Underwriting Spread** | **Amount** | **Per $1,000** |
|---|---|---|
| Management | 20,400 | 1 00 |
| Takedown | 95,906 | 4 70 |
| Spread Expenses | 18,392 | 0 90 |
| **Total*** | **$ 114,298** | **$ 6.60** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | **Firm** | **HUB** | **Fees** |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | 12,500 |

| **Syndicate Firms' Gross Takedown & Share Profit / Loss** | | **Risk** | **Management Fee** | | **Takedown** | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Morgan Keegan & Co | No | 50 00% | 50 00% | 10,200 | 64 39% | 61,756 |
| Estrada Hinojosa & Co | HA | 25 00% | 25 00% | 5,100 | 19 69% | 18,888 |
| Piper Jaffray | No | 25 00% | 25 00% | 5,100 | 15 91% | 15,263 |
| **Total** | | **100.00%** | **100.00%** | **$ 20,400** | **99.99%** | **$ 95,907** |

**The Texas A&M University System**

**Issue:** Board of Regents of The Texas A&M University System, Revenue Financing System Bonds, Series 2009 A and Series 2009B

**Purpose:** The Series A and Series B Bonds were issued for the purpose of: (i) financing and refinancing the costs of acquiring, purchasing, constructing, improving, enlarging, and equipping the property and facilities of the Participants of the Revenue Financing System; (ii) refunding all or a portion of any outstanding Parity Obligations previously issued by the Board pursuant to the Third through the Nineteenth Supplemental Resolutions to the Master Resolution; (iii) refunding all or a portion of the Board's outstanding RFS Commercial Paper Notes, Series B to provide permanent financing for facilities and improvements financed with the proceeds of the Notes; (iv) and paying the related costs of issuance.

| | |
|---|---|
| **Par (Series A):** | $251,735,000 |
| **Par (Series B):** | $78,085,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | February 12, 2009 |
| **Negotiated Sale:** | February 13, 2009 |
| **Closing Date:** | March 11, 2009 |
| **True Interest Cost (TIC):** | 4.02%; 4.35% |
| **Net Interest Cost (NIC):** | 4.25%; 4.52% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 133,558 | 0.53 |
| Financial Advisor | First Southwest Co. | No | 164 934 | 0.66 |
| Printing | i-Deal/Clements Printing | No | 4,500 | 0.02 |
| Paying Agent/Registrar | Regions Bank | No | 6,244 | 0.02 |
| Escrow Agent | US Bank CP/Bank of NY Series 1997 | No | 1,375 | 0.01 |
| Disclosure Counsel | McCall, Parkhurst & Horton LLP | No | 30,000 | 0.12 |
| Attorney General | | N/A | 19,000 | 0.08 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa3 | | 85 475 | 0.34 |
| Standard & Poor's | AA+ | | 52,500 | 0.21 |
| Fitch | AA+ | | 15,000 | 0.06 |
| **Subtotal** | | | **$ 512,586** | **$ 2.04** |

## Series 2009A:

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 1,114,931 | 4.43 |
| Spread Expenses | 78,179 | 0.31 |
| **Total*** | **$ 1,193,110** | **$ 4.74** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | 34,346 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| JP Morgan | No | 30.00% | 0.00% | - | 53.27% | 593,873 |
| RBC Capital Markets | No | 15.00% | 0.00% | - | 12.56% | 140,022 |
| Piper Jaffray | No | 15.00% | 0.00% | - | 10.33% | 115,208 |
| Merrill Lynch & Co. | No | 8.00% | 0.00% | - | 9.20% | 102,598 |
| Banc of America Securities LLC | No | 8.00% | 0.00% | - | 2.63% | 29,318 |
| Ramirez & Co. | HA | 8.00% | 0.00% | - | 2.79% | 31 137 |
| Siebert Brandford Shank & Co. | BA | 8.00% | 0.00% | - | 6.64% | 74,014 |
| M.R. Beal & Company | No | 8.00% | 0.00% | - | 2.58% | 28,761 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 1,114,931** |

## Series 2009B:

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 360 849 | 1.43 |
| Spread Expenses | 23,360 | 0.09 |
| **Total*** | **$ 384,209** | **$ 1.53** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | 10,654 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Morgan Keegan & Co. | No | 30.00% | 0.00% | - | 30.00% | 227,994 |
| Citigroup | No | 23.00% | 0.00% | - | 23.00% | 54,633 |
| Morgan Stanley | No | 23.00% | 0.00% | - | 23.00% | 47,698 |
| Estrada Hinojosa & Co. | HA | 8.00% | 0.00% | - | 8.00% | 2 250 |
| Loop Capital Markets LLC | BA | 8.00% | 0.00% | - | 8.00% | 23,570 |
| SBK - Brooks | BA | 8.00% | 0.00% | - | 8.00% | 4,750 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 360,895** |

**University of Houston System**

**Issue:** Board of Regents of The University of Houston System, Consolidated Revenue and Refunding Bonds, Series 2009

**Purpose:** Proceeds from the sale of the Bonds were used to (i) defease certain outstanding notes, (ii) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operation and other facilities, roads, or infrastructure related for or on behalf of the System, including individual campuses of the System, and (iii) pay the costs of issuing the Bonds

| | |
|---|---|
| **Par:** | $108,395,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | November 20, 2008 |
| **Negotiated Sale:** | January 13, 2009 |
| **Closing Date:** | February 4, 2009 |
| **True Interest Cost (TIC):** | 4 42% |
| **Net Interest Cost (NIC):** | 4 57% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Fulbright & Jaworski LLP | No | 50,007 | 0 46 |
| Financial Advisor | First Southwest Co | No | 53,085 | 0 49 |
| Printing | First Southwest Co | No | 2,000 | 0 02 |
| Paying Agent/Registrar | Wells Fargo Bank, N A | No | 500 | 0 00 |
| Attorney General | | N/A | 9,500 | 0 09 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa3 | | 33,467 | 0 31 |
| Standard and Poor's | AA- | | 40,000 | 0 37 |
| **Subtotal** | | | **$ 188,559** | **$ 1.74** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 485,398 | 4 48 |
| Management Fee | 54,198 | 0 50 |
| Spread Expenses | 53,203 | 0 49 |
| **Total*** | **$ 592,799** | **$ 5.47** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Bracewell & Giulliani | No | 27,099 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| RBC Capital Markets | No | 37 50% | 37 50% | 20,324 | 37 50% | 182,024 |
| DEPFA First Albany | No | 37 50% | 37 50% | 20,324 | 37 50% | 182,024 |
| Loop Capital Markets LLC | BA | 12 50% | 12 50% | 6,775 | 12 50% | 60,675 |
| Ramirez & Co | HA | 12 50% | 12 50% | 6,775 | 12 50% | 60,675 |
| **Total** | | **100.00%** | **100.00%** | **$ 54,198** | **100.00%** | **$ 485,398** |

**University of Houston System**

**Issue:** Board of Regents of The University of Houston System, Consolidated Revenue and Refunding Bonds, Series 2009A

**Purpose:** Proceeds from the sale of the Bonds were used to (i) refund and discharge certain outstanding bonds (Consolidated Revenue Bonds, Series 1999); (ii) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure for or on behalf of the System, including individual campuses of the System, and (iii) pay the costs of issuing the Bonds and refunding the Series 1999 Bonds

| | |
|---|---|
| **Par:** | $71,175,000 |
| **Method of Sale:** | Competitive |
| **Board Approval:** | May 8, 2009 |
| **Competitive Sale:** | June 2, 2009 |
| **Closing Date:** | July 2, 2009 |
| **True Interest Cost (TIC):** | 4 35% |
| **Net Interest Cost (NIC):** | N/A |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Fulbright & Jaworski LLP | No | 1,250 | 0 02 |
| Financial Advisor | First Southwest Co | No | 50,277 | 0 71 |
| Printing | First Southwest Co | No | 2,760 | 0 04 |
| Paying Agent/Registrar | Wells Fargo Bank, N A | No | 500 | 0 01 |
| O S Printing | First Southwest Co | N/A | 2,500 | 0 04 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa3 | | 25,200 | 0 35 |
| Standard & Poor's | AA- | | 34,500 | 0 48 |
| **Subtotal** | | | **$ 116,987** | **$ 1.64** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 111,209 | 1 56 |
| Spread Expenses | 35,453 | 0 50 |
| **Total*** | **$ 146,662** | **$ 2.06** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | N/A | N/A | - |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Wachovia Bank, N A | No | 91 57% | 0 00% | - | 91 57% | 101,834 |
| Wachovia Securities | No | 7 02% | 0 00% | - | 7 02% | 7,812 |
| First Winston Securities | WO | 1 40% | 0 00% | - | 1 40% | 1,562 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 111,209** |

**The University of Texas System**

**Issue:** Board of Regents of The University of Texas System, Revenue Financing System Bonds, Series 2008A

**Purpose:** Bond proceeds were used to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Plan and to pay costs of issuance.

| | |
|---|---|
| **Par:** | $256,735,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | September 2, 2008 |
| **Negotiated Sale:** | January 6, 2009 |
| **Closing Date:** | January 6, 2009 |
| **True Interest Cost (TIC):** | 4.43% |
| **Net Interest Cost (NIC):** | 4.50% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 106,847 | 0.42 |
| Printing | ImageMaster | No | 2,600 | 0.01 |
| Paying Agent/Registrar | Regions Bank | No | 2,250 | 0.01 |
| Escrow Agent | Deutsche Bank | No | 250 | 0.00 |
| Securities Counsel | McCall, Parkhurst & Horton LLP | No | 35,000 | 0.14 |
| Attorney General | | N/A | 9,500 | 0.04 |
| Miscellaneous | | N/A | 1,943 | 0.01 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 51,347 | 0.20 |
| Standard & Poor's | AAA | | 47,250 | 0.18 |
| Fitch | AAA | | 15,000 | 0.06 |
| **Subtotal** | | | **$ 271,987** | **$ 1.06** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 1,146,150 | 4.46 |
| Spread Expenses | 73,341 | 0.29 |
| **Total*** | **$ 1,219,491** | **$ 4.75** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | 38,510 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Takedown | |
|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **% Amount** | **$ Amount** |
| Morgan Stanley | No | 50.00% | 76.23% | 873,682 |
| Morgan Keegan & Co. | No | 35.00% | 9.85% | 112,871 |
| Loop Capital Markets LLC | BA | 5.00% | 6.15% | 70,443 |
| Ramirez & Co. | HA | 5.00% | 4.45% | 51,029 |
| Siebert Branford Shank & Co. | BA | 5.00% | 3.33% | 368,126 |
| **Total** | | **100.00%** | **100.00%** | **$ 1,476,151** |

**The University of Texas System**

**Issue:** Board of Regents of The University of Texas System, Revenue Financing System Taxable Bonds, Series 2009B

**Purpose:** Bond proceeds were used for the purpose of refinancing a portion of the Board's Revenue Financing System Commercial Paper Notes, Series A, and financing the costs of campus improvements of certain Members of the Revenue Financing System

| | |
|---|---|
| **Par:** | $330,545,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | May 28, 2009 |
| **Negotiated Sale:** | June 10, 2009 |
| **Closing Date:** | June 17, 2009 |
| **True Interest Cost (TIC):** | 4 14% |
| **Net Interest Cost (NIC):** | 6 31% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 127,678 | 0 39 |
| Paying Agent/ Registrar | Wells Fargo Bank, N A | No | 1,775 | 0 01 |
| Escrow Agent | Deutsche Bank | No | 500 | 0 00 |
| Escrow Verification | Grant Thornton | No | 3,500 | 0 01 |
| Disclosure Counsel | McCall, Parkhurst & Horton LLP | No | 22,976 | 0 07 |
| Printing | ImageMaster | HA | 5,000 | 0 02 |
| Attorney General | | N/A | 9,500 | 0 03 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 49,235 | 0 15 |
| Standard & Poor's | AAA | | 43,983 | 0 13 |
| Fitch | AAA | | 16,412 | 0 05 |
| **Subtotal** | | | **$ 280,559** | **$ 0.85** |

| Additional COI | | | | |
|---|---|---|---|---|
| Travel | | N/A | 3,000 | 0 01 |
| Contingency | | N/A | 1,000 | 0 00 |
| **Total** | | | **$ 284,559** | **$ 0.86** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 2,479,088 | 7 50 |
| Spread Expenses | 414,385 | 1 25 |
| **Total*** | **$ 2,893,473** | **$ 8.75** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Vinson & Elkins LLP | No | 66,142 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Morgan Stanley | No | 50 00% | 0 00% | - | 35 00% | 867,681 |
| JP Morgan | No | 50 00% | 0 00% | - | 35 00% | 867,681 |
| Morgan Keegan & Co | No | 0 00% | 0 00% | - | 6 00% | 148,745 |
| RBC Capital Markets | No | 0 00% | 0 00% | - | 6 00% | 148,745 |
| Wachovia Bank, N A | No | 0 00% | 0 00% | - | 6 00% | 148,745 |
| Estrada Hinojosa & Co | HA | 0 00% | 0 00% | - | 6 00% | 148,745 |
| Loop Capital Markets LLC | BA | 0 00% | 0 00% | - | 6 00% | 148,745 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$2,479,087** |

* Series 2009B sold on a Group Net basis.

**The University of Texas System**

**Issue:** Board of Regents of The University of Texas System, Revenue Financing System Bonds, Series 2009D

**Purpose:** Proceeds from the sale of the Bonds were used for the purpose of (i) refinancing a portion of the Board's Tax-Exempt Commercial Paper Notes designated as Revenue Financing System Commercial Paper Notes, Series A in the aggregate principal amount of $258,995,000, (ii) refunding certain Parity Debt in the aggregate principal amount of $16,115,000, and (iii) paying the costs of issuance of the Bonds.

| | |
|---|---|
| **Par:** | $260,005,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | May 28, 2009 |
| **Negotiated Sale:** | June 25, 2009 |
| **Closing Date:** | July 15, 2009 |
| **True Interest Cost (TIC):** | 3.82% |
| **Net Interest Cost (NIC):** | 3.99% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 107,220 | 0.41 |
| Printing | ImageMaster | HA | 5,000 | 0.02 |
| Paying Agent/Registrar | Wells Fargo Bank, N.A. | No | 1,775 | 0.01 |
| Escrow Agent | Deutsche Bank | No | 500 | 0.00 |
| Escrow Verification | Grant Thornton | No | 3,500 | 0.01 |
| Disclosure Counsel | McCall, Parkhurst & Horton LLP | No | 12,024 | 0.05 |
| Attorney General | | N/A | 9,500 | 0.04 |
| Miscellaneous | | N/A | 4,000 | 0.02 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 25,765 | 0.10 |
| Standard & Poor's | AAA | | 23,017 | 0.09 |
| Fitch | AAA | | 8,588 | 0.03 |
| **Subtotal** | | | **$ 200,889** | **0.77** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 1,191,778 | 4.58 |
| Spread Expenses | 93,058 | 0.36 |
| **Total*** | **$ 1,284,836** | **$ 4.94** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Vinson & Elkins LLP | No | 49,776 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Morgan Stanley | No | 35.00% | - | - | 13.69% | 163,169 |
| JP Morgan | No | 35.00% | - | - | 58.25% | 694,209 |
| Morgan Keegan & Co. | No | 6.00% | - | - | 6.70% | 79,890 |
| RBC Capital Markets | No | 6.00% | - | - | 5.05% | 60,150 |
| Wachovia Bank, N.A. | No | 6.00% | - | - | 2.85% | 33,983 |
| Estrada Hinojosa & Co. | HA | 6.00% | - | - | 2.34% | 27,906 |
| Loop Capital Markets LLC | BA | 6.00% | - | - | 2.36% | 28,153 |
| Fidelity Capital Markets | No | | | | 2.21% | 26,306 |
| Stifel Nicolaus | No | | | | 0.76% | 9,088 |
| Frost National Bank | No | | | | 0.31% | 3,750 |
| Edward D. Jones & Co. | No | | | | 0.43% | 5,150 |
| First Southwest Co. | No | | | | 0.48% | 5,750 |
| Southwest Securities | No | | | | 2.72% | 32,463 |
| Jackson Securities | BA | | | | 0.73% | 8,750 |
| Cabrera Capital Markets | HA | | - | - | 1.10% | 13,063 |
| Sterne Agee & Leach, Inc | No | | - | - | 0.00% | 0 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 1,191,778** |

**University of North Texas System**

**Issue:** Board of Regents of the University of North Texas System, Revenue Financing System Bonds, Series 2009

**Purpose:** The Series 2009 Bonds were issued in one or more series to refinance into long-term debt the commercial paper notes used for interim construction financing for the System's new Public Health Education Building, to fund proceeds to complete the construction of the Public Health Education Building and to pay costs of issuance.

| | |
|---|---|
| **Par:** | $38,650,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | November 20, 2008 |
| **Negotiated Sale:** | January 21, 2009 |
| **Closing Date:** | February 19, 2009 |
| **True Interest Cost (TIC):** | 4.50% |
| **Net Interest Cost (NIC):** | 4.62% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 21,059 | 0.54 |
| Financial Advisor | First Southwest Co. | No | 20,325 | 0.53 |
| Printing | i-Deal/Clements Printing | No | 2,668 | 0.07 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co. | No | 5,000 | 0.13 |
| Attorney General | | N/A | 9,500 | 0.25 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa3 | | 27,000 | 0.70 |
| Fitch | AA- | | 25,000 | 0.65 |
| **Subtotal** | | | **$ 110,552** | **$ 2.86** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 166,152 | 4.30 |
| Management Fee | 38,650 | 1.00 |
| Spread Expenses | 33,622 | 0.87 |
| **Total*** | **$ 238,424** | **$ 6.17** |

*Total Underwriting Spread **does** include Underwriter's Counsel fee

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Locke Lord Bissell & Liddell LLP | No | 23,573 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Morgan Keegan & Co. | No | 40.00% | 40.00% | 15,460 | 49.20% | 81,747 |
| Coastal Securites | No | 20.00% | 20.00% | 7,730 | 29.85% | 49,596 |
| Estrada Hinojosa & Co. | HA | 20.00% | 20.00% | 7,730 | 7.64% | 12,695 |
| RBC Capital Markets | No | 20.00% | 20.00% | 7,730 | 13.32% | 22,131 |
| **Total** | | **100.00%** | **100.00%** | **$ 38,650** | **100.00%** | **$ 166,169** |

## Appendix B
## State Commercial Paper and Variable-Rate Note Programs

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, 2009, a total of $6.06 billion was authorized for state commercial paper or variable-rate note programs. Of this amount, $987.7 million was outstanding as of the end of fiscal 2009 *(Table B1),* approximately $813 million under the amount outstanding at fiscal year-end 2008.

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

**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. 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 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 payments and 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 payments and prepayments to redeem bonds, the TDHCA is able to preserve the private activity volume cap and generate new mortgage loans. Commercial paper refunding bonds are issued from time to time to pay off the commercial paper notes, and the payments and prepayments are used to make new mortgage loans, the revenues from which are used to repay the principal and interest on commercial paper refunding bonds.

**Texas Department of Transportation**
In July 2005, the Texas Transportation Commission, the governing body of the Texas Department of Transportation (the "Department"), authorized a commercial paper program. TxDOT is authorized to issue up to $500 million in notes to carry out the functions of the Department.

**Texas Economic Development and Tourism Office**
In 1992, the Department of Commerce, subsequently the Texas Economic Development and Tourism Office (the "Office") was granted $300 million of authority to issue commercial paper to fund loans under three programs to Texas businesses. Under the first program marketed as the Texas Leverage Fund, the Office approves loans to local industrial development corporations. Revenues from an optional local half-cent sales tax for

Table B1

**TEXAS COMMERCIAL PAPER AND VARIABLE-RATE NOTE PROGRAMS**

**as of August 31, 2009**

| ISSUER | TYPE OF PROGRAM | AMOUNT AUTHORIZED | AMOUNT ISSUED FISCAL 2009 | AMOUNT OUTSTANDING |
|---|---|---|---|---|
| Texas Department of Agriculture* | | | | |
| TAFA | Commercial Paper - Series A | $50,000,000 | $0 | $25,000,000 |
| Farm and Ranch Loans | Commercial Paper - Series B | $25,000,000 | $0 | $0 |
| Texas Dept. of Housing & Community Affairs | Commercial Paper | $75,000,000 | $0 | $0 |
| Texas Department of Transportation | Commercial Paper - Series A | $500,000,000 | $445,000,000 | $300,000,000 |
| Texas Economic Dev & Tourism Office** | Commercial Paper | $25,000,000 | $9,332,000 | $9,332,000 |
| Texas Public Finance Authority | | | | |
| Revenue | Commercial Paper - 2003 | $150,000,000 | $5,500,000 | $107,320,000 |
| General Obligation | Commercial Paper - 2002A | $881,000,000 | $53,600,000 | $3,000,000 |
| General Obligation | Commercial Paper - 2002B | $175,000,000 | $20,000,000 | $0 |
| General Obligation | Commercial Paper - 2008 | $1,000,000,000 | $64,000,000 | $20,000,000 |
| General Obligation - Cancer Prevention | Commercial Paper - Series A | $225,000,000 | $0 | $0 |
| Research Institute of Texas *** | Commercial Paper - Series B | | $0 | $0 |
| Texas Tech University System | | | | |
| Revenue Financing System | Commercial Paper | $150,000,000 | $40,808,000 | $44,367,000 |
| The Texas A&M University System | | | | |
| Permanent University Fund | Flexible-Rate Notes | $125,000,000 | $100,000,000 | $0 |
| Revenue Financing System | Commercial Paper | $300,000,000 | $32,565,000 | $16,200,000 |
| The University of Texas System | | | | |
| Permanent University Fund | Flexible-Rate Notes | $400,000,000 | $0 | $0 |
| Permanent University Fund *** | Commercial Paper - Series A | $500,000,000 | $0 | $0 |
| Permanent University Fund *** | Commerical Paper - Series B | | $250,000,000 | $250,000,000 |
| Revenue Financing System *** | Commercial Paper - Series A | $1,250,000,000 | $233,815,000 | $180,759,000 |
| Revenue Financing System *** | Commercial Paper - Series B | | $30,737,000 | $0 |
| University of Houston System | | | | |
| Revenue Financing System | Commercial Paper | $125,000,000 | $46,000,000 | $27,300,000 |
| University of North Texas System | | | | |
| Revenue Financing System | Commercial Paper | $100,000,000 | $63,842,000 | $4,381,000 |
| **Total** | | **$6,056,000,000** | **$1,395,199,000** | **$987,659,000** |

**Source:** Texas Bond Review Board - Bond Finance Office.

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

**Represents the maximum amount authorized by the Bond Review Board; however, the program has a $300 million program amount.

*** Represents culmulative total amount for Series A (tax-exempt) & B (taxable) with no limitation on the amount issued in each series, provided that the total outstanding amount will not exceed the maximum authorization.

economic development secure these loans. The second program provides for the purchase of small business loans which are fully guaranteed by the U.S. Small Business Administration. A third program may make loans directly to businesses from program reserves. The program is designed to be self-supporting, and the commercial paper issued by the Office is taxable. The Bond Review Board has authorized a maximum authority of $25 million for the Texas Leverage Fund.

**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.

In 2008, TPFA established another commercial paper program that is also secured by the state's general obligation pledge to: (i) provide interim financing for maintenance, improvement, repair, construction and equipment-acquisition projects for state agencies, (ii) refund and refinance the notes, and (iii) pay the costs of issuance of the notes.

In the November 2007 general election, Texas voters authorized the Authority to issue $3 billion of general obligation debt over ten years to finance cancer research. During fiscal 2009, TPFA established a commercial paper program that is also secured by the state's general obligation pledge to provide financing of certain projects for the Cancer Prevention and Research Institute of Texas. The first issuance occurred in September 2009.

**Texas Tech University System and Texas Tech University Health Sciences Center**
In November 1997, the Board of Regents of Texas Tech University System (TTUS) authorized a Revenue Financing System commercial paper. The program was established to provide interim financing for capital projects, including construction, acquisition, renovation and equipment for facilities of TTUS. The commercial paper is secured by a pledge of all legally available revenues of TTUS, including pledged tuition fees, general fees and other revenue sources.

**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 flexible rate notes may not exceed $125 million in principal amount at any time.

The A&M System's Revenue Financing System (RFS) 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. Outstanding RFS commercial paper may not exceed $300 million in principal amount at any time and is secured by a pledge of all legally available revenues to the A&M System, including pledged tuition revenue and fees, general fees and other revenue sources. The A&M System has a self-liquidity facility for this program.

## 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 that 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 $1.25 billion in principal amount at any time.

## University of Houston System

In August 2006, the Board of Regents of the University of Houston System (the "System") authorized a Revenue Financing System commercial paper program. 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.

## 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 initial 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. In fiscal 2008, the commercial paper program was increased to an amount not to exceed $100 million of which $25 million may be used as taxable notes.

## 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 as part of the State Revolving Fund program.

## Comptroller of Public Accounts Liquidity Facility Provider Duties

The 73rd Legislature passed legislation that amended Section 404.027 of the Texas Government Code authorizing 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.

In November 2008, the Comptroller increased its total liquidity commitment program to $2.0 billion due to the limited market liquidity available to state issuers and considering the historical increases in treasury balances. As a result, as of August 31, 2009, the additional liquidity agreements increased the one-day commitment to $917.3 million. This increase reflects the addition of several Texas Department of Housing and Community Affairs programs, 2007 Series A for $136,815,000, 2006 Series H for $36,000,000, 2005 Series A for $90,825,000, 2005 Series C for $6,610,000, 2004 Series A for $3,855,000, 2004 Series B for $53,000,000, 2004 Series D for $35,000,000, and the Texas Agricultural Finance Authority's Taxable Commercial Paper Notes, Series A for $25,000,000. As of August 31 2009, the Comptroller of Public Accounts - Treasury Operations was providing $1.24 billion in total liquidity agreements for state obligations.

## Appendix C
## State Issuers' Use of Swaps

Interest rate swaps are part of a larger class of financial instruments called derivatives whose value is based on the performance of an underlying financial asset, index or other investment. While a variety of derivative products are available, Texas issuers most often use interest rate swaps. Swaps do not represent additional debt of the state, but are primarily used as tools for financial management to reduce interest expense and hedge against interest-rate, tax, basis and other risks described below. Swaps can also increase financial flexibility and are used to achieve objectives consistent with the issuer's overall program goals and financial policies.

**Swaps**

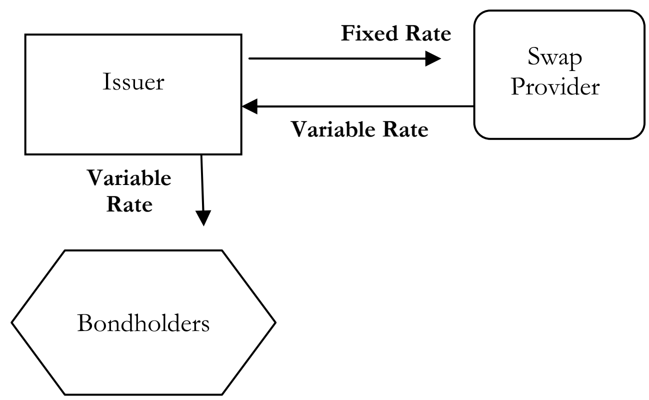
An interest rate swap is created when a debt issuer and a financial institution, each referred to as a counterparty, enter into a contract to exchange interest payments. The types of swaps most often utilized by Texas issuers are pay-fixed, receive-variable and pay-variable, receive-variable interest rate swaps. As of August 31, 2009, pay-fixed, receive-variable swaps comprised approximately 71.8% of the state's $4.43 billion in total notional amount of swaps outstanding. During fiscal 2009 two pay-fixed, receive-variable swap contracts, associated with the Veterans Land Board (VLB) Veterans' Housing Assistance Program, Fund II Series 2004A and 2005B Bonds were terminated due to Lehman Brothers' collapse. These two bonds are now classified as regular variable-rate debt.

Pay-fixed, receive-variable swap (synthetic fixed-rate swap)

By accepting certain risks with pay-fixed, receive-variable swaps, issuers may be 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.

To structure such a transaction, issuers must 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 bond holders, even if the variable-rate payment received from the swap counterparty does not cover the variable-rate payment due on the associated bonds (see discussion on Basis Risk).

**Synthetic Fixed-Rate Debt Swap**

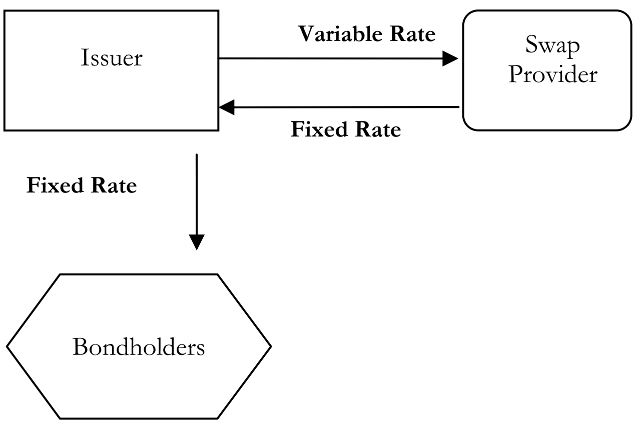



The variable rates received under most of Texas' pay-fixed, receive-variable interest rate swaps are based on various *taxable* London Interbank Offered Rates (LIBOR). A *tax-exempt* index often used in the swap market is the Securities Industry and Financial Markets Association Swap Index (SIFMA) formerly known as the BMA Swap Index produced by Municipal Market Data. The variable-rate payment received may also be tied to the issuer's cost of funds.

Pay-variable, receive-fixed swap (synthetic floating-rate swap)

Conversely, *synthetic floating-rate debt* is created when the issuer sells fixed-rate debt and enters into a fixed-to-floating rate swap. The issuer agrees to pay variable-rate payments to the counterparty and in exchange receives a fixed-rate payment from the swap counterparty. As with synthetic fixed-rate debt, the rate to be paid is tied to an underlying reference index such as the *taxable* LIBOR or the *tax-exempt* SIFMA Index. As of August 31, 2009, synthetic floating-rate debt swaps comprised 0.5% of the state's total notional amount of swaps outstanding. This swap program is illustrated below.

**Synthetic Floating-Rate Debt Swap**




<u>Pay-variable, receive-variable swap (basis swap)</u>
The pay-variable, receive-variable swaps (called *basis* swaps) are LIBOR-to-SIFMA basis swaps that effectively convert the variable rate on the associated taxable variable-rate bond issues from a *taxable* LIBOR-based rate to a *tax-exempt* SIFMA-based rate. As of August 31, 2009, basis swaps comprised approximately 27.7% of the state's total notional amount of swaps outstanding.

## Risk Analysis

State issuers considering entering into an interest-rate swap agreement must assess the risks associated with the transaction. Some issuers include contractual limitations or options that assist in reducing those risks. For example, the VLB has the option to terminate its swap agreements at any time at its option. 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 discussion on Fair Value).

*Credit Risk* – the risk that either the counterparty or the issuer will not fulfill its obligations 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 shortfall between the interest payment received and the interest payment paid on the related debt issue. An issuer mitigates this risk by: 1) matching the swap's notional amount and amortization schedule to the associated bond issue's principal amount and amortization schedule 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.

*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, additional calculations are made to determine the value of the options.

Due to the general reduction in interest rates over the last several years, the net fair value of the state's outstanding swaps was negative at August 31, 2009, 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 use of interest rate swaps. (See *Table C1* for the terms, counterparty credit ratings and fair values for the state's swaps outstanding at August 31, 2009.)

When the fair value of a swap is positive, the counterparty is liable to the issuer for that fair value in the event of termination of the swap. In this instance the issuer is exposed to counterparty credit risk; however, issuer swap agreements contain varying collateral agreements and insurance policies with counterparties to mitigate credit risk.

**Additional Derivative Products**

In addition to interest rate swaps, additional derivative products used by Texas issuers include the following:

*Options on swaps* – sale or purchase of options to commence or cancel interest rate swaps. Several of the VLB swaps contain embedded options called 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 these cases, the respective counterparties paid the VLB an up-front premium for the option.

*Interest rate caps* – financial contracts called caps, collars or floors 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 against a rise in interest rates for an upcoming fixed-rate bond issue.

**Management Policy**

State issuers with swap transactions outstanding or those issuers contemplating entering into swap agreements have adopted derivative or swap-management policies outlining the objectives, management, oversight, monitoring, selection and restrictions for their derivative or swap agreements.

With the passage of Senate Bill 1332 during the 80th Legislature, the Bond Review Board's (BRB) statutes were modified to add a definition of interest rate management (derivative) agreements and to require the BRB to develop a related policy. At its meeting on August 29, 2008 the Board awarded Swap Financial Group, LLC the contract for swap advisor under RFP No. 352-8-001, to assist the BRB with the development of a state interest rate management policy and its analysis of interest rate management agreements. This policy can be found on the agency's website.

Table C1 - **TEXAS INTEREST RATE SWAPS**

**As of August 31, 2009 (Unaudited)**

(amounts in thousands)

**PAY-FIXED, RECEIVE VARIABLE**
**(Synthetic Fixed Rate)**

| Bond Issue | Original Notional Amount | 8/31/2009 Notional Amount | Effective Date | Swap Termination Date | Fixed-Rate Paid | Variable-Rate Received | Counterparty Credit Ratings | 8/31/2009 Fair Value |
|---|---|---|---|---|---|---|---|---|
| TDHCA SF Variable Rate Ref MRB Ser 2004B | $53,000 | $53,000 | 09/01/2004 | 09/01/2034 | 3.84% | 63% of LIBOR + .30% | Aa2 / A+ / A+ | -4,646 |
| TDHCA SF Variable Rate MRB Ser 2004D | 35,000 | 35,000 | 01/01/2005 | 03/01/2035 | 3.64% | * | N/A ** | -2,735 |
| TDHCA SF Variable Rate Ref MRB Ser 2005A | 100,000 | 90,825 | 08/01/2005 | 09/01/2036 | 4.01% | * | Aa1/AA- | -5,030 |
| TDHCA SF Variable Rate Ref MRB Ser 2006H | 36,000 | 36,000 | 11/15/2006 | 09/01/2025 | 3.86% | 63% of LIBOR + .30% | Aa2 / A+ / A+ | -3,093 |
| TDHCA SF Variable Rate Ref MRB Ser 2007A | 143,005 | 136,815 | 06/05/2007 | 09/01/2038 | 4.01% | * | Aa1/AA- | -7,345 |
| TDHCA MF Variable Rate MRB Ser 2008 (West Oaks Senior Apts.) | 13,125 | 13,125 | 07/01/2008 | 07/01/2026 | 3.78% | SIFMA | Aa2/AA-/AA- | *** |
| TDHCA MF Variable Rate MRB Ser 2008 (Costa Ibiza Apts.) | 13,900 | 13,900 | 08/07/2008 | 08/01/2026 | 4.01% | SIFMA | Aaa/AA+ | *** |
| TDHCA MF Variable Rate MRB Ser 2008 (Addison Park Apts. Ref) | 14,000 | 14,000 | 10/20/2008 | 10/31/2005 | 3.44% | SIFMA | Aaa/AA-/AA | *** |
| TDHCA MF Variable Rate MRB Ser 2008 (Alta Cullen Apts. Ref) | 14,000 | 14,000 | 11/26/2008 | 12/01/2021 | 3.50% | SIFMA | Aaa/AA-/AA | *** |
| UT RFS Refunding Bonds, Series 2001A | 48,318 | 15,740 | 05/17/2001 | 08/15/2013 | 4.63% | 67% of 1M LIBOR | Aa1/AA-/AA- | -1,270 |
| UT RFS Refunding Bonds, Series 2007B | 172,730 | 168,403 | 12/20/2007 | 08/01/2034 | 3.81% | SIFMA | Aa1/AA-/AA- | -12,107 |
| UT RFS Refunding Bonds, Series 2007B | 172,730 | 168,403 | 12/20/2007 | 08/01/2034 | 3.81% | SIFMA | Aa2/A+/A+ | -12,106 |
| UT RFS Bonds, Series 2008B | 155,000 | 152,670 | 03/18/2008 | 08/01/2036 | 3.90% | SIFMA | Aa1/AA-/AA- | -12,511 |
| UT RFS Bonds, Series 2008B | 155,000 | 152,670 | 03/18/2008 | 08/01/2036 | 3.90% | SIFMA | A2/A/A | -12,511 |
| UT RFS Bonds, Series 2008B | 375,485 | 368,720 | 03/18/2008 | 08/01/2039 | 3.61% | SIFMA | Aa1/AA-/AA- | -19,058 |
| UT PUF Bonds, Series 2008A | 200,453 | 200,453 | 11/03/2008 | 08/01/2038 | 3.70% | SIFMA | A2/A/A | -11,437 |
| UT PUF Bonds, Series 2008A | 200,453 | 200,453 | 11/03/2008 | 07/01/2038 | 3.66% | SIFMA | Aaa/AA-/AA | -10,247 |
| Vet Hsg Ref Bds Ser 1995 | 88,490 | 53,105 | 11/29/1995 | 12/01/2016 | 5.52% | Actual Bond Rate | A3/A- | -8,323 |
| Vet Land Ref Bds Ser 1999A | 40,025 | 27,075 | 06/01/1999 | 12/01/2018 | 5.11% | 68% of 6M LIBOR | A3/A- | -4,276 |
| Vet Land Tax Ref Bds Ser 1999B | 36,720 | 7,215 | 12/01/1999 | 12/01/2009 | 5.13% | 100% of 6M LIBOR | Aaa/AAA | -153 |
| Vet Land Tax Ref Bds Ser 2000 | 39,960 | 39,960 | 12/01/2000 | 12/01/2020 | 6.11% | 100% of 6M LIBOR | Aaa/AAA | -8,214 |
| Vet Hsg Fund II Bds Ser 2001A-2 | 20,000 | 20,000 | 03/22/2001 | 12/01/2029 | 4.30% | 68% of 1M LIBOR | Aa1/AA- | -4,183 |
| Vet Hsg Fund II Bds Ser 2001C-2 | 25,000 | 25,000 | 12/18/2001 | 12/01/2033 | 4.37% | 68% of 1M LIBOR | Aaa/AAA | -6,184 |
| Vet Land Bds Ser 2002 | 20,000 | 17,815 | 02/21/2002 | 12/01/2032 | 4.14% | 68% of 1M LIBOR | A2/A | -3,169 |
| Vet Hsg Fund II Bds Ser 2002A-2 | 38,300 | 24,160 | 07/10/2002 | 06/01/2033 | 3.87% | 68% of 1M LIBOR | Aa3/A+ | -4,243 |
| Vet Land Tax Ref Bds Ser 2002 | 27,685 | 27,685 | 12/01/2002 | 12/01/2021 | 4.94% | 100% of 6M LIBOR | A2/A | -4,277 |
| Vet Hsg Fund I Tax Ref Bds Ser 2002B | 22,605 | 19,780 | 12/01/2002 | 06/01/2023 | 4.91% | 100% of 6M LIBOR | Aaa/AAA | -3,125 |
| Vet Hsg Fund II Bds Ser 2003A | 50,000 | 38,555 | 03/04/2003 | 06/01/2034 | 3.30% | 68% of 1M LIBOR | Aa3/A+ | -3,192 |
| Vet Hsg Fund II Bds Ser 2003B | 50,000 | 39,805 | 10/22/2003 | 06/01/2034 | 3.40% | 64.5% of 1M LIBOR | Aaa/AAA | -3,679 |
| Vet Land Tax Ref Bds Ser 2003 | 29,285 | 24,545 | 12/01/2003 | 12/01/2023 | 5.12% | 100% of 1M LIBOR | Aa3/A+ | -4,130 |
| Vet Hsg Fund I Tax Ref Bds Ser 2003 | 47,865 | 47,865 | 12/01/2003 | 06/01/2021 | 5.19% | 100% of 6M LIBOR | Aaa/AAA | -7,878 |
| Vet Hsg Fund II Tax Ref Bds Ser 2004 | 19,550 | 16,535 | 06/01/2004 | 12/01/2024 | 5.45% | 100% of 6M LIBOR | Aa3/A+ | -3,620 |
| Vet Hsg Fund II Bds Ser 2004B | 50,000 | 42,870 | 09/15/2004 | 12/01/2034 | 3.68% | 68% of 1M LIBOR | Aa3/A+ | -5,077 |
| Vet Land Tax Ref Bds Ser 2004 | 24,755 | 22,755 | 12/01/2004 | 12/01/2024 | 5.46% | 100% of 6M LIBOR | A2/A | -4,506 |
| Vet Hsg Fund II Tax Ref Bds Ser 2004C,D,E | 43,870 | 37,815 | 12/01/2004 | 06/01/2020 | 5.35% | 100% of 1M LIBOR | Aa3/A+ | -6,509 |
| Vet Hsg Fund II Bds Ser 2005A | 50,000 | 42,505 | 02/24/2005 | 06/01/2035 | 3.28% | 68% of 1M LIBOR | Aaa/AAA | -3,492 |
| Vet Land Tax Ref Bds Ser 2005 | 22,795 | 21,300 | 12/01/2005 | 12/01/2026 | 6.52% | 100% of 6M LIBOR | Aa3/A+ | -6,478 |
| Vet Hsg Fund I/II Tax Ref Bds Ser 2005C,D | 24,885 | 23,680 | 12/01/2005 | 06/01/2026 | 5.15% | 100% of 1M LIBOR | Aa3/A+ | -5,376 |
| Vet Hsg Fund I Tax Ref Bds Ser 2005C | 19,860 | 17,035 | 12/01/2005 | 12/01/2023 | 4.93% | 100% of 1M LIBOR | Aa3/A+ | -2,941 |
| Vet Hsg Fund I Tax Ref Bds Ser 2005C | 8,525 | 1,070 | 12/01/2005 | 12/01/2009 | 4.33% | 100% of 1M LIBOR | Aa3/A+ | -22 |
| Vet Hsg Fund II Bds Ser 2006A | 50,000 | 44,445 | 06/01/2006 | 12/01/2036 | 3.52% | 68% of 1M LIBOR | Aaa/AAA | -4,890 |
| Vet Land Tax Ref Bds Ser 2006A | 31,030 | 28,930 | 06/01/2006 | 12/01/2027 | 6.54% | 100% of 6M LIBOR | Aa3/A+ | -8,675 |
| Vet Hsg Fund II Tax Ref Bds Ser 2006C | 22,325 | 20,850 | 06/01/2006 | 12/01/2027 | 5.79% | 100% of 6M LIBOR | Aa3/A+ | -4,931 |
| Vet Hsg Fund II Tax Ref Bds Ser 2006B | 38,570 | 38,570 | 06/01/2006 | 12/01/2026 | 5.83% | 100% of 1M LIBOR | Aa3/A+ | -10,885 |
| Vet Land Tax Ref Bds Ser 2006B | 24,035 | 22,450 | 06/01/2006 | 12/01/2026 | 4.61% | 100% of 6M LIBOR | Aaa/AAA | -3,212 |
| Vet Hsg Fund II Bds Ser 2006D | 50,000 | 46,325 | 09/20/2006 | 12/01/2036 | 3.69% | 68% of 1M LIBOR | Aa2/A+ | -5,546 |
| Vet Land Tax Ref Bds Ser 2006C | 41,050 | 37,525 | 12/01/2006 | 12/01/2027 | 6.51% | 100% of 1M LIBOR | Aa3/A+ | -11,650 |
| Vet Hsg Fund II Tax Ref Bds Ser 2006E | 39,560 | 39,560 | 12/01/2006 | 12/01/2026 | 5.46% | 100% of 1M LIBOR | Aa3/A+ | -10,657 |

Table C1 - **TEXAS INTEREST RATE SWAPS (Continued)**

**As of August 31, 2009 (Unaudited)**

(amounts in thousands)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Vet Hsg Fund II Tax Ref Bds Ser 2007C | 54,160 | 46,600 | 12/01/2007 | 06/01/2029 | 4.66% | 100% of 1M LIBOR | Aa3/A+ | -8,757 |
| Vet Hsg Fund II Bds Ser 2007A | 50,000 | 46,760 | 02/22/2007 | 06/01/2037 | 3.65% | 68% of 1M LIBOR | Aaa/AAA | -5,614 |
| Vet Hsg Fund II Bds Ser 2007B | 50,000 | 48,270 | 06/26/2007 | 06/01/2038 | 3.71% | 68% of 1M LIBOR | Aa3/A+ | -6,162 |
| Vet Hsg Fund II Bds Ser 2008A | 50,000 | 48,790 | 03/26/2008 | 06/01/2037 | 3.19% | 68% of 1M LIBOR | Aaa/AAA | -3,932 |
| Vet Hsg Fund II Bds Ser 2008B | 50,000 | 49,365 | 09/11/2008 | 06/01/2038 | 3.23% | 68% of 1M LIBOR | Aaa/AAA | -4,002 |
| Vet Hsg Fund II Tax Ref Bds Ser 2009 | 16,950 | 16,950 | 12/01/2009 | 12/01/2021 | 6.22% | 100% of 6M LIBOR | Aa3/A+ | -3,399 |
| Vet Hsg Fund II Tax Ref Bds Ser 2009A | 65,845 | 65,845 | 12/01/2009 | 06/01/2031 | 5.45% | 100% of 6M LIBOR | Aa3/A+ | -14,575 |
| Vet Hsg Fund II Tax Ref Bds Ser 2010A | 66,720 | 66,720 | 06/01/2010 | 12/01/2031 | 5.40% | 100% of 1M LIBOR | Aa3/A+ | -15,932 |
| Vet Land Tax Ref Bds Ser 2010 | 16,480 | 16,480 | 12/01/2010 | 12/01/2030 | 5.21% | 100% of 1M LIBOR | Aa3/A+ | -3,121 |
| Vet Homes Rev Ref Bds, Ser 2012 | 21,795 | 21,795 | 08/01/2012 | 08/01/2035 | 3.76% | 68% of 1M LIBOR | Aaa/AAA | -2,381 |
| **Pay-Fixed, Receive-Variable Total** | **$3,440,894** | **$3,178,537** | | | | | | **-$345,464** |

| **PAY-VARIABLE, RECEIVE FIXED (Synthetic Floating Rate) Bond Issue** | **Original Notional Amount** | **8/31/2009 Notional Amount** | **Effective Date** | **Swap Termination Date** | **Variable-Rate Paid** | **Fixed-Rate Received** | **Counterparty Credit Ratings** | **8/31/2009 Fair Value** |
|---|---|---|---|---|---|---|---|---|
| Vet Land Tax Ref Bds Ser 2006B | **$24,035** | **$22,450** | 6/1/2006 | 12/1/2026 | 100.00% of 6M LIBOR | 4.61% | Aa3/A+ | **-$2,995** |

| **PAY-VARIABLE, RECEIVE-VARIABLE (Basis Swap) Bond Issue** | **Original Notional Amount** | **8/31/2009 Notional Amount** | **Effective Date** | **Swap Termination Date** | **Variable-Rate Paid** | **Variable-Rate Received** | **Counterparty Credit Ratings** | **8/31/2009 Fair Value** |
|---|---|---|---|---|---|---|---|---|
| Vet Hsg Fund II Tax Bds Ser 1997B-2 | $25,000 | $25,000 | 09/27/2002 | 12/01/2010 | 132.60% of SIFMA | 100.00% of 3M LIBOR | Aa3/A+ | -36 |
| Vet Hsg Fund II Tax Bds Ser 1999A-2 | 90,000 | 90,000 | 08/05/2002 | 09/01/2011 | 134.40% of SIFMA | 100.00% of 1M LIBOR | Aaa/AAA | -541 |
| Vet Hsg Fund II Tax Bds Ser 1999A-2 | 60,000 | 60,000 | 08/05/2002 | 09/01/2011 | 134.40% of SIFMA | 100.00% of 1M LIBOR | Aa3/A+ | -352 |
| Vet Land Tax Bds Ser 2000A/2002A | 40,000 | 36,580 | 08/05/2002 | 12/01/2032 | 131.25% of SIFMA | 100.00% of 1M LIBOR | A2/A | -1,170 |
| Vet Hsg Fund II Ser 2009A | 31,630 | 31,630 | 03/10/2009 | 12/01/2023 | 100.00% of SIFMA | 94.35% of 3M LIBOR | Aaa/AAA | 1,892 |
| UT RFS Bonds, Series 2008B | 90,270 | 90,270 | 08/01/2009 | 08/01/2030 | SIFMA | 102.5% of 3M LIBOR | Aaa/AA-/AA- | 12,393 |
| UT RFS Bonds, Series 2008B | 92,045 | 92,045 | 08/01/2009 | 08/01/2030 | SIFMA | 96% of 3M LIBOR | Aaa/AA-/AA- | 7,612 |
| UT RFS Bonds, Series 2008B | 117,190 | 117,190 | 08/01/2009 | 08/01/2035 | SIFMA | 103% of 3M LIBOR | Aaa/AA-/AA- | 15,466 |
| UT PUF Bonds, Series 2006B | 284,065 | 284,065 | 01/01/2009 | 07/01/2035 | SIFMA | 82.04% of 1M LIBOR | Aa2/AA-/A+ | -658 |
| GO Mobility Ser 2006A | 200,000 | 200,000 | 09/01/2007 | 09/01/2027 | SIFMA | 69.42% of 10 yr LIBOR | Aa3/AA-/AA- | 3,376 |
| GO Mobility Ser 2006A | 100,000 | 100,000 | 09/01/2007 | 09/01/2027 | SIFMA | 69.42% of 10 yr LIBOR | Aa1/AAA | 1,688 |
| GO Mobility Ser 2006A | 100,000 | 100,000 | 09/01/2007 | 09/01/2027 | SIFMA | 69.42% of 10 yr LIBOR | A2/A+/A | 1,688 |
| **Pay-Variable, Receive-Variable Total** | **$1,230,200** | **$1,226,780** | | | | | | **$41,358** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **TOTAL INTEREST RATE SWAPS** | **$4,695,129** | **$4,427,767** | | | | | | **-$307,101** |

* Lessor of (a) or (b) where (a) equals the greater of (i) 1M LIBOR X 65% or (ii) 1M LIBOR X 56% + .45% and b) equals 1M LIBOR.

** Guaranteed by Goldman Sachs Group rate A1/A.

*** TDHCA is not a party to the Multifamily swap agreements and therefore is not required to report market value on financial statements.

During FY 2009 the Vet Hsg Fund II Ser 2004A & 2005B Swap contracts with Lehman Brothers were terminated. These two bonds are now classified as regular variable-rate debt.

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

Table C2

**ESTIMATED DEBT-SERVICE REQUIREMENTS OF VARIABLE-RATE DEBT OUTSTANDING AND NET INTEREST RATE SWAP PAYMENTS**

**[EXCLUDES PAY-VARIABLE, RECEIVE-VARIABLE (BASIS) SWAPS]**

**As of August 31, 2009**

(amounts in thousands)

**UNAUDITED**

**Texas Department of Housing and Community Affairs**

| Fiscal Year Ending 8/31/09 | Variable-Rate Bonds Principal | Interest | Interest Rate Swaps, Net | Total |
|---|---|---|---|---|
| 2010 | 0 | 1,106 | 12,482 | 13,588 |
| 2011 | 1,535 | 1,106 | 12,479 | 15,120 |
| 2012 | 4,435 | 1,098 | 12,389 | 17,922 |
| 2013 | 5,220 | 1,082 | 12,211 | 18,513 |
| 2014-2018 | 5,475 | 1,066 | 12,014 | 18,555 |
| 2019-2023 | 49,665 | 4,934 | 55,589 | 110,188 |
| 2024-2028 | 65,565 | 4,019 | 45,279 | 114,863 |
| 2029-2033 | 80,710 | 2,865 | 32,281 | 115,856 |
| 2034-2038 | 87,360 | 1,523 | 17,186 | 106,069 |
| 2039-2042 | 51,675 | 294 | 3,365 | 55,334 |
| **Total Debt Service and Net Interest Rate Swap Payments** | **$351,640** | **$19,093** | **$215,275** | **$586,008** |

**Source:** Texas Department of Housing and Community Affairs

**The University of Texas System**

| Fiscal Year Ending 8/31/09 | Variable-Rate Bonds Principal | Interest (1) | Interest Rate Swaps, Net (2) | Total |
|---|---|---|---|---|
| 2010 | 22,035 | 2,303 | 47,985 | 72,323 |
| 2011 | 22,990 | 2,267 | 47,202 | 72,459 |
| 2012 | 33,550 | 2,230 | 46,384 | 82,164 |
| 2013 | 34,925 | 2,176 | 45,235 | 82,336 |
| 2014-2018 | 153,870 | 10,056 | 209,363 | 373,289 |
| 2019-2023 | 176,710 | 8,848 | 184,800 | 370,357 |
| 2024-2028 | 277,530 | 7,064 | 147,227 | 431,821 |
| 2029-2033 | 311,765 | 4,756 | 97,949 | 414,470 |
| 2034-2039 | 394,360 | 2,656 | 53,195 | 450,211 |
| **Total Debt Service and Net Interest Rate Swap Payments** | **$1,427,735** | **$42,356** | **$879,340** | **$2,349,431** |

(1) As required by GASB Statement No. 38, annual debt-service requirements are computed using the System's interest rates in effect on August 31, 2009 on its Series 2008A Bonds, Series 2001A Bonds, Series 2007B Bonds, and Series 2008B Bonds.

(2) Reflects net payments on pay-fixed, receive-variable interest rate swaps based on interest rates in effect at August 31, 2009, applied on the respective notional amounts of the swaps through their respective termination dates.

**Source:** The University of Texas System

**Veterans' Land Board**

| Fiscal Year Ending 8/31/09 | Variable-Rate Bonds Principal | Interest | Interest Rate Swaps, Net | Total |
|---|---|---|---|---|
| 2010 | 56,310 | 7,437 | 48,005 | 111,752 |
| 2011 | 47,670 | 7,158 | 45,969 | 100,797 |
| 2012 | 48,225 | 6,894 | 44,139 | 99,258 |
| 2013 | 52,480 | 6,591 | 42,244 | 101,315 |
| 2014 | 54,585 | 6,252 | 40,134 | 100,971 |
| 2015-2019 | 344,565 | 24,970 | 161,865 | 531,400 |
| 2020-2024 | 290,105 | 13,155 | 95,134 | 398,395 |
| 2025-2029 | 209,210 | 5,417 | 42,939 | 257,566 |
| 2030-2034 | 113,200 | 1,936 | 14,537 | 129,673 |
| 2035-2039 | 33,480 | 285 | 1,508 | 35,273 |
| **Total Debt Service and Net Interest Rate Swap Payments** | **$1,249,830** | **$80,095** | **$536,474** | **$1,866,400** |

**Source:** Veterans' Land Board

Table C3

**ESTIMATED DEBT-SERVICE REQUIREMENTS OF FIXED-RATE AND VARIABLE-RATE DEBT OUTSTANDING AND NET INTEREST RATE SWAP PAYMENTS [PAY-VARIABLE, RECEIVE-VARIABLE (BASIS) SWAPS ONLY]**

**As of August 31, 2009**

(amounts in thousands)

**UNAUDITED**

**Texas Transportation Commission**

| Fiscal Year | Fixed-Rate Bonds | | Interest Rate | |
|---|---|---|---|---|
| Ending 8/31/09 | Principal | Interest | Swaps, Net (1) | Total |
| 2010 | 1,325 | 49,780 | -5,116 | 45,989 |
| 2011 | 2,275 | 49,727 | -5,116 | 46,886 |
| 2012 | 3,215 | 49,636 | -5,116 | 47,735 |
| 2013-2017 | 31,195 | 245,489 | -25,580 | 251,104 |
| 2018-2022 | 102,985 | 232,640 | -25,580 | 310,045 |
| 2023-2027 | 223,925 | 195,722 | -25,580 | 394,067 |
| 2028-2032 | 381,200 | 127,826 | -426 | 508,600 |
| 2033-2037 | 293,585 | 26,330 | 0 | 319,915 |
| **Total Debt Service and Net Interest Rate Swap Payments** | **$1,039,705** | **$977,150** | **-$92,514** | **$1,924,341** |

(1) Swap payments projected using the historical average annual spread differential, which is assumed to be 1.279%, between SIFMA and 69.42% of 10-Year USD-ISDA-Swap Rate (10 Year LIBOR) from 1985 through Aug 31, 2009.

**Source:** Texas Department of Transportation

**Veterans' Land Board**

| Fiscal Year | Variable-Rate Bonds | | Interest Rate | |
|---|---|---|---|---|
| Ending 8/31/09 | Principal | Interest | Swaps, Net | Total |
| 2010 | 745 | 6,610 | 527 | 7,882 |
| 2011 | 790 | 6,596 | 506 | 7,892 |
| 2012 | 845 | 6,582 | 285 | 7,712 |
| 2013 | 890 | 6,566 | 84 | 7,540 |
| 2014 | 950 | 6,550 | 81 | 7,581 |
| 2015-2019 | 5,700 | 32,465 | 366 | 38,531 |
| 2020-2024 | 15,215 | 31,838 | 282 | 47,335 |
| 2025-2029 | 26,135 | 30,824 | 168 | 57,127 |
| 2030-2034 | 159,610 | 3,097 | 34 | 162,740 |
| **Total Debt Service and Net Interest Rate Swap Payments** | **$210,880** | **$131,128** | **$2,333** | **$344,340** |

**Source:** Veterans' Land Board

## COLLEGE STUDENT LOAN BONDS

**Statutory/Constitutional Authority:** Article III, Sections 50b and 50b-1, 50b-2, 50b-3, 50b-4, 50b-5 and 50b-6 of the Texas Constitution, adopted in 1965, 1969, 1989, 1991, 1995, 1999 and 2007, respectively, 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. Less than 5% of 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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## 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 HB 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:** Debt service is payable from the institution's 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.

## 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 in 1993 from the Veterans Land Board to the Texas Agricultural Finance Authority with the passage of HB 1684 by the 73rd Legislature. In 1995, a constitutional amendment was approved that expanded the use of existing bond 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 and for other rural economic development programs. In 1997, HB 2499, 75th Legislature increased the maximum loan amount available through the program to $250,000. In 2001, SB 716, 77th Legislature 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 (generally referred to as Higher Education Assistance Fund or HEF 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 library materials, land acquisition, new construction, major repairs and renovations or equipment.

**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 79th 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:**
Individual colleges and universities.

**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% 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, and 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 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 1995, 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:** Debt service on the Authority's bonds is payable from mortgages or other interests in financed property; repayments of financial assistance; investment earnings; any fees and charges; and appropriations, grants, subsidies or contributions. The program is designed to be self-supporting; therefore, no draw on general revenue is anticipated.

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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. In 1997, HB 1077, 75th Legislature 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 has since been renamed the Texas Commission on Environmental Quality.

Although the statutory authority remains, it is unlikely that any such bonds will be 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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**TEXAS DEPARTMENT OF TRANSPORTATION BONDS**

**Statutory Authority:** The Texas Turnpike Authority ("Authority") was created as a division of the Texas Department of Transportation ("Department") by SB 370, 75th Legislature (Texas Transportation Code, Chapter 361). SB 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.

The Texas Mobility Fund was created under SB 4, 77$^{th}$ Legislature, and the constitutional amendment voters approved in November 2001 identified as Proposition 15. In particular, Article III, Section 49-k of the Texas Constitution created the Texas Mobility Fund within the state treasury. This allows the Department to issue bonds secured by future revenue.

The State Highway Fund was created under Transportation Code, Chapter 222, Subchapter A. The maximum principal amount of bonds and other public securities to be issued may not exceed $6 billion, with no more than $1.5 billion issued per year.

In 2007, a constitutional amendment was adopted authorizing the Texas Transportation Commission to issue general obligation bonds of the state of Texas in an aggregate amount not to exceed $5 billion and enter into related credit agreements (Texas Constitution, Article III, Section 49-p).

**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, use 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. State Highway Fund bond proceeds are used to finance state highway improvement projects that are eligible for funding with constitutionally dedicated revenues.

**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. The Texas Mobility Fund obligations are secured by and payable from a pledge of revenues dedicated to and on deposit in the Fund. Bonds secured by the Texas Mobility Fund may also carry the state's full faith and credit, pledging the state's taxing power toward payment of the bonds if the dedicated revenues are insufficient. State Highway Fund bonds are payable from a prior lien on pledge revenues consisting primarily of certain fees, and reimbursements deposited to the credit of the fund.

**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 and State Highway Fund. Likewise, bonds issued by the Authority are payable from project revenues and other identified revenue sources.

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## 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 SB 275, 78th Legislature and 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 obligations 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. HB 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 MILITARY FACILITIES COMMISSION BONDS

**Statutory Authority:** The Texas Military Facilities Commission (the "Commission") was created in 1997 by SB 352, 75th Legislature, 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.

In 1991, SB 3, 72nd Legislature, authorized the Texas Public Finance Authority (the "Authority") to issue bonds on behalf of the

Texas Military Facilities Commission (Texas Government Code, Sec. 435.041).

SB 1724, Acts of the 80th Legislature (2007) abolished the Commission and transferred all its duties, responsibilities, property and assets to the Adjutant General's Department. To preserve the pledged revenue stream and meet the state's obligations under the bonds, the Commission's title to facilities, the rental and other income of which is pledged to the bonds, was transferred to the Texas Public Finance Authority effective September 1, 2007. The Authority will continue leasing the facilities to the Adjutant General's Department which is obligated to continue making rental payments, until the bonds are fully paid. After the bond obligations are fully discharged, the Authority will transfer title to the facilities to the Adjutant General.

**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 Authority and are payable from "rents, issues, and profits" of the facilities leased to the Adjutant General's Department. The bonds are not general obligations of the state of Texas and neither the state's full faith and credit nor its taxing power is pledged toward payment of the bonds.

**Dedicated/Project Revenue:** The rent payments used to retire the bonds are paid by the Adjutant General's Department primarily with general revenue funds appropriated by the legislature. Independent project revenue, in the form of other income from properties owned by the Adjutant General's Department 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. In 1991, SB 3, 72nd Legislature, authorized the Texas Public Finance Authority (the "Authority") to issue bonds on behalf of the Department. In 1997, HB 3189, 75th Legislature, codified in the Texas Parks and Wildlife Code, Section 13.0045, 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 rental payments.

**Dedicated/Project Revenue:** Debt service on general obligation park development bonds is payable from entrance fees to state parks. 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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## 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 Texas Revised Civil Statutes Ann., Article 601d (now Chapter 1232, Texas Government Code) and was authorized to issue revenue bonds to finance state office buildings.

Article III, Section 49-h, 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 to issue 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 Texas Labor Code, Chapter 203, et seq.) 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. Texas voters approved SJR55 on September 13, 2003 and amended the Texas Constitution, Article III, Section 49-n and Texas Government Code, Chapter 436; and (2) the Authority's issuance of up to $75 million of revenue bonds to fund the FAIR Plan which provides residential property insurance of last resort.

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 (now the Texas Facilities Commission).

The 80th Legislature authorized the Authority to issue $3 billion of general obligation debt to finance cancer research (Texas Constitution, Article III, Section 67) and $1 billion to finance capital projects for certain state agencies (Texas Constitution, Article III Section 50-g).

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 used for state agency renovation, construction and equipment acquisition projects. Proceeds of obligations issued under Article III, Section 49-l are used to provide assistance to border counties for colonia roadway projects. Proceeds from the sale of general obligation bonds issued under Article III, Section 67 are used to finance grants for cancer research and the operation of the Cancer Prevention and Research Institute of Texas. Proceeds from the sale of building revenue bonds are used to purchase, construct, renovate and maintain state buildings. Proceeds of bonds issued under Article III, Section 49-m are used to fund the Texas Military Value Revolving Loan Fund to make loans to certain defense communities for improved military value or economic development projects. 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 under the Master Lease Purchase Program are used to finance equipment purchases of 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:** Issued building revenue bonds 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 state treasury each fiscal year to pay debt service on the bonds. Revenue debt issued for the Unemployment Compensation Insurance Fund was 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 which are fully economically defeased and were paid in full in December 2006, were payable solely from maintenance tax surcharges authorized in Article 5.76 of the Texas Insurance Code. Issued university revenue bonds 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 PUBLIC FINANCE AUTHORITY/TEXAS WINDSTORM INSURANCE ASSOCIATION BONDS

**Statutory/Constitutional Authority:** The Texas Public Finance Authority (the "Authority") is authorized to issue revenue obligations for the Texas Windstorm Insurance Association (the "Association") pursuant to Subchapters B-1 and M, Chapter 2210, of the Texas Insurance Code (the "Act").

The Authority and the Association are required to obtain the approval of the State Insurance Commissioner, 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 issued may be used to pay incurred claims and operating expenses of the Association; to pay for the purchase of reinsurance for the Association; to provide a reserve fund; and to pay capitalized interest and principal on the public securities for the period determined necessary by the Association.

**Security:** The bonds are special obligations of the Authority and the Association equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. Pledged Revenues consist of revenues received by the Association from the assessment of the surcharges pursuant to the Authorizing Law, amounts on deposit in the Obligation Revenue Fund and accounts created therein and in the Program Fund and accounts created therein, including all derived investment income.

**Dedicated/Project Revenue:** Debt service on bonds issued by the Association is payable from any one or a combination of the following: premiums and other revenue of the Association, assessments on Association members, and premium surcharges on property insurance policies in the catastrophe area.

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**TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION**

**Statutory/Constitutional Authority:** The Texas Public Finance Authority Charter School Finance Corporation ("Corporation" or "Issuer") is a public, non-profit corporation created by the Texas Public Finance Authority (the "Authority" or "Sponsoring Entity") and exists as an instrumentality of the state pursuant to Section 53.351 of the Texas Education Code, as amended (the "Act"). 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:** Pursuant to the Act, the Issuer is authorized to issue revenue bonds and to lend the proceeds thereof to any authorized charter schools for the purpose of aiding such schools in financing or refinancing "educational facilities" (as such term is defined in the Act) and facilities which are incidental, subordinate or related thereto or appropriate in connection therewith.

**Security:** The bonds are special and limited obligations of the Issuer, payable solely from revenues to be derived under the loan agreement, the Issuer Master Notes, and in certain circumstances, out of amounts secured through the exercise of remedies provided in the Indenture, the loan agreement, the deed of trust and the Issuer Master Notes. The bonds are not obligations of the state of Texas or any entity other than the Issuer. The Issuer has no taxing power.

**Dedicated /Project Revenue:** The Issuer issues the bonds and loans the proceeds to the Borrower (an eligible open-enrollment charter school) to finance education facilities of the Borrower. The Borrower's obligations under the Loan Agreement are expected to be paid primarily from the state general revenue allocation the Borrower receives as a charter school, pursuant to Chapter 12 of the Texas Education Code.

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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. as codified in the Local Government Code, Chapter 503) 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 bonds. In accordance with the Texas Government Code, as amended, the Corporation is authorized to issue statewide 501(c)(3) bonds, qualified residential rental project bonds, and qualified mortgage revenue bonds under Section 2306.555. The 77th Legislature established the Professional Educator Home Loan Program under Section 2306.562. The 78th Legislature authorized the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program under Section 2306.5621.

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 provision of housing and the making of affordable loans to individuals and families of low, very low and extremely low income for eligible participants under its programs. 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 obligations 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 WATER DEVELOPMENT BONDS**

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

**General Obligation**: The Board issues self-supporting general obligation bonds for the Development Fund Program. The Board issues not self-supporting general obligation bonds for the State Participation (SP), Water Infrastructure Fund (WIF), Economically Distressed Areas Program (EDAP) and the Agricultural Water Conservation Loan Program.

**General Obligation Authority:** 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, 49-d-10 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 71st Legislature (1989) passed comprehensive legislation that established the EDAP. Article III, Section 49-d-7(b), provides for subsidized loans and grants from the proceeds of bonds authorized by this section. The 80th Legislature authorized an additional $250 million in general obligation bonds for the EDAP detailed in Article III, Section 49-d-10.

**General Obligation Approval:** Legislative appropriations and voter approval are required for the issuance of not self-supporting general obligation debt. Further legislative action on specific bond issues is not required for self-supporting debt; 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.

**General Obligation Purpose:** Proceeds from the sale of the general obligation bonds are used to make loans (and grants under the EDAP) to political subdivisions of Texas for the performance of various projects related to water conservation, transportation, storage and treatment.

**General Obligation Security:** 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. The Water Development Bond Programs are designed to be self-supporting. No general revenue draw has been made on these programs since 1980.

The Economically Distressed Areas Program, State Participation Program, Water Infrastructure Fund, and the Agricultural Water Conservation Loan Program are anticipated to have general revenue draws.

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

**Revenue Debt Approval:** 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.

**Revenue Debt 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 fund, and to provide financial assistance to local government jurisdictions through the acquisition of their obligations.

**Revenue Debt 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. Principal and interest payments on the loans to political subdivisions for projects are pledged to pay debt service on the revenue debt issued by the Board.

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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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## 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 and established 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 Veterans Land Board 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 create or constitute a pledge, gift, or loan of the full faith, credit or taxing authority of the state.

**Dedicated/Project Revenue:** Debt service on the general obligation bonds is payable from principal and interest payments on the underlying loans to veterans. Debt service for the revenue bonds is 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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