Texas Bond Review Board

2010

Annual Report

Fiscal Year Ended August 31, 2010

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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 2010

Overview

Background

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 of greater than $250,000 or a term of longer than five years. The BRB is also responsible for the collection, analysis and reporting of information on the 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 2010, 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 from AA to AA+ based on the state's strong and diverse economy coupled with its projected $9 billion surplus in the state's Economic Stabilization (Rainy Day) Fund. Texas' general obligation debt is now split-rated Aaa/AA+/AAA 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 2010 with a consolidated General Revenue Fund cash balance of $1.96 billion, a decrease of 49.9% from fiscal 2009's $3.91 billion. According to the Comptroller of Public Accounts, the decrease is primarily due to a decline in tax collections.

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.) The most recent U.S. Census Bureau data for state and local debt outstanding show that for calendar 2007-2008, Texas was the nation's 2nd most populous state and ranked 2nd among the ten most populous states in terms of Local Debt Per Capita but 9th in State Debt Per Capita and 5th in Total State and Local Debt Per Capita.

Constitutional Debt Limit

As of August 31, 2010 Texas' constitutional debt limit remained below the maximum of 5.00% with 1.36% calculated for debt outstanding and 4.10% calculated including authorized but unissued debt. These figures represent an increase of 11.5% from fiscal 2009's 1.22% for debt outstanding while the 4.10% calculated including authorized but unissued debt increased by 0.5%. 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 2010

State Debt

For the fiscal year ending August 31, 2010 Texas' total state debt outstanding increased by 10.9% to $37.82 billion compared to $34.08 billion at fiscal year-end 2009. This increase is primarily attributable to increased issuances of Revenue Finance System (RFS) debt by various colleges and universities, $1.50 billion issued by the Texas Transportation Commission and $1.02 billion in conduit debt issued by the Private Activity Bond Surface Transportation Corporation.

Approximately $6.64 billion in new-money and refunding bonds were issued by state agencies and institutions of higher education in fiscal 2010 compared to $4.79 billion in fiscal 2009, an increase of 38.6%. In addition, approximately $1.08 billion in commercial paper and variable-rate notes were issued in fiscal 2010 compared to approximately $1.39 billion issued in fiscal 2009, a decrease of 22.3%. New-money bond issuances totaled $5.26 billion during fiscal 2010 compared to $3.99 billion in fiscal 2009, an increase of 31.8%. Continued lower interest rates resulted in the issuance of nearly $1.39 billion in refundings of state debt in fiscal 2010 compared to nearly $799.3 million in refundings completed in fiscal 2009.

Projections for fiscal year 2011 indicate an increase in overall state debt issuance of approximately $6.61 billion (79.7%) over the amount of debt issued in fiscal 2010. The significant increase is due to expected issuances by TPFA for the Texas Workforce Commission revenue bonds in the amount of $3.5 billion and Texas Department of Transportation's Proposition 12 GO Transportation Bonds in the amount of $2.0 billion.

Local Debt

For the fiscal year ending August 31, 2009 Texas' total local government debt outstanding increased by 23.5% to $174.55 billion compared to $141.39 billion outstanding at fiscal year-end 2007. (Debt outstanding totals for fiscal 2010 are not yet available for local governmental entities.) Local government debt issuance in Texas reached $25.03 billion in fiscal 2009, a 12.5% decrease from the record $28.62 billion issued in fiscal 2008. Data for fiscal 2009 indicate that of the $25.03 billion issued, approximately $17.29 billion was issued for new-money purposes ($4.27 billion was issued as Build America Bonds) and $7.74 billion was issued to refund prior outstanding debt. Tax-supported debt issued was $14.99 billion, a decrease of 11.0%, and revenue debt was $10.04 billion, a decrease of 14.7%.

Issuance Costs

Issuance cost data for state debt transactions in fiscal 2010 reveal that the total costs of issuance, including the underwriting spread, offering expenses and fees for all issues averaged $1,261,481 or $6.20 per $1,000 compared to $1,411,571 or $7.14 per $1,000 in fiscal 2009.

Private Activity Bond Allocation Program and Other Bonding Authority

Texas experienced a 1.9% increase in volume cap for the calendar 2010 Private Activity Bond Allocation Program to finance "private activities" such as single-family mortgages, multifamily housing, pollution control facilities and student loans. The 2010 volume cap was set at $2,230,407,180, an increase of $41.0 million from the 2009 cap of $2,189,427,660.

Along with Texas' volume cap increase in 2010, demand increased compared to the 2009 Program Year. Approximately 79.6% of the available allocation from the 2010 volume cap had been requested before the August 15th collapse compared to 62.4% for 2009. After the 2010 collapse, the BRB received just over $2 billion in requests. Applications received for Program Year 2010 including carryforward requests, totaled $3.82 billion or 70.7% of the total available allocation of $5.41 billion. As of November 15, 2010 all requests for reservations were granted, but 70.2% of the state's 2010 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 (HERA) 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. As of November 15, 2010 $521.0 million of HERA volume cap had been allocated since the program's inception in 2008. Any volume cap not used by December 31, 2010 will expire.

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. On December 7, 2009 Governor Perry issued proclamation 41-3232 providing for administration of the qualified Hurricane Ike disaster area bond program and naming priorities for the designation of such bonds. As of November 15, 2010 the total allotted to Group A ($1.43 billion) had been designated by the Governor, and one application had been received in the amount of $348.8 million under Group B. No applications had been received under Group C. As of the same date $163.2 million in Hurricane Ike bonds have been issued.

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 (RZEDB), Recovery Zone Facility Bonds (RZFB) and Qualified School Construction Bonds. The three expanded programs are Qualified Zone Academy Bonds, Qualified Energy Conservation Bonds and Clean Renewable Energy Bonds.

On October 8, 2010 the Office of the Governor directed the BRB to contact all cities and counties with unused RZEDB and RZFB volume cap. The BRB provided written notice by October 15, 2010 to all local governmental recipients of RZEDB and RZFB volume cap allocation. The Office of the Governor awarded a total allocation of $65 million of RZEDB bonding authority to two recipients. No RZFB applications were received.

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 five appendices. Appendix A provides a detailed description of each state bond transaction closed in fiscal 2010. 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 $4.45 billion at fiscal year-end 2010. Appendix D provides a brief description of each of the state's bond issuing entities. Appendix E provides a glossary of terms.

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Figures

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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

As of August 2010, Texas' general obligation (GO) debt is split-rated at Aaa/AA+/AAA by the three major credit rating agencies, Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch), respectively. The S&P rating is one step below AAA.

In April 2010 Moody's and Fitch began recalibrating their municipal rating scales to align with their global rating scales. These recalibrations were not rating upgrades. Moody's rating for the state's GO was recalibrated from Aa1 to Aaa, and Fitch's rating was recalibrated from AA+ to AAA. Moody's recalibration was designed "to enhance the comparability of ratings across the Moody's rated universe," and Fitch's "intent of the recalibration is to ensure a greater degree of comparability across Fitch's global portfolio of credit ratings." S&P announced that its municipal ratings were comparable and recalibration was not necessary.

The Moody's and Fitch ratings recalibrations have not significantly impacted the state's borrowing costs. Table 1.2 provides a tier ranking of each state relative to states that are rated AAA by all three rating agencies.

Based on the most recent data available (calendar 2009), Texas had $520 in net tax-supported debt per capita outstanding, unchanged from the prior year, compared to a national median of $936 and an average of $1,297.

STATE DEBT

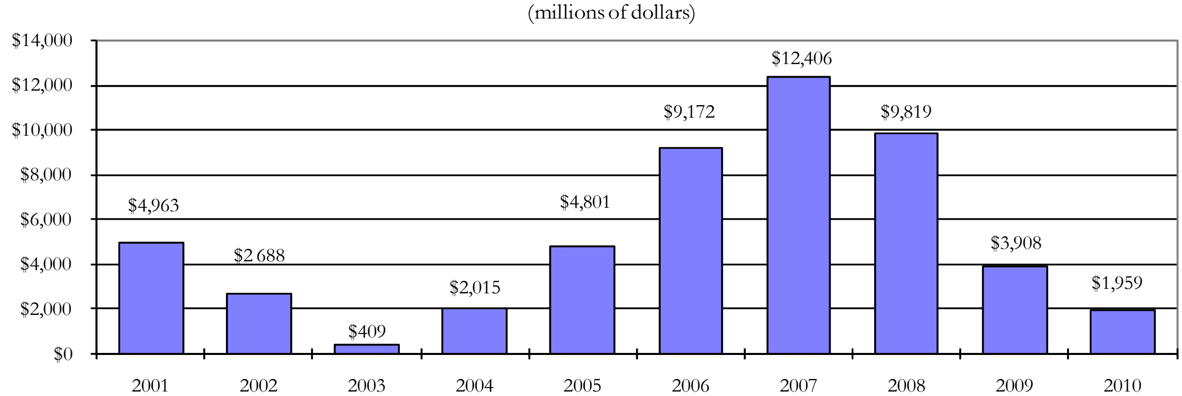
Texas' Financial Position

Texas ended fiscal year 2010 with a total consolidated General Revenue Fund cash balance of $1.96 billion *(Figure 1.1)*, a 49.9% decrease from the fiscal 2009 year-end closing balance of $3.91 billion. According to the Texas Comptroller of Public Accounts, the decrease was primarily due to a decline in tax collections.

Total Tax Collections received decreased by 5.7% to $33.31 billion. Total Net Revenues and Other Sources fell by less than 0.5%, and Total Expenditures and Other Uses decreased by 3.5% to $110.91 billion *(Table 1.1)*.

The state's primary source of revenue is the Sales Tax which accounted for 58.8% of Total Tax Collections during fiscal 2010. Revenues decreased 6.6% from the prior fiscal year to $19.59 billion. Oil Production Tax revenue for fiscal 2010 increased 14.0% from the prior fiscal year to $1.01 billion. The Natural Gas

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



Source: Texas Comptroller of Public Accounts, 2010 Annual Cash Report

Table 1.1
STATEMENT OF CASH CONDITION
CONSOLIDATED GENERAL REVENUE FUND
(amounts in thousands)

	Fiscal 2009	Fiscal 2010	% Change
Revenues and Beginning Balance			
Beginning Balance, September 1	$9,819,410	$3,907,734	-60.2%
Tax Collections			
General Revenue Fund			
Sales Tax	20,974,434	19,589,950	-6.6%
Oil Production Tax	884,511	1,008,664	14.0%
Natural Gas Production Tax	1,407,739	725,538	-48.5%
Motor Fuels Taxes	3,032,770	3,041,973	0.3%
Cigarette and Tobacco Taxes	579,820	581,664	0.3%
Motor Vehicle Sale/Rental, Mfg. Housing Sale	2,578,633	2,628,830	1.9%
Franchise Tax	2,777,811	2,648,909	-4.6%
Alcoholic Beverages Taxes	796,948	809,234	1.5%
Insurance Taxes	1,257,314	1,324,703	5.4%
Inheritance Tax	2,004	81	-96.0%
Hotel and Motel Tax	343,544	330,809	-3.7%
Utilities Taxes	518,884	478,743	-7.7%
Other Taxes	156,608	143,081	-8.6%
Total Tax Collections	**$35,311,020**	**$33,312,179**	**-5.7%**
Federal Income	26,179,959	27,407,709	4.7%
Interest & Investment Income	91,581	39,061	-57.3%
Licenses, Fees, Permits, Fines, & Penalties	5,585,109	5,224,541	-6.5%
Contributions to Employee Benefits	271	169	-37.6%
Sales of Goods and Services	164,585	159,497	-3.1%
Land Income	23,148	20,879	-9.8%
Settlements of Claims	563,222	556,464	-1.2%
Net Lottery Proceeds	1,581,962	1,633,923	3.3%
Other Revenue Sources	3,311,752	3,334,796	0.7%
Interfund Transfers / Investment Transactions	36,238,981	37,269,595	2.8%
Total Net Revenue and Other Sources	**$109,051,590**	**$108,958,813**	**-0.1%**
Expenditures and Ending Balance			
General Government	2,756,079	3,030,671	10.0%
Health and Human Services	32,858,353	35,109,439	6.9%
Public Safety and Correction	4,495,437	4,220,019	-6.1%
Education	31,269,186	28,612,029	-8.5%
Employee Benefits	2,555,492	2,939,061	15.0%
Lottery Winnings Paid	491,322	486,717	-0.9%
Other Expenditures*	2,064,839	2,093,932	1.4%
Interfund Transfers / Investment Transactions	38,472,678	34,415,526	-10.5%
Total Expenditures and Other Uses	**$114,963,386**	**$110,907,394**	**-3.5%**
Net Increase to Petty Cash Accounts	120	49	
Ending Balance, August 31	**$3,907,734**	**$1,959,202**	**-49.9%**

Source: Texas Comptroller of Public Accounts, 2010 Cash Report, Tables 1 & 11
* Includes Transportation, Natural Resources/Recreational Services, Regulatory Agencies, Payment of Interest and Capital Outlays
Totals may not sum due to rounding

Production Tax and Inheritance Tax decreased by 48.5% and 96.0%, respectively, from the prior fiscal year.

81st Legislature - Regular Session and 1st Called Special Session

The 81st Legislature appropriated $225 million for the 2010-2011 biennium to the Cancer Prevention and Research Institute of Texas (CPRIT). The Texas Public Finance Authority (TPFA) issued $225 million in commercial paper (CP) for CPRIT under a program established during fiscal 2009.

House Bill (HB) 4409 authorized 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 modified the Private Activity Bond (PAB) Program and increased the responsibilities of the Bond Review Board (BRB). See Chapter 5 for a discussion of recent changes to the PAB Program.

HB 1 of the 1st Called Special Session of the 81st Legislature appropriated to the Texas Transportation Commission (TTC) for the 2010-2011 biennium $2 billion of the $5 billion in general obligation bonds authorized by voters in November 2007 to fund highway improvement projects. No bonds were issued under this appropriation during fiscal 2010, but in September 2010, TTC issued $977.8 million in general obligation bonds of which $815.4 million was issued as Build America Bonds.

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: Senate Joint Resolution (SJR) 64 to finance $5 billion for transportation projects; House Joint Resolution (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.

With the passage of SB 1332 the 80th Legislature passed legislation modifying the BRB statutes to require 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 legislation also added a definition of 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.

Under SB 968 the 80th Legislature expanded and clarified the definition of derivative agreements in the Texas Government Code, Chapter 1371. The bill also required issuers to have appropriate policies and oversight over derivatives unless they are considered experienced as defined within statute. SB 792 expanded the 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 PAB 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 HERA 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

Table 1.2
STATE BOND RATINGS as of August 2010

Steps from AAA Ranking	State	Moody's Investors Service	Standard & Poor's	Fitch Ratings
States With a General Obligation Rating				
-	Delaware	Aaa	AAA	AAA
-	Georgia	Aaa	AAA	AAA
-	Maryland	Aaa	AAA	AAA
-	Missouri	Aaa	AAA	AAA
-	North Carolina	Aaa	AAA	AAA
-	Utah	Aaa	AAA	AAA
-	Virginia	Aaa	AAA	AAA
1	Minnesota	Aa1	AAA	AAA
1	South Carolina	Aaa	AA+	AAA
1	Florida	Aa1	AAA	AAA
1	Vermont	Aaa	AA+	AAA
1	New Mexico	Aaa	AA+	**
1	Tennessee	Aaa	AA+	AAA
1	**TEXAS**	**Aaa**	**AA+**	**AAA**
3	Washington	Aa1	AA+	AA+
3	Nevada	Aa1	AA+	AA+
3	Alaska	Aa1	AA+	AA+
3	Ohio	Aa1	AA+	AA+
3	Arkansas	Aa1	AA	**
4	Alabama	Aa1	AA	AA+
4	Hawaii	Aa1	AA	AA+
4	Massachusetts	Aa1	AA	AA+
4	New Hampshire	Aa1	AA	AA+
4	Pennsylvania	Aa1	AA	AA+
4	Oregon	Aa1	AA	AA+
4	Montana	Aa1	AA	AA+
4	Oklahoma	Aa2	AA+	AA+
5	Maine	Aa2	AA	AA+
5	Mississippi	Aa2	AA	AA+
6	Connecticut	Aa2	AA	AA
6	Rhode Island	Aa2	AA	AA
6	New Jersey	Aa2	AA	AA
6	Wisconsin	Aa2	AA	AA
6	New York	Aa2	AA	AA
6	West Virginia	Aa2	AA	AA
7	Louisiana	Aa2	AA-	AA
8	Michigan	Aa2	AA-	AA-
12	Illinois	Aa3	A+	A
16	California	A1	A-	A-
States With Only An Issuer Credit Rating				
*	Arizona	Aa3	AA-	**
*	Colorado	Aa1	AA	**
*	Idaho	Aa1	AA	AA (Lease)
*	Indiana	Aaa	AAA	AA+ (Lease)
*	Iowa	Aaa	AAA	AAA (Implied GO)
*	Kansas	Aa1	AA+	AA (Lease)
*	Kentucky	Aa1	AA-	AA- (Lease)
*	Nebraska	**	AA+	**
*	North Dakota	Aa1	AA+	**
*	South Dakota	**	AA	AA (Lease)
*	Wyoming	**	AA+	**

* Issuer Credit Rating. No GO debt outstanding.
** Not rated
Sources: Moody's Investors Service, Standard & Poor's, and Fitch Ratings.

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

Recent Credit Rating Agency Reports on Texas' General Obligation Debt

S&P's outlook for the state's rating remains stable. In its August 2009 report, "Texas; General Obligation," S&P stated that Texas' rating upgrade was "based on the state's continued economic diversification, and our expectation that the state officials and policymakers will remain committed to the maintenance of an adequate level of reserves in the Economic Stabilization Fund." S&P also states that "the stable outlook reflects the expectation that the Texas Legislature's recent fiscal priorities will continue and that the state's officials will remain committed to the maintenance of healthy reserves despite ongoing budget challenges and the potential for a sluggish economic recovery and reduced revenue collections. Without the flexibility provided by a significant increase in financial reserve levels, supported by a structurally sound budget, an upgrade is not expected." S&P's latest action on Texas' GO rating was an upgrade from AA to AA+ in August 2009.

Moody's outlook for Texas' rating is stable. In its June 2010 report, "State of Texas," Moody's stated that "the rating reflects a state economy with strong fundamentals that lagged other states entering the downturn and that is expected to emerge from the recession earlier and stronger than the nation; a notably large rainy day fund that is still available to help the state close budget gaps; low but rising debt levels; and a sizable structural budgetary imbalance that results partly from near-term reliance on federal stimulus funds and from the costs of state-funded property tax relief, that will challenge the state's finances in a lower revenue environment." Moody's latest action on Texas' GO rating was to affirm its stable outlook in June 2010.

Fitch's outlook for Texas' rating is also stable. In its August 2010 report, "Fitch Rates State of Texas Veterans Bonds Ser 2010C AAA/F1+," Fitch stated that the state's rating "reflects the state's low debt, conservative financial operations and an economy that has expanded and diversified, despite recessionary conditions. However, education funding reform and large transportation needs are cited as financial pressures." Fitch's latest action on Texas' GO rating was to affirm its stable outlook in August 2010.

Table 1 3
CHANGES IN STATE BOND RATINGS
September 2009 to August 2010

State	Moody's	Standard & Poor's	Fitch
Upward Shifts	-	-	-
Alabama	Aa2 to Aa1	-	AA to AA+
Alaska	Aa2 to Aa1	-	AA to AA+
Arkansas	Aa2 to Aa1	-	-
California	Baa1 to A1	-	BBB to A-
Connecticut	Aa3 to Aa2	-	-
Florida	-	-	AA+ to AAA
Hawaii	Aa2 to Aa1	-	AA to AA+
Idaho*	Aa2 to Aa1	-	AA- to AA
Illinois	A1 to Aa3	-	-
Indiana*	Aa1 to Aaa	-	AA to AA+
Iowa*	Aa1 to Aaa	-	AA+ to AAA
Kansas*	-	-	AA- to AA
Kentucky*	Aa2 to Aa1	-	-
Louisiana	A1 to Aa2	A+ to AA-**	A+ to AA
Maine	Aa3 to Aa2	-	AA to AA+
Massachusetts	Aa2 to Aa1	-	AA to AA+
Michigan	Aa3 to Aa2	-	A+ to AA-
Mississippi	Aa3 to Aa2	-	AA to AA+
Montana	Aa2 to Aa1	-	AA to AA+
Nevada	Aa2 to Aa1	-	-
New Hampshire	Aa2 to Aa1	-	AA to AA+
New Jersey	Aa3 to Aa2	-	AA- to AA
New Mexico	Aa1 to Aaa	-	-
New York	Aa3 to Aa2	-	AA- to AA
North Dakota*	Aa2 to Aa1	-	-
Ohio	Aa2 to Aa1	-	AA to AA+
Oklahoma	Aa3 to Aa2	-	AA to AA+
Oregon	Aa2 to Aa1	-	AA to AA+
Pennsylvania	Aa2 to Aa1	-	AA to AA+
Rhode Island	Aa3 to Aa2	-	AA- to AA
South Dakota*	-	-	AA- to AA
Tennessee	Aa1 to Aaa	-	AA+ to AAA
Texas	Aa1 to Aaa	-	AA+ to AAA
Vermont	-	-	AA+ to AAA
Washington	-	-	AA to AA+
West Virginia	Aa3 to Aa2	AA- to AA**	AA- to AA
Wisconsin	Aa3 to Aa2	-	AA- to AA
Downward Shifts	-	-	-
Arizona*	Aa2 to Aa3***	AA to AA-***	-
California	-	A to A-***	-
Illinois	-	AA- to A+***	-

* Issuer Credit Rating. No GO debt outstanding.
** Upgrade
*** Downgrade
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 and technology has broadened the state's sources of revenue.

The sometimes overlapping conclusions reached by all three rating agencies reflect their collective judgment that several challenges may arise if Texas is faced with a low revenue environment. Among the most prominent and commonly cited of these problems are: (1) the state's heavy dependence on the sales tax without support from a state income tax; (2) unresolved issues related to public school funding; and (3) continued rapid population growth that will necessitate budget increases for operating costs as well as increases in capital expenditures for growing infrastructure needs.

Table 1.4

SELECTED TAX-SUPPORTED DEBT MEASURES BY STATE

State	Moody's Rating	Net Tax-Supported Debt as a % of 2008 Personal Income	Rank	Net Tax-Supported Debt Per Capita	Rank
Hawaii	Aa1	9.9%	1	$3,996	3
Massachusetts	Aa1	9.2%	2	4,606	2
Connecticut	Aa2	8.7%	3	4,859	1
New Jersey	Aa2	7.2%	4	3,669	4
New York	Aa2	6.5%	5	3,135	5
Delaware	Aaa	6.2%	6	2,489	6
California	A1	5.6%	7	2,362	7
Kentucky	Aa1*	5.4%	8	1,685	13
Washington	Aa1	5.3%	9	2,226	8
Oregon	Aa1	5.2%	10	1,859	10
Rhode Island	Aa2	5.2%	11	2,127	9
Mississippi	Aa2	5.0%	12	1,478	15
Wisconsin	Aa2	4.6%	13	1,720	12
Illinois	Aa3	4.4%	14	1,856	11
New Mexico	Aaa	4.4%	15	1,398	16
Louisiana	Aa2	3.6%	16	1,271	18
West Virginia	Aa2	3.5%	17	1,079	22
Maryland	Aaa	3.4%	18	1,608	14
Georgia	Aaa	3.2%	19	1,120	21
Alaska	Aa1	3.2%	20	1,345	17
Utah	Aaa	3.2%	21	957	24
Kansas	Aa1*	3.0%	22	1,140	19
Florida	Aa1	2.9%	23	1,123	20
South Carolina	Aaa	2.9%	24	917	28
Ohio	Aa1	2.6%	25	933	26
Alabama	Aa1	2.4%	26	796	30
Minnesota	Aa1	2.4%	27	1,037	23
Pennsylvania	Aa1	2.4%	28	938	25
Arizona	Aa2	2.3%	29	736	35
Nevada	Aa1	2.3%	30	925	27
North Carolina	Aaa	2.3%	31	765	32
Maine	Aa2	2.2%	32	760	33
Missouri	Aaa	2.2%	33	780	31
Michigan	Aa2	2.1%	34	748	34
Virginia	Aaa	2.1%	35	895	29
Vermont	Aaa	1.8%	36	709	36
Idaho	Aa1*	1.7%	37	538	39
New Hampshire	Aa1	1.6%	38	665	37
Oklahoma	Aa2	1.6%	39	570	38
Indiana	Aaa*	1.5%	40	492	41
Texas	**Aaa**	**1.4%**	**41**	**520**	**40**
Montana	Aa1	1.1%	42	358	43
Arkansas	Aa1	1.0%	43	312	46
Colorado	Aa1*	1.0%	44	400	42
Tennessee	Aaa	0.9%	45	318	45
North Dakota	Aa1*	0.8%	46	327	44
South Dakota	NGO**	0.4%	47	135	47
Iowa	Aaa*	0.2%	48	73	49
Wyoming	NGO**	0.2%	49	77	48
Nebraska	NGO**	0.0%	50	15	50
Mean		3.2%		$1,297	
Median		2.5%		$936	
Puerto Rico***	A3***	75.7%		$10,167	

* 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, *2010 State Debt Medians*.

Table 1.5

SELECTED DEBT MEASURES FOR TEXAS AND STATES RATED AAA

State	Rating*	Net Tax-Supported Debt as a % of 2008 Personal Income	Rank	Net Tax-Supported Debt Per Capita	Rank	2008 Personal Income Per Capita
Delaware	AAA	6.2%	6	$2,489	6	$40,806
Maryland	AAA	3.4%	18	$1,608	14	$48,410
Georgia	AAA	3.2%	19	$1,120	21	$35,217
Utah	AAA	3.2%	21	$957	24	$32,596
North Carolina	AAA	2.3%	31	$765	32	$35,533
Missouri	AAA	2.2%	33	$780	31	$36,766
Virginia	AAA	2.1%	35	$895	29	$44,756
TEXAS	Aaa/AA+/AAA	1.4%	41	$520	40	$39,806
Median of AAA States**		**3.2%**		**$957**		**$36,766**
Mean of AAA States**		**3.2%**		**$1,231**		**$39,155**

* 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, *2010 State Debt Medians;* Bureau of Economic Analysis, State Bear Facts

Many States Receive a Rating Change

During fiscal 2010 Moody's and Fitch recalibrated upward many credit ratings to align with their global rating scales. Louisiana and West Virginia were the only states to receive a rating upgrade by S&P in fiscal 2010. Arizona received a rating downgrade by both Moody's and S&P while California and Illinois received rating downgrades from S&P only *(Table 1.3)*. Moody's does not carry a rating for Nebraska, South Dakota and Wyoming as these states have no GO debt outstanding. Similarly, Fitch does not rate Arkansas, New Mexico, Arizona, Colorado, Nebraska, North Dakota and Wyoming.

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

According to Moody's *2010 State Debt Medians (Table 1.4),* Texas ranked 40th among all states in net tax-supported debt per capita, down from 37th in the prior year. According to the report, Texas expended $520 in net tax-supported debt per capita compared to the national median and mean of $936 and $1,297, respectively.

Table 1.6

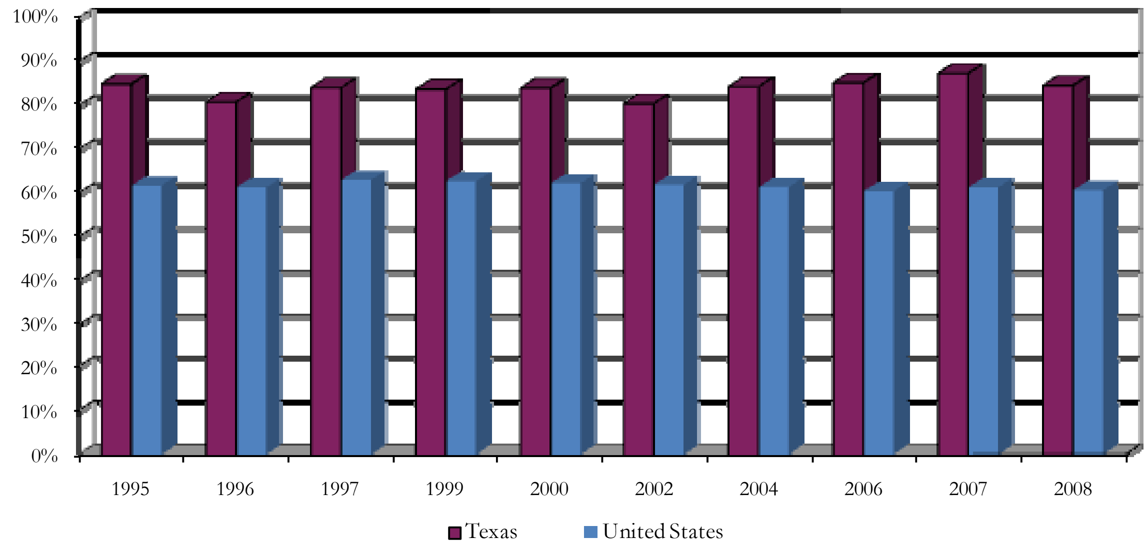
TOTAL STATE AND LOCAL DEBT OUTSTANDING: TEN MOST POPULOUS STATES

	Total State and Local Debt				State Debt				Local Debt			
State	Population (thousands)	Capita Rank	Amount (millions)	Per Capita Amount	Capita Rank	Amount (millions)	Total Debt	Capita Amount	Capita Rank	Amount (millions)	Total Debt	Capita Amount
New York	19,490	1	$269,742	$13,840	1	$114,240	42.4%	$5,861	1	$155,502	57.6%	$7,979
Illinois	12,902	2	124,163	9,624	2	58,437	47.1%	4,529	6	65,726	52.9%	5,094
Pennsylvania	12,448	3	118,611	9,529	4	40,100	33.8%	3,221	3	78,511	66.2%	6,307
California	36,757	4	341,094	9,280	3	121,930	35.7%	3,317	4	219,164	64.3%	5,963
Texas	**24,327**	**5**	**215,877**	**8,874**	**9**	**33,299**	**15.4%**	**1,369**	**2**	**182,578**	**84.6%**	**7,505**
Florida	18,328	6	142,129	7,755	7	42,321	29.8%	2,309	5	99,808	70.2%	5,446
Michigan	10,003	7	75,247	7,522	5	29,065	38.6%	2,906	7	46,182	61.4%	4,617
Ohio	11,486	8	68,658	5,978	6	26,885	39.2%	2,341	9	41,773	60.8%	3,637
North Carolir	9,222	9	51,202	5,552	8	19,605	38.3%	2,126	10	31,597	61.7%	3,426
Georgia	9,686	10	50,561	5,220	10	13,072	25.9%	1,350	8	37,489	74.1%	3,870
MEAN			**$145,728**	**$8,317**		**$49,895**	**34.6%**	**$2,933**		**$95,833**	**65.4%**	**$5,384**

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: 2007-2008,* 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 2007-2008,* the most recent data available.

Texas net tax-supported debt per capita ranked lower than that of the seven AAA-rated states *(Table 1.5)*. By comparison, AAA-rated Delaware had the highest debt per capita at $2,489. Additionally, Texas' 2008 personal income per capita of $39,806 is above that of four AAA states: Georgia, Missouri, North Carolina and Utah.

Texas' net tax-supported debt as a percent of calendar 2008 personal income was 1.4%, 41st among all the states and below the national median and mean of 2.5% and 3.2%, respectively *(Table 1.4)*. Compared to the seven states rated AAA by all three major rating agencies, Texas' ranked lowest while the median and mean of the seven states were both 3.2% *(Table 1.5)*.

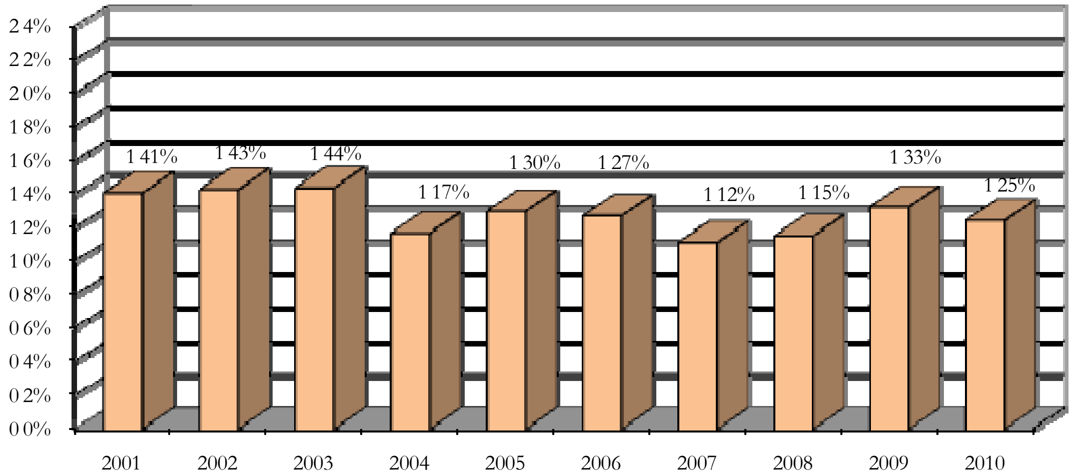
The most recent U.S. Census Bureau data for state and local debt outstanding show that for calendar 2007-2008, Texas was the nation's 2nd most populous state and ranked 2nd among the ten most populous states in terms of Local Debt Per Capita but 9th in State Debt Per Capita and 5th in Total State and Local Debt Per Capita *(Table 1.6)*. In 2008, 84.6% 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 increasing 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

General obligation debt pledges "the full faith and credit of the state" to back the payment of the debt. In the event that program or project revenue is insufficient to pay debt service on self-supporting debt, the first monies coming into the state treasury not otherwise constitutionally appropriated shall be used to pay the debt service. Some general

Figure 1.3
ANNUAL NOT SELF-SUPPORTING DEBT SERVICE AS A PERCENTAGE OF UNRESTRICTED GENERAL REVENUE



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

obligation debt, such as that issued by the Texas Veterans' Land Board is self-supporting, and 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 is 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 2001, the total of not self-supporting state debt payable from general revenue was $3.27 billion. At the end of fiscal 2010, $3.10 billion of such debt was outstanding, a decrease of 5.4% since fiscal 2001 and an increase (0.6%) from the $3.07 billion outstanding in fiscal 2009. 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 2010.

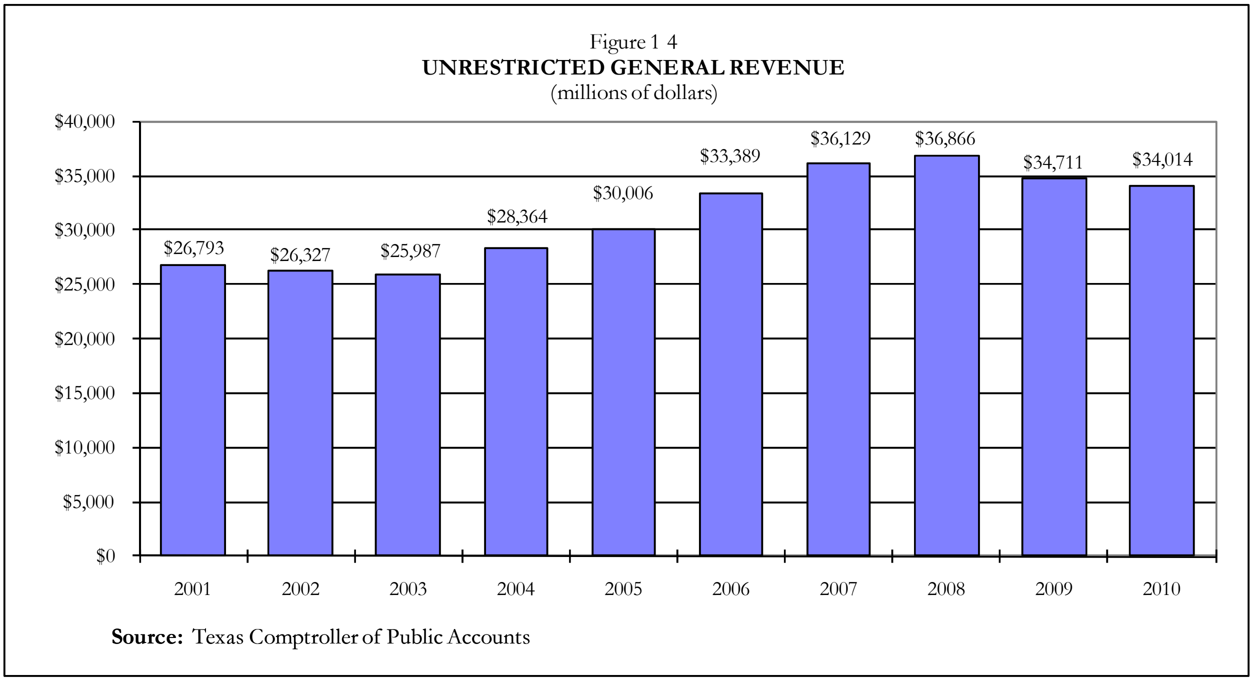
Annual debt service as a percent of unrestricted general revenue decreased from 1.33% in fiscal year 2009 to 1.25% in fiscal year 2010 *(Figure 1.3)*. Funds accessible to make debt-service payments decreased 2.0% in fiscal 2010 to $34.01 billion from $34.71 billion in fiscal 2009 *(Figure 1.4)*. Unrestricted general revenue is generally 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 9.5% from approximately $16.87 billion at the end of fiscal 2009 to approximately $15.27 billion at the end of fiscal 2010. Of the $15.27 billion, approximately $12.14 billion is general obligation debt while $3.14 billion is non-general obligation debt. Approximately $9.53 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

In 1997 the 75th Legislature passed and voters approved HJR 59 that added Section 49-j to



Article III of the Texas Constitution. This amendment 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, 2010 Texas' constitutional debt limit remained below the maximum of 5% with 1.36% calculated for debt outstanding and 4.10% calculated including authorized but unissued debt. These figures represent an increase of 11.5% from fiscal 2009's 1.22% for debt outstanding while the 4.10% calculated including authorized but unissued debt increased by 0.5%. 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.

HB 2190 passed in 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.

SB 1332 passed in the 80th Legislature amended the agency's statutes to require the BRB to adopt a state policy related to the risks and effects of derivative agreements. In fiscal 2008 the BRB engaged a professional swap advisor to assist with the development of the policy and to assist staff with the development of procedures to analyze derivative agreements. This policy is available on the agency's website.

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). The legislation specifies that all state agencies and higher education institutions appropriated funds by the General Appropriations Act (GAA) 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) renovations of buildings and other facilities estimated to exceed $1 million for a single state agency or institution of higher education; and (4) major information resources projects estimated to exceed $1 million. In previous reports, the BRB requested that all planned expenditures exceeding $250,000 must be reported, but the threshold was adjusted to $1 million in 2006 for future reports.

From a budgetary and capital planning standpoint, a number of state agencies work together to coordinate the budgetary and capital reporting and approval process for state agencies. They include the Governor's Office of Budget, Planning & Policy (GOBPP), the Legislative Budget Board (LBB), the Texas Higher Education Coordinating Board, the Texas Facilities Commission, the Comptroller of Public Accounts, House Committee on Appropriations (HAC) and Senate Finance Committee (SFC).

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 provided to the GOBPP and the LBB to develop recommendations for appropriations to the legislature.

The GOBPP and LBB also assess short-term and long-term budget needs. Through HAC and SFC, the legislature makes the final decisions on projects to be funded for the two-year biennial period. Approved capital and operating budgets are integrated into the GAA that authorizes specific debt issuance for capital projects.

Through the capital budgeting process, capital projects are approved for the two-year biennial period. Additionally, the CEP reports on the preceding year and the remaining two out years for identifying long-term needs of the state and for future planning purposes.

The 2012-2013 CEP was released September 1, 2010, pursuant to Senate Bill 1, Article IX, Section 11.02 of the 81st Legislature and covers the out years 2014-2015. This report represents the sixth published CEP for the state. The CEP is a 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 2012-2013 CEP is available on the agency's website.

The debt-issuance process has become more consolidated at the state level where nineteen agencies and higher education institutions have direct debt-issuing authority. The process remains highly fragmented at the local level where nearly 4,400 entities have debt-issuance authority.

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, LBB and the Texas Public Finance Authority prepared the state's first DAS, released in February 2007. With the passage of SB 1332 (80th Legislature), the BRB in conjunction with the LBB is responsible for subsequent editions of the DAS. The 2008, 2009 and 2010 DAS reports are available on the agency's website. The 2011 DAS will be released in February 2011.

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.

Nationwide Debt Issuance Rises as Texas Local Debt Issuance Slows

Nationwide, total municipal debt issuance has fluctuated since 2005. Debt issuance hit a record high of $429.88 billion in calendar year 2007 and declined to $389.63 billion in calendar 2008. Calendar 2009 had the second highest amount of debt issuance at $409.72 billon. National market statistics for fiscal 2010 (September 2009 – August 2010) show an increase in debt issuance of nearly 19% to approximately $413.21 billion.

Table 1.7

TEXAS LOCAL GOVERNMENTS

Total Debt Issued ($ billions)

Fiscal Year	Tax-Supported	Revenue	Total Debt
2005	$18.77	$6.08	$24.85
2006	12.69	5.62	18.31
2007	21.04	6.91	27.95
2008	16.85	11.77	28.62
2009	14.99	10.04	25.03
TOTAL	**$84.34**	**$40.42**	**$124.76**

Note: Commercial Paper not included

Source: Texas Bond Review Board.

Texas local governments experienced similar year-to-year fluctuations. During fiscal year 2009 debt issuance totaled $25.03 billion, a decrease of $3.59 billion (12.5%) compared to $28.62 billion issued during fiscal year 2008. Revenue bonds increased 65.1% ($3.96 billion) in the last fives years, due to the $3.95 billion transportation transactions that took place in fiscal years 2008 and 2009 (*Table 1.7*).

Since fiscal year 2005 new-money debt issued totaled $83.19 billion and refunding totals reached $49.22 billion. Cities, school districts and water districts comprised 82.1% of the new-money volume ($68.29 billion) and 75.2% of the refunding transaction volume ($37.02 billion).

Local debt refinancings reached their third highest volume at $10.30 billion in fiscal 2008, but significantly decreased to $7.74 billion in fiscal 2009. Over the past five fiscal years, most local governmental entities (88%) achieved both a cash and present value savings with these refundings. Some transactions provided 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. Overall during this five-year period, Texas local issuers achieved cash savings of $1.66 billion with a present value savings of $1.55 billion.

After the American Recovery and Reinvestment Act (ARRA) was signed into law in February 2009, a few Texas local governments issued tax credit bonds during fiscal year 2009. Seven issuers took advantage of the 35% subsidy and issued $2.61 billion in Build America Bonds (BABs), and two school districts benefited from interest-free borrowing by issuing $26.5 million in Qualified School Construction Bonds (QSCBs). These issuances increased significantly in fiscal year 2010 with nearly 90 local governments issuing either BABs or QSCBs.

During fiscal 2010 forty local government entities took advantage of the financing opportunities made available through the ARRA, and issued $4.27 billion in Build America Bonds that carry a 35% interest subsidy from the federal government. Also, 53 school districts issued $545.4 million in Qualified School Construction Bonds in order to obtain interest-free borrowing.

Majority of Local Debt Issuance Supports Educational Facilities and Equipment

During the five-year reporting period, 43.1% of Texas' local debt issuance was used to finance educational facilities and equipment including school buses. General-purpose debt continued to be the second highest use (18.1%), and water-related infrastructure needs was the third highest use (16.8%) for debt issuance by Texas' local governments. Water-related financings are likely understated because some issuers, especially cities borrow for multiple purposes, over half of which involve financings for water and transportation purposes. The fourth highest use for local debt issuance (9.9%) was to finance transportation needs including projects for roads, toll ways, bridges, parking facilities, airports, rapid transit and other public transportation needs including the acquisition of hybrid diesel electric buses.

For purposes of tracking the use of debt 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.

Texas Local Governments: $174.55 Billion of Outstanding Debt– a 46% Increase in Five Years

As of fiscal year-end 2009 Texas local governments had $174.55 billion in outstanding debt *(Table 1.8),* a 46.1% ($55.11 billion) increase since fiscal 2005. Approximately 61% ($106.22 billion) of that debt is general obligation debt to be repaid from local tax collections while the remaining 39% ($68.33 billion) will be repaid from revenues generated by various projects such as water and sewer and electric utility fees.

For the five fiscals years ending with 2009, tax-supported debt outstanding increased nearly 53% or $36.76 billion, and revenue debt outstanding increased nearly 37% or $18.36 billion.

The U.S. Census Bureau data for 2007-2008 showed that Texas continued to be ranked 2nd among the ten most populous states in terms of Local Debt Per Capita, 5th in Total State and Local Debt Per Capita, but the state moved to 9th in State Debt Per Capita.

Tax-Supported Debt Rises Significantly in Five Years

As of fiscal-year end 2009, tax-supported debt totaled $106.22 billion, over 55% of which is carried by Texas school districts. This represents a 52.9% ($36.76 billion) increase since 2005 *(Figure 1.5).*

During the five-year period Texas public school attendance increased by approximately 6.4% (259,727 students), while school district tax-supported debt increased 54.6% ($20.77 billion) to $58.84 billion. School district debt is primarily used to finance instructional

Table 1.8 **TEXAS LOCAL GOVERNMENTS** **Debt Outstanding Summary** **As of August 31, 2009** **(most recent data available)**			
Type of Issuer	**Tax-Supported**	**Revenue**	**Total Debt**
Cities, Towns, Villages			**$ 58,448,454,172**
Tax	24,576,950,610		
Revenue		33,552,253,563	
Sales Tax		289,405,000	
Conduit revenue		13,975,000	
Lease-purchase contracts (jail facilities only)		15,870,000	
Community and Junior Colleges			**3,684,905,363**
Tax	2,551,581,747		
Revenue		882,004,102	
Lease-purchase contracts (ed. facilities)		251,319,514	
Counties			**11,925,289,193**
Tax	9,204,643,153		
Revenue		2,078,702,100	
Conduit revenue		-	
Lease-purchase contracts (jail facilities only)		641,943,940	
Health / Hospital Districts			**2,463,625,697**
Tax	1,059,893,000		
Sales Tax	25,661,000		
Revenue		1,369,301,697	
Conduit revenue		8,770,000	
Public School Districts			**58,837,260,997**
Voter-approved tax (ed. facilities)	58,010,078,820		
Maintenance tax (ed. equipment)	522,036,996		
Lease-purchase contracts (ed. facilities)	303,115,181		
Revenue (athletic facilities)		2,030,000	
Water Districts and Authorities			**27,121,532,149**
Tax	9,849,025,106		
Revenue		8,384,462,043	
Conduit revenue		8,888,045,000	
Other Special Districts and Authorities (Road, power, housing)			**12,070,323,969**
Tax	117,643,000		
Sales Tax		3,094,310,000	
Revenue		8,776,550,969	
Lease-purchase contracts (ed. facilities)		81,820,000	
TOTAL LOCAL DEBT OUTSTANDING	**$ 106,220,628,613**	**$ 68,330,762,927**	**$ 174,551,391,540**

*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).

facilities while only a handful of school districts carry revenue debt for constructing, improving and equipping athletic/stadium facilities.

Over the five year period debt carried by Texas cities, towns and villages had increased by 45.8% to $24.58 billion and accounted for nearly 34% of all local government debt. Tax-supported debt for water districts including navigation and port districts, river authorities, municipal utility districts (MUDs) and municipal water authorities, experienced a 47.7% rise with $9.85 billion recorded at fiscal-year end 2009. During the same period, county tax-supported debt increased by 45.1% to $9.20 billion.

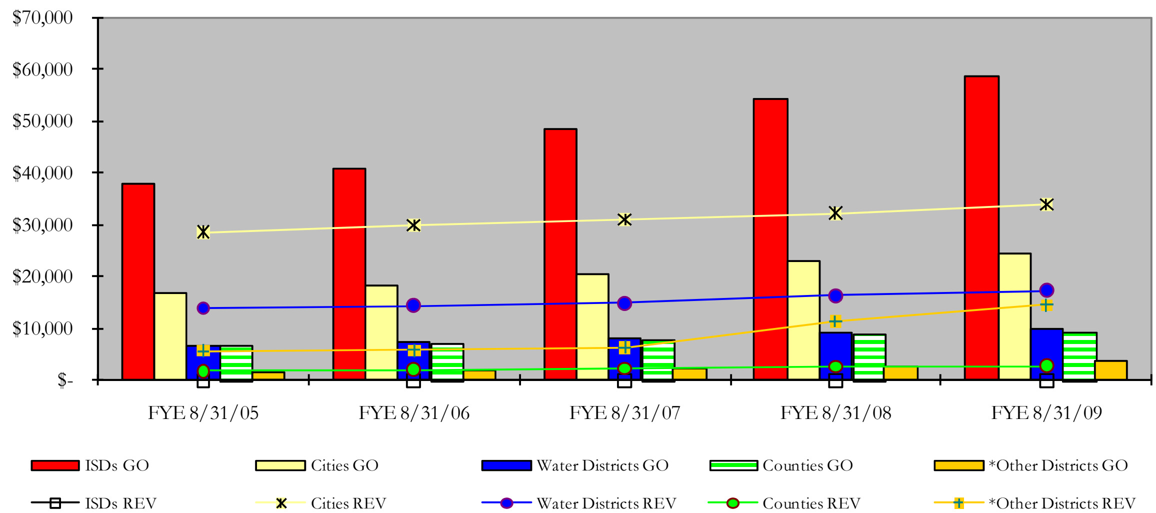
During the five fiscal years community/junior college student enrollment increased by 12.8%

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

(72,749) to 640,488 for the 50 college districts in Texas. To support the increased enrollment, tax-supported outstanding debt for community/junior college districts increased by 112.3% from $1.20 billion to $2.55 billion. During the same time, community/junior college revenue debt rose by 51.5% to $1.13 billion. The increased enrollment was the result of an increasing number of students choosing to attend community/junior colleges for their first two years of higher education as costs rose at major universities. Enrollment also increased as a result of the economic recession that required displaced workers to improve job skills.

Tax-supported debt for health/hospital districts increased by 382% during the period to $1.09 billion. This significant increase was due to Bexar County Hospital District (University Health System) issuing $572.6 million in fiscal year 2009 to construct and improve its hospital buildings. Population increases along with the increasing health care needs of aging baby boomers (ages 46-64) also contributed to increased debt issuance. In addition, aging healthcare facilities continue to be renovated or replaced to accommodate advances in medical technology, energy efficiency and comply with new fire and building codes.

Revenue Debt Rises 37% in Five Years

At the end of fiscal year 2009, revenue debt totaled $102.20 billion, nearly 33% of which is carried by Texas cities. This represents a 36.7% ($18.36 billion) increase in such debt since 2005 *(Figure 1.5)*.

Since 2005 city revenue debt increased by 18.6% ($5.32 billion) to $33.87 billion. The rate of increase is slowly rising reflecting the need to keep pace with infrastructure projects spurred by an 8.2% (1.8 million) increase in Texas' population during this time period. Urban areas have experienced particularly rapid growth that has created new infrastructure needs including roads and construction for new and expanded water and sewer systems. The majority of city revenue debt has been used to finance utility-related projects including water, wastewater and in some localities, electric utility systems.

County revenue debt increased by 49.2% in the five-year period. As of fiscal year-end 2009 counties had $2.72 billion in revenue debt outstanding, 69% ($1.89 billion) of which was carried in Harris County for toll road projects.

Revenue debt for special districts showed a noteworthy 215.3% ($8.16 billion) increase since 2005. This increase was largely due to North Texas Tollway Authority's issuances totaling $6.53 billion between fiscal years 2008 and 2009 in order to refund previous debt issues, defease Bond Anticipation Notes and extend toll roads. Dallas Area Rapid Transit contributed to the increase by issuing a total of $2.50 billion to improve and expand the public transportation system in Dallas during the five-year period. As of August 31, 2009 special districts had $11.95 billion in revenue debt outstanding. Special districts include road districts, power agencies, government housing authorities, transit authorities and the newly formed regional mobility authorities.

Texas Bond Review Board and Local Government Debt

The Texas Bond Review Board (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 debt 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 2010, approximately 4,400 different users of the BRB's website downloaded over 16,700 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 2010

Debt issued by Texas state agencies and universities during fiscal 2010 increased to an aggregate total of $6.64 billion compared to $4.79 billion issued in fiscal 2009. The fiscal 2010 issues included $5.26 billion in new-money and $1.39 billion in refunding bonds (Table 2.1). *Other debt issued included $1.08 billion of commercial paper and variable-rate notes. Detail on bond transactions can be found in Appendix A and detail on commercial paper and variable-rate notes can be found in Appendix B. In fiscal 2010 the Bond Review Board also approved $12.2 million for lease purchases by Texas state issuers* (Table 2.2).

New-Money Funding Increases in FY 2010

New-money bonds issued to provide financing for infrastructure, housing and loan programs by Texas state agencies and institutions of higher education during fiscal 2010 totaled $5.26 billion, an increase of approximately $1.27 billion (31.8%) compared to $3.99 billion issued during fiscal 2009 *(Figure 2.1).*

For fiscal 2010 the Texas Transportation Commission (TTC), the governing body of the Texas Department of Transportation (TxDOT) and the Private Activity Bond Surface Transportation (PABST) Corporation accounted for 47.9% of the new-money bonds issued in fiscal 2010. TTC issued $1.50 billion (28.5%) and PABST Corporation accounted for $1.02 billion (19.3%) of the total new-money bonds.

PABST Corporation was created on October 30, 2008 by TxDOT to assist TTC in fulfilling the purposes of Chapter 431 of the Texas Transportation Code, including promoting and developing transportation facilities and systems by new and alternative means, reducing burdens and demands on the limited funds available to the TTC and increasing the

Table 2.1
TEXAS BONDS ISSUED DURING FISCAL 2010
SUMMARIZED BY ISSUER

ISSUER	REFUNDING BONDS	NEW-MONEY BONDS	TOTAL BONDS ISSUED
Private Activity Bond Surface Transportation Corp.	$ -	$ 1,015,000,000	$ 1,015,000,000
Texas Department of Housing & Community Affairs	-	300,000,000	300,000,000
Texas Higher Education Coordinating Board	51,865,000	113,580,000	165,445,000
Texas Public Finance Authority	156,465,000	222,225,000	378,690,000
Texas Public Finance Authority Charter School Finance Corp.	-	111,330,000	111,330,000
Texas State Technical College System	-	31,555,000	31,555,000
Texas State Affordable Housing Corporation	-	73,640,000	73,640,000
Texas State University System	99,950,000	65,735,000	165,685,000
Texas Transportation Commission	-	1,500,000,000	1,500,000,000
Texas Veterans Land Board	149,515,000	199,990,000	349,505,000
Texas Water Development Board	-	331,715,000	331,715,000
Texas Woman's University	-	14,980,000	14,980,000
The Texas A&M University System	79,220,000	536,965,000	616,185,000
The University of Texas System	737,220,000	495,820,000	1,233,040,000
University of Houston System	38,100,000	83,435,000	121,535,000
University of North Texas System	73,425,000	159,310,000	232,735,000
Total Texas Bonds Issued	**$ 1,385,760,000**	**$ 5,255,280,000**	**$ 6,641,040,000**

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

effectiveness and efficiency of the TTC. The PABST Corporation acts as a conduit issuer on behalf of the borrower for the bond transaction. The conduit issuer has no financial obligation to the security because the financing is backed by the borrower's credit or funds.

Build America Bonds for FY 2010

In fiscal 2009 the American Recovery and Reinvestment Act of 2009 (ARRA) created Build America Bonds (BABs) which could be issued as Tax Credit BABs or 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. Authority to issue either type of BABs expires on December 31, 2010.

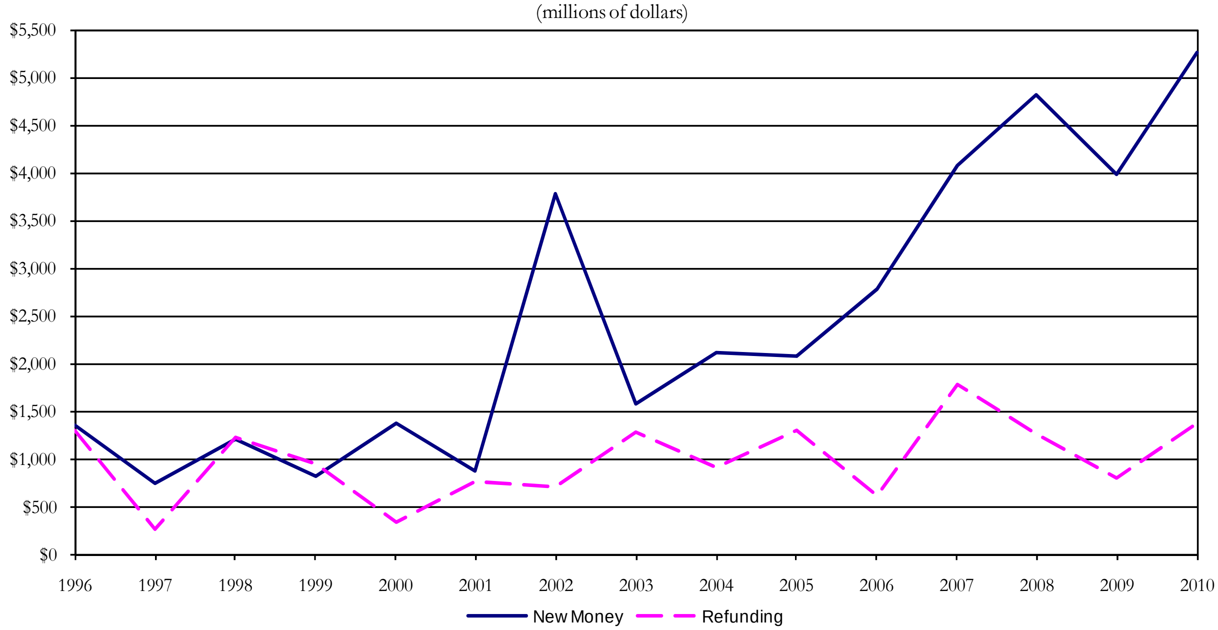
Of the $6.64 billion in bonds issued during fiscal 2010, $2.10 billion (31.6%) were issued as Direct-Payment BABs of which $1.74 billion were new-money bonds and $351.8 million were refunding bonds. Of the $1.74 billion new-money bonds, TTC issued $1.50 billion, The University of Texas System (UTS) issued $164.4 million and the remaining $79.9 million was issued by the University of Houston System (UHS). The UTS also issued $351.8 million in refunding bonds. No state issuers issued Tax Credit BABs during fiscal 2010.

Uses of New Money for FY 2010

The TTC accounted for $1.50 billion (28.5%) of the total new-money bonds issued in fiscal 2010, all of which were issued as Direct-Payment BABs for the State Highway Fund to pay for transportation projects including the costs to construct, reconstruct, expand, acquire and maintain state highways.

PABST Corporation accounted for $1.02 billion (19.3%) in new-money bonds issued in fiscal 2010. The proceeds of the bonds were loaned to LBJ Infrastructure Group LLC and NTE Mobility Partners LLC to finance costs and construction of the IH-635 Managed Lanes Project located in Dallas County and the North Tarrant Express Facility in Tarrant

Figure 2 1
TEXAS NEW MONEY AND REFUNDING BOND ISSUES 1996 - 2010
(millions of dollars)



Source: Texas Bond Review Board - Bond Finance Office.

County and to pay certain costs of issuance of the bonds.

The Texas A&M University System (TAMUS) accounted for $537.0 million (10.3%) in new-money bonds issued in fiscal 2010 to finance improvements on various campuses.

The University of Texas System (UTS) accounted for $495.8 million (9.4%) in new-money bonds issued in fiscal 2010 to finance improvements on various campuses. Of that amount $164.4 million were issued as Direct-Payment BABs.

Texas Water Development Board (TWDB) issued $331.7 million (6.3%) in new-money bonds in fiscal 2010: $244.6 million for its Water Infrastructure Fund (WIF), a financial assistance program for the planning, design and construction of projects under the State Water Plan; $20.3 million 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; $42.3 million for its State Participation Fund (SP), a financial program to facilitate the construction of optimally-sized regional water supply, wastewater, or flood control projects; and $24.5 million to support TWDB's Economically Distressed Areas Program Fund (EDAP) which provides financial assistance programs for water and wastewater service to economically distressed areas.

The Texas Department of Housing and Community Affairs (TDHCA) issued $300.0 million (5.7%) in new-money debt in fiscal 2010 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. No multifamily bonds were issued.

The Texas Public Finance Authority (TPFA) issued $222.2 million (4.2%) in new-money bonds in fiscal 2010, of which $180.5 million was issued as General Obligation (GO) bonds to finance projects authorized under Texas Constitution, Article III, Sections 50-f and 50-g. TPFA also issued $35.1 million and $6.7 million in Revenue Financing System (RFS) bonds on behalf of Stephen F. Austin State University (SFA) and Midwestern State University (MSU), respectively.

The Texas Veterans Land Board (VLB) issued $200.0 million (3.8%) of new-money bonds during fiscal 2010 to make housing and home improvement loans to eligible Texas veterans and certain surviving spouses.

The Texas Higher Education Coordinating Board (THECB) issued $113.6 million (2.2%) in new-money bonds for its GO College Student Loan Program during fiscal 2010.

TPFA Charter School Finance Corporation (TPFA CSFC) issued $111.3 million (2.1%) in new-money bonds to fund diverse projects on three charter school campuses: Nova Academy, Cosmos Foundation, Inc. and Odyssey Academy, Inc.

In fiscal 2010, Texas State Affordable Housing Corporation (TSAHC) issued $73.6 million (1.4%) in new-money debt for its single-family mortgage revenue programs. No multifamily bonds were issued in fiscal 2010.

The remaining $355.0 million (6.76%) of new-money bonds in fiscal 2010 were issued for institutions of higher education. University of North Texas System (UNTS) issued $159.3 million; University of Houston System (UHS) issued $83.4 million; Texas State University System (TSUS) issued $65.7 million; Texas State Technical College System (TSTCS) issued $31.6 million and Texas Woman's University (TWU) issued $15.0 million. These issues were used to fund property and facility improvements.

Refunding Amounts Increase in FY 2010

State agencies and universities issued $1.39 billion in refunding bonds in fiscal 2010, an increase of 73.4% ($586.5 million) from the $799.3 million issued in fiscal 2009. The refunding bonds comprised 20.9% of the total debt issued in fiscal 2010 compared to 16.7% of the total bonds issued in fiscal 2009.

The UTS accounted for $737.2 million (53.2%) of refunding debt to fix out a portion of the Revenue Financing System (RFS) Commercial Paper (CP) Notes, Series A and refund outstanding RFS Bonds, Series 2006B, D and F.

TPFA issued $156.5 million (11.3%) of refunding debt to fix out CP outstanding under TPFA's CP Programs and refund its GO Refunding Bonds, Series 2002 and Series 2003 as well as $3.4 million of RFS Revenue Bonds, Series 1998 for Stephen F. Austin State University.

VLB issued $149.5 million (10.8%) to refund outstanding State of Texas Veterans' Housing Assistance Program Fund II Bonds, Series 1999A-1, 1999B and 2000C.

TSUS issued $100.0 million (7.2%) to refund its outstanding RFS Revenue Bonds, Series 2001, 2002 and 2003.

The TAMUS issued $79.2 million (5.7%) to refund its outstanding RFS Bonds, Series 2002, 2003A and 2003B.

UNTS issued $73.4 million (5.3%) to refund its outstanding RFS Refunding and Improvement Bonds, Series 1999A and Series 2001, its RFS Bonds, Series 2001, 2002, 2002A and its Consolidated University Revenue Bonds, Series 1994.

THECB issued $51.9 million (3.7%) to refund its State of Texas College Student Loan Bonds, Series 1997 and 2000.

Lastly, the UHS issued $38.1 million (2.7%) to fix out its Consolidated Revenue CP Notes, Sub-Series A-1 and Sub-Series A-2 (Taxable).

Interim Financing Decreases in FY 2010

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 $1.08 billion in fiscal 2010, a 22.5% ($314.0 million) decrease from the $1.39 billion issued in fiscal 2009 *(Table B1, Appendix B)*.

The University of Texas System (UTS) issued $213.0 million in RFS CP, $260.0 million in Permanent University Fund (PUF) CP, and no PUF flexible-rate notes in fiscal 2010. At fiscal year-end, the UTS had $294.6 million of RFS CP and $260.0 million in PUF CP notes outstanding.

TPFA issued $8.0 million in revenue CP and $404.5 million in GO CP during fiscal 2010 and had $97.6 million and $226.5 million, respectively outstanding at fiscal year-end. Of the $404.5 million in GO CP issued, $225.0 million was issued for the Cancer Prevention and Research Institute of Texas (CPRIT) and remained outstanding at fiscal year end.

In the November 2007 general election, voters approved Proposition 15 – HJR 90 authorizing the state to establish 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.

Texas Transportation Commission (TTC), the governing body of TxDOT, issued $60.0 million in CP in fiscal 2010 and had $65.0 million outstanding at fiscal year-end.

The TAMUS issued $50.0 million in PUF CP and no RFS CP or PUF flexible-rate notes in fiscal 2010. At fiscal year-end, TAMUS had $7.5 million in RFS CP, $50.0 million in PUF CP and no PUF flexible-rate notes outstanding.

Texas Tech University System (TTUS) issued $32.2 million in RFS CP in fiscal 2010 and had $63.6 million outstanding at fiscal year-end.

University of North Texas System (UNTS) issued $25.0 million in RFS CP in fiscal 2010 and had $7.4 million outstanding at fiscal year-end.

University of Houston System (UHS) issued $17.0 million in RFS CP in fiscal 2010 and had $10.0 million outstanding at fiscal year-end.

Texas Economic Development and Tourism Office issued $11.5 million in CP during fiscal 2010 and had $11.5 million outstanding at fiscal year-end.

The Texas Department of Agriculture did not issue CP in fiscal 2010 but had $9.0 million of Texas Agricultural Finance Authority (TAFA) CP outstanding at fiscal year-end.

TDHCA did not issue CP during fiscal 2010 and had no CP outstanding at fiscal year-end.

Additional information about individual CP and VRN programs is included in Appendix B.

Lease Purchases Increase Slightly

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 $12.2 million for three lease-purchase transactions during fiscal 2010 *(Table 2.2)* compared to approximately $12.0 million for five lease purchases in fiscal 2009.

The Texas State Comptroller of Public Accounts (Comptroller) entered into a lease purchase for $8.0 million for software licenses to be held by the Comptroller for the benefit of 143 authorized state agencies including Health and Human Services Commission, TxDOT and Department of Information Resources.

TPFA on behalf of the Department of Aging and Disability Services received approval for the lease purchase of approximately 98 new passenger vehicles to support its community inclusion programs and the replacement of approximately 28 obsolete passenger and client service vehicles totaling $2.5 million.

Texas State Technical College System (TSTCS) also received approval for the purchase of a warehouse building totaling $1.7 million.

Table 2.2
LEASE-PURCHASE AGREEMENTS
APPROVED BY THE BOND REVIEW BOARD IN FY 2010

Agency (Lessor)	**Project Type**	**Amount**
Texas State Comptroller of Public Accounts (Oracle)	Software Licenses	$8,000,000
Department of Aging and Disability Services (TPFA)	Vehicles	2,494,412
Texas State Technical College System - Harlingen (Regents Circle)	Building	1,700,000
Total Approved Lease-Purchase Agreements		**$12,194,412**

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

Debt Issuance Projected to Increase in FY 2011

A survey of Texas state issuers shows issuers are expecting to issue approximately $14.20 billion in bonds, CP and VRN during fiscal 2011 *(Table 2.3)*, a projected increase of $6.16 billion (79.7%) over the actual amount issued in fiscal 2010. The significant increase is due to expected issuances by TPFA for the Texas Workforce Commission (TWC) revenue bonds in the amount of $3.50 billion and TxDOT's Proposition 12 GO Transportation Bonds in the amount of $2.00 billion.

TPFA plans to issue approximately $3.78 billion in bonds and commercial paper. Approximately $31.5 million will be issued in GO bonds for the reconstruction of Texas Southern University's Leonard H.O. Spearman Technology Building, $10.0 million as revenue refunding bonds, and $235.0 million to refund GO CP for CPRIT. The remaining $3.50 billion is anticipated to be issued as revenue bonds on behalf of the TWC to fund its State Unemployment Compensation Program (UC Program).

The TWC Board has authorized the issuance of revenue bonds of up to $3.5 billion; however TWC does not plan to issue the maximum authority unless the UC Program is in dire need of additional funds. Of the $3.5 billion, TWC foresees issuing revenue bonds in the amount of $2.3 billion.

TTC, on behalf of TxDOT expects to issue $3.4 billion of which $1.4 billion is expected to be issued as State Highway Fund bonds and $2.0 billion for Proposition 12 Transportation Bonds authorized by the First Called Special Session of the 81st Legislature.

The UTS expects to issue $3.15 billion of debt of which $2.15 billion is expected to be issued to finance various capital projects and to refund portions of outstanding RFS debt and $1.00 billion to finance various PUF projects and refund portions of outstanding PUF debt.

TSTCS plans to enter into a lease purchase for approximately $1.5 million to purchase computer network and analytical hardware and software.

The TAMUS expects to issue $1.26 billion in PUF and RFS debt to finance facility construction and renovation, purchase equipment and refund outstanding CP.

TWDB anticipates issuing $1.08 billion in new-money bonds of which $400.0 million will be for the Development Fund II, $250.0 million for the Clean Water State Revolving Fund, $204.5 million for Water Infrastructure Fund, $179.5 million for the State Participation Program and $50.0 million for the Economically Distressed Areas Program Fund.

TDHCA plans to issue approximately $425.0 million in bonds of which $200.0 million will be used for the Single Family Mortgage Revenue Bond Program, $180.0 million for the Mortgage Credit Certificate Program and $45.0 million for its Multifamily Mortgage Revenue Bond Program.

Texas State Affordable Housing Corporation (TSAHC) expects to issue $45.0 million in bonds for its Multifamily Affordable Rental Housing Program.

VLB expects to issue $150.0 million in new-money bonds and $66.5 million in taxable refunding bonds consisting of a $50.0 million refunding for its Veterans' Housing Assistance Program, Fund II and $16.5 million refunding for its Land Fund.

UNTS expects to issue $128.0 million in new-money bonds of which $73.0 million will be issued as Tuition Revenue Bonds (TRB) for constructing the Law School and the College of Visual Arts and Design building and $25.0 million of RFS bonds for the construction of the UNT residence hall – Eagle Point.

Table 2.3
TEXAS STATE DEBT ISSUES EXPECTED DURING FISCAL 2011

ISSUER	APPROXIMATE AMOUNT	PURPOSE	APPROXIMATE ISSUE DATE
General Obligation Debt			
Self-Supporting			
Texas Higher Education Coordinating Board	$75,000,000	New-Money College Student Loan Bonds	Jun-2011
Texas Higher Education Coordinating Board	$50,000,000	New-Money College Student Loan Bonds	Jun-2011
Texas Veterans Land Board	$16,480,000	Refunding associated with the Texas Veterans' Land Bonds, Series 2000	Nov-2010
Texas Veterans Land Board	$49,995,000	Refunding associated with the Texas Veterans' Housing Assistance Program, Fund II Series 2001A-1, 2001C-1, and 2002A-1	Nov-2010
Texas Veterans Land Board	$75,000,000	Proceeds will be used to augment the Veterans' Housing Assistance Program	Jan-2011
Texas Veterans Land Board	$75,000,000	Proceeds will be used to augment the Veterans' Housing Assistance Program	Jan-2011
Texas Water Development Board	$400,000,000	Development Fund II New-Money Bonds	Mar-2011
Total Self-Supporting	**$741,475,000**		
Not Self-Supporting			
Texas Public Finance Authority	$235,000,000	Texas Cancer Prevention and Research Institute GO CP Refunding	TBD
Texas Public Finance Authority	TBD	GO Commercial Paper (2002A, 2002B,2008) Refunding	
Texas Department of Transportation	$1,000,000,000	Prop 12 Transportation Bonds	Sep-2010
Texas Department of Transportation	$1,000,000,000	Prop 12 Transportation Bonds	Feb-2011
Texas Water Development Board	$204,500,000	WIF New-Money Bonds	Nov-2010
Texas Water Development Board	$50,000,000	EDAP New-Money Bonds	Nov-2010
Texas Water Development Board	$179,460,000	State Participation New-Money Bonds	Nov-2010
Total Not Self-Supporting	**$2,668,960,000**		
Total General Obligation Debt	**$3,410,435,000**		
Non-General Obligation Debt			
Self-Supporting			
TX. Dept. of Housing and Community Affairs	$180,000,000	2010B Mortgage Credit Certificate Program	Oct-2010
TX. Dept. of Housing and Community Affairs	$100,000,000	Single-Family Mortgage Revenue Bonds (2011A New-Money Bonds) Conversion/ Remarketing of the Series 2009C Bonds	Apr-2011
TX. Dept. of Housing and Community Affairs	$100,000,000	Single-Family Mortgage Revenue Bonds (2011B New-Money Bonds) Conversion/Remarketing of the Series 2009C Bonds	Aug-2011
TX. Dept. of Housing and Community Affairs	$45,000,000	Multifamily Residential Bond Projects	FY 2011
Texas Public Finance Authority (1)	$31,500,000	Texas Southern University - Reconstruct Leonard H.O. Spearman Technology Building	Dec-2010
Texas Public Finance Authority	$3,500,000,000	Texas Workforce Commission	Dec-2010
Texas State Affordable Housing Corporation	$45,000,000	Multifamily Affordable Rental Housing Program	Jun-2011
Texas State Technical College System	$1,530,854	Lease Purchase for Computer Network and Analytics Hardware and Software	Oct-2010
Texas State University System	$35,000,000	SHSU - University Center at The Woodlands (New)	Mar-2011
Texas State University System	$18,150,905	TSU-San Marcos - Bobcat Stadium Phase 1: North End Zone (New Construction)	Mar-2011
Texas Tech University System	$120,000,000	New dormitories and an addition to Jones Stadium	Jul-2011
Texas Department of Transportation	$1,400,000,000	State Highway Fund Revenue Bonds - New-Money Issue; Eligible highway project costs	Aug-2011
Texas Water Development Board	$250,000,000	CWSRF New-Money Bonds	Mar-2011
The Texas A&M University System - PUF*	$405,000,000	Aquire, purchase, construct, improve, and equip various facilities in the System or refund outstanding bonds for savings	As Needed
The Texas A&M University System - PUF*	$125,000,000	Aquire, purchase, construct, improve, and equip various facilities in the System or refund outstanding bonds for savings	As Needed
The Texas A&M University System - RFS*(1)	$630,000,000	Aquire, purchase, construct, improve, and equip various facilities in the System (including TRBs) or refund outstanding bonds for savings	As Needed
The Texas A&M University System - RFS*(1)	$100,000,000	Aquire, purchase, construct, improve, and equip various facilities in the System (including TRBs) or refund outstanding bonds for savings	As Needed
The University of Texas System - PUF	$500,000,000	Refund portion outstanding PUF debt; Acquire, purchase, construct, improve, and equip various facilities	TBD
The University of Texas System - PUF*	$500,000,000	Provide interim financing for PUF CP Programs for construction and acquisition	TBD
The University of Texas System - RFS	$900,000,000	Refund portion outstanding RFS debt; Acquire, purchase, construct, improve, and equip various facilities, including TRBs	TBD
The University of Texas System - RFS*	$1,250,000,000	RFS Commercial Paper Notes to provide interim financing for construction and acquisition	TBD
University of Houston System - RFS	$43,000,000	UH University Center Addition (phase 1)	TBD
University of Houston System - RFS	$20,000,000	UH Energy Research Park Building Improvements	TBD
University of Houston System - RFS	$50,000,000	UH Law Buiilding	TBD
University of North Texas System - RFS (1)	$40,000,000	TRB for Law School	TBD
University of North Texas System - RFS	$25,000,000	UNT Residence Hall-Eagle Point	TBD
University of North Texas System - RFS (1)	$63,000,000	TRB for College of Visual Arts and Design Building	TBD
Total Self-Supporting	**$10,477,181,759**		
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	**$10,487,181,759**		
Total All Debt	**$13,897,616,759**		

* Commercial Paper or Variable-Rate Note program.
(1) Includes TRBs.
Source: Texas Bond Review Board - Bond Finance Office.

Texas Higher Education Coordinating Board (THECB) plans to issue $125.0 million in bonds for its College Student Loan Program.

Texas Tech University System (TTUS) expects to issue $120.0 million in RFS bonds for new dormitories and an addition to Jones Stadium.

UHS expects to issue $113.0 million of new-money bonds for the purchase, construction

and expansion of various projects on UH campuses.

Texas State University System (TSUS) plans to issue $53.2 million consisting of $35.0 million of RFS bonds for facility construction and renovation projects at Sam Houston State University's campus in The Woodlands and $18.2 million for the Phase 1 expansion of Bobcat Stadium at Texas State University-San Marcos.

Chapter 3
State Debt Outstanding

In fiscal 2010 the state's total debt outstanding increased 10.9% to $37.82 billion compared to $34.08 billion in fiscal 2009 and $31.03 billion in fiscal 2008.

General Obligation Debt Outstanding Increased in FY 2010

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 2010, $12.90 billion of the state's $37.82 billion of debt outstanding was backed by the state's general obligation (GO) pledge, an increase of $457.0 million (3.7%) from the $12.44 billion outstanding at the end of fiscal 2009 *(Figure 3.1 and Table 3.1)*. GO debt issuances that contributed to the 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 2010.)

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)

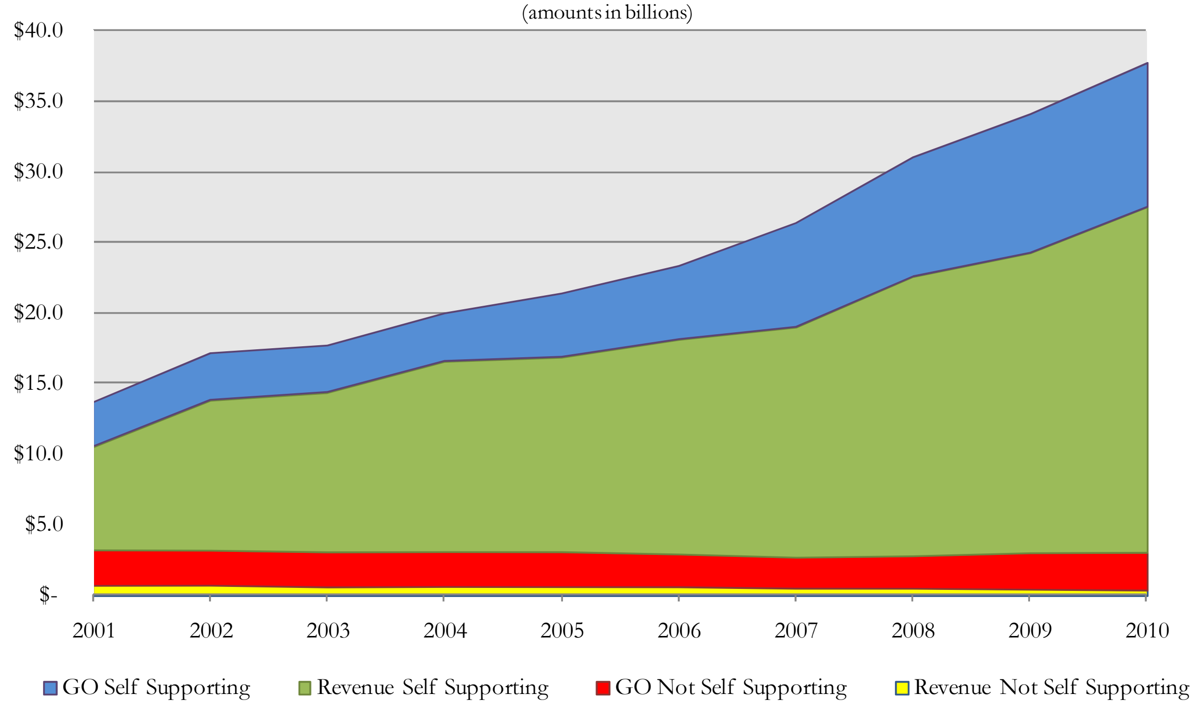


Table 3.1

STATE OF TEXAS DEBT OUTSTANDING

(amounts in thousands)

	8/31/2006	**8/31/2007**	**8/31/2008**	**8/31/2009**	**8/31/2010**
General Obligation Debt					
Self-Supporting					
Veterans' Land and Housing Bonds	$1,852,137	$1,845,187	$1,832,472	$1,867,107	$1,970,203
Water Development Bonds	887,340	847,905	803,385	986,195	900,855
Water Development Bonds-State Participation	0	0	0	0	139,585
Water Development Bonds - WIF	0	0	0	0	230,125
Economic Development Bank Bonds	45,000	45,000	45,000	45,000	45,000
Park Development Bonds [1]	20,080	1,805	0	0	0
College Student Loan Bonds	625,601	661,367	727,343	708,945	746,380
Texas Agricultural Finance Authority[2]	25,000	25,000	25,000	25,000	9,000
Texas Mobility Fund Bonds	1,725,515	3,886,750	4,955,850	6,132,055	6,097,325
Texas Public Finance Authority - TMVRLF	0	49,595	49,595	49,595	49,595
Total, Self-Supporting	**$5,180,673**	**$7,363,334**	**$8,438,645**	**$9,813,897**	**$10,188,068**
Not Self-Supporting [3]					
Higher Education Constitutional Bonds [4]	$63,000	$58,310	$51,605	$54,875	$49,255
Texas Public Finance Authority Bonds [5]	1,978,685	1,810,644	1,850,644	1,870,530	1,830,410
Cancer Prevention and Research Institute of Texas	0	0	0	0	225,000
Park Development Bonds	3,300	16,544	15,164	14,145	12,745
Agriculture Water Conservation Bonds	7,410	5,040	2,575	0	0
Water Development Bonds - EDAP [6]	165,725	180,185	172,495	162,805	174,375
Water Development Bonds - State Participation	141,445	160,280	140,130	139,750	38,480
Water Development Bonds - WIF	0	0	106,120	388,870	383,580
Total, Not Self-Supporting	**$2,359,565**	**$2,231,003**	**$2,338,733**	**$2,630,975**	**$2,713,845**
Total General Obligation Debt	**$7,540,238**	**$9,594,337**	**$10,777,379**	**$12,444,872**	**$12,901,913**
Non-General Obligation Debt					
Self-Supporting					
Permanent University Fund Bonds					
The Texas A&M University System [5]	$429,210	$409,344	$434,630	$577,105	$611,895
The University of Texas System [5]	1,032,860	1,062,625	1,318,980	1,524,235	1,736,380
College and University Revenue Bonds [5,7]	5,857,034	6,305,867	7,362,004	8,457,339	9,487,043
Texas Dept. of Housing and Community Affairs Bonds [5]	2,305,689	2,606,999	2,783,482	2,658,191	2,663,799
Texas State Affordable Housing Corporation	515,148	621,887	696,136	568,780	600,796
Texas PAB Surface Transportation Corporation	0	0	0	0	1,015,000
Texas Small Business I.D.C. Bonds	99,335	99,335	99,335	60,000	60,000
Economic Development Program[2]	13,000	8,235	6,407	9,332	11,500
Texas Water Resources Finance Authority Bonds	21,315	15,830	10,740	5,195	0
College Student Loan Bonds	0	0	0	0	0
Texas Department of Transportation Bonds - CTTS	2,199,994	2,075,063	2,563,947	2,563,222	2,538,949
Texas Workers' Compensation Fund Bonds	24,217	0	0	0	0
Veterans' Financial Assistance Bonds	25,689	24,444	23,987	24,227	23,210
TPFA Charter School Finance Corporation	0	10,380	10,145	127,740	236,955
Texas Workforce Commission Unemp Comp Bonds	712,935	396,060	0	0	0
State Highway Fund	688,850	1,689,740	3,076,660	3,091,755	4,252,655
Water Development Board Bonds - State Revolving Fund	1,234,300	932,448	1,357,383	1,522,933	1,296,588
Total, Self-Supporting	**$15,159,576**	**$16,258,257**	**$19,743,836**	**$21,190,054**	**$24,534,770**
Not Self-Supporting [3]					
Texas Public Finance Authority Bonds	$454,085	337,015	321,470	278,486	232,350
TPFA Master Lease Purchase Program[2,8]	105,290	110,800	122,440	107,320	96,635
Texas Military Facilities Commission Bonds	21,690	20,150	18,555	17,350	16,105
Parks and Wildlife Improvement Bonds	41,880	52,330	46,895	41,320	35,615
Total, Not Self-Supporting	**$622,945**	**$520,295**	**$509,360**	**$444,476**	**$380,705**
Total Non-General Obligation Debt	**$15,782,521**	**$16,778,552**	**$20,253,196**	**$21,634,530**	**$24,915,475**
Total Debt Outstanding	**$23,322,759**	**$26,372,889**	**$31,030,574**	**$34,079,402**	**$37,817,388**

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.

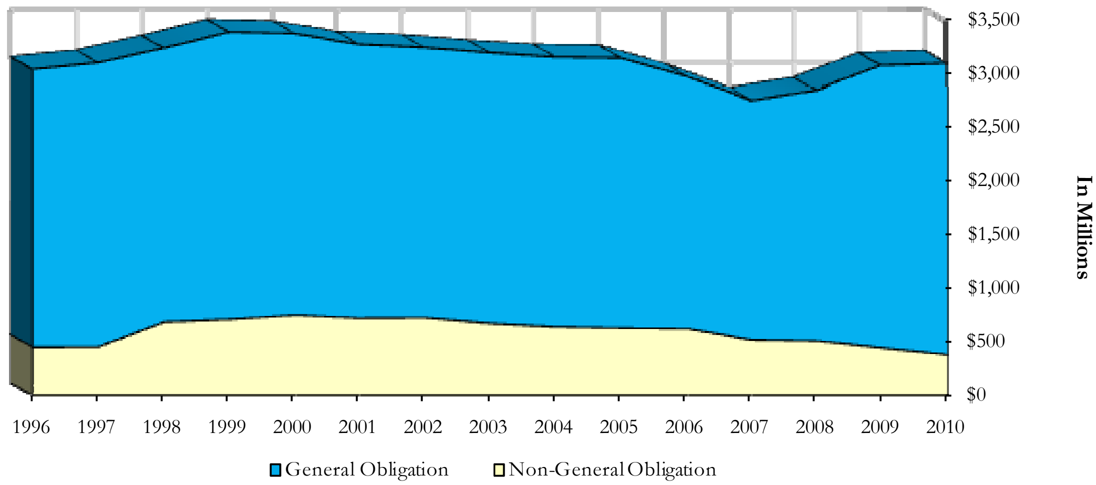
7 Outstanding amounts for tuition revenue bonds are included in these totals. Table 3.2 provides amounts of outstanding revenue bonds for each institution. All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined 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, 2010.

Source: Texas Bond Review Board - Bond Finance Office.

Figure 3.2
TEXAS STATE DEBT OUTSTANDING BACKED BY GENERAL REVENUE (Not Self-Supporting)



Source: Texas Bond Review Board - Bond Finance Office.

General Revenue Supported Debt Increased in FY 2010

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 2010, the third such increase in as many years that reversed an eight-year trend of decreases that began in 2000. While not self-supporting revenue debt actually decreased by $62.8 million, not self-supporting GO debt increased by $82.9 million for an overall net increase of $20.0 million in fiscal 2010 *(Figure 3.2)*. As of August 31, 2010 Texas had $3.10 billion in debt outstanding that must be paid from the state's general revenue. By comparison, not self-supporting debt totaled $3.08 billion in fiscal year 2009, $2.85 billion in fiscal year 2008 and $2.75 billion in fiscal 2007.

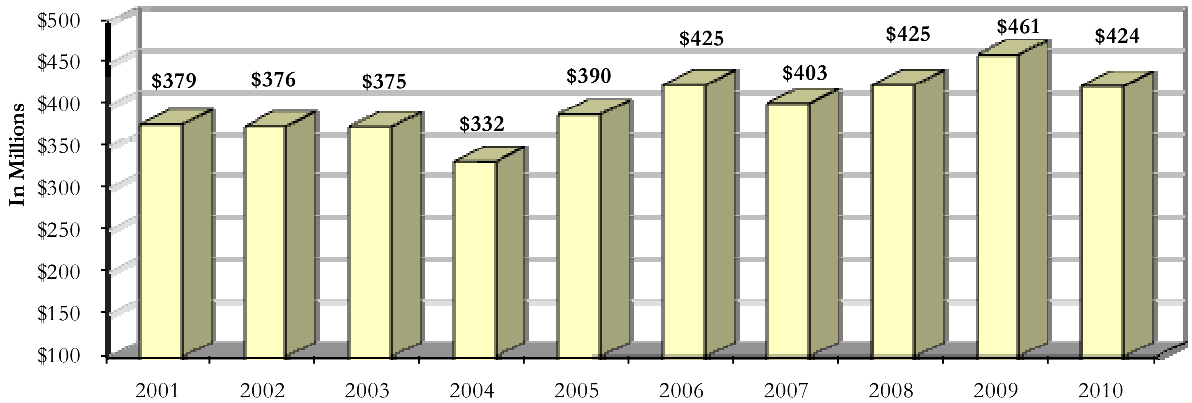
Scheduled Debt-Service Payments from General Revenue Decreased in FY 2010

Scheduled debt-service payments from general revenue decreased by 8.3% from $460.6 million in fiscal 2009 to $423.6 million in fiscal 2010 *(Figure 3.3)*. During fiscal years 2007 and 2008 the state scheduled $403.1 million and $425.1 million, respectively for debt service from general revenue. (See *Table 3.4* for debt-service requirements by fiscal year for Texas state bonds.) See the *State of Texas Annual Cash Report 2010* published by the Texas Comptroller of Public Accounts for actual debt service paid by the state from General Revenue.

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,

Figure 3.3

ANNUAL DEBT SERVICE SCHEDULED TO BE PAID FROM GENERAL REVENUE



Source: Texas Bond Review Board - Bond Finance Office.

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 Decreased in FY 2010

Authorized but unissued debt is defined as debt that may be issued without further legislative action. As of August 31, 2010 Texas had $16.32 billion in authorized but unissued debt compared to $16.87 billion in fiscal 2009 *(Table 3.6)*. Of the $16.32 billion, $13.17 billion (80.7%) was GO debt: $3.84 billion (29.2%) was self-supporting GO debt and

Table 3.2

TEXAS COLLEGE AND UNIVERSITY REVENUE DEBT OUTSTANDING

(amounts in thousands)

College and University Revenue Debt	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	FY 2010 Non-Tuition Revenue Bonds	FY 2010 Tuition Revenue Bonds	FY 2010 Total
Midwestern State University	$69,740	$23,610	$93,350	$60,400	$22,445	$82,845	$65,705	$21,235	$86,940
Stephen F. Austin State University	100,575	32,660	133,235	96,575	52,465	149,040	130,595	50,100	180,695
Texas Southern University	23,175	73,470	96,645	21,470	69,170	90,640	19,940	64,690	84,630
Texas State Technical College System	0	11,245	11,245	929	10,660	11,589	29,982	10,050	40,032
Texas State University System	424,864	238,676	663,540	484,823	220,551	705,374	522,860	206,075	728,935
Texas Tech University System	293,119	180,921	474,040	297,926	240,106	538,032	305,077	226,195	531,272
Texas Woman's University	16,375	48,235	64,610	34,385	45,950	80,335	47,200	43,735	90,935
The Texas A&M University System	637,819	333,464	971,283	643,811	501,874	1,145,685	1,010,841	580,549	1,591,390
The University of Texas System	3,302,432	818,488	4,120,920	3,780,099	976,099	4,756,198	3,951,884	1,078,185	5,030,069
University of Houston System	257,220	195,830	453,050	370,915	239,986	610,901	467,191	226,259	693,450
University of North Texas System	173,971	106,115	280,086	151,956	134,745	286,701	249,390	179,305	428,695
Total Revenue Debt Outstanding	**$5,299,290**	**$2,062,714**	**$7,362,004**	**$5,943,288**	**$2,514,051**	**$8,457,339**	**$6,800,665**	**$2,686,378**	**$9,487,043**

Notes:

The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2010.

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.

$9.32 billion (70.8%) was not self-supporting GO debt. This compares to $10.08 billion in not self-supporting GO authorized but unissued debt at fiscal year-end 2009. The increase in total GO debt resulted from the passage in the November 2009 general election of a constitutional amendment allowing up to $4 billion in evergreen authority for Veterans' Land and Housing Bonds which are expected to be self-supporting.

Authorized but unissued not self-supporting revenue debt totaled $211.3 million at the end of fiscal 2010 compared to $193.2 million at fiscal year-end 2009. The remaining authorized but unissued revenue debt ($2.94 billion) 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.

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	$0
West Texas A&M University	$0
Texas A&M International University	$0
Texas A&M University - Kingsville	$0
Texas A&M University - Central Texas	$0
Texas A&M University - Corpus Christi	$0
Texas A&M University - Commerce	$0
Texas A&M University - San Antonio	$0
Texas A&M University - Texarkana	$0
Texas A&M Health Science Center	$0
Texas A&M University - Galveston	$0
Texas A&M University	$0
Texas A&M University System	$0
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	$0
The University of Texas at Dallas	$0
The University of Texas at El Paso	$0
The University of Texas - Pan American	$39,796,000
The University of Texas of the Permian Basin	$0
The University of Texas at San Antonio	$0
The University of Texas at Tyler	$0
The University of Texas Southwestern Medical Center	$0
The University of Texas HSC at Houston	$0
The University of Texas Medical Branch at Galveston	$150,000,000
The University Health Center at Tyler	$0
The University of Texas HSC at San Antonio (Harlingen RAHC)	$0
The University of Texas M.D. Anderson Cancer Center	$0
The University of Texas HSC at San Antonio	$0
The University of Texas System	$189,796,000
Texas Tech University System	
Angelo State University	$0
Texas Tech University	$0
Texas Tech University and Health Science Center	$0
Texas Tech University System	$0
Texas Southern University	$31,500,000
Midwestern State University	$0
Stephen F. Austin State University	$8,425
University of Houston System	$0
University of Houston	$0
University of Houston - Victoria	$0
University of Houston at Clear Lake	$750
University of Houston - Downtown	$500
The Universtiy of Houston System	$1,250
University of North Texas	
University of North Texas	$0
University of North Texas at Dallas	$0
North Texas Health Science Center at Fort Worth	$0
Texas College of Osteopathic Medicine	$0
Universtiy of North Texas	$0
Texas Woman s University	$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	$0
Sam Houston State University	$0
Texas State University at San Marcos	$0
Sul Ross State University	$0
Texas State University System	$1,837,280
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	$0
Total	$223,142,955

Debt Authority – 81st Texas Legislature, Regular Session

The 81st Legislature authorized up to $4 billion in evergreen GO authority for Veterans' Land and Housing Bonds contingent upon voter approval in the November 2009 general election. The 81st Legislature also converted $707 million of Water Development Board debt from self-supporting to not self-supporting by appropriation *(Table 3.6)*.

As of August 31, 2010 Texas colleges and universities had a total of $223.1 million in authorized but unissued TRB debt (*Table 3.3*). The University of Texas System had the majority of the unissued authority with $189.8 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.

Texas Swaps Outstanding

At the end of fiscal 2010, 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, 2010 the aggregate notional amount of swaps outstanding at the state level was $4.45 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 Texas Department of Housing and Community Affairs and the Veterans Land Board have broad authority to enter into swaps under Section 2306.35 of the Texas Government Code and Sections 161.074, 162.052 and 164.010 of the Texas Natural Resources Code, respectively.

At the end of fiscal 2010, 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 $1.42 billion at fiscal year-end 2010. TDHCA had five such swaps on single-family bonds totaling $322.1 million in notional amount and the UT System had six Revenue Financing System agreements and two Permanent University Fund agreements totaling $141 billion in

Table 3.4

DEBT-SERVICE REQUIREMENTS OF TEXAS STATE DEBT BY FISCAL YEAR

(amounts in thousands)

	2011	2012	2013	2014	2015	2016 & beyond
General Obligation Debt						
Self-Supporting						
Veterans' Land and Housing Bonds	$165,868	$139,050	$141,468	$142,613	$146,764	$2,070,878
Water Development Bonds	79,416	84,010	82,608	83,696	81,792	1,044,232
Water Development Bonds - State Participation	7,876	7,885	7,896	7,896	7,904	227,392
Water Development Bonds - WIF	14,407	15,034	15,009	19,199	19,256	281,724
Economic Development Bank Bonds	2,048	2,048	2,048	2,048	2,048	106,425
Park Development Bonds	0	0	0	0	0	0
College Student Loan Bonds	91,042	85,702	83,070	72,891	69,503	642,181
Texas Agriculture Finance Authority	718	720	721	721	720	10,789
Texas Mobility Fund Bonds	334,227	339,514	343,738	348,423	353,195	10,371,346
Texas Public Finance Authority - TMVRLF	2,945	2,942	3,718	3,719	3,716	72,508
Total Self-Supporting	**$698,545**	**$676,904**	**$680,276**	**$681,204**	**$684,898**	**$14,827,476**
Not Self-Supporting[1]						
Higher Education Constitutional Bonds [2]	$10,332	$10,336	$10,328	$10,314	$7,459	$7,726
Texas Public Finance Authority Bonds	306,950	276,708	258,287	257,418	224,459	1,199,719
Park Development Bonds	1,968	1,919	1,878	1,830	1,781	6,000
Agriculture Water Conservation Bonds	0	0	0	0	0	0
Texas Public Finance Authority - CPRIT	21,563	21,938	21,375	20,813	20,250	236,250
Water Development Bonds - EDAP [3]	18,198	18,226	18,145	18,122	18,073	156,102
Water Development Bonds - State Participation	4,644	2,139	2,119	2,104	2,089	46,673
Water Development Bonds - WIF	35,445	34,959	34,413	33,865	33,324	413,322
Total Not Self-Supporting	**$399,098**	**$366,224**	**$346,544**	**$344,465**	**$307,435**	**$2,065,793**
Total General Obligation Debt	**$1,097,644**	**$1,043,128**	**$1,026,821**	**$1,025,669**	**$992,333**	**$16,893,268**
Non-General Obligation Debt						
Self-Supporting						
Permanent University Fund Bonds						
The Texas A&M University System	$50,737	$45,662	$45,668	$45,663	$45,664	$815,176
The University of Texas System	103,626	103,664	103,582	103,618	103,617	2,462,277
College and University Revenue Bonds [4]	853,546	849,495	860,827	850,497	845,262	10,611,153
Texas Dept. of Housing & Community Affairs Bonds	320,924	220,998	121,662	118,811	117,240	3,938,385
Texas PAB Surface Transportation Corporation	72,604	71,632	71,632	71,632	71,632	2,494,389
Texas State Affordable Housing Corporation	103,155	39,101	39,122	39,186	39,207	868,497
Texas Small Business I.D.C. Bonds	1,938	1,938	1,938	1,938	1,938	82,042
Economic Development Program	917	921	917	918	918	13,794
Texas Water Resources Finance Authority Bonds	0	0	0	0	0	0
College Student Loan Bonds	0	0	0	0	0	0
Texas Department of Transportation Bonds - CTTS	74,708	80,821	86,034	89,803	93,674	6,571,554
Texas Workers' Compensation Fund Bonds [5]	0	0	0	0	0	0
Veterans' Financial Assistance Bonds	1,862	1,862	1,860	1,857	1,858	37,663
TPFA Charter School Finance Corporation	18,695	16,940	17,095	17,078	17,076	418,039
Texas Workforce Commission Unemp Comp Bonds	0	0	0	0	0	0
State Highway Fund	275,658	292,939	292,955	292,944	292,942	4,968,643
Water Development Bonds - State Revolving Fund	82,851	92,191	105,988	110,671	137,332	1,429,230
Total Self Supporting	**$1,961,221**	**$1,818,164**	**$1,749,280**	**$1,744,616**	**$1,768,360**	**$34,710,842**
Not Self-Supporting [1]						
Texas Public Finance Authority Bonds	$55,181	$57,069	$51,101	$50,239	$30,076	$79,942
TPFA Master Lease Purchase Program	16,704	14,458	13,228	12,518	11,112	56,338
Texas Military Facilities Commission Bonds	1,985	1,988	1,980	1,974	1,674	11,353
Parks and Wildlife Improvement Bonds	7,504	7,390	7,284	3,507	3,445	13,209
Total Not Self-Supporting	**$81,374**	**$80,905**	**$73,594**	**$68,238**	**$46,306**	**$160,843**
Total Non-General Obligation Debt	**$2,042,595**	**$1,899,069**	**$1,822,874**	**$1,812,854**	**$1,814,666**	**$34,871,685**
Total Debt	**$3,140,239**	**$2,942,197**	**$2,849,694**	**$2,838,523**	**$2,806,999**	**$51,764,953**

[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 DEBT BY FISCAL YEAR

(amounts in thousands)

College and University Revenue Debt	2011	2012	2013	2014	2015	2016 & Beyond
The University of Texas System - Non-TRB	$317,500	$318,290	$326,951	$318,059	$317,932	$4,982,250
The University of Texas System - TRB	103,858	115,530	115,517	115,521	115,364	930,289
The University of Texas System - TOTAL	421,358	433,820	442,468	433,580	433,296	5,912,539
The Texas A&M University System - Non-TRB	96,906	97,944	100,013	99,550	96,693	1,075,581
The Texas A&M University System - TRB	70,225	56,245	56,151	56,082	55,400	551,898
The Texas A&M University System - TOTAL	167,131	154,189	156,164	155,632	152,093	1,627,479
Texas Tech University System - Non-TRB	27,885	27,218	27,004	26,464	27,580	339,144
Texas Tech University System - TRB	24,677	22,679	22,701	22,622	21,741	205,845
Texas Tech University System - TOTAL	52,562	49,897	49,705	49,086	49,321	544,989
Texas State University System - Non-TRB	47,042	45,641	45,660	45,217	45,077	598,366
Texas State University System - TRB	23,406	23,677	23,234	23,306	22,039	171,241
Texas State University System - TOTAL	70,448	69,318	68,894	68,523	67,116	769,607
University of Houston System - Non-TRB	34,785	35,705	37,369	37,414	37,415	592,588
University of Houston System - TRB	23,977	23,963	23,681	23,688	23,701	195,120
University of Houston System - TOTAL	58,762	59,668	61,050	61,102	61,116	787,708
The University of North Texas System - Non-TRB	17,432	19,062	19,068	19,081	19,103	337,183
The University of North Texas System - TRB	20,857	18,884	18,789	18,811	18,954	158,353
The University of North Texas System - TOTAL	38,289	37,946	37,857	37,892	38,057	495,536
Texas Woman's University - Non-TRB	3,602	3,602	3,607	3,599	3,603	54,413
Texas Woman's University - TRB	4,426	4,432	4,446	4,444	4,441	40,824
Texas Woman's University - TOTAL	8,028	8,034	8,053	8,043	8,044	95,237
Texas State Technical College System - Non-TRB	4,327	4,343	4,361	4,375	4,390	36,964
Texas State Technical College System - TRB	1,095	1,098	1,095	1,095	1,094	7,952
Texas State Technical College System - TOTAL	5,422	5,441	5,456	5,470	5,484	44,916
Stephen F Austin State University - Non-TRB	11,684	11,205	11,204	11,198	11,215	127,224
Stephen F Austin State University - TRB	4,475	4,466	4,472	4,460	4,459	48,440
Stephen F Austin State University - TOTAL	16,159	15,671	15,676	15,658	15,674	175,664
Midwestern State University - Non-TRB	4,968	5,089	5,088	5,087	5,094	82,077
Midwestern State University - TRB	2,151	2,159	2,158	2,165	2,160	17,716
Midwestern State University - TOTAL	7,119	7,248	7,246	7,252	7,254	99,793
Texas Southern University - Non-TRB	2,491	2,493	2,494	2,489	2,494	12,967
Texas Southern University - TRB	7,877	7,876	7,872	7,875	7,418	47,528
Texas Southern University - TOTAL	10,368	10,369	10,366	10,364	9,912	60,495
Total College and University Revenue Debt	**$855,646**	**$851,601**	**$862,935**	**$852,602**	**$847,367**	**$10,613,963**

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 DEBT AUTHORIZED BUT UNISSUED

(amounts in thousands)

	8/31/2007	8/31/2008	8/31/2009	8/31/2010
General Obligation Debt				
Self-Supporting				
Veterans' Land and Housing Bonds	$180,592	$147,157	$68,032	$2,014,792
Water Development Bonds	2,066,427	1,974,238	711,825	727,436
Farm and Ranch Loan Bonds [1]	300,000	300,000	300,000	300,000
College Student Loan Bonds	177,195	600,482	525,482	400,485
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]	200,405	200,405	200,405	200,405
Texas Mobility Fund Bonds	*	*	*	*
Texas Rail Relocation and Improvement Fund	*	*	*	*
Total Self-Supporting	**$3,124,619**	**$3,422,282**	**$2,005,744**	**$3,843,119**
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]	525,950	4,260,623	3,941,243	3,536,743
Transportation Commission GO Transportation Bonds	0	5,000,000	5,000,000	5,000,000
Water Development Bonds - EDAP [5]	12,013	262,013	296,383	236,854
Water Development Bonds - State Participation	0	0	200,050	179,466
Water Development Bonds - WIF	0	0	473,365	204,599
Total Not Self-Supporting	**$702,803**	**$9,687,476**	**$10,075,881**	**$9,322,503**
Total General Obligation Debt	**$3,827,422**	**$13,109,758**	**$12,081,625**	**$13,165,621**
Non-General Obligation Debt				
Self-Supporting				
Permanent University Fund Bonds [6]				
The Texas A&M University System	$613,387	$647,901	$374,182	$371,613
The University of Texas System	992,970	839,020	378,339	245,252
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	*****	*****
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	771,440
State Highway Fund Revenue Bonds[7]	4,372,961	2,900,671	2,900,671	1,400,667
Water Development Board - State Revolving Fund	**	**	**	**
Total Self-Supporting	**$6,925,038**	**$5,333,312**	**$4,598,912**	**$2,938,972**
Not Self Supporting [3]				
Texas Public Finance Authority Bonds[2]	$133,021	$150,471	$150,471	$158,857
TPFA Master Lease Purchase Program	39,200	27,560	42,680	52,410
Texas Military Facilities Commission Bonds	**	**	**	**
Parks and Wildlife Improvement Bonds	0	0	0	0
Total Not Self-Supporting	**$172,221**	**$178,031**	**$193,151**	**$211,267**
Total Non-General Obligation Debt	**$7,097,259**	**$5,511,343**	**$4,792,063**	**$3,150,238**
Total Debt	**$10,924,681**	**$18,621,101**	**$16,873,688**	**$16,315,859**

* 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

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

Additionally, at the end of fiscal 2010 VLB had five outstanding basis (pay-variable, receive-variable) swaps with $241.8 million in notional amount that were associated with variable-rate demand debt issues. The UT System had three Revenue Financing System agreements and one Permanent University Fund agreement totaling $583.6 million in notional amount. The Texas Transportation Commission (TTC) had three basis swaps outstanding with $400 million in notional amount as of fiscal year-end 2010.

The Net Fair Values for the swap agreements in place at the end of fiscal 2010 for the four state issuers were as follows: VLB, negative $324.1 million; The UT System, negative $201.4 million; TDHCA, negative $37.4 million; and TTC, positive $5.7 million. A negative value indicates that the state issuer would owe its counterparties the net amounts indicated if the swaps were terminated. (See *Tables C1 and C2 in Appendix C* for details regarding Texas' interest rate swaps outstanding and fair value data at August 31, 2010.)

At fiscal year-end 2010, estimated debt-service requirements and net swap payments for VLB's pay-fixed, receive-variable swaps totaled $2.09 billion; and that of The UT System totaled $2.31 billion. TDHCA had only synthetic fixed-rate swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $536.9 million. TTC had three basis swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $1.88 billion, The UT System had four basis swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $853.6 million. VLB had five basis swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $220.9 million. (See *Table C3 and Table C4 in Appendix C* for debt-service requirements of debt outstanding and net interest rate swap payments.)

Chapter 4
State Bond Issuance Costs

Excluding conduit and private placement issues, Texas' state bond issuers spent an average of $1,261,487 per issue ($6.20 per $1,000) on twenty-five bond issues sold during fiscal 2010. The bond issuances ranged from $6.7 million to $1.5 billion. 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 underwriting syndicates), 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 – Represents the discount that the members of the syndicate receive when they purchase the bonds from the issuer;
- Management fee – Compensation to the underwriters for creating and implementing the financing package;
- Underwriting fee – A risk premium to compensate the underwriters for market risk of the underwriting; and
- Expenses – Costs associated with the marketing of the bonds such as CUSIP, travel, printing costs and underwriter's legal fees.

• 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; and 3) if appropriate, the interest on the proposed securities is exempt from federal income taxation and where applicable, from state and local taxation. 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 to help investors assess the probability of 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.

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

• <u>Paying Agent/Registrar</u> — The paying agent is responsible for transmitting payments of principal and interest from the issuer to the security holders and maintaining records of the owners of registered bonds on behalf of the issuer.

• <u>Printer</u> — The printer produces the official statement, notice of sale and any bonds required to be transferred between the issuer and purchasers of the bonds.

Choosing the Method of Sale: Negotiated versus Competitive

Selecting the method of sale is one of the most important decisions an issuer of securities must make. Both negotiated and competitive sales have distinct advantages and disadvantages described below.

In a negotiated sale an underwriter is chosen in advance of the sale and 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.

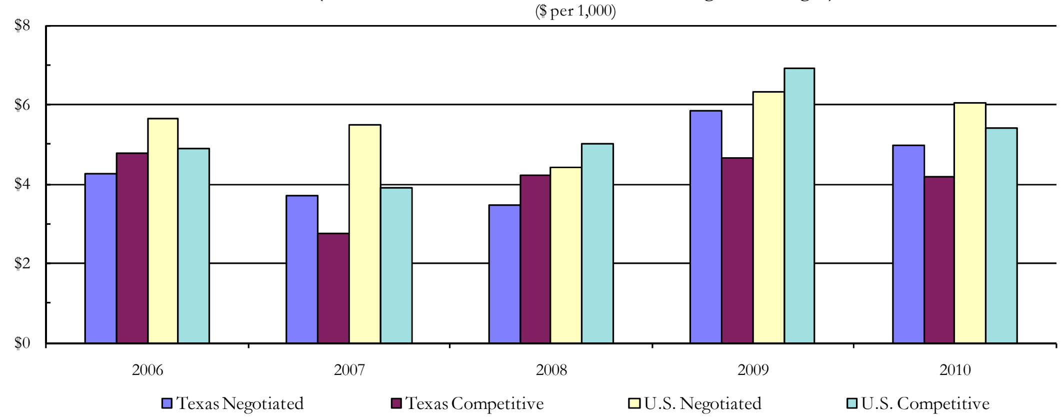
Conditions that suggest a negotiated sale are market volatility and securities for which market demand is difficult to ascertain. Often called "story bonds," these include securities issued by an infrequent issuer or an issuer with weak or declining credit rating(s) or securities that contain innovative structuring, derivatives or other complexities.

In a competitive sale, sealed 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

Figure 4.1
GROSS UNDERWRITING SPREADS: 2006 - 2010
NEGOTIATED vs. COMPETITIVE MUNICIPAL ISSUES
(Excludes Private Placements and Conduits; weighted averages)
($ per 1,000)



Note: 2010 U.S. figures are through June 30, 2010. 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* (08/10); Thomson Financial Securities; and Texas Bond Review Board - Bond Finance Office.

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 management fees or fees for underwriters' counsel. When negotiated gross spreads are below those for competitive transactions, as seen in fiscal years 2006 and fiscal 2008 *(Figure 4.1)*, 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.

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

In fiscal 2010 the average issue size for Texas' state issuers increased to $203.6 million from $197.7 million in fiscal 2009. Excluding conduit and private placement issues, twelve (48.0%) of the 25 issues completed in fiscal 2010 were $100 million in size or above compared to fourteen (58.3%) of the 24 issues completed in fiscal 2009.

In fiscal 2010 the underwriting spread accounted for 81.3% of all issuance costs *(Table 4.1)*. The cost of the average underwriting spread per issue decreased 10.9% from $1,149,820 in fiscal 2009 to $1,024,966 in fiscal 2010. When measured on a per $1,000 bond basis, the $5.03 average underwriting spread paid in fiscal 2010 was 8.9% less than the $5.52 reported in fiscal 2009.

Table 4 1

WEIGHTED AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES

	Fiscal 2009			Fiscal 2010		
	Count	**Average Cost Per Bond Issue**	**Average Cost Per $1,000 of Bonds Issued**	**Count**	**Average Cost Per Bond Issue**	**Average Cost Per $1,000 of Bonds Issued**
Average Issue Size (In Millions)	24	$197 7		25	$203 6	
Costs of Issuance:						
Underwriter's Spread:						
Takedown	24	1,016,880	5 14	24	910,419	4 47
Spread Expenses	24	48,349	0 24	24	55,237	0 27
Underwriter's Counsel	21	46,819	0 23	22	45,016	0 20
Other Underwriter's Spread Costs*	14	74,784	0 53	10	49,238	0 44
Underwriter's Spread Subtotal	24	$1,149,820	$5 52	25	$1,024,966	$5 03
Other Issuance Costs:						
Bond Counsel	24	79,432	0 40	25	78,333	0 38
Financial Advisor	21	63,872	0 34	20	60,933	0 33
Printing	22	3,147	0 02	25	2,805	0 01
Other**	24	39,256	0 20	25	34,607	0 17
Rating Agencies:						
Moody's	23	36,509	0 18	25	35,015	0 17
Standard & Poor's	19	37,381	0 16	16	36,368	0 13
Fitch	18	26,278	0 11	17	20,206	0 12
Other Issuance and Rating Agency Costs Subtotal	24	$261,751	$1 32	25	$236,522	$1 16
Total	24	$1,411,571	$7 14	25	$1,261,487	$6 20

Note: Bond insurance premiums are not included for purposes of average cost calculations The figures are weighted averages of the dollar costs and costs per $1,000 associated with each state bond issue exclusive of conduit issues and private placements

* Average is based on the number of issues that paid a Management Fee, Structuring Fee or Underwriter's Risk

** Average is based on the number of issues which contain other fees not itemized in the table

Source: Texas Bond Review Board - Bond Finance Office

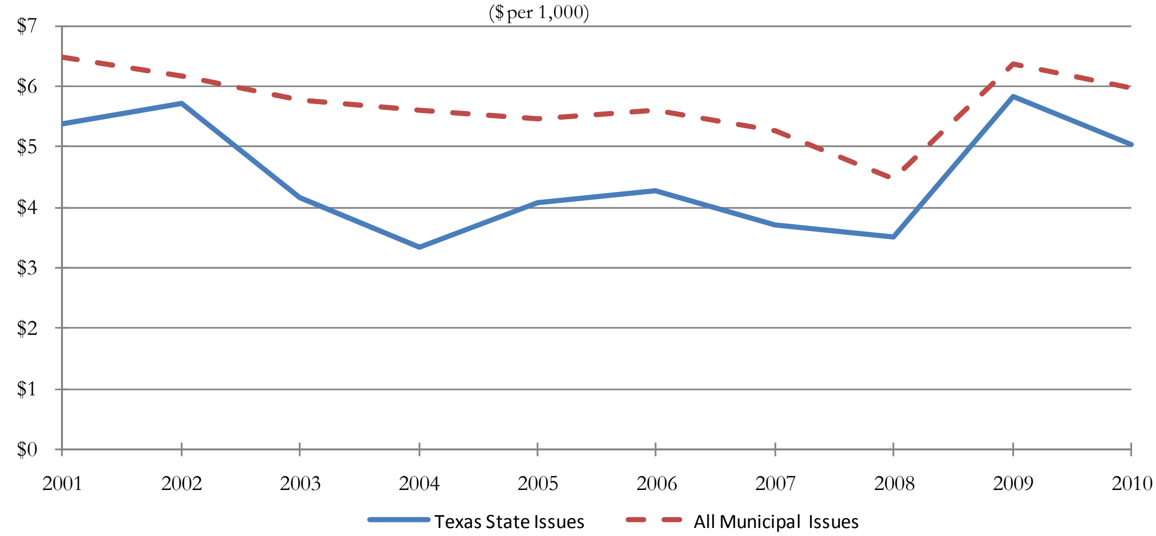
Although the average underwriting spread decreased in fiscal 2010, it still remains high compared to fiscals 2003-2008, when the average underwriting spreads ranged from $3.33 to $4.28 per $1,000 (*Figure 4.2*). During fiscal 2009 underwriter's spreads began to increase due to three factors: reduced competition in the underwriting industry, issuance of Build America Bonds (BABs) and higher underwriting risk in the municipal bond market. Market conditions have begun to improve in fiscal 2010 resulting in lower underwriting spread costs. Also, BABs have become a more familiar product in the market and are now perceived as being less risky resulting in lower BAB underwriting spreads.

In fiscal 2010 Texas' issuers issued three BABs: Texas Department of Transportation issued $1.50 billion with an underwriter's spread of $5.90 per $1,000, The University of Texas System issued $516.2 million with an underwriter's spread of $5.25 per $1,000, and University of Houston System issued $79.7 million with an underwriter's spread of $6.32 per $1,000.

Other Issuance Costs (bond counsel, financial advisor, rating agency, printing and other costs) decreased by 9.6% in fiscal 2010 and averaged $236,522 per issue ($1.16 per $1,000) compared to $261,751 ($1.32 per $1,000) in fiscal 2009.

Excluding conduit and private placement issuances, during fiscal 2010 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 for negotiated and competitive issuances averaged $5.98 per $1,000 compared to Texas' average of $5.03 per $1,000.

Figure 4.2
GROSS UNDERWRITING SPREADS: 2001 - 2010
TEXAS STATE BOND ISSUES vs. ALL MUNICIPAL BOND ISSUES
($ per 1,000)



Note: 2010 Municipal figures are through June 30, 2010 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* (08/10); 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 total cost of issuance than smaller issues but have a lower cost of issuance on a per $1,000 basis (*Figure 4.3*). This occurs because certain fixed costs of issuance such as legal services, financial advisory services and document drafting fees do not vary proportionately with the size of a bond issue.

For comparison purposes Texas' 2010 transactions were broken into 5 ranges: under $25 million, $25-$49 million, $50-$99 million, $100-$149 million and $150 million and above. In the $25-$49 million range the cost of issuance increased compared to fiscal 2009 due to the Texas State Technical College's Revenue Financing (RFS) System, Series 2009 issuance which had lower credit ratings that resulted in a higher takedown cost and increased issuance costs.

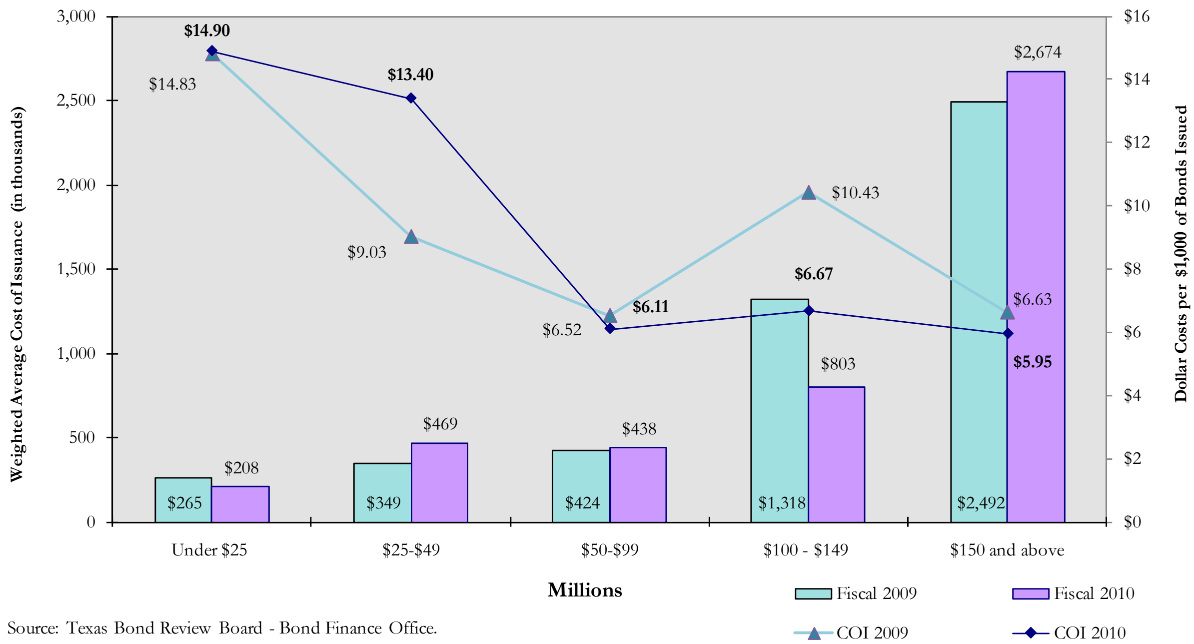
The higher costs for the $100-$149 million range compared to the $50-99 million range was due to University of Houston System's (UHS) RFS, Series 2010B direct-subsidy BAB issuance. Although BABs' costs of issuance have declined in the past year, they still remain slightly higher than traditional tax-exempt issuances.

Costs of issuance for the $100-149 million range decreased from $10.43 per $1,000 in fiscal 2009 to $6.67 per $1,000 in fiscal 2010, a decrease of 36.0%. This occurred because the Texas Department of Housing and Community Affairs (TDHCA) and Texas Transportation Commission (TTC) issuances in fiscal 2009 had higher than usual issuance costs due to complex structuring and unfavorable market conditions.

Comparison of Gross Underwriting Costs by Type of Sale

During fiscal 2010 Texas issuers saw lower average underwriting costs in both negotiated

Figure 4 3
AVERAGE ISSUANCE COSTS FOR TEXAS BONDS BY SIZE OF ISSUE
(Excludes Private Placements and Conduits; weighted averages.)



Source: Texas Bond Review Board - Bond Finance Office.

and competitive transactions when compared to the national averages as reported by Thomson Financial Securities (*Figure 4.1*). Texas issuers paid an average of $4.98 per $1,000 for negotiated sales and $4.18 per $1,000 for competitively bid sales. The national averages for negotiated and competitive transactions were $6.05 per $1,000 and $5.39 per $1,000, respectively. Texas' negotiated average was 17.7% below the national average and 22.4% below the competitive national average.

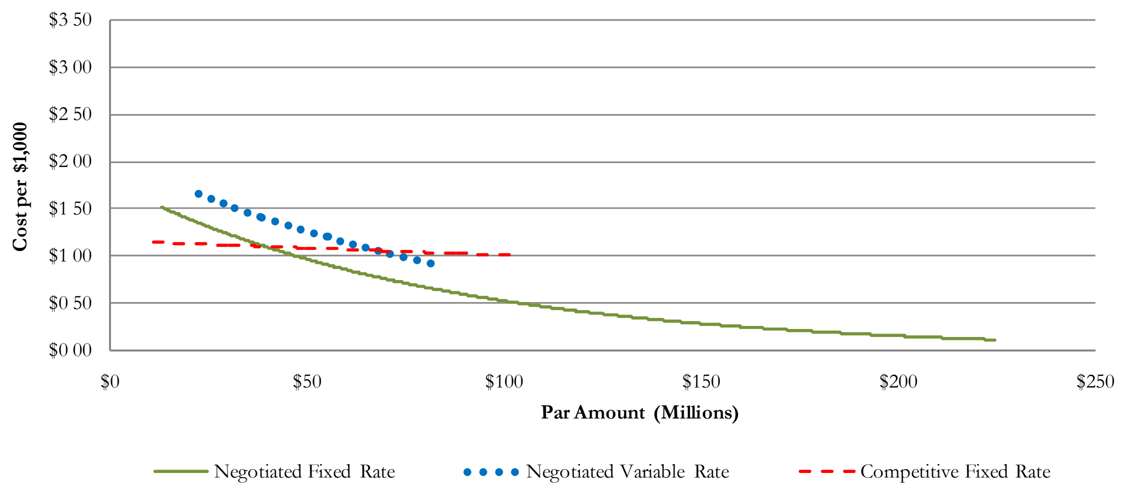
Typically, underwriter's spread for negotiated transactions are higher than competitive transactions because issuers cannot rely on competition between underwriters to keep the underwriting cost down. In fiscal 2010 Texas negotiated underwriting costs averaged $1.12 million for 22 issuances while the average underwriting cost for competitive transactions was $360,843 for three issuances.

Trends in State Bond Issuance Costs in 2010

To determine trends in issuance costs, the characteristics of 25 non-conduit bond transactions during fiscal 2010 were reviewed. Of those, 22 were negotiated sales and three were competitive sales. Of the 22 negotiated sales, two were less than $25 million, one ranged from $25-$49 million, eight ranged from $50-$99 million, two ranged from $100-$149 million and nine ranged from $150 million and above in size.

Overall in fiscal 2010, the cost per $1,000 decreased as par amount increased (*Figure 4.3*). When comparing negotiated and competitive transactions, the total issuance costs averaged $6.07 per $1,000 and $10.15 per $1,000, respectively. An accurate comparison of the average issuance costs per $1,000 on negotiated and competitive bond issues is not possible since only three competitive transactions were completed. A definitive conclusion regarding the most cost-efficient

Figure 4 4
Bond Counsel Fee: 2005 - 2010
GO < $250 Million



method of sale for Texas bonds cannot be drawn from such a limited number of issues with such large disparities in issue size. 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. However, 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 above, four major fees comprise the costs of issuing bonds: bond counsel, financial advisor, underwriter's spread and 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 2005-2010 have been graphically

Figure 4 5
Financial Advisor Fee: 2005 - 2010
GO < $250 Million

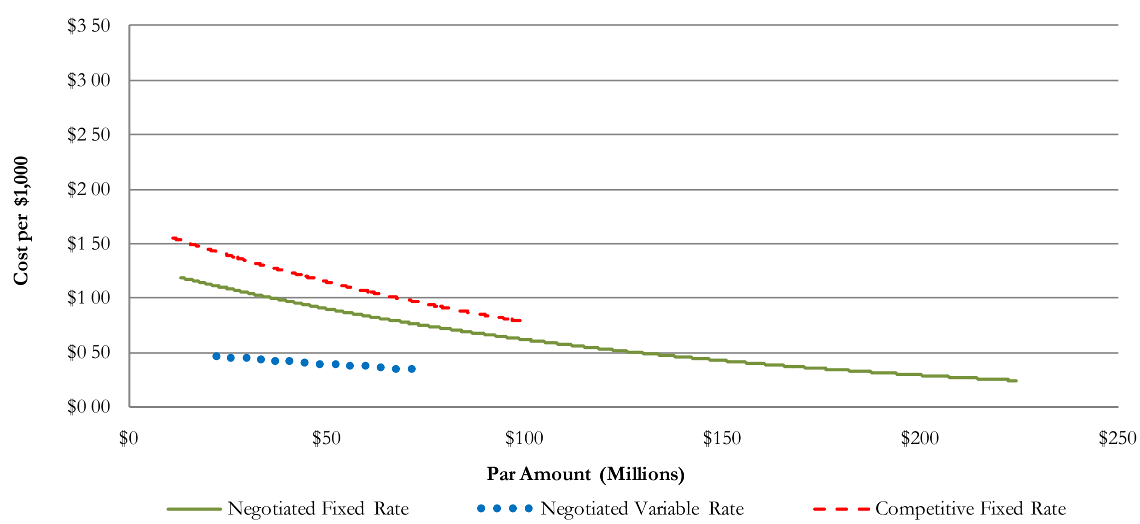
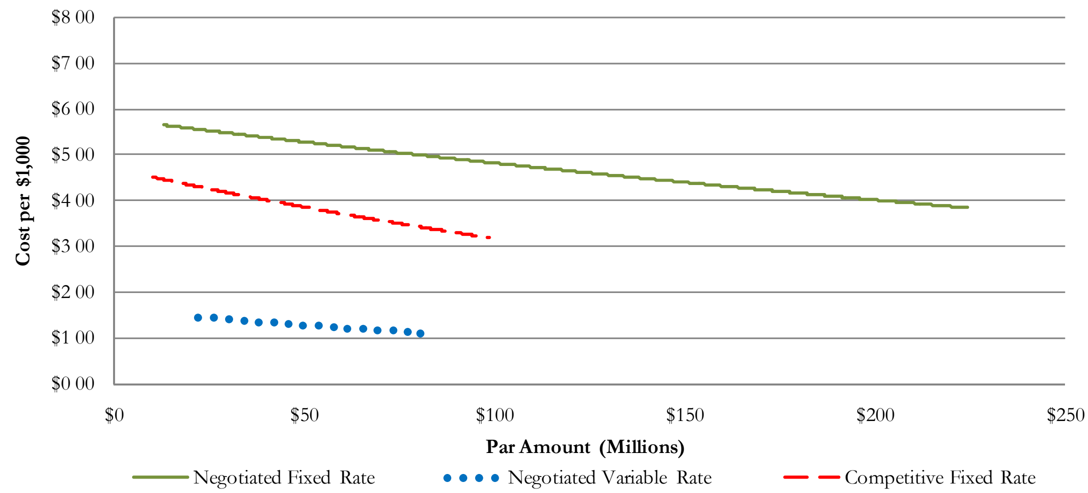


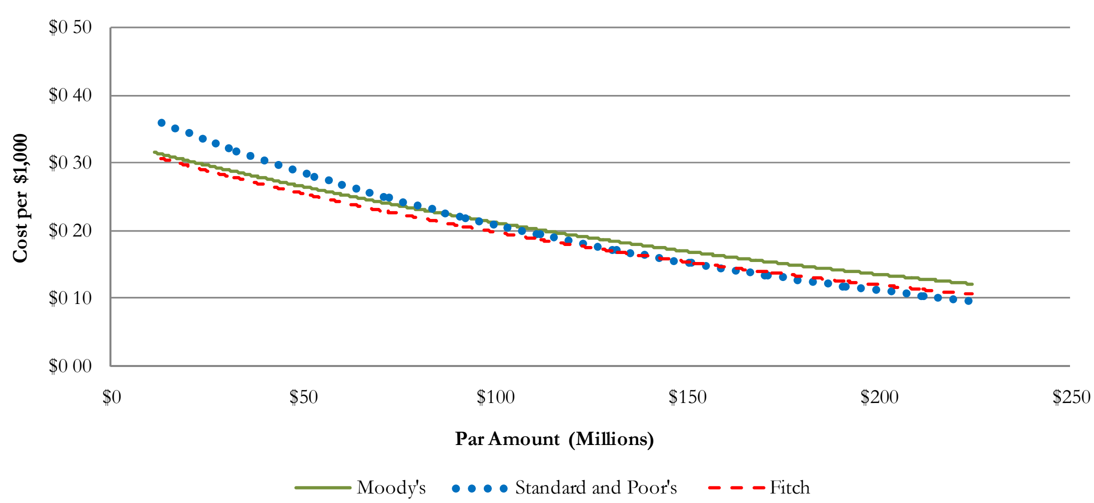
Figure 4 6
Underwriters' Spread excluding Counsel: 2005 - 2010
GO < $250 Million



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).

Cost of Issuance data was obtained from GO transactions for five agencies and four institutions of higher education. A total of 55 issuances were completed in fiscal years 2005-2010 with an average par amount of $69.8 million. Of the 55 issuances, 24 were negotiated fixed-rate issues, 23 were negotiated variable-rate issues, seven were competitive fixed-rate issues and one was a competitive variable-rate issue which was not included in the graph due to the small sample size.

Figure 4 7
Rating Agency Fee: 2005 - 2010
GO < $250 Million



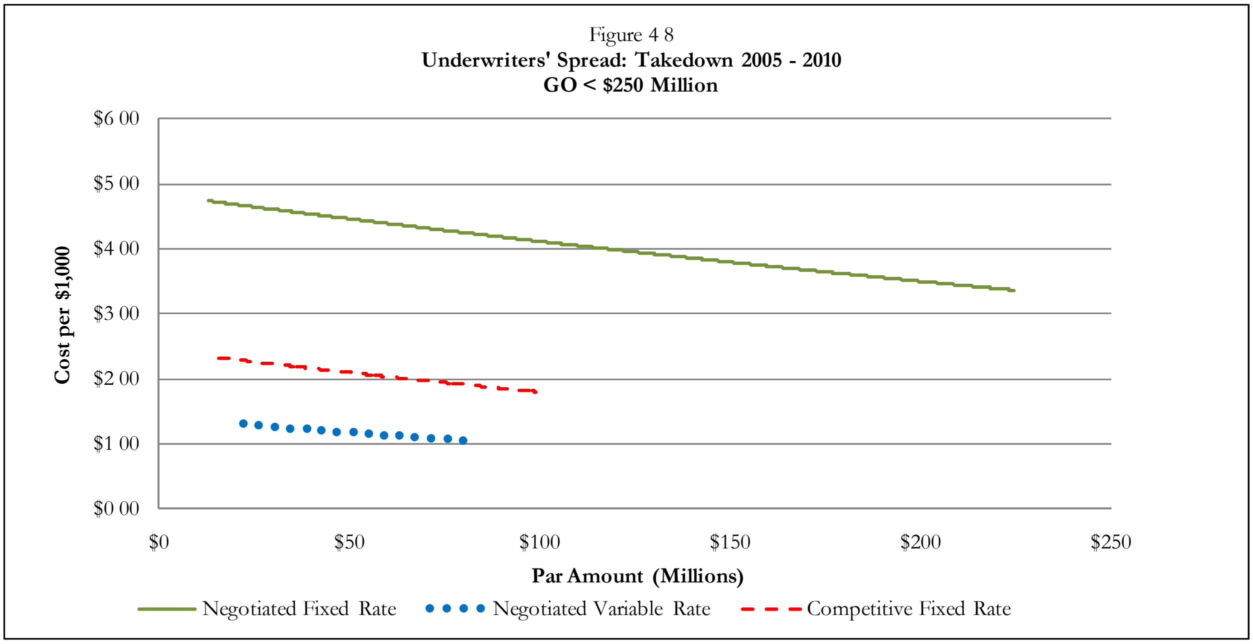


Figure 4 8
Underwriters' Spread: Takedown 2005 - 2010
GO < $250 Million

Figure 4.4 shows the bond counsel cost per $1,000 for the 54 transactions. As expected, smaller negotiated sales had higher cost per $1,000 compared to competitive sales. As transaction size increased, costs per $1,000 for competitive sales remained relatively constant but were higher than negotiated sales.

Figure 4.5 shows the cost per $1,000 for the 52 transactions with a financial advisor fee. Competitive transactions had a higher cost across all transactions and variable-rate issuances had a lower cost per $1,000 than fixed-rate issues.

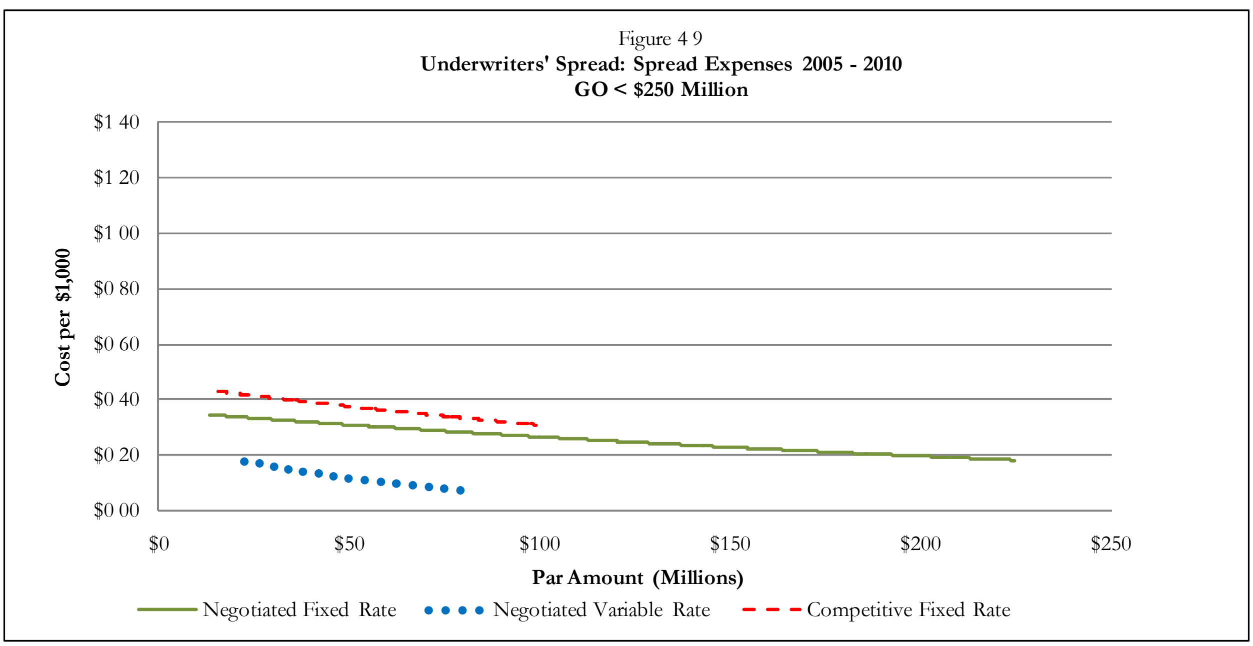


Figure 4 9
Underwriters' Spread: Spread Expenses 2005 - 2010
GO < $250 Million

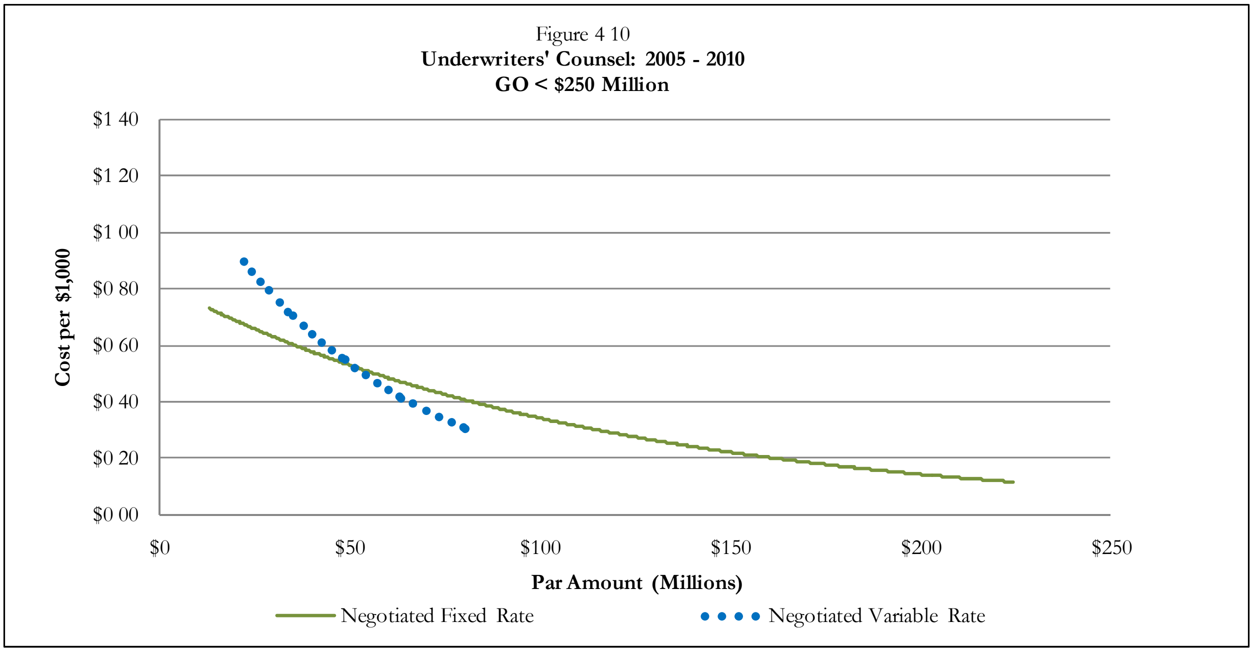


Figure 4.6 shows the underwriters' spread for negotiated sales that exclude underwriters' counsel fees that are generally not present in competitive sales. Negotiated fixed-rate issuances had higher costs than competitive fixed-rate issuances. Negotiated variable-rate issuances had the lowest cost per $1,000.

Figure 4.7 shows the cost per $1,000 for fees for the three major rating agencies: Moody's, Standard and Poor's (S&P) and Fitch. For smaller transaction sizes, S&P had the highest cost per $1,000, but as transaction size increased, S&P became the lowest. Moody's and Fitch's cost per $1,000 was lower than S&P for smaller transactions, but increased above S&P as transaction size increased.

Figures 4.8, 4.9, and 4.10 further analyze underwriters' spread by takedown, spread expenses and underwriters' counsel for 54 issuances that occurred between fiscal 2005-2010.

Figure 4.8 shows takedown costs per $1,000 by par amount. Overall, negotiated fixed-rate sales had the highest cost per $1,000, and negotiated variable-rate sales had the lowest cost per $1,000.

Figure 4.9 shows cost per $1,000 for spread expenses. Competitive fixed-rate sales had a higher cost per $1,000, and negotiated variable-rate sales had the lowest cost per $1,000.

Figure 4.10 shows underwriters' counsel cost per $1,000. For smaller transactions negotiated variable-rate sales resulted in a higher cost per $1,000 than negotiated fixed-rate sales. As transaction size increased, negotiated variable-rate sales had a lower cost per $1,000. *Figure 4.10* compares negotiated transactions by financing structure only since underwriters' counsel fees are typically not present in competitive sales.

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

Texas again experienced an increase in volume cap for the calendar 2010 Private Activity Bond Allocation Program. The 2010 volume cap was set at $2,230,407,180, an increase of $41.0 million (1.9%) over the calendar 2009 cap of $2,189,427,660. The total size of the PAB program including carryforward amounts was $5.41 billion. For Program Year 2010, application requests exceeded $3.82 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-served 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 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 a 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 Agricultural 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 for the Private Activity Bond Allocation Program.

- 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 can 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 can 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 had dedicated one third of the volume cap available to Subceiling #3 to the Texas Agricultural Finance Authority; however, the 81st Legislature passed Senate Bill 2064 which repealed the Authority's dedicated amount as it was never utilized.

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 MRBs 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 180 days 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 2010 Private Activity Bond Allocation Program. Based on its population, the 2010 volume cap was set at $2,230,407,180, an increase of $41.0 million (1.9%) over the calendar 2009 cap of $2,189,427,660.

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 formula. On December 20, 2000 federal

Table 5.1
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2010 SET-ASIDE vs. ISSUED ALLOCATION AMOUNTS
(as of November 15, 2010)

SUBCEILING	SET-ASIDE ALLOCATION	PERCENT OF TOTAL	ISSUED ALLOCATION	PERCENT OF TOTAL
Single Family Housing	$624,514,010	28.00%	$116,142,544	5.21%
State-Voted Issues	178,432,574	8.00%	95,279,609	4.27%
Small Issue IDBs	44,608,144	2.00%	3,440,000	0.15%
Multifamily Housing	490,689,580	22.00%	5,275,000	0.24%
Student Loan Bonds	234,192,754	10.50%	0	0.00%
All Other Issues	657,970,118	29.50%	445,510,316	19.97%
TOTAL	**$2,230,407,180**	**100.00%**	**$665,647,470**	**29.84%**

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

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 and remained at $90 for 2010.

Issuer demand during the 2010 Program Year increased compared to the 2009 Program Year. Roughly 79.6% of the available allocation from the 2010 volume cap had been requested before the August 15th collapse compared to 62.4% for 2009. After the 2010 collapse, the BRB received just over $2 billion in requests. Applications received for Program Year 2010 including carryforward requests, totaled $3.82 billion or 70.7% of the total available allocation of $5.41 billion *(Table 5.2)*. As of November 15, 2010 all requests for reservations had been granted.

Recent Major Issues Impacting the Program

As of November 15, 2010 only $665.6 million (29.8%) of Program Year 2010 volume cap had been allocated. As of the same date in Program Years 2008 and 2009, $970.2 million (47.7%) and $454.5 million (20.8%) 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 and 75 in Program Year 2010. As in 2009, many issuers waited for market conditions to improve to close transactions late in the year, or they applied for volume cap with the intention of converting it to carryforward. Although market conditions negatively affected every subceiling, multifamily housing and student loan transactions suffered the greatest adverse impact.

As of November 15, 2010 no MRBs had closed utilizing Program Year 2010 volume cap; however, issuers had converted $116.1 million of Program Year 2010 volume cap to MCC programs. Multifamily issuers closed three projects in 2009 compared to four

Table 5.2 **STATE OF TEXAS** **PRIVATE ACTIVITY BOND ALLOCATION PROGRAM** **2010 APPLICATIONS FOR ALLOCATION**			
SUBCEILINGS	**AVAILABLE ALLOCATION***	**REQUESTED ALLOCATION**	**REQUESTS AS A % OF AVAILABILITY**
Mortgage Revenue Bonds	$1,464,065,244	$1,389,325,196	94.90%
State-Voted Issue Bonds	228,432,574	125,000,000	54.72%
Industrial Development Bonds	44,608,144	26,600,000	59.63%
Multifamily Rental Project Bonds	596,864,580	112,600,000	18.87%
Student Loan Bonds	1,240,692,763	967,487,863	77.98%
All Other Bonds Requiring Allocation	1,383,970,118	852,500,000	61.60%
Emergency Housing Volume Cap	448,500,000	349,750,000	77.98%
TOTALS	**$5,407,133,423**	**$3,823,263,059**	**70.71%**

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

projects closed as of November 15, 2010 with one project using $5.3 million of 2010 volume cap and the other three using $31.1 million of carryforward volume cap. Student loan issuers did not close any 2010 volume cap but were able to close $213.7 million of bonds using carryforward volume cap.

At the beginning of Program Year 2010, the amount of carryforward ($3.18 billion) was nearly 1.5 times the total amount of volume cap for the entire 2010 Program Year ($2.23 billion), and many issuers that applied for a reservation were forced to use carryforward volume cap (as required by IRS Code) before using 2010 volume cap. As a result more carryforward volume cap ($901.7 million) was allocated than actual 2010 volume cap ($665.6 million) during the program year (*Figure 5.1*). Project requests after the August 15th 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.

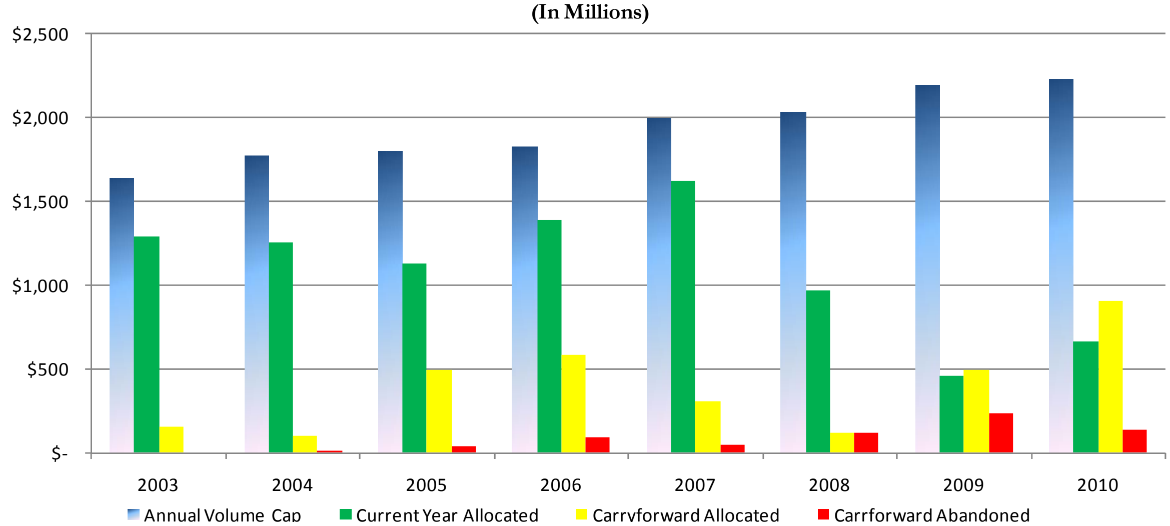
As of November 15, 2010 $1.89 billion (86.3%) of the state's 2010 PAB volume cap had been reserved but not allocated. A substantial portion of that amount will be converted to carryforward.

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 (MRBs 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
(In Millions)



*2009 and 2010 Carryforward numbers also include HERA cap
Source: Texas Bond Review Board - Private Activity Bond Program.

With input from TDHCA, TSAHC 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. During September 2009 the BRB adopted procedures to allow issuers to utilize this additional flexibility.

As of November 15, 2010, $521.0 million of HERA volume cap had been allocated since the program's inception in 2008, and $227.0 million remained 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 34 counties affected by Hurricane Ike. 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.

The 81st Texas Legislature passed legislation authorizing the BRB to administer the qualified Hurricane Ike disaster area bond program under the direction of the Governor. On December 7, 2009 Governor Perry issued Proclamation 41-3232 providing for administration of the qualified Hurricane Ike disaster area bond program and naming priorities for the designation of such bonds.

The proclamation outlines the major requirements of the program and identifies the following priorities for allocation of the $1.86 billion of Hurricane Ike bonding authority:

- Group A: Seventy-seven percent of the bonds ($1,434,717,900) are reserved for projects located in the counties of Brazoria, Chambers, Galveston, Harris, Jefferson, Liberty, Montgomery and Orange;

- Group B: Thirteen percent of the bonds ($242,225,100) are reserved for projects located in the counties of Fort Bend, Grimes, Hardin, Jasper, Newton, Polk, San Jacinto, Tyler and Walker; and

- Group C, Ten percent of the bonds ($186,327,000) are reserved for projects located in the counties of Angelina, Austin, Cherokee, Gregg, Harrison, Houston, Madison, Matagorda, Nacogdoches, Rusk, Sabine, San Augustine, Shelby, Smith, Trinity, Waller and Washington.

As of November 15, 2010 the total allotted to Group A ($1.43 billion) had been designated by the Governor, and one application had been received in the amount of $348.8 million under Group B. No applications had been received under Group C. As of the same date $163.2 million in Hurricane Ike bonds have been issued.

Recovery Zone Bond Program

In February 2009 the American Recovery and Reinvestment Act of 2009 (ARRA) created two types of Recovery Zone Bonds (RZB): Recovery Zone Economic Development Bonds (RZEDB) and Recovery Zone Facility Bonds (RZFB).

RZEDBs 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.

RZFBs are tax-exempt private activity bonds that do not have a 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.

Pursuant to Section 1401 of the ARRA and Section 6.04 of Internal Revenue Service Notice 2009-50, certain counties and large municipalities in the state have been allocated volume cap authority to issue RZBs. The Texas Office of the Attorney General (OAG) has advised that federal law does not authorize counties and large municipalities to make reallocations. Based on the OAG's advice, Governor Perry has established a reallocation program that expires on January 1, 2011.

On October 8, 2010 the Office of the Governor directed the BRB to contact all cities and counties with unused RZB volume cap. The BRB provided written notice by October 15, 2010 to all local governmental recipients of RZB volume cap allocation of the amounts of allocation waived by all recipients. The Office of the Governor awarded a total allocation of $65 million of RZB bonding authority to two recipients. No RZFB applications were received.

Other Bonding Authority

ARRA also created two new types of bonding authority: Build America Bonds (*see Chapter 2*) and Qualified School Construction Bonds. In addition, ARRA expanded three existing authorities: Qualified Zone Academy Bonds, Qualified Energy Conservation Bonds and Clean Renewable Energy Bonds.

Qualified School Construction Bonds (QSCB) may be used to finance the construction, rehabilitation or repair of public schools. The Texas Education Agency administers this program and was originally allocated $538.6 million in QSCB 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 on December 31, 2010. The Texas Education Agency has administered this program since its creation by the federal Taxpayer Relief Act of 1997.

Qualified Energy Conservation Bonds (QECB) may be used for qualified conservation purposes. Under ARRA Texas was allocated $252.4 million of QECB authority.

Clean Renewable Energy Bonds (CREB) may be used by public power providers, cooperative electric companies or governmental bodies to finance qualified renewable energy projects. ARRA increased the national CREB volume cap by $1.6 billion to a total of $2.40 billion. Allocations are administered by the U.S. Department of the Treasury rather than individual states.

Appendix A
Summary of Bonds Issued

Table A1
BONDS BY ISSUER
REPORTED FOR FISCAL YEAR 2010

Texas Department of Housing and Community Affairs		
Residential Mortgage Revenue Bonds, Series 2009C	$	300,000,000
Texas Higher Education Coordinating Board		
State of Texas (General Obligation Bonds) College Student Loan Bonds, Series 2010	$	113,580,000
State of Texas (General Obligation Bonds) College Student Loan Refunding Bonds, Series 2010	$	51,865,000
Texas Public Finance Authority		
Midwestern State University, Revenue Financing System Revenue Bonds, Series 2010	$	6,700,000
Stephen F. Austin State University, Revenue Financing System Revenue Bonds, Series 2010 and Revenue Financing System Revenue Refunding Bonds, Series 2010A	$	38,450,000
State of Texas General Obligation Refunding Bonds, Series 2010A and 2010B	$	333,540,000
Texas Public Finance Authority Charter School Finance Corporation		
Education Revenue Bonds (Nova Academy), Series 2010	$	6,375,000
Education Revenue Bonds (Cosmos Foundation, Inc.), Series 2010A and Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds - Direct Pay)	$	90,000,000
Education Revenue Bonds (Odyssey Academy, Inc.), Series 2010A and Taxable Education Revenue Bonds, Series 2010B and Series 2010Q (Qualified School Construction Bonds - Direct Pay)	$	14,955,000
Texas Private Activity Bond Surface Transportation Corporation		
Senior Lien Revenue Bonds (NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project), Series 2009 (Tax-Exempt)	$	400,000,000
Senior Lien Revenue Bonds (LBJ Infrastructure Group LLC IH-635 Managed Lanes Project), Series 2010 (Tax-Exempt)	$	615,000,000
Texas State Affordable Housing Corporation		
Single Family Mortgage Revenue Bonds, Series 2009	$	73,640,000
Texas State Technical College System		
Texas State Technical College System, Revenue Financing System Bonds, Series 2009	$	31,555,000
Texas State University System		
Board of Regents of Texas State University System, Revenue Financing System Refunding Bonds, Series 2010	$	99,950,000
Board of Regents of Texas State University System, Revenue Financing System Revenue Bonds, Series 2010A	$	65,735,000
Texas Transportation Commission		
TTC State Highway Fund First Tier Revenue Bonds, Taxable Series 2010 (Build America Bonds - Direct Payment)	$	1,500,000,000
Texas Veterans Land Board		
State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2009B Bonds	$	50,000,000
State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2009C Taxable Refunding Bonds	$	82,795,000
State of Texas Veterans Bonds Taxable Refunding Series 2010B	$	66,720,000
State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2010A Bonds	$	74,995,000
State of Texas Veterans Bonds, Series 2010C	$	74,995,000
Texas Water Development Board		
State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2009E (Water Infrastructure Fund) and Series 2009F (Economically Distressed Areas Program)	$	125,940,000
State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2010A	$	20,270,000
State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2010B (Water Infrastructure Fund) and Water Financial Assistance Bonds, Series 2010C (State Participation Program)	$	185,505,000
Texas Woman's University		
Board of Regents of Texas Woman's University, Revenue Financing System Bonds, Series 2009A	$	14,980,000
The Texas A&M University System		
Board of Regents of The Texas A&M University System, Revenue Financing System Bonds, Series 2010A and 2010B	$	241,185,000
Board of Regents of The Texas A&M University System, Revenue Financing System Bonds, Series 2009C and 2009D	$	375,000,000
The University of Texas System		
Board of Regents of The University of Texas System, Revenue Financing System Bonds, Series 2010A	$	331,415,000
Board of Regents of The University of Texas System, Revenue Financing System Refunding Bonds, Series 2010B	$	385,380,000
Board of Regents of The University of Texas System, Revenue Financing System Taxable Bonds, Series 2010D (Build America Bonds - Direct Payment)	$	516,245,000
The University of Houston System		
Board of Regents of The University of Houston System, Consolidated Revenue and Refunding Bonds, Series 2010A, 2010B (Direct-Subsidy Build America Bonds), & 2010C	$	121,535,000
University of North Texas System		
Board of Regents of the University of North Texas System, Revenue Financing System Bonds, Series 2009A and Revenue Financing System Refunding Bonds, Series 2009B	$	175,110,000
Board of Regents of the University of North Texas System, Revenue Financing System Refunding Bonds, Series 2010	$	57,625,000
	$	**6,641,040,000**

Source: Texas Bond Review Board - Bond Finance Office.

Texas Department of Housing and Community Affairs

Issue: Texas Department of Housing and Community Affairs, Residential Mortgage Revenue Bonds, Series 2009C

Purpose: The proceeds of the bonds will be used for the purposes of acquiring and financing the holding of single family mortgage loans or single family mortgage-backed security which are either newly-originated or refinanced; to fund reasonably required reserves and pay costs of issuance of the Program Bonds in accordance with the requirements and limitations of applicable federal tax law. Program Bonds are being issued as part of the Housing Finance Agency Initiative New Issue Bond Program established by the U.S. Treasury.

Par:	$300,000,000
Method of Sale:	Private Placement
Board Approval:	November 19, 2009
Private Placement Sale:	December 21, 2009
Closing Date:	December 23, 2009
True Interest Cost (TIC):	n/a
Net Interest Cost (NIC):	n/a

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	100,000	0.33
Financial Advisor	RBC Capital Markets	No	50,000	0.17
Printing	ImageMaster	No	2,635	0.01
Trustee	The Bank of NY Mellon Trust Co.	No	3,500	0.01
Trustee Counsel	Petruska & Associates	No	14,000	0.05
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	44,578	0.15
Attorney General		N/A	9,500	0.03
GSE Initial Securitization Fee			300,000	1.00
GSE Special Closing Counsel Fee			27,500	0.09
GSE Legal Deposit			25,000	0.08
Miscellaneous			50,000	0.17
Rating Agencies	**Rating**			
Moody's	Aaa		5,000	0.02
Standard & Poor's	AAA		5,000	0.02
Subtotal			**$ 636,713**	**$ 2.12**

Additional COI				
Auditor Letter	Deloitte & Touche		22,000	0.07
Total			**$ 658,713**	**$ 2.20**

Texas Higher Education Coordinating Board

Issue: Texas Higher Education Coordinating Board, State of Texas (General Obligation Bonds) College Student Loan Bonds, Series 2010

Purpose: The proceeds of the bonds will be deposited by the Board into the Student Loan Auxiliary Fund and used to fund the various student loan programs authorized by the Act. Such loan programs provide low interest loans to eligible students seeking undergraduate education and/or graduate or professional education through public and independent institutions of higher education in the State.

Par:	$113,580,000
Method of Sale:	Negotiated
Board Approval:	January 14, 2010
Negotiated Sale:	February 11, 2010
Closing Date:	February 25, 2010
True Interest Cost (TIC):	4.07%
Net Interest Cost (NIC):	4.31%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson and Elkins LLP	No	90,819	0.80
Financial Advisor	First Southwest Co.	No	56,790	0.50
Printing	ImageMaster	No	3,569	0.03
Paying Agent/Registrar	Wells Fargo Bank, N.A.	No	150	0.00
Private Activity Bond Fee	Texas Bond Review Board	No	1,000	0.01
Attorney General		N/A	9,500	0.08
Rating Agencies	**Rating**			
Moody's	Aa1		30,300	0.27
Standard and Poor's	AA+		19,600	0.17
Subtotal			**$ 211,728**	**$ 1.86**

Underwriting Spread			Amount	Per $1,000
Takedown			397,530	3.50
Spread Expenses			44,923	0.40
Total*			**$ 442,453**	**$ 3.90**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	McCall, Parkhurst & Horton LLP	N/A	-	0.00	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Wells Fargo Bank, N.A.	No	60.00%	66.04%	262,518
Morgan Keegan & Co.	No	13.30%	13.08%	52,405
Siebert Brandford Shank & Co.	**BA/WO**	13.30%	12.04%	47,848
Southwest Securities Inc.	No	13.30%	8.74%	34,760
Total		**100.00%**	**100.00%**	**$ 397,531**

Texas Higher Education Coordinating Board

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

Purpose: Proceeds from the bonds will be used to currently refund all the outstanding maturities of the State of Texas College Student Loan Bonds, Series 1997 and Series 2000, maturing after August 1, 2010

Par:	$51,865,000
Method of Sale:	Negotiated
Board Approval:	May 7, 2010
Negotiated Sale:	June 9, 2010
Closing Date:	June 23, 2010
True Interest Cost (TIC):	2 38%
Net Interest Cost (NIC):	2 44%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	85,422	1 65
Financial Advisor	First Southwest Co	No	32,415	0 62
Printing	ImageMaster	No	2,736	0 05
Paying Agent/Registrar	Wells Fargo Bank, N A	No	400	0 01
Escrow Agent	Wells Fargo Bank, N A	No	500	0 01
Escrow Verification	Causey Demgen & Moore	No	1,690	0 03
Private Activity Fee	Texas Bond Review Board	No	500	0 01
TEFRA Notice Publication		No	7,651	0 15
Attorney General		N/A	9,500	0 18
Rating Agencies	**Rating**			
Moody's	Aaa		13,300	0 26
Standard & Poor's	AA+		14,700	0 28
Subtotal			**$ 168,814**	**$ 3.25**

Underwriting Spread	Amount	Per $1,000
Underwriting Risk	142,135	2 74
Total*	**$ 142,135**	**$ 2.74**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	McCall, Parkhurst & Horton LLP	No	17,000	0 33	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
RBC Capital Markets	No	60 00%	60 00%	85,281
Southwest Securities Inc	No	40 00%	40 00%	56,854
Total		**100.00%**	**100.00%**	**$ 142,135**

Texas Public Finance Authority

Issue: Texas Public Finance Authority, Midwestern State University, Revenue Financing System Revenue Bonds, Series 2010

Purpose: The proceeds from the sale of the Bonds will be used for the following purposes: (i) improving, renovating, enlarging and/or equipping the University's existing D L Ligon Coliseum and (ii) paying certain costs of issuing the Bonds

Par:	$6,700,000
Method of Sale:	Competitive
Board Approval:	March 18, 2010
Competitive Sale:	April 7, 2010
Closing Date:	April 29, 2010
True Interest Cost (TIC):	4 51%
Net Interest Cost (NIC):	4 45%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	35,000	5 22
Financial Advisor	First Southwest Co	No	38,519	5 75
Printing	Parity	No	2,096	0 31
Attorney General		N/A	6,700	1 00
Miscellaneous		N/A	12	0 00
Rating Agencies	**Rating**			
Moody's	A2/Aa2		15,000	2 24
Standard & Poor's	A+/AAA		10,000	1 49
Subtotal			**$ 107,327**	**$ 16.02**

Additional COI				
Credit Enhancement	Assured Guaranty Corp		84,000	12 54
Total			**$ 191,327**	**$ 28.56**

Underwriting Spread	Amount	Per $1,000
Underwriting Risk	13,044	1 95
Takedown	41,656	6 22
Spread Expenses	4,623	0 69
Total	**$ 59,323**	**$ 8.85**

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
BOSC	No	42 54%	22 30%	9,290
Wells Fargo Bank, N A	No	42 54%	67 73%	28,215
Valdes & Moreno	**HA**	7 46%	1 22%	507
Jackson Securities	**WO**	7 46%	0 02%	26,835
Total		**100.00%**	**100.00%**	**$ 64,847**

* Some bonds sold at a loss

Texas Public Finance Authority

Issue: Texas Public Finance Authority, Stephen F Austin State University, Revenue Financing System Revenue Bonds, Series 2010 and Revenue Financing System Revenue Refunding Bonds, Series 2010A

Purpose: Proceeds of the new-money bonds, together with other available funds, will be used for (i) acquiring, purchasing, constructing, improving, renovating, enlarging, or equipping property, buildings, structures, facilities, roads, or related infrastructure, including a new residence hall and parking garage, and (ii) paying the cost of issuance associated with the new-money bonds

The refunding bonds are being issued for the purpose of (i) refunding outstanding Revenue Financing System Revenue Bonds, Series 1998 and (ii) paying costs of issuing the refunding bonds

Par:	$38,450,000
Method of Sale:	Negotiated
Board Approval:	March 18, 2010
Negotiated Sale:	March 29, 2010
Closing Date:	April 27, 2010
True Interest Cost (TIC):	4 09%
Net Interest Cost (NIC):	4 08%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth LLP	No	49,000	1 27
Financial Advisor	First Southwest Co	No	43,193	1 12
Co-Financial Advisor	Kipling Jones	No	10,904	0 28
Paying Agent/ Registrar	Wells Fargo Bank, N A	No	400	0 01
Printing		No	1,115	0 03
Attorney General		N/A	12,915	0 34
Miscellaneous		N/A	1,480	0 04
Rating Agencies	**Rating**			
Moody's	A2/Aa3		30,000	0 78
Fitch	A+		15,000	0 39
Subtotal			**$ 164,007**	**$ 4.27**

Additional COI				
Credit Enhancement	Assured Guaranty Municipal		265,388	6 90
Total			**$ 429,395**	**$ 11.17**

Underwriting Spread	Amount	Per $1,000
Management Fee	15,380	0 40
Takedown	170,220	4 43
Spread Expenses	48,063	1 25
Total*	**$ 233,663**	**$ 6.08**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski LLP	No	37,500	0 98	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Estrada Hinojosa & Co	**HA**	50 00%	50 00%	7,690	41 02%	69,831
Morgan Keegan & Co	No	25 00%	25 00%	3,845	28 80%	49,023
JP Morgan	No	25 00%	25 00%	3,845	30 18%	51,367
Total		**100.00%**	**100.00%**	**$ 15,380**	**100.00%**	**$ 170,220**

Texas Public Finance Authority

Issue: Texas Public Finance Authority, State of Texas General Obligation Refunding Bonds, Series 2010A and 2010B

Purpose: Proceeds of the Series 2010A Bonds will be used for refunding certain outstanding general obligation commercial paper notes to achieve long-term fixed rate financing and paying the costs of issuance of the bonds. Proceeds from the Series 2010B will be used for refunding certain outstanding general obligation bonds of the state (Series 2002 and 2003) to achieve a debt-service savings and paying the costs of issuance of the bonds.

Par:	$333,540,000
Method of Sale:	Negotiated
Board Approval:	June 10, 2010
Negotiated Sale:	June 22, 2010
Closing Date:	July 14, 2010
True Interest Cost (TIC):	3.72%
Net Interest Cost (NIC):	3.96%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall Parkhurst & Horton LLP	No	42,805	0.13
Financial Advisor	Coastal Securities	No	62,272	0.19
Printing	ImageMaster	No	2,122	0.01
Attorney General		No	19,000	0.06
Escrow Agent	Texas Treasury Safekeeping Trust Co.	No	1,250	0.00
Escrow Verification	Grant Thornton	No	5,000	0.01
Miscellaneous		N/A	6,927	0.02
Rating Agencies	**Rating**			
Moody's	Aaa		34,800	0.10
Standard and Poor's	AA+		42,000	0.13
Subtotal			**$ 216,176**	**$ 0.65**

Underwriting Spread	Amount	Per $1,000
Management Fee	83,385	0.25
Takedown	1,358,112	4.07
Spread Expenses	117,540	0.35
Total	**$ 1,559,037**	**$ 4.67**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski LLP	No	60,000	0.18	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Barclays Capital	No	44.00%	44.00%	36,689	0.52%	701,497
Cabrera Capital	No	8.00%	8.00%	6,671	0.02%	31,554
Citigroup	No	8.00%	8.00%	6,671	0.16%	211,738
Jefferies & Company	No	8.00%	8.00%	6,671	0.10%	132,466
Loop Capital Markets	**BA**	8.00%	8.00%	6,671	0.03%	40,977
Morgan Keegan & Co.	No	8.00%	8.00%	6,671	0.07%	101,844
Piper Jaffray	No	8.00%	8.00%	6,671	0.06%	86,008
Ramirez & Co.	**HA**	8.00%	8.00%	6,671	0.04%	52,028
Total		**100.00%**	**100.00%**	**$ 83,386**	**100.00%**	**$ 1,358,112**

Texas Public Finance Authority Charter School Finance Corporation

Issue: Texas Public Finance Authority Charter School Finance Corporation, (Nova Academy) Education Revenue Bonds, Series 2010

Purpose: Texas Public Finance Authority Charter School Finance Corporation will issue the bonds and loan the proceeds to Nova Charter School for the purpose of constructing and equipping a third new campus and equipping and improving the existing campuses in Dallas, Texas. The proceeds will also be used to fund a debt-service reserve fund and to pay issuance costs of the bonds.

Par:	$6,375,000
Method of Sale:	Negotiated
Board Approval:	January 15, 2010
Negotiated Sale:	March 1, 2010
Closing Date:	March 25, 2010
True Interest Cost (TIC):	6.45%
Net Interest Cost (NIC):	6.36%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson and Elkins LLP	No	137,948	21.64
O.S. Preparation	Petruska & Associates	No	45,000	7.06
Printing	i-Deal Prospectus	No	2,755	0.43
Trustee	The Bank of NY Mellon Trust Co.	No	4,000	0.63
Attorney General		No	6,375	1.00
Issuer's Issuance Fee	TPFA CSFC	No	5,000	0.78
TEFRA Notice Publication	TEFRA	No	1,550	0.24
Miscellaneous	Charter Title Company	No	33,124	5.20
Rating Agencies	**Rating**			
Standard and Poor's	BBB		18,900	2.96
Subtotal			**$ 254,652**	**$ 39.95**

Underwriting Spread	Amount	Per $1,000
Management Fee	28,688	4.50
Takedown	95,625	15.00
Underwriter's Risk	31,875	5.00
Structuring Fee	31,875	5.00
Spread Expenses	3,188	0.50
Total	**$ 191,250**	**$ 30.00**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Petruska & Associates	No	65,000	10.20	Issuer

Texas Public Finance Authority Charter School Finance Corporation

Issue: Texas Public Finance Authority Charter School Finance Corporation, Education Revenue Bonds (Cosmos Foundation, Inc.), Series 2010A and Taxable Education Revenue Bonds, Series 2010Q (Qualified School Construction Bonds - Direct Pay)

Purpose: Texas Public Finance Authority Charter School Finance Corportation will issue the bonds and loan the proceeds to Cosmos Foundation, Inc. to finance various campus projects in several Texas cities, to fund a debt-service reserve fund, and to pay the costs of issuance of the bonds. A portion of the Series 2010A proceeds will be utilized to refinance all the outstanding principal of a $12,500,000 interim loan from Regions Bank, an affiliate of Morgan Keegan and Company, Inc., the proceeds of which were used for project expenses.

Par:	$90,000,000
Method of Sale:	Negotiated
Board Approval:	March 22, 2010
Negotiated Sale:	April 29, 2010
Closing Date:	May 6, 2010
True Interest Cost (TIC):	A - 6.22%; Q - 8.23%;
Net Interest Cost (NIC):	A - 6.22%; Q - 8.15%;

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson and Elkins LLP	No	261,500	2.91
O.S. Preparation	Petruska & Associates	No	35,000	0.39
Printing	ImageMaster	No	4,800	0.05
Attorney General		No	9,500	0.11
Trustee and Counsel	Regions Bank	No	26,000	0.29
Issuer's Issuance Fees		No	5,000	0.06
TEFRA Notice Publication		No	38,914	0.43
Rating Agencies	**Rating**			
Standard and Poor's	BBB		75,000	0.83
Subtotal			**$ 455,714**	**$ 5.06**

Underwriting Spread	Amount	Per $1,000
Management Fee	225,000	2.50
Takedown	675,000	7.50
Spread Expenses	33,152	0.37
Total	**$ 933,152**	**$ 10.37**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Petruska & Associates	No	35,000	0.39	Borrower

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Morgan Keegan & Co.	No	70.00%	100.00%	225,000	70.00%	472,500
Jefferies & Company	No	30.00%	0.00%	-	30.00%	202,500
Total		**100.00%**	**100.00%**	**$ 225,000**	**100.00%**	**$ 675,000**

Texas Public Finance Authority Charter School Finance Corporation

Issue: Texas Public Finance Authority Charter School Finance Corporation, Education Revenue Bonds (Odyssey Academy, Inc.), Series 2010A and Taxable Education Revenue Bonds, Series 2010B and Series 2010Q (Qualified School Construction Bonds - Direct Pay)

Purpose: Texas Public Finance Authority Charter School Finance Corporation will issue the bonds and loan the proceeds to Odyssey Academy, Inc. to finance various campus projects in Galveston, Texas, to fund a debt service reserve fund, and to pay the costs of issuance of the bonds.

Par:	$14,955,000
Method of Sale:	Negotiated
Board Approval:	July 20, 2010
Negotiated Sale:	July 22, 2010
Closing Date:	August 4, 2010
True Interest Cost (TIC):	A - 6.98%; B - 9.33%; Q - 4.74%;
Net Interest Cost (NIC):	A - 7.04%; B - 9.07%; Q - 4.49%;

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth LLP	No	152,500	10.20
Financial Advisor	Wells Nelson & Associates, LLC	No	90,000	6.02
Printing	Clements Printing	No	2,489	0.17
Attorney General		No	14,500	0.97
Trustee	The Bank of NY Mellon Trust Co.	No	6,500	0.43
Trustee Counsel	Locke Lord Bissell & Liddell LLP	No	16,000	1.07
Issuer's Issuance Fees		No	5,000	0.33
Rating Agencies	**Rating**			
Standard and Poor's	BBB		26,250	1.76
Subtotal			**$ 313,239**	**$ 20.95**

Underwriting Spread	Amount	Per $1,000
Management Fee	183,696	12.28
Takedown	186,938	12.50
Spread Expenses	78,018	5.22
Total	**$ 448,651**	**$ 30.00**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Vinson & Elkins LLP	No	60,000	4.01	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Piper Jaffray	No	100.00%	100.00%	183,696	100.00%	186,938
Total		**100.00%**	**100.00%**	**$ 183,696**	**100.00%**	**$ 186,938**

Texas Private Activity Bond Surface Transportation Corporation

Issue: Texas Private Activity Bond Surface Transportation Corporation, Senior Lien Revenue Bonds (NTE Mobility Partners LLC North Tarrant Express Managed Lanes Project), Series 2009 (Tax-Exempt)

Purpose: The proceeds of the bonds will be loaned to NTE Mobility Partners LLC, a Delaware limited liability company, to pay certain costs of issuance of the bonds and to finance costs related to the planning, development, design and construction of the North Tarrant Express Facility in Tarrant County, Texas, including up to three managed toll lanes in each direction as well as frontage roads and auxiliary lanes and various interchange connection improvements.

Par:	$400,000,000
Method of Sale:	Negotiated
Board Approval:	November 10, 2009
Negotiated Sale:	December 10, 2009
Closing Date:	December 17, 2009
True Interest Cost (TIC):	7.07%
Net Interest Cost (NIC):	7.00%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	733,948	1.83
Financial Advisor	RBC Capital Markets	No	14,811	0.04
Printing	Browne & Co.	No	20,220	0.05
Trustee	Deutsche Bank Trust Company	No	2,500	0.01
Trustee Counsel	Dewey & LeBoeuf LLP	No	6,000	0.02
TEFRA Notice Publication	McCall, Parkhurst & Horton LLP	No	1,535	0.00
Attorney General		N/A	9,500	0.02
Rating Agencies	**Rating**			
Moody's	Baa2		561,250	1.40
Fitch	BBB-		481,250	1.20
Subtotal			**$ 1,831,014**	**$ 4.58**

Additional COI				
Borrower's Local Counsel	Bracewell & Giuliani LLP	N/A	312,793	0.78
Consultant	Hatch Mott MacDonald	N/A	57,056	0.14
Consultant	AECOM Enterprises, Incorporated	N/A	69,009	0.17
Total			**$ 2,269,872**	**$ 5.67**

Underwriting Spread	Amount	Per $1,000
Takedown	2,600,000	6.50
Spread Expenses	395,169	0.99
Total*	**$ 2,995,169**	**$ 7.49**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Orrick, Herrington & Sutcliffe LLP	No	306,645	0.77	Borrower

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
JP Morgan	No	45.00%	45.00%	1,170,000
Bank of America Merrill Lynch	No	45.00%	45.00%	1,170,000
Estrada Hinojosa & Co.	**HA**	10.00%	10.00%	260,000
Total		**100.00%**	**100.00%**	**$ 2,600,000**

Texas Private Activity Bond Surface Transportation Corporation

Issue: Texas Private Activity Bond Surface Transportation Corporation, Senior Lien Revenue Bonds (LBJ Infrastructure Group LLC IH-635 Managed Lanes Project), Series 2010 (Tax-Exempt)

Purpose: The proceeds of the bonds will be loaned to LBJ Infrastructure Group LLC, a Delaware limited liability company, to pay certain costs of issuance of the bonds and to finance costs related to the planning, development, design and construction of the IH-635 Managed Lanes Project located in Dallas County including, among other things, (i) on IH-635, construction of three managed lanes in each direction, reconstruction of main lanes to provide general purpose lanes (four in each direction) and construction of access ramps and frontage roads, (ii) on the IH-635/IH-35E interchange, construction of managed lanes direct connectors connecting Westbound IH-635 to Southbound IH-35E, Northbound IH-35E to Eastbound IH-635, Southbound IH-35E to Eastbound IH-635 and Westbound IH-635 to Northbound IH-35E and managed lanes, (iii) on IH-35E, elevated managed lanes on Northbound IH-35E from the Loop 12/IH-35E split to the IH-35E/IH-635 interchange and on Southbound IH-35E from the IH-35E/IH-635 interchange to the Loop 12/IH-35E split and (iv) implementation of certain utility adjustments.

Par:	$615,000,000
Method of Sale:	Negotiated
Board Approval:	April 9, 2010
Negotiated Sale:	June 15, 2010
Closing Date:	June 22, 2010
True Interest Cost (TIC):	7.28%
Net Interest Cost (NIC):	7.18%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parhurst & Horton LLP	No	658,502	1.07
Financial Advisor	Infrastructure Management Group, Inc.	No	66,624	0.11
Trustee	Deutsche Bank Trust Company	No	2,500	0.00
Trustee Counsel	Dewey & LeBoeuf LLP	No	6,000	0.01
TEFRA Notice Publication	McCall, Parhurst & Horton LLP	No	1,909	0.00
Printing	Browne & Co.	No	31,671	0.05
Attorney General		No	9,500	0.02
Miscellaneous		No	406,284	0.66
Rating Agencies	**Rating**			
Moody's	Baa3		532,000	0.87
Fitch	BBB-		487,500	0.79
Subtotal			**$ 2,202,489**	**$ 3.58**

Underwriting Spread	Amount	Per $1,000
Management Fee	3,382,500	5.50
Spread Expenses	104,875	0.17
Total	**$ 3,487,375**	**$ 5.67**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Latham & Watkins LLP	N/A	542,834	0.88	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Bank of America Merrill Lynch	No	45.00%	45.00%	1,522,125
JP Morgan	No	30.00%	30.00%	1,014,750
Estrada Hinojosa & Co.	**HA**	15.00%	10.00%	338,250
Natixis Securities North America Inc.	No	10.00%	15.00%	507,375
Total		**100.00%**	**100.00%**	**$ 3,382,500**

Texas State Affordable Housing Corporation

Issue: Texas State Affordable Housing Corporation, Single Family Mortgage Revenue Bonds, Series 2009

Purpose: The TSAHC Single Family MRB Program provides financing for single family mortgage loans for qualifying residences to be owned by eligible professional educators, fire fighters, law enforcement or security officers, emergency medical services personnel, correctional officers, and/or low-income individuals.

The Series 2009 Bonds will implement the first phase of TSAHC's issuance for the New Issue Bond Program. The entire issue was sold to the U.S. Treasury on December 9 and closed on December 23. The second phase of the NIBP will be the conversion to long-term bonds which will occur in 2010.

Par:	$73,640,000
Method of Sale:	Private Placement
Board Approval:	November 19, 2009
Private Placement Sale:	December 9, 2009
Closing Date:	December 23, 2010
True Interest Cost (TIC):	n/a
Net Interest Cost (NIC):	n/a

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	52,500	0.71
Financial Advisor	First Southwest Co.	No	75,149	1.02
Trustee	Wells Fargo Bank, N.A.	No	3,500	0.05
Trustee Counsel	Naman, Howell, Smith & Lee	No	5,000	0.07
Disclosure Counsel	Greenberg Traurig	No	45,000	0.61
Private Activity Bond Fee	Texas Bond Review Board	No	5,000	0.07
Attorney General		N/A	18,750	0.25
Rating Agencies	**Rating**			
Moody's	Aaa		5,000	0.07
Subtotal			**$ 209,899**	**$ 2.85**

Additional COI				
Placement Agent Fee	Morgan Keegan & Co.	No	39,250	0.53
Total			**$ 249,149**	**$ 3.38**

Texas State Technical College System

Issue: Texas State Technical College System, Revenue Financing System Bonds, Series 2009

Purpose: The proceeds from the sale of the bonds will be used to aquire, purchase, construct, improve, renovate, enlarge or equip property, buildings, structures, facilities, roads or related infrastructure at Texas State Technical College campuses.

Par:	$31,555,000
Method of Sale:	Competitive
Board Approval:	September 17, 2009
Competitive Sale:	November 17, 2009
Closing Date:	December 17, 2009
True Interest Cost (TIC):	4.37%
Net Interest Cost (NIC):	N/A

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	18,816	0.60
Financial Advisor	First Southwest Co.	No	41,285	1.31
Printing	i-Deal Prospectus/First Southwest Co.	No	3,002	0.10
Paying Agent/Registrar	The Bank of NY Mellon Trust Co.	No	500	0.02
Attorney General		N/A	9,500	0.30
Rating Agencies	**Rating**			
Moody's	A2		25,550	0.81
Standard & Poor's	A		27,500	0.87
Subtotal			**$ 126,153**	**$ 4.00**

Underwriting Spread	Amount	Per $1,000
Management Fee	-	0.00
Takedown	-	0.00
Spread Expenses	-	0.00
Underwriter's Counsel	-	0.00
Total	**$ 414,157**	**$ 13.12**

Syndicate Firms' Gross Takedown		Risk
Syndicate Member	**HUB**	**%**
Southwest Securities Inc.	No	33.00%
Stephens Inc.	No	33.00%
RBC Capital Markets	No	33.00%
Rice Financial Products Company	**BA**	1.00%
Total		**100.00%**

Texas State University System

Issue: Board of Regents, Texas State University System, Revenue Financing System Refunding Bonds, Series 2010

Purpose: The proceeds of the bond sale will be used for the purposes of refunding a portion of the Revenue Financing System Revenue Bonds Series 2001, 2002, and 2003 for debt-service savings of paying costs of issuing the bonds

Par:	$99,950,000
Method of Sale:	Negotiated
Board Approval:	November 5, 2009
Negotiated Sale:	July 15, 2010
Closing Date:	August 12, 2010
True Interest Cost (TIC):	2 75%
Net Interest Cost (NIC):	3 00%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	42,500	0 43
Financial Advisor	First Southwest Co	No	51,000	0 51
Printing	i-Deal Prospectus	No	5,058	0 05
Paying Agent/Registrar	The Bank of NY Mellon Trust Co	No	4,500	0 05
Escrow Agent	The Bank of NY Mellon Trust Co	No	2,250	0 02
Escrow Verification	Grant Thornton	No	4,500	0 05
Attorney General		N/A	9,500	0 10
Miscellaneous		N/A	1,038	0 01
Rating Agencies	**Rating**			
Moody's	Aa2		31,500	0 32
Fitch	AA		31,000	0 31
Subtotal			**$ 182,846**	**$ 1.83**

Underwriting Spread	Amount	Per $1,000
Management Fee	20,000	0 20
Takedown	443,990	4 44
Spread Expenses	82,761	0 83
Total*	**$ 546,751**	**$ 5.47**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski LLP	No	59,970	0 60	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Barclays Capital	No	30 00%	100 00%	20,000	49 96%	221,546
Fidelity Capital Markets	No	14 00%	0 00%	-	10 70%	47,426
Morgan Keegan & Co	No	14 00%	0 00%	-	9 99%	44,297
Piper & Jaffray	No	14 00%	0 00%	-	10 67%	47,303
Siebert Brandford Shank & Co	**BA/WO**	14 00%	0 00%	-	8 09%	35,843
Wells Fargo Bank, N A	No	14 00%	0 00%	-	10 56%	46,822
Total		**100.00%**	**100.00%**	**$ 20,000**	**100.00%**	**$ 443,237**

Texas State University System

Issue: Board of Regents, Texas State University System, Revenue Financing System Revenue Bonds, Series 2010A

Purpose: The Bonds are being issued for the purpose of acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for members of the Revenue Financing System, and paying certain costs of issuance

Par:	$65,735,000
Method of Sale:	Negotiated
Board Approval:	July 30, 2010
Negotiated Sale:	August 4, 2010
Closing Date:	August 19, 2010
True Interest Cost (TIC):	4 24%
Net Interest Cost (NIC):	4 43%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	48,478	0 74
Financial Advisor	First Southwest Co	No	50,750	0 77
Printing	i-Deal Prospectus	No	3,760	0 06
Paying Agent/ Registrar	The Bank of NY Mellon Trust Co	No	4,500	0 07
Attorney General		No	9,500	0 14
Rating Agencies	**Rating**			
Moody's	Aa2		28,000	0 43
Fitch	AA		24,000	0 37
Subtotal			**$ 168,988**	**$ 2.57**

Underwriting Spread	Amount	Per $1,000
Takedown	316,323	4 81
Spread Expenses	74,853	1 14
Total	**$ 391,176**	**$ 5.95**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski LLP	No	57,772	0 88	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Wells Fargo Securities	No	40 00%	47 97%	151,747
Fidelity Capital Markets	No	20 00%	17 89%	56,590
Morgan Keegan & Co	No	20 00%	21 07%	66,658
Siebert Brandford Shank & Co	**BA/WO**	20 00%	13 06%	41,328
Total		**100.00%**	**100.00%**	**$ 316,322**

Texas Transportation Commission

Issue: Texas Transportation Commission, State Highway Fund First Tier Revenue Bonds, Taxable Series 2010 (Build America Bonds - Direct Payment)

Purpose: The proceeds of the bonds will be used to finance State highway improvement projects that are eligible for funding with dedicated revenues and pay costs of issuing the bonds. Highway improvements include the construction, reconstruction, maintenance, and the making of necessary plans or surveys before beginning construction, reconstruction, or maintenance, for public roads or parts of public roads, including the acquisition of rights-of-way, bridges, culverts, buildings, or other necessary structures related to public roads which a re part of the State Highway System.

Par:	$1,500,000,000
Method of Sale:	Negotiated
Board Approval:	May 20, 2010
Negotiated Sale:	July 27, 2010
Closing Date:	August 5, 2010
True Interest Cost (TIC):	3.39%
Net Interest Cost (NIC):	5.18%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth LLP	No	269,265	0.18
Financial Advisor	RBC Capital Markets	No	70,076	0.05
Printing	ImageMaster	No	6,451	0.00
Paying Agent/Registrar	Wells Fargo Bank, N.A.	No	300	0.00
Disclosure Counsel	Fulbright & Jarworski LLP	No	150,000	0.10
Attorney General		N/A	19,000	0.01
Rating Agencies	**Rating**			
Moody's	Aaa		104,800	0.07
Standard and Poor's	AAA		105,000	0.07
Subtotal			**$ 724,892**	**$ 0.48**

Underwriting Spread	Amount	Per $1,000
Takedown	7,995,000	5.33
Spread Expenses	850,997	0.57
Total	**$ 8,845,997**	**$ 5.90**

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

	Firm	HUB	Fees	Per $1,000
Underwriters' Co-Counsel	Locke Lord Bissell & Liddell LLP	No	90,000	0.06
Underwriter's Counsel	Mahomes Bolden & Warren	No	60,000	0.04

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Goldman Sachs & Co.	No	55.00%	55.00%	4,397,570
Citigroup	No	6.43%	6.43%	513,919
Bank of America Merrill Lynch	No	6.43%	6.43%	513,919
Morgan Keegan & Co.	No	6.43%	6.43%	513,919
Piper Jaffray	No	6.43%	6.43%	513,919
Southwest Securities	No	6.43%	6.43%	513,919
Estrada Hinojosa & Co.	**HA**	6.43%	6.43%	513,919
MR Beal & Company	**BA**	6.43%	6.43%	513,919
Total*		**100.00%**	**100.00%**	**$ 7,995,003**

* Numbers may not match due to rounding.

Texas Veterans Land Board

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

Purpose: The proceeds of the bonds will be deposited in the Veterans' Housing and Assistance Fund II and made available to make home loans to eligible Texas veterans within the "Restricted Pool" in accordance with guidelines established by the Board for the Veterans' Housing Assistance Program.

Par:	$50,000,000
Method of Sale:	Negotiated
Board Approval:	August 20, 2009
Negotiated Sale:	August 26, 2009
Closing Date:	September 3, 2009
True Interest Cost (TIC):	4.00%
Net Interest Cost (NIC):	4.23%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	55,000	1.10
Co-Bond Counsel	Lannen & Oliver PC	**BA**	13,537	0.27
Financial Advisor	RBC Capital Markets	No	18,500	0.37
Printing	Island Printing	No	1,805	0.04
Attorney General		N/A	9,500	0.19
Rating Agencies	**Rating**			
Moody's	Aa1		11,675	0.23
Standard & Poor's	AA+		13,300	0.27
Subtotal			**$ 123,317**	**$ 2.47**

Underwriting Spread	Amount	Per $1,000
Takedown	248,738	4.97
Spread Expenses	31,218	0.62
Total*	**$ 279,956**	**$ 5.60**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Locke Lord Bissell & Liddell LLP	No	25,000	0.50	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Goldman Sachs & Co.	No	52.00%	78.08%	194,219
Jackson Securities	**BA**	16.00%	2.10%	5,217
Jefferies & Company	No	16.00%	5.84%	14,536
Morgan Stanley	No	16.00%	13.98%	34,766
Total		**100.00%**	**100.00%**	**$ 248,738**

Texas Veterans Land Board

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

Purpose: The proceeds of the bonds will be used to refund Series 1999A-1 and 1999B bonds in the aggregate principal amount of $82,795,000 which were used to provide money to make home loans to veterans in accordance with guidelines established by the Veterans Land Board for the Housing Program; and to pay a portion of the expenses of issuing the refunded bonds and making home loans.

Par:	$82,795,000
Method of Sale:	Negotiated
Board Approval:	November 13, 2009
Negotiated Sale:	November 10, 2009
Closing Date:	November 18, 2009
True Interest Cost (TIC):	n/a
Net Interest Cost (NIC):	n/a

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	60,000	0.72
Co-Bond Counsel	Lannen & Oliver PC	No	17,312	0.21
Printing	Island Printing	No	609	0.01
Liquidity Provider Counsel	Nixon Peabody LLP	No	15,000	0.18
Attorney General		N/A	9,500	0.11
Rating Agencies	**Rating**			
Moody's	Aa1/VMIG 1		21,660	0.26
Standard & Poor's	AA+/A-1+		21,000	0.25
Subtotal			**$ 145,081**	**$ 1.75**

Underwriting Spread	Amount	Per $1,000
Takedown	82,795	1.00
Spread Expenses	30,094	0.36
Total	**$ 112,889**	**$ 1.36**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth LLP	N/A	25,000	0.30	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
JP Morgan	No	100.00%	100.00%	82,795
Total		**100.00%**	**100.00%**	**$ 82,795**

Texas Veterans Land Board

Issue: Veterans Land Board State of Texas Veterans Bonds, Taxable Refunding Series 2010B Bonds

Purpose: The proceeds of the bonds will be deposited with the paying agent for the State of Texas Veterans' Housing Assitance Program, Fund II Series 2000C Bonds maturing on or after December 1, 2010 (Refunded Bonds) to be used to pay the redemption price of the outstanding Refunded Bonds. The Refunded Bonds are currently outstanding in the aggregate principal amount of $66,720,000. The Refunded Bonds proceeds were used to provide money to make home loans to veterans and pay a portion of the costs of issuance and making home loans.

Par:	$66,720,000
Method of Sale:	Negotiated
Board Approval:	May 14, 2010
Negotiated Sale:	May 19, 2010
Closing Date:	May 20, 2010
True Interest Cost (TIC):	5.51%
Net Interest Cost (NIC):	5.41%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	60,000	0.90
Co-Bond Counsel	Lannen & Oliver PC	BA	15,793	0.24
Financial Advisor	Raymond James and Associates, Inc.	No	24,352	0.36
Printing	Island Printing	No	497	0.01
Tender Agent/Registrar	Wells Fargo Bank, N.A.	No	-	0.00
Paying Agent/Registrar	Texas Comptroller of Public Accounts	N/A	-	0.00
Liquidity Provider's Counsel	Foley + Lardner LLP	No	18,000	0.27
Attorney General		N/A	9,500	0.14
Rating Agencies	**Rating**			
Moody's	Aaa/VMIG 1		21,000	0.31
Fitch	AAA/F1		17,000	0.25
Subtotal			**$ 166,142**	**$ 2.49**

Underwriting Spread	Amount	Per $1,000
Takedown	66,720	1.00
Spread Expenses	34,576	0.52
Total*	**$ 101,296**	**$ 1.52**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth LLP	No	25,000	0.37	Underwriter
Underwriters' Co-Counsel	Mahomes Bolden + Warren PC	**BA**	5,000	0.07	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Share of Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
JP Morgan	No	100.00%	100.00%	66,720
Total		**100.00%**	**100.00%**	**$ 66,720**

Texas Veterans Land Board

Issue: Texas Veterans Land Board, State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2010A Bonds

Purpose: The proceeds of the bonds will be used to provide money to make home loans to eligible Texas veterans (and certain surviving spouses) in accordance with guidelines established by the Veterans Land Board for the Housing Assistance Program.

Par:	$74,995,000
Method of Sale:	Negotiated
Board Approval:	February 10, 2010
Negotiated Sale:	February 17, 2010
Closing Date:	February 25, 2010
True Interest Cost (TIC):	3.25%
Net Interest Cost (NIC):	3.47%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	55,000	0.73
Co-Bond Counsel	Lannen & Oliver PC	No	16,910	0.23
Printing	Island Printing	No	1,228	0.02
Attorney General		N/A	9 500	0.13
Rating Agencies	**Rating**			
Moody's	Aa1		17,000	0.23
Fitch	AA+		16,000	0.21
Subtotal			**$ 115,638**	**$ 1.54**

Underwriting Spread	Amount	Per $1,000
Takedown	366,516	4.89
Spread Expenses	37,502	0.50
Total	**$ 404,018**	**$ 5.39**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth LLP	N/A	25,000	0.33	Underwriter
Underwriters' Co-Counsel	Mahomes Bolden & Warren PC	**BA**	5,000	0.07	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Morgan Stanley	No	50.00%	56.64%	207,596
Bank of America Merrill Lynch	No	12.50%	3.52%	12,885
Fidelity Capital Markets	No	12.50%	11.77%	43,156
Morgan Keegan & Co.	No	12.50%	20.07%	73,576
Siebert Brandford Shank & Co.	**BA/WO**	12.50%	7.99%	29,303
Total		**100.00%**	**100.00%**	**$ 366,516**

Texas Veterans Land Board

Issue: Veterans Land Board State of Texas Veterans Bonds Series 2010C

Purpose: The proceeds of the bonds will be deposited in the Veterans' Housing Assistance Fund II, a fund administered by the Veterans Land Board of the State of Texas, and made available to make home loans to eligible Texas veterans (and certain surviving spouses).

Par:	$74,995,000
Method of Sale:	Negotiated
Board Approval:	August 6, 2010
Negotiated Sale:	August 13, 2010
Closing Date:	August 20, 2010
True Interest Cost (TIC):	n/a
Net Interest Cost (NIC):	n/a

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins LLP	No	55,000	0.73
Co-Bond Counsel	Lannen & Oliver PC	BA	16,909	0.23
Financial Advisor	Raymond James and Associates, Inc.	No	27,249	0.36
O.S. Preparation	Island Printing	No	1,552	0.02
Attorney General		N/A	9,500	0.13
Liquidity Provider Counsel	Andrews Kurth LLP	No	30,000	0.40
Rating Agencies	**Rating**			
Moody's	Aaa/VMIG 1		21,000	0.28
Fitch	AAA/F1+		19,500	0.26
Subtotal			**$ 180,710**	**$ 2.41**

Underwriting Spread	Amount	Per $1,000
Takedown	74,995	1.00
Spread Expenses	38,093	0.51
Total*	**$ 113,088**	**$ 1.51**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Locke Lord Bissell & Liddell LLP	No	25,000	0.33	Underwriter
Underwriter's Co-Counsel	Mahomes Bolden + Warren PC	**BA**	5,000	0.07	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Share of Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Morgan Stanley	No	85.00%	85.00%	63,746
Ramirez & Co.	**HA**	15.00%	15.00%	11,249
Total		**100.00%**	**100.00%**	**$ 74,995**

Texas Water Development Board

Issue: Texas Water Development Board, State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2009E (Water Infrastructure Fund) & Series 2009F (Economically Distressed Areas Program)

Purpose: The proceeds from each series will be used to provide funding for projects in the Water Infrastructure Fund and Economically Distessed Areas

Par:	$125,940,000
Method of Sale:	Negotiated
Board Approval:	November 10, 2009
Negotiated Sale:	November 18, 2009
Closing Date:	December 15, 2009
True Interest Cost (TIC):	E - 3.70%; F - 3.42%
Net Interest Cost (NIC):	E - 3.95%; F - 3.52%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall Parkhurst & Horton LLP	No	26 358	0.21
Financial Advisor	First Southwest Co.	No	74,445	0.59
Printing	ImageMaster	No	1,440	0.01
Paying Agent/Registrar	The Bank of NY Mellon Trust Co.	No	1,167	0.01
Attorney General		N/A	19,000	0.15
Rating Agencies	**Rating**			
Moody's	Aa1		28,900	0.23
Standard & Poor's	AA+		19,600	0.16
Fitch	AA+		20,000	0.16
Subtotal			**$ 190,910**	**$ 1.52**

Additional COI				
Travel			879	0.01
Total			**$ 191,789**	**$ 1.52**

Underwriting Spread	Amount	Per $1,000
Management Fee	75,564	0.60
Takedown	492,637	3.91
Spread Expenses	60,819	0.48
Total*	**$ 629,020**	**$ 4.99**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski LLP	N/A	29,000	0.23	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Morgan Keegan & Co.	No	37.50%	60.30%	45,564	50.00%	236,359
Citigroup	No	12.50%	13.23%	10,000	16.00%	82,017
Fidelity Capital Markets	No	12.50%	11.91%	9,000	13.00%	62,005
Loop Capital Markets LLC	**BA**	12.50%	10.59%	8,000	9.00%	44,856
Ramirez & Co.	**HA**	12.50%	1.32%	1,000	3.00%	18,398
Southwest Securities Inc.	No	12.50%	2.63%	2,000	9.00%	49,003
Total		**100.00%**	**100.00%**	**$ 75,564**	**100.00%**	**$ 492,638**

Texas Water Development Board

Issue: Texas Water Development Board, State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2010A

Purpose: Bond proceeds will be deposited into the Financial Assistance Account and used to provide financial assistance for Water Assistance Projects, specifically to provide financial assistance to Rural Political Subdivisions for water and water-related projects to pay the costs of issuance of the bonds. It is anticipated that the proceeds of the bonds deposited into the Financial Assistance Account will be transferred to the Rural Water Assistance Fund as loans to Rural Political Subdivisions are to be funded.

Par:	$20,270,000
Method of Sale:	Negotiated
Board Approval:	March 19, 2010
Negotiated Sale:	March 30, 2010
Closing Date:	April 13, 2010
True Interest Cost (TIC):	3.87%
Net Interest Cost (NIC):	3.89%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth LLP	No	50,447	2.49
Financial Advisor	First Southwest Co.	No	42,627	2.10
Paying Agent/Registrar	The Bank of NY Mellon Trust Co.	No	208	0.01
Printing	ImageMaster	No	1,336	0.07
Private Activity Bond Fee		No	500	0.02
Attorney General		N/A	9,500	0.47
Miscellaneous		N/A	3,922	0.19
Rating Agencies	**Rating**			
Moody's	Aa1		3,480	0.17
Standard & Poor's	AA+		3,010	0.15
Fitch	AA+		3,400	0.17
Subtotal			**$ 118,430**	**$ 5.84**

Underwriting Spread	Amount	Per $1,000
Management Fee	20,270	1.00
Takedown	95,100	4.69
Spread Expenses	33,369	1.65
Total*	**$ 148,739**	**$ 7.34**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski LLP	No	25,000	1.23	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Stifel Nicolaus & Co.	No	50.02%	70.40%	14,270	49.67%	43,038
Coastal Securities	No	16.66%	14.80%	3,000	19.07%	19,000
Estrada Hinojosa & Co.	**HA**	16.66%	0.00%	-	2.60%	3,000
SAMCO	No	16.66%	14.80%	3,000	10.04%	8,588
Selling Group:						
Sterne, Agee & Leach, Inc.	No	-	-	-	4.05%	4,675
Barclays Capital	No	-	-	-	3.10%	3,575
Citigroup	No	-	-	-	2.38%	2,750
Bank of America Merrill Lynch	No	-	-	-	2.17%	2,500
Morgan Stanley	No	-	-	-	1.82%	2,100
JP Morgan	No	-	-	-	1.30%	1,500
Fidelity Capital Markets	No	-	-	-	0.54%	625
Raymond James & Associates	No	-	-	-	0.22%	250
Valdes & Moreno	**HA**	-	-	-	3.03%	3,500
Total		**100.00%**	**100.00%**	**$ 20,270**	**100.00%**	**$ 95,101**

Texas Water Development Board

Issue: Texas Water Development Board, State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2010B (Water Infrastructure Fund) and Water Financial Assistance Bonds, Series 2010C (State Participation Program)

Purpose: The 2010B bond proceeds will be deposited into the Financial Assistance Account and used to provide financial assistance for Water Assistance Projects, specifically to provide financial assistance to eligible political subdivisions under Subchapter Q, Chapter 15, Texas Water Code, as amended; and to pay the costs of issuance of the bonds

The 2010C bond proceeds will provide funds for the State Participation Account to fund State Participation projects and pay the costs of issuance of the bonds

Par:	$185,505,000
Method of Sale:	Negotiated
Board Approval:	March 18, 2010
Negotiated Sale:	April 21, 2010
Closing Date:	May 11, 2010
True Interest Cost (TIC):	B 3 71%; C 3 84%
Net Interest Cost (NIC):	B 3 98%; C 4 08%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkurst & Horton LLP	No	26,051	0 14
Financial Advisor	First Southwest Co	No	89,035	0 48
Printing	ImageMaster	No	1,947	0 01
Paying Agent/Registrar	The Bank of NY Mellon Trust Co	No	375	0 00
Attorney General		N/A	19,000	0 10
Miscellaneous		N/A	5,963	0 03
Rating Agencies	**Rating**			
Moody's	Aaa		31,320	0 17
Standard & Poor's	AA+		27,090	0 15
Fitch	AAA		30,600	0 16
Subtotal			**$ 231,381**	**$ 1.25**

Underwriting Spread	Amount	Per $1,000
Management Fee	74,202	0 40
Takedown	802,304	4 32
Spread Expenses	66,126	0 36
Total*	**$ 942,631**	**$ 5.08**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski LLP	No	30,000	0 16	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Barclays Capital	No	50 00%	54 18%	40,202	48 27%	387,356
Frost National Bank	No	10 00%	12 13%	9,000	3 63%	29,169
JP Morgan	No	10 00%	12 13%	9,000	17 70%	141,696
Morgan Stanley	No	10 00%	4 04%	3,000	16 70%	134,049
Raymond James & Associates	No	10 00%	5 39%	4,000	7 45%	59,774
Sterne, Agee & Leach, Inc	No	10 00%	12 13%	9,000	6 25%	50,259
Total		**100.00%**	**100.00%**	**$ 74,202**	**100.00%**	**$ 802,304**

Texas Woman's University

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

Purpose: The Bonds were issued for the purpose of acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for the University, specifically, without limitation, to pay the costs of constructing and equipping a new fitness and recreational center on the Denton campus and paying certain costs of issuing the bonds.

Par:	$14,980,000
Method of Sale:	Negotiated
Board Approval:	November 19, 2009
Negotiated Sale:	December 3, 2009
Closing Date:	December 30, 2009
True Interest Cost (TIC):	3.99%
Net Interest Cost (NIC):	3.97%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	11,692	0.78
Financial Advisor	RBC Capital Markets	No	36,819	2.46
Printing	i-Deal Prospectus/Clements Printing	No	2,264	0.15
Paying Agent/Registrar	The Bank of NY Mellon Trust Co.	No	251	0.02
Attorney General		N/A	9,500	0.63
Rating Agencies	**Rating**			
Moody's	A1/Aa3		13,500	0.90
Standard & Poor's	A/AAA		18,200	1.21
Subtotal			**$ 92,226**	**$ 6.16**

Additional COI				
Credit Enhancement	Assured Guaranty Corp.	N/A	109,869	7.33
Total			**$ 202,095**	**$ 13.49**

Underwriting Spread	Amount	Per $1,000
Management Fee	14,980	1.00
Takedown	68,913	4.60
Spread Expenses	14,978	1.00
Total	**$ 98,871**	**$ 6.60**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth LLP	No	10,000	0.67	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
First Southwest Co.	No	50.00%	50.00%	7,490	58.87%	40,569
Estrada Hinojosa & Co.	**HA**	25.00%	25.00%	3,745	19.11%	13,172
Morgan Keegan & Co.	No	25.00%	25.00%	3,745	22.02%	15,172
Total		**100.00%**	**100.00%**	**$ 14,980**	**100.00%**	**$ 68,913**

The Texas A&M University System

Issue: Board of Regents of The Texas A&M University System, Revenue Financing System Bonds, Series 2010A and 2010B

Purpose: The proceeds of the bond sale will be used for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2002, 2003A, and 2003B, providing construction funds for projects within The A&M System and paying the costs of issuing the bonds

Par:	$241,185,000
Method of Sale:	Negotiated
Board Approval:	October 16, 2009
Negotiated Sale:	May 6, 2010
Closing Date:	June 3, 2010
True Interest Cost (TIC):	A - 3.50%; B - 3.88%
Net Interest Cost (NIC):	A - 3.75%; B - 4.19%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	107,480	0.45
Financial Advisor	First Southwest Co	No	120,972	0.50
Printing		N/A	3,260	0.01
Paying Agent/Registrar	Bank of Texas	No	2,400	0.01
Escrow Agent	Bank of Texas	No	1,500	0.01
Escrow Verification	Grant Thornton	No	4,500	0.02
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	30,000	0.12
Attorney General		N/A	19,000	0.08
Rating Agencies	**Rating**			
Moody's	Aaa		77,000	0.32
Standard and Poor's	AA+		49,000	0.20
Fitch	AA+		15,000	0.06
Subtotal			**$ 430,112**	**$ 1.78**

Underwriting Spread	Amount	Per $1,000
Takedown	969,663	4.02
Spread Expenses	43,001	0.18
Total*	**$ 1,012,664**	**$ 4.20**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth LLP	No	53,237	0.22	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Series A:				
Barclays Capital	No	30.00%	66.57%	238,469
Piper Jaffray	No	20.00%	11.84%	42,400
Ramirez & Co	No	12.50%	5.70%	20,404
Siebert Brandford Shank & Co	**BA/WO**	12.50%	4.90%	17,543
Stephens Inc	No	12.50%	2.70%	9,659
Wells Fargo Securities	No	12.50%	8.30%	29,734
Total		**100.00%**	**100.00%**	**$ 358,210**

Series B:				
Barclays Capital	No	30.00%	58.87%	357,928
Piper Jaffray	No	20.00%	11.90%	72,370
Ramirez & Co	No	12.50%	4.12%	25,064
Siebert Brandford Shank & Co	**BA/WO**	12.50%	7.19%	43,699
Stephens Inc	No	12.50%	6.51%	39,607
Wells Fargo Bank, N.A.	No	12.50%	11.40%	69,297
Total		**100.00%**	**100.00%**	**$ 607,965**

The Texas A&M University System

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

Purpose: The Bonds were issued for the purposes of financing the costs of aquiring, purchasing, constructing, improving, enlarging, and equipping the property and facilities of the Participants of the Revenue Financing System and paying the costs of issuance.

Par:	**Series 2009C**	$54,240,000
	Series 2009D	$320,760,000
Method of Sale:		Negotiated
Board Approval:		October 8, 2009
Negotiated Sale:		October 14, 2009
Closing Date:		November 10, 2009
True Interest Cost (TIC):		3.93%; 4.22%
Net Interest Cost (NIC):		4.16%; 4.45%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	141,603	0.38
Financial Advisor	First Southwest Co.	No	187,800	0.50
Printing	i-Deal Prospectus/ Clements Printing	No	5,524	0.01
Paying Agent/Registrar	Wells Fargo Bank, N.A.	No	1,450	0.00
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	30,000	0.08
Attorney General		N/A	19,000	0.05
Rating Agencies	**Rating**			
Moody's	Aa1		85,475	0.23
Standard & Poor's	AA+		52,500	0.14
Fitch	AA+		15,000	0.04
Subtotal			**$ 538,352**	**$ 1.44**

Underwriting Spread	Amount	Per $1,000	Amount	Per $1,000
Series 2009C/ 2009D				
Takedown	216,660	3.99	1,515,531	4.72
Spread Expenses	22,806	0.42	100,649	0.31
Total*	**$ 239,466**	**$ 4.41**	**$ 1,616,180**	**$ 5.04**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth LLP	No	-	0.00	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown*	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Series 2009C				
Piper Jaffray	No	40.00%	60.30%	119,428
Wells Fargo Bank, N.A.	No	30.00%	17.20%	34,111
Ramirez & Co.	**HA**	15.00%	10.90%	21,619
Loop Capital Markets LLC	**BA**	15.00%	11.50%	22,863
Total		**100.00%**	**99.90%**	**$ 198,021**

*The difference between the takedown revenue and the average takedown in the underwriting spread breakdown is the loss on the transaction ($18,639).

Series 2009D				
Barclays Capital	No	30.00%	56.10%	753,669
JP Morgan	No	15.00%	12.30%	164,861
Morgan Keegan & Co.	No	15.00%	12.10%	162,374
Stephens Inc.	No	10.00%	7.20%	96,327
M.R. Beal & Company	No	10.00%	5.80%	78,155
Siebert Brandford Shank & Co.	**BA/WO**	10.00%	5.50%	73,493
Estrada Hinojosa & Co.	**HA**	10.00%	1.00%	13,761
Total		**100.00%**	**100.00%**	**$ 1,342,640**

*The difference between the takedown revenue and the average takedown in the underwriting spread breakdown is the loss on the transaction ($172,891).

The University of Texas System

Issue: Board of Regents of The University of Texas System, Revenue Financing System Bonds, Series 2010A

Purpose: The proceeds of the bonds will be used to refinance a portion of the Board's Tax-Exempt Revenue Financing System Commercial Paper Notes, Series A, in the aggregate principal amount of $258,392,000, finance the costs of campus improvements of certain members of the Revenue Financing System, and pay the costs of issuance of the bonds.

Par:	$331,415,000
Method of Sale:	Negotiated
Board Approval:	September 2, 2009
Negotiated Sale:	March 3, 2010
Closing Date:	March 25, 2010
True Interest Cost (TIC):	3.24%
Net Interest Cost (NIC):	3.52%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	136,736	0.41
Printing	ImageMaster	No	3,120	0.01
Paying Agent/Registrar	Bank of Texas	No	1 250	0.00
Escrow Agent	Deutsche Bank Trust Company	No	500	0.00
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	17,500	0.05
Attorney General		N/A	9,500	0.03
Miscellaneous		N/A	8,785	0.03
Rating Agencies	**Rating**			
Moody's	Aaa		40,000	0.12
Standard and Poor's	AAA		37,000	0.11
Fitch	AAA		17,000	0.05
Subtotal			**$ 271,391**	**$ 0.82**

Underwriting Spread	Amount	Per $1,000
Takedown	1,213,075	3.66
Spread Expenses	87,825	0.27
Total*	**$ 1,300,900**	**$ 3.93**

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

	Firm	HUB	Amount	Per $1,000
Underwriter's Counsel	Andrews Kurth LLP	No	41,426	0.12

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Wells Fargo Bank, N.A.	No	35.00%	48.10%	190,125
Citigroup	No	35.00%	18.53%	73,256
Estrada Hinojosa & Co.	**HA**	6.00%	3.26%	12,894
Fidelity Capital Markets	No	6.00%	1.05%	4,131
Jefferies & Company	No	6.00%	5.49%	21,712
Morgan Keegan & Co.	No	6.00%	12.16%	48,056
Morgan Stanley	No	6.00%	11.40%	45,075
First Southwest Co.	No	0.00%	0.00%	-
Goldman Sachs & Co.	No	0.00%	0.00%	-
Jackson Securities	**BA**	0.00%	0.00%	-
Edward D. Jones	No	0.00%	0.00%	-
Southwest Securities Inc.	No	0.00%	0.00%	-
Stifel Nicolaus & Co.	No	0.00%	0.00%	-
Total		**100.00%**	**100.00%**	**$ 395,250**

The University of Texas System

Issue: Board of Regents of The University of Texas System, Revenue Financing System Refunding Bonds, Series 2010B

Purpose: The proceeds of the bonds will be used to refund portions of the Board's Revenue Financing System Bonds Series 2006B, 2006D, and 2006F, in the aggregate principal amount of $393,690,000, and pay the costs of issuance of the bonds.

Par:	$385,380,000
Method of Sale:	Negotiated
Board Approval:	September 2, 2009
Negotiated Sale:	March 24, 2010
Closing Date:	April 14, 2010
True Interest Cost (TIC):	3.24%
Net Interest Cost (NIC):	3.51%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	152,649	0.40
Printing	ImageMaster	HA	3,120	0.01
Paying Agent/Registrar	Bank of Texas	No	1,250	0.00
Escrow Agent	Deutsche Bank Trust Company	No	2 750	0.01
Escrow Verification	Grant Thornton	No	3,500	0.01
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	17,500	0.05
Attorney General		N/A	9,500	0.02
Miscellaneous		N/A	8,990	0.02
Rating Agencies	**Rating**			
Moody's	Aaa		45,000	0.12
Standard and Poor's	AAA		41,235	0.11
Fitch	AAA		18,000	0.05
Subtotal			**$ 303,494**	**$ 0.79**

Underwriting Spread	Amount	Per $1,000
Takedown	1,435,514	3.72
Spread Expenses	102,126	0.27
Total*	**$ 1,537,640**	**$ 3.99**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth LLP	N/A	48,173	0.13	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
RBC Capital Markets	No	35.00%	49.95%	245,062
Piper Jaffray	No	35.00%	11.23%	55,083
Bank of America Merrill Lynch	No	6.00%	16.01%	78,548
JP Morgan	No	6.00%	17.17%	84,221
Loop Capital Markets LLC	**BA**	6.00%	0.76%	3,750
Ramirez & Co.	**HA**	6.00%	0.98%	4,805
Raymond James and Associates	No	6.00%	3.90%	19,125
Barclays Capital	No	0.00%	0.00%	-
Cabrera Capital Markets	**HA**	0.00%	0.00%	-
Frost National Bank	No	0.00%	0.00%	-
Stephens Inc.	No	0.00%	0.00%	-
Sterne, Agee & Leach, Inc.	No	0.00%	0.00%	-
Stone and Youngberg LLC	No	0.00%	0.00%	-
Total		**100.00%**	**100.00%**	**$ 490,594**

The University of Texas System

Issue: Board of Regents of The University of Texas System, Revenue Financing System Taxable Bonds, Series 2010D (Build America Bonds - Direct Payment)

Purpose: Proceeds from the sale of the Bonds will be used for the purpose of (i) refinancing a portion of the Board's Revenue Financing System Commercial Paper Notes, Series A, (ii) financing the costs of campus improvements of certain members of the Revenue Financing System, and (iii) paying the costs of issuance of the Bonds.

Par:	$516,245,000
Method of Sale:	Negotiated
Board Approval:	May 21, 2010
Negotiated Sale:	June 22, 2010
Closing Date:	June 30, 2010
True Interest Cost (TIC):	3.23%
Net Interest Cost (NIC):	4.97%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	174,061	0.34
Printing	ImageMaster	HA	3,718	0.01
Paying Agent/Registrar	Bank of Texas	No	1,500	0.00
Escrow Agent	Deutsche Bank Trust Company	No	500	0.00
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	35,000	0.07
Attorney General		N/A	9,500	0.02
Miscellaneous		N/A	2,467	0.00
Rating Agencies	**Rating**			
Moody's	Aaa		32,500	0.06
Standard & Poor's	AAA		55,200	0.11
Fitch	AAA		20,000	0.04
Subtotal			**$ 334,446**	**$ 0.65**

Underwriting Spread	Amount	Per $1,000
Takedown	2,597,761	5.03
Spread Expenses	113,895	0.22
Total*	**$ 2,711,656**	**$ 5.25**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth LLP	No	64,531	0.13	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Share of Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Morgan Stanley	No	50.00%	36.46%	947,161
Barclays Capital	No	50.00%	34.01%	883,580
Southwest Securities Inc.	No	0.00%	3.64%	94,669
Fidelity Capital Markets	No	0.00%	3.64%	94,669
Loop Capital Markets LLC	**BA**	0.00%	3.64%	94,669
Morgan Keegan & Co.	No	0.00%	3.64%	94,669
Stone and Youngberg LLC	No	0.00%	3.64%	94,669
Goldman Sachs & Co.	No	0.00%	3.64%	94,669
Cabrera Capital Markets	**HA**	0.00%	3.64%	96,294
Estrada Hinojosa & Co.	**HA**	0.00%	3.64%	102,711
Total		**100.00%**	**100.00%**	**$2,597,760**

University of Houston System

Issue: Board of Regents of University of Houston System, Consolidated Revenue and Refunding Bonds, Series 2010A (Taxable), 2010B (Direct-Subsidy Build America Bonds), & 2010C

Purpose: Proceeds from the bonds will be used to refund and defease certain outstanding notes of the System, 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 pay the costs of issuing the Bonds and refunding the Refunded Obligations - Consolidated Revenue Commercial Paper Notes, Sub-Series A-1 and A-2 (Taxable)

Par:	$121,535,000
Method of Sale:	Competitive
Board Approval:	March 1, 2010
Competitive Sale:	April 15, 2010
Closing Date:	April 29, 2010
True Interest Cost (TIC):	A-5 58%; B-3 73%; C-2 16%
Net Interest Cost (NIC):	A-5 67%; B-5 77%; C-2 23%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	160,740	1 32
Financial Advisor	First Southwest Co	No	64,330	0 53
Printing	First Southwest Co	No	2,760	0 02
Paying Agent/Registrar	Wells Fargo Bank, N A	No	2,250	0 02
Attorney General		N/A	19,000	0 16
Rating Agencies	**Rating**			
Moody's	Aa3		45,500	0 37
Standard & Poor's	AA-		49,999	0 41
Subtotal			**$ 344,579**	**$ 2.84**

Underwriting Spread	Amount	Per $1,000
Underwriting Risk	88,000	0 72
Takedown	494,863	4 07
Spread Expenses	26,187	0 22
Total	**$ 609,050**	**$ 5.01**

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Series A				
Prager, Sealy & Co , LLC	No	100 00%	100 00%	32,249
Series B				
Ramirez & Co	**HA**	100 00%	100 00%	400,000
Series C				
Wells Fargo Bank, N A	No	50 00%	50 00%	31,307
Wells Fargo Securities	No	50 00%	50 00%	31,307
Total		**300.00%**	**300.00%**	**$ 494,863**

University of North Texas

Issue: Board of Regents of the University of North Texas System, Revenue Financing System Bonds, Series 2009A and Revenue Financing System Refunding Bonds, Series 2009B

Purpose: The proceeds of the bonds will be used for the purposes of acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads, or related infrastructure throughout the System, including the second academic building for the UNT-Dallas campus; and the new Business Leadership Building and a football stadium for the University at its Denton Campus; paying a portion of the interest accruing on the Series 2009A Bonds; and paying certain costs issuing the Series 2009A Bonds. The proceeds from the sale of the Series 2009B Bonds will be used for the purpose of refunding a portion of Series 1994, 1999A, and 2001 bonds; and paying certain costs of issuing the Series 2009B Bonds.

Par:	**Series 2009A**	$159,310,000
	Series 2009B	$15,800,000
Method of Sale:		Negotiated
Board Approval:		November 10, 2009
Negotiated Sale:		December 2, 2009
Closing Date:		December 22, 2009
True Interest Cost (TIC):		4.40%; 2.70%
Net Interest Cost (NIC):		4.60%; 2.84%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	67,628	0.39
Financial Advisor	First Southwest Co.	No	88,838	0.51
Printing	i-Deal Prospectus/ First Southwest Co.	No	3,000	0.02
Paying Agent/Registrar	The Bank of NY Mellon Trust Co.	No	9,000	0.05
Escrow Agent	The Bank of NY Mellon Trust Co.	No	3,525	0.02
Escrow Verification	Grant Thornton	No	4,000	0.02
Attorney General		N/A	19,000	0.11
Rating Agencies	**Rating**			
Moody's	Aa3		54,065	0.31
Fitch	AA-		47,000	0.27
Subtotal			**$ 296,056**	**$ 1.69**

Underwriting Spread	Amount	Per $1,000	Amount	Per $1,000
Series 2009A/ 2009B				
Management Fee	79,655	0.50	7,900	0.50
Takedown	586,578	3.68	52,939	3.35
Spread Expenses	78,455	0.49	7,528	0.48
Total*	**$ 744,688**	**$ 4.67**	**$ 68,367**	**$ 4.33**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Locke Lord Bissell & Liddell LLP	N/A	5,000	0.03	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown*	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Series 2009A						
Morgan Keegan & Co.	No	40.00%	40.00%	31,862	51.27%	300,733
Estrada Hinojosa & Co.	**HA**	15.00%	15.00%	11,948	0.72%	4,214
Southwest Securities Inc.	No	15.00%	15.00%	11,948	11.09%	65,054
Jefferies & Company	No	15.00%	15.00%	11,948	19.57%	114,794
Wells Fargo Bank, N.A.	No	15.00%	15.00%	11,948	17.35%	101,783
Total		**100.00%**	**100.00%**	**$ 79,654**	**100.00%**	**$ 586,578**

Series 2009B						
Morgan Keegan & Co.	No	40.00%	40.00%	3,160	51.27%	27,141
Estrada Hinojosa & Co.	**HA**	15.00%	15.00%	1,185	0.72%	380
Southwest Securities Inc.	No	15.00%	15.00%	1,185	11.09%	5,871
Jefferies & Company	No	15.00%	15.00%	1,185	19.57%	10,360
Wells Fargo Bank, N.A.	No	15.00%	15.00%	1,185	17.35%	9,186
Total		**100.00%**	**100.00%**	**$ 7,900**	**100.00%**	**$ 52,938**

University of North Texas System

Issue: Board of Regents of the University of North Texas System, Revenue Financing System Refunding Bonds, Series 2010

Purpose: The proceeds of the bond sale will be used for the purposes of refunding a portion of the Revenue Financing System Bonds Series 2001, 2002, and 2002A and pay costs of issuing the bonds

Par:	$57,625,000
Method of Sale:	Negotiated
Board Approval:	November 10, 2009
Negotiated Sale:	July 23, 2010
Closing Date:	August 18, 2010
True Interest Cost (TIC):	2.87%
Net Interest Cost (NIC):	3.11%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	60,125	1.04
Financial Advisor	First Southwest Co	No	29,813	0.52
Printing	i-Deal Prospectus	No	5,760	0.10
Paying Agent/Registrar	The Bank of NY Mellon Trust Co	No	4,500	0.08
Escrow Agent	The Bank of NY Mellon Trust Co	No	2,400	0.04
Escrow Verification	Grant Thornton	No	3,500	0.06
Attorney General		N/A	9,500	0.16
Rating Agencies	**Rating**			
Moody's	Aa2		28,000	0.49
Fitch	AA		24,000	0.42
Subtotal			**$ 167,598**	**$ 2.91**

Underwriting Spread	Amount	Per $1,000
Takedown	257,344	4.47
Spread Expenses	43,635	0.76
Total	**$ 300,979**	**$ 5.22**

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

	Firm	HUB	Fees	Per $1,000	Fees Paid By
Underwriter's Counsel	Locke Lord Bissell & Liddell LLP	No	27,500	0.48	Underwriter

Syndicate Firms' Gross Takedown & Share Profit / Loss		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Wells Fargo Securities	No	40.00%	49.96%	128,559
Estrada Hinojosa & Co	**HA**	20.00%	10.25%	26,388
Jefferies & Company	No	20.00%	19.02%	48,940
Southwest Securities	No	20.00%	20.77%	53,456
Total		**100.00%**	**100.00%**	**$ 257,344**

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, 2010, a total of $6.28 billion was authorized for state commercial paper or variable-rate note programs. Of this amount, $1.10 billion was outstanding as of the end of fiscal 2010 *(Table B1),* approximately $115.0 million more than the amount outstanding at fiscal year-end 2009.

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. 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 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, 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 "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 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

Table B1
TEXAS COMMERCIAL PAPER AND VARIABLE-RATE NOTE PROGRAMS
as of August 31, 2010

ISSUER	TYPE OF PROGRAM	AMOUNT AUTHORIZED	AMOUNT ISSUED FISCAL 2010	AMOUNT OUTSTANDING
Texas Department of Agriculture*				
TAFA	Commercial Paper - Series A	$ 50,000,000	$ -	$ 9,000,000
Farm and Ranch Loans	Commercial Paper - Series B	25,000,000	-	-
Texas Dept of Housing & Community Affairs*	Commercial Paper	75,000,000	-	-
Texas Department of Transportation	Commercial Paper - Series A	500,000,000	60,000,000	65,000,000
Texas Economic Dev & Tourism Office**	Commercial Paper	25,000,000	11,500,000	11,500,000
Texas Public Finance Authority				
Revenue	Commercial Paper - 2003	150,000,000	8,000,000	97,590,000
General Obligation	Commercial Paper - 2002A	881,000,000	65,500,000	1,500,000
General Obligation	Commercial Paper - 2002B	175,000,000	24,000,000	-
General Obligation	Commercial Paper - 2008	1,000,000,000	90,000,000	-
General Obligation - Cancer Prevention	Commercial Paper - Series A	450,000,000	221,400,000	221,400,000
Research Institute of Texas (1)	Commerical Paper - Series B		3,600,000	3,600,000
Texas Tech University System				
Revenue Financing System	Commercial Paper	150,000,000	32,161,000	63,637,000
The Texas A&M University System				
Permanent University Fund	Flexible-Rate Notes	125,000,000	-	-
Permanent University Fund	Commercial Paper		50,000,000	50,000,000
Revenue Financing System	Commercial Paper	300,000,000	-	7,500,000
The University of Texas System				
Permanent University Fund	Flexible-Rate Notes	400,000,000	-	-
Permanent University Fund (1)	Commercial Paper - Series A	500,000,000	-	-
Permanent University Fund (1)	Commercial Paper - Series B		260,000,000	260,000,000
Revenue Financing System (1)	Commercial Paper - Series A	1,250,000,000	213,006,000	294,574,000
Revenue Financing System (1)	Commercial Paper - Series B		-	-
University of Houston System				
Revenue Financing System	Commercial Paper	125,000,000	17,000,000	10,000,000
University of North Texas System				
Revenue Financing System	Commercial Paper	100,000,000	25,035,000	7,380,000
Total		**$ 6,281,000,000**	**$ 1,081,202,000**	**$ 1,102,681,000**

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

(1) Represents cumulative 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

date has primarily been used to finance the purchase of equipment such as computers and telecommunications equipment. 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 TPFA 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 program to provide interim financing for capital projects, including construction, acquisition, renovation and equipment for facilities of TTU. The commercial paper is secured by a pledge of all legally available revenues of TTU, including pledged tuition fees, general fees and other revenue sources.

The Texas A&M University System

The Texas A&M University System (the "A&M System") has authorized three variable-rate financing programs: a flexible-rate note program and a commercial paper 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 flexible-rate note program and the PUF commercial paper program were established in 1988 and 2008, respectively, both to provide interim financing and equipping of facilities for eligible construction projects. The A&M System's total outstanding PUF commercial paper notes and 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 two primary interim financing programs: a Revenue Financing System (RFS) taxable and tax-exempt commercial paper program and a Permanent University Fund (PUF) taxable and tax-exempt commercial paper program.

The System's 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. RFS commercial paper notes are 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 aggregate amount of outstanding RFS commercial paper notes may not exceed $1.25 billion in principal amount at any time.

The System's PUF commercial paper note program was established in 2008 to replace a previously authorized $400 million PUF flexible-rate note program. PUF commercial paper notes provide interim financing for eligible capital projects, including construction, acquisition and renovation or equipping of facilities. PUF commercial paper notes are secured by the System's share of distributions from the total return on all PUF investments. The System's outstanding PUF commercial paper notes may not exceed $500 million in principal amount at any time. The System expects to utilize the PUF commercial paper note program as its primary short-term financing vehicle for PUF-related projects but will maintain the flexible-rate note program.

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 authorized the Comptroller of Public Accounts - Treasury Operations to enter into agreements to provide liquidity for obligations issued for governmental purposes by an agency of the state as long as the agreements did not conflict with the liquidity needs of the treasury. Eligible obligations include commercial paper, variable-rate demand obligations and bonds.

Pursuant to Section 404.027 of the Texas Government Code, the Comptroller may enter into agreements to provide liquidity for agency obligations issued for governmental purposes if it does not conflict with the treasury's liquidity needs. As of August 31, 2010 the Comptroller of Public Accounts - Treasury Operations provided a total of $908.6 million in one-day commitments and $1.32 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. See *Table C1* for the total number of swaps outstanding by issuer at August 31, 2010.

Swaps

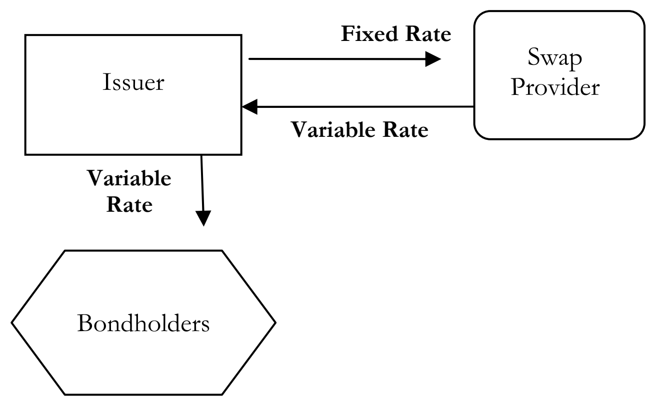
An interest rate swap is created when a debt issuer and a financial institution, each referred to as a counterparty, enter into a contract to exchange interest payments. The types of swaps most often utilized by Texas issuers are pay-fixed, receive-variable and pay-variable, receive-variable interest rate swaps. As of August 31, 2010, pay-fixed, receive-variable swaps comprised approximately 71.9% of the state's $4.45 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 and are now classified as variable-rate debt. No swap contracts were terminated in fiscal 2010.

<u>Pay-fixed, receive-variable swap (synthetic fixed-rate swap)</u>

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

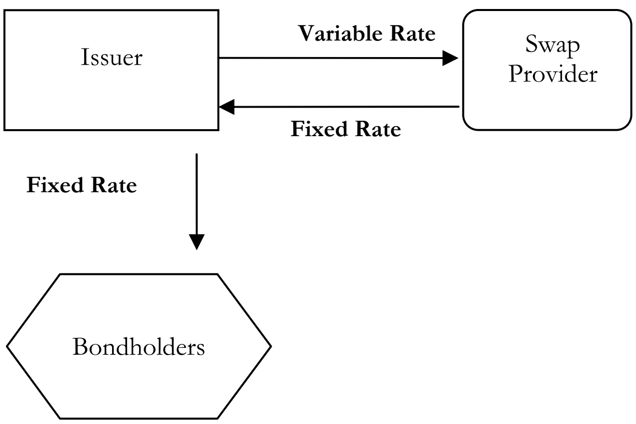


The variable rates received under most of Texas' pay-fixed, receive-variable interest rate swaps are based on various *taxable* London Interbank Offered Rates (LIBOR). A *tax-exempt* index often used in the swap market is the Securities Industry and Financial Markets Association Swap Index (SIFMA) formerly 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.

<u>Pay-variable, receive-fixed swap (synthetic floating-rate swap)</u>

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, 2010, 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



Pay-variable, receive-variable swap (basis swap)

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, 2010, basis swaps comprised approximately 27.5% 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, 2010, 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 C2* for the terms, counterparty credit ratings and fair values for the state's swaps outstanding by issuer at August 31, 2010.)

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. In fiscal 2008 the BRB engaged a swap advisor to assist with the development of a state interest rate management policy and analysis of interest rate management agreements. This policy can be found on the agency's website.

In fiscal 2010 the BRB amended its administrative rules to require issuers that enter into derivative agreements to submit additional information for staff review including a copy of all schedules to the Master Agreement and/or the Credit Support Annex and transaction confirmations. Additionally, issuers must notify the Bond Finance Office within 10 days of material adverse changes involving the parties to derivative agreements.

Table C1

NOTIONAL AMOUNTS - INTEREST RATE SWAPS

As of August 31, 2010 (Unaudited)

(amounts in thousands)

	Original Notional Amount	Current Notional Amount	Total # of Swaps
Veterans Land Board			
Pay-Fixed, Receive-Variable Total	$1,618,440	$1,419,235	41
Pay-Variable, Receive-Fixed Total	24,035	21,895	1
Pay-Variable, Receive-Variable Total	246,630	241,765	5
TOTAL VLB	**$1,889,105**	**$1,682,895**	**47**
Texas Department of Housing and Community Affairs			
Pay-Fixed, Receive-Variable Total	$422,017	$377,077	9
TOTAL TDHCA	**$422,017**	**$377,077**	**9**
The University of Texas System			
Pay-Fixed, Receive-Variable Total	$1,480,169	$1,405,526	8
Pay-Variable, Receive-Variable Total	583,570	583,570	4
TOTAL UTS	**$2,063,739**	**$1,989,096**	**12**
Texas Transportation Commission			
Pay-Variable, Receive-Variable Total	$400,000	$400,000	3
TOTAL TTC	**$400,000**	**$400,000**	**3**
Totals			
Pay-Fixed, Receive-Variable	$3,520,626	$3,201,838	58
Pay-Variable, Receive-Fixed	24,035	21,895	1
Pay-Variable, Receive-Variable	1,230,200	1,225,335	12
TOTAL INTEREST RATE SWAPS	**$4,774,861**	**$4,449,068**	**71**

Table C2

VETERANS LAND BOARD - INTEREST RATE SWAPS

As of August 31, 2010 (Unaudited)

(amounts in thousands)

PAY-FIXED, RECEIVE VARIABLE (Synthetic Fixed Rate) Bond Issue	**Original Notional Amount**	**Current Notional Amount**	**Effective Date**	**Swap Termination Date**	**Fixed-Rate Paid**	**Variable-Rate Received**	**Counterparty Credit Ratings**	**Current Fair Value**
Vet Hsg Ref Bds Ser 1995	$88,490	$48,435	11/29/1995	12/01/2016	5.52%	Actual Bond Rate	A3/A-	-8,020
Vet Land Ref Bds Ser 1999A	40,025	25,180	06/01/1999	12/01/2018	5.11%	68% of 6M LIBOR	A3/A-	-4,720
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	-10,074
Vet Hsg Fund II Bds Ser 2001A-2	20,000	20,000	03/22/2001	12/01/2029	4.30%	68% of 1M LIBOR	A3/A	-6,121
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	-8,911
Vet Land Bds Ser 2002	20,000	17,390	02/21/2002	12/01/2032	4.14%	68% of 1M LIBOR	A2/A	-4,525
Vet Hsg Fund II Bds Ser 2002A-2	38,300	23,650	07/10/2002	06/01/2033	3.87%	68% of 1M LIBOR	Aa1/AA-	-6,757
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	-5,920
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	-4,341
Vet Hsg Fund II Bds Ser 2003A	50,000	36,420	03/04/2003	06/01/2034	3.30%	68% of 1M LIBOR	Aa1/AA-	-5,391
Vet Hsg Fund II Bds Ser 2003B	50,000	37,685	10/22/2003	06/01/2034	3.40%	64.5% of 1M LIBOR	Aaa/AAA	-5,798
Vet Land Tax Ref Bds Ser 2003	29,285	23,490	12/01/2003	12/01/2023	5.12%	100% of 1M LIBOR	Aa1/AA-	-5,312
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	-10,394
Vet Hsg Fund II Tax Ref Bds Ser 2004A	19,550	16,535	06/01/2004	12/01/2024	5.45%	100% of 6M LIBOR	Aa1/AA-	-4,906
Vet Hsg Fund II Bds Ser 2004B	50,000	40,685	09/15/2004	12/01/2034	3.68%	68% of 1M LIBOR	Aa1/AA-	-7,660
Vet Land Tax Ref Bds Ser 2004	24,755	22,235	12/01/2004	12/01/2024	5.46%	100% of 6M LIBOR	A2/A	-5,961
Vet Hsg Fund II Tax Ref Bds Ser 2004C,D	43,870	34,370	12/01/2004	06/01/2020	5.35%	100% of 1M LIBOR	Aaa/AA-	-8,108
Vet Hsg Fund II Bds Ser 2005A	50,000	40,300	02/24/2005	06/01/2035	3.28%	68% of 1M LIBOR	Aaa/AAA	-6,037
Vet Land Tax Ref Bds Ser 2005	22,795	20,780	12/01/2005	12/01/2026	6.52%	100% of 6M LIBOR	Aa1/AA-	-8,058
Vet Hsg Fund I/II Tax Ref Bds Ser 2005C,D	24,885	23,580	12/01/2005	06/01/2026	5.15%	100% of 1M LIBOR	Aa1/AA-	-6,900
Vet Hsg Fund I Tax Ref Bds Ser 2005C	19,860	15,985	12/01/2005	12/01/2023	4.93%	100% of 1M LIBOR	Aa1/AA-	-3,640
Vet Hsg Fund II Bds Ser 2006A	50,000	43,235	06/01/2006	12/01/2036	3.52%	68% of 1M LIBOR	Aaa/AAA	-7,388
Vet Land Tax Ref Bds Ser 2006A	31,030	28,125	06/01/2006	12/01/2027	6.54%	100% of 6M LIBOR	Aa1/AA-	-10,858
Vet Hsg Fund II Tax Ref Bds Ser 2006C	22,325	20,285	06/01/2006	12/01/2027	5.79%	100% of 6M LIBOR	Aa1/AA-	-6,423
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	Aa1/AA-	-14,083
Vet Land Tax Ref Bds Ser 2006B	24,035	21,895	06/01/2006	12/01/2026	4.61%	100% of 6M LIBOR	Aaa/AAA	-4,692
Vet Hsg Fund II Bds Ser 2006D	50,000	44,145	09/20/2006	12/01/2036	3.69%	68% of 1M LIBOR	Aa3/A+	-8,444
Vet Land Tax Ref Bds Ser 2006C	41,050	36,525	12/01/2006	12/01/2027	6.51%	100% of 1M LIBOR	Aa1/AA-	-14,457
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	Aa1/AA-	-13,588
Vet Hsg Fund II Tax Ref Bds Ser 2007C	54,160	41,655	12/01/2007	06/01/2029	4.66%	100% of 1M LIBOR	Aa1/AA-	-11,299
Vet Hsg Fund II Bds Ser 2007A	50,000	44,465	02/22/2007	06/01/2037	3.65%	68% of 1M LIBOR	Aaa/AAA	-8,685
Vet Hsg Fund II Bds Ser 2007B	50,000	46,340	06/26/2007	06/01/2038	3.71%	68% of 1M LIBOR	Aa1/AA-	-9,418
Vet Hsg Fund II Bds Ser 2008A	50,000	46,835	03/26/2008	12/01/2038	3.19%	68% of 1M LIBOR	Aaa/AAA	-6,822
Vet Hsg Fund II Bds Ser 2008B	50,000	47,810	09/11/2008	12/01/2038	3.23%	68% of 1M LIBOR	Aaa/AAA	-7,420
Vet Hsg Fund II Tax Ref Bds Ser 2009C	16,950	16,950	12/01/2009	12/01/2021	6.22%	100% of 6M LIBOR	Aa1/AA-	-4,619
Vet Hsg Fund II Tax Ref Bds Ser 2009C	65,845	65,845	12/01/2009	06/01/2031	5.45%	100% of 6M LIBOR	Aa1/AA-	-22,120
Vet Hsg Fund II Tax Ref Bds Ser 2010B	66,720	66,720	06/01/2010	12/01/2031	5.40%	100% of 1M LIBOR	Aa1/AA-	-25,097
Vet Land Tax Ref Bds Ser 2010D	16,480	16,480	12/01/2010	12/01/2030	5.21%	100% of 1M LIBOR	Aa1/AA-	-5,158
Vet Hsg Tax Ref Bds Ser 2010E	49,995	49,995	12/01/2010	06/01/2032	2.79%	100% of 1M LIBOR	Aaa/AAA	-1,142
Vet Hsg Ser 2010C	74,995	74,995	08/20/2010	12/01/2040	2.31%	68% of 1M LIBOR	A2/A	-3,530
Vet Homes Rev Ref Bds, Ser 2012	21,795	21,795	08/01/2012	06/01/2032	3.76%	68% of 1M LIBOR	Aaa/AAA	-4,289
Pay-Fixed, Receive-Variable Total	**$1,618,440**	**$1,419,235**						**-$327,086**

PAY-VARIABLE, RECEIVE FIXED (Synthetic Floating Rate) Bond Issue	**Original Notional Amount**	**Current Notional Amount**	**Effective Date**	**Swap Termination Date**	**Variable-Rate Paid**	**Fixed-Rate Received**	**Counterparty Credit Ratings**	**Current Fair Value**
Vet Land Tax Ref Bds Ser 2006B	**$24,035**	**$21,895**	6/1/2006	12/1/2026	100.00% of 6M LIBOR	4.61%	Aa1/AA-	**4,618**

PAY-VARIABLE, RECEIVE-VARIABLE (Basis Swap) Bond Issue	**Original Notional Amount**	**Current Notional Amount**	**Effective Date**	**Swap Termination Date**	**Variable-Rate Paid**	**Variable-Rate Received**	**Counterparty Credit Ratings**	**Current 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	Aa1/AA-	8
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	Aa1/AA-	-167
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	Aaa/AAA	-110
Vet Land Tax Bds Ser 2000A/2002A	40,000	35,135	08/05/2002	12/01/2032	131.25% of SIFMA	100.00% of 1M LIBOR	A2/A	-2,014
Vet Hsg Fund II Ser 2009A	31,630	31,630	03/05/2009	12/01/2023	100.00% of SIFMA	94.35% of 3M LIBOR	Aaa/AAA	618
Pay-Variable, Receive-Variable Total	**$246,630**	**$241,765**						**-$1,665**
TOTAL INTEREST RATE SWAPS	**$1,889,105**	**$1,682,895**						**-$324,133**

Table C2 (continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - INTEREST RATE SWAPS

As of August 31, 2010 (Unaudited)

(amounts in thousands)

PAY-FIXED, RECEIVE VARIABLE
(Synthetic Fixed Rate)

Bond Issue	Original Notional Amount	Current Notional Amount	Effective Date	Swap Termination Date	Fixed-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Current 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+	-7,468
TDHCA SF Variable Rate MRB Ser 2004D	35,000	35,000	01/01/2005	03/01/2035	3.64%	*	N/A **	-4,525
TDHCA SF Variable Rate Ref MRB Ser 2005A	100,000	77,290	08/01/2005	09/01/2036	4.01%	*	Aa1/AA-	-7,605
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+	-4,581
TDHCA SF Variable Rate Ref MRB Ser 2007A	143,005	120,775	06/05/2007	09/01/2038	4.01%	*	Aa1/AA-	-13,263
TDHCA MF Variable Rate MRB Ser 2008 (West Oaks Senior Apts.)	13,125	13,125	07/01/2008	07/01/2026	3.78%	SIFMA	Aa1/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	Aa3/A+/A+	***
TDHCA MF Variable Rate MRB Ser 2008 (Addison Park Apts. Ref)	13,987	13,987	10/30/2008	08/31/2018	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	***
TOTAL INTEREST RATE SWAPS	**$422,017**	**$377,077**						**-$37,442**

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

THE UNIVERSITY OF TEXAS - INTEREST RATE SWAPS

As of August 31, 2010 (Unaudited)

(amounts in thousands)

PAY-FIXED, RECEIVE VARIABLE
(Synthetic Fixed Rate)

Bond Issue	Original Notional Amount	Current Notional Amount	Effective Date	Swap Termination Date	Fixed-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Current Fair Value
UT RFS Refunding Bonds, Series 2001A	$48,318	$11,490	05/17/2001	08/15/2013	4.63%	67% of 1M LIBOR	Aa1/AA-/AA-	-916
UT RFS Refunding Bonds, Series 2007B	172,730	167,905	12/20/2007	08/01/2034	3.81%	SIFMA	Aa1/AA-/AA-	-27,159
UT RFS Refunding Bonds, Series 2007B	172,730	167,905	12/20/2007	08/01/2034	3.81%	SIFMA	Aa3/A+/A+	-26,986
UT RFS Bonds, Series 2008B	155,000	149,170	03/18/2008	08/01/2036	3.90%	SIFMA	Aa1/AA-/AA-	-24,433
UT RFS Bonds, Series 2008B	155,000	149,170	03/18/2008	08/01/2036	3.90%	SIFMA	A2/A/A	-24,337
UT RFS Bonds, Series 2008B	375,485	358,980	03/18/2008	08/01/2039	3.61%	SIFMA	Aa1/AA-/AA-	-44,028
UT PUF Bonds, Series 2008A	200,453	200,453	11/03/2008	07/01/2038	3.70%	SIFMA	A2/A/A	-29,737
UT PUF Bonds, Series 2008A	200,453	200,453	11/03/2008	07/01/2038	3.66%	SIFMA	Aaa/AA-/AA	-28,486
Pay-Fixed, Receive-Variable Total	**$1,480,169**	**$1,405,526**						**-$206,082**

PAY-VARIABLE, RECEIVE-VARIABLE
(Basis Swap)

Bond Issue	Original Notional Amount	Current Notional Amount	Effective Date	Swap Termination Date	Variable-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Current Fair Value
UT RFS Bonds, Series 2008B	$90,270	$90,270	08/01/2009	08/01/2039	SIFMA	102.5% of 3M LIBOR	Aaa/AA-/AA-	5,727
UT RFS Bonds, Series 2008B	92,045	92,045	08/01/2009	08/01/2030	SIFMA	96% of 3M LIBOR	Aaa/AA-/AA-	2,520
UT RFS Bonds, Series 2008B	117,190	117,190	08/01/2009	08/01/2035	SIFMA	103% of 3M LIBOR	Aaa/AA-/AA-	7,453
UT PUF Bonds, Series 2006B	284,065	284,065	01/01/2009	07/01/2035	SIFMA	82.04% of 1M LIBOR	Aa3/AA-/A+	-10,987
Pay-Variable, Receive-Variable Total	**$583,570**	**$583,570**						**$4,713**
TOTAL INTEREST RATE SWAPS	**$2,063,739**	**$1,989,096**						**-$201,369**

TEXAS TRANSPORTATION COMMISSION - INTEREST RATE SWAPS

As of August 31, 2010 (Unaudited)

(amounts in thousands)

PAY-VARIABLE, RECEIVE-VARIABLE
(Basis Swap)

Bond Issue	Original Notional Amount	Current Notional Amount	Effective Date	Swap Termination Date	Variable-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Current Fair Value
GO Mobility Ser 2006A	$200,000	$200,000	12/01/2009	11/30/2012	*	1.590% of notional value	Aa1/AA-/AA-	2,838
GO Mobility Ser 2006A	100,000	100,000	12/01/2009	11/30/2012	*	1.637% of notional value	Aa1/AAA	1,525
GO Mobility Ser 2006A	100,000	100,000	12/01/2009	11/30/2012	*	1.575% of notional value	A2/A/A	1,386
TOTAL INTEREST RATE SWAPS	**$400,000**	**$400,000**						**$5,749**

* In December 2009, TxDOT agreed to suspend the original terms of the swap agreements with each counterparty for a period of 3 years. For consideration of the suspensions, TxDOT elected to receive a monthly fixed annuity from each counterparty for the duration of the suspension period and make no payments to the counterparties. At the end of the suspension period, the swaps will revert back to their original terms with TxDot paying SIFMA and the counterparties paying 69.42% of the 10-yr US-ISDA LIBOR swap rate.

Table C3

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, 2010

(amounts in thousands)

UNAUDITED

Texas Department of Housing and Community Affairs

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending 8/31/10	Principal	Interest	Swaps, Net	Total
2011	$0	$985	$11,329	$12,314
2012	0	985	11,329	12,314
2013	0	985	11,329	12,314
2014	0	985	11,329	12,314
2015	2,020	985	11,320	14,325
2016-2020	46,630	4,632	53,238	104,500
2021-2025	68,540	3,715	42,705	114,960
2026-2030	82,810	2,542	29,226	114,578
2031-2035	88,325	1,207	13,969	103,501
2036-2039	33,740	157	1,855	35,752
Total Debt Service and Net Interest Rate Swap Payments	**$322,065**	**$17,178**	**$197,629**	**$536,872**

Source: Texas Department of Housing and Community Affairs

The University of Texas System

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending 8/31/10	Principal	Interest (1)	Swaps, Net (2)	Total
2011	$22,990	$3,094	$48,464	$74,548
2012	33,550	3,045	47,626	84,222
2013	34,925	2,973	46,449	84,347
2014	32,425	2,898	45,223	80,546
2015	33,645	2,828	44,118	80,590
2016-2020	142,575	13,123	204,621	360,319
2021-2025	228,520	11,354	176,849	416,723
2026-2030	289,055	8,470	131,677	429,202
2031-2035	271,260	5,143	79,485	355,888
2036-2040	316,755	1,923	29,175	347,854
Total Debt Service and Net Interest Rate Swap Payments	**$1,405,700**	**$54,853**	**$853,685**	**$2,314,238**

(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, 2010 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, 2010, 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	Variable-Rate Bonds		Interest Rate	
Ending 8/31/10	Principal	Interest	Swaps, Net	Total
2011	$50,480	$4,460	$56,636	$111,576
2012	53,595	4,341	54,585	112,521
2013	59,010	4,168	52,408	115,586
2014	61,815	3,976	49,959	115,750
2015	69,890	3,780	47,408	121,078
2016-2020	396,745	15,188	187,657	599,590
2021-2025	327,480	9,260	105,956	442,696
2026-2030	237,875	4,492	49,384	291,751
2031-2035	127,935	1,487	13,438	142,860
2036-2040	32,180	214	1,478	33,872
2041-2045	1,025	1	11	1,037
Total Debt Service and Net Interest Rate Swap Payments	**$1,418,030**	**$51,367**	**$618,920**	**$2,088,317**

Source: Veterans Land Board

Table C4

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, 2010

(amounts in thousands)

UNAUDITED

Texas Transportation Commission

Fiscal Year	**Fixed-Rate Bonds**		**Interest Rate**	
Ending 8/31/10	**Principal**	**Interest**	**Swaps, Net (1)**	**Total**
2011	$2,275	$49,727	-$6,392	$45,610
2012	3,215	49,636	-6,392	46,459
2013-2017	31,195	245,489	-26,802	249,883
2018-2022	102,985	232,640	-26,530	309,095
2023-2027	223,925	195,722	-21,666	397,981
2028-2032	381,200	127,826	0	509,026
2033-2037	293,585	26,330	0	319,915
Total Debt Service and Net Interest Rate Swap Payments	**$1,038,380**	**$927,370**	**-$87,782**	**$1,877,969**

(1) Swap payments projected using the historical average annual spread differential, which is assumed to be 1 3265%, between SIFMA and 69 42% of 10-Year USD-ISDA-Swap Rate (10 Year LIBOR) from 1990 through Aug 31, 2010

Source: Texas Department of Transportation

The University of Texas System

Fiscal Year	**Bonds (1)**		**Interest Rate**	
Ending 8/31/10	**Principal**	**Interest (2)**	**Swaps, Net (3)**	**Total**
2011	$0	$15,495	$258	$15,754
2012	0	15,495	258	15,754
2013	0	15,495	258	15,754
2014	0	15,495	258	15,754
2015	0	15,495	258	15,754
2016-2020	24,740	77,477	1,291	103,509
2021-2025	78,975	58,837	972	138,784
2026-2030	225,835	38,726	615	265,175
2031-2035	163,750	12,774	156	176,680
2036-2040	90,270	432	-6	90,696
Total Debt Service and Net Interest Rate Swap Payments	**$583,570**	**$265,721**	**$4,318**	**$853,614**

(1) Includes principal and interest due on certain related bonds, which are also included in Table C3

(2) As required by GASB Statement No 38, annual debt-service requirements are computed using the System's interest rates in effect on August 31, 2010 on its Series 2008B Bonds and Series 2006B Bonds

(3) Reflects net payments on pay-variable, receive-variable interest rate swaps based on interest rates in effect at August 31, 2010, 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	**Variable-Rate Bonds**		**Interest Rate**	
Ending 8/31/10	**Principal**	**Interest**	**Swaps, Net**	**Total**
2011	$790	$548	$275	$1,613
2012	845	546	153	1,544
2013	890	543	44	1,477
2014	950	541	43	1,534
2015	1,010	538	42	1,590
2016-2020	6,055	2,640	187	8,882
2021-2025	18,495	2,487	139	21,121
2026-2030	175,785	1,959	75	177,819
2031-2035	5,315	19	9	5,343
Total Debt Service and Net Interest Rate Swap Payments	**$210,135**	**$9,821**	**$967**	**$220,923**

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. In 2010, The Private Activity Bond Program allocated $234.2 million to 501(c)(3) student loan issuers such as the Brazos Higher Education Authority, North Texas Higher Education Authority, and Panhandle Plains Higher Education Authority. Previously, such authorities would originate federal student loans through the Federal Family Education Loan Program (FFELP) or buy these student loan assets from other originating banks, thereby increasing the capacity of the banks to issue additional FFELP loans. The FFELP was terminated on June 30, 2010 and all federal student loans are now originated by the Department of Education's direct lending program.

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 Public Finance Authority (the "Authority") is authorized to issue general obligation and revenue bonds on behalf of the Texas Agricultural Finance Authority ("TAFA") pursuant to Agriculture Code Section 58.041. This authority was transferred from TAFA to the Authority effective September 1, 2009. The issuance of general obligation debt for TAFA programs is authorized by the Texas Constitution, Article III, Sections 49-f and 49-i.

Purpose: Chapter 58 of the Texas Agriculture Code creates TAFA under the Texas Agricultural Finance Act and authorizes TAFA to establish programs to support agricultural business in Texas. Under the Agricultural Finance Act, TAFA is authorized to use bond proceeds for loans and other financing assistance for the purchase of farm and ranch land. In addition, proceeds may be used to establish a Texas Agricultural Fund for rural economic development programs and to establish a Rural Microenterprise Development Fund to fund programs that foster and stimulate the creation and expansion of small businesses in rural areas. TAFA may use the proceeds to provide loan guarantees, insurance, coinsurance, loans and indirect loans or purchases or acceptances of assignments of loans or other obligations.

Security: In addition to general obligation bonds, TAFA may issue up to $500 million in revenue bonds for the purpose of providing money to carry out its programs. Before authorizing the issuance of any general obligation bonds for programs funded by the Texas Agricultural Development Fund or the Rural Microenterprise Development Fund, the TAFA board must determine that the issuance of revenue bonds is not an economically advisable alternative. TAFA's revenue bonds are secured by pledged revenues and liens on TAFA's property, revenues, income or other resources of the authority, including mortgages or other interests in property financed with bond proceeds.

Dedicated/Project Revenue: Debt service on revenue bonds issued by TAFA is payable solely from any loan repayments and other pledged revenue and assets of TAFA and is not an obligation the state. Debt service on general obligation debt is payable from pledged repayments on loans made under a financial assistance program funded by bond proceeds or general revenue, if there is insufficient income to make debt-service payments.

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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 Department is authorized to issue turnpike revenue bonds pursuant to Section 228 of the Texas Transportation Code.

The Texas Mobility Fund was created under SB 4, 77th 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, Section 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 the Texas Labor Code, Chapter 203, Subchapter F.) 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 SJR 55 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-n 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 and military value revolving program 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 in the form of loan repayments is paid by participating defense communities to the Military Preparedness Commission to pay debt on the outstanding bonds. 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: In the event of catastrophe, 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 Texas Education Code, Section 53.351 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 Educators 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 Fund Programs are designed to be self-supporting. No general revenue draw has been made on these programs since 1980.

The Economically Distressed Areas Program and the Water Infrastructure Fund are anticipated to have general revenue draws.

The State Participation Program includes some series which are self-supporting and some which are not self-supporting. Those not self-supporting series 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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Appendix E
Glossary

Allotment – Amount of securities distributed to each member of the underwriting syndicate to fill orders.

Advance Refunding – A refunding in which the refunded issue remains outstanding for a period of more than 90 days after the issuance of the refunding issue.

Bond – Debt instrument in which an investor loans money to the issuer that specifies: when the loan is due ("term" or "maturity" such as 20 years), the interest rate the borrower will pay (such as 5%), when the payments will be made (such as monthly, semi-annually, annually) and the revenue source pledged to make the payments.

Bond Counsel – Attorney retained by the issuer to give a legal opinion that the issuer is authorized to issue the proposed securities, the legal requirements necessary for issuance have been met and the proposed securities will be exempt from federal income taxation and state and local taxation where applicable.

Bond Insurance – A legal commitment by a third party to make timely debt service payments if the issuer is unable to do so.

Certificate of Obligation – A bond issued by a local taxing authority secured by property taxes to finance public projects without the approval of voters. The issuance can be blocked if 5% of the voters petition to stop the sale prior to approval of the sale ordinance.

Certificate of Participation – A financial document used when a municipal government or other governmental entity issues bonds. Rather than receiving debt service on the bonds, investors receive a return based on the lease revenues associated with the offering.

Commercial Paper – Short-term, unsecured promissory notes that mature within 270 days and are backed by a liquidity provider (usually a bank) that stands by to provide liquidity in the event the notes are not remarketed or redeemed at maturity.

Competitive Sale – A sale in which the issuer solicits bids from underwriting firms and sells the securities to the underwriter or syndicate offering the most favorable bid that meets the specifications of the notice of sale.

Conduit Issuer – An issuer, usually a government agency that issues municipal securities to finance revenue-generating projects in which the funds generated are used by a third party (known as the "conduit borrower" or "obligor") for debt-service payments.

Costs of Issuance – The expenses associated with the sale of a new issue of municipal securities including printing, legal fees, rating agency fees and other fees associated with the transaction.

Coupon – The interest rate paid on a security.

Current Refunding – A refunding transaction in which the municipal securities being refunded will mature or be redeemed within 90 days or less from the date of issuance of the refunding issue.

CUSIP – A unique nine-character identification for each class of security approved for trading in the U.S. CUSIPs are used to facilitate clearing and settlement for market trades.

Dealer Fee – Cost of underwriting, trading or selling securities.

Disclosure – The act of releasing accurately and completely all material information to investors and the securities markets for outstanding or to be issued securities.

Discount – The amount by which the price paid for a security is less than its par value.

Escrow – Fund established to hold moneys or securities pledged to pay debt service.

Escrow Agent – Commercial bank or trust company retained to hold the investments purchased with the proceeds of an advance refunding and to use the invested funds to pay debt service on the refunded debt.

Expenses – Component of the underwriting spread representing the costs of operating the syndicate such as financial advisors, legal counsel, travel, printing, day loans, wire fees and other associated fees.

Financial Advisor – A securities firm that assists an issuer on matters pertaining to a proposed issue such as structuring, timing, marketing, fairness of pricing, terms and debt ratings.

General Obligation Debt – Debt legally secured by a constitutional pledge of the first monies coming into the State Treasury not otherwise constitutionally dedicated for another purpose. General obligation debt must be approved by a 2/3 vote of both houses of the Texas Legislature and by a majority of the voters.

Indenture – Deed or contract which may be in the form of a resolution that sets forth the legal obligations between the issuer and the securities holders. The indenture also names the trustee that represents the interests of the securities holders.

Issuer – A legal entity that sells securities for the purpose of financing its operations. Issuers are legally responsible for the obligations of the issue and for reporting financial conditions, material developments and any other operational activities.

Lease Purchase – Financing the purchase of an asset over time through lease payments that include principal and interest. Lease purchases can be financed through a private vendor or through one of the state's pool programs such as the Texas Public Finance Authority's Master Lease Purchase Program.

Letter of Credit – A credit enhancement used by an issuer to secure a higher rating for its securities. A Letter of Credit is usually a contractual agreement between a major financial institution and the issuer consisting of an unconditional pledge of the institution's credit to make debt-service payments in the event of a default.

Liquidity – The relative ability of a security to be readily traded or converted into cash without substantial transaction costs or loss in value.

Liquidity Provider – A financial institution that facilitates the trading of a security by insuring that it will be purchased if tendered to the issuer or its agent because it cannot be immediately remarketed to new investors.

Management Fee – Component of the underwriting spread that compensates the underwriters for assistance in creating and implementing the financing.

Maturity Date – The date principal is due and payable to the security holder.

Mortgage Credit Certificate – A certificate issued by certain state or local governments that allows a taxpayer to claim a tax credit for some portion of the mortgage interest paid during a given tax year.

Municipal Bond – A debt security issued to finance projects for a state, municipality or county. Municipal securities are exempt from federal taxes and from most state and local taxes.

Negotiated Sale – A sale in which an issuer selects an underwriting firm or syndicate to assist with the issuance process. At the time of sale, the issuer negotiates a purchase price for its securities with that underwriting firm or syndicate.

Not Self-Supporting Debt – Either general obligation or revenue debt intended to be repaid with state general revenues.

Notice of Sale – Publication by an issuer describing the terms of sale of an anticipated new offering of municipal securities.

Official Statement – The document published by the issuer which provides complete and accurate material information to investors on a new issue of municipal securities including the purposes of the issue, repayment provisions and the financial, economic and social characteristics of the issuing government.

Par – The face value of a security that is due at maturity. A "par bond" is a bond selling at its face value.

Paying Agent – The entity responsible for transmitting debt-service payments from the issuer to the security holders.

Premium – The amount by which the price paid for a security exceeds par value.

Printer – Produces offering and other documents.

Private Placement – A sale in which an issuer sells its securities directly to investors or through a placement agent without a public offering.

Rating Agency – An entity that provides publicly available ratings of the credit quality of securities issuers, measuring the probability of the timely repayment of principal and interest on municipal securities.

Refunding Bond – Bonds issued to retire or defease all or a portion of outstanding bonds.

Registrar – An entity responsible for maintaining ownership records on behalf of the issuer.

Remarketing Fee – Compensation to an agent for remarketing a secondary offering of short-term securities, usually for a mandatory or optional redemption or put (return of the security to the issuer).

Revenue Debt – Debt that is legally secured by a specified revenue source(s). Revenue debt does not require voter approval and usually has a maturity based on the life of the project to be financed.

Self-Supporting Debt – Debt that is designed to be repaid with revenues other than state general revenues. Self-supporting debt can be either general obligation debt or revenue debt.

Selling Group – Group of municipal securities brokers and dealers that assist in the distribution of a new issue of securities.

Structuring Fee – Component of the underwriting spread that compensates the underwriters for assistance with developing a marketable securities offering within the issuer's legal and financial constraints.

Syndicate – Group of underwriters formed to purchase a new issue of securities from the issuer and offer it for resale to investors.

Takedown – The discount that the members of the syndicate receive when they purchase the securities from the issuer. Takedown is also known as the selling concession.

Trustee – Bank or trust company designated by the issuer or borrower under the indenture or resolution as the custodian of funds. The trustee represents the interests of the security holders including making debt-service payments.

Underwriter – An investment banking firm that purchases securities directly from the issuer and resells them to investors.

Underwriting Spread – Amount representing the difference between the price at which securities are bought from the issuer by the underwriter and the price at which they are reoffered to the investor. The underwriting spread generally includes the takedown, management fee, expenses and underwriting fee.

Underwriting Risk Fee – A portion of the underwriting spread designed to compensate the underwriter for the risk associated with market shifts and interest rate fluctuations.

Underwriter's Counsel – Attorney who prepares or reviews the issuer's offering documents on behalf of the underwriter and prepares documentation for the underwriting agreement and the agreement among underwriters.

Underwriter's Risk – The underwriter's risk of resale.

Variable Rate – An interest rate that fluctuates based on market conditions or a predetermined index or formula. (Fixed rates do not change during the life of the obligation.)

Yield – The investor's rate of return.

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