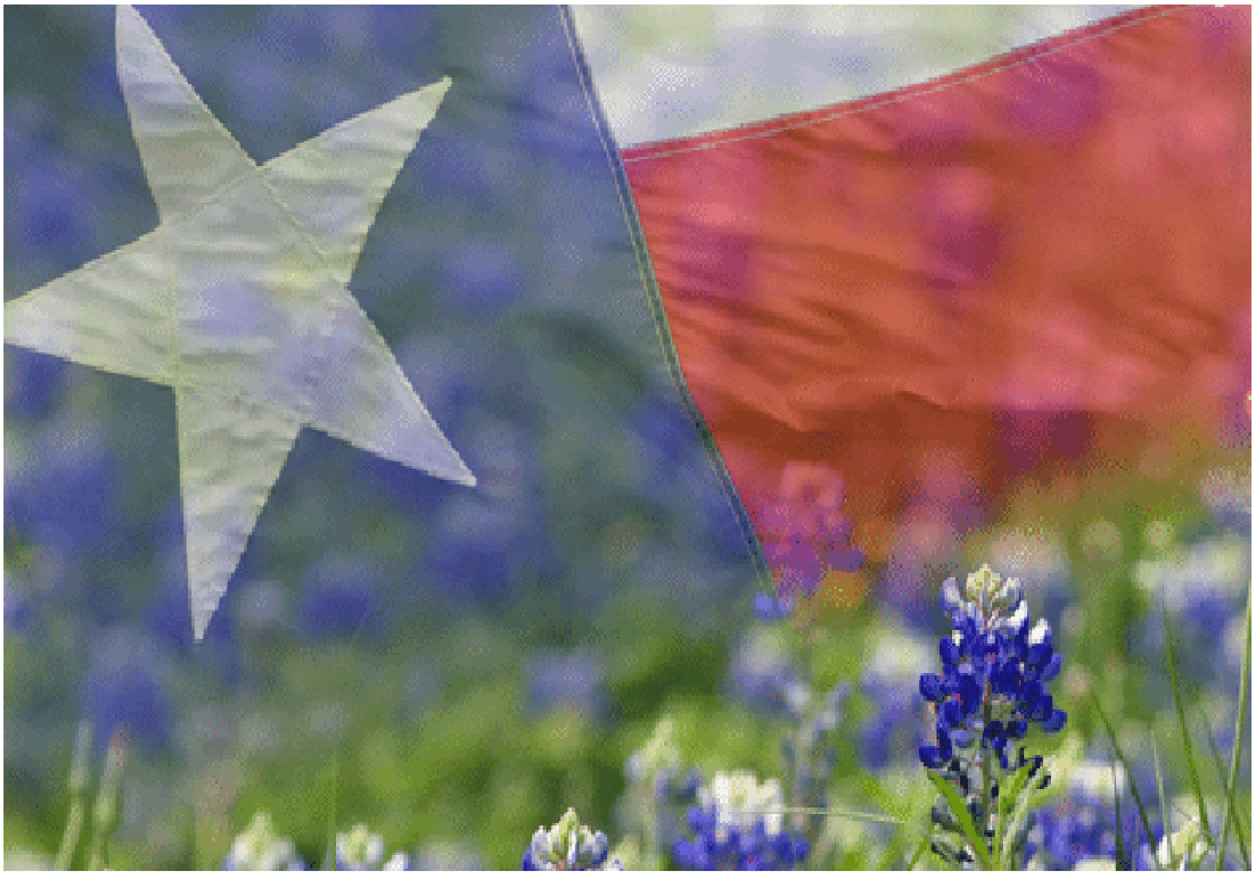
Texas Bond Review Board



2014 Annual Report

Fiscal Year Ended August 31, 2014

Texas Bond Review Board
Annual Report 2014

Fiscal Year Ended August 31, 2014

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 2014

Overview

Background

The Texas Bond Review Board (BRB) is responsible for the approval of all state debt issues (excluding Permanent University Fund debt, Tax and Revenue Anticipation Notes and self-supporting debt issued by institutions of higher education with an unenhanced rating of AA- or higher) and lease purchase obligations 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 administers the state's Private Activity Bond Allocation Program. This report discusses the activities undertaken by the Board and related events of the past fiscal year.

As of August 2014 Texas' general obligation (GO) debt was rated at Aaa/AAA/AAA by the three major credit rating agencies, Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch), respectively. On September 27, 2013 S&P upgraded Texas' General Obligation Debt rating to AAA from AA+ with a stable outlook. Moody's and Fitch also maintain their outlook as stable.

On June 10, 2013, S&P reaffirmed its AA+ long-term debt rating for the United States and revised its long-term outlook to stable from negative. Similarly, on July 18, 2013, Moody's affirmed the United States government Aaa rating and changed its outlook to stable from negative. In addition, on March 21, 2014, Fitch affirmed the AAA rating for the U.S and revised its long-term outlook to stable from negative. Texas' GO borrowing costs have not been significantly impacted by changes in U.S. credit ratings.

Texas ended fiscal 2014 with a total consolidated General Revenue Fund cash balance of $10.98 billion, a 28.2 percent increase from the fiscal 2013 year-end closing balance of $8.56 billion.

According to Moody's 2014 State Debt Medians, Texas ranked 38th among all states in net tax-supported debt per capita compared to 39th in the prior year. Texas had $614 in net tax-supported debt per capita compared to the national mean and median of $1,436 and $1,054, respectively. Texas net tax-supported debt per capita ranked lower than that of the eight other states rated AAA.

Total not self-supporting debt (debt receiving annual legislative appropriations from state general revenue for debt-service payments) increased from $3.15 billion at the end of fiscal 2005 to $4.83 billion at the end of fiscal 2014, an increase of 53.5 percent, and a decrease of 0.3 percent from the $4.84 billion outstanding in fiscal 2013.

The most recent U.S. Census Bureau data for total state and local debt outstanding show that for calendar 2010-11, 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 4th in Total State and Local Debt Per Capita.

Constitutional Debt Limit

As of August 31, 2014 Texas' constitutional debt limit (CDL) remained below the maximum of 5 percent with 1.20 percent calculated for debt outstanding and 1.51 percent calculated for authorized but unissued debt for a total of 2.71 percent including both outstanding and authorized but unissued debt. These figures represent a decline of 10.9 percent from the 3.04 percent calculated for outstanding and authorized but unissued debt for fiscal 2013. The CDL is expected to continue to decrease with the issuance of authorized debt and as the state's unrestricted general revenue increases with the continued improvement in the state's economy.

State and Local Financings in FY 2014

State Debt

In fiscal year 2014 the state's total debt outstanding increased 1.8 percent to $44.33 billion compared to $43.54 billion in fiscal 2013 and $40.99 billion in fiscal 2012.

Bonds issued by Texas state agencies and universities during fiscal year 2014 increased by 25.2 percent to an aggregate total of $7.91 billion compared to $6.32 billion issued in fiscal 2013. Of that amount $2.19 billion (27.7%) was issued as new-money bonds, a decrease of $2.79 billion (-56.1%) from $4.98 billion issued during fiscal 2013. The remaining $5.72 billion (72.7%) was issued as refunding bonds, an increase of $4.39 billion (328.9%) from $1.33 billion issued during fiscal year 2013. Fiscal 2014 saw the largest decline in new money issuances during the last ten years.

In addition, approximately $1.78 billion in commercial paper and variable-rate notes were issued in fiscal 2014 compared to approximately $776.6 million issued in fiscal 2013, an increase of 129.2 percent. The increase was due to the Texas Transportation Commission issuing State Highway Fund variable rate notes and various colleges and universities issuing CP for capital improvements.

Texas state issuers expect to issue approximately $7.87 billion in bonds, commercial paper (CP) and variable rate notes (VRN) during fiscal 2015. This amount includes $1.10 billion of GO not-self supporting highway improvement bonds expected to be issued by the Texas Transportation Commission.

Local Debt

For the fiscal year ending August 31, 2014 Texas' total local government debt outstanding increased by 2.5 percent to $205.33 billion compared to $200.27 billion outstanding at fiscal year-end 2013. Over the past decade, total debt outstanding increased by 74.6 percent from $117.66 billion to $205.33 billion. During this period debt for public School Districts increased 78.2 percent from $38.13 billion to $67.96 billion. Other notable increases included Other Special Districts (roads, power and housing issuances) which increased 349.7 percent from $3.54 billion to $15.92 billion and Community Junior College Districts which increased 149.0 percent from $1.92 billion to $4.77 billion.

Over the past decade local debt issuance has fluctuated from a low of $19.99 billion in fiscal 2006 to a high of $30.11 in fiscal 2008. Local debt issuance declined from $29.68 billion in fiscal 2013 to $23.74 billion in fiscal 2014. Of this amount, approximately $13.22 (55.7 percent) billion was issued for new-money purposes, and $10.52 billion (44.3 percent) was issued to refund prior outstanding debt. Tax-supported debt issuances decreased by 18.6 percent to $16.20 billion, and revenue debt issuances increased by 3.5 percent to $7.54 billion.

Issuance Costs
Excluding issuances of conduit and private-placement debt, during fiscal 2014 the weighted average of issuance cost for state bond issuers was $4.38 per $1,000 compared to $6.18 per $1,000 for fiscal 2013.

Private Activity Bond Allocation Program and Other Bonding Authority

Texas again experienced an increase in volume cap for the Program Year 2014 Private Activity Bond (PAB) Allocation Program. The 2014 volume cap was set at $2,644,819,300, an increase of $169.2 million (6.8%) over the calendar 2013 cap. The total size of the PAB program including 2014 volume cap and carryforward, was $5.28 billion, a 11.9 percent increase from the 2013 total. As of November 15, 2014, $1.05 billion had been allocated and application requests totaled $2.80 billion, an increase of 44.2 percent from Program Year 2013.

83rd Legislature – Regular Session, 1st, 2nd and 3rd Called Special Session
The 83rd Legislature appropriated debt service for the 2014-15 biennium for the Texas Transportation Commission to issue $2 billion in debt, for the Cancer Prevention and Research Institute of Texas (CPRIT) to issue $600 million in GO debt and for Texas Public Finance Authority (TPFA) to issue $746 million in GO debt for various state agencies.

Senate Joint Resolution (SJR) 1 of the Regular Session proposed the creation of a State Water Implementation Fund (Fund) that would be administered, without further appropriation, by the Texas Water Development Board (TWDB). HB 1025 authorized the transfer of $2 billion from the state's Economic Stabilization Fund (ESF), also known as the Rainy Day Fund, into the Fund to implement the State Water Plan. Voters approved the proposed amendments to the Texas Constitution in SJR 1 at the November 5, 2013 bond election.

SJR 1 of the 3rd Called Special Session proposed a constitutional amendment to divert half of the oil and gas tax revenues to be deposited into the ESF to the State Highway Fund to provide transportation funding for repairs and maintenance of public roads. Voters approved the proposed amendments to the Texas Constitution in SJR 1 at the November 4, 2014 general election.

Additional Detail
This report concludes with seven appendices. Appendix A provides a detailed description of each state bond transaction closed in fiscal 2014. 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 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 $4.54 billion at fiscal year-end 2014. Appendix D provides an overview of the costs of issuance and underwriting spread. Appendix E provides a brief description of each of the state's bond issuing entities. Appendix F provides a brief overview of the Private Activity Bond Program. Appendix G provides a glossary of terms.

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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 September 27, 2013 Texas' general obligation (GO) debt is rated Aaa/AAA/AAA by the three major credit rating agencies, Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch), respectively. All three rating agencies maintain their outlook as "stable". Table 1.2 provides a tier-ranking of each state relative to the states rated AAA by all three rating agencies.

On June 10, 2013, S&P reaffirmed its AA+ long-term debt rating for the United States and revised its long-term outlook to stable from negative. Similarly, on July 18, 2013, Moody's affirmed the United States government Aaa rating and changed its outlook to stable from negative. In addition, on March 21, 2014, Fitch affirmed the AAA rating for the U.S and revised its long-term outlook to stable from negative. Texas' GO borrowing costs have not been significantly impacted by changes in U.S. credit ratings.

According to Moody's 2014 State Debt Medians, Texas ranked 38th among all states in net tax-supported debt per capita compared to 39th in the prior year. Texas had $614 in net tax-supported debt per capita compared to the national median and mean of $1,436 and $1,054, respectively.

STATE DEBT

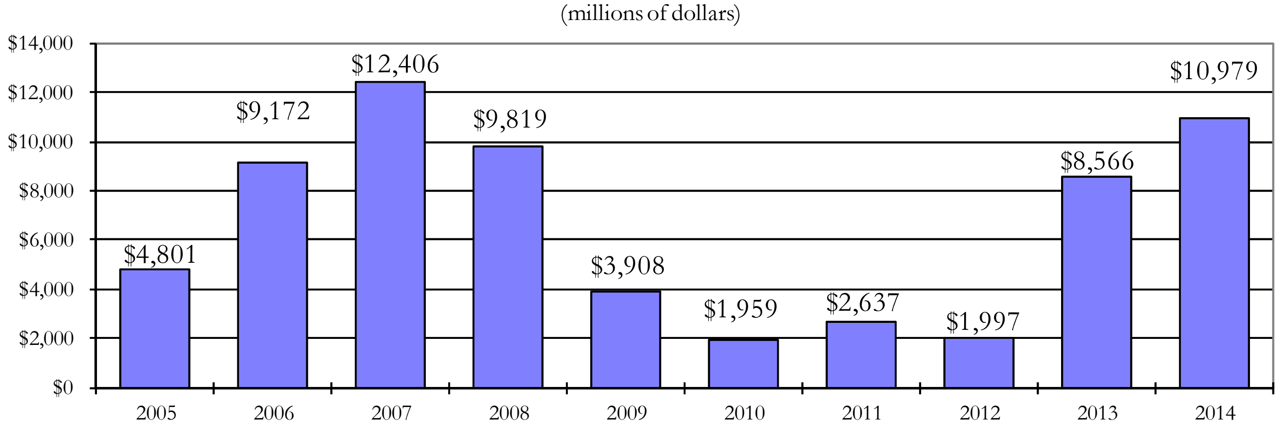
Texas' Financial Position

Texas ended fiscal 2014 with a total consolidated General Revenue Fund cash balance of $10.98 billion *(Figure 1.1)*, a 28.2 percent increase from the fiscal 2013 year-end closing balance of $8.57 billion.

Total Tax Collections received increased by 7.9 percent to $48.28 billion. Total Net Revenues and Other Sources increased by 5.0 percent to $130.58 billion, and Total Expenditures and Other Uses increased by 8.8 percent to $128.17 billion *(Table 1.1)*.

The Sales Tax remains the state's primary source of revenue and accounted for 56.6 percent of Total Tax Collections during fiscal 2014. Sales Tax revenues increased 5.6 percent from the prior fiscal year to $27.34 billion. In addition, during fiscal 2014 the state's Oil Production Tax and Natural Gas Production Tax increased by 29.5 percent and 27.0 percent, respectively. Also, the Utility Tax, Hotel Occupancy Tax and Insurance Taxes all increased by approximately 10.0 percent while the Cigarette and Tobacco Taxes decreased 7.4 percent.

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



Source: Texas Comptroller of Public Accounts, 2014 Annual Cash Report.

Table 1.1

STATEMENT OF CASH CONDITION

CONSOLIDATED GENERAL REVENUE FUND

(amounts in thousands)

	Fiscal 2013	Fiscal 2014	% Change
Revenues and Beginning Balance			
Beginning Balance, September 1	$1,997,197	$8,565,626	328.9%
Tax Collections			
General Revenue Fund			
Sales Tax	25,901,281	27,342,434	5.6%
Motor Vehicle Sales / Rental Taxes	3,858,909	4,189,367	8.6%
Motor Fuel Taxes	3,221,502	3,315,952	2.9%
Franchise Tax	2,793,648	2,825,240	1.1%
Insurance Taxes	1,764,153	1,947,908	10.4%
Natural Gas Production Tax	1,495,203	1,899,581	27.0%
Cigarette and Tobacco Taxes	652,934	604,835	-7.4%
Alcoholic Beverages Taxes	976,894	1,053,231	7.8%
Oil Production and Regulation Taxes	2,990,890	3,874,071	29.5%
Inheritance Tax	-10,293	12	N/A
Utility Taxes	434,871	478,189	10.0%
Hotel Occupancy Tax	441,132	485,385	10.0%
Other Taxes	247,719	267,854	8.1%
Total Tax Collections	**$44,768,843**	**$48,284,059**	**7.9%**
Federal Income	29,201,754	30,706,433	5.2%
Licenses, Fees, Permits, Fines, & Penalties	5,822,456	6,491,812	11.5%
Interest and Investment Income	73,947	100,776	36.3%
Net Lottery Proceeds	1,893,285	1,878,112	-0.8%
Sales of Goods and Services	165,488	188,676	14.0%
Settlements of Claims	596,085	559,967	-6.1%
Land Income	53,909	52,914	-1.8%
Contributions to Employee Benefits	87	87	0.5%
Other Revenue Sources	4,444,477	4,233,234	-4.8%
Interfund Transfers/Investment Transactions	37,380,467	38,088,058	1.9%
Total Net Revenue and Other Sources	**$124,400,798**	**$130,584,128**	**5.0%**
Expenditures and Ending Balance			
General Government	2,515,041	2,668,045	6.1%
Education	26,680,189	30,569,780	14.6%
Employee Benefits	3,003,423	3,350,472	11.6%
Health and Human Services	38,653,634	41,613,552	7.7%
Public Safety and Corrections	3,716,508	3,964,112	6.7%
Lottery Winnings Paid	661,199	602,687	-8.8%
Other Expenditures*	2,445,944	2,763,495	13.0%
Interfund Transfers / Investment Transactions	40,157,190	42,639,013	6.2%
Total Expenditures and Other Uses	**$117,833,128**	**$128,171,156**	**8.8%**
Net Increase to Petty Cash Accounts	759	27	-96.4%
Ending Balance, August 31	**$8,565,626**	**$10,978,625**	**28.2%**

Source: Texas Comptroller of Public Accounts, 2014 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.

83rd Legislature – Regular Session, 1st, 2nd and 3rd Called Special Session
The 83rd Legislature appropriated debt service for the 2014-15 biennium for the Texas Transportation Commission to issue $2 billion in debt, for the Cancer Prevention and Research Institute of Texas (CPRIT) to issue $600 million in GO debt and for Texas Public Finance Authority (TPFA) to issue $746 million in GO debt for various state agencies.

Senate Joint Resolution (SJR) 1 of the Regular Session proposed the creation of a State Water Implementation Fund that would be administered, without further appropriation, by the Texas Water Development Board (TWDB). HB 1025 authorized the transfer of $2 billion from the state's Economic Stabilization Fund (ESF), also known as the Rainy Day Fund, to implement the state's water plan. Voters approved the proposed amendments to the Texas Constitution at the November 5, 2013 bond election.

SJR 1 of the 3rd Called Special Session proposed a constitutional amendment diverting half of the oil and gas tax revenues to be deposited into the ESF to the State Highway Fund to provide transportation funding for repairs and maintenance of public roads. Voters approved the proposed amendment to the Texas Constitution at the November 4, 2014 general election.

82nd Legislature – Regular Session and 1st Called Special Session
The 82nd Legislature appropriated debt service for the 2012-13 biennium for the Texas Transportation Commission (TTC) to issue $4 billion in GO debt, for the Cancer Prevention and Research Institute of Texas (CPRIT) to issue $600 million in GO debt and for the Texas Public Finance Authority (TPFA) to issue $182.4 million in GO debt for various state agencies.

In November 2011 voters approved Proposition 2 that allows the Texas Water Development Board (TWDB) to issue debt for its Development Fund II in an amount not to exceed $6 billion outstanding at any time. In addition, voters approved Proposition 3 that allows the Texas Higher Education Coordinating Board (THECB) to issue GO bonds to finance educational loans to students with a maximum amount outstanding not to exceed the aggregate amount of previously authorized constitutional authority of $1.86 billion, and increases the maximum amount of bonds issued per fiscal year from $125 million to $350 million. These programs are currently self-supporting and have never required a draw on state general revenues unless it was specifically appropriated for certain TWDB programs.

The 82nd Legislature 1st Called Special Session enacted Senate Bill (SB) 5 that exempts from BRB approval issuances by higher education institutions that have an unenhanced bond rating of AA- or higher and do not pledge the general revenue of the state. As of August 31, 2013 issuances for two higher education institutions, Texas Southern University and Texas State Technical College System require BRB approval.

81st Legislature - Regular Session and 1st Called Special Session
The 81st Legislature appropriated debt service for the 2010-11 biennium to CPRIT to issue $450 million in GO debt under the $3 billion in authority approved by voters in 2007.

House Bill (HB) 4409 authorized the issuance of three different classes of public securities totaling $2.5 billion to fund excess losses incurred by the Texas Windstorm Insurance Agency. SB 2064 modified the Private Activity Bond (PAB) Program and increased the responsibilities of the BRB (*See Chapter 4 for a discussion of changes to the PAB Program*).

HB 1 of the 1st Called Special Session of the 81st Legislature appropriated to TTC for the 2010-11 biennium $2 billion of the $5 billion in GO bonds approved by voters in 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 GO 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 GO debt that was approved by voters in 2007. 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 required 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 and requires issuers to have appropriate policies and oversight over derivatives unless they are considered experienced as defined within the statute. SB 792 expanded the authority for State Highway Fund Bonds from $3 billion to $6 billion.

Additional Bonding Authority

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. The Hurricane Ike Authority expired on January 1, 2013.

In February 2009 the American Recovery and Reinvestment Act of 2009 (ARRA) created new types of bonding authority and expanded authority under existing programs. All of these programs have expired except for the Qualified Energy Conservation Bond Program which has no expiration date. *(See Chapter 4 for more detail related to additional bonding authority.)*

Recent Credit Rating Agency Reports on Texas' General Obligation Debt

On September 27, 2013 S&P upgraded Texas' General Obligation Debt rating to AAA from AA+ with a stable outlook. On October 1 2013, S&P also upgraded Texas Public Finance Authority GO debt to AAA from AA+. In the same report Standard and Poor's also raised its ratings on the Texas Economic Development Bank's GO Bonds and Stephen F. Austin University Board of Regents' GO Bonds to AAA from AA+. Similarly, on October 1, 2013 S&P released separate rating reports upgrading Texas Transportation Commission, Texas Veterans Land Board and Texas Water Development Board's GO debt to AAA from AA+. S&P's outlook on these long-term ratings is stable.

In its November 2014 report, "Texas; Appropriation; General Obligation; General Obligation Equivalent Security," S&P states its rating reflects that "the Texas economy continues to perform more strongly than that of the nation as a whole, characterized by strong employment growth, relatively low unemployment, and a significant increase in state per capita personal income; strong revenue forecasting and cash management practices, including comprehensive monthly revenue and expenditure cash monitoring and

Table 1.2

STATE BOND RATINGS as of September 2014

Steps from AAA Ranking	State	Moody's Investors Service	Standard & Poor's	Fitch Ratings
States With a General Obligation Rating				
-	Alaska	Aaa	AAA	AAA
-	Delaware	Aaa	AAA	AAA
-	Georgia	Aaa	AAA	AAA
-	Maryland	Aaa	AAA	AAA
-	Missouri	Aaa	AAA	AAA
-	North Carolina	Aaa	AAA	AAA
-	**TEXAS**	**Aaa**	**AAA**	**AAA**
-	Utah	Aaa	AAA	AAA
-	Virginia	Aaa	AAA	AAA
1	Florida	Aa1	AAA	AAA
1	New Mexico	Aaa	AA+	**
1	South Carolina	Aaa	AA+	AAA
1	Tennessee	Aaa	AA+	AAA
1	Vermont	Aaa	AA+	AAA
3	Arkansas	Aa1	AA	**
3	Massachusetts	Aa1	AA+	AA+
3	Minnesota	Aa1	AA+	AA+
3	Ohio	Aa1	AA+	AA+
3	Oregon	Aa1	AA+	AA+
3	Washington	Aa1	AA+	AA+
4	Alabama	Aa1	AA	AA+
4	Montana	Aa1	AA	AA+
4	New Hampshire	Aa1	AA	AA+
4	Oklahoma	Aa2	AA+	AA+
4	West Virginia	Aa1	AA	AA+
4	New York	Aa2	AA+	AA+
5	Mississippi	Aa2	AA	AA+
5	Nevada	Aa2	AA	AA+
6	Hawaii	Aa2	AA	AA
6	Louisiana	Aa2	AA	AA
6	Maine	Aa2	AA	AA
6	Rhode Island	Aa2	AA	AA
6	Wisconsin	Aa2	AA	AA
7	Connecticut	Aa3	AA	AA
7	Michigan	Aa2	AA-	AA
8	Pennsylvania	Aa3	AA	AA-
13	California	Aa3	A	A
14	New Jersey	A1	A	A
18	Illinois	A3	A-	A-
States With Only An Issuer Credit Rating				
*	Arizona	Aa3	AA-	**
*	Colorado	Aa1	AA	**
*	Idaho	Aa1	AA+	AA+ (Implied GO)
*	Indiana	Aaa	AAA	AA+ (Lease)
*	Iowa	Aaa	AAA	AAA (Implied GO)
*	Kansas	Aa2	AA	**
*	Kentucky	Aa2	AA-	AA- (Implied GO)
*	Nebraska	Aa2	AAA	**
*	North Dakota	Aa1	AA+	**
*	South Dakota	Aa2	AA+	AA+ (Implied GO)
*	Wyoming	**	AA	**

* Issuer Credit Rating. No GO debt outstanding.

** Not rated

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

forecasts, as well as a willingness to maintain strong liquidity to meet its constitutionally defined priorities, including the repayment of debt service; and low overall net debt. These factors are offset by the growing level of unfunded pension liabilities, which has been largely the result of contributions below the actuarially determined annual required contribution (ARC). Should this trend continue, it could result in downward pressure on the rating; and potential long-term budgetary pressures, which are primarily related to the growing proportion of school revenue that Texas is required to fund, as well as insufficient new sources of recurring dedicated tax revenue to support the increased education funding."

Moody's latest action on Texas' GO rating was to affirm its AAA rating and stable outlook on November 4, 2014. In its report of that date entitled "Rating Action: Moody's Assigns Aaa Rating to $68.8 Million of Texas GO Bonds Issued Through Texas Higher Education Coordinating Board," Moody's stated that "The Aaa rating reflects the strong fundamentals of the Texas economy and the expectation that it will continue to perform more strongly than the nation; a rainy day fund that provides a healthy budgetary cushion; and low bonded debt levels. Those strengths are offset by above-average pension liabilities and ongoing structural pressure to balance the state's finances as it seeks to maintain education and property tax relief spending amid high population growth."

Fitch's latest action on Texas' GO rating was to affirm its AAA rating and stable outlook on September 15, 2014. In its report of that date entitled "Fitch Rates $1.1 Billion Texas Highway Improvement GOs AAA", Fitch stated that "The state's GO rating and stable rating outlook assume the maintenance of high reserve balances and continued economic growth. The rating could be pressured in the event of severe revenue weakness, including stemming from cyclicality in the state's large energy sector, or unwillingness to address potential fiscal challenges in an effective and timely manner."

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.

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 unfunded pension liabilities, funding for public schools, and assistance programs such as Medicaid; and (3) the state's continued rapid population growth that will necessitate budget increases for operating costs as well as increases in capital expenditures for growing infrastructure needs including transportation and water development.

Table 1.2 provides a tier ranking of each state's rating relative to states that are rated Triple-A by all three rating agencies. Texas is one of nine states that is rated Triple-A by Moody's, S&P and Fitch.

Changes in State Bond Ratings

In addition to Texas, during fiscal 2014 New York, Idaho, Kentucky, South Dakota, and

California received upgrades in ratings. S&P upgraded Texas from AA+ to AAA and New York from AA to AA+, and Fitch upgraded Idaho from AA to AA+, Kentucky from A+ to AA-, and South Dakota from AA to AA+. Moody's upgraded California from A1 to Aa3.

Four states received ratings downgrades: Kansas was downgraded by Moody's and S&P, New Jersey was downgraded by Moody's, S&P and Fitch, Pennsylvania was downgraded by Moody's and Fitch and Wyoming was downgraded by S&P. *(Table 1.3)*.

Table 1.3
CHANGES IN STATE BOND RATINGS
September 2013 to September 2014

State	Moody's	Standard & Poor's	Fitch
Upgrades			
California	A1 to Aa3	-	-
Idaho*	-	-	AA to AA+
Kentucky*	-	-	A+ to AA-
New York	-	AA to AA+	AA to AA+
South Dakota*	-	-	AA to AA+
Texas		AA+ to AAA	
Downgrades			
Kansas*	Aa1 to Aa2	AA+ to AA	-
New Jersey	Aa3 to A1	AA- to A	AA- to A
Pennsylvania	Aa2 to Aa3	-	AA to AA-
Wyoming*	-	AAA to AA	-

* Issuer Credit Rating. No GO debt outstanding

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

Texas' net tax-supported debt as a percent of calendar 2012 personal income was 1.5 percent, 40^{th} among all the states and below the national median and mean of 3.2 percent and 2.6 percent, respectively *(Table 1.4)*. Compared to the eight other states also rated AAA by all three major rating agencies, Texas ranked lowest on this measure with the mean and median for all AAA-rated states at 3.0 percent and 2.9 percent, respectively *(Table 1.5)*.

The most recent U.S. Census Bureau data for state and local debt outstanding show that for census years 2010-11, 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, 9th in State Debt Per Capita and 4th in Total State and Local Debt Per Capita *(Table 1.6)* with 85.1 percent of the state's total state and local debt burden at the local level *(Figure 1.2)*. Listed by decreasing amount outstanding, local debt is issued by public school districts; cities, towns and villages; water districts; special districts; counties; community and junior colleges and health/hospital districts.

Many communities throughout Texas are continuing to experience significant population growth with 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.

General Obligation Debt Has Increased Over the Past Decade

General obligation (GO) 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 GO debt, such as that issued by the Texas Veterans' Land Board is self-supporting, and other GO 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.

Table 1.4

SELECTED TAX-SUPPORTED DEBT MEASURES BY STATE

State	Moody's Rating	Net Tax-Supported Debt as a % of 2012 Personal Income	Rank	Net Tax-Supported Debt Per Capita	Rank
Hawaii	Aa2	10.6%	1	$4,727	3
Connecticut	Aa3	9.2%	2	5,457	1
Massachusetts	Aa1	9.0%	3	4,999	2
New Jersey	A1	7.3%	4	3,989	4
Washington	Aa1	6.4%	5	2,924	6
New York	Aa2	6.0%	6	3,204	5
Kentucky	Aa2*	5.7%	7	2,037	11
Delaware	A1	5.7%	8	2,485	8
Illinois	A3	5.6%	9	2,580	7
California	Aa3	5.3%	10	2,465	9
Mississippi	Aa2	5.2%	11	1,746	15
Oregon	Aa1	4.9%	12	1,920	12
Rhode Island	Aa2	4.5%	13	2,064	10
Wisconsin	Aa2	4.4%	14	1,845	13
Louisiana	Aa2	3.7%	15	1,464	17
Utah	Aaa	3.4%	16	1,187	21
New Mexico	Aaa	3.4%	17	1,208	20
Maryland	Aaa	3.4%	18	1,791	14
Alaska	Aaa	3.2%	19	1,573	16
Minnesota	Aa1	3.0%	20	1,402	18
West Virginia	Aa1	3.0%	21	1,044	26
Georgia	Aaa	2.9%	22	1,064	25
Ohio	Aa1	2.7%	23	1,087	24
Virginia	Aaa	2.7%	24	1,302	19
Pennsylvania	Aa2	2.6%	25	1,172	22
Kansas	Aa2*	2.6%	26	1,097	23
Florida	Aa1	2.5%	27	1,008	27
Arizona	Aa3*	2.5%	28	889	29
Alabama	Aa1	2.4%	29	876	31
Maine	Aa2	2.4%	30	951	28
South Carolina	Aaa	2.2%	31	749	35
North Carolina	Aaa	2.1%	32	806	33
Michigan	Aa2	2.1%	33	785	34
Vermont	Aaa	2.0%	34	878	30
New Hampshire	Aa1	1.8%	35	864	32
Missouri	Aaa	1.7%	36	668	36
Nevada	Aa2	1.7%	37	639	37
Arkansas	Aa1	1.7%	38	589	39
Idaho	Aa1*	1.5%	39	503	43
Texas	**Aaa**	**1.5%**	**40**	**614**	**38**
Indiana	Aaa*	1.4%	41	533	40
Oklahoma	Aa2	1.3%	42	529	41
Colorado	Aa1*	1.1%	43	517	42
South Dakota	NGO**	0.9%	44	391	44
Tennessee	Aaa	0.8%	45	324	45
Montana	Aa1	0.7%	46	276	46
Iowa	Aaa*	0.6%	47	275	47
North Dakota	Aa1*	0.5%	48	250	48
Wyoming	NGO**	0.1%	49	54	49
Nebraska	NGO**	0.0%	50	12	50
Mean		3.2%		$1,436	
Median		2.6%		$1,054	
Puerto Rico***	Ba2	87.5%		$15,099	

* 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, *2014 State Debt Medians.*

Table 1.5 SELECTED DEBT MEASURES FOR TEXAS AND STATES RATED AAA						
State	Rating*	Net Tax-Supported Debt as a % of 2012 Personal Income	Rank	Net Tax-Supported Debt Per Capita	Rank	2013 Personal Income Per Capita
Alaska	AAA	3.2%	19	$1,573	16	$50,150
Delaware	AAA	5.7%	8	2,485	8	44,815
Georgia	AAA	2.9%	22	1,064	25	37,845
Maryland	AAA	3.4%	18	1,791	14	53,826
Missouri	AAA	1.7%	36	668	36	40,663
North Carolina	AAA	2.1%	32	806	33	38,683
TEXAS	AAA	1.5%	40	614	38	43,862
Utah	AAA	3.4%	16	1,187	21	36,640
Virginia	AAA	2.7%	24	1,302	19	48,838
Mean of AAA States		**3.0%**		**$1,277**		**$43,925**
Median of AAA States		**2.9%**		**$1,187**		**$43,862**

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

Sources: Moody's Investors Service, *2014 State Debt Medians;* Bureau of Economic Analysis, State BEAR Facts

Total not self-supporting debt increased from $3.15 billion at the end of fiscal 2005 to $4.83 billion at the end of fiscal 2014, an increase of 53.5 percent, and a decrease of 0.3 percent from the $4.84 billion outstanding in fiscal 2013. The slight decrease during fiscal 2014 was due to amortization of existing debt outstanding. Annual debt service as a percent of unrestricted general revenue decreased from 1.25 percent in fiscal 2013 to 1.14 percent in fiscal 2014 *(Figure 1.3)*.

Funds accessible to make debt-service payments increased 6.5 percent in fiscal 2014 to $47.95 billion from $45.05 billion in fiscal 2013 *(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 Increases

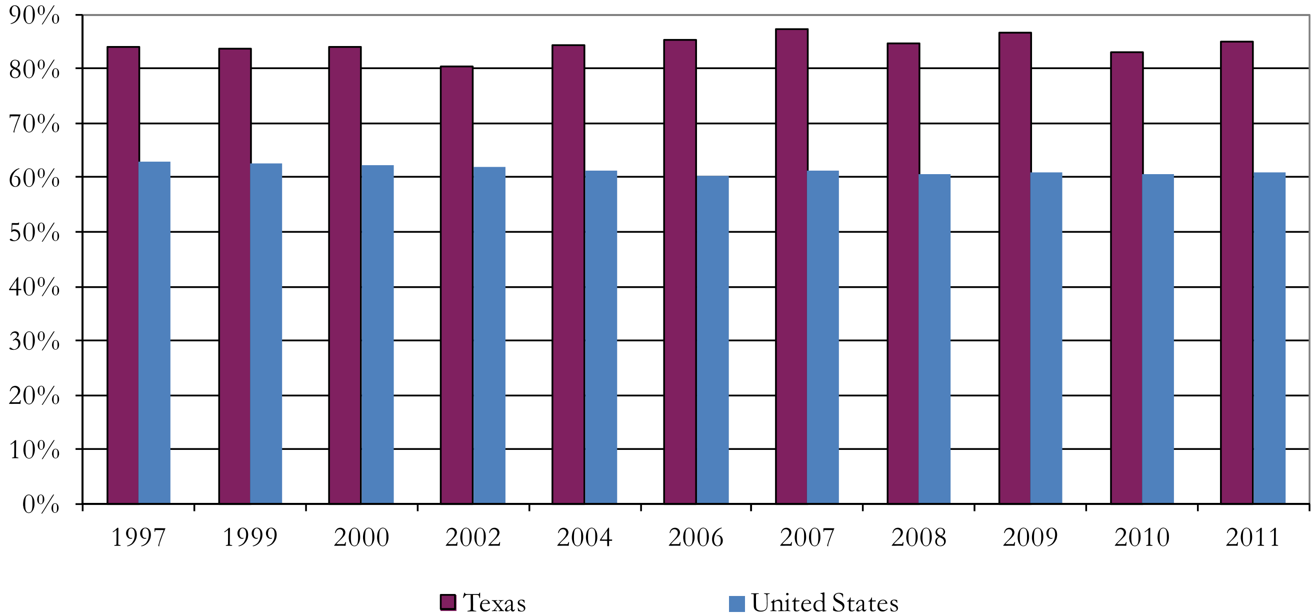
Authorized but unissued debt (debt that has been authorized by the legislature and may be issued at any time without further legislative action) decreased by 4.9 percent from approximately $20.01 billion at the end of

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)	Amount (millions)	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Capita Rank	Amount (millions)	% of Total Debt	Capita Amount	Capita Rank
New York	19,607	$340,093	$17,345	1	$135,884	40.0%	$6,930	1	$204,209	60.0%	$10,415	1
Illinois	12,874	146,233	11,359	2	64,302	44.0%	4,995	2	81,932	56.0%	6,364	5
California	38,063	419,751	11,028	3	153,529	36.6%	4,034	3	266,223	63.4%	6,994	3
Texas	**26,094**	**270,737**	**10,375**	**4**	**45,626**	**16.9%**	**1,749**	**9**	**225,110**	**83.1%**	**8,627**	**2**
Pennsylvania	12,770	129,428	10,135	5	46,199	35.7%	3,618	4	83,229	64.3%	6,518	4
Michigan	9,885	76,352	7,724	6	30,824	40.4%	3,118	5	45,528	59.6%	4,606	7
Florida	19,355	146,922	7,591	7	38,171	26.0%	1,972	7	108,751	74.0%	5,619	6
Ohio	11,551	81,238	7,033	8	33,602	41.4%	2,909	6	47,636	58.6%	4,124	9
Georgia	9,919	55,785	5,624	9	13,401	24.0%	1,351	10	42,384	76.0%	4,273	8
North Carolina	9,748	50,779	5,209	10	18,292	36.0%	1,876	8	32,488	64.0%	3,333	10
MEAN		**$171,732**	**$9,342**		**$57,983**	**34.1%**	**$3,255**		**$113,749**	**65.9%**	**$6,087**	

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: 2012,* the most recent data available.

Figure 1.2
LOCAL DEBT OUTSTANDING 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 2010-2011,* the most recent data

fiscal 2013 to approximately $19.04 billion at the end of fiscal 2014. This decrease is mainly attributable to GO issuances by TPFA ($285.2 million), VLB ($150.0 million) and the THECB ($113.7 million). The Texas Transportation Commission issued revenue bonds in the amount of $658.6 million for the state highway fund. Of the $19.04 billion of authorized but unissued debt remaining as of FY 2014, approximately $15.84 billion is GO debt while $3.19 billion is non-GO debt. Approximately $6.10 billion of the authorized but unissued amount includes GO and non-GO debt payable from general revenue.

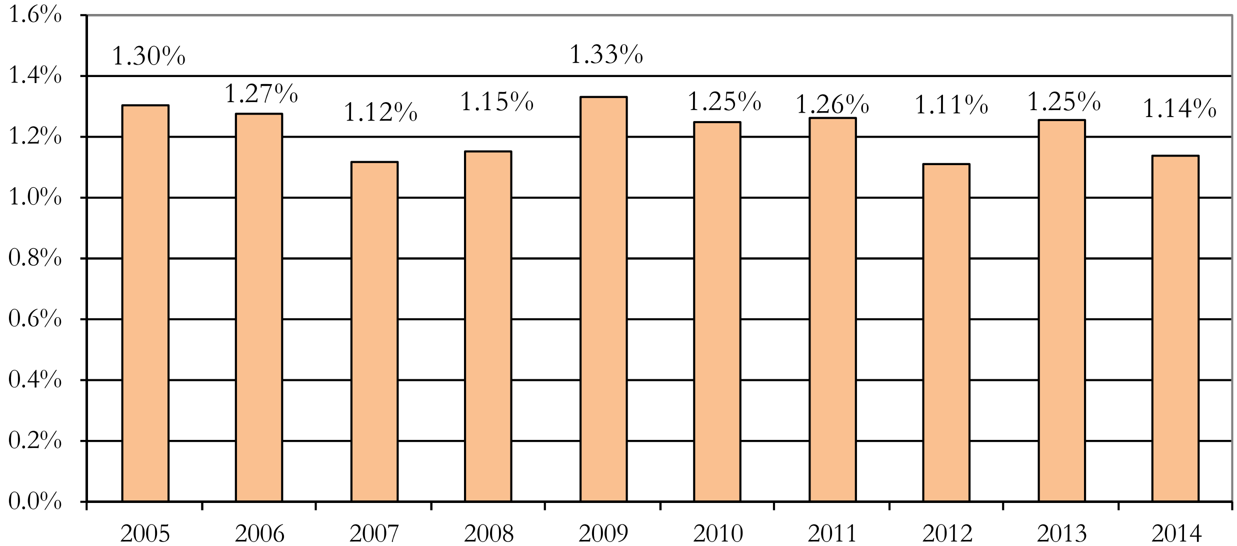
Texas' Constitutional Debt Limit and Debt-Management Policy

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 percent of the average annual unrestricted General Revenue Fund revenues for the previous three fiscal years.

As of August 31, 2014 Texas' constitutional debt limit (CDL) remained below the maximum of 5 percent with 1.20 percent calculated for debt outstanding and 1.51 percent calculated for authorized but unissued debt for a total of 2.71 percent calculated including both outstanding and authorized but unissued debt. These figures represent a decline of 10.9 percent from the 3.04 percent calculated for outstanding and authorized but unissued debt calculated for fiscal 2013.

The decrease in CDL was mainly due to an increase in the three year rolling average of unrestricted general revenue available to pay debt service and a decline in the debt service on authorized but unissued debt payable from general revenue. This decline in authorized but unissued debt service is due to the issuance of $285.2 million by TPFA during FY 2014 for cancer research as well as issuances for deferred maintenance projects for state-owned facilities.

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



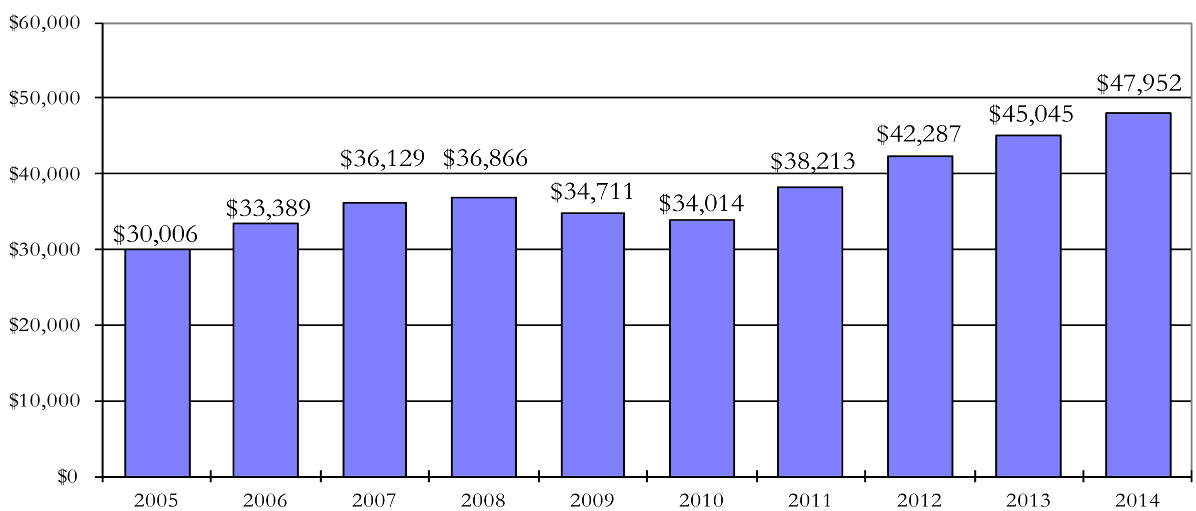
Sources: Texas Bond Review Board - Bond Finance Office and the Texas Comptroller of Public Accounts.

The CDL is expected to continue to decrease with the issuance of authorized debt and as the state's unrestricted general revenue increases with the continued improvement in the state's economy.

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

Figure 1.4
UNRESTRICTED GENERAL REVENUE
(millions of dollars)



Source: Texas Comptroller of Public Accounts.

BRB to adopt a state policy related to the risks and effects of derivative agreements. This policy was adopted in fiscal 2009 and 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 the House Appropriations Committee and Senate Finance Committee, 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 2016-17 CEP was released September 1, 2014, pursuant to House Bill 1, Article IX, Section 11.02 of the 83rd Legislature and covers the out years 2018-19. This report represents the eighth 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 2016-17 CEP is available on the agency's website. The CEP for fiscal years 2018-2019 will be released in September 2016.

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. Historical DAS reports are available on the agency's website. The 2015 DAS will be released in February 2015.

LOCAL DEBT

Local Debt Issuance Process

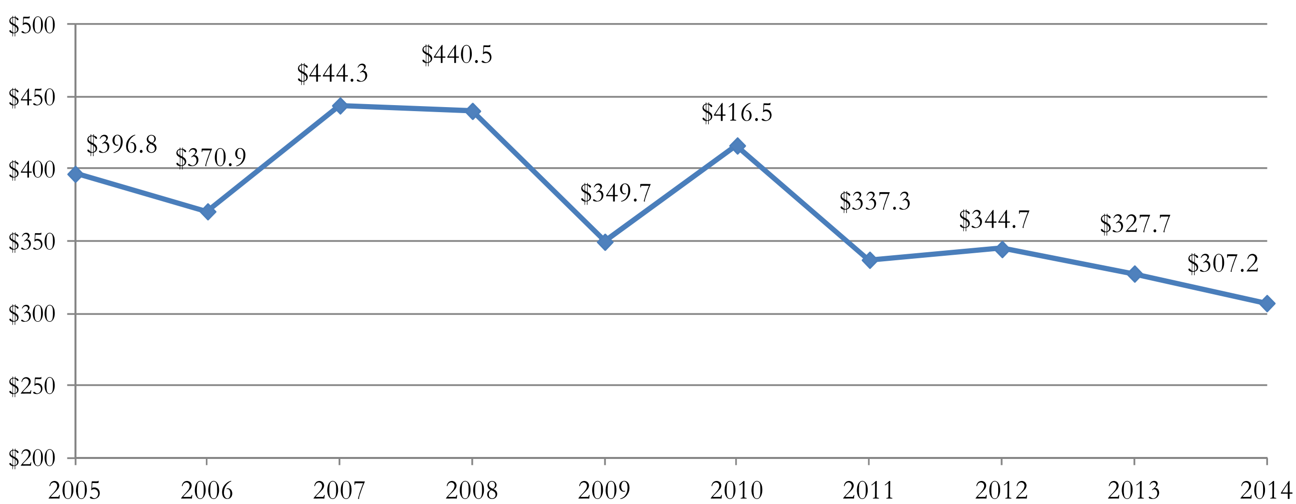
Local governments in Texas issue debt to finance construction and renovation of government facilities (i.e., schools, public safety buildings, city halls and county courthouses), public infrastructure (i.e., roads, water and sewer systems) and various other projects authorized by law. Key factors that affect a government's need and ability to borrow funds for infrastructure development include population changes, revenue sources, tax rates and levies, interest rates and construction costs. Local governments issue two main types of debt – tax (general obligation or GO) and revenue. General obligation debt is secured by the full faith and credit of the issuer's tax revenue while revenue debt is secured by a specified revenue source.

State law sets limitations on certain local government debt issuers 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 debt service on outstanding and projected ad valorem tax (GO) debt. Additionally, all public securities issued by local debt issuers must be approved by the Office of the Attorney General – Public Finance Division (OAG) and registered with the Texas Comptroller of Public Accounts. For reporting purposes issuances that combine both tax-supported and revenue bonds are categorized as tax-supported debt.

Texas Bond Review Board and Local Government Debt

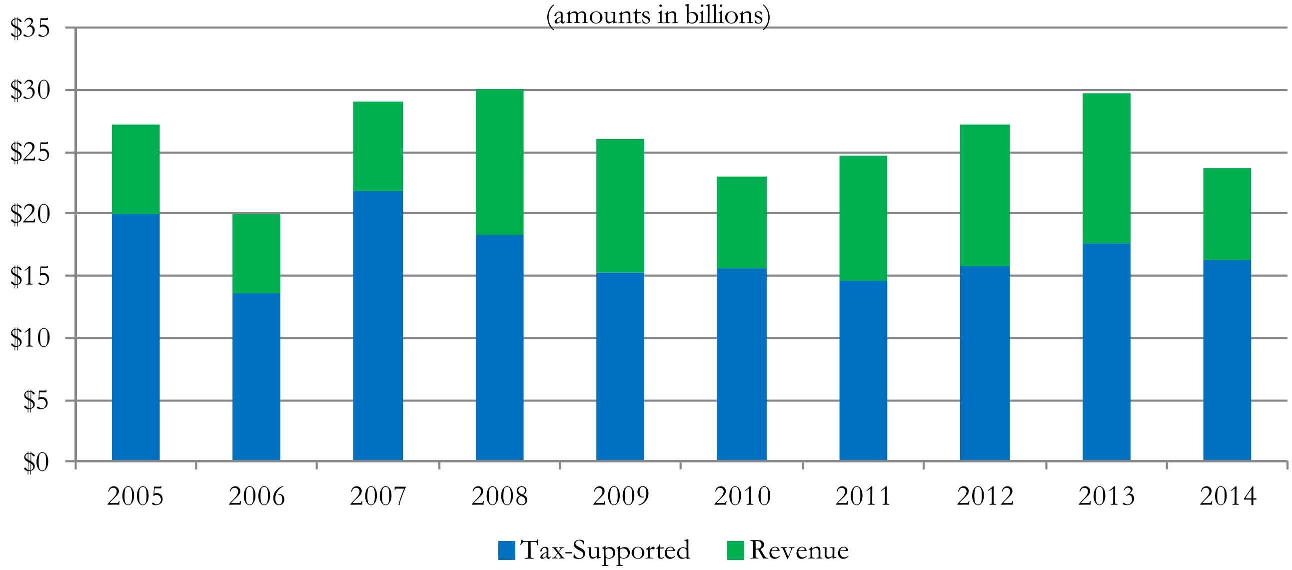
The Texas Bond Review Board (BRB) has no direct oversight of local government debt issuance. Chapter 1231 of the Texas Government Code requires the BRB to prepare statistical reports on local government debt. This information on debt issued by political subdivisions is primarily collected by the OAG in its review and approval of public securities under Chapter 1202 of the Government Code and then forwarded to the BRB for its report on local debt statistics pursuant to Section 1202.008 of the Government Code. Certain conduit revenue debt incurred by nonprofit corporations as well as local indebtedness not approved by the OAG will not be reflected in this report.

Figure 1.5
Nationwide Local Government Debt Issuance
(amounts in billions)



Source: The Bond Buyer

Figure 1.6
Texas Local Government Debt Issuance
(amounts in billions)



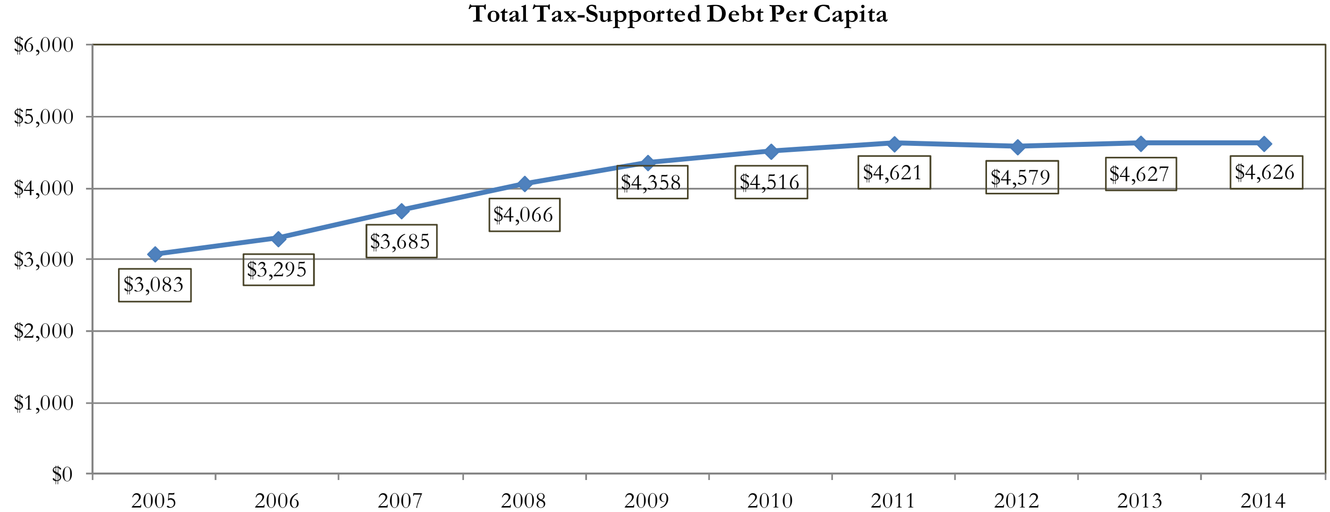
Source: Texas Bond Review Board - Bond Finance

All reporting on local debt is presented on the agency's website. Visitors to the site can search databases and download spreadsheets that contain debt outstanding, debt ratios and population data by government type at each fiscal-year end. In fiscal 2014, approximately 8,400 different users of the BRB's website downloaded over 35,600 spreadsheets containing Texas local government debt data.

The BRB posts this information to its website annually within four months after the close of the fiscal year.

The BRB separates the local government issuances into seven categories: Cities, Towns, Villages (Cities); Public School Districts (School Districts); Water Districts and Authorities (WD); Counties; Other Special

Figure 1.7
Texas Local Government
Total Tax-Supported Debt Per Capita



Source: Texas Bond Review Board - Bond Finance Office; December 2013 U.S. Census Bureau, Population Division

Districts and Authorities (OSD); Community and Junior Colleges (CCD); and Health/Hospital Districts and Authorities (HHD).

The data in this report and on the website is compiled from information provided to the Bond Review Board from various sources and has not been independently verified.

Nationwide and Texas Local Debt Issuance Continues to Decline from Peak Years

Over the past decade nationwide issuance of local government debt has trended downward from issuances totaling $396.82 billion in fiscal 2005 to a total of $307.24 billion issued in fiscal 2014, the second lowest nationwide debt issuance since fiscal 2002 *(Figure 1.5)*.

Texas issuance of local debt has fluctuated over the past decade from a low of $19.99 billion in fiscal 2006 to a high of $30.11 in fiscal 2008. Local debt issuance increased in fiscal 2013 to $29.68 billion but declined in fiscal year 2014 to $23.74 *(Figure 1.6)*.

Majority of Local Debt Issuance Supports Educational Facilities and Equipment

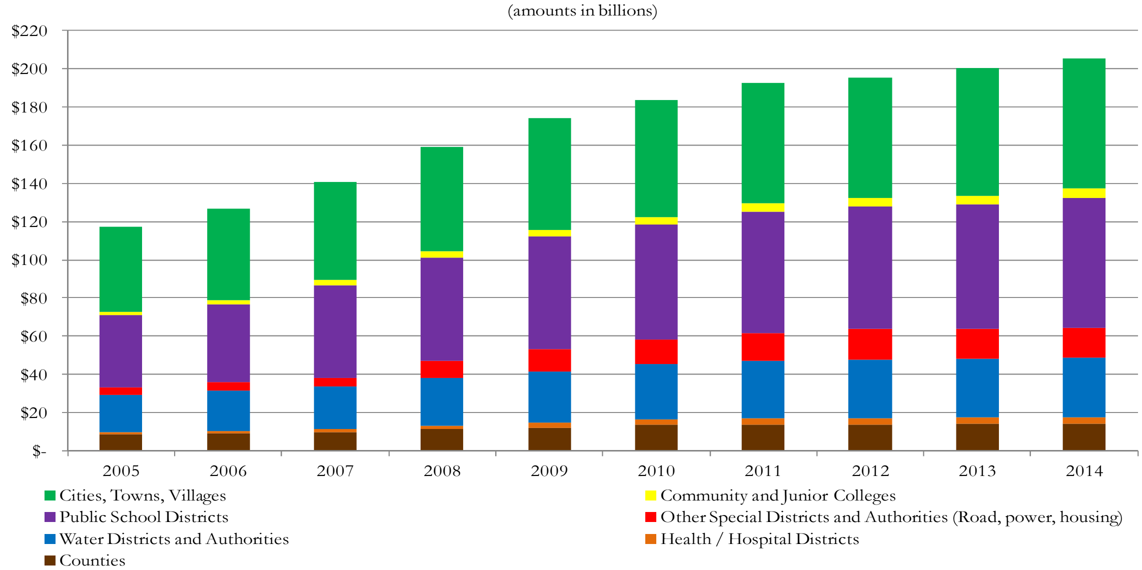
During the five-year reporting period, 34.5 percent of Texas' new-money local debt issuance was used to finance educational facilities and equipment including school buses. General-purpose debt continued to be the second highest use (22.0 percent), and the third highest use (16.4 percent) was for water-related financings. (This figure was 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 (14.3 percent) was to finance transportation projects including roads, toll ways, bridges, parking facilities, airports, rapid transit and other public transportation needs including the acquisition of hybrid diesel-electric buses.

The remaining 12.8 percent of local debt issuance was used for 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.

School Districts, Cities and Water Districts Account for more than 79 percent of New-Money and Refunding Transactions

Over the past five fiscal years, new-money debt issuance totaled $66.44 billion and refunding debt totaled $61.91 billion. During

Figure 1.8
TEXAS LOCAL GOVERNMENT DEBT OUTSTANDING
(amounts in billions)



*Local debt outstanding for FY 2012 and FY 2013 has been reduced by cash defeasances totaling an estimated $8.20 billion.
Source: Texas Bond Review Board - Bond Finance

that time the top three issuers of new-money volume were school districts, cities and water districts that together comprised 79.0 percent of the new-money volume ($52.46 billion) and 85.9 percent of the refunding transaction volume ($53.17 billion).

After reaching a record high in fiscal 2013 of $16.85 billion, refundings in fiscal 2014 declined 37.0 percent to $10.61 billion. Over the past five fiscal years, 90.8 percent of local governmental refundings achieved both a cash and present value savings, 1.4 percent provided only a net present value savings with a cash loss, and 1.9 percent 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.

Since fiscal 2010, refundings for Texas local issuers achieved cash savings of $6.05 billion with a present value savings of $5.10 billion including $1.12 billion in cash savings and $997.6 million in present value savings realized in fiscal 2014.

Capital Appreciation Bonds

During fiscal 2014 local governments issued $476.7 million of capital appreciation bonds (CABs), approximately 2.0 percent of the total par amount issued by Texas local governments. School Districts utilize CABs more frequently than other issuers of local debt, and issued approximately 99.0 percent of the total CABs issued by local governments.

CABs are sold at a discounted price called the par amount. They are often sold in combination with current interest bonds (CIBs). While the debt service for CIBs is paid throughout the life of the obligation, principal and interest on CABs is paid at maturity. Interest on CABs compounds semiannually and accumulates over the life of the bond, and the amount paid at the maturity is called the maturity value. Interest rates for CABs are generally higher than for CIBs.

The total debt outstanding figures are understated to the extent that these bonds are reported at their par issuance price rather than their maturity value.

Local governments issue more premium CABs than non-premium CABs. Premium CABs have lower initial stated par amounts to: (1) lessen the impact of an issuance on par-based debt limits (i.e., the “50-cent test” for school districts as provided in Texas

Table 1.7

Texas Local Government

Capital Appreciation Bonds Par Amount Issued by Fiscal Year

(amounts in thousands)

	2010	2011	2012	2013	2014
Public School Districts	$ 139,030	$ 227,062	$ 202,331	$ 218,695	$ 471,943
Cities, Towns, Villages	750	7,810	21,264	29,999	-
Water Districts and Authorities	1,789	3,860	19,488	69,596	1,035
Community and Junior Colleges	-	28,916	2,486	2,154	990
Health/Hospital Districts	-	-	135	30	1,315
Other Special Districts and Authorities	35,000	194,943	-	-	-
Counties	60	-	1,759	-	1,394
Total CAB Par Amount Issued	**$ 176,629**	**$ 462,591**	**$ 247,462**	**$ 320,474**	**$ 476,677**
Total Par Amount Issued*	$ 22,973,306	$ 24,741,380	$ 27,214,455	$ 29,678,964	$ 23,743,473
CAB Par Amount % of Total	**1.5%**	**0.7%**	**1.7%**	**0.9%**	**2.0%**

* Includes current interest bonds
Source: Bond Review Board - Bond Finance Office

Education Code Section 45.0031), (2) increase the amount of proceeds not subject to debt limits and (3) help local governments reach tax-rate targets.

Texas Local Governments: $205.15 Billion of Outstanding Debt

As of fiscal-year end 2014 Texas local governments had $205.15 billion in outstanding debt *(Table 1.8),* an increase of $21.73 billion (11.8 percent) since fiscal 2010. Of that amount 60.8 percent ($124.70 billion) is GO debt to be repaid from local tax collections while the remaining 39.2 percent ($80.50 billion) will be repaid from revenues generated by various projects such as water, sewer and electric utility fees. Since fiscal 2010, tax-supported debt outstanding increased 11.4 percent ($12.80 billion) and revenue debt outstanding increased 12.5 percent ($8.97 billion).

Cities accounted for 33.1 percent ($67.96 billion) of all local debt outstanding and School Districts accounted 33.1 percent ($67.96 billion). Water districts held the third highest percentage and accounted for 15.1 percent ($31.02 billion) all local debt outstanding. The remaining 18.6 percent ($38.20 billion) was held by Community and Junior Colleges, Counties, Health/Hospital Districts and Other Special Districts (*Table 1.8*).

The U.S. Census Bureau data for census years 2010-2011 showed that Texas continued to be ranked 2nd in population, 2nd among the ten most populous states in terms of Local Debt Per Capita, 4th in Total State and Local Debt Per Capita and 9th in State Debt Per Capita.

Total tax-supported debt per capita decreased by 0.03 percent from $4,627 in FY 2013 to $4,626 in FY 2014. Over the past 10 years debt per capita has increased by 50.1 percent ($1,543) while the state's population has increased by 19.9 percent (4.5 million)(*Figure 1.7*).

Over the past decade, total debt outstanding increased by 74.5 percent from $117.54 billion to $205.15 billion. During this period debt for public School Districts increased 78.6 percent from $38.04 billion to $67.96 billion. Other notable increases included Other Special Districts (roads, power and housing issuances) which increased 347.0 percent from $3.55 billion to $15.86 billion and Community Junior College Districts which increased 149.0 percent from $1.92 billion to $4.77 billion (*Figure 1.8*).

Tax-Supported Debt Rises 11 Percent in Five Years

Total Tax-supported debt has increased from $111.93 billion in fiscal 2010 to $124.69 billion in fiscal 2014 (11.4 percent)*(Table 1.9).*

Over the five-year period tax-supported debt carried by Texas cities, towns and villages has increased from $26.23 billion to $28.45 billion (8.5 percent) and accounted for 22.8 percent of all tax-supported debt.

Tax-supported debt for Texas school districts increased from $59.87 billion in fiscal 2010 to $67.69 billion in fiscal 2014 (13.1 percent) while public school attendance increased by 5.3 percent to 4,587,831 students. School district debt is primarily used to finance instructional facilities while only a handful of school districts carry revenue debt for constructing, improving and equipping athletic/stadium facilities.

Tax-supported debt for water districts including navigation and port districts, river authorities, municipal utility districts (MUDs) and municipal water authorities increased from $10.37 billion to $11.50 billion (10.9 percent) and accounted for 9.2 percent of all tax-supported debt. During the same period, county tax-supported debt increased from $10.56 billion to $11.12 billion (5.3 percent).

During the past five fiscal years, enrollment for the 50 junior and community college districts in Texas increased from 722,938 to

765,437 (5.9 percent). To support the increased enrollment, tax-supported debt outstanding increased from $2.86 billion to $3.35 billion (17.3 percent). The increased enrollment was the result of an increasing number of students choosing to attend community and junior colleges for their first two years of higher education as costs rose at universities. Enrollment also increased as a result of the economic downturn that has required displaced workers to improve job skills.

During the five-year period, tax-supported debt for health/hospital districts increased from $1.90 billion to $2.38 billion (25.3 percent), primarily due to Dallas County Hospital District issuing $743.3 million and Bexar County Hospital District issuing $204.9 million in new debt. Population increases along with the increasing healthcare needs of aging baby boomers 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.

During the five-year period, tax-supported debt for Other Special districts increased from $150 million to $201 million (33.8 percent), primarily due to The Woodlands Road Utility District issuing $31.6 million in new debt to improve roads. Also, Dallas County Schools issued $100.8 million in new debt to buy buses, safety and navigation equipment that supports the operations of 14 independent school districts in Dallas County.

Revenue Debt - 13 Percent Increase in Five Years

Since fiscal 2010 revenue debt has increased by 12.5 percent ($8.97 billion) from $71.49 billion to $80.45 billion *(Table 1.9)*.

City revenue debt increased by 13.8 percent from $34.72 billion to $39.51 billion in the five-year period. As the state's population increased by 8.8 percent (2.2 million) since fiscal 2010, urban areas have experienced particularly rapid growth that has created the need for 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 2.4 percent from $2.94 billion to $3.01 billion in the five-year period. Of that amount, Harris County toll road projects accounted for 47.4 percent ($1.43 billion).

Since fiscal 2010, CCD revenue debt rose by 17.9 percent from $1.20 billion to $1.42 billion as a response to increased enrollments.

Since fiscal 2010 revenue debt for OSDs increased 26.7 percent from $12.37 billion to $15.66 billion. This increase was largely due to the North Texas Tollway Authority's issuances totaling $3.73 billion between fiscal years 2010 and 2014 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 $1.07 billion to improve and expand the Dallas public transportation system.

Table 1.8

Texas Local Government

Debt Outstanding As of August 31, 2014*

(amounts in millions)

Type of Issuer		Tax-Supported	Revenue	Total Debt**
Cities, Towns, Villages	Tax	$ 28,452		$ 28,452
	Revenue		38,746	38,746
	Sales Tax		180	180
	Lease-purchase contracts**		$ 582	$ 582
	Subtotal	**$ 28,452**	**$ 39,508**	**$ 67,960**
Public School Districts	Voter-approved tax	66,973		66,973
	Maintenance tax (ed. equipment)	716		716
	Lease-purchase contracts		273	273
	Revenue (athletic facilities)		2	2
	Subtotal	**$ 67,689**	**$ 275**	**$ 67,964**
Water Districts and Authorities	Tax	$ 11,499		$ 11,499
	Revenue		$ 11,046	11,046
	Conduit revenue**		8,478	8,478
	Subtotal	**$ 11,499**	**$ 19,524**	**$ 31,022**
Other Special Districts and Authorities	Tax	$ 201		$ 201
	Sales Tax		$ 4,843	4,843
	Revenue		10,740	10,740
	Lease-purchase contracts		80	80
	Subtotal	**$ 201**	**$ 15,663**	**$ 15,864**
Counties	Tax	$ 11,121		$ 11,121
	Revenue		$ 2,541	2,541
	Lease-purchase contracts**		467	467
	Subtotal	**$ 11,121**	**$ 3,009**	**$ 14,129**
Community and Junior Colleges	Tax	$ 3,351		$ 3,351
	Revenue		$ 1,122	1,122
	Lease-purchase contracts (ed. facilities)		294	294
	Subtotal	**$ 3,351**	**$ 1,417**	**$ 4,768**
Health/Hospital Districts and Authorities	Tax	$ 2,378		$ 2,378
	Sales Tax		61	61
	Revenue		$ 998	998
	Subtotal	**$ 2,378**	**$ 1,059**	**$ 3,438**
	Total Local Debt Outstanding	**$ 124,691**	**$ 80,454**	**$ 205,145**

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

**The Bond Review Board does not receive all conduit debt issued by local government entities.

Source: Texas Bond Review Board - Bond Finance Office

Table 1.9
Texas Local Government Debt Outstanding by Fiscal Year
(amounts in millions)

	8/31/2010	8/31/2011	8/31/2012	8/31/2013	8/31/2014
Public School Districts					
Tax-Supported	$59,866	$63,160	$63,851	$64,856	$67,689
Revenue**	$363	$373	$333	$318	$275
Total	**$60,229**	**$63,533**	**$64,184**	**$65,174**	**$67,964**
Cities					
Tax-Supported	$26,229	$26,806	$27,002	$27,767	$28,452
Revenue**	$34,723	$35,943	$36,236	$38,674	$39,508
Total	**$60,952**	**$62,749**	**$63,238**	**$66,442**	**$67,960**
Water Districts and Authorities					
Tax-Supported	$10,366	$10,680	$10,852	$11,128	$11,499
Revenue**	$18,602	$19,316	$20,035	$19,619	$19,524
Total	**$28,967**	**$29,996**	**$30,886**	**$30,747**	**$31,022**
Other Special Districts and Authorites					
Tax-Supported	$150	$161	$198	$192	$201
Revenue**	$12,367	$14,525	$15,720	$15,303	$15,663
Total	**$12,518**	**$14,686**	**$15,919**	**$15,495**	**$15,864**
Counties					
Tax-Supported	$10,560	$10,749	$10,596	$11,107	$11,121
Revenue**	$2,939	$2,996	$3,218	$3,092	$3,009
Total	**$13,499**	**$13,745**	**$13,814**	**$14,199**	**$14,129**
Community College Districts					
Tax-Supported	$2,857	$3,018	$2,961	$3,317	$3,351
Revenue**	$1,202	$1,256	$1,297	$1,360	$1,417
Total	**$4,059**	**$4,274**	**$4,258**	**$4,677**	**$4,768**
Health/Hospital Districts and Authorities					
Tax-Supported	$1,898	$2,110	$2,093	$2,213	$2,378
Revenue**	$1,291	$1,258	$1,135	$1,190	$1,059
Total	**$3,189**	**$3,368**	**$3,228**	**$3,403**	**$3,438**
Total Tax-Supported	$111,926	$116,684	$117,552	$120,580	$124,691
Total Revenue**	$71,487	$75,666	$77,974	$79,557	$80,454
Total Debt Outstanding	**$183,413**	**$192,351**	**$195,526**	**$200,136**	**$205,145**

**Does not include certain conduit debt issued for which the Bond Review Board does not receive issuance information.
Source: Texas Bond Review Board - Bond Finance Office

Chapter 2
State Debt Issued in FY 2014 and Debt Outstanding

In fiscal year 2014 the state's total debt outstanding increased 1.8 percent to $44.33 billion compared to $43.54 billion in fiscal 2013 and $40.99 billion in fiscal 2012.

Bonds issued by Texas state agencies, colleges and universities during fiscal year 2014 increased by 25.2 percent to an aggregate total of $7.91 billion compared to $6.32 billion issued in fiscal 2013. Fiscal year 2014 issues included $2.19 billion in new-money and $5.72 billion in refunding bonds. Other debt issued included $1.78 billion of commercial paper.

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.

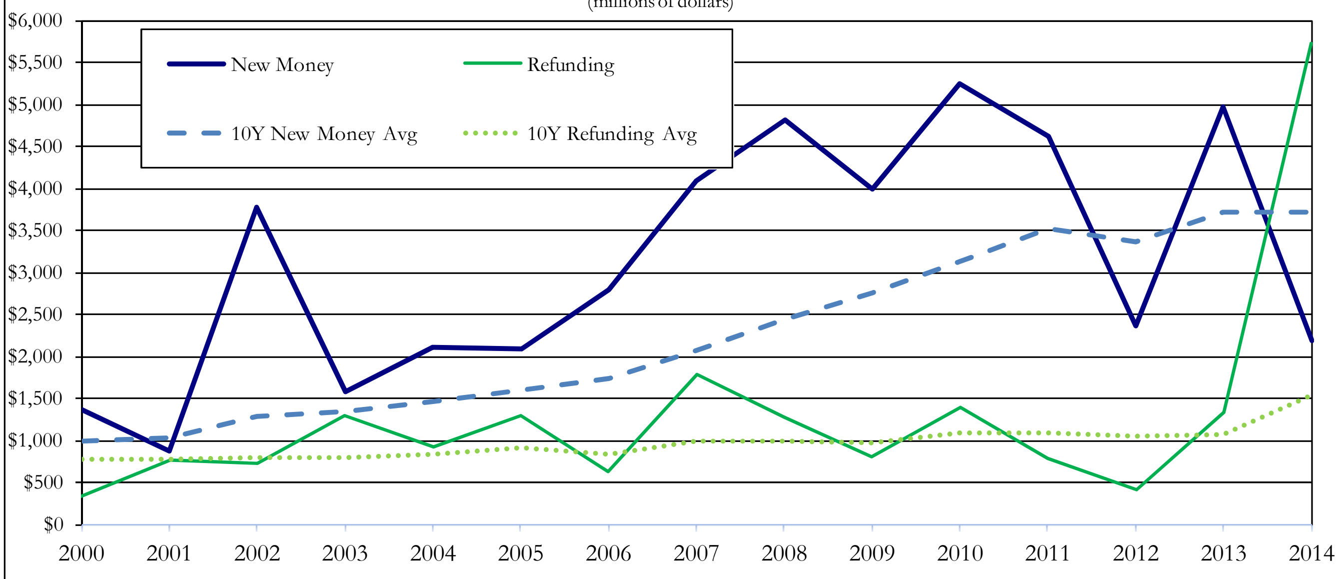
New-Money Issuances Decline While Refunding Bond Issuances Increase in FY 2014

A total of $7.91 billion in bonds were issued in fiscal year 2014. Of that amount $2.19 billion (27.7%) was issued as new-money bonds, a decrease of $2.79 billion (-56.1%) from $4.98 billion issued during fiscal 2013. The remaining $5.72 billion (72.7%) was issued as refunding bonds, an increase of $4.39 billion (328.9%) from $1.33 billion issued during fiscal year 2013.

Aggregate new money issuances decreased in fiscal 2014 to $2.19 billion, only 4.9% greater than the 10 year low of $2.09 billion reached at the end of fiscal 2005. Refunding bond issuances increased to $5.72 billion with a net present value savings of $290.3 million (*Figure 2.1*).

Of the $2.19 billion in new-money bonds issued in fiscal 2014, approximately $658.6 million (30.1%) was issued by the Texas Transportation Commission (TTC), and approximately $471.4 million (21.5%) was issued by Texas A&M University System (TAMUS).

Figure 2.1
TEXAS NEW MONEY AND REFUNDING BOND ISSUES 2000 - 2014
(millions of dollars)



Source: Texas Bond Review Board - Bond Finance Office.

Table 2.1 **TEXAS BONDS ISSUED DURING FISCAL 2014** **SUMMARIZED BY ISSUER**				
ISSUER	**REFUNDING BONDS**	**NEW-MONEY BONDS**	**TOTAL BONDS ISSUED**	**New-Money Use of Proceeds**
Texas Public Finance Authority	$ 1,242,360,000	$ -	$ 1,242,360,000	CP Programs and Unemployment Comp Bonds
Texas Transportation Commission	1,772,945,000	658,625,000	2,431,570,000	State Highway Fund highway improvement projects
Texas Water Development Board	135,855,000	-	135,855,000	Water Financial Assistance Programs, EDAP and SPP
Texas Dept. of Housing & Community Affairs	8,970,392	43,100,000	52,070,392	Multifamily bonds
The Texas A&M University System	71,440,000	471,355,000	542,795,000	Acquire, purchase, construct, and equip various facilities.
Grand Parkway Transportation Corporation	924,195,000	-	924,195,000	Highway improvement projects
The University of Texas System	461,920,000	259,135,000	721,055,000	Acquire, purchase, construct, and equip various facilities.
Texas Woman's University	12,370,000	-	12,370,000	Acquire, purchase, construct, and equip various facilities.
University of North Texas System	-	120,000,000	120,000,000	Acquire, purchase, construct, and equip various facilities.
University of Houston System	132,530,000	20,045,000	152,575,000	Acquire, purchase, construct, and equip various facilities.
Stephen F. Austin State University	22,255,000	-	22,255,000	Acquire, purchase, construct, and equip various facilities.
Texas PAB Surface Transportation Corporation	-	274,030,000	274,030,000	Highway improvement projects
Texas Veterans Land Board	914,960,000	150,000,000	1,064,960,000	Veteran's Home Loan Program
Texas State University System	21,755,000	66,660,000	88,415,000	Acquire, purchase, construct, and equip various facilities.
Texas Higher Education Coordinating Board	-	113,740,000	113,740,000	College Student Loan Program
Texas State Affordable Housing Corporation	-	11,500,000	11,500,000	Multifamily bonds
Total Texas Bonds Issued	**$ 5,721,555,392**	**$ 2,188,190,000**	**$ 7,909,745,392**	

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.

Of the $5.72 billion in refunding bonds issued in fiscal 2014, TTC issued $1.77 billion (31.0%), TPFA issued $1.24 billion (21.7%), GPTC issued $924.2 million (16.2%) and VLB issued $915.0 million (16.0%) (*Table 2.1*).

Build America Bonds for FY 2014

In fiscal year 2009 the American Recovery and Reinvestment Act of 2009 (ARRA) created Build America Bonds (BABs) that could be issued as Tax Credit BABs or Direct-Payment BABs. Authority to issue BABs expired on December 31, 2010. As of August 31, 2014 TTC, UTS, TPFA and UHS had $3.52 billion, $1.67 billion, $181.8 million and $80.0 million of BABs outstanding, respectively.

Under the Budget Control Act of 2011, across-the-board sequestration took effect on March 1, 2013, and direct-pay bonds such as BABs experienced a 7.6% reduction in federal subsidy. The Internal Revenue Service reported that effective October 1, 2014, Issuers of BABs and other direct-pay bond will have their subsidy payments processed in FY 2015 reduced by 7.3%. As a result the 35% federal subsidy on BABs interest payments will be 32.4%.

Interim Financing Increases in FY 2014

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, 2014 a total of $6.96 billion was authorized for state commercial paper (CP) or variable-rate note (VRN) programs. Of this amount $1.74 billion was outstanding at fiscal-year end *(Table B1 in Appendix B),* approximately $260.8 million more than the amount outstanding at fiscal year-end 2013.

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

Projected Issuances in FY2015

Texas state issuers expect to issue approximately $7.87 billion in bonds, CP and VRN during fiscal 2015 *(Table 2.2)*, a projected increase of $494.2 million (6.7%) over the amount projected for fiscal 2014.

General Obligation Debt Outstanding Decreases in FY 2014

Texas General Obligation (GO) debt has 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 a majority of Texas voters.

Table 2.2

TEXAS STATE DEBT ISSUES EXPECTED DURING FISCAL 2015

ISSUER	APPROXIMATE AMOUNT	PURPOSE	APPROXIMATE ISSUE DATE
General Obligation Debt			
Self-Supporting			
Texas Higher Education Coordinating Board	$81,500,000	College Student Loan Bonds	Sep-14
Texas Higher Education Coordinating Board	100,000,000	College Student Loan Bonds	Aug-15
Texas Public Finance Authority	TBD	Military Value Revolving Loan	TBD
Texas Transportation Commission	700,000,000	Texas Mobility Fund GO Bonds	Nov-14
Texas Veterans Land Board	100,000,000	Proceeds will be used to augment the Veterans' Housing Assistance Program	Sep-14
Texas Veterans Land Board	150,000,000	Proceeds will be used to augment the Veterans' Housing Assistance Program	Feb-15
Texas Veterans Land Board	100,000,000	Proceeds will be used to augment the Veterans' Housing Assistance Program	Aug-15
Texas Water Development Board	124,335,000	DFUND Refunding	Feb-15
Texas Water Development Board	25,000,000	DFUND New Money bonds	May-15
Total Self-Supporting	**$1,380,835,000**		
Not Self-Supporting			
Texas Transportation Commission	$1,100,000,000	Prop 12 Highway GO Bonds	TBD
Texas Water Development Board	50,000,000	EDAP New Money bonds	Feb-15
Total Not Self-Supporting	**$1,150,000,000**		
Total General Obligation Debt	**$2,530,835,000**		
Non-General Obligation Debt			
Self-Supporting			
Midwestern State University	$30,000,000	Construct a new freshmen dormitory	FY 15
Texas Department of Transportation	380,000,000	Central Texas Turnpike System Bonds	Jan-15
Texas Economic Development Bank	5,000,000	Texas Leverage Fund CP Program	Sep-14
Texas Public Finance Authority	TBD	CP Programs	TBD
Texas Public Finance Authority	TBD	Texas Windstorm Insurance Association	Sep-14
Texas Southern University	66,000,000	Construct Robert J. Terry Library	FY 15
Texas State Technical College	1,800,000	Hangar renovation project at TSTC Waco	FY 15
Texas State University System (LSC-PA	2,500,000	LSC-PA - Allied Health Building (New Construction)	May-15
Texas State University System (LSC-PA	1,500,000	LSC-PA - Campus Central Plant Phase I (New Construction)	May-15
Texas State University System (LSC-PA	12,180,000	LSC-PA - Process Technology Lab (New Construction)	May-15
Texas State University System (SHSU)	4,302,760	SHSU - Utility Distribution West Plant to Pirkle Tech Building (New Construction)	May-15
Texas State University System (SRSU)	3,025,617	SRSU - Campus Access Phase II (New Construction)	May-15
Texas State University System (TxStUniv)	20,815,000	TxStUniv - Bobcat Stadium Expansion - South End Zone (New Construction)	May-15
Texas State University System (TxStUniv)	4,055,408	TxStUniv - Cogeneration Plant Addition (New Construction)	Jun-15
Texas State University System (TxStUniv)	1,300,000	TxStUniv - Energy Retrofit	May-15
Texas State University System (TxStUniv)	93,000,000	TxStUniv - Engineering and Science Building (New Construction)	May-15
Texas State University System (TxStUniv)	56,320,000	TxStUniv - Round Rock Health Professions I (New Construction)	May-15
Texas Tech University System	210,000,000	Revenue Financing System Bonds	Apr-15
Texas Woman's University	7,600,000	Provide additional parking on Denton Campus	FY 15
Texas Woman's University	16,400,000	Construct Satellite Utility Plant on Denton Campus	FY 15
Texas Woman's University	63,500,000	Construct Residential Hall on Denton Campus	FY 15
Texas Woman's University	51,300,000	Construct Academic Building on Denton Campus	FY 15
The Texas A&M University System - RFS*	289,000,000	Revenue Financing System Bonds/Commercial Paper	TBD
The Texas A&M University System - PUF*	451,000,000	Permanent University Fund Bonds/Commercial Paper	TBD
The University of Texas System - PUF	600,000,000	Refund outstanding PUF debt; Acquire, purchase, construct, improve, & equip various facilities	TBD
The University of Texas System - PUF*	750,000,000	Provide interim financing for PUF CP Programs for construction and acquisition	TBD
The University of Texas System - RFS	600,000,000	Refund outstanding RFS debt; Acquire, purchase, construct, improve, and equip various facilities	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 North Texas System	29,000,000	UNT System Building renovation	FY 15
University of North Texas System	37,100,000	Construct Residence Hall	FY 15
University of North Texas System	137,100,000	Student Union	FY 15
Total Self-Supporting	**$5,173,798,785**		
Not Self-Supporting			
-	-		-
Total Not Self-Supporting	**$0**		
Total Non-General Obligation Debt	**$5,173,798,785**		
Conduit Debt			
TPFA Charter School Finance Corporation	$4,600,000	STET Inc. Charter Schools	Oct-14
TPFA Charter School Finance Corporation	55,000,000	KIP Austin	Oct-14
TPFA Charter School Finance Corporation	9,140,000	Harmony Public Schools	Oct-14
TPFA Charter School Finance Corporation	TBD	Charter School Financing	TBD
Texas State Affordable Housing Corporation	25,000,000	Multi-Family Residential Bond Projects	Jan-15
Texas State Affordable Housing Corporation	15,000,000	Multi-Family Residential Bond Projects	Mar-15
Texas Dept. of Housing and Comm Affairs	60,000,000	Multi-Family Residential Bond Projects	FY 15
Total Conduit	**$168,740,000**		
Total All Debt	**$7,873,373,785**		

*Commercial Paper or Variable-Rate Note Program

Source: Texas Bond Review Board - Bond Finance Office.

As of fiscal year-end 2014, $15.09 billion (34.0%) of the state's $44.33 billion in total debt outstanding was backed by the state's GO pledge, a decrease of $261.0 million (1.7%) from the $15.35 billion backed by the GO pledge at the end of fiscal 2013 *(Figure 2.2 and Table 2.3)*. The decrease was the result of a $150.0 million cash defeasance in the TTC Mobility Fund and scheduled amortization of outstanding debt.

Governmental Revenue Debt Outstanding Increases in FY 2014

The repayment of revenue debt is dependent on project revenue or revenue from a designated fund. The Constitution prohibits any pledge of state funds beyond the current biennium. Investors may require a higher rate of interest to compensate for the additional risk associated with revenue debt.

Excluding conduit and component debt, $23.56 billion (53.2%) of the state's $44.33 billion in total debt outstanding as of fiscal year-end 2014 was backed by non-GO revenue pledges, an increase of $1.02 billion (4.5%) from the $22.55 billion backed by non-GO revenue pledges at the end of fiscal 2013 *(Figure 2.2 and Table 2.3)*.

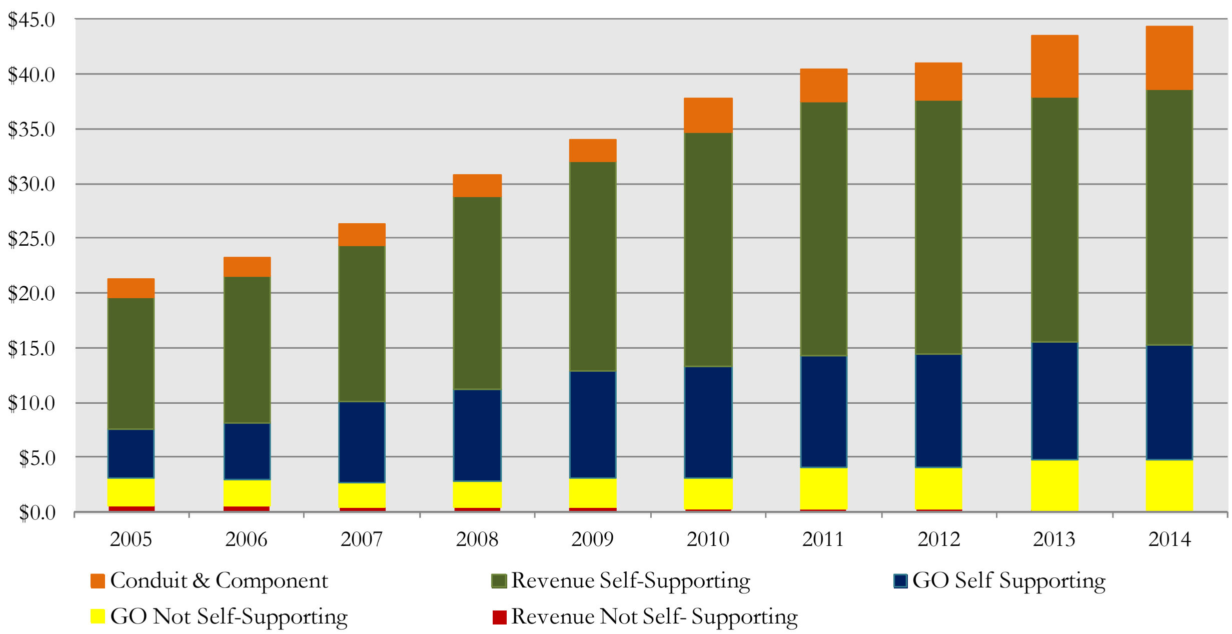
Colleges and universities are the largest issuer of revenue debt with $11.25 billion outstanding. See *Table 2.5* and *Table 2.6* for more detail on college and university debt outstanding.

Conduit Revenue and Component Debt

The state is authorized by statute to issue conduit debt for certain purposes including charter schools, transportation, single family mortgages, multifamily dwellings and economic development. Debt-service for conduit debt is typically provided by project revenue and is secured by a third party.

Although conduit revenue debt obligations bear the name of the agency as the issuer, the agency is not financially liable for the debt beyond the revenues provided by a lease or loan with the third party on whose behalf they are issued. For example the Texas Department of Housing and Community Affairs is not liable for debt service for issuances of its multifamily mortgage revenue

Figure 2.2
STATE OF TEXAS DEBT OUTSTANDING
(amounts in billions)



Source: Texas Bond Review Board - Bond Finance Office

Table 2.3

STATE OF TEXAS DEBT OUTSTANDING

(amounts in thousands)

	8/31/2010	8/31/2011	8/31/2012	8/31/2013	8/31/2014
General Obligation Debt					
Self-Supporting					
Veterans' Land and Housing Bonds	$1,970,203	$2,031,611	$2,113,682	$2,381,811	$2,437,480
Water Development Bonds	900,855	865,045	1,046,030	1,197,775	1,127,385
Water Development Bonds-State Participation	139,585	138,840	113,930	121,590	119,825
Water Development Bonds - WIF	230,125	226,530	222,200	217,765	208,990
Economic Development Bank Bonds	45,000	45,000	45,000	45,000	45,000
College Student Loan Bonds	746,380	798,915	825,100	751,925	812,950
Texas Agricultural Finance Authority	9,000	9,000	9,000	9,000	9,000
Texas Mobility Fund Bonds	6,097,325	6,057,680	6,010,910	5,957,720	5,648,660
Texas Public Finance Authority - TMVRLF	49,595	49,145	48,680	47,400	36,370
Total, Self-Supporting	**$10,188,068**	**$10,221,766**	**$10,434,532**	**$10,729,986**	**$10,445,660**
Not Self-Supporting [1]					
Higher Education Constitutional Bonds [2]	$49,255	$40,828	$32,067	$22,962	$17,955
Texas Public Finance Authority Bonds	1,830,410	1,777,810	1,713,250	1,652,310	1,623,567
Cancer Prevention and Research Institute of Texas	225000	282,820	358,520	343,450	486,595
Park Development Bonds	12,745	11,340	9,925	8,480	7,010
Water Development Bonds - EDAP [3]	174,375	194,775	197,100	211,220	195,240
Water Development Bonds - State Participation	38,480	35,580	35,080	0	0
Water Development Bonds - WIF	383,580	492,260	511,210	526,290	497,615
TTC GO Transporation Bonds	0	977,810	957,650	1,854,835	1,814,690
Total, Not Self-Supporting	**$2,713,845**	**$3,813,223**	**$3,814,802**	**$4,619,547**	**$4,642,671**
Total General Obligation Debt	**$12,901,913**	**$14,034,988**	**$14,249,334**	**$15,349,533**	**$15,088,332**
Non-General Obligation Debt					
Self-Supporting					
Permanent University Fund Bonds					
The Texas A&M University System	$611,895	$644,425	$730,295	$707,905	$810,430
The University of Texas System	1,736,380	1,714,230	1,753,030	1,816,750	1,960,470
College and University Revenue Bonds [4]	9,487,043	10,128,695	10,528,915	10,532,448	11,251,859
Texas Water Resources Finance Authority Bonds	0	0	0	0	0
Texas Department of Transportation Bonds - CTTS	2,538,949	2,538,949	2,536,049	2,484,540	2,478,721
Texas Department of Housing & Community Affairs - SF	1,463,445	1,290,125	1,278,105	898,980	694,365
Economic Development Program (Leverage Fund)	11,500	20,000	25,000	25,000	20,000
Veterans' Financial Assistance Bonds	23,210	22,220	0	0	0
Texas Workforce Commission Unemp Comp Bonds	0	1,780,960	1,466,625	1,201,255	926,435
State Highway Fund	4,252,655	4,078,445	3,963,935	3,843,780	4,460,525
Water Development Board Bonds - State Revolving Fund	1,296,588	924,743	881,493	810,438	774,178
Total, Self-Supporting	**$21,421,665**	**$23,142,792**	**$23,163,447**	**$22,321,096**	**$23,376,984**
Not Self-Supporting [1]					
Texas Public Finance Authority Bonds	$232,350	$198,877	$162,258	$130,422	$98,260
TPFA Master Lease Purchase Program	96,635	89,260	76,790	64,967	62,112
Texas Military Facilities Commission Bonds	16,105	14,805	13,450	12,045	10,585
Parks and Wildlife Improvement Bonds	35,615	29,740	23,700	17,480	14,770
Total, Not Self-Supporting	**$380,705**	**$332,682**	**$276,198**	**$224,914**	**$185,727**
Conduit, Component and Related Organizations [5]					
Texas Windstorm Insurance Association	$0	$0	$500,000	$0	$0
Texas Small Business I.D.C. Bonds	60,000	60,000	20,000	1,620	0
Texas Dept. of Housing and Community Affairs Bonds - MF	1,200,354	1,100,719	1,075,881	1,012,353	997,898
Texas State Affordable Housing Corporation	600,796	564,855	432,787	437,162	292,945
Texas Grand Parkway Transportation Corporation	0	0	0	2,920,075	2,900,940
Texas PAB Surface Transportation Corporation	1,015,000	1,015,000	1,015,000	1,015,000	1,289,030
TPFA Charter School Finance Corporation	236,955	253,121	259,621	256,395	194,956
Total, Conduit, Component and Related Organizations	**$3,113,105**	**$2,993,695**	**$3,303,290**	**$5,642,605**	**$5,675,768**
Total Non-General Obligation Debt	**$24,915,475**	**$26,469,169**	**$26,742,935**	**$28,188,615**	**$29,238,479**
Total Debt Outstanding	**$37,817,388**	**$40,504,157**	**$40,992,268**	**$43,538,148**	**$44,326,811**

1 Not self-supporting debt (general obligation and non-general obligation) depends solely on the state's general revenue fund for debt service.

2 While not explicitly a general obligation or full faith and credit bond, the revenue pledge in Constitutional Bonds has the same effect.

3 Economically Distressed Areas Program (EDAP) bonds depend on the state's general revenue fund for 90% of their debt service.

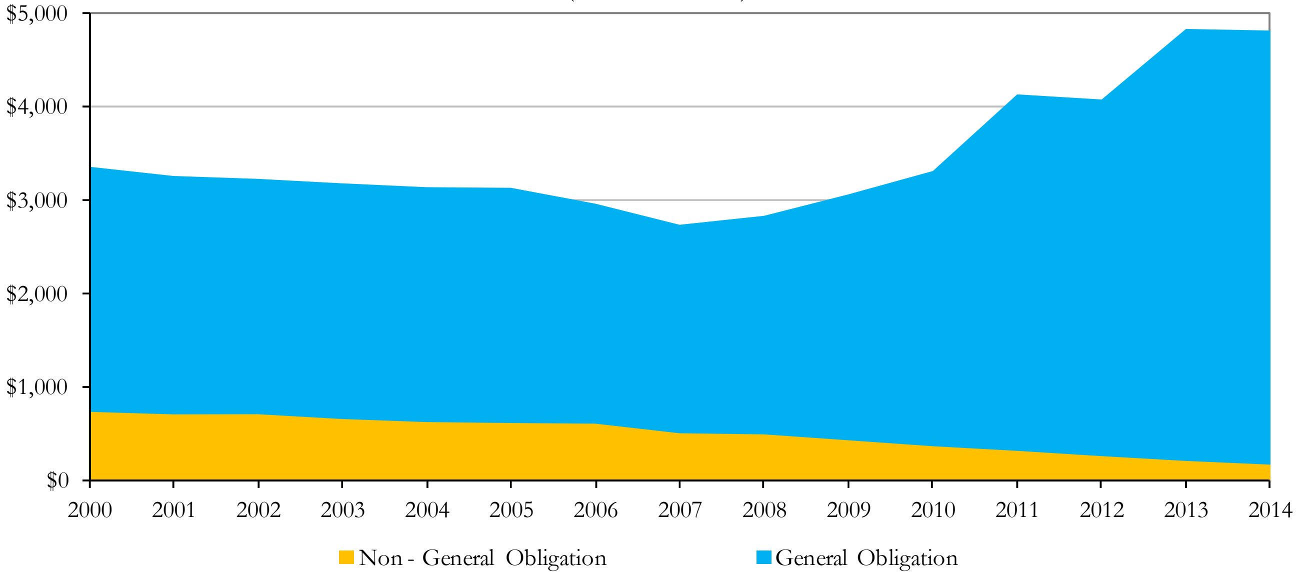
4 Tuition Revenue Bonds are included in these totals. See Table 2.5.

5 This section contains debt that is not a legal liability of the state but rather is backed by third party entities.

Note: SECO LoanSTAR Revolving Loan Program debt is not included.

Source: Texas Bond Review Board - Bond Finance Office.

Figure 2.3
TEXAS STATE DEBT OUTSTANDING
BACKED BY GENERAL REVENUE (NOT SELF-SUPPORTING)
(amounts in millions)



Source: Texas Bond Review Board - Bond Finance Office.

bonds beyond the revenues it receives from the borrower that is acquiring, constructing, or renovating the multifamily facility.

Component debt obligations are issued by legally separate units of the agency, and the agency is not financially liable for the debt. For example, the Texas Public Finance Authority (TPFA) is not liable for debt service for issuances of the Texas Public Finance Authority Charter School Finance Corporation.

Of the state's $44.33 billion in debt outstanding as of fiscal year-end 2014, $5.68 billion (12.8%) was state conduit and component debt which includes $2.90 billion issued by Grand Parkway Transportation Corporation (GPTC) (*Table 2.3*). The $5.68 billion of conduit and component debt outstanding represents an increase of $33.2 million (0.6%) from the $5.64 billion outstanding at the end of fiscal 2013. As conduit debt, GPTC debt service is payable solely from payments received from transportation projects it finances.

General Revenue Supported Debt Decreases in FY 2014

All debt does not have the same financial impact on the state's general revenue. Self-supporting debt relies on sources other than the state's general revenue to pay debt service; thus self-supporting debt does not directly impact state finances. Debt service for not self-supporting debt is primarily derived from the state's general revenue fund and thus draws on the same sources used by the legislature to finance state government.

During fiscal 2014 non-GO not self-supporting debt decreased by $39.2 million, but GO not self-supporting debt increased by $23.1 million for a net decrease in not self-supporting debt of $16.1 million *(Figure 2.3)*. As of August 31, 2014 Texas had a total of $4.83 billion in GO and non-GO not self-supporting debt outstanding to be repaid from the state's general revenue. By comparison, not self-supporting debt totaled $4.84 billion at fiscal-year end 2013.

Table 2.4

DEBT-SERVICE REQUIREMENTS OF TEXAS STATE DEBT BY FISCAL YEAR

(amounts in thousands)

	2015	2016	2017	2018	2019	2020 & beyond
General Obligation Debt						
Self-Supporting						
Veterans' Land and Housing Bonds	$169,187	$175,303	$182,742	$174,050	$178,719	$2,127,038
Water Development Bonds	96,102	96,579	97,848	98,656	102,183	1,318,159
Water Development Bonds - State Participation	6,952	8,443	8,869	8,790	8,682	151,653
Water Development Bonds - WIF	19,256	19,260	19,242	19,443	21,074	202,706
Economic Development Bank Bonds	2,048	2,048	2,048	2,048	2,048	98,129
Park Development Bonds	0	0	0	0	0	0
College Student Loan Bonds	93,877	93,654	93,178	92,280	90,621	717,546
Texas Agriculture Finance Authority	718	720	721	721	720	10,789
Texas Mobility Fund Bonds	325,018	320,339	330,794	334,215	347,322	8,619,031
Texas Public Finance Authority - TMVRLF	3,038	3,036	3,037	3,036	3,037	45,404
Total Self-Supporting	**$716,194**	**$719,381**	**$738,479**	**$733,238**	**$754,406**	**$13,290,454**
Not Self-Supporting [1]						
Higher Education Constitutional Bonds [2]	$7,815	$1,780	$1,771	$1,770	$1,764	$7,408
Texas Public Finance Authority Bonds	256,599	238,618	186,148	178,412	172,963	1,176,541
Park Development Bonds	1,781	1,740	1,693	903	857	806
Agriculture Water Conservation Bonds	0	0	0	0	0	0
Cancer Prevention and Research Institute of Texas	28,981	42,729	42,233	41,707	41,135	461,603
Water Development Bonds - EDAP [3]	24,252	23,888	23,661	23,423	22,949	137,254
Water Development Bonds - State Participation	0	0	0	0	0	0
Water Development Bonds - WIF	52,762	51,972	50,949	49,892	48,840	452,757
TTC GO Transporation Bonds	123,443	123,442	123,441	123,437	123,438	2,601,571
Total Not Self-Supporting	**$495,633**	**$484,169**	**$429,896**	**$419,545**	**$411,947**	**$4,837,939**
Total General Obligation Debt Service	**$1,211,828**	**$1,203,550**	**$1,168,374**	**$1,152,783**	**$1,166,352**	**$18,128,393**
Non-General Obligation Debt						
Self-Supporting						
Permanent University Fund Bonds						
The Texas A&M University System	$65,908	$65,918	$65,526	$65,529	$65,936	$908,275
The University of Texas System	129,525	129,519	130,182	130,066	130,063	2,851,018
College and University Revenue Bonds	1,078,307	1,090,637	1,050,830	1,031,581	1,009,894	12,229,628
Texas Water Resources Finance Authority Bonds	0	0	0	0	0	0
Texas Department of Transportation Bonds - CTTS	84,114	108,277	114,417	120,754	126,894	5,919,551
Texas Dept of Housing & Community Affairs - SF	27,041	28,387	28,226	32,169	30,795	904,930
Economic Development Program (Leverage Fund)	1,598	1,598	1,598	1,598	1,598	23,977
Veterans' Financial Assistance Bonds	0	0	0	0	0	0
Texas Workforce Commission Unemp Comp Bonds	222,465	226,143	230,623	233,276	121,224	0
State Highway Fund	351,030	351,230	351,224	351,245	351,239	5,099,024
Water Development Bonds - State Revolving Fund	91,465	93,521	54,134	74,973	98,422	693,217
Total Self-Supporting	**$2,051,454**	**$2,095,231**	**$2,026,760**	**$2,041,192**	**$1,936,065**	**$28,629,621**
Not Self-Supporting [1]						
Texas Public Finance Authority Bonds	30,070	25,650	20,108	16,449	7,458	10,277
TPFA Master Lease Purchase Program	13,970	12,381	10,417	9,563	9,213	18,040
Texas Military Facilities Commission Bonds	1,674	1,377	1,375	1,377	1,386	5,838
Parks and Wildlife Improvement Bonds	3,445	3,388	3,328	3,268	2,297	928
Total Not Self-Supporting	**$49,159**	**$42,797**	**$35,229**	**$30,656**	**$20,353**	**$35,084**
Conduit, Component and Related Organizations						
Texas Windstorm Insurance Association	$0	$0	$0	$0	$0	$0
Texas Small Business I.D.C. Bonds	0	0	0	0	0	0
Texas Dept. of Housing & Community Affairs - MF	79,699	59,704	59,884	59,825	60,073	1,622,256
Texas State Affordable Housing Corporation	17,013	19,125	19,140	19,180	30,674	497,100
Texas Grand Parkway Transportation Corporation	113,312	113,312	1,030,028	87,911	87,911	5,309,161
Texas PAB Surface Transportation Corporation	90,449	90,449	90,449	90,449	90,449	2,853,349
TPFA Charter School Finance Corporation	14,947	14,939	14,791	14,785	14,794	320,480
Total, Conduit, Component and Related Organizations	315,421	297,529	1,214,293	272,151	283,901	10,602,345
Total Non-General Obligation Debt Service	**$2,416,033**	**$2,435,557**	**$3,276,282**	**$2,343,999**	**$2,240,320**	**$39,267,050**
Total Debt Service	**$3,627,861**	**$3,639,107**	**$4,444,656**	**$3,496,782**	**$3,406,673**	**$57,395,443**

[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.

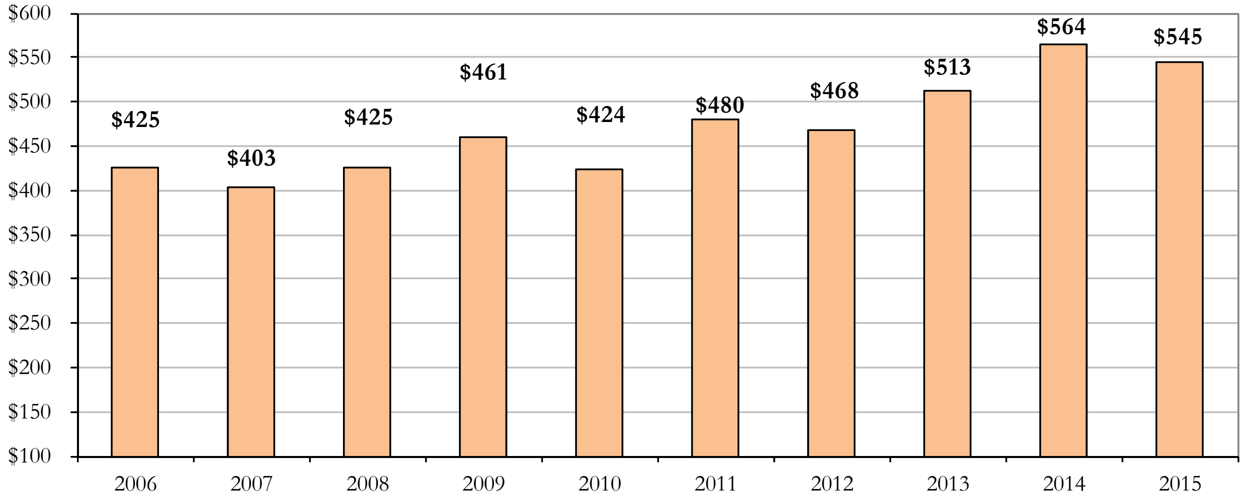
Notes: The debt-service figures do not include the early redemption of bonds under the state's various loan programs or cash defeasances after August 31, 2014, or the Build America Bond subsidy payments. SECO LoanSTAR Revolving Loan Program debt is not included.

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.

Figure 2.4
ANNUAL DEBT SERVICE SCHEDULED TO BE PAID FROM GENERAL REVENUE
(amounts in millions)



Source: Texas Bond Review Board - Bond Finance Office.

Scheduled Debt-Service Payments from General Revenue Decrease in FY 2014

During fiscal years 2012, 2013, and 2014 scheduled debt service from general revenue was $467.7 million, $512.8 million, and $564.4 million, respectively. Scheduled debt-service payments from general revenue are expected to decrease by 3.5 percent to $544.8 million in fiscal 2015 *(Figure 2.4)*. (See *Table 2.4* for debt-service requirements by fiscal year for Texas state bonds.) See the *State of Texas Annual Cash Report 2014* published by the Texas Comptroller of Public Accounts for actual debt-service paid by the state from General Revenue. Debt service for tuition revenue bond (TRB) debt is not included in this analysis. Although college and university revenue debt is payable from a pledge of certain "revenue funds" of the applicable system or institution of higher education, pursuant to 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 tuition revenue debt issued. (For revenue debt outstanding and debt-service requirements for each system or institution, see *Tables 2.5 and 2.6, respectively*.)

Authorized but Unissued Debt Decreases in FY 2014

Authorized but unissued debt is defined as debt that may be issued without further legislative or voter action. As of August 31, 2014 Texas had $19.04 billion in authorized but unissued debt compared to $20.01 billion in fiscal 2013 *(Table 2.7)*. Of the $19.04 billion, $15.84 billion (83.2%) was GO debt, $9.96 billion (62.8%) was self-supporting and $5.89 billion (37.2%) was not self-supporting debt. This compares to $6.27 billion in not self-supporting authorized but unissued GO debt at fiscal year-end 2013. The decrease resulted from the issuance of $285.2 million in new money GO debt by TPFA for the Cancer Prevention and Research Institute of Texas and for deferred maintenance projects for various state agencies.

Authorized but unissued not self-supporting revenue debt totaled $208.8 million at the end of fiscal 2014 compared to $205.9 million at fiscal year-end 2013. The remaining

Table 2.5

TEXAS COLLEGE AND UNIVERSITY REVENUE DEBT OUTSTANDING

(amounts in thousands)

	FY 2012			FY 2013			FY 2014		
College and University Revenue Debt	**Non-TRB**	**TRB**	**Total**	**Non-TRB**	**TRB**	**Total**	**Non-TRB**	**TRB**	**Total**
Midwestern State University	$61,440	$18,655	$80,095	$59,460	$17,235	$76,695	$56,970	$15,670	$72,640
Stephen F. Austin State University	116,195	45,095	161,290	110,380	42,425	152,805	99,685	39,135	138,820
Texas Southern University	79,820	83,435	163,255	76,343	75,635	151,978	78,233	68,635	146,868
Texas State Technical College System	52,978	8,385	61,363	55,485	7,735	63,220	53,076	7,055	60,131
Texas State University System	577,365	175,880	753,245	622,829	161,476	784,305	661,365	146,430	807,795
Texas Tech University System	354,950	193,850	548,800	369,562	179,942	549,504	409,815	165,326	575,142
Texas Woman's University	43,835	37,665	81,500	43,247	34,890	78,137	41,346	32,300	73,646
The Texas A&M University System	1,210,788	503,450	1,714,238	1,195,490	471,570	1,667,060	1,568,150	438,620	2,006,770
The University of Texas System	4,528,579	1,104,285	5,632,864	4,654,930	1,033,660	5,688,590	5,006,390	954,370	5,960,760
University of Houston System	664,602	190,083	854,685	674,696	174,755	849,451	766,786	159,520	926,306
University of North Texas System	321,870	155,710	477,580	326,217	144,485	470,702	350,272	132,710	482,982
Total Revenue Debt Outstanding	**$8,012,422**	**$2,516,493**	**$10,528,915**	**$8,188,640**	**$2,343,808**	**$10,532,448**	**$9,092,088**	**$2,159,772**	**$11,251,859**

* TRB - Tution Revenue Bond

Notes:

The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2014.

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.

Excludes HEAF and PUF debt.

Source: Texas Bond Review Board - Bond Finance Office.

authorized but unissued revenue debt was self-supporting and decreased from $3.56 billion to $2.98 billion, primarily due to the issuance of $658.63 million of new money debt issued by TTC under the State Highway Fund Program.

Debt Authority – 83rd Texas Legislature

The 83rd Legislature authorized up to $2.0 billion to be withdrawn from the Economic Stabilization Fund (ESF) to be used only in support of projects for the State Water Plan. While this created no new debt authority, the money may be used for low-interest loans, credit enhancement agreements, deferral of interest obligations, and funding for government entities that develop and manage water supplies under specific Texas Water Development Board debt programs. Voters approved the proposed amendments to the Texas Constitution at the November 5, 2013 bond election.

Debt Authority – 83rd Texas Legislature, Special Session

SJR 1 of the 3rd Called Special Session proposed a constitutional amendment diverting half of the oil and gas tax revenues to be deposited into the ESF to the State Highway Fund to provide transportation funding for repairs and maintenance of public roads. Voters approved the proposed amendment to the Texas Constitution at the November 4, 2014 general election.

Debt Authority – 82nd Texas Legislature

The 82nd Legislature appropriated $256.5 million for Transportation Proposition 12 debt service and $78.1 million for CPRIT debt service. Additionally, voters approved two constitutional amendments in the November 2011 election that provide the TWDB and THECB with evergreen bonding authority of $6.00 billion and $1.86 billion, respectively.

Debt Authority – 81st Texas Legislature, Regular Session

The 81st Legislature authorized up to $4.00 billion in evergreen GO authority for Veterans' Land and Housing Bonds that was approved by voters in 2009. The 81st Legislature authorized up to $707.0 million of Water Development Board debt to be issued as not self-supporting GO debt.

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

Table 2.6

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

(amounts in thousands)

College and University Revenue Debt	2015	2016	2017	2018	2019	2020 & Beyond
The University of Texas System - Non-TRB	$419,365	$419,146	$411,418	$410,748	$402,013	$6,170,921
The University of Texas System - TRB	129,962	129,963	129,973	130,014	129,999	573,057
The University of Texas System - TOTAL*	$549,327	$549,109	$541,391	$540,761	$532,012	$6,743,978
The Texas A&M University System - Non-TRB	$146,376	$148,772	$135,297	$131,191	$130,383	$1,849,003
The Texas A&M University System - TRB	54,395	53,412	51,795	44,708	44,721	350,900
The Texas A&M University System - TOTAL	$200,771	$202,184	$187,091	$175,899	$175,104	$2,199,903
Texas Tech University System - Non-TRB	$38,073	$37,941	$37,654	$37,049	$36,823	$433,766
Texas Tech University System - TRB	21,735	20,050	20,062	20,063	19,609	114,937
Texas Tech University System - TOTAL	$59,807	$57,990	$57,717	$57,111	$56,432	$548,703
Texas State University System - Non-TRB	$58,485	$57,623	$58,539	$58,556	$58,348	$744,276
Texas State University System - TRB	21,901	21,806	21,803	21,817	15,834	88,145
Texas State University System - TOTAL	$80,386	$79,429	$80,342	$80,373	$74,183	$832,421
University of Houston System - Non-TRB	$63,593	$63,931	$63,898	$63,521	$61,138	$911,850
University of Houston System - TRB	22,322	22,325	22,340	19,493	18,449	100,572
University of Houston System - TOTAL*	$85,915	$86,256	$86,238	$83,014	$79,587	$1,012,421
The University of North Texas System - Non-TRB	$31,791	$46,350	$29,472	$29,463	$29,473	$382,995
The University of North Texas System - TRB	18,954	18,008	17,997	15,624	15,622	91,099
The University of North Texas System - TOTAL	$50,746	$64,358	$47,469	$45,087	$45,096	$474,094
Texas Woman's University - Non-TRB	$3,821	$3,816	$3,820	$3,819	$3,526	$38,714
Texas Woman's University - TRB	4,172	4,176	4,179	4,177	4,176	21,694
Texas Woman's University - TOTAL	$7,993	$7,992	$8,000	$7,996	$7,702	$60,408
Texas State Technical College System - Non-TRB	$4,848	$4,727	$4,590	$4,594	$4,551	$54,962
Texas State Technical College System - TRB	1,056	1,060	1,058	1,058	1,052	3,456
Texas State Technical College System - TOTAL	$5,904	$5,787	$5,648	$5,652	$5,603	$58,418
Stephen F. Austin State University - Non-TRB	$10,260	$10,254	$10,245	$10,251	$10,255	$80,299
Stephen F. Austin State University - TRB	4,438	4,320	4,305	3,856	3,852	30,330
Stephen F. Austin State University - TOTAL	$14,698	$14,574	$14,551	$14,107	$14,106	$110,630
Midwestern State University - Non-TRB	$5,053	$4,782	$4,605	$4,605	$4,612	$63,077
Midwestern State University - TRB	2,157	2,153	2,156	2,159	2,158	8,297
Midwestern State University - TOTAL	$7,211	$6,935	$6,761	$6,764	$6,770	$71,374
Texas Southern University - Non-TRB	$5,951	$6,428	$6,429	$6,431	$4,921	$68,610
Texas Southern University - TRB	9,599	9,595	9,194	8,386	8,378	48,667
Texas Southern University - TOTAL	$15,550	$16,024	$15,623	$14,817	$13,299	$117,278
Total College and University Revenue Debt	**$1,078,307**	**$1,090,637**	**$1,050,830**	**$1,031,581**	**$1,009,894**	**$12,229,628**

*Excludes Build America Bond subsidy payments.

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 2.7
TEXAS DEBT AUTHORIZED BUT UNISSUED
(amounts in thousands)

	8/31/2010	8/31/2011	8/31/2012	8/31/2013	8/31/2014
General Obligation Debt					
Self-Supporting					
Veterans' Land and Housing Bonds	$2,014,792	$1,954,414	$1,873,372	$1,606,274	$1,551,634
Water Development Bonds	727,436	765,976	6,499,820	6,258,633	6,360,469
Farm and Ranch Loan Bonds [1]	300,000	300,000	300,000	300,000	300,000
College Student Loan Bonds	400,485	275,490	1,310,390	1,383,565	1,322,540
Texas Agricultural Finance Authority Bonds	221,000	221,000	221,000	221,000	221,000
Texas Public Finance Authority - TMVRLF	200,405	200,405	200,405	200,405	200,405
Texas Mobility Fund Bonds	*	*	*	*	*
Texas Rail Relocation and Improvement Fund	*	*	*	*	*
Total Self-Supporting	**$3,864,119**	**$3,717,285**	**$10,404,987**	**$9,969,877**	**$9,956,048**
Not Self-Supporting [2]					
Agricultural Water Conservation Bonds	$164,840	$164,840	$164,840	$164,840	$164,840
Higher Education Constitutional Bonds	***	***	***	***	***
Texas Public Finance Authority [3]	3,536,743	3,258,005	3,084,517	2,954,697	2,669,547
Transportation Commission GO Transportation Bonds	5,000,000	4,000,002	4,000,709	2,901,360	2,901,360
Water Development Bonds - EDAP [4]	236,854	201,975	186,036	151,976	151,976
Water Development Bonds - State Participation	179,466	0	0	0	0
Water Development Bonds - WIF	204,599	200,000	152,134	101,836	0
Total Not Self-Supporting	**$9,322,503**	**$7,824,822**	**$7,588,236**	**$6,274,709**	**$5,887,723**
Total General Obligation Debt	**$13,186,621**	**$11,542,107**	**$17,993,223**	**$16,244,586**	**$15,843,771**
Non-General Obligation Debt					
Self-Supporting					
Permanent University Fund Bonds [5]					
The Texas A&M University System	$371,613	$452,371	$449,640	$546,300	$567,111
The University of Texas System	245,252	479,362	606,841	691,660	794,612
College and University Revenue Bonds	**	**	**	**	**
Texas Turnpike Authority Bonds	**	**	**	**	**
Texas Water Resources Finance Authority Bonds	**	**	**	**	**
Texas Water Development Bonds (Water Resources Fund)	**	**	**	**	**
Texas Workers' Compensation Fund Bonds	**	**	**	**	**
Texas Workforce Commission Unemp Comp Bonds	***	***	***	***	***
Nursing Home Liability Insurance	75,000	75,000	75,000	75,000	75,000
FAIR Plan	75,000	75,000	75,000	75,000	75,000
Veterans' Financial Assistance Bonds	771,440	771,440	771,440	771,440	771,440
State Highway Fund Revenue Bonds	1,400,667	1,400,667	1,400,667	1,400,667	700,149
Water Development Board - State Revolving Fund	**	**	**	**	**
Total Self-Supporting	**$2,938,972**	**$3,253,840**	**$3,378,588**	**$3,560,067**	**$2,983,312**
Not Self Supporting [2]					
Texas Public Finance Authority Bonds	$158,857	$152,114	$120,881	$120,881	$120,881
TPFA Master Lease Purchase Program	52,410	60,740	73,210	85,033	87,888
Texas Military Facilities Commission Bonds	**	**	**	**	**
Total Not Self-Supporting	**$211,267**	**$212,854**	**$194,091**	**$205,914**	**$208,769**
Conduit					
Texas Windstorm Insurance Association	***	***	***	***	***
Texas Economic Development Bank Bonds	**	**	**	**	**
Texas Department of Housing & Community Affairs	**	**	**	**	**
Texas State Affordable Housing Corporation	**	**	**	**	**
Total, Conduit	**$0**	**$0**	**$0**	**$0**	**$0**
Total Non-General Obligation Debt	**$3,150,238**	**$3,466,694**	**$3,572,679**	**$3,765,981**	**$3,192,081**
Total Debt	**$16,336,859**	**$15,008,801**	**$21,565,902**	**$20,010,567**	**$19,035,852**

* No bond issuance limit, but debt service on all bonds issued and proposed to be issued pursuant to the Article III, Section 49-k and 49-o 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, university bonds rated lower than AA- or its equivalent may not be issued without the approval of the Bond Review Board. All bonds must be approved by the Attorney General.

*** No bond issuance limit, but HECB debt service may not exceed $131.25 million per year; TWIA has an annual limit of $1 billion in "Class 1," $1 billion of "Class 2," and $500 million of "Class 3" public securities.; and TWC may not exceed $2 billion per issuance.

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

[3] Includes $3 billion for cancer prevention that was authorized by voters in November 2007 of which $2.45 billion remains unissued.

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

[5] 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 is as of August 31, 2014.

Source: Texas Bond Review Board - Bond Finance Office

service during the 2010-2011 biennium for the issuance of $2.00 billion of Texas Transportation Commission general obligation bonds that had been approved by voters as Proposition 12 in 2007. As of August 31, 2012 Texas colleges and universities had no significant remaining authorized but unissued Tuition Revenue Bond authority.

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 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. Additionally, the passage of SB 792 increased the State Highway Fund bonding authority from $3 billion to $6 billion.

Long-Term Contracts and Lease Purchases

Long-term contracts and lease or installment-purchase agreements can serve as cost-effective financing alternatives to the issuance of bonds. 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 2014, three state issuers had swap agreements in place: the Veterans Land Board (VLB), The University of Texas System (UTS), and the Texas Department of Housing and Community Affairs (TDHCA). Each entered the swap market in 1994, 1999, and 2004, respectively. As of August 31, 2014 the aggregate notional amount of swaps outstanding at the state level was $4.54 billion. Interest rate swaps 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, TDHCA and VLB have broad authority to enter into swaps under Section 2306.351 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 2014, VLB was a party to 49 pay-fixed, receive-variable rate (synthetic fixed-rate) swaps associated with its variable-rate demand bond issues. The total notional amount for these swaps was $1.97 billion at fiscal year-end 2014. TDHCA had five such swaps on single-family bonds totaling $217.0 million in notional amount and four such swaps for multi-family bond issuances totaling $50.8 million that are conduit debt. UTS had five Revenue Financing System swap agreements and two Permanent University Fund swap agreements totaling $1.28 billion in notional amount.

Additionally, at the end of fiscal 2014 VLB had two outstanding basis rate (pay-variable, receive-variable) swaps with $63.3 million in notional amount that were associated with variable-rate demand debt issues. UTS had three Revenue Financing System and three PUF basis rate agreements totaling $964.7 million in notional amount.

The Net Fair Values for the swap agreements in place at the end of fiscal 2014 for the three state issuers were as follows: VLB, negative $251.8 million; UTS, negative $191.3 million; and TDHCA, negative $31.4 million. A negative fair value on a swap agreement indicates that the state issuer would owe its counterparty the amount 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, 2014.) The three state issuers each have the unilateral option to terminate their swap agreements.

See *Table C3 and Table C4 in Appendix C* for debt-service requirements of variable-rate debt outstanding and net interest rate swap payments. At fiscal year-end 2014, estimated debt-service requirements and net swap payments for VLB's pay-fixed, receive-variable swaps totaled $2.63 billion; and that of UTS totaled $1.98 billion. TDHCA had only synthetic fixed-rate swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $356.7 million. UTS had six basis swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $478.9 million. VLB had two basis swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $81.5 million.

Chapter 3
State Bond Issuance Costs

Excluding issuances of conduit and private placement debt, during fiscal 2014 the weighted average of issuance cost for state bond issuers was $4.38 per $1,000 compared to $6.18 per $1,000 for fiscal 2013. The issuances ranged in size from $12.4 million to $1.46 Billion. Appendix A of this report details the issuance costs associated with each of these issues as well as the conduit and private placement issues.

Issuance Costs for Texas Bond Issuers

In fiscal 2014 the average issue size for Texas' state issuers increased to $303.0 million from $175.1 million in fiscal 2013 (*Table 3.1*). Excluding conduit and private placement issues, 16 (76.2%) of the 21 transactions completed in fiscal 2014 were $100.0 million or greater in size, compared to six (33.3%) of the 18 transactions completed in fiscal 2013.

Underwriters' spreads began to increase during fiscal 2009 due to higher underwriting risk in the municipal bond market caused by the financial downturn and higher issuance costs associated with the introduction of Build America Bonds (BABs). The BABs program expired on December 31, 2010. Since 2009 underwriting spreads have declined to levels seen prior to the financial downturn.

In fiscal 2014 the weighted average underwriting spread accounted for 73.3 percent of all issuance costs. As a result of increased transaction sizes in fiscal 2014, the weighted average underwriting spread per issue declined to $3.21 from $4.23 in fiscal 2013 and fell below the prior low of $3.52 per $1,000 reached in fiscal 2008 (*Figure 3.1*). *(See Comparison of Issuance Costs by Transaction Size).*

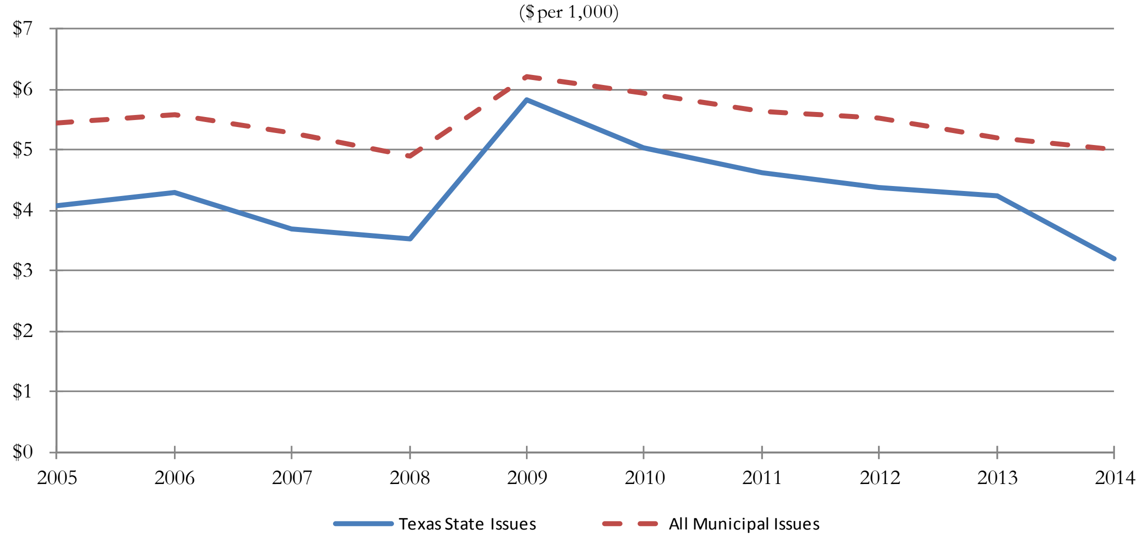
Also as a result of the larger issuances during fiscal 2014, Other Issuance Costs (bond counsel, financial advisor, rating agency, printing and other costs) per $1,000 decreased to an average of $1.17 per $1,000 per issue ($354,355) compared to $1.95 per $1,000 ($340,575) in fiscal 2013.

Table 3.1
WEIGHTED AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES
(Excludes Private Placement, Conduits and Remarketings)

	Fiscal 2013			**Fiscal 2014**		
	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)	18	$175.1		21	$303.0	
Costs of Issuance:						
Underwriter's Spread:						
Takedown	18	$622,951	$3.56	21	$889,229	$2.93
Spread Expenses	16	53,520	0.28	20	73,324	0.23
Underwriter's Counsel	15	49,404	0.27	17	45,921	0.13
Other Underwriter's Spread Costs*	8	65,729	0.92	8	36,461	0.15
Underwriter's Spread Subtotal	18	$740,907	$4.23	18	$972,952	$3.21
Other Issuance Costs:						
Bond Counsel	18	$102,020	$0.58	21	$102,711	$0.34
Financial Advisor	18	60,930	0.35	18	89,735	0.29
Printing	18	2,372	0.01	21	2,086	0.01
Other	18	76,334	0.44	21	57,588	0.19
Other Issuance Costs Subtotal	18	$241,655	$1.38	21	$239,302	$0.79
Rating Agencies:						
Moody's	18	$49,569	$0.28	20	$59,313	$0.19
Standard & Poor's	12	38,150	0.17	16	51,491	0.15
Fitch	12	35,875	0.17	8	50,750	0.16
Rating Agency Costs Subtotal	18	$98,920	$0.57	21	$115,053	$0.38
Total	18	$1,081,482	$6.18	18	$1,327,307	$4.38

Note: Figures exclude bond insurance premiums.
* Management Fee, Structuring Fee or Underwriter's Risk.
Source: Texas Bond Review Board

Figure 3.1
GROSS UNDERWRITING SPREADS: 2005 - 2014
TEXAS STATE BOND ISSUES vs. ALL MUNICIPAL BOND ISSUES
($ per 1,000)



Note: 2014 Municipal figures are through July 25, 2014. 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* (08/14); Thomson Financial Securities; and Texas Bond Review Board - Bond Finance Office.

Underwriting Costs for Texas Bond Issuers Compared to National Costs

Excluding conduit and private placement issuances, during fiscal 2014 Texas' state bond issuers paid lower average underwriting fees compared to the national averages *(Figure 3.1).* This difference is partially explained by the generally higher credit quality of Texas issuers. Statistics published by Thomson Financial Securities Data show that underwriting spreads nationally averaged $4.99 per $1,000 compared to Texas' average of $3.21 per $1,000.

During fiscal 2014 Texas issuers saw lower weighted average underwriting costs in both negotiated and competitive transactions when compared to the national averages as reported by Thomson Financial Securities (*Figure 3.2*). Texas' average of $3.33 per $1,000 for negotiated sales and $1.78 per $1,000 for competitively bid sales were 35.1 percent and 58.5 percent below the national averages, respectively. As before, this difference is partially explained by the generally higher credit quality of Texas issues.

Comparison of Issuance Costs by Transaction Size

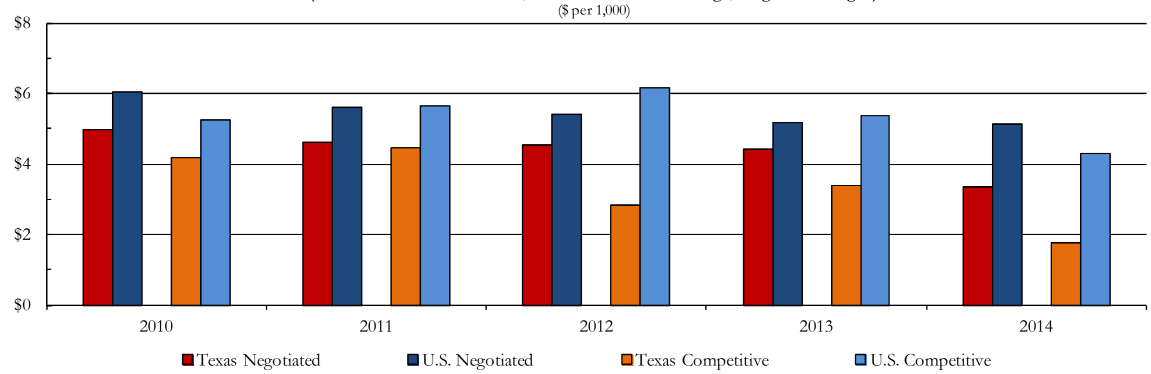
Larger bond issues usually have a lower cost per $1000 because certain fixed costs of issuance, including some legal and financial advisory services and document drafting fees, do not vary proportionately with the size of the bond issue.

Texas' issuance costs were generally lower during fiscal 2014 than those experienced during fiscal 2010-2013 (*Figure 3.3*). Appendix A details the issuance costs for each transaction in fiscal 2014.

Trends in State Bond Issuance Costs in 2014

The characteristics of 21 non-conduit bond transactions were reviewed to determine

Figure 3.2
GROSS UNDERWRITING SPREADS: 2010 - 2014
NEGOTIATED vs. COMPETITIVE MUNICIPAL ISSUES
(Excludes Private Placements, Conduits and Remarketings; weighted averages)
($ per 1,000)



Note: 2014 U.S. figures are through July 25, 2014. 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* (08/14); Thomson Financial Securities; and Texas Bond Review Board - Bond Finance Office.

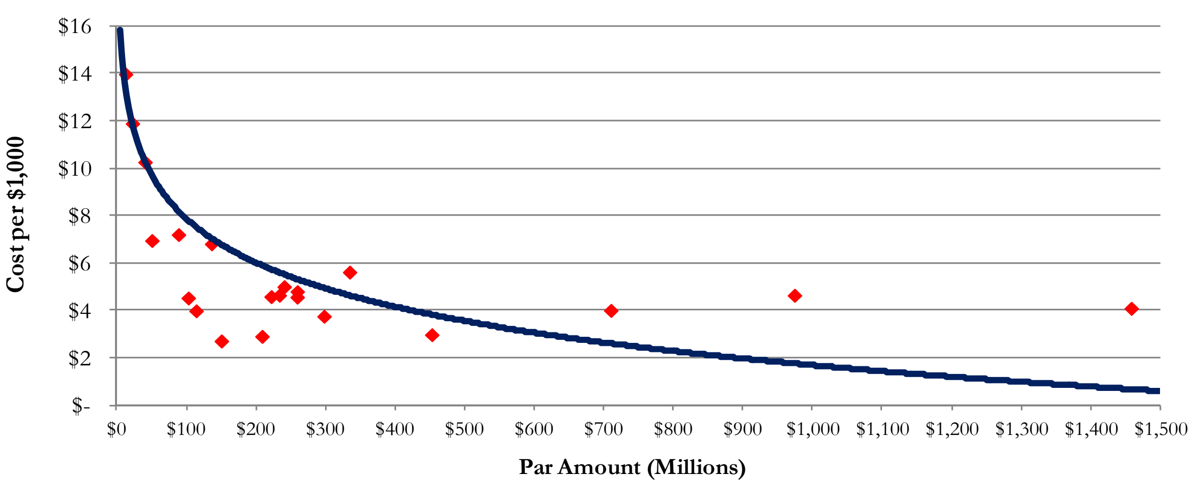
trends in issuance costs during fiscal 2014. Of those, 17 were negotiated sales and four were competitive sales. Of the 17 negotiated sales, four were less than $99 million in size, five were from $100-$249 million, four were from $250-$399 million, one was from $400-$549 million and three were from $550 million and above. The four competitive transactions were for $50.2 million, $102.4 million, $113.7 million and $208.5 million, respectively.

As in the past, the cost per $1,000 in fiscal 2014 generally decreased as transaction size increased (*Figure 3.3*).

Historical Trends in Issuance Costs for State General Obligation Bonds

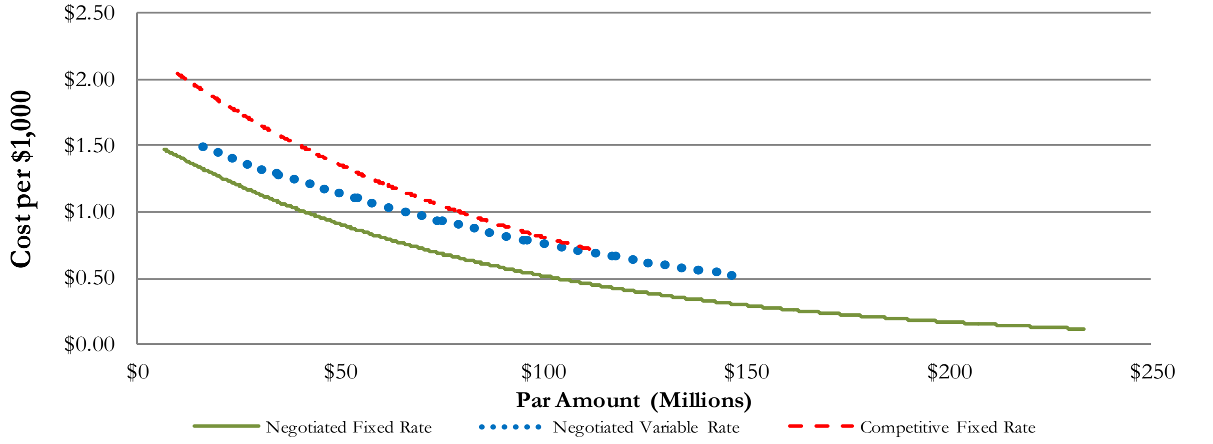
Four component fees comprise most of the costs of issuing bonds: bond counsel, financial advisor, underwriters' spread and credit rating agencies. To benchmark these fees on a cost per $1,000 basis for state general obligation

Figure 3.3
COSTS OF ISSUANCE: FY 2010-2014
(Excludes Private Placements, Conduits and Remarketings)



Note: Includes variable rate demand bonds.
Source: Texas Bond Review Board - Bond Finance Office

Figure 3.4
Bond Counsel Fee: 2007-2014
GO < $250 Million



(GO) issues of less than $250 million, data from fiscal years 2007-2014 is shown graphically in the figures that follow *(Figures 3.4, 3.5, 3.6 and 3.7)*. 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 four agencies and one institution of higher education. A total of 62 issuances were completed in fiscal years 2007-2014 with an average par amount of $95.5 million. Of the 62 issuances, 35 were negotiated fixed - rate issues, 20 were negotiated variable-rate issues, seven were competitive fixed-rate issues and none were competitive variable-rate issues.

Figure 3.4 shows the bond counsel cost per $1,000 for the 62 transactions. During fiscal years 2007-2014, negotiated sales had lower cost per $1,000 compared to competitive sales. Both negotiated and competitive sales had lower cost per $1,000 as transaction size increased.

Figure 3.5 shows the cost per $1,000 for the 60 transactions with a financial advisor fee. Competitive transactions generally had a higher cost for all issuances, and variable-rate

Figure 3.5
Financial Advisor Fee: 2007-2014
GO < $250 Million

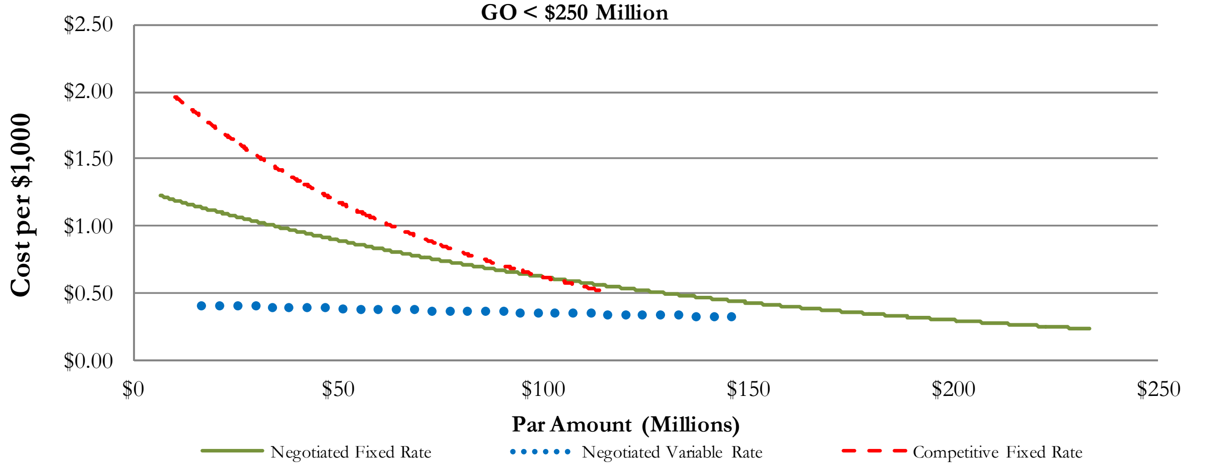
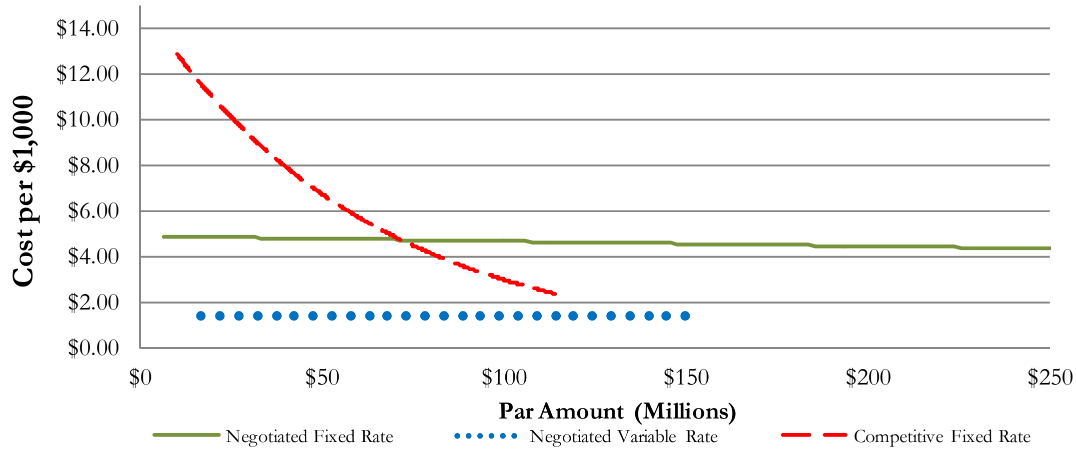


Figure 3.6
Underwriters' Spread excluding Counsel: 2007 - 2014
GO < $250 Million



issuances had a lower cost per $1,000 than fixed-rate issues.

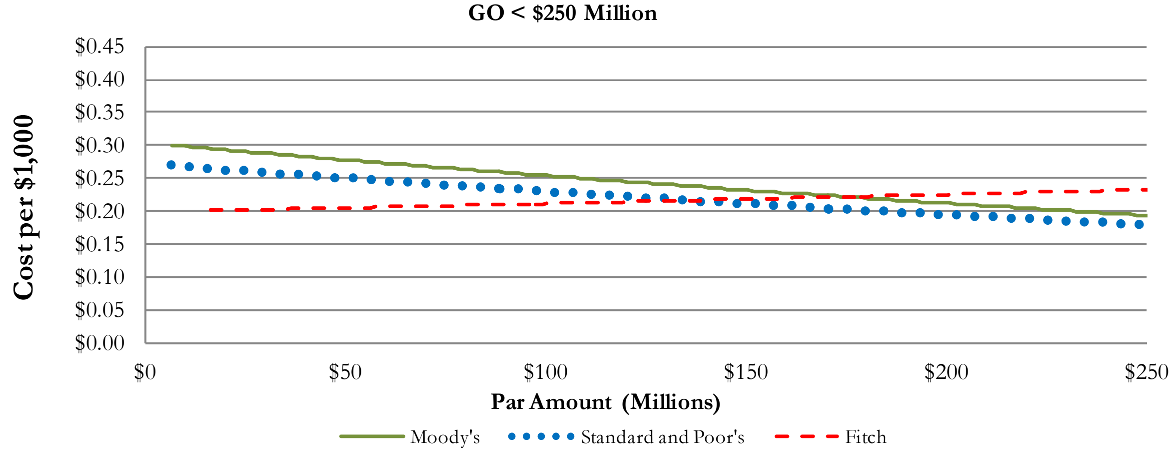
Figure 3.6 shows the underwriters' spread for negotiated sales excluding underwriters' counsel fees that are generally not present in competitive sales. Competitive fixed-rate issuances generally had higher costs for smaller issuances than negotiated fixed-rate transactions.

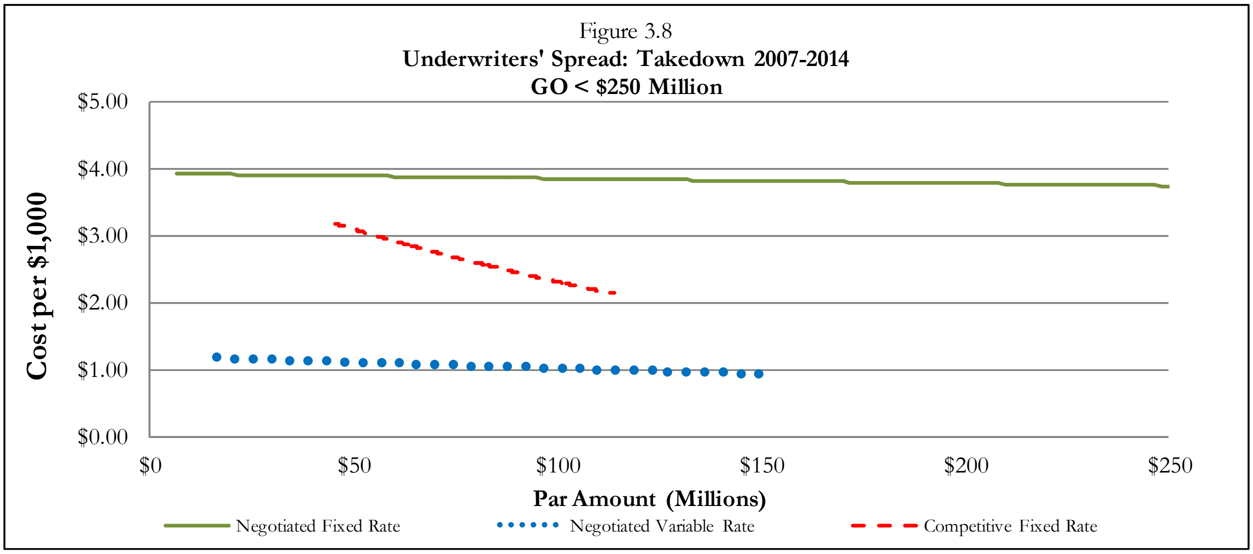
*Figure 3.*7 shows the cost per $1,000 for fees for the three major rating agencies: Moody's, Standard and Poor's (S&P) and Fitch. For smaller transaction sizes, Moody's and S&P had higher costs per $1,000, but as transaction size increased, they became the lowest of the three. Fitch costs per $1,000 were lower for smaller transactions sizes but were the highest for larger transactions.

Figures 3.8, 3.9, and 3.10 further analyze underwriters' spread by takedown, spread expenses and underwriters' counsel for 62 issuances that occurred between fiscal years 2007-2014.

Figure 3.8 shows takedown costs per $1,000 by par amount. Overall, negotiated fixed-rate

Figure 3.7
Rating Agency Fee: 2007-2014
GO < $250 Million





sales had the highest cost per $1,000, and negotiated variable-rate sales had the lowest cost per $1,000.

Figure 3.9 shows cost per $1,000 for spread expenses. Negotiated fixed-rate sales had a higher cost per $1,000, and negotiated variable-rate sales had the lowest cost per $1,000.

Figure 3.10 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. *Figures 3.9 and 3.10* compare only negotiated transactions since underwriters' counsel fees and spread expenses are typically not present in competitive sales.

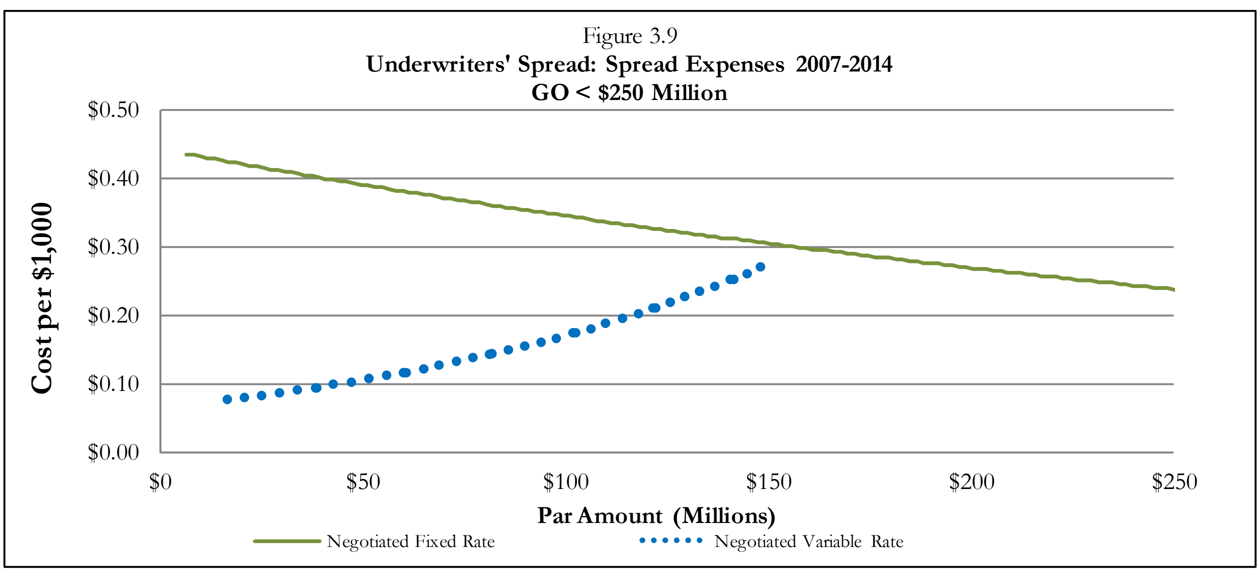
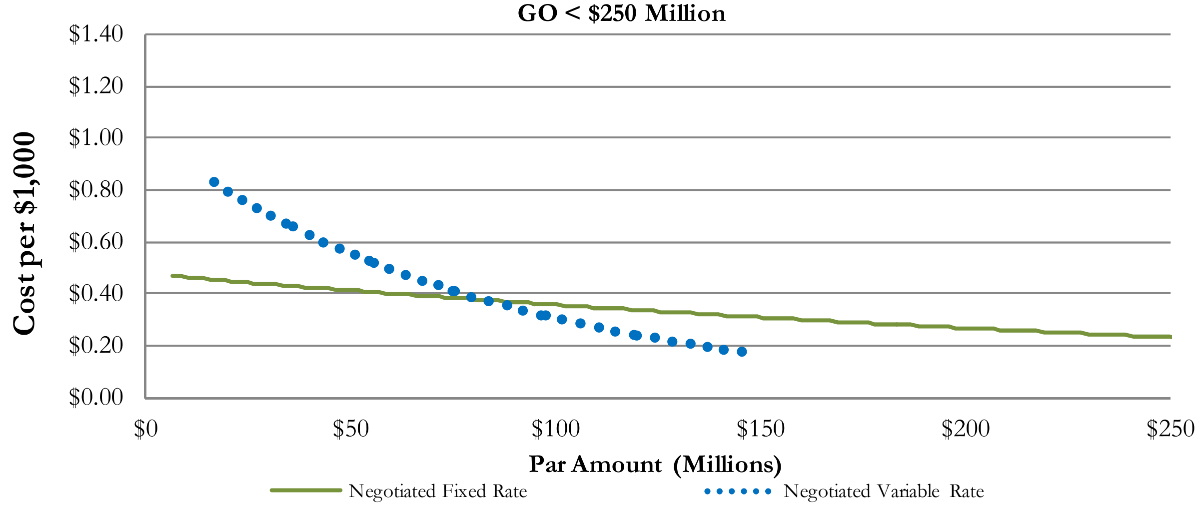


Figure 3.10

Underwriters' Counsel: 2007 - 2014

GO < $250 Million



Chapter 4
Texas Private Activity Bond Allocation Program and Other Bonding Authority

Texas again experienced an increase in volume cap for the Program Year 2014 Private Activity Bond (PAB) Allocation Program. The 2014 volume cap was set at $2,644,819,300, an increase of $169.2 million (6.8%) over the calendar 2013 cap. The total size of the PAB program including 2014 volume cap and carryforward, was $5.28 billion, an 11.9 percent increase from the 2013 total. As of November 15, 2014, $1.05 billion had been allocated and application requests totaled $2.80 billion, an increase of 44.2 percent from Program Year 2013.

As of December 1, 2014 Texas had $235.7 million in unused Qualified Energy Conservation Bond authority.

Volume Cap

Texas is second only to California in population and resulting volume cap. Texas experienced an increase in volume cap for the 2014 PAB Allocation Program. Based on its population, the 2014 volume cap was set at $2,644,819,300, an increase of $169.2 million (6.8%) over the calendar 2013 cap of $2,475,624,285.

The volume cap increase 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 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. The multiplier was indexed to inflation beginning in 2003 resulting in increases in 2007, 2008, 2009 and 2011 to the current level of $95 per capita.

Including 2014 volume cap and carryforward, for Program Year 2014 the state had a total of $5.28 billion of volume cap available among the six subceilings of which $1.05 billion (19.9%) had been allocated as of November 15, 2014 *(Table 4.1)*.

Total bonding authority demand increased slightly during the 2014 Program Year compared to the 2013 Program Year. Roughly 42.6 percent of the available 2014 volume cap had been requested before the August 15th collapse compared to 41.2 percent for 2013.

Additionally, after the 2013 collapse, the Bond Review Board (BRB) received $920.9 million

Table 4.1
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2014 AVAILABLE VOLUME CAP vs. ALLOCATION AMOUNTS
(as of November 15, 2014)

SUBCEILING	AVAILABLE* VOLUME CAP	PERCENT OF TOTAL	ISSUED 2014 ALLOCATION	ISSUED CARRYFORWARD ALLOCATION	ISSUED PERCENT OF TOTAL
Single Family Housing	$ 2,105,801,617	39.9%	$ 31,266,000	$ 695,266,000	13.8%
State-Voted Issues	292,735,556	5.5%	-	-	0.0%
Small Issue IDBs	52,896,386	1.0%	3,650,000	-	0.1%
Multifamily Housing	1,017,591,246	19.3%	55,150,000	115,945,000	3.2%
Student Loan Bonds	677,706,027	12.8%	-	-	0.0%
All Other Issues	1,130,221,693	21.4%	150,000,000	-	2.8%
TOTAL	**$ 5,276,952,525**	**100.0%**	**$ 240,066,000**	**$ 811,211,000**	**19.9%**

*Includes carryforward amounts. Carryforward is reserved volume cap from the prior 3 years.
Source: Texas Bond Review Board - Private Activity Bond Program.

Table 4.2 **STATE OF TEXAS** **PRIVATE ACTIVITY BOND ALLOCATION PROGRAM** **2014 REQUESTED VOLUME CAP**			
SUBCEILINGS	**AVAILABLE ALLOCATION***	**REQUESTED ALLOCATION***	**REQUESTS AS A % OF AVAILABILITY**
Mortgage Revenue Bonds	$ 2,105,801,617	$ 1,781,886,213	84.6%
State-Voted Issue Bonds	292,735,556	81,150,000	27.7%
Industrial Development Bonds	52,896,386	3,650,000	6.9%
Multifamily Rental Project Bonds	1,017,591,246	597,500,000	58.7%
Student Loan Bonds	677,706,027	-	0.0%
All Other Bonds Requiring Allocation	1,130,221,693	312,000,000	27.6%
TOTALS	**$ 5,276,952,525**	**$ 2,776,186,213**	**52.6%**
*Includes carryforward amounts. Carryforward is reserved volume cap from the prior 3 years. **Source:** Texas Bond Review Board - Private Activity Bond Program.			

in requests; after the collapse in 2014, the BRB received $1.67 billion in requests. Applications received for Program Year 2014 including carryforward requests, totaled $2.78 billion or 52.6 percent of the total available allocation of $5.28 billion *(Table 4.2),* an increase of 44.2 percent from the $1.94 billion of the available allocation requested in 2013. As of November 15, 2014 all requests for reservations had been granted.

Allocation Trends Downward

Excluding carryforward, as of November 15, 2014, $240.1 million of Program Year 2014 volume cap had been allocated. As of the same date in Program Years 2011, 2012 and 2013, $218.3 million (9.14%), $470.7 million (19.3%) and $439.3 million (17.7%), respectively of volume cap (excluding carryforward) had been allocated. Generally as a result of turmoil in the bond market that began in the summer of 2008 and record low interest rates, overall applications received have decreased.

While the number of applications decreased for 2014, the amount of volume cap requested increased *(Table 4.3).* Many issuers have been waiting for the spread between tax-exempt rates and taxable rates to widen before seeking volume cap, or they applied for volume cap with the intention of converting it to carryforward. Larger transactions provide economies of scale that may still take advantage of tax-exempt rates. Although market conditions negatively affected every subceiling, student loan transactions (Subceiling #5) continued to suffer the greatest adverse impact as the trend established in the past four years continued, and they received no 2014 volume cap allocation.

As of November 15, 2014 no mortgage revenue bonds (MRBs) had closed utilizing Program Year 2014 volume cap; however, issuers had converted $31.3 million of Program Year 2014 volume cap to mortgage credit certificate (MCC) programs. Using carryforward volume cap, five issuers used approximately $695.3 million to close MCC programs. Multifamily issuers closed 11 projects as of November 15, 2014 using $115.9 million of carryforward and $55.2 million of volume cap compared to nine projects closing in 2013. The Texas Transportation Commission closed $150.0 million of 2014 exempt facility bond volume cap.

At the beginning of Program Year 2014, the carryforward amount of $2.63 billion was 99.5% of the 2014 Program Year volume cap of $2.64 billion, and many issuers that applied

Table 4.3 STATE OF TEXAS PRIVATE ACTIVITY BOND ALLOCATION PROGRAM 2009 TO 2014 ISSUED ALLOCATION (as of November 15, 2014)						
YEAR	AVAILABLE ALLOCATION*	REQUESTED ALLOCATION*	ISSUED VOLUME CAP ALLOCATION	ISSUED CARRYFORWARD ALLOCATION	NUMBER OF APPLICATIONS RECEIVED	ISSUED AS A % OF AVAILABILITY
2009	4,469,135,614	3,596,975,154	454,507,171	490,822,200	78	21.2%
2010	5,407,133,424	3,823,263,059	665,647,470	901,700,000	77	29.0%
2011	5,689,632,247	2,347,909,307	218,295,000	618,375,135	59	14.7%
2012	5,390,400,333	2,475,311,578	470,691,078	393,270,937	53	16.0%
2013	4,717,858,332	1,940,837,372	439,286,597	372,573,787	56	17.2%
2014	5,276,952,525	2,776,186,213	240,066,000	811,211,000	47	19.9%

*Includes carryforward amounts. Carryforward is reserved volume cap from the prior 3 years.

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

for a reservation were forced to use carryforward volume cap (as required by IRS Code) before using 2014 volume cap.

More carryforward ($811.2 million) was allocated than actual 2014 volume cap ($240.1 million) during the program year (*Figure 4.1*). Project requests after the August 15th collapse date were not subject to Subceiling 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, 2014 $528.7 (19.9%) of the state's 2014 PAB volume cap remains unencumbered. A substantial portion of that amount may be converted to carryforward.

82nd Legislature Changes

House Bill (HB) 2911 simplified the reservation process for Higher Education Authorities (HEAs) in Subceiling #5. Prior to the change, HEAs were required to provide evidence of student loan need-based demand. HEAs that were able to show the greatest demand received weighted reservations and thus the largest allocations. HB 2911 redefined the assignment of student loan bond allocation to equal the total amount of the allocation for the student loan subceiling divided by the number of qualified HEAs thus removing the need-based provisions.

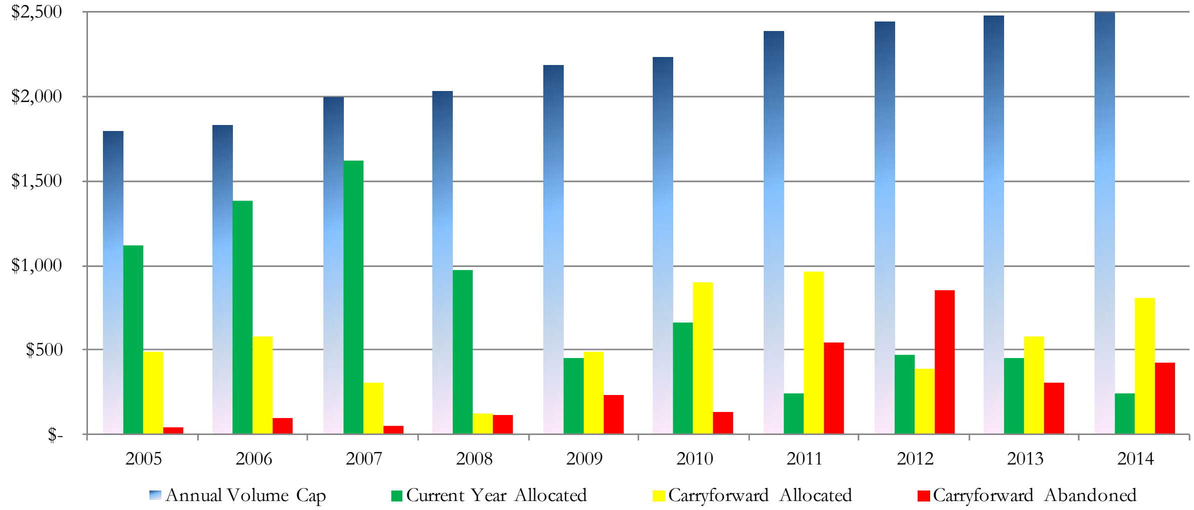
Prior Legislative Changes

The 81st Legislative Session (2009) passed Senate Bill (SB) 2064 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 and new federal guidelines for the existing Program.

SB 2064 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;

Figure 4.1
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
Current Year vs. Carryforward Allocated
(amounts in millions)



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

- The project limit for single-family and multifamily issuers was increased to $40.0 million and $20.0 million, respectively;
- The single-family utilization percentage was modified so that an issuer who has a low utilization percentage would, at a minimum receive 25 percent of their available allocation, and an issuer who has an utilization percentage above 80 percent will receive 100 percent of their available allocation;
- Issuers subject to an utilization percentage will not be penalized if, in a previous program year less than 50 percent 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; and
- Any unencumbered volume cap at the end of the program year may be granted to any state agency that requests it.

The 80th Legislative Session (2007) gave the Texas Economic Development Bank priority over all other issuers within Subceiling #6 as well as all issuers with carryforward applications. HB 3552 made a number of changes within Subceiling #4 including a provision allowing applications for multiple-site multifamily projects.

The 79th Legislative Session (2005) dedicated $5.0 million per year of Subceiling #1 for TSAHC to create the Nursing Faculty Home Loan Program and raised the maximum cap per project on Subceiling #6 from $25.0 million to $50.0 million.

Legislation passed during the 76th, 77th and 78th Legislative Sessions shifted the distribution of the state's ceiling for the Program among the Subceilings.

Hurricane Ike Bond Authority

In October 2008 the Heartland Disaster Tax Relief Act (HDTRA) of 2008 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 expired at the end of 2012.

Hurricane Ike bonds were 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.

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

HDTRA required 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 $300.0 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 outlined the major requirements of the program and identified the priorities for allocation of the $1.86 billion of Hurricane Ike bonding authority.

In February 2012, the Governor issued Proclamation 41-3293 that removed the group priorities and allowed all issuers to apply for any remaining bonding authority. As of the expiration of the program (January 1, 2013), approximately $1.86 billion of the total authority was allocated (99.6%).

Other Bonding Authority

In February 2009 the American Recovery and Reinvestment Act of 2009 (ARRA) created two new types of bonding authority: Build America Bonds (*see Chapters 1 and 2*) and Qualified School Construction Bonds (QSCB). In addition, ARRA expanded three existing authorities: Qualified Zone Academy Bonds, Qualified Energy Conservation Bonds (QECB) and Clean Renewable Energy Bonds. All of these programs have expired except for the QECB Program which has no expiration date.

Texas was allocated $252,378,000 in QECB authority to be used for qualified energy conservation purposes. Large cities and counties received an allocation based on population size. Other issuers seeking the remaining authority may request a reservation directly from the state.

As of November 15, 2014 the city of Houston closed on $9.0 million of its original QECB allocation of $23.4 million; and Hamshire-Fannett ISD closed on a state reservation of $2.6 million. As of December 1, 2014 Texas had $235.7 million in unused Qualified Energy Conservation Bond authority.

Appendix A
Summary of Bonds Issued

Table A1
BONDS ISSUED IN FY 2014 BY ISSUER

Grand Parkway Transportation Corporation	
Subordinate Tier Toll Revenue Refunding Bond Anticipation Notes, Series 2014A, Subordinate Tier Toll Revenue Refunding Bonds, Series 2014B, Subordinate Tier Toll Revenue Refunding Bonds Series 2014C (Taxable)	$ 924,195,000
Stephen F. Austin State University	
Revenue Financing System Revenue Refunding Bonds, Series 2013	22,255,000
Texas Department of Housing and Community Affairs	
Multifamily Housing Revenue Bonds (Decatur-Angle Apartments), Series 2014	23,000,000
Multifamily Housing Revenue Bonds (Mission Del Rio Homes), Series 2005	8,970,392
Multifamily Housing Revenue Bonds (Northcrest Apartments), Series 2014	2,900,000
Multifamily Housing Revenue Bonds (Pine Haven Apartments), Series 2014	2,700,000
Multifamily Housing Revenue Bonds (The Waters at Willow Run Apartments), Series 2013	14,500,000
Texas Higher Education Coordinating Board	
College Student Loan Bonds, Series 2013B	113,740,000
Texas Private Activity Bond Surface Transportation Corporation	
Senior Lien Revenue Bonds (NTE Mobility Partners Segments 3 LLC, Segments 3A and 3B Facility) Series 2013 (Tax Exempt)	274,030,000
Texas Public Finance Authority	
State of Texas General Obligation Refunding Bonds, Series 2013	40,370,000
State of Texas General Obligation Refunding Bonds, Series 2014A	258,925,000
State of Texas General Obligation Refunding Bonds, Taxable Series 2014B	233,280,000
Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014A&B	709,785,000
Texas State Affordable Housing Corporation	
Multifamily Housing Revenue Bonds (The Gateway Northwest Project), Series 2013	11,500,000
Texas State University System	
Revenue Financing System Revenue and Refunding Bonds, Series 2014	88,415,000
Texas Transportation Commission	
State Highway Fund First Tier Revenue and Refunding Bonds, Series 2014-A, State Highway Fund First Tier Revenue Bonds, Series 2014-B (SIFMA Index Floating Rate Bonds)	1,457,795,000
State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2014	973,775,000
Texas Veterans' Land Board	
State of Texas Veterans' Bonds Taxable Refunding Series 2013C	297,600,000
State of Texas Veterans' Bonds, Series 2014A	150,000,000
State of Texas Veterans' Bonds Taxable Refunding, Series 2014B	164,855,000
State of Texas Veterans' Bonds Taxable Refunding Series 2014C	452,505,000
Texas Water Development Board	
State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Refunding Bonds, Taxable Series 2013D (State Participation Program), State of Texas Water Financial Assistance Refunding Bonds, Taxable Series 2013E (Economically Distressed Areas Program), State of Texas Water Financial Assistance Refunding Bonds Series 2013F and State of Texas Water Financial Assistance Refunding Bonds, Taxable Series 2013G	135,855,000
Texas Woman's University	
Revenue Financing System Refunding Bonds, Series 2014	12,370,000
The Texas A&M University System	
Permanent University Fund Bonds, Series 2013	208,465,000
Revenue Financing System Bonds Taxable Series 2013C and Revenue Financing System Bonds Series 2013D	334,330,000
The University of Texas System	
Permanent University Fund Bonds, Series 2014A	240,340,000
Permanent University Fund Bonds, Series 2014B	221,580,000
Revenue Financing System Bonds, Series 2014A	259,135,000
University of Houston System	
Consolidated Revenue and Refunding Bonds Series 2013A	50,155,000
Consolidated Revenue and Refunding Bonds Series 2013B	102,420,000
University of North Texas System	
Revenue Financing System Direct Purchase Bonds, Series 2014	120,000,000
	$7,909,745,392

Source: Texas Bond Review Board - Bond Finance Office.

GRAND PARKWAY TRANSPORTATION CORPORATION

Issue: Grand Parkway Transportation Corporation Subordinate Tier Toll Revenue Refunding Bond Anticipation Notes, Series 2014A, Subordinate Tier Toll Revenue Refunding Bonds, Series 2014B, Subordinate Tier Toll Revenue Refunding Bonds Series 2014C (Taxable)

Purpose: Proceeds of the Bonds will be used to refund the Series 2013C Tender Bonds and Series 2013D Taxable Tender Bonds.

Par:	$924,195,000
Method of Sale:	Negotiated/Private Placement
Board Approval Date:	January 30, 2014
Negotiated Sale:	February 4, 2014
Closing Date:	February 13, 2014
Variable Rate	Yes (2014BC)
True Interest Cost (TIC): [1]	0.93%
Net Interest Cost (NIC): [1]	0.95%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	748,911	0.81
Financial Advisor	Estrada Hinojosa & Co., Inc.	**HA**	330,000	0.36
Printing	ImageMaster	No	5,000	0.01
Trustee	U.S. Bank National Association	No	12,000	0.01
Trustee Counsel	Locke Lord LLP	No	15,000	0.02
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	173,500	0.19
Attorney General		N/A	28,500	0.03
Project Finance Counsel	Mayer Brown	No	185,000	0.20
Cost of Issuance Contingency [2]		No	3,454	0.00
Rating Agencies	**Rating**			
Standard & Poors	SP-1+ (2014A) AA+ (2014BC) BBB (TIFIA Loan)		120,000	0.13
Fitch	BBB+ (TIFIA Loan)		150,000	0.16
Subtotal			**$ 1,771,365**	**$ 1.92**

1. Assumes an average rate of 1.50% on the 2014B and 2.00% on the 2014C variable rate Bonds.
2. Additional proceeds generated from the bond sale that will be used to pay costs of issuance not initially budgeted for.

Underwriting Spread	Amount	Per $1,000
Takedown	1,100,198	1.19
Spread Expenses	264,677	0.29
Total*	**$ 1,364,875**	**$ 1.48**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Winstead P.C.	No	100,000	0.11	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Goldman, Sachs & Co.	No	51.00%	51.10%	562,361
Bank of America Merrill Lynch	No	7.00%	6.93%	76,285
JP Morgan	No	7.00%	7.02%	77,189
Ramirez & Co., Inc.	**HA**	7.00%	7.02%	77,189
Raymond James & Associates, Inc.	No	7.00%	7.02%	77,189
RBC Capital Markets	No	7.00%	7.02%	77,189
Siebert, Brandford Shank & Co.	**BA**	7.00%	7.02%	77,189
Wells Fargo Securities	No	7.00%	6.87%	75,607
Total		**100.00%**	**100.00%**	**$ 1,100,198**

BOARD OF REGENTS OF STEPHEN F. AUSTIN STATE UNIVERSITY

Issue: Board of Regents of Stephen F. Austin State University Revenue Financing System Revenue Refunding Bonds, Series 2013

Purpose: Proceeds of the Bonds will be used for (i) refunding certain outstanding obligations of the Board and (ii) paying the costs of issuance.

Par:	$22,255,000
Method of Sale:	Negotiated
Negotiated Sale:	September 11, 2013
Closing Date:	October 10, 2013
Variable Rate	No
True Interest Cost (TIC):	2.92%
Net Interest Cost (NIC):	3.07%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	32,000	1.44
Financial Advisor	First Southwest Company	No	51,659	2.32
Paying Agent/Registrar	Regions Bank	No	4,500	0.20
Escrow Agent	Regions Bank	No	500	0.02
Printing	i-Deal/First Southwest Company	No	4,260	0.19
Miscellaneous		N/A	5,986	0.27
Attorney General		N/A	9,500	0.43
Rating Agencies	**Rating**			
Moody's	**Aa2**		30,000	1.35
Standard & Poors	**AA**		23,000	1.03
Subtotal			**$ 161,405**	**$ 7.25**

Underwriting Spread	Amount	Per $1,000
Takedown	76,169	3.42
Spread Expenses	27,006	1.21
Total	**$ 103,175**	**$ 4.64**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Locke Lord LLP	No	21,000	0.94	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Southwest Securities, Inc.	No	50.00%	92.00%	70,075
Piper Jaffray & Co.	No	25.00%	5.00%	3,808
Raymond James & Associates, Inc.	No	25.00%	3.00%	2,285
Total		**100.00%**	**100.00%**	**$ 76,168**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Decatur-Angle Apartments), Series 2014

Purpose: The proceeds from the sale of the bonds will be used for the acquisition and construction of a 302-unit multifamily residential rental development located at the northeast corner of Old Decatur Road and Angle Avenue in Fort Worth, Texas.

Par:	$23,000,000
Method of Sale:	Private Placement
Board Approval Date:	January 23, 2014
Closing Date:	February 26, 2014
Variable Rate	No
True Interest Cost (TIC):	5.89%
Net Interest Cost (NIC):	5.75%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	140,000	6.09
Co-Bond Counsel	Bates & Coleman, P.C.	**BA**	17,104	0.74
Financial Advisor	George K. Baum & Co.	No	35,000	1.52
Borrower Counsel	Broad and Cassel	No	300,000	13.04
General Partner Counsel	Coats Rose	No	70,000	3.04
Trustee	Wilmington Trust, N.A.	No	6,500	0.28
Trustee Counsel	Naman, Howell, Smith & Lee P.C.	No	5,500	0.24
Disclosure Counsel	Andrews Kurth, LLP	No	5,000	0.22
Private Activity Bond Fee	Texas Bond Review Board	N/A	10,750	0.47
Attorney General		N/A	9,500	0.41
Issuer's Issuance Fee	TDHCA	N/A	115,000	5.00
Issuer's Application Fee	TDHCA	N/A	11,000	0.48
Issuer's Compliance Fee	TDHCA	N/A	7,550	0.33
Issuer's Administration Fee	TDHCA	N/A	23,000	1.00
TEFRA Notice Publication		N/A	150	0.01
Tax Credit Fees	TDHCA	N/A	59,130	2.57
Subtotal			**$ 815,184**	**$ 35.44**

*Only 2% of Par can be paid from Bond proceeds for COI, up to $460,000, the rest will come from Borrower other funds.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

Purpose: The proceeds from the sale of the bonds will be used to restructure previously issued debt that was utilized for the acquisition, construction and equipping of an approximately 180-unit multifamily rental housing development located at 731 Riverside, San Antonio, Bexar County.

Par:	$8,970,392
Method of Sale:	Private Placement
Board Approval Date:	September 19, 2013
Closing Date:	November 1, 2013
Variable Rate	No
True Interest Cost (TIC):	6.50%
Net Interest Cost (NIC):	6.50%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	40,000	4.46
Co-Bond Counsel	Bates & Coleman, P.C.	**BA**	6,581	0.73
Financial Advisor	George K. Baum & Co.	No	35,000	3.90
Borrower Local Counsel	Locke Lord LLP	N/A	12,000	1.34
Tax Credit Counsel	Kutak Rock LLP	N/A	7,500	0.84
Trustee	Wells Fargo	N/A	1,500	0.17
Trustee Counsel	Naman, Howell, Smith & Lee	N/A	2,000	0.22
Attorney General		N/A	8,971	1.00
Issuer's Issuance Fee	TDHCA	N/A	10,426	1.16
Issuer's Application Fee	TDHCA	N/A	5,000	0.56
Subtotal			**$ 128,978**	**$ 14.38**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Northcrest Apartments), Series 2014

Purpose: The proceeds from the sale of the bonds will be used for the acquisition and construction of a 68-unit multifamily residential rental development located at 1002 North Main Street in Big Spring, Texas.

Par:	$2,900,000
Method of Sale:	Negotiated
Board Approval Date:	May 27, 2014
Negotiated Sale:	June 24, 2014
Closing Date:	June 26, 2014
Variable Rate	No
True Interest Cost (TIC):	8.56%
Net Interest Cost (NIC):	1.26%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	65,000	22.41
Co-Bond Counsel	Bates & Coleman, P.C.	**BA**	19,456	6.71
Financial Advisor	George K. Baum & Co.	No	35,000	12.07
Dissemination Agent Fee	Wilmington Trust, N.A.	No	500	0.17
Trustee	Wilmington Trust, N.A.	No	5,500	1.90
Trustee Counsel	Naman, Howell, Smith & Lee P.C.	No	6,500	2.24
Disclosure Counsel	Andrews Kurth, LLP	No	5,000	1.72
Cash Flow Verification	Causey Demgen & Moore	No	1,500	0.52
Private Activity Bond Fee	Texas Bond Review Board	N/A	6,000	2.07
Attorney General		N/A	9,500	3.28
Issuer's Issuance Fee	TDHCA	N/A	14,500	5.00
Issuer's Application Fee	TDHCA	N/A	11,000	3.79
Issuer's Compliance Fee	TDHCA	N/A	1,700	0.59
Issuer's Administration Fee	TDHCA	N/A	5,800	2.00
Tax Credit Fees	TDHCA	N/A	7,735	2.67
Rating Agencies	**Rating**			
Standard and Poors	**A-1+**		3,500	1.21
Subtotal			**$ 198,191**	**$ 68.34**

Underwriting Spread	Amount	Per $1,000
Management Fee	26,700	9.21
Total	**$ 26,700**	**$ 9.21**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Jones Walker, LLP	No	28,250	9.74	Borrower

Syndicate Firms' Gross Takedown		Risk	Management Fee	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Merchant Capital, LLC	No	100.00%	100.00%	26,700
Total		**100.00%**	**100.00%**	**26,700**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Pine Haven Apartments), Series 2014

Purpose: The proceeds from the sale of the bonds will be used for the acquisition and construction of a 64-unit multifamily residential rental development located at 2500 Southeast End Boulevard in Marshall, Texas.

Par:	$2,700,000
Method of Sale:	Negotiated
Board Approval Date:	May 27, 2014
Negotiated Sale:	June 24, 2014
Closing Date:	June 26, 2014
Variable Rate	No
True Interest Cost (TIC):	8.63%
Net Interest Cost (NIC):	1.27%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	70,000	25.93
Co-Bond Counsel	Bates & Coleman, P.C.	**BA**	10,100	3.74
Financial Advisor	George K. Baum & Co.	No	35,000	12.96
Dissemination Agent Fee	Wilmington Trust, N.A.	No	500	0.19
Trustee	Wilmington Trust, N.A.	No	5,500	2.04
Trustee Counsel	Naman, Howell, Smith & Lee P.C.	No	6,500	2.41
Disclosure Counsel	Andrews Kurth, LLP	No	5,000	1.85
Cash Flow Verification	Causey Demgen & Moore	No	1,500	0.56
Private Activity Bond Fee	Texas Bond Review Board	N/A	6,000	2.22
Attorney General		N/A	9,500	3.52
Issuer's Issuance Fee	TDHCA	N/A	13,500	5.00
Issuer's Application Fee	TDHCA	N/A	11,000	4.07
Issuer's Compliance Fee	TDHCA	N/A	1,600	0.59
Issuer's Administration Fee	TDHCA	N/A	5,400	2.00
Tax Credit Fees	TDHCA	N/A	6,294	2.33
Rating Agencies	**Rating**			
Standard and Poors	**A-1+**		3,500	1.30
Subtotal			**$ 190,894**	**$ 70.70**

Underwriting Spread	Amount	Per $1,000
Management Fee	25,100	9.30
Total	**$ 25,100**	**$ 9.30**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Jones Walker, LLP	No	28,250	10.46	Borrower

Syndicate Firms' Gross Takedown		Risk	Management Fee	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Merchant Capital, LLC	No	100.00%	100.00%	25,100
Total		**100.00%**	**100.00%**	**25,100**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (The Waters at Willow Run Apartments), Series 2013

Purpose: The proceeds from the sale of the bonds will be used for the acquisition, construction and equipping of an approximately 242-unit multifamily rental housing development.

Par:	$14,500,000
Method of Sale:	Negotiated
Board Approval:	April 30, 2013
Negotiated Sale:	September 17, 2013
Closing Date:	September 24, 2013
True Interest Cost (TIC):	6.62%
Net Interest Cost (NIC):	1.33%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell and Giulianni, LLP	No	125,000	8.62
Co-Bond Counsel	Bates and Coleman, P.C.	No	19,931	1.37
Financial Advisor	George K. Baum & Co.	No	35,000	2.41
Trustee	Wilmington Trust N.A	No	7,500	0.52
Trustee Counsel	Naman, Howell, Smith & Lee, P.C.	No	7,000	0.48
Disclosure Counsel	Andrews Kurth, LLP	No	5,000	0.34
Borrower's Counsel	Locke Lord, LLP	No	126,500	8.72
Cash Flow Verification	Columbia Capital Management, LLC	No	3,500	0.24
Issuer's Issuance Fee	TDHCA	N/A	72,500	5.00
Issuer's Application Fee	TDHCA	N/A	11,000	0.76
Issuer's Compliance Fee	TDHCA	N/A	6,050	0.42
Issuer's Administration Fee	TDHCA	N/A	14,500	1.00
Tax Credit Fee	TDHCA	N/A	36,183	2.50
Private Activity Bond Fee	Texas Bond Review Board	N/A	22,250	1.53
Attorney General		N/A	9,500	0.66
Rating Agencies	**Rating**			
Standard and Poors	**A-1+**		3,500	0.24
Subtotal			**$ 504,914**	**$ 34.82**

Underwriting Spread	Amount	Per $1,000
Management Fee	145,000	10.00
Total	**$ 145,000**	**$ 10.00**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Sidley Austin, LLP	No	50,000	3.45	Borrower

Syndicate Firms' Gross Takedown		Risk	Management Fee	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Merchant Capital, LLC	No	100.00%	100.00%	145,000
Total		**100.00%**	**100.00%**	**$ 145,000**

TEXAS HIGHER EDUCATION COORDINATING BOARD

Issue: Texas Higher Education Coordinating Board State of Texas College Student Loan Bonds, Series 2013B

Purpose: The proceeds will be used to fund an ongoing student loan program which provides low interest loans to eligible students at institutions of higher education in the State.

Par:	$113,740,000
Method of Sale:	Competitive
Board Approval:	March 13, 2013
Competitive Sale:	October 23, 2013
Closing Date:	October 23, 2013
True Interest Cost (TIC):	3.35%
Net Interest Cost (NIC):	3.56%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	70,207	0.62
Co-Bond Counsel	Mahomes Bolden PC	**BA**	15,059	0.13
Financial Advisor	Estrada Hinojosa & Co., Inc.	**HA**	56,870	0.50
Printing	ImageMaster	No	2,336	0.02
Paying Agent/Registrar	Wells Fargo Bank, N.A.	No	750	0.01
Private Activity Bond Fee	Texas Bond Review Board	N/A	500	0.00
Attorney General		N/A	9,500	0.08
Rating Agencies	**Rating**			
Moody's	**Aaa**		37,000	0.33
Standard & Poor's	**AAA**		28,000	0.25
Subtotal			**$ 220,222**	**$ 1.94**

Underwriting Spread	Amount	Per $1,000
Takedown	233,110	2.05
Total*	**$ 233,110**	**$ 2.05**

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Bank of America Merrill Lynch	No	100.00%	100.00%	233,110
Total		**100.00%**	**100.00%**	**$ 233,110**

TEXAS PRIVATE ACTIVITY BOND SURFACE TRANSPORTATION CORPORATION

Issue: Texas Private Activity Bond Surface Transportation Corporation Senior Lien Revenue Bonds (NTE Mobility Partners Segments 3 LLC, Segments 3A and 3B Facility) Series 2013 (Tax Exempt)

Purpose: The proceeds will be used to pay certain costs of issuance and pay a portion of the costs associated with the design, development, construction, repair and maintenance of the Facility.

Par:	$274,030,000
Method of Sale:	Negotiated
Board Approval:	August 15, 2013
Negotiated Sale:	September 12, 2013
Closing Date:	September 19, 2013
True Interest Cost (TIC):	6.87%
Net Interest Cost (NIC):	6.86%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	151,500	0.55
Financial Advisor	Citibank	No	150,000	0.55
OS Preparation	RR Donnelley	No	25,506	0.09
Printing	McCall, Parkhurst & Horton LLP	No	17,000	0.06
Trustee Counsel	Pillsbury, Winthrop Shaw Pittman LLP	No	10,134	0.04
Attorney General		N/A	9,500	0.03
Rating Agencies	**Rating**			
Moody's	**Baa3**		524,125	1.91
Standard & Poor's	**BBB-**		466,000	1.70
Subtotal			**$ 1,353,765**	**$ 4.94**

Underwriting Spread	Amount	Per $1,000
Underwriting Risk	26,952	0.10
Takedown	1,370,152	5.00
Spread Expenses	48,719	0.18
Total*	**$ 1,445,823**	**$ 5.28**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Latham & Watkins LLP	No	745,004	2.72	Borrower

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
JP Morgan	No	35.00%	35.00%	479,553
Bank of America Merrill Lynch	No	35.00%	35.00%	479,553
Barclays Capital	No	25.00%	25.00%	342,538
Estrada Hinojosa & Co., Inc.	**HA**	5.00%	5.00%	68,508
Total		**100.00%**	**100.00%**	**$ 1,370,152**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2013

Purpose: Proceeds of the Bonds will be used to refund the Series 2003 Bonds and Series 2003A Bonds.

Par:	$40,370,000
Method of Sale:	Negotiated
Board Approval Date:	November 20, 2013
Negotiated Sale:	December 4, 2013
Closing Date:	December 17, 2013
Variable Rate	No
True Interest Cost (TIC):	2.06%
Net Interest Cost (NIC):	2.27%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	82,800	2.05
Financial Advisor	Coastal Securities	No	67,062	1.66
Printing	World Printing Services Ltd.	No	1,411	0.03
Escrow Agent	U.S. Bank National Association	No	750	0.02
Attorney General		N/A	9,500	0.24
Travel		N/A	1,818	0.05
Rating Agencies	**Rating**			
Moody's	**Aaa**		18,017	0.45
Standard & Poors	**AAA**		14,700	0.36
Fitch	**AAA**		20,000	0.50
Subtotal			**$ 216,058**	**$ 5.35**

Underwriting Spread	Amount	Per $1,000
Management Fee	15,000	0.37
Takedown	120,441	2.98
Spread Expenses	62,680	1.55
Total*	**$ 198,121**	**$ 4.91**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Bracewell & Giuliani	No	47,500	1.18	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Piper Jaffray & Co.	No	60.00%	100.00%	15,000	66.83%	75,511
Fidelity Capital Markets	No	20.00%	0.00%	-	17.31%	23,450
Ramirez & Co., Inc.	**HA**	20.00%	0.00%	-	15.86%	21,481
Total		**100.00%**	**100.00%**	**$ 15,000**	**100.00%**	**$ 120,442**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Series 2014A

Purpose: Proceeds of the Bonds will be used to (i) refund certain outstanding general obligation commercial paper notes of the state issued by the Authority in order to provide long term fixed-rate financing, and (ii) pay costs of issuance.

Par:	$258,925,000
Method of Sale:	Negotiated
Board Approval Date:	June 9, 2014
Negotiated Sale:	June 24, 2014
Closing Date:	July 8, 2014
Variable Rate	No
True Interest Cost (TIC):	2.82%
Net Interest Cost (NIC):	3.09%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	40,000	0.15
Financial Advisor	Coastal Securities Inc.	No	63,949	0.25
Printing	FPR	No	383	0.00
Escrow Agent	TTSTC	No	250	0.00
Paying Agent		N/A	13,000	0.05
Disclosure Counsel	Andrews Kurth, LLP	No	21,656	0.08
Attorney General		N/A	9,500	0.04
Travel		N/A	2,253	0.01
Miscellaneous		N/A	101	0.00
Rating Agencies	**Rating**			
Moody's	**Aaa**		50,000	0.19
Standard & Poors	**AAA**		54,000	0.21
Fitch	**AAA**		42,500	0.16
Subtotal			**$ 297,592**	**$ 1.15**

Underwriting Spread	Amount	Per $1,000
Management Fee	25,893	0.10
Takedown	798,409	3.08
Spread Expenses	59,945	0.23
Total*	**$ 884,247**	**$ 3.42**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Bracewell & Giuliani LLP	No	25,000	0.10	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
JP Morgan	No	45.00%	100.00%	25,893	49.71%	396,895
Piper Jaffray & Co.	No	11.00%	0.00%	-	9.23%	73,694
Mesirow Financial, Inc.	No	11.00%	0.00%	-	7.86%	62,790
SAMCO	No	11.00%	0.00%	-	4.63%	36,982
Barclays Capital	No	11.00%	0.00%	-	23.06%	184,098
Drexel Hamilton, LLC	No	11.00%	0.00%	-	5.50%	43,949
Total		**100.00%**	**100.00%**	**$ -**	**100.00%**	**$ 798,408**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority State of Texas General Obligation Refunding Bonds, Taxable Series 2014B

Purpose: Proceeds of the Bonds will be used to (i) refund certain outstanding general obligation commercial paper notes of the state issued by the Authority for the Cancer Prevention and Research Institute of Texas (CPRIT) in order to provide long term fixed-rate financing, and (ii) pay costs of issuance.

Par:	$233,280,000
Method of Sale:	Negotiated
Board Approval Date:	June 9, 2014
Negotiated Sale:	June 24, 2014
Closing Date:	July 8, 2014
Variable Rate	No
True Interest Cost (TIC):	3.33%
Net Interest Cost (NIC):	3.37%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	40,000	0.17
Financial Advisor	Coastal Securities Inc.	No	63,949	0.27
Printing	FPR	No	383	0.00
Escrow Agent	TTSTC	No	250	0.00
Paying Agent		N/A	13,000	0.06
Disclosure Counsel	Andrews Kurth, LLP	No	21,656	0.09
Attorney General		N/A	9,500	0.04
Travel		N/A	2,253	0.01
Miscellaneous		N/A	101	0.00
Rating Agencies	**Rating**			
Moody's	**Aaa**		25,000	0.11
Standard & Poors	**AAA**		54,000	0.23
Fitch	**AAA**		42,500	0.18
Subtotal			**$ 272,592**	**$ 1.17**

Underwriting Spread	Amount	Per $1,000
Management Fee	23,328	0.10
Takedown	731,470	3.14
Spread Expenses	56,256	0.24
Total*	**$ 811,054**	**$ 3.48**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Bracewell & Giuliani LLP	No	25,000	0.11	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
JP Morgan	No	45.00%	100.00%	23,328	45.50%	332,789
Piper Jaffray & Co.	No	11.00%	0.00%	-	13.46%	98,488
Mesirow Financial, Inc.	No	11.00%	0.00%	-	7.03%	51,458
SAMCO	No	11.00%	0.00%	-	5.92%	43,328
Barclays Capital	No	11.00%	0.00%	-	22.62%	165,495
Drexel Hamilton, LLC	No	11.00%	0.00%	-	5.46%	39,912
Total		**100.00%**	**100.00%**	**$ -**	**100.00%**	**$ 731,470**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority State of Texas Unemployment Compensation Obligation Assessment Revenue Refunding Bonds, Series 2014AB

Purpose: Proceeds of the Bonds will be used to (i) refund and defease certain outstanding bonds in order to achieve present value debt service savings, and (ii) pay costs of issuance.

Par:	$709,785,000
Method of Sale:	Negotiated
Board Approval Date:	April 3, 2014
Negotiated Sale:	April 24, 2014
Closing Date:	May 15, 2014
Variable Rate	No
True Interest Cost (TIC):	1.86%
Net Interest Cost (NIC):	1.94%

Issuance Costs	**Firm**	**HUB**	**Amount**	**Per $1,000**
Bond Counsel	Bracewell & Guiliani LLP	No	235,000	0.33
Financial Advisor	First Southwest Company	No	239,762	0.34
Printing	Island	No	1,036	0.00
Escrow Agent	TTSTC	No	1,250	0.00
Escrow Verification	Grant Thornton	No	4,000	0.01
Disclosure Counsel	Norton Rose Fulbright	No	75,000	0.11
Attorney General		N/A	19,000	0.03
Travel		N/A	4,323	0.01
Miscellaneous		N/A	475	0.00
Rating Agencies	**Rating**			
Moody's	**Aaa**		135,000	0.19
Standard & Poors	**AAA**		125,000	0.18
Fitch	**AAA**		85,000	0.12
Subtotal			**$ 924,846**	**$ 1.30**

Underwriting Spread	**Amount**	**Per $1,000**
Takedown	1,760,383	2.48
Spread Expenses	156,519	0.22
Total*	**$ 1,916,902**	**$ 2.70**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	**HUB**	**Amount**	**Per $1,000**	**Fees Paid By**
Underwriter's Counsel	Andrews Kurth	No	75,000	0.11	Underwriter

Syndicate Firms' Gross Takedown		**Risk**	**Takedown**	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Bank of America Merrill Lynch	No	43.00%	49.89%	878,280
Estrada Hinojosa & Co., Inc.	**HA**	25.00%	14.98%	263,542
Citigroup	No	4.00%	6.20%	109,198
Goldman, Sachs & Co.	No	4.00%	5.89%	103,647
Loop Capital Markets LLC	**BA**	4.00%	2.15%	37,795
Morgan Stanley	No	4.00%	5.39%	94,964
Raymond James & Associates	No	4.00%	2.68%	47,241
RBC Capital Markets	No	4.00%	3.93%	69,189
Siebert, Brandford, Shank & Co.	**BA**	4.00%	3.85%	67,807
Wells Fargo Securities	No	4.00%	5.04%	88,718
Total		**100.00%**	**100.00%**	**$ 1,760,383**

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (The Gateway Northwest Project), Series 2013

Purpose: The proceeds will be used to finance the costs of acquiring, constructing and equipping a 180-unit multifamily residential rental project located in Georgetown, Texas.

Par:	$11,500,000
Method of Sale:	Negotiated
Board Approval:	June 26, 2013
Negotiated Sale:	September 23, 2013
Closing Date:	September 26, 2013
True Interest Cost (TIC):	0.35%
Net Interest Cost (NIC):	0.35%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Norton Rose Fulbright LLP	No	56,000	4.87
Financial Advisor	First Southwest Company	No	33,000	2.87
Paying Agent/ Registrar	Bank of Texas	No	4,500	0.39
Trustee	Bank of Texas	No	1,500	0.13
Trustee Counsel	Naman, Howell, Smith & Lee P.C.	No	5,000	0.43
Disclosure Counsel	Greenberg Traurig	No	16,200	1.41
Cash Flow Preparation	Causey Demgen & Moore	No	1,500	0.13
Issuer's Issuance Fee	Texas State Affordable Housing Corp	N/A	21,083	1.83
Issuer's Application Fee	Texas State Affordable Housing Corp	N/A	2,500	0.22
Issuer's Compliance Fee	Texas State Affordable Housing Corp	N/A	10,800	0.94
Private Activity Bond Fee	Texas Bond Review Board	N/A	30,000	2.61
Attorney General		N/A	9,500	0.83
Rating Agencies	**Rating**			
Standard and Poors	**A-1+**		-	0.00
Subtotal			**$ 191,583**	**$ 16.66**

Underwriting Spread	Amount	Per $1,000
Management Fee	74,750	6.50
Total*	**$ 74,750**	**$ 6.50**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Jones Walker, LLP	No	42,200	3.67	Borrower

Syndicate Firms' Gross Takedown		Risk	Management Fee	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Merchant Capital, LLC	No	100.00%	100.00%	74,750
Total		**100.00%**	**100.00%**	**$ 74,750**

BOARD OF REGENTS OF THE TEXAS STATE UNIVERSITY SYSTEM

Issue: Board of Regents of the Texas State University System Revenue Financing System Revenue and Refunding Bonds, Series 2014

Purpose: Proceeds of the Bonds will be used for the following purposes: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for certain members of the Revenue Financing System, (ii) refunding a portion of the University System's outstanding obligations for debt service savings, (iii) fund certain capitalized interest for the Bonds, and (iv) pay the costs of issuance.

Par:	$88,415,000
Method of Sale:	Negotiated
Negotiated Sale:	June 4, 2014
Closing Date:	July 2, 2014
Variable Rate	No
True Interest Cost (TIC):	3.70%
Net Interest Cost (NIC):	3.90%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	60,470	0.68
Financial Advisor	First Southwest Company	No	55,759	0.63
Printing	First Southwest Company/i-Deal	No	3,760	0.04
Paying Agent	Bank of New York Mellon Trust	No	1,050	0.01
Escrow Agent	Bank of New York Mellon Trust	No	500	0.01
Issuance Fee	Texas State University System	N/A	500	0.01
Attorney General		N/A	9,500	0.11
Miscellaneous			7,094	0.08
Rating Agencies	**Rating**			
Moody's	**Aaa**		53,500	0.61
Standard and Poors	**AAA**		48,000	0.54
Subtotal			**$ 240,133**	**$ 2.72**

Underwriting Spread	Amount	Per $1,000
Takedown	327,370	3.70
Spread Expenses	69,206	0.78
Total	**$ 396,576**	**$ 4.49**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski LLP	No	58,049	0.66	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Barclays Capital	No	40.00%	56.00%	183,321
Piper Jaffray & Co.	No	20.00%	19.64%	64,305
Morgan Stanley	No	20.00%	16.12%	52,762
Ramirez & Co., Inc.	**HA**	20.00%	8.24%	26,982
Total		**100.00%**	**100.00%**	**327,370**

TEXAS TRANSPORTATION COMMISSION

Issue: Texas Transportation Corporation State Highway Fund First Tier Revenue and Refunding Bonds, Series 2014-A, State Highway Fund First Tier Revenue Bonds, Series 2014-B (SIFMA Index Floating Rate Bonds)

Purpose: Proceeds of the Bonds will be used to (i) finance state highway improvement projects, (ii) refund certain outstanding notes and bonds, (iii) pay the costs of issuance.

Par:	$1,457,795,000
Method of Sale:	Negotiated
Board Approval Date:	March 4, 2014
Negotiated Sale:	March 7, 2014
Closing Date:	April 2, 2014
Variable Rate	Yes (2014-B)
True Interest Cost (TIC):	3.13%
Net Interest Cost (NIC):	3.49%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth, LLP	No	275,835	0.19
Financial Advisor	Estrada Hinojosa & Co., Inc.	**HA**	143,471	0.10
Printing	ImageMaster	No	2,762	0.00
Paying Agent	U.S. Bank National Association	No	1,575	0.00
Escrow Agent	U.S. Bank National Association	No	175	0.00
Escrow Verification	The Arbitrage Group	No	2,300	0.00
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	165,780	0.11
Attorney General		N/A	19,000	0.01
Miscellaneous		N/A	90,669	0.06
Rating Agencies	**Rating**			
Moody's	**Aaa**		147,500	0.10
Standard & Poors	**AAA**		118,000	0.08
Subtotal			**$ 967,067**	**$ 0.66**

Underwriting Spread	Amount	Per $1,000
Takedown	4,682,550	3.21
Spread Expenses	314,419	0.22
Total	**$ 4,996,969**	**$ 3.43**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Bracewell & Giuliani LLP	NA	81,250	0.06	Underwriter
Co-Underwriter's Counsel	Mahomes Bolden & Warren, PC	BA	43,750	0.03	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Piper Jaffray & Company	No	30.00%	30.32%	1,419,532
Citigroup	No	30.00%	30.13%	1,410,783
Bank of America Merrill Lynch	No	5.00%	8.84%	414,018
Barclays Capital	No	5.00%	7.26%	340,168
Morgan Stanley	No	5.00%	6.69%	313,222
Raymond James & Associates, Inc.	No	5.00%	4.56%	213,568
Jefferies & Company	No	5.00%	3.81%	178,431
Siebert, Brandford, Shank & Co.	**BA**	5.00%	3.62%	169,356
Loop Capital	**BA**	5.00%	3.27%	153,297
Frost Bank	No	5.00%	1.42%	66,426
Selling Group*	No	0.00%	0.08%	3,750
Total		**100.00%**	**100.00%**	**4,682,551**

* Selling Group includes Academy Securities, BOSC Inc., Drexel Hamilton, IFS Securities and Mesirow Financial.

TEXAS TRANSPORTATION COMMISSION

Issue: Texas Transportation Corporation State of Texas General Obligation Mobility Fund Refunding Bonds, Series 2014

Purpose: Proceeds of the Bonds will be used to (i) refund certain outstanding notes and bonds, (ii) pay the costs of issuance.

Par:	$973,775,000
Method of Sale:	Negotiated
Board Approval Date:	June 17, 2014
Negotiated Sale:	June 19, 2014
Closing Date:	July 2, 2014
Variable Rate	No
True Interest Cost (TIC):	3.17%
Net Interest Cost (NIC):	3.47%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	197,255	0.20
Financial Advisor	Estrada Hinojosa & Co., Inc.	**HA**	88,930	0.09
Printing	ImageMaster	No	5,634	0.01
Paying Agent	Wilmington Trust NA	No	150	0.00
Escrow Agent	Wilmington Trust NA	No	350	0.00
Escrow Verification	The Arbitrage Group	No	2,150	0.00
Disclosure Counsel	Andrews Kurth, LLP	No	97,378	0.10
Attorney General		N/A	9,500	0.01
Contingency		N/A	76,977	0.08
Rating Agencies	**Rating**			
Moody's	**Aaa**		105,000	0.11
Standard & Poors	**AAA**		79,200	0.08
Fitch	**AAA**		95,000	0.10
Subtotal			**$ 757,524**	**$ 0.78**

Underwriting Spread	Amount	Per $1,000
Management Fee	60,000	0.06
Takedown	3,518,325	3.61
Spread Expenses	183,982	0.19
Total	**$ 3,762,307**	**$ 3.86**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Bracewell & Giuliani LLP	NA	65,000	0.07	Underwriter
Co-Underwriter's Counsel	Bickerstaff Heath Delgado Acosta	**HA**	35,000	0.04	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Bank of America Merrill Lynch	No	50.00%	100.00%	60,000	50.55%	1,778,541
Barclays Capital	No	12.50%	0.00%	-	15.64%	550,190
Morgan Stanley	No	6.25%	0.00%	-	8.08%	284,360
Piper Jaffray & Co.	No	6.25%	0.00%	-	3.77%	132,633
Ramirez & Co., Inc.	**HA**	6.25%	0.00%	-	3.39%	119,332
RBC Capital Markets	No	6.25%	0.00%	-	6.86%	241,254
Siebert, Brandford, Shank & Co.	**BA**	6.25%	0.00%	-	3.07%	108,157
Wells Fargo Securities	No	6.25%	0.00%	-	8.48%	298,234
Academy Securities	No	0.00%	0.00%	-	0.00%	-
BOSC, Inc.	No	0.00%	0.00%	-	0.00%	-
Drexel Hamilton, LLC	No	0.00%	0.00%	-	0.05%	1,875
IFS Securities, Inc.	**BA**	0.00%	0.00%	-	0.11%	3,750
Mesirow Financial, Inc.	No	0.00%	0.00%	-	0.00%	-
Mischler Financial Group, Inc.	No	0.00%	0.00%	-	0.00%	-
Total		**100.00%**	**100.00%**	**60,000**	**100.00%**	**3,518,326**

VETERANS' LAND BOARD

Issue: Veterans' Land board State of Texas Veterans' Bonds, Taxable Refunding Series 2013C

Purpose: Proceeds of the Bonds will be used to refund certain outstanding State of Texas Veterans' Housing Assistance Program Bonds.

Par:	$297,600,000
Method of Sale:	Negotiated
Board Approval Date:	October 2, 2013
Negotiated Sale:	October 16, 2013
Closing Date:	October 24, 2013
Variable Rate	Yes

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	110,000	0.37
Co-Bond Counsel	Lannen & Oliver, P.C.	**BA**	30,000	0.10
Financial Advisor	George K. Baum & Co.	No	95,000	0.32
Printing	Island	N/A	890	0.00
Attorney General		N/A	9,500	0.03
Rating Agencies	**Rating**			
Moody's	**Aaa/VMIG 1**		45,000	0.15
Subtotal			**$ 290,390**	**$ 0.98**

Underwriting Spread	Amount	Per $1,000
Takedown	796,080	2.68
Spread Expenses	31,248	0.11
Total*	**$ 827,328**	**$ 2.78**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Locke Lord LLP	No	25,000	0.08	Underwriter
Co-Underwriter's Counsel	Mahomes Bolden & Warren PC	**BA**	5,000	0.02	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Morgan Stanley	No	100.00%	100.00%	796,080
Total		**100.00%**	**100.00%**	**$ 796,080**

VETERANS' LAND BOARD

Issue: Veterans' Land Board State of Texas Veterans' Bonds, Series 2014A

Purpose: Proceeds of the Bonds will be used to originate loans to eligible Texas veterans in the Veterans' Housing Assistance Program Fund II.

Par:	$150,000,000
Method of Sale:	Negotiated
Board Approval Date:	February 21, 2014
Negotiated Sale:	February 25, 2014
Closing Date:	February 26, 2014
Variable Rate	Yes

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	87,500	0.58
Co-Bond Counsel	Lannen & Oliver, P.C.	**BA**	23,651	0.16
Financial Advisor	George K. Baum & Co.	No	54,000	0.36
Printing	Island	N/A	1,188	0.01
Attorney General		N/A	9,500	0.06
Liquidity Provider's Counsel	Chapman and Cutler LLP	No	30,310	0.20
Rating Agencies	**Rating**			
Standard & Poors	**Aaa/A-1**		20,000	0.13
Subtotal			**$ 226,149**	**$ 1.51**

Underwriting Spread	Amount	Per $1,000
Takedown	150,000	1.00
Spread Expenses	30,845	0.21
Total*	**$ 180,845**	**$ 1.21**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Locke Lord LLP	No	25,000	0.17	Underwriter
Co-Underwriter's Counsel	Mahomes Bolden & Warren PC	**BA**	5,000	0.03	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Goldman, Sachs & Co.	No	70.00%	70.00%	105,000
BNY Mellon Capital Markets, LLC.	No	10.00%	10.00%	15,000
IFS Securities, Inc.	**BA**	10.00%	10.00%	15,000
Kipling, Jones & Co., LTD.	**BA**	10.00%	10.00%	15,000
Total		**100.00%**	**100.00%**	**$ 150,000**

VETERANS' LAND BOARD

Issue: Veterans' Land Board State of Texas Veterans' Bonds Taxable Refunding Series 2014B

Purpose: Proceeds of the Bonds will be used to current refund certain outstanding obligations of the agency.

Par:	$164,855,000
Method of Sale:	Private Placement
Board Approval Date:	February 27, 2014
Closing Date:	March 31, 2014
Variable Rate	Yes

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	110,000	0.67
Co-Bond Counsel	Lannen & Oliver, P.C.	**BA**	24,661	0.15
Co-Bond Counsel	Winstead P.C.	No	16,150	0.10
Financial Advisor	George K. Baum & Co.	No	59,210	0.36
Placement Agent	First Southwest Company	No	412,213	2.50
Attorney General		N/A	9,500	0.06
Subtotal			**$ 631,734**	**$ 3.83**

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Kutak Rock LLP	No	30,000	0.18	Issuer

VETERANS' LAND BOARD

Issue: Veterans' Land Board State of Texas Veterans' Bonds Taxable Refunding Series 2014C

Purpose: Proceeds of the Bonds will be used to refund certain outstanding State of Texas Veteran's Housing Assistance Program Bonds and State of Texas Veteran's Land Bonds.

Par:	$452,505,000
Method of Sale:	Negotiated/Private Placement
Board Approval Date:	June 18, 2014
Negotiated Sale:	June 18, 2014
Closing Date:	June 30, 2014
Variable Rate	Yes

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	167,500	0.37
Co-Bond Counsel	Lannen & Oliver , P.C.	**BA**	40,000	0.09
Co-Bond Counsel	Winstead P.C.	No	30,000	0.07
Financial Advisor	George K. Baum & Co.	No	145,100	0.32
Printer	Island	No	1,628	0.00
Attorney General		N/A	38,000	0.08
Rating Agencies	**Rating**			
Moody's	**Aaa**		29,000	0.06
Subtotal			**$ 451,228**	**$ 1.00**

Underwriting Spread	Amount	Per $1,000
Takedown	633,173	1.40
Placement Fee	216,429	0.48
Spread Expenses	46,513	0.10
Total	**$ 896,115**	**$ 1.98**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth, LLP	No	29,000	0.06	Issuer
Co-Underwriter's Counsel	Mahomes Bolden P.C.	**BA**	6,000	0.01	Issuer

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Morgan Stanley	No	100.00%	100.00%	633,173
Total		**100.00%**	**100.00%**	**633,173**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Refunding Bonds, Taxable Series 2013D (State Participation Program), State of Texas Water Financial Assistance Refunding Bonds, Taxable Series 2013E (Economically Distressed Areas Program), State of Texas Water Financial Assistance Refunding Bonds Series 2013F and State of Texas Water Financial Assistance Refunding Bonds, Taxable Series 2013G.

Purpose: The proceeds will be used to refund certain outstanding obligations and to pay cost of issuance of the bonds.

Par:	$135,855,000
Method of Sale:	Negotiated
Board Approval:	November 21, 2013
Negotiated Sale:	December 3, 2013
Closing Date:	December 19, 2013
True Interest Cost (TIC):	D-4.51%, E-2.89%, F-3.66%, G-4.03%
Net Interest Cost (NIC):	D-4.53%, E-2.92%, F-3.86%, G-4.11%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	30,105	0.22
Financial Advisor	Public Financial Management	No	84,791	0.62
Printing	ImageMaster	No	1,128	0.01
Paying Agent/Registrar	The Bank of NY Mellon Trust Co.	No	3,167	0.02
Attorney General		N/A	38,000	0.28
Miscellaneous		N/A	10,815	0.08
Rating Agencies	**Rating**			
Moody's	**Aaa**		37,000	0.27
Standard & Poor's	**AAA**		32,900	0.24
Fitch	**AAA**		50,000	0.37
Subtotal			**$ 287,906**	**$ 2.12**

Underwriting Spread	Amount	Per $1,000
Management Fee	101,891	0.75
Takedown	477,936	3.52
Spread Expenses	57,544	0.42
Total*	**$ 637,371**	**$ 4.69**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth, LLP	No	35,000	0.26	Sr. Manager

Syndicate Firms' Gross Takedown		Risk		Management Fee		Takedown	
Syndicate Member	HUB	Taxable (%)	Tax-exempt (%)	% Amount	$ Amount	% Amount	$ Amount
JP Morgan	No	40.00%	51.00%	62.00%	63,173	55.38%	264,683
Barclays Capital	No	8.57%	7.00%	0.00%	-	7.11%	33,988
Coastal Securities Inc.	No	8.57%	7.00%	22.00%	22,416	6.76%	32,304
Estrada Hinojosa & Co., Inc.	**HA**	8.57%	7.00%	5.00%	5,095	5.80%	27,729
Loop Capital Markets LLC	No	8.57%	7.00%	0.00%	-	6.27%	29,980
Morgan Stanley	No	8.57%	7.00%	1.00%	1,019	5.82%	27,782
Ramirez & Co., Inc	**HA**	8.57%	7.00%	9.00%	9,170	6.96%	33,280
Siebert, Brandford, Shank & Co. LLC	No	8.57%	7.00%	1.00%	1,019	5.90%	28,189
Total		**100.00%**	**100.00%**	**100.00%**	**$ 101,892**	**100.00%**	**$ 477,935**

BOARD OF REGENTS OF TEXAS WOMAN'S UNIVERSITY

Issue: Board of Regents of Texas Woman's University Revenue Financing System Refunding Bonds, Series 2014

Purpose: Proceeds of the Bonds will be used to (i) refund certain outstanding obligations of the Board to realize a net present value debt service savings and, (ii) pay the costs of issuance.

Par:	$12,370,000
Method of Sale:	Negotiated
Negotiated Sale:	April 10, 2014
Closing Date:	May 6, 2014
Variable Rate	No
True Interest Cost (TIC):	3.53%
Net Interest Cost (NIC):	3.59%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	24,106	1.95
Financial Advisor	RBC Capital Markets	No	46,055	3.72
OS Preparation	i-Deal (electronic distribution)	No	1,350	0.11
Printing	ImageMaster	No	418	0.03
Paying Agent	Bank of New York	No	800	0.06
Escrow Agent	Bank of New York	No	500	0.04
Attorney General		N/A	9,500	0.77
Rating Agencies	**Rating**			
Moody's	**Aa3**		6,750	0.55
Subtotal			**$ 89,479**	**$ 7.23**

Underwriting Spread	Amount	Per $1,000
Management Fee	9,278	0.75
Takedown	57,241	4.63
Spread Expenses	16,805	1.36
Total	**$ 83,324**	**$ 6.74**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth, LLP	No	12,000	0.97	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
First Southwest Company	No	60.00%	60.00%	5,567	60.00%	34,345
Raymond James & Associates, Inc.	No	40.00%	40.00%	3,711	40.00%	22,897
Total		**100.00%**	**100.00%**	**9,278**	**100.00%**	**57,242**

BOARD OF REGENTS OF THE TEXAS A&M UNIVERSITY SYSTEM

Issue: Board of Regents of The Texas A&M University System Permanent University Fund Bonds, Series 2013

Purpose: The proceeds of the bonds will be used to (i) provide funding for eligible projects, (ii) refund certain outstanding Parity Obligations of the Board secured by the Available University Fund Share to achieve overall debt service savings, and (iii) pay the cost of issuing the Bonds.

Par:	$208,465,000
Method of Sale:	Competitive
Competitive Sale	November 13, 2013
Closing Date:	December 11, 2013
True Interest Cost (TIC):	2.78%
Net Interest Cost (NIC):	2.99%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	100,463	0.48
Financial Advisor	First Southwest Company	No	104,494	0.50
Printing	I-deal/First Southwest Company	No	2,856	0.01
Paying Agent/Registrar	Bank of Texas	No	2,803	0.01
Attorney General		N/A	9,500	0.05
Miscellaneous		N/A	873	0.00
Rating Agencies	**Rating**			
Moody's	**Aaa**		100,000	0.48
Standard & Poor's	**AAA**		52,500	0.25
Subtotal			**$ 373,489**	**1.79**

Underwriting Spread	Amount	Per $1,000
Underwriting Risk	31,433	0.15
Takedown	164,059	0.79
Spread Expenses	37,524	0.18
Total	**$ 233,016**	**$ 1.12**

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Morgan Stanley	No	39.50%	39.50%	64,803
Raymond James & Associates, Inc.	No	39.00%	39.00%	63,983
Jeffries & Company	No	12.00%	12.00%	19,687
Comerica Securities	No	5.00%	5.00%	8,203
Fidelity Capital Markets	No	2.50%	2.50%	4,101
Citigroup	No	1.00%	1.00%	1,641
Stockcross Financials	No	1.00%	1.00%	1,641
Total		**100.00%**	**100.00%**	**$ 164,059**

BOARD OF REGENTS OF THE TEXAS A&M UNIVERSITY SYSTEM

Issue: Board of Regents of The Texas A&M University System Revenue Financing System Bonds, Taxable Series 2013C and Revenue Financing System Bonds, Series 2013D

Purpose: The proceeds of the bonds will be used to the purposes of (i) providing construction funds for the redesign of the Kyle Field football stadium, (ii) funding capitalized interest, and (iii) paying the cost of issuing the Bonds.

Par:	$239,965,000/$94,365,000
Method of Sale:	Negotiated
Negotiated Sale:	September 4, 2013
Closing Date:	October 1, 2013
True Interest Cost (TIC):	4.94%/3.51%
Net Interest Cost (NIC):	4.94%/3.76%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth, LLP	No	125,750	0.38
Financial Advisor	First Southwest Company	No	174,006	0.52
Printing	i-Deal/First Southwest Company	No	4,260	0.01
Paying Agent/Registrar	Bank of Texas	No	4,750	0.01
Disclosure Counsel	Andrews Kurth, LLP	No	30,000	0.09
Attorney General		N/A	19,000	0.06
Miscellaneous		N/A	5,263	0.02
Rating Agencies	**Rating**			
Moody's	**Aaa**		90,000	0.27
Standard & Poor's	**AA+**		59,850	0.18
Subtotal			**$ 512,879**	**1.53**

Underwriting Spread	Amount	Per $1,000
Takedown	1,284,744	3.84
Spread Expenses	80,955	0.24
Total*	**$ 1,365,699**	**$ 4.08**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	McCall, Parkhurst & Horton LLP	No	49,606	0.15	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Wells Fargo Securities	No	40.00%	42.94%	551,730
RBC Capital Markets	No	15.00%	13.20%	169,528
Raymond James & Associates, Inc.	No	15.00%	14.48%	186,051
Siebert, Brandford, Shank & Co.	**BA**	15.00%	13.60%	174,751
Citigroup	No	15.00%	15.78%	202,684
Total		**100.00%**	**100.00%**	**$ 1,284,744**

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

Issue: Board of Regents of the University of Texas System Permanent University Fund Bonds, Series 2014A

Purpose: Proceeds of the Bonds will be used to (i) refund certain short-term obligations of the Board in order to achieve long-term financing and, (ii) pay the costs of issuance.

Par:	$240,340,000
Method of Sale:	Negotiated
Negotiated Sale:	January 7, 2014
Closing Date:	February 10, 2014
Variable Rate	No
True Interest Cost (TIC):	4.66%
Net Interest Cost (NIC):	4.81%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani, LLP	No	100,000	0.42
Printing	ImageMaster	No	1,500	0.01
Paying Agent	Bank of Texas	No	2,000	0.01
Escrow Agent	Bracewell & Giuliani, LLP	No	15,488	0.06
Attorney General		N/A	9,500	0.04
Rating Agencies	**Rating**			
Moody's	**Aaa**		65,000	0.27
Standard and Poors	**AAA**		35,000	0.15
Subtotal			**$ 228,488**	**$ 0.95**

Underwriting Spread	Amount	Per $1,000
Takedown	901,275	3.75
Spread Expenses	72,854	0.30
Total	**$ 974,129**	**$ 4.05**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth, LLP	No	45,000	0.19	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
J.P. Morgan	No	35.00%	49.91%	449,812
Bank of America Merrill Lynch	No	35.00%	25.00%	225,328
Barclays Capital	No	5.00%	8.24%	74,227
Jefferies & Company	No	5.00%	6.65%	59,932
Southwest Securities, Inc.	No	5.00%	4.04%	36,400
Ramirez & Co., Inc.	**HA**	5.00%	3.68%	33,128
Robert W. Baird & Co.	No	5.00%	2.23%	20,067
Estrada Hinojosa & Co., Inc.	**HA**	5.00%	0.26%	2,380
Total		**100.00%**	**100.00%**	**901,274**

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

Issue: Board of Regents of the University of Texas System Permanent University Fund Bonds, Series 2014B

Purpose: Proceeds of the Bonds will be used to (i) refund certain outstanding obligations of the Board to realize a net present value debt service savings and, (ii) pay the costs of issuance.

Par:	$221,580,000
Method of Sale:	Negotiated
Negotiated Sale:	February 20, 2014
Closing Date:	April 2, 2014
Variable Rate	No
True Interest Cost (TIC):	3.48%
Net Interest Cost (NIC):	3.66%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani, LLP	No	100,000	0.45
Printing	ImageMaster	No	2,053	0.01
Paying Agent	Bank of Texas	No	2,000	0.01
Escrow Agent	U.S. Bank	No	1,100	0.00
Verification Agent	Grant Thornton	No	3,000	0.01
Attorney General		N/A	9,500	0.04
Rating Agencies	**Rating**			
Moody's	**Aaa**		60,000	0.27
Standard and Poors	**AAA**		30,800	0.14
Subtotal			**$ 208,453**	**$ 0.94**

Underwriting Spread	Amount	Per $1,000
Takedown	754,682	3.41
Spread Expenses	52,857	0.24
Total	**$ 807,539**	**$ 3.64**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth, LLP	No	30,000	0.14	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Goldman, Sachs & Co.	No	35.00%	49.32%	372,194
Raymond James & Associates Inc.	No	35.00%	25.16%	189,909
Morgan Stanley	No	5.00%	10.98%	82,875
Mesirow Financial, Inc.	No	5.00%	4.09%	30,839
Comerica Securities	No	5.00%	0.00%	-
Loop Capital Markets LLC	**BA**	5.00%	2.73%	20,595
Siebert, Brandford, Shank & Co.	**BA**	5.00%	5.61%	42,314
George K. Baum & Co.	No	5.00%	2.11%	15,955
Total		**100.00%**	**100.00%**	**754,681**

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

Issue: Board of Regents of the University of Texas System Revenue Financing System Bonds, Series 2014A

Purpose: Proceeds of the Bonds will be used to (i) refinance a portion of the Board's Tax-Exempt Commercial Paper Notes designated as Revenue Financing System Commercial Paper Notes, Series A in the aggregate principal amount of $179,411,000, (ii) finance the costs of campus improvements of certain Members of the Revenue Financing System, and (iii) pay the costs of issuance.

Par:	$259,135,000
Method of Sale:	Negotiated
Negotiated Sale:	April 1, 2014
Closing Date:	May 1, 2014
Variable Rate	No
True Interest Cost (TIC):	3.84%
Net Interest Cost (NIC):	4.07%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	111,795	0.43
Printing	ImageMaster	No	1,820	0.01
Paying Agent	Regions Bank	No	4,750	0.02
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	35,000	0.14
Attorney General		N/A	9,500	0.04
Rating Agencies	**Rating**			
Moody's	**Aaa**		62,500	0.24
Standard and Poors	**AAA**		57,400	0.22
Subtotal			**$ 282,765**	**$ 1.09**

Underwriting Spread	Amount	Per $1,000
Takedown	901,934	3.48
Spread Expenses	59,013	0.23
Total	**$ 960,947**	**$ 3.71**

*Total Underwriting Spread includes Underwriter's Counsel fee

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth, LLP	No	37,500	0.14	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Wells Fargo Securities	No	35.00%	45.91%	414,080
Piper Jaffray & Co.	No	30.00%	23.49%	211,826
Citigroup	No	5.00%	9.80%	88,366
Estrada Hinojosa & Co., Inc.	**HA**	5.00%	0.44%	3,925
Fidelity Capital Markets	No	5.00%	4.86%	43,811
First Southwest Company	No	5.00%	4.15%	37,457
Frost Bank	No	5.00%	0.57%	5,159
Ramirez & Co., Inc.	**HA**	5.00%	3.70%	33,397
RBC Capital Markets	No	5.00%	7.09%	63,912
Total		**100.00%**	**100.00%**	**901,933**

BOARD OF REGENTS OF THE UNIVERSITY OF HOUSTON SYSTEM

Issue: Board of Regents of the University of Houston System Consolidated Revenue and Refunding Bonds, Series 2013A

Purpose: Proceeds of the Bonds will be used to (i) refund and defease certain outstanding notes and bonds of the System, (ii) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure and (iii) pay the costs of issuance.

Par:	$50,155,000
Method of Sale:	Competitive
Competitive Sale:	August 20, 2013
Closing Date:	September 17, 2013
Variable Rate	No
True Interest Cost (TIC):	3.31%
Net Interest Cost (NIC):	3.49%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	54,613	1.09
Financial Advisor	First Southwest Company	No	28,949	0.58
Printing	First Southwest Company	No	911	0.02
Paying Agent	Wells Fargo Bank, N.A.	No	1,650	0.03
Escrow Agent	Wells Fargo Bank, N.A.	No	2,500	0.05
Verification Agent	Grant Thornton LLP	No	4,000	0.08
Miscellaneous		N/A	725	0.01
Attorney General		N/A	9,500	0.19
Rating Agencies	**Rating**			
Moody's	**Aa2**		29,585	0.59
Standard and Poors	**AA**		20,545	0.41
Subtotal			**$ 152,978**	**$ 3.05**

Underwriting Spread	Amount	Per $1,000
Underwriting Risk	24,861	0.50
Takedown	158,255	3.16
Spread Expenses	12,539	0.25
Total	**$ 195,655**	**$ 3.90**

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Piper Jaffray & Co.	No	100.00%	100.00%	158,255
Total		**100.00%**	**100.00%**	**$ 158,255**

BOARD OF REGENTS OF THE UNIVERSITY OF HOUSTON SYSTEM

Issue: Board of Regents of the University of Houston System Consolidated Revenue and Refunding Bonds, Series 2013B

Purpose: Proceeds of the Bonds will be used to (i) refund and defease certain outstanding notes and bonds of the System, (ii) finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations and other facilities, roads, or related infrastructure and (iii) pay the costs of issuance.

Par:	$102,420,000
Method of Sale:	Competitive
Competitive Sale:	August 20, 2013
Closing Date:	September 17, 2013
Variable Rate	No
True Interest Cost (TIC):	4.48%
Net Interest Cost (NIC):	4.57%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworksi LLP	No	111,536	1.09
Financial Advisor	First Southwest Company	No	51,430	0.50
Paying Agent/Registrar	Wells Fargo Bank, N.A.	No	1,650	0.02
Printing	First Southwest Company	No	1,849	0.02
Miscellaneous		N/A	1,480	0.01
Attorney General		N/A	9,500	0.09
Rating Agencies	**Rating**			
Moody's	**Aa2**		60,415	0.59
Standard & Poors	**AA**		41,955	0.41
Subtotal			**$ 279,815**	**$ 2.73**

Underwriting Spread	Amount	Per $1,000
Takedown	146,206	1.43
Spread Expenses	37,777	0.37
Total	**$ 183,983**	**$ 1.80**

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
JP Morgan	No	100.00%	100.00%	146,206
Rice Financial Products	No	0.00%	0.00%	-
Estrada Hinojosa & Co., Inc.	**HA**	0.00%	0.00%	-
Academy Securities	No	0.00%	0.00%	-
Total		**100.00%**	**100.00%**	**$ 146,206**

BOARD OF REGENTS OF THE UNIVERSITY OF NORTH TEXAS SYSTEM

Issue: Board of Regents of the University of North Texas System Revenue Financing System Direct Purchase Bonds, Series 2014

Purpose: Proceeds of the Bonds will be used for the following purposes: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for participants in the Revenue Financing System, and (iv) paying the costs of issuance.

Par:	$120,000,000
Method of Sale:	Private Placement
Closing Date:	June 18, 2014
Variable Rate	Yes

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	10,708	0.09
Financial Advisor	First Southwest Company	No	60,500	0.50
Paying Agent	Bank of New York	No	500	0.00
Attorney General		N/A	9,500	0.08
Bank Counsel	Kelly, Hart & Hallman	No	35,488	0.30
Placement Agent	Morgan Stanley	No	25,000	0.21
Subtotal			**$ 141,696**	**$ 1.18**

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, 2014, a total of $6.96 billion was authorized for state commercial paper or variable-rate note programs. Of this amount, $1.74 billion was outstanding as of the end of fiscal 2014 *(Table B1),* approximately $260.8 million more than the amount outstanding at fiscal year-end 2013.

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 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.

While still legislatively authorized, the program was terminated in July 2009. TDHCA has no plans to use the authority, and any attempts to reestablish the program would require reauthorization from the Bond Review Board (BRB).

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 to issue up to $500.0 million in commercial paper to carry out transportation functions.

In June 2013, the Commission suspended the commercial paper program and created the State Highway Fund Revenue Flexible Rate Revolving Notes Program in an aggregate par amount not to exceed $750.0 million to carry out transportation functions.

Texas Economic Development and Tourism Office

In 1992, the Department of Commerce, subsequently the Texas Economic Development and Tourism Office (the "Office") was granted $300.0 million of authority to issue commercial paper to fund loans to Texas businesses under three programs. 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 BRB has authorized a

Table B1
TEXAS COMMERCIAL PAPER AND VARIABLE-RATE NOTE PROGRAMS
as of August 31, 2014

ISSUER	TYPE OF PROGRAM	AMOUNT BRB AUTHORIZED	AMOUNT ISSUED FISCAL 2014	AMOUNT OUTSTANDING
Texas Department of Agriculture [1]				
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	-	-	-
Texas Department of Transportation				
State Highway Fund	Commercial Paper - Series A	500,000,000	-	-
State Highway Fund	Flexible-Rate Notes	750,000,000	250,000,000	150,000,000
Texas Economic Dev & Tourism Office [2]	Commercial Paper	25,000,000	20,000,000	20,000,000
Texas Public Finance Authority				
Revenue	Commercial Paper - 2003	150,000,000	2,210,000	62,112,000
General Obligation	Commercial Paper - 2002A	881,000,000	-	-
General Obligation	Commercial Paper - 2002B	175,000,000	-	-
General Obligation	Commercial Paper - 2008	1,000,000,000	122,650,000	22,500,000
General Obligation - Cancer Prevention and	Commercial Paper - Series A	450,000,000	162,500,000	-
Research Institute of Texas [3]	Commerical Paper - Series B		-	-
Texas Tech University System				
Revenue Financing System	Commercial Paper	150,000,000	78,700,000	114,963,000
The Texas A&M University System				
Permanent University Fund	Flexible-Rate Notes	125,000,000	-	-
Permanent University Fund	Commercial Paper		-	-
Revenue Financing System	Commercial Paper	300,000,000	119,600,000	118,753,000
The University of Texas System				
Permanent University Fund	Flexible-Rate Notes	400,000,000	-	-
Permanent University Fund [3]	Commercial Paper - Series A	500,000,000	-	-
Permanent University Fund [3]	Commercial Paper - Series B		267,500,000	358,000,000
Revenue Financing System [3]	Commercial Paper - Series A	1,250,000,000	489,135,000	687,710,000
Revenue Financing System [3]	Commercial Paper - Series B		22,000,000	75,520,000
University of Houston System				
Revenue Financing System	Commercial Paper	125,000,000	45,950,000	48,136,000
University of North Texas System				
Revenue Financing System	Commercial Paper	100,000,000	29,510,000	76,067,000
Total		**$ 6,956,000,000**	**$ 1,609,755,000**	**$ 1,742,761,000**

Source: Texas Bond Review Board - Bond Finance Office.

(1) 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.

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

(3) 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.

maximum authority of $25.0 million for the Texas Leverage Fund.

Texas Public Finance Authority

In 1992, the Texas Public Finance Authority (TPFA) established a Master Lease Purchase Program (MLPP) that is funded through commercial paper. The commercial paper issued to date has primarily been used to finance the purchase of equipment such as computers and telecommunications equipment with shorter useful lives. 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 TPFA to issue $3.00 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 (the "TTU System") authorized a Revenue Financing System commercial paper program to provide interim financing for capital projects, including construction, acquisition, renovation and equipment for facilities of the TTU System. The commercial paper is secured by a pledge of all legally available revenues of the TTU System, 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 both secured by the Permanent University Fund (PUF), as well as a commercial paper program secured by the A&M System revenues. The A&M System's PUF flexible-rate note program and the PUF commercial paper program were established in 1988 and 2008, respectively, 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 $125.0 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 $300.0 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 "UT System") has two primary interim financing programs: a Revenue Financing System (RFS) commercial paper program and a Permanent University Fund (PUF) both of which feature both taxable and tax-exempt commercial paper options.

The UT 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 UT System, including pledged tuition fees, general fees and other revenue sources. The UT System's aggregate amount of outstanding RFS commercial paper notes may not exceed $1.25 billion in principal amount at any time.

The UT System's PUF commercial paper note program was established in 2008 to replace a previously authorized $400 million PUF flexible-rate note program. The UT 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. 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 UT System's share of distributions from the total return on all PUF investments. The UT System's outstanding PUF commercial paper notes may not exceed $500 million in principal amount at any time.

University of Houston System

In August 2006, the Board of Regents of the University of Houston System (the "UH 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 UH System. The commercial paper is secured by a pledge of all legally available revenues of the UH 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 "UNT System") authorized a Revenue Financing System commercial paper program in an initial amount not to exceed $50.0 million. The program was established to provide interim financing for capital projects, including construction, acquisition, renovation and equipment for facilities of the UNT System. The commercial paper is secured by a pledge of all legally available revenues of the UNT 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 $100.0 million of which $25.0 million may be issued 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 as 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. For fiscal year 2014, the Comptroller of Public Accounts - Treasury Operations provided daily liquidity commitments totaling $656.5 million out of a total of $1.10 billion in such commitments for state obligations.

Appendix C
State Issuers' Use of Swaps

nterest 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 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, 2014.

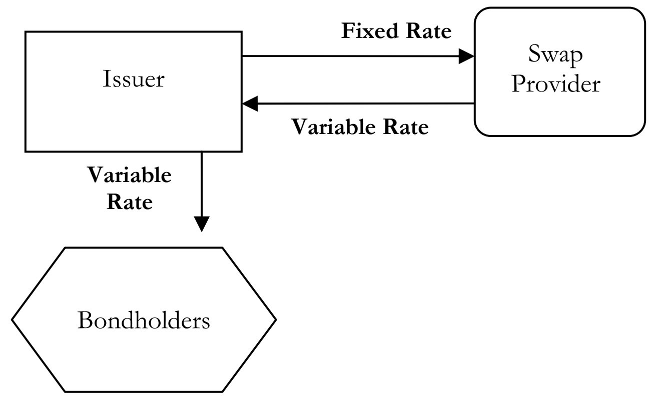
Swaps Used by State Issuers

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 (basis) interest rate swaps. As of August 31, 2014, pay-fixed, receive-variable swaps comprised approximately 77.4 percent of the state's $4.54 billion in total notional amount of swaps outstanding. The balance were basis swaps.

<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. This swap program is illustrated below.

Synthetic Fixed-Rate Swap



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).

The variable rates received under most of the state's pay-fixed, receive-variable interest rate swaps are based on the tax-exempt Securities Industries and Financial Market Association Swap Index (SIFMA), formerly known as the BMA Swap Index produced by Municipal Market Data. Certain other of the state's pay-fixed, receive-variable interest rate swaps are based on the London Interbank Offered Rates (LIBOR) taxable rate index.

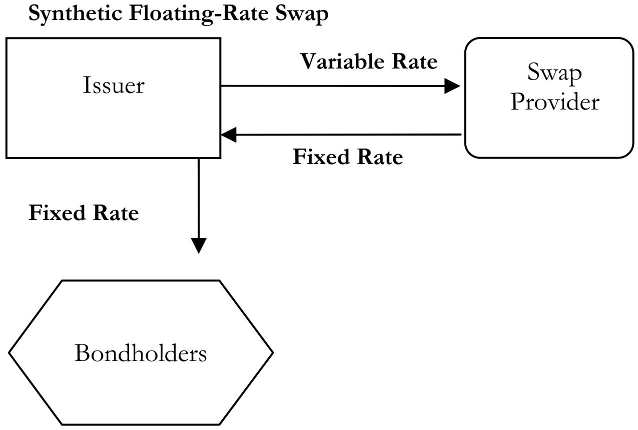
During fiscal 2009 two pay-fixed, receive-variable swap contracts, associated with the Veterans Land Board (VLB) Veterans' Housing Assistance Program, Fund II Series 2004A and 2005B Bonds were terminated as a result of the bankruptcy of Lehman Brothers and are now classified as variable-rate debt.

No swap contracts were terminated in fiscal 2010, but during fiscal 2011 VLB exercised its option to terminate its only synthetic floating rate swap due to the contract's favorable fair market value. During fiscal 2013, VLB added a pay-fixed, receive-variable swap contract to its Series 2012B and Series 2013A bonds with notional amounts of $100.0 million each and its Series 2013B bonds with notional amounts of $150.0 million. In fiscal 2014 the VLB added a pay-fixed, receive variable swap contract to its Series 2014A bonds with a notional amount of $150.0.

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

Conversely, *synthetic floating-rate debt* is created when the issuer sells fixed-rate debt and enters into a fixed-to-floating rate swap. The issuer agrees to pay variable-rate payments to the counterparty and in exchange receives a fixed-rate payment from the swap counterparty. As with synthetic fixed-rate debt, the rate to be paid is tied to an underlying reference index such as the *taxable* LIBOR or the *tax-exempt* SIFMA Index. This swap program is illustrated below.

Synthetic Floating-Rate Swap



As of August 31, 2014 no synthetic floating-rate swaps were outstanding.

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, 2014, basis swaps comprised approximately 22.6 percent of the state's total notional amount of swaps outstanding. No basis swap contracts were executed during fiscal 2014; however, University of Texas System (UTS) plans to add a basis swap on its Permanent University Fund (PUF) Series 2008A debt with a notional amount of $190.6 million with an effective date of January 1, 2015.

As of January 31, 2013, Texas Department of Transportation terminated all three basis swap agreements with JP Morgan, Goldman Sachs and Morgan Stanley, respectively.

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.

When the fair value of a swap is positive, the counterparty is liable to the issuer for the 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.

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, 2014, indicating that Texas swap issuers would be liable for payments to the counterparty 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 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, 2014.)

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 2009 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 Review Board within 10 days of material adverse changes involving the parties to derivative agreements.

Table C1

NOTIONAL AMOUNTS - INTEREST RATE SWAPS

As of August 31, 2014 (Unaudited)

(amounts in thousands)

	Original Notional Amount	Current Notional Amount	Total # of Swaps
Veterans Land Board			
Pay-Fixed, Receive-Variable Total	$2,495,540	$1,970,925	49
Pay-Variable, Receive-Variable Total	71,630	63,290	2
TOTAL VLB	**$2,567,170**	**$2,034,215**	**51**
Texas Department of Housing and Community Affairs			
Pay-Fixed, Receive-Variable Total	$422,017	$267,720	9
TOTAL TDHCA	**$422,017**	**$267,720**	**9**
The University of Texas System			
Pay-Fixed, Receive-Variable Total	$1,431,851	$1,276,600	7
Pay-Variable, Receive-Variable Total	972,255	964,715	6
TOTAL UTS	**$2,404,106**	**$2,241,315**	**13**
Totals			
Pay-Fixed, Receive-Variable	$4,349,408	$3,515,245	65
Pay-Variable, Receive-Variable	1,043,885	1,028,005	8
TOTAL INTEREST RATE SWAPS	**$5,393,293**	**$4,543,250**	**73**

Source: Texas Bond Review Board - Bond Finance Office.

Table C2

VETERANS LAND BOARD - INTEREST RATE SWAPS

As of August 31, 2014 (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 '95	$88,490	$24,505	11/29/1995	12/01/2016	5.52%	Actual Bond Rate	A- / Baa1	-1,979
Vet Land Ref Bds Ser '99A	40,025	16,030	06/01/1999	12/01/2018	5.11%	68% of 6M LIBOR	A- / Baa1	-1,796
Vet Hsg Fund II Bds Ser 2001A-2	20,000	20,000	12/03/2001	12/01/2029	4.30%	68% of 1M LIBOR	A- / Baa2	-5,252
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 / Aa2	-7,970
Vet Land Bds Ser 2002	20,000	15,485	02/21/2002	12/01/2032	4.14%	68% of 1M LIBOR	A- / Baa2	-3,647
Vet Hsg Fund II Bds Ser 2002A-2	38,300	23,650	07/10/2002	06/01/2033	3.87%	68% of 1M LIBOR	A+/Aa3	-6,162
Vet Hsg Fund II Bds Ser 2003A	50,000	28,450	03/04/2003	06/01/2034	3.30%	68% of 1M LIBOR	A+/Aa3	-4,008
Vet Hsg Fund II Bds Ser 2003B	50,000	29,725	12/01/2003	06/01/2034	3.40%	100% of 6M LIBOR	AAA / Aa2	-4,342
Vet Hsg Fund II Bds Ser 2004B	50,000	32,460	09/15/2004	12/01/2034	3.68%	100% of 6M LIBOR	A+/Aa3	-5,768
Vet Hsg Fund II Bds Ser 2005A	50,000	32,035	02/24/2005	06/01/2035	3.28%	68% of 1M LIBOR	AAA / Aa2	-4,606
Vet Hsg Fund II Bds Ser 2006A	50,000	33,875	06/01/2006	12/01/2036	3.52%	100% of 6M LIBOR	A+ / Aa3	-5,826
Vet Hsg Fund II Bds Ser 2006D	50,000	35,710	09/20/2006	12/01/2036	3.69%	68% of 1M LIBOR	A/A2	-6,694
Vet Hsg Fund II Bds Ser 2007A	54,160	35,745	02/22/2007	06/01/2037	3.65%	100% of 1M LIBOR	AAA / Aa2	-6,861
Vet Hsg Fund II Bds Ser 2007B	50,000	37,870	06/26/2007	06/01/2038	3.71%	68% of 1M LIBOR	A+/Aa3	-7,400
Vet Hsg Fund II Bds Ser 2008A	50,000	37,700	03/26/2008	12/01/2038	3.19%	68% of 1M LIBOR	A+ / Aa3	-5,508
Vet Hsg Fund II Bds Ser 2008B	50,000	38,915	09/11/2008	12/01/2038	3.23%	68% of 1M LIBOR	AAA / Aa2	-5,998
Vet Hsg Ser 2010C	74,995	67,095	08/20/2010	12/01/2040	2.31%	68% of 1M LIBOR	A / A2	-3,304
Vet Hsg Ser 2011A	74,995	67,290	03/09/2011	06/01/2041	2.68%	68% of 1M LIBOR	A / A3	-5,872
Vet Hsg Ser 2011B	74,995	68,755	08/25/2011	12/01/2041	2.37%	68% of 1M LIBOR	A / A3	-3,777
Vet Hsg Ser 2011C	74,995	70,040	12/15/2011	06/01/2042	1.92%	68% of 3M LIBOR	AAA / Aa2	-594
Vet Hsg Ser 2012A	74,995	70,625	07/01/2012	12/01/2042	1.69%	68% of 3M LIBOR	AAA / Aa2	944
Vet Hsg Ser 2012B	100,000	95,715	11/01/2012	12/01/2042	1.45%	68% of 3M LIBOR	AAA / Aa2	3,407
Vet Hsg Ser 2013A	99,995	98,650	03/20/2013	06/01/2043	1.70%	68% of 3M LIBOR	AAA / Aa2	1,583
Vet Hsg Ser 2013B	149,995	148,125	08/23/2013	12/01/2043	2.15%	68% of 1M LIBOR	AAA / Aa2	-6,022
Vet Hsd Tax Ref Bds Ser 2013C	39,560	39,560	12/01/2006	12/01/2026	5.46%	100% of 6M LIBOR	A+ / Aa3	-9,888
Vet Hgs Tax Ref Bds Ser 2013C	50,000	29,865	12/01/2007	06/01/2029	4.66%	100% of 1M LIBOR	A+ / Aa3	-8,115
Vet Hgs Tax Ref Bds Ser 2013C	16,950	13,005	12/01/2009	12/01/2021	6.22%	100% of 6M LIBOR	A+ / Aa3	-2,458
Vet Hgs Tax Ref Bds Ser 2013C	65,845	61,590	12/01/2009	06/01/2031	5.45%	100% of 6M LIBOR	A+ / Aa3	-17,013
Vet Hgs Ser 2014A	150,000	150,000	02/27/2014	06/01/2044	2.18%	68% of 1M LIBOR	AA- / Aa3	-6,648
Vet Hgs Fund I Tax Ref Bds Ser 2014B-1	47,865	40,800	12/01/2003	06/01/2021	5.19%	100% of 6M LIBOR	AAA / Aa2	-5,499
Vet Hgs Fund I Tax Ref Bds Ser 2014B-1	50,000	16,535	06/01/2004	12/01/2024	5.45%	100% of 6M LIBOR	A+ / Aa3	-3,490
Vet Hgs Fund II Tax Ref Bds Ser 2014B-1 & B-2	43,870	32,305	12/01/2004	06/01/2020	5.35%	100% of 1M LIBOR	A+ / Aa3	-4,661
Vet Hgs Fund I Tax Ref Bds Ser 2014B-1	19,860	12,890	12/01/2005	12/01/2023	4.93%	100% of 1M LIBOR	A+ / Aa3	-2,197
Vet Hgs Fd I/II Tax Ref Bds Ser 2014B-1 & C-2	24,885	22,030	12/01/2005	06/01/2026	5.15%	100% of 1M LIBOR	A+ / Aa3	-4,677
Vet Land Tax Ref Bds Ser 2014B-3	39,960	30,565	12/01/2000	12/01/2020	6.11%	100% of 6M LIBOR	AAA / Aa2	-5,101
Vet Land Tax Ref Bds Ser 2014B-3	22,795	18,155	12/01/2005	12/01/2026	6.52%	100% of 6M LIBOR	A+ / Aa3	-5,271
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	22,605	17,695	12/01/2002	06/01/2023	4.91%	100% of 6M LIBOR	AAA / Aa2	-2,699
Vet Hsg Fund I Tax Ref Bds Ser 2014C-1	21,795	20,870	08/01/2012	12/01/2033	3.76%	68% of 1M LIBOR	A+/Aa3	-5,005
Vet Hgs Fund II Tax Ref Bds Ser 2014C-2	38,570	38,570	06/01/2006	12/01/2026	5.83%	100% of 1M LIBOR	A+ / Aa3	-10,269
Vet Hgs Fund II Tax Ref Bds Ser 2014C-2	22,325	17,580	06/01/2006	12/01/2027	5.79%	100% of 6M LIBOR	A+ / Aa3	-4,528
Vet Hgs Fund II Tax Ref Bds Ser 2014C-2	66,720	60,880	06/01/2010	12/01/2031	5.40%	100% of 1M LIBOR	A+ / Aa3	-19,064
Vet Hgs Fund II Tax Ref Bds Ser 2014C-2	49,995	41,365	12/01/2010	06/01/2032	2.79%	100% of 1M LIBOR	AAA / Aa2	-1,518
Vet Land Tax Ref Bds Ser 2014C-3	50,000	24,280	06/01/2006	12/01/2027	6.54%	100% of 6M LIBOR	A+ / Aa3	-7,649
Vet Land Tax Ref Bds Ser 2014C-3	16,480	15,025	12/01/2010	12/01/2030	5.21%	100% of 1M LIBOR	A+ / Aa3	-4,093
Vet Land Tax Ref Bds Ser 2014C-4	27,685	24,325	12/01/2002	12/01/2021	4.94%	100% of 6M LIBOR	A- / Baa2	-3,740
Vet Land Tax Ref Bds Ser 2014C-4	50,000	18,520	12/01/2003	12/01/2023	5.12%	100% of 1M LIBOR	A+ / Aa3	-3,194
Vet Land Tax Ref Bds Ser 2014C-4	24,755	19,795	12/01/2004	12/01/2024	5.46%	100% of 6M LIBOR	A- / Baa2	-4,099
Vet Land Tax Ref Bds Ser 2014C-4	31,030	19,535	06/01/2006	12/01/2026	4.61%	100% of 6M LIBOR	AAA / Aa2	-3,394
Vet Land Tax Ref Bds Ser 2014C-4	41,050	31,735	12/01/2006	12/01/2027	6.51%	100% of 1M LIBOR	A+ / Aa3	-10,221
Pay-Fixed, Receive-Variable Total	**$2,495,540**	**$1,970,925**						**-$251,942**

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 Land Tax Ref Bds Ser 2014C-3	$40,000	$31,660	08/05/2002	12/01/2032	131.25% of SIFMA	100.00% of 1M LIBOR	A- / Baa2	-879
Vet Hsg Fund II Bds Ser 2009A	31,630	31,630	03/05/2009	12/01/2023	100.00% of SIFMA	94.35% of 3M LIBOR	AAA / Aa2	1,016
Pay-Variable, Receive-Variable Total	**$71,630**	**$63,290**						**$137**
TOTAL VLB INTEREST RATE SWAPS	**$2,567,170**	**$2,034,215**						**-$251,805**

Source: Texas Bond Review Board - Bond Finance Office.

Table C2 (continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - INTEREST RATE SWAPS
As of August 31, 2014 (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	$40,000	09/01/2004	09/01/2034	3.67%	65.5% of LIBOR + .20%	AA-/Aa2/AA-	-4,538
TDHCA SF Variable Rate MRB Ser 2004D	35,000	35,000	01/01/2005	03/01/2035	3.08%	*	A/A2/A	-2,633
TDHCA SF Variable Rate Ref MRB Ser 2005A	100,000	45,070	08/01/2005	09/01/2036	4.01%	*	A+/Aa3/A+	-8,469
TDHCA SF Variable Rate Ref MRB Ser 2006H	36,000	36,000	11/15/2006	09/01/2025	3.86%	63% of LIBOR + .30%	AA-/Aa2/AA-	-2,365
TDHCA SF Variable Rate Ref MRB Ser 2007A	143,005	60,900	06/05/2007	09/01/2038	4.01%	*	A+/Aa3/A+	-11,393
TDHCA MF Variable Rate MRB Ser 2008 (West Oaks Senior Apts.)	13,125	12,325	07/01/2008	07/01/2026	3.78%	SIFMA	A+/Aa3/A+	-2,050
TDHCA MF Variable Rate MRB Ser 2008 (Costa Ibiza Apts.)	13,900	13,220	08/07/2008	08/01/2026	4.01%	SIFMA	A/A2/A	**
TDHCA MF Variable Rate MRB Ser 2008 (Addison Park Apts. Ref)	13,987	13,005	10/30/2008	08/31/2018	3.44%	SIFMA	AA-/Aa3/AA	**
TDHCA MF Variable Rate MRB Ser 2008 (Alta Cullen Apts. Ref)	14,000	12,200	11/26/2008	12/01/2021	3.50%	SIFMA	AA-/Aa3/AA	**
TOTAL TDHCA INTEREST RATE SWAPS	**$422,017**	**$267,720**						**-$31,448**

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

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

Source: Texas Bond Review Board - Bond Finance Office.

THE UNIVERSITY OF TEXAS - INTEREST RATE SWAPS
As of August 31, 2014 (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 2007B-1	$172,730	$165,715	12/20/2007	08/01/2034	3.81%	SIFMA	A+/Aa3	-29,315
UT RFS Refunding Bonds, Series 2007B-2	172,730	165,715	12/20/2007	08/01/2034	3.81%	SIFMA	A/A2	-28,917
UT RFS Bonds, Series 2008B-1	155,000	133,420	03/18/2008	08/01/2036	3.90%	SIFMA	A+/Aa3	-23,528
UT RFS Bonds, Series 2008B-2	375,485	297,185	03/18/2008	08/01/2039	3.61%	SIFMA	A+/Aa3	-40,393
UT RFS Bonds, Series 2008B-3	155,000	133,420	03/18/2008	08/01/2036	3.90%	SIFMA	A-/Baa2	-23,413
UT PUF Bonds, Series 2008A-1	200,453	$190,573	11/03/2008	07/01/2038	3.70%	SIFMA	A-/Baa2	-31,915
UT PUF Bonds, Series 2008A-2	200,453	$190,573	11/03/2008	07/01/2038	3.66%	SIFMA	AA-/Aa3	-30,418
Pay-Fixed, Receive-Variable Total	**$1,431,851**	**$1,276,600**						**-$207,899**
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 PUF Bonds, Series 2008A-3	$198,113	$190,573	11/1/2011	07/01/2038	SIFMA	93.40% of 3M LIBOR	A/A3	3,727
UT PUF Bonds, Series 2008A-4	190,573	190,573	01/01/2015	07/01/2038	SIFMA	95% of 3M LIBOR	A/A3	-355
UT RFS Bonds, Series 2008B-4	90,270	90,270	08/01/2009	08/01/2039	SIFMA	102.5% of 3M LIBOR	AA-/Aa3	5,959
UT RFS Bonds, Series 2008B-5	92,045	92,045	08/01/2009	08/01/2030	SIFMA	96% of 3M LIBOR	AA-/Aa3	3,631
UT RFS Bonds, Series 2008B-6	117,190	117,190	08/01/2009	08/01/2035	SIFMA	103% of 3M LIBOR	AA-/Aa3	7,843
UT PUF Bonds, Series 2006B	284,065	284,065	01/01/2009	07/01/2035	SIFMA	82.04% if 1M LIBOR	A/A2	-4,195
Pay-Variable, Receive-Variable Total	**$972,255**	**$964,715**						**$16,610**
TOTAL UTS INTEREST RATE SWAPS	**$2,404,106**	**$2,241,315**						**-$191,289**

Source: Texas Bond Review Board - Bond Finance Office.

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, 2014 (Unaudited)

(amounts in thousands)

Texas Department of Housing and Community Affairs

Fiscal Year	Variable-Rate Bonds*		Interest Rate	
Ending 8/31/14	Principal	Interest	Swaps, Net	Total
2015	$2,020	$173	$7,919	$10,112
2016	3,435	150	7,840	11,425
2017	4,010	147	7,721	11,878
2018	4,205	144	7,589	11,938
2019	4,410	141	7,451	12,002
2020-2024	25,470	655	34,933	61,058
2025-2029	47,385	549	30,064	77,998
2030-2034	87,360	318	17,421	105,099
2035-2039	51,675	59	3,457	55,191
Total Debt Service and Net Interest Rate Swap Payments	**$229,970**	**$2,336**	**$124,395**	**$356,701**

*Does not include multifamily bonds outstanding. Current notional amount of 2004B bonds was reduced by $13 million on March 1, 2014 according to the terms of the contract.

Source: Texas Department of Housing and Community Affairs

The University of Texas System

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending 8/31/14	Principal	Interest (1)	Swaps, Net (2)	Total
2015	$33,830	$400	$47,133	$81,363
2016	35,095	389	45,896	81,380
2017	26,175	379	44,611	71,165
2018	27,140	371	43,649	71,160
2019	28,155	363	42,651	71,169
2020-2024	199,515	1,667	195,793	396,976
2025-2029	287,690	1,275	150,412	439,377
2030-2034	297,240	789	94,560	392,589
2035-2039	341,760	294	35,624	377,678
Total Debt Service and Net Interest Rate Swap Payments	**$1,276,600**	**$5,926**	**$700,330**	**$1,982,856**

(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, 2014 on its Series 2008A 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, 2014, 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 8/31/14	Principal	Interest	Swaps, Net	Total
2015	$101,205	$4,691	$65,092	$170,988
2016	112,195	4,444	61,232	177,871
2017	123,395	4,174	57,043	184,613
2018	117,680	3,851	53,566	175,097
2019	126,120	3,508	48,192	177,820
2020-2024	490,905	12,505	180,931	684,340
2025-2029	398,415	5,600	97,591	501,606
2030-2034	280,440	1,552	41,381	323,373
2035-2039	148,015	367	13,636	162,018
2040-204	72,555	74	2,568	75,198
Total Debt Service and Net Interest Rate Swap Payments	**$1,970,925**	**$40,767**	**$621,232**	**$2,632,924**

Source: Veterans Land Board

Table C4

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

[PAY-VARIABLE, RECEIVE-VARIABLE (BASIS) SWAPS ONLY]

As of August 31, 2014 (Unaudited)

(amounts in thousands)

The University of Texas System

Fiscal Year	**Variable Rate Bonds [1]**		**Interest Rate**	
Ending 8/31/14	**Principal**	**Interest [2]**	**Swaps, Net [3]**	**Total**
2015	$2,698	$147	-$741	$2,103
2016	2,795	146	-739	2,202
2017	2,898	145	-736	2,307
2018	3,003	145	-733	2,414
2019	3,110	144	-730	2,523
2020-2024	17,338	703	-3,605	14,436
2025-2029	91,713	653	-3,384	88,981
2030-2034	138,008	470	-2,381	136,097
2035-2039	228,518	194	-922	227,790
Total Debt Service and Net Interest Rate Swap Payments	**$490,078**	**$2,747**	**-$13,972**	**$478,853**

(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, 2014 on its Series 2008B Bonds, Series 2008A 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, 2014, 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 8/31/14	**Principal**	**Interest**	**Swaps, Net**	**Total**
2015	$1,010	$1,965	-$82	$2,892
2016	1,070	1,958	-81	$2,946
2017	1,135	1,951	-80	$3,005
2018	1,205	1,943	-79	$3,069
2019	1,280	1,935	-78	$3,137
2020-2024	39,345	8,715	-344	$47,715
2025-2029	10,435	435	-61	$10,810
2030-2034	7,810	87	-12	$7,885
Total Debt Service and Net Interest Rate Swap Payments	**$63,290**	**$18,988**	**-$819**	**$81,459**

Source: Veterans Land Board

Appendix D
Debt Issuance Costs

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 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 to reflect changes in the issuer's creditworthiness.

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

• Printer - The printer produces the official statement, notice of sale and any bonds required to be transferred between the issuer and purchasers of the bonds.

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

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

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 easily assess market demand without extensive pre-marketing activities.

Underwriters' spreads for negotiated transactions in Texas are typically higher than for competitive transactions because the lack of competition between underwriters and the increased costs with a more tailored underwriting *(Figure 3.2)*.

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.

Appendix E
Texas State Debt Programs

COLLEGE STUDENT LOAN BONDS

Statutory/Constitutional Authority: Article III, Sections 50b, 50b-1, 50b-2, 50b-3, 50b-4, 50b-5, 50b-6 and 50b-7 of the Texas Constitution, adopted in 1965, 1969, 1989, 1991, 1995, 1999, 2007 and 2011, respectively, authorize the issuance of general obligation bonds by the Texas Higher Education Coordinating Board. Sections 50b, 50b-1, 50b-2, 50b-3, were subsequently repealed in 1999. 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 College Access Loans (CAL) to eligible students attending public or private colleges and universities in Texas. A CAL loan is an alternative educational loan that may be used to cover the difference between other financial aid available to Texas students (federal loans, grants, etc.) and the cost of attendance. A CAL loan may also be used to cover part or all of the student's Expected Family Contribution.

Texas Education Code, Section 52.41 authorizes the Board to originate federal student loans through the Federal Family Education Loan Program (FFELP) for existing CAL recipients. However, with passage of the Health Care and Education Reconciliation Act of 2010, origination of loans under the FFELP was terminated on June 30th, 2010. All federally-guaranteed student loans are now originated by the Department of Education's direct lending program. Less than 2% of the loans in the Board's loan portfolio are federal loans that are guaranteed by the Texas Guaranteed Student Loan Corporation, the U.S. Department of Education, or the U.S. Department of Health and Human Services.

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.

Dedicated/Project Revenue: Principal and interest repayments 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.

The governing boards are required to obtain the approval of the Bond Review Board unless exempted under Sec. 1231.041 of the Texas Government Code. Approval by the Attorney General's Office prior to issuance is required on all transactions and college and university revenue bond issuers 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, SB716, 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 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 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 the UT Board nor the A&M Board have 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 UT 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 created 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 debt issued by TAFA is not an obligation of the state and is payable solely from any loan repayments and other pledged revenue and assets of TAFA. Debt service on general obligation debt is payable from pledged repayments on loans made under a financial assistance program funded by bond proceeds, or state general revenue if income is insufficient 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/Constitutional Authority: The Texas Transportation Commission ("Commission"), the governing body of the

Texas Department of Transportation ("TxDOT") is authorized to issue both revenue and general obligation bonds.

In 1997, the Texas Turnpike Authority ("TTA") was established as a division of TxDOT by SB 370, 75th Legislature (Texas Transportation Code, Chapter 361). Effective November 6, 2001, SB 342, 77th Legislature abolished TTA's board of directors, and all duties, including authority to issue bonds for toll projects, were transferred to the Commission. The Commission's authority to issue toll revenue bonds is provided by Subchapter C of Chapter 228, Texas Transportation Code.

In 2001, voters approved Article III, Section 49-k of the Texas Constitution, and Subchapter M of Chapter 201, Texas Transportation Code, which established the Texas Mobility Fund within the state treasury and authorized the Commission to issue general obligation bonds payable from the revenues of the fund.

In 2003, voters approved Proposition 14 that added Article III, Section 49-n of the Texas Constitution which, along with the enabling legislation, Section 222.003, Texas Transportation Code, authorized the issuance of $3 billion in securities payable from the revenues of the State Highway Fund. In 2005 the program capacity was increased to $6 billion with a maximum annual issuance of $1.5 billion.

In 2007, voters approved Proposition 12 that added Article III, Section 49-p to the Texas Constitution. In 2009, HB 1, 81st Legislature, First Called Session ratified Section 222.004 to the Texas Transportation Code that authorized the issuance of $5 billion in highway improvement general obligation bonds.

Purpose: Proceeds from the sale of toll revenue bonds may be used to pay for all or part of the cost of a toll project provided that they are only used to pay costs of the project for which they are issued. In 2002, the Commission and TTA issued the Central Texas Turnpike System Revenue Obligations to finance a portion of the planning, design, engineering and construction of the initial phase of the Central Texas Turnpike System (SH 130 Segments 1 through 4, SH 45 North, and Loop 1).

Revenues and obligations secured by the Texas Mobility Fund may be used for acquisition, construction, maintenance, reconstruction and expansion of state highways and the participation by the state in the costs of constructing publicly-owned toll roads and other public transportation projects.

State Highway Fund Revenue bonds (Proposition 14 Bonds) may be used to finance state highway improvement projects that are eligible for funding with constitutionally dedicated revenues. Of the $6 billion currently authorized, $1.2 billion must be used to fund projects that improve highway safety.

Highway improvement general obligation bonds (Proposition 12 Bonds) may be used to pay all or part of the costs of highway improvement projects.

Security: Project revenue bonds issued pursuant to Chapter 228, Texas Transportation Code (including Central Texas Turnpike System bonds) are not an obligation of the Commission, TxDOT, nor the state and are payable solely from the revenues of the project for which the securities are issued or other eligible sources.

Obligations of the Texas Mobility Fund (the "Fund") are secured by and payable from a pledge of revenues dedicated to and on deposit in the Fund. Pledged revenues of the Fund primarily consist of driver's license fees, driver record information fees, motor vehicle inspection fees and certificate of title fees. Bonds secured by the 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 in the Fund are insufficient for repayment of the bonds.

State Highway Fund Revenue bonds are payable from a lien on pledged revenues consisting primarily of certain fees and reimbursements deposited to the credit of the State Highway Fund. Major sources of revenue for the State Highway Fund consist of state motor fuels tax receipts, state motor vehicle registration fees and federal reimbursements.

Highway improvement general obligation bonds carry the state's full faith and credit, pledging the state's taxing power toward payment of the bonds.

Dedicated/Project Revenue: Project revenue bonds are repaid from revenue of the project for which the bonds were issued. Debt service on Texas Mobility Fund bonds and State Highway Fund Revenue bonds is payable from the revenues dedicated to each fund except that Texas Mobility Fund bonds also carry the state's general obligation pledge. Highway improvement general obligation bonds issued pursuant to Section 222.004, Texas Transportation Code are payable solely from the state's general revenues.

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TEXAS PRIVATE ACTIVITY BOND SURFACE TRANSPORTATION CORPORATION BONDS

Statutory Authority: The Texas Transportation Commission ("Commission") is authorized pursuant to the authority in the Texas Transportation Code, Chapter 431, Subchapters A through C ("Chapter 431"), to create transportation corporations to assist and act on behalf of the Commission to promote and develop new and expanded public transportation facilities and systems. Such transportation corporations are authorized to issue bonds for the same purpose for which they were created including issuance of private activity bonds for public transportation facilities and systems to be developed pursuant to comprehensive development agreements entered into by the Texas Department of Transportation ("TxDOT") as authorized by Subchapter E of Chapter 223, Texas Transportation Code. Pursuant to Chapter 431, the Commission created the Texas Private Activity Bond Surface Transportation Corporation ("Corporation") as a conduit issuer of private activity bonds in 2008.

Purpose: Proceeds from the sale of the Corporation's revenue bonds may be used to carry out the purposes for which the Corporation was created, including the development and expansion of public transportation projects, provided that obligations are only used to pay costs of the project for which they are issued.

Security: Bonds issued are payable solely from the revenues, funds, and other sources pledged for the payment thereof. The Corporation's bonds are not obligations of the state, 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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GRAND PARKWAY TRANSPORTATION CORPORATION BONDS

Statutory Authority: The Texas Transportation Commission ("Commission") is authorized pursuant to the authority in the Texas Transportation Code, Chapter 431, Subchapters A through C ("Chapter 431"), to create transportation corporations to assist and act on behalf of the Commission to promote and develop new and expanded public transportation facilities and systems. Such transportation corporations are authorized to issue bonds for the same purpose for which they were created including issuance of bonds for public transportation facilities and systems to be developed pursuant to comprehensive development agreements entered into by the Texas Department of Transportation ("TxDOT") as authorized by Subchapter E of Chapter 223, Texas Transportation Code. Pursuant to Chapter 431, the Commission created the Grand Parkway Transportation Corporation ("Corporation") in 2012.

Purpose: Proceeds from the sale of the Corporation's toll revenue bonds may be used to carry out the purposes for which the Corporation was created, in particular developing, financing, refinancing, designing, constructing, reconstructing, expanding, operating or maintaining some or all of the segments of State Highway 99 (the "Grand Parkway").

Security: Bonds issued are payable solely from the revenues, funds, and other sources pledged for the payment thereof. The Corporation and TxDOT have entered into a Toll Equity Loan Agreement that makes support available for eligible costs of the Grand Parkway through advances by TxDOT if toll revenues and certain fund balances are insufficient to pay certain expenses. The Corporation's bonds are not obligations of the state, 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: Corporation bonds are supported by the tolls and other revenues of the Grand Parkway System (composed of Segment D in Harris County and Segments E, F-1, F-2, and G in Harris and Montgomery Counties) and certain other funds held by the trustee.

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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 both general obligation and revenue 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 promote domestic business development either directly or through local economic development corporations 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. 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 revenue bonds. The Office is also authorized to issue general obligation debt which is payable from revenues received by the Office. The legislature does not appropriate 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. All Texas Small Business Industrial Development Corporation Bonds have been defeased as of January 2014.

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 retired after which 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 $60.0 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 the Authority to issue 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 $3.00 billion of general obligation debt to finance cancer research (Texas Constitution, Article III, Section 67) and $1.00 billion to finance capital projects for certain state agencies (Texas Constitution, Article III Section 50-g).

In 2011, the Sunset Advisory Commission conducted a review of the Authority pursuant to the Texas Government Code Chapter 325. HB 2251, 82nd Legislature, Regular Session (2011) became effective June 17, 2011 authorizing the continuation of the Authority for another twelve years. The legislation also authorized Stephen F. Austin State University to issue debt on its own (under prior law the Authority was the exclusive issuer of debt for that university) and authorized Texas State Technical College System and other general academic teaching institutions to contract with the Authority to issue or refund debt on their behalf.

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. The issuance of not self-supporting debt for Proposition 4 and Proposition 8 constitutional authorizations also requires Legislative Budget Board approval.

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 for their repayment.

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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 (the "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 83rd Legislature reauthorized both of the Corporation's profession-specific single family programs by adding all eligible occupations under the Professional Educators Home Loan Program to the Homes for Texas Heroes (formerly known as the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel) Home Loan Program, creating a single 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 and Rural Water Assistance Programs. The Board may issue 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, 49-d-11 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 appropriation and voter approval are required for the issuance of general obligation debt. Legislative appropriation is required for not self-supporting debt while no further legislative action is required for self-supporting debt. The issuance of not self-supporting debt also requires Legislative Budget Board review. 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 Development Fund Program is designed to be self-supporting. No general revenue draw has been made on these programs since 1980. All outstanding series of the SP Program are considered self-supporting. No general revenue draw has been made on this program since 2010.

The EDAP is anticipated to have general revenue draws. The WIF and SP Programs include certain series that are self-supporting and others that are not self-supporting. The 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. The State Water Implementation Revenue Fund for Texas (SWIRFT), administered by the Board was created in 2013 by the 83rd Legislature (Texas Water Code, Section 15.471), to issue revenue bonds to provide financing or refinancing for projects included in the state water plan. Constitutional related provisions applicable to the SWIRFT are detailed in Article III Section 49-d-13 of the Texas Constitution.

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. For the SWIRFT, the Texas Constitution requires that the Board provide written notice to the Legislative Budget Board before issuing a revenue bond for approval.

Revenue Debt Purpose: Proceeds from the sale of revenue bonds authorized under Texas Water Code, Section 17.853, are used to provide funds to the State Water Pollution Control Revolving Fund (also known as the Clean Water State Revolving Loan Fund) or any other state revolving fund that is created under Subchapter J, Section 15 of the Texas Water Code, including Drinking Water State Revolving Fund, and to provide financial assistance to local government jurisdictions through the acquisition of their obligations. SWIRFT bond proceeds will be used to provide financial assistance to local government jurisdictions through acquisition of their obligations for the purpose of financing state water plan projects.

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: In addition to program revenues, the general obligation bonds pledge the first monies coming into the Comptroller of Public Accounts - Treasury Operations not otherwise dedicated by the Constitution. 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 F
The Private Activity Bond 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 percent of the proceeds are to be used for any private business use; 2) Private Security or Payment Test - payment on principal or interest of more than 10 percent of the proceeds is to be directly or indirectly secured by, or payments are to be derived from a private business use; and 3) Private Loan Financing Test - proceeds are to be used to make or finance loans to persons other than 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 and hazardous waste disposal facilities. In recent years a widening variety of projects have been permitted to utilize tax-exempt private activity bonds including transportation 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. The current volume cap is the greater of $100 per capita or $296.8 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 BRB has administered this program since January 1, 1992.

The federal government determines the state's private activity ceiling, but historically the demand for financing for qualified private activities outstrips the supply of available volume cap. In an effort to address the excess demand over supply for most types of PAB financing, the Legislature devised a lottery system that ensures an 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 through October 20 of the preceding 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 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.

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Appendix G
Glossary

Allocation – The amount of private activity bond authority obtained from the state ceiling and assigned to a bond issuer that is using the issuance proceeds for a private activity that qualifies for exemption from federal income tax under the IRS Code.

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.

Authorized but unissued – Debt that has been authorized for a specific purpose by the voters and/or the legislature but has not yet been issued. Authorized but unissued debt can be issued without the need for further legislative action.

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 an insurance company to make timely payments of principal and interest in the event that the issuer of the debt is unable to make the payments.

Capital Appreciation Bonds (CAB) – A municipal security on which the investment return on an initial principal amount is reinvested at a stated compounded rate until maturity. At maturity the investor receives a single payment (the "maturity value") representing both the initial principal amount and the total investment return.

CAB Maturity Amount - The single payment for a capital appreciation bond an investor receives at maturity representing both the initial principal amount and interest. For capital appreciation bonds compound accreted values are calculated as interest in the year of maturity.

CAB Par Amount - The face amount assigned to a capital appreciation bond at issuance and paid to the investor at maturity.

CAB Premium - The amount by which the price paid for a (CAB) security exceeds par value.

Carryforward – A private activity bond term for the three types of state ceiling that can be carried over for use by an issuer in the subsequent three years. The three types are:

1) Traditional Carryforward - The amount of the state ceiling not reserved before November 15 and any amount previously reserved that becomes available on or after that date because of a reservation cancellation.
2) Non-Traditional Carryforward - The amount of state ceiling reserved by an issuer for a specific purpose and for which the closing date extends beyond the year in which the reservation was granted.
3) Unencumbered Carryforward - The amount of state ceiling at the end of the year that is not reserved, nor designated as carryforward, and for which no application for carryforward is pending.

Certificate of Obligation – A bond issued by a city, county or certain hospital districts without the approval of voters to finance public projects. Although voter approval is not required, the sale can be stopped if 5 percent of the total voters in the taxing area sign a petition and submit it prior to approval of the ordinance to sell such certificates.

Certificate of Participation – Financing in which an individual buys a share of the lease revenues of an agreement made by a municipal or governmental entity, rather than the bond being secured by those revenues.

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.

Component Unit (CU) – A legally separate entity for which the elected officials of the primary government (PG) are financially accountable. The nature and significance of the CUs relationship with the PG is such that exclusion from the PG's financial reports would be misleading or create incomplete financial statements.

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.

Counterparty Risk – The risk to each party in a swap contract that the counterparty will not fulfill its contractual obligations.

Current Interest Bonds (CIB) – A bond in which interest payments are made on a periodic basis throughout the life of the bond as opposed to a bond such as a capital appreciation bond that pays interest only at maturity. This term is most often used in the context of a combination issuance of bonds that includes both capital appreciation bonds and current interest bonds.

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.

Defeasance - A provision that voids a debt when the borrower sets aside cash, securities or investments sufficient enough to service the borrower's debt.

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

Derivative - A financial instrument whose value is based on one or more underlying assets. An example is a swap contract between two counterparties that specifies conditions (especially the dates, underlying variables and notional amounts) under which payments are to be made between the parties.

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 monies 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.

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 processing 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 the official statement, notice of sale and any bonds required to be transferred between the issuer and purchasers of the bonds.

Private Placement – A securities sale in which an issuer sells its securities directly to investors 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).

Reservation – The notice given by the BRB to a private activity bond issuer reserving a specific amount of the state ceiling for a specific issue of bonds for 120 to 180 days, depending on the type of bond issuance.

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.

Serial Bond – A bond issue in which a portion of the outstanding bonds matures at regular intervals until all of the bonds have matured.

Spread 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.

State ceiling – The amount of the authority granted to a state under the IRS Code to issue tax-exempt private activity bonds during a calendar year.

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.

Swap – A derivative in which counterparties exchange cash flows of one party's financial instrument for those of the other party's financial instrument.

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.

Tax and Revenue Anticipation Notes (TRAN) – Short-term loans that the state uses to address a cash flow problem created when expenditures must be incurred before tax revenues are received.

Term Bond – A bond issue in which all or a large part of the issue comes due in a single maturity, typically more than one year after the final maturity of the serial bonds. Term bond issuers make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity or for payment at maturity.

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.)

Years to Maturity - The period of time for which a financial instrument remains outstanding. Maturity refers to a finite time period at the end of which the financial instrument will cease to exist and the principal is repaid with interest.

Yield – The investor's rate of return.

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