Texas Bond Review Board

ANNUAL REPORT 2003

Texas Bond Review Board
Annual Report 2003

Fiscal Year Ended August 31, 2003

Rick Perry, Governor
   Chairman
David Dewhurst, Lieutenant Governor
Tom Craddick, Speaker of the House of Representatives
Carole Keeton Strayhorn, Comptroller of Public Accounts

Jim Buie
Executive Director

November 2003

Introduction

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

The Texas economy has experienced a second year of economic slowdown, but still has done better than the nation as a whole. The ramifications of the economic slowdown are reflected in the state's financial position, with the ending General Revenue Fund balance totaling approximately $408.9 million, a decrease of 84.9 percent from 2002's $2.7 billion. For fiscal 2003, total net general revenues decreased only by 8.97 percent, from $91.5 billion to $83.2 billion; and total expenditures decreased accordingly at 8.75% percent to $85.5 billion from $93.7 billion in fiscal 2002. Economic indicators point to an economic upturn in fiscal 2004 and 2005, which should help the state's bottom line.

Tax-supported debt ratios for Texas rank well below other states, including comparisons with the ten most populous states and those rated AAA by the three major rating agencies. Tax-supported debt outstanding increased modestly during the past fiscal year, due to the increase in unrestricted general revenue, and the percentage of these funds utilized for debt service also increased. The U.S. Bureau of the Census figures depict the significant level of local debt burden in the state as a percentage of combined state and local debt, and contrasts Texas with the ten most populous states. The state remains well below its constitutional debt limit of 5 percent, with a ratio of 2.37 percent, an increase from the fiscal 2002 ratio of 2.22 percent.

Approximately $3.3 billion in new-money and refunding bonds and commercial paper were issued by state agencies and institutions of higher education in fiscal 2003. This figure is less than the issuance of $4.5 billion in fiscal 2002; $2.2 billion of which was attributed to the Texas Department of Transportation for the Central Texas Turnpike Project. The refunding transactions resulted in the issuance of $1.29 billion, which was a direct result of interest rate savings opportunities and debt restructurings. Projections for fiscal year 2004 show a decrease in state debt issuance, particularly in the area of refunding opportunities.

Issuance cost data for the transactions that closed in fiscal 2003 reveals the average issuance cost for state bonds was $895,090, or $8.40 per $1,000 in bonds issued. This is a decrease in issuance cost from the $1,284,410 or $9.19 per $1,000 issued in fiscal 2002. For fiscal 2003, most of Texas' competitive issues were smaller issues with an average size of just under $58.1 million, while the negotiated issues had an average size of over $119.4 million.

Although the state's private activity bond volume cap increased to $1,633,491,975 from $1,599,376,351 million in 2002, the program experienced application demand of $4.89 billion, more than 299.38 percent of the available authority. Initial applications for the 2004 program year indicate a similar level of requests, $3.4 billion, for bond allocation authority to finance "private activities" such as housing, pollution control, and student loans.

The report concludes with three appendices. Appendix A provides a detailed description of each state bond transaction that closed in fiscal 2003. Appendix B reports on commercial paper and variable rate debt programs used by state agencies and universities. Appendix C provides a brief discussion of each of the state's bond issuing entities.

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Cautionary Statements

Chapter 1231 of the Texas Government Code directs issuers of state securities to report their securities transactions to the Bond Review Board (BRB). Chapter 1231 also requires the BRB to report the data to the governor, lieutenant governor, the speaker of the house, and each member of the legislature in an annual report within 90 days of the end of each state fiscal year. This report is intended to satisfy these Chapter 1231 duties.

The data in this report and on the BRB's website is compiled from information reported to the BRB from various sources and has not been independently verified. The reported debt and defeasance data of state agencies may vary from actual debt outstanding, and the variance for a specific issuer could be substantial.

State debt data compiled does not include all installment purchase obligations, but certain lease-purchase obligations are included. In addition, SECO LoanSTAR Revolving Loan Program and certain other revolving loan program debt and privately-placed loans are not included. Outstanding debt excludes debt for which sufficient funds have been escrowed to retire the debt either from proceeds of refunding debt or from other sources.

Future debt issuance is based on estimates supplied by each issuing agency. Future debt service on variable-rate, commercial paper, and other short-term and demand debt is estimated on the basis of interest rate and refinancing assumptions described in the report. Actual future data could be affected by changes in legislative and oversight direction, agency financing decisions, prevailing interest rates, market conditions, and other factors that cannot be predicted. Consequently, actual future data could differ from the estimates, and the difference could be substantial. The BRB assumes no obligation to update any such estimate of future data.

Historical data and trends presented are not intended to predict future events or continuing trends, and no representation is made that past experience will continue in the future.

This report refers to credit ratings. An explanation of the significance of the ratings may be obtained from the rating agencies furnishing the ratings. Ratings reflect only the respective views of each rating agency. In reporting ratings herein, the BRB does not intend to endorse the ratings or make any recommendation to buy, sell or hold securities.

This report is intended to meet chapter 1231 requirements and inform the state leadership and the Legislature. This report is not intended to inform investors in making a decision to buy, hold, or sell any securities, nor may it be relied upon as such. Data is provided as of the date indicated and may not reflect debt, debt service, population or other data as of any subsequent date. This data may have changed from the date as of which it is provided. For more detailed or more current information, see the issuers' web sites or their filings at Electronic Municipal Market Access (EMMA®). The BRB does not control or make any representation regarding the accuracy, completeness or currency of any such site, and no referenced site is incorporated herein by that reference or otherwise.

Chapter 1

Texas Debt in Perspective

During fiscal 2003, Texas expended $246 in net tax-supported debt per capita, up from $238 in fiscal 2002, compared to a national median of $606 and an average of $838. The median net tax-supported debt per capita among the ten most populous states is $635, while the average net tax-supported debt per capita is $763.

Texas' Financial Position Remains Positive

Texas ended the fiscal year with a General Revenue Fund cash balance of $409 million. This represents an 84.8 percent decrease from the fiscal 2002 balance of $2.69 billion. While Texas has ended each fiscal year in the black since 1988, the ending general revenue fund cash balance decreased significantly in fiscal years 2002 and 2003, and reached its lowest level since fiscal 1992's $609 million (*Figure 1*).

Year-end net revenues and other cash sources totaled $83.3 billion, while net expenditures increased to $85.6 billion (*Table 1*). Total tax collections received in the General Revenue Fund decreased by 0.6 percent from fiscal 2002. The state's primary source of revenue is the sales tax, which contributed 54.6 percent of the total taxes received during fiscal 2003. Sales tax collections decreased slightly by 1.7 percent from the prior fiscal year. Natural gas production tax revenue ended the year at $1.07 billion, an increase of 70.2 percent from fiscal 2002. The motor fuels taxes increased by 0.2 percent, while the motor vehicle sales tax collections decreased 8.7 percent in fiscal 2003.

78th Legislature Passed $118.4 Billion Budget

The 78th Legislature convened in January 2003 and approved the budget for the 2004-05 biennium. This budget, House Bill 1, called for total expenditures of $118.4 billion, an increase of 2.2 percent over actual expenditures for the 2002-03 biennium. Included in this all-funds amount was $58.9 billion general revenue spending. This was a decrease of $1.8 billion, or 2.9 percent, from the 2002-03 biennium general revenue spending level. As required by the Texas Constitution, the

Table 1

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

	Fiscal 2002	Fiscal 2003		Percent Change
Revenues and Beginning Balance				
Beginning Balance, September 1	$ 4,963,078	$ 2,687,671	**	-45 85%
Tax Collections				
General Revenue Fund				
Sales Tax	14,486,173	14,246,344		-1 66%
Oil Production Tax	338,661	423,587		25 08%
Natural Gas Production Tax	628,497	1,069,864		70 23%
Motor Fuels Taxes	2,833,607	2,838,777		0 18%
Cigarette and Tobacco Taxes	540,038	582,712		7 90%
Motor Vehicle Sale/Rental, Mfg Housing Sale	2,949,540	2,693,443		-8 68%
Franchise Tax	1,935,709	1,716,600		-11 32%
Alcoholic Beverages Taxes	560,197	567,796		1 36%
Insurance Occupation Taxes	1,045,754	1,169,062		11 79%
Inheritance Tax	334,191	186,844		-44 09%
Hotel and Motel Tax	230,909	227,899		-1 30%
Utilities Taxes	311,051	328,905		5 74%
Other Taxes	54,650	43,898		-19 67%
Total Tax Collections	$ 26,248,978	$ 26,095,733		-0 58%
Federal Income	$ 15,823,683	$ 18,335,495		15 87%
Interest & Investment Income	111,711	9,102		-91 85%
Licenses, Fees, Permits, Fines, & Penalties	3,558,241	3,919,053		10 14%
Contributions to Employee Benefits	142,020	160,064		12 70%
Sales of Goods and Services	159,295	138,314		-13 17%
Land Income	17,257	17,564		1 78%
Settlements of Claims	504,159	554,056		9 90%
Net Lottery Proceeds	1,391,938	1,405,554		0 98%
Other Revenue Sources	1,237,043	1,369,036		10 67%
Interfund Transfers / Investment Transactions	42,284,569	31,270,098		-26 05%
Total Net Revenue and Other Sources	$ 91,478,896	$ 83,274,069		-8 97%
Expenditures and Ending Balance				
General Government	$ 1,814,086	$1,944,835		7 21%
Health and Human Services	20,124,904	22,418,071		11 39%
Public Safety and Correction	3,039,387	3,067,030		0 91%
Education	18,531,045	18,902,761		2 01%
Employee Benefits	2,115,568	2,855,375		34 97%
Lottery Winnings Paid	422,937	413,873		-2 14%
Other Expenditures*	1,246,067	1,298,671		4 22%
Interfund Transfers / Investment Transactions	46,459,680	34,652,023		-25 41%
Total Expenditures and Other Uses	$ 93,753,673	$ 85,552,640		-8 75%
Net decrease to Petty Cash Accounts		(101,732)		
Ending Balance, August 31	$ 2,688,300	$ 408,998		-84 79%

Source: Texas Comptroller of Public Accounts

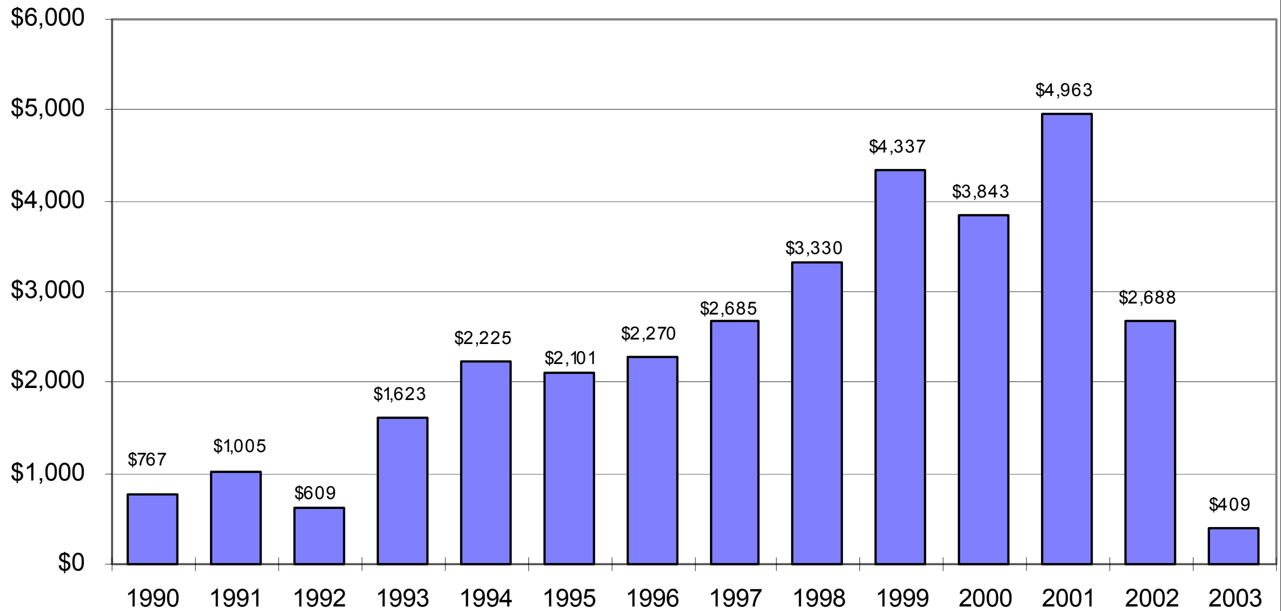
* Includes Transportation, Natural Resources/Recreational Services, Regulatory Agencies

** Beginning cash balance has been restated due to fund classification changes in petty cash accounts

Figure 1

ENDING CASH BALANCE IN TEXAS' GENERAL REVENUE FUND

(millions of dollars)



Note: Of the ending cash balance, approximately $1.2 billion in 1993, $1.6 billion in 1994, and $1.4 billion in 1995 were attributable to the consolidation of funds into Revenue Fund

Source: Texas Comptroller of Public Accounts

State Comptroller certified that sufficient revenue was available to pay for the state's 2004-05 budget.

Of the total $118.4 billion (all funds) that will be spent during the biennium, 54.6 percent are appropriated general revenue and dedicated general revenue funds. Federal funds comprise 33.2 percent of the state's available revenues, with the remainder, 12.2 percent, coming from other sources.

Major funding changes from the 2002-03 biennium of nondedicated general revenue include: (1) an increase of 45.5 percent for business and economic development, (2) a 9.7 percent decrease in funding for the Legislature, and (3) a 16.2 percent decrease in funding for natural resources. The Texas Legislature allocated agencies of education and health and human services 58.3 and 24.9 percent, respectively, of 2004-05 general revenue and dedicated general revenue funds. Public safety and criminal justice is the third largest expenditure of nondedicated general revenue and will consume 11.2 percent of these funds in 2002-03.

Texas GO Bond Ratings

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

One quantitative factor the rating agencies assess is the likelihood of timely repayment of principal and interest. Those entities with the strongest credit quality in all areas are assigned a rating of AAA. Ratings of AA or A also indicate good quality credit, but not as strong as AAA ratings (*Table 2*).

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

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

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

More States Receive Rating Downgrades

Louisiana was the only state to receive a ratings upgrade in fiscal 2003 for state general obligation bonds (*Table 3*).

All three of the major rating agencies downgraded the general obligation debt for California: however, this was the second Moody's downgrade in the last two years. Moody's Investors Service and Fitch IBCA also downgraded general obligation bonds for Illinois. Other states receiving downgrades in fiscal 2003 include Connecticut, Minnesota, New York, Oregon, and West Virginia.

During fiscal 2003, Texas' ranked 43rd among all states in net tax-supported debt per capita according to *Moody's 2003 State Debt Medians (Table 4)*. According to the Moody's report, Texas expended $246 in net tax-supported debt per capita, up from $238 in fiscal 2002, and compared to a national median of $606 and an average of $838. The median net tax-supported debt per capita among the ten most populous states is $635, while the average net tax-supported debt per capita is $763.

Another method of comparing Texas' current debt position is to compare it against the eight states rated Aaa/AAA/AAA by Moody's, Standard and Poor's, and Fitch IBCA, respectively (*Table 5*). Ranked against these states, Texas' net tax-supported debt per capita ranks last at $246 per capita. Delaware had the highest net tax-supported debt at $1,599 per capita.

According to U.S. Department of Commerce figures in 2002, Texas' personal income per capita is $28,551. This amount is below the national average of $29,972.

When compared against those states rated AAA by the three major rating agencies, Texas' personal income per capita ranks above Utah and South Carolina.

Table 2
STATE GENERAL OBLIGATION BOND RATINGS
July 2003

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

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

Upon examination of net tax-supported debt as a percentage of 2001 personal income shows that Texas ranks 42nd among the fifty states. Among the seven states rated AAA, Texas is ranked last at 0.9 percent. Texas is well below the national median and national average of 2.5 percent.

The most recent data (2000) provided by the U.S. Census Bureau, regarding state and local debt outstanding, shows that Texas' debt status among the ten most populous states is manageable (*Table 6*). While Texas ranks 3rd among the ten most populous states in terms of local debt per capita, it ranks 10th in state debt and 8th in combined state and local debt. Texas' local debt burden is 84 percent of the combined state and local total in 2003. At the national level, the use of local debt remains relatively unchanged (*Figure 4*). Local debt includes debt issued by cities, counties, school districts, and special districts.

Many communities throughout Texas are experiencing significant population growth and increased demand for programs and services. This net migration to the state has

Table 3

UPGRADES AND DOWNGRADES IN

STATE GENERAL OBLIGATION BOND RATINGS

August 2002 to July 2003

State	Rating Change	Agency
Upgrades		
Louisiana	A to A+	Standard & Poor's
	A to A+	Fitch IBCA
Downgrades		
California	A1 to A2	Moody's
	A+ to BBB	Standard & Poor's
	AA to A	Fitch IBCA
Connecticut	Aa2 to Aa3	Moody's
Illinois	Aa2 to Aa3	Moody's
	AA+ to AA-	Fitch IBCA
Minnesota	Aaa to Aa1	Moody's
New York	AA to AA-	Fitch IBCA
Oregon	Aa2 to Aa3	Moody's
West Virgina	AA to AA-	Standard and Poor's

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

forced many small and medium-sized communities to increase financing for infrastructure such as roads, school construction, and water and wastewater service, to meet those needs. Based on current demographic trends, the need for infrastructure expansion will only become greater.

Debt Supported by General Revenue Increases

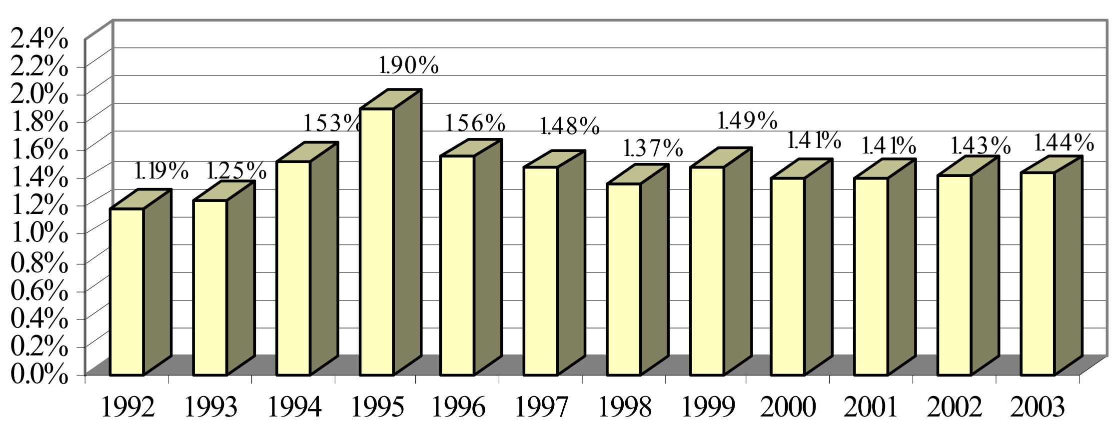
The use of general obligation debt by the state allows for "the full faith and credit of the state" to back the payment of the bonds. This pledge states that in the event any revenue used to support the bonds is insufficient to repay the debt, the first monies coming into the Office of the Comptroller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

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

State debt payable from general revenue has decreased slightly since fiscal 1999 when the total state debt payable from general revenue was $3.38 billion. At the end of fiscal 2003, outstanding state debt payable from general revenue was $3.13 billion, a slight decrease from the $3.24

Figure 2

ANNUAL DEBT SERVICE AS A PERCENTAGE OF UNRESTRICTED GENERAL REVENUE



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

billion outstanding in fiscal 2002.

Annual debt service as a percent of unrestricted general revenue during fiscal 2003 was 1.44 percent. This is not a significant change from the 1.43 percent paid during fiscal 2002 *(Figure 2)*.

Both debt outstanding and debt-service payable from general revenue saw a slight decrease in fiscal 2003 as interest rates continued to drop. In addition, funds accessible to make debt service payments also decreased *(Figure 3)*. Unrestricted general revenue is typically considered the source available to make bond debt-service payments and to fund appropriations for state operations.

Authorized but Unissued Bonds Add to Texas' Debt Burden

Texas continues to have a moderate amount of authorized but unissued debt on the books. This is debt that has been authorized by the legislature, but has not been issued. At the end of fiscal year 2003, approximately $1.32 billion in bonds payable from non-self-supporting general revenue had been authorized by the legislature, but remains unissued. These authorized but unissued bonds may be issued at any time without further legislative action.

Texas' Constitutional Debt Limit and Debt Management Policy

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

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

The debt limit ratio for outstanding debt as of August 31, 2003, is 1.51 percent, a slight increase from fiscal 2002 when the ratio was 1.42 percent. The increase in the debt ratio for outstanding debt is attributed to a slight reduction in unrestricted general revenue at year end 2003. With the inclusion of authorized but unissued debt,

Table 4

SELECTED TAX-SUPPORTED DEBT MEASURES BY STATE

State	Moody's Rating	Net Tax-Supported Debt Per Capita***	Rank	Net Tax-Supported Debt as a % of 2001 Personal Income	Rank
Connecticut	Aa3	$3,440	1	8.1%	3
Massachusetts	Aa2	3,298	2	8.4%	2
Hawaii	Aa3	3,111	3	10.4%	1
New Jersey	Aa2	2,110	4	5.5%	5
New York	A2	2,095	5	5.8%	4
Delaware	Aaa	1,599	6	4.9%	7
Rhode Island	Aa3	1,508	7	4.8%	8
Washington	Aa1	1,507	8	4.6%	9
Mississippi	Aa3	1,207	9	5.4%	6
Kentucky	Aa2**	1,095	10	4.3%	10
Illinois	Aa3	1,040	11	3.1%	15
Florida	Aa2	985	12	3.3%	13
Maryland	Aaa	977	13	2.7%	20
Wisconsin	Aa3	958	14	3.2%	14
West Virginia	Aa3	950	15	4.0%	11
Vermont	Aa1	861	16	2.9%	17
Kansas	Aa1**	860	17	3.0%	16
New Mexico	Aa1	844	18	3.5%	12
Georgia	Aaa	802	20	2.8%	19
California	A2	810	19	2.5%	23
Ohio	Aa1	750	21	2.6%	22
Pennsylvania	Aa2	693	22	2.2%	25
Utah	Aaa	682	23	2.8%	18
Louisiana	A2	650	24	2.6%	21
Minnesota	Aa1	625	25	1.8%	28
South Carolina	Aaa	587	26	2.3%	24
Virginia	Aaa	546	27	1.7%	31
Michigan	Aaa	542	28	1.8%	29
Alabama	Aa3	540	29	2.1%	26
Arizona	*	539	30	2.1%	27
New Hampshire	Aa2	485	31	1.4%	34
Maine	Aa2	471	32	1.7%	30
Oregon	Aa3	454	33	1.6%	32
North Carolina	Aa1	429	34	1.5%	33
Nevada	Aa2	413	35	1.4%	36
Missouri	Aaa	368	36	1.3%	38
Montana	Aa3	329	37	1.3%	37
Arkansas	Aa2	328	38	1.4%	35
Oklahoma	Aa3	302	39	1.2%	39
Indiana	Aa1**	300	40	1.1%	40
Colorado	*	295	41	0.9%	41
Wyoming	*	256	42	0.8%	43
TEXAS	Aa1	246	43	0.9%	42
North Dakota	Aa3**	223	44	0.8%	44
Tennessee	Aa2	222	45	0.8%	45
Sou h Dakota	*	190	46	0.7%	46
Iowa	Aa1**	156	47	0.6%	47
Alaska	Aa2	94	48	0.3%	49
Idaho	Aa3**	83	49	0.3%	48
Nebraska	*	38	50	0.1%	50
U.S Mean		$838		2.7%	
U.S Median		$606		2.2%	
Puerto Rico	Baa1			49.2%	

* No general revenue debt

** Issuer Rating

***Based on 2001 population figures.

Sources: Moody's Investors Service, 2003 State Debt Medians, U.S. Bureau of Economic Analysis, and U.S. Census Bureau.

the fiscal 2003 ratio is 2.37 percent, compared to the fiscal 2002 ratio of 2.22 percent.

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

Capital Planning Review and Approval Process

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

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

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

Table 5

SELECTED DEBT MEASURES FOR TEXAS AND STATES RATED AAA*

State	Rating	Net Tax-Supported Debt as a % of 2002 Personal Income	Net Tax-Supported Debt Per Capita***	2002 Personal Income Per Capita
Delaware	AAA	4 9	$1,599	$32,799
Georgia	AAA	2 8	802	28,821
Maryland	AAA	2 7	977	36,298
Missouri	AAA	1 3	368	28,936
South Carolina	AAA	2 3	587	25,400
TEXAS	AA	0 9	246	28,551
Utah	AAA	2 8	682	24,306
Virginia	AAA	1 7	546	32,922
Median of AAA States		**2.7**	**$682**	**$28,936**
Mean of AAA States		**2.6**	**$794**	**$29,926**

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

** Based on 2002 population figures

Sources: Moody's Investors Service, *2003 State Debt Medians;* U S Census Bureau; and Bureau of Economic Analysis

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

Approved capital and operating budgets are integrated into the General Appropriations Act, which authorizes specific debt

Table 6

TOTAL STATE AND LOCAL DEBT OUTSTANDING: TEN MOST POPULOUS STATES

		Total State and Local Debt			State Debt				Local Debt			
State	Population (thousands)	Per Capita Rank	Amount (millions)	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount
New York	18,976	1	$ 172,174	$ 9,073	1	$ 78,308	45 5%	$ 4,127	1	$ 93,867	54 5%	$ 4,947
Pennsylvania	12,281	2	72,279	5,885	7	17,729	24 5%	1,444	2	54,550	75 5%	4,442
New Jersey	8,414	3	49,055	5,830	2	28,929	59 0%	3,438	9	20,126	41 0%	2,392
Illinois	12,419	4	67,406	5,428	3	28,828	42 8%	2,321	6	38,578	57 2%	3,106
California	34,600	5	183,093	5,292	5	62,343	34 0%	1,802	5	120,750	66 0%	3,490
Michigan	9,938	6	46,766	4,706	4	19,430	41 5%	1,955	7	27,336	58 5%	2,751
Florida	16,713	7	78,228	4,681	8	18,091	23 1%	1,082	4	60,137	76 9%	3,598
TEXAS	**20,852**	**8**	94,982	**4,555**	**10**	**15,212**	**16.0%**	**730**	**3**	**79,770**	**84.0%**	**3,826**
Georgia	8,186	9	29,472	3,600	9	7,086	24 0%	866	8	22,386	76 0%	2,735
Ohio	11,353	10	40,769	3,591	6	17,909	43 9%	1,577	10	22,860	56 1%	2,014
MEAN			**$ 83,422**	**$ 5,264**		**$ 29,386**	**35.4%**	**$ 1,934**		**$ 54,036**	**64.6%**	**$ 3,330**

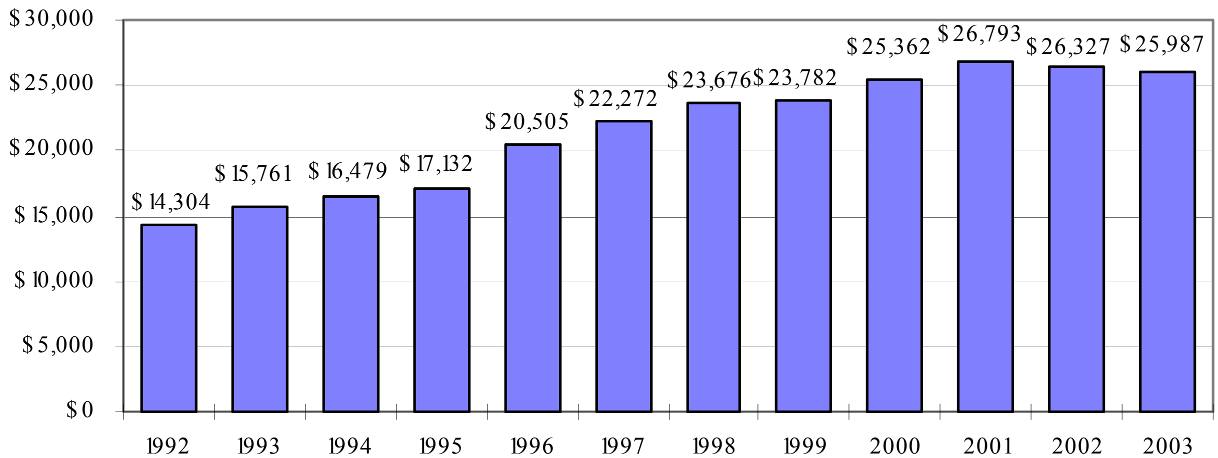
Detail may not add to total due to rounding

Source: U S Census Bureau, *State and Local Government Finances by Level of Government and by State: 1999-2000.*

Figure 3

UNRESTRICTED GENERAL REVENUE

(millions of dollars)



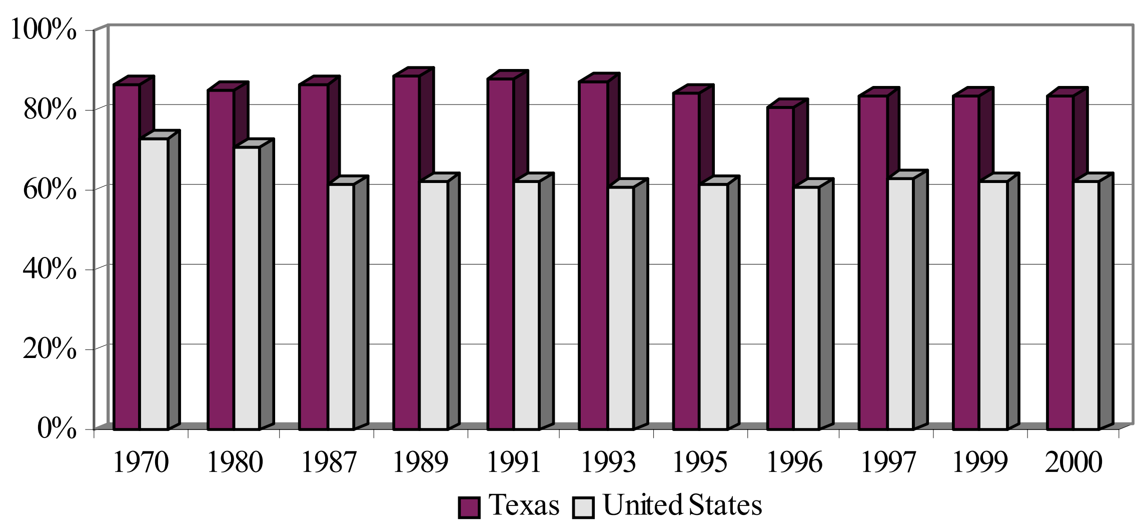
Source: Texas Comptroller of Public Accounts.

issuance for capital projects. Through the capital budgeting process, capital projects are approved for the biennial period. In addition, the CEP reports on the out-years to identify long-term needs of the state and to plan for the future.

The 2004 CEP represents the second published capital expenditure plan for the state, per House Bill 1, Article 9, Section 9-6.35, 78th Legislature (2003). The CEP is another management tool for the state of

Figure 4

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



Source: U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State: 1999-2000*.

Texas, and an ongoing developmental process that will assist decision makers in assessing future individual capital expenditure requests within the framework of the state's overall financial position. The 2004-05 Capital Expenditure Plan is available on the agency's website.

The debt issuance process in Texas remains fragmented on the local level, while becoming more consolidated at the state level. On the local level, there are nearly 4,000 debt issuing entities. At the state level, the number of direct issuers has been reduced to eighteen.

Chapter 2

Texas Bonds Issued in Fiscal 2003

Issuance of debt by Texas state agencies and universities decreased by 36 percent from the prior year, with an aggregate total of $2.88 billion, compared to $4.51 billion in fiscal 2002. The fiscal 2003 issues included almost $1.6 billion in new money and $1.3 billion in refunding bonds (Table 7). Other debt issued included $452 million of commercial paper and variable-rate notes. Additional information on bond transactions can be found in Appendix A of this report.

New-Money Funding Decreases in Fiscal 2003

New-money bonds issued by Texas state agencies and institutions of higher education during fiscal 2003 totaled almost $1.6 billion, a dramatic decrease compared to $3.8 billion during fiscal 2002 (*Figure 5*). Issuance of commercial paper is not included. The proceeds provided financing for infrastructure, housing, and loan programs.

For fiscal year 2003, the Texas Department of Housing and Community Affairs (TDHCA) was the top issuer of new-money bonds with 23.7 percent of the total, while The University of Texas System issued 22.2 percent. These two agencies captured 45.9 percent of the total new-money issuance for fiscal 2003.

Uses of New Money for 2003

In 2002, the Texas Department of Transportation (TXDOT) closed on one transaction totaling $2.2 billion, 58 percent of all new money issued that year. Issued on behalf of the Texas Turnpike Authority, the proceeds were used to finance the costs of the Central Texas Turnpike Project. Looking at the issuing trend for state of Texas agencies, 2002 represented a spike in new-money issuance because of TXDOT. Lacking such a huge individual issue in 2003, the majority of new-money bond proceeds funded state university infrastructure projects and multi-family and single family mortgage loan programs. This would also have been the case in 2002 had TXDOT not issued.

The Texas Department of Housing and Community Affairs (TDHCA) issued 23.7 percent of total new-money bonds amounting to $376 million, up from $268.7 million in 2002.

The TDHCA provided $4.7 million more funds for single family housing than multi-family housing. Two transactions provided over $190.6 million of new-money bonds for the TDHCA's single family mortgage revenue bond program. The program provides financing for the purchase of low interest rate mortgage loans made by lenders to first-time homebuyers with very low, low, and moderate income who are acquiring modestly priced residences.

Fifteen TDHCA transactions accounted for $185.9 million for affordable multifamily housing in Austin, Houston, Dallas, Fort Worth, Lancaster, Grand Prairie, Mesquite, and Rosenberg, Texas. Federal tax law requires a percentage of the rental units in these properties to be set aside for low-to-moderate income households.

Another significant portion of 2003 new money (58.3 percent) comprises funding for construction and improvement projects at institutions of higher education in Texas.

The University of Texas System issued $353 million and The Texas A&M University System issued $210.9 million to fund property and facility improvements at their campuses. The Texas State University System issued $141.7 million and the Texas State Technical College System issued $10.9 million to fund property and facility improvements at their campuses. The University of North Texas System issued $40.7 million for construction and upgrades to the University, including a new residential facility and dining hall. Finally, the University of Houston issued $131 million for campus renovations.

The Texas Public Finance Authority (TPFA) closed on six bond transactions

Table 7

TEXAS BONDS ISSUED DURING FISCAL 2003

SUMMARIZED BY ISSUER

ISSUER	REFUNDING BONDS	NEW-MONEY BONDS	TOTAL BONDS ISSUED
Texas Department of Housing & Community Affairs	$12,200,000	$376,495,000	$388,695,000
Texas Veterans Land Board	50,290,000	50,000,000	100,290,000
Texas State Technical College System	0	10,880,000	10,880,000
Texas State University System	19,934,554	141,680,446	161,615,000
The Texas A&M University System	117,180,000	210,930,000	328,110,000
The University of Texas System	403,374,000	353,011,000	756,385,000
University of Houston System	45,425,000	130,955,000	176,380,000
University of North Texas System	0	40,680,000	40,680,000
Texas Higher Education Coordinating Board	103,190,000	75,000,000	178,190,000
Texas Public Finance Authority	260,654,350	141,020,000	401,674,350
Texas Water Development Board	278,700,000	57,015,000	335,715,000
Total Texas Bonds Issued	**$1,290,947,904**	**$1,587,666,446**	**$2,878,614,350**

Note: See Table 18, Appendix B, for commercial paper issuance

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

totaling $141 million, 8.9 percent of total new-money. Three of these transactions were issued on behalf of institutions of higher education for a total new-money amount of $37.3 million. The proceeds from the bonds will finance campus infrastructure improvements and construction of new facilities - $27.2 million for Texas Southern University, $8.8 million for Midwestern State University, and $1.3 million for Stephen F. Austin State University.

The Texas Higher Education Coordinating Board also financed $75 million to make funds available for the Hinson-Hazelwood College Student Loan Program. This program provides low interest loans to students seeking an undergraduate and/or graduate or professional education through public and independent institutions of higher education in Texas.

The combination of these institutions of higher education and the Texas Higher Education Coordinating Board accounts for 63 percent of total new money issued for fiscal 2003.

The Texas Public Finance Authority's other three issues provided $103.7 million in new money to finance projects for the Department of Mental Health and Mental Retardation, Parks and Wildlife, School for the Blind and Visually Impaired, the Department of Public Safety, the Texas Youth Commission, Texas Building and Procurement Commission and the Texas Department of Agriculture. In addition, funds were used to finance renovation and repair projects for the Texas Department of Criminal Justice (TDCJ) facilities throughout the sate and the expansion of TDCJ's Western Regional Medical Facility.

The Veterans Land Board (VLB) issued 3.2 percent of total fiscal 2003 new-money debt, for a total of $50 million. The proceeds will be used to make housing and home improvement loans to eligible Texas veterans as well as augmenting the Land Fund.

The Texas Water Development Board issued $57 million (3.6 percent) of new-money bonds. The proceeds will be used for water supply and water quality enhancements, interagency contracts, and water resource conservation and development.

Refunding Amounts Increase in Fiscal 2003

Refunding bonds issued by state agencies and universities totaled over $1.3 billion, achieving net present value savings of $56 million. The refunding bonds comprise 45 percent of total debt issued in fiscal 2003, as compared to only 16 percent of the total bonds issued in fiscal 2002. Although this was a large percentage gain, the percentage comes nearer to historical percentages and is close to the approximately 47 percent refunding total for 2001.

The University of Texas System refunded the largest amount of outstanding debt, issuing $403 million to refund outstanding obligations.

The Texas Water Development Board issued $278.7 million in refunding bonds for outstanding water development bonds.

The Texas Public Finance Authority issued $260.7 million in refunding bonds to advance refund general obligation bonds and building revenue bonds.

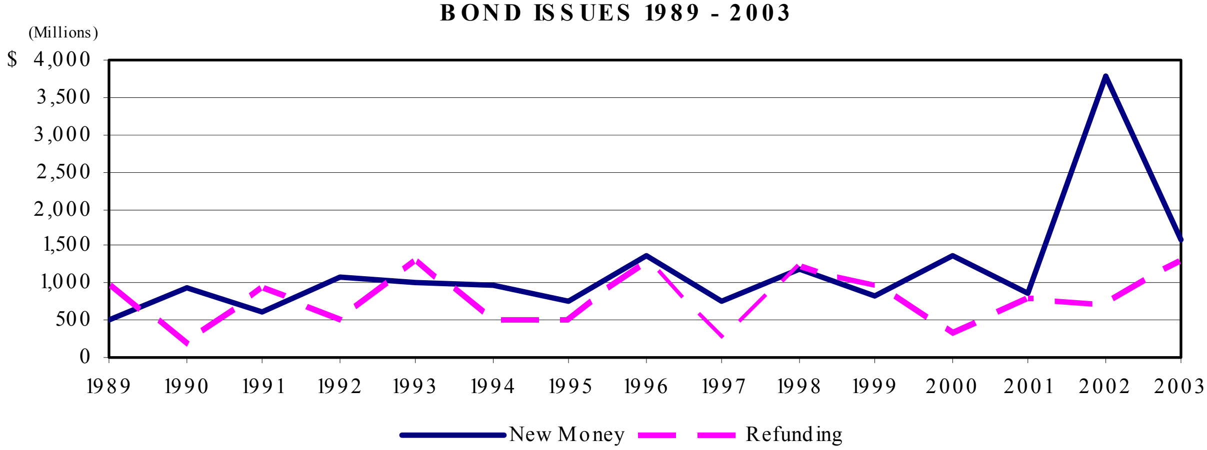
The Texas A&M System issued $117.2 million to refund outstanding Revenue Financing System commercial paper notes and bonds. The University of Houston issued $45.4 million in refunding bonds for outstanding consolidated revenue bonds. The Texas State University System issued almost $20 million in refunding bonds to refund housing system revenue bonds.

The Texas Higher Education Coordinating Board issued $103.2 million in refunding bonds to refund outstanding college student loan bonds.

Texas Veterans Land Board issued $50.3

Figure 5

TEXAS NEW-MONEY AND REFUNDING BOND ISSUES 1989 - 2003



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

million to refund outstanding veterans' housing assistance bonds and veterans' land bonds.

Finally, the TDHCA issued $12.2 million to refund outstanding multifamily mortgage revenue bonds for the Reading Road Apartments project in Rosenberg.

Increased Interim Financing

State agencies and institutions of higher education use commercial paper and variable-rate notes to provide interim financing for equipment, construction, and loans. Total issuance in fiscal 2003 was over $452 million, a significant decrease from the $681 million that was issued in fiscal 2002. See Table 17.

The University of Texas System issued slightly more than $33 million in Revenue Financing System (RFS) commercial paper notes and $125 million in Permanent University Fund (PUF) variable-rate notes during fiscal 2003. As of August 31, 2003, the System had $13.4 million of RFS commercial paper and $300 million of PUF variable-rate notes outstanding. The System uses commercial paper and variable-rate notes to provide interim financing for construction projects and to purchase equipment.

The Texas Public Finance Authority issued $80 million in revenue commercial paper and $37.9 million in general obligation commercial paper during fiscal 2003. As of August 31, 2003, TPFA had a total of $65.3 million in revenue commercial paper and $52.4 million in general obligation commercial paper outstanding.

The Texas A&M University System issued $65.6 million in RFS commercial paper and $40 million in PUF variable-rate notes during fiscal 2003. As of August 31, 2003, the System had $60 million of RFS commercial paper outstanding and $80 million of PUF variable-rate notes outstanding. The System utilizes commercial paper and variable-rate notes to finance construction projects on its campuses.

The Texas Department of Housing and Community Affairs issued $49.4 million in commercial paper during fiscal 2003. The total amount of commercial paper outstanding as of August 31, 2003, was $61.5 million. TDHCA established its commercial paper program in 1994 to enable the agency to recycle certain prepayments of single family mortgage loans, thereby preserving the private activity volume cap allocation under its single family programs. Once TDHCA has issued a substantial aggregate amount of notes, the notes are refunded with single family mortgage revenue bonds. The preservation of the volume cap allows TDHCA to make additional mortgage loans for modestly priced housing. The program targets first-time homebuyers of very low, low, and moderate income.

During fiscal 2003, the Texas Tech University System issued approximately $13.7 million in RFS commercial paper. As of August 31, 2003, the TTU System had $23.6 million of commercial paper outstanding. The System established its commercial paper program in 1998 to finance construction projects.

The Texas Department of Economic Development issued $5.6 million in commercial paper during fiscal 2003. As of August 31, 2003, the Department had $13.3 million of commercial paper outstanding.

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

Table 8

LEASE-PURCHASE AGREEMENTS
APPROVED BY THE BOND REVIEW BOARD
FISCAL 2003

AGENCY	PROJECT	AMOUNT
Stephen F. Austin State University System	Oracle software	$612,386
Total Approved Lease-Purchase Agreements		**$612,386**

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

Texas Lease Purchases

Lease purchases with an initial principal greater than $250,000, or with a term of more than five years are required to be approved by the Bond Review Board. The BRB approved $612,386 for one lease-purchase acquisition during fiscal 2003 (*Table 8*), compared to $47.3 million in fiscal 2002.

The lease-purchase transaction enabled the Stephen F. Austin State University System to acquire new Oracle software.

Funding Needs Projected to Increase For 2004

Texas state issuers expect to issue more debt in fiscal 2004 than was issued during fiscal 2003. The results of an annual survey conducted by the Bond Review Board show that Texas state agencies and institutions of higher education are planning to issue $4.3 billion in bonds and commercial paper during fiscal 2004 *(Table 9)*.

The largest amount of debt issuance in fiscal 2004 will provide funding for the Texas Public Finance Authority; the authority plans to issue approximately $2.3 billion in bonds and commercial paper during fiscal 2004. Approximately $1.4 billion will be used for the Texas Workforce Commission's Unemployment Obligation Assessment. Other large TPFA bonding packages include $250 million for the Military Preparedness Commission, and $200 million for the Texas Education Agency for the lease purchase of textbooks. Other projects to be funded in fiscal 2004 include $95 million for colonias roadways, $75 million for the Nursing Home Liability Fund, as well as $75 million for the FAIR Plan as designated by Senate Bill 14. $84.8 million will be used for renovation and construction projects by the Department of Criminal Justice, Youth Commission, Department of Mental Health and Mental Retardation, and the Building and

Table 9

TEXAS STATE BOND ISSUES EXPECTED DURING FISCAL 2004

ISSUER	APPROXIMATE AMOUNT	PURPOSE	APPROXIMATE ISSUE DATE
General Obligation Bonds			
Self-Supporting			
Texas Higher Education Coordinating Board	$26,948,500	General Obligation Refunding Bonds	Jul-04
Texas Veterans Land Board	50,000,000	Veterans Housing Bonds	Oct-03
Texas Veterans Land Board	47,685,000	Veterans Housing Refunding Bonds	Nov-03
Texas Veterans Land Board	29,285,000	Veterans Land Refunding Bonds	Nov-03
Texas Veterans Land Board	50,000,000	Veterans Housing Bonds	Mar-04
Texas Veterans Land Board	50,000,000	Veterans Housing Bonds	Aug-04
Texas Veterans Land Board	20,000,000	Veterans Land Bonds	Aug-04
Texas Veterans Land Board	20,000,000	Veterans Land Bonds	Aug-04
Texas Water Development Board	75,000,000	Water Financial Assistance Bonds	Oct-03
Texas Water Development Board	33,000,000	Water Financial Assistance Refunding Bonds	Mar-04
Texas Water Development Board	25,000,000	Water Financial Assistance Bonds - Economically Distressed Areas	Jul-04
Texas Water Development Board	25,000,000	Water Financial Assistance Bonds - Rural	Apr-04
Total Self-Supporting	**$451,918,500**		
Not Self-Supporting			
Texas Public Finance Authority*	$25,000,000	Governor's Office, TXDOT - Colonia Roadways	Sep-03
Texas Public Finance Authority*	20,000,000	Governor's Office, TXDOT - Colonia Roadways	Jan-04
Texas Public Finance Authority*	5,000,000	Governor's Office, TXDOT - Colonia Roadways	Jan-04
Texas Public Finance Authority*	25,000,000	Governor's Office, TXDOT - Colonia Roadways	Mar-04
Texas Public Finance Authority*	20,000,000	Governor's Office, TXDOT - Colonia Roadways	Jun-04
Texas Public Finance Authority*	6,201,500	Texas Building and Procurement Commission - Deferred Maintenance	Sep-03
Texas Public Finance Authority*	34,500,000	Texas Department of Criminal Justice - Repair and renovation	Jun-04
Texas Public Finance Authority*	6,000,000	Texas Dept of Health - Construction of Healthcare Facility at UTHSC San Antonio	Sep-03
Texas Public Finance Authority*	7,400,000	Texas Dept of Health - Construction of Healthcare Facility at UTHSC San Antonio	Dec-03
Texas Public Finance Authority*	5,300,000	Texas Dept of Health - Construction of Healthcare Facility at UTHSC San Antonio	Jun-04
Texas Public Finance Authority*	1,050,000	TX Dept of Mental Health and Mental Retardation - Repair and Renovation	Sep-03
Texas Public Finance Authority*	1,250,000	TX Dept of Mental Health and Mental Retardation - Repair and Renovation	Feb-04
Texas Public Finance Authority*	6,900,000	TX Dept of Mental Health and Mental Retardation - Repair and Renovation	May-04
Texas Public Finance Authority*	19,950,000	TX Dept of Mental Health and Mental Retardation - Repair and Renovation	Jun-04
Texas Public Finance Authority*	25,000,000	Texas Historical Commission - Courthouse Preservation	Jun-04
Texas Public Finance Authority*	20,000,000	Texas Historical Commission - Courthouse Preservation	Jun-04
Texas Public Finance Authority*	1,800,000	Texas Youth Commission - Repair and renovation	Sep-03
Texas Public Finance Authority*	250,000,000	Military Preparedness Commission	Unknown
Total Not Self-Supporting	**$480,351,500**		
Total General Obligation Bonds	**$932,270,000**		
Non-General Obligation Bonds			
Self-Supporting			
The Texas A&M University System - RFS*	65,000,000	Facility Construction, Renovation, and Equipment	As Needed
Texas Department of Housing and Community Affairs	21,000,000	Single-Family Housing - Housing Revenue Bonds	Apr-04
Texas Department of Housing and Community Affairs*	70,000,000	Single-Family Housing - Commercial Paper Refunding Bonds	Apr-04
Texas Department of Housing and Community Affairs	91,000,000	Single-Family Housing - Housing Revenue Bonds	Aug-04
Texas Department of Housing and Community Affairs	73,311,120	Private Activity Bonds	various
Texas State University System -RFS	27,000,000	San Marcos - Teaching Center Construction	Oct-03
Texas State University System -RFS	17,000,000	Sam Houston - Housing Facility Construction	Oct-03
Texas State University System -RFS	1,500,000	Sam Houston - Business Building Addition	Oct-03
Texas State University System -RFS	2,000,000	Sam Houston - Baseball/Softball Complex Construction	Oct-03
Texas State University System -RFS	2,500,000	Lamar - Dining Hall	Oct-03
Texas Tech University	100,000,000	Revenue Financing System Refunding and Improvement Bonds	Sep-03
Texas Water Development Board	100,000,000	Water Financial Assistance Bonds - New Money	Dec-03
Texas Water Development Board	91,000,000	Water Financial Assistance Bonds - Refunding	Mar-04
Texas Woman's University	8,300,000	Science Building Renovation	Mar-04
The University of Texas System - RFS	750,000,000	Facility Construction, Renovation, and Equipment Refunding Bonds	Dec 03 - Aug 04
University of Houston System	25,000,000	Consolidated Revenue Bonds	Feb-04
University of Houston System	20,000,000	Consolidated Revenue Refunding Bonds	Feb-04
The University of North Texas System	6,185,000	Advanced Refunding	Sep-03
The University of North Texas System	4,980,000	Residence Housing Construction	Sep-03
The University of North Texas System	25,500,000	Dallas Campus & Facility Development	Aug-04
Total Self-Supporting	**$1,501,276,120**		
Not Self-Supporting			
Texas Public Finance Authority	Unknown	Charter School Financings	unknown
Texas Public Finance Authority	9,000,000	Parks and Wildlife Department - Nimitz Museum	unknown
Texas Public Finance Authority	75,000,000	Texas Department of Insurance - Nursing Home Liability Fund	unknown
Texas Public Finance Authority	200,000,000	Texas Education Agency - Lease purchase of textbooks	Mar-03
Texas Public Finance Authority	14,013,826	Texas Military Facilities Commission/Adjutant General	unknown
Texas Public Finance Authority	1,400,000,000	Texas Workforce Commission - Unemployment Obligation Assessment	unknown
Texas Public Finance Authority	75,000,000	FAIR Plan (SB 14)	unknown
Texas Public Finance Authority*	16,050,772	DHS - TIERS Part II	various
Texas Public Finance Authority*	17,014,926	DHS - TIERS Part III	various
Texas Public Finance Authority*	2,053,479	DPS - Satellite System	various
Texas Public Finance Authority*	9,000,000	DPS - Satellite System Phase III	Dec-03
Texas Public Finance Authority*	8,500,000	MHMR - Energy and Water Conservation	Jan-04
Texas Public Finance Authority*	126,920	TDA - Metrology Lab	various
Total Not Self-Supporting	**$1,825,759,923**		
Total Non-General Obligation Bonds	**$3,327,036,043**		
Total All Bonds	**$4,259,306,043**		

* Commercial Paper or Variable-Rate Note program

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

Procurement Commission. The Department of Health plans to issue $23.4 million for construction of a healthcare facility at University of Texas Health Science Center at San Antonio.

In addition, TPFA plans to issue $11 million for the Department of Public Safety's satellite system equipment and $9 million for the Parks and Wildlife Department's Nimitz Museum project. The remainder of TPFA's new debt for 2004 consists of $45 million for the Texas Historical Commission's county courthouse preservation projects, an estimated $33 million for the Texas Department of Human Services' TIERS Project, $8.5 million for MHMR energy and water conservation projects and $127,920 to fund a metrology lab for the Texas Department of Agriculture. TPFA will also provide funding for charter school financings.

The University of Texas System expects to issue $750 million of debt during the new fiscal year. The debt will be used to finance facility construction, renovation, purchase equipment as well as refund outstanding bonds.

The Texas Water Development Board anticipates that it will issue $225 million in new money. The Clean Water State Revolving Fund will utilize the majority of this new debt — $100 million — to provide funds for financial assistance to local governmental jurisdictions in Texas that seek to improve their wastewater infrastructure. The TWDB also plans to issue $25 million for the agency's Economically Distressed Areas Program (EDAP), $25 million for the Rural Water Assistance Fund and $75 million for Water Financial Assistance bonds. In addition the TWDB plans on issuing $124 million for refunding. Of the total refunding $91 million would be earmarked for the Clean Water State Revolving Fund and $33 for the Water Financial Assistance Program Bonds.

The Texas Veterans Land Board expects to issue $267 million in bonds during fiscal 2004. Of this projected debt, $150 million will augment the Veterans Housing Assistance Program and $40 million will provide loans for eligible veterans to acquire land through the Veterans Land Loan Program. The VLB also anticipates refunding approximately $47.7 million of housing bonds and $29.3 million of land bonds.

The Texas Department of Housing and Community Affairs expects to issue approximately $255.3 million during fiscal 2004. Of the total, the proceeds from $112 million will finance TDHCA's Single Family Mortgage Revenue Bond Program. TDHCA also plans to issue approximately $70 million in refunding bonds via commercial paper to refund a portion of its outstanding residential mortgage revenue bonds; that represents an increase of just under $60 million over 2003. The remaining bonds expected to be issued will be Private Activity Bonds, estimated to be $73.3 million.

The Texas Tech University System estimates that it will refund $100 million of Revenue Financing System Refunding and Improvement Bonds in fiscal 2004. In addition, the Texas A&M University System projects that it will issue $65 million of Revenue Financing System bonds during fiscal 2004 for facilities improvement and construction.

Texas State University System plans to issue $50 million for facility construction and renovations. Of the total, the proceeds from $20.5 million will be used to build a business building addition, a housing facility and sports complex on the Sam Houston Campus. With the remaining proceeds, TSUS will build a teaching center in San Marcos and a dining hall on the Lamar Campus

The University of Houston System expects to issue $25 million of new-money debt for Consolidated Revenue Bonds. The System will also issue $20 million of Consolidated Revenue Refunding Bonds.

The Texas Higher Education Coordinating Board plans to issue $29.4 million of General Obligation Refunding Bonds.

The University of North Texas System anticipates issuing $36.7 million to fund the construction of the Dallas Campus and facility development, and to advance refund outstanding bonds.

The Texas Woman's University expects to use $8.3 million for renovations to a science building.

Chapter 3

Texas Bonds and Notes Outstanding

In fiscal 2003, the state's total bonds and notes outstanding increased 3.2 percent to $17.7 billion compared to $17.1 billion in fiscal 2002 and $13.7 billion in fiscal 2001.

General Obligation Bonds Outstanding Decreased Slightly in FY 2003

At the end of fiscal 2003, total state debt outstanding that is backed by the state's general obligation (G.O.) pledge remained nearly unchanged at $5.8 billion with only a $6.1 million decrease from the previous year *(Table 10)*. New-money, G.O. issues in fiscal 2003 include College Student Loan bonds, Veterans Housing Assistance bonds, Water Financial Assistance bonds, and Texas Public Finance Authority bonds. (See Chapter 2 and Appendix A for a description of bonds issued in fiscal 2003.)

Texas G.O. bonds carry a constitutional pledge of the full faith and credit of the state to pay the bonds. G.O. debt is the only legally binding debt of the state. The issuance of G.O. bonds requires passage of a proposition by two-thirds of both houses of the Texas Legislature and by a majority of Texas voters.

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

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

General Revenue Supported Debt Decreased in FY 2003

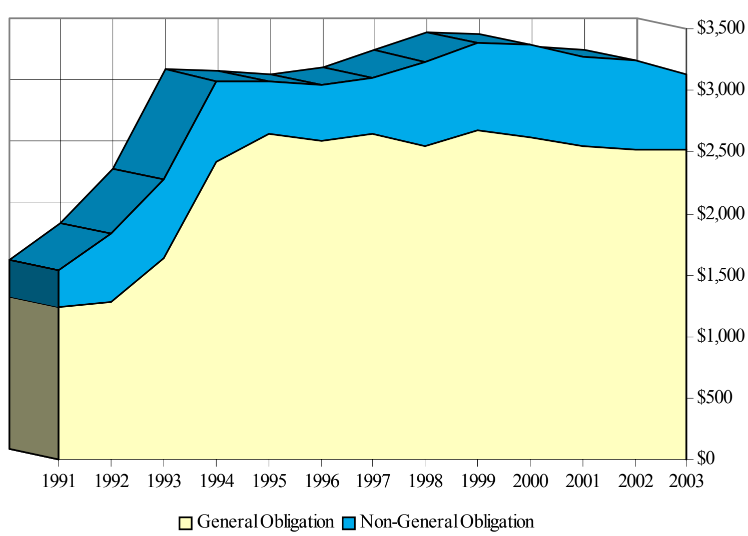
All bonds do not have the same financial impact on the state's general revenue. Self-supporting bonds, both G.O. and non-G.O., rely on sources other than the state's general revenue to pay debt service; thus, self-supporting bonds do not directly impact state finances. However, bonds that are not self-supporting depend solely on the state's general revenue fund for debt service, drawing funds from the same source used by the legislature to finance the operation of state government.

The combined total of not self-supporting general obligation and revenue bonds outstanding decreased by $112.5 million during fiscal 2003 *(Figure 6)*. Not self-supporting G.O. bonds outstanding increased by $4.6 million in fiscal 2003, while not self-supporting revenue bonds outstanding decreased by $117.1 million. As a result, Texas had $3.1 billion in outstanding bonds that must be paid from the state's general revenue as of August 31, 2003, compared to $3.2 billion at the end of fiscal 2002. Not self-supporting G.O. and revenue bonds totaled $3.3 billion and $3.4 billion in fiscal years 2001 and 2000, respectively.

Significant growth in bonds payable from general revenue occurred during 1988-94, primarily as a result of the issuance of bonds to finance construction of correctional facilities and the initial phase of the Superconducting Super Collider (SSC) project. At the end of fiscal 1987, before the expansion of correctional facilities and approval of the SSC bonds, Texas had $422 million in bonds outstanding payable from general revenue. The 76th Legislature appropriated funds to defease the remaining balance of the SSC bonds in fiscal 2000.

Debt-service payments from general revenue decreased slightly from $376.1 million in fiscal 2002 to $375.5 million in fiscal 2003 *(Figure 7)*. During fiscal 2001, the state paid $379 million from general revenue for debt service compared to $357 million paid in 2000.

Figure 6
TEXAS STATE BONDS OUTSTANDING BACKED ONLY BY GENERAL REVENUE (NOT SELF-SUPPORTING)
(millions of dollars)



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

Table 10

TEXAS BONDS OUTSTANDING

(amounts in thousands)

	8/31/2000	8/31/2001	8/31/2002	8/31/2003	
General Obligation Bonds					
Self-Supporting					
Veterans' Land and Housing Bonds	$1,701,244	$1,673,221	$1,723,742	$1,660,840	
Water Development Bonds	644,545	776,870	879,580	881,345	
Park Development Bonds	30,462	28,107	28,862	21,979	4
College Student Loan Bonds	565,084	604,550	635,418	691,698	
Farm and Ranch Security Bonds*	1,000	1,000	1,000	0	
Texas Agricultural Finance Authority*	29,000	34,000	34,000	36,000	
Agriculture Water Conservation Bonds	8,915	6,380	0	0	
Total, Self-Supporting	**$2,980,250**	**$3,124,128**	**$3,302,603**	**$3,291,862**	
Not Self-Supporting [1]					
Higher Education Constitutional Bonds [2]	$66,775	$53,995	$41,545	$28,490	
Texas Public Finance Authority Bonds	2,363,223	2,233,241	2,158,128	2,162,316	4, 6
Park Development Bonds	16,310	15,675	14,850	14,025	
Agriculture Water Conservation Bonds	0	0	16,160	14,050	
Water Development Bonds—EDAP [3]	126,165	146,775	166,195	160,735	
Water Development Bonds—State Participation Bonds	50,000	99,840	119,840	141,710	
Total, Not Self-Supporting	**$2,622,473**	**$2,549,526**	**$2,516,718**	**$2,521,326**	
Total General Obligation Bonds	**$5,602,723**	**$5,673,654**	**$5,819,321**	**$5,813,188**	
Non -General Obligation Bonds					
Self-Supporting					
Permanent University Fund Bonds					
The Texas A&M University System	$312,870	$308,228	$299,395	$306,932	4, 6
The University of Texas System	703,210	669,040	796,790	887,475	6
College and University Revenue Bonds (individual universities are listed below)	2,424,714	2,627,035	3,177,771	3,665,607	6
The Texas A&M University System	630,993	677,741	678,249	854,399	
The University of Texas System	1,086,114	1,150,545	1,462,817	1,444,776	
Texas Tech University System	180,820	215,170	315,525	313,954	
University of Houston System	134,680	177,400	167,410	282,945	
Texas State University System	186,725	213,130	200,645	331,360	
The University of North Texas System	80,237	76,064	168,470	200,720	
Texas Southern University	51,910	50,520	96,625	120,400	
Texas Woman's University	25,360	22,920	37,945	39,280	
Midwestern State University	14,100	13,310	12,770	34,085	
Stephen F Austin State University	24,825	22,060	29,960	27,090	
Texas State Technical College System	8,950	8,175	7,355	16,599	
Texas Dept of Housing and Community Affairs Bonds	1,308,348	1,541,849	1,608,150	1,794,377	6
Texas State Affordable Housing Corporation	0	33,037	486,929	501,898	
Texas Small Business I D C Bonds	99,335	99,335	99,335	99,335	
Economic Development Program *	7,750	5,655	9,000	13,258	
Texas Water Resources Finance Authority Bonds	104,875	86,290	69,790	54,430	
College Student Loan Bonds	30,654	23,100	15,051	8,206	
Texas Department of Transportation Bonds	0	0	2,199,994	2,199,994	
Texas Workers' Compensation Fund Bonds	132,848	118,409	102,669	85,513	
Veterans' Financial Assistance Bonds	200,000	196,597	197,284	188,998	
Texas Public Finance Authority Bonds (Special Revenue)	36,165	34,775	33,320	31,805	
Texas Water Development Board Bonds (State Revolving Fund)	1,502,140	1,524,367	1,493,025	1,422,100	
Total, Self-Supporting	**$6,862,908**	**$7,267,717**	**$10,588,502**	**$11,259,929**	
Not Self-Supporting [1]					
Texas Public Finance Authority Bonds	$650,273	$615,146	$596,259	$476,754	
TPFA Master Lease Purchase Program*	33,700	33,600	56,400	65,259	5
Texas Military Facilities Commission Bonds	18,715	15,725	17,710	14,095	
Parks and Wildlife Improvement Bonds	46,080	57,030	54,715	51,835	
Total, Not Self-Supporting	**$748,768**	**$721,501**	**$725,084**	**$607,943**	
Total Non-General Obligation Bonds	**$7,611,676**	**$7,989,218**	**$11,313,586**	**$11,867,872**	
Total Bonds	**$13,214,399**	**$13,662,872**	**$17,132,907**	**$17,681,060**	

* commercial paper

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

2 While not explicitly a general obligation or full faith and credit bond, the revenue pledge has the same effect Debt service is paid from an annual constitutional appropriation to qualified institutions of higher education from first monies coming into the state treasury not otherwise dedicated by the Constitution

3 Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service; however, up to 90 percent of bonds issued may be used for grants

4 Amounts do not include premium on capital appreciation bonds

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

6 Includes commercial paper notes outstanding

Note: The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2003

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

Table 11
SCHEDULED REAL PROPERTY LEASE-PURCHASE PAYMENTS FROM GENERAL REVENUE BY FISCAL YEAR
(amounts in thousands)

	2003	2004	2005	2006	2007	2007 and Beyond
Texas Building and Procurement Commission	$3,389	$3,383	$3,383	$3,383	$3,294	$35,530
TOTAL	$3,389	$3,383	$3,383	$3,383	$3,294	$35,530

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

Texas Bonds Authorized but Unissued

Authorized bonds are defined as those bonds that may be issued without further action by the legislature. As of August 31, 2003, Texas had $8.3 billion in authorized but unissued bonds *(Table 13)*. Of the total authorized but unissued bonds, $4.3 billion, or 52 percent, are general obligation bonds; however, the authorized but unissued bonds that would require the payment of debt service from general revenue total $577 million. Bond authority passed by the 77th Legislature and subsequently approved by voters will continue to impact the amount of general obligation bonds issued in fiscal 2004. The remaining outstanding bonds are in programs that are designed to be self-supporting.

New Bond Authority - 78th Texas Legislature

In September 2003, Texas voters approved a constitutional amendment authorizing over $250 million in general obligation bond issuance by one or more state agencies to provide loans for economic development projects that benefit defense communities, including projects that enhance the military value of military installations.

Other legislation passed by the 78th Legislature includes House Bill 3324, which authorizes the Texas Public Finance Authority to issue revenue bonds at the request of the Texas Workforce Commission. Proceeds of the bonds will be used to reduce the state's reliance on borrowing from the federal government to pay unemployment benefits and to fund future unemployment compensation benefits.

Long-Term Contracts and Lease Purchases

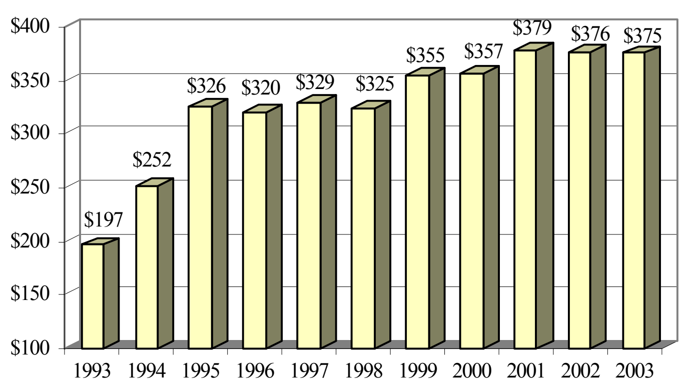
Long-term contracts and lease- or installment-purchase agreements can serve as financing alternatives when the issuance of bonds is not feasible or practical. These agreements, like bonds, are a method of financing capital purchases over time. Payments on these contracts or agreements are generally subject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

The Texas Building and Procurement Commission, formerly the General Services Commission, is party to six lease-with-option-to-purchase agreements for state agency office and warehouse facilities. Depending on the occupying agency, either all or a portion of these leases are paid from appropriated general revenue funds *(Table 11)*.

In fiscal 2001, TWDB issued bonds to prepay obligations under a federal contract in connection with the construction of Palmetto Bend Dam and Reservoir.

There were no lease purchases of facilities approved by the Bond Review Board during fiscal 2003. All of the equipment lease purchases approved by the Bond Review Board in fiscal 2003 were financed through the Master Lease Purchase Program and are included in the total bonds outstanding.

Figure 7
ANNUAL DEBT SERVICE PAID FROM GENERAL REVENUE
(millions of dollars)



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

Table 12
DEBT-SERVICE REQUIREMENTS OF TEXAS STATE BONDS BY FISCAL YEAR
(amounts in thousands)

	2003	2004	2005	2006	2007	2008 beyond
General Obligation Bonds						
Self-Supporting						
Veterans' Land and Housing Bonds		$155,387	$137,310	$137,253	$136,150	$2,721,411
Water Development Bonds	74,191	77802 631	79,666	80,075	81,297	1,123,182
Park Development Bonds	4,133	4,138	4,142	4,139	4,139	11,095
College Student Loan Bonds	53,026	62,322	75,912	95,177	87,423	672,732
Farm and Ranch Loan Bonds	1,010	0	0	0	0	0
Texas Agricultural Finance Authority	466	1,440	1,440	1,440	1,440	37,440
Total Self-Supporting	$320,069	$301,090	$298,470	$318,085	$310,449	$4,565,860
Not Self-Supporting [1]						
Higher Education Constitutional Bonds [2]	$15,153	$15,116	$15,074	$450	$0	$0
Texas Public Finance Authority Bonds	240,168	192,110	250,443	281,087	280,802	1,998,093
Park Development Bonds	1,641	1,595	1,550	1,504	1,459	1,477
Agriculture Water Conservation Bonds	2,697	2,694	2,696	2,693	2,693	5,391
Water Development EDAP Bonds [3]	13,918	13,890	13,814	13,912	13,793	199,473
Water Development State Participation Bonds	6,494	7,658	7,776	7,774	7,777	298,787
Total Not Self-Supporting	$280,071	$233,063	$291,353	$307,421	$306,525	$2,503,220
Total General Obligation Bonds	$600,140	$534,153	$589,823	$625,506	$616,974	$7,069,080
Non-General Obligation Bonds						
Self-Supporting						
Permanent University Fund Bonds						
The Texas A&M University System	$41,004	$16,155	$14,687	$14,684	$28,105	$290,201
The University of Texas System	65,526	65,518	65,494	65,526	65,528	591,416
College and University Revenue Bonds	314,114	332,393	326,523	326,576	318,444	4,001,189
Texas Dept of Housing & Community Affairs Bonds	107,165	124,742	140,856	128,650	129,734	3,640,409
Texas State Affordable Housing Corporation	41,249	45,375	35,329	35,376	35,379	956,653
Texas Small Business I D C Bonds	1,682	3,973	3,973	3,973	3,973	79,468
Economic Development Program	265	530	530	530	530	5,834
Texas Water Resources Finance Authority Bonds	19,224	14,245	12,888	11,327	9,440	17,224
College Student Loan Bonds	7,879	1,768	1,568	1,118	738	9,397
Texas Workers' Compensation Fund Bonds [4]	25,624	25,553	25,478	25,395	25,307	0
Veterans' Financial Assistance Bonds	9,716	170,356	379	379	379	17,222
Texas Public Finance Authority Bonds (Special Revenue)	3,141	3,141	3,142	3,145	3,141	32,870
Texas Department of Transportation Bonds	73,982	88,971	88,971	88,971	213,901	5,132,046
Texas Water Development Bonds (State Revolving Fund)	35,897	109,755	112,308	114,515	122,835	1,749,242
Total Self Supporting	$746,468	$1,002,474	$832,127	$820,166	$957,433	$16,523,170
Not Self-Supporting [1]						
Texas Public Finance Authority Bonds	$70,183	$71,234	$71,136	$71,190	63,718	$460,160
TPFA Master Lease Purchase Program	15,282	11,232	11,203	11,097	8,173	24,517
Military Facilities Commission Bonds	4,350	2,290	2,166	2,170	1,409	10,191
Parks and Wildlife Improvement Bonds	5,569	5,676	5,578	5,484	5,389	51,022
Total Not Self-Supporting	$95,383	$90,433	$90,081	$89,941	$78,688	$545,890
Total Non-General Obligation Bonds	$841,851	$1,092,906	$922,208	$910,107	$1,036,122	$17,069,061
Total All Bonds	$1,441,991	$1,627,059	$1,512,031	$1,535,613	$1,653,096	$24,138,140

[1] Bonds that are not self-supporting depend solely on the state's general revenue for debt service. Debt service from general revenue totaled $376.1 million during fiscal 2002, and totaled approximately $375.5 million in fiscal 2003.

[2] While not explicitly a general obligation or full faith and credit bond, the revenue pledge has the same effect. Debt service is paid from an annual constitutional appropriation to qualified institutions of higher education from first monies coming into the state treasury not otherwise dedicated by the Constitution.

[3] Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service; however, effective September 1, 1993, up to 90 percent of the bonds issued may be used for grants.

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

Notes: The debt-service figures do not include the early redemption of bonds under the state's various loan programs.

The future debt-service figures for variable-rate bonds and commercial paper programs are estimated amounts.

Detail may not add to total due to rounding.

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

Table 13
TEXAS BONDS AUTHORIZED BUT UNISSUED
(amounts in thousands)

	08/31/00	08/31/01	08/31/02	08/31/03
General Obligation Bonds				
Self-Supporting				
Veterans' Land and Housing Bonds	$365,002	$305,002	$655,002	$605,002
Water Development Bonds	600,410	481,586	2,344,886	2,286,264
Farm and Ranch Loan Bonds [4]	474,000	474,000	474,000	475,000
College Student Loan Bonds	474,822	400,000	325,000	250,000
Texas Department of Economic Development Bonds	45,000	45,000	45,000	45,000
Texas Agricultural Finance Authority Bonds	26,000	21,000	21,000	19,000
Texas Military Preparedness Commission	0	0	0	250,000
Agricultural Water Conservation Bonds	181,000	181,000	164,840	164,840
Total Self-Supporting	**$2,166,234**	**$1,907,588**	**$4,029,728**	**$4,095,106**
Not Self-Supporting [1]				
Higher Education Constitutional Bonds	*	*	*	*
Texas Public Finance Authority [5]	$49,340	49,340	1,016,235	824,483
Water Development Bonds-EDAP [2]	111,705	86,571	61,571	61,571
Water Development Bonds-State Participation Bonds	50,000	35,000	15,000	15,000
Total Not Self-Supporting	**$211,045**	**170,911**	**1,092,806**	**901,054**
Total General Obligation Bonds	**$2,377,279**	**$2,078,499**	**$5,122,534**	**$4,996,159**
Non-General Obligation Bonds				
Self-Supporting				
Permanent University Fund Bonds [3]				
The Texas A&M University System	$479,208	$466,149	$436,275	$406,824
The University of Texas System	980,946	879,713	655,174	927,420
College and University Revenue Bonds	**	**	**	**
Texas Department of Housing & Community Affairs	**	**	**	**
Texas Turnpike Authority Bonds	**	**	**	**
Texas Agricultural Finance Authority Bonds	500,000	500,000	500,000	500,000
Texas Department of Economic Development Bonds	**	**	**	**
Texas State Affordable Housing Corporation		**	**	**
Texas Water Resources Finance Authority Bonds	**	**	**	**
Texas School Facilities Finance Program	750,000	750,000	750,000	750,000
Texas Water Development Bonds (Water Resources Fund)	**	**	**	**
Texas Workers' Compensation Fund Bonds	**	**	**	**
Nursing Home Liability Insurance	0	0	0	75,000
FAIR Plan	0	0	0	75,000
Military Facilities Commission	0	0	0	20,271
Alternative Fuels Program	50,000	50,000	50,000	50,000
Veterans' Financial Assistance Bonds	50,000	1,000,000	795,720	795,720
Texas Department of Transportation Bonds	**	**	**	**
Texas Water Development Board (State Revolving Fund)	**	**	**	**
Total Self-Supporting	**$2,810,154**	**$3,645,862**	**$3,187,169**	**$3,600,234**
Not Self Supporting [1]				
Texas Public Finance Authority Bonds	$92,404	$29,941	$116,337	$321,120
TPFA Master Lease Purchase Program	66,300	66,400	43,600	84,741
Texas Military Facilities Commission Bonds	**	**	**	**
Parks and Wildlife Improvement Bonds	12,685	0	9,000	13,500
Total Not Self-Supporting	**$171,389**	**$96,341**	**$168,937**	**$419,361**
Total Non-General Obligation Bonds	**$2,981,544**	**$3,742,203**	**$3,356,106**	**$4,019,595**
Total All Bonds	**$5,358,823**	**$5,820,702**	**$8,478,641**	**$9,015,755**

* No limit on bond issuance, but debt service may not exceed $87 5 million per year

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

1 Bonds that are not self-supporting depend solely on the state’s general revenue for debt service

2 Economically Distressed Areas Program (EDAP) bonds do not depend totally on the state's general revenue fund for debt service; however, up to 90 percent of bonds issued may be used for grants

3 Issuance of PUF bonds by A&M is limited to 10 percent, and issuance by UT is limited to 20 percent of the cost value of investments and other assets of the PUF, except real estate The PUF value used in this table is as of August 31, 2003

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

5 Includes $850 million that was authorized by state voters in November 2001; however, the Legislature has appropriated only $403,508,888 as of 8/31/03

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

Chapter 4

Texas Bond Issuance Costs

Texas' state bond issuers spent an average of $895,090 per issue or $8.38 per $1,000 on bond issues sold during the 2003 fiscal year.[i] *Appendix A of this report details the issuance costs associated with each of these issues.*

The Costs of Issuing Bonds

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

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

Issuance Costs for Texas Bond Issues

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

In fiscal 2003, the underwriter's spread accounted for 50 percent of all issuance costs *(Table 14*). This percentage is less than in the previous year. The cost of the average underwriter's spread per issue decreased significantly from $984,480 in fiscal 2002 to $446,558. This decrease brings the average underwriter's spread to a more representative level since the underwriter's spread in fiscal 2002 was considerably high due to the large Central Texas Turnpike System Revenue Bonds, Series 2002A and Series 2002B transaction. Excluding the Turnpike System's bond issuance, the average underwriter's spread per issue in FY 2002 was below $395,000. When measured on a per $1,000 basis, the $4.42 average underwriter spread paid in fiscal 2003 is also considerably lower than the $6.14 reported in fiscal 2002.

Table 14
AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES

	Fiscal 2002		Fiscal 2003	
	Average Cost Per Bond Issue	Average Cost Per $1,000 of Bonds Issued	Average Cost Per Bond Issue	Average Cost Per $1,000 of Bonds Issued
Average Issue Size (In Millions)	$178 7		$108 0	
Underwriter's Spread	$984,480	$6 14	$446,558	$4 42
Other Issuance Costs:				
Bond Counsel	117,172	1 07	71,188	1 53
Financial Advisor	67,804	0 91	48,698	1 25
Rating Agencies	64,491	0 60	47,729	0 66
Printing	15,397	0 11	6,935	0 10
Other	35,066	0 36	273,983	0 44
Subtotal	$299,930	$3 05	$448,533	$3 98
Total	$1,284,410	$9 19	$895,090	$8 40

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

* Includes $190,550 average bond issuance costs for liquidity provider fees resulting primarily from the Higher Education Coordinating Board's variable rate transaction

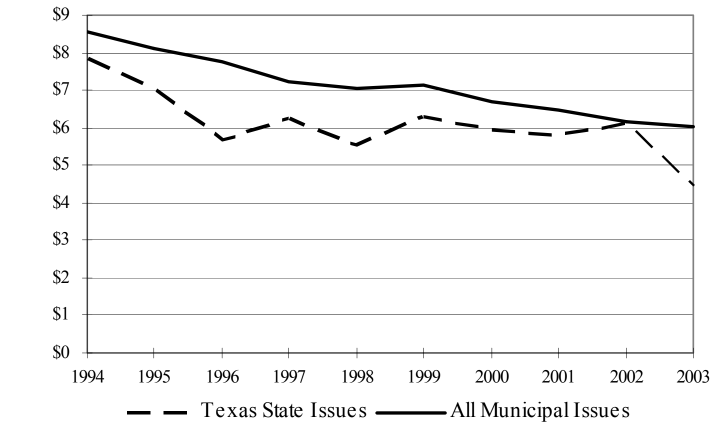
Source: Texas Bond Review Board, Office of the Executive Director

Other costs of issuance primarily consist of bond counsel fees, financial advisor fees, rating agency fees, and printing costs. These costs averaged $448,533 per issue or $3.98 per $1,000 compared to $299,930 or $3.05 per $1,000 in fiscal 2002. The increase in the average costs of issuance is mainly due to the liquidity provider fees associated with the issuance of variable rate college student loan refunding bonds by the Higher Education Coordinating Board. Please note this analysis excludes conduit issues.

A comparison of gross spreads paid to underwriters on a national basis to those paid by Texas issuers reveals that the state's bond issuers paid lower underwriting fees than the national average *(Figure 8)*. Data published by Thomson Financial Securities shows that spreads paid by issuers nationally have averaged $6.04 per $1,000 compared to Texas' simple average of $4.42 per $1,000.

Figure 8

GROSS UNDERWRITING SPREADS: 1993-2003
Texas State Bond Issues vs. All Municipal Bond Issues



Note: 2003 Municipal figures are for the first six months only Amounts represent dollars per $1,000 face value of bond issues Gross spreads include managers' fees, underwriting fees, average takedowns, and expenses Private placements, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded

Sources: *The Bond Buyer* (8/11/03), Thomson Financial Securities, and Texas Bond Review Board, Office of the Executive Director

Comparison of Issuance Costs by Size

In general, a larger bond issue has a greater issuance cost, but a lower issuance cost when calculated as a percentage of the size of the bond issue. This occurs because there are costs of issuance that do not vary proportionately with the size of a bond issue. For example, professional fees for legal services, financial advisory services, and document drafting must be paid regardless of the size of the bond issue.

Texas bond issues followed this general pattern; the smaller issues were proportionally more costly than the larger issues (*Figure 9*). In fiscal 2003, total issuance costs for bond issues of less than $25 million averaged $144,748 per issue or $13.00 per $1,000. Costs for the larger issues of over $150 million averaged $1,503,706 per issue or $5.30 per $1,000.

Negotiated Versus Competitive Sales

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

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

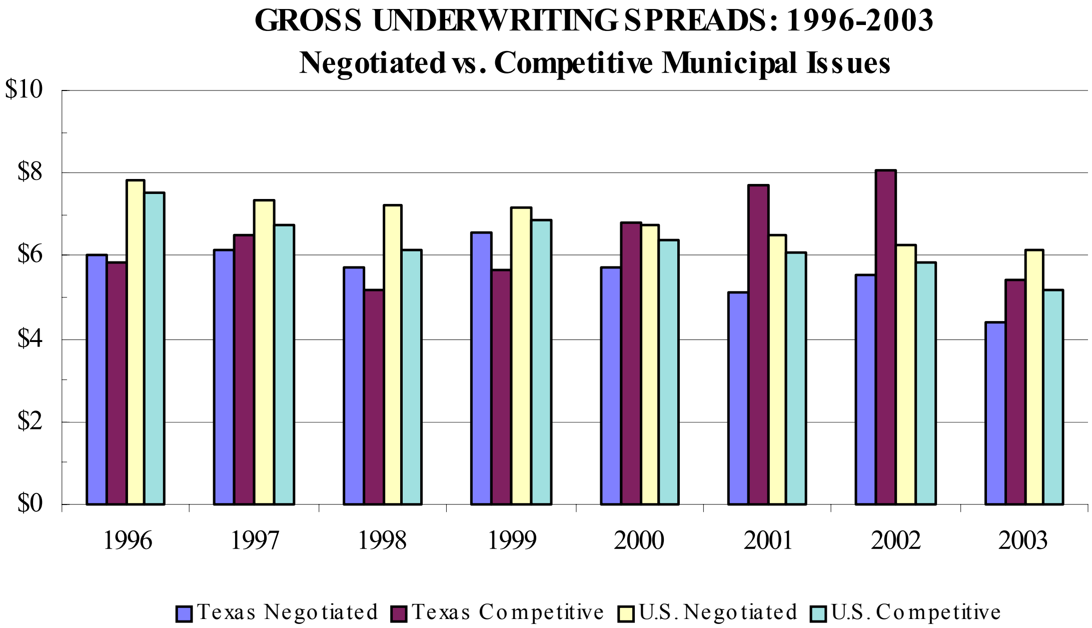
Advantages of the competitive bid include: (1) a competitive environment where market forces determine the price, (2) historically lower spreads, and (3) an open process. Disadvantages of the competitive sale include: (1) limited timing and structuring flexibility, (2) minimum control over the

Figure 9

AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES BY SIZE OF ISSUE

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

Figure 10



Note: 2003 U.S. figures are for the first six months only. Amounts represent dollars per $1,000 face value of bond issues. Gross spreads include manager's fees, underwriting fees, average takedowns, and expenses. Private placements, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded.

Sources: *The Bond Buyer* (8/12/03), Thomson Financial Securities, and Texas Bond Review Board, Office of the Executive Director.

distribution of bonds, and (3) the possibility of underwriters including a risk premium in their bids to compensate for uncertainty regarding market demand.

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

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

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

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

Comparisons of the spreads paid on Texas negotiated and competitive transactions in fiscal 2003 reveal that bond issues sold in the competitive market had higher underwriting costs than the negotiated transactions *(Figure 10)*. During fiscal 2003, Texas bond issuers paid an average of $4.39 per $1,000 through negotiated sales, and $5.42 per $1,000 through competitive bids. Compared to the national averages compiled by Thomson Financial Securities Data, which recorded averages of $6.13 per $1,000 for negotiated transactions and $5.17 per $1,000 for competitive transactions, Texas shows to be above the average range in competitive sales, but substantially lower than the national average in negotiated sales. For fiscal 2003, most of Texas' competitive issues were smaller issues with an average size of $58.1 million, while the negotiated issues had an average size of over $119.4 million.

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

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

Recent Trends in Issuance Costs

In order to determine any trends in issuance costs, it is important to review the makeup of the 26 bond transactions (exclusive of conduit issues) occurring in fiscal 2003. Five of those issues were sold via competitive bids, 20 were negotiated transactions and one was a private placement. Three of the five issues sold competitively were issued for amounts under $46 million. Of the 20 negotiated transactions, only three were less than $25 million. Among those bond issues, total issuance costs for bonds issued via negotiated sale averaged $7.37 per $1,000, whereas bonds issued via competitive bid had an average issuance cost of $8.83 per $1,000.

An accurate comparison of the average issuance costs per $1,000 on negotiated and competitively bid bond issues for fiscal 2003 is difficult because there were only five competitively bid transactions. This is important because smaller bond issues tend to be more costly due to the costs that occur despite the size of the issue. This can be shown more effectively by separating the average underwriter's spread and the average issuance costs. For the transactions bid competitively, the average spread was $5.42 per $1,000 and average issuance cost per $1,000 was $3.41 for a total of $8.83. Negotiated issues, however, had a total average of $7.37, an average spread of $4.39 per $1,000 and average issuance costs of $2.97 per $1,000.

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

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

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

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

Chapter 5

Texas Private Activity Bond Allocation Program

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

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

In addition, the Tax Act imposes a volume ceiling on the aggregate principal amount of tax-exempt private activity bonds that may be issued within each state during any calendar year. As a result, the ceiling was initially set at the greater of $50 per capita or $150 million. Section 146(e) of the Internal Revenue Code also provides for each state to devise an allocation formula or a process for allocating the state's ceiling. This provision gives each state the ability to allocate this limited resource in a manner consistent with the needs of that state. Since different states have different needs and demands, there are varied allocation systems in place.

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

In an effort to address the high demand for most types of private activity bond financing, the state of Texas devised a nonpolitical system that ensures an allocation opportunity for each eligible project type. As the state's ceiling is limited by the federal government, it is impossible to meet all the demands. Therefore, a lottery system is in place that ensures an equitable method of allocation.

- The 76th Texas Legislature passed Senate Bill 1155 (SB 1155), which made significant amendments to the Act. Beginning with the 2000 program year, the Act specified that, for the first seven and one-half months of the year, the state's ceiling must be set aside as follows:
- 25 percent for single family housing to issuers of qualified mortgage revenue bonds (MRBs). Of that amount, one-third will continue to be set aside for the Texas Department of Housing and Community Affairs (TDHCA) with the other two-thirds dedicated to the local issuers. Local issuers may apply for an amount determined by a formula, based on their population, but in no event for more than the maximum amount of $25 million.
- 11 percent for issues authorized by a state constitutional amendment. The Texas Higher Education Coordinating Board may apply for a maximum of $75 million, while other issuers eligible in this category are limited to a maximum of $50 million.
- 7.5 percent for issuers of qualified small-issue industrial development bonds (IDBs) and empowerment zone bonds (EZ bonds) for use in federally designated empowerment zones and enterprise communities. The maximum allocation amount in this subceiling is $10 million.
- 16.5 percent for issuers of qualified residential rental project issue bonds (multifamily housing). Issuers within this category may apply for a maximum amount of the lesser of $15 million or 15 percent of the amount set aside for this subceiling.
- 10.5 percent for issuers of qualified student loan bonds authorized by §53.47, Texas Education Code. Each issuer is limited to a maximum amount of $35 million.
- 29.5 percent for issuers of "all other" bonds requiring an allocation. This final subceiling receives applications from local issuers of exempt facility

Table 15

STATE OF TEXAS

PRIVATE ACTIVITY BOND ALLOCATION PROGRAM

2003 SET-ASIDE vs. ISSUED ALLOCATION AMOUNTS

(as of November 24, 2003)

SUBCEILINGS	SET-ASIDE ALLOCATION	PERCENT OF TOTAL	ISSUED ALLOCATION	PERCENT OF TOTAL
Single Family Housing	$ 483,513,624	29 60%	$ 99,900,463	6 12%
State-Voted Issues	130,679,358	8 00%	100,000,000	6 12%
Small Issue IDBs	75,140,631	4 60%	700,000	0 04%
Multifamily Housing	375,703,155	23 00%	329,511,000	20 17%
Student Loan Bonds	143,747,294	8 80%	140,000,000	8 57%
All Other Issues	424,707,913	26 00%	391,476,662	23 97%
TOTALS	**$ 1,633,491,975**	**100.00%**	**$ 1,061,588,125**	**64.99%**

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

bonds and any other eligible bonds not covered by the other subceilings. Applications in this subceiling may not exceed $25 million.

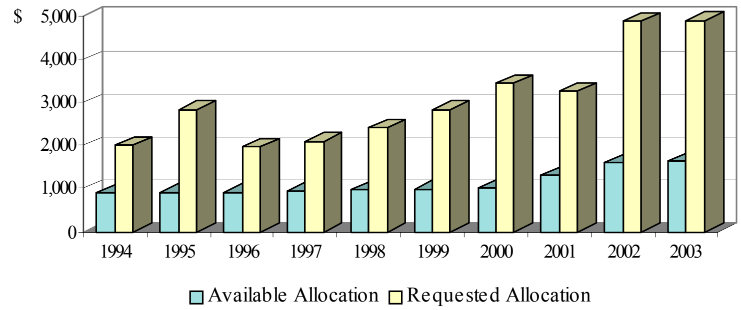
In addition to amending the set-aside amounts, the new statute requires a priority system for residential rental (multifamily housing) applications. The multifamily category now has three priorities to encourage developers to reach residents at a lower income level. Priority one requires that 100 percent of the units be set aside for residents at or below 50 percent of the area median family income (AMFI) and that the rents on those units be capped at the 30 percent level. Priority two requires that 100 percent of the units be set aside for residents at or below 60 percent AMFI and that the rents on those units be capped at the 30 percent level. Priority three does not require any rent caps or set-asides other than the federal requirements of either 40 percent of the units being set aside for residents earning at or below 60 percent AMFI or 20 percent of the units being set aside for residents earning at or below 50 percent AMFI. For the first two priorities, the developer is required to use the four percent low-income housing tax credits, including applying for such credits with TDHCA before a bond reservation can be issued. Tax credits are optional in the third priority.

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

With the exception of single family housing and student loan bonds, reservations of state ceiling are allocated by lottery for applications received from October 10 – October 20 of the year preceding the program year, and thereafter on a first-come, first-serve basis. Single family housing and student loan bonds have a separate priority system based on prior applications and prior bond issues. This system, used exclusively within these two subceilings, is in place from January through August 14th of each year. As previously noted, on August 15th of each year, unreserved allocation from all the subceilings is now

Figure 11

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



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

combined and redistributed to qualified residential rental projects. Furthermore, on September 1st, unreserved allocation from all subceilings is combined and redistributed by lot order, regardless of project type.

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

- The state of Texas is second only to California in population and volume cap. Texas once again experienced an increase in volume cap for the 2003 Private Activity Bond Allocation Program. Based on the Texas population figures of 21,779,893, the 2003 volume cap was set at $1,633,491,975, an increase of $34,115,625 (2.13 percent) from the 2002 cap of $1,599,376,350.

The increase in the amount of cap allocation can be attributed to the growth of the

Table 16
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2003 APPLICATIONS FOR ALLOCATION

SUBCEILINGS	Available Allocation	Requested Allocation	as a % of Availability
Mortgage Revenue Bonds	$483,513,624	$784,394,591	162 23%
State-Voted Issue Bonds	130,679,358	100,000,000	76 52%
Industrial Development Bonds	75,140,631	25,450,000	33 87%
Multifamily Rental Project Bonds	375,703,155	3,159,345,964	840 92%
Student Loan Bonds	143,747,294	175,000,000	121 74%
All Other Bonds Requiring Allocation	424,707,913	651,000,000	153 28%
TOTALS	$1,633,491,975	$4,895,190,555	299 68%

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

state's population and new federal legislation that increased the per-capita formula. On December 20, 2000, new 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 of 2002 when the cap multiplier increased to $75 per capita or $225 million, whichever is greater. While the cap was indexed to inflation beginning in 2003, inflation levels in 2003 remained lower than the minimum federal requirement to boost the multiplier and thus the formula remained at $75 per capita for 2003.

The increase still fell short of the demand for the program. The allocation program in Texas has been oversubscribed each year since 1988 *(Figure 11).* Applications received for program year 2003 totaled $4.89 billion or 299.68 percent of the available allocation amount *(Table 16).* The 2003 program year left $3.26 billion in requests for allocation unsatisfied.

State legislation passed during the 77th Legislative Session shifted the distribution of volume cap once again. Senate Bill 322 established new set-aside percentages for the state's six subceilings that took effect for the 2002 Private Activity Bond Allocation Program and remained intact during 2003:

- Subceiling #1 Mortgage Revenue Bonds Increased from 25 to 29.6 percent
- Subceiling #2 State-Voted Issues Decreased from 11 to 8 percent
- Subceiling #3 Qualified Small-Issue IDBs Decreased from 7.5 to 4.6 percent
- Subceiling #4 Multifamily Revenue Bonds Increased from 16.5 to 23 percent
- Subceiling #5 Student Loan Bonds Decreased from 10.5 to 8.8 percent
- Subceiling #6 All Other Issues Decreased from 29.5 to 26 percent.

Additional legislation (House Bill 3451) passed during the 77th Legislative Session dedicated $25 million out of subceiling #1 to the Texas State Affordable Housing Corporation (TSAHC) to initiate a Teacher Home Loan Program. Proceeds from the sale of bonds issued at a premium, are to be used to provide low-interest loans and down-payment assistance to first-time, home-buying teachers residing in the state. House Bill 3329 dedicated two percent of subceiling #6 until August 15th specifically to projects that would promote the development of new drinking water sources. House Bill 3329 further dedicated one-third of the volume cap available to subceiling #3 to the Texas Agricultural Finance Authority until June 1st.

APPENDIX A - SUMMARY OF BONDS ISSUED

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Mortgage Revenue Bonds (Clarkridge Villas Apartments), Series 2002 - $14,600,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Clarkridge Villas Housing, L.P., a Texas limited partnership, to finance the acquisition, construction, equipment and long-term financing of a new, 256-unit multifamily residential rental project located in Dallas, Texas.

Dates:

Board Approval -	August 28, 2002
Private Placement -	September 5, 2002
Closing Date -	September 6, 2002

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company as fixed-rate, tax-exempt securities maturing on September 1, 2042. The bonds are not insured.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	7.00%
Net Interest Cost (NIC) -	7.00%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$66,000	$4.52
Financial Advisor	25,000	1.71
Trustee	7,500	0.51
Trustee Counsel	5,500	0.38
Disclosure Counsel	2,500	0.17
Attorney General	1,250	0.09
Private Activity Fee	4,250	0.29
TDHCA Fees	94,240	6.45
Other	3,750	0.26
	$209,990	**$14.38**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Mortgage Revenue Bonds (Green Crest Apartments), Series 2002 - $12,500,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Finlay Interests 34, Ltd., a Florida limited partnership, to finance the acquisition, construction, equipment and long-term financing of a new, 192-unit multifamily residential rental project located in Houston, Texas.

Dates:

Board Approval -	October 17, 2002
Private Placement -	November 8, 2002
Closing Date -	November 8, 2002

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company as fixed-rate, tax-exempt securities with a final maturity date of November 1, 2042. The bonds are not insured.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	7.00%
Net Interest Cost (NIC) -	7.00%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$66,133	$5.29
Financial Advisor	25,000	2.00
Trustee	7,550	0.60
Trustee Counsel	5,000	0.40
Disclosure Counsel	2,500	0.20
Attorney General	1,250	0.10
Private Activity Fee	3,125	0.25
TDHCA Fees	78,300	6.26
TEFRA Notice Publication	3,750	0.30
	$192,60	**$15.40**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Mortgage Revenue Bonds (Hickory Trace Apartments), Series 2002 - $11,920,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Hickory Trace Housing, L.P., a Texas limited partnership, to finance the acquisition, construction, equipment and long-term financing of a new, 180-unit multifamily residential rental project located in Dallas, Texas.

Dates:

Board Approval -	October 17, 2002
Private Placement -	November 8, 2002
Closing Date -	November 8, 2002

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company as fixed-rate, tax-exempt securities with a final maturity date of November 1, 2042. The bonds are not insured.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	7.00%
Net Interest Cost (NIC) -	7.00%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$66,500	$5.58
Financial Advisor	25,000	2.10
Trustee	8,000	0.67
Trustee Counsel	5,550	0.47
Disclosure Counsel	2,500	0.21
Attorney General	1,250	0.10
Private Activity Fee	3,480	0.29
TDHCA Fees	77,800	6.53
TEFRA Notice Publication	3,750	0.31
	$193,830	**$16.26**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Mortgage Revenue Bonds (Ironwood Crossing Apartments), Series 2002A and Taxable Series 2002B - $16,970,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Ironwood Ranch Townhomes, L.P., an Ohio limited partnership, to finance the acquisition, construction, equipment and long-term financing of a new, 280-unit multifamily residential rental project located in Fort Worth, Texas.

Dates:

Board Approval -	October 17, 2002
Private Placement -	November 13, 2002
Closing Date -	November 13, 2002

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company as fixed-rate, tax-exempt (Series A) and taxable (Series B) securities. The Series A bonds mature on November 1, 2042, and the Series B bonds mature on May 1, 2021. The bonds are not insured.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.97%
Net Interest Cost (NIC) -	7.02%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$3.83
Financial Advisor	25,000	1.47
Trustee	7,500	0.44
Trustee Counsel	5,000	0.29
Disclosure Counsel	2,500	0.15
Attorney General	2,500	0.15
Private Activity Fee	4,250	0.25
TDHCA Fees	102,850	6.06
TEFRA Notice Publication	105	0.01
	$214,705	**$12.65**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Mortgage Revenue Bonds (Reading Road Apartments) Series 2003A and 2003B - $12,200,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Reading Road Apartments, L.P., a Texas limited partnership, to finance the acquisition, construction, equipment and long-term financing of a new 252-unit multifamily residential rental project located in Rosenberg, Texas.

Dates:

Board Approval -	January 9, 2003
Private Placement -	February 12, 2003
Closing Date -	February 12, 2003

Structure: The bonds were privately placed as fixed-rate, tax-exempt securities with a final maturity of June 1, 2041. The bonds are not insured.

Bond Ratings: The bonds were not rated

Interest Cost:

True Interest Cost (TIC) -	6.75%
Net Interest Cost (NIC) -	6.75%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$5.33
Financial Advisor	30,000	2.46
Trustee	5,590	0.46
Trustee Counsel	5,000	0.41
Disclosure Counsel	2,500	0.20
Liquidity Provider	126,437	10.36
Liquidity Provider's Counsel	35,000	2.87
Attorney General	2,500	0.20
TDHCA Fees	78,300	6.42
Private Activity Fee	3,550	0.29
TEFRA Notice Publication	2,500	0.20
	$356,377	**$29.21**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Woodway Village Apartments) Series 2002 - $9,100,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Nuckols Crossing Partners, Ltd., a Texas limited partnership, to finance the acquisition, construction, equipment and long-term financing of a new 160-unit multifamily residential rental project located in Austin, Texas.

Dates:

Board Approval -	November 20, 2002
Private Placement -	November 26, 2002
Closing Date -	December 5, 2002

Structure: The bonds were privately placed as fixed-rate, tax-exempt securities with a final maturity of July 1, 2035. The bonds are insured by Fannie Mae.

Bond Ratings: Standard & Poor's AAA

Interest Cost:

True Interest Cost (TIC) -	5.17%
Net Interest Cost (NIC) -	5.17%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$80,000	$8.79
Financial Advisor	25,000	2.75
Rating Agencies	11,000	1.21
Trustee	8,050	0.88
Trustee Counsel	5,500	0.62
Disclosure Counsel	5,000	0.55
Attorney General	1,250	0.14
O.S. Preparation	6,500	0.71
TDHCA Fees	60,500	6.65
Private Activity Fee	2,775	0.30
TEFRA Notice Publication	1,750	0.19
Cash Flow Preparation	8,500	0.93
	$215,825	**$23.72**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Primrose Houston School Apartments), Series 2003A and Taxable Series 2003B - $16,900,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Primrose Houston I Housing, L.P., a Texas limited partnership, to finance the acquisition, construction, equipment and long-term financing of a new 280-unit multifamily residential rental project located in Lancaster, Texas.

Dates:

Board Approval -	May 22, 2003
Private Placement -	May 23, 2003
Closing Date -	May 23, 2003

Structure: The bonds were privately placed with GMAC Commercial Holding Capital Corporation. The Series 2003A bonds are variable rate, tax-exempt securities maturing in July 2036. The Series 2003B bonds are fixed-rate, taxable securities maturing in April 2021. The bonds are not insured.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.75%
Net Interest Cost (NIC) -	6.72%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$4.44
Financial Advisor	30,000	1.78
Trustee	9,715	0.57
Trustee Counsel	5,500	0.33
Disclosure Counsel	2,500	0.15
Liquidity Provider	46,516	2.75
Attorney General	2,500	0.15
TDHCA Fees	102,500	6.07
Private Activity Fee	4,250	0.25
TEFRA Notice Publication	2,500	0.14
	$280,981	**$16.63**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (North Vista Apartments), Series 2003A and 2003B - $14,000,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to North Vista Apartments, L.P., a Texas limited partnership, to finance the acquisition, construction, equipment and long-term financing of a new 252-unit multifamily residential rental project located in Houston, Texas.

Dates:

Board Approval -	February 20, 2003
Neg. Sale/Private Placement -	March 14, 2003
Closing Date -	March 14, 2003

Structure: The Series 2003A bonds were sold through a negotiated sale. The Series 2003B bonds were privately placed with U.S. Bancorp Piper Jaffray. The bonds were issued as fixed-rate, tax-exempt securities maturing in June 2036. The bonds are insured by Ambac Assurance Corporation.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	5.04%
Net Interest Cost (NIC) -	5.05%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$73,000	$5.21
Financial Advisor	20,000	1.43
Rating Agencies	25,000	1.79
Trustee	8,249	0.59
Trustee Counsel	5,000	0.36
Disclosure Counsel	5,000	0.36
Liquidity Provider	266,934	19.07
Liquidity Provider's Counsel	65,000	4.64
Attorney General	2,500	0.18
TDHCA Fees	88,648	6.33
Private Activity Fee	4,250	0.30
TEFRA Notice Publication	3,000	0.21
	$566,581	**$40.47**
Underwriter's Spread	**$100,800**	**$7.20**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Mortgage Revenue Senior Refunding Bonds (Reading Road Apartments), Series 2003A, and Multifamily Housing Mortgage Revenue Subordinate Refunding Bonds (Reading Road Apartments), Series 2003B - $12,200,000

Purpose: The proceeds of the bonds were used to refund outstanding Multifamily Mortgage Revenue Bonds, Series 2003A and Series 2003B (Reading Road Apartments), and to pay costs of issuance.

Dates:

Board Approval -	July 22, 2003
Private Placement/Comp. Sale-	July 28, 2003
Closing Date -	July 29, 2003

Structure: The bonds have a final maturity of July 1, 2036. The Series 2003A bonds were publicly offered by Newman and Associates, are credit enhanced by Freddie Mac and bear interest at a variable rate, which may be converted to fixed. The Series 2003B bonds were privately placed with Kirkpatrick Pettis, pay interest semi-annually and are not rated or credit-enhanced.

Bond Ratings:

	Series 2003A
Standard & Poor's -	AAA/A-1+

Interest Cost:

True Interest Cost (TIC) -	5.34%
Net Interest Cost (NIC) -	5.34%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$6.15
Financial Advisor	25,000	2.05
Rating Agencies	16,000	1.31
Trustee	10,000	0.82
Trustee Counsel	5,000	0.41
Disclosure Counsel	5,000	0.41
Liquidity Provider's Counsel	40,000	3.28
Attorney General	2,500	0.20
TDHCA Fees	36,159	2.96
Private Activity Fee	4,250	0.35
TEFRA Notice Publication	2,500	0.20
	$221,409	**$18.15**
Underwriter's Spread	**$40,000**	**$3.28**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Mortgage Revenue Bonds (Timber Oaks Apartments), Series 2003A and Taxable Series 2003B - $13,200,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to OHC/GP I Ltd., a Texas limited partnership, to finance the acquisition, construction, equipment and long-term financing of a new 264-unit multifamily residential rental project located in Grand Prairie, Texas.

Dates:

Board Approval -	July 22, 2003
Private Placement -	July 29, 2003
Closing Date -	July 29, 2003

Structure: The bonds were privately placed with Charter Municipal Mortgage Acceptance Company. The Series 2003A bonds are fixed-rate, tax-exempt securities maturing in July 2043. The Series 2003B bonds are fixed-rate, taxable securities maturing in January 2025. The bonds are not insured.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.9991%
Net Interest Cost (NIC) -	6.9142%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$4.92
Financial Advisor	$25,000	1.89
Trustee	7,500	0.57
Trustee Counsel	5,000	0.38
Disclosure Counsel	2,500	0.19
Attorney General	2,500	0.19
TDHCA Fees	83,600	6.33
Private Activity Fee	4,025	0.30
TEFRA Notice Publication	1,250	0.09
	$196,375	**$14.88**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Sphinx at Murdeaux Apartments), Series 2003A and Taxable Series 2003B - $15,085,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a Federal Housing Administration insured mortgage loan to Murdeaux Villas, L.P., a Texas limited partnership, to finance the acquisition, construction, equipment and long-term financing of a new, 240-unit multifamily residential rental project located in Dallas, Texas.

Dates:

Board Approval -	April 17, 2003
Neg. Sale/Private Placement -	May 6, 2003
Closing Date -	May 13, 2003

Structure: The Series 2003A bonds were sold on a negotiated basis as tax-exempt, fixed-rate securities maturing on December 20, 2042. The Series 2003B bonds were privately placed with Fannie Mae as taxable, fixed-rate securities and have a final maturity date of December 20, 2014. The bonds are insured by GNMA.

Bond Ratings:

Moody's -	Aaa

Interest Cost:

True Interest Cost (TIC) -	5.04%
Net Interest Cost (NIC) -	4.93%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$4.97
Financial Advisor	25,000	1.66
Rating Agencies	13,500	0.89
Trustee	8,780	0.58
Trustee Counsel	5,000	0.33
Disclosure Counsel	5,000	0.33
Attorney General	2,500	0.17
O.S. Preparation	6,500	0.43
TDHCA Fees	93,042	6.17
Private Activity Fee	3,850	0.26
TEFRA Notice Publication	3,000	0.20
	$241,172	**$15.99**
Underwriter's Spread	**$27,570**	**$1.83**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (West Virginia Apartments), Series 2003A and Series 2003B - $9,450,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to West Virginia Apartments, L.P., to finance the acquisition, construction, equipment and long-term financing of a new 204-unit multifamily residential rental project located in Dallas, Texas.

Dates:

Board Approval -	April 17, 2003
Neg. Sale/Private Placement -	April 23, 2003
Closing Date -	May 2, 2003

Structure: The Series 2003A bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing in June 2036. The Series 2003B bonds were privately placed with U.S. Bancorp Piper Jaffray, Inc., as fixed-rate, tax-exempt securities maturing in May 2036. The bonds are insured by Ambac Assurance Corporation.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	5.08%
Net Interest Cost (NIC) -	5.13%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$7.94
Financial Advisor	20,000	2.12
Rating Agencies	25,000	2.65
Trustee	7,782	0.82
Trustee Counsel	5,000	0.53
Disclosure Counsel	5,000	0.53
Liquidity Provider	64,557	6.83
Liquidity Provider's Counsel	30,000	3.17
Attorney General	2,500	0.26
TDHCA Fees	63,761	6.75
Private Activity Fee	3,275	0.35
TEFRA Notice Publication	5,660	0.60
	$307,535	**$32.54**
Underwriter's Spread	**$68,040**	**$7.20**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Peninsula Apartments), Series 2003A and Taxable Series 2003B - $12,400,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Peninsula Apartments, L.P., to finance the acquisition, construction, equipment and long-term financing of a new 280-unit multifamily residential rental project located in Houston, Texas.

Dates:

Board Approval -	August 21, 2003
Negotiated Sale -	August 25, 2003
Closing Date -	August 28, 2003

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt and taxable securities. The Series 2003A bonds will mature in October 2024 and the Series 2003B bonds will mature in April 2009. The bonds are insured by Fannie Mae.

Bond Ratings:

Standard & Poor's -	AAA

Interest Cost:

True Interest Cost (TIC) -	5.26%
Net Interest Cost (NIC) -	5.24%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$75,000	$6.05
Financial Advisor	25,000	2.02
Rating Agencies	15,000	1.21
Trustee	8,140	0.66
Trustee Counsel	5,000	0.40
Disclosure Counsel	5,000	0.40
Liquidity Provider	136,005	10.97
Liquidity Provider's Counsel	35,000	2.82
Attorney General	2,500	0.20
TDHCA Fees	81,000	6.53
Private Activity Fee	4,500	0.36
TEFRA Notice Publication	6,095	0.49
	$398,240	**$32.12**
Underwriter's Spread	**$117,500**	**$9.48**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Ash Creek Apartments), Series 2003A and Taxable Series 2003B - $16,375,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to Primrose Houston South Housing, L P., to finance the acquisition, construction, equipment and long-term financing of a new 280-unit multifamily residential rental project located in Dallas, Texas.

Dates:

Board Approval -	August 21, 2003
Private Placement -	August 26, 2003
Closing Date -	August 26, 2003

Structure: The bonds were privately place with GMAC Commercial Holding Capital Corporation. The Series 2003A bonds were issued as tax-exempt, variable rate securities maturing on October 1, 2036. The Series 2003B bonds were issued as taxable, fixed-rate securities and have a final maturity date of September 1, 2018. The bonds are not insured.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.61%
Net Interest Cost (NIC) -	6.57%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$3.97
Financial Advisor	25,000	1.53
Trustee	9,731	0.59
Trustee Counsel	5,500	0.34
Disclosure Counsel	2,500	0.15
Liquidity Provider	440,520	26.90
Liquidity Provider's Counsel	28,750	1.76
Attorney General	2,500	0.15
TDHCA Fees	99,875	6.10
Private Activity Fee	4,250	0.26
TEFRA Notice Publication	5,000	0.31
	$688,626	**$42.05**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Evergreen at Mesquite Apartments), Series 2003A-1 and Series 2003A-2 - $11,000,000 (Private Activity)

Purpose: The proceeds of the bonds were used to fund a mortgage loan to PWA – Mesquite Senior Community, L.P., to finance the acquisition, construction, equipment and long-term financing of a new 200-unit multifamily residential rental project located in Mesquite, Texas.

Dates:

Board Approval -	August 21, 2003
Private Placement -	August 29, 2003
Closing Date -	August 29, 2003

Structure: The bonds were privately placed with MuniMae TEI Holdings, LLC. Both Series 2003A-1 and Series A-2 bonds were issued as tax-exempt, fixed-rate securities with respective maturity dates of March 1, 2036 and March 1, 2043. The bonds are not insured.

Bond Ratings: The bonds were not rated.

Interest Cost:

True Interest Cost (TIC) -	6.98%
Net Interest Cost (NIC) -	6.88%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$65,000	$5.91
Financial Advisor	25,000	2.27
Trustee	8,000	0.73
Trustee Counsel	6,000	0.55
Disclosure Counsel	2,500	0.23
Liquidity Provider	233,000	21.18
Attorney General	2,500	0.23
TDHCA Fees	76,000	6.91
Private Activity Fee	3,250	0.30
TEFRA Notice Publication	2,000	0.18
	$423,250	**$38.48**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Residential Mortgage Revenue Bonds, Series 2002A and 2002B - $116,965,000

Purpose: The proceeds were used to provide funds to finance the purchase of low-interest mortgage loans made by lenders to first-time homebuyers of low-, very low- and moderate-income individuals or families, and to pay a portion of the cost of issuance.

Dates:

Board Approval -	November 20, 2002
Negotiated Sale -	Series 2002A -November 27, 2002
	Series 2002B -December 12, 2002
Closing Date -	December 18, 2002

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities. The Series 2002A bonds mature July 1, 2034. The Series 2002B mature January 1, 2034. The bonds are not insured.

Bond Ratings:

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

Interest Cost:

	Series 2002A	Series 2002B
True Interest Cost (TIC) -	5 10%	1.25%
Net Interest Cost (NIC) -	5.19%	1.25%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$157,094	$1.34
Financial Advisor	95,000	0.81
Rating Agencies	51,571	0.44
Trustee	15,000	0.13
Trustee Counsel	10,000	0.09
Escrow Verification	23,000	0.20
Attorney General	2,500	0.02
O.S. Preparation	80,538	0.69
Private Activity Fee	29,941	0.26
	$464,644	**$3.97**
Underwriters' Spread	**$457,507**	**$3.91**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs, Residential Mortgage Revenue Refunding Bonds, Series 2003A - $73,630,000

Purpose: The proceeds of the bonds were used to refund Residential Mortgage Revenue Bonds, Series 2002B, and to provide funds for the purchase of mortgage certificates.

Dates:

Board Approval -	May 22, 2003
Negotiated Sale -	July 18, 2003
Closing Date -	August 20, 2003

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities with final maturity on July 1, 2034. The bonds are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.772%
Net Interest Cost (NIC) -	4.841%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$101,978	1.39
Financial Advisor	79,000	1.07
Rating Agencies	41,400	0.56
O.S. Preparation	51,692	0.70
Trustee	10,000	0.14
Trustee Counsel	10,000	0.14
Escrow Verification	21,000	0.29
Attorney General	1,250	0.02
Printing	4,130	0.06
	$320,450	**$4.35**
Underwriter's Spread	**$622,782**	**$8.46**

TEXAS HIGHER EDUCATION COORDINATING BOARD

Issue: State of Texas Variable Rate College Student Loan and Refunding Bonds, Series 2003 - $178,190,000

Purpose: The proceeds of the bonds were used to make funds available for the Hinson-Hazelwood College Student Loan Program and to refund the outstanding College Student Loan Bonds, Series 1989, Series 1992, and Series 1993. Proceeds from the sale of the bonds were also used to pay the costs of issuance.

Dates:

Board Approval -	December 19, 2002
Negotiated Sale -	February 11, 2003
Closing Date -	February 18, 2003

Structure: The bonds were sold through a negotiated sale as fixed-rate, tax-exempt variable rate securities maturing on February 1, 2038. The bonds are general obligations of the state and are not insured.

Bond Ratings:

Moody's -	AA1/VMIG1
Standard & Poor's -	AA/A1+

Interest Cost:

True Interest Cost (TIC) -	3.28%
Net Interest Cost (NIC) -	3.30%

Consultants:

Bond Counsel -.	McCall, Parkhurst & Horton L.L.P
Financial Advisor -	First Southwest Company
Underwriter -	Bear, Stearns & Co. Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$128,000	$0.72
Financial Advisor	95,095	0.53
Rating Agencies	66,500	0.37
Paying Agent/Registrar	250	0.00
Escrow Agent	500	0.00
Escrow Verification	3,000	0.02
Liquidity Provider	345,099	1.94
Liquidity Provider Counsel	46,200	0.26
Liq. Provider Foreign Counsel	3,500	0.02
Attorney General	1,250	0.01
O.S. Preparation	700	0.00
Private Activity Fee	19,250	0.11
Remarketing Agent	125,000	0.70
Tender Agent	1,500	0.01
	$835,844	**$4.69**
Underwriter's Spread	**$181,754**	**$1.02**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Revenue Refunding Bonds, Series 2002 - $35,240,000

Purpose: The bond proceeds were used to refund a portion of TPFA's Series 1992B, 1994A, and 1996A building revenue bonds, as well as to pay costs of issuance.

Dates:

Board Approval -	October 17, 2002
Negotiated Sale -	November 4, 2002
Closing Date -	December 4, 2002

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities with final maturity in February 2015. The bonds are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	3.69%
Net Interest Cost (NIC) -	3.83%

Consultants:

Bond Counsel -	Andrews Kurth L.L.P.
Co-Bond Counsel -	Escamilla & Poneck, Inc.
Financial Advisor -	Coastal Securities
Co-Financial Advisor -	CKW Financial Group, Inc.
Senior Underwriter -	U.S. Bancorp Piper Jaffray

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$48,343	$1.37
Co-Bond Counsel	21,401	0.61
Financial Advisor	30,894	0.88
Co-Financial Advisor	12,990	0.37
Rating Agencies	19,750	0.56
Escrow Agent	1,500	0.04
Escrow Verification	2,500	0.07
Attorney General	1,250	0.04
O.S. Preparation	1,825	0.05
Other	301	0.01
	$140,754	**$4.00**
Underwriters' Spread	**$170,583**	**$4.84**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, State of Texas General Obligation and Refunding Bonds, Series 2003 - $142,209,350

Purpose: The bond proceeds were used to finance projects for the Department of Mental Health and Mental Retardation, Parks and Wildlife, School for the Blind and Visually Impaired, the Department of Public Safety, the Texas Youth Commission, Texas Building and Procurement Commission and the Texas Department of Agriculture, and to advance refund certain maturities of general obligation bonds.

Dates:

Board Approval -	October 17, 2002
Negotiated Sale -	January 6, 2003
Closing Date -	January 23, 2003

Structure: The bonds were sold on a negotiated basis as tax-exempt, fixed rate securities with final maturity in October 2022. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	3.73%

Consultants:

Bond Counsel -	Vinson & Elkins L.L.P.
Co-Bond Counsel -.	Delgado Acosta Braden & Jones P.C
Financial Advisor -	Coastal Securities
Co-Financial Advisor -	CKW Financial Group, Inc.
Senior Underwriter -	Lehman Brothers

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$42,478	$0.30
Co-Bond Counsel	15,839	0.11
Financial Advisor	31,737	0.22
Co-Financial Advisor	12,953	0.09
Rating Agencies	54,900	0.39
Escrow Agent	1,500	0.01
Escrow Verification	2,500	0.02
Attorney General	1,250	0.01
O.S. Preparation	1,859	0.01
Travel	2,423	0.02
	$167,439	**$1.18**
Underwriters' Spread	**$589,169**	**$4.14**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, State of Texas General Obligation and Refunding Bonds, Series 2003A - $182,485,000

Purpose: The bond proceeds were used 1) to finance renovation and repair projects for the Texas Department of Criminal Justice facilities throughout the state and the expansion of TDCJ's Western Regional Medical Facility, 2) to restructure outstanding general obligation bonds to achieve budget goals, and 3) to refund certain outstanding general obligation bonds and fix-out commercial paper notes.

Dates:

Board Approval -	May 29, 2003
Negotiated Sale -	June 4, 2003
Closing Date -	June 25, 2003

Structure: The bonds were sold on a negotiated basis as tax-exempt, fixed-rate securities with final maturity in October 2023. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	3.45%
Net Interest Cost (NIC) -	3.72%

Consultants:

Bond Counsel -	Vinson & Elkins L.L.P.
Co-Bond Counsel -	Delgado Acosta Braden & Jones P.C.
Financial Advisor -	First Southwest Company
Co-Financial Advisor -	CKW Financial Group, Inc.
Senior Underwriter -	Citigroup

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$39,352	$0.22
Financial Advisor	61,386	0.34
Rating Agencies	60,000	0.33
Printing	1,481	0.01
Escrow Verification	5,150	0.03
Attorney General	1,250	0.01
Other	1,770	0.01
	$170,389	**$0.93**
Underwriters' Spread	**$824,321**	**$4.52**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2002A - $1,320,000

Purpose: The proceeds of the bond issue were used to renovate the Homer Bryce Stadium, increase the size of the press box, install elevator access to the press box, improve accessibility to the stadium facilities generally, and to pay costs of issuance.

Dates:

Board Approval -	November 20, 2002
Private Placement -	November 21, 2002
Closing Date -	December 19, 2002

Structure: The bonds were privately placed with Zions First National Bank as fixed-rate, tax-exempt obligations with final maturity in 2010. The bonds are insured by Financial Guaranty Insurance Company.

Bond Ratings: The bonds were not rated.

Interest Cost:

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

Consultants:

Bond Counsel -	Delgado Acosta Braden & Jones P.C.
Financial Advisor -	Public Financial Management

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$16,078	$12.18
Financial Advisor	18,065	13.69
Paying Agent/Registrar	250	0.19
Attorney General	750	0.57
Other	2	0.00
	$35,145	**$26.63**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Texas Southern University Revenue Financing System Bonds, Series 2003 - $27,240,000

Purpose: The proceeds of the bonds were used to renovate the University's Ernest S. Sterling Student Life Center and other campus infrastructure, and to pay costs of issuance.

Dates:

Board Approval -	April 17, 2003
Negotiated Sale -	June 11, 2003
Closing Date -	June 26, 2003

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities with final maturity in May 2023. The bonds are not insured.

Bond Ratings:

Moody's -	Aaa/Baa1
Fitch -	AAA/BBB+

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Interest Cost:

True Interest Cost (TIC) -	4.03%
Net Interest Cost (NIC) -	4.24%

Consultants:

Bond Counsel -	Winstead Sechrest & Minick P.C.
Financial Advisor -	First Southwest Company
Co-Financial Advisor-	CKW Financial Group, Inc.
Senior Underwriter -	SBK Brooks Investment Corp.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$38,184	$1.40
Financial Advisor	43,561	1.60
Rating	21,050	0.77
Printing	2,552	0.09
Paying Agent/Registrar	300	0.01
Attorney General	1,250	0.05
Other	1,295	0.05
	$108,192	**$3.97**
Underwriters' Spread	**$162,878**	**$5.98**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority, Midwestern State University Revenue Financing System Revenue and Refunding Bonds, Series 2003 - $13,180,000

Purpose: The proceeds of the bonds were used to finance renovations to two residence halls, to refund outstanding Building Revenue and Refunding Bonds, Series 1996, and pay issuance costs.

Dates:

Board Approval -	July 24, 2003
Negotiated Sale -	August 13, 2003
Closing Date -	August 28, 2003

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities with final maturity in December 2024. The bonds are insured by Financial Security Assurance, Inc.

Bond Ratings:

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

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Interest Cost:

True Interest Cost (TIC) -	4.37%
Net Interest Cost (NIC) -	4.45%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$20,000	$1.52
Financial Advisor	32,500	2.47
Rating	17,000	1.29
Printing	3,000	0.23
Paying Agent/Registrar	2,500	0.19
Escrow Agent	3,000	0.23
Escrow Verification	4,500	0.34
Attorney General	1,000	0.08
Other	1,500	0.11
	$85,000	**$6.46**
Underwriters' Spread	**$71,641**	**$5.44**

TEXAS STATE TECHNICAL COLLEGE SYSTEM

Issue: Texas State Technical College System, Revenue Financing System Bonds, Series 2002 - $10,880,000

Purpose: The proceeds of the bond issue were used for the purpose of 1) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping the property, buildings, structures, facilities, roads, or related infrastructure for the College System, and 2) for paying costs of issuance.

Dates:

Board Approval -	October 17, 2002
Competitive Sale -	October 29, 2002
Closing Date -	November 14, 2002

Structure: The bonds were sold on a competitive basis as fixed-rate, tax-exempt securities maturing on August 1, 2022. The bonds are insured by Ambac Assurance Corporation.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.51%
Net Interest Cost (NIC) -	4.54%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	First Southwest Company
Senior Underwriter -	UBS PaineWebber Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$12,380	$1.14
Financial Advisor	15,500	1.42
Rating Agencies	25,250	2.32
Paying Agent/Registrar	250	0.02
Attorney General	1,000	0.09
O.S. Preparation	2,966	0.27
	$57,346	**$5.26**
Underwriters' Spread	**$42,245**	**$3.88**

TEXAS STATE UNIVERSITY SYSTEM

Issue: Board of Regents, Texas State University System, Revenue Financing System Refunding Bonds, Taxable Series 2002A - $14,170,000

Purpose: The proceeds of the bonds were used for the purpose of refunding the Southwest Texas State University Housing System Revenue Refunding Bonds, Series 1993; and paying costs of issuance related to the bonds.

Dates:

Board Approval -	August 28, 2002
Negotiated Sale -	September 25, 2002
Closing Date -	October 17, 2002

Structure: The bonds were sold on a negotiated basis as fixed-rate, taxable securities maturing on March 15, 2011. The bonds are insured by Financial Security Assurance, Inc.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.05%
Net Interest Cost (NIC) -	3.82%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	RBC Dain Rauscher
Senior Underwriter -.	Goldman, Sachs & Co

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$23,000	$1.62
Financial Advisor	15,500	1.09
Paying Agent	500	0.04
Escrow Agent	800	0.06
Escrow Verification	1,000	0.07
Attorney General	1,000	0.07
Contingency	11,436	0.81
	$53,236	**$3.76**
Underwriters' Spread	**$69,575**	**$4.91**

TEXAS STATE UNIVERSITY SYSTEM

Issue: Board of Regents, Texas State University System, Revenue Financing System Revenue and Refunding Bonds, Series 2002 - $147,445,000

Purpose: The proceeds of the bonds were used for the purpose of: acquiring, purchasing, constructing, improving, renovating, enlarging or equipping the property, buildings, structures, facilities, roads or related infrastructure for the members of the Texas State University System Revenue Financing System; refunding the Southwest Texas State University Housing System Revenue Bonds, Series 1994 and Series 1995; and paying costs of issuance related to the bonds.

Dates:

Board Approval -	August 28, 2002
Negotiated Sale -	September 25, 2002
Closing Date -	October 17, 2002

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities maturing on March 15, 2022. The bonds are insured by Financial Security Assurance, Inc.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.20%
Net Interest Cost (NIC) -	4.20%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	RBC Dain Rauscher
Senior Underwriter -	Goldman, Sachs & Co.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$58,000	$0.39
Financial Advisor	86,500	0.59
Rating Agencies	91,126	0.62
Paying Agent	500	0.00
Escrow Agent	2,450	0.02
Escrow Verification	3,500	0.02
Attorney General	1,250	0.01
O.S. Preparation	7,500	0.05
Contingency	17,328	0.12
	$268,154	**$1.82**
Underwriters' Spread	**$779,984**	**$5.29**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Housing Assistance Program, Fund I, Taxable Refunding Bonds, Series 2002B – $22,605,000

Purpose: The proceeds of the bonds were used to refund the Veterans' Land Board's Housing Assistance Bonds, Series 1992, and to pay for costs of issuance.

Dates:

Board Approval -	October 17, 2002
Negotiated Sale -	November 5, 2002
Closing Date -	November 6, 2002

Structure: The bonds were sold on a negotiated basis as variable rate, taxable securities with a final maturity date of June 1, 2022. The bonds are general obligations of the state and are not insured.

Bond Ratings:

Moody's -	Aa1/VMIG-1
Standard & Poor's -	AA/A-1+

Interest Cost:

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

Consultants:

Bond Counsel -	Vinson & Elkins L.L.P.
Co-Bond Counsel -	Lannen & Oliver, P.C.
Financial Advisor -	RBC Dain Rauscher
Senior Underwriter -	U.S. Bancorp Piper Jaffray

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$63,859	$2.82
Co-Bond Counsel	7,944	0.35
Financial Advisor	9,412	0.42
Rating Agencies	17,300	0.77
Attorney General	1,250	0.06
O.S. Preparation	1,939	0.09
Other	11,500	0.51
	$113,204	**$5.02**
Underwriters' Spread	**$57,903**	**$2.56**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Land Refunding Bonds, Taxable Series 2002 - $27,685,000

Purpose: The proceeds of the bonds were used to refund the outstanding State of Texas Veterans' Land Refunding Bonds, Series 1991 in the amount of $27,685,000.

Dates:

Board Approval -	October 17, 2002
Negotiated Sale -	November 5, 2002
Closing Date -	November 6, 2002

Structure: The bonds were sold on a negotiated basis as taxable, variable rate securities with a final maturity of December 1, 2021. The Veterans' Land Board entered into a floating-to-fixed interest rate swap with a notional amount that matches the principal amount of the variable rate portion of the transaction. The bonds are general obligations of the state and are not insured.

Bond Ratings:

Moody's -	Aa1/VMIG-1
Standard & Poor's -	AA/A-1+

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$25,245	$0.91
Co-Bond Counsel	7,500	0.27
Financial Advisor	11,190	0.40
Rating Agencies	17,300	0.62
Liquidity Provider's Counsel	11,500	0.42
Attorney General	1,250	0.05
O.S. Preparation	3,878	0.14
	$77,863	**$2.81**
Underwriters' Spread	**$65,606**	**$2.37**

TEXAS VETERANS LAND BOARD

Issue: State of Texas Veterans' Housing Assistance Program, Fund II Series 2003A – $50,000,000

Purpose: The bond proceeds were used to finance housing and home improvement loans to qualified Texas veterans and to pay the costs of issuance.

Dates:

Board Approval -	February 20, 2003
Negotiated Sale -	March 3, 2003
Closing Date -	March 4, 2003

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

Bond Ratings:

Moody's -	Aa1/VMIG-1
Standard & Poor's -	AA/A-1+

Interest Cost:

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

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$61,992	$1.24
Co-Bond Counsel	13,854	0.28
Financial Advisor	19,000	0.38
Rating Agencies	32,220	0.64
Liquidity Provider	8,000	0.16
Liquidity Provider's Counsel	3,500	0.07
Attorney General	1,250	0.03
O.S. Preparation	1,860	0.04
	$141,676	**$2.84**
Underwriters' Spread	**$103,245**	**$2.06**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board State Revolving Fund Subordinate Lien Revenue Bonds (Variable Rate Refunding), Series 2003 – $187,600,000

Purpose: Proceeds were used to provide funds to refund State Revolving Fund Senior Lien Revenue Bonds, Series 1992 and State Revolving Fund Multimodal and Interchangeable Rate Revenue Bonds, Series 1992A, and pay costs of issuance.

Dates:

Board Approval -	December 20, 2002
Negotiated Sale -	January 9, 2003
Closing Date -	January 9, 2003

Structure: The bonds were sold through a negotiated sale as variable rate, tax-exempt securities and will mature in July 2022. The bonds are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	3.05%
Net Interest Cost (NIC) -	3.04%

Consultants:

Bond Counsel -	Andrews Kurth L.L.P.
Financial Advisor -	First Southwest Company
Underwriter -	Morgan Stanley

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$130,000	$0.69
Financial Advisor	139,851	0.75
Rating Agencies	111,800	0.60
Paying Agent/Registrar	1,550	0.01
Escrow Agent	400	0.00
Escrow Verification	1,250	0.01
Liquidity Provider	36,000	0.19
Attorney General	1,250	0.01
O.S. Preparation	4,053	0.02
Travel	3,160	0.02
	$429,314	**$2.30**
Underwriter's Spread	**$545,916**	**$2.91**

TEXAS WATER DEVELOPMENT BOARD

Issue: State of Texas General Obligation Bonds, Water Financial Assistance Bonds, Series 2003A – $25,000,000

Purpose: The proceeds of the bonds were used to provide low-interest loans to political subdivisions in rural areas of the state for new construction or improvements of water and wastewater facilities, and to pay costs of issuance.

Dates:

Board Approval -	March 20, 2003
Negotiated Sale -	April 2, 2003
Closing Date -	April 29, 2003

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities with a final maturity of August 1, 2042. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	5.10%
Net Interest Cost (NIC) -	5.11%

Consultants:

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

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$30,198	$1.21
Co-Bond Counsel	16,676	0.67
Financial Advisor	21,474	0.86
Rating Agencies	28,754	1.15
Paying Agent/Registrar	188	0.01
Attorney General	1,250	0.05
O.S. Preparation	2,936	0.12
Private Activity Fee	6,750	0.27
Travel	310	0.01
	$108,536	**$4.35**
Underwriters' Spread	**$158,806**	**$6.35**

TEXAS WATER DEVELOPMENT BOARD

Issue: State of Texas General Obligation Bonds, Water Financial Assistance and Refunding Bonds, Taxable Series 2003B, Series 2003C, and Water Financial Assistance Refunding Bonds, Series 2003D (State Participations Program) – $123,115,000

Purpose: The proceeds of the Taxable Series 2003B Bonds were used to refund $35,800,000 of the Board's outstanding State of Texas Water Financial Assistance Refunding Bonds, Series 1998B, and to provide financial assistance to political subdivisions for water supply, water quality enhancement and flood control purposes. The proceeds of the Series 2003C and 2003D bonds were used to refund Series 1993A, 1993B, and 1993D Water Development Bonds and Series 1998A Water Financial Assistance Bonds, and to pay certain costs of issuance.

Dates:

Board Approval -	May 22, 2003
Negotiated Sale -	June 11, 2003
Closing Date -	June 23, 2003

Structure: The bonds were sold on a negotiated basis as fixed-rate securities. The Series 2003B bonds are taxable securities with a final maturity in August 2021. The Series 2003C and Series 2003D bonds are tax-exempt securities with respective maturity dates of August 2023 and August 2015. The bonds are general obligations of the state and are not insured.

Bond Ratings:

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

Interest Cost:

	2003B	2003C	2003D
True Interest Cost (TIC) -	3.42%	3.08%	2.98%
Net Interest Cost (NIC) -	3.48%	3.33%	3.24%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Co-Bond Counsel -	Delgado Acosta Braden & Jones, P.C.
Financial Advisor -	First Southwest Company
Senior Underwriter -	U.S. Bancorp Piper Jaffray

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$31,297	$0.25
Co-Bond Counsel	16,914	0.14
Financial Advisor	77,567	0.63
Rating Agencies	47,500	0.39
Printing	1,501	0.01
Paying Agent	437	0.00
Escrow Agent	400	0.00
Escrow Verification	3,350	0.03
Other	10,807	0.09
Attorney General	2,500	0.02
	$192,273	**$1.56**
Underwriter's Spread	**$576,178**	**$4.68**

THE TEXAS A&M UNIVERSITY SYSTEM

Issue: Board of Regents of The Texas A&M University System, Revenue Financing System Bonds, Series 2002 - $93,835,000

Purpose: The proceeds from the bonds were used to refund outstanding Revenue Financing System Commercial Paper Notes, provide funds for new construction and repair projects, and pay for costs of issuance.

Dates:

Board Approval -	August 28, 2002
Competitive Sale -	September 4, 2002
Closing Date -	October 10, 2002

Structure: The bonds were sold on a competitive basis and issued as fixed-rate, tax-exempt securities with a final maturity date of May 15, 2022. The bonds are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.24%
Net Interest Cost (NIC) -	4.29%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	First Southwest Company
Underwriter -	J.P. Morgan Securities Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$66,380	$0.71
Financial Advisor	47,505	0.51
Rating Agencies	56,150	0.60
Paying Agent	450	0.00
Attorney General	1,250	0.01
O.S. Preparation	4,568	0.05
Other	700	0.01
	$177,003	**$1.89**
Underwriter's Spread	**$585,831**	**$6.24**

THE TEXAS A&M UNIVERSITY SYSTEM

Issue: Board of Regents of The Texas A&M University System, Revenue Financing System Bonds, Series 2003A and Revenue Financing System Refunding Bonds, Series 2003B - $234,275,000

Purpose: The proceeds from the bonds were used to refund certain outstanding Revenue Financing System bonds, to provide construction funds for various projects throughout the System, and to pay costs of issuance.

Dates:

Board Approval -	April 17, 2003
Negotiated Sale -	April 25, 2003
Closing Date -	May 20, 2003

Structure: The bonds were sold on a negotiated basis and issued as fixed-rate, tax-exempt securities. The Series 2003A bonds have a final maturity date of May 15, 2022, and the Series 2003B bonds have a final maturity date of May 15, 2016. The bonds are not insured.

Bond Ratings:

Moody's -	Aa1
Fitch -	AA+

Interest Cost:

True Interest Cost (TIC) -	3.97%
Net Interest Cost (NIC) -	4.21%

Consultants:

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

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$165,523	$0.71
Financial Advisor	118,514	0.51
Rating Agencies	51,000	0.22
Paying Agent/Registrar	275	0.00
Escrow Agent	2,750	0.01
Escrow Verification	3,750	0.02
Attorney General	2,500	0.01
O.S. Preparation	7,844	0.03
Other	6,522	0.03
	$358,678	**$1.51**
Underwriters' Spread	**$1,049,344**	**$4.48**

THE UNIVERSITY OF NORTH TEXAS SYSTEM

Issue: Board of Regents of The University of North Texas System, Revenue Financing System Bonds, Series 2002A - $9,500,000

Purpose: The proceeds of the bond issue were used for the purpose of constructing a new residential facility on the University of North Texas campus and for paying costs of issuance.

Dates:

Board Approval -	October 17, 2002
Competitive Sale -	October 29, 2002
Closing Date -	November 14, 2002

Structure: The bonds were structured as fixed-rate obligations and were sold on a competitive basis with final maturity in April 2022. The bonds are insured by Financial Guaranty Insurance Company.

Bond Ratings:

Moody's -	Aaa/A1
Standard & Poor's -	AAA/A+

Interest Cost:

True Interest Cost (TIC) -	4.58%
Net Interest Cost (NIC) -	4.62%

Consultants:

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

Issuance Costs:	Amount	Per $1,000
Bond Counsel	$11,127	$1.17
Financial Advisor	15,464	1.63
Rating Agencies	15,900	1.67
Paying Agent/Registrar	400	0.04
Attorney General	1,000	0.11
O.S. Preparation	2,407	0.25
	$46,298	**$4.87**
Underwriter's Spread	**$46,604**	**$4.91**

THE UNIVERSITY OF NORTH TEXAS SYSTEM

Issue: Board of Regents of The University of North Texas System, Revenue Financing System Bonds, Series 2003 - $31,180,000

Purpose: The proceeds of the bonds were used for the purpose of acquiring, purchasing, constructing, improving, renovating, enlarging or equipping the property, buildings, structures, facilities, roads or related infrastructure for the University, including a 600-bed residence hall and dining facility, and to pay costs of issuance.

Dates:

Board Approval -	April 17, 2003
Negotiated Sale -	April 30, 2003
Closing Date -	May 29, 2003

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

Bond Ratings:

Moody's -	Aaa/A1
Standard & Poor's -	AAA/A+

Interest Cost:

True Interest Cost (TIC) -	4.65%
Net Interest Cost (NIC) -	4.72%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Financial Advisor -	First Southwest Company
Senior Underwriter -	Southwest Securities, Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$15,930	$0.51
Financial Advisor	16,090	0.52
Rating Agencies	30,300	0.97
Paying Agent/Registrar	400	0.01
Attorney General	1,250	0.04
O.S. Preparation	4,067	0.13
	$68,037	**$2.18**
Underwriters' Spread	**$188,533**	**$6.05**

THE UNIVERSITY OF TEXAS SYSTEM

Issue: Board of Regents of The University of Texas System, Revenue Financing System Refunding Bonds, Series 2002A and 2002B - $163,285,000

Purpose: Proceeds of the bonds were used to advance refund a portion of the Board's outstanding Revenue Financing System Bonds, Series 1999A and Series 1999B, to achieve debt-service savings, and to pay costs of issuance.

Dates:

Board Approval -	August 28, 2002
Negotiated Sale -	September 5, 2002
Closing Date -	September 27, 2002

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities with a final maturity date of August 15, 2020 for both Series 2003A and 2003B. The bonds are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.02%
Net Interest Cost (NIC) -	4.30%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Senior Underwriter -	UBS PaineWebber Inc.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$82,640	$0.51
Rating Agencies	53,595	0.33
Paying Agent	5,000	0.03
Escrow Agent	1,375	0.01
Escrow Verification	2,000	0.01
Disclosure Counsel	30,000	0.18
Attorney General	2,500	0.02
O.S. Preparation	7,490	0.05
Other	1,481	0.01
	$186,081	**$1.15**
Underwriters' Spread	**$696,386**	**$4.26**

THE UNIVERSITY OF TEXAS SYSTEM

Issue: Board of Regents of The University of Texas System, Revenue Financing System Bonds, Series 2003A and 2003B - $593,100,000

Purpose: Proceeds of the bonds were used to refund certain outstanding obligations of the Board, to finance the costs of campus improvements of certain members of the System, and to pay costs of issuance.

Dates:

Board Approval -	November 20, 2002
Negotiated Sale -	January 9, 2003
Closing Date -	January 23, 2003

Structure: The bonds were sold on a negotiated basis as fixed-rate, tax-exempt securities. The Series 2003A bonds have a final maturity date of August 15, 2023, and the Series 2003B bonds, August 15, 2033. The bonds are not insured.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.68%
Net Interest Cost (NIC) -	4.81%

Consultants:

Bond Counsel -	McCall, Parkhurst & Horton L.L.P.
Senior Underwriters -	UBS PaineWebber Inc.
	Morgan Stanley

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$190,183	$0.32
Rating Agencies	114,000	0.19
Disclosure Counsel	30,000	0.05
Paying Agent/Registrar	6,800	0.01
Escrow Agent	500	0.00
Escrow Verification	2,000	0.00
Attorney General	2,500	0.00
O.S. Preparation	8,432	0.01
Travel	4,304	0.01
Contingency	3,894	0.01
	$362,613	**$0.60**
Underwriters' Spread	**$2,039,684**	**$3.44**

UNIVERSITY OF HOUSTON SYSTEM

Issue: Board of Regents of the University of Houston System, Consolidated Revenue Bonds, Series 2002A - $130,955,000

Purpose: The proceeds of the bonds were used for (a) the construction of a science and engineering building at the University of Houston, (b) the expansion and renovation of the library at the University of Houston, (c) the construction of a classroom building at UH Downtown, (d) the acquisition and renovation of facilities at UH Victoria, (e) the construction of a classroom and student services building at UH Clear Lake, and (f) the construction of student services facilities at UH Clear Lake. Proceeds were also used to pay costs of issuance.

Dates:

Board Approval -	August 28, 2002
Competitive Sale -	September 17, 2002
Closing Date -	October 9, 2002

Structure: The bonds were sold on a competitive basis as fixed-rate, tax-exempt securities with a final maturity date of February 15, 2022. The bonds are insured by Financial Security Assurance Inc.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.17%
Net Interest Cost (NIC) -	4.21%

Consultants:

Bond Counsel -	Andrews Kurth L.L.P.
Financial Advisor -	First Southwest Company
Underwriter -	Merrill Lynch & Co.

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$96,000	$0.73
Co-Bond Counsel	6,000	0.05
Financial Advisor	43,442	0.33
Rating Agencies	96,382	0.74
Paying Agent	300	0.00
Attorney General	1,250	0.01
O.S. Preparation	4,506	0.03
Other	669	0.01
	$248,549	**$1.90**
Underwriter's Spread	**$809,302**	**$6.18**

UNIVERSITY OF HOUSTON SYSTEM

Issue: Board of Regents of the University of Houston System, Consolidated Revenue Refunding Bonds, Series 2002B - $45,425,000

Purpose: The proceeds of the bond issue were used to refund and defease the Consolidated Revenue Bonds, Series 1993, and Consolidated Revenue Bonds, Series 1993A. Proceeds were also used to pay costs of issuance.

Dates:

Board Approval -	August 28, 2002
Competitive Sale -	October 22, 2002
Closing Date -	November 19, 2002

Structure: The bonds were sold on a competitive basis as fixed-rate, tax-exempt securities with a final maturity date of February 15, 2018. The bonds are insured by Financial Security Assurance Inc.

Bond Ratings:

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

Interest Cost:

True Interest Cost (TIC) -	4.07%
Net Interest Cost (NIC) -	4.26%

Consultants:

Bond Counsel -	Andrews Kurth L.L.P.
Co-Bond Counsel -	Wickliff & Hall P.C.
Financial Advisor -	First Southwest Company
Underwriter -	Morgan Stanley

Issuance Costs:	**Amount**	**Per $1,000**
Bond Counsel	$83,500	$1.84
Co-Bond Counsel	6,000	0.13
Financial Advisor	18,560	0.41
Rating Agencies	24,750	0.54
Paying Agent	300	0.01
Escrow Agent	750	0.02
Escrow Verification	2,700	0.06
O.S. Preparation	4,398	0.10
	$140,958	**$3.11**
Underwriter's Spread	**$268,263**	**$5.91**

APPENDIX B - Texas 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, 2003, a total of $2.96 billion was authorized for state commercial paper or variable-rate note programs. Of this amount, $705.3 million was outstanding as of the end of fiscal 2003.

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

The University of Texas System

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

The System's PUF Flexible Rate Note Program provides interim financing for permanent improvements at various eligible component institutions of the System. The PUF Flexible Rate Note Program replaced a similar program established in 1985. The prior program became obsolete when an amendment to the Texas Constitution was adopted on November 2, 1999, altering the source and method for determining distributions from the PUF. The System's outstanding PUF flexible rate notes may not exceed $400 million in principal amount at any time.

The System's Revenue Financing System (RFS) Commercial Paper Note Program was established in 1990 to provide interim financing for capital projects, including construction, acquisition, and renovation or equipping of facilities. The commercial paper is secured by a pledge of all legally available revenues of the System, including pledged tuition fees, general fees, and other revenue sources. The System's outstanding RFS commercial paper notes may

Table 17

TEXAS COMMERCIAL PAPER AND VARIABLE-RATE NOTE PROGRAMS
as of August 31, 2003

ISSUER	TYPE OF PROGRAM	AMOUNT AUTHORIZED	AMOUNT ISSUED FISCAL 2003	AMOUNT OUTSTANDING
The University of Texas System				
Permanent University Fund	Flexible-Rate Notes	$400,000,000	$125,000,000	$300,000,000
Revenue Financing System	Commercial Paper	750,000,000	33,025,000	13,375,000
The Texas A&M University System				
Permanent University Fund	Flexible-Rate Notes	80,000,000	40,000,000	80,000,000
Revenue Financing System	Commercial Paper	125,000,000	65,580,000	60,000,000
Texas Tech University System				
Revenue Financing System	Commercial Paper	100,000,000	13,691,000	23,604,000
Texas Dept of Agriculture	Commercial Paper	50,000,000	2,000,000	36,000,000
	Commercial Paper*	25,000,000	0	0
Texas Dept of Economic Development	Commercial Paper	25,000,000	5,558,000	13,258,000
Texas Dept of Housing & Community Affairs	Commercial Paper	200,000,000	49,370,000	61,470,000
Texas Public Finance Authority				
Revenue	Commercial Paper	150,000,000	80,059,000	65,259,000
General Obligation	Commercial Paper	1,056,000,000	37,940,000	52,370,000
Total		**$2,961,000,000**	**$452,223,000**	**$705,336,000**

* Represents maximum amount outstanding approved by the Bond Review Board for the Texas Agricultural Fund The TAFA Board has approved a $100 million program amount

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

not exceed $750 million in principal amount at any time.

The Texas A&M University System

The Texas A&M University System (the "A&M System") has also authorized two variable-rate financing programs: a flexible-rate note program secured by the Permanent University Fund (PUF) and a commercial paper program secured by the A&M System revenues. The Texas A&M PUF Note Program was established in 1988 to provide interim financing and equipping of facilities for eligible construction projects. The A&M System's outstanding PUF flexible rate notes may not exceed $80 million in principal amount at any time.

The Texas A&M University's Revenue Financing System Commercial Paper Program was established in 1992 to provide interim financing for capital projects, including construction, acquisition, and renovation, or equipping of facilities throughout the A&M System. The commercial paper is secured by a pledge of all legally available revenues to the A&M System, including pledged tuition fees, general fees, and other revenue sources. The A&M System has a self-liquidity facility for this program. In fiscal 1994, the A&M System expanded the pledge to include tuition revenues. The A&M System's outstanding RFS commercial paper notes may not exceed $125 million in principal amount at any time.

Texas Tech University System and Texas Tech University Health Sciences Center

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

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

Texas Department of Agriculture

In 1991, the Texas Agricultural Finance Authority (TAFA), a public authority within the Texas Department of Agriculture, was authorized to establish a taxable commercial paper note program. The TAFA issues commercial paper to purchase and guarantee loans made to businesses involved in the production, processing, marketing, and exporting of Texas agricultural products. The commercial paper notes are a general obligation of the state; however, the program is designed to be self-supporting.

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

Texas Department of Economic Development

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

Texas Department of Housing and Community Affairs

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

Texas Public Finance Authority

In 1992, the Texas Public Finance Authority (TPFA) established a Master Lease Purchase Program (MLPP) that is funded through commercial paper. The commercial paper issued to date has primarily been used to finance the purchase of equipment, such as computers and telecommunications equipment. The TPFA also has the authority to use the commercial paper to provide interim financing for capital projects undertaken on behalf of state agencies. The MLPP commercial paper is a special revenue obligation of the state, payable only from legislative appropriations to the participating agencies for lease payments.

During fiscal 1993, TPFA established a variable-rate financing program that is secured by the state's general obligation pledge. The proceeds are used to provide interim financing for capital projects that are authorized by the legislature and financed through general obligation bonds. In 2002, TPFA established a commercial paper program that is also secured by the state’s general obligation pledge to provide financial assistance to border counties for roadways in colonias.

Other State Issuers of Variable-Rate Debt

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

The Veterans Land Board is one example of a state issuer that has issued variable-rate housing assistance bonds to diversify its debt portfolio. Similarly, the Texas Water Development Board is authorized to issue subordinate-lien variable-rate-demand revenue bonds (VRDBs) as part of the State Revolving Fund program.

Comptroller of Public Accounts Liquidity Facility Provider Duties

The 73rd Legislature passed legislation that authorized the State Treasurer to enter into agreements to provide liquidity for obligations issued for governmental purposes by an agency of the state as long as the agreements did not conflict with the liquidity needs of the Treasury. Eligible obligations include commercial paper, variable-rate demand obligations, and bonds. Although Treasury funds were not sufficient to cover all state variable-rate debt programs, the use of state funds for liquidity provision resulted in significant savings.

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

Appendix C - TEXAS STATE BOND PROGRAMS

TEXAS AGRICULTURAL FINANCE AUTHORITY BONDS

Statutory Authority: The Texas Agricultural Finance Authority (the "Authority") was created in 1987 (Texas Agriculture Code, Chapter 58) and given the authority to issue revenue bonds. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds under Article III, Section 49-i, of the Texas Constitution was approved. In 1993, a constitutional amendment authorized the issuance of general obligation bonds under Article III, Section 49-f, of the Texas Constitution in an amount not to exceed $200 million. Legislative approval is not required for each bond issue; however, the Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance, and is required to register its bonds with the Comptroller of Public Accounts.

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

Security: Revenue bonds are obligations of the Authority and are payable from revenues, income, and property of the Authority and its programs. The Authority's revenue bonds are not an obligation of the state of Texas, and neither the state's full faith and credit nor its taxing power is pledged toward payment of the bonds. The Authority is also authorized to issue general obligation debt, which is payable from revenues and income of the Authority. In the event that such income is insufficient to repay the debt, the first monies coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise appropriated by the Constitution, are pledged to repay the bonds.

Dedicated/Project Revenue: Mortgages or other interests in financed property; repayments of financial assistance; investment earnings; any fees and charges; and appropriations, grants, subsidies, or contributions are pledged to the payment of principal and interest on the Authority's bonds. The program is designed to be self-supporting; therefore, no draw on general revenue is anticipated.

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COLLEGE STUDENT LOAN BONDS

Statutory/Constitutional Authority: Article III, Sections 50b and 50b-1, 50b-2, 50b-3, 50b-4, and 50b-5, of the Texas Constitution, adopted in 1965, 1969, 1989, 1991, 1995, and 1999, authorize the issuance of general obligation bonds by the Texas Higher Education Coordinating Board. In 1991, legislation was enacted giving the Coordinating Board authority to issue revenue bonds. The Board is required to obtain the approval of the Attorney General's Office and the Bond Review Board prior to issuance, and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are used to make loans to eligible students attending public or private colleges and universities in Texas.

Security: The first monies coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, are pledged to pay debt service on the general obligation bonds. Revenue bonds will be repaid solely from program revenues. Approximately 30 percent of the loans made are guaranteed by the Texas Guaranteed Student Loan Corporation, the U.S. Department of Education, and the U.S. Department of Health and Human Services.

Dedicated/Project Revenue: Principal and interest payments on the loans are pledged to pay debt service on the bonds issued by the

Coordinating Board. No draw on general revenue is anticipated.

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COLLEGE AND UNIVERSITY REVENUE BONDS

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

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

Legislative approval is not required for specific projects or for each bond issue, but certain capital projects must be approved by the Texas Higher Education Coordinating Board in accordance with Chapter 61, Texas Education Code. The governing boards are required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance, and are required to register their bonds with the Comptroller of Public Accounts.

Purpose: Proceeds are used to acquire, purchase, construct, improve, enlarge, and/or equip property, buildings, structures, activities, services, operations, or other facilities.

Security: The revenue bonds issued by the institutions' governing boards are secured by the income of the institutions and are not an obligation of the state of Texas. Neither the state's full faith and credit nor its taxing power is pledged toward payment of the bonds.

Dedicated/Project Revenue: Bonds are repaid with income from pledged revenues. Pledged revenues include the pledged tuition, and any or all of the revenues, funds and balances lawfully available to the governing boards and derived from or attributable to any member of the Revenue Financing System.

Contact:
Individual colleges and universities.

TEXAS DEPARTMENT OF ECONOMIC DEVELOPMENT BONDS

Statutory Authority: As the successor agency to the Texas Department of Commerce, the Texas Department of Economic Development (the "Department") was created and given the authority to issue revenue bonds by Senate Bill 932, 75th Legislature, 1997. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds was approved. Although legislative approval of bond issues is not required, the Department is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance, and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are used to provide financial assistance to export businesses, to promote domestic business development, and to provide loans to finance the commercialization of new and improved products and processes.

Security: Revenue bonds are obligations of the Department and are payable from funds of the Department. The Department's revenue bonds are not an obligation of the state of Texas and neither the state's full faith and credit nor its taxing power is pledged toward payment of the Department's bonds. The Department is also authorized to issue general obligation debt, which is payable from revenues received by the Department. House Bill 1, 75th Legislature, Rider 6, specifically prohibits the use of general revenue for debt service on the Department's general obligation bonds; therefore, any general obligation bonds issued by the Department are required to be self-supporting.

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

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS BONDS

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

Pursuant to the Act, the Department may issue bonds, notes, or other obligations to finance or refinance residential housing and to refund bonds previously issued by the THA, the Department, or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the THA become revenue bonds of the Department. Legislative approval of bond issues is not required; however, the Department is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance, and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are used to provide assistance to individuals and families of low, very low, and moderate income and persons with special needs to obtain decent, safe, and sanitary housing.

Security: Any bonds issued are obligations of the Department and are payable solely from the revenues and funds pledged for the payment thereof. The Department's bonds are not an obligation of the state of Texas, and neither the state's full faith and credit nor its taxing power is pledged toward payment of the Department's bonds.

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

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FARM AND RANCH LOAN BONDS

Statutory/Constitutional Authority: Article III, Section 49-f, of the Texas Constitution, adopted in 1985, authorizes the issuance of general obligation bonds by the Veterans Land Board. The program was transferred from the Veterans Land Board to the Texas Agricultural Finance Authority with the passage of House Bill 1684 by the 73rd Legislature. In 1993, a constitutional amendment was approved that transferred the constitutional authority for the program from the Veterans Land Board to the Texas Agricultural Finance Authority and allows no more than $200 million of the authority to be used for the purposes defined in Article III, Section 49-i, of the Texas Constitution. In 1997, House Bill 2499, the 75th Legislature increased the maximum loan amount available through the program to $250,000. In 2001, Senate Bill 716 authorized the Authority to provide a guarantee to a local lender for an eligible applicant.

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

Security: The bonds are general obligations of the state of Texas. The first monies coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, are pledged to pay debt service on the bonds.

Dedicated/Project Revenue: Principal and interest payments on the farm and ranch loans are pledged to pay debt service on the bonds issued by the Texas Agricultural Finance Authority. The program is designed to be self-supporting; therefore, no draw on general revenue is anticipated.

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HIGHER EDUCATION CONSTITUTIONAL BONDS

Statutory Authority: Article VII, Section 17, of the Texas Constitution, adopted in 1985, authorizes the issuance of constitutional appropriation bonds by institutions of higher education not eligible to issue bonds payable from and secured by the income of the Permanent University Fund (PUF). Legislative approval of bond issues is not required; however, approval of the Bond Review Board and the Attorney General is required, and the bonds must be registered with the Comptroller of Public Accounts.

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

Security: The first $175 million coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, goes to qualified institutions of higher education to fund certain land acquisition, construction, and repair projects. Fifty (50) percent of this amount may be pledged to pay debt service on any bonds or notes issued. While not explicitly a general obligation or full faith and credit bond, the stated pledge has the same effect.

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

Contact:
Individual colleges and universities.

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 (Texas Health and Safety Code, Sec. 402.291) to finance certain costs related to the creation of a radioactive waste disposal site. The Authority was required to obtain the approval of the Attorney General's Office and the Bond Review Board prior to issuance, and to register its bonds with the Comptroller of Public Accounts. House Bill 1077, 75th Legislature, in 1997, authorized the Texas Public Finance Authority to issue the bonds on behalf of the Texas Low-Level Radioactive Waste Disposal Authority.

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

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

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

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

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TEXAS MILITARY FACILITIES COMMISSION BONDS

Statutory Authority: The Texas Military Facilities Commission (the "Commission") was created by Senate Bill 352, 75th Legislature, 1997, as the successor agency to the National Guard Armory Board, which was created as a state agency in 1935 (Texas Government Code, Chapter 435), and authorized to issue long-term debt. Legislative approval of bond issues is not required; however, the Commission is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance, and to register its bonds with the Comptroller of Public Accounts.

Senate Bill 3, 72nd Legislature, 1991, authorized the Texas Public Finance Authority to issue bonds on behalf of the Texas Military Facilities Commission (Texas Government Code, Sec. 435.041).

Purpose: Proceeds from the sale of bonds are used to acquire land, to construct, remodel, repair, or equip buildings for the Texas National Guard.

Security: Any bonds issued are obligations of the Commission and are payable from "rents, issues, and profits" of the Commission. The Commission's bonds are not a general obligation of the state of Texas and neither the state's full faith and credit nor its taxing power is pledged toward payment of Military Facilities Commission bonds.

Dedicated/Project Revenue: The rent payments used to retire Military Facilities Commission debt are paid primarily by the Adjutant General's Department with general revenue funds appropriated by the legislature. Independent project revenue, in the form of income from properties owned by the Commission, is also used to pay a small portion of debt service.

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TEXAS PARKS AND WILDLIFEDEPARTMENT BONDS

Statutory/Constitutional Authority: Article III, Section 49-e, of the Texas Constitution, adopted in 1967, authorized the Texas Parks and Wildlife Department (the "Department") to issue general obligation bonds to acquire and develop state parks. Senate Bill 3, 72nd Legislature, 1991, authorized the Texas Public Finance Authority ("the Authority") to issue bonds on behalf of the Department. House Bill 3189, 75th Legislature, 1997, authorized the Authority to issue revenue bonds or other revenue obligations not to exceed $60 million in the aggregate on behalf of the Department, for construction and renovation projects for parks and wildlife facilities.

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

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

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

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

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

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PERMANENT UNIVERSITY FUND BONDS

Statutory/Constitutional Authority: Article VII, Section 18, of the Texas Constitution, initially adopted in 1947, as amended in November 1984, authorizes the Boards of Regents of The University of Texas and The Texas A&M University Systems to issue revenue bonds payable from and secured by the income of the Permanent University Fund (PUF). The constitutional amendment approved by voters on November 2, 1999, allows for distributions from the PUF to be based on the "total return" on all PUF investment assets, including current income, as well as capital gains. Neither legislative approval nor Bond Review Board approval is required. Approval of the Attorney General is required, however, and the bonds must be registered with the Comptroller of Public Accounts.

Purpose: Proceeds are used for acquiring land either with or without permanent improvements, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding PUF bonds or PUF notes.

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

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

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

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TEXAS PUBLIC FINANCE AUTHORITY BONDS

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

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

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

In 1989, the Authority was authorized to establish a Master Lease Purchase Program. This program was created to finance the purchase of equipment on behalf of various state agencies at tax-exempt interest rates.

In 1991, the Authority was given the responsibility of issuing revenue bonds for the Texas Workers' Compensation Fund under Subchapter G, Chapter 5, of the Texas Insurance Code.

The 73rd Legislature authorized the Authority, effective January 1, 1992, to issue bonds on behalf of the Texas Military Facilities Commission, Texas National Research Laboratory Commission, Texas Parks and Wildlife Department, and the Texas State Technical College. In 1993, the Authority was authorized to issue bonds or other obligations to finance alternative fuels equipment and infrastructure projects for state agencies, institutions of higher education, and political subdivisions.

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

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

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

In 2001, constitutional amendments were adopted authorizing the issuance of (i) 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 (ii) 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.

In 2003, the 78th Legislature authorized the Authority to issue revenue bonds on behalf of the Texas Workforce Commission to fund the unemployment compensation program. (See H.B. 3324 and S.B. 280.) The 78th Legislature also authorized in S.B. 652: (1) the Authority's issuance of general obligation bonds to finance assistance to local governments for economic development projects to enhance the military value of military facilities, contingent on voter approval of SJR55, which was approved by Texas voters on September 13, 2003; and (2) the Authority's issuance of up to $75,000,000 of revenue bonds to fund the FAIR Plan, which is residential property insurance of last resort (S.B. 14).

The Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance, and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of general obligation bonds issued under Article III, Section 49-h, are used to finance the cost of constructing, acquiring, and/or renovating prison facilities, youth correction facilities, and mental health/mental retardation facilities. Proceeds of obligations issued under Article III, Section 50-f, are to be used for state agency renovation, construction, and equipment acquisition projects. Proceeds of obligations issued under Article III, Section 49-l, are to be used to provide assistance to border counties for colonia roadway projects. Proceeds from the sale of building revenue bonds are used to purchase, construct, renovate, and maintain state buildings. Proceeds from the sale of bonds for the Workers' Compensation Fund are used to fund the Workers' Compensation Insurance Fund. Proceeds from the issuance of commercial paper for the Master Lease Purchase Program are used to finance equipment for various state agencies. For a description of the use of funds for bonds issued on behalf of the Texas Military Facilities Commission, the Texas 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 to be used to finance costs of the Superconducting Super Collider; however, the project was canceled in 1995. The revenue bonds issued for the project were defeased in 1995, and the general obligation bonds were economically defeased in November 1999.

Security: Building revenue bonds issued are obligations of the Authority and are payable from "rents, issues, and profits" resulting from leasing projects to the state. These sources of revenue come primarily from legislative appropriations. The general obligation bonds pledge the first monies not otherwise appropriated by the Constitution that come into the Comptroller of Public Accounts - Treasury Operations each fiscal year to pay debt service on the bonds. Bonds issued on behalf of the Workers' Compensation Insurance Fund are secured solely by pledged revenues of the Fund. Revenue bonds issued for the Master Lease Purchase Program are secured by lease payments from state agencies, which come from state appropriations.

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

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PUBLIC SCHOOL FINANCE PROGRAM

Statutory/Constitutional Authority: The 1989 Texas Legislature adopted the Public School Facilities Funding Act in Senate Bill 951, 71st Legislature, and amended the Act in Senate Bill 3, 71st Legislature, Sixth Called Session, and House Bill 1608, 73rd Legislature. The Act, codified as Chapter 1402, Texas Government Code, authorizes the Bond Review Board to make loans or purchase the bonds of qualifying public school districts. The Board is authorized to direct the Comptroller of Public Accounts - Treasury Operations to issue revenue bonds to finance the school district loans.

Although the statutory authority remains, no bonds have been issued under this program.

Purpose: The proceeds of bonds issued under this program are to be used to make loans to qualifying school districts for the acquisition, construction, renovation, or improvement of instructional facilities; for equipment and minor repair; for cash-management purposes; and for refunding of school district bonds.

Security: The bonds are special obligations of the program and are payable only from program revenues. The bonds are not a general obligation of the state of Texas, and neither the state's full faith and credit nor its taxing power is pledged toward payment of the bonds.

Dedicated/Project Revenue: Repayment of principal and interest on local school district loans is pledged to pay debt service on the state bonds. In the event of a loan delinquency, the program may draw on the state Foundation School Fund payment otherwise due the school district for bonds issued under Subchapter A, Chapter 271, Texas Local Government Code, and Chapter 20.49 of the Texas Education Code.

Bonds issued with the guarantee of the Texas Permanent School Fund (PSF) may draw on the principal of the PSF in the event of a pending default.

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TEXAS SMALL BUSINESS INDUSTRIAL DEVELOPMENT CORPORATION BONDS

Statutory Authority: The Texas Small Business Industrial Development Corporation (TSBIDC) was created as a private non-profit corporation in 1983 (Title 83, Article 5190.6, Sections 4-37, Tex.Rev.Civ.Stat.Ann.) pursuant to the Development Corporation Act of 1979 and was authorized to issue revenue bonds. The authority of TSBIDC to issue bonds was repealed by the legislature, effective September 1, 1987.

Purpose: Proceeds from the sale of the TSBIDC bonds are used to provide financing to state and local governments and to businesses and non-profit corporations for the purchase of land, facilities, and equipment for economic development.

Security: The bonds are obligations of the Corporation. The Corporation's bonds are not an obligation of the state of Texas or any political subdivision of the state, and neither the state's full faith and credit nor its taxing power is pledged toward payment of Corporation bonds.

Dedicated/Project Revenue: Debt service on bonds issued by the TSBIDC is payable from the repayment of loans made from bond proceeds and investment earnings on bond proceeds.

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TEXAS STATE AFFORDABLE HOUSING CORPORATION

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

The Corporation is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance, and to register its bonds with the Comptroller of Public Accounts.

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

Security: Any bonds issued are payable solely from the revenues and funds pledged for the payment thereof. The Corporation's bonds are not an obligation of the state of Texas, and neither the state's full faith and credit nor its taxing power is pledged toward the payment of the Corporation's bonds.

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

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TEXAS DEPARTMENT OF TRANSPORTATION BONDS

Statutory Authority: The Texas Turnpike Authority ("the Authority") was created as a division of the Texas Department of Transportation ("the Department") by the 75th Legislature by Senate Bill 370 (Texas Transportation Code, Chapter 361). [Senate Bill 370 also established the North Texas Tollway Authority, consisting of Collin, Dallas, Denton, and Tarrant counties, as a successor agency to the previous Texas Turnpike Authority. The North Texas Tollway Authority does not require Bond Review Board approval to issue bonds.]

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

The Department is authorized to issue revenue bonds payable from the income and receipt of the revenues of the SIB including principal and interest on obligations acquired and held by the SIB. Legislative approval is not required for specific projects or for each bond issue. The Department is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to bond issuance and to register its bonds with the Comptroller of Public Accounts. The Authority is authorized to issue turnpike revenue bonds pursuant to Sec. 361.171 of the Texas Transportation Code, and turnpike revenue refunding bonds pursuant to Sec. 361.175.

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

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

Security: Any bonds issued are obligations of the Department and are payable from income from the SIB and other project revenues. The Department's bonds are 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 Texas Department of Transportation bonds. Likewise, bonds issued by the Authority are payable from project revenues and other identified revenue sources. Additionally, bonds issued by the Authority are not obligations of the state or a pledge of the full faith and credit of the state.

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

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VETERANS' LAND AND HOUSING ASSISTANCE BONDS

Statutory/Constitutional Authority: Article III, Section 49-b, of the Texas Constitution, initially adopted in 1946, authorized the issuance of general obligation bonds to finance the Veterans Land Program. Article III, Section 49-b-1, of the Texas Constitution, adopted in 1983, authorized additional land bonds and created the Veterans' Housing Assistance Program, establishing the Veterans' Housing Assistance Fund within the program. Article III, Section 49-b-2, of the Texas Constitution, adopted in 1993, authorized additional land bonds and the issuance of general obligation bonds to finance the Veterans' Housing Assistance Program, Fund II. Article III, Section 49-b, Subsections, amended in 2001, authorized the VLB to use assets from the Veterans' Land Fund, the Veterans' Housing Assistance Fund, or the Veterans' Housing Assistance Fund II to plan, design, operate, maintain, enlarge, or improve cemeteries for veterans. Chapter 164 of the Texas Natural Resources Code authorized the Veterans Land Board to issue revenue bonds for its programs, including the financing of veterans' long-term care facilities.

Purpose: Proceeds from the sale of the general obligation bonds are loaned to eligible Texas veterans for the purchase of land, housing, and home improvements. Proceeds from the sale of revenue bonds are used to make land loans to veterans, to make home mortgage loans to veterans, or to provide for veterans' skilled nursing-care homes. Additionally, funds are used to provide cemeteries for veterans.

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

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

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TEXAS WATER DEVELOPMENT BONDS

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

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

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

The 71st Legislature (1989) passed comprehensive legislation that established the Economically Distressed Areas Program (EDAP). Article III, Section 49-d-7(b), provides for subsidized loans and grants from the proceeds of bonds authorized by this section.

Further legislative approval of specific bond issues is not required; however, the Board is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance, and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of revenue bonds are used to provide funds to the State Water Pollution Control Revolving Fund, or any other state revolving funds, and to provide financial assistance to local government jurisdictions through the acquisition of their obligations. Proceeds from the sale of the general obligation bonds are used to make loans (and grants under the Economically Distressed Areas Program) to political subdivisions of Texas for the performance of various projects related to water conservation, transportation, storage, and treatment.

Security: Any revenue bonds issued are obligations of the Board and are payable solely from the income of the program, including the repayment of loans to political subdivisions. The general obligation bonds pledge, in addition to program revenues, the first monies coming into the Comptroller of Public Accounts - Treasury Operations not otherwise dedicated by the Constitution.

Dedicated/Project Revenue: Principal and interest payments on the loans to political subdivisions for water projects are pledged to pay debt service on the bonds issued by the Board. The Water Development Bond Programs, with the exception of the Economically Distressed Areas Program and the State Participation Program, are designed to be self-supporting. No draw on general revenue has been made since 1980, and no future draws are anticipated, except for the Economically Distressed Areas Program and the State Participation Program.

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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: Any bonds issued are obligations of the Authority and are payable from funds of the Authority. The Authority's bonds are not an obligation of the state of Texas, and neither the state's full faith and credit nor its taxing power is pledged toward payment of Authority bonds.

Dedicated/Project Revenue: Revenue from the payment of principal and interest on local jurisdiction bonds acquired is pledged to the payment of principal and interest on bonds issued.

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