# Texas
# Bond Review Board

## 2008 Annual Report

### Fiscal Year Ended August 31, 2008

# Texas Bond Review Board
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Fiscal Year Ended August 31, 2008

Rick Perry, Governor
Chairman

David Dewhurst, Lieutenant Governor

Tom Craddick, Speaker of the House of Representatives

Susan Combs, Comptroller of Public Accounts

Robert C. Kline
Executive Director

**December 2008**

# Overview

The Texas Bond Review Board (BRB) is responsible for the approval of all state debt issues (excluding Permanent University Fund and Tax and Revenue Anticipation Notes financings) and lease purchases with an initial principal amount of greater than $250,000 or a term of longer than five years. The BRB is also responsible for the collection, analysis and reporting of information on the state debt as well as the debt of local political subdivisions in Texas. In addition, the BRB is charged with the responsibility of administering the state's Private Activity Bond Allocation Program. This report discusses the activities undertaken by the Board and related events of the past fiscal year.

The Texas economy continued growing during fiscal 2008, despite the weakening national economy. According to the "2008 State of Texas Annual Cash Report," while the nation lost jobs, Texas' non-farm employment increased by 2.4%, the fifth consecutive year of job growth. The Comptroller's economic outlook of November 17, 2008 states that Texas continues to fare better economically than most other states, and the state should be more resistant to – but not immune to – the nation's recessionary conditions. In fiscal 2008 Texas' gross state product grew by 4.1% versus 1.5% for the nation; however that rate of expansion is now slowing. The Comptroller's 2008-2009 Biennial Revenue Estimate (January 2007) forecast that Texas' gross state product is expected to grow at an average of 3.0% in the fiscal 2008-2009 biennium, down 19.0% from the 3.7% annual growth rate during the fiscal 2006-2007 biennium. Personal income growth is expected to slow to an annual average rate of 5.9% during the fiscal 2008-2009 biennium as compared to 8.4% during the fiscal 2006-2007 biennium.

Texas ended fiscal year-end 2008 with a consolidated General Revenue Fund balance of $9.82 billion in cash, a decrease of 20.9% from fiscal 2007's $12.41 billion. This decrease is largely due to required transfers to the state's Economic Stabilization Fund and Property Tax Relief Fund. For fiscal 2008, Total Net Revenues and Other Sources increased by $11.07 billion or 11.3% from fiscal 2007 to $109.09 billion, and Total Net Expenditures and Other Uses increased by 17.8% or $16.88 billion to $111.67 billion. Total Tax Collections received in the General Revenue Fund increased by 7.2% to $38.82 billion.

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

Texas remains below its constitutional debt limit, after constitutional dedications, of 5% with 1.30% calculated for outstanding debt and 4.09% calculated when authorized but unissued debt is included. These figures represent a decrease of 1.7% from fiscal 2007's 1.32% for outstanding debt, but an increase of 124.9% from fiscal 2007's 1.82% including authorized but unissued debt. The large increase in authorized but unissued debt results from the passage at the November 2007 general election of constitutional amendments for more than $9.75 billion in additional general obligation debt including $3 billion for cancer research and $5 billion for transportation projects.

**State and Local Financings in FY 2008**

Approximately $6.14 billion in new-money and refunding bonds were issued by state agencies and institutions of higher education in fiscal 2008 compared to $5.87 billion in fiscal 2007, an increase of 4.6%. In addition, approximately $1.52 billion in commercial paper and variable-rate notes were issued in fiscal 2008 compared to approximately $1.33 billion issued in fiscal 2007. New-money bond issuances totaled $4.59 billion during fiscal 2008 compared to $4.08 billion in fiscal 2007, an increase of 12.6%. Continued lower interest rates resulted in the issuance of nearly $1.54 billion in refundings of state debt in fiscal 2008 compared to nearly $1.79 billion in refundings completed in fiscal 2007.

Projections for fiscal year 2009 indicate an increase in overall state debt issuance of approximately $1.43 billion (18.5%) over the actual amount of debt issued in fiscal 2008. Much of the anticipated increase is attributable to projected financings by the Texas Department of Transportation for the Texas Mobility Fund ($1.0 billion) and the State Highway Fund ($1.5 billion), The University of Texas System – RFS ($2.05 billion), and Texas Water Development Board for Water Infrastructure Fund financings ($336.6 million). For the fiscal year ending August 31, 2008, Texas' total state debt outstanding increased by 18.5% to $31.25 billion compared to $26.37 billion at fiscal year-end 2007.

Local government debt issuance in Texas reached a record $30.20 billion in fiscal 2008, a 3.9% increase over the $29.07 billion issued in fiscal 2007. New-money volume climbed by 9.7% over fiscal 2007; however the refunding bond volume declined by 5.5%. Data for fiscal 2008 indicate that of the $30.20 billion issued, approximately $19.78 billion was issued for new-money purposes and $10.42 billion was issued to refund prior outstanding debt. For the fiscal year ending August 31, 2007, Texas' total local government debt outstanding increased by nearly 11% to $141.39 billion compared to $127.42 billion outstanding at fiscal year-end 2006. Debt outstanding totals are not yet available for local governmental entities for fiscal 2008.

**Issuance Costs**

Issuance cost data for state debt transactions in fiscal 2008 reveal that the total costs of issuance, including the underwriting spread, offering expenses and fees averaged $918,096 or $9.37 per $1,000 compared to $1,192,905 in total costs and $7.66 per $1,000 in fiscal 2007. The combination of a decrease in average costs per bond issue and average underwriter's spread and the relative increase in costs per $1,000 are explained by the fact that fiscal 2008 saw two uncommon issuances. With outliers on both extremes, each issue contributed to the decrease of average issue size, underwriters spread, and an increase in average cost per $1,000 of bonds issued.

**Private Activity Bond Allocation Program**

Texas experienced a 1.7% increase in volume cap for the calendar 2008 Private Activity Bond Allocation Program to finance "private activities" such as single-family mortgages, multifamily housing, pollution control facilities and student loans. The 2008 volume cap was set at $2,031,872,300, an increase of $33.7 million from the 2007 cap of $1,998,161,555.

In July 2008, the Housing and Economic Recovery Act of 2008 added an additional $748.5 million in volume cap that is available exclusively to single-family and multifamily issuers until the end of calendar 2008. In October 2008, the Emergency Economic Stabilization Act of 2008 created approximately $1.8 billion of additional tax-exempt bond authority until January 1, 2013 for single-family housing, multifamily housing, public utility property, and nonresidential real property to assist areas affected by Hurricane Ike.

Despite Texas' increased volume cap in 2008, demand exceeded the funds available for the program. The state has been technically oversubscribed each year since 1989. Applications received for program year 2008 exceeded $4.54 billion, or 163.5% of the available volume cap. While demand for the program has increased, difficulties in the credit markets beginning in the late summer of 2008 have precluded many issuers from closing their private activity bond transactions. Issuers so affected have been forced to withdraw or reapply with the expectation that market conditions would improve enough later in the year to enable them to close transactions.

While the number of lottery applications for calendar 2008 decreased by 71.6% from 141 to 40, fifty-one (51) applications were received after the October 20 lottery deadline as market conditions began to improve somewhat. As of November 1, 2008, 164 applications were reserved, a decrease of 88 applications (34.9%) for calendar 2007 which had a record 252 applications.

**80th Legislative Session**
The passage of SB 1332 during the 80th Legislature modified the BRB's statutes. Among its provisions the bill requires issuers to submit Requests for Proposals for third party services, final proposals for such services and executed contracts upon request. The bill also added a definition of interest rate management (derivative) agreements and requires the Board to develop a related policy and expands the definition of state security to include obligations issued under the Texas Education Code, Chapter 53. In addition, the legislation requires the BRB, in conjunction with the Legislative Budget Board to submit a Debt Affordability Study annually to state leadership.

**Conclusion**
This report concludes with four appendices. Appendix A provides a detailed description of each state bond transaction closed in fiscal 2008. Appendix B reports on commercial paper and variable-rate debt programs used by state agencies and universities. Appendix C provides a background discussion of Texas Swap Programs and reports on the state's swaps outstanding and their debt-service requirements. While not a debt of the state, the aggregate notional amount of interest rate swaps outstanding at the state level was $3.50 billion at fiscal year-end 2008. Appendix D provides a brief description of each of the state's bond issuing entities.

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**Cautionary Statements**

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

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

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

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

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

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

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

## Chapter 1
## Texas Debt in Perspective

*Texas expended $481 in net tax-supported debt per capita, up from $415 in the prior year, compared to a national median of $889 and an average of $1,158.*

### STATE DEBT

### Texas' Financial Position

Texas ended the fiscal year with a total consolidated General Revenue Fund cash balance of $9.82 billion *(Figure 1)*. This balance represents a 20.9% decrease from the fiscal 2007 year-end closing balance of $12.41 billion.

According to the Texas Comptroller of Public Accounts, the decrease was primarily due to a net increase of $4.4 billion that was transferred to other funds during fiscal 2008. House Bill 2 of the 80th Legislature required a $3 billion transfer from Fund 0001 to the Property Tax Relief Fund and a $3.0 billion transfer to the Economic Stabilization Fund (ESF). The transfer to the ESF was an increase of $1.4 billion over the $1.6 billion transferred during fiscal 2007. Increases in Consolidated General Revenues offset some of the total $4.4 billion in fund transfers.

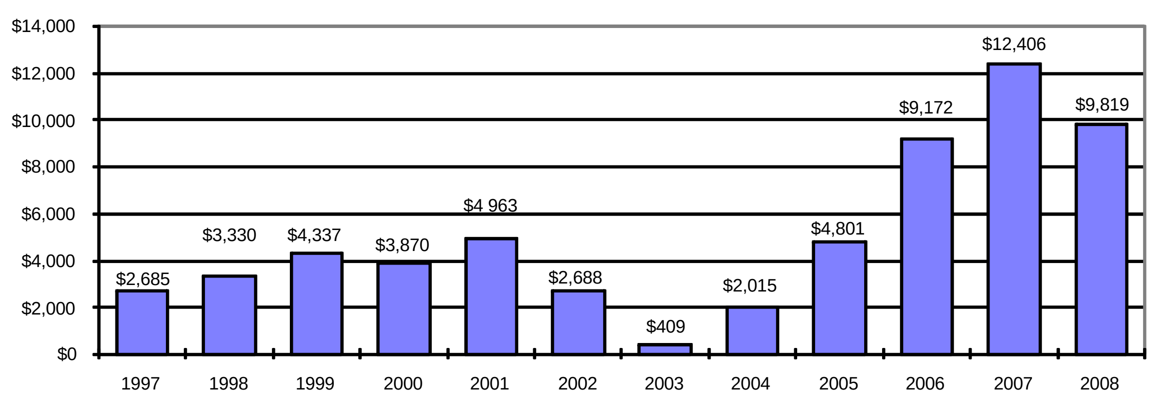
Total Tax Collections received increased by 7.2% to $38.82 billion. Total Net Revenues and Other Sources increased 11.3% to $109.09 billion while Total Expenditures and Other Uses increased by 17.8% to $111.67 billion *(Table 1)*.

The state's primary source of revenue is the Sales Tax which accounted for 55.6% of Total Tax Collections during fiscal 2008. Sales Tax collections rose to $21.57 billion, a 6.6% increase from the prior fiscal year. Natural Gas Production Tax collections ended the year at $2.68 billion, an increase of 41.6% from fiscal 2007. Oil Production Tax increased by 72.1% to $1.44 billion while Cigarette and Tobacco Taxes decreased 13.6% to $534.1 million in fiscal 2008. Franchise Tax collections declined by 8.6% from fiscal 2007 to $2.87 billion in fiscal 2008.

### 80th Legislative Session

The 80th Legislature authorized more than $9.75 billion in additional general obligation debt that was approved by the voters at the November 2007 general election. These include: SJR 64 to finance $5 billion for

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




**Source:** Texas Comptroller of Public Accounts, 2008 Annual Cash Report.

Table 1

**STATEMENT OF CASH CONDITION**

**CONSOLIDATED GENERAL REVENUE FUND**

(amounts in thousands)

| | Fiscal 2007 | Fiscal 2008 | Percent Change |
|---|---|---|---|
| **Revenues and Beginning Balance** | | | |
| Beginning Balance, September 1 | $9,179,681 | $12,406,484 | 35.2% |
| **Tax Collections** | | | |
| **General Revenue Fund** | | | |
| Sales Tax | 20,233,649 | 21,565,182 | 6.6% |
| Oil Production Tax | 835,025 | 1,436,879 | 72.1% |
| Natural Gas Production Tax | 1,895,488 | 2,684,648 | 41.6% |
| Motor Fuels Taxes | 3,053,812 | 3,101,527 | 1.6% |
| Cigarette and Tobacco Taxes | 617,993 | 534,091 | -13.6% |
| Motor Vehicle Sale/Rental, Mfg. Housing Sale | 3,316,871 | 3,329,545 | 0.4% |
| Franchise Tax | 3,144,059 | 2,874,564 | -8.6% |
| Alcoholic Beverages Taxes | 731,677 | 784,069 | 7.2% |
| Insurance Taxes | 1,346,577 | 1,450,184 | 7.7% |
| Inheritance Tax | 5,291 | 5,580 | 5.5% |
| Hotel and Motel Tax | 340,634 | 370,980 | 8.9% |
| Utilities Taxes | 506,069 | 503,879 | -0.4% |
| Other Taxes | 166,885 | 176,285 | 5.6% |
| **Total Tax Collections** | $36,194,030 | $38,817,413 | 7.2% |
| Federal Income | $22,335,904 | 23,395,635 | 4.7% |
| Interest & Investment Income | 374,975 | 316,228 | -15.7% |
| Licenses, Fees, Permits, Fines, & Penalties | 5,493,499 | 5,652,557 | 2.9% |
| Contributions to Employee Benefits | 237,887 | 15,020 | -93.7% |
| Sales of Goods and Services | 156,504 | 177,448 | 13.4% |
| Land Income | 47,255 | 19,635 | -58.4% |
| Settlements of Claims | 541,455 | 547,599 | 1.1% |
| Net Lottery Proceeds | 1,551,976 | 1,597,487 | 2.9% |
| Other Revenue Sources | 2,582,599 | 2,735,865 | 5.9% |
| Interfund Transfers / Investment Transactions | 28,502,242 | 35,810,310 | 25.6% |
| **Total Net Revenue and Other Sources** | $98,018,326 | $109,085,197 | 11.3% |
| **Expenditures and Ending Balance** | | | |
| General Government | $2,216,831 | 2,399,138 | 8.2% |
| Health and Human Services | 27,527,886 | 29,621,557 | 7.6% |
| Public Safety and Correction | 3,320,712 | 3,525,201 | 6.2% |
| Education | 24,049,813 | 28,857,993 | 20.0% |
| Employee Benefits | 2,470,239 | 2,598,136 | 5.2% |
| Lottery Winnings Paid | 389,758 | 422,895 | 8.5% |
| Other Expenditures* | 1,471,242 | 1,854,103 | 26.0% |
| Interfund Transfers / Investment Transactions | 33,345,106 | 42,393,462 | 27.1% |
| **Total Expenditures and Other Uses** | $94,791,587 | $111,672,485 | 17.8% |
| **Net Increase to Petty Cash Accounts** | 62 | 217 | |
| **Ending Balance, August 31** | $12,406,482 | $9,819,413 | -20.9% |

**Source:** Texas Comptroller of Public Accounts, 2008 Cash Report, Tables 1 & 11

* Includes Transportation, Natural Resources/Recreational Services, Regulatory Agencies, Payment of Interest and Capital Outlays

Totals may not sum due to rounding

transportation projects; HJR 90 to finance $3 billion for cancer research; SJR 65 to finance $1 billion for capital projects for certain state agencies; SJR 57 to finance $500 million for student loans and SJR 20 to finance $250 million for water projects.

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

SB 968 expanded and clarified interest rate management agreements as defined in the Texas Government Code, Chapter 1371. This bill requires issuers to have appropriate policies and oversight unless they are considered experienced as defined within statute. SB 792 expanded authority for State Highway Fund Bonds from $3 billion to $6 billion, and HB 153 appropriated debt-service for Tuition Revenue Bonds passed during the Third Special Session of the 79th Legislature.

**79th Legislature Special Sessions**

The 79th Legislature was called into three special sessions to address school finance. During the Third Special Session the legislature enacted a revised business franchise tax (HB 3); a motor vehicle standard presumptive value for sales tax purposes (HB 4) and an increase in the tax rate for cigarettes and other tobacco products (HB 5). All of the additional revenue generated by these new or revised taxes is to be dedicated to reducing school property taxes (HB 2). Also during the Third Special Session the legislature passed HB 153 that authorized the issuance of, but did not appropriate debt-service for $1.86 billion in Tuition Revenue Bonds.

**Texas GO Bond Ratings**

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

Credit rating agencies consider four primary factors when rating a state's debt: economy, finances, debt and management. Within economic factors, the agencies review the state's income, employment, economic diversity and demographics. Financial factors considered are the state's revenues, cost structure, balance sheet health and liquidity. Debt factors reviewed include debt ratios and debt security and structure. Management, a major factor for the rating agencies includes: budget development and management practices; constitutional constraints, initiatives and referenda; executive branch controls; mandates to maintain a balanced budget; rainy day funds; and political polarization.

Texas' AAA rating was downgraded in 1987 due to the state's economic recession during the 1980s. Since that time the state's economic base has shown considerable improvement and diversification. A steady transition from an oil and gas economy to one increasingly based on services, manufacturing and technology has broadened the state's sources of revenue.

In June 1999, Moody's upgraded the state's general obligation debt from Aa2 to Aa1. The core factors that led to the higher rating were: (1) the state's economic expansion,

Table 2
**STATE GENERAL OBLIGATION BOND RATINGS**
**August 2008**

| Tier Ranking | State | Moody's Investors Service | Standard & Poor's | Fitch Ratings |
|---|---|---|---|---|
| 1 | Delaware | Aaa | AAA | AAA |
| 1 | Georgia | Aaa | AAA | AAA |
| 1 | Maryland | Aaa | AAA | AAA |
| 1 | Missouri | Aaa | AAA | AAA |
| 1 | North Carolina | Aaa | AAA | AAA |
| 1 | Utah | Aaa | AAA | AAA |
| 1 | Virginia | Aaa | AAA | AAA |
| 2 | Minnesota | Aa1 | AAA | AAA |
| 2 | South Carolina | Aaa | AA+ | AAA |
| 3 | Florida | Aa1 | AAA | AA+ |
| 3 | Vermont | Aaa | AA+ | AA+ |
| 4 | Nevada | Aa1 | AA+ | AA+ |
| 4 | New Mexico | Aa1 | AA+ | ** |
| 4 | Ohio | Aa1 | AA+ | AA+ |
| 4 | Tennessee | Aa1 | AA+ | AA+ |
| **5** | **TEXAS** | **Aa1** | **AA** | **AA+** |
| 5 | Washington | Aa1 | AA+ | AA |
| 6 | Alaska | Aa2 | AA+ | AA |
| 7 | Alabama | Aa2 | AA | AA |
| 7 | Arkansas | Aa2 | AA | ** |
| 7 | Hawaii | Aa2 | AA | AA |
| 7 | Massachusetts | Aa2 | AA | AA |
| 7 | New Hampshire | Aa2 | AA | AA |
| 7 | Pennsylvania | Aa2 | AA | AA |
| 7 | Oregon | Aa2 | AA | AA |
| 7 | Montana | Aa2 | AA | AA |
| 8 | Oklahoma | Aa3 | AA+ | AA |
| 9 | Connecticut | Aa3 | AA | AA |
| 9 | Illinois | Aa3 | AA | AA |
| 9 | Maine | Aa3 | AA | AA |
| 9 | Mississippi | Aa3 | AA | AA |
| 9 | Rhode Island | Aa3 | AA | AA |
| 10 | New Jersey | Aa3 | AA | AA- |
| 10 | Wisconsin | Aa3 | AA | AA- |
| 10 | New York | Aa3 | AA | AA- |
| 11 | Michigan | Aa3 | AA- | AA- |
| 11 | West Virginia | Aa3 | AA- | AA- |
| 12 | California | A1 | A+ | A+ |
| 12 | Louisiana | A1 | A+ | A+ |
| * | Arizona | * | * | * |
| * | Colorado | * | * | * |
| * | Idaho | * | * | * |
| * | Indiana | * | * | * |
| * | Iowa | * | * | * |
| * | Kansas | * | * | * |
| * | Kentucky | * | * | * |
| * | Nebraska | * | * | * |
| * | North Dakota | * | * | * |
| * | South Dakota | * | * | * |
| * | Wyoming | ** | * | * |

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

(2) reduced dependence on oil and gas, (3) low debt ratios, (4) balanced state finances, (5) increasing cash balances, and (6) tobacco settlement funds targeted for health and higher education. Moody's assessed the risks associated with its credit rating of Texas' general obligation debt to include: (1) the future of internet taxation, (2) the state's modest fiscal reserves and (3) population growth.

Although Moody's elected to upgrade the state's debt rating in June 1999, S&P downgraded the state's rating outlook from "positive" to "stable." S&P cited a modest level of financial reserves (primarily in its "Rainy Day Fund") as the main reason for the downgrade and concluded that the state's financial flexibility could become impaired without adequate financial reserves supported by a financially sound budget.

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

*Moody's* made no change in its rating for Texas in 2008, reiterating its Aa1, stable outlook. Its report dated June 17, 2008 stated:

"Risks include uncertainty regarding the long-term costs of the property tax relief/school finance legislation and the tax changes it made, and the spending pressures associated with a growing population which will increase demand for essential services such as education, criminal justice, transportation, water development and environmental protection."

*S&P's* outlook for the state's rating also remains AA and stable. The justification for the state's outlook, as noted in an S&P research report published on September 9, 2008, is based upon a statement that "the AA rating reflects the large and steadily growing and diversifying economy which continues to outperform the nation in terms of both economic activity and employment growth; improving reserve levels which provide a cushion in the event of an unanticipated drop off in revenues as a result of the current economic slowdown; and low tax-supported debt burden."

*Fitch* continues to assign the state a stable credit rating of AA+. A report issued on June 18, 2008 stated that "Texas' economy is expanding and diversifying; the debt burden is low but rising due to large capital needs, especially transportation; financial operations are conservative, with successful operations generating large cash balances; and financial pressures are arising from demands placed on the state's consumption-based tax system as well as from property tax relief and capital needs." In addition, Fitch listed as two key rating drivers the state's continued strong economic and revenue growth and bolstering balances to meet rising school funding/property tax relief requirements.

Table 3
**UPGRADES IN STATE GENERAL OBLIGATION BOND RATINGS***
**August 2007 to August 2008**

| State | Rating Change | Agency |
|---|---|---|
| Alaska | AA to AA+ | Standard & Poor's |
| Louisiana | A2 to A1 | Moody's |
| Louisiana | A to A+ | Standard & Poor's |
| Louisiana | A to A+ | Fitch |
| Montana | AA- to AA | Standard & Poor's |
| Oklahoma | AA to AA+ | Standard & Poor's |
| Oregon | Aa3 to Aa2 | Moody's |
| Oregon | AA- to AA | Standard & Poor's |
| Oregon | AA- to AA | Fitch |
| Washington | AA to AA+ | Standard & Poor's |
| Wisconsin | AA- to AA | Standard & Poor's |

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

**There were no noted downgrades in state GO ratings from August 07 to August 08.*

## Seven States Receive Rating Upgrades

During fiscal 2008, seven states received rating upgrades for their general obligation debt with no states receiving rating downgrades. Louisiana and Oregon received rating upgrades from all three rating agencies while Alaska, Montana, Oklahoma, Washington and Wisconsin received rating upgrades from Standard & Poor's only *(Table 3)*. Fitch Ratings no longer carries a rating for the state of Arkansas and New Mexico. Similarly, Moody's no longer rates Wyoming.

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

According to Moody's *2008 State Debt Medians (Table 4),* Texas ranked 39th among all states in net tax-supported debt per capita, up from 41st in the prior year. According to the Moody's report, Texas expended $481 in net tax-supported debt per capita, up from $415 in the prior year. The national median and mean for such debt were $889 and $1,158, respectively.

Texas' net tax-supported debt as a percent of 2006 personal income was 1.4%, 40th among the 50 states and well-below the national median and mean of 2.6% and 3.2%, respectively *(Table 4)*. Compared to the seven states rated AAA by all three major rating agencies, Texas' 1.4% ranked lowest while the median and mean of the seven states were both 2.8% *(Table 5)*.

With net tax-supported debt per capita at $481, Texas ranked lower than the seven AAA-rated states. By comparison, AAA-rated Delaware had the highest debt per capita at $2,002. Additionally, Texas' 2006 personal income per capita of $35,101 is above that of Georgia, Missouri, North Carolina and Utah, all of which are rated AAA.

The most recent U.S. Census Bureau data on state and local debt outstanding shows that for 2006 Texas ranked 2nd among the ten most populous states in terms of Local Debt Per Capita, 10th in State Debt Per Capita and 5th in Total State and Local Debt Per Capita *(Table 6)*. In 2006, 85.2% of Texas' total state and local debt burden was at the local level *(Figure 2)*. Local debt includes debt issued by

Table 4
**SELECTED TAX-SUPPORTED DEBT MEASURES BY STATE**

| State | Moody's Rating | Net Tax-Supported Debt as a % of 2006 Personal Income | Rank | Net Tax-Supported Debt Per Capita | Rank |
|---|---|---|---|---|---|
| Hawaii | Aa2 | 9.9% | 1 | $3,663 | 3 |
| Massachusetts | Aa2 | 9.8% | 2 | 4,529 | 1 |
| New Jersey | Aa3 | 7.5% | 3 | 3,478 | 4 |
| Connecticut | Aa3 | 7.3% | 4 | 3,698 | 2 |
| New York | Aa3 | 6.3% | 5 | 2,762 | 5 |
| Illinois | Aa3 | 5.2% | 6 | 1,985 | 7 |
| Delaware | Aaa | 5.2% | 7 | 2,002 | 6 |
| Washington | Aa1 | 5.1% | 8 | 1,908 | 8 |
| Oregon | Aa2 | 5.0% | 9 | 1,636 | 11 |
| New Mexico | Aa1 | 4.8% | 10 | 1,429 | 12 |
| Mississippi | Aa3 | 4.8% | 11 | 1,283 | 17 |
| Kentucky | Aa2* | 4.7% | 12 | 1,381 | 14 |
| Rhode Island | Aa3 | 4.7% | 13 | 1,766 | 9 |
| Louisiana | A1 | 4.3% | 14 | 1,345 | 15 |
| California | A1 | 4.3% | 15 | 1,685 | 10 |
| Wisconsin | Aa3 | 4.1% | 16 | 1,407 | 13 |
| West Virginia | Aa3 | 3.9% | 17 | 1,101 | 19 |
| Kansas | Aa1* | 3.5% | 18 | 1,202 | 18 |
| South Carolina | Aaa | 3.3% | 19 | 966 | 22 |
| Georgia | Aaa | 3.0% | 20 | 954 | 23 |
| Maryland | Aaa | 3.0% | 21 | 1,297 | 16 |
| Ohio | Aa1 | 2.9% | 22 | 966 | 21 |
| North Carolina | Aaa | 2.8% | 23 | 898 | 25 |
| Florida | Aa1 | 2.8% | 24 | 1,005 | 20 |
| Alabama | Aa2 | 2.8% | 25 | 869 | 28 |
| Alaska | Aa2 | 2.4% | 26 | 924 | 24 |
| Pennsylvania | Aa2 | 2.4% | 27 | 870 | 27 |
| Minnesota | Aa1 | 2.3% | 28 | 879 | 26 |
| Michigan | Aa3 | 2.2% | 29 | 748 | 31 |
| Nevada | Aa1 | 2.0% | 30 | 759 | 30 |
| Missouri | Aaa | 2.1% | 31 | 675 | 33 |
| Arizona | Aa3* | 2.0% | 32 | 630 | 34 |
| Vermont | Aaa | 2.0% | 33 | 707 | 32 |
| Virginia | Aaa | 1.9% | 34 | 764 | 29 |
| Utah | Aaa | 1.9% | 35 | 542 | 36 |
| Maine | Aa3 | 1.9% | 36 | 618 | 35 |
| Arkansas | Aa2 | 1.7% | 37 | 477 | 41 |
| Oklahoma | Aa3 | 1.5% | 38 | 493 | 38 |
| Indiana | Aa1* | 1.5% | 39 | 478 | 40 |
| TEXAS | Aa1 | 1.4% | 40 | 481 | 39 |
| New Hampshire | Aa2 | 1.3% | 41 | 499 | 37 |
| Montana | Aa2 | 1.2% | 42 | 366 | 43 |
| Idaho | Aa2* | 1.2% | 43 | 354 | 44 |
| North Dakota | Aa2* | 1.1% | 44 | 374 | 42 |
| South Dakota | NGO** | 0.9% | 45 | 302 | 46 |
| Colorado | NGO** | 0.8% | 46 | 315 | 45 |
| Tennessee | Aa1 | 0.7% | 47 | 221 | 47 |
| Iowa | Aa1* | 0.3% | 48 | 98 | 48 |
| Wyoming | NGO** | 0.2% | 49 | 91 | 49 |
| Nebraska | NGO** | 0.1% | 50 | 22 | 50 |
| Mean | | 3.2% | | $1,158 | |
| Median | | 2.6% | | $889 | |
| Puerto Rico*** | Baa3 | 63.8% | | $8,951 | |

* Issuer Rating (No G.O. Debt)
** No general obligation debt
*** Included for comparison purposes only. Not included in any totals, averages or median calculations.
**Source:** Moody's Investors Service, *2008 State Debt Medians*.

Table 5

**SELECTED DEBT MEASURES FOR TEXAS AND STATES RATED AAA**

| State | Rating* | Net Tax-Supported Debt as a % of 2006 Personal Income | Rank | Net Tax-Supported Debt Per Capita | Rank | 2006 Personal Income Per Capita |
|---|---|---|---|---|---|---|
| Delaware | AAA | 5.2% | 7 | $2,002 | 6 | $38,919 |
| Georgia | AAA | 3.0% | 20 | $954 | 23 | $32,208 |
| Maryland | AAA | 3.0% | 21 | $1,297 | 16 | $44,010 |
| Missouri | AAA | 2.1% | 31 | $675 | 33 | $32,475 |
| North Carolina | AAA | 2.8% | 23 | $898 | 25 | $32,186 |
| Utah | AAA | 1.9% | 35 | $542 | 36 | $29,300 |
| Virginia | AAA | 1.9% | 34 | $764 | 29 | $40,124 |
| TEXAS | Aa1/AA/AA+ | 1.4% | 40 | $481 | 39 | $35,101 |
| **Median of AAA States**** | | **2.8%** | | **$898** | | **$32,475** |
| **Mean of AAA States**** | | **2.8%** | | **$1,019** | | **$35,603** |

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

** Median and mean figures do not include Texas

**Sources**: Moody's Investors Service, *2008 State Debt Medians;* Bureau of Economic Analysis, State Bear Facts

cities, counties, school and hospital districts and special districts.

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

**Debt Supported by General Revenue**

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

Some general obligation bonds, such as those

Table 6

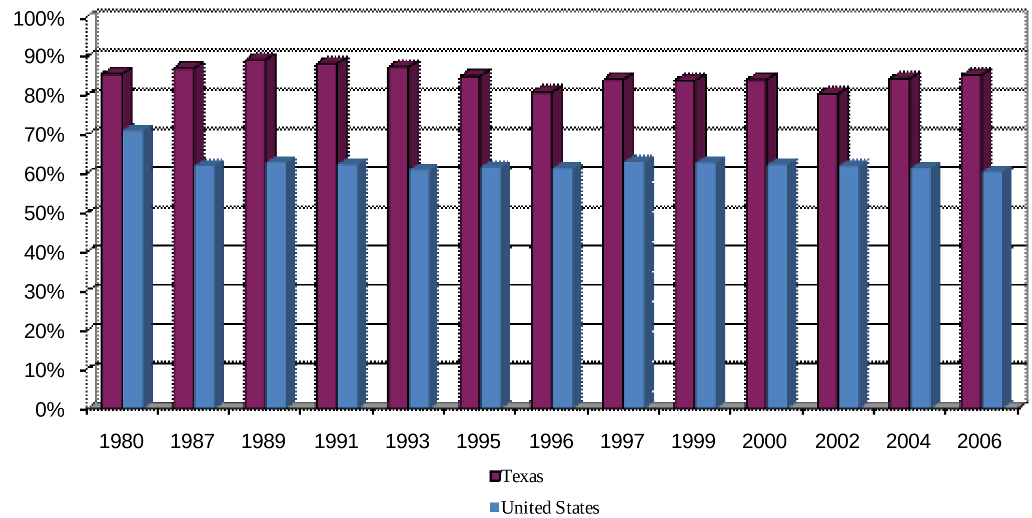
**TOTAL STATE AND LOCAL DEBT OUTSTANDING: TEN MOST POPULOUS STATES**

| | 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 | 19,306 | 1 | $241,407 | $12,504 | 1 | $105,306 | 43.6% | $5,455 | 1 | $136,101 | 56.4% | $7,050 |
| Illinois | 12,832 | 2 | 110,788 | 8,634 | 2 | 53,655 | 48.4% | 4,181 | 6 | 57,133 | 51.6% | 4,452 |
| Pennsylvania | 12,441 | 3 | 106,041 | 8,524 | 5 | 32,121 | 30.3% | 2,582 | 3 | 73,920 | 69.7% | 5,942 |
| California | 36,458 | 4 | 299,535 | 8,216 | 3 | 109,417 | 36.5% | 3,001 | 4 | 190,118 | 63.5% | 5,215 |
| **Texas** | **23,508** | **5** | **165,571** | **7,043** | **10** | **24,501** | **14.8%** | **1,042** | **2** | **141,070** | **85.2%** | **6,001** |
| Michigan | 10,096 | 6 | 70,826 | 7,015 | 4 | 28,986 | 40.9% | 2,871 | 7 | 41,840 | 59.1% | 4,144 |
| Florida | 18,090 | 7 | 119,674 | 6,615 | 8 | 29,312 | 24.5% | 1,620 | 5 | 90,362 | 75.5% | 4,995 |
| Ohio | 11,478 | 8 | 63,658 | 5,546 | 6 | 24,713 | 38.8% | 2,153 | 8 | 38,945 | 61.2% | 3,393 |
| North Carolina | 8,857 | 9 | 43,937 | 4,961 | 7 | 17,749 | 40.4% | 2,004 | 10 | 26,188 | 59.6% | 2,957 |
| Georgia | 9,364 | 10 | 42,086 | 4,494 | 9 | 10,493 | 24.9% | 1,121 | 9 | 31,593 | 75.1% | 3,374 |
| **MEAN** | | | **$126,352** | **$7,355** | | **$43,625** | **34.3%** | **$2,603** | | **$82,727** | **65.7%** | **$4,752** |

Note: Detail may not add to total due to rounding.

**Source:** U.S. Census Bureau, *State and Local Government Finances by Level of Government and by State: 2005-2006,* the most recent data available.

Figure 2
**LOCAL DEBT AS A PERCENTAGE OF TOTAL STATE AND LOCAL DEBT FOR TEXAS AND THE U.S.**

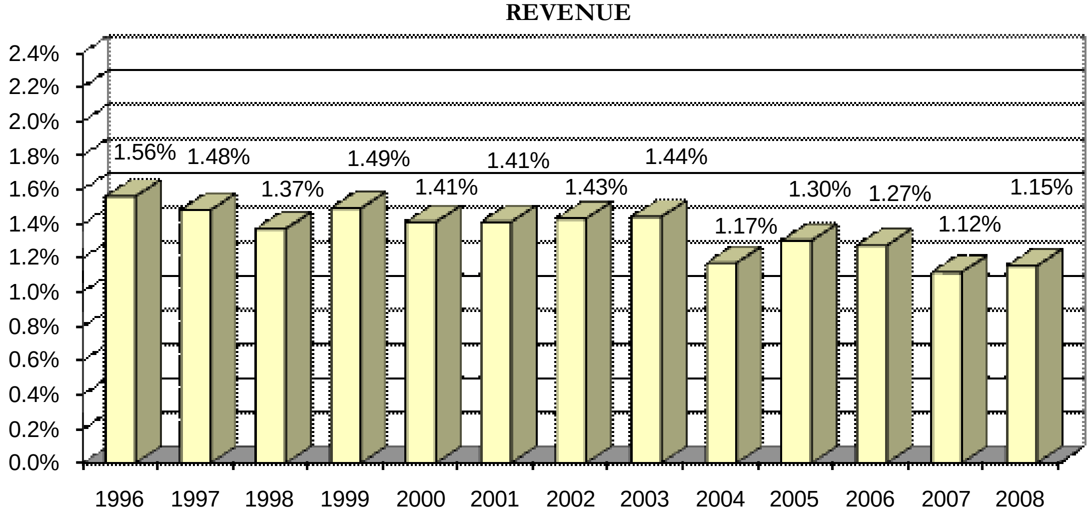



**Source:** U S Census Bureau, *State and Local Government Finances by Level of Government and by State 2005-2006,* the most recent data available

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

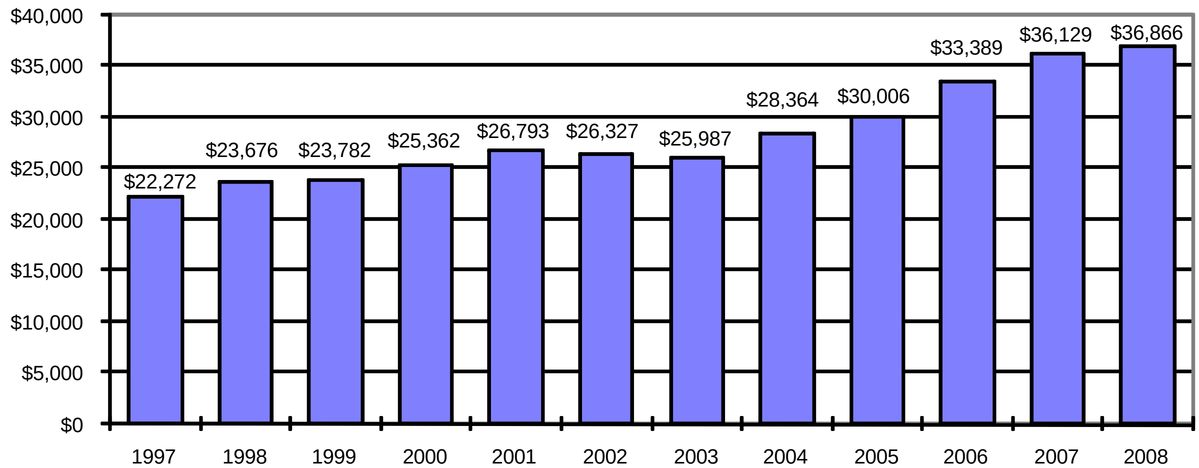
At the end of fiscal year 1999, the total of not self-supporting state debt payable from

Figure 3
**ANNUAL DEBT SERVICE AS A PERCENTAGE OF UNRESTRICTED GENERAL REVENUE**




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

Figure 4
**UNRESTRICTED GENERAL REVENUE**
(millions of dollars)




**Source:** Texas Comptroller of Public Accounts

general revenue was $3.38 billion. At the end of fiscal 2008, $2.85 billion of such debt was outstanding, a slight increase (3.6%) from the $2.75 billion outstanding in fiscal 2007 and a 15.9% decrease since fiscal 1999.

Annual debt service as a percent of unrestricted general revenue increased slightly from 1.12% in fiscal year 2007 to 1.15% in fiscal year 2008 *(Figure 3)*. Debt service payable from general revenue also saw an increase in fiscal 2008. Funds accessible to make debt-service payments also increased in fiscal 2008 to $36.87 billion from a total of $36.13 billion in fiscal 2007 *(Figure 4)*. Unrestricted general revenue is typically considered the most available funding source to make debt-service payments and to fund appropriations for state operations.

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

Authorized but unissued debt (debt that has been authorized by the legislature and may be issued at any time without further legislative action) increased by 71.6% from approximately $10.75 billion at the end of fiscal 2007 to approximately $18.45 billion at the end of fiscal 2008. Of the $18.45 billion, approximately $12.93 billion is general obligation debt while $5.51 billion is non-general obligation debt. Approximately $9.87 billion of the authorized but unissued amount includes general obligation and non-general obligation debt payable from general revenue.

**Texas' Constitutional Debt Limit and Debt-Management Policy**

The Texas Constitution limits the amount of tax-supported debt that may be issued. Article 3, Section 49j states that additional tax-supported debt may not be authorized if the maximum annual debt-service on debt payable from general revenue, including authorized but unissued debt, exceeds 5% of the average annual unrestricted General Revenue Fund revenues for the previous three fiscal years.

Texas remains below its constitutional debt limit, after constitutional dedications, of 5% with 1.30% calculated for outstanding debt and 4.09% calculated when authorized but unissued debt is included. These figures represent a decrease of 1.7% from fiscal 2007's 1.32% for outstanding debt, but an increase of 124.9% from fiscal 2007's 1.82% including authorized but unissued debt. The large increase in authorized but unissued debt results from the passage at the November

2007 general election of constitutional amendments for more than $9.75 billion including $3 billion for cancer research and $5 billion for transportation projects.

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

With the passage of SB 1332, the 80th Legislature amended the agency's statutes to require the Board to adopt policies related to the risks and effect that the issuance of a state security or the execution of an interest rate management (derivative) agreement will have on the finances and overall debt position of the issuer and the state. At its meeting on August 29, 2008 the Board agreed to engage a swap advisor to assist with the development of state interest rate management policies and the analysis of interest rate management agreements.

**Capital Planning Review and Approval Process**

The 76th Legislature passed legislation that biennially directs the Bond Review Board to produce the state's Capital Expenditure Plan (CEP). This legislation specifies that all state agencies and institutions of higher education appropriated funds by the General Appropriations Act are required to report capital planning information for projects that fall within four specific project areas: (1) acquisition of land and other real property, (2) construction of buildings and facilities, (3) repairs and/or rehabilitation and (4) acquisition of information resource technologies.

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

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

Approved capital and operating budgets are integrated into the General Appropriations Act which authorizes specific debt issuance for capital projects. Through the capital budgeting process, capital projects are approved for the biennial period. In addition, to plan for the future and identify longer-term needs for the state, the CEP also reports on three out-years. The 2010-2011 CEP, released September 1, 2008 covers the out-years 2012-2013 and represents the fourth published CEP for the state pursuant to Senate Bill 1, Article IX, Section 11.02, 80th Legislature (2007). The CEP is another management tool for state decision makers to use in assessing future individual capital expenditure requests within the framework of the state's overall financial position. The 2010-2011 CEP is available on the agency's website.

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

**Debt Affordability Study**

The Debt Affordability Study (DAS) is designed to provide the state leadership with an integrated approach to manage state debt by assessing historical debt use and analyzing the state's financial and economic resources in conjunction with long-term needs contained in the CEP. The Bond Review Board, Legislative Budget Board and the Texas Public Finance Authority prepared the state's first DAS, released in February 2007. As previously noted, with the passage of SB 1332 during the 80th Legislature the Bond Review Board in conjunction with the Legislative Budget Board is responsible for subsequent annual editions of the DAS.

## LOCAL DEBT

**Local Debt Issuance Process**

Local governments in Texas issue debt to finance construction and renovation of government facilities (school instructional facilities, public safety buildings, city halls and county courthouses), public infrastructure (roads, water and sewer systems) and various other projects for economic development. Key factors that affect a government's need or ability to borrow funds for infrastructure development include population changes, revenue sources, tax rates and levies, interest rates and construction costs. Other factors that affect debt issuance may simply be the importance of a project to a particular community. Like state government, local governments issue two major types of long-term debt – general obligation debt and revenue debt. General obligation debt is secured by the full faith and credit of the issuers (i.e., the government's taxing authority) while revenue debt is secured solely by a specified revenue source.

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

**Texas Local Debt Issuance Jumps to Record High Volume**

Nationwide, municipal bond issuance has fluctuated upward and downward since 2003. After bond issuance decreased to $388.72 billion in calendar year 2006, calendar year 2007 saw a record high of $429.88 billion. Until September 2008, the national muni-bond sales volume was comparable to the same nine-month period in 2007. Texas local governments followed similar year-to-year swings with debt issuance in fiscal 2004 of $20.92 billion, in fiscal 2005 of $27.16 billion, in fiscal 2006 of $19.99 billion and a substantial increase in fiscal 2007 to $29.07 billion. Despite the fluctuations, local debt issuance has increased by 31.6% since fiscal 2003 when $22.09 billion was issued. Although national market statistics for fiscal 2008 indicate a slowdown in issuances (down 1.4% for the September 2007 – August 2008 period), Texas local governmental entities reversed that trend and issued approximately $30.20 billion in local debt, up $1.13 billion or 3.9% from fiscal 2007.

The new-money portion issued during the five-year period (FY 2003 - FY 2007) was $69.94 billion with refunding totals reaching $49.30 billion. Cities, school districts and water districts comprised 87.9% of the new-money volume ($61.47 billion) and 84.5% of the refunding transaction volume ($41.66 billion) since fiscal 2003.

Local debt refinancing reached a relatively low volume of $7.47 billion in fiscal 2006, but increased considerably to $11.03 billion in fiscal 2007. Over the past five years, most governmental entities (87.3%) achieved both a cash and present value savings with these refundings. Some transactions resulted in only a net present value savings with a cash loss and others resulted in a loss in both. In the latter cases, the primary objective was to restructure debt-service requirements to more evenly match budget flows and thus avoid raising taxes during times of economic weakness. Extending debt-service schedules to reduce annual payment requirements assisted in meeting this objective. Overall during this five-year period, Texas local issuers achieved cash savings of approximately $2.13 billion with a present value savings of $1.84 billion.

**Texas Local Governments: $141.39 Billion in Debt Outstanding – a 38% Increase in Five Years**

As of August 31, 2007, Texas local governments had $141.39 billion in outstanding debt *(Table 7),* or 37.8% ($38.79 billion) greater than the amount outstanding at the end of fiscal 2003. Approximately 61.4% ($86.87 billion) of that debt is general obligation debt to be repaid from local tax collections while the remaining 38.6% ($54.52 billion) will be repaid from revenues generated by various projects such as water and sewer and electric utility fees. As previously noted, U.S. Census Bureau data for 2005-2006 showed that Texas ranked 2nd among the ten most populous states in terms of Local Debt Per Capita and moved to 10th in State Debt Per Capita and 5th in Total State and Local Debt Per Capita.

On a cumulative level for all Texas local governments, five-year statistics show a 52.6% or $29.94 billion increase in tax-supported debt outstanding and a 19.4% or $8.85 billion increase in revenue debt outstanding.

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

During the five-year reporting period, the primary use of bond proceeds (42.8%) was for educational facilities and equipment including school buses. After ranking third for the past couple of years, the general-purpose category became the second primary use at 18.5%. Financing for water-related infrastructure needs was the third major purpose for debt issuance by Texas local governments (17.9%). Some issuers, especially cities borrow for multiple purposes, and over half of these multipurpose borrowings involve debt financings for water and transportation purposes; therefore, these two categories are likely understated.

Financing for transportation needs including projects for roads, toll ways, bridges, parking facilities, airports and rapid transit ranked as the fourth major purpose at 8.5%. For purposes of tracking the use of bond proceeds, the Bond Review Board has selected the following additional categories: economic development, commerce, recreation, solid waste, prisons/detention, power, combined utility systems, health-related facilities, fire protection, public safety and pension obligations.

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

Thirty-six percent of all local government debt is carried by Texas cities. Nearly 40% or $20.32 billion of the city debt is tax-supported and the remaining $30.99 billion is revenue debt—debt that is repaid from a special

Table 7

**TEXAS LOCAL GOVERNMENTS**
**Debt Outstanding Summary**
**As of August 31, 2007**
**(most recent data available)**

| Type of Issuer | Tax-Supported | Revenue | Total Debt |
|---|---|---|---|
| **Cities, Towns, Villages** | | | **$ 51,311,885,043** |
| Tax | 20,322,257,346 | | |
| Revenue | | 30,778,080,371 | |
| Sales Tax | | 177,235,000 | |
| Conduit revenue | | 17,072,326 | |
| Lease-purchase contracts (jail facilities only) | | 17,240,000 | |
| **Community and Junior Colleges** | | | **2,776,046,000** |
| Tax | 1,768,489,879 | | |
| Revenue | | 868,959,102 | |
| Lease-purchase contracts (ed. facilities) | | 138,597,019 | |
| **Counties** | | | **10,039,047,514** |
| Tax | 7,754,161,806 | | |
| Revenue | | 1,691,235,000 | |
| Conduit revenue | | 20,000,000 | |
| Lease-purchase contracts (jail facilities only) | | 573,650,708 | |
| **Health / Hospital Districts** | | | **1,484,074,488** |
| Tax | 378,442,999 | | |
| Sales Tax | 27,186,000 | | |
| Revenue | | 1,066,505,489 | |
| Conduit revenue | | 11,940,000 | |
| **Public School Districts** | | | **48,471,591,767** |
| Voter-approved tax (ed. facilities) | 47,560,996,561 | | |
| Maintenance tax (ed. equipment) | 521,505,401 | | |
| Lease-purchase contracts (ed. facilities) | 386,234,804 | | |
| Revenue (athletic facilities) | | 2,855,000 | |
| **Water Districts and Authorities** | | | **22,963,777,715** |
| Tax | 8,055,829,997 | | |
| Revenue | | 6,708,492,718 | |
| Conduit revenue | | 8,199,455,000 | |
| **Other Special Districts and Authorities** | | | **4,341,215,134** |
| **(Road, power, housing)** | | | |
| Tax | 95,554,000 | | |
| Sales Tax | | 1,288,215,000 | |
| Revenue | | 2,935,781,134 | |
| Lease-purchase contracts (ed. facilities) | | 21,665,000 | |
| **TOTAL LOCAL DEBT OUTSTANDING** | **$ 86,870,658,794** | **$ 54,516,978,867** | **$ 141,387,637,661** |

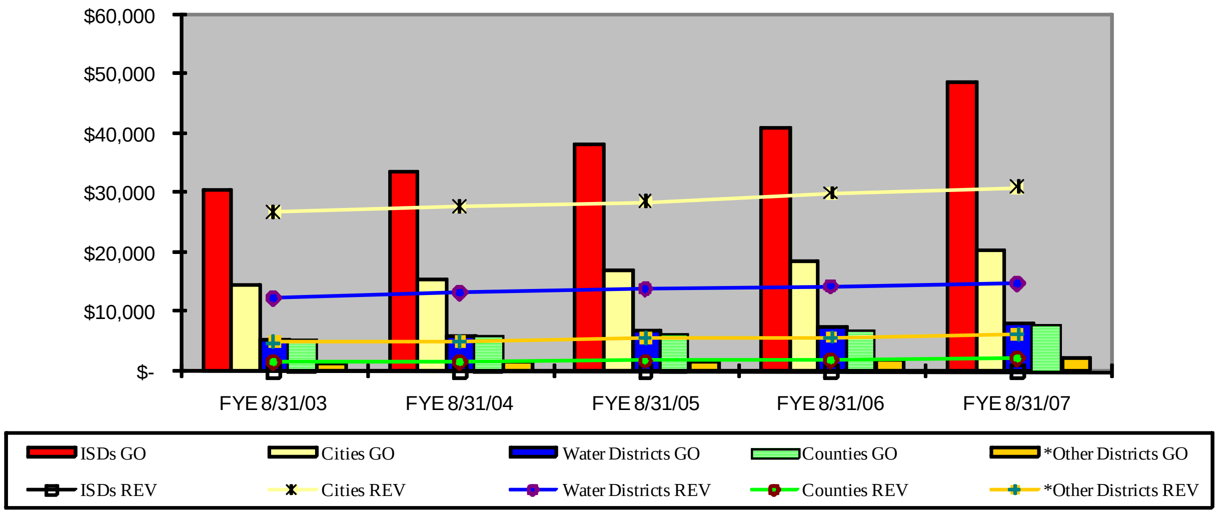
*Not included are obligations of less than one-year maturity and special obligations not requiring Attorney General approval.

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

revenue source rather than from general tax collections. The majority of city revenue debt has been used to finance utility-related projects, including water, wastewater and in some localities, electric utility systems. Most of this debt is revenue debt to be repaid from user charges.

As shown in *Figure 5,* city revenue debt increased by 15.7% ($4.21 billion) since 2003.

Figure 5
**GROWTH IN TEXAS LOCAL DEBT OUTSTANDING**
**[Tax-Supported (GO) and Revenue Debt]**
(millions of dollars)




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

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

The rate of increase has slowed but reflects the need to keep pace with infrastructure projects spurred by an 8.2% (1.8 million) increase in Texas' population since 2003, particularly in the urban areas where rapid growth has prompted new infrastructure needs including roads and construction for new and expanded water and sewer systems.

Counties had the highest percentage increase in revenue debt outstanding in the five-year period at 44.4%. As of August 31, 2007, counties had $2.28 billion in revenue debt outstanding. Special districts which include road districts, power agencies, government housing authorities, transit authorities and the newly formed regional mobility authorities, showed a 37.9% ($1.17 billion) increase in revenue debt since 2003.

**School District Tax-Supported Debt Rises 58% in Five Years**

Slightly over 34% of all local government debt is carried by Texas school districts. Outstanding tax-supported debt totaled $48.47 billion as of August 31, 2007, a 58.4% ($17.87 billion) increase since 2003 *(Figure 5)*. During that five-year period, Texas public school attendance increased by approximately 7.4% (286,380 students). School district debt is primarily used to finance instructional facilities while only a handful of school districts carry revenue debt for constructing, improving and equipping athletic/stadium facilities.

Community/junior college districts experienced a significant increase (126.5%) in tax-supported debt during the same five-year time period from $780.7 million outstanding as of August 31, 2003 to $1.77 billion outstanding as of August 31, 2007. Community/junior college student enrollment increased in five years by 12.5% (65,373) to 590,436 for the 50 college districts in Texas. The increase in community/junior college tax-supported debt levels results from the rising costs of tuition at major universities that has caused many students to attend community/junior colleges for their first two years of higher education. This growth in students has required increases in both construction expenditures for new and expanded campuses along with increases in maintenance outlays.

Tax-supported debt outstanding for health/hospital districts climbed 91% during the five-year period to $405.6 million outstanding as of August 31, 2007. This significant increase is due to population increases along with the increased health care needs of aging baby boomers (ages 43-61). Additionally, aging healthcare facilities are being renovated or replaced to accommodate advances in medical technology.

County tax-supported debt increased by 41.2% over the five-year period with $7.75 billion outstanding at August 31, 2007. Water districts including navigation and port districts, river authorities, municipal utility districts (MUDs) and municipal water authorities, experienced a 52.3% rise in tax-supported debt outstanding with $8.06 billion on the books as of August 31, 2007. Cities increased their tax-supported debt outstanding to $20.32 billion, an increase of 41.8% in five years.

### Texas Bond Review Board and Local Government Debt

The Texas Bond Review Board (BRB) has no direct oversight over local government debt issuance. Legislative mandates charge the Board with collecting, maintaining, analyzing and reporting on the status of local government debt. When the Office of the Attorney General approves each transaction, the required information on bonds issued by political subdivisions of the state is collected and forwarded to the BRB for its report on local debt statistics (Chapter 1202, Texas Government Code). All reporting on local debt is presented on the agency's website. Visitors to the site can either search databases and/or download spreadsheets that contain debt outstanding, debt ratio and population data by government type at each fiscal year-end. In fiscal 2008, approximately 3,700 different users of the BRB's website downloaded nearly 10,000 spreadsheets containing Texas local government debt data. The BRB will continue to provide this information annually and post it to the website within approximately four months after the close of the fiscal year.

## Chapter 2
## State Debt Issued in Fiscal 2008

*Debt issued by Texas state agencies and universities increased from the prior year to an aggregate total of $6.14 billion compared to $5.59 billion issued in fiscal 2007. The fiscal 2008 issues included $4.59 billion in new-money and $1.54 billion in refunding bonds* (Table 8). *Additional information on bond transactions can be found in Appendix A of this report. Other debt issued included $1.52 billion of commercial paper and variable-rate notes. Additional information on commercial paper and variable-rate notes can be found in Appendix B. The Bond Review Board also approved $64.1 million for lease purchases by Texas state agencies in fiscal 2008* (Table 9).

### New-Money Funding Increases in FY 2008

New-money bonds issued by Texas state agencies and institutions of higher education during fiscal 2008 totaled $4.59 billion, an increase of approximately $515.7 million (12.6%) compared to $4.08 billion issued during fiscal 2007 *(Figure 6)*. Issuance of commercial paper is not included. The proceeds provided financing for infrastructure, housing and loan programs.

For fiscal year 2008, the Texas Transportation Commission (TTC), the governing body of the Texas Department of Transportation (TxDOT), issued 54.5% of the total of all new-money bonds. The Texas Water Development Board (TWDB) was the next highest issuer of new-money bonds with 13.1% of the total. These two agencies accounted for 67.6% of the total new-money issuance for fiscal 2008.

### Uses of New Money for FY 2008

The TTC accounted for nearly 55% ($2.50 billion) of the total new-money bonds issued in fiscal 2008. The TTC issued revenue bonds to construct, expand and maintain state highways as well as provide funds for the state's participation in other public transportation projects.

Although TWDB did not issue any new-money bonds in fiscal 2007, the agency issued 13.1% of the total new-money bonds in fiscal 2008, amounting to $602.4 million (13.1%). Of that amount $464.5 million was earmarked for TWDB Clean Water State Revolving Fund, a program that provides loans at below-market interest rates to political subdivisions authorized to own and operate a wastewater system.

Table 8
**TEXAS BONDS ISSUED DURING FISCAL 2008**
**SUMMARIZED BY ISSUER**

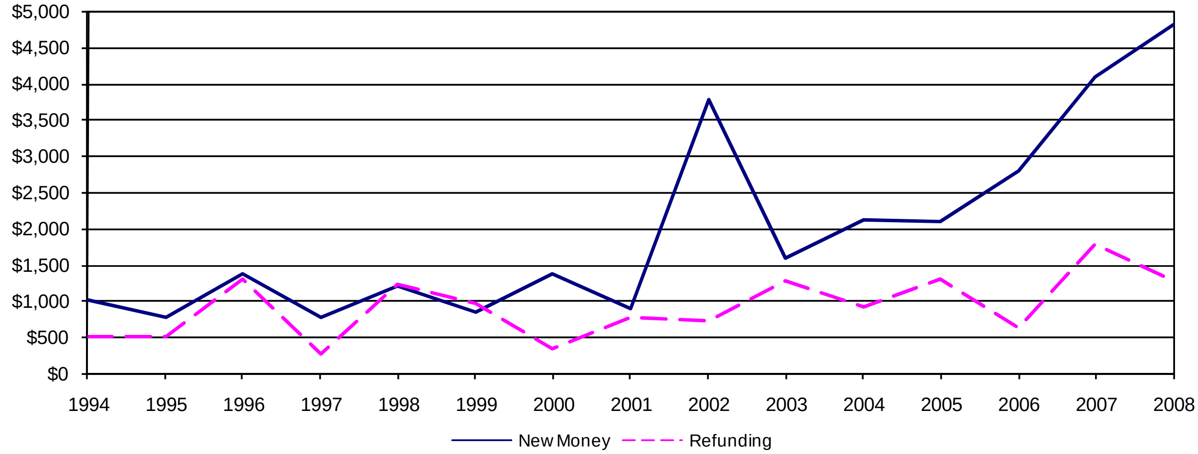
| ISSUER | REFUNDING BONDS | NEW-MONEY BONDS | TOTAL BONDS ISSUED |
|---|---|---|---|
| Texas Department of Housing & Community Affairs | $14,000,000 | $199,085,000 | $213,085,000 |
| Texas Higher Education Coordinating Board | $45,265,000 | $101,450,000 | $146,715,000 |
| Texas Public Finance Authority | $442,565,000 | $217,900,136 | $660,465,136 |
| Texas State Affordable Housing Corporation | $0 | $181,945,000 | $181,945,000 |
| Texas State Technical College System | $0 | $3,125,000 | $3,125,000 |
| Texas State University System | $18,250,000 | $189,145,000 | $207,395,000 |
| Texas Transportation Commission | $0 | $2,504,840,000 | $2,504,840,000 |
| Texas Veterans Land Board | $54,160,000 | $50,000,000 | $104,160,000 |
| Texas Water Development Board | $118,465,000 | $602,395,000 | $720,860,000 |
| Texas Woman's University | $0 | $21,670,000 | $21,670,000 |
| The Texas A&M University System | $0 | $169,515,000 | $169,515,000 |
| The University of Houston System | $0 | $175,030,000 | $175,030,000 |
| The University of Texas System | $848,355,000 | $182,590,000 | $1,030,945,000 |
| **Total Texas Bonds Issued** | **$1,541,060,000** | **$4,598,690,136** | **$6,139,750,136** |

**Note:** Table 8 excludes commercial paper and variable-rate notes. See Table 18, Appendix B, for these issuances.
**Source:** Texas Bond Review Board - Bond Finance Office.

Figure 6

**TEXAS NEW MONEY AND REFUNDING BOND ISSUES 1994 - 2008**

(millions of dollars)




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

A total of $25 million was used to finance the Rural Water Assistance Fund which provides assistance to small rural water utilities to obtain low cost financing for water or water-related projects. The remaining $112.9 million was used to support the Water Infrastructure Fund, a financial assistance program for the planning, design and construction of projects under the State Water Plan.

The Texas Public Finance Authority (TPFA) issued a total of $217.9 million in new-money general obligation and revenue debt. The GO portion consisted of: $43.6 million for the Texas Facilities Commission, $86.2 million for the Texas Department of Criminal Justice and $19.3 million for the Texas Department of Public Safety. TPFA issued a total of $68.8 million in new money revenue debt. The debt consisted of: $38.3 million in Revenue Financing System (RFS) bonds for Midwestern State University, $20.2 million in RFS bonds for Stephen F. Austin State University and $10.4 million in Education Revenue Bonds and Taxable Education Revenue Bonds on behalf of Uplift Education, an organization that operates open-enrollment charter schools.

The Texas Department of Housing and Community Affairs (TDHCA) sold $199.1 million (4.3%) of the total new-money debt issued in fiscal 2008. This represented a $219.9 million (52.5%) decrease from the $419.1 million issued in fiscal 2007. TDHCA earmarked $157.1 million of new-money debt for its single family mortgage revenue bond program and $42.0 million was used for its multifamily housing program. The single family program provides financing for the purchase of low interest rate mortgage loans made by lenders to first-time home buyers with very low, low or moderate income who are acquiring modestly priced residences. The $42.0 million in financing for affordable multifamily housing was used in each of these three cities: Austin, Arlington and Houston. Federal tax law requires that certain percentages of the rental units in these properties be set aside for low-to-moderate income households.

The Texas State Affordable Housing Corporation (TSAHC) maintains its own single family and multifamily housing programs. In fiscal 2008, TSAHC issued $147.0 million for its single family Professional Educators Home Loan Program and its single family mortgage revenue programs. TSAHC also issued bonds for one multifamily project for $34.9 million for a total of $181.9 million in new-money financings.

The Texas Higher Education Coordinating Board (THECB) issued $101.5 million of new-money debt for its GO College Student Loan Bonds during fiscal 2008.

Only $741.1 million (16.1%) of fiscal 2008 new-money financing was issued for institutions of higher education in Texas. The Texas State University System (TSUS) issued $189.1 million; The University of Texas System (UTS) issued $182.6 million; The University of Houston System (UHS) issued $175 million; The Texas A&M University System (TAMU) issued $169.5 million; Texas Woman's University (TWU) issued $21.7 million; and the Texas State Technical College System (TSTC) issued $3.1 million. These financings will be used to fund property and facility improvements at each campus.

The Texas Veterans Land Board (VLB) issued $50 million of new-money debt during fiscal 2008, down $100 million from the $150 million issued in fiscal 2007. The proceeds will be used to make housing and home improvement loans to eligible Texas veterans and certain surviving spouses.

**Refunding Amounts Decrease in FY 2008**

State agencies and universities issued $1.54 billion in refunding bonds in fiscal 2008 compared to $1.79 billion in fiscal 2007, a decrease of 13.8%. The refunding bonds comprised 25.1% of total debt issued in fiscal 2008 as compared to 30.5 % of the total bonds issued in fiscal 2007.

The UTS refunded $848.4 million (55.1%) of the total amount of debt refunded in fiscal 2008.

TPFA issued $442.6 million (28.7%) of the fiscal year total, refunding $381.7 million of GO Refunding Bonds and $60.9 million of TDCJ and TFC Building Revenue Refunding Bonds.

The TWDB issued $118.5 million in GO Refunding Bonds and used the proceeds to refund outstanding GO Water Development Bonds Series 1997A, B and D.

The VLB issued $54.2 million in taxable bonds to refund its State of Texas Veterans' Housing Assistance Program Fund II Series 1997A and 1997B-1 Taxable Bonds.

The TSUS issued $18.3 million to refund Revenue Financing System Revenue Bonds, Series 1998A and 1998B bonds.

The Texas Higher Education Coordinating Board (THECB) issued $45.3 million to refund the remaining maturities of the Series 1994, 1995 and 1996 College Student Loan Bonds.

Also in fiscal 2008 TDHCA was the conduit issuer for $14.0 million in refunding bonds to refinance the original debt issued to construct the Addison Park Apartments located in Arlington, Texas.

**Interim Financing Increases in FY 2008**

State agencies and institutions of higher education use commercial paper and variable-rate notes to provide interim financing for equipment purchases, construction projects and loan programs. Issuance of this debt totaled $1.52 billion in fiscal 2008, a 14.3% increase from the $1.33 billion issued in fiscal 2007 *(Table 18, Appendix B).*

During fiscal 2008 the UTS issued $364.5 million in Revenue Financing System (RFS) commercial paper notes and $300 million in Permanent University Fund (PUF) flexible-rate notes. As of August 31, 2008 the System had $517.4 million of RFS commercial paper and $400.0 million of PUF variable-rate notes outstanding issued to provide interim financing for equipment purchases and construction projects.

During fiscal 2008 The University of North Texas System issued $116.3 million in RFS commercial paper notes. As of August 31, 2008, $22.1 million was outstanding.

During fiscal 2008 The TAMUS issued $130 million in RFS commercial paper notes and $65.3 million in PUF flexible-rate notes. As of August 31, 2008, $106.5 million of RFS commercial paper and $52 million of PUF flexible-rate notes was outstanding. The System utilizes commercial paper and variable-rate notes to finance construction projects.

During fiscal 2008, the Texas Tech University System (TTUS) issued $74.3 million in RFS commercial paper. As of August 31, 2008, $74.3 million was outstanding. The System established its commercial paper program in 1998 to finance construction projects.

During fiscal 2008, the UHS issued and refunded $48.5 million in commercial paper, leaving no commercial paper outstanding at fiscal year-end.

TTC, the governing body of TxDOT, issued $270 million in commercial paper during fiscal 2008, and $190.8 million was outstanding as of August 31, 2008.

TPFA issued $32 million in revenue commercial paper and $108.9 million in GO commercial paper during fiscal 2008. As of August 31, 2008, $122.4 million in revenue commercial paper and $213.1 million in GO commercial paper was outstanding.

During fiscal 2008 TDHCA issued $11.7 million in commercial paper and $71.4 million was outstanding as of August 31, 2008. TDHCA established its commercial paper program in 1994 to enable the agency to recycle certain payments and prepayments of single family mortgage loans so as to preserve its 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 Texas Economic Development and Tourism Office did not issue commercial paper during fiscal 2008 but had $5.9 million of commercial paper outstanding as of August 31, 2008.

The Texas Department of Agriculture also did not issue commercial paper in fiscal 2008 but had $25 million of commercial paper outstanding as of August 31, 2008.

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

**Texas Lease Purchases**

Lease purchases with an initial principal greater than $250,000 or with a term of more than five years are required to be approved by the Bond Review Board. The BRB approved $64.1 million for four lease-purchase transactions during fiscal 2008 *(Table 9)* compared to approximately $37.7 million for nine lease-purchases in fiscal 2007.

The largest lease purchase was $57.8 million for the Texas A&M University's Health Science Center for the construction of a new building to accommodate the expansion of its College of Medicine in Round Rock. This will be the first transaction financed through The Facilities Development Group.

Table 9
**LEASE-PURCHASE AGREEMENTS**
**APPROVED BY THE BOND REVIEW BOARD**
**FISCAL 2008**

| AGENCY | PROJECT | |
|---|---|---|
| Texas A&M University (FDG) | New Construction | $57,800,000 |
| Texas State Technical College - Waco (TPFA) | Equipment | $1,550,000 |
| Texas State Technical College - West Texas (TPFA) | Equipment | $2,200,000 |
| The University of Texas System (Compass/FLIK) | Equipment | $2,500,000 |
| **Total Approved Lease-Purchase Agreements** | | **$64,050,000** |

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

Texas State Technical College received approval for the lease purchases of two electricity-generating wind turbines totaling $3.8 million - one at Waco and the other at its West Texas (Sweetwater) campus.

The UTS also received approval for the lease-purchase of kitchen, laundry and exercise equipment for its UT Austin Executive Education and Conference Center in an amount of $2.5 million.

**Debt Issuance Projected to Increase in FY 2009**

Texas state issuers expect to increase debt issuance in fiscal 2009. 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 approximately $9.15 billion in bonds, commercial paper and variable-rate notes during fiscal 2009 *(Table 10)*, a projected increase of $1.43 billion (18.5%) over the actual amount of debt issued in fiscal 2008.

TxDOT and its governing board the TTC expect to issue $2.66 billion in fiscal 2009 of which $1 billion is expected to be issued as Texas Mobility Fund bonds, $1.5 billion as State Highway Fund bonds and a maximum of $160 million to refund Central Texas Turnpike System bonds.

TPFA plans to issue approximately $396.6 million in bonds and commercial paper during fiscal 2009. Approximately $352 million will be GO bonds for various projects for the Adjutant General, Texas Facilities Commission, the Texas Department of Aging and Disability Services, the Texas Department of Criminal Justice, the Texas Department of Public Safety, the Texas Department of State Health Services, the Texas Historical Commission, the Texas Parks and Wildlife Commission, the Texas School for the Blind and Visually Impaired and the Texas Youth Commission. Included in this GO total are TPFA's plans to issue approximately $38 million for the Colonias Roadway Program.

The remaining 11.2% of planned issuance by TPFA includes $23 million in revenue debt on behalf of Stephen F. Austin State University and approximately $21.6 million for various projects through its Master Lease Purchase Program.

The TWDB anticipates issuing $805.8 billion in new-money debt of which $336.3 million will be used for the Water Infrastructure Fund. The remaining issuances are anticipated to be: $195 million for the State Participation Program, $175 million for the Development Fund II, $74.5 million for the Economically Distressed Areas Program (EDAP) and $25 million for the Rural Water Assistance Fund. In addition, TWDB plans to issue $410.2 million in GO refunding bonds: $191 million to refund its Clean Water State Revolving Fund, Series 1998A and 1999A; $139 million to refund Development Fund II Series 1998A and 1999A Program Bonds; $310.2 million to refund EDAP Bonds, Series 1998C and 1999A; and $50 million to refund, Series 1999C State Participation Program Bonds.

The VLB expects to issue $100 million in new-money bonds during fiscal 2009 for its Veterans Housing Assistance Program, Fund II.

The TDHCA plans to issue approximately $481.6 million in bonds during fiscal 2009. Of that amount $259.6 million will finance TDHCA's Single Family Mortgage Revenue Bonds - $219.6 million will be new-money debt and $40 million will refund outstanding bonds. The remaining $222 million will be used for TDHCA's Single Family Mortgage Credit Certificate Program and TDHCA's Multi-Family Mortgage Revenue Bonds, $100.0 million and $122.0 million, respectively.

The TSAHC expects to issue $40 million in bonds during fiscal 2009 of which $30 million will be used to fund single family loans to both Professional Educators and the Homes for Texas Heroes Home Loan Programs. The remaining $10 million will be used to finance the Mortgage Credit Certificate Program for those loan programs.

The THECB plans to issue $125 million in bonds for its College Student Loan Program during fiscal 2009.

Table 10
**TEXAS STATE DEBT ISSUES EXPECTED DURING FISCAL 2009**

| ISSUER | APPROXIMATE AMOUNT | PURPOSE | APPROXIMATE ISSUE DATE |
|---|---|---|---|
| **General Obligation Debt** | | | |
| **Self-Supporting** | | | |
| Texas Department of Transportation | $1,000,000,000 | Texas Moblity Fund | Jan-09 |
| Texas Higher Education Coordinating Board | $50,000,000 | Hinson-Hazlewood Loan Program (New money) | Feb-09 |
| Texas Higher Education Coordinating Board | $75,000,000 | Hinson-Hazlewood Loan Program (New money) | Jun-09 |
| Texas Veterans Land Board | $50,000,000 | Veterans' Housing Assistance Program, Fund II Series 2009A | Feb-08 |
| Texas Veterans Land Board | $50,000,000 | Veterans' Housing Assistance Program, Fund II Series 2008B | Sep-08 |
| Texas Water Development Board | $80,000,000 | DFUND II Program - Refunding Series 1998A | Oct-08 |
| Texas Water Development Board | $175,000,000 | DFUND II Program | Nov-08 |
| Texas Water Development Board | $25,000,000 | Rural Water Assistance Fund - Private Activity Bonds | Mar-09 |
| Texas Water Development Board | $59,000,000 | DFUND II Program - Refunding Series 1999A | Apr-09 |
| **Total Self-Supporting** | **$1,564,000,000** | | |
| **Not Self-Supporting** | | | |
| Texas Public Finance Authority* | $9,100,000 | Adjutant General | Various |
| Texas Public Finance Authority* | $4,000,000 | Facilities Commission | TBD |
| Texas Public Finance Authority* | $32,000,000 | Facilities Commission | Various |
| Texas Public Finance Authority* | $20,000,000 | Colonias Roadway Program | Sep-09 |
| Texas Public Finance Authority* | $18,000,000 | Colonias Roadway Program | TBD |
| Texas Public Finance Authority* | $1,500,000 | Department of Aging and Disability Services | Jan-09 |
| Texas Public Finance Authority* | $15,000,000 | Department of Aging and Disability Services | Various |
| Texas Public Finance Authority* | $3,000,000 | Department of Criminal Justice | TBD |
| Texas Public Finance Authority* | $16,000,000 | Department of Criminal Justice | Various |
| Texas Public Finance Authority* | $70,000,000 | Department of Public Safety | Various |
| Texas Public Finance Authority* | $28,700,000 | Department of State Health Services | Various |
| Texas Public Finance Authority* | $35,000,000 | Historical Commission | Various |
| Texas Public Finance Authority* | $30,000,000 | Historical Commission | Various |
| Texas Public Finance Authority* | $10,200,000 | Parks and Wildlife Department | Various |
| Texas Public Finance Authority* | $9,000,000 | Parks and Wildlife Department | Various |
| Texas Public Finance Authority* | $27,500,000 | School for the Blind and Visually Impaired | Various |
| Texas Public Finance Authority* | $12,000,000 | Youth Commission | Various |
| Texas Public Finance Authority* | $11,000,000 | Youth Commission | Various |
| Texas Tech University System | $11,015,000 | HEF bonds for Life Safety | TBD |
| Texas Water Development Board | $28,000,000 | EDAP Program - Refunding Series 1998C | Oct-08 |
| Texas Water Development Board | $223,248,356 | WIF Subsidized (New money) | Dec-08 |
| Texas Water Development Board | $103,590,769 | WIF 10 year deferred (New money) | Dec-08 |
| Texas Water Development Board | $9,494,063 | WIF Rural (New Money) | Dec-08 |
| Texas Water Development Board | $25,000,000 | State Participation Program | Apr-09 |
| Texas Water Development Board | $2,200,000 | EDAP Program - Refunding Series 1999B | Apr-09 |
| Texas Water Development Board | $50,000,000 | State Participation Program - Refunding Series 1999C | Apr-09 |
| Texas Water Development Board | $170,000,000 | State Participation - State Water Plan (New Money) | Jun-09 |
| Texas Water Development Board | $27,958,125 | Prop 16 - EDAP State Water Plan (New Money) | Jun-09 |
| Texas Water Development Board | $9,494,063 | Prop 16 - EDAP State Water Plan - Rural (New Money) | Jun-09 |
| Texas Water Development Board | $12,000,000 | EDAP - Prior Authorization | Jun-09 |
| Texas Water Development Board | $25,000,000 | Prop 16 - EDAP Statewide | Jun-09 |
| **Total Not Self-Supporting** | **$1,049,000,376** | | |
| **Total General Obligation Debt** | **$2,613,000,376** | | |

Table 10 (continued)
**TEXAS STATE DEBT ISSUES EXPECTED DURING FISCAL 2009**

| | | | |
|---|---|---|---|
| **Non-General Obligation Debt** | | | |
| **Self-Supporting** | | | |
| Stephen F. Austin State University - RFS | $13,000,000 | TRBs for Nursing Center | Dec-08 |
| Stephen F. Austin State University - RFS | $10,000,000 | TRBs for Deferred Maintenance | Dec-08 |
| Texas Department of Transportation | $1,500,000,000 | State Highway Fund | TBD |
| Texas Department of Transportation | $160,000,000 | Central Texas Turnpike System | Oct-08 |
| Texas Department of Housing and Community Affairs | $69,600,000 | Single-Family Mortgage Revenue Bonds (08A New Money Bonds - Volume Cap) | Oct-08 |
| Texas Department of Housing and Community Affairs | $60,000,000 | Single-Family Mortgage Revenue Bonds (08A New Money Bonds - HR 3221 Volume Cap) | Oct-08 |
| Texas Department of Housing and Community Affairs | $100,000,000 | Single-Family Mortgage Credit Certificates ($25 million in certificates) | Mar-09 |
| Texas Department of Housing and Community Affairs | $90,000,000 | Single-Family Mortgage Revenue Bonds (09A New Money Bonds - HR 3221 Volume Cap) | Jul-09 |
| Texas Department of Housing and Community Affairs | $40,000,000 | Single-Family Mortgage Revenue Bonds (09A Drawdown Bond Refunding Bonds) | Jul-09 |
| Texas Department of Housing and Community Affairs | $122,000,000 | Multifamily Mortgage Revenue Bonds | TBD |
| Texas State Affordable Housing Corporation | $30,000,000 | Single Family Professional Educators and Home for Texas Heroes Home Loan Program | Oct-08-Nov-08 |
| Texas State Affordable Housing Corporation | $10,000,000 | MCC Program for Professional Educators and Homes for Texas Heroes Home Loan Program | Nov-08 |
| Texas State University System - RFS | $14,000,000 | LU Renovate Cardinal stadium and replace Higgens Field house | Dec-08 |
| Texas State University System - RFS | $18,800,000 | LU - Cardinal Village V Student Residence Facility (New) | Apr-09 |
| Texas State University System - RFS | $1,005,000 | LU - Soccer Field (New) | Apr-09 |
| Texas State University System - RFS | $15,000,000 | SHSU - Correctional Management Institute/Lae Enforcement Management Institute addition | Apr-09 |
| Texas State University System - RFS | $18,000,000 | SHSU - Residence Hall North of Bearcat Stadium | Apr-09 |
| Texas State University System - RFS | $8,620,000 | SM - Baseball/Softball Complex Enhancement | Apr-09 |
| Texas State University System- RFS | $1,475,590 | Peques & State Street Realignment | Dec-08 |
| Texas State University System - RFS | $22,407,000 | SM - South Chill Plant & Infrastructure | Dec-08 |
| Texas State University System | $4,500,000 | TRBs for LU - Renovate portion of Engineer Building | Dec-08 |
| Texas State University System | $12,203,000 | TRBs for LIT - Student Service Learning Center (New) | Dec-08 |
| Texas State University System | $3,603,000 | TRBs for LSC-O - Workforce Training Center (New) | Dec-08 |
| Texas State University System | $25,089,000 | TRBs for LU - Science Building (New) | Dec-08 |
| Texas State University System | $35,000,000 | TRBs for SHSU - University Center at the Woodlands (New) | Dec-08 |
| Texas State University System | $4,845,000 | TRBs for SRSU - Industrial Technology Building Renovation | Dec-08 |
| Texas State University System | $3,700,000 | TRBs for SRSU - Central Plant Boiler Replacement | Dec-08 |
| Texas State University System | $52,000,000 | TRBs for SM - Performing Arts Center Phase 1 (New) | Dec-08 |
| Texas State University System | $73,367,000 | TRBs for SM - Round Rock Higher Education Center Health Professions No. 1 (New) | Dec-08 |
| Texas State University System | $37,000,000 | TRBs for SHSU - Integrated Engineering Building (New) | Apr-09 |
| Texas State University System | $42,700,000 | TRBs for SM - Undergraduate Academic Center (New) | Apr-09 |
| Texas State University System | $2,035,600 | TRBs for LSC-O - Computer/Learning Resource Center (New) | Apr-09 |
| Texas Tech University System | $4,200,000 | TRBs for HSC - El Paso Medical School | Sep-08 |
| Texas Tech University System | $8,010,000 | TRBs for HSC - Amarillo Pharmacy Expansion | Sep-08 |
| Texas Tech University System | $18,000,000 | TRBs for HSC - Amarillo Research | Sep-08 |
| Texas Tech University System | $25,000,000 | TRBs for TTU - New COBA | Sep-08 |
| Texas Tech University System | $25,000,000 | TRBs for TTU - COBA Renovation | Sep-08 |
| Texas Tech University System | $7,500,000 | TRBs for TTU - Lanier Professional Development Center | Sep-08 |
| Texas Tech University System | $6,000,000 | Leisure Pool - TTU | Sep-08 |
| Texas Tech University System | $1,387,000 | Soccer Complex - TTU | Sep-08 |
| Texas Tech University System | $5,000,000 | Utility Upgrade - TTU | |
| Texas Tech University System | $28,215,000 | Centennial Village - ASU | Sep-08 |
| Texas Water Development Board | $116,000,000 | Refunding Ser 1998A (Clean Water State Revolving Fund) | Oct-08 |
| Texas Water Development Board | $75,000,000 | Refunding Ser 1999A (Clean Water State Revolving Fund) | Mar-09 |
| Texas Woman's University-RFS | $20,000,000 | Renovation & Construction at the Parkland Campus | Spring-09 |
| Texas Woman's University-RFS | $15,000,000 | Construction of a Fitness & Recreation Center | Spring-10 |
| The Texas A&M University System - PUF* | $50,000,000 | Acquire, purchase, construct, improve, and equip various facilities within the System | As Needed |
| The Texas A&M University System - RFS* | $200,000,000 | Acquire, purchase, construct, improve, and equip various facilities within the System, including TRBs | As Needed |
| The University of Texas System - RFS(1) | $800,000,000 | Refund portion outstanding RFS debt; Acquire, purchase, construct, improve, and equip various facilities, including TRBs | TBD |
| The University of Texas System - RFS*(1) | $1,250,000,000 | Refund portion outstanding RFS debt; Acquire, purchase, construct, improve, and equip various facilities, including TRBs | As Needed |
| The University of Texas System - PUF | $450,000,000 | Refund portion outstanding PUF debt; Acquire, purchase, construct, improve, and equip various facilities | Nov-08 |
| The University of Texas System - PUF | $500,000,000 | Refund portion outstanding PUF debt; Acquire, purchase, construct, improve, and equip various facilities | As Needed |
| University of Houston System | $4,934,739 | CRRBs Ser 2008A Costs of Issuance and Delivery Date Expenses | Nov-08 |
| University of Houston System | $21,295,000 | Potential Refunding of CRB, Ser 1999 bonds | Nov-08 |
| University of Houston System - RFS | $57,600,000 | TRBs for Renovation of Science Labs -UH | Nov-08 |
| University of Houston System - RFS | $10,604,808 | TRBs for Addition to Arbor Building - UH Clear Lake | Nov-08 |
| University of Houston System - RFS | $18,500,000 | Addition to Robertson Stadium | Nov-08 |
| University of Houston System - RFS | $20,120,000 | Purchase of Bayou Oaks Student Housing - UH | Nov-08 |
| University of Houston System - RFS | $9,000,000 | Expansion of East Parking Garage - UH | Nov-08 |
| University of Houston System - RFS | $20,000,000 | Construct College of Business Building - UH | May-09 |
| University of Houston System - RFS | $30,000,000 | Construct College of Optometry - UH | May-09 |
| University of Houston System - RFS | $30,000,000 | Purchase University Business Park | May-09 |
| University of Houston System - RFS | $75,000,000 | Construct Student Housing | May-09 |
| University of Houston System | $17,000,000 | CRBs Series 2009 Costs of Issuance and Delivery Date Expenses | May-09 |
| **Total Self-Supporting** | **$6,518,316,737** | | |
| **Not Self-Supporting** | | | |
| Texas Public Finance Authority* | $884,595 | MLPP Revenue Financing-DPS Web Browser | Various |
| Texas Public Finance Authority* | $12,658,228 | MLPP Revenue Financing-HHSC TIERS | Various |
| Texas Public Finance Authority* | $1,133,141 | MLPP Revenue Financing-DSHS Energy | Various |
| Texas Public Finance Authority* | $258,980 | MLPP Revenue Financing-DSHS Vehicles | Various |
| Texas Public Finance Authority* | $1,280,433 | MLPP Revenue Financing-DADS Energy | Various |
| Texas Public Finance Authority* | $353,692 | MLPP Revenue Financing-DADS Vehicles | Various |
| Texas Public Finance Authority* | $104,704 | MLPP Revenue Financing-DADS Equipment | Various |
| Texas Public Finance Authority* | $419,049 | MLPP Revenue Financing-TSTC Network | Various |
| Texas Public Finance Authority* | $2,200,000 | MLPP Revenue Financing-TSTC Turbine | Various |
| Texas Public Finance Authority* | $143,422 | MLPP Revenue Financing-Tx Tech Equipment | Various |
| Texas Public Finance Authority* | $150,000 | MLPP Revenue Financing-MSU Telecomm | Various |
| Texas Public Finance Authority* | $1,973,961 | MLPP Revenue Financing-Angelo State Energy | Various |
| Texas Public Finance Authority* | $55,000 | MLPP Revenue Financing-TSD Computers | Various |
| Texas State Technical College | $1,000,000 | MLPP Clean Renewable Energy Bonds | Nov-08 |
| **Total Not Self-Supporting** | **$22,615,205** | | |
| **Total Non-General Obligation Debt** | **$6,540,931,942** | | |
| **Total All Debt** | **$9,153,932,318** | | |

* Commercial Paper or Variable-Rate Note program.

(1) Includes TRBs.

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

Both the UTS and the TAMUS expect to issue $3 billion and $250 million, respectively, in PUF and RFS debt during fiscal 2009. The debt will be used to finance facility construction and renovation, purchase equipment and refund outstanding commercial paper.

The UHS expects to issue $314.1 million of new-money debt in fiscal 2009. Of this amount $68.2 million will be issued as Tuition Revenue Bonds (TRB) for additions to the Arbor Building at UH-Clear Lake as well as for renovations for science labs at UH Main campus. The remaining $245.9 million will designated for the purchase, construction and expansion of various projects on UH campuses.

TSUS plans to issue $395.4 million for facility construction and renovations. An estimated at $296.0 million in TRBs will be used to build: a science building and renovate a portion of the engineering building at Lamar University; a Student Service Learning Center at Lamar Institute of Technology, a Workforce Training Center and Computer and Learning Resource Center at Lamar State College-Orange; a University Center at the Woodlands and an Integrated Engineering Building at Sam Houston State University; to renovate the Industrial Technology Building and replace the central Plant Boiler at Sul Ross State University; and to build a Performing Arts Center, a Round Rock Higher Education Center Health Profession I and an Undergraduate Academic Center at Texas State University in San Marcos. Proceeds of $99.3 million in Revenue Financing System Bonds will be used for various projects at Texas State University - San Marcos, Lamar University and Sam Houston State University.

The TWU plans to issue $35.0 million in new-money financings during fiscal 2009. These issues include $20.0 million for renovation and campus construction and $15.0 million for construction of a fitness and recreation center for the University's Parkland campus in Dallas.

TSTC intends to issue $1 million of Clean Renewable Energy Bonds (CREBs), the first such issuance in Texas. CREBs were created by the Energy Policy Act of 2005, and eligible projects must be renewable energy projects (solar, wind, biomass, landfill gas) used for the generation of electricity. The College received a CREBs allocation from the United States Department of the Treasury on December 21, 2007. In addition, the bonds do not bear interest, but the bondholders receive federal tax credits in lieu of interest payments. The tax credit rates and the final maturity of CREBs change monthly.

Also in fiscal 2009 TTUS plans to issue approximately $11 million in GO HEF bonds for life safety building improvements. TTUS also expects to issue $128.3 million in revenue bonds. Of this amount, $87.7 million will be issued as Tuition Revenue Bonds (TRBs) for construction and renovation projects for the College of Business Administration and the School of Law's Lanier Professional Development Center at the Lubbock campus; for expansions to the Health Sciences Center School of Pharmacy and School of Medicine at the Amarillo campus; and for the Health Sciences Center projects at the School of Medicine in El Paso. The remaining $40.6 million in revenue bonds will fund a soccer complex, a leisure pool and utility upgrades at the Lubbock campus and a new 167,000 square foot residence hall at the Angelo State University campus.

## Chapter 3
## State Debt Outstanding

*In fiscal 2008, the state's total debt outstanding increased 18.5% to $31.25 billion compared to $26.37 billion in fiscal 2007 and $23.32 billion in fiscal 2006*

### General Obligation Debt Outstanding Increased in FY 2008

Texas General Obligation (GO) debt carries a constitutional pledge of the full faith and credit of the state to repay the debt and requires passage by a vote of two-thirds of both houses of the Texas Legislature and by a majority of Texas voters.

At the end of fiscal 2008, $10.78 billion of the state's $31.25 billion of debt outstanding was backed by the state's general obligation (GO) pledge, an increase of $1.18 billion (12%) from the $9.59 billion in GO debt outstanding at the end of fiscal 2007 *(Tables 11 and 11A)*. GO debt issues that contributed to the fiscal 2008 increase include bond issuances for the Texas Mobility Fund and the Texas Water Development Board. (See Chapter 2 and Appendix A for a description of debt issued in fiscal 2008.)

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

Investors require a higher rate of interest to compensate for the additional risk associated with the purchase of revenue debt.

### General Revenue Supported Debt Increased Slightly in FY 2008

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

The combined total of General Obligation and revenue not self-supporting debt outstanding increased during fiscal 2008 *(Figure 7)*. This increase reverses a trend that began in 2000 and is the result of an increase in GO debt. Not self-supporting GO debt increased by $107.7 million in fiscal 2008 while not self-supporting revenue debt actually decreased by $10.9 million for a net increase of $96.8 million. As a result, Texas had $2.85 billion in outstanding debt that must be paid from the state's general revenue as of August 31, 2008. By comparison, not self-supporting GO and revenue debt totaled $2.75 billion in fiscal year 2007, $2.98 billion in fiscal year 2006 and $3.14 billion in fiscal 2005.

### Debt-Service Payments from General Revenue Increased in FY 2008

Debt-service payments from general revenue increased 5.5% from $403.1 million in fiscal 2007 to $425.1 million in fiscal 2008 *(Figure 8)*. During fiscal 2005 and 2006 respectively, debt-service payments from general revenue were $390.3 million and $424.9 million. (See *Table 12* for debt-service requirements by fiscal year for Texas state bonds.)

Please note that debt service requirements for tuition revenue debt are not included in this analysis since all college and university revenue debt is equally secured by and payable from a pledge of all or a portion of certain "revenue funds" of the applicable system or institution of higher education. However, the

Table 11

**TEXAS DEBT OUTSTANDING**

(amounts in thousands)

| | 8/31/2004 | 8/31/2005 | 8/31/2006 | 8/31/2007 | 8/31/2008 |
|---|---|---|---|---|---|
| **General Obligation Bonds** | | | | | |
| **Self-Supporting** | | | | | |
| Veterans' Land and Housing Bonds | $1,682,940 | $1,773,251 | $1,852,137 | $1,845,187 | $1,832,472 |
| Water Development Bonds | 953,020 | 959,000 | 887,340 | 847,905 | 803,385 |
| Economic Development Bank Bonds | 0 | 45,000 | 45,000 | 45,000 | 45,000 |
| Park Development Bonds [1] | 18,555 | 24,485 | 20,080 | 1,805 | 0 |
| College Student Loan Bonds | 688,647 | 652,923 | 625,601 | 661,367 | 727,343 |
| Texas Agricultural Finance Authority [2] | 30,000 | 30,000 | 25,000 | 25,000 | 25,000 |
| Texas Mobility Fund Bonds | 0 | 1,000,000 | 1,725,515 | 3,886,750 | 4,955,850 |
| Texas Public Finance Authority - TMVRLF | 0 | 0 | 0 | 49,595 | 49,595 |
| **Total, Self-Supporting** | $3,373,161 | $4,484,659 | $5,180,673 | $7,363,334 | $8,438,645 |
| **Not Self-Supporting [3]** | | | | | |
| Higher Education Constitutional Bonds [4] | $25,905 | $52,685 | $63,000 | $58,310 | $51,605 |
| Texas Public Finance Authority Bonds [5] | 2,140,167 | 2,133,778 | 1,978,685 | 1,810,644 | 1,850,644 |
| Park Development Bonds | 13,200 | 4,125 | 3,300 | 16,544 | 15,164 |
| Agriculture Water Conservation Bonds | 11,900 | 9,690 | 7,410 | 5,040 | 2,575 |
| Water Development Bonds - EDAP [6] | 179,460 | 173,005 | 165,725 | 180,185 | 172,495 |
| Water Development Bonds - State Participation | 141,710 | 141,580 | 141,445 | 160,280 | 140,130 |
| Water Development Bonds - WIF | 0 | 0 | 0 | 0 | 106,120 |
| **Total, Not Self-Supporting** | $2,512,342 | $2,514,863 | $2,359,565 | $2,231,003 | $2,338,733 |
| **Total General Obligation Bonds** | $5,885,503 | $6,999,522 | $7,540,238 | $9,594,337 | $10,777,379 |
| **Non-General Obligation Bonds** | | | | | |
| **Self-Supporting** | | | | | |
| Permanent University Fund Bonds | | | | | |
| The Texas A&M University System [5] | $303,631 | $301,571 | $429,210 | $409,344 | $434,630 |
| The University of Texas System [5] | 888,820 | 973,560 | 1,032,860 | 1,062,625 | 1,318,980 |
| College and University Revenue Bonds [5, 7] | 4,617,953 | 5,061,421 | 5,857,034 | 6,305,867 | 7,362,004 |
| Texas Dept. of Housing and Community Affairs Bonds [5] | 1,931,634 | 2,169,157 | 2,305,689 | 2,606,999 | 2,783,482 |
| Texas State Affordable Housing Corporation | 551,770 | 542,898 | 515,148 | 621,887 | 696,136 |
| Texas Small Business I.D.C. Bonds | 99,335 | 99,335 | 99,335 | 99,335 | 99,335 |
| Economic Development Program [2] | 14,000 | 15,000 | 13,000 | 8,235 | 6,407 |
| Texas Water Resources Finance Authority Bonds | 38,070 | 27,155 | 21,315 | 15,830 | 10,740 |
| College Student Loan Bonds | 3,511 | 878 | 0 | 0 | 0 |
| Texas Department of Transportation Bonds - CTTS | 2,199,994 | 2,199,994 | 2,199,994 | 2,075,063 | 2,563,947 |
| Texas Workers' Compensation Fund Bonds | 66,815 | 46,433 | 24,217 | 0 | 0 |
| Veterans' Financial Assistance Bonds | 26,277 | 25,689 | 25,689 | 24,444 | 23,987 |
| TPFA Charter School Finance Corporation | 0 | 0 | 0 | 10,380 | 10,145 |
| Texas Workforce Commission Unemp Comp Bonds | 1,371,720 | 1,018,840 | 712,935 | 396,060 | 0 |
| State Highway Fund | 0 | 0 | 688,850 | 1,689,740 | 3,076,660 |
| Water Development Board Bonds - State Revolving Fund | 1,322,145 | 1,268,275 | 1,234,300 | 932,448 | 1,357,383 |
| **Total, Self-Supporting** | $13,435,675 | $13,750,206 | $15,159,576 | $16,258,257 | $19,743,836 |
| **Not Self-Supporting [3]** | | | | | |
| Texas Public Finance Authority Bonds | $508,230 | $484,200 | $454,085 | 337,015 | 321,470 |
| TPFA Master Lease Purchase Program [2,8] | 58,359 | 77,259 | 105,290 | 110,800 | 122,440 |
| Texas Military Facilities Commission Bonds | 25,985 | 23,385 | 21,690 | 20,150 | 18,555 |
| Parks and Wildlife Improvement Bonds | 48,705 | 45,125 | 41,880 | 52,330 | 46,895 |
| **Total, Not Self-Supporting** | $641,279 | $629,969 | $622,945 | $520,295 | $509,360 |
| **Total Non-General Obligation Bonds** | $14,076,954 | $14,380,175 | $15,782,521 | $16,778,552 | $20,253,196 |
| **Total Debt Outstanding** | $19,962,458 | $21,379,697 | $23,322,759 | $26,372,889 | $31,030,574 |

1 Amounts do not include premium on capital appreciation bonds.

2 Commercial Paper

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

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

5 Includes commercial paper and bond anticipation notes outstanding.

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

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

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

**Note:** The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2008.

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

Table 11A

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

| College and University Revenue Bonds | FY 2006 Non-Tuition Revenue Bonds | FY 2006 Tuition Revenue Bonds | FY 2006 Total | FY 2007 Non-Tuition Revenue Bonds | FY 2007 Tuition Revenue Bonds | FY 2007 Total | FY 2008 Non-Tuition Revenue Bonds | FY 2008 Tuition Revenue Bonds | FY 2008 Total |
|---|---|---|---|---|---|---|---|---|---|
| Midwestern State University | 11,950 | 14,525 | 26,475 | 24,090 | 24,370 | 48,460 | 69,740 | 23,610 | 93,350 |
| Stephen F. Austin State University | 107,855 | 16,655 | 124,510 | 104,280 | 15,875 | 120,155 | 100,575 | 32,660 | 133,235 |
| Texas Southern University | 27,915 | 88,550 | 116,465 | 24,820 | 80,700 | 105,520 | 23,175 | 73,470 | 96,645 |
| Texas State Technical College System | 0 | 9,155 | 9,155 | 0 | 8,720 | 8,720 | 0 | 11,245 | 11,245 |
| Texas Tech University System | 256,058 | 185,837 | 441,895 | 265,766 | 178,619 | 444,385 | 293,119 | 180,921 | 474,040 |
| Texas Woman's University | 20,825 | 29,275 | 50,100 | 18,795 | 27,950 | 46,745 | 16,375 | 48,235 | 64,610 |
| The Texas A&M University System | 561,469 | 335,810 | 897,279 | 594,305 | 318,820 | 914,125 | 637,819 | 333,464 | 971,283 |
| The Texas State University System | 351,702 | 180,832 | 532,534 | 337,119 | 171,031 | 508,150 | 424,864 | 238,676 | 663,540 |
| The University of North Texas System | 103,290 | 119,515 | 222,805 | 176,783 | 112,625 | 289,408 | 173,971 | 106,115 | 280,086 |
| The University of Texas System | 2,495,151 | 615,340 | 3,110,491 | 2,898,619 | 614,740 | 3,513,359 | 3,302,432 | 818,488 | 4,120,920 |
| University of Houston System | 134,255 | 191,070 | 325,325 | 158,230 | 148,610 | 306,840 | 257,220 | 195,830 | 453,050 |
| **Total Revenue Debt Outstanding** | **$4,070,470** | **$1,786,564** | **$5,857,034** | **$4,602,807** | **$1,702,060** | **$6,305,867** | **$5,299,290** | **$2,062,714** | **$7,362,004** |

**Notes:**

The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2008.

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

Amounts do not include premium on capital appreciation bonds.

Includes commercial paper notes outstanding.

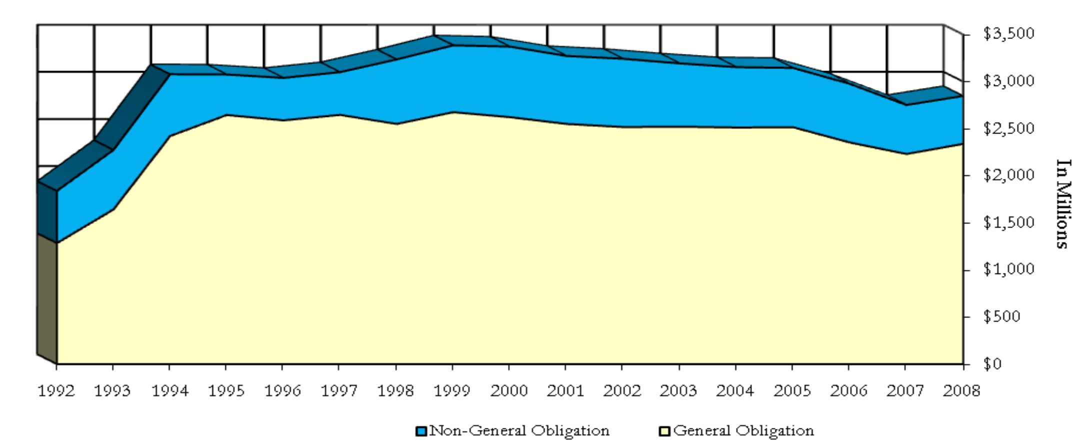
**Source:** Texas Bond Review Board - Bond Finance Office.

legislature has historically appropriated funds to the schools in an amount equal to all or a portion of the debt-service on revenue debt issued pursuant to certain specific authorizations to individual institutions as described in Chapter 55, Texas Education Code. (*Table 12A* provides debt-service detail for each institution.)

## Texas' Authorized but Unissued Debt Increased in FY 2008

Authorized but unissued debt is defined as debt that may be issued without further action by the legislature. As of August 31, 2008 Texas had $18.45 billion in authorized but unissued debt compared to $10.75 billion in fiscal 2007 *(Table 13)*. Of the $18.45 billion, $12.93 billion (70.1%) was GO debt of which $9.69 billion (74.9%) was not self-supporting. This compares to $702.8 million outstanding at fiscal year-end 2007. The large increase in not self-supporting GO debt in fiscal 2008 results from the passage at the November 2007 general election of constitutional amendments for more than $9.75 billion including $3 billion for cancer research and $5

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



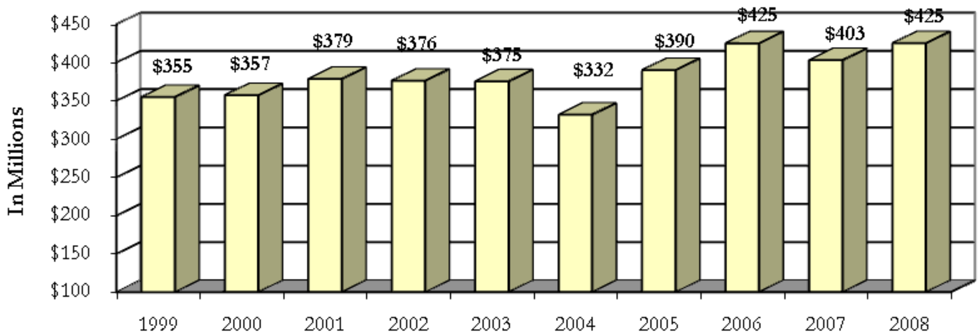

**Source:** Texas Bond Review Board - Bond Finance Office.

Table 11B

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

| | Total Unissued |
|---|---|
| **Texas A&M University System** | |
| Prairie View A&M University | $0 |
| Tarleton State University | $32,890,207 |
| West Texas A&M University | $11,000,000 |
| Texas A&M International University | $23,635,600 |
| Texas A&M University - Kingsville | $8,586,000 |
| Texas A&M University - Central Texas | $25,000,000 |
| Texas A&M University - Corpus Christi | $13,954,000 |
| Texas A&M University - Commerce | $21,770,000 |
| Texas A&M University - San Antonio | $40,000,000 |
| Texas A&M University - Texarkana | $72,500,000 |
| Texas A&M Health Science Center | $39,000,000 |
| Texas A&M University - Galveston | $22,000,000 |
| Texas A&M University | $66,975,000 |
| **Texas A&M University System** | **$377,310,807** |
| **The University of Texas System** | $0 |
| The University of Texas at Austin | $25,783,000 |
| The University of Texas at Arlington | $48,870,000 |
| The University of Texas at Brownsville | $20,000,000 |
| The University of Texas at Dallas | $10,000,000 |
| The University of Texas at El Paso | $62,696,000 |
| The University of Texas - Pan American | $45,796,000 |
| The University of Texas of the Permian Basin | $70,584,000 |
| The University of Texas at San Antonio | $27,506,000 |
| The University of Texas at Tyler | $25,414,000 |
| The University of Texas Southwestern Medical Center | $1,410,000 |
| The University of Texas HSC at Houston | $54,727,000 |
| The University of Texas Medical Branch at Galveston | $0 |
| The University Health Center at Tyler | $21,121,000 |
| The University of Texas HSC at San Antonio (Harlingen RAHC) | **$2,433,000** |
| The University of Texas M.D. Anderson Cancer Center | $11,511,000 |
| The University of Texas HSC at San Antonio | $52,202,000 |
| **The University of Texas System** | $480,053,000 |
| **Texas Tech University System** | |
| Angelo State University | $0 |
| Texas Tech University | $57,500,000 |
| Texas Tech University and Health Science Center | $32,310,000 |
| **Texas Tech University System** | $89,810,000 |
| **Texas Southern University** | $46,500,000 |
| **Midwestern State University** | $0 |
| **Stephen F. Austin State University** | $23,000,000 |
| **The University of Houston System** | $0 |
| The University of Houston | $57,600,000 |
| The University of Houston - Victoria | $0 |
| The University of Houston at Clear Lake | $10,604,808 |
| The University of Houston - Downtown | $0 |
| **The Universtiy of Houston System** | $68,204,808 |
| **University of North Texas** | |
| University of North Texas | **$50,000,000** |
| University of North Texas at Dallas | $25,000,000 |
| North Texas Health Science Center at Fort Worth | $41,972,400 |
| Texas College of Osteopathic Medicine | $0 |
| **Universtiy of North Texas** | $116,972,400 |
| **Texas Woman s University** | $0 |
| **Texas State University System** | $0 |
| Lamar University | $4,500,000 |
| Lamar University - Beaumont | $0 |
| Lamar University Institute of Technology | $0 |
| Lamar University - Orange | $1,837,280 |
| Lamar University - Port Arthur | $1,849,500 |
| Sam Houston State University | **$0** |
| Texas State University at San Marcos | $0 |
| Sul Ross State University | $0 |
| **Texas State University System** | $8,186,780 |
| **Texas State Technical College System** | $0 |
| Texas State Technical College - Harlingen | $0 |
| Texas State Technical College - Marshall | $0 |
| Texas State Technical College - Waco | $0 |
| Texas State Technical College - West Texas | $0 |
| **Texas State Technical College System** | $0 |
| **Total** | $1 210 037 795 |

Figure 8
ANNUAL DEBT SERVICE PAID FROM GENERAL REVENUE




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

billion for transportation projects.

The total Non-General Obligation authorized but unissued debt that is not self-supporting was $178.0 million at the end of fiscal 2008 compared to $172.2 million at fiscal year-end 2007. The remaining authorized but unissued debt is in programs that are designed to be self-supporting.

**New Debt Authority – 80th Texas Legislature, Regular Session**

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

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

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

As of the August 31, 2008 Texas colleges and universities had a total of $1.21 billion in authorized but unissued TRB debt (*Table 11B*). The University of Texas System had the most unissued authority ($480.1 million) followed by the Texas A&M University System ($377.3 million).

**Long-Term Contracts and Lease Purchases**

Long-term contracts and lease or installment-purchase agreements can serve as financing alternatives when the issuance of bonds is not feasible or practical. Like bonds, these agreements are a method of financing capital purchases over time, and payments on these contracts and agreements are generally subject to biennial legislative appropriations.

Table 12

**DEBT-SERVICE REQUIREMENTS OF TEXAS STATE BONDS BY FISCAL YEAR**

**(amounts in thousands)**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 & beyond |
|---|---|---|---|---|---|---|
| **General Obligation Bonds** | | | | | | |
| **Self-Supporting** | | | | | | |
| Veterans' Land and Housing Bonds | $151,725 | $153,469 | $181,221 | $165,217 | $133,675 | $2,341,385 |
| Water Development Bonds | 85,037 | 87,397 | 88,961 | 87,690 | 82,532 | 915,133 |
| Economic Development Bank Bonds | 2,048 | 2,048 | 2,048 | 2,048 | 2,048 | 112,056 |
| Park Development Bonds | 3,365 | 0 | 0 | 0 | 0 | 0 |
| College Student Loan Bonds | 76,931 | 123,237 | 97,754 | 94,779 | 77,554 | 636,147 |
| Texas Agriculture Finance Authority | 1,996 | 1,996 | 1,998 | 1,998 | 1,997 | 29,979 |
| Texas Mobility Fund Bonds | 212,994 | 269,584 | 270,475 | 273,748 | 279,002 | 8,659,078 |
| Texas Public Finance Authority - TMVRLF | 2,615 | 2,504 | 2,504 | 2,945 | 2,942 | 83,662 |
| **Total Self-Supporting** | **$536,711** | **$640,233** | **$644,961** | **$628,426** | **$579,749** | **$12,777,440** |
| **Not Self-Supporting**[1] | | | | | | |
| Higher Education Constitutional Bonds [2] | $8,854 | $8,849 | $8,849 | $8,848 | $8,857 | $23,738 |
| Texas Public Finance Authority Bonds | 283,875 | 315,185 | 273,920 | 269,151 | 235,298 | 1,310,293 |
| Park Development Bonds | 2,102 | 2,054 | 2,016 | 1,968 | 1,919 | 11,488 |
| Agriculture Water Conservation Bonds | 2,694 | 2,696 | 0 | 0 | 0 | 0 |
| Water Development Bonds - EDAP [3] | 16,556 | 16,586 | 16,461 | 16,525 | 16,591 | 189,518 |
| Water Development Bonds - State Participation | 8,131 | 7,614 | 7,617 | 8,188 | 8,197 | 256,487 |
| Water Development Bonds - WIF | 0 | 8,179 | 6,096 | 8,848 | 8,857 | 23,738 |
| **Total Not Self-Supporting** | **$322,212** | **$361,163** | **$314,960** | **$313,528** | **$279,720** | **$1,815,262** |
| **Total General Obligation Bonds** | **$858,923** | **$1,001,396** | **$959,921** | **$941,954** | **$859,469** | **$14,592,702** |
| **Non-General Obligation Bonds** | | | | | | |
| **Self-Supporting** | | | | | | |
| Permanent University Fund Bonds | | | | | | |
| The Texas A&M University System | $42,982 | $33,857 | $33,654 | $37,215 | $31,079 | 498,524 |
| The University of Texas System | 90,605 | 90,465 | 90,491 | 57,866 | 57,870 | 1,330,956 |
| College and University Revenue Bonds [4] | 552,099 | 600,933 | 584,441 | 575,431 | 569,308 | 7,383,295 |
| Texas Dept. of Housing & Community Affairs Bonds | 153,336 | 176,349 | 175,901 | 176,228 | 176,506 | 5,324,050 |
| Texas State Affordable Housing Corporation | 40,751 | 48,791 | 50,369 | 50,426 | 50,475 | 1,232,345 |
| Texas Small Business I.D.C. Bonds | 3,233 | 3,258 | 3,258 | 3,258 | 3,258 | 143,728 |
| Economic Development Program | 172 | 514 | 514 | 514 | 514 | 8,226 |
| Texas Water Resources Finance Authority Bonds | 6,130 | 6,253 | 5,539 | 0 | 0 | 0 |
| College Student Loan Bonds | 0 | 0 | 0 | 0 | 0 | 0 |
| Texas Department of Transportation Bonds - CTTS | 856,511 | 43,042 | 43,042 | 43,042 | 45,942 | 2,508,796 |
| Texas Workers' Compensation Fund Bonds [5] | 0 | 0 | 0 | 0 | 0 | 0 |
| Veterans' Financial Assistance Bonds | 1,873 | 1,872 | 1,875 | 1,877 | 1,877 | 43,715 |
| TPFA Charter School Finance Corporation | 723 | 721 | 723 | 720 | 722 | 18,050 |
| Texas Workforce Commission Unemp Comp Bonds | 141,338 | 0 | 0 | 0 | 0 | 0 |
| State Highway Fund | 124,987 | 188,260 | 272,293 | 272,292 | 272,281 | 4,106,625 |
| Water Development Bonds - State Revolving Fund | 87,346 | 109,765 | 113,450 | 118,966 | 122,102 | 1,606,514 |
| **Total Self Supporting** | **$2,102,086** | **$1,304,080** | **$1,375,550** | **$1,337,835** | **$1,331,934** | **$24,204,824** |
| **Not Self-Supporting** [1] | | | | | | |
| Texas Public Finance Authority Bonds | $69,172 | $67,754 | $69,204 | $55,181 | $57,069 | $211,358 |
| TPFA Master Lease Purchase Program | 23,478 | 23,000 | 20,321 | 16,340 | 13,574 | 85,294 |
| Texas Military Facilities Commission Bonds | 2,417 | 1,981 | 1,979 | 1,985 | 1,988 | 16,981 |
| Parks and Wildlife Improvement Bonds | 7,833 | 7,733 | 7,618 | 7,504 | 7,390 | 27,445 |
| **Total Not Self-Supporting** | **$102,900** | **$100,468** | **$99,122** | **$81,010** | **$80,022** | **$341,078** |
| **Total Non-General Obligation Bonds** | **$2,204,986** | **$1,404,548** | **$1,474,672** | **$1,418,845** | **$1,411,956** | **$24,545,902** |
| **Total All Bonds** | **$3,063,909** | **$2,405,944** | **$2,434,593** | **$2,360,799** | **$2,271,425** | **$39,138,604** |

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

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

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

[4] Debt-service requirements for tuition revenue bonds are included in these totals. Table 12A provides debt-service detail for each institution. All college and university revenue bonds are equally secured by and payable from a pledge of all or a portion of certain "revenue funds" as defined in Chapter 55, Texas Education Code, as amended, of the applicable system or institution of higher education. Historically, however, the state has appropriated funds to the schools in an amount equal to all or a portion of the debt service on revenue bonds issued pursuant to certain specific authorizations to individual institutions in Chapter 55, Texas Education Code ("Tuition Revenue Bonds"). Debt service paid from general revenue for not self-supporting bonds totaled $424.9 million in fiscal 2006 and approximately $403.1 million in fiscal 2007.

[5] Texas Workers' Compensation Fund Bonds were economically defeased. Legally required debt-service payments are reflected in this table.

**Notes:** The debt-service figures do not include the early redemption of bonds under the state's various loan programs.
Future debt-service payments for variable-rate bonds and commercial paper programs are estimated.
Detail may not add to total due to rounding.
**Source:** Texas Bond Review Board - Bond Finance Office.

Table 12A

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

**(amounts in thousands)**

| College and University Revenue Bonds | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 & Beyond |
|---|---|---|---|---|---|---|
| The University of Texas System - Non-TRB | $192,573 | $221,714 | $226,743 | $226,892 | $224,970 | $3,526,408 |
| The University of Texas System - TRB | 59,541 | 61,671 | 61,646 | 61,631 | 61,633 | 554,705 |
| The University of Texas System - TOTAL | 252 114 | 283 385 | 288 389 | 288 523 | 286 603 | 4 081 113 |
| The Texas A&M University System - Non-TRB | 64,277 | 72,430 | 63,548 | 60,602 | 59,268 | 585,046 |
| The Texas A&M University System - TRB | 38,377 | 36,387 | 30,782 | 28,765 | 28,748 | 253,492 |
| The Texas A&M University System - TOTAL | 102 654 | 108 817 | 94 330 | 89 367 | 88 016 | 838 538 |
| Texas Tech University System - Non-TRB | 22,528 | 22,524 | 22,121 | 19,831 | 19,125 | 253,282 |
| Texas Tech University System - TRB | 16,216 | 16,232 | 16,227 | 16,229 | 16,226 | 181,280 |
| Texas Tech University System - TOTAL | 38 744 | 38 745 | 38 348 | 36 060 | 35 351 | 434 562 |
| Texas State University System - Non-TRB | 31,205 | 39,567 | 39,746 | 37,850 | 35,779 | 510,259 |
| Texas State University System - TRB | 26,370 | 25,415 | 24,546 | 24,563 | 24,572 | 241,637 |
| Texas State University System - TOTAL | 57 575 | 64 982 | 64 292 | 62 413 | 60 351 | 751 896 |
| University of Houston System - Non-TRB | 16,657 | 24,116 | 18,896 | 18,924 | 18,940 | 352,134 |
| University of Houston System - TRB | 25,149 | 19,961 | 19,570 | 19,538 | 19,524 | 195,307 |
| University of Houston System - TOTAL | 41 806 | 44 077 | 38 466 | 38 462 | 38 464 | 547 441 |
| The University of North Texas System - Non-TRB | 11,557 | 11,474 | 11,732 | 11,797 | 11,887 | 206,750 |
| The University of North Texas System - TRB | 11,863 | 11,865 | 11,874 | 11,890 | 11,897 | 97,953 |
| The University of North Texas System - TOTAL | 23,421 | 23,339 | 23,606 | 23,687 | 23,784 | 304,703 |
| Texas Woman's University - Non-TRB | 2,921 | 1,998 | 1,580 | 924 | 924 | 21,242 |
| Texas Woman's University - TRB | 2 692 | 4 554 | 4 420 | 4 426 | 4 431 | 54 146 |
| Texas Woman's University - TOTAL | 5,613 | 6,552 | 6,000 | 5,350 | 5,355 | 75,388 |
| Texas State Technical College System - Non-TRB | 1,921 | 1,920 | 1,922 | 1,922 | 1,925 | 5,770 |
| Texas State Technical College System - TRB | 1 011 | 1 095 | 1 095 | 1 095 | 1 098 | 11 236 |
| Texas State Technical College System - TOTAL | 2,932 | 3,015 | 3,017 | 3,017 | 3,023 | 17,006 |
| Stephen F Austin State University - Non-TRB | 8,229 | 8,373 | 8,373 | 8,367 | 8,177 | 112,163 |
| Stephen F Austin State University - TRB | 4 198 | 2 870 | 2 877 | 2 876 | 2 866 | 34 591 |
| Stephen F Austin State University - TOTAL | 12,427 | 11,243 | 11,250 | 11,243 | 11,043 | 146,754 |
| Midwestern State University - Non-TRB | 2,399 | 3,860 | 4,068 | 4,634 | 4,635 | 66,573 |
| Midwestern State University - TRB | 1 639 | 2 155 | 2 152 | 2 152 | 2 159 | 24 198 |
| Midwestern State University - TOTAL | 4,038 | 6,015 | 6,220 | 6,786 | 6,794 | 90,771 |
| Texas Southern University - Non-TRB | 2,747 | 2,893 | 2,648 | 2,646 | 2,648 | 24,431 |
| Texas Southern University - TRB | 8 028 | 7 870 | 7 875 | 7 877 | 7 876 | 70 692 |
| Texas Southern University - TOTAL | 10,775 | 10,763 | 10,523 | 10,523 | 10,524 | 95,123 |
| **Total College and University Revenue Bonds** | **$552,099** | **$600,933** | **$584,441** | **$575,431** | **$569,308** | **$7,383,295** |

**Legend:** TRB = Tuition Revenue Bonds

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

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

Table 13

**TEXAS BONDS AUTHORIZED BUT UNISSUED**

(amounts in thousands)

| | 8/31/2005 | 8/31/2006 | 8/31/2007 | 8/31/2008 |
|---|---|---|---|---|
| **General Obligation Bonds** | | | | |
| **Self-Supporting** | | | | |
| Veterans' Land and Housing Bonds | $355,002 | $318,372 | $180,592 | $147,157 |
| Water Development Bonds | 2,127,961 | 2,077,961 | 2,066,427 | 1,974,238 |
| Farm and Ranch Loan Bonds [1] | 300,000 | 300,000 | 300,000 | 300,000 |
| College Student Loan Bonds | 250,000 | 250,000 | 177,195 | 600,482 |
| Texas Economic Development Bank Bonds | 0 | 0 | 0 | 0 |
| Texas Agricultural Finance Authority Bonds | 20,000 | 25,000 | 25,000 | 25,000 |
| Texas Public Finance Authority - TMVRLF[2] | 250,000 | 250,000 | 200,405 | 200,405 |
| Texas Mobility Fund Bonds | *** | *** | *** | *** |
| Texas Rail Relocation and Improvement Fund | *** | *** | *** | *** |
| **Total Self-Supporting** | **$3,302,963** | **$3,221,333** | **$2,949,619** | **$3,247,282** |
| **Not Self-Supporting [3]** | | | | |
| Agricultural Water Conservation Bonds | 164,840 | 164,840 | 164,840 | 164,840 |
| Higher Education Constitutional Bonds | * | * | * | * |
| Texas Public Finance Authority[2, 4] | $689,566 | $644,337 | $525,950 | $4,260,623 |
| Transportation Commission GO Transportation Bonds | $0 | $0 | $0 | $5,000,000 |
| Water Development Bonds - EDAP [5] | 37,011 | 37,011 | 12,013 | 262,013 |
| Water Development Bonds - State Participation | 15,000 | 15,000 | 0 | 0 |
| Water Development Bonds - WIF | 0 | 0 | 0 | 0 |
| **Total Not Self-Supporting** | **906,417** | **861,188** | **702,803** | **9,687,476** |
| **Total General Obligation Bonds** | **$4,209,380** | **$4,082,521** | **$3,652,422** | **$12,934,758** |
| **Non-General Obligation Bonds** | | | | |
| **Self-Supporting** | | | | |
| Permanent University Fund Bonds [6] | | | | |
| The Texas A&M University System | $538,129 | $573,421 | $613,387 | $647,901 |
| The University of Texas System | 759,228 | 972,402 | 992,970 | 839,020 |
| College and University Revenue Bonds | ** | ** | ** | ** |
| Texas Department of Housing & Community Affairs | ** | ** | ** | ** |
| Texas Turnpike Authority Bonds | ** | ** | ** | ** |
| Texas Agricultural Finance Authority Bonds | 0 | 0 | 0 | 0 |
| Texas Economic Development Bank Bonds | ** | ** | ** | ** |
| Texas State Affordable Housing Corporation | ** | ** | ** | ** |
| Texas Water Resources Finance Authority Bonds | ** | ** | ** | ** |
| Texas Water Development Bonds (Water Resources Fund) | ** | ** | ** | ** |
| Texas Workers' Compensation Fund Bonds | ** | ** | ** | ** |
| Texas Workforce Commission Unemp Comp Bonds | **** | **** | **** | **** |
| Nursing Home Liability Insurance | 75,000 | 75,000 | 75,000 | 75,000 |
| FAIR Plan | 75,000 | 75,000 | 75,000 | 75,000 |
| Veterans' Financial Assistance Bonds | 795,720 | 795,720 | 795,720 | 795,720 |
| State Highway Fund Revenue Bonds[7] | 3,000,000 | 2,372,669 | 4,372,961 | 2,900,671 |
| Water Development Board - State Revolving Fund | ** | ** | ** | ** |
| **Total Self-Supporting** | **$5,243,077** | **$4,864,212** | **$6,925,038** | **$5,333,312** |
| **Not Self Supporting [3]** | | | | |
| Texas Public Finance Authority Bonds[2] | $259,499 | $259,499 | $133,021 | $150,471 |
| TPFA Master Lease Purchase Program | 72,741 | 44,710 | 39,200 | 27,560 |
| Texas Military Facilities Commission Bonds | ** | ** | ** | ** |
| Parks and Wildlife Improvement Bonds | 0 | 0 | 0 | 0 |
| **Total Not Self-Supporting** | **$332,240** | **$304,209** | **$172,221** | **$178,031** |
| **Total Non-General Obligation Bonds** | **$5,575,317** | **$5,168,421** | **$7,097,259** | **$5,511,343** |
| **Total All Bonds** | **$9,784,696** | **$9,250,942** | **$10,749,681** | **$18,446,101** |

* No bond issuance limit, but debt service may not exceed $87.5 million per year through FY 2007 and $131.25 million per year beginning FY 2008.

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

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

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

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

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

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

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

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

[6] Issuance of PUF bonds by A&M is limited to 10 percent, and issuance by UT is limited to 20 percent of the cost value of investments and other assets of the PUF, except real estate. The PUF value used in this table is as of August 31, 2008.

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

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

Although these contracts and agreements are not classified as state debt, they must be added to debt outstanding to obtain an accurate total of all state debt. The equipment lease purchases approved by the Bond Review Board are typically financed through the Texas Public Finance Authority's Master Lease Purchase Program and are included in the state's total debt outstanding. No lease purchases of facilities were approved by the Bond Review Board during fiscal 2008.

**Texas Swaps Outstanding**

As of August 31, 2008 the aggregate notional amount of swaps outstanding at the state level was $3.49 billion. Four state issuers had swap agreements in place: the Veterans Land Board (VLB), The University of Texas System (UT System), the Texas Department of Housing and Community Affairs (TDHCA) and the Texas Transportation Commission (TTC). Each entered the swap market in 1994, 1999, 2004 and 2006, respectively. Interest rate swaps do not represent additional debt of the state but are primarily used as financial management tools to reduce interest expense and hedge against interest rate, tax, basis and other risks. (See *Appendix C* for a background discussion of swaps and related data.)

State issuers are authorized to enter into swap agreements under the Texas Government Code, Section 1371 which grants special authority to enter into credit agreements. However, TDHCA and the VLB have broad authority to enter into swaps under Section 2306.35 of the Texas Government Code and Sections 161.074, 162.052 and 164.010 of the Texas Natural Resources Code, respectively.

At the end of fiscal 2008, the VLB was a party to 42 pay-fixed, receive-variable (synthetic fixed-rate) swaps associated with its variable-demand bond issues. The total notional amount for these swaps was $1.46 billion at fiscal year-end 2008. TDHCA had five such swaps totaling $359.9 million in notional amount, and the UT System had six totaling $1.04 billion in notional amount outstanding at fiscal 2008 year-end.

Additionally, as of the same date the VLB had one outstanding pay-variable, receive-fixed (synthetic floating rate) swap with notional amount of $23.0 million and four pay-variable, receive-variable (basis) swaps with $211.6 million in notional amount that were associated with variable-rate demand debt issues. The TTC had three basis swaps outstanding with $400 million in notional amount as of fiscal year-end 2008.

The Net Fair Values for the swap agreements in place at the end of fiscal 2008 for the four state issuers were as follows: VLB, -$134.0 million; the UT System, -$22.0 million; TDHCA, -$13.9 million; and TTC, $4.1 million. A negative value indicates that the state issuer would owe its counterparties the net amounts indicated if the swaps were terminated. (See *Table 19 in Appendix C* for details regarding Texas' interest rate swaps outstanding and fair value data at August 31, 2008.)

At fiscal year-end 2008, estimated debt-service requirements and net swap payments for the VLB's pay-fixed, receive-variable swaps totaled $1.92 billion. Both TDHCA and the UT System had only synthetic fixed-rate swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $626.0 million and $1.68 billion, respectively. The TTC had three basis swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $1.97 billion, and those for the VLB's basis swaps totaled $450.3 million. (See *Table 20 and Table 21 in Appendix C* for debt-service requirements of outstanding and net interest rate swap payments.)

## Chapter 4
## State Bond Issuance Costs

*Excluding conduit issues, Texas' state bond issuers spent an average of $918,000 per issue ($9.37 per $1,000) on bond issues sold during fiscal 2008. Appendix A of this report details the issuance costs associated with each of these issues.*

### The Costs of Issuing Bonds

Issuance costs are composed of the professional fees and expenses paid to service providers and underwriters to market bonds to investors. Professional services commonly used in the marketing of all types of municipal securities are listed below:[1]

•Underwriter — The underwriter or underwriting syndicate acts as a dealer that purchases a new issue of municipal securities from the issuer for resale to investors. The underwriter may acquire the securities either by negotiation with the issuer or by award on the basis of competitive bidding.

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

•Bond Counsel — Bond counsel is retained by the issuer to provide legal advice and a legal opinion that: 1) the issuer is authorized to issue the proposed securities; 2) the issuer has met all legal requirements necessary for issuance; 3) if appropriate, the interest on the proposed securities is exempt from federal income taxation and, where applicable from state and local taxation. Typically, bond counsel prepares and/or reviews documentation and advises the issuer regarding: 1) authorizing resolutions or ordinances; 2) trust indentures; 3) official statements; 4) validation proceedings; 5) disclosure requirements; and 6) litigation.

•Financial Advisor — The financial advisor advises the issuer on matters pertinent to a proposed issue such as structure, timing, marketing, pricing, terms and bond ratings. A financial advisor may also be employed to provide advice on subjects unrelated to a new issue of securities such as advising on cash flow and investment matters as well as the issuer's overall debt-management policies.

•Rating Agencies — Rating agencies provide public or private ratings on the credit quality of securities issues. These ratings are intended to measure the probability of the timely repayment of principal and interest on municipal securities. Ratings are initially released before issuance and are reviewed periodically after issuance and may be amended up or down to reflect changes in the issuer's creditworthiness.

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

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

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

## Choosing the Method of Sale: Negotiated versus Competitive

One of the most important decisions an issuer of securities must make is selecting a method of sale. Negotiated sales and competitive sales each have their own distinct advantages and disadvantages described below. The challenge facing an issuer is evaluating factors related to the proposed financing and selecting the most appropriate method of sale.

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

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

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

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

Advantages of the competitive bid include: 1) bids are developed in a competitive environment where market forces determine the price; 2) spreads are typically lower; and 3) the winning bid is developed in an open process among underwriters. Disadvantages of the competitive sale include: 1) limited flexibility in timing the sale and structuring the transaction; 2) limited pre-sale marketing; 3) minimum control over the distribution of bonds; and 4) the likelihood that underwriters' bids will include a risk premium to compensate for uncertainty regarding market demand.

Conditions that suggest a competitive sale are a stable, predictable market in which market demand for the securities can be relatively easily determined. Stable market conditions lessen the underwriters' risk of holding unsold balances. Market demand is generally easier to assess for securities that: 1) are issued by well-known, highly-rated issuers that regularly access the debt market; 2) are conventionally structured, such as serial and term coupon bonds; and 3) have a strong source of repayment and thus a high credit rating. These conditions will generally lead to aggressive bidding resulting in lower costs of issuance since the underwriters will be able to more easily assess market demand without extensive pre-marketing activities.

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

Table 14

**AVERAGE ISSUANCE COSTS FOR TEXAS BOND ISSUES**

| | Fiscal 2007 | | Fiscal 2008 | |
|---|---|---|---|---|
| | **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) | $236 1 | | $195 1 | |
| Underwriter's Spread | $872,578 | $3 93 | $675,754 | $5 26 |
| Other Issuance Costs: | | | | |
| Bond Counsel | 124,646 | 1 22 | 81,102 | 1 17 |
| Financial Advisor | 56,651 | 0 90 | 56,062 | 1 24 |
| Rating Agencies | 63,619 | 0 54 | 63,475 | 0 69 |
| Printing | 2,684 | 0 04 | 2,294 | 0 07 |
| Other | 72,727 | 1 03 | 39,409 | 0 94 |
| Subtotal | $320,327 | $3 73 | $242,342 | $4 11 |
| **Total** | $1 192 905 | $7 66 | $918 096 | $9 37 |

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

*Underwriter's spread average cost per $1,000 of bonds issued includes one private placement issue

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

counsel. When negotiated gross spreads are below those for competitive transactions, as seen in the five fiscal years prior to fiscal 2006 and again in fiscal 2008 *(Figure 11)*, it appears that bonds sold through negotiation were priced with a reduced risk premium compared to the premium usually found in competitive transactions because underwriters in negotiated transactions had sufficient time to accurately assess the market risk before the underwriting occurred.

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

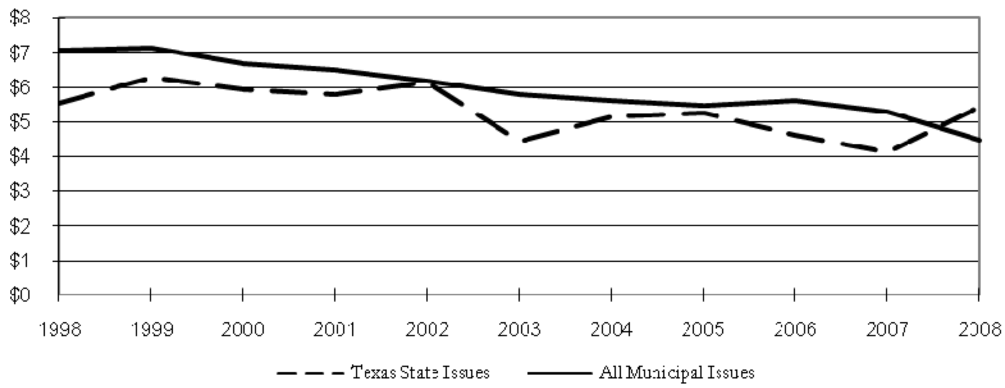
**Issuance Costs for Texas Bond Issuers**

For fiscal 2008 the average issuance size for Texas' state issuers decreased to $195.1 million from $236.1 million in fiscal 2007. Excluding conduit issues, seventeen (55%) of the 31 bond transactions completed in fiscal 2008 were $100 million in size or above. Nine (38%) of the 24 issues completed in fiscal 2007 were in that size category.

Excluding conduit issuances, in fiscal 2008 the underwriting spread accounted for 73.6% of all issuance costs *(Table 14)*. The cost of the average underwriting spread per issue decreased 22.6% from $872,578 in fiscal 2007 to $675,754 in fiscal 2008. However, when measured on a per $1,000 bond basis, the $5.26 average underwriting spread paid in fiscal 2008 was 33.8% more than the $3.93 reported in fiscal 2007. The $5.26 average underwriting spread per $1,000 includes one private placement non-conduit issue. If that issue is excluded the cost per $1,000 for the average underwriting spread was $5.44 or 38.4% more than reported in fiscal 2007.

The combination of a decrease in average costs per bond issue and average underwriter's spread and the relative increase in costs per $1,000 are explained by the fact that fiscal 2008 saw two uncommon

Figure 9
GROSS UNDERWRITING SPREADS: 1998 - 2008
TEXAS STATE BOND ISSUES vs. ALL MUNICIPAL BOND ISSUES




**Note:** 2008 Municipal figures are through June 30, 2008. Amounts represent dollars per $1,000 face value of bond issues. Gross spreads include managers' fees, underwriting fees, average takedowns, and expenses. Private placements, conduits, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded.

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

issuances: TPFA's Education Revenue Bonds Series 2007A and Taxable Education Revenue Bonds, Series 2007B (Uplift Education Project) and TSAHC's Single Family Mortgage Revenue Bonds, Drawdown Series 2007. In the former transaction, TPFA issued $10,380,000 in bonds on behalf of Uplift Education with a cost of issuance per $1,000 of $29.67. Because the transaction was relatively complex and labor intensive, the professional fees charged were correspondingly higher. Also, additional costs were incurred related to a real estate transaction, all of which resulted in a higher overall cost per $1,000 when compared to costs for transactions of similar size.

In the latter transaction, TSAHC's $100 million Drawdown Bond transaction had a cost of issuance of only $1.00 per $1,000 as a result of an agreement with the underwriter under which the underwriter agreed to absorb most of the costs of issuance as part of an overall financing plan. With outliers on both extremes, each issue contributed to the decrease of average issue size, underwriters spread, and an increase in average cost per $1,000 of bonds issued.

Other Issuance Costs (fees for bond counsel, financial advisor, rating agency, printing and other costs) decreased by 24.3% in fiscal 2008 with an average of $242,342 per issue compared to $320,327 in fiscal 2007. However, when measured on a per $1,000 bond basis, the $4.11 average for Other Issuance Costs in fiscal 2008 was 10.2% more than the $3.73 reported in fiscal 2007 *(Table 14)*. Most of this cost increase is attributable to higher Financial Advisor fees in fiscal 2008 as compared to fiscal 2007.

Excluding conduit issuances, during fiscal 2008 Texas' state bond issuers paid higher underwriting fees compared to the national averages *(Figure 9)*. Data published by Thomson Financial Securities Data show that spreads paid by issuers nationally averaged $4.46 per $1,000 compared to Texas' average of $5.44 per $1,000. For comparison purposes, Texas' averages for fiscal 2008 do not include the single non-conduit private placement issue in Figure 9.

## Comparison of Issuance Costs by Transaction Size

In general, larger bond issues have a higher cost of issuance than smaller ones; however, larger issues have a lower cost of issuance on a per $1,000 basis and also as a percentage of the size of the bond issue. This occurs because certain fixed costs of issuance do not vary proportionately with the size of a bond issue. For example, professional fees for certain legal services, financial advisory services and document drafting fees are generally not dependent on issue size.

Texas bond issues followed this general pattern with smaller issues proportionally more costly than the larger issues *(Figure 10)*. In fiscal 2008 total issuance costs for bond issues of less than $25 million averaged $329,733 per issue ($22.43 per $1,000). Costs for the larger issues of over $150 million averaged $1,632,717 per issue ($4.63 per $1,000). On the basis of cost per $1,000, the costs for the larger issues were 79.4% less than the costs of smaller issues. Overall, the increase in average costs and the decrease in the costs per $1,000 are explained by the fact that fiscal 2008 saw more issuances over $150 million than fiscal 2007. In fiscal 2008, 42% of all issuances were over $150 million compared to 29% in fiscal 2007.

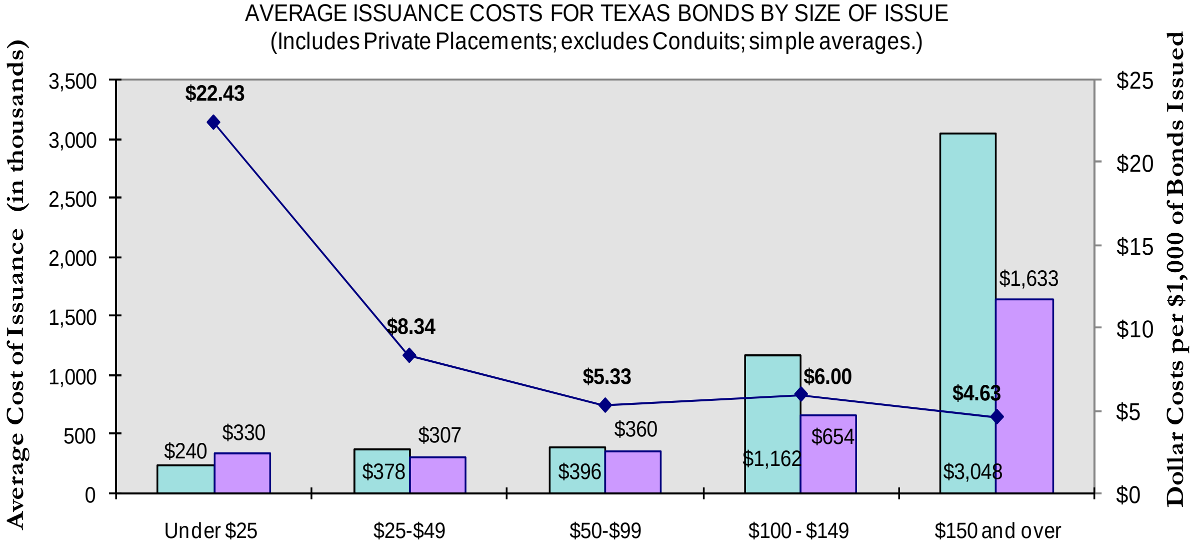
## Comparison of Issuance Costs by Type of Sale

During fiscal 2008, Texas' negotiated issues averaged $224.4 million in size while the average for competitive issues was $67.9 million. For fiscal 2007 those sizes averaged $277.0 million and $40.8 million, respectively.

As mentioned above, fiscal 2006 and fiscal 2007 saw higher average underwriting costs for Texas' negotiated transactions than for the state's competitively bid transactions *(Figure 11)*. Fiscal 2006 was the first year to reverse a trend that began in fiscal 2000 in which average competitive underwriting costs were higher than those for negotiated transactions.

Data for fiscal 2008 indicate that the trend which began in 2000-2005 reoccurred in fiscal year 2008. Texas bond issuers paid an average of $4.96 per $1,000 for negotiated sales and $7.82 per $1,000 for competitively bid sales.

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




Source: Texas Bond Review Board - Bond Finance Office.
* Averages may not be accurate due to rounding.

Thomson Financial Securities Data recorded national averages of $4.40 per $1,000 for negotiated transactions and $5.03 per $1,000 for competitive transactions, indicating that Texas' negotiated and competitive averages were above the national average by 12.7% and 55.5%, respectively.

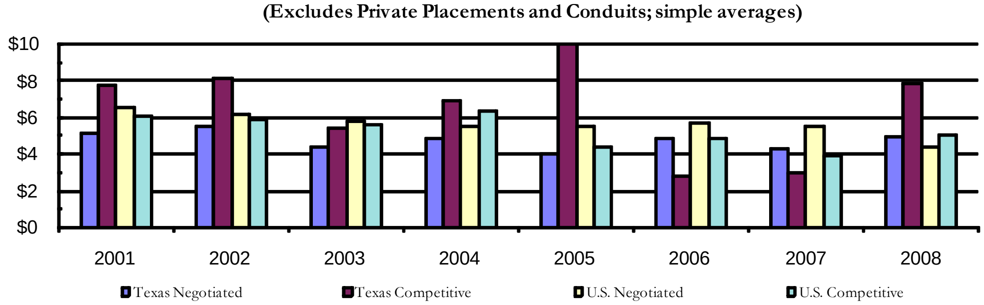
**Trends in State Bond Issuance Costs in 2008**

In order to determine trends in issuance costs, it is important to review the characteristics of the 31 non-conduit bond transactions that occurred in fiscal 2008. Only one of those issues was privately placed. This was a $100 million issue with an issuance cost of $1.00 per $1,000. Five of the non-conduit issues were sold competitively and ranged in size from $3.1 million to $169.5 million. Of the 25 negotiated transactions, five were less than $25 million in size.

Although the total issuance costs for the negotiated and competitive issues averaged $4.96 per $1,000 and $7.82 per $1,000, respectively in fiscal 2008, an accurate comparison of the average issuance costs per $1,000 on negotiated and competitive bond issues is not possible since only five competitive transactions were completed. In addition to the problem of small sample size, smaller bond issues tend to have higher costs of issuance because certain fixed costs are incurred irrespective of issue size.

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

Figure 11
**GROSS UNDERWRITING SPREADS: 2001 - 2008**
**NEGOTIATED vs. COMPETITIVE MUNICIPAL ISSUES**
**(Excludes Private Placements and Conduits; simple averages)**




**Note:** 2008 U S figures are through June 30, 2008 Amounts represent dollars per $1,000 face value of bond issues Gross spreads include manager's fees, underwriting fees, average takedowns, and expenses Private placements, short-term notes maturing in 12 months or less, and remarketings of variable-rate securities are excluded

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

## Chapter 5
## Texas Private Activity Bond Allocation Program

*Texas again experienced an increase in volume cap for the calendar 2008 Private Activity Bond Allocation Program. The 2008 volume cap was set at $2,031,872,300, an increase of $33.7 million (1.7%) over the calendar 2007 cap of $1,998,161,555. For program year 2008, application requests exceeded $4.54 billion. In addition, Texas received an increase in volume cap on July 30, 2008 when President George W. Bush signed the Housing and Economic Recovery Act (HERA) of 2008. HERA provides Texas with $748,500,523 in additional volume cap that expires on December 31, 2008.*

### The Program

Since the passage of the Tax Reform Act of 1986 (the "Tax Act"), federal law has limited the use of tax-exempt financing for private activities. Tax-exempt private activity bonds may be used to finance certain privately-owned projects that serve a public purpose and meet the following tests: 1) Private Business Use Test - more than 10% of the proceeds are to be used for any private business use; 2) Private Security or Payment Test - payment on principal or interest of more than 10% of the proceeds is to be directly or indirectly secured by, or payments are to be derived from a private business use; and 3) Private Loan Financing Test - proceeds are to be used to make or finance loans to persons other than governmental units.

The Tax Act authorizes the issuance of six types (subceilings) of private activity bond issues: 1) Single Family housing projects (permitted to issue mortgage revenue bonds or MRBs); 2) Certain state-voted bond issues; 3) Qualified small-issue industrial development bonds (IDBs) or enterprise zone bonds (EZBs); 4) Multifamily residential rental projects (permitted to issue multifamily revenue bonds); 5) Student loan bonds; and 6) All other issues that include a variety of exempt facilities such as sewage facilities, solid waste disposal facilities and hazardous waste disposal facilities. In recent years a widening variety of projects have been permitted to utilize tax-exempt private activity bonds including non-governmental airports, high-speed intercity rail facilities, environmental enhancements to hydroelectric generating facilities and qualified public educational facilities.

In addition, the Tax Act imposes a volume ceiling (or cap) on the aggregate principal amount of tax-exempt private activity bonds that may be issued within each state during any calendar year. As described below, the current volume cap is the greater of $85 per capita or $225 million. Section 146(e) of the Internal Revenue Code also provides for each state to devise an allocation formula or a process for allocating the state's volume cap. This provision gives each state the ability to allocate this limited resource in a manner consistent with its own specific needs.

Chapter 1372 of the Texas Government Code mandates the allocation process for the state of Texas. The Private Activity Bond Allocation Program (PAB) regulates the volume cap and monitors the amount of demand and use of private activity bonds each year. The Texas Bond Review Board has administered this program since January 1, 1992.

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

**Past Major Legislative Changes**

The 76th Texas Legislature in 1999 made significant changes to the allocation process for the state's volume cap. Beginning with the 2000 program year, the legislature specified that for the first eight and one-half months of the year, issuers are limited to certain amounts, and the state's volume cap must be set-aside as follows:

- 25% for single family housing to issuers of qualified mortgage revenue bonds (MRBs) and mortgage credit certificates (MCCs);
- 11% for issuers authorized by a state constitutional amendment;
- 7.5% for issuers of qualified, small-issue industrial development bonds (IDBs) and empowerment zone bonds (EZBs);
- 16.5% for issuers of qualified residential rental project issue bonds (multifamily housing);
- 10.5% for issuers of qualified student loan bonds authorized by §53.47, Texas Education Code;
- 29.5% for issuers of "all other" bonds requiring an allocation.

On August 15th all six subceilings collapse after which any unreserved or unallocated amounts are combined and made available by lot regardless of project type or priority.

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

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

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

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

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

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

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

During the 77th Legislative Session in 2001, Texas dedicated $25 million per year of subceiling #1 to TSAHC to initiate a Teacher Home Loan Program. Proceeds from the sale of bonds are to be used to provide low-interest loans and down-payment assistance to first-time home-buying teachers residing in the state. The 78th Legislature further defined the eligibility for this program to include classroom teachers, teacher aides, school librarians, school nurses and school counselors employed by a Texas public school district. The program was more appropriately renamed the Professional Educators Home Loan Program.

HB 3329 passed during the 77th Legislature specifically dedicated 2% of subceiling #6 until August 15th of each year to projects that would promote the development of new drinking water sources. Additionally, HB 3329 further dedicated one third of the volume cap available to subceiling #3 to the Texas Agricultural Finance Authority until June 1st of each year. (To date, the Texas Agricultural Finance Authority has yet to use its dedicated volume cap.)

The 78th Legislative Session in 2003 dedicated $25 million per year of subceiling #1 for TSAHC to create the Firefighter and Police Officer Home Loan Program. The 79th Legislature in 2005 further defined the eligibility for this program to include peace officers, Texas Department of Criminal Justice (TDCJ) employees receiving hazardous duty pay, county jailers and public security officers. Proceeds from the sale of bonds for this Program are to be used to provide low-interest loans and down-payment assistance to first-time home-buyers employed in one of the professions listed above who reside in the state.

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

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

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

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

In addition, HB 3552 permits TSAHC to issue Single Family Mortgage Revenue Bonds in the same amount allowed to TDHCA, i.e., without restriction as to amount except as provided in the set-aside (Subceiling 1). (Formerly TSAHC was statutorily limited to $25 million per issue).

With the exception of single-family housing and student loan bonds, reservations of state ceilings are allocated by lottery for applications received from October 5 through October 20 of the preceding program year, and thereafter on a first-come, first-served basis.

Single-family housing and student loan bonds have a separate priority system based on prior applications and prior bond issues. This system is used exclusively within these two subceilings and is in place from January 1 through August 14th of each year. As previously noted, on August 15th (the collapse date) all unreserved allocation from all the subceilings is combined and redistributed to qualified residential rental projects. On September 1st unreserved allocation from all subceilings is combined and redistributed by lot regardless of project type or priority.

**Set-Aside vs. Issued Allocation**

Except for MRB and qualified residential rental project issuers, all issuers must complete their transaction and close on the bond issue within 120 days of the reservation date. Issuers of MRBs must close within a 180-day time limit while residential rental projects must close within 150 days. If an applicant receives a reservation for allocation and is unable to consummate the transaction or closes for a lesser amount, the original request is considered satisfied. Subsequently, the unused reservation or excess allocation is redistributed and used by the next applicant in line. This practice oftentimes results in a volume cap distribution that varies from the predetermined set-asides at the beginning of the program year *(Table 15)*.

**Volume Cap**

Texas is second only to California in population and resulting population-based volume cap. Based on its population, Texas' 2008 volume cap was set at $2,031,872,300, an increase of $33.7 million (1.7%) over the 2007 volume cap of $1,998,161,555.

The increase in the amount of volume cap allocation can be attributed not only to the growth of the state's population, but also to new federal legislation that increased the per-capita formula. On December 20, 2000 federal legislation was passed that accelerated the increase in private-activity volume cap, the first such increase since the Tax Reform Act of 1986. The cap phase-in began January 1, 2001 when the limit was increased from $50 per capita to $62.50 per capita. The second part of the plan occurred in January 2002 when the cap multiplier increased to $75 per capita or $225 million, whichever is greater. While the cap was indexed to inflation beginning in 2003, inflation levels have remained lower than the minimum federal requirement to boost the multiplier, and thus the formula has remained at $80 per capita since 2003. The multiplier increased from $80 to $85 for 2007 and remained at $85 for the 2008 program year.

Despite Texas' increased volume cap in 2008, demand again exceeded the available supply for the program. Texas' PAB has been technically oversubscribed each year since 1989 *(Figure 12)*. Applications received for

Table 15
**STATE OF TEXAS**
**PRIVATE ACTIVITY BOND ALLOCATION PROGRAM**
**2008 SET-ASIDE vs. ISSUED ALLOCATION AMOUNTS**
(as of November 1, 2008)

| SUBCEILINGS | SET-ASIDE ALLOCATION | PERCENT OF TOTAL | ISSUED ALLOCATION | PERCENT OF TOTAL |
|---|---|---|---|---|
| Single Family Housing | $568,924,244 | 28.00% | $99,000,000 | 4.87% |
| State-Voted Issues | 162,549,784 | 8.00% | 74,997,184 | 3.69% |
| Small Issue IDBs | 40,637,446 | 2.00% | 20,869,207 | 1.03% |
| Multifamily Housing | 447,011,906 | 22.00% | 39,530,714 | 1.95% |
| Student Loan Bonds | 213,346,592 | 10.50% | 58,500,000 | 2.88% |
| All Other Issues | 599,402,328 | 29.50% | 458,300,000 | 22.56% |
| **TOTAL** | **$2,031,872,300** | **100.00%** | **$751,197,105** | **36.97%** |
| Emergency Housing Volume Cap | 748,500,523 | - | 18,500,000 | - |
| **TOTALS** | **2,780,372,823** | | **769,697,105** | **27.68%** |

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

program year 2008 totaled $4.54 billion or 163.5% of the available allocation amount of $2.78 billion *(Table 16)*. As of November 1, 2008, all requests for reservations had been granted but many reservations had been withdrawn, and $57.9 million in remaining volume cap was still available.

## Recent Major Issues Impacting the Program

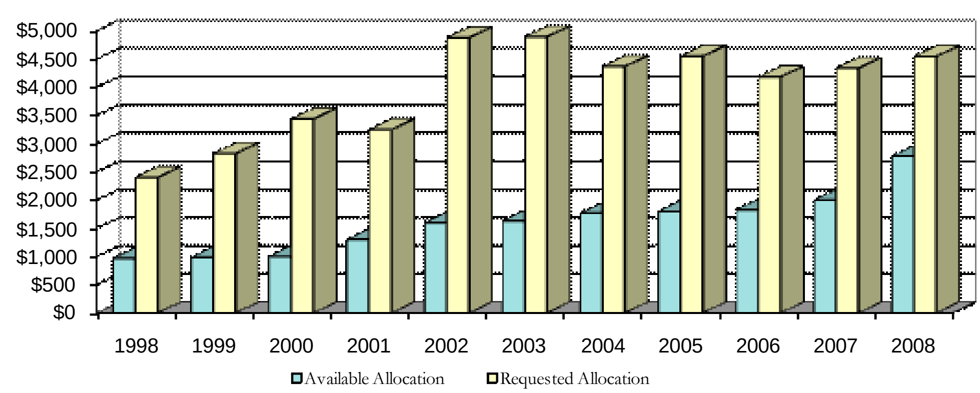
As of November 1, 2008, $751.1 million (36.9%) of PAB volume cap had been allocated. This compares to program years 2006 and 2007 in which $1.38 billion (75.7%) and $1.62 billion (81.2%) of PAB volume cap was allocated, respectively.

Due to difficulties in the credit markets beginning in late summer of 2008, many issuers have been unable to close their PAB bond transactions and have been forced to withdraw or reapply in the hope that market conditions would improve later in the year. Although poor credit market conditions have negatively affected every subceiling, the greatest impact has been on housing (single family and multifamily) and student loan transactions.

In program years 2006 and 2007, the combined total allocations for MRBs and Mortgage Credit Certificate (MCC) programs were $571.2 million and $550.5 million, respectively. In 2008, no mortgage revenue bonds have closed and only $99 million of volume cap has been converted to MCC programs.

Because of adverse market conditions and resulting inability to close their transactions, issuers of student loan bonds have withdrawn and reapplied three times during the program year 2008. As of November 1, 2008 student loan bond issuers had closed on transactions valued at only $58.5 million as compared to 2006 and 2007 when they closed on $191 million and $240 million, respectively. In 2006 these issuers were able to use 99.9% of their available volume cap under subceiling #5, and in 2007 they were able to use that cap and an additional $30 million in carryforward. As of November 1, 2008 three of the four student loan issuers with reservations totaling $519.5 million ($67.1 million for South Texas Higher

Figure 12
**STATE OF TEXAS**
**PRIVATE ACTIVITY BOND ALLOCATION PROGRAM**
**Available vs. Requested Allocation**
**(in millions)**




**Source**: Texas Bond Review Board - Private Activity Bond Program
Includes Carryforward requests 2008 includes $748 million of additional volume cap

Table 16
**STATE OF TEXAS**
**PRIVATE ACTIVITY BOND ALLOCATION PROGRAM**
**2008 APPLICATIONS FOR ALLOCATION**

| SUBCEILINGS | AVAILABLE ALLOCATION * | REQUESTED ALLOCATION | REQUESTS AS A % OF AVAILABILITY |
|---|---|---|---|
| Mortgage Revenue Bonds | 568,924,244 | 847,649,205 | 148.99% |
| State-Voted Issue Bonds | 162,549,784 | 125,000,000 | 76.90% |
| Industrial Development Bonds | 40,637,446 | 73,000,000 | 179.64% |
| Multifamily Rental Project Bonds | 447,011,906 | 599,825,113 | 134.19% |
| Student Loan Bonds | 213,346,592 | 1,524,312,173 | 714.48% |
| All Other Bonds Requiring Allocation | 599,402,328 | 1,116,318,975 | 186.24% |
| Emergency Housing Volume Cap | 748,500,523 | 260,000,000 | 34.74% |
| **TOTALS** | **$2,780,372,823** | **$4,546,105,466** | **163.51%** |

***Does not include Carryforward.**
**Source:** Texas Bond Review Board - Private Activity Bond Program.

Education Authority (HEA), $208 million for North Texas HEA and $244.5 million for Panhandle-Plains HEA) were waiting on better credit market conditions to close those transactions.

As of November 1, 2008 $1.28 billion (63%) of the state's 2008 PAB allocation was still unused. As a result, a substantial increase in the amount of carryforward will likely develop over the next several years that in turn could result in the expiration of a significant amount of PAB bonding authority.

**Housing and Economic Recovery Act of 2008**

On July 30, 2008 President George W. Bush signed the Housing and Economic Recovery Act (HERA) of 2008 which provided for an increase in PAB allocation for the United States and its territories. Texas received $748,500,523 of the approximately $11 billion in nationwide volume cap increase provided by HERA.

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

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

The major differences between the rules governing HERA volume cap and standard volume cap are: 1) issuers can apply for a multifamily project without a specific project; 2) utilization percentages are not used to calculate the amount of volume cap single family issuers can request; 3) the deadline to receive a reservation of HERA volume cap is December 31, 2008: and 4) requesting and granting of carryforward may be done at any time until the end of the program year.

As of November 1, 2008 $18.5 million of HERA volume cap had been allocated, $235 million had been reserved and $495 million remained available.

**Emergency Economic Stabilization Act of 2008**

On October 3, 2008 President George W. Bush signed the Emergency Economic Stabilization Act of 2008 (Act) into law. Although passed after the end of the state's 2008 fiscal year, the Act is included in this report because of its potential to provide significant economic relief to the Hurricane Ike disaster area.

In addition to its major provisions designed to improve the nation's economy, the Act creates a new category of tax-exempt bonds (Ike Bonds) that state and local government units in Texas can issue to provide financing for the 29 counties in Texas declared as part of the Hurricane Ike disaster area.

The following is excerpted from an October 3, 2008 Memo to Members from the National Low Income Housing Coalition describing the hurricane recovery provisions contained in the Act.

"The (hurricane recovery) provisions create qualified Hurricane Ike disaster area bonds, in which tax exempt bonding authority would be made available for housing, utility, and business construction…

In addition, the Low Income Housing Tax Credit (LIHTC) program would be expanded …from 2008 through 2010…

The revised bill also extends the rehabilitation credit for structures in the Gulf Opportunity Zone to December 31, 2009. They had been set to expire on December 31, 2008."

The Act creates for Texas an estimated $1.86 billion in additional tax-exempt bonding authority to be used by 2012. As of November 1, 2008 no authority had been allocated because the Act's requirement for a "basis of providing assistance to areas in the order in which assistance is most needed" had not been determined.

# Appendix A
## Summary of Bonds Issued

| Table 17<br>BONDS BY ISSUER<br>REPORTED FOR FISCAL YEAR 2008 | | |
|---|---|---|
| **Texas Department of Housing and Community Affairs (TDHCA)** | | |
| TDHCA Single Family Mortgage Revenue Bonds, 2007 Series B (AMT) | $ | 157,060,000 |
| TDHCA Variable Rate Demand Multifamily Housing Revenue Bonds (Residencies at Onion Creek), Series 2007 | $ | 15,000,000 |
| TDHCA Variable Rate Demand Multifamily Housing Revenue Bonds (West Oaks Senior Apartments), Series 2008 | $ | 13,125,000 |
| TDHCA Variable Rate Demand Multifamily Housing Revenue Bonds (Costa Ibiza Apartments), Series 2008 | $ | 13,900,000 |
| TDHCA Variable Rate Demand Multifamily Housing Revenue Bonds (Addison Park Apartments), Series 2008 | $ | 14,000,000 |
| **Texas Higher Education Coordinating Board** | | |
| State of Texas General Obligation College Student Loan and Refunding Bonds, Series 2008A&B | $ | 101,450,000 |
| State of Texas General Obligation College Student Loan Refunding Bonds, Series 2008C | $ | 45,265,000 |
| **Texas Public Finance Authority (TPFA)** | | |
| TPFA Texas Charter School Finance Corporation (Uplift Education Project), Education Revenue Bonds, Series 2007A and Taxable Education Revenue Bonds, Series 2007B | $ | 10,380,000 |
| Texas Public Finance Authority, Building Revenue Refunding Bonds (Texas Department of Criminal Justice Projects), Series 2007 | $ | 45,350,000 |
| TPFA General Obligation Bonds (Texas Department of Criminal Justice/ Texas Facilities Commission), Series 2007 | $ | 91,290,000 |
| TPFA General Obligation Refunding Bonds, Series 2008 | $ | 224,510,000 |
| TPFA Stephen F Austin Revenue Financing System Revenue Bonds, Series 2008 | $ | 20,175,000 |
| TPFA Midwestern State University Revenue Financing System Revenue Bonds, Series 2008 | $ | 38,300,136 |
| TPFA State of Texas General Obligation Refunding Bonds, Series 2008A | $ | 214,900,000 |
| TPFA Building Revenue Refunding Bonds (Texas Facilities Commission Projects), Series 2008 | $ | 15,560,000 |
| **Texas State Affordable Housing Corporation (TSAHC)** | | |
| TSAHC Single Family Mortgage Revenue Bonds (Professional Educaters Home Loan Program), Series 2007B | $ | 23,510,000 |
| TSAHC Multi Family Mortgage Revenue Bonds (Rainbow Apartment Projects), Series 2007 | $ | 34,900,000 |
| TSAHC Single Family Mortgage Revenue Refunding Bonds, Drawdown Series 2007 | $ | 100,000,000 |
| TSAHC Single Family Mortgage Revenue Bonds, Series 2007D | $ | 23,535,000 |
| **Texas State Technical College** | | |
| Board of Regents of Texas State Technical College, Revenue Financing System Revenue Bonds, Series 2008 | $ | 3,125,000 |
| **Texas State University System** | | |
| Board of Regents of Texas State University System, Revenue Financing System Bonds, Series 2008 | $ | 207,395,000 |
| **Texas Transportation Commission** | | |
| TTC State Highway Fund First Tier Revenue Bonds, Series 2007 | $ | 1,241,845,000 |
| TTC State Highway Fund First Tier Revenue Bonds, Series 2008 | $ | 162,995,000 |
| TTC State of Texas General Obligation Mobility Fund Bonds, Series 2008 | $ | 1,100,000,000 |
| **Texas Veterans Land Board** | | |
| State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2007C Taxable Refunding Bonds | $ | 54,160,000 |
| State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2008A Bonds | $ | 50,000,000 |
| **Texas Water Development Board** | | |
| State of Texas General Obligation Bonds, Water Financial Assistance and Refunding Bonds, Series 2007A | $ | 118,465,000 |
| State of Texas General Obligation Bonds, Water Financial Assistance Bonds (Rural Water Assistance Fund), Series 2007D | $ | 25,000,000 |
| State Revolving Fund, Subordinate Lien Revenue Bonds, Series 2008A | $ | 203,050,000 |
| State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds (Water Infrastructure Fund), Series 2008A | $ | 112,920,000 |
| State Revolving Fund Subordinate Lien Revenue Bonds, Series 2008B | $ | 261,425,000 |
| **Texas Woman's University** | | |
| Board of Regents of Texas Woman's Univsersity, Revenue Financing System Bonds, Series 2008 | $ | 21,670,000 |
| **The Texas A&M University System** | | |
| Board of Regents of The Texas A&M University System, Revenue Financing System Bonds, Series 2008 | $ | 169,515,000 |
| **The University of Houston System** | | |
| Board of Regents of The University of Houston System, Consolidated Revenue and Refunding Bonds, Series 2008 | $ | 175,030,000 |
| **The University of Texas System** | | |
| Board of Regents of The University of Texas System, Revenue Financing System Refunding Bonds, Series 2007B | $ | 345,460,000 |
| Board of Regents of The University of Texas System, Revenue Financing System Bonds, Series 2008B | $ | 685,485,000 |

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

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**Issue:** Texas Department of Housing and Community Affairs, Single Family Mortgage Revenue Bonds, 2007 Series B (AMT)

**Purpose:** The 2007 Series B bonds were used to provide funds to finance the purchase of low-interest rate mortgage loans made by lenders to homebuyers of low, very low and moderate income who were acquiring moderately priced residences. Proceeds were used to provide down payment and closing cost assistance, to fund capitalized interest and to pay costs of issuance.

| | |
|---|---|
| **Par:** | $157,060,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | August 28, 2007 |
| **Negotiated Sale:** | September 6, 2007 |
| **Closing Date:** | September 20, 2007 |
| **True Interest Cost (TIC):** | 4.98% |
| **Net Interest Cost (NIC):** | 5.05% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 111,218 | 0.71 |
| Financial Advisor | RBC Capital Markets | No | 120,000 | 0.76 |
| Trustee | The Bank of NY Trust Co. | No | 4,187 | 0.03 |
| Trustee Counsel | Andrews Kurth LLP | No | 14,000 | 0.09 |
| Disclosure Counsel | McCall, Parkhurst & Horton LLP | No | 63,210 | 0.40 |
| Printing | Image Master | No | 2,655 | 0.02 |
| Private Activity Fee | Bond Review Board | N/A | 41,023 | 0.26 |
| Issuer Fees | TDHCA | N/A | 50,000 | 0.32 |
| Attorney General | | N/A | 9,500 | 0.06 |
| TEFRA Hearing | | N/A | 14,847 | 0.09 |
| Miscellaneous | Cash Flow Verification | | 7,000 | 0.04 |
| **Rating Agencies** | **Rating** | | | |
| Standard & Poor's | AAA | | 47,000 | 0.30 |
| Moody's | Aa1 | | 42,406 | 0.27 |
| **Subtotal** | | | **$ 527,046** | **$ 3.36** |
| | | | | |
| Additional COI | | | 20,000 | 0.13 |
| **Total** | | | **$ 547,046** | **$ 3.48** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 78,530 | 0.50 |
| Takedown | 909,719 | 5.79 |
| Structuring Fee | 75,000 | 0.48 |
| Spread Expenses | 85,499 | 0.54 |
| **Total*** | **$ 1,148,748** | **$ 7.31** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Locke Liddell & Sapp LLP | No | $ 35,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Management Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Citigroup Global Markets | No | 45.00% | 35,337 | 45.00% | 409,373 |
| Goldman Sachs | No | 25.00% | 19,633 | 25.00% | 227,430 |
| Wachovia Bank N.A. | No | 7.50% | 5,890 | 7.50% | 68,229 |
| First Southwest Co. | No | 7.50% | 5,890 | 7.50% | 68,229 |
| Samuel A. Ramirez & Co. | HA | 7.50% | 5,890 | 7.50% | 68,229 |
| Siebert Brandford Shank & Co. | BA | 7.50% | 5,890 | 7.50% | 68,229 |
| **Total** | | **100.00%** | **$ 78,530** | **100.00%** | **$ 909,719** |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**Issue:** Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (Residences at Onion Creek), Series 2007

**Purpose:** The proceeds were used to fund a mortgage loan to Onion Creek Housing Partners, Ltd. to finance the acquisition, construction and long-term financing of a new 224-unit multifamily residential rental development located at approximately the north side of east Slaughter Lane, ½ mile east of IH35, Austin, Travis County, Texas.

| | |
|---|---|
| **Par:** | $15,000,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | November 29, 2007 |
| **Negotiated Sale:** | December 3, 2007 |
| **Closing Date:** | December 3, 2007 |
| **True Interest Cost (TIC):** | Floating |
| **Net Interest Cost (NIC):** | Floating |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 85,000 | 5.67 |
| Financial Advisor | RBC Capital Markets | No | 25,000 | 1.67 |
| Trustee | The Bank of NY Trust Co. | No | 6,360 | 0.42 |
| Trustee Counsel | Crawford Lewis PLLC | No | 4,000 | 0.27 |
| Disclosure Counsel | Andrews Kurth LLP | No | 5,000 | 0.33 |
| Private Activity Fee | Bond Review Board | N/A | 8,750 | 0.58 |
| Issuer Fees | TDHCA | N/A | 124,960 | 8.33 |
| Attorney General | | N/A | 9,500 | 0.63 |
| **Rating Agencies** | **Rating** | | | |
| Standard & Poor's | AA/A-1+ | | 10,000 | 0.67 |
| **Subtotal** | | | **$ 278,570** | **$ 18.57** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | 3,838,876 | 255.93 |
| **Total** | | | **$ 4,117,446** | **$ 274.50** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 135,000 | 9.00 |
| Takedown | - | 0.00 |
| Structuring Fee | - | 0.00 |
| Spread Expenses | 4,500 | 0.30 |
| **Total*** | **$ 139,500** | **$ 9.30** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Eichner & Norris PLLC | No | $ 37,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Management Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Merchant Capital | No | 100.00% | 139,500 | 100.00% | - |
| **Total** | | **100.00%** | **$ 139,500** | **100.00%** | **$ -** |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**Issue:** Texas Department of Housing and Community Affairs, Variable Rate Demand Multifamily Housing Revenue Bonds (West Oaks Senior Apartments), Series 2008

**Purpose:** The proceeds of the bonds were used to fund a mortgage loan to WOV Apartments, L.P. to finance the acquisition, construction, and long-term financing of a 232-unit multifamily residential rental development to be located at approximately 15300 Caseta Drive near the corner of FM 1093, Houston, Harris County, Texas. This development will target an elderly population.

| | |
|---|---|
| **Par:** | $13,125,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | May 22, 2008 |
| **Negotiated Sale:** | July 7, 2008 |
| **Closing Date:** | July 11, 2008 |
| **True Interest Cost (TIC):** | Floating |
| **Net Interest Cost (NIC):** | Floating |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 85,000 | 6.48 |
| Financial Advisor | RBC Capital Markets | No | 25,000 | 1.90 |
| Printing | Island Printing | No | 2,000 | 0.15 |
| Trustee | Wells Fargo Bank N.A. | No | 8,500 | 0.65 |
| Trustee Counsel | Naman, Howell, Smith & Lee | No | 6,000 | 0.46 |
| Disclosure Counsel | Andrews Kurth LLP | No | 5,000 | 0.38 |
| Private Activity Fee | Bond Review Board | N/A | 8,500 | 0.65 |
| Issuer Fees | TDHCA | N/A | 112,155 | 8.55 |
| Attorney General | | N/A | 9,500 | 0.72 |
| LOC Fees | | N/A | 569,907 | 43.42 |
| Lender Related Costs | | N/A | 250,550 | 19.09 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa/VMIG 1 | | 11,400 | 0.87 |
| **Subtotal** | | | **$ 1,093,512** | **$ 83.32** |

| | | | | |
|---|---|---|---|---|
| **Additional COI** | | | | |
| Tax Credit Fees | | | 38,000 | 2.90 |
| Lease-Up Reserves | | | 350,000 | 26.67 |
| Construction Contingency | | | 688,462 | 52.45 |
| Soft Costs | | | 808,550 | 61.60 |
| Construction Interest | | | 1,368,938 | 104.30 |
| Title and Recording | | | 72,336 | 5.51 |
| Miscellaneous | | | 11,217 | 0.85 |
| **Total** | | | **$ 4,431,015** | **$ 337.60** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 65,625 | 5.00 |
| Spread Expenses | 2,000 | 0.15 |
| **Total*** | **$ 67,625** | **$ 5.15** |

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

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

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Citigroup Global Markets | No | 100.00% | 100.00% | 65,625 | 100.00% | - |
| **Total** | | **100.00%** | **100.00%** | **$ 65,625** | **100.00%** | **$ -** |

## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

**Issue:** Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Costa Ibiza Apartments), Series 2008

**Purpose:** The proceeds of the bonds were used to fund a mortgage loan to Costa Ibiza, Ltd. to finance the acquisition, construction and long-term financing of a 216-unit multifamily residential rental development to be located at approximately 17000 Hafer Road in the FM 1960 area of Houston, Harris County, Texas. This project will target low-income families and individuals.

| | |
|---|---|
| **Par:** | $13,900,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | July 17, 2008 |
| **Negotiated Sale:** | August 4, 2008 |
| **Closing Date:** | August 7, 2008 |
| **True Interest Cost (TIC):** | Floating |
| **Net Interest Cost (NIC):** | Floating |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 85,000 | 6.12 |
| Financial Advisor | RBC Capital Markets | No | 25,000 | 1.80 |
| Printing | Island Printing | No | 2,000 | 0.14 |
| Trustee | Wells Fargo Bank N.A. | No | 8,000 | 0.58 |
| Trustee Counsel | Naman, Howell, Smith & Lee | No | 6,000 | 0.43 |
| Disclosure Counsel | Andrews Kurth LLP | No | 5,000 | 0.36 |
| Private Activity Fee | Bond Review Board | N/A | 8,750 | 0.63 |
| Issuer Fees | TDHCA | N/A | 120,180 | 8.65 |
| LOC Fees | Bank of America | No | 482,934 | 34.74 |
| Lender Related Costs | | N/A | 406,094 | 29.22 |
| Borrower Counsel/Advisor | | No | 48,000 | 3.45 |
| Attorney General | | N/A | 9,500 | 0.68 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa/VMIG 1 | | 11,120 | 0.80 |
| **Subtotal** | | | **$ 1,217,578** | **$ 87.60** |

| **Additional COI** | | | | |
|---|---|---|---|---|
| Tax Credit Fees | | | 84,500 | 6.08 |
| Lease-Up Reserves | | | 266,000 | 19.14 |
| Construction Contingency | | | 453,600 | 32.63 |
| Soft Costs | | | 1,254,803 | 90.27 |
| Construction Interest | | | 1,105,050 | 79.50 |
| Title and Recording | | | 159,000 | 11.44 |
| Miscellaneous | | | 11,801 | 0.85 |
| **Total** | | | **$ 4,552,332** | **$ 327.51** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 104,250 | 7.50 |
| **Total*** | **$ 104,250** | **$ 7.50** |

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

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

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Citigroup Global Markets | No | 100.00% | 100.00% | 104,250 | 100.00% | - |
| **Total** | | **100.00%** | **100.00%** | **$ 104,250** | **100.00%** | **$ -** |

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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

**Purpose:** The $14,000,000 in tax-exempt bonds that financed construction of the Addison Park Apartments in Tarrant County was originally issued through TDHCA in January 2004 Although the permanent financing was to be publicly offered with Red Stone Partners LLC, the borrower has not converted the construction financing to permanent financing The proceeds of the subject bonds were used to refund the original bonds, by providing funds to make a non recourse loan to Arlington Partners, L P , a Mississippi limited partnership

| | |
|---|---|
| **Par:** | $14,000,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | July 17, 2008 |
| **Negotiated Sale:** | August 21, 2008 |
| **Closing Date:** | August 22, 2008 |
| **True Interest Cost (TIC):** | Floating |
| **Net Interest Cost (NIC):** | Floating |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 85,000 | 6 07 |
| Financial Advisor | RBC Capital Markets | No | 30,000 | 2 14 |
| Printing | | No | 3,750 | 0 27 |
| Trustee | Wells Fargo Bank N A | No | 8,550 | 0 61 |
| Trustee Counsel | Naman, Howell, Smith & Lee | No | 6,000 | 0 43 |
| Disclosure Counsel | Andrews Kurth LLP | No | 5,000 | 0 36 |
| Private Activity Fee | Bond Review Board | N/A | - | 0 00 |
| Issuer Issuance Fee | TDHCA | N/A | 70,000 | 5 00 |
| Issuer's Application Fee | TDHCA | N/A | 10,000 | 0 71 |
| Issuer's Administration Fee | TDHCA | N/A | 8,167 | 0 58 |
| Issuer's Compliance Fee | TDHCA | N/A | 3,267 | 0 23 |
| Asset Oversight Fee | TSAHC | N/A | 9,001 | 0 64 |
| LOC Origination | | N/A | 2,000 | 0 14 |
| LOC Ongoing Fees | | N/A | 40,000 | 2 86 |
| Lender Counsel Fee | | N/A | 25,000 | 1 79 |
| Lender Origination Fee | | N/A | 140,000 | 10 00 |
| Loan Servicing Fees | | N/A | 210,866 | 15 06 |
| Borrower Financial Advisor | | N/A | 35,000 | 2 50 |
| Borrower Counsel Fee | | N/A | 37,000 | 2 64 |
| Derivative Product Fees | CAP M Funding | N/A | 31,500 | 2 25 |
| **Rating Agencies** | **Rating** | | | |
| Standard & Poor's | AAA/A-1+ | | 12,000 | 0 86 |
| **Subtotal** | | | **$ 772,101** | **$ 55.15** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | | |
| Tax Credit Counsel Fees | | | 13,571 | 0 97 |
| Title and Recording | | | 58,572 | 4 18 |
| **Total** | | | **$ 844,244** | **$ 60.30** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 35,000 | 2 50 |
| **Total*** | **$ 35,000** | **$ 2.50** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Peck, Shaffer & Williams LLP | No | $ 36,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Management Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Merchant Capital | No | 100 00% | 35,000 | 100 00% | - |
| **Total** | | **100.00%** | **$ 35,000** | **100.00%** | **$ -** |

## TEXAS HIGHER EDUCATION COORDINATING BOARD

**Issue:** Texas Higher Education Coordinating Board, State of Texas General Obligation College Student Loan and Refunding Bonds, Series 2008 A & B

**Purpose:** Proceeds of the new money component (2008A - $75,000,000) were used together with other funds of the Board, to provide funds for the Hinson-Hazlewood loan program which provides low interest rate loans to students seeking an undergraduate and/or graduate education. The loan program is fully self-supporting and receives no General Revenue appropriations. The proceeds of the Series 2008B current refunding bonds will be used to refund all or a portion of the August 1, 2008 maturities of the Board's College Student Loan Bonds, Series 1997, Series 1999, Series 2000 and Series 2002 up to $28,620,000, the total amount outstanding of the August 1 maturities of those Series. While this refunding will not generate an NPV savings, the refunding will permit the Board to use funds otherwise dedicated to debt service for the August 1, 2008 maturities to originate new student loans and thus expand program lending capacity.

| | |
|---|---|
| **Par:** | $101,450,000 |
| **Method of Sale:** | Competitive |
| **Board Approval:** | May 22, 2008 |
| **Competitive Sale:** | June 3, 2008 |
| **Closing Date:** | June 26, 2008 |
| **True Interest Cost (TIC):** | 5.08% |
| **Net Interest Cost (NIC):** | 5.10% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 112,856 | 1.11 |
| Financial Advisor | First Southwest Co. | No | 54,443 | 0.54 |
| O.S. Preparation | First Southwest Co. | No | 2,676 | 0.03 |
| O.S. Distribution | i-deal | No | 760 | 0.01 |
| Paying Agent/Registrar | The Bank of NY Trust Co. N.A. | No | 1,000 | 0.01 |
| Escrow Agent | The Bank of NY Trust Co. N.A. | No | 750 | 0.01 |
| Escrow Verification | Causey Demgen & Moore Inc. | No | 2,390 | 0.02 |
| Cash Flow Preparation | First Southwest Co. | No | 75,000 | 0.74 |
| Private Activity Fee | Bond Review Board | N/A | 500 | 0.00 |
| Attorney General | | N/A | 19,000 | 0.19 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 27,500 | 0.27 |
| Standard & Poor's | AA | | 21,000 | 0.21 |
| Misc- Disclosure Filing Fee | First Southwest Co. | | 500 | 0.00 |
| **Total** | | | **$ 318,375** | **$ 3.14** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | - | 0.00 |
| Takedown | 677,676 | 6.68 |
| Structuring Fee | - | 0.00 |
| Spread Expenses | - | 0.00 |
| **Total*** | **$ 677,676** | **$ 6.68** |

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

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

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Takedown | |
|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **% Amount** | **$ Amount** |
| Lehman Brothers (Ser A) | No | 98.65% | 100.00% | 251,250 |
| Siebert Brandford Shank & Co. (Ser A) | BA | 1.35% | 0.00% | - |
| Citigroup Global Markets (Ser B) | No | 96.35% | 100.00% | 426,426 |
| Estrada Hinjosa & Co. (Ser B) | HA | 3.65% | 0.00% | - |
| **Total** | | **200.00%** | **200.00%** | **$ 677,676** |

## TEXAS HIGHER EDUCATION COORDINATING BOARD

**Issue:** Texas Higher Education Coordinating Board, State of Texas General Obligation College Student Loan Refunding Bonds, Series 2008C

**Purpose:** The proceeds of the Series 2008C current refunding bonds were used to refund all or a portion of the remaining maturities of the Series 1994, 1995 and 1996 Bonds in an amount not to exceed $47,110,000. This refunding will provide an estimated net present value savings of $3.8 million (8.04%). This refunding will also generate additional student loan capacity by use of cash flow that otherwise would be used for debt service for these three Series of bonds.

| | |
|---|---|
| **Par:** | $45,265,000 |
| **Method of Sale:** | Competitive |
| **Board Approval:** | May 22, 2008 |
| **Competitive Sale:** | June 18, 2008 |
| **Closing Date:** | June 26, 2008 |
| **True Interest Cost (TIC):** | 4.44% |
| **Net Interest Cost (NIC):** | 4.55% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 61,202 | 1.35 |
| Financial Advisor | First Southwest Co. | No | 28,291 | 0.63 |
| O.S. Preparation | First Southwest Co. | No | 1,425 | 0.03 |
| Printing | i-Deal | No | 760 | 0.02 |
| Paying Agent/Registrar | The Bank of NY Trust Co. N.A. | No | 500 | 0.01 |
| Escrow Agent | The Bank of NY Trust Co. N.A. | No | 1,950 | 0.04 |
| Escrow Verification | Causey Demgen & Moore, Inc. | No | 2,090 | 0.05 |
| Attorney General | | N/A | 9,500 | 0.21 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | - | 0.00 |
| Standard & Poor's | AA | | - | 0.00 |
| **Total** | | | **$ 105,718** | **$ 2.34** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | - | 0.00 |
| Takedown | 120,858 | 2.67 |
| Structuring Fee | - | 0.00 |
| Spread Expenses | - | 0.00 |
| **Total*** | **$ 120,858** | **$ 2.67** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | N/A | No | - |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| RBC Capital Markets | No | 100.00% | 0.00% | - | 100.00% | 120,858 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 120,858** |

**TEXAS PUBLIC FINANCE AUTHORITY**

**Issue:** Texas Public Finance Authority Charter School Finance Corporation (Uplift Education), Education Revenue Bonds, Series 2007A and Taxable Education Revenue Bonds, Series 2007B

**Purpose:** The proceeds of the bonds were used to finance improvements to the Peak Academy campus; renovation and equipment purchases for the Summit International campus; renovation and equipment purchases for the Williams Preparatory Campus; and renovation and equipment purchases for the Hampton Preparatory Campus. All campuses are located in the Dallas metro area.

| | |
|---|---|
| **Par:** | $10,380,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | August 28, 2007 |
| **Negotiated Sale:** | August 22, 2007 |
| **Closing Date:** | September 6, 2007 |
| **True Interest Cost (TIC):** | 5.95% |
| **Net Interest Cost (NIC):** | 5.90% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 102,475 | 9.87 |
| Financial Advisor | First Southwest Co. | No | 73,868 | 7.12 |
| Printing | Network Printing Co. | No | 4,630 | 0.45 |
| Trustee | The Bank of NY Trust Co. | No | 6,500 | 0.63 |
| Trustee Counsel | MGG | No | 5,000 | 0.48 |
| Issuer Fees | TPFA | N/A | 5,000 | 0.48 |
| Attorney General | | N/A | 10,250 | 0.99 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Baa3 | | 16,850 | 1.62 |
| Standard & Poor's | BBB- | | 17,000 | 1.64 |
| **Subtotal** | | | **$ 241,573** | **$ 23.27** |
| Additional COI | | | 66,436 | 6.40 |
| **Total** | | | **$ 308,009** | **$ 29.67** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 10,380 | 1.00 |
| Takedown | 73,919 | 7.12 |
| Structuring Fee | 31,140 | 3.00 |
| Spread Expenses | 3,717 | 0.36 |
| **Total*** | **$ 119,156** | **$ 11.48** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | $ 50,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| AG Edwards | No | 60.00% | 100.00% | 10,380 | 60.00% | 44,351 |
| Coastal Securities | No | 40.00% | 0.00% | - | 40.00% | 29,568 |
| **Total** | | **100.00%** | **100%** | **$ 10,380** | **100.00%** | **$ 73,919** |

**TEXAS PUBLIC FINANCE AUTHORITY**

**Issue:** Texas Public Finance Authority, Building Revenue Refunding Bonds (Texas Department of Criminal Justice Projects), Series 2007

**Purpose:** The bonds were used to finance a current refunding of the Authority's outstanding Building Revenue Bonds (Texas Department of Criminal Justice Refunding Projects), Series 1998A.

| | |
|---|---|
| **Par:** | $45,350,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | September 20, 2007 |
| **Negotiated Sale:** | September 26, 2007 |
| **Closing Date:** | November 6, 2007 |
| **True Interest Cost (TIC):** | 3.81% |
| **Net Interest Cost (NIC):** | 3.87% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Andrews Kurth LLP | No | 47,250 | 1.04 |
| Financial Advisor | Coastal Securities | No | 40,966 | 0.90 |
| Printing | Image Master | No | 820 | 0.02 |
| Escrow Agent | TTSTC | No | 500 | 0.01 |
| Escrow Verification | Deloitte Touche | No | 1,500 | 0.03 |
| Attorney General | | N/A | 9,500 | 0.21 |
| Miscellaneous | | N/A | 725 | 0.02 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 10,000 | 0.22 |
| Standard & Poor's | AAA | | 15,400 | 0.34 |
| **Subtotal** | | | **$ 126,661** | **$ 2.79** |
| | | | | |
| Additional COI | AMBAC | | 62,555 | 1.38 |
| **Total** | | | **$ 189,216** | **$ 4.17** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 148,481 | 3.27 |
| Management Fee | 22,675 | 0.50 |
| Spread Expenses | 36,659 | 0.81 |
| **Total*** | **$ 207,815** | **$ 4.58** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | McCall, Parkhurst & Horton LLP | No | $ 25,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount*** |
| AG Edwards | No | 50.00% | 100.00% | 22,675 | 60.42% | 89,718 |
| Morgan Keegan & Co. | No | 25.00% | 0.00% | 0 | 21.59% | 32,054 |
| Samuel A. Ramirez & Co. | HA | 25.00% | 0.00% | - | 14.92% | 22,159 |
| | | | | | | |
| **Selling Group:** | | | | | | |
| Citigroup Global Markets | No | 0.00% | 0.00% | - | 0.00% | 1,000 |
| **Total** | | **100.00%** | **100.00%** | **$ 22,675** | **96.93%** | **$ 144,931** |

*A priority order in 2010 was offered with $3,550 concession, with the approval of the syndicate. Totals do not reflect this as the amount was netted from the accounts price.

## TEXAS PUBLIC FINANCE AUTHORITY

**Issue:** Texas Public Finance Authority, General Obligation Bonds, Series 2007 (TFC & TDCJ)

**Purpose:** The bonds were used by Texas Department of Criminal Justice for the repair and rehabilitation of various state buildings and facilities, TDCJ also used proceeds for repairs to the Hospital Galveston Facility, and Texas Facilities Commission used the proceeds for various Proposition 8 projects ranging from roof repairs to HVAC, plumbing and fire protection.

| | |
|---|---|
| **Par:** | $91,290,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | September 20, 2007 |
| **Negotiated Sale:** | December 4, 2007 |
| **Closing Date:** | December 20, 2007 |
| **True Interest Cost (TIC):** | 4.19% |
| **Net Interest Cost (NIC):** | 4.38% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | | 47,500 | 0.52 |
| Financial Advisor | Coastal Securities | | 53,500 | 0.59 |
| Printing | Image Master | | 907 | 0.01 |
| Attorney General | | | 9,500 | 0.10 |
| Miscellaneous | Travel | | 3,431 | 0.04 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 8,672 | 0.09 |
| Standard & Poor's | AA | | 18,200 | 0.20 |
| Fitch | AA+ | | 18,500 | 0.20 |
| **Subtotal** | | | **$ 160,210** | **$ 1.75** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | 0.00 |
| **Total** | | | **$ 160,210** | **$ 1.75** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 317,689 | 3.48 |
| Management Fee | 40,000 | 0.44 |
| Spread Expenses | 56,712 | 0.62 |
| **Total*** | **$ 414,401** | **$ 4.54** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Greenberg Traurig LLP | | $ 25,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| Syndicate Member | HUB | % | % Amount | $ Amount | % Amount | $ Amount* |
| CitiGroup Global Markets | No | 50.00% | 50.00% | 20,000 | 49.35% | 156,785 |
| Estrada Hinijosa & Co. | HA | 10.00% | 10.00% | 4,000 | 1.57% | 4,980 |
| Lehman Brothers | No | 10.00% | 10.00% | 4,000 | 12.39% | 39,376 |
| Merrill Lynch & Co. | No | 10.00% | 10.00% | 4,000 | 11.27% | 35,813 |
| RBC Capital Markets | No | 10.00% | 10.00% | 4,000 | 16.23% | 51,573 |
| Siebert Brandford Shank & Co. | No | 10.00% | 10.00% | 4,000 | 9.18% | 29,161 |
| **Total** | | **100.00%** | **100.00%** | **$ 40,000** | **99.99%** | **$ 317,688** |

**TEXAS PUBLIC FINANCE AUTHORITY**

**Issue:** Texas Public Finance Authority, General Obligation Refunding Bonds, Series 2008

**Purpose:** The bonds were used to complete a current refunding of a portion of the Authority's outstanding General Obligation Refunding Bonds Series 1997

| | |
|---|---|
| **Par:** | $224,510,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | July 19, 2007 |
| **Negotiated Sale:** | January 23, 2008 |
| **Closing Date:** | February 20, 2008 |
| **True Interest Cost (TIC):** | 2 64% |
| **Net Interest Cost (NIC):** | 2 78% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | | 47,500 | 0 21 |
| Financial Advisor | Coastal Securities | | 52,097 | 0 23 |
| Printing | Image Master | | 1,698 | 0 01 |
| Attorney General | | | 9,500 | 0 04 |
| Escrow Agent | TTSTC | | 500 | 0 00 |
| Escrow Verification | Grant Thornton LLP | | 1,500 | 0 01 |
| Miscellaneous | Travel | | 2,371 | 0 01 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 21,328 | 0 09 |
| Standard & Poor's | AA | | 26,600 | 0 12 |
| Fitch | AA+ | | 36,000 | 0 16 |
| **Subtotal** | | | **$ 199,094** | **$ 0.89** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | | 0 00 |
| **Total** | | | **$ 199,094** | **$ 0.89** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 524,401 | 2 34 |
| Structuring Fee | 60,000 | 0 27 |
| Spread Expenses | 76,336 | 0 34 |
| **Total*** | **$ 660,737** | **$ 2.94** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | | $ 30,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Structuring Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| UBS Securities LLC | No | 40 00% | 100 00% | 60,000 | 50 02% | 262,313 |
| Bear Stearns & Co | No | 10 00% | 0 00% | - | 11 55% | 60,564 |
| Lehman Brothers | No | 10 00% | 0 00% | - | 12 54% | 65,771 |
| Loop Capital Markets LLC | No | 10 00% | 0 00% | - | 8 23% | 43,155 |
| Piper Jaffray & Co | No | 10 00% | 0 00% | - | 4 22% | 22,153 |
| Samuel A Ramirez & Co | HA | 10 00% | 0 00% | - | 1 63% | 8,535 |
| Wachovia Bank N A | No | 10 00% | 0 00% | - | 11 81% | 61,911 |
| **Total** | | **100.00%** | **100.00%** | **$ 60,000** | **100.00%** | **$ 524,402** |

**TEXAS PUBLIC FINANCE AUTHORITY**

**Issue:** Texas Public Finance Authority, Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2008

**Purpose:** Bond proceeds were used to finance a portion of the construction costs of SFA's Education Research Center.

| | |
|---|---|
| **Par:** | $20,175,000 |
| **Method of Sale:** | Competitive |
| **Board Approval:** | January 17, 2008 |
| **Competitive Sale:** | February 7, 2008 |
| **Closing Date:** | March 4, 2008 |
| **True Interest Cost (TIC):** | 4.10% |
| **Net Interest Cost (NIC):** | 3.99% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Fulbright & Jaworski | | 31,269 | 1.55 |
| Financial Advisor | First Southwest Co. | | 34,250 | 1.70 |
| Printing | Parity | | 1,753 | 0.09 |
| Attorney General | | | 9,500 | 0.47 |
| Paying Agent/Registrar | Wells Fargo Bank N.A. | | - | 0.00 |
| Miscellaneous | Travel | | 15 | 0.00 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 7,150 | 0.35 |
| Fitch | AAA | | 6,500 | 0.32 |
| **Subtotal** | | | **$ 90,437** | **$ 4.48** |
| Additional COI | FSA | | 248,000 | 12.29 |
| **Total** | | | **$ 338,437** | **$ 16.78** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | - | 0.00 |
| Takedown | 57,902 | 2.87 |
| Underwriting Risk | 13,114 | 0.65 |
| Structuring Fee | - | 0.00 |
| Spread Expenses | 257,635 | 12.77 |
| **Total** | **$ 328,651** | **$ 16.29** |

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

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Loss | | Allotments | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **$ Amount** | **% Amount** | **$ Amount** | **% Amount** |
| Southwest Securities Inc. | No | 23.75% | (30,634.25) | 23.75% | 14,865,000 | 73.68% |
| RBC Capital Markets | No | 23.75% | (30,634.25) | 23.75% | 1,330,000 | 6.59% |
| Edward Jones | No | 23.75% | (30,634.25) | 23.75% | 3,115,000 | 15.44% |
| Samuel A. Ramirez & Co. | MBE | 23.75% | (30,634.25) | 23.75% | 730,000 | 3.62% |
| Crews & Assoc | No | 5.00% | (6,449.32) | 5.00% | 135,000 | 0.67% |
| **Total** | | **100.00%** | **(128,986.32)** | **100.00%** | **20,175,000** | **100.00%** |

**TEXAS PUBLIC FINANCE AUTHORITY**

**Issue:** Texas Public Finance Authority, Midwestern State University Revenue Financing System Revenue Bonds, Series 2008

**Purpose:** The issue financed construction of a housing project, a new band hall, additional renovations to the D.L. Ligon Coliseum and refunded bonds issued by a non-profit corporation organized and exisiting under Chapter 53, Texas Education Code, for the Sunwatcher Student housing project.

| | |
|---|---|
| **Par:** | $38,300,136 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | May 22, 2008 |
| **Negotiated Sale:** | June 17, 2008 |
| **Closing Date:** | July 16, 2008 |
| **True Interest Cost (TIC):** | 4.93% |
| **Net Interest Cost (NIC):** | 4.76% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton | | 47,878 | 1.25 |
| Financial Advisor | First Southwest Co. | | 52,004 | 1.36 |
| Printing | Image Master | MOB | 2,982 | 0.08 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co. | | 500 | 0.01 |
| Escrow Agent | The Bank of NY Mellon Trust Co. | | 3,300 | 0.09 |
| Escrow Verification | Grant Thornton LLC | | 3,500 | 0.09 |
| Legal Exp of housing issuer | Thomas Allen Moon | | 1,125 | 0.03 |
| Miscellaneous | Travel | | 960 | 0.03 |
| Attorney General | | | 9,500 | 0.25 |
| Moody's | A2/Aaa | | 13,850 | 0.36 |
| Fitch | A+/AAA | | 16,000 | 0.42 |
| **Subtotal** | | | **$ 151,599** | **$ 3.96** |
| | | | | |
| Additional COI | FSA | | 615,304 | 16.07 |
| **Total** | | | **$ 766,903** | **$ 20.02** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | - | 0.00 |
| Takedown | 181,709 | 4.74 |
| Underwriting Risk | - | 0.00 |
| Structuring Fee | 29,099 | 0.76 |
| Spread Expenses | 48,894 | 1.28 |
| **Total*** | **$ 259,702** | **$ 6.78** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Winstead PC | | $ 35,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Structure Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| RBC Capital Markets | No | 100.00% | 29,099 | 35.75% | 64,958 |
| Banc of America | No | 0.00% | - | 4.79% | 8,709 |
| Citigroup Global Markets | No | 0.00% | - | 35.26% | 64,072 |
| First Albany Capital Inc. | No | 0.00% | - | 9.38% | 17,041 |
| Loop Capital Markets LLC | MOB | 0.00% | - | 3.50% | 6,353 |
| **Selling Group:** | | | | | |
| ME Allison & Co. | No | 0.00% | - | 0.00% | - |
| BOSC | No | 0.00% | - | 0.00% | - |
| Braymen, Lambert & Noel | No | 0.00% | - | 0.00% | - |
| Coastal Securities | No | 0.00% | - | 0.00% | - |
| Crews & Assoc | No | 0.00% | - | 0.79% | 1,438 |
| Estrada Hinojosa & Co. | HA | 0.00% | - | 0.00% | - |
| Fidelity Capital Markets | No | 0.00% | - | 1.25% | 2,275 |
| Jackson Securities Inc. | MOB | 0.00% | - | 1.38% | 2,500 |
| Morgan Keegan & Co. | No | 0.00% | - | 0.00% | - |
| Morgan Stanley | No | 0.00% | - | 1.75% | 3,176 |
| SAMCO Capital Markets | No | 0.00% | - | 1.79% | 3,250 |
| Stifel, Nicolaus & Co. | No | 0.00% | - | 0.83% | 1,500 |
| Stone & Youngberg | No | 0.00% | - | 1.34% | 2,438 |
| Piper Jaffray & Co. | No | 0.00% | - | 0.69% | 1,250 |
| Wachovia Bank N.A. | No | 0.00% | - | 1.51% | 2,750 |
| **Total** | | **100.00%** | **$ 29,099** | **100.01%** | **$ 181,710** |

## TEXAS PUBLIC FINANCE AUTHORITY

**Issue:** Texas Public Finance Authority, State of Texas General Obligation Refunding Bonds, Series 2008A

**Purpose:** Proceeds were used to: (1) finance a current refunding of certain Series of TPFA's Series 1998B State of Texas General Obligation Refunding Bonds; (2) finance $40,000,000 of new projects for the Texas Department of Criminal Justice (TDCJ); (3) finance $20,000,000 of new projects for the Department of Public Safety (DPS); and (4) pay costs of issuance.

**Par:** $214,900,000
**Method of Sale:** Negotiated
**Board Approval:** May 22, 2008
**Negotiated Sale:** July 16, 2008
**Closing Date:** August 5, 2008
**True Interest Cost (TIC):** 4.22%
**Net Interest Cost (NIC):** 4.23%

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 53,608 | 0.25 |
| Financial Advisor | Coastal Securities | No | 60,000 | 0.28 |
| Printing | Image Master | No | 1,578 | 0.01 |
| Escrow Agent | TTSTC | No | 500 | 0.00 |
| Escrow Verification | Grant Thornton LLP | No | 3,000 | 0.01 |
| Attorney General | | No | 9,500 | 0.04 |
| Miscellaneous | | No | 1,943 | 0.01 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 29,373 | 0.14 |
| Standard & Poor's | AA | | 26,600 | 0.12 |
| Fitch | AA+ | | 32,000 | 0.15 |
| **Subtotal** | | | **$ 218,102** | **$ 1.01** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | - | 0.00 |
| Underwriting Risk | - | 0.00 |
| Takedown | 697,931 | 3.25 |
| Structuring Fee | 75,215 | 0.35 |
| Spread Expenses | 101,529 | 0.47 |
| **Total*** | **$ 874,675** | **$ 4.07** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Winstead PC | No | $ 55,000 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Management Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Piper Jaffray & Co. | No | 100.00% | 75,215 | 51.87% | 362,009 |
| Merrill Lynch & Co. | No | 0.00% | - | 11.80% | 82,388 |
| Siebert Brandford Shank & Co. | BA | 0.00% | - | 5.02% | 35,018 |
| RBC Capital Markets | No | 0.00% | - | 9.60% | 66,967 |
| Morgan Keegan & Co. | No | 0.00% | - | 5.00% | 34,886 |
| Estrada Hinojosa & Co. | HA | 0.00% | - | 0.28% | 1,988 |
| Morgan Stanley | No | 0.00% | - | 8.98% | 62,698 |
| JPMorgan | No | 0.00% | - | 4.08% | 28,444 |
| Stone and Youngberg | No | 0.00% | - | 2.85% | 19,884 |
| **Selling Group:** | | | | | |
| Jackson Securities | BA | 0.00% | - | 0.51% | 3,525 |
| Butler Wick & Co. | No | 0.00% | - | 0.02% | 125 |
| Edward Jones | No | 0.00% | - | 0.00% | - |
| **Total** | | **100.00%** | **$ 75,215** | **100.01%** | **$ 697,932** |

## TEXAS PUBLIC FINANCE AUTHORITY

**Issue:** Texas Public Finance Authority, Building Revenue Refunding Bonds (Texas Facilities Commission Projects), Series 2008

**Purpose:** The proceeds of the bonds were used to currently refund and fully defease the Authority's Series 1997A Building Revenue and Revenue Refunding Bonds (General Services Commission Projects).

**Par:** $15,560,000
**Method of Sale:** Negotiated
**Board Approval:** May 14, 2008
**Negotiated Sale:** July 9, 2008
**Closing Date:** August 6, 2008
**True Interest Cost (TIC):** 3.61%
**Net Interest Cost (NIC):** 3.66%

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | | 32,910 | 2.12 |
| Financial Advisor | Coastal Securities | | 37,500 | 2.41 |
| Printing | Image Master | | 1,062 | 0.07 |
| Escrow Agent | TTSTC | | 500 | 0.03 |
| Escrow Verification | Grant Thornton LLP | | 3,000 | 0.19 |
| Miscellaneous | | | 24 | 0.00 |
| Attorney General | | | 9,500 | 0.61 |
| Moody's | Aa2 | | 2,127 | 0.14 |
| Fitch | AA- | | 9,800 | 0.63 |
| **Total** | | | **$ 96,423** | **$ 6.20** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 11,670 | 0.75 |
| Takedown | 54,044 | 3.47 |
| Underwriting Risk | - | 0.00 |
| Structuring Fee | - | 0.00 |
| Spread Expenses | 20,578 | 1.32 |
| **Total*** | **$ 86,292** | **$ 5.55** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Winstead PC | | $ 15,000 |

| Syndicate Firms' Gross Takedown & Share Profit/Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Samuel A. Ramirez & Co. | HA | 50.00% | 50.00% | 5,835 | 47.22% | 25,521 |
| Morgan Keegan & Co. | No | 25.00% | 25.00% | 2,918 | 28.67% | 15,493 |
| Southwest Securities Inc. | No | 25.00% | 25.00% | 2,918 | 24.11% | 13,030 |
| **Total** | | **100.00%** | **100.00%** | **11,670** | **100.00%** | **54,044** |

## TEXAS STATE AFFORDABLE HOUSING CORPORATION

**Issue:** Texas State Affordable Housing Corporation, Single Family Mortgage Revenue Bonds (Professional Educators Home Loan Program), Series 2007B

**Purpose:** The proceeds of the bonds were used to provide professional educators who are first-time homebuyers with the opportunity to secure a home at a competitive mortgage rate and receive five basis points of down payment and closing cost assistance.

**Par:** $23,510,000
**Method of Sale:** Negotiated
**Board Approval:** July 27, 2007
**Negotiated Sale:** August 17, 2007
**Closing Date:** September 19, 2007
**True Interest Cost (TIC):** 5.59%
**Net Interest Cost (NIC):** 5.75%

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Fulbright & Jaworski LLP | No | 52,500 | 2.23 |
| Financial Advisor | First Southwest Co. | No | 35,265 | 1.50 |
| Printing | Financial Printing Resource | No | 2,000 | 0.09 |
| Trustee | Wells Fargo Bank N.A. | No | 6,000 | 0.26 |
| Trustee Counsel | Naman, Howell, Smith & Lee | No | 5,000 | 0.21 |
| Disclosure Counsel | Greenberg Traurig LLP | No | 45,000 | 1.91 |
| Private Activity Fee | Bond Review Board | N/A | 6,750 | 0.29 |
| Attorney General | | N/A | 9,500 | 0.40 |
| Miscellaneous | | N/A | 52,648 | 2.24 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 10,800 | 0.46 |
| **Subtotal** | | | **$ 225,463** | **$ 9.59** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 225,463** | **$ 9.59** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 47,020 | 2.00 |
| Takedown | 117,550 | 5.00 |
| Spread Expenses | 39,967 | 1.70 |
| **Total*** | **$ 204,537** | **$ 8.70** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | $ 7,500 | $ 0.32 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Management Fee | | Takedown | |
|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| RBC Capital Markets | No | 100.00% | 47,020 | 100.00% | 117,550 |
| **Total** | | **100.00%** | **$ 47,020** | **100.00%** | **$ 117,550** |

## TEXAS STATE AFFORDABLE HOUSING CORPORATION

**Issue:** Texas State Affordable Housing Corporation, Multifamily Housing Revenue Bonds (Rainbow Apartments Projects), Series 2007

**Purpose:** The bond proceeds were lent as mortgage loans to the thirteen (13) separate limited liability corporations and will be used for the acquisition and rehabilitation of 13 existing multifamily rental properties totaling 1,008 units located in nine Texas communities.

**Par:** $34,900,000
**Method of Sale:** Private Placement
**Board Approval:** August 28, 2007
**Negotiated Sale (PP):** September 24, 2007
**Closing Date:** September 24, 2007
**True Interest Cost (TIC):** 5.70%
**Net Interest Cost (NIC):** 5.70%

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Fulbright & Jaworski LLP | No | 143,300 | 4.11 |
| Financial Advisor | First Southwest Co. | No | 61,000 | 1.75 |
| Trustee | Wells Fargo Bank N.A. | No | 11,500 | 0.33 |
| Trustee Counsel | Naman, Howell, Smith & Lee | No | 5,500 | 0.16 |
| Private Activity Fee | Bond Review Board | N/A | 128,260 | 3.68 |
| Issuer's Counsel | Greenberg Traurig LLP | No | 36,700 | 1.05 |
| Issuer Fees | | N/A | 108,260 | 3.10 |
| TEFRA Hearing | | N/A | 4,683 | 0.13 |
| Attorney General | | N/A | 9,500 | 0.27 |
| Miscellaneous | | N/A | 194,884 | 5.58 |
| **Rating Agencies** | N/A | | | |
| **Subtotal** | | | **$ 703,587** | **$ 20.16** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | 268,730 | 7.70 |
| **Total** | | | **$ 972,317** | **$ 27.86** |

| | | | | |
|---|---|---|---|---|
| Private Placement Fee | | | 198,000 | 5.67 |
| Private Placement Counsel | | | 180,000 | 5.16 |
| **Total Private Placement Fees** | | | **$ 378,000** | **$ 10.83** |

## TEXAS STATE AFFORDABLE HOUSING CORPORATION

**Issue:** Texas State Affordable Housing Corporation, Single Family Mortgage Revenue Refunding Bonds, Drawdown Series 2007

**Purpose:** The Corporation's single family mortgage program issues bonds to finance single family mortgage loans for qualifying residences. To preserve private activity bond volume cap for the single family program, the Drawdown bonds will be used from time to time to refund the maturing principal amounts of outstanding qualified single family mortgage bonds issued previously by the Corporation.

| | |
|---|---|
| **Par:** | $100,000,000 |
| **Method of Sale:** | Private Placement |
| **Board Approval:** | July 19, 2007 |
| **Private Placement Sale:** | September 26, 2007 |
| **Closing Date:** | October 1, 2007 |
| **True Interest Cost (TIC):** | N/A |
| **Net Interest Cost (NIC):** | N/A |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Fulbright & Jaworski LLP | No | 35,000 | 0.35 |
| Financial Advisor | First Southwest Co. | No | 8,500 | 0.09 |
| Trustee | Wells Fargo Bank N.A. | No | 9,000 | 0.09 |
| Trustee Counsel | Naman, Howell, Smith & Lee | No | 5,500 | 0.06 |
| Issuer's Counsel | Greenberg Traurig LLP | No | 32,500 | 0.33 |
| Attorney General | | N/A | 9,500 | 0.10 |
| **Rating Agencies** | **Rating** | | | |
| Standard & Poor's | AA | | - | - |
| **Subtotal** | | | **$ 100,000** | **$ 1.00** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | 0.00 |
| **Total** | | | **$ 100,000** | **$ 1.00** |

| | | | | |
|---|---|---|---|---|
| Private Placement Fee | | | - | 0.00 |
| Private Placement Counsel | | | - | 0.00 |
| **Total Private Placement Fees** | | | **$ -** | **$ -** |

## TEXAS STATE AFFORDABLE HOUSING CORPORATION

**Issue:** Texas State Affordable Housing Corporation, Single Family Mortgage Revenue Bonds, Series 2007D

**Purpose:** The proceeds of the bonds were used to provide low income individuals and families earning at or below 80% of Area Median Family Income (AMFI) who are first-time homebuyers with the opportunity to secure a home at a competitive mortgage rate and receive five basis points of down payment and closing cost assistance.

| | |
|---|---|
| **Par:** | $23,535,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | September 20, 2007 |
| **Negotiated Sale:** | October 11, 2007 |
| **Closing Date:** | October 30, 2007 |
| **True Interest Cost (TIC):** | 5.66% |
| **Net Interest Cost (NIC):** | 5.50% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Fulbright & Jaworski LLP | No | 52,500 | 2.23 |
| Financial Advisor | First Southwest Co. | No | 35,303 | 1.50 |
| Printing | Financial Printing Resource | No | 1,750 | 0.07 |
| Trustee | Wells Fargo Bank N.A. | No | 6,000 | 0.25 |
| Trustee Counsel | Naman, Howell, Smith & Lee | No | 5,000 | 0.21 |
| Disclosure Counsel | Greenberg Traurig LLP | No | 45,000 | 1.91 |
| Private Activity Fee | Bond Review Board | N/A | 6,750 | 0.29 |
| Attorney General | | N/A | 9,500 | 0.40 |
| Miscellaneous | | N/A | 52,643 | 2.24 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 10,800 | 0.46 |
| **Subtotal** | | | **$ 225,246** | **$ 9.57** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 225,246** | **$ 9.57** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 47,070 | 2.00 |
| Takedown | 117,675 | 5.00 |
| Structuring Fee | 23,535 | 1.00 |
| Spread Expenses | 16,475 | 0.70 |
| **Total*** | **$ 204,755** | **$ 8.70** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Greenburg Traurig LLP | No | $ 7,500 | $ 0.32 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| RBC Capital Markets | No | 70.00% | 100.00% | 47,070 | 70.00% | 82,372 |
| Morgan Keegan & Co. | No | 30.00% | 0.00% | - | 30.00% | 35,303 |
| **Total** | | **100.00%** | **100.00%** | **$ 47,070** | **100.00%** | **$ 117,675** |

## TEXAS STATE TECHNICAL COLLEGE SYSTEM

**Issue:** Board of Regents of Texas State Technical College System, Revenue Financing System Bonds, Series 2008

**Purpose:** Proceeds from the bonds were used to acquire, purchase, construct, improve, renovate, enlarge or equip property, buildings, structures, facilities, roads or related infrastructure for HVAC system replacements at TSTC Waco.

| | |
|---|---|
| **Par:** | $3,125,000 |
| **Method of Sale:** | Competitive |
| **Board Approval:** | May 22, 2008 |
| **Competitive Sale:** | June 3, 2008 |
| **Closing Date:** | July 8, 2008 |
| **True Interest Cost (TIC):** | 4.41% |
| **Net Interest Cost (NIC):** | n/a |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 8,875 | 2.84 |
| Financial Advisor | First Southwest Co. | No | 31,448 | 10.06 |
| Printing | First Southwest Co./i-Deal | No | 2,648 | 0.85 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co. | No | 500 | 0.16 |
| Attorney General | | N/A | 3,125 | 1.00 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | A2 | | 7,150 | 2.29 |
| **Subtotal** | | | **$ 53,746** | **$ 17.20** |

| | | | | |
|---|---|---|---|---|
| Additional COI | AMBAC | | 17,600 | 5.63 |
| **Total** | | | **$ 71,346** | **$ 22.83** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | - | 0.00 |
| Spread Expenses | - | 0.00 |
| Takedown | - | 0.00 |
| Structuring Fee | - | 0.00 |
| **Total** | **$ 37,274** | **$ 11.93** |

## TEXAS STATE UNIVERISTY SYSTEM

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

**Purpose:** The proceeds of the bond issue were used for the following purposes: (i) acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for the members of the Revenue Financing System including any necessary capitalized interest in an amount not to exceed that authorized by law as further provided in the award certificate, (ii) refunding all or a portion of the University's Series 1998A and Series 1999B bonds, and (iii) paying the costs of issuance of the bonds.

| | |
|---|---|
| **Par:** | $207,395,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | July 25, 2008 |
| **Negotiated Sale:** | July 31, 2008 |
| **Closing Date:** | August 19, 2008 |
| **True Interest Cost (TIC):** | 4.60% |
| **Net Interest Cost (NIC):** | 4.74% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 125,400 | 0.60 |
| Financial Advisor | First Southwest Co. | No | 116,486 | 0.56 |
| Printing | i-Deal/Island Printing | No | 3,571 | 0.02 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co. | No | 4,600 | 0.02 |
| Esrow Agent | U.S. Bank | No | 500 | 0.00 |
| Escrow Verification | Grant Thornton LLP | No | 3,500 | 0.02 |
| Attorney General | | N/A | 9,500 | 0.05 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa3 | | 82,958 | 0.40 |
| Standard & Poor's | AA- | | 62,500 | 0.30 |
| **Total** | | | **$ 409,015** | **$ 1.97** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | - | 0.00 |
| Underwriting Risk | - | 0.00 |
| Spread Expenses | 122,549 | 0.59 |
| Takedown | 876,280 | 4.23 |
| Structuring Fee | 50,000 | 0.24 |
| **Total*** | **$ 1,048,829** | **$ 5.06** |

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

| | Firm | HUB | Fees |
|---|---|---|---|
| **Underwriter's Counsel** | Fulbright & Jaworski LLP | No | $ 82,958 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Lehman Brothers | No | N/A | N/A | N/A | 55.00% | 481,954 |
| Estrada Hinojosa & Co. | HA | N/A | N/A | N/A | 15.00% | 131,442 |
| RBC Capital Markets | No | N/A | N/A | N/A | 15.00% | 131,442 |
| Piper Jaffray & Co. | No | N/A | N/A | N/A | 15.00% | 131,442 |
| **Total** | | **0.00%** | **0.00%** | **$ -** | **100.00%** | **$ 876,280** |

## TEXAS TRANSPORTATION COMMISSION

**Issue:** Texas Transportation Commission, State Highway Fund First Tier Revenue Bonds, Series 2007

**Purpose:** Proceeds from the bonds were used to finance state highway improvement projects and pay associated costs of issuance.

| | |
|---|---|
| **Par:** | $1,241,845,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | September 20, 2007 |
| **Negotiated Sale:** | September 26, 2007 |
| **Closing Date:** | October 25, 2007 |
| **True Interest Cost (TIC):** | 4.44% |
| **Net Interest Cost (NIC):** | 4.58% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Andrews Kurth LLP | No | 438,885 | 0.35 |
| Financial Advisor | RBC Capital Markets | No | 52,675 | 0.04 |
| Printing | Image Master | No | 4,593 | 0.00 |
| Paying Agent/Registrar | Wells Fargo Bank N.A. | No | 200 | 0.00 |
| Disclosure Counsel | McCall, Parkhurst & Horton LLP | No | 52,159 | 0.04 |
| Attorney General | | N/A | 9,500 | 0.01 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 76,092 | 0.06 |
| Standard & Poor's | AAA | | 70,000 | 0.06 |
| **Subtotal** | | | **$ 704,104** | **$ 0.57** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 704,104** | **$ 0.57** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | - | 0.00 |
| Takedown | 4,033,387 | 3.25 |
| Structuring Fee | - | 0.00 |
| Spread Expenses | 325,874 | 0.26 |
| **Total*** | **$ 4,359,261** | **$ 3.51** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Fulbright & Jaworski LLP | No | $ 124,000 | $ 0.10 |
| **Co-Underwriter's Counsel** | Bickerstaff Heath Delgado Acosta LLP | No | $ 31,000 | $ 0.02 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| JP Morgan | No | 50% | 0.00% | - | 56.38% | 2,273,896 |
| First Southwest Co. | No | 10% | 0.00% | - | 10.08% | 406,747 |
| Banc of America Securities | No | 5% | 0.00% | - | 7.69% | 310,369 |
| AG Edwards | No | 5% | 0.00% | - | 2.20% | 88,578 |
| Estrada Hinojosa & Co. | HA | 5% | 0.00% | - | 0.22% | 9,063 |
| First Albany Capital Inc. | No | 5% | 0.00% | - | 7.86% | 316,865 |
| Morgan Stanley | No | 5% | 0.00% | - | 9.58% | 386,225 |
| Piper Jaffray & Co. | No | 5% | 0.00% | - | 2.71% | 109,197 |
| SBK Brooks | BA | 5% | 0.00% | - | 0.03% | 1,363 |
| Southwest Securities Inc. | No | 5% | 0.00% | - | 3.25% | 131,084 |
| **Total** | | **100%** | **0.00%** | **$ -** | **100.00%** | **$ 4,033,387** |

**TEXAS TRANSPORTATION COMMISSION**

**Issue:** Texas Transportation Commission, State Highway Fund First Tier Revenue Bonds, Series 2008

**Purpose:** Proceeds from the bonds were used to finance state highway improvement projects and pay associated costs of issuance

| | |
|---|---|
| **Par:** | $162,995,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | September 20, 2007 |
| **Negotiated Sale:** | July 25, 2008 |
| **Closing Date:** | August 19, 2008 |
| **True Interest Cost (TIC):** | 4 44% |
| **Net Interest Cost (NIC):** | 4 62% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Andrews Kurth LLP | No | 35,099 | 0 22 |
| Financial Advisor | RBC Capital Markets | No | 45,000 | 0 28 |
| Printing | Image Master | No | 2,236 | 0 01 |
| Paying Agent/Registrar | Wells Fargo Bank N A | No | 200 | 0 00 |
| Disclosure Counsel | Greenberg Traurig | No | 27,532 | 0 17 |
| Attorney General | | N/A | 9,500 | 0 06 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 27,500 | 0 17 |
| Standard & Poor's | AAA | | 30,100 | 0 18 |
| **Subtotal** | | | **$ 177,167** | **$ 1.09** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | - | 0 00 |
| Takedown | 529,268 | 3 25 |
| Structuring Fee | - | 0 00 |
| Spread Expenses | 66,291 | 0 41 |
| **Total*** | **$ 595,559** | **$ 3.65** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Bates & Coleman P C | No | $ 30,000 | $0 18 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Morgan Keegan & Co | No | 50 00% | 0 00% | - | 55 16% | 291,969 |
| Estrada Hinojosa | HA | 12 50% | 0 00% | - | 7 16% | 37,888 |
| First Southwest Co | No | 12 50% | 0 00% | - | 11 96% | 63,313 |
| Siebert Brandford Shank & Co | BA | 12 50% | 0 00% | - | 12 85% | 67,987 |
| Southwest Securities | No | 12 50% | 0 00% | - | 12 87% | 68,111 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 529,268** |

## TEXAS TRANSPORTATION COMMISSION

**Issue:** Texas Transportation Commission, State of Texas General Obligation Mobility Fund Bonds, Series 2008

**Purpose:** Proceeds from the bonds were used to pay or reimburse the State Highway Fund for the costs of constructing, reconstructing, acquiring and expanding certain state highways and providing participation by the state in the payment of part of the costs of constructing and providing certain publicly owned toll roads and other public transportation projects and costs of issuance. Future obligations may provide financial assistance in the form of loans to political subdivisions of the state for the payment of part of the costs of constructing and providing publicly owned toll roads and other public transportation.

| | |
|---|---|
| **Par:** | $1,100,000,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | November 29, 2007 |
| **Negotiated Sale:** | January 24, 2008 |
| **Closing Date:** | February 28, 2008 |
| **True Interest Cost (TIC):** | 4.43% |
| **Net Interest Cost (NIC):** | 4.57% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 210,000 | 0.19 |
| Financial Advisor | RBC Capital Markets | No | 70,936 | 0.06 |
| O.S. Preparation | Image Master | No | 3,644 | 0.00 |
| Disclosure Counsel | Andrews Kurth LLP | No | 53,525 | 0.05 |
| Attorney General | | N/A | 9,500 | 0.01 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 74,000 | 0.07 |
| Standard & Poor's | AAA | | 77,000 | 0.07 |
| Fitch | AA+ | | 59,000 | 0.05 |
| **Subtotal** | | | **$ 557,605** | **$ 0.51** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 557,605** | **$ 0.51** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | - | 0.00 |
| Underwriting Risk | - | 0.00 |
| Takedown | 3,799,087 | 3.45 |
| Structuring Fee | - | 0.00 |
| Spread Expenses | 281,781 | 0.26 |
| **Total*** | **$ 4,080,868** | **$ 3.71** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Vinson & Elkins LLP | No | $ 137,500 | $0.13 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Share of Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| UBS Securities LLC | No | 50.00% | 0.00% | - | 50.65% | 1,924,199 |
| Estrada Hinojosa & Co. | HA | 10.00% | 0.00% | - | 9.20% | 349,582 |
| First Southwest Co. | No | 5.00% | 0.00% | - | 1.96% | 74,311 |
| Goldman Sachs | No | 5.00% | 0.00% | - | 9.64% | 366,146 |
| Loop Capital Markets LLC | BA | 5.00% | 0.00% | - | 2.12% | 80,547 |
| Morgan Keegan & Co. | No | 5.00% | 0.00% | - | 5.11% | 193,966 |
| Piper Jaffray & Co. | No | 5.00% | 0.00% | - | 6.57% | 249,688 |
| Samuel A. Ramirez & Co. | HA | 5.00% | 0.00% | - | 3.45% | 131,197 |
| Siebert Brandford Shank & Co. | BA | 5.00% | 0.00% | - | 5.82% | 221,245 |
| Southwest Securities Inc. | No | 5.00% | 0.00% | - | 5.48% | 208,207 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 3,799,088** |

**TEXAS VETERANS LAND BOARD**

**Issue:** State of Texas General Obligation Bonds Veterans' Housing Assistance Program, Fund II Series 2007C Taxable Refunding Bonds

**Purpose:** Proceeds of the bonds were used to refund the outstanding State of Texas Veterans' Housing Assistance Program, Fund II Series 1997A Bonds and Fund II Series 1997B-1 Taxable Bonds

| | |
|---|---|
| **Par:** | $54,160,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | September 10, 2007 |
| **Negotiated Sale:** | November 7, 2007 |
| **Closing Date:** | November 14, 2007 |
| **True Interest Cost (TIC):** | 4 79% |
| **Net Interest Cost (NIC):** | 4 67% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 60,000 | 1 11 |
| Co-Bond Counsel | Lannen & Oliver PC | BA | 14,105 | 0 26 |
| Financial Advisor | RBC Capital Markets | No | 19,956 | 0 37 |
| Printing | Island Printing | No | 1,093 | 0 02 |
| Liquidity Provider's Counsel | Chapman and Cutler LLP | No | 10,100 | 0 19 |
| Foreign Liquidity Provider's Counsel | Dexia Credit Local | No | 1,500 | 0 03 |
| Attorney General | | N/A | 9,500 | 0 18 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1/VMIG 1 | | 15,000 | 0 28 |
| Standard & Poor's | AA /A-1+ | | 17,430 | 0 32 |
| Fitch | AA+/F1+ | | 15,000 | 0 28 |
| **Subtotal** | | | **$ 163,684** | **$ 3.02** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 163,684** | **$ 3.02** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 67,700 | 1 25 |
| Spread Expenses | 29,069 | 0 54 |
| **Total*** | **$ 96,769** | **$ 1.79** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | $ 25,000 | 0 46 |

| Syndicate Firms' Gross Takedown | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| JP Morgan | No | 52 00% | 0 00% | - | 52 00% | 35,204 |
| Banc of America Securities | No | 16 00% | 0 00% | - | 16 00% | 10,832 |
| Morgan Stanley | No | 16 00% | 0 00% | - | 16 00% | 10,832 |
| Samuel A Ramirez & Co | HA | 16 00% | 0 00% | - | 16 00% | 10,832 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 67,700** |

## TEXAS VETERANS LAND BOARD

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

**Purpose:** The proceeds of the bonds were used to originate home loans to eligible Texas veterans (and certain surviving spouses) from the Veterans' Housing Assistance Fund II

| | |
|---|---|
| **Par:** | $50,000,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | March 7, 2008 |
| **Negotiated Sale:** | March 19, 2008 |
| **Closing Date:** | March 26, 2008 |
| **True Interest Cost (TIC):** | Floating |
| **Net Interest Cost (NIC):** | Floating |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Vinson & Elkins LLP | No | 55,000 | 1.10 |
| Co-Bond Counsel | Lannen & Oliver PC | BA | 13,544 | 0.27 |
| Financial Advisor | RBC Capital Markets | No | 18,500 | 0.37 |
| Printing | Island Printing | No | 894 | 0.02 |
| Liquidity Provider's Counsel | Chapman and Cutler LLP | No | 10,000 | 0.20 |
| Foreign Liquidity Provider's Counsel | Dexia Credit Local | No | 1,500 | 0.03 |
| Attorney General | | N/A | 9,500 | 0.19 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1/VMIG 1 | | 15,500 | 0.31 |
| Standard & Poor's | AA /A-1+ | | 17,640 | 0.35 |
| Fitch | AA+/F1+ | | 15,000 | 0.30 |
| **Subtotal** | | | **$ 157,078** | **$ 3.14** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 157,078** | **$ 3.14** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 62,500 | 1.25 |
| Spread Expenses | 26,759 | 0.54 |
| **Total*** | **$ 89,259** | **$ 1.79** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Locke Lord Bissell & Liddell | No | $ 25,000 | $ 0.50 |

| Syndicate Firms' Gross Takedown | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Merrill Lynch & Co | No | 52.00% | 0.00% | - | 52.00% | 32,500 |
| Estrada Hinojosa & Co | HA | 16.00% | 0.00% | - | 16.00% | 10,000 |
| JP Morgan | No | 16.00% | 0.00% | - | 16.00% | 10,000 |
| UBS Securities LLC | No | 16.00% | 0.00% | - | 16.00% | 10,000 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 62,500** |

## TEXAS WATER DEVELOPMENT BOARD

**Issue:** Texas Water Development Board, State of Texas General Obligation Bonds, Stater of Texas Water Financial Assistance Refunding Bonds, Series 2007A

**Purpose:** Proceeds from the Series 2007A bonds were used to complete a current refunding of the TWDB Board's outstanding General Obligation Water Development Bonds Series 1997A, 1997B and 1997D.

| | |
|---|---|
| **Par:** | $118,465,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | July 6, 2007 |
| **Negotiated Sale:** | August 10, 2007 |
| **Closing Date:** | September 12, 2007 |
| **True Interest Cost (TIC):** | 4.31% |
| **Net Interest Cost (NIC):** | 4.42% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 20,106 | 0.17 |
| Financial Advisor | First Southwest Co. | No | 79,292 | 0.67 |
| Printing | Image Master | No | 1,509 | 0.01 |
| Paying Agent/Registrar | The Bank of NY Trust Co. | No | 208 | 0.00 |
| Escrow Agent | The Bank of NY Trust Co. | No | 67 | 0.00 |
| Escrow Verification | Grant Thornton LLP | No | 1,250 | 0.01 |
| Attorney General | | N/A | 9,500 | 0.08 |
| Miscellaneous | | N/A | 7,178 | 0.06 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 18,918 | 0.16 |
| Standard & Poor's | AA | | 16,808 | 0.14 |
| Fitch | AA+ | | 20,373 | 0.17 |
| **Subtotal** | | | **$ 175,209** | **$ 1.48** |
| Additional COI | | | - | - |
| **Total** | | | **$ 175,209** | **$ 1.48** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 71,079 | 0.60 |
| Underwriting Expenses | 50,955 | 0.43 |
| Takedown | 415,619 | 3.51 |
| **Total*** | **$ 537,653** | **$ 4.54** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Vinson & Elkins LLP | No | $ 20,000 | $ 0.17 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Goldman Sachs | No | 35.00% | 48.65% | 34,579 | 63.87% | 55,369 |
| Loop Capital Markets LLC | BA | 20.00% | 35.17% | 25,000 | 1.44% | 1,250 |
| Morgan Keegan & Co. | No | 15.00% | 5.63% | 4,000 | 25.26% | 21,900 |
| Southwest Securities Inc. | No | 15.00% | 5.63% | 4,000 | 6.52% | 5,656 |
| Walton Johnson & Co. | BA | 15.00% | 4.92% | 3,500 | 2.90% | 2,513 |
| **Total** | | **100.00%** | **100.00%** | **$ 71,079** | **99.99%** | **$ 86,688** |

## TEXAS WATER DEVELOPMENT BOARD

**Issue:** Texas Water Development Board, State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2007D (AMT)

**Purpose:** Proceeds of the bonds were used to provide low interest rate loans from the Rural Water Assistance Fund (RWAF) Program pursuant to Senate Bill 2 (77th Legislature) for water-related and wastewater projects in the rural areas of the state.

| | |
|---|---|
| **Par:** | $25,000,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | September 27, 2007 |
| **Negotiated Sale:** | October 10, 2007 |
| **Closing Date:** | October 30, 2007 |
| **True Interest Cost (TIC):** | 4.99% |
| **Net Interest Cost (NIC):** | 4.99% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 19,709 | 0.79 |
| Financial Advisor | First Southwest Co. | No | 21,657 | 0.87 |
| Printing | Image Master | No | 1,141 | 0.05 |
| Paying Agent/Registrar | The Bank of NY Trust Co. | No | 125 | 0.01 |
| Private Activity Fee | Bond Review Board | N/A | 500 | 0.02 |
| Attorney General | | N/A | 9,500 | 0.38 |
| Miscellaneous | | N/A | 872 | 0.03 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 8,050 | 0.32 |
| Standard & Poor's | AA | | 9,500 | 0.38 |
| Fitch | AA+ | | 10,000 | 0.40 |
| **Subtotal** | | | **$ 81,054** | **$ 3.24** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 81,054** | **$ 3.24** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 25,000 | 1.00 |
| Underwriting Expenses | 26,559 | 1.06 |
| Takedown | 123,300 | 4.93 |
| **Total*** | **$ 174,859** | **$ 6.99** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Fulbright & Jaworski LLP | No | $ 20,000 | $ 0.80 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| RBC Capital Markets | No | 40.00% | 65.00% | 16,250 | 45.00% | 55,703 |
| Morgan Keegan & Co. | No | 20.00% | 20.00% | 5,000 | 29.00% | 35,420 |
| Southwest Securities Inc. | No | 20.00% | 8.00% | 1,875 | 18.00% | 22,443 |
| Walton Johnson & Co. | BA | 20.00% | 8.00% | 1,875 | 8.00% | 9,734 |
| **Total** | | **100.00%** | **101.00%** | **$ 25,000** | **100.00%** | **$ 123,300** |

**TEXAS WATER DEVELOPMENT BOARD**

**Issue:** Texas Water Development Board, State Revolving Fund, Subordinate Lien Revenue Bonds, Program Series 2008A

**Purpose:** Proceeds were used to fund Clean Water State Revolving Fund loans to the Trinity River Authority of Texas (TRA) through the purchase of Political Subdivision Bonds and to pay the costs of issuance.

| | |
|---|---|
| **Par:** | $203,050,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | November 29, 2007 |
| **Negotiated Sale:** | December 13, 2007 |
| **Closing Date:** | January 8, 2008 |
| **True Interest Cost (TIC):** | 4.47% |
| **Net Interest Cost (NIC):** | 4.62% |

| **Issuance Costs** | **Firm** | **HUB** | **Amount** | **Per $1,000** |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 48,341 | 0.24 |
| Financial Advisor | First Southwest Co. | No | 97,423 | 0.48 |
| Paying Agent/Registrar | The Bank of NY Trust Co. | No | 500 | 0.00 |
| Attorney General | | N/A | 9,500 | 0.05 |
| Miscellaneous | | N/A | 1,511 | 0.01 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 30,000 | 0.15 |
| Standard & Poor's | AAA | | 41,700 | 0.21 |
| Fitch | AAA | | 30,000 | 0.15 |
| **Subtotal** | | | **$ 258,975** | **$ 1.28** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 258,975** | **$ 1.28** |

| **Underwriting Spread** | **Amount** | **Per $1,000** |
|---|---|---|
| Management Fee | 71,068 | 0.35 |
| Underwriting Expenses | 99,344 | 0.49 |
| Takedown | 965,091 | 4.75 |
| **Total*** | **$ 1,135,503** | **$ 5.59** |

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

| | **Firm** | **HUB** | **Amount** | **Per $1,000** |
|---|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | $ 40,000 | $ 0.20 |

| **Syndicate Firms' Gross Takedown & Share Profit / Loss** | | **Risk** | **Management Fee** | | **Takedown** | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Piper Jaffray & Co. | No | 40.00% | 50.05% | 35,568 | 51.49% | 496,940 |
| Morgan Keegan & Co. | No | 30.00% | 25.33% | 18,000 | 15.08% | 145,524 |
| Lehman Brothers | No | 15.00% | 4.92% | 3,500 | 19.20% | 185,329 |
| RBC Capital Markets | No | 15.00% | 19.70% | 14,000 | 14.23% | 137,298 |
| **Total** | | **100.00%** | **100.00%** | **$ 71,068** | **100.00%** | **$ 965,091** |

## TEXAS WATER DEVELOPMENT BOARD

**Issue:** Texas Water Development Board, State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds (Water Infrastructure Fund), Series 2008A

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

| | |
|---|---|
| **Par:** | $112,920,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | April 30, 2008 |
| **Negotiated Sale:** | May 7, 2008 |
| **Closing Date:** | May 22, 2008 |
| **True Interest Cost (TIC):** | 4.47% |
| **Net Interest Cost (NIC):** | 4.60% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 47,704 | 0.42 |
| Financial Advisor | First Southwest Co. | No | 92,699 | 0.82 |
| Paying Agent/Registrar | The Bank of NY Trust Mellon Co. | No | 375 | 0.00 |
| Attorney General | | N/A | 9,500 | 0.08 |
| Printing | Island Printing | N/A | 2,024 | 0.02 |
| Miscellaneous | Travel Cost | N/A | 1,944 | 0.02 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 27,500 | 0.24 |
| Standard & Poor's | Aa1 | | 18,900 | 0.17 |
| Fitch | AA+ | | 21,000 | 0.19 |
| **Subtotal** | | | **$ 221,646** | **$ 1.96** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 221,646** | **$ 1.96** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 56,460 | 0.50 |
| Spread Expenses | 61,861 | 0.55 |
| Takedown | 469,054 | 4.15 |
| **Total*** | **$ 587,375** | **$ 5.20** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Vinson & Elkins LLP | No | $ 27,500 | $ 0.24 |

| Syndicate Firms' Gross Takedown & Share Profit / Loss | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Citigroup Global Markets | No | 40.00% | 59.70% | 33,710 | 54.18% | 254,185 |
| Bank of America Securities | No | 15.00% | 11.96% | 6,750 | 20.39% | 95,624 |
| Estrada Hinojosa & Co | HA | 15.00% | 6.20% | 3,500 | 2.45% | 11,484 |
| JP Morgan | No | 15.00% | 6.20% | 3,500 | 7.10% | 33,280 |
| Wachovia Bank N.A. | No | 15.00% | 15.94% | 9,000 | 15.88% | 74,481 |
| **Total** | | **100.00%** | **100.00%** | **$ 56,460** | **100.00%** | **$ 469,054** |

**TEXAS WATER DEVELOPMENT BOARD**

**Issue:** Texas Water Development Board, State Revolving Fund Subordinate Lien Revenue Bonds, Program Series 2008B

**Purpose:** The Program Series 2008B bonds were used to: (1) reimburse funds used in the State Revolving Fund to purchase Political Subdivision Bonds and (2) pay costs of issuance. The Series 2008B bonds are the second installment of an approval of up to $480,000,000 in bonds authorized under the "shelf registration concept" for FY 2008.

| | |
|---|---|
| **Par:** | $261,425,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | June 11, 2008 |
| **Negotiated Sale:** | June 24, 2008 |
| **Closing Date:** | July 15, 2008 |
| **True Interest Cost (TIC):** | 4.91% |
| **Net Interest Cost (NIC):** | 4.97% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 18,002 | 0.07 |
| Financial Advisor | First Southwest Co. | No | 108,264 | 0.41 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co. | No | 250 | 0.00 |
| Attorney General | | N/A | 9,500 | 0.04 |
| Printing | Island Printing | N/A | 3,126 | 0.01 |
| Miscellaneous | Travel Cost | N/A | 404 | 0.00 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 31,500 | 0.12 |
| Standard & Poor's | AAA | | 15,300 | 0.06 |
| Fitch | AAA | | 28,000 | 0.11 |
| **Subtotal** | | | **$ 214,346** | **$ 0.82** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 214,346** | **$ 0.82** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 78,428 | 0.30 |
| Spread Expenses | 76,653 | 0.29 |
| Takedown | 1,260,338 | 4.82 |
| **Total*** | **$ 1,415,419** | **$ 5.41** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | $ 40,000 | $ 0.15 |

| **Syndicate Firms' Gross Takedown & Share Profit / Loss** | | **Risk** | **Management Fee** | | **Takedown** | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Morgan Keegan & Co. | No | 30.00% | 52.83% | 41,428 | 50.45% | 635,888 |
| Piper Jaffray & Co. | No | 20.00% | 22.95% | 18,000 | 8.10% | 102,116 |
| Banc of America Securities | No | 10.00% | 4.46% | 3,500 | 9.25% | 116,598 |
| Goldman Sachs | No | 10.00% | 6.38% | 5,000 | 8.82% | 111,118 |
| Morgan Stanley | No | 10.00% | 4.46% | 3,500 | 17.00% | 214,231 |
| Southwest Securities Inc. | No | 10.00% | 4.46% | 3,500 | 5.49% | 69,224 |
| Walton Johnson & Co. | BA | 10.00% | 4.46% | 3,500 | 0.46% | 5,750 |
| **Selling Group:** | | | | | | |
| Citigroup Global Markets | No | 0.00% | 0.00% | 0 | 0.04% | 500 |
| JP Morgan | No | 0.00% | 0.00% | 0 | 0.39% | 4,913 |
| **Total** | | **100.00%** | **100.00%** | **78,428** | **100.00%** | **1,260,338** |

## TEXAS WOMAN'S UNIVERSITY

**Issue:** Board of Regents of Texas Woman's University, Revenue Financing System Bonds, Series 2008

**Purpose:** The proceeds of the bonds will be used to renovate 32,245 gross sq. ft. of the University's Science Building and to construct a 47,735 gross sq. ft. addition to the building and to pay costs of issuance. Costs for the repair/renovation and new construction are projected to be $12,621,050 and $6,260,796, respectively. Other costs (soft costs, furniture, equipment, etc.) total $7,564,322.

| | |
|---|---|
| **Par:** | $21,670,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | July 17, 2008 |
| **Negotiated Sale:** | July 29, 2008 |
| **Closing Date:** | August 27, 2008 |
| **True Interest Cost (TIC):** | 5.00% |
| **Net Interest Cost (NIC):** | 5.06% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 34,000 | 1.57 |
| Financial Advisor | RBC Capital Markets | No | 44,650 | 2.06 |
| Printing | Island Printing/i-Deal | No | 2,663 | 0.12 |
| Paying Agent/Registrar | The Bank of NY Mellon Trust Co. | No | 422 | 0.02 |
| Attorney General | | N/A | 9,500 | 0.44 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | A1 | | 18,350 | 0.85 |
| Standard & Poor's | A | | 22,500 | 1.04 |
| **Subtotal** | | | **$ 132,085** | **$ 6.10** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 132,085** | **$ 6.10** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Management Fee | 21,670 | 1.00 |
| Takedown | 99,619 | 4.60 |
| Spread Expenses | 24,767 | 1.14 |
| **Total*** | **$ 146,056** | **$ 6.74** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Andrews Kurth LLP | No | $ 17,500 | $ 0.81 |

| Syndicate Firms' Gross Takedown | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Piper Jaffray & Co. | No | 50.00% | 50.00% | 10,835 | 50.95% | 50,759 |
| Morgan Keegan & Co. | No | 25.00% | 25.00% | 5,418 | 24.66% | 24,567 |
| Estrada Hinojosa & Co. | HA | 25.00% | 25.00% | 5,418 | 24.39% | 24,292 |
| **Total** | | **100.00%** | **100.00%** | **$ 21,671** | **100.00%** | **$ 99,618** |

**THE TEXAS A&M UNIVERSITY SYSTEM**

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

**Purpose:** The Bonds were issued for the purpose of financing and refinancing the costs of acquiring, purchasing, constructing, improving, enlarging, and equipping the property and facilities of the Participants of the Revenue Financing System; refunding all or a portion of the Board's outstanding RFS Commercial Paper Notes, Series B to provide permanent financing for facilities and improvements financed with the proceeds of the Notes; and paying the related costs of issuance.

| | |
|---|---|
| **Par:** | $169,515,000 |
| **Method of Sale:** | Competitive |
| **Board Approval:** | December 14, 2007 |
| **Competitive Sale:** | January 10, 2008 |
| **Closing Date:** | February 7, 2008 |
| **True Interest Cost (TIC):** | 3.95% |
| **Net Interest Cost (NIC):** | 4.17% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 87,379 | 0.52 |
| Financial Advisor | First Southwest Co. | No | 85,133 | 0.50 |
| Printing | iDeal/Island Printing | No | 3,624 | 0.02 |
| Paying Agent/Registrar | Regions Bank | No | 2,500 | 0.01 |
| Disclosure Counsel | McCall, Parkhurst & Horton LLP | No | 30,000 | 0.18 |
| Attorney General | | N/A | 9,500 | 0.06 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aa1 | | 47,000 | 0.28 |
| Standard & Poor's | AA+ | | 42,000 | 0.25 |
| **Subtotal** | | | **$ 307,136** | **$ 1.81** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 307,136** | **$ 1.81** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 210,121 | 1.24 |
| Spread Expenses | 50,162 | 0.30 |
| **Total*** | **$ 260,283** | **$ 1.54** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | N/A | N/A | - | 0.00 |

| Syndicate Firms' Gross Takedown | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| Citigroup Global Markets | No | 100.00% | 0.00% | - | 100.00% | 210,121 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 210,121** |

THE UNIVERSITY OF HOUSTON SYSTEM

Issue: Board of Regents of The University of Houston System, Consolidated Revenue and Refunding Bonds, Series 2008

**Purpose:** The Series 2008 Bonds were issued to finance the acquisition, purchase, construction, improvement, enlargement, and equipping of property, buildings, structures, activities, services, operations, or other facilities for and on behalf of the System, including individual campuses of the System, to pay upon final maturity or earlier redemption the Refunded Notes, to refund all or a portion of the Refunded Bonds, and to pay the costs of issuing the Series 2008 Bonds

**Par:** $175,030,000
**Method of Sale:** Negotiated
**Board Approval:** May 22, 2008
**Negotiated Sale:** June 18, 2008
**Closing Date:** July 21, 2008
**True Interest Cost (TIC):** 4 85%
**Net Interest Cost (NIC):** 4 86%

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | Fulbright & Jaworski LLP | No | 130,000 | 0 74 |
| Financial Advisor | First Southwest Co | No | 88,769 | 0 51 |
| O S Preparation | First Southwest Co | No | 7,000 | 0 04 |
| Printing | First Southwest Co | No | 2,100 | 0 01 |
| Paying Agent/Registrar | Wells Fargo Bank N A | No | 500 | 0 00 |
| Attorney General | | N/A | 9,500 | 0 05 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | A1 | | 70,012 | 0 40 |
| Standard & Poor's | A | | 60,000 | 0 34 |
| **Subtotal** | | | **$ 367,881** | **$ 2.10** |

| | | | | |
|---|---|---|---|---|
| Additional COI | FSA | | 1,553,911 | 8 88 |
| **Total** | | | **$ 1,921,792** | **$ 10.98** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Structuring Fee | 43,758 | 0 25 |
| Takedown | 717,169 | 4 10 |
| Spread Expenses | 78,085 | 0 45 |
| **Total*** | **$ 839,012** | **$ 4.79** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Bracewell & Giuliani | No | $ 43,758 | $0 25 |

| Syndicate Firms' Gross Takedown | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| RBC Capital Markets | No | 50 00% | 0 00% | - | 79 38% | 569,288 |
| First Albany Capital Inc | No | 20 00% | 0 00% | - | 3 12% | 22,369 |
| Loop Capital Markets LLC | BA | 15 00% | 0 00% | - | 12 68% | 90,938 |
| Samuel A Ramirez & Co | HA | 15 00% | 0 00% | - | 3 30% | 23,700 |
| **Selling Group** | | 0 00% | 0 00% | - | 1 52% | 10,875 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 717,170** |

**THE UNIVERSITY OF TEXAS SYTEM**

**Issue:** Board of Regents of The University of Texas System, Revenue Financing System Refunding Bonds, Series 2007B

**Purpose:** Proceeds were used to refund outstanding bonds, Series 2003B and 2004D RFS Bonds

| | |
|---|---|
| **Par:** | $345,460,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | August 31, 2007 |
| **Negotiated Sale:** | December 7, 2007 |
| **Closing Date:** | December 20, 2007 |
| **True Interest Cost (TIC):** | 3 81% |
| **Net Interest Cost (NIC):** | 3 81% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 127,365 | 0 37 |
| Printing | Image Master | No | 1,891 | 0 01 |
| Paying Agent/Registrar | Deutsche Bank | No | 1,300 | 0 00 |
| Escrow Agent | U S Bank | No | 2,000 | 0 01 |
| Escrow Verification | Grant Thornton LLP | No | 6,500 | 0 02 |
| Disclosure Counsel | McCall, Parkhurst & Horton LLP | No | 30,000 | 0 09 |
| Attorney General | | N/A | 9,500 | 0 03 |
| Miscellaenous | | N/A | 3,159 | 0 01 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa | | 35,000 | 0 10 |
| Standard & Poor's | AAA | | 49,000 | 0 14 |
| Fitch | AAA | | 15,000 | 0 04 |
| **Subtotal** | | | **$ 280,715** | **$ 0.81** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 280,715** | **$ 0.81** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 259,095 | 0 75 |
| Spread Expenses | 128,982 | 0 37 |
| **Total*** | **$ 388,077** | **$ 1.12** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Vinson & Elkins LLP | No | $ 75,000 | $ 0 22 |

| Syndicate Firms' Gross Takedown | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| JP Morgan | No | 50 00% | 0 00% | - | 50 00% | 129,547 |
| UBS Securities LLC | No | 50 00% | 0 00% | - | 50 00% | 129,547 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 259,095** |

**THE UNIVERSITY OF TEXAS SYTEM**

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

**Purpose:** The System has $771,592,000 in RFS Commercial Paper Notes, Series A and Series B currently outstanding All or a portion of the outstanding commercial paper notes may be hedged or refunded under the 19th Supplemental Resolution In addition, the System may refund outstanding Parity Debt previously issued by the Board pursuant to the 2nd through the 18th Supplemental Resolutions to the Master Resolution Refunding could be either advance or current

| | |
|---|---|
| **Par:** | $685,485,000 |
| **Method of Sale:** | Negotiated |
| **Board Approval:** | February 22, 2008 |
| **Negotiated Sale:** | March 10, 2008 |
| **Closing Date:** | March 18, 2008 |
| **True Interest Cost (TIC):** | 3 81% |
| **Net Interest Cost (NIC):** | 3 76% |

| Issuance Costs | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| Bond Counsel | McCall, Parkhurst & Horton LLP | No | 212,631 | 0 31 |
| Printing | Image Master | No | 4,000 | 0 01 |
| Paying Agent/Registrar | Deutsche Bank | No | 1,300 | 0 00 |
| Escrow Agent | Deutsche Bank | No | 250 | 0 00 |
| Escrow Verification | Grant Thornton LLP | No | 3,000 | 0 00 |
| Disclosure Counsel | McCall, Parkhurst & Horton LLP | No | 30,000 | 0 04 |
| Attorney General | | N/A | 9,500 | 0 01 |
| Miscellaenous | | N/A | 3,159 | 0 00 |
| **Rating Agencies** | **Rating** | | | |
| Moody's | Aaa/VMIG 1 | | 55,000 | 0 08 |
| Standard & Poor's | AAA/A-1+ | | 58,000 | 0 08 |
| Fitch | AAA/F1+ | | 15,000 | 0 02 |
| **Subtotal** | | | **$ 391,840** | **$ 0.57** |

| | | | | |
|---|---|---|---|---|
| Additional COI | | | - | - |
| **Total** | | | **$ 391,840** | **$ 0.57** |

| Underwriting Spread | Amount | Per $1,000 |
|---|---|---|
| Takedown | 685,485 | 1 00 |
| Spread Expenses | 150,366 | 0 22 |
| **Total*** | **$ 835,851** | **$ 1.22** |

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

| | Firm | HUB | Amount | Per $1,000 |
|---|---|---|---|---|
| **Underwriter's Counsel** | Vinson & Elkins LLP | No | $ 95,000 | $ 0 14 |

| Syndicate Firms' Gross Takedown | | Risk | Management Fee | | Takedown | |
|---|---|---|---|---|---|---|
| **Syndicate Member** | **HUB** | **%** | **% Amount** | **$ Amount** | **% Amount** | **$ Amount** |
| JP Morgan | No | 50 00% | 0% | - | 50 00% | 342,743 |
| Lehman Brothers | No | 50 00% | 0% | - | 50 00% | 342,743 |
| **Total** | | **100.00%** | **0.00%** | **$ -** | **100.00%** | **$ 685,486** |

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

## State Commercial Paper and Variable-Rate Note Programs

Several state agencies and institutions of higher education have established variable-rate debt financing programs that provide financing for equipment or capital projects or provide loans to eligible entities.

As of August 31, 2008, a total of $4.66 billion was authorized for state commercial paper or variable-rate note programs. Of this amount, $1.80 billion was outstanding as of the end of fiscal 2008 *(Table 18),* an increase of approximately $340 million over fiscal year 2007.

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

## Texas Department of Agriculture

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

During fiscal 1995, TAFA established a second general obligation taxable commercial paper note program. Proceeds from this program are used to make funds available for the Farm and Ranch

Table 18
**TEXAS COMMERCIAL PAPER AND VARIABLE-RATE NOTE PROGRAMS**
**as of August 31, 2008**

| ISSUER | TYPE OF PROGRAM | AMOUNT AUTHORIZED | AMOUNT ISSUED FISCAL 2008 | AMOUNT OUTSTANDING |
|---|---|---|---|---|
| Texas Department of Agriculture* | | | | |
| TAFA | Commercial Paper - Series A | $50,000,000 | $0 | $25,000,000 |
| Farm and Ranch Loans | Commercial Paper - Series B | $25,000,000 | $0 | $0 |
| Texas Dept. of Housing & Community Affairs | Commercial Paper | $75,000,000 | $11,690,000 | $71,431,000 |
| Texas Department of Transportation | Commercial Paper - Series A | $500,000,000 | $270,000,000 | $190,750,000 |
| Texas Economic Dev & Tourism Office** | Commercial Paper | $25,000,000 | $0 | $5,907,000 |
| Texas Public Finance Authority | | | | |
| Revenue | Commercial Paper - 2003 | $150,000,000 | $32,000,000 | $122,440,000 |
| General Obligation | Commercial Paper - 2002A | $881,000,000 | $84,100,000 | $174,000,000 |
| General Obligation | Commercial Paper - 2002B | $175,000,000 | $15,000,000 | $29,250,000 |
| General Obligation | Commercial Paper - 2008 | $1,000,000,000 | $9,800,000 | $9,800,000 |
| Texas Tech University System | | | | |
| Revenue Financing System | Commercial Paper | $100,000,000 | $74,268,000 | $74,268,000 |
| The Texas A&M University System | | | | |
| Permanent University Fund | Flexible-Rate Notes | $125,000,000 | $65,300,000 | $52,000,000 |
| Revenue Financing System | Commercial Paper | $200,000,000 | $130,000,000 | $106,525,000 |
| The University of North Texas System | | | | |
| Revenue Financing System | Commercial Paper | $100,000,000 | $116,316,000 | $22,071,000 |
| The University of Texas System | | | | |
| Permanent University Fund | Flexible-Rate Notes | $400,000,000 | $300,000,000 | $400,000,000 |
| Revenue Financing System | Commercial Paper - Series A | $750,000,000 | $363,688,000 | $503,027,000 |
| Revenue Financing System | Commercial Paper - Series B | $50,000,000 | $770,000 | $14,400,000 |
| University of Houston System | | | | |
| Revenue Financing System | Commercial Paper | $50,000,000 | $48,500,000 | $0 |
| **Total** | | **$4,656,000,000** | **$1,521,432,000** | **$1,800,869,000** |

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

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

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

Finance Program. The program was established to provide loans and other financial assistance through local lending institutions to eligible borrowers for the purchase of farm or ranch land.

**Texas Department of Housing and Community Affairs**

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

**Texas Department of Transportation**

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

**Texas Economic Development and Tourism Office**

In 1992, the Department of Commerce, subsequently the Texas Economic Development and Tourism Office (the "Office") was granted $300 million of authority to issue commercial paper to fund loans to Texas businesses under three programs. Under the first program marketed as the Texas Leverage Fund, the Office approves loans to local industrial development corporations. Revenues from an optional local half-cent sales tax for economic development secure these loans. The second program provides for the purchase of small business loans which are fully guaranteed by the Small Business Administration. A third program may make loans directly to businesses from program reserves. The program is designed to be self-supporting, and the commercial paper issued by the Office is taxable. The Bond Review Board has authorized a maximum authority of $25 million for the Texas Leverage Fund.

**Texas Public Finance Authority**

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

During fiscal 1993, TPFA established a variable-rate financing program that is secured by the state's general obligation pledge. The proceeds are used to provide interim financing for capital projects that are authorized by the legislature and financed through general obligation bonds. In 2002, TPFA established a commercial paper program that is also secured by the state’s general obligation pledge to provide financial assistance to border counties for roadways in colonias. In 2008, TPFA established a commercial paper program that is also secured by the state’s general obligation pledge to provide (i) finance maintenance, improvement, repair, construction and equipment acquisition projects for state agencies, (ii) refund and refinance the Notes, and (iii) pay the costs of issuance of the Notes.

**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. 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 Texas A&M University System**
The Texas A&M University System (the "A&M System") has also authorized two variable-rate financing programs: a flexible-rate note program secured by the Permanent University Fund (PUF) and a commercial paper program secured by the A&M System revenues. The Texas A&M PUF Note Program was established in 1988 to provide interim financing and equipping of facilities for eligible construction projects. The A&M System's outstanding PUF flexible rate notes may not exceed $125 million in principal amount at any time.

The 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. Outstanding RFS commercial paper may not exceed $200 million in principal amount at any time and is secured by a pledge of all legally available revenues to the A&M System, including pledged tuition revenue and fees, general fees and other revenue sources. The A&M System has a self-liquidity facility for this program.

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

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

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

The System's Revenue Financing System (RFS) Commercial Paper Note Program was established in 1990 to provide interim financing for capital projects, including construction, acquisition and renovation or equipping of facilities. The commercial paper is secured by a pledge of all legally available revenues of the System, including pledged tuition fees, general fees and other revenue sources. The System's outstanding RFS commercial paper notes may not exceed $800 million in principal amount at any time.

**University of Houston System**
In August 2006, the Board of Regents of the University of Houston System (the "System") authorized a Revenue Financing System commercial paper program in an amount not to exceed $50 million. The program was established to provide interim financing for capital projects, including construction, acquisition, renovation and equipment for facilities of the System. The commercial paper is secured by a pledge of all legally available revenues of the System, including pledged tuition fees, general fees and other revenue sources.

**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.

In June 2007, the Texas State Affordable Housing Corporation (TSAHC) was given authority for a single family mortgage revenue refunding drawdown bond program with a maximum authority of $100 million. This program allows TSAHC to capture mortgage payments and prepayments and recycle them into additional mortgage loans.

**Comptroller of Public Accounts Liquidity Facility Provider Duties**
The 73rd Legislature passed legislation that authorized the Comptroller of Public Accounts - Treasury Operations to enter into agreements to provide liquidity for obligations issued for governmental purposes by an agency of the state as long as the agreements did not conflict with the liquidity needs of the Treasury. Eligible obligations include commercial paper, variable-rate demand obligations and bonds.

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

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

### Swaps

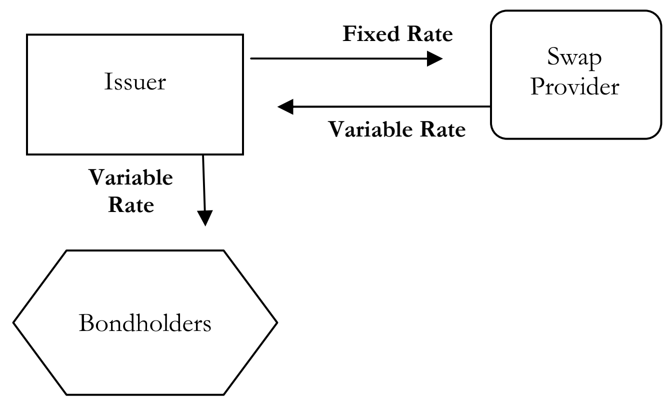
An interest rate swap is created when a debt issuer and a financial institution, each referred to as a counterparty, enter into a contract to exchange interest payments. The two types of swaps most often utilized by Texas issuers are pay-fixed, receive-variable and pay-variable, receive-fixed interest rate swaps. As of August 31, 2008, pay-fixed, receive-variable swaps comprised approximately 81.9% of the state's $3.50 billion in total notional amount of swaps outstanding.

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

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

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

**Synthetic Fixed-Rate Debt Swap**

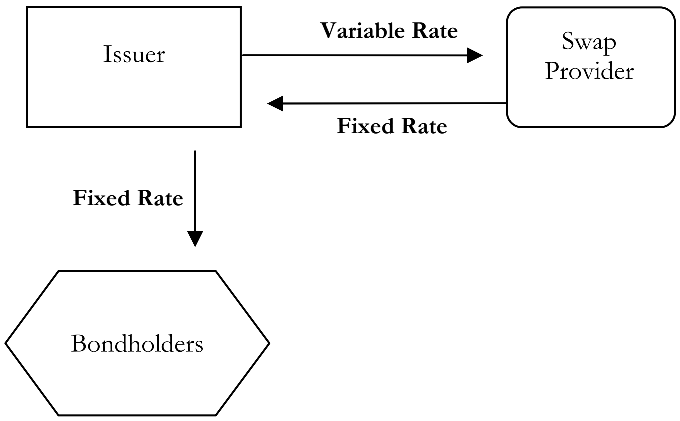



The variable rates received under most of Texas' pay-fixed, receive-variable interest rate swaps are based on various *taxable* London Interbank Offered Rates (LIBOR). A *tax-exempt* index often used in the swap market is the Securities Industry and Financial Markets Association Swap Index (SIFMA) formerly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

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

Conversely, *synthetic floating-rate debt* is created when the issuer sells fixed-rate debt and enters into a fixed-to-floating rate swap. The issuer agrees to pay variable-rate payments to the counterparty and in exchange receives a fixed-rate payment from the swap counterparty. As with synthetic fixed-rate debt, the rate to be paid is tied to an underlying reference index such as the *taxable* LIBOR or the *tax-exempt* SIFMA Index. As of August 31, 2008, synthetic floating-rate debt swaps comprised less than .6% of the state's total notional amount of swaps outstanding. This swap program is illustrated below.

**Synthetic Floating-Rate Debt Swap**




Pay-variable, receive-variable swap (basis swap)
The Veterans' Land Board (VLB) pay-variable, receive-variable swaps (called *basis* swaps) are LIBOR-to-SIFMA basis swaps that effectively convert the variable rate on the associated taxable variable-rate bond issues from a *taxable* LIBOR-based rate to a *tax-exempt* SIFMA-based rate. As of August 31, 2008, basis swaps comprised approximately 17.5% of the state's total notional amount of swaps outstanding.

**Risk Analysis**
State issuers considering entering into an interest-rate swap agreement must assess the risks associated with the transaction. Some issuers include contractual limitations or options that assist in reducing those risks. For example, the VLB has the option to terminate its swap agreements at any time at its option. Generally, the risks associated with interest rate swaps fall into the following categories:

*Termination Risk* – the risk that an interest rate swap could be terminated prior to its scheduled termination date as a result of any of several events relating to either the issuer or its counterparty. The issuer or the counterparty may terminate a swap if the other party fails to perform under the terms of the swap agreement. If a swap has a negative fair value, the issuer would owe the respective counterparty a termination payment equal to the swap's fair value at the time of termination. (See Fair Value discussion below.)

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

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

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

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

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

Due to the general reduction in interest rates over the last several years, the net fair value of the state's outstanding swaps was negative at August 31, 2008, indicating that the issuers would be liable for the fair values of the swaps in the unlikely event of termination. However, it is important to note that issuers have achieved significant savings in interest costs over the last several years by use of interest rate swaps. (See *Table 19* for the terms, counterparty credit ratings and fair values for the state's swaps outstanding at August 31, 2008.)

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

**Additional Derivative Products**

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

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

*Interest rate caps* – financial contracts called caps, collars or floors limit or bound exposure to interest rate volatility.

*Rate locks* – rate locks are often based on interest rate swaps and may be used to hedge against a rise in interest rates for an upcoming fixed-rate bond issue.

**Management Policy**

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

Table 19 - **TEXAS INTEREST RATE SWAPS**
**As of August 31, 2008 (Unaudited)**
(amounts in thousands)

| **PAY-FIXED, RECEIVE VARIABLE (Synthetic Fixed Rate) Bond Issue** | **Original Notional Amount** | **8/31/2008 Notional Amount** | **Effective Date** | **Swap Termination Date** | **Fixed-Rate Paid** | **Variable-Rate Received** | **Counterparty Credit Ratings** | **8/31/2008 Fair Value** |
|---|---|---|---|---|---|---|---|---|
| TDHCA SF Variable Rate MRB Ser 2004B | 53,000 | 53,000 | 09/01/2004 | 09/01/2034 | 3.84% | 63% of LIBOR + .30% | Aa2 / AA- / AA- | -2,511 |
| TDHCA SF Variable Rate MRB Ser 2004D | 35,000 | 35,000 | 01/01/2005 | 03/01/2035 | 3.61% | * | N/A ** | -1,344 |
| TDHCA SF Variable Rate MRB Ser 2005A | 100,000 | 94,860 | 08/01/2005 | 09/01/2036 | 3.99% | * | Aaa / AAA / N/A | -3,327 |
| TDHCA SF Variable Rate MRB Ser 2006HA | 36,000 | 36,000 | 11/15/2006 | 09/01/2025 | 3.86% | 63% of LIBOR + .30% | Aa2 / AA- / AA- | -1,829 |
| TDHCA SF Variable Rate MRB Ser 2007A | 143,005 | 141,070 | 06/05/2007 | 09/01/2038 | 4.01% | * | Aaa / AAA / N/A | -4,926 |
| UT RFS Refunding Bonds, Series 2001A | 48,318 | 19,715 | 05/17/2001 | 08/15/2013 | 4.63% | 67% of 1M LIBOR | Aaa/AA | -1,231 |
| UT RFS Refunding Bonds, Series 2007B | 172,730 | 168,880 | 12/20/2007 | 08/01/2034 | 3.81% | SIFMA | Aaa/AA | -3,403 |
| UT RFS Refunding Bonds, Series 2007B | 172,730 | 168,880 | 12/20/2007 | 08/01/2034 | 3.81% | SIFMA | Aa1/AA- | -3,912 |
| UT RFS Bonds, Series 2008B | 155,000 | 155,000 | 03/18/2008 | 08/01/2036 | 3.90% | SIFMA | Aaa/AA | -5,314 |
| UT RFS Bonds, Series 2008B | 155,000 | 155,000 | 03/18/2008 | 08/01/2036 | 3.90% | SIFMA | A1/A+ | -5,211 |
| UT RFS Bonds, Series 2008B | 375,485 | 375,485 | 03/18/2008 | 08/01/2039 | 3.61% | SIFMA | Aaa/AA | -2,965 |
| Vet Hsg Ref Bds Ser 1995 | 88,490 | 57,385 | 11/29/1995 | 12/01/2016 | 5.52% | Actual Bond Rate | A-/A2 | -7,578 |
| Vet Land Ref Bds Ser 1999A | 40,025 | 28,835 | 06/01/1999 | 12/01/2018 | 5.11% | 68% of 6M LIBOR | A-/A2 | -3,491 |
| Vet Land Tax Ref Bds Ser 1999B | 36,720 | 13,955 | 12/01/1999 | 12/01/2009 | 5.13% | 100% of 6M LIBOR | AAA/Aaa | -332 |
| Vet Land Tax Ref Bds Ser 2000 | 39,960 | 39,960 | 12/01/2000 | 12/01/2020 | 6.11% | 100% of 6M LIBOR | AAA/Aaa | -5,579 |
| Vet Hsg Fund II Bds Ser 2001A-2 | 20,000 | 20,000 | 12/03/2001 | 12/01/2029 | 4.30% | 68% of 1M LIBOR | AA-/Aa1 | -2,784 |
| Vet Hsg Fund II Bds Ser 2001C-2 | 25,000 | 25,000 | 12/18/2001 | 12/01/2033 | 4.37% | 68% of 1M LIBOR | AAA/Aaa | -4,179 |
| Vet Land Bds Ser 2002 | 20,000 | 18,220 | 02/21/2002 | 12/01/2032 | 4.14% | 68% of 1M LIBOR | A+/A1 | -2,098 |
| Vet Hsg Fund II Bds Ser 2002A-2 | 38,300 | 26,380 | 07/10/2002 | 06/01/2033 | 3.87% | 68% of 1M LIBOR | AAA/Aaa | -2,467 |
| Vet Land Tax Ref Bds Ser 2002 | 27,685 | 27,685 | 12/01/2002 | 12/01/2021 | 4.94% | 100% of 6M LIBOR | A+/A1 | -2,017 |
| Vet Hsg Fund I Tax Ref Bds Ser 2002B | 22,605 | 19,780 | 12/01/2002 | 06/01/2023 | 4.91% | 100% of 6M LIBOR | AAA/Aaa | -1,425 |
| Vet Hsg Fund II Bds Ser 2003A | 50,000 | 40,755 | 03/04/2003 | 06/01/2034 | 3.30% | 68% of 1M LIBOR | AA/Aaa | -1,228 |
| Vet Hsg Fund II Bds Ser 2003B | 50,000 | 41,980 | 12/01/2003 | 06/01/2034 | 3.40% | 64.5% of 1M LIBOR | AAA/Aaa | -1,712 |
| Vet Land Tax Ref Bds Ser 2003 | 29,285 | 25,535 | 12/01/2003 | 12/01/2023 | 5.12% | 100% of 1M LIBOR | AA/Aaa | -2,268 |
| Vet Hsg Fund I Tax Ref Bds Ser 2003 | 47,865 | 47,865 | 12/01/2003 | 06/01/2021 | 5.19% | 100% of 6M LIBOR | AAA/Aaa | -4,108 |
| Vet Hsg Fund II Bds Ser 2004A | 50,000 | 42,280 | 04/07/2004 | 12/01/2034 | 3.31% | 68% of 1M LIBOR | AAA/Aaa | -1,276 |
| Vet Hsg Fund II Tax Ref Bds Ser 2004 | 19,550 | 16,535 | 06/01/2004 | 12/01/2024 | 5.45% | 100% of 6M LIBOR | AAA/Aaa | -2,140 |
| Vet Hsg Fund II Bds Ser 2004B | 50,000 | 45,105 | 09/15/2004 | 12/01/2034 | 3.68% | 68% of 1M LIBOR | AAA/Aaa | -2,798 |
| Vet Land Tax Ref Bds Ser 2004 | 24,755 | 23,245 | 12/01/2004 | 12/01/2024 | 5.46% | 100% of 6M LIBOR | A+/A1 | -2,627 |
| Vet Hsg Fund II Tax Ref Bds Ser 2004C,D,E | 43,870 | 38,130 | 12/01/2004 | 06/01/2020 | 5.35% | 100% of 1M LIBOR | AA/Aaa | -3,853 |
| Vet Hsg Fund II Bds Ser 2005A | 50,000 | 44,770 | 02/24/2005 | 06/01/2035 | 3.28% | 68% of 1M LIBOR | AAA/Aaa | -1,215 |
| Vet Hsg Fund II Bds Ser 2005B | 50,000 | 45,480 | 08/09/2005 | 06/01/2036 | 3.09% | 68% of 1M LIBOR | AAA/Aaa | -493 |
| Vet Land Tax Ref Bds Ser 2005 | 22,795 | 21,775 | 12/01/2005 | 12/01/2026 | 6.52% | 100% of 6M LIBOR | AAA/Aaa | -4,491 |
| Vet Hsg Fund I/II Tax Ref Bds Ser 2005A,B,C | 24,885 | 24,055 | 12/01/2005 | 06/01/2026 | 5.15% | 100% of 1M LIBOR | AA/Aaa | -3,285 |
| Vet Hsg Fund I Tax Ref Bds Ser 2005D | 19,860 | 18,030 | 12/01/2005 | 12/01/2023 | 4.93% | 100% of 1M LIBOR | AA/Aaa | -1,728 |
| Vet Hsg Fund I Tax Ref Bds Ser 2005E | 8,525 | 3,365 | 12/01/2005 | 12/01/2009 | 4.33% | 100% of 1M LIBOR | AA/Aaa | -55 |
| Vet Hsg Fund II Bds Ser 2006A | 50,000 | 46,740 | 06/01/2006 | 12/01/2036 | 3.52% | 68% of 1M LIBOR | AAA/Aaa | -2,018 |
| Vet Land Tax Ref Bds Ser 2006A | 31,030 | 29,680 | 06/01/2006 | 12/01/2027 | 6.54% | 100% of 6M LIBOR | AAA/Aaa | -6,164 |
| Vet Hsg Fund II Tax Ref Bds Ser 2006C | 22,325 | 21,375 | 06/01/2006 | 12/01/2027 | 5.79% | 100% of 6M LIBOR | AAA/Aaa | -3,165 |
| Vet Hsg Fund II Tax Ref Bds Ser 2006B | 38,570 | 38,570 | 06/01/2006 | 12/01/2026 | 5.83% | 100% of 1M LIBOR | AA/Aaa | -6,861 |
| Vet Land Tax Ref Bds Ser 2006B | 24,035 | 22,990 | 06/01/2006 | 12/01/2026 | 4.61% | 100% of 6M LIBOR | AAA/Aaa | -1,190 |
| Vet Hsg Fund II Bds Ser 2006D | 50,000 | 48,170 | 09/20/2006 | 12/01/2036 | 3.69% | 68% of 1M LIBOR | AA-/Aa2 | -2,871 |
| Vet Land Tax Ref Bds Ser 2006C | 41,050 | 38,800 | 12/01/2006 | 12/01/2027 | 6.51% | 100% of 1M LIBOR | AA/Aaa | -8,185 |
| Vet Hsg Fund II Tax Ref Bds Ser 2006E | 39,560 | 39,560 | 12/01/2006 | 12/01/2026 | 5.46% | 100% of 1M LIBOR | AA/Aaa | -6,922 |
| Vet Hsg Fund II Bds Ser 2007A | 50,000 | 48,700 | 02/22/2007 | 06/01/2037 | 3.65% | 68% of 1M LIBOR | AAA/Aaa | -2,966 |
| Vet Hsg Fund II Bds Ser 2007B | 50,000 | 49,620 | 06/26/2007 | 06/01/2038 | 3.71% | 68% of 1M LIBOR | AAA/Aaa | -3,391 |
| Vet Hsg Tax Ref Bds Ser 2007C | 54,160 | 51,615 | 12/01/2007 | 06/01/2029 | 4.66% | 100% of 1M LIBOR | AA/Aaa | -4,857 |
| Vet Hsg Fund II Bds Ser 2008A | 50,000 | 50,000 | 03/26/2008 | 12/01/2038 | 3.19% | 68% of 1M LIBOR | AAA/Aaa | -698 |
| Vet Hsg Fund II Bds Ser 2008B | 50,000 | 50,000 | 09/11/2008 | 12/01/2038 | 3.23% | 68% of 1M LIBOR | AAA/Aaa | -882 |
| Vet Hsg Fund II Tax Ref Bds Ser 2009 | 16,950 | 16,950 | 12/01/2009 | 12/01/2021 | 6.22% | 100% of 6M LIBOR | AAA/Aaa | -1,862 |
| Vet Hsg Fund II Tax Ref Bds Ser 2009A | 65,845 | 65,845 | 12/01/2009 | 06/01/2031 | 5.45% | 100% of 6M LIBOR | AAA/Aaa | -6,969 |
| Vet Hsg Fund II Tax Ref Bds Ser 2010 | 66,720 | 66,720 | 06/01/2010 | 12/01/2031 | 5.40% | 100% of 1M LIBOR | AA/Aaa | -9,181 |
| Vet Land Tax Ref Bds Ser 2010 | 16,480 | 16,480 | 12/01/2010 | 12/01/2030 | 5.21% | 100% of 1M LIBOR | AA/Aaa | -1,781 |
| **Pay-Fixed, Receive-Variable Total** | **$3,063,168** | **$2,860,810** | | | | | | **-$171,162** |

| **PAY-VARIABLE, RECEIVE FIXED (Synthetic Floating Rate) Bond Issue** | **Original Notional Amount** | **8/31/2008 Notional Amount** | **Effective Date** | **Swap Termination Date** | **Variable-Rate Paid** | **Fixed-Rate Received** | **Counterparty Credit Ratings** | **8/31/2008 Fair Value** |
|---|---|---|---|---|---|---|---|---|
| Vet Land Tax Ref Bds Ser 2006B | **$24,035** | **22,990** | 06/01/2006 | 12/01/2026 | 4.61% | 100% of 6M LIBOR | AAA/Aaa | **$978** |

| **PAY-VARIABLE, RECEIVE-VARIABLE (Basis Swap) Bond Issue** | **Original Notional Amount** | **8/31/2008 Notional Amount** | **Effective Date** | **Swap Termination Date** | **Variable-Rate Paid** | **Variable-Rate Received** | **Counterparty Credit Ratings** | **8/31/2008 Fair Value** |
|---|---|---|---|---|---|---|---|---|
| Vet Hsg Fund II Tax Bds Ser 1997B-2 | 25,000 | 25,000 | 09/27/2002 | 12/01/2010 | 132.60% of SIFMA | 100% of 3M LIBOR | AA/Aaa | 163 |
| Vet Hsg Fund II Tax Bds Ser 1999A-2 | 90,000 | 90,000 | 08/05/2002 | 09/01/2011 | 134.40% of SIFMA | 100% of 1M LIBOR | AAA/Aaa | 156 |
| Vet Hsg Fund II Tax Bds Ser 1999A-2 | 60,000 | 60,000 | 08/05/2002 | 09/01/2011 | 134.40% of SIFMA | 100% of 1M LIBOR | AAA/Aaa | 137 |
| Vet Land Tax Bds Ser 2000A/2002A | 40,000 | 36,580 | 08/05/2002 | 12/01/2032 | 131.25% of SIFMA | 100% of 1M LIBOR | A+/A1 | -239 |
| GO Mobility Ser 2006A | 200,000 | 200,000 | 09/01/2007 | 09/01/2027 | SIFMA | 69.42% of 10 yr LIBOR | Aa2/AA-/AA- | 2,040 |
| GO Mobility Ser 2006A | 100,000 | 100,000 | 09/01/2007 | 09/01/2027 | SIFMA | 69.42% of 10 yr LIBOR | Aaa/AAA | 1,020 |
| GO Mobility Ser 2006A | 100,000 | 100,000 | 09/01/2007 | 09/01/2027 | SIFMA | 69.42% of 10 yr LIBOR | A1/A+/AA- | 1,020 |
| **Pay-Variable, Receive-Variable Total** | **$615,000** | **$611,580** | | | | | | **$4,298** |
| | | | | | | | | |
| **TOTAL INTEREST RATE SWAPS** | **$3,702,203** | **$3,495,380** | | | | | | **-$165,886** |

* Lessor of a) the greater of 65% of LIBOR or 56% of LIBOR + .45% and b) 1M LIBOR.

** Guaranteed by Goldman Sachs Group rate Aa3 / AA- / AA-.

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

Table 20

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

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

**As of August 31, 2008**

(amounts in thousands)

**UNAUDITED**

**Texas Department of Housing and Community Affairs**

| Fiscal Year Ending 8/31/08 | Variable-Rate Bonds Principal | Variable-Rate Bonds Interest | Interest Rate Swaps, Net | Total |
|---|---|---|---|---|
| 2009 | 515 | 7,485 | 7,409 | 15,409 |
| 2010 | 4,000 | 7,457 | 7,379 | 18,836 |
| 2011 | 4,755 | 7,366 | 7,285 | 19,406 |
| 2012 | 4,990 | 7,264 | 7,180 | 19,434 |
| 2013 | 5,220 | 7,158 | 7,071 | 19,449 |
| 2014-2018 | 43,800 | 33,574 | 33,134 | 110,508 |
| 2019-2023 | 62,505 | 27,882 | 27,544 | 117,931 |
| 2024-2028 | 77,485 | 20,561 | 20,345 | 118,391 |
| 2029-2033 | 86,070 | 11,843 | 11,763 | 109,676 |
| 2034-2038 | 69,990 | 3,154 | 3,230 | 76,374 |
| 2039-2042 | $600 | $6 | $6 | 612 |
| **Total Debt Service and Net Interest Rate Swap Payments** | **$359,930** | **$133,750** | **$132,346** | **$626,026** |

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

**The University of Texas System**

| Fiscal Year Ending 8/31/08 | Variable Rate Bonds Principal | Variable Rate Bonds Interest (1) | Interest Rate Swaps, Net (2) | Total |
|---|---|---|---|---|
| 2009 | 16,380 | 16,862 | 20,272 | 53,514 |
| 2010 | 22,035 | 16,596 | 19,918 | 58,549 |
| 2011 | 22,990 | 16,235 | 19,455 | 58,680 |
| 2012 | 28,870 | 15,858 | 18,971 | 63,699 |
| 2013 | 30,080 | 15,379 | 18,395 | 63,855 |
| 2014-2018 | 126,855 | 69,796 | 83,827 | 280,479 |
| 2019-2023 | 144,430 | 59,904 | 72,619 | 276,953 |
| 2024-2028 | 238,935 | 44,818 | 54,448 | 338,200 |
| 2029-2033 | 265,640 | 25,096 | 30,156 | 320,892 |
| 2034-2039 | 146,995 | 7,814 | 8,776 | 163,586 |
| **Total Debt Service and Net Interest Rate Swap Payments** | **$1,043,210** | **$288,359** | **$346,837** | **$1,678,406** |

(1) Reflects estimated interest cost based on interest rates as of August 31, 2008, of 1.48% on RFS Refunding Bonds, Series 2001A, of 1.475% on RFS Refunding Bonds, Series 2007B, and of 1.69% on RFS Bonds, Series 2008B.

(2) Reflects net payments on pay-fixed, receive-variable interest rate swaps based on interest rates in effect at August 31, 2008, applied on the respective notional amounts of the swaps through their respective termination dates.

**Source:** The University of Texas System

**Veterans' Land Board**

| Fiscal Year Ending 8/31/08 | Variable-Rate Bonds Principal | Variable-Rate Bonds Interest | Interest Rate Swaps, Net | Total |
|---|---|---|---|---|
| 2009 | 50,355 | 27,715 | 29,596 | 107,666 |
| 2010 | 54,755 | 26,572 | 28,431 | 109,758 |
| 2011 | 45,590 | 25,425 | 27,242 | 98,257 |
| 2012 | 45,895 | 24,444 | 26,170 | 96,509 |
| 2013 | 50,155 | 23,451 | 25,050 | 98,656 |
| 2014-2018 | 319,065 | 97,983 | 103,744 | 520,792 |
| 2019-2023 | 300,725 | 59,455 | 62,741 | 422,921 |
| 2024-2028 | 225,255 | 28,268 | 29,007 | 282,530 |
| 2029-2033 | 116,810 | 10,111 | 9,823 | 136,744 |
| 2034-2038 | 42,125 | 1,596 | 1,314 | 45,035 |
| 2039-2043 | 90 | 1 | 1 | 92 |
| **Total Debt Service and Net Interest Rate Swap Payments** | **$1,250,820** | **$325,021** | **$343,119** | **$1,918,960** |

**Source:** Veterans' Land Board

Table 21

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

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

**As of August 31, 2008**

(amounts in thousands)

**UNAUDITED**

**Texas Transportation Commission**

| Fiscal Year | Variable-Rate Bonds | | Interest Rate | |
|---|---|---|---|---|
| Ending 8/31/08 | Principal | Interest | Swaps, Net (1) | Total |
| 2009 | 375 | 49,795 | -5,108 | 45,062 |
| 2010 | 1,325 | 49,780 | -5,108 | 45,997 |
| 2011 | 2,275 | 49,727 | -5,108 | 46,894 |
| 2012 | 3,215 | 49,636 | -5,108 | 47,743 |
| 2013-2017 | 31,195 | 245,489 | -25,540 | 251,144 |
| 2018-2022 | 102,985 | 232,640 | -25,540 | 310,085 |
| 2023-2027 | 223,925 | 195,722 | -25,540 | 394,107 |
| 2028-2032 | 381,200 | 127,826 | -426 | 508,600 |
| 2033-2037 | 293,585 | 26,330 | 0 | 319,915 |
| **Total Debt Service and Net Interest Rate Swap Payments** | **1,040,080** | **1,026,945** | **-97,478** | **1,969,547** |

(1) Swap payments projected using the historical average annual spread differential, which is assumed to be 1.277%, between BMA and 69.42% of 10-Year USD-ISDA-Swap Rate (10 yr LIBOR) since 1985.

**Source:** Texas Department of Transportation

**Veterans' Land Board**

| Fiscal Year | Variable-Rate Bonds | | Interest Rate | |
|---|---|---|---|---|
| Ending 8/31/08 | Principal | Interest | Swaps, Net | Total |
| 2009 | 700 | 11,830 | 404 | 12,934 |
| 2010 | 745 | 11,790 | 408 | 12,943 |
| 2011 | 790 | 11,748 | 453 | 12,991 |
| 2012 | 845 | 11,704 | 797 | 13,346 |
| 2013-2017 | 5,055 | 57,748 | 1,617 | 64,420 |
| 2018-2022 | 9,230 | 56,107 | -675 | 64,662 |
| 2023-2027 | 23,250 | 51,655 | -461 | 74,444 |
| 2028-2032 | 169,595 | 23,702 | -176 | 193,121 |
| 2033-2037 | 1,370 | 37 | -4 | 1,403 |
| 2037-2042 | 0 | 0 | 0 | 0 |
| **Total Debt Service and Net Interest Rate Swap Payments** | **$211,580** | **$236,321** | **$2,363** | **$450,264** |

**Source:** Veterans' Land Board

## Appendix D
## Texas State Debt Programs

### COLLEGE STUDENT LOAN BONDS

**Statutory/Constitutional Authority:** Article III, Sections 50b and 50b-1, 50b-2, 50b-3, 50b-4, 50b-5 and 50b-6 of the Texas Constitution, adopted in 1965, 1969, 1989, 1991, 1995, 1999 and 2007, respectively, authorize the issuance of general obligation bonds by the Texas Higher Education Coordinating Board. In 1991, legislation was enacted giving the Coordinating Board authority to issue revenue bonds. The Board is required to obtain the approval of the Attorney General's Office and the Bond Review Board prior to issuance and to register its bonds with the Comptroller of Public Accounts.

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

**Security:** The first monies coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, are pledged to pay debt service on the general obligation bonds. Revenue bonds will be repaid solely from program revenues. Less than 5% of loans made are guaranteed by the Texas Guaranteed Student Loan Corporation, the U.S. Department of Education and the U.S. Department of Health and Human Services.

**Dedicated/Project Revenue:** Principal and interest payments on the loans are pledged to pay debt service on the bonds issued by the Coordinating Board. No draw on general revenue is anticipated.

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### COLLEGE AND UNIVERSITY REVENUE BONDS

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

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

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

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

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

**Dedicated/Project Revenue:** 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.

**FARM AND RANCH LOAN BONDS**
**Statutory/Constitutional Authority:** Article III, Section 49-f, of the Texas Constitution, adopted in 1985, authorizes the issuance of general obligation bonds by the Veterans Land Board. The program was transferred in 1993 from the Veterans Land Board to the Texas Agricultural Finance Authority with the passage of HB 1684 by the 73rd Legislature. In 1995, a constitutional amendment was approved that expanded the use of existing bond authority and allows no more than $200 million of the authority to be used for the purposes defined in Article III, Section 49-i, of the Texas Constitution and for other rural economic development programs. In 1997, HB 2499, 75th Legislature increased the maximum loan amount available through the program to $250,000. In 2001, SB 716, 77th Legislature authorized the Authority to provide a guarantee to a local lender for an eligible applicant.

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

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

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

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

**Purpose:** Proceeds from the sale of bonds are used by qualified institutions for library materials, land acquisition, new construction, major repairs and renovations or equipment.

**Security:** The first $175 million coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, goes to qualified institutions of higher education to fund certain land acquisition, construction and repair projects. In 2005, the Legislature increased the total allocation to qualified institutions to $262.5 million beginning in fiscal year 2008. Fifty (50) percent of this amount may be pledged to pay debt service on any bonds or notes issued. While not explicitly a general obligation or full faith and credit bond, the stated pledge has the same effect.

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

**Contact:**
Individual colleges and universities.

## PERMANENT UNIVERSITY FUND BONDS

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

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

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

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

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

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## TEXAS AGRICULTURAL FINANCE AUTHORITY BONDS

**Statutory/Constitutional Authority:** The Texas Agricultural Finance Authority (the "Authority") was created in 1987 (Texas Agriculture Code, Chapter 58) and given the authority to issue revenue bonds. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds under Article III, Section 49-i, of the Texas Constitution was approved. In 1995, a constitutional amendment authorized the issuance of general obligation bonds under Article III, Section 49-f, of the Texas Constitution in an amount not to exceed $200 million. Legislative approval is not required for each bond issue; however, the Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and is required to register its bonds with the Comptroller of Public Accounts.

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

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

**Dedicated/Project Revenue:** 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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## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

**Statutory Authority:** The Texas Low-Level Radioactive Waste Disposal Authority (the "Authority") was created in 1981 (Texas Health and Safety Code, Chapter 402), and authorized to issue revenue bonds in 1987 to finance certain costs related to the creation of a radioactive waste disposal site. The Authority was required to obtain the approval of the Attorney General's Office and the Bond Review Board prior to issuance and to register its bonds with the Comptroller of Public Accounts. In 1997, HB 1077, 75th Legislature authorized the Texas Public Finance Authority to issue the bonds on behalf of the Texas Low-Level Radioactive Waste Disposal Authority.

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

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

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## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS BONDS

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

Pursuant to the Act, the Department may issue bonds, notes or other obligations to finance or refinance residential housing and to refund bonds previously issued by the THA, the Department or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the THA become revenue bonds of the Department. Legislative approval of bond issues is not required; however, the Department is required to obtain the approval of the Bond Review

Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

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

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

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

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## TEXAS DEPARTMENT OF TRANSPORTATION BONDS

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

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

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

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

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

In 2007, a constitutional amendment was adopted authorizing the Texas Transportation

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

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

**Security:** Bonds issued are obligations of the Department and are payable from income from the SIB and other project revenues. Bonds issued by the Authority are payable from project revenues and other identified revenue sources. Bonds issued by the Authority are not obligations of the state or a pledge of the full faith and credit of the state. The Texas Mobility Fund obligations are secured by and payable from a pledge of revenues dedicated to and on deposit in the Fund. Bonds secured by the Texas Mobility Fund may also carry the state's full faith and credit, pledging the state's taxing power toward payment of the bonds if the dedicated revenues are insufficient. State Highway Fund bonds are payable from a prior lien on pledge revenues consisting primarily of certain fees, and reimbursements deposited to the credit of the fund.

**Dedicated/Project Revenue:** Debt for bonds is paid from income from the State Infrastructure Bank and other project revenues with the exception of debt paid for bonds secured by the Texas Mobility Fund and State Highway Fund. Likewise, bonds issued by the Authority are payable from project revenues and other identified revenue sources.

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**TEXAS ECONOMIC DEVELOPMENT AND TOURISM BONDS**

**Statutory/Constitutional Authority**: As the successor Office to the Texas Department of Economic Development, the Economic Development and Tourism Office within the Office of the Governor (the "Office") was created by SB 275, 78th Legislature and authorizes the Office to issue bonds. In 1989, a constitutional amendment authorizing the issuance of general obligation bonds was approved. Although legislative approval of bond issues is not required, the Office is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

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

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

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

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## TEXAS MILITARY FACILITIES COMMISSION BONDS

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

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

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

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

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

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

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**TEXAS PARKS AND WILDLIFE DEPARTMENT BONDS**

**Statutory/Constitutional Authority:** Article III, Section 49-e, of the Texas Constitution, adopted in 1967, authorized the Texas Parks and Wildlife Department (the "Department") to issue general obligation bonds to acquire and develop state parks. In 1991, SB 3, 72nd Legislature, authorized the Texas Public Finance Authority (the "Authority") to issue bonds on behalf of the Department. In 1997, HB 3189, 75th Legislature, codified in the Texas Parks and Wildlife Code, Section 13.0045, authorized the Authority to issue revenue bonds or other revenue obligations not to exceed $60 million in the aggregate on behalf of the Department for construction and renovation projects for parks and wildlife facilities.

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

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

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

**Dedicated/Project Revenue:** 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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**TEXAS PUBLIC FINANCE AUTHORITY BONDS**

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

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

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

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

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

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

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

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

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

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

In 2003, the 78th Legislature authorized the Authority to issue revenue bonds on behalf of the Texas Workforce Commission to fund the unemployment compensation program. (See Texas Labor Code, Chapter 203 et seq.) The 78th Legislature also authorized: (1) the Authority's issuance of general obligation bonds to finance assistance to local governments for economic development projects to enhance the military value of military facilities. Texas voters approved SJR55 on September 13, 2003 and amended the Texas Constitution, Article III, Section 49-n and Texas Government Code, Chapter 436; and (2) the Authority's issuance of up to $75 million of revenue bonds to fund the FAIR Plan which provides residential property insurance of last resort.

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

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

The Authority is required to obtain the approval of the Bond Review Board and the

Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

**Purpose:** Proceeds from the sale of general obligation bonds issued under Article III, Section 49-h are used to finance the cost of constructing, acquiring and/or renovating prison facilities, youth correction facilities and mental health/mental retardation facilities. Proceeds of obligations issued under Article III, Section 50-f are used for state agency renovation, construction and equipment acquisition projects. Proceeds of obligations issued under Article III, Section 49-l are used to provide assistance to border counties for colonia roadway projects. Proceeds from the sale of building revenue bonds are used to purchase, construct, renovate and maintain state buildings. Proceeds of bonds issued under Article III, Section 49-m are used to fund the Texas Military Value Revolving Loan Fund to make loans to certain defense communities for improved military value or economic development projects. Proceeds from the sale of bonds for the Workers' Compensation Fund were used to fund the Workers' Compensation Insurance Fund. Proceeds from the issuance of commercial paper under the Master Lease Purchase Program are used to finance equipment purchases of state agencies. For a description of the use of funds for bonds issued on behalf of the Texas Military Facilities Commission, the Texas Parks and Wildlife Department and the Texas state colleges and universities that are clients of the Authority, see the applicable sections in this appendix. Proceeds of bonds issued on behalf of the Texas National Research Laboratory Commission were used to finance costs of the Superconducting Super Collider; however, the project was canceled in 1995. The revenue bonds issued for the project were defeased in 1995 and the general obligation bonds were economically defeased in November 1999.

**Security:** Issued building revenue bonds are obligations of the Authority and are payable from "rents, issues, and profits" resulting from leasing projects to the state. These sources of revenue come primarily from legislative appropriations. The general obligation bonds pledge the first monies not otherwise appropriated by the Constitution that come into the state treasury each fiscal year to pay debt service on the bonds. Revenue debt issued for the Unemployment Compensation Insurance Fund was secured by a special obligation assessment imposed on Texas employers by the Texas Workforce Commission. Revenue bonds issued for the Master Lease Purchase Program are secured by lease payments from state agencies which come from state appropriations.

**Dedicated/Project Revenue:** Debt service on all general obligation bonds, except the park development bonds, is payable solely from the state's General Revenue Fund. Debt service on the general obligation bonds for park development is paid first from department revenues as described in the applicable section of this appendix. Debt service on the revenue bonds is payable from lease payments which are primarily general revenue funds appropriated to the respective agencies and institutions by the legislature. The legislature, however, has the option to appropriate lease payments to be used for debt service on the bonds from any other source of funds that is lawfully available. For example, debt service on the bonds issued on behalf of the Texas Department of State Health Services is appropriated from lab fees collected by the Department. Bonds issued on behalf of the Workers' Compensation Fund which are fully economically defeased and were paid in full in December 2006, were payable solely from maintenance tax surcharges authorized in Article 5.76 of the Texas Insurance Code. Issued university revenue bonds are repaid from pledged revenue such as tuition and fees. The university bonds are self-supporting and the state's credit is not pledged.

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## TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION

**Statutory/Constitutional Authority:** The Texas Public Finance Authority Charter School Finance Corporation ("Corporation" or "Issuer") is a public, non-profit corporation created by the Texas Public Finance Authority (the "Authority" or "Sponsoring Entity") and exists as an instrumentality of the state pursuant to Section 53.351 of the Texas Education Code, as amended (the "Act").

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

**Purpose:** Pursuant to the Act, the Issuer is authorized to issue revenue bonds and to lend the proceeds thereof to any authorized charter schools for the purpose of aiding such schools in financing or refinancing "educational facilities" (as such term is defined in the Act) and facilities which are incidental, subordinate or related thereto or appropriate in connection therewith.

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

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

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## TEXAS SMALL BUSINESS INDUSTRIAL DEVELOPMENT CORPORATION BONDS

**Statutory Authority:** The Texas Small Business Industrial Development Corporation (TSBIDC) was created as a private non-profit corporation in 1983 (Title 83, Article 5190.6, Sections 4-37, Tex. Rev. Civ. Stat. Ann.) 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 Professional Educators Home Loan Program as established under Section 2306.562. The 78th Legislature authorized the Fire Fighter and Police Officer Home Loan Program and has amended it to include security officers (79th Legislature) and Texas Youth Commission Correctional Officers and Emergency Medical Services Personnel (80th Legislature). The 79th Legislature established the Professional Nursing Program Faculty Member Home Loan Program under Section 2306.5622. The Home Sweet Texas Loan Program is specifically for individuals and families at or below 80% of the Annual Median Family Income.

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

**Purpose:** The Corporation's primary public purpose is to facilitate the provision of housing and the making of affordable loans to individuals and families of low, very low and extremely low income for eligible participants under its programs. The Corporation is required to perform such activities and services that will promote and facilitate the public health, safety and welfare through the provision of adequate, safe and sanitary housing for individuals and families of low, very low and extremely low income.

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

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

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## TEXAS WATER DEVELOPMENT BONDS

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

Article III, Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-4, 49-d-6, 49-d-7, 49-d-8, 49-d-9, 49-d-10 and 50-d of the Texas Constitution, initially adopted in 1957 contain the authorization for the issuance of general obligation bonds by the Board.

The Texas Water Resources Fund, administered by the Board was created in 1987 by the 70th Legislature (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. The 80th Legislature authorized an additional $250 million in general obligation bonds for the EDAP detailed in Article III, Section 49-d-10.

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 EDAP) to political subdivisions of Texas for the performance of various projects related to water conservation, transportation, storage and treatment.

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

**Dedicated/Project Revenue:** Principal and interest payments on the loans to political subdivisions for water projects are pledged to pay debt service on the bonds issued by the Board. The Water Development Bond Programs, with the exception of the Economically Distressed Areas Program, the State Participation Program, the Water Infrastructure Fund, and the Agricultural Water Conservation Loan 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, the Water Infrastructure Fund, the State Participation Program, and the Agricultural Water Conservation Loan Program.

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**TEXAS WATER RESOURCES FINANCE AUTHORITY BONDS**
**Statutory Authority:** The Texas Water Resources Finance Authority (the "Authority") was created in 1987 (Texas Water Code, Chapter 20) and given the authority to issue revenue bonds. The Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

**Purpose:** Proceeds from the sale of bonds are used to finance the acquisition of the bonds of local government jurisdictions including local jurisdiction bonds that are owned by the Texas Water Development Board.

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

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

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**VETERANS' LAND AND HOUSING ASSISTANCE BONDS**
**Statutory/Constitutional Authority:** Article III, Section 49-b, of the Texas Constitution, initially adopted in 1946, authorized the issuance of general obligation bonds to finance the Veterans Land Program. Article III, Section 49-b-1, of the Texas Constitution, adopted in 1983, authorized additional land bonds and created the Veterans' Housing Assistance Program and established the

Veterans' Housing Assistance Fund within the program. Article III, Section 49-b-2, of the Texas Constitution, adopted in 1993, authorized additional land bonds and the issuance of general obligation bonds to finance the Veterans' Housing Assistance Program, Fund II. Article III, Section 49-b, amended in 2001 and 2003, also authorizes the Veterans Land Board to use assets from the Veterans' Land Fund, the Veterans' Housing Assistance Fund or the Veterans' Housing Assistance Fund II in connection with veterans' cemeteries and veterans' long-term care facilities. Chapter 164 of the Texas Natural Resources Code authorized the Veterans Land Board to issue revenue bonds for its programs including the financing of veterans' long-term care facilities.

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

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

**Dedicated/Project Revenue:** 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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