Texas Bond Review Board

2013 Annual Report

Fiscal Year Ended August 31, 2013

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Rick Perry, Governor
Chairman

David Dewhurst, Lieutenant Governor

Joe Straus, Speaker of the House of Representatives

Susan Combs, Comptroller of Public Accounts

Robert C. Kline
Executive Director

December 2013

Overview

Background

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

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

On June 10, 2013, S&P reaffirmed its AA+ long-term debt rating for the United States and revised its long-term outlook to stable from negative. Similarly, on July 18, 2013, Moody's affirmed the United States government Aaa rating and changed its outlook to stable from negative. However, on June 28, 2013, Fitch affirmed the AAA rating for the U.S but left the negative outlook unchanged. Texas' GO borrowing costs have not been significantly impacted by changes in U.S. credit ratings.

Texas ended fiscal 2013 with a total consolidated General Revenue Fund cash balance of $8.57 billion, a 329.1 percent increase from the fiscal 2012 year-end closing balance of $2.00 billion.

Total not self-supporting debt increased from $3.15 billion at the end of fiscal 2004 to $4.84 billion at the end of fiscal 2013, an increase of 53.7 percent, and an increase of 18.3 percent from the $4.09 billion outstanding in fiscal 2012. The increase during fiscal 2013 is mainly attributable to the issuance of GO transportation bonds.

Not self-supporting debt ratios for Texas rank well below those of other states, including comparisons with the ten most populous states and those rated AAA by the three major rating agencies. (Not self-supporting debt receives annual legislative appropriations from state general revenue for debt-service payments.)

The most recent U.S. Census Bureau data for total state and local debt outstanding show that for calendar 2010-11, Texas was the nation's 2nd most populous state and ranked 2nd among the ten most populous states in terms of Local Debt Per Capita but 9th in State Debt Per Capita and 4th in Total State and Local Debt Per Capita.

Constitutional Debt Limit

As of August 31, 2013 Texas' constitutional debt limit (CDL) remained below the maximum of 5 percent with 1.34 percent calculated for debt outstanding and 1.70 percent calculated for authorized but unissued debt for a total of 3.04 percent including both outstanding and authorized but unissued debt. These figures represent a decline of 14.5 percent from the 3.48 percent calculated for outstanding and authorized but unissued debt for fiscal 2012. The CDL is expected to continue to decrease with the issuance of authorized debt and as the state's unrestricted general revenue increases with the continued improvement in the state's economy.

State and Local Financings in FY 2013

State Debt

In fiscal year 2013 the state's total debt outstanding increased 6.2 percent to $43.54 billion compared to $40.99 billion in fiscal 2012 and $40.50 billion in fiscal 2011.

Bonds issued by Texas state agencies and universities during fiscal year 2013 increased by 127.0 percent to an aggregate total of $6.32 billion compared to $2.78 billion issued in fiscal 2012. After declining during fiscal 2012, new money issuances reversed course with the largest amount issued since 2010. The aggregate new money issuances increased to $5.21 billion, 1.0 percent below the peak of $5.26 billion reached at the end of fiscal 2010. Refunding bond issuances increased 166.2 percent to $1.11 billion.

In addition, approximately $776.6 million in commercial paper and variable-rate notes were issued in fiscal 2013 compared to approximately $854.2 million issued in fiscal 2012, a decrease of 9.1 percent.

Texas state issuers expect to issue approximately $7.38 billion in bonds, CP and VRN during fiscal 2014. This amount includes $1.50 billion of GO highway improvement bonds expected to be issued by the Texas Transportation Commission.

Local Debt

For the fiscal year ending August 31, 2012 Texas' total local government debt outstanding increased by 1.6 percent to $195.81 billion compared to $192.74 billion outstanding at fiscal year-end 2011. (Local government debt outstanding totals for fiscal 2013 are not yet available.)

Local government debt issuance in Texas reached $27.21 billion in fiscal 2012, a 10.0 percent increase from the $24.74 billion issued in fiscal 2011. Approximately $11.56 billion of the total for fiscal 2012 was issued for new-money purposes, and $15.65 billion was issued to refund prior outstanding debt. Tax-supported debt issuances increased by 8.5 percent to $15.90 billion, and revenue debt issuances increased by 12.1 percent to $11.31 billion.

Issuance Costs

Excluding issuances of conduit and private-placement debt, during fiscal 2013 the weighted average of issuance cost for state bond issuers was $6.18 per $1,000 compared to $6.58 per $1,000 for fiscal 2012.

Private Activity Bond Allocation Program and Other Bonding Authority

The calendar-year 2013 Private Activity Bond Allocation Program experienced a 1.5 percent increase in volume cap to finance "private activities" such as single-family mortgages, multifamily housing, pollution control facilities and student loans. The 2013 volume cap was set at $2,475,624,285, an increase of $36.5 million from the 2012 cap of $2,439,094,695.

Approximately 41.2 percent of the available 2013 volume cap had been requested before the August 15th collapse compared to 17.9 percent for 2012. Applications received for Program Year 2013 including carryforward requests, totaled $1.94 billion or 41.1 percent of the total available allocation of $4.72 billion, a decrease of 21.8 percent from the $2.48 billion of the available allocation requested in 2012. As of November 15, 2013 all requests for reservations had been granted.

In October 2008 the Heartland Disaster Tax Relief Act (HDTRA) of 2008 provided Texas with $1.86 billion in tax-exempt bonding authority for the Hurricane Ike disaster area. As of the expiration of the program (January 1, 2013), approximately $1.86 billion (99.6 percent) of the total authority was allocated.

In February 2009 the American Recovery and Reinvestment Act (ARRA) of 2009 created four new types of bonding authority and expanded authority under three existing programs. Under ARRA, four state issuers had a total of $5.47 billion in Build America Bonds outstanding. The program expired at the end of calendar 2010.

83rd Legislature – Regular Session, 1st, 2nd and 3rd Called Special Session

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

Senate Joint Resolution (SJR) 1 proposed the creation of a State Water Implementation Fund that would be administered, without further appropriation, by the Texas Water Development Board (TWDB). The Fund will be used to implement the state's water plan. Voters approved the proposed amendments to the Texas Constitution in SJR 1 at the November 5, 2013 bond election.

Additional Detail

This report concludes with seven appendices. Appendix A provides a detailed description of each state bond transaction closed in fiscal 2013. Appendix B reports on commercial paper and variable-rate debt programs used by state agencies and universities. Appendix C provides a background discussion of Texas Swap Programs and reports on swaps outstanding and debt-service requirements. While not a debt of the state, the aggregate notional amount of interest rate swaps outstanding at the state level was $4.76 billion at fiscal year-end 2013. Appendix D provides an overview of the costs of issuance and underwriting spread. Appendix E provides a brief description of each of the state's bond issuing entities. Appendix F provides a brief overview of the Private Activity Bond Program. Appendix G provides a glossary of terms.

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Cautionary Statements

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

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

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

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

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

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

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

Chapter 1
Texas Debt in Perspective

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

On June 10, 2013, S&P reaffirmed its AA+ long-term debt rating for the United States and revised its long-term outlook to stable from negative. Similarly, on July 18, 2013, Moody's affirmed the United States government Aaa rating and changed its outlook to stable from negative. However, on June 28, 2013, Fitch affirmed the AAA rating for the U.S but left the negative outlook unchanged. Texas' GO borrowing costs have not been significantly impacted by changes in U.S. credit ratings.

According to Moody's 2013 State Debt Medians, Texas ranked 39th among all states in net tax-supported debt per capita, unchanged from the prior year, and Texas had $580 in net tax-supported debt per capita compared to the national median and mean of $1,074 and $1,416, respectively.

STATE DEBT

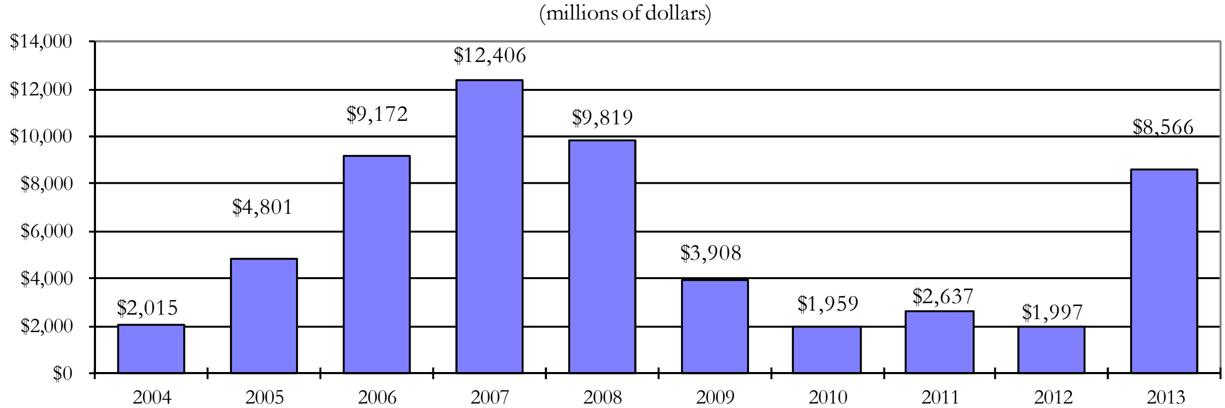
Texas' Financial Position

Texas ended fiscal 2013 with a total consolidated General Revenue Fund cash balance of $8.57 billion *(Figure 1.1),* a 329.1 percent increase from the fiscal 2012 year-end closing balance of $2.00 billion.

Total Tax Collections received increased by 8.3 percent to $44.77 billion. Total Net Revenues and Other Sources increased by 4.1 percent to $124.4 billion, and Total Expenditures and Other Uses decreased by 2 percent to $117.83 billion *(Table 1.1).*

The Sales Tax remains the state's primary source of revenue and accounted for 57.9 percent of Total Tax Collections during fiscal 2013. Sales Tax revenues increased 7.3 percent from the prior fiscal year to $25.9 billion. In addition, during fiscal 2013 the state's Oil Production Tax increased by 42.2 percent to $2.99 billion. Natural Gas Production Tax, Utility Tax and Other Taxes declined by 2.6 percent, 3.6 percent and 1.3 percent to $1.50 billion, $434.9 million and $247.7 million, respectively.

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



Source: Texas Comptroller of Public Accounts, 2013 Annual Cash Report

Table 1.1

STATEMENT OF CASH CONDITION

CONSOLIDATED GENERAL REVENUE FUND

(amounts in thousands)

	Fiscal 2012	Fiscal 2013	% Change
Revenues and Beginning Balance			
Beginning Balance, September 1	$2,638,852	$1,997,197	-24.3%
Tax Collections			
General Revenue Fund			
Sales Tax	24,149,441	25,901,281	7.3%
Motor Vehicle Sales / Rental Taxes	3,543,562	3,858,909	8.9%
Motor Fuel Taxes	3,169,240	3,221,502	1.6%
Franchise Tax	2,707,761	2,793,648	3.2%
Insurance Taxes	1,496,251	1,764,153	17.9%
Natural Gas Production Tax	1,534,630	1,495,203	-2.6%
Cigarette and Tobacco Taxes	600,773	652,934	8.7%
Alcoholic Beverages Taxes	929,700	976,894	5.1%
Oil Production and Regulation Taxes	2,103,268	2,990,890	42.2%
Inheritance Tax	-483	-10,293	2031.1%
Utility Taxes	450,907	434,871	-3.6%
Hotel Occupancy Tax	401,411	441,132	9.9%
Other Taxes	250,889	247,719	-1.3%
Total Tax Collections	**$41,337,350**	**$44,768,843**	**8.3%**
Federal Income	28,266,640	29,201,754	3.3%
Licenses, Fees, Permits, Fines, & Penalties	5,663,242	5,822,456	2.8%
Interest and Investment Income	19,878	73,947	272.0%
Net Lottery Proceeds	1,830,916	1,893,285	3.4%
Sales of Goods and Services	159,978	165,488	3.4%
Settlements of Claims	558,113	596,085	6.8%
Land Income	41,028	53,909	31.4%
Contributions to Employee Benefits	126	87	-31.0%
Other Revenue Sources	4,160,635	4,444,477	6.8%
Interfund Transfers/Investment Transactions	37,514,560	37,380,467	-0.4%
Total Net Revenue and Other Sources	**$119,552,466**	**$124,400,798**	**4.1%**
Expenditures and Ending Balance			
General Government	2,611,651	2,515,041	-3.7%
Education	30,547,887	26,680,189	-12.7%
Employee Benefits	2,922,006	3,003,423	2.8%
Health and Human Services	38,005,055	38,653,634	1.7%
Public Safety and Corrections	3,752,373	3,716,508	-1.0%
Lottery Winnings Paid	619,034	661,199	6.8%
Other Expenditures*	2,409,653	2,445,944	1.5%
Interfund Transfers / Investment Transactions	39,326,977	40,157,190	2.1%
Total Expenditures and Other Uses	**$120,194,636**	**$117,833,128**	**-2.0%**
Net Increase to Petty Cash Accounts	512	759	48.2%
Ending Balance, August 31	**$1,996,170**	**$8,565,626**	**329.1%**

Source: Texas Comptroller of Public Accounts, 2013 Cash Report, Tables 1 & 11.

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

Totals may not sum due to rounding.

83rd Legislature – Regular Session, 1st, 2nd and 3rd Called Special Session

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

Senate Joint Resolution (SJR) 1 proposed the creation of a State Water Implementation Fund that would be administered, without further appropriation, by the Texas Water Development Board (TWDB). The Fund will be used to implement the state's water plan. Voters approved the proposed amendments to the Texas Constitution in SJR 1 at the November 5, 2013 bond election.

82nd Legislature – Regular Session and 1st Called Special Session

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

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

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

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

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

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

HB 1 of the 1st Called Special Session of the 81st Legislature appropriated to TTC for the 2010-11 biennium $2 billion of the $5 billion in GO bonds approved by voters in 2007 to fund highway improvement projects. No bonds were issued under this appropriation during fiscal 2010, but in September 2010, TTC issued $977.8 million in GO bonds of which $815.4 million was issued as Build America Bonds.

80th Legislature - Regular Session

The 80th Legislature authorized more than $9.75 billion in additional GO debt that was approved by voters in 2007. These include: Senate Joint Resolution (SJR 64) to finance $5 billion for transportation projects; House

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

With the passage of SB 1332 the 80th Legislature passed legislation modifying the BRB statutes to require issuers to submit Requests for Proposals to provide services, final proposals for those services and executed contracts upon request. The BRB has requested that all state issuers provide this information. The legislation also added a definition of derivative agreements and required the BRB to develop a state policy for such agreements. The definition of a state security was expanded to include certain obligations issued under the Texas Education Code, Chapter 53. Under SB 1332 the BRB, in conjunction with the Legislative Budget Board is annually required to submit a Debt Affordability Study to state leadership.

Under SB 968 the 80th Legislature expanded and clarified the definition of derivative agreements in the Texas Government Code, Chapter 1371 and requires issuers to have appropriate policies and oversight over derivatives unless they are considered experienced as defined within the statute. SB 792 expanded the authority for State Highway Fund Bonds from $3 billion to $6 billion.

Additional Bonding Authority

In October 2008 the Heartland Disaster Tax Relief Act of 2008 created $1.86 billion in tax-exempt bonding authority for the Hurricane Ike disaster area which includes 34 counties along the Texas coast. The Hurricane Ike Authority expired on January 1, 2013. *(See Chapter 4 for the status of Hurricane Ike bonding authority.)*

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

Recent Credit Rating Agency Reports on Texas' General Obligation Debt

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

In its September 2013 report, "State Review: Texas," S&P stated that "Texas' economic performance continues to outperform the nation. Although the state was not exempt from the effects of the Great Recession, it has recovered faster and stronger than most other states. Through August 2013, Texas has exceeded its pre-recession peak employment by 596,900 jobs, approximately 5.6% higher. By contrast, the nation as a whole has recovered only 78% of the nearly 9 million jobs lost during the recession. Other indicators, such as per capita personal income growth and per capita GDP, also continue to perform better than the nation. While the strength of the state's energy sector continues to be an important driver of overall economic performance, other sectors such as high tech, manufacturing, and exports have an increasing presence on the state's economic landscape. We believe that the state's economy will continue to perform strongly in the medium term, fueled by a rebound in the housing sector, the relatively low costs of doing business, the presence of research universities, and a favorable tax environment."

Table 1.2

STATE BOND RATINGS as of September 2013

States With a General Obligation Rating

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

* Issuer Credit Rating. No GO debt outstanding.

** Not rated

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

Moody's latest action on Texas' GO rating was to affirm its AAA rating and stable outlook on September 25, 2013. In its report of that date entitled "Rating Action: Moody's Assigns Aaa Rating to $113.5 Million of Texas General Obligation Bonds Issued Through Texas Higher Education Coordinating Board," Moody's stated that "The Aaa rating reflects the strong fundamentals of the Texas economy and the expectation that it will continue to perform more strongly than the nation; a notable large rainy day fund even after the state has used a portion of it to help balance the current biennium but that still provides a healthy budgetary cushion; and low debt levels. Those strengths are offset by a relatively low GAAP-basis available fund balance and ongoing structural pressure to balance the state's finances as it seeks to maintain education and property tax relief amid high population growth."

Fitch's latest action on Texas' GO rating was to affirm its AAA rating and stable outlook in June 27, 2013. In its report of that date entitled "Fitch Rates Texas Water Development Board's $105 Million State GOs AAA," Fitch stated that "The state's long-term 'AAA' GO rating reflects its low debt burden, conservative financial operations and a growth-oriented economy that continues to outpace national averages. Financial pressures arise from the demand that rapid growth places on that state's consumption-based tax system, including longer term transportation needs and the state's commitment to education."

Factors Affecting the Rating of Texas' General Obligation Debt

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

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

Changes in State Bond Ratings

During fiscal 2013, Alaska, Texas, California and Michigan received upgrades in ratings. S&P upgraded Texas to AAA from AA+ and California to A from A-. Fitch upgraded Alaska to AAA from AA+, California to A from A- and Michigan to AA from AA-.

Four states received ratings downgrades: Illinois was downgraded by Moody's, Standard and Poor's and Fitch to A3 from A2, A- from A and A- from A, respectively. Kentucky and Maine were downgraded by Fitch to A+ from AA- and to AA from AA+, respectively. Pennsylvania was downgraded by Moody's to Aa2 from Aa1 and to AA from AA+ by Fitch. *(Table 1.3)*.

Texas' Debt Ratios Compared to AAA-Rated and Other States

According to Moody's 2013 State Debt Medians, Texas ranked 39th among all states in net tax-supported debt per capita, unchanged from the prior year, and Texas had $580 in net tax-supported debt per capita compared

Table 1 3
CHANGES IN STATE BOND RATINGS
September 2012 to September 2013

State	Moody's	Standard & Poor's	Fitch
Upgrades			
Alaska	-	-	AA+ to AAA
Texas	-	AA+ to AAA	-
California	-	A- to A	A- to A
Michigan	-	-	AA- to AA
Downgrades			
Illinois	A2 to A3	A to A-	A to A-
Kentucky	-	-	AA- to A+
Maine	-	-	AA+ to AA
Pennsylvania	Aa1 to Aa2	-	AA+ to AA

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

to the national median and mean of $1,074 and $1,416, respectively (*Table 1.4*). Texas net tax-supported debt per capita ranked lower than that of the eight other states rated AAA *(Table 1.5).* By comparison, AAA-rated Delaware had the highest debt per capita at $2,536. Additionally, Texas' 2012 personal income per capita of $42,638 is above that of four other AAA states: Georgia, Missouri, North Carolina and Utah.

Texas' net tax-supported debt as a percent of calendar 2011 personal income was 1.5 percent, 40th among all the states and below the national median and mean of 2.8 percent and 3.4 percent, respectively *(Table 1.4).* Compared to the eight other states also rated AAA by all three major rating agencies, Texas ranked lowest on this measure with the median and mean for all AAA-rated states at 2.9 percent and 3.1 percent, respectively *(Table 1.5).*

The most recent U.S. Census Bureau data for state and local debt outstanding show that for census years 2010-11, Texas was the nation's 2nd most populous state and ranked 2nd among the ten most populous states in terms of Local Debt Per Capita, 9th in State Debt Per Capita and 4th in Total State and Local Debt Per Capita *(Table 1.6)* with 85.1 percent of the state's total state and local debt burden at the local level *(Figure 1.2).* Listed by decreasing amount outstanding, local debt is issued by public school districts; cities, towns and villages; water districts; special districts; counties; community and junior colleges and health/hospital districts.

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

General Obligation Debt Has Increased Over the Past Decade

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

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

Total not self-supporting debt increased from $3.15 billion at the end of fiscal 2004 to $4.84 billion at the end of fiscal 2013, an increase of 53.7 percent, and an increase of 18.3 percent from the $4.09 billion outstanding in fiscal 2012. The increase during fiscal 2013 is mainly attributable to the issuance of general obligation transportation bonds.

Table 1.4

SELECTED TAX-SUPPORTED DEBT MEASURES BY STATE

State	Moody's Rating	Net Tax-Supported Debt as a % of 2011 Personal Income	Rank	Net Tax-Supported Debt Per Capita	Rank
Hawaii	Aa2	10.0%	1	$4,246	3
Massachusetts	Aa1	9.3%	2	4,968	2
Connecticut	Aa3	9.1%	3	5,185	1
New Jersey	Aa3	7.6%	4	4,023	4
Washington	Aa1	6.4%	5	2,817	6
New York	Aa2	6.3%	6	3,174	5
Delaware	Aaa	6.2%	7	2,536	8
Kentucky	Aa2*	5.9%	8	1,998	11
California	A1	5.8%	9	2,565	7
Illinois	A2	5.7%	10	2,526	9
Mississippi	Aa2	5.4%	11	1,735	15
Oregon	Aa1	5.2%	12	1,945	12
Rhode Island	Aa2	4.7%	13	2,085	10
Wisconsin	Aa2	4.7%	14	1,874	13
Utah	Aaa	3.8%	15	1,275	20
New Mexico	Aaa	3.8%	16	1,316	17
Louisiana	Aa2	3.7%	17	1,411	16
Maryland	Aaa	3.6%	18	1,799	14
West Virginia	Aa1	3.3%	19	1,118	23
Georgia	Aaa	3.0%	20	1,061	26
Minnesota	Aa1	3.0%	21	1,315	18
Virginia	Aaa	2.9%	22	1,315	19
Pennsylvania	Aa2	2.8%	23	1,208	22
Florida	Aa1	2.8%	24	1,087	25
Alaska	Aaa	2.8%	25	1,251	21
Ohio	Aa1	2.8%	26	1,047	27
Kansas	Aa1*	2.8%	27	1,112	24
Arizona	Aa3	2.5%	28	902	28
Alabama	Aa1	2.5%	29	867	29
North Carolina	Aaa	2.4%	30	853	31
South Carolina	Aaa	2.3%	31	780	35
Michigan	Aa2	2.2%	32	800	34
Maine	Aa2	2.1%	33	814	32
Nevada	Aa2	1.9%	34	730	36
Vermont	Aaa	1.9%	35	811	33
New Hampshire	Aa1	1.9%	36	862	30
Missouri	Aaa	1.8%	37	699	37
Oklahoma	Aa2	1.6%	38	604	38
Idaho	Aa1	1.6%	39	515	41
Texas	**Aaa**	**1.5%**	**40**	**580**	**39**
Colorado	Aa1*	1.2%	41	525	40
Indiana	Aaa*	1.2%	42	424	42
Arkansas	Aa1	1.2%	43	404	43
Tennessee	Aaa	0.9%	44	343	45
South Dakota	NGO**	0.9%	45	355	44
Montana	Aa1	0.9%	46	311	46
Iowa	Aaa*	0.7%	47	287	48
North Dakota	Aa1*	0.7%	48	292	47
Wyoming	NGO**	0.1%	49	59	49
Nebraska	NGO**	0.0%	50	14	50
Mean		3.4%		$1,416	
Median		2.8%		$1,074	
Puerto Rico***	Baa3	88.9%		$14,053	

* 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, *2013 State Debt Medians.*

Table 1.5 SELECTED DEBT MEASURES FOR TEXAS AND STATES RATED AAA						
State	Rating*	Net Tax-Supported Debt as a % of 2011 Personal Income	Rank	Net Tax-Supported Debt Per Capita	Rank	2012 Personal Income Per Capita
Alaska	AAA	2.8%	25	$1,251	21	$49,436
Delaware	AAA	6.2%	7	2,536	8	44,224
Maryland	AAA	3.6%	18	1,799	14	53,816
Georgia	AAA	3.0%	20	1,061	26	37,449
Utah	AAA	3.8%	15	1,275	20	35,430
North Carolina	AAA	2.4%	30	853	31	37,910
Missouri	AAA	1.8%	37	699	37	39,133
Virginia	AAA	2.9%	22	1,315	19	48,377
TEXAS	AAA	1.5%	40	580	39	42,638
Median of AAA States		**2.9%**		**$1,251**		**$42,638**
Mean of AAA States		**3.1%**		**$1,263**		**$43,157**

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

Sources: Moody's Investors Service, *2013 State Debt Medians;* Bureau of Economic Analysis, State BEAR Facts

Annual debt service as a percent of unrestricted general revenue increased from 1.11 percent in fiscal 2012 to 1.25 percent in fiscal 2013 *(Figure 1.3)*.

Funds accessible to make debt-service payments increased 6.5 percent in fiscal 2013 to $45.05 billion from $42.29 billion in fiscal 2012 *(Figure 1.4)*. Unrestricted general revenue is generally the most available funding source to make debt-service payments and to fund appropriations for state operations.

Authorized but Unissued Debt Increases

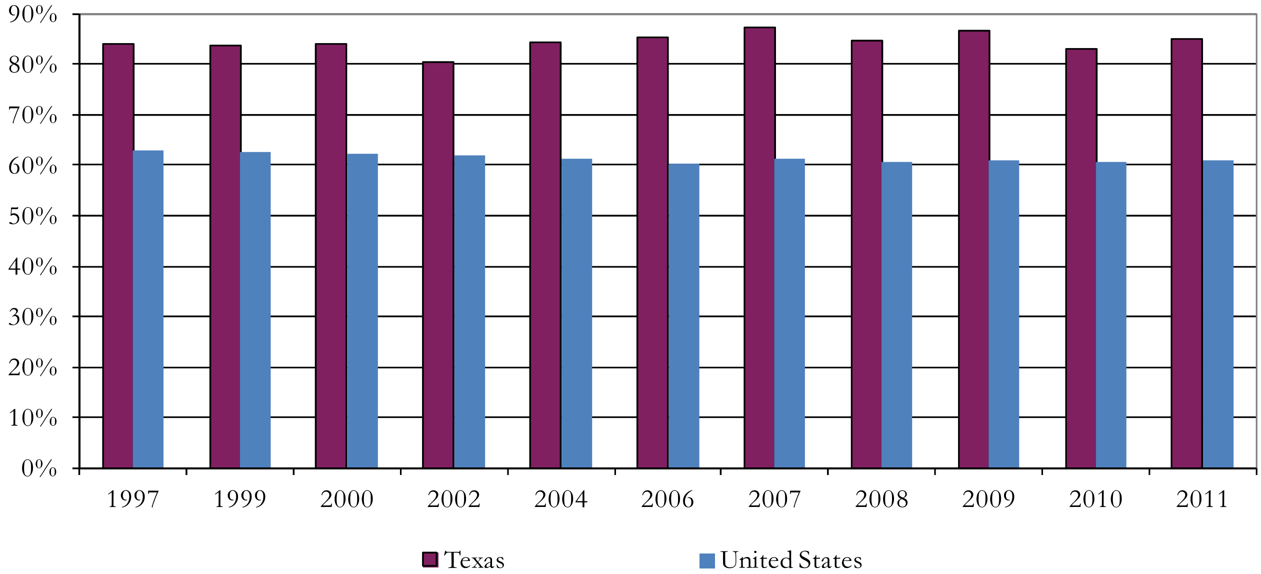
Authorized but unissued debt (debt that has been authorized by the legislature and may be issued at any time without further legislative action) decreased by 7.2 percent from approximately $21.56 billion at the end of fiscal 2012 to approximately $20.01 billion at the end of fiscal 2013. This decrease is mainly attributable to GO bond issuances by Veteran's Land Board, Texas Department of Transportation and TWDB in the approximate amounts of $350.0 million, $918.2 million and $227.0 million, respectively.

Table 1 6 TOTAL STATE AND LOCAL DEBT OUTSTANDING: TEN MOST POPULOUS STATES												
	Total State and Local Debt				State Debt				Local Debt			
State	Population (thousands)	Amount (millions)	Per Capita Amount	Per Capita Rank	Amount (millions)	% of Total Debt	Per Capita Amount	Capita Rank	Amount (millions)	% of Total Debt	Capita Amount	Capita Rank
New York	19,570	$334,622	$17,099	1	$134,929	40.3%	$6,895	1	$199,693	59.7%	$10,204	1
Illinois	12,875	145,485	11,300	2	64,801	44.5%	5,033	2	80,684	55.5%	6,267	4
California	38,041	418,833	11,010	3	149,671	35.7%	3,934	3	269,162	64.3%	7,076	3
Texas	**26,059**	**258,240**	**9,910**	**4**	**38,530**	**14.9%**	**1,479**	**9**	**219,710**	**85.1%**	**8,431**	**2**
Pennsylvania	12,764	123,483	9,674	5	45,267	36.7%	3,546	4	78,216	63.3%	6,128	5
Florida	19,318	151,904	7,863	6	43,472	28.6%	2,250	7	108,432	71.4%	5,613	6
Michigan	9,884	73,842	7,471	7	30,975	41.9%	3,134	5	42,867	58.1%	4,337	7
Ohio	11,544	77,533	6,716	8	30,974	39.9%	2,683	6	46,559	60.1%	4,033	9
Georgia	9,920	54,368	5,481	9	13,403	24.7%	1,351	10	40,965	75.3%	4,130	8
North Carolina	9,752	51,187	5,249	10	18,556	36.3%	1,903	8	32,631	63.7%	3,346	10
MEAN		**$168,950**	**$9,177**		**$57,058**	**34.4%**	**$3,221**		**$111,892**	**65.6%**	**$5,956**	

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: 2010-2011,* the most recent data available.

Figure 1 2
LOCAL DEBT OUTSTANDING AS A PERCENTAGE OF TOTAL STATE AND LOCAL DEBT FOR TEXAS AND THE U.S.



Source: U S Census Bureau, *State and Local Government Finances by Level of Government and by State 2010-2011,* the most recent data

Of the $20.01 billion in authorized but unissued debt, approximately $16.24 billion is GO debt while $3.76 billion is non-GO debt. Approximately $6.48 billion of the authorized but unissued amount includes GO and non-GO debt payable from general revenue.

Texas' Constitutional Debt Limit and Debt-Management Policy

In 1997 the 75th Legislature passed and voters approved HJR 59 that added Section 49-j to Article III of the Texas Constitution. This amendment states that additional tax-supported debt may not be authorized if the maximum annual debt service on debt payable from general revenue, including authorized but unissued debt, exceeds 5 percent of the average annual unrestricted General Revenue Fund revenues for the previous three fiscal years.

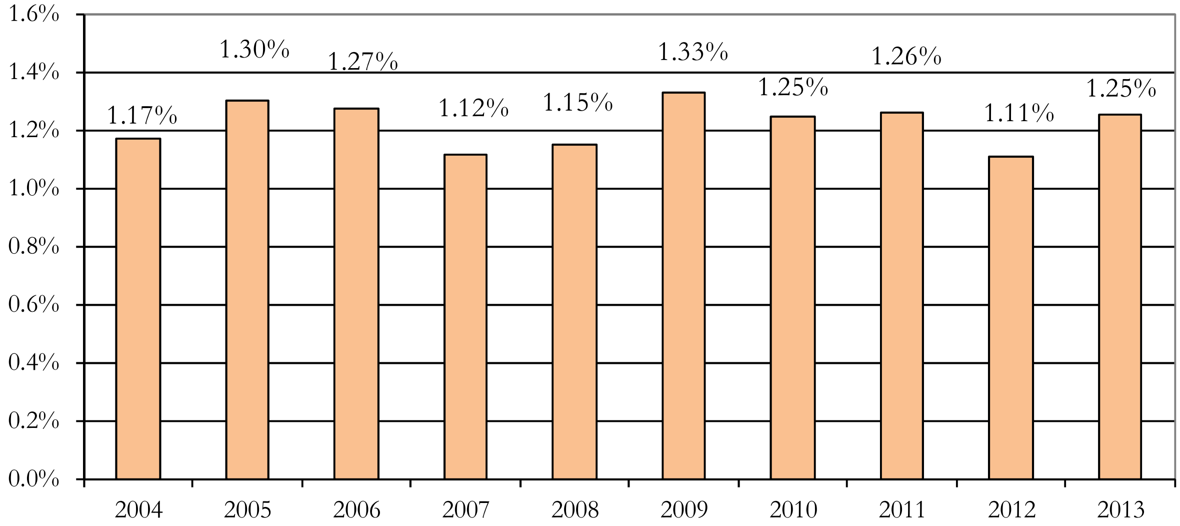
As of August 31, 2013 Texas' constitutional debt limit (CDL) remained below the maximum of 5 percent with 1.34 percent calculated for debt outstanding and 1.70 percent calculated for authorized but unissued debt for a total of 3.04 percent calculated including both outstanding and authorized but unissued debt. These figures represent a decline of 14.5 percent from the 3.48 percent calculated for outstanding and authorized but unissued debt calculated for fiscal 2012.

The decrease in CDL was mainly due to an increase in unrestricted general revenue available to pay debt service for fiscal 2013 and a decline in the debt service on authorized but unissued debt payable from general revenue. This decline in authorized but unissued debt service is due to a TTC issuance of $918.2 million during FY 2013 of Highway Improvement Bonds authorized by voter at the November 2007 General Election.

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

HB 2190 passed in the 77th Legislature directed the BRB to adopt formal debt policies and issuer guidelines to provide guidance to issuers of state securities and to ensure that state debt is prudently managed. These policies and guidelines are posted on

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



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

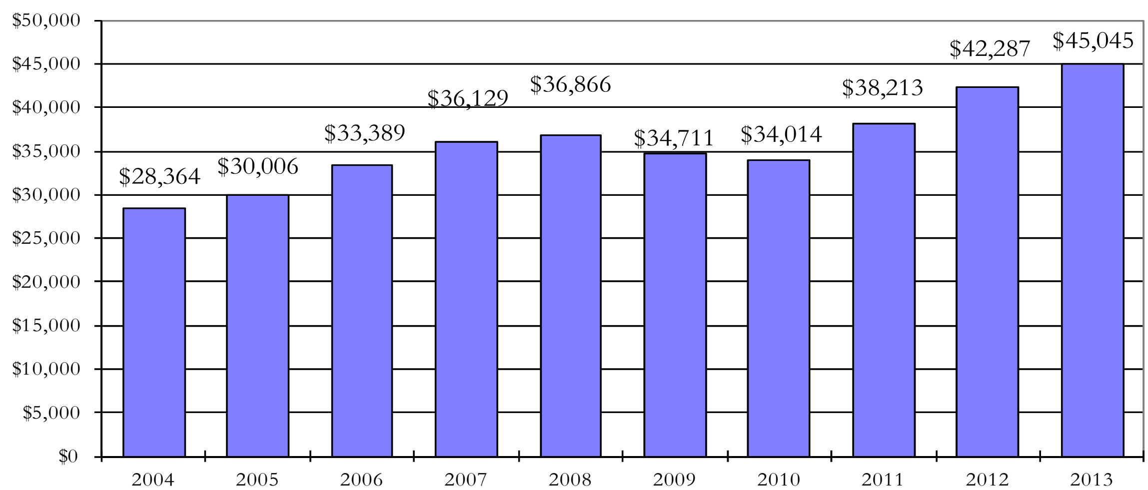
the agency's website.

SB 1332 passed in the 80th Legislature amended the agency's statutes to require the BRB to adopt a state policy related to the risks and effects of derivative agreements. This policy was adopted in fiscal 2009 and is available on the agency's website.

Capital Planning Review and Approval Process

The 76th Legislature (1999) passed legislation that biennially directs the BRB to produce the state's Capital Expenditure Plan (CEP). The legislation specifies that all state agencies and higher education institutions appropriated funds by the General Appropriations Act

Figure 1.4
UNRESTRICTED GENERAL REVENUE
(millions of dollars)



Source: Texas Comptroller of Public Accounts

(GAA) are required to report capital planning information for projects that fall within four specific project areas: (1) acquisition of land and other real property; (2) construction of buildings and facilities; (3) renovations of buildings and other facilities estimated to exceed $1 million for a single state agency or institution of higher education; and (4) major information resources projects estimated to exceed $1 million. In previous reports, the BRB requested that all planned expenditures exceeding $250,000 must be reported, but the threshold was adjusted to $1 million in 2006 for future reports.

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

The legislature defines the types of projects and cost thresholds to be reported in the CEP. The BRB coordinates the submission of capital projects through the CEP, develops the report and determines the effect of the additional capital requests on the state's budget and debt capacity. The completed plan is then provided to the GOBPP and the LBB to develop recommendations for appropriations to the legislature.

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

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

The 2014-15 CEP was released September 1, 2012, pursuant to House Bill 1, Article IX, Section 11.02 of the 82nd Legislature and covers the out years 2016-17. This report represents the seventh published CEP for the state. The CEP is a management tool for state decision makers to use in assessing future individual capital expenditure requests within the framework of the state's overall financial position. The 2014-15 CEP is available on the agency's website. The CEP for fiscal years 2016-2017 will be released in September 2014.

At the state level twenty-two agencies including 11 higher education institutions have direct debt-issuing authority. At the local level over 4,500 entities have issued debt in the past.

Debt Affordability Study

The state's Debt Affordability Study (DAS) is designed to provide the state leadership with an integrated approach to manage state debt by assessing historical debt use and analyzing the state's financial and economic resources in conjunction with long-term needs contained in the CEP. The BRB, LBB and the Texas Public Finance Authority prepared the state's first DAS, released in February 2007. With the passage of SB 1332 (80th Legislature), the BRB in conjunction with the LBB is responsible for subsequent editions of the DAS. Historical DAS reports are available on the agency's website. The 2014 DAS will be released in February 2014.

LOCAL DEBT

Local Debt Issuance Process

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

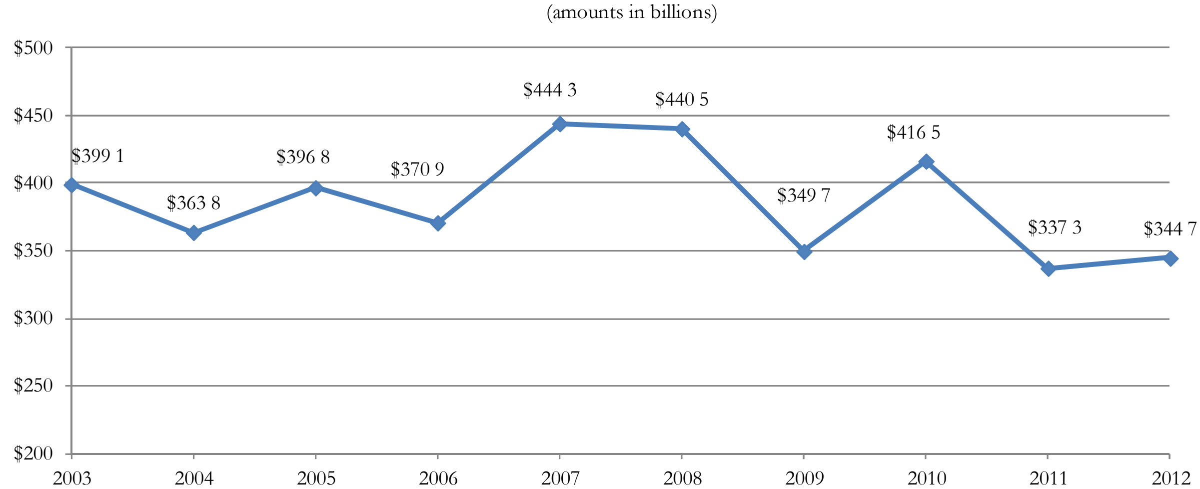
State law sets limitations on certain local government debt issuers by setting maximum ad valorem tax rates per $100 of assessed property valuation. These rates vary by government type, but all must generate sufficient funds based on annual ad valorem tax collections to provide for the payment of the debt service on outstanding and projected ad valorem tax (GO) debt. Additionally, all public securities issued by local debt issuers must be approved by the Office of the Attorney General – Public Finance Division (OAG) and registered with the Texas Comptroller of Public Accounts. For reporting purposes issuances that combine both tax-supported and revenue bonds are categorized as tax-supported debt.

Texas Bond Review Board and Local Government Debt

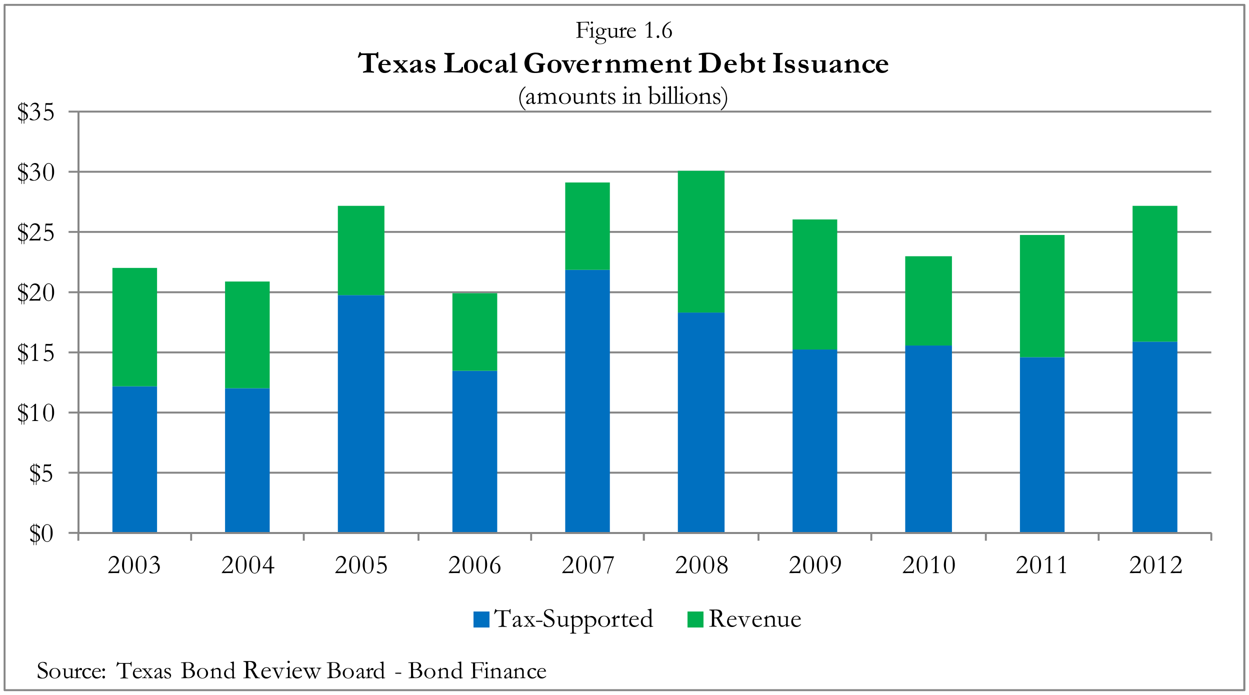
The Texas Bond Review Board (BRB) has no direct oversight of local government debt issuance. Chapter 1231 of the Texas Government Code requires the BRB to prepare statistical reports on local government debt. This information on debt issued by political subdivisions is primarily collected by the OAG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

All reporting on local debt is presented on the agency's website. Visitors to the site can search databases and download spreadsheets that contain debt outstanding, debt ratios and population data by government type at each fiscal-year end. In fiscal 2013, approximately 6,100 different users of the BRB's website downloaded over 24,700 spreadsheets containing Texas local government debt data.

Figure 1 5
Nationwide Local Government Debt Issuance
(amounts in billions)



Source: The Bond Buyer



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

The BRB separates the local government issuances into seven categories: Cities, Towns, Villages (Cities); Public School Districts (School Districts); Water Districts and Authorities (WD); Counties; Other Special Districts and Authorities (OSD); Community and Junior Colleges (CCD); and Health/Hospital Districts and Authorities (HHD).

The data in this report and on the website is compiled from information provided to the Bond Review Board from various sources and has not been independently verified. Although local governments are not required to report cash defeasances, BRB staff identified $8.20 billion in cash defeasances that have been removed from the FY 2012 data. Data for prior years have not been restated.

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

Over the past decade nationwide issuance of local government debt has remained relatively constant with issuances totaling $399.10 billion in fiscal 2003 and $344.69 billion in fiscal 2012. Despite year-to-year fluctuations, local debt issuance has declined over the past five years after the record high debt issuance of $444.26 billion in fiscal 2007. Fiscal year 2012 saw the second lowest nationwide debt issuance since fiscal 2003 *(Figure 1.5)*.

Texas issuance of local debt has fluctuated over the past decade from a low of $19.99 billion in fiscal 2006 to a high of $30.11 in fiscal 2008. Local debt issuance declined for the next two years but has increased since fiscal year 2010 *(Figure 1.6)*.

Majority of Local Debt Issuance Supports Educational Facilities and Equipment

During the five-year reporting period, 35.2 percent of Texas' local debt issuance was used to finance educational facilities and equipment including school buses. General-purpose debt continued to be the second highest use (18.4 percent), and water-related infrastructure was the third highest use (17.2 percent) for debt issued by Texas' local governments. Water-related financings are likely understated because some issuers, especially cities, borrow for multiple purposes, over half of which involve financings for water and transportation purposes. The fourth highest use for local debt issuance (15.6 percent) was to finance transportation projects including roads, toll ways, bridges, parking facilities, airports, rapid transit and other public transportation needs including the acquisition of hybrid diesel-electric buses.

The remaining 13.6 percent of local debt issuance was used for the following additional categories: economic development, commerce, recreation, solid waste, recycle materials, prisons/detention, power, combined utility systems, health-related facilities, fire protection, public safety and pension obligations.

School Districts, Cities and Water Districts Account for more than 75 percent of New-Money and Refunding Transactions

Over the past five fiscal years, new-money debt issuance totaled $78.63 billion and refunding debt totaled $52.49 billion. During that time the top three issuers of new-money volume were school districts, cities and water districts that together comprised 75.8 percent of the new-money volume ($59.64 billion) and 74.8 percent of the refunding transaction volume ($39.28 billion).

With interest rates at historic lows, local debt refunding reached a record high of $15.65 billion in fiscal 2012, a 57.7 percent increase from $9.92 billion in fiscal 2011. Over the past five fiscal years, 93.6 percent of local governmental refundings achieved both a cash and present value savings, 2.3 percent provided only a net present value savings with a cash loss, and 3.0 percent resulted in a loss in both. In the latter cases, the primary objective was to restructure debt-service requirements to more evenly match budget flows and thus avoid raising taxes during times of economic weakness.

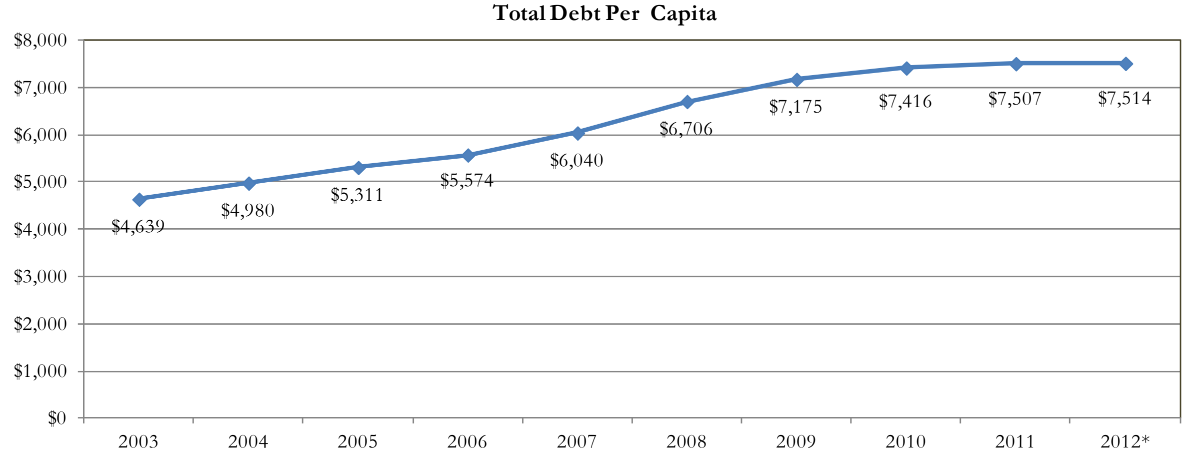
Since fiscal 2008, refundings for Texas local issuers achieved cash savings of $2.75 billion with a present value savings of $2.54 billion including $1.64 billion in cash savings and $1.31 billion in present value savings realized in fiscal 2012.

Capital Appreciation Bonds

During fiscal 2012 local governments issued $232.5 million of capital appreciation bonds (CABs) including premium CABs, approximately 0.9 percent of the total par amount issued by local governments. (*See Table 1.7*)

CABs are sold at a discounted price called the par amount. Interest compounds semiannually and accumulates over the life of the bond, and the amount paid at the maturity is called the maturity value. Interest rates for CABs are generally higher than bonds with current-pay

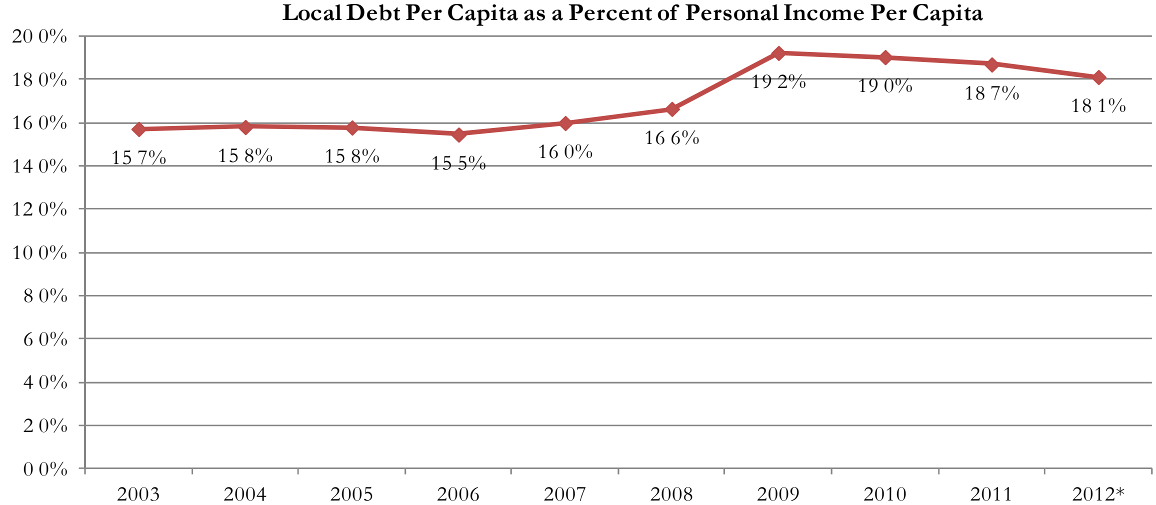
Figure 1.7
Texas Local Government Total Debt Per Capita



*Local debt outstanding for FY 2012 has been reduced by cash defeasances totaling an estimated $8.20 billion.
Source: Texas Bond Review Board - Bond Finance Office; December 2012 U.S. Census Bureau, Population Division

Figure 1 8

Texas Local Government
Local Debt Per Capita as a Percent of Personal Income Per Capita



*Local debt outstanding for FY 2012 has been reduced by cash defeasances totaling an estimated $8 20 billion
Source: Texas Bond Review Board - Bond Finance Office; U S Census Bureau, Population Division, U S Department of Commerce, Bureau of Economic Analysis

interest. CABs are usually issued along with current interest bonds. While debt service for the current-interest bonds is paid throughout the life of the obligation, principal and interest on the CABs is paid at maturity.

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

Local governments issue more premium CABs than non-premium CABs. Premium CABs have lower initial stated par amounts to: (1) lessen the impact of an issuance on par-based debt limits, (2) increase the amount of proceeds not subject to debt limits and (3) help local governments reach tax-rate targets.

Texas Local Governments: $195.81 Billion of Outstanding Debt

As of fiscal-year end 2012 Texas local governments had $195.81 billion in outstanding debt *(Table 1.8),* an increase of $35.51 billion (22.2 percent) since fiscal 2008. Of that amount 60.0 percent ($117.43 billion) is GO debt to be repaid from local tax collections while the remaining 40.0 percent ($78.37 billion) will be repaid from revenues generated by various projects such as water, sewer and electric utility fees. Since fiscal 2008, tax-supported debt outstanding increased 20.6 percent ($20.04 billion) and revenue debt outstanding increased 24.6 percent ($15.47 billion).

Public school districts accounted for 32.7 percent ($64.08 billion) of all local debt outstanding and Cities, Towns, and Villages accounted for 32.3 percent ($63.27 billion). Water districts held the third highest percentage and accounted for 15.8 percent ($30.98 billion) all local debt outstanding. The remaining 19.2 percent ($37.47 billion) was held by Community and Junior Colleges, Counties, Health/Hospital Districts and Other Special Districts (*Table 1.8*).

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

Over the past decade, total debt per capita (tax-supported and revenue) increased by 62.0 percent from $4,639 to $7,514 while the state's population has increased by 17.8 percent from 22.1 million to 26.1 million.

Table 1.7 **Texas Local Government** **Capital Appreciation Bonds Par Amount Issued by Fiscal Year** (amounts in thousands)					
	2008	**2009**	**2010**	**2011**	**2012**
Public School Districts	$ 306,458	$ 168,438	$ 139,030	$ 267,255	$ 189,033
Other Special Districts and Authorities	399,999	199,998	3,500	158,176	-
Community and Junior Colleges	35	7,245	-	28,916	2,486
Cities, Towns, Villages	200	3,847	750	7,810	21,264
Counties	675	1,930	60	-	70
Health/Hospital Districts	15	-	-	-	135
Water Districts and Authorities	800	260	1,789	3,860	19,488
Total CAB Par Amount Issued	**$ 708,182**	**$ 381,718**	**$ 145,129**	**$ 466,016**	**$ 232,476**
Total Par Amount Issued	$ 30,109,608	$ 26,078,079	$ 22,973,306	$ 24,741,380	$ 27,214,455
CAB Par Amount % of Total	**2.4%**	**1.5%**	**0.6%**	**1.9%**	**0.9%**
Source: Bond Review Board - Bond Finance Office					

During the past five fiscal years, total local debt per capita increased by 24.4 percent from $6,706 in FY 2008 to $7,514 (*Figure 1.7*).

Over the past decade, total debt per capita as a percent of personal income per capita increased by 15.2 percent from 15.7 percent to 18.1 percent. During the past five fiscal years, total debt per capita as a percent of personal income per capita increased by 8.8 percent from 16.6% in FY 2007 to 18.1% in FY 2012 (*Figure 1.8*).

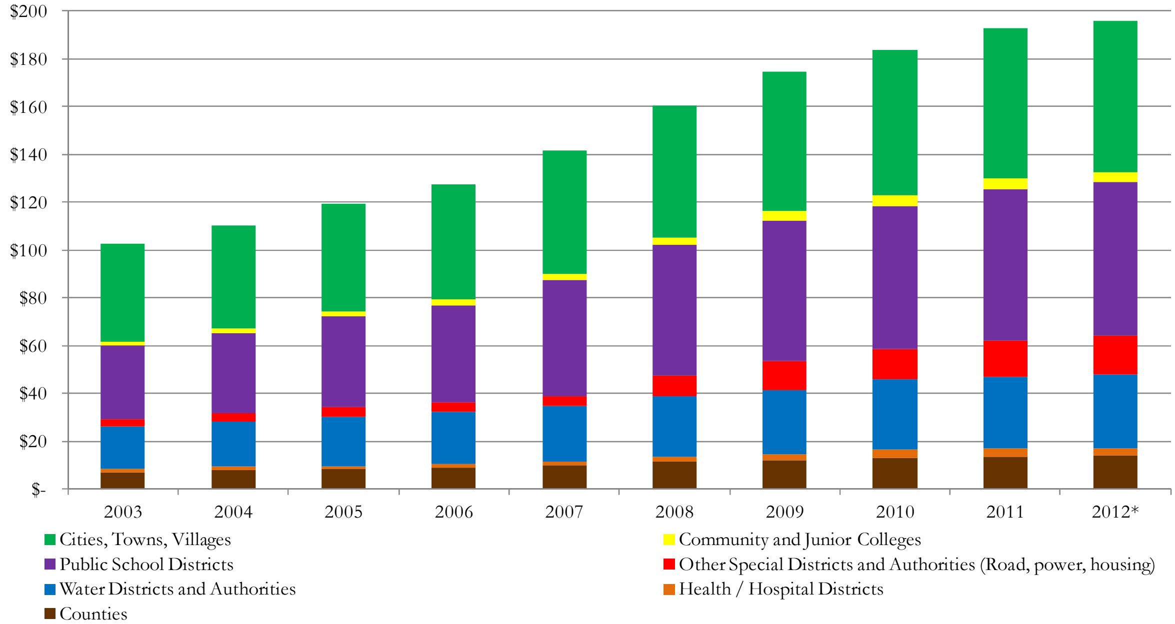
Over the past decade, total debt outstanding increased by 90.9 percent from $102.60 billion to $195.81 billion. Notable increases included Other Special Districts (roads, power and housing issuances) which increased 387.2 percent from $3.32 billion to $16.15 billion, Community Junior College Districts which increased 178.4 percent from $1.53 billion to $4.26 billion and Public School Districts increased 109.4 percent from $30.60 billion to $64.08 billion (*Figure 1.9*).

Tax-Supported Debt Rises 20 Percent in Five Years Total tax-supported debt has increased from $97.39 billion in fiscal 2008 to $117.43 billion in fiscal 2012 (20.6 percent)*(Table 1.9)*.

Tax-supported debt for Texas school districts increased from $54.02 billion in fiscal 2008 to $63.75 billion in fiscal 2012 (18.0 percent) while public school attendance increased by 6.1 percent to 4,485,815 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.

Over the five-year period tax-supported debt carried by Texas cities, towns and villages has increased from $22.92 billion to $26.97 billion (17.7 percent) and accounted for 23.0 percent of all tax-supported debt. Tax-supported debt for water districts including navigation and port districts, river authorities, municipal utility districts (MUDs) and municipal water authorities increased from $9.10 billion to $10.87 billion (19.4 percent) and accounted for 9.3 percent of all tax-supported debt. During the same period, county tax-supported debt increased from $8.70 billion to $10.60 billion (21.9 percent).

Figure 1.9
TEXAS LOCAL GOVERNMENT DEBT OUTSTANDING
(amounts in billions)



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

During the past five fiscal years, enrollment for the 50 junior and community college districts in Texas increased from 606,692 to 796,755 (31.3 percent). To support the increased enrollment, tax-supported debt outstanding increased from $2.06 billion to $2.96 billion (43.7 percent). The increased enrollment was partly the result of an increasing number of students choosing to attend community and junior colleges for their first two years of higher education as costs rose at universities. Enrollment also increased as a result of the economic downturn that has required displaced workers to improve job skills.

During the five-year period, tax-supported debt for health/hospital districts increased from $496.1 million to $2.09 billion (321.9 percent), primarily due to Dallas County Hospital District issuing $705.0 million and Bexar County Hospital District issuing $572.6 million in new debt. Population increases along with the increasing healthcare needs of aging baby boomers also contributed to increased debt issuance. In addition, aging healthcare facilities continue to be renovated or replaced to accommodate advances in medical technology, energy efficiency and to comply with new fire and building codes.

During the five-year period, tax-supported debt for Other Special Districts increased from $98.7 million to $192.8 million (95.4 percent) primarily due to issuances by The Woodlands Road Utility District ($41.1 million) and Dallas County Schools ($47.5 million).

Revenue Debt - 25 Percent Increase in Five Years

Since fiscal 2008 revenue debt has increased by 24.6 percent ($15.47 billion) from $62.90 billion to $78.37 billion *(Table 1.9)*.

City revenue debt increased by 12.6 percent from $32.24 billion to $36.31 billion in the five-year period. As the state's population increased by 7.4 percent (1.8 million) since fiscal 2008, urban areas have experienced particularly rapid growth that has created the need for new infrastructure needs including roads and construction for new and expanded water and sewer systems. The majority of city revenue debt has been used to finance utility-related projects including water, wastewater and in some localities, electric utility systems.

County revenue debt increased by 20.1 percent from $2.68 billion to $3.22 billion in the five-year period. Of that amount, Harris County toll road projects accounted for 62.7 percent ($2.02 billion).

Since fiscal 2008, CCD revenue debt rose by 10.4 percent from $1.17 billion to $1.30 billion as a response to increased enrollments.

Since fiscal 2008 revenue debt for OSDs increased by 82.9 percent from $8.73 billion to $15.96 billion. This increase was largely due to the North Texas Tollway Authority's issuances totaling $9.74 billion between fiscal years 2008 and 2012 to refund previous debt issues, defease bond anticipation notes and extend toll roads. Dallas Area Rapid Transit contributed to the increase by issuing a total of $2.56 billion to improve and expand the Dallas public transportation system.

Table 1 8

Texas Local Government

Debt Outstanding As of August 31, 2012*

(amounts in thousands)

Type of Issuer		Tax-Supported	Revenue	Total Debt**
Public School Districts	Voter-approved tax	$ 63,096,858		$ 63,096,858
	Maintenance tax (ed. equipment)	653,111		653,111
	Lease-purchase contracts		329,803	329,803
	Revenue (athletic facilities)		$ 3,035	3,035
	Subtotal	**$ 63,749,968**	**$ 332,838**	**$ 64,082,806**
Cities, Towns, Villages	Tax	$ 26,967,466		$ 26,967,466
	Revenue		$ 36,019,512	36,019,512
	Sales Tax		226,095	226,095
	Conduit revenue***		-	-
	Lease-purchase contracts (jail facilities only)***		61,395	61,395
	Subtotal	**$ 26,967,466**	**$36,307,002**	**$ 63,274,468**
Water Districts and Authorities	Tax	$ 10,870,103		$ 10,870,103
	Revenue		$ 10,872,325	10,872,325
	Conduit revenue***		9,234,695	9,234,695
	Subtotal	**$ 10,870,103**	**$20,107,020**	**$ 30,977,123**
Other Special Districts and Authorities	Tax	$ 192,807		$ 192,807
	Sales Tax		$ 4,505,725	4,505,725
	Revenue		11,347,574	11,347,574
	Lease-purchase contracts		105,870	105,870
	Subtotal	**$ 192,807**	**$ 15,959,169**	**$ 16,151,976**
Counties	Tax	$ 10,599,078		$ 10,599,078
	Revenue		$ 2,699,345	2,699,345
	Conduit revenue***		-	-
	Lease-purchase contracts (jail facilities only)***		523,486	523,486
	Subtotal	**$ 10,599,078**	**$ 3,222,831**	**$ 13,821,909**
Community and Junior Colleges	Tax	$ 2,961,397		$ 2,961,397
	Revenue		$ 989,443	989,443
	Lease-purchase contracts (ed. facilities)		307,487	307,487
	Subtotal	**$ 2,961,397**	**$ 1,296,930**	**$ 4,258,327**
Health/Hospital Districts and Authorities	Tax	$ 2,093,061		$ 2,093,061
	Sales Tax		23,131	23,131
	Revenue		$ 1,123,189	1,123,189
	Conduit revenue***		-	-
	Subtotal	**$ 2,093,061**	**$ 1,146,320**	**$ 3,239,381**
	Total Local Debt Outstanding	**$ 117,433,881**	**$78,372,109**	**$ 195,805,991**

*Does not include obligations of less than one-year and special obligations not requiring Attorney General approval.

**Local debt outstanding for FY 2012 has been reduced by cash defeasances totaling an estimated $8.20 billion.

***Does not include certain conduit debt issued for which the Bond Review Board does not receive issuance information.

Source: Texas Bond Review Board - Bond Finance Office

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

	8/31/2008	8/31/2009	8/31/2010	8/31/2011	8/31/2012*
Public School Districts					
Tax-Supported	$54,020	$58,532	$59,869	$63,251	$63,750
Revenue**	$330	$305	$371	$376	$333
Total	**$54,350**	**$58,837**	**$60,240**	**$63,628**	**$64,083**
Cities					
Tax-Supported	$22,919	$24,577	$26,394	$26,957	$26,967
Revenue**	$32,244	$33,906	$34,768	$35,995	$36,307
Total	**$55,162**	**$58,483**	**$61,162**	**$62,952**	**$63,274**
Water Districts and Authorities					
Tax-Supported	$9,101	$9,849	$10,416	$10,718	$10,870
Revenue**	$16,305	$17,273	$18,885	$19,602	$20,107
Total	**$25,406**	**$27,122**	**$29,301**	**$30,320**	**$30,977**
Other Special Districts and Authorites					
Tax-Supported	$99	$118	$145	$155	$193
Revenue**	$8,725	$11,918	$12,386	$14,605	$15,959
Total	**$8,824**	**$12,036**	**$12,530**	**$14,760**	**$16,152**
Counties					
Tax-Supported	$8,697	$9,205	$10,138	$10,305	$10,599
Revenue**	$2,683	$2,721	$2,995	$3,018	$3,223
Total	**$11,381**	**$11,925**	**$13,133**	**$13,323**	**$13,822**
Community College Districts					
Tax-Supported	$2,061	$2,552	$2,881	$3,041	$2,961
Revenue**	$1,175	$1,133	$1,211	$1,265	$1,297
Total	**$3,236**	**$3,685**	**$4,092**	**$4,306**	**$4,258**
Health/Hospital Districts and Authorities					
Tax-Supported	$496	$1,049	$1,895	$2,108	$2,093
Revenue**	$1,439	$1,404	$1,421	$1,335	$1,146
Total	**$1,935**	**$2,453**	**$3,316**	**$3,443**	**$3,239**
Total Tax-Supported	$97,392	$105,881	$111,738	$116,536	$117,434
Total Revenue**	$62,901	$68,659	$72,037	$76,197	$78,372
Total Debt Outstanding	**$160,293**	**$174,540**	**$183,775**	**$192,733**	**$195,806**

*Local debt outstanding for FY 2012 has been reduced by cash defeasances totaling an estimated $8.20 billion.

**Does not include certain conduit debt issued for which the Bond Review Board does not receive issuance information.

Source: Texas Bond Review Board - Bond Finance Office

Chapter 2
State Debt Issued in FY 2013 and Debt Outstanding

In fiscal year 2013 the state's total debt outstanding increased 6.2 percent to $43.54 billion compared to $40.99 billion in fiscal 2012 and $40.50 billion in fiscal 2011.

Bonds issued by Texas state agencies and universities during fiscal year 2013 increased by 127.0 percent to an aggregate total of $6.32 billion compared to $2.78 billion issued in fiscal 2012. Fiscal year 2013 issues included $4.98 billion in new-money and $1.33 billion in refunding bonds. Other debt issued included $776.6 million of commercial paper.

Detail on bond transactions can be found in Appendix A, and detail on commercial paper and variable-rate notes can be found in Appendix B.

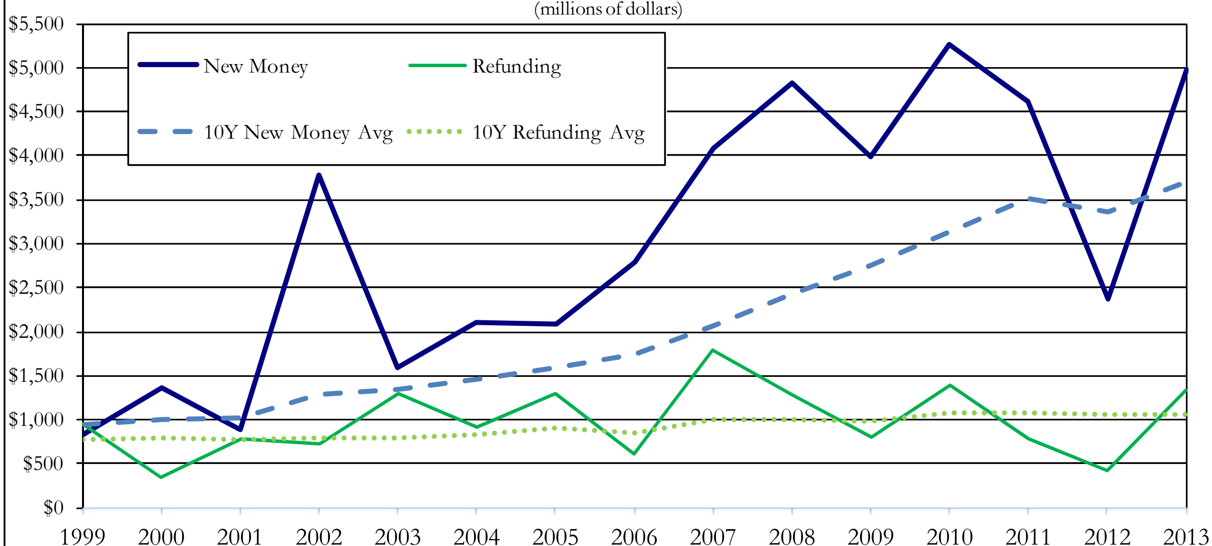
New-Money and Refunding Bond Issuances Increase in FY 2013

A total of $6.32 billion in bonds were issued in fiscal year 2013. Of that amount $4.98 billion (78.8%) was issued as new money bonds, an increase of $2.62 billion (111.0%) from $2.36 billion issued during fiscal 2012. The remaining $1.33 billion (21.0%) was issued as refunding bonds, an increase of $912.2 million (218.3%) from $417.8 million issued during fiscal year 2012.

Declines in fiscal 2011 and 2012 new money issuances reversed course with the second largest amount issued since 2010. Aggregate new money issuances increased to $4.98 billion, 5.32% under the peak of $5.26 billion reached at the end of fiscal 2010. Refunding bond issuances increased to $1.33 billion (*Figure 2.1*).

Of the $4.98 billion in new-money bonds issued in fiscal 2013, approximately $2.92 billion (58.6%) was issued by the Grand Parkway Transportation Corporation (GPTC), and approximately $918.2 million (18.4%) was issued by Texas Transportation Commission (TTC).

Figure 2.1
TEXAS NEW MONEY AND REFUNDING BOND ISSUES 1999 - 2013
(millions of dollars)



Source: Texas Bond Review Board - Bond Finance Office.

Table 2.1 **TEXAS BONDS ISSUED DURING FISCAL 2013** **SUMMARIZED BY ISSUER**				
ISSUER	**REFUNDING BONDS**	**NEW-MONEY BONDS**	**TOTAL BONDS ISSUED**	**New-Money Use of Proceeds**
Texas Public Finance Authority	$ 72,480,000	$ 55,000,000	$ 127,480,000	Build student housing at TSU
Texas Transportation Commission	810,330,000	918,205,000	1,728,535,000	Highway improvement projects
Texas Water Development Board	101,160,000	284,435,000	385,595,000	Water Financial Assistance Programs, EDAP, and WIF
Texas Dept. of Housing & Community Affairs	133,631,058	78,070,000	211,701,058	Single family and multifamily bonds
The Texas A&M University System	71,719,119	234,640,881	306,360,000	Acquire, purchase, construct, and equip various facilities.
Grand Parkway Transportation Corporation	-	2,920,074,856	2,920,074,856	Highway improvement projects
Texas Veterans Land Board	-	349,990,000	349,990,000	Veteran's Home Loan Program
Texas State University System	15,395,000	71,665,000	87,060,000	Acquire, purchase, construct, and equip various facilities.
Texas Higher Education Coordinating Board	98,550,000	-	98,550,000	College Student Loan Program
Texas State Affordable Housing Corporation	30,700,000	71,100,000	101,800,000	Single family and multifamily bonds
Total Texas Bonds Issued	**$ 1,333,965,177**	**$ 4,983,180,737**	**$ 6,317,145,914**	

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

Of the $1.33 billion in refunding bonds issued in fiscal 2013, TTC issued $810.3 million (60.9%), Texas Department of Housing and Community Affairs issued $133.6 million (10.0%), and TWDB issued $101.2 million (7.6%) (*Table 2.1*).

Build America Bonds for FY 2013

In fiscal year 2009 the American Recovery and Reinvestment Act of 2009 (ARRA) created Build America Bonds (BABs) that could be issued as Tax Credit BABs or Direct-Payment BABs. Authority to issue BABs expired on December 31, 2010. As of August 31, 2013 TTC, UTS, TPFA and UHS had $3.52 billion, $1.68 billion, $181.8 million and $80.0 million of BABs outstanding, respectively.

Under the Budget Control Act of 2011, across-the-board sequestration took effect on March 1, 2013, and direct-pay bonds such as BABs experienced a 7.6% reduction in federal subsidy. As a result the 35% federal subsidy on BABs interest payments was reduced to 32.34%.

Interim Financing Increases in FY 2013

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, 2013 a total of $6.96 billion was authorized for state commercial paper (CP) or variable-rate note (VRN) programs. Of this amount $1.48 billion was outstanding at fiscal-year end *(Table B1 in Appendix B),* approximately $338.3 million more than the amount outstanding at fiscal year-end 2012.

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

Projected Issuances in FY2014

Texas state issuers expect to issue approximately $7.38 billion in bonds, CP and VRN during fiscal 2014 *(Table 2.2)*, a projected decrease of $5.12 billion (41.0%) under the amount projected for fiscal 2013.

General Obligation Debt Outstanding Increases in FY 2013

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

As of fiscal year-end 2013, $15.35 billion (35.3%) of the state's $43.54 billion in total debt outstanding was backed by the state's GO pledge, an increase of $1.10 billion (9.4%) from the $14.25 billion at the end of fiscal 2012 *(Figure 2.2 and Table 2.3)*. The increase was primarily the result of issues of

Table 2.2

TEXAS STATE DEBT ISSUES EXPECTED DURING FISCAL 2014

ISSUER	APPROXIMATE AMOUNT	PURPOSE	APPROXIMATE ISSUE DATE
General Obligation Debt			
Self-Supporting			
Texas Public Finance Authority	TBD	Military Value Revolving Loan	FY14
Texas Veterans Land Board	297,600,000	Refunding of four existing series	Oct-2013
Texas Veterans Land Board	75,000,000	Proceeds will be used to augment the Veterans' Housing Assistance Program	Mar-14
Total Self-Supporting	**$372,600,000**		
Not Self-Supporting			
Texas Public Finance Authority*	TBD	General Obligation CP Programs	Apr-14
Texas Transportation Commission	$1,500,000,000	Prop 12 Highway GO Bonds	Mar-14
Texas Water Development Board	25,000,000	EDAP New Money bonds	Jan-14
Total Not Self-Supporting	**$1,525,000,000**		
Total General Obligation Debt	**$1,897,600,000**		
Non-General Obligation Debt			
Self-Supporting			
Texas Dept. of Housing and Comm Affairs	50,000,000	Single Family First-Time Homebuyer	Jul-14
Texas Dept. of Housing and Comm Affairs	50,000,000	Single Family First-Time Homebuyer	Aug-14
Texas Public Finance Authority	TBD	Texas Windstorm Insurance Association	FY 14
Texas State Technical College	1,200,000	Finance the design phase for replacing water and sewer lines	Jan-14
Texas State University System (LU)	3,000,000	LU - Miscellaneous Energy Conservation Projects (Renovation - Not EPC)	May-14
Texas State University System (SHSU)	32,000,000	SHSU - CMIT/LEMIT/PRC Facility (New Construction)	May-14
Texas State University System (SHSU)	8,000,000	SHSU - Student Health and Counseling Center (New Construction)	May-14
Texas State University System (SHSU)	6,350,000	SHSU - Chilled/Heated Water & Electrical Infrastructure (New Construction)	May-14
Texas State University System (SHSU)	85,114,955	SHSU - South Residential District Student Housing (New Construction)	May-14
Texas State University System (SHSU)	1,500,000	SHSU - Sycamore Vivarium (New Construction)	May-14
Texas State University System (SRSU)	7,990,629	SRSU - Fletcher Hall (New Construction and Renovation)	May-14
Texas State University System (TxStUniv)	20,815,000	TxStUniv - Bobcat Stadium Expansion - South End Zone (New Construction)	May-14
Texas State University System (TxStUniv)	1,300,000	TxStUniv - Energy Conservation Retrofit 2014 (Renovation - Not EPC)	May-14
Texas State University System (TxStUniv)	23,671,000	TxStUniv - Jones Dining Hall Replacement (New Construction)	May-14
The Texas A&M University System	334,355,000	Revenue Financing System Bonds	TBD
The Texas A&M University System	223,000,000	Revenue Financing System Commercial Paper	TBD
The Texas A&M University System - PUF	267,000,000	Permanent University Fund Bonds	TBD
The Texas A&M University System - PUF*	125,000,000	Permanent University Fund Commercial Paper	TBD
The University of Texas System - PUF	500,000,000	Refund outstanding PUF debt; Acquire, purchase, construct, improve, & equip various facilities	TBD
The University of Texas System - PUF*	500,000,000	Provide interim financing for PUF CP Programs for construction and acquisition	TBD
The University of Texas System - RFS	500,000,000	Refund outstanding RFS debt; Acquire, purchase, construct, improve, and equip various facilities	TBD
The University of Texas System - RFS*	1,250,000,000	RFS Commercial Paper Notes to provide interim financing for construction and acquisition	TBD
University of Houston System	12,000,000	Refund Commercial Paper Issued for various UH projects	FY 14
University of Houston System	41,000,000	Construct Multidisciplinary Research and Engineering Building	FY 14
University of Houston System	6,300,000	Construct UHD Parking Garage	FY 14
University of Houston System	5,400,000	Purchase Residence Hall for UHV Students	FY 14
University of Houston System	59,000,000	Construct UH Football Stadium	FY 14
University of Houston System	30,110,000	Refund Ser 2003 (TRBs); Ser 2005 (SS); Ser 2006 (TRBs & SS)	FY 14
University of North Texas	35,000,000	UNT System Building renovation	FY 14
University of North Texas	31,000,000	Construct Residence Hall	FY 14
University of North Texas	30,000,000	Construct Stadium	FY 14
University of North Texas	137,100,000	Student Union	FY 14
University of North Texas	36,000,000	Health Science Center Building	FY 14
Total Self-Supporting	**$4,413,206,584**		
Not Self-Supporting			
-	-		-
Total Not Self-Supporting	**$0**		
Total Non-General Obligation Debt	**$4,413,206,584**		
Conduit Debt			
TPFA Charter School Finance Corporation	TBD	TBD	FY 13
Texas State Affordable Housing Corporation	$15,000,000	Multi-Family Residential Bond Projects	Jan-14
Texas State Affordable Housing Corporation	$50,000,000	Multi-Family Residential Bond Projects	Jul-14
Grand Parkway Transportation Corporation	$943,330,000	Grand Parkway System Toll Revenue Bonds	Feb-14
Texas Dept. of Housing and Comm Affairs	$60,000,000	Multi-Family Residential Bond Projects	FY 14
Total Conduit	**$1,068,330,000**		
Total All Debt	**$7,379,136,584**		

*Commercial Paper or Variable-Rate Note Program

Source: Texas Bond Review Board - Bond Finance Office.

approximately $918.8 million by the Texas Transportation Commission, $350.0 million by the Texas Veterans' Land Board and $284.4 million by the Water Development Board.

Governmental Revenue Debt Outstanding Decreases in FY 2013

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

Excluding conduit and component debt, $22.55 billion (51.8%) of the state's $43.54 billion in total revenue debt outstanding as of fiscal year-end 2013 was backed by non-GO revenue pledges, a decrease of $893.6 million (3.8%) from the $23.44 billion outstanding at the end of fiscal 2012 *(Figure 2.2 and Table 2.3).*

Colleges and universities are the largest issuer of revenue debt with $10.53 billion outstanding. See *Table 2.5* and *Table 2.6* for more detail on college and university debt outstanding.

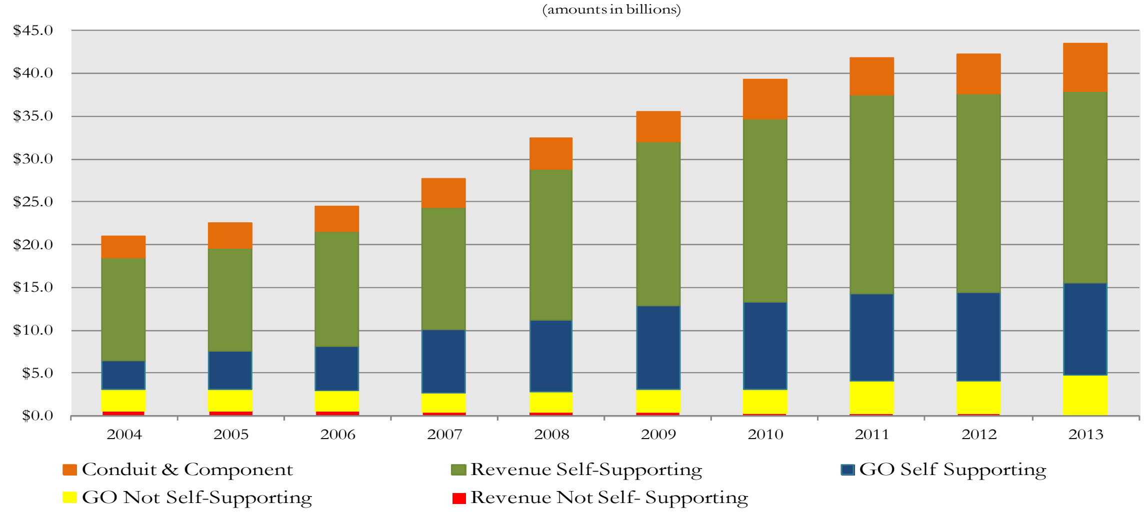
Conduit Revenue and Component Debt

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

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

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

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



Source: Texas Bond Review Board - Bond Finance Office

Table 2.3

STATE OF TEXAS DEBT OUTSTANDING

(amounts in thousands)

	8/31/2009	8/31/2010	8/31/2011	8/31/2012	8/31/2013
General Obligation Debt					
Self-Supporting					
Veterans' Land and Housing Bonds	$1,867,107	$1,970,203	$2,031,611	$2,113,682	$2,381,811
Water Development Bonds	986,195	900,855	865,045	1,046,030	1,197,775
Water Development Bonds-State Participation	0	139,585	138,840	113,930	121,590
Water Development Bonds - WIF	0	230,125	226,530	222,200	217,765
Economic Development Bank Bonds	45,000	45,000	45,000	45,000	45,000
College Student Loan Bonds	708,945	746,380	798,915	825,100	751,925
Texas Agricultural Finance Authority	25,000	9,000	9,000	9,000	9,000
Texas Mobility Fund Bonds	6,132,055	6,097,325	6,057,680	6,010,910	5,957,720
Texas Public Finance Authority - TMVRLF	49,595	49,595	49,145	48,680	47,400
Total, Self-Supporting	**$9,813,897**	**$10,188,068**	**$10,221,766**	**$10,434,532**	**$10,729,986**
Not Self-Supporting [1]					
Higher Education Constitutional Bonds [2]	$54,875	$49,255	$40,828	$32,067	$22,962
Texas Public Finance Authority Bonds	1,870,530	1,830,410	1,777,810	1,713,250	1,652,310
Cancer Prevention and Research Institute of Texas	0	225,000	282,820	358,520	343,450
Park Development Bonds	14,145	12,745	11,340	9,925	8,480
Water Development Bonds - EDAP [3]	162,805	174,375	194,775	197,100	211,220
Water Development Bonds - State Participation	139,750	38,480	35,580	35,080	0
Water Development Bonds - WIF	388,870	383,580	492,260	511,210	526,290
TTC GO Transporation Bonds	0	0	977,810	957,650	1,854,835
Total, Not Self-Supporting	**$2,630,975**	**$2,713,845**	**$3,813,223**	**$3,814,802**	**$4,619,547**
Total General Obligation Debt	**$12,444,872**	**$12,901,913**	**$14,034,988**	**$14,249,334**	**$15,349,533**
Non-General Obligation Debt					
Self-Supporting					
Permanent University Fund Bonds					
The Texas A&M University System	$577,105	$611,895	$644,425	$730,295	$707,905
The University of Texas System	1,524,235	1,736,380	1,714,230	1,753,030	1,816,750
College and University Revenue Bonds [4]	8,457,339	9,487,043	10,128,695	10,528,915	10,532,448
Texas Water Resources Finance Authority Bonds	5,195	0	0	0	0
Texas Department of Transportation Bonds - CTTS	2,563,222	2,538,949	2,538,949	2,536,049	2,484,540
Texas Department of Housing & Community Affairs - SF	1,434,345	1,463,445	1,290,125	1,278,105	898,980
Economic Development Program (Leverage Fund)	9,332	11,500	20,000	25,000	25,000
Veterans' Financial Assistance Bonds	24,227	23,210	22,220	0	0
Texas Workforce Commission Unemp Comp Bonds	0	0	1,780,960	1,466,625	1,201,255
State Highway Fund	3,091,755	4,252,655	4,078,445	3,963,935	3,843,780
Water Development Board Bonds - State Revolving Fund	1,522,933	1,296,588	924,743	881,493	810,438
Total, Self-Supporting	**$19,209,688**	**$21,421,665**	**$23,142,792**	**$23,163,447**	**$22,321,096**
Not Self-Supporting [1]					
Texas Public Finance Authority Bonds	$278,486	$232,350	$198,877	$162,258	$130,422
TPFA Master Lease Purchase Program	107,320	96,635	89,260	76,790	64,967
Texas Military Facilities Commission Bonds	17,350	16,105	14,805	13,450	12,045
Parks and Wildlife Improvement Bonds	41,320	35,615	29,740	23,700	17,480
Total, Not Self-Supporting	**$444,476**	**$380,705**	**$332,682**	**$276,198**	**$224,914**
Conduit, Component and Related Organizations [5]					
Texas Windstorm Insurance Association	$0	$0	$0	$500,000	$0
Texas Small Business I.D.C. Bonds	60,000	60,000	60,000	20,000	1,620
Texas Dept. of Housing and Community Affairs Bonds - MF	1,223,809	1,200,354	1,100,719	1,075,881	1,012,353
Texas State Affordable Housing Corporation	568,780	600,796	564,855	432,787	437,162
Texas Grand Parkway Transportation Corporation	0	0	0	0	2,920,075
Texas PAB Surface Transportation Corporation	0	1,015,000	1,015,000	1,015,000	1,015,000
TPFA Charter School Finance Corporation	127,740	236,955	253,121	259,621	256,395
Total, Conduit, Component and Related Organizations	**$1,980,329**	**$3,113,105**	**$2,993,695**	**$3,303,290**	**$5,642,605**
Total Non-General Obligation Debt	**$21,634,493**	**$24,915,475**	**$26,469,169**	**$26,742,935**	**$28,188,615**
Total Debt Outstanding	**$34,079,365**	**$37,817,388**	**$40,504,157**	**$40,992,268**	**$43,538,148**

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

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

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

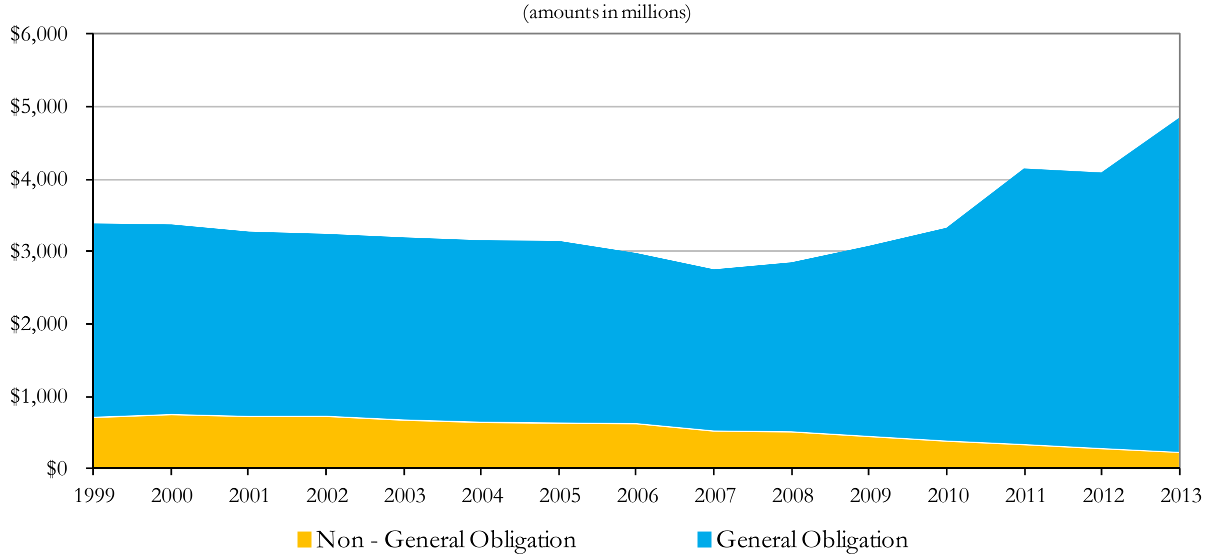
4 Tuition Revenue Bonds are included in these totals. See Table 2.5.

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

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

Source: Texas Bond Review Board - Bond Finance Office.

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



Source: Texas Bond Review Board - Bond Finance Office.

Of the state's $43.54 billion in debt outstanding as of fiscal year-end 2013, $5.64 billion (13.0%) was state conduit and component debt which includes $2.92 billion issued by GPTC (*Table 2.3*). The $5.64 billion of conduit and component debt outstanding represents an increase of $2.34 billion (70.8%) from the $3.30 billion outstanding at the end of fiscal 2012. As conduit debt, GPTC debt service is payable solely from payments received from transportation projects it finances.

General Revenue Supported Debt Increases in FY 2013

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

During fiscal 2013 non-GO not self-supporting debt decreased by $51.3 million, but GO not self-supporting debt increased by $804.7 million for a net increase in not self-supporting debt of $753.5 million *(Figure 2.3)*.

As of August 31, 2013 Texas had a total of $4.84 billion in GO and non-GO not self-supporting debt outstanding to be repaid from the state's general revenue. By comparison, not self-supporting debt totaled $4.09, $4.15 and $3.09 billion at fiscal-year end 2012, 2011 and 2010, respectively.

Scheduled Debt-Service Payments from General Revenue Increase in FY 2013

Scheduled debt-service payments from general revenue increased by 10.1 percent from $512.8 million in fiscal 2013 to $564.4 million in fiscal 2014 *(Figure 2.4)*. During fiscal years 2011 and 2012, debt service from general revenue was $480.5 million and $467.7 million, respectively. (See *Table 2.4* for debt-service requirements by fiscal year for Texas state bonds.) See the *State of Texas Annual Cash*

Table 2.4

DEBT-SERVICE REQUIREMENTS OF TEXAS STATE DEBT BY FISCAL YEAR

(amounts in thousands)

	2014	2015	2016	2017	2018	2019 & beyond
General Obligation Debt						
Self-Supporting						
Veterans' Land and Housing Bonds	$171,906	$184,149	$187,573	$191,964	$181,146	$2,223,559
Water Development Bonds	104,215	102,602	102,905	103,216	100,376	1,448,258
Water Development Bonds - State Participation	7,041	7,035	8,526	8,953	8,875	163,243
Water Development Bonds - WIF	19,199	19,256	19,260	19,242	19,443	223,780
Economic Development Bank Bonds	2,048	2,048	2,048	2,048	2,048	100,177
Park Development Bonds	0	0	0	0	0	0
College Student Loan Bonds	89,261	88,493	88,270	87,794	86,896	661,165
Texas Agriculture Finance Authority	530	720	721	721	720	10,789
Texas Mobility Fund Bonds	346,962	351,794	356,669	361,669	367,384	9,272,471
Texas Public Finance Authority - TMVRLF	3,719	3,716	3,715	3,715	3,717	61,361
Total Self-Supporting	**$744,881**	**$759,812**	**$769,686**	**$779,322**	**$770,604**	**$14,164,802**
Not Self-Supporting [1]						
Higher Education Constitutional Bonds [2]	$10,314	$7,459	$1,424	$1,415	$1,414	$3,473
Texas Public Finance Authority Bonds	250,798	262,919	227,653	175,607	168,432	1,279,823
Park Development Bonds	1,830	1,781	1,740	1,693	903	1,663
Agriculture Water Conservation Bonds	0	0	0	0	0	0
Cancer Prevention and Research Institute of Texas	30,760	30,318	29,876	29,433	29,020	342,784
Water Development Bonds - EDAP [3]	24,659	24,485	24,120	23,890	23,656	161,581
Water Development Bonds - State Participation	0	0	0	0	0	0
Water Development Bonds - WIF	53,653	52,762	51,972	50,949	49,892	501,596
TTC GO Transporation Bonds	123,443	123,443	123,442	123,441	123,437	2,725,009
Total Not Self-Supporting	**$495,458**	**$503,167**	**$460,227**	**$406,428**	**$396,755**	**$5,015,929**
Total General Obligation Debt Service	**$1,240,339**	**$1,262,979**	**$1,229,913**	**$1,185,750**	**$1,167,359**	**$19,180,731**
Non-General Obligation Debt						
Self-Supporting						
Permanent University Fund Bonds						
The Texas A&M University System	$55,478	$55,474	$55,481	$55,000	$55,003	$837,121
The University of Texas System	122,732	122,726	122,725	122,800	122,683	2,533,406
College and University Revenue Bonds	1,003,869	1,000,135	991,450	965,632	946,690	11,416,622
Texas Water Resources Finance Authority Bonds	0	0	0	0	0	0
Texas Department of Transportation Bonds - CTTS	76,024	84,114	108,277	114,417	120,754	6,047,464
Texas Dept of Housing & Community Affairs - SF	34,703	35,412	36,663	36,197	42,741	1,357,659
Economic Development Program (Leverage Fund)	2,005	2,007	2,008	2,006	2,007	30,086
Veterans' Financial Assistance Bonds	0	0	0	0	0	0
Texas Workforce Commission Unemp Comp Bonds	218,735	223,596	229,224	234,852	231,960	284,356
State Highway Fund	314,950	314,946	314,942	314,952	314,950	4,296,060
Water Development Bonds - State Revolving Fund	61,338	91,465	93,522	54,134	74,973	803,634
Total Self-Supporting	**$1,889,833**	**$1,929,876**	**$1,954,290**	**$1,899,990**	**$1,911,760**	**$27,606,408**
Not Self-Supporting [1]						
Texas Public Finance Authority Bonds	50,239	30,076	25,650	20,108	16,449	17,735
TPFA Master Lease Purchase Program	13,253	12,412	10,588	8,661	7,846	25,811
Texas Military Facilities Commission Bonds	1,974	1,674	1,377	1,375	1,377	7,224
Parks and Wildlife Improvement Bonds	3,507	3,445	3,388	3,328	3,268	3,225
Total Not Self-Supporting	**$68,973**	**$47,607**	**$41,003**	**$33,472**	**$28,939**	**$53,996**
Conduit, Component and Related Organizations						
Texas Windstorm Insurance Association	$0	$0	$0	$0	$0	$0
Texas Small Business I.D.C. Bonds	1	3	3	3	3	1,643
Texas Dept. of Housing & Community Affairs - MF	54,947	55,103	55,171	55,318	55,384	1,617,007
Texas State Affordable Housing Corporation	27,733	30,832	30,848	30,860	30,896	768,641
Texas Grand Parkway Transportation Corporation	70,075	385,408	336,371	324,376	280,950	5,397,073
Texas PAB Surface Transportation Corporation	71,632	71,632	71,632	71,632	71,632	2,279,494
TPFA Charter School Finance Corporation	19,308	19,315	19,298	19,158	19,150	416,074
Total, Conduit, Component and Related Organizations	243,696	562,293	513,322	501,346	458,014	10,479,932
Total Non-General Obligation Debt Service	**$2,202,502**	**$2,539,777**	**$2,508,616**	**$2,434,808**	**$2,398,713**	**$38,140,335**
Total Debt Service	**$3,442,840**	**$3,802,756**	**$3,738,529**	**$3,620,558**	**$3,566,072**	**$57,321,067**

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

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

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

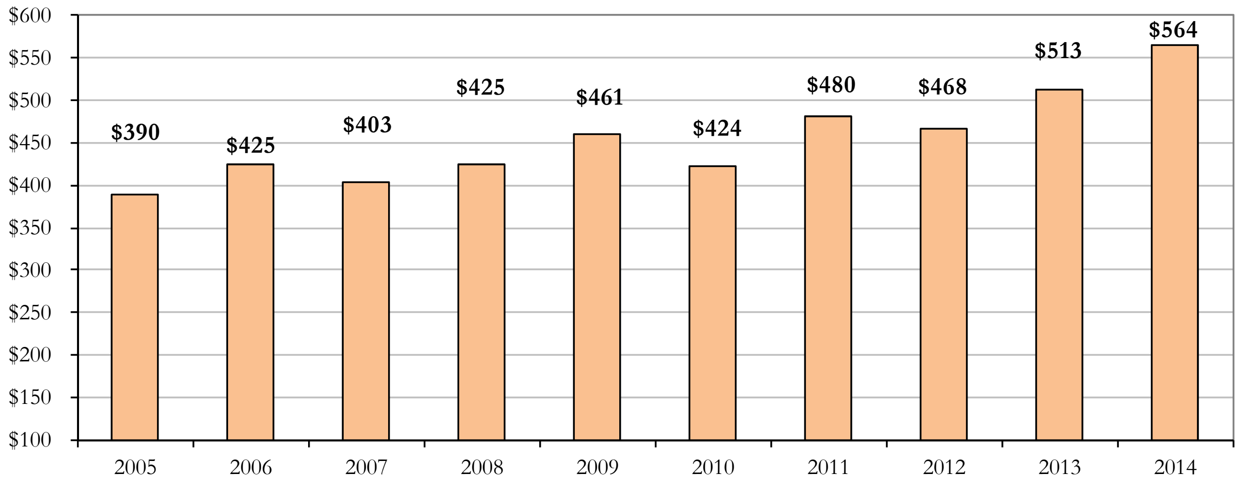
Notes: The debt-service figures do not include the early redemption of bonds under the state's various loan programs or cash defeasances after August 31, 2013, or the Build America Bond subsidy payments. SECO LoanSTAR Revolving Loan Program debt is not included.

Future debt-service payments for variable-rate bonds and commercial paper programs are estimated.

Detail may not add to total due to rounding.

Source: Texas Bond Review Board - Bond Finance Office.

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



Source: Texas Bond Review Board - Bond Finance Office.

Report 2013 published by the Texas Comptroller of Public Accounts for actual debt service paid by the state from General Revenue. Debt service for tuition revenue bond (TRB) debt is not included in this analysis. Although college and university revenue debt is payable from a pledge of certain "revenue funds" of the applicable system or institution of higher education, pursuant to authorizations to individual institutions in Chapter 55, Texas Education Code, the legislature has historically appropriated funds in an amount equal to all or a portion of the debt service on tuition revenue debt issued. (For revenue debt outstanding and debt-service requirements for each system or institution, see *Tables 2.5 and 2.6, respectively*.)

Authorized but Unissued Debt Decreases in FY 2013

Authorized but unissued debt is defined as debt that may be issued without further legislative or voter action. As of August 31, 2013 Texas had $20.01 billion in authorized but unissued debt compared to $21.57 billion in fiscal 2012 *(Table 2.7)*. Of the $20.01 billion, $16.24 billion (81.2%) was GO debt: $9.96 billion (61.4%) was self-supporting and $6.27 billion (38.6%) was not self-supporting debt. This compares to $17.99 billion in total not self-supporting authorized but unissued GO debt at fiscal year-end 2012. The decrease resulted from issuances of $918.2 million in new money GO debt issued by TTC, $350.0 million by VLB, and $284.4 million by TWDB.

Authorized but unissued not self-supporting revenue debt totaled $205.9 million at the end of fiscal 2013 compared to $194.1 million at fiscal year-end 2012. The remaining authorized but unissued revenue debt was self-supporting and increased from $3.38 billion to $3.56 billion because of increases in debt authorized under the Permanent University Fund.

Debt Authority – 83rd Texas Legislature

The 83rd Legislature authorized up to $2.0 billion to be withdrawn from the Economic Stabilization Fund (ESF) to be used only in support of projects for the State Water Plan. While this created no new debt authority, the money may be used for low-interest loans, credit enhancement agreements, deferral of

Table 2.5

TEXAS COLLEGE AND UNIVERSITY REVENUE DEBT OUTSTANDING

(amounts in thousands)

College and University Revenue Debt	FY 2011 Non-TRB	FY 2011 TRB	FY 2011 Total	FY 2012 Non-TRB	FY 2012 TRB	FY 2012 Total	FY 2013 Non-TRB	FY 2013 TRB	FY 2013 Total
Midwestern State University	$63,685	$19,975	$83,660	$61,440	$18,655	$80,095	$59,460	$17,235	$76,695
Stephen F. Austin State University	124,280	45,200	169,480	116,195	45,095	161,290	110,380	42,425	152,805
Texas Southern University	18,345	89,245	107,590	79,820	83,435	163,255	76,343	75,635	151,978
Texas State Technical College System	28,983	9,415	38,398	52,978	8,385	61,363	55,485	7,735	63,220
Texas State University System	586,240	191,490	777,730	577,365	175,880	753,245	622,829	161,476	784,305
Texas Tech University System	315,807	212,270	528,077	354,950	193,850	548,800	369,562	179,942	549,504
Texas Woman's University	45,540	41,425	86,965	43,835	37,665	81,500	43,247	34,890	78,137
The Texas A&M University System	1,072,052	532,320	1,604,372	1,210,788	503,450	1,714,238	1,195,490	471,570	1,667,060
The University of Texas System	4,550,487	1,027,345	5,577,832	4,528,579	1,104,285	5,632,864	4,654,930	1,033,660	5,688,590
University of Houston System	487,569	211,968	699,536	664,602	190,083	854,685	674,696	174,755	849,451
University of North Texas System	288,510	166,545	455,055	321,870	155,710	477,580	326,217	144,485	470,702
Total Revenue Debt Outstanding	**$7,581,498**	**$2,547,197**	**$10,128,695**	**$8,012,422**	**$2,516,493**	**$10,528,915**	**$8,188,640**	**$2,343,808**	**$10,532,448**

* TRB - Tution Revenue Bond

Notes:

The debt outstanding figures include the accretion on capital appreciation bonds as of August 31, 2013.

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

Excludes HEAF and PUF debt.

Source: Texas Bond Review Board - Bond Finance Office.

interest obligations, and funding for government entities that develop and manage water supplies.

Debt Authority – 82nd Texas Legislature

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

Debt Authority – 81st Texas Legislature, Regular Session

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

Debt Authority – 81st Texas Legislature, Special Session

The 81st Legislature's First Called Special Session authorized no additional GO debt, but appropriated $100.0 million for debt service during the 2010-2011 biennium for the issuance of $2.00 billion of Texas Transportation Commission general obligation bonds that had been approved by voters as Proposition 12 in 2007. As of August 31, 2012 Texas colleges and universities had no meaningful authorized but unissued Tuition Revenue Bond authority.

Debt Authority – 80th Texas Legislature, Regular Session

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

In addition, the 80th Legislature appropriated debt service for the $1.86 billion in TRBs authorized by HB 153, 79th Legislature, Third Special Session. TRBs are used to finance construction and improvements of infrastructure and related facilities, and their authorization and issuance is not contingent on an appropriation for related debt service.

Table 2.6

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

(amounts in thousands)

College and University Revenue Debt	2014	2015	2016	2017	2018	2019 & Beyond
The University of Texas System - Non-TRB	$384,803	$384,716	$384,123	$374,899	$374,223	$5,795,432
The University of Texas System - TRB	129,877	129,962	129,963	129,973	130,014	703,056
The University of Texas System - TOTAL*	$514,680	$514,678	$514,086	$504,872	$504,237	$6,498,488
The Texas A&M University System - Non-TRB	$122,459	$120,441	$118,450	$104,805	$100,697	$1,290,581
The Texas A&M University System - TRB	54,977	54,395	53,412	51,795	44,708	395,622
The Texas A&M University System - TOTAL	$177,436	$174,835	$171,863	$156,599	$145,405	$1,686,203
Texas Tech University System - Non-TRB	$33,298	$33,616	$33,485	$33,200	$32,591	$394,916
Texas Tech University System - TRB	22,636	21,746	20,061	20,073	20,073	134,698
Texas Tech University System - TOTAL	$55,934	$55,362	$53,546	$53,273	$52,664	$529,614
Texas State University System - Non-TRB	$56,013	$56,562	$54,793	$54,458	$54,469	$698,865
Texas State University System - TRB	23,258	21,972	21,806	21,803	21,817	103,980
Texas State University System - TOTAL	$79,271	$78,533	$76,599	$76,261	$76,285	$802,844
University of Houston System - Non-TRB	$55,433	$55,503	$55,514	$55,484	$55,075	$826,990
University of Houston System - TRB	22,404	22,399	22,421	22,438	19,948	119,503
University of Houston System - TOTAL	$77,837	$77,902	$77,935	$77,922	$75,023	$946,493
The University of North Texas System - Non-TRB	$27,671	$27,922	$27,856	$27,851	$27,843	$382,065
The University of North Texas System - TRB	18,811	18,954	18,008	17,997	15,624	106,722
The University of North Texas System - TOTAL	$46,482	$46,877	$45,864	$45,849	$43,467	$488,787
Texas Woman's University - Non-TRB	$3,747	$3,899	$3,898	$3,900	$3,896	$43,606
Texas Woman's University - TRB	4,178	4,172	4,176	4,179	4,177	25,870
Texas Woman's University - TOTAL	$7,925	$8,071	$8,074	$8,080	$8,074	$69,476
Texas State Technical College System - Non-TRB	$4,844	$4,855	$4,733	$4,597	$4,600	$59,590
Texas State Technical College System - TRB	1,060	1,056	1,060	1,058	1,058	4,508
Texas State Technical College System - TOTAL	$5,903	$5,911	$5,793	$5,655	$5,659	$64,098
Stephen F. Austin State University - Non-TRB	$10,755	$10,766	$10,758	$10,750	$10,755	$94,076
Stephen F. Austin State University - TRB	4,437	4,440	4,436	4,420	3,968	34,636
Stephen F. Austin State University - TOTAL	$15,192	$15,206	$15,194	$15,170	$14,722	$128,712
Midwestern State University - Non-TRB	$5,047	$5,053	$4,782	$4,605	$4,605	$67,689
Midwestern State University - TRB	2,164	2,157	2,153	2,156	2,159	10,455
Midwestern State University - TOTAL	$7,211	$7,211	$6,935	$6,761	$6,764	$78,144
Texas Southern University - Non-TRB	$5,949	$5,951	$5,967	$5,998	$6,005	$66,717
Texas Southern University - TRB	10,048	9,599	9,595	9,194	8,386	57,045
Texas Southern University - TOTAL	$15,997	$15,550	$15,562	$15,191	$14,391	$123,762
Total College and University Revenue Debt	**$1,003,869**	**$1,000,135**	**$991,450**	**$965,632**	**$946,690**	**$11,416,622**

*Excludes Build America Bond subsidy payments.

Legend: TRB = Tuition Revenue Bonds

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

Source: Texas Bond Review Board - Bond Finance Office

Table 2.7

TEXAS DEBT AUTHORIZED BUT UNISSUED

(amounts in thousands)

	8/31/2009	8/31/2010	8/31/2011	8/31/2012	8/31/2013
General Obligation Debt					
Self-Supporting					
Veterans' Land and Housing Bonds	$68,032	$2,014,792	$1,954,414	$1,873,372	$1,606,274
Water Development Bonds	711,825	727,436	765,976	6,499,820	6,258,633
Farm and Ranch Loan Bonds [1]	300,000	300,000	300,000	300,000	300,000
College Student Loan Bonds	525,482	400,485	275,490	1,310,390	1,383,565
Texas Agricultural Finance Authority Bonds	221,000	221,000	221,000	221,000	221,000
Texas Public Finance Authority - TMVRLF	200,405	200,405	200,405	200,405	200,405
Texas Mobility Fund Bonds	*	*	*	*	*
Texas Rail Relocation and Improvement Fund	*	*	*	*	*
Total Self-Supporting	**$2,026,744**	**$3,864,119**	**$3,717,285**	**$10,404,987**	**$9,969,877**
Not Self-Supporting [2]					
Agricultural Water Conservation Bonds	$164,840	$164,840	$164,840	$164,840	$164,840
Higher Education Constitutional Bonds	***	***	***	***	***
Texas Public Finance Authority [3]	3,941,243	3,536,743	3,258,005	3,084,517	2,954,697
Transportation Commission GO Transportation Bonds	5,000,000	5,000,000	4,000,002	4,000,709	2,901,359
Water Development Bonds - EDAP [4]	296,383	236,854	201,975	186,036	151,976
Water Development Bonds - State Participation	200,050	179,466	0	0	0
Water Development Bonds - WIF	473,365	204,599	200,000	152,134	101,836
Total Not Self-Supporting	**$10,075,881**	**$9,322,503**	**$7,824,822**	**$7,588,236**	**$6,274,708**
Total General Obligation Debt	**$12,102,625**	**$13,186,621**	**$11,542,107**	**$17,993,223**	**$16,244,585**
Non-General Obligation Debt					
Self-Supporting					
Permanent University Fund Bonds [5]					
The Texas A&M University System	$374,182	$371,613	$452,371	$449,640	$546,300
The University of Texas System	378,339	245,252	479,362	606,841	691,660
College and University Revenue Bonds	**	**	**	**	**
Texas Turnpike Authority Bonds	**	**	**	**	**
Texas Water Resources Finance Authority Bonds	**	**	**	**	**
Texas Water Development Bonds (Water Resources Fund)	**	**	**	**	**
Texas Workers' Compensation Fund Bonds	**	**	**	**	**
Texas Workforce Commission Unemp Comp Bonds	***	***	***	***	***
Nursing Home Liability Insurance	75,000	75,000	75,000	75,000	75,000
FAIR Plan	75,000	75,000	75,000	75,000	75,000
Veterans' Financial Assistance Bonds	795,720	771,440	771,440	771,440	771,440
State Highway Fund Revenue Bonds	2,900,671	1,400,667	1,400,667	1,400,667	1,400,667
Water Development Board - State Revolving Fund	**	**	**	**	**
Total Self-Supporting	**$4,598,912**	**$2,938,972**	**$3,253,840**	**$3,378,588**	**$3,560,067**
Not Self Supporting [2]					
Texas Public Finance Authority Bonds	$150,471	$158,857	$152,114	$120,881	$120,881
TPFA Master Lease Purchase Program	42,680	52,410	60,740	73,210	85,033
Texas Military Facilities Commission Bonds	**	**	**	**	**
Total Not Self-Supporting	**$193,151**	**$211,267**	**$212,854**	**$194,091**	**$205,914**
Conduit					
Texas Windstorm Insurance Association	***	***	***	***	***
Texas Economic Development Bank Bonds	**	**	**	**	**
Texas Department of Housing & Community Affairs	**	**	**	**	**
Texas State Affordable Housing Corporation	**	**	**	**	**
Total, Conduit	**$0**	**$0**	**$0**	**$0**	**$0**
Total Non-General Obligation Debt	**$4,792,063**	**$3,150,238**	**$3,466,694**	**$3,572,679**	**$3,765,981**
Total Debt	**$16,894,688**	**$16,336,859**	**$15,008,801**	**$21,565,902**	**$20,010,566**

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

** No issuance limit has been set by the Texas Constitution. Bonds may be issued by the agency without further authorization by the Legislature. However, university bonds rated lower than AA- or its equivalent may not be issued without the approval of the Bond Review Board. All bonds must be approved by the Attorney General.

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

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

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

[3] Includes $3 billion for cancer prevention that was authorized by state voters in November 2007.

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

[5] Issuance of PUF bonds by A&M is limited to 10 percent, and issuance by UT is limited to 20 percent of the cost value of investments and other assets of the PUF, except real estate. The PUF value used is as of August 31, 2013.

Source: Texas Bond Review Board - Bond Finance Office

As described above the Texas Legislature has historically appropriated general revenue to reimburse the institutions for TRB debt service. Additionally, the passage of SB 792 increased the State Highway Fund bonding authority from $3 billion to $6 billion.

Long-Term Contracts and Lease Purchases

Long-term contracts and lease or installment-purchase agreements can serve as cost-effective financing alternatives to the issuance of bonds. Like bonds, these agreements are a method of financing capital purchases over time, and payments on these contracts and agreements are generally subject to biennial legislative appropriations. Although these contracts and agreements are not classified as state debt, they must be added to debt outstanding to obtain an accurate total of all state debt.

The equipment lease purchases approved by the Bond Review Board are typically financed through the Texas Public Finance Authority's Master Lease Purchase Program and are included in the state's total debt outstanding.

Texas Swaps Outstanding

At the end of fiscal 2013, three state issuers had swap agreements in place: the Veterans Land Board (VLB), The University of Texas System (The UT System), and the Texas Department of Housing and Community Affairs (TDHCA). Each entered the swap market in 1994, 1999, and 2004. As of August 31, 2013 the aggregate notional amount of swaps outstanding at the state level was $4.76 billion. Interest rate swaps are primarily used as financial-management tools to reduce interest expense and hedge against interest rate, tax, basis and other risks. (See *Appendix C* for a background discussion of swaps and related data.)

State issuers are authorized to enter into swap agreements under the Texas Government Code, Section 1371 which grants special authority to enter into credit agreements. However, the Texas Department of Housing and Community Affairs and the Veterans Land Board have broad authority to enter into swaps under Section 2306.351 of the Texas Government Code and Sections 161.074, 162.052 and 164.010 of the Texas Natural Resources Code, respectively.

At the end of fiscal 2013, the VLB was a party to 48 pay-fixed, receive-variable rate (synthetic fixed-rate) swaps associated with its variable-rate demand bond issues. The total notional amount for these swaps was $1.97 billion at fiscal year-end 2013. TDHCA had five such swaps on single-family bonds totaling $260.2 million in notional amount and four such swaps for multi-family bond issuances totaling $52.0 million that are conduit debt. The UT System had five Revenue Financing System swap agreements and two Permanent University Fund swap agreements totaling $1.31 billion in notional amount.

Additionally, at the end of fiscal 2013 VLB had two outstanding basis rate (pay-variable, receive-variable) swaps with $64.2 million in notional amount that were associated with variable-rate demand debt issues. The UTS had five Revenue Financing System agreements and two PUF agreements totaling $1.17 billion in notional amount.

The Net Fair Values for the swap agreements in place at the end of fiscal 2013 for the three state issuers were as follows: VLB, negative $213.2 million; The UTS, negative $117.5 million; and TDHCA, negative $34.0 million. A negative value indicates that the state issuer would owe its counterparties the net amounts indicated if the swaps were terminated. (See *Tables C1 and C2 in Appendix C* for details regarding Texas' interest rate swaps outstanding and fair value data at August 31, 2013.) The three state issuers each have the unilateral option to terminate the swap agreements.

At fiscal year-end 2013, estimated debt-service requirements and net swap payments for VLB's pay-fixed, receive-variable swaps totaled $2.62 billion; and that of The UTS totaled $2.06 billion. TDHCA had only synthetic fixed-rate swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $413.2 million. UTS had seven basis swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $479.7 million. VLB had two basis swaps outstanding, the estimated debt-service requirements and net swap payments for which totaled $33.2 million. (See *Table C3 and Table C4 in Appendix C* for debt-service requirements of debt outstanding and net interest rate swap payments.)

Chapter 3
State Bond Issuance Costs

Excluding issuances of conduit and private placement debt, during fiscal 2013 the weighted average of issuance cost for state bond issuers was $6.18 per $1,000 compared to $6.58 per $1,000 for fiscal 2012. The issuances ranged in size from $10.1 million to $918.2 million. Appendix A of this report details the issuance costs associated with each of these issues as well as the conduit and private placement issues.

Issuance Costs for Texas Bond Issuers

In fiscal 2013 the average issue size for Texas' state issuers increased to $175.1 million from $98.6 million in fiscal 2012 (*Table 3.1*). Excluding conduit and private placement issues, six (33.3%) of the 18 transactions completed in fiscal 2013 were $100.0 million or greater in size, compared to seven (33.3%) of the 21 transactions completed in fiscal 2012.

In fiscal 2013 the weighted average underwriting spread accounted for 68.5 percent of all issuance costs, and the weighted average underwriting spread per issue declined to $4.23 in fiscal 2013 from $4.37 in fiscal 2012. *(See Comparison of Issuance Costs by Transaction Size).*

The weighted average underwriting spread decreased in fiscal 2013 and returned to levels last seen in fiscal years 2005-2008, when the weighted average underwriting spreads ranged from $3.52 to $4.28 per $1,000 (*Figure 3.1*). Underwriters' spreads began to increase during fiscal 2009 due to higher underwriting risk in the municipal bond market caused by the financial downturn and higher issuance costs associated with the introduction of Build America Bonds (BABs). The BABs program expired on December 31, 2010.

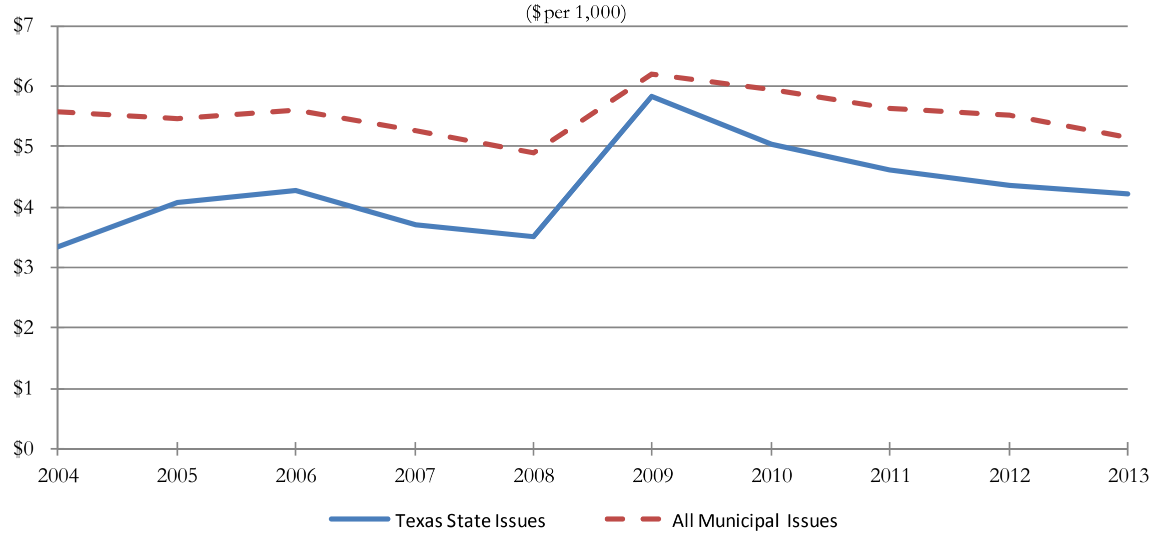
Because of a few larger issuances during fiscal 2013, Other Issuance Costs (bond counsel, financial advisor, rating agency, printing and other costs) per $1,000 decreased slightly to an average of $1.95 per $1,000 per issue ($340,575) compared to $2.21 per $1,000 ($217,843) in fiscal 2012.

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

	Fiscal 2012			Fiscal 2013		
	Count	Average Cost Per Bond Issue	Average Cost Per $1,000 of Bonds Issued	Count	Average Cost Per Bond Issue	Average Cost Per $1,000 of Bonds Issued
Average Issue Size (In Millions)	21	$98.6		18	$175.1	
Costs of Issuance:						
Underwriter's Spread:						
Takedown	21	$326,685	$3.31	18	$622,951	$3.56
Spread Expenses	19	53,662	0.52	16	53,520	0.28
Underwriter's Counsel	17	31,518	0.32	15	49,404	0.27
Other Underwriter's Spread Costs*	12	52,102	0.62	8	65,729	0.92
Underwriter's Spread Subtotal	21	$430,523	$4.37	18	$740,907	$4.23
Other Issuance Costs:						
Bond Counsel	21	$62,244	$0.63	18	$102,020	$0.58
Financial Advisor	19	57,011	0.66	18	60,930	0.35
Printing	19	2,570	0.03	18	2,372	0.01
Other	21	32,753	0.33	18	76,334	0.44
Other Issuance Costs Subtotal	21	$148,904	$1.51	18	$241,655	$1.38
Rating Agencies:						
Moody's	18	$38,040	$0.38	18	$49,569	$0.28
Standard & Poor's	16	29,500	0.26	12	38,150	0.17
Fitch	13	22,385	0.22	12	35,875	0.17
Rating Agency Costs Subtotal	21	$68,939	$0.70	18	$98,920	$0.57
Total	21	$648,366	$6.58	18	$1,081,482	$6.18

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

Figure 3.1
GROSS UNDERWRITING SPREADS: 2004 - 2013
TEXAS STATE BOND ISSUES vs. ALL MUNICIPAL BOND ISSUES
($ per 1,000)



Note: 2013 Municipal figures are through May 23, 2013 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* (07/13); Thomson Financial Securities; and Texas Bond Review Board - Bond Finance Office

Underwriting Costs for Texas Bond Issuers Compared to National Costs

Excluding conduit and private placement issuances, during fiscal 2013 Texas' state bond issuers paid lower average underwriting fees compared to the national averages *(Figure 3.1)*. This difference is partially explained by the generally higher credit quality of Texas issuers. Statistics published by Thomson Financial Securities Data show that underwriting spreads nationally averaged $5.16 per $1,000 compared to Texas' average of $4.23 per $1,000.

During fiscal 2013 Texas issuers saw lower weighted average underwriting costs in both negotiated and competitive transactions when compared to the national averages as reported by Thomson Financial Securities (*Figure 3.2*). Texas' average of $4.42 per $1,000 for negotiated sales and $3.40 per $1,000 for competitively bid sales were 14.5 percent and 39.6 percent below the national averages, respectively. As before, this difference is partially explained by the generally higher credit quality of Texas issues.

Comparison of Issuance Costs by Transaction Size

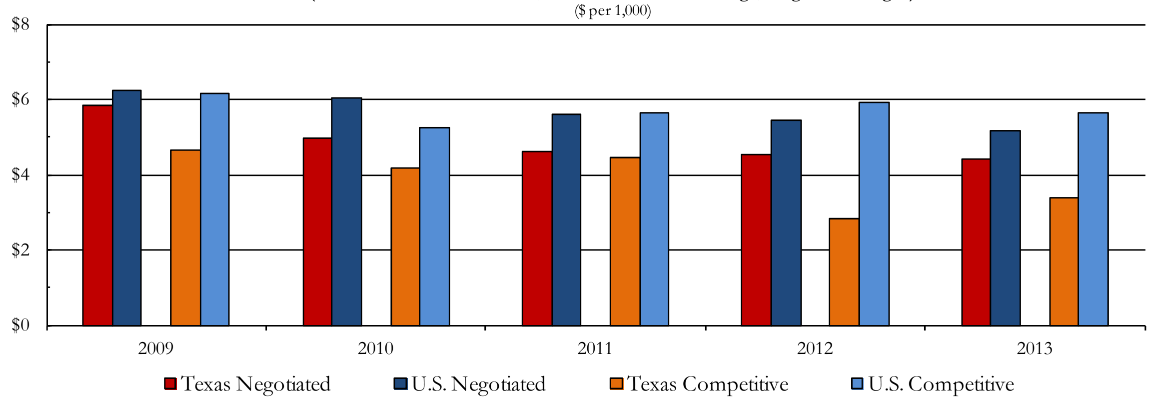
Larger bond issues usually have a lower cost per $1000 because certain fixed costs of issuance including some legal and financial advisory services and document drafting fees do not vary proportionately with the size of the bond issue.

Texas' issuance costs were generally lower during fiscal 2013 than those experienced during fiscal 2009-2012 (*Figure 3.3*). Appendix A details the issuance costs for each transaction in fiscal 2013.

Trends in State Bond Issuance Costs in 2013

The characteristics of 18 non-conduit bond transactions were reviewed to determine

Figure 3.2
GROSS UNDERWRITING SPREADS: 2009 - 2013
NEGOTIATED vs. COMPETITIVE MUNICIPAL ISSUES
(Excludes Private Placements, Conduits and Remarketings; weighted averages)
($ per 1,000)



Note: 2013 U.S. figures are through June 30, 2013. 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* (08/13); Thomson Financial Securities; and Texas Bond Review Board - Bond Finance Office.

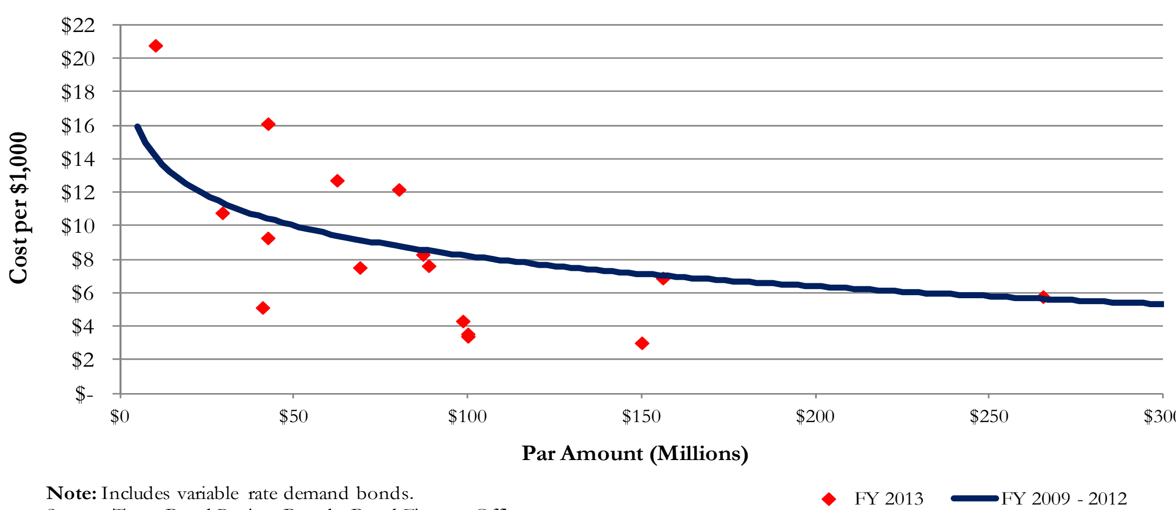
trends in issuance costs during fiscal 2013. Of those, 15 were negotiated sales and three were competitive sales. Of the 15 negotiated sales, one was less than $25 million in size, three were from $25-$49 million, six were from $50-$99 million, two were from $100-$149 million and three were from $150 million and above. The three competitive transactions were for $41.0 million, $98.6 million, and $265.4 million, respectively.

As in the past, the cost per $1,000 in fiscal 2013 generally decreased as transaction size increased (*Figure 3.3*).

Historical Trends in Issuance Costs for State General Obligation Bonds

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

Figure 3.3
COSTS OF ISSUANCE: FY 2009-2013
(Excludes Private Placements, Conduits and Remarketings)

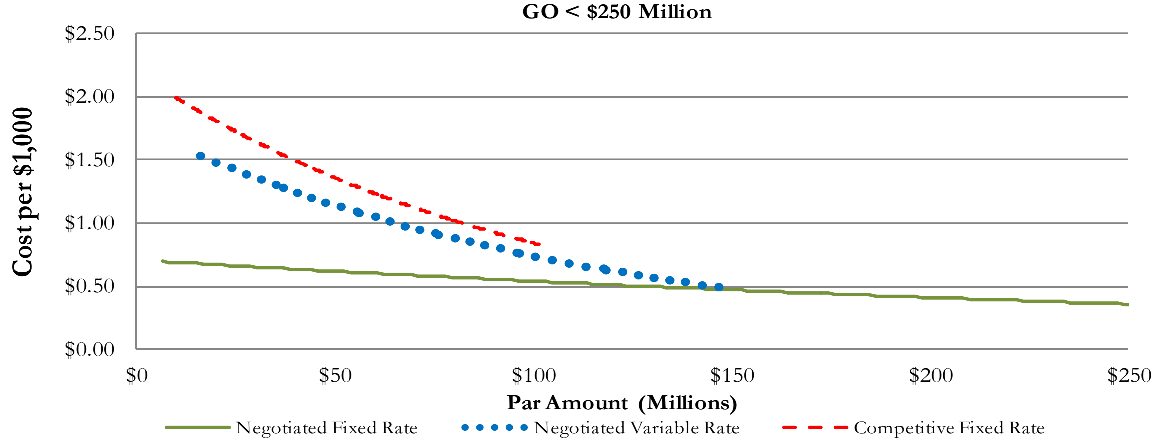


Note: Includes variable rate demand bonds.
Source: Texas Bond Review Board - Bond Finance Office

Figure 3.4

BOND COUNSEL FEE: 2007-2013

GO < $250 Million



(GO) issues of less than $250 million, data from fiscal years 2007-2013 is shown graphically in the figures that follow *(Figures 3.4, 3.5, 3.6 and 3.7)*. Each cost of issuance component has been compared by method of sale (negotiated vs. competitive) and by financing structure (fixed-rate vs. variable-rate debt).

Cost of issuance data was obtained from GO transactions for five agencies and one institution of higher education. A total of 58 issuances were completed in fiscal years 2007-2013 with an average par amount of $99.7 million. Of the 58 issuances, 33 were negotiated fixed - rate issues, 19 were negotiated variable-rate issues, six were competitive fixed-rate issues and none were competitive variable-rate issues.

Figure 3.4 shows the bond counsel cost per $1,000 for the 58 transactions. During fiscal years 2007-2013, negotiated sales had lower cost per $1,000 compared to competitive sales. Both negotiated and competitive sales had lower cost per $1,000 as transaction size increased.

Figure 3.5 shows the cost per $1,000 for the 56 transactions with a financial advisor fee. Competitive transactions had a higher cost across all transactions, and variable-rate

Figure 3.5

FINANCIAL ADVISOR FEE: 2007-2013

GO < $250 Million

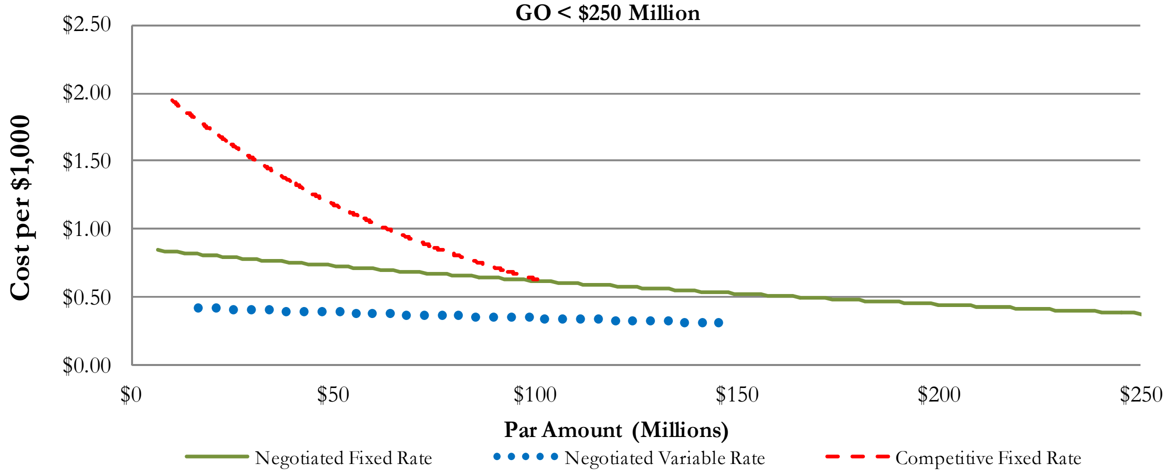
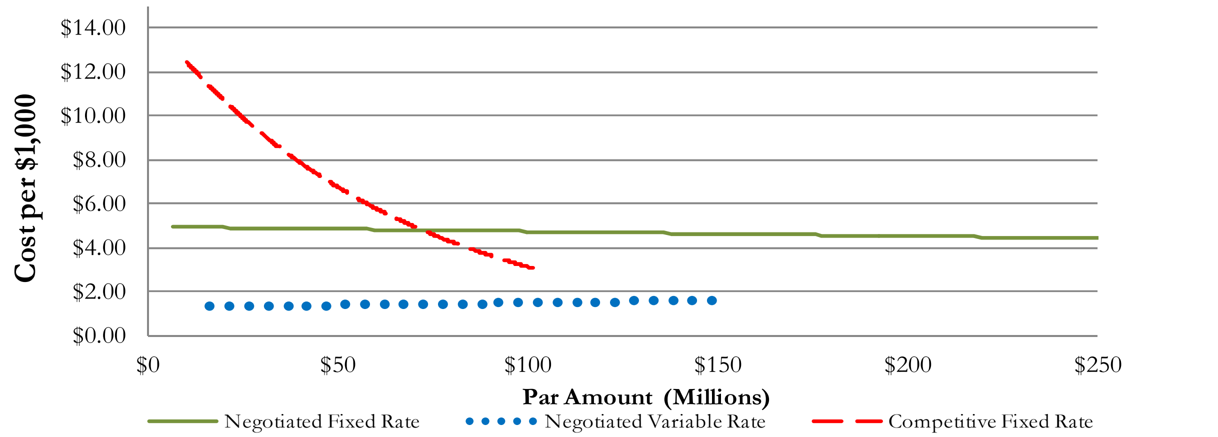


Figure 3.6
UNDERWRITERS' SPREAD EXCLUDING COUNSEL: 2007 - 2013
GO < $250 Million



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

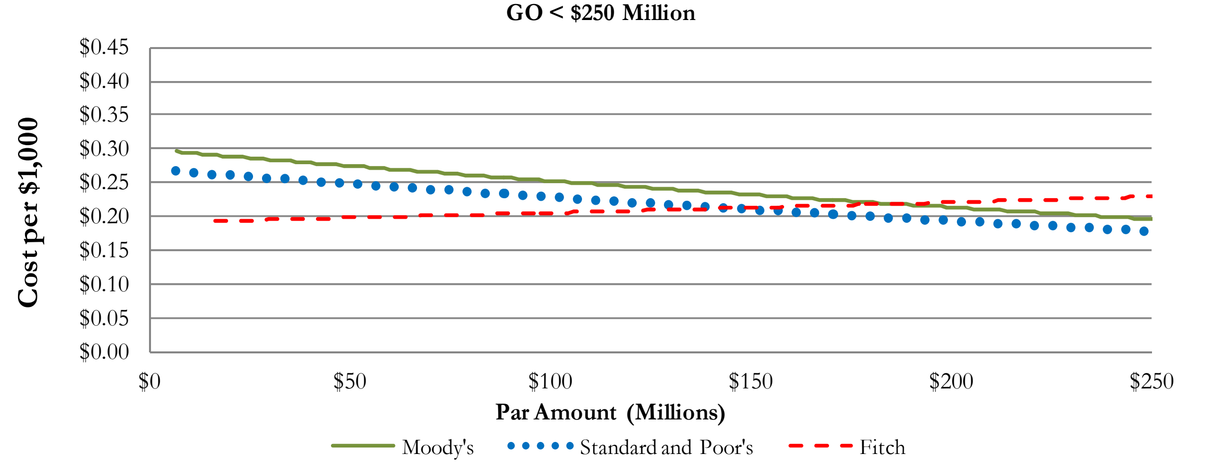
Figure 3.6 shows the underwriters' spread for negotiated sales that exclude underwriters' counsel fees that are generally not present in competitive sales. Competitive fixed-rate issuances generally had higher costs for smaller issuances than negotiated fixed-rate transactions.

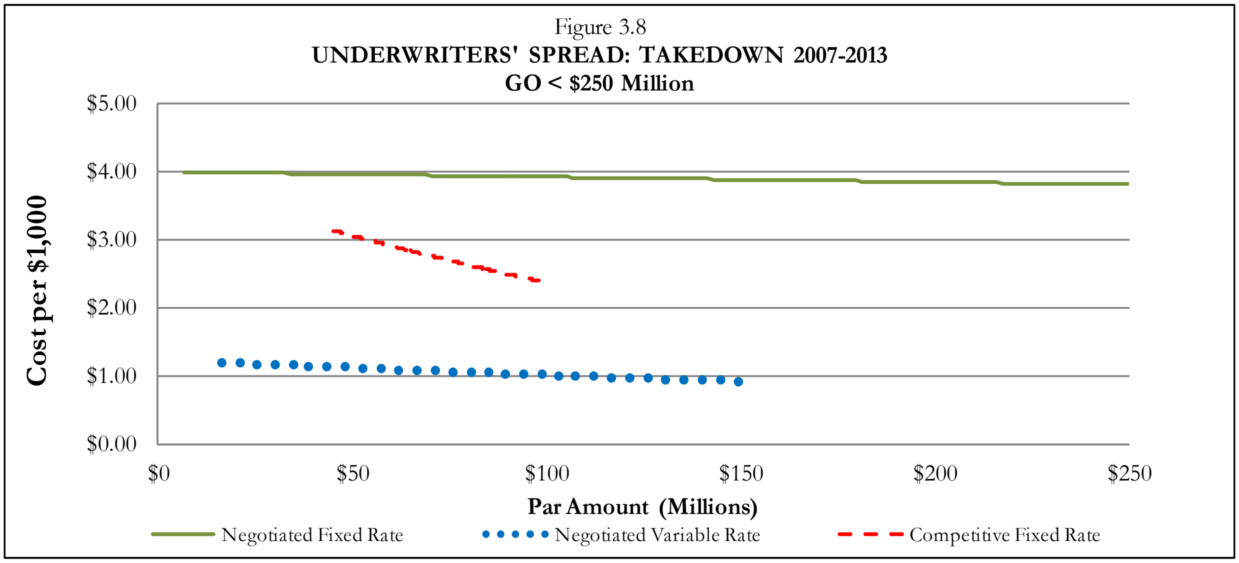
Figure 3.7 shows the cost per $1,000 for fees for the three major rating agencies: Moody's, Standard and Poor's (S&P) and Fitch. For smaller transaction sizes, Moody's and S&P had higher costs per $1,000, but as transaction size increased, they became the lowest of the three. Fitch costs per $1,000 were lower for smaller transactions sizes but were the highest for larger transactions.

Figures 3.8, 3.9, and 3.10 further analyze underwriters' spread by takedown, spread expenses and underwriters' counsel for 58 issuances that occurred between fiscal years 2007-2013.

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

Figure 3.7
RATING AGENCY FEE: 2007-2013
GO < $250 Million





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

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

Figure 3.10 shows underwriters' counsel cost per $1,000. For smaller transactions negotiated variable-rate sales resulted in a higher cost per $1,000 than negotiated fixed-rate sales. As transaction size increased, negotiated variable-rate sales had a lower cost per $1,000. *Figures 3.9 and 3.10* compare only negotiated transactions since underwriters' counsel fees and spread expenses are typically not present in competitive sales.

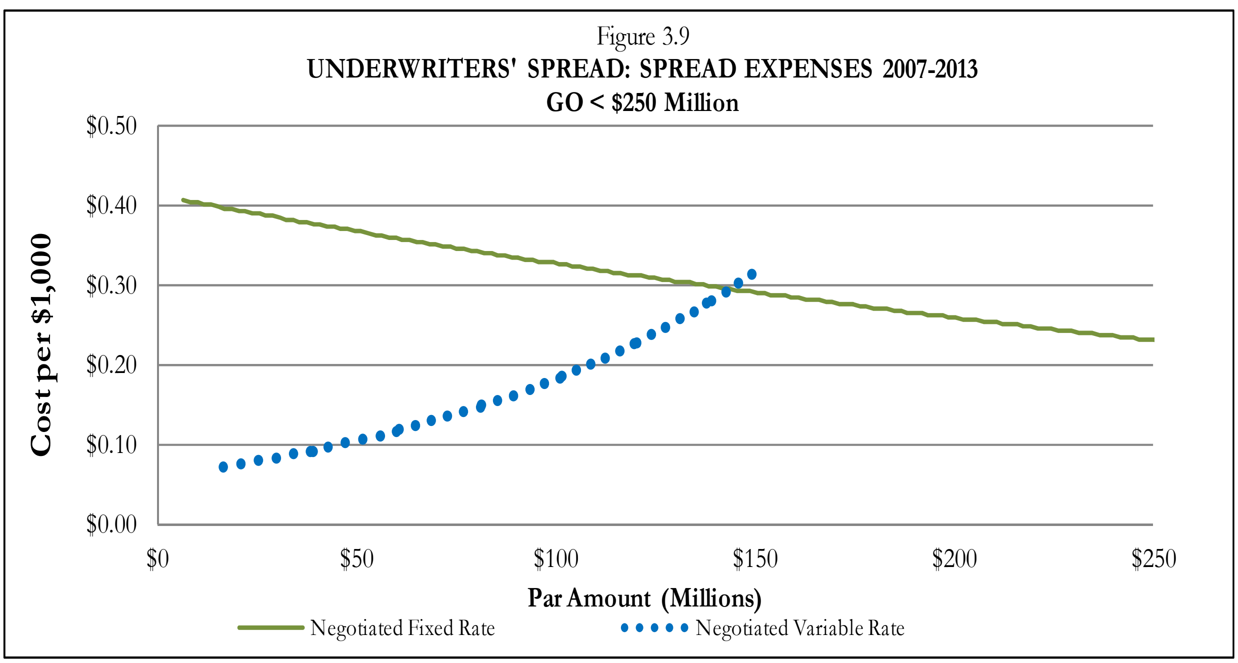
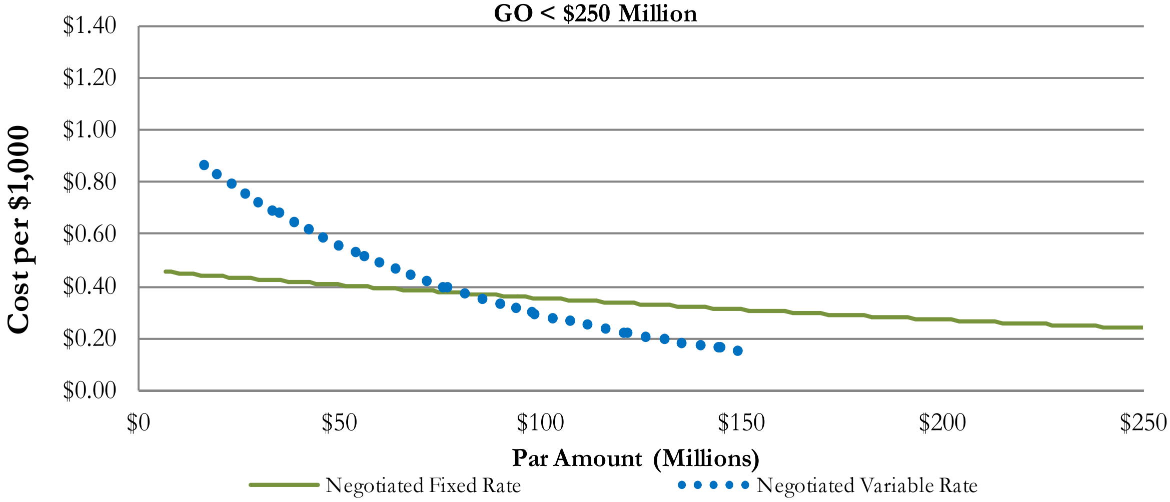


Figure 3.10
UNDERWRITERS' COUNSEL: 2007 - 2013
GO < $250 Million



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

Texas again experienced an increase in volume cap for the Program Year 2013 Private Activity Bond (PAB) Allocation Program. The 2013 volume cap was set at $2,475,624,285, an increase of $36.5 million (1.5%) over the calendar 2012 cap. The total size of the PAB program including 2013 volume cap and carryforward, was $4.72 billion, a 12.5 percent decrease from the 2012 total. As of November 15, 2013, $811.9 million had been allocated and application requests totaled $1.94 billion, a decrease of 21.7 percent from Program Year 2012.

As of December 1, 2013 Texas had $235.7 million in unused Qualified Energy Conservation Bond authority.

Volume Cap

Texas is second only to California in population and resulting volume cap. Texas experienced an increase in volume cap for the 2013 PAB Allocation Program. Based on its population, the 2013 volume cap was set at $2,475,624,285, an increase of $36.5 million (1.5%) over the calendar 2012 cap of $2,439,094,695.

The increase in the amount of volume cap allocation can be attributed not only to the growth of the state's population, but also to federal legislation that increased the per-capita formula. On December 20, 2000 federal legislation was passed that accelerated the increase in private-activity volume cap, the first such increase since the Tax Reform Act of 1986. The cap phase-in began January 1, 2001 when the limit was increased from $50 per capita to $62.50 per capita. The second part of the plan occurred in January 2002 when the cap multiplier increased to $75 per capita or $225 million, whichever is greater. The multiplier was indexed to inflation beginning in 2003 resulting in increases in 2007, 2008, 2009 and 2011 to the current level of $95 per capita.

Including 2013 volume cap and carryforward, for Program Year 2013 the state had a total of $4.72 billion of volume cap available among the six subceilings of which $811.9 million (17.2%) had been allocated as of November 15, 2013 *(Table 4.1)*.

Total bonding authority demand during the 2013 Program Year decreased compared to the 2012 Program Year. Roughly 41.2 percent of the available 2013 volume cap had been requested before the August 15th collapse compared to 17.9 percent for 2012.

Table 4.1
STATE OF TEXAS
PRIVATE ACTIVITY BOND ALLOCATION PROGRAM
2013 AVAILABLE VOLUME CAP vs. ALLOCATION AMOUNTS
(as of November 15, 2013)

SUBCEILING	AVAILABLE* VOLUME CAP	PERCENT OF TOTAL	ISSUED 2013 ALLOCATION	ISSUED CARRYFORWARD ALLOCATION	ISSUED PERCENT OF TOTAL
Single Family Housing	$ 1,500,967,013	31.8%	$ 335,757,940	$ 255,413,787	12.5%
State-Voted Issues	423,054,106	9.0%	-	16,435,000	0.3%
Small Issue IDBs	49,512,486	1.0%	1,897,830	-	0.0%
Multifamily Housing	733,322,343	15.5%	45,000,000	100,725,000	3.1%
Student Loan Bonds	817,195,659	17.3%	-	-	0.0%
All Other Issues	1,193,806,725	25.3%	56,630,827	-	1.2%
TOTAL	**$ 4,717,858,332**	**100.0%**	**$ 439,286,597**	**$ 372,573,787**	**17.2%**

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

Table 4.2 **STATE OF TEXAS** **PRIVATE ACTIVITY BOND ALLOCATION PROGRAM** **2013 REQUESTED VOLUME CAP**			
SUBCEILINGS	**AVAILABLE ALLOCATION***	**REQUESTED ALLOCATION***	**REQUESTS AS A % OF AVAILABILITY**
Mortgage Revenue Bonds	$ 1,500,967,013	$ 978,517,372	65.2%
State-Voted Issue Bonds	423,054,106	252,420,000	59.7%
Industrial Development Bonds	49,512,486	2,000,000	4.0%
Multifamily Rental Project Bonds	733,322,343	570,500,000	77.8%
Student Loan Bonds	817,195,659	-	0.0%
All Other Bonds Requiring Allocation	1,193,806,725	137,400,000	11.5%
TOTALS	**$ 4,717,858,332**	**$ 1,940,837,372**	**41.1%**

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

However, after the 2012 collapse, the Bond Review Board (BRB) received $2.04 billion in requests; after the collapse in 2013, the BRB received $920.9 million in requests. Applications received for Program Year 2013 including carryforward requests, totaled $1.94 billion or 41.1 percent of the total available allocation of $4.72 billion *(Table 4.2),* a decrease of 21.8 percent from the $2.48 billion of the available allocation requested in 2012. As of November 15, 2013 all requests for reservations had been granted.

Allocation Trends Downward Slightly

Excluding carryforward, as of November 15, 2013, $439.3 million (17.7%) of Program Year 2013 volume cap had been allocated. As of the same date in Program Years 2010, 2011, and 2012 $665.6 million (29.8%), $218.3 million (9.14%) and $470.7 million (19.3%), respectively of volume cap (excluding carryforward) had been allocated. Until 2012 overall applications received, as well as amount requested had decreased as a result of turmoil in the bond market that began in the summer of 2008. While the amount of volume cap requested decreased for 2013, the number of applications increased. *(Table 4.3).* Many issuers have been waiting for market conditions to improve before seeking volume cap, or they applied for volume cap with the intention of converting it to carryforward. Although market conditions negatively affected every subceiling, student loan transactions suffered the greatest adverse impact as they received no 2013 volume cap allocation.

As of November 15, 2013 no mortgage revenue bonds (MRBs) had closed utilizing Program Year 2013 volume cap; however, issuers had converted $335.8 million of Program Year 2013 volume cap to mortgage credit certificate (MCC) programs. Issuers used approximately $78.1 million and $195.1 million to close MRBs and MCC programs, respectively using their carryforward volume cap. Multifamily issuers closed 9 projects as of November 15, 2013 using $100.7 million of carryforward and $72.5 million of volume cap compared to nineteen projects closing in 2012. The Texas Higher Education Coordinating Board closed $16.4 million for student loan bonds using 2011 carryforward. Exempt facility bond issuers closed $29.2 million of 2013 volume cap.

At the beginning of Program Year 2013, the carryforward amount of $2.24 billion was 90.6% of the 2013 Program Year volume cap of $2.48 billion, and many issuers that applied for a reservation were forced to use carryforward volume cap (as required by IRS Code) before using 2013 volume cap.

YEAR	AVAILABLE ALLOCATION*	REQUESTED ALLOCATION*	ISSUED VOLUME CAP ALLOCATION	ISSUED CARRYFORWARD ALLOCATION	NUMBER OF APPLICATIONS RECEIVED	ISSUED AS A % OF AVAILABILITY
2008	2,761,028,210	4,546,105,466	970,197,105	121,375,000	200	39 5%
2009	4,469,135,614	3,596,975,154	454,507,171	490,822,200	78	21 2%
2010	5,407,133,424	3,823,263,059	665,647,470	901,700,000	77	29 0%
2011	5,689,632,247	2,347,909,307	218,295,000	618,375,135	59	14 7%
2012	5,390,400,333	2,475,311,578	470,691,078	393,270,937	53	16 0%
2013	4,717,858,332	1,940,837,372	439,286,597	372,573,787	56	17 2%

Table 4 3

STATE OF TEXAS

PRIVATE ACTIVITY BOND ALLOCATION PROGRAM

2008 TO 2013 ISSUED ALLOCATION

(as of November 15, 2013)

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

Source: Texas Bond Review Board - Private Activity Bond Program

Less carryforward ($372.6 million) was allocated than actual 2013 volume cap ($439.3 million) during the program year (*Figure 4.1*). Project requests after the August 15th collapse date were not subject to Subceiling limits, and because closing dates generally extend into the next program year, issuers were able to convert their reservations into carryforward. This cycle of issuers not using current year volume cap will likely continue for several years as issuers with carryforward must close that volume cap before using current year volume cap.

As of November 15, 2013 $720.8 million (29.1%) of the state's 2013 PAB volume cap remains unencumbered. A substantial portion of that amount may be converted to carryforward.

82nd Legislature Changes

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

Prior Legislative Changes

The 81st Legislative Session (2009) passed Senate Bill (SB) 2064 to provide issuers using PAB authority with increased flexibility during difficult market conditions such as those experienced in fiscal year 2009, and to respond to the announcement of new federal bond programs and new federal guidelines for the existing Program.

SB 2064 made the following changes both to the Program and also to the responsibilities of the BRB:

- If designated by the applicable state official, the BRB is now authorized to administer other bond authority programs created by federal legislation;
- The BRB now has specific authority to administer and create rules for any additional state ceiling that may be created by federal legislation;
- Certain facilities including sewage facilities, solid waste disposal and qualified hazardous waste facilities are now permitted to include multiple projects on one application but are still required to pay an application fee for each facility;

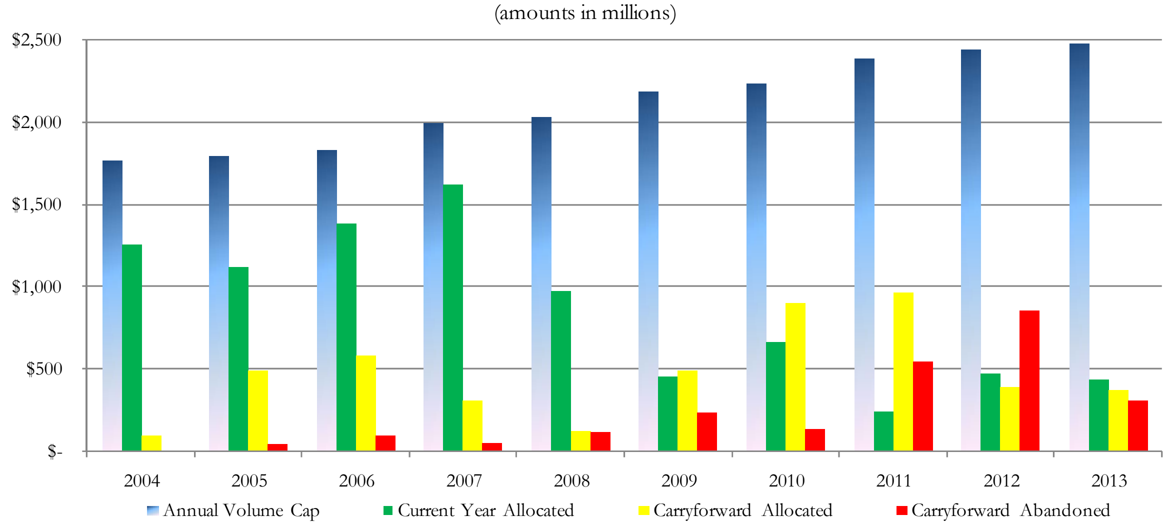
Figure 4 1

STATE OF TEXAS

PRIVATE ACTIVITY BOND ALLOCATION PROGRAM

Current Year vs. Carryforward Allocated

(amounts in millions)



* 2009 and 2010 Carryforward numbers also include HERA cap

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

- The project limit for single-family and multifamily issuers was increased to $40.0 million and $20.0 million, respectively;
- The single-family utilization percentage was modified so that an issuer who has a low utilization percentage would, at a minimum receive 25 percent of their available allocation, and an issuer who has an utilization percentage above 80 percent will receive 100 percent of their available allocation;
- Issuers subject to an utilization percentage will not be penalized if, in a previous program year less than 50 percent of volume cap dedicated to single-family issuers was not allocated for such purposes;
- The last day to apply for a reservation and to receive a reservation was changed from December 1 to November 15; and
- Any unencumbered volume cap at the end of the program year may be granted to any state agency that requests it.

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

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

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

Hurricane Ike Bond Authority

In October 2008 the Heartland Disaster Tax Relief Act (HDTRA) of 2008 created $1,863,270,000 in tax-exempt bonding authority for 34 counties affected by Hurricane Ike. The authority to issue bonds for areas affected by Hurricane Ike can be used through 2012.

Hurricane Ike bonds can be used for: 1) the acquisition, construction, renovation, and reconstruction of nonresidential real property; 2) the acquisition, construction, renovation, and reconstruction of qualified residential rental property; 3) financing the repair or reconstruction of public utility property; 4) rehabilitation projects at certain existing facilities; and 5) the issuance of qualified mortgage bonds.

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

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

On April 10, 2009 the Governor issued Proclamation 41-3177 designating projects in Brazoria, Chambers, Galveston, Jefferson and Orange counties as having priority for utilization of Hurricane Ike bonds. On the same date Proclamation 41-3178 allocated up to $300.0 million in authority to Jefferson County Industrial Development Corporation for use by Jefferson Refinery LLC.

The 81st Texas Legislature passed legislation authorizing the BRB to administer the qualified Hurricane Ike disaster area bond program under the direction of the Governor. On December 7, 2009 Governor Perry issued Proclamation 41-3232 providing for administration of the qualified Hurricane Ike disaster area bond program and naming priorities for the designation of such bonds.
The proclamation outlines the major requirements of the program and identifies the following priorities for allocation of the $1.86 billion of Hurricane Ike bonding authority:

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

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

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

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

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

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

As of November 15, 2013 the city of San Antonio closed on its original QECB allocation of $14.1 million; and Hamshire-Fannett ISD closed on a state reservation of $2.6 million. As of December 1, 2013 Texas had $235.7 million in unused Qualified Energy Conservation Bond authority.

Appendix A
Summary of Bonds Issued

Table A1
BONDS ISSUED IN FY 2013 BY ISSUER

Grand Parkway Transportation Corporation	
Grand Parkway System Toll Revenue Bonds, Series 2013A (First Tier) and B-E (TELA Supported)	$2,920,074,856
Texas Department of Housing and Community Affairs	
Residential Mortgage Revenue Bonds, Series 2009C-4 (Non-AMT)	78,070,000
Multifamily Housing Mortgage Revenue Bonds (Providence at Mockingbird Apartments), Series 2005	10,991,058
Single Family Mortgage Revenue Refunding Bonds Series, 2013A (Taxable)	42,500,000
Residential Mortgage Revenue Bonds, Series 2009C-1 (Taxable)	80,140,000
Texas Higher Education Coordinating Board	
College Student Loan Refunding Bonds, Series 2013A	98,550,000
Texas Public Finance Authority	
Midwestern State University Revenue Financing System Revenue Bonds, Series 2012A & B (Taxable)	10,125,000
Texas Southern University Revenue Financing Note, Series A 2012-10	55,000,000
Texas Southern University Revenue Financing System Refunding Bonds, Series 2013	62,355,000
Texas State Affordable Housing Corporation	
Multifamily Housing Revenue Bonds (Dalcor - Woodglen Park Apartments), Series 2012	11,000,000
Multifamily Housing Revenue Bonds (Dalcor - Willow Green Apartments), Series 2012	16,700,000
Multifamily Housing Revenue Bonds (Dalcor - Tealwood Place Apartments), Series 2012	9,650,000
Multifamily Housing Revenue Bonds (Dalcor - Pine Club Apartments), Series 2012	12,490,000
Multifamily Housing Revenue Bonds (Dalcor - Saddlewood Club Apartments), Series 2012	11,970,000
Multifamily Housing Revenue Bonds (Dalcor - Ridgewood West Apartments), Series 2012	9,290,000
Single Family Mortgage Revenue Refunding Bonds, Series 2013A (Taxable)	30,700,000
Texas State University System	
Revenue Financing System Revenue and Refunding Bonds, Series 2013	87,060,000
Texas Transportation Commission	
First Tier Revenue Refunding Bonds, Series 2012A and First Tier Revenue Refunding Put Bonds, Series 2012B	810,330,000
State of Texas Highway Improvement General Obligation Bonds Series 2012A and General Obligation Bonds, Taxable Series 2012B	918,205,000
The Texas A&M University System	
Revenue Financing System Bonds, Series 2013B	265,405,000
Revenue Financing System Bonds, Series 2013A	40,955,000
Texas Veterans' Land Board	
State of Texas Veterans Bonds, Series 2012B	100,000,000
State of Texas Veterans Bonds, Series 2013A	99,995,000
State of Texas Veterans Bonds, Series 2013B	149,995,000
Texas Water Development Board	
State of Texas General Obligation Bonds, Series 2012F (Economically Distressed Areas Program)	29,385,000
State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2012G	156,065,000
State of Texas General Obligation Bonds Water Financial Assistance Bonds, Series 2013A (Water Infrastructure Fund)	42,470,000
State Revolving Fund Revenue Refunding Bonds, Series 2013A	68,945,000
State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2013B and Water Financial Assistance Refunding Bonds, Series 2013C	88,730,000
	$ 6,317,145,914

Source: Texas Bond Review Board - Bond Finance Office

GRAND PARKWAY TRANSPORTATION CORPORATION

Issue: Grand Parkway System Toll Revenue Bonds, Series 2013A (First Tier) and B-E (TELA Supported)

Purpose: The proceeds from the Series 2013 Bonds will be used to pay for i) construction costs, right-of-way acquisition, contingency amount and other costs associated for Segment D, (Harris County), E, F-1, F-2 and G; ii) reimbursements to TXDOT and Harris County for certain costs and predevelopment costs of future segments of the Grand Parkway Project; and iii) costs of issuance of the bonds.

Par:	$2,920,074,856
Method of Sale:	Negotiated
Board Approval:	June 14, 2013
Negotiated Sale:	July 16, 2013
Closing Date:	August 1, 2013
True Interest Cost (TIC):	5.11%
Net Interest Cost (NIC):	5.11%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	1,760,080	0.60
Financial Advisor	The PFM Group	No	502,008	0.17
Co-Financial Advisor	Estrada Hinojosa	**HA**	407,359	0.14
Official Statement Preparation	Andrews Kurth LLP	No	-	0.00
Printing	ImageMaster	No	7,570	0.00
Trustee	U.S. Bank National Association	No	20,000	0.01
Paying Agent/Registrar	U.S. Bank National Association	No	-	0.00
Trustee Counsel	Locke Lord LLP	No	20,000	0.01
Disclosure Counsel	Andrews Kurth LLP	No	603,214	0.21
Project Finance Counsel	Mayer Brown	No	359,428	0.12
General Counsel	Nossaman LLP	No	50,000	0.02
Rating Agencies	**Rating**			
Standard & Poor's	BBB/AA		200,000	0.07
Fitch	BBB/AA-		350,000	0.12
Subtotal			**$ 4,279,659**	**$ 1.47**

Underwriting Spread	Amount	Per $1,000
Takedown	10,727,834	3.67
Spread Expenses	861,321	0.29
Total*	**$ 11,589,155**	**$ 3.97**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Haynes & Boone LLP	No	360,000	0.12	Underwriter
Co-Underwriter's Counsel	Bates & Coleman P.C.	**BA**	120,000	0.04	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Goldman Sachs & Co.	No	50.00%	48.41%	5,193,880
J.P Morgan Securities LLC	No	12.50%	14.06%	1,508,437
Bank of America Merrill Lynch	No	2.50%	6.10%	654,501
Barclays Capital Inc.	No	2.50%	3.41%	365,999
Citigroup Global Markets	No	2.50%	5.83%	625,782
Jeffries LLC	No	2.50%	1.78%	191,346
Loop Capital Markets	**BA**	2.50%	1.35%	145,311
Morgan Stanley & Co LLC	No	2.50%	4.03%	431,822
M.R Beal & Company	**BA**	2.50%	0.89%	94,973
Piper Jaffray	No	2.50%	0.90%	96,600
RBC Capital Markets	No	2.50%	2.81%	301,054
Ramirez & Co Inc.	**HA**	2.50%	1.22%	131,157
Raymond James & Associates	No	2.50%	1.54%	165,181
Siebert Brandford Shank & Co.	**WO**	2.50%	2.89%	310,192
Southwest Securities	No	2.50%	0.88%	94,639
Stifel, Nicolaus & Company, Inc	No	2.50%	0.97%	104,318
Wells Fargo Securities	No	2.50%	2.78%	298,322
Drexel Hamilton LLC	No	0.00%	0.13%	14,320
Total	No	**100.00%**	**100.00%**	**$ 10,727,834**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs Residential Mortgage Revenue Bonds Series 2009C-4 (Non-AMT)

Purpose: The proceeds of the bonds will be used to finance single-family mortgage loans.

Par:	$78,070,000
Method of Sale:	Private Placement
Board Approval:	September 22, 2011
Closing Date:	September 13, 2012
True Interest Cost (TIC):	2.61%
Net Interest Cost (NIC):	2.61%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani	No	49,695	0.64
Co-Bond Counsel	Bates and Coleman PC	**BA**	9,469	0.12
Financial Advisor	George K. Baum	No	78,070	1.00
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	37,500	0.48
Co-Disclosure Counsel	Mahomes & Bolden	**BA**	12,500	0.16
Printing	ImageMaster	No	2,359	0.03
Escrow Verification	Causey Demgen & Moore	No	7,500	0.10
Trustee	Bank of New York Mellon	No	5,000	0.06
Trustee Counsel	McGuire, Craddock & Strother P.C.	No	6,225	0.08
Private Activity Bond Fee	Texas Bond Review Board	N/A	20,018	0.26
Rating Agencies	**Rating**			
Moody's	Aaa		46,800	0.60
Standard & Poor's	AA+		18,909	0.24
Subtotal			**$ 294,045**	**$ 3.77**

Additional COI				
GSE Closing Fee	US Bank	No	7,500	0.10
Total			**$ 301,545**	**$ 3.86**

Underwriting Spread	Amount	Per $1,000
Structuring Fee	78,070	1.00
Total*	**$ 78,070**	**$ 1.00**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Chapman and Cutler LLC	No	$ 20,000.00	0.26	Issuer

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds (Providence at Mockingbird Apartments) Series 2005

Purpose: The proceeds of the bonds will be used to restructure debt previously issued for Providence at Mockingbird.

Par:	$10,991,058
Method of Sale:	Private Placement
Board Approval:	September 20, 2012
Closing Date:	October 18, 2012
True Interest Cost (TIC):	6.29%
Net Interest Cost (NIC):	6.29%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani	No	50,000	4.55
Co-Bond Counsel	Bates & Coleman	**BA**	15,694	1.43
Financial Advisor	Raymond James & Associates	No	35,000	3.18
Trustee	Wells Fargo	No	2,000	0.18
Issuer's Issuance Fee	TDHCA	N/A	54,955	5.00
Issuer's Application Fee	TDHCA	N/A	5,000	0.45
Total			**$ 162,649**	**$ 14.80**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs Single Family Mortgage Revenue Refunding Bonds Series 2013A (Taxable)

Purpose: The proceeds of the bonds will be used to refund and redeem the Agency's outstanding single family mortgage bonds.

Par:	$42,500,000
Method of Sale:	Negotiated
Board Approval:	March 21, 2013
Negotiated Sale:	May 8, 2013
Closing Date:	May 28, 2013
True Interest Cost (TIC):	2.80%
Net Interest Cost (NIC):	2.80%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani	No	83,338	1.96
Co-Bond Counsel	Bates and Coleman PC	**BA**	17,888	0.42
Financial Advisor	George K. Baum	No	85,000	2.00
Structuring Agent	George K. Baum	No	42,500	1.00
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	37,500	0.88
Co-Disclosure Counsel	Mahomes & Bolden	**BA**	12,500	0.29
Printing	ImageMaster	No	4,353	0.10
Trustee	Bank of New York Mellon	No	5,000	0.12
Trustee Counsel	McGuire, Craddock & Strother P.C.	No	12,000	0.28
Attorney General		N/A	9,500	0.22
Rating Agencies	**Rating**			
Moody's	Aaa		34,000	0.80
Standard & Poor's	AA+		22,000	0.52
Subtotal			**$ 365,579**	**$ 8.60**

Underwriting Spread	Amount	Per $1,000
Management Fee	42,500	1.00
Takedown	212,500	5.00
Spread Expenses	63750	1.50
Total*	**$ 318,750**	**$ 7.50**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Chapman and Cutler LLC	N/A	$ 50,000.00	1.18	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
J. P Morgan	No	55.00%	55.00%	23,375	60.00%	127,500
Morgan Stanley	No	20.00%	20.00%	8,500	25.88%	55,000
Raymond James	No	20.00%	20.00%	8,500	13.41%	28,500
Goldman Sachs	No	5.00%	5.00%	2,125	0.71%	1,500
Total		**100.00%**	**100.00%**	**$ 42,500**	**100.00%**	**$ 212,500**

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Issue: Texas Department of Housing and Community Affairs Residential Mortgage Revenue Bonds Series 2009C-1 (Taxable)

Purpose: The proceeds of the bonds will be used to finance single-family mortgage loans.

Par:	$80,140,000
Method of Sale:	Negotiated Sale
Board Approval:	n/a
Closing Date:	May 31, 2013
True Interest Cost (TIC):	2.88%
Net Interest Cost (NIC):	2.88%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani	No	105,000	1.31
Co-Bond Counsel	Bates and Coleman PC	**BA**	16,229	0.20
Financial Advisor	George K. Baum	No	80,140	1.00
Structuring Agent	George K. Baum	No	80,140	1.00
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	37,500	0.47
Co-Disclosure Counsel	Mahomes & Bolden	**BA**	12,500	0.16
Printing	ImageMaster	No	4,170	0.05
GSE Counsel Fees	Kutak Rock	No	5,000	0.06
Trustee	Bank of New York Mellon	No	3,000	0.04
Trustee Counsel	McGuire, Craddock & Strother P.C.	No	10,200	0.13
Rating Agencies	**Rating**			
Moody's	Aaa		40,000	0.50
Standard & Poor's	AA+		5,000	0.06
Subtotal			**$ 398,879**	**$ 4.98**

Underwriting Spread	Amount	Per $1,000
Management Fee	80,140	1.00
Takedown	400,700	5.00
Spread Expenses	96160	1.20
Total*	**$ 577,000**	**$ 7.20**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Chapman and Cutler LLC	N/A	$ 80,140.00	1.00	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
J. P Morgan	No	55.00%	55.00%	44,077	60.00%	240,420
Morgan Stanley	No	20.00%	20.00%	16,028	21.88%	87,677
Raymond James	No	20.00%	20.00%	16,028	12.50%	50,087
Goldman Sachs	No	5.00%	5.00%	4,007	5.62%	22,517
Total		**100.00%**	**100.00%**	**$ 80,140**	**100.00%**	**$ 400,700**

TEXAS HIGHER EDUCATION COORDINATING BOARD

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

Purpose: The proceeds from the sale of the bonds will be used for the purpose of refunding outstanding bonds and paying the cost of issuance.

Par:	$98,550,000
Method of Sale:	Competitive
Board Approval:	March 13, 2013
Competitive Sale:	May 21, 2013
Closing Date:	June 5, 2013
True Interest Cost (TIC):	1.22%
Net Interest Cost (NIC):	1.29%
NPV Savings after Refunding	$12,890,600

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	75,619	0.77
Co-Bond Counsel	Mahomes Bolden PC	**BA**	14,629	0.15
Financial Advisor	First Southwest	No	61,594	0.63
Printing	IPREO Parity/Imagemaster	No	2,569	0.03
Paying Agent/Registrar	Bank of New York Mellon Trust Co.	No	1,700	0.02
Escrow Agent	Bank of New York Mellon Trust Co.	No	-	0.00
Private Activity Bond Fee		N/A	500	0.01
Attorney General		N/A	9,500	0.10
Rating Agencies	**Rating**			
Moody's	Aaa		29,000	0.29
Fitch	AA+		24,500	0.25
Subtotal			**$ 219,611**	**$ 2.23**

Underwriting Spread	Amount	Per $1,000
Takedown	206,375	2.09
Total	**$ 206,375**	**$ 2.09**

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
J.P Morgan Securities LLC	No	100.00%	100.00%	206,376
Total		**100.00%**	**100.00%**	**$ 206,376**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority Midwestern State University Revenue Financing System Revenue Bonds, Series 2012A & B (Taxable)

Purpose: The proceeds from the sale of the bonds will be used for the purpose of refunding outstanding bonds and paying the cost of issuance

Par:	$10,125,000
Method of Sale:	Negotiated
Board Approval:	N/A
Negotiated Sale:	September 18, 2012
Closing Date:	October 9, 2012
True Interest Cost (TIC):	2.41%
Net Interest Cost (NIC):	2.43%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth	No	37,500	3.70
Financial Advisor	First Southwest Co	No	46,753	4.62
Printing	Financial Printing Resources	No	1,152	0.11
Paying Agent/Registrar	Wilmington	No	5,500	0.54
Escrow Agent	BONY	No	800	0.08
Escrow Verification	Grant Thornton LLP	No	4,000	0.40
Travel/Misc		N/A	1,750	0.17
Attorney General		N/A	10,125	1.00
Rating Agencies	**Rating**			
Moody's	A1		22,500	2.22
Fitch	AA-		16,000	1.58
Subtotal			**$ 146,080**	**$ 14.43**

Underwriting Spread	Amount	Per $1,000
Takedown	41,800	4.13
Spread Expenses	22,504	2.22
Total*	**$ 64,304**	**$ 6.35**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	McCall Parkhurst & Horton	No	$ 17,500	1.73	Underwriter

Syndicate Firms' Gross Takedown		Risk	Structuring Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Southwest Securities	No	60.00%	0.00%	-	60.34%	25,242
RBC Capital Markets	No	40.00%	0.00%	-	39.66%	16,590
Total		**100.00%**	**100.00%**	**$ -**	**100.00%**	**$ 41,832**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority Texas Southern University Revenue Financing Note, Series A 2012-10

Purpose: The proceeds from the sale of the bonds will be used for the purpose of building student housing and paying the cost of issuance

Par:	$55,000,000
Method of Sale:	Private Placement
Board Approval:	August 24, 2012
Closing Date:	September 28, 2012
True Interest Cost (TIC):	N/A
Net Interest Cost (NIC):	N/A

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell Giuliani	No	130,000	2.36
Financial Advisor	First Southwest Co	No	46,715	0.85
Trustee	Bank of New York Mellon	No	2,000	0.04
Trustee Counsel	Hunton & Williams	No	7,500	0.14
Program Counsel	Bryant Miller Olive	No	137,000	2.49
Attorney General		N/A	9,500	0.17
Subtotal	**Rating**		**$ 332,715**	**$ 6.05**

Additional COI				
Placement Agent Fee	Rice Capital	No	412,500	7.50
Total			**$ 412,500**	**$ 7.50**

TEXAS PUBLIC FINANCE AUTHORITY

Issue: Texas Public Finance Authority Texas Southern University Revenue Financing System Refunding Bonds, Series 2013

Purpose: The proceeds from the sale of the bonds will be used for the purpose of refunding outstanding bonds and paying the cost of issuance

Par:	$62,355,000
Method of Sale:	Negotiated
Board Approval:	May 21, 2013
Negotiated Sale:	August 8, 2013
Closing Date:	August 28, 2013
True Interest Cost (TIC):	3 28%
Net Interest Cost (NIC):	3 26%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell and Giuliani	No	92,500	1 48
Financial Advisor	First Southwest Co	No	50,000	0 80
Printing		No	2,022	0 03
Paying Agent/Registrar	Bank of New York Mellon	No	2,000	0 03
Miscellaneous		N/A	744	0 01
Attorney General		N/A	9,500	0 15
Rating Agencies	**Rating/Enhanced Rating**			
Moody's	Baaa1/AA		47,500	0 76
Fitch	BBB+/AA		38,000	0 61
Subtotal			**$ 242,266**	**$ 3.89**

Additional COI				
Bond Insurance Premium		N/A	247,835	3 97
DSRF Surety Premium		N/A	200,185	3 21
Total			**$ 690,286**	**$ 7.86**

Underwriting Spread	Amount	Per $1,000
Management Fee	35,000	0 56
Takedown	269,223	4 32
Spread Expenses	46,655	0 75
Total*	**$ 315,878**	**$ 5.07**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Bates and Coleman PC	**BA**	$ 31,178	0 50	Underwriter

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
RBC Capital Markets	No	50 00%	100 00%	35,000	53 00%	142,560
Loop Capital Markets	**BA**	25 00%		-	20 00%	54,464
Mesirow Financial	No	25 00%			27 00%	72,199
Total		**100.00%**	**100.00%**	**$ 35,000**	**100.00%**	**$ 269,223**

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor - Woodglen Park Apartments), Series 2012

Purpose: The proceeds will be used to finance the cost of acquiring, rehabilitating and equipping a multifamily rental housing development consisting of 232 units and related personal property and equipment.

Par:	$11,000,000
Method of Sale:	Private Placement
Board Approval:	September 20, 2012
Closing Date:	September 21, 2012
True Interest Cost (TIC):	6.26%
Net Interest Cost (NIC):	n/a

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	49,440	4.49
Financial Advisor	First Southwest Co.	No	20,000	1.82
Trustee	BONY Mellon Trust	No	6,400	0.58
Trustee Counsel	Akerman, Senterfitt & Edison, P.A.	No	3,000	0.27
Issuer's Counsel	Fulbright & Jaworski LLP	No	15,888	1.44
Issuer's Issuance Fee		N/A	11,000	1.00
Issuer's Application Fee		N/A	5,500	0.50
Private Activity Bond Fee		N/A	2,750	0.25
Subtotal			**$ 113,978**	**$ 10.36**

Additional COI				
Placement Agent Fee	Merchant Capital LLC	No	55,000	5.00
Total			**$ 168,978**	**$ 15.36**

	Firm	HUB	Amount	Per $1,000
Underwriter's Counsel	Peck Shaffer	No	$ 1,666.67	0.15

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor - Willow Green Apartments) Series 2012

Purpose: The proceeds will be used to finance the cost of acquiring, rehabilitating and equipping a multifamily rental housing development consisting of 336 units and related personal property and equipment.

Par:	$16,700,000
Method of Sale:	Private Placement
Board Approval:	September 20, 2012
Closing Date:	September 21, 2012
True Interest Cost (TIC):	6.26%
Net Interest Cost (NIC):	n/a

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	72,360	4.33
Financial Advisor	First Southwest Co.	No	20,000	1.20
Trustee	BONY Mellon Trust	No	6,400	0.38
Trustee Counsel	Akerman, Senterfitt & Edison, P.A.	No	3,000	0.18
Issuer's Counsel	Fulbright & Jaworski LLP	No	20,472	1.23
Issuer's Issuance Fee		N/A	16,700	1.00
Issuer's Application Fee		N/A	8,350	0.50
Private Activity Bond Fee		N/A	4,175	0.25
Subtotal			**$ 151,457**	**$ 9.07**

Other Costs				
Placement Agent Fee	Merchant Capital	No	83,500	5.00
Total			**$ 234,957**	**$ 14.07**

	Firm	HUB	Amount	Per $1,000
Underwriter's Counsel	Peck Shaffer	No	$ 1,666.67	0.10

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor - Tealwood Place Apartments) Series 2012

Purpose: The proceeds will be used to finance the cost of acquiring, rehabilitating and equipping a multifamily rental housing development consisting of 180 units and related personal property and equipment.

Par:	$9,650,000
Method of Sale:	Private Placement
Board Approval:	September 20, 2012
Closing Date:	September 21, 2012
True Interest Cost (TIC):	6.26%
Net Interest Cost (NIC):	n/a

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	43,600	4.52
Financial Advisor	First Southwest Co.	No	20,000	2.07
Trustee	BONY Mellon Trust	No	6,400	0.66
Trustee Counsel	Akerman, Senterfitt & Edison, P.A.	No	3,000	0.31
Issuer's Counsel	Fulbright & Jaworski LLP	No	14,650	1.52
Issuer's Issuance Fee		N/A	9,650	1.00
Issuer's Application Fee		N/A	4,825	0.50
Private Activity Bond Fee		N/A	2,413	0.25
Subtotal			**$ 104,538**	**$ 10.83**

Additional COI				
Placement Agent Fee	Merchant Capital LLC	No	48,250	5.00
Total			**$ 152,788**	**$ 15.83**

	Firm	HUB	Amount	Per $1,000
Underwriter's Counsel	Peck Shaffer	No	$ 1,666.67	0.17

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor - Pine Club Apartments) Series 2012

Purpose: The proceeds will be used to finance the cost of acquiring, rehabilitating and equipping a multifamily rental housing development consisting of 232 units and related personal property and equipment.

Par:	$12,490,000
Method of Sale:	Private Placement
Board Approval:	September 20, 2012
Closing Date:	September 21, 2012
True Interest Cost (TIC):	6.26%
Net Interest Cost (NIC):	n/a

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	42,160	3.38
Financial Advisor	First Southwest Co.	No	20,000	1.60
Trustee	BONY Mellon Trust	No	6,400	0.51
Trustee Counsel	Akerman, Senterfitt & Edison, P.A.	No	3,000	0.24
Issuers's Counsel	Fulbright & Jaworski LLP	No	16,992	1.36
Issuer's Issuance Fee		N/A	12,490	1.00
Issuer's Application Fee		N/A	6,245	0.50
Private Activity Bond Fee		N/A	3,123	0.25
Subtotal			**$ 110,410**	**$ 8.84**

Additional COI				
Placement Agent Fee	Merchant Capital LLC	No	62,450	5.00
Total			**$ 172,860**	**$ 13.84**

	Firm	HUB	Amount	Per $1,000
Underwriter's Counsel	Peck Shaffer	No	$ 1,666.67	0.13

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds (Dalcor - Saddlewood Club Apartments) Series 2012

Purpose: The proceeds will be used to finance the cost of acquiring, rehabilitating and equipping a multifamily rental housing development consisting of 232 units and related personal property and equipment.

Par:	$11,970,000
Method of Sale:	Private Placement
Board Approval:	September 20, 2012
Closing Date:	September 21, 2012
True Interest Cost (TIC):	6.26%
Net Interest Cost (NIC):	n/a

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	51,880	4.33
Financial Advisor	First Southwest Co.	No	20,000	1.67
Trustee	BONY Mellon Trust	No	6,400	0.53
Trustee Counsel	Akerman, Senterfitt & Edison, P.A.	No	3,000	0.25
Issuer's Counsel	Fulbright & Jaworski LLP	No	16,376	1.37
Issuer's Issuance Fee		N/A	11,970	1.00
Issuer's Application Fee		N/A	5,985	0.50
Private Activity Bond Fee		N/A	2,993	0.25
Subtotal			**$ 118,604**	**$ 9.91**

Additional COI				
Placement Agent Fee	Merchant Capital LLC		59,850	5.00
Total			**$ 178,454**	**$ 14.91**

	Firm	HUB	Amount	Per $1,000
Underwriter's Counsel	Peck Shaffer	No	$ 1,666.67	0.14

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation Multifamily Housing Revenue Bonds **(**Dalcor - Ridgewood West Apartments) Series 2012

Purpose: The proceeds will be used to finance the cost of acquiring, rehabilitating and equipping a multifamily rental housing development consisting of 232 units and related personal property and equipment.

Par:	$9,290,000
Method of Sale:	Private Placement
Board Approval:	September 20, 2012
Closing Date:	September 21, 2012
True Interest Cost (TIC):	6.26%
Net Interest Cost (NIC):	n/a

Issuance Costs	**Firm**	**HUB**	**Amount**	**Per $1,000**
Bond Counsel	Fulbright & Jaworski LLP	No	42,160	4.54
Financial Advisor	First Southwest Co.	No	20,000	2.15
Trustee	BONY Mellon Trust	No	6,400	0.69
Trustee Counsel	Akerman, Senterfitt & Edison, P.A.	No	3,000	0.32
Issuer's Counsel	Fulbright & Jaworski LLP	No	14,290	1.54
Issuer's Issuance Fee		N/A	9,290	1.00
Issuer's Application Fee		N/A	4,645	0.50
Private Activity Bond Fee		N/A	2,323	0.25
Subtotal			**$ 102,108**	**$ 10.99**

Additional COI				
Placement Agent Fee	Merchant Capital LLC	No	46,450	5.00
Total			**$ 148,558**	**$ 15.99**

	Firm	**HUB**	**Amount**	**Per $1,000**
Underwriter's Counsel	Peck Shaffer	No	$ 1,666.67	0.18

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Issue: Texas State Affordable Housing Corporation Single Family Mortgage Revenue Refunding Bonds, Series 2013A (Taxable)

Purpose: The proceeds of the bonds will be used to refund the Single Family Mortgage Revenue Bonds, the proceeds of which were used to make funds available to finance qualifying mortgage loans for single family residences.

Par:	$30,700,000
Method of Sale:	Negotiated
Board Approval:	January 17, 2013
Negotiated Sale:	January 31, 2013
Closing Date:	February 14, 2013
True Interest Cost (TIC):	3.34%
Net Interest Cost (NIC):	3.30%
NPV Savings after Refunding	$1,949,430

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Fulbright & Jaworski LLP	No	86,400	2.81
Financial Advisor	First Southwest Co.	No	71,400	2.33
Printing	RR Donnelly	No	1,500	0.05
Trustee	Wells Fargo Bank NA	No	2,500	0.08
Trustee Counsel	Naman, Howell, Smith & Lee PLLC	No	2,500	0.08
Disclosure Counsel	Greenberg Traurig	No	45,000	1.47
Attorney General		N/A	9,500	0.31
Rating Agencies	**Rating**			
Moody's	Aaa		26,000	0.85
Subtotal			**$ 244,800**	**$ 7.97**

Underwriting Spread	Amount	Per $1,000
Management Fee	78,575	2.56
Spread Expenses	153,500	5.00
Total	**$ 232,075**	**$ 7.56**

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Morgan Keegan/Raymond James	No	100.00%	100.00%	78,575	100.00%	153,500
Total		**100.00%**	**100.00%**	**$ 78,575**	**100.00%**	**$ 153,500**

TEXAS STATE UNIVERSITY SYSTEM

Issue: Board of Regents of the Texas State University System Revenue Financing System Revenue and Refunding Bonds, Series 2013

Purpose: The proceeds of the bonds will be used for acquiring, purchasing, constructing, improving, renovating, enlarging or equipping property, buildings, structures, facilities, roads or related infrastructure for certain members of the Revenue Financing System, refunding a portion of the University System's outstanding obligations, funding certain capitalized interest for the Bonds and paying certain costs of issuing the Bonds.

Par:	$87,060,000
Method of Sale:	Negotiated
Board Approval:	n/a
Negotiated Sale:	January 9, 2013
Closing Date:	February 12, 2013
True Interest Cost (TIC):	3.26%
Net Interest Cost (NIC):	3.61%
NPV Savings after Refunding	$1,964,159

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	67,512	0.78
Financial Advisor	First Southwest Co.	No	54,913	0.63
Printing	i-Deal/First Southwest Co.	No	3,760	0.04
Paying Agent/Registrar	Bank of New York Mellon Trust Co.	No	500	0.01
Escrow Agent	Bank of New York Mellon Trust Co.	No	1,500	0.02
Escrow Verification	Grant Thornton	No	3,500	0.04
Miscellaneous		N/A	300	0.00
Attorney General		N/A	9,500	0.11
Rating Agencies	**Rating**			
Moody's	Aa2		55,000	0.63
Fitch	AA		45,000	0.52
Subtotal			**$ 241,485**	**$ 2.77**

Underwriting Spread	Amount	Per $1,000
Takedown	403,160	4.63
Spread Expenses	77,140	0.89
Total*	**$ 480,300**	**$ 5.52**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski	No	$ 57,236	0.66	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Barclays Capital	No	30.00%	49.07%	197,816
Jeffries & Co.	No	14.00%	11.34%	45,738
Piper Jaffray	No	14.00%	7.30%	29,432
Raymond James	No	14.00%	11.26%	45,403
Siebert, Brandford, Shank	**BA**	14.00%	10.11%	40,765
Wells Fargo Securities	No	14.00%	10.92%	44,006
Total		**100.00%**	**100.00%**	**$ 403,160**

TEXAS TRANSPORTATION COMMISSION CENTRAL TEXAS TURNPIKE SYSTEM

Issue: Texas Transportation Commission Central Texas Turnpike System First Tier Revenue Refunding Bonds, Series 2012A and First Tier Revenue Refunding Put Bonds Series 2012B

Purpose: Proceeds of the Bonds will be used to refund a portion of the outstanding First Tier Obligations and to pay the costs of issuing the Bonds.

Par:	$810,330,000
Method of Sale:	Negotiated
Board Approval:	October 22, 2012
Negotiated Sale:	November 15, 2012
Closing Date:	November 27, 2012
True Interest Cost (TIC): A/B	4.28% / 1.38%
Net Interest Cost (NIC): A/B	4.50% / 1.38%
Variable Rate: Series 2012B	Yes
NPV Savings from Refunding	$95,552,150

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	628,809	0.78
Financial Advisor	Estrada Hinojosa & Co, Inc.	**HA**	122,437	0.15
Printing	Financial Printing Resource Inc.	No	9,332	0.01
Escrow Verification	Grant Thornton LLP	No	3,500	0.00
Disclosure Counsel	McCall, Parkhurst & Horton LLP	No	192,066	0.24
Paying Agent/ Registrar		N/A	20,100	0.02
Attorney General		N/A	19,000	0.02
Miscellaneous		N/A	59,127	0.07
Rating Agencies	**Rating**			
Moody's	Baa1		190,000	0.23
Standard & Poor's	A-		125,755	0.16
Fitch	BBB+		130,000	0.16
Subtotal			**$ 1,500,126**	**$ 1.85**

Underwriting Spread	Amount	Per $1,000
Takedown	3,489,150	4.31
Spread Expenses	142,899	0.18
Total*	**$ 3,632,049**	**$ 4.48**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Winstead PC	No	$ 150,000	0.19	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
J.P Morgan Securities LLC	No	55.06%	54.62%	1,905,989
Citigroup Global Markets Inc	No	6.42%	15.29%	533,356
Jeffries & Company, Inc	No	6.42%	8.80%	307,046
Loop Capital Markets	**BA**	6.42%	4.19%	146,139
M.R. Beal & Company	**BA**	6.42%	1.81%	63,078
Morgan Keegan	No	6.42%	5.46%	190,615
Piper Jaffray	No	6.42%	5.16%	179,908
Southwest Securities	No	6.42%	4.67%	163,020
Total		**100.00%**	**100.00%**	**$ 3,489,150**

TEXAS TRANSPORTATION COMMISSION

Issue: Texas Transportation Commission State of Texas Highway Improvement General Obligation Bonds Series 2012A and General Obligation Bonds, Taxable Series 2012B

Purpose: The proceeds from the Series 2012 Bonds will be used to (1) pay, or reimburse the State Highway Fund for payment of all or part of the costs of highway improvement projects and (2) to pay the costs of administering projects authorized under the Enabling Act and the cost or expense of the issuance of the Series 2012 Bonds.

Par:	$918,205,000
Method of Sale:	Negotiated/Competitive
Board Approval:	September 25, 2012
Negotiated/Competitive Sale:	December 4, 2012
Closing Date:	December 18, 2012
True Interest Cost (TIC):	3.37%
Net Interest Cost (NIC):	3.84%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	174,598	0.19
Financial Advisor	Public Financial Management	No	70,000	0.08
Printing	World Printing Services	No	1,688	0.00
Paying Agent/Registrar	BOKF, NA dba Bank of Texas	No	400	0.00
Disclosure Counsel	Andrews Kurth LLP	No	106,864	0.12
Attorney General		N/A	19,000	0.02
Miscellaneous		N/A	1,250	0.00
Rating Agencies	**Rating**			
Moody's	Aaa		95,000	0.10
Standard and Poors	AA+		96,400	0.10
Fitch	AAA		60,000	0.07
Subtotal			**$ 625,200**	**$ 0.68**

Underwriting Spread	Amount	Per $1,000
Takedown	3,225,269	3.51
Spread Expenses	59,579	0.06
Total*	**$ 3,284,848**	**$ 3.58**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski LLP	No	$ 100,000	0.11	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Wells Fargo Securities	No	35.00%	29.95%	965,817
Bank of America Merrill Lynch	No	35.00%	30.02%	968,142
Barclays Capital	No	5.00%	13.33%	429,834
Loop Capital Markets	**BA**	5.00%	3.58%	115,461
Morgan Stanley	No	5.00%	9.51%	306,776
Ramirez & Co.	**HA**	5.00%	2.44%	78,676
RBC Capital Markets	No	5.00%	8.95%	288,620
Siebert Brandford Shank & Co, LLC	**BA**	5.00%	2.22%	71,943
Total		**100.00%**	**100.00%**	**$ 3,225,269**

THE TEXAS A&M UNIVERSITY SYSTEM

Issue: Board of Regents of the Texas A&M University System Revenue Financing System Bonds, Series 2013B

Purpose: The proceeds from the sale of the bonds will be used for the purpose of refunding a portion of the Board's outstanding commercial paper notes and long-term parity obligations, and paying the cost of issuance.

Par:	$265,405,000
Method of Sale:	Competitive
Board Approval:	n/a
Competitive Sale:	June 4, 2013
Closing Date:	July 3, 2013
True Interest Cost (TIC):	3.43%
Net Interest Cost (NIC):	3.75%
NPV Savings after Refunding	$1,987,712

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth LLP	No	108,511	0.41
Financial Advisor	First Southwest	No	133,578	0.50
Printing	First Southwest	No	3,735	0.01
Paying Agent/Registrar	Bank of Texas	No	2,375	0.01
Disclosure Counsel	Andrews Kurth LLP	No	25,988	0.10
Attorney General		N/A	9,500	0.04
Miscellaneous		N/A	27,594	0.10
Rating Agencies	**Rating**			
Moody's	AAA		125,607	0.47
Standard & Poors	AA+		51,846	0.20
Subtotal			**$ 488,734**	**$ 1.84**

Underwriting Spread	Amount	Per $1,000
Takedown	993,486	3.74
Spread Expenses	51498	0.19
Total	**$ 1,044,984**	**$ 3.94**

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Citigroup Global Markets	No	77.77%	97.47%	968,351
M.R. Beal & Company	No	3.77%	0.26%	2,583
Mesirow Financial Inc.	No	3.77%		
Southwest Securities, Inc	No	3.77%		
Ramirez & Co. Inc.	**HA**	3.77%		
Loop Capital Markets	**BA**	3.77%		
Drexel Hamilton	No	0.38%		
Guggenheim Securities	No	0.38%		
Lebenthal & Company	**WO**	0.38%		
Oppenheimer & Co	No	0.38%		
R. Seelaus & Company	No	0.38%		
Rockfleet Financial Services, Inc	**WO**	0.38%		
Roosevelt & Cross, Inc.	No	0.38%		
UBS Financial Services Inc.	No	0.38%		
Wiley Brother-Aintree Capital LLC	No	0.38%	2.27%	22,552
Total		**100.00%**	**100.00%**	**$ 993,486**

THE TEXAS A&M UNIVERSITY SYSTEM

Issue: Board of Regents of the Texas A&M University System Revenue Financing System Bonds, Series 2013A

Purpose: The proceeds from the sale of the bonds will be used for the purpose of refunding Parity obligations and paying the cost of issuance.

Par:	$40,955,000
Method of Sale:	Competitive
Board Approval:	n/a
Competitive Sale:	June 4, 2013
Closing Date:	July 3, 2013
True Interest Cost (TIC):	1.68%
Net Interest Cost (NIC):	1.85%
NPV Savings after Refunding	$7,368,201

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth LLP	No	16,752	0.41
Financial Advisor	First Southwest	No	20,603	0.50
Printing	First Southwest	No	525	0.01
Paying Agent/Registrar	Bank of Texas	No	2,375	0.06
Disclosure Counsel	Andrews Kurth LLP	No	4,012	0.10
Attorney General		N/A	9,500	0.23
Miscellaneous		N/A	4,187	0.10
Rating Agencies	**Rating**			
Moody's	AAA		19,393	0.47
Standard & Poors	AA+		8,004	0.20
Subtotal			**$ 85,351**	**$ 2.08**

Underwriting Spread	Amount	Per $1,000
Takedown	105,719	2.58
Spread Expenses	18,939	0.46
Total	**$ 124,658**	**$ 3.04**

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
J.P Morgan Securities LLC	No	100.00%	100.00%	105,719
Total		**100.00%**	**100.00%**	**$ 105,719**

VETERANS' LAND BOARD

Issue: State of Texas Veterans' Bonds, Series 2012B

Purpose: Proceeds of the Bonds will be deposited in the Veterans' Housing Assistance Fund II and made available to make Home Loans to eligible Texas veterans.

Par:	$100,000,000
Method of Sale:	Negotiated
Negotiated Sale:	October 31, 2012
Closing Date:	November 1, 2012
Variable Rate	Yes

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Vinson & Elkins, LLP	No	67,500	0.68
Co-Bond Counsel	Lannen & Oliver , P.C.	**BA**	20,281	0.20
Financial Advisor	Raymond James & Associates, Inc	No	36,500	0.37
Liquidity Provider's Counsel	Foley and Lardner LLP	No	25,000	0.25
Liquidity Provider's Counsel	Yumoto, Ota Miyazaki	No	3,000	0.03
Printing	Island	No	939	0.01
Attorney General		N/A	9,500	0.10
Rating Agencies	**Rating**			
Moody's	**Aaa/VMIG 1**		41,750	0.42
Fitch	**AAA/F-1+**		5,000	0.05
Subtotal			**$ 209,470**	**$ 2.09**

Underwriting Spread	Amount	Per $1,000
Takedown	100,000	1.00
Spread Expenses	31,181	0.31
Total*	**$ 131,181**	**$ 1.31**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Locke Lord LLP	No	$ 25,000	0.25	Underwriter
Co-Underwriter's Counsel	Mahomes Bolden & Warren PC	**BA**	$ 5,000	0.05	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Goldman, Sachs & Co.	No	75.00%	75.00%	75,000
Estrada Hinojosa & Co., Inc.	**HA**	12.50%	12.50%	12,500
Wells Fargo Securities	No	12.50%	12.50%	12,500
Total		**100.00%**	**100.00%**	**$ 100,000**

VETERANS' LAND BOARD

Issue: State of Texas Veterans Bonds, Series 2013A

Purpose: Proceeds of the Bonds will be deposited in the Veterans' Housing Assistance Fund II and made available to make Home Loans to eligible Texas veterans.

Par:	$99,995,000
Method of Sale:	Negotiated
Negotiated Sale:	March 19, 2013
Closing Date:	March 20, 2013
Variable Rate	Yes

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	67,500	0.68
Co-Bond Counsel	Lannen & Oliver , P.C.	**BA**	20,281	0.20
Financial Advisor	George K. Baum	No	36,498	0.36
Liquidity Provider's Counsel	Foley and Lardner LLP	No	25,000	0.25
Liquidity Provider's Counsel	Yumoto, Ota Miyazaki	No	3,000	0.03
Printing	Island	N/A	1,017	0.01
TEFRA Notice Publication		N/A	20,000	0.20
Attorney General		N/A	9,500	0.10
Rating Agencies	**Rating**			
Moody's	Aaa/VMIG 1		36,000	0.36
Fitch	AAA/F-1+		5,500	0.06
Subtotal			**$ 224,296**	**$ 2.24**

Underwriting Spread	Amount	Per $1,000
Takedown	99,995	1.00
Spread Expenses	31,009	0.31
Total*	**$ 131,004**	**$ 1.31**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Locke Lord LLP	No	$ 25,000	0.25	Underwriter
Co-Underwriter's Counsel	Mahomes Bolden & Warren PC	**BA**	$ 5,000	0.05	Underwriter

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
Goldman, Sachs & Co.	No	75.00%	75.00%	74,996
Bank of America Merrill Lynch	No	12.50%	12.50%	12,499
Drexel Hamilton	No	12.50%	12.50%	12,499
Total		**100.00%**	**100.00%**	**$ 99,994**

VETERANS' LAND BOARD

Issue: State of Texas Veterans Bonds, Series 2013B

Purpose: Proceeds of the Bonds will be deposited in the Veterans' Housing Assistance Fund II and made available to make Home Loans to eligible Texas veterans.

Par:	$149,995,000
Method of Sale:	Negotiated
Negotiated Sale:	August 21, 2013
Closing Date:	August 22, 2013
Variable Rate	Yes

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	87,500	0.58
Co-Bond Counsel	Lannen & Oliver , P.C.	**BA**	23,654	0.16
Financial Advisor	George K. Baum	No	53,998	0.36
Liquidity Provider's Counsel	Pillsbury Winthrop Shaw Pittman LLP	No	30,000	0.20
Printing	Island	N/A	1,028	0.01
Attorney General		N/A	9,500	0.06
Rating Agencies	**Rating**			
Moody's	Aaa/VMIG 1		49,500	0.33
Subtotal			**$ 255,180**	**$ 1.70**

Underwriting Spread	Amount	Per $1,000
Takedown	149,995	1.00
Spread Expenses	47,458	0.32
Total*	**$ 197,453**	**$ 1.32**

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

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

Syndicate Firms' Gross Takedown		Risk	Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**
J.P Morgan	No	70.00%	70.00%	104,997
Academy Securities	**BA**	10.00%	10.00%	15,000
Bank of America Merrill Lynch	No	10.00%	10.00%	15,000
Wells Fargo Securities	No	10.00%	10.00%	15,000
Total		**100.00%**	**100.00%**	**$ 149,997**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board State of Texas General Obligation Bonds, Series 2012F (Economically Distressed Areas Program)

Purpose: The proceeds will provide financial assistance in the form of loans and grants to eligible political subdivisions and to pay cost of issuance of the bonds.

Par:	$29,385,000
Method of Sale:	Negotiated
Board Approval:	July 19, 2012
Negotiated Sale:	August 14, 2012
Closing Date:	September 5, 2012
True Interest Cost (TIC):	2.64%
Net Interest Cost (NIC):	2.93%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani LLP	No	50,000	1.70
Financial Advisor	Public Financial Management	No	41,961	1.43
Printing	ImageMaster	No	1,194	0.04
Paying Agent/Registrar	The Bank of NY Mellon Trust Co.	No	104	0.00
Attorney General		N/A	9,500	0.32
Miscellaneous		N/A	1,577	0.05
Rating Agencies	**Rating**			
Moody's	Aaa		5,920	0.20
Standard & Poor's	AA+		12,600	0.43
Fitch	AAA		8,640	0.29
Subtotal			**$ 131,496**	**$ 4.47**

Underwriting Spread	Amount	Per $1,000
Management Fee	29,385	1.00
Takedown	118,245	4.02
Spread Expenses	37,696	1.28
Total*	**$ 185,326**	**$ 6.31**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworkski LLP	No	$ 30,000	1.02	Sr. Manager

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Stifel, Nicolaus & Company	No	49.00%	76.18%	22,385	49.87%	58,964
Sterne, Agee & Leach, Inc	No	17.00%	3.40%	1,000	14.42%	17,055
Fidelity Capital Markets	No	17.00%	13.61%	4,000	25.72%	30,415
SAMCO Capital Markets	No	17.00%	6.81%	2,000	9.99%	11,811
Total		**100.00%**	**100.00%**	**$ 29,385**	**100.00%**	**$ 118,245**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2012G

Purpose: The proceeds will provide financial assistance to eligible political subdivisions and to pay cost of issuance of the bonds

Par:	$156,065,000
Method of Sale:	Negotiated
Board Approval:	July 9, 2012
Negotiated Sale:	September 11, 2012
Closing Date:	October 2, 2012
True Interest Cost (TIC):	3 85%
Net Interest Cost (NIC):	4 20%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	23,024	0 15
Financial Advisor	First Southwest Co	No	65,439	0 42
Printing	ImageMaster	No	1,231	0 01
Paying Agent/Registrar	The Bank of NY Mellon Trust Co	No	83	0 00
Attorney General		N/A	9,500	0 06
Miscellaneous		N/A	2,563	0 02
Rating Agencies	**Rating**			
Moody's	Aaa		31,080	0 20
Standard & Poor's	AA+		38,500	0 25
Fitch	AAA		45,360	0 29
Subtotal			**$ 216,780**	**$ 1.39**

Underwriting Spread	Amount	Per $1,000
Management Fee	74,911	0 48
Takedown	730,350	4 68
Spread Expenses	52,083	0 33
Total*	**$ 857,344**	**$ 5.49**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Fulbright & Jaworski LLP	No	$ 30,000	0 19	Sr Manager

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Barclays	No	40 00%	74 64%	55,911	48 35%	353,131
Frost Bank	No	15 00%	12 01%	9,000	3 68%	26,895
Jeffries	No	15 00%	2 67%	2,000	24 33%	177,721
M R Beal & Co	**BA**	15 00%	5 34%	4,000	7 68%	56,092
Siebert Brandford Shank & Co LLC	**BA**	15 00%	5 34%	4,000	15 96%	116,510
Total		**100.00%**	**100.00%**	**$ 74,911**	**100.00%**	**$ 730,349**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board State of Texas General Obligation Bonds Water Financial Assistance Bonds, Series 2013A (Water Infrastructure Fund)

Purpose: The proceeds will be used to (i) augment the Texas Water Development Fund II, a fund established to provide financial assistance to eligible political subdivisions and (ii) pay expenses arising out of the issuance of the bonds

Par:	$42,470,000
Method of Sale:	Negotiated
Board Approval:	December 14, 2012
Negotiated Sale:	January 23, 2013
Closing Date:	February 12, 2013
True Interest Cost (TIC):	2 52%
Net Interest Cost (NIC):	2 84%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Andrews Kurth LLP	No	45,075	1 06
Financial Advisor	Public Financial Management	No	38,802	0 91
Printing	ImageMaster	No	1,199	0 03
Paying Agent/Registrar	The Bank of NY Mellon Trust Co	No	250	0 01
Attorney General		N/A	9,500	0 22
Miscellaneous		N/A	3,179	0 07
Rating Agencies	**Rating**			
Moody's	Aaa		17,000	0 40
Standard & Poor's	AA+		15,400	0 36
Fitch	AAA		19,000	0 45
Subtotal			**$ 149,405**	**$ 3.52**

Underwriting Spread	Amount	Per $1,000
Management Fee	42,470	1 00
Takedown	162,730	3 83
Spread Expenses	39,654	0 93
Total*	**$ 244,854**	**$ 5.77**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	McCall Parkhurst & Horton LLP	No	$ 30,000	0 71	Sr Manager

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Ramirez & Co , Inc	**HA**	49 00%	57 62%	24,470	48 41%	78,771
Coastal Securities Inc	No	17 00%	23 55%	10,000	8 31%	13,516
Loop Capital Markets	**BA**	17 00%	9 42%	4,000	24 90%	40,516
Robert W Baird & Co	No	17 00%	9 42%	4,000	18 39%	29,927
Total		**100.00%**	**100.00%**	**$ 42,470**	**100.00%**	**$ 162,730**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board State Revolving Fund Revenue Refunding Bonds, Series 2013A

Purpose: The proceeds will be used to refund all of the Board's outstanding State Revolving Fund Senior Lien Revenue Bonds and pays the costs arising out of the issuance of the bonds.

Par:	$68,945,000
Method of Sale:	Negotiated
Board Approval:	January 11, 2013
Negotiated Sale:	July 9, 2013
Closing Date:	July 23, 2013
True Interest Cost (TIC):	0.09%
Net Interest Cost (NIC):	0.10%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	Bracewell & Giuliani	No	72,126	1.05
Financial Advisor	First Southwest Company	No	53,929	0.78
Printing	ImageMaster	No	1,706	0.02
Paying Agent/Registrar	The Bank of NY Mellon Trust Co.	No	346	0.01
Attorney General		N/A	9,500	0.14
Miscellaneous		N/A	14,159	0.21
Rating Agencies	**Rating**			
Moody's	Aaa		24,000	0.35
Standard & Poor's	AAA		29,800	0.43
Fitch	AAA		23,000	0.33
Subtotal			**$ 228,566**	**$ 3.32**

Underwriting Spread	Amount	Per $1,000
Management Fee	68,945	1.00
Takedown	167,183	2.42
Spread Expenses	53,485	0.78
Total*	**$ 289,613**	**$ 4.20**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Andrews Kurth LLP	No	40,000	0.58	Sr. Manager

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Piper Jaffray & Co	No	40.00%	52.14%	35,945	49.79%	83,239
Mesirow Financial Inc.	No	20.00%	15.95%	11,000	15.48%	25,885
Raymond James	No	20.00%	15.95%	11,000	17.04%	28,489
Siebert Brandford Shank & Co, LLC	**BA**	20.00%	15.95%	11,000	17.69%	29,570
Total		**100.00%**	**100.00%**	**$ 68,945**	**100.00%**	**$ 167,183**

TEXAS WATER DEVELOPMENT BOARD

Issue: Texas Water Development Board State of Texas General Obligation Bonds, State of Texas Water Financial Assistance Bonds, Series 2013B and Water Financial Assistance Refunding Bonds, Series 2013C

Purpose: The proceeds will be used to(i) provide financial assistance to eligible political subdivisions (ii) refund certain outstanding obligations of the Board and (iii) to pay cost of issuance of the bonds.

Par:	$88,730,000
Method of Sale:	Negotiated
Board Approval:	July 1, 2013
Negotiated Sale:	July 17, 2013
Closing Date:	August 1, 2013
True Interest Cost (TIC):	3.72% / 2.01%
Net Interest Cost (NIC):	3.90% / 2.20%

Issuance Costs	Firm	HUB	Amount	Per $1,000
Bond Counsel	McCall, Parkhurst & Horton LLP	No	33,498	0.38
Financial Advisor	Public Financial Management Inc	No	44,591	0.50
Printing	ImageMaster	No	1,067	0.01
Paying Agent/Registrar	The Bank of NY Mellon Trust Co.	No	550	0.01
Attorney General		N/A	19,000	0.21
Miscellaneous		N/A	10,953	0.12
Rating Agencies	**Rating**			
Moody's	Aaa		29,000	0.33
Standard & Poor's	AA+		28,000	0.32
Fitch	AAA		35,000	0.39
Subtotal			**$ 201,659**	**$ 2.27**

Underwriting Spread	Amount	Per $1,000
Management Fee	88,730	1.00
Takedown	337,240	3.80
Spread Expenses	48,376	0.55
Total*	**$ 474,346**	**$ 5.35**

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

	Firm	HUB	Amount	Per $1,000	Fees Paid By
Underwriter's Counsel	Bracewell & Giuliani LLP	No	$ 35,000	0.39	Sr. Manager

Syndicate Firms' Gross Takedown		Risk	Management Fee		Takedown	
Syndicate Member	**HUB**	**%**	**% Amount**	**$ Amount**	**% Amount**	**$ Amount**
Bank of America Merrill Lynch	No	49.00%	73.52%	65,230	70.53%	237,844
Estrada Hinojosa & Company Inc	**HA**	17.00%	3.38%	3,000	2.10%	7,069
Fidelity Capital Markets	No	17.00%	14.09%	12,500	15.44%	52,067
RBC Capital Markets	No	17.00%	9.02%	8,000	11.94%	40,260
Total		**100.00%**	**100.00%**	**$ 88,730**	**100.00%**	**$ 337,240**

Appendix B
State Commercial Paper and Variable-Rate Note Programs

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

As of August 31, 2013, a total of $6.96 billion was authorized for state commercial paper or variable-rate note programs. Of this amount, $1.48 billion was outstanding as of the end of fiscal 2013 *(Table B1),* approximately $338.3 million more than the amount outstanding at fiscal year-end 2012.

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

Texas Department of Agriculture

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

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

Texas Department of Housing and Community Affairs

The Texas Department of Housing and Community Affairs (TDHCA) established a single family mortgage revenue commercial paper program in 1994. The program enables TDHCA to capture mortgage payments and prepayments and recycle them into mortgage loans. By issuing commercial paper notes to satisfy the mandatory redemption provisions of outstanding single family mortgage revenue bonds instead of using the payments and prepayments to redeem bonds, TDHCA is able to preserve the private activity volume cap and generate new mortgage loans.

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

Texas Department of Transportation

In July 2005, the Texas Transportation Commission (the Commission), the governing body of the Texas Department of Transportation (the Department), authorized a commercial paper program. The Department is authorized to issue up to $500.0 million in commercial paper to carry out transportation functions.

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

Texas Economic Development and Tourism Office

In 1992, the Department of Commerce, subsequently the Texas Economic Development and Tourism Office (the "Office") was granted $300.0 million of authority to issue commercial paper to fund loans to Texas businesses under three programs. Under the first program marketed as the Texas Leverage Fund, the Office approves loans to local industrial development corporations. Revenues from an optional local half-cent sales tax for economic development secure these loans. The second program provides for the purchase of small business loans which are fully guaranteed by the U.S. Small Business Administration. A third program may make loans directly to businesses from program reserves. The program is designed to be self-supporting; and the commercial paper issued by the Office is taxable. The BRB has authorized a

Table B1

TEXAS COMMERCIAL PAPER AND VARIABLE-RATE NOTE PROGRAMS

as of August 31, 2013

ISSUER	TYPE OF PROGRAM	AMOUNT BRB AUTHORIZED	AMOUNT ISSUED FISCAL 2013	AMOUNT OUTSTANDING
Texas Department of Agriculture [1]				
TAFA	Commercial Paper - Series A	$ 50,000,000	$ -	$ 9,000,000
Farm and Ranch Loans	Commercial Paper - Series B	25,000,000	-	-
Texas Dept. of Housing & Community Affairs	Commercial Paper	-	-	-
Texas Department of Transportation				
State Highway Fund	Commercial Paper - Series A	500,000,000	-	-
State Highway Fund	Flexible-Rate Notes	750,000,000	-	-
Texas Economic Dev & Tourism Office [2]	Commercial Paper	25,000,000	25,000,000	25,000,000
Texas Public Finance Authority				
Revenue	Commercial Paper - 2003	150,000,000	1,000,000	64,967,000
General Obligation	Commercial Paper - 2002A	881,000,000	-	8,000,000
General Obligation	Commercial Paper - 2002B	175,000,000	-	23,000,000
General Obligation	Commercial Paper - 2008	1,000,000,000	104,820,000	170,000,000
General Obligation - Cancer Prevention	Commercial Paper - Series A	450,000,000	23,000,000	75,380,000
Research Institute of Texas [1]	Commerical Paper - Series B		-	-
Texas Tech University System				
Revenue Financing System	Commercial Paper	150,000,000	41,245,000	55,614,000
The Texas A&M University System				
Permanent University Fund	Flexible-Rate Notes	125,000,000	-	-
Permanent University Fund	Commercial Paper		-	-
Revenue Financing System	Commercial Paper	300,000,000	95,000,000	12,325,000
The University of Texas System				
Permanent University Fund	Flexible-Rate Notes	400,000,000	-	-
Permanent University Fund [3]	Commercial Paper - Series A	500,000,000	-	-
Permanent University Fund [3]	Commercial Paper - Series B		133,000,000	410,000,000
Revenue Financing System [3]	Commercial Paper - Series A	1,250,000,000	288,183,000	463,307,000
Revenue Financing System [3]	Commercial Paper - Series B		14,258,000	55,948,000
University of Houston System				
Revenue Financing System	Commercial Paper	125,000,000	28,053,000	52,856,000
University of North Texas System				
Revenue Financing System	Commercial Paper	100,000,000	23,060,000	56,522,000
Total		**$ 6,956,000,000**	**$ 776,619,000**	**$ 1,481,919,000**

Source: Texas Bond Review Board - Bond Finance Office.

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

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

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

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

Texas Public Finance Authority

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

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

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

In the November 2007 general election, Texas voters authorized TPFA to issue $3.00 billion of general obligation debt over ten years to finance cancer research. During fiscal 2009, TPFA established a commercial paper program that is also secured by the state's general obligation pledge to provide financing of certain projects for the Cancer Prevention and Research Institute of Texas. The first issuance occurred in September 2009.

Texas Tech University System and Texas Tech University Health Sciences Center

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

The Texas A&M University System

The Texas A&M University System (the "A&M System") has authorized three variable-rate financing programs: a flexible-rate note program and a commercial paper program both secured by the Permanent University Fund (PUF), as well as a commercial paper program secured by the A&M System revenues. The A&M System's PUF flexible-rate note program and the PUF commercial paper program were established in 1988 and 2008, respectively, to provide interim financing and equipping of facilities for eligible construction projects. The A&M System's total outstanding PUF commercial paper notes and flexible-rate notes may not exceed $125.0 million in principal amount at any time.

The A&M System's Revenue Financing System (RFS) Commercial Paper Program was established in 1992 to provide interim financing for capital projects, including construction, acquisition, and renovation or equipping of facilities throughout the A&M System. Outstanding RFS commercial paper may not exceed $300.0 million in principal amount at any time and is secured by a pledge of all legally available revenues to the A&M System, including pledged tuition revenue and fees, general fees and other revenue sources. The A&M System has a self-liquidity facility for this program.

The University of Texas System

The University of Texas System (the "UT System") has two primary interim financing programs: a Revenue Financing System (RFS) commercial paper program and a Permanent University Fund (PUF) both of which feature both taxable and tax-exempt commercial paper options.

The UT System's RFS commercial paper note program was established in 1990 to provide interim financing for capital projects, including construction, acquisition and renovation or equipping of facilities. RFS commercial paper notes are secured by a pledge of all legally available revenues of the UT System, including pledged tuition fees, general fees and other revenue sources. The UT System's aggregate amount of outstanding

RFS commercial paper notes may not exceed $1.25 billion in principal amount at any time.

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

University of Houston System

In August 2006, the Board of Regents of the University of Houston System (the "UH System") authorized a Revenue Financing System commercial paper program. The program was established to provide interim financing for capital projects, including construction, acquisition, renovation and equipment for facilities of the UH System. The commercial paper is secured by a pledge of all legally available revenues of the UH System, including pledged tuition fees, general fees and other revenue sources.

University of North Texas System

In May 2004, the Board of Regents of the University of North Texas System (the "UNT System") authorized a Revenue Financing System commercial paper program in an initial amount not to exceed $50.0 million. The program was established to provide interim financing for capital projects, including construction, acquisition, renovation and equipment for facilities of the UNT System. The commercial paper is secured by a pledge of all legally available revenues of the UNT System, including pledged tuition fees, general fees and other revenue sources. In fiscal 2008, the commercial paper program was increased to an amount not to exceed $100.0 million of which $25.0 million may be issued as taxable notes.

Other State Issuers of Variable-Rate Debt

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

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

Comptroller of Public Accounts Liquidity Facility Provider Duties

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

Pursuant to Section 404.027 of the Texas Government Code, the Comptroller may enter into agreements to provide liquidity for agency obligations issued for governmental purposes if it does not conflict with the Treasury's liquidity needs. For fiscal year 2013, the Comptroller of Public Accounts - Treasury Operations provided daily liquidity commitments totaling $771.0 million out of a total of $1.10 billion in such commitments for state obligations.

Appendix C
State Issuers' Use of Swaps

Interest rate swaps are part of a larger class of financial instruments called derivatives whose value is based on the performance of an underlying financial asset, index or other investment. While a variety of derivative products are available, Texas issuers most often use interest rate swaps. Swaps are primarily used as tools for financial management to reduce interest expense and hedge against interest-rate, tax, basis and other risks described below. Swaps can also increase financial flexibility and are used to achieve objectives consistent with the issuer's overall program goals and financial policies. See *Table C1* for the total number of swaps outstanding by issuer at August 31, 2013.

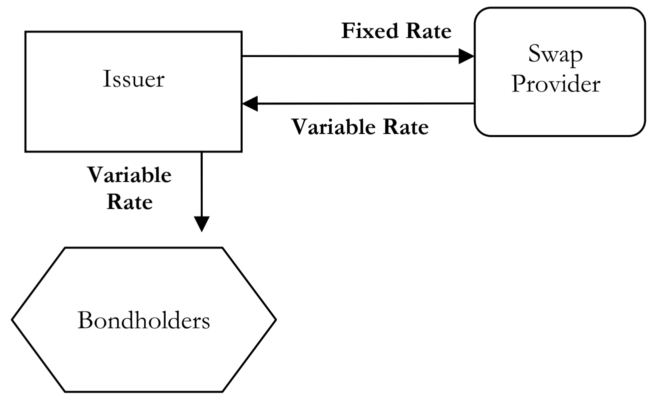
Swaps Used by State Issuers

An interest rate swap is created when a debt issuer and a financial institution, each referred to as a counterparty, enter into a contract to exchange interest payments. The types of swaps most often utilized by Texas issuers are pay-fixed, receive-variable and pay-variable, receive-variable (basis) interest rate swaps. As of August 31, 2013, pay-fixed, receive-variable swaps comprised approximately 74.0 percent of the state's $4.76 billion in total notional amount of swaps outstanding. The balance were basis swaps

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

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

Synthetic Fixed-Rate Swap



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

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

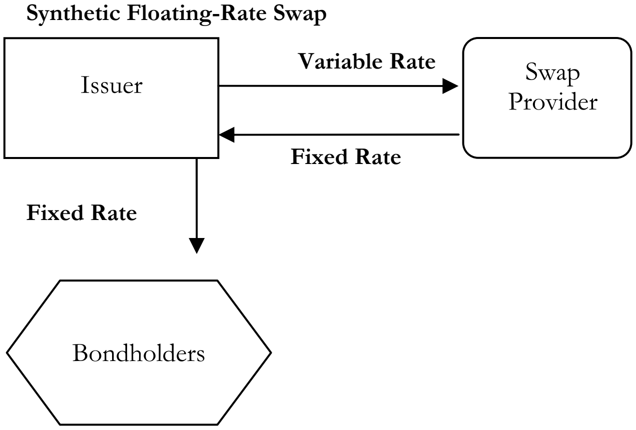
During fiscal 2009 two pay-fixed, receive-variable swap contracts, associated with the Veterans Land Board (VLB) Veterans' Housing Assistance Program, Fund II Series 2004A and 2005B Bonds were terminated as a result of the bankruptcy of Lehman Brothers and are now classified as variable-rate debt.

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

In addition, a University of Texas System (UTS) pay-fixed, receive-variable swap with a notional amount of $48 million expired on August 15, 2013.

<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. This swap program is illustrated below.

Synthetic Floating-Rate Swap



As of August 31, 2013 no synthetic floating-rate swaps were outstanding.

<u>Pay-variable, receive-variable swap (basis swap)</u>
The pay-variable, receive-variable swaps (called *basis* swaps) are LIBOR-to-SIFMA basis swaps that effectively convert the variable rate on the associated taxable variable-rate bond issues from a *taxable* LIBOR-based rate to a *tax-exempt* SIFMA-based rate.

As of August 31, 2013, basis swaps comprised approximately 26.0 percent of the state's total notional amount of swaps outstanding. The University of Texas System (UTS) added a basis swap on its Permanent University Fund (PUF) Series 2006B debt with a notional amount of $284.1 million with an effective date of August 1, 2014, and a basis swap on its PUF Series 2008B debt with a notional amount of $110.6 million with an effective date of February 1, 2014.

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

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

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

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

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

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

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

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

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

Due to the general reduction in interest rates over the last several years, the net fair value of the state's outstanding swaps was negative at August 31, 2013, indicating that, Texas swap issuers would be liable for payments to the counterparty for the fair values of the swaps in the unlikely event of termination. However, it is important to note that issuers have achieved significant savings in interest costs over the last several years by use of interest rate swaps. (See *Table C2* for the terms, counterparty credit ratings and fair values for the state's swaps outstanding by issuer at August 31, 2013.)

Additional Derivative Products

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

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

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

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

Management Policy

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

With the passage of Senate Bill 1332 during the 80th Legislature, the Bond Review Board's (BRB) statutes were modified to add a definition of interest rate management (derivative) agreements and to require the BRB to develop a related policy. In fiscal 2009 the BRB engaged a swap advisor to assist with the development of a state interest rate management policy and analysis of interest rate management agreements. This policy can be found on the agency's website.

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

Table C1
NOTIONAL AMOUNTS - INTEREST RATE SWAPS
As of August 31, 2013 (Unaudited)
(amounts in thousands)

	Original Notional Amount	Current Notional Amount	Total # of Swaps
Veterans Land Board			
Pay-Fixed, Receive-Variable Total	$2,345,540	$1,901,475	48
Pay-Variable, Receive-Variable Total	71,630	64,240	2
TOTAL VLB	**$2,417,170**	**$1,965,715**	**50**
Texas Department of Housing and Community Affairs			
Pay-Fixed, Receive-Variable Total	$422,017	$311,650	9
TOTAL TDHCA	**$422,017**	**$311,650**	**9**
The University of Texas System			
Pay-Fixed, Receive-Variable Total	$1,431,851	$1,309,212	7
Pay-Variable, Receive-Variable Total	1,176,333	1,171,398	7
TOTAL UTS	**$2,608,184**	**$2,480,610**	**14**
Totals			
Pay-Fixed, Receive-Variable	$4,199,408	$3,522,337	64
Pay-Variable, Receive-Variable	1,247,963	1,235,638	9
TOTAL INTEREST RATE SWAPS	**$5,447,371**	**$4,757,975**	**73**

Source: Texas Bond Review Board - Bond Finance Office.

Table C2

VETERANS LAND BOARD - INTEREST RATE SWAPS

As of August 31, 2013 (Unaudited)

(amounts in thousands)

PAY-FIXED, RECEIVE VARIABLE

(Synthetic Fixed Rate) Bond Issue	Original Notional Amount	Current Notional Amount	Effective Date	Swap Termination Date	Fixed-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Current Fair Value
Vet Hsg Ref Bds Ser '95	$88,490	$31,315	11/29/1995	12/01/2016	5.5200%	Actual Bond Rate	A- / Baa1	-3,324
Vet Land Ref Bds Ser '99A	40,025	18,580	06/01/1999	12/01/2018	5.1120%	68% of 6M LIBOR	A- / Baa1	-2,446
Vet Land Tax Ref Bds Ser '2000	39,960	33,810	12/01/2000	12/01/2020	6.1060%	100% of 6M LIBOR	AAA / Aa2	-6,207
Vet Hsg Fund II Bds Ser 2001A-2	20,000	20,000	12/03/2001	12/01/2029	4.3000%	68% of 1M LIBOR	A+ / Baa2	-4,585
Vet Hsg Fund II Bds Ser 2001C-2	25,000	25,000	12/18/2001	12/01/2033	4.3650%	68% of 1M LIBOR	AAA / Aa2	-6,761
Vet Land Bds Ser 2002	20,000	15,995	02/21/2002	12/01/2032	4.1400%	68% of 1M LIBOR	A / A2	-3,317
Vet Hsg Fund II Bds Ser 2002A-2	38,300	23,650	07/10/2002	06/01/2033	3.8725%	68% of 1M LIBOR	A+/Aa3	-5,019
Vet Land Tax Ref Bds Ser 2002	27,685	26,060	12/01/2002	12/01/2021	4.9350%	100% of 6M LIBOR	A / A2	-4,162
Vet Hsg Fund I Tax Ref Bds Ser 2002B	22,605	19,110	12/01/2002	06/01/2023	4.9100%	100% of 6M LIBOR	AAA / Aa2	-3,015
Vet Hsg Fund II Bds Ser 2003A	50,000	30,360	03/04/2003	06/01/2034	3.3040%	68% of 1M LIBOR	A+/Aa3	-3,534
Vet Land Tax Ref Bds Ser 2003	50,000	19,885	12/01/2003	12/01/2023	5.1230%	64.5% of 1M LIBOR	A+/Aa3	-3,542
Vet Hsg Fund I Tax Ref Bds Ser 2003	47,865	45,590	12/01/2003	06/01/2021	5.1900%	100% of 1M LIBOR	AAA / Aa2	-6,769
Vet Hsg Fund II Bds Ser 2003B	50,000	31,640	12/01/2003	06/01/2034	3.4030%	100% of 6M LIBOR	AAA / Aa2	-3,887
Vet Land Tax Ref Bds Ser 2004	24,755	20,465	12/01/2004	12/01/2024	5.4550%	100% of 6M LIBOR	A / A2	-4,341
Vet Hsg Fund I Tax Ref Bds Ser 2004	50,000	16,535	06/01/2004	12/01/2024	5.4500%	68% of 1M LIBOR	A+/Aa3	-3,635
Vet Hsg Fund II Bds Ser 2004B	50,000	34,445	09/15/2004	12/01/2034	3.6800%	100% of 6M LIBOR	A+/Aa3	-5,191
Vet Hsg Fund II Tax Ref Bds Ser 2004C & D	43,870	32,305	12/01/2004	06/01/2020	5.3480%	100% of 1M LIBOR	A+/Aa3	-5,687
Vet Hsg Fund II Bds Ser 2005A	50,000	34,020	02/24/2005	06/01/2035	3.2790%	68% of 1M LIBOR	AAA / Aa2	-3,936
Vet Land Tax Ref Bds Ser 2005	22,795	18,900	12/01/2005	12/01/2026	6.5170%	100% of 6M LIBOR	A+ / Aa3	-5,294
Vet Hsg Fd I / II Tax Ref Bds Ser 2005C & D	24,885	22,680	12/01/2005	06/01/2026	5.1450%	100% of 1M LIBOR	A+/Aa3	-4,903
Vet Hsg Fund I Tax Ref Bds Ser 2005C	19,860	13,730	12/01/2005	12/01/2023	4.9290%	100% of 1M LIBOR	A+/Aa3	-2,431
Vet Land Tax Ref Bds Ser 2006A	50,000	25,345	06/01/2006	12/01/2027	6.5400%	68% of 1M LIBOR	A+/Aa3	-7,734
Vet Land Tax Ref Bds Ser 2006B	31,030	20,150	06/01/2006	12/01/2026	4.6100%	100% of 6M LIBOR	AAA / Aa2	-3,368
Vet Hsg Fund II Tax Ref Bds Ser 2006C	22,325	18,330	06/01/2006	12/01/2027	5.7900%	100% of 6M LIBOR	A+/Aa3	-4,548
Vet Hsg Fund II Tax Ref Bds Ser 2006B	38,570	38,570	06/01/2006	12/01/2026	5.8300%	100% of 1M LIBOR	A+/Aa3	-10,513
Vet Hsg Fund II Bds Ser 2006A	50,000	35,745	06/01/2006	12/01/2036	3.5170%	100% of 6M LIBOR	A+ / Aa3	-5,237
Vet Hsg Fund II Bds Ser 2006D	50,000	37,680	09/20/2006	12/01/2036	3.6890%	68% of 1M LIBOR	A/A2	-5,899
Vet Land Tax Ref Bds Ser 2006C	41,050	33,065	12/01/2006	12/01/2027	6.5130%	100% of 1M LIBOR	A+/Aa3	-10,348
Vet Hsg Fund II Tax Ref Bds Ser 2006E	39,560	39,560	12/01/2006	12/01/2026	5.4610%	100% of 1M LIBOR	A+/Aa3	-9,981
Vet Hsg Fund II Bds Ser 2007A	54,160	37,725	02/22/2007	06/01/2037	3.6450%	100% of 1M LIBOR	AAA / Aa2	-5,860
Vet Hsg Fund II Bds Ser 2007B	50,000	39,915	06/26/2007	06/01/2038	3.7120%	68% of 1M LIBOR	A+/Aa3	-6,449
Vet Hsg Tax Ref Bds Ser 2007C	50,000	31,025	12/01/2007	06/01/2029	4.6580%	68% of 1M LIBOR	A+/Aa3	-7,438
Vet Hsg Fund II Bds Ser 2008A	50,000	39,825	03/26/2008	12/01/2038	3.1890%	68% of 1M LIBOR	A+ / Aa3	-4,685
Vet Hsg Fund II Bds Ser 2008B	50,000	41,075	09/11/2008	12/01/2038	3.2250%	68% of 1M LIBOR	AAA / Aa2	-4,768
Vet Hsg Fund II Tax Ref Bds Ser 2009C	65,845	62,765	12/01/2009	12/01/2021	6.2200%	100% of 6M LIBOR	A+/Aa3	-15,939
Vet Hsg Fund II Tax Ref Bds Ser 2009C	16,950	14,250	12/01/2009	06/01/2031	5.4525%	100% of 6M LIBOR	A+/Aa3	-2,921
Vet Hsg Fund II Tax Ref Bds Ser 2010B	66,720	62,485	06/01/2010	12/01/2031	5.4010%	100% of 1M LIBOR	A+/Aa3	-18,049
Vet Hsg Ser 2010C	74,995	70,300	08/20/2010	12/01/2040	2.3095%	68% of 1M LIBOR	A / A2	-919
Vet Land Tax Ref Bds Ser 2010D	16,480	15,535	12/01/2010	12/01/2030	5.2090%	100% of 1M LIBOR	A+/Aa3	-3,949
Vet Hsg Tax Ref Bds Ser 2010E	49,995	44,700	12/01/2010	06/01/2032	2.7900%	100% of 1M LIBOR	AAA / Aa2	-422
Vet Hsg Ser 2011A	74,995	70,585	03/09/2011	06/01/2041	2.6750%	68% of 1M LIBOR	A+ / A2	-3,610
Vet Hsg Ser 2011B	74,995	71,870	08/25/2011	12/01/2041	2.3670%	68% of 1M LIBOR	A+ / A2	-1,452
Vet Hsg Ser 2011C	74,995	72,865	12/15/2011	06/01/2042	1.9170%	68% of 3M LIBOR	AAA / Aa2	1,944
Vet Hsg Ser 2012A	74,995	73,420	07/01/2012	12/01/2042	1.6920%	68% of 3M LIBOR	AAA / Aa2	3,465
Vet Hsg Tax Ref Bds Ser 1994A-2	21,795	21,345	08/01/2012	08/01/2035	3.7600%	68% of 1M LIBOR	A+ / Aa3	-4,566
Vet Hsg Ser 2012B	100,000	99,280	11/01/2012	12/01/2042	1.4470%	68% of 3M LIBOR	AAA / Aa2	6,739
Vet Hsg Ser 2013A	99,995	99,995	03/20/2013	06/01/2043	1.7000%	68% of 3M LIBOR	AAA / Aa2	5,350
Vet Hsg Ser 2013B	149,995	149,995	08/23/2013	12/01/2043	2.1450%	68% of 1M LIBOR	AAA / Aa2	-266
Pay-Fixed, Receive-Variable Total	**$2,345,540**	**$1,901,475**						**-$213,409**

PAY-VARIABLE, RECEIVE-VARIABLE

(Basis Swap) Bond Issue	Original Notional Amount	Current Notional Amount	Effective Date	Swap Termination Date	Variable-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Current Fair Value
Vet Land Tax Bds Ser 2000A/2002A	40,000	32,610	08/05/2002	12/01/2032	131.25% of SIFMA	100.00% of 1M LIBOR	A / Baa1	-1,037
Vet Hsg Fund II Bds Ser 2009A	31,630	31,630	03/05/2009	12/01/2023	100.00% of SIFMA	94.35% of 3M LIBOR	AAA / Aa2	1,227
Pay-Variable, Receive-Variable Total	**$71,630**	**$64,240**						**$190**
TOTAL VLB INTEREST RATE SWAPS	**$2,417,170**	**$1,965,715**						**-$213,219**

Source: Texas Bond Review Board - Bond Finance Office.

Table C2 (continued)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - INTEREST RATE SWAPS
As of August 31, 2013 (Unaudited)
(amounts in thousands)

PAY-FIXED, RECEIVE VARIABLE
(Synthetic Fixed Rate)

Bond Issue	Original Notional Amount	Current Notional Amount	Effective Date	Swap Termination Date	Fixed-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Current Fair Value
TDHCA SF Variable Rate Ref MRB Ser 2004B	$53,000	$53,000	09/01/2004	09/01/2034	3.84%	63% of LIBOR + .30%	A/A2/A	-4,874
TDHCA SF Variable Rate MRB Ser 2004D	35,000	35,000	01/01/2005	03/01/2035	3.64%	*	A/A2/A	-3,056
TDHCA SF Variable Rate Ref MRB Ser 2005A	100,000	57,500	08/01/2005	09/01/2036	4.01%	*	A+/Aa3/A+	-9,564
TDHCA SF Variable Rate Ref MRB Ser 2006H	36,000	36,000	11/15/2006	09/01/2025	3.86%	63% of LIBOR + .30%	A/A2/A	-3,264
TDHCA SF Variable Rate Ref MRB Ser 2007A	143,005	78,700	06/05/2007	09/01/2038	4.01%	*	A+/Aa3/A+	-13,225
TDHCA MF Variable Rate MRB Ser 2008 (West Oaks Senior Apts.)	13,125	12,525	07/01/2008	07/01/2026	3.78%	SIFMA	A+/Aa3/A+	**
TDHCA MF Variable Rate MRB Ser 2008 (Costa Ibiza Apts.)	13,900	13,320	08/07/2008	08/01/2026	4.01%	SIFMA	A/A3/A	**
TDHCA MF Variable Rate MRB Ser 2008 (Addison Park Apts. Ref)	13,987	13,205	10/30/2008	08/31/2018	3.44%	SIFMA	AA-/Aa3/AA	**
TDHCA MF Variable Rate MRB Ser 2008 (Alta Cullen Apts. Ref)	14,000	12,400	11/26/2008	12/01/2021	3.50%	SIFMA	AA-/Aa3/AA	**
TOTAL TDHCA INTEREST RATE SWAPS	**$422,017**	**$311,650**						**-$33,983**

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

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

Source: Texas Bond Review Board - Bond Finance Office.

THE UNIVERSITY OF TEXAS - INTEREST RATE SWAPS
As of August 31, 2013 (Unaudited)
(amounts in thousands)

PAY-FIXED, RECEIVE VARIABLE
(Synthetic Fixed Rate)

Bond Issue	Original Notional Amount	Current Notional Amount	Effective Date	Swap Termination Date	Fixed-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Current Fair Value
UT RFS Refunding Bonds, Series 2007B	$172,730	166,293	12/20/2007	08/01/2034	3.81%	SIFMA	A+/Aa3	-19,880
UT RFS Refunding Bonds, Series 2007B	172,730	166,293	12/20/2007	08/01/2034	3.81%	SIFMA	A/A2	-19,712
UT RFS Bonds, Series 2008B	155,000	137,770	03/18/2008	08/01/2036	3.90%	SIFMA	A+/Aa3	-16,853
UT RFS Bonds, Series 2008B	155,000	137,770	03/18/2008	08/01/2036	3.90%	SIFMA	A-/Baa1	-16,842
UT RFS Bonds, Series 2008B	375,485	314,730	03/18/2008	08/01/2039	3.61%	SIFMA	A+/Aa3	-28,714
UT PUF Bonds, Series 2008A	200,453	193,178	11/03/2008	07/01/2038	3.70%	SIFMA	A-/Baa1	-18,185
UT PUF Bonds, Series 2008A	200,453	193,178	11/03/2008	07/01/2038	3.66%	SIFMA	AA-/Aa3	-16,782
Pay-Fixed, Receive-Variable Total	**$1,431,851**	**$1,309,212**						**-$136,968**

PAY-VARIABLE, RECEIVE-VARIABLE
(Basis Swap)

Bond Issue	Original Notional Amount	Current Notional Amount	Effective Date	Swap Termination Date	Variable-Rate Paid	Variable-Rate Received	Counterparty Credit Ratings	Current Fair Value
UT RFS Bonds, Series 2008A	$198,113	$193,178	10/25/2011	7/1/2038	SIFMA	93.40% of 3M LIBOR	A2/A	4,653
UT RFS Bonds, Series 2008B	90,270	90,270	08/01/2009	08/01/2039	SIFMA	102.5% of 3M LIBOR	AA-/Aa3	7,213
UT RFS Bonds, Series 2008B	92,045	92,045	08/01/2009	08/01/2030	SIFMA	96% of 3M LIBOR	AA-/Aa3	4,584
UT RFS Bonds, Series 2008B	117,190	117,190	08/01/2009	08/01/2035	SIFMA	103% of 3M LIBOR	AA-/Aa3	9,705
UT RFS Bonds, Series 2008B	110,585	110,585	02/01/2014	08/01/2026	SIFMA	90% of 3M LIBOR	A/A2	-205
UT PUF Bonds, Series 2006B	284,065	284,065	01/01/2009	07/01/2035	SIFMA	82.04% of 1M LIBOR	A3/A	-4,385
UT PUF Bonds, Series 2006B	284,065	284,065	08/01/2014	07/01/2035	82.04% of 1M LIBOR	SIFMA	A2/A	-2,129
Pay-Variable, Receive-Variable Total	**$1,176,333**	**$1,171,398**						**$19,436**
TOTAL UTS INTEREST RATE SWAPS	**$2,608,184**	**$2,480,610**						**-$117,532**

Source: Texas Bond Review Board - Bond Finance Office.

Table C3

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

As of August 31, 2013 (Unaudited)

(amounts in thousands)

Texas Department of Housing and Community Affairs

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending 8/31/13	Principal	Interest	Swaps, Net	Total
2014	$0	$209	$9,263	$9,472
2015	2,020	209	9,253	11,482
2016	3,435	207	9,167	12,809
2017	4,010	205	9,041	13,256
2018	4,205	202	8,901	13,308
2019-2023	24,290	962	42,163	67,415
2024-2028	65,580	817	35,382	101,779
2029-2033	86,070	490	20,730	107,290
2034-2038	69,990	139	5,665	75,794
2039-2043	600	0	11	611
Total Debt Service and Net Interest Rate Swap Payments	**$260,200**	**$3,440**	**$149,576**	**$413,216**

Source: Texas Department of Housing and Community Affairs

The University of Texas System

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending 8/31/13	Principal	Interest (1)	Swaps, Net (2)	Total
2014	$32,610	$460	$48,195	$81,265
2015	33,830	450	47,006	81,286
2016	35,095	440	45,771	81,306
2017	26,175	429	44,490	71,094
2018	27,140	419	43,531	71,090
2019-2023	177,885	1,932	201,808	381,624
2024-2028	278,925	1,500	160,316	440,741
2029-2033	313,440	935	105,947	420,323
2034-2038	374,870	406	49,234	424,511
2039	9,240	3	328	9,571
Total Debt Service and Net Interest Rate Swap Payments	**$1,309,210**	**$6,974**	**$746,626**	**$2,062,811**

(1) As required by GASB Statement No. 38, annual debt-service requirements are computed using the System's interest rates in effect on August 31, 2013 on its Series 2008A Bonds, Series 2007B Bonds, and Series 2008B Bonds.

(2) Reflects net payments on pay-fixed, receive-variable interest rate swaps based on interest rates in effect at August 31, 2013, applied on the respective notional amounts of the swaps through their respective termination dates.

Source: The University of Texas System

Veterans Land Board

Fiscal Year	Variable-Rate Bonds		Interest Rate	
Ending 8/31/13	Principal	Interest	Swaps, Net	Total
2014	84,470	1,743	$65,853	$152,066
2015	101,185	1,659	62,667	165,511
2016	109,890	1,558	58,797	170,245
2017	119,630	1,450	54,650	175,730
2018	113,805	1,338	50,279	165,422
2019-2023	509,615	5,115	190,018	704,748
2024-2028	408,120	2,950	105,402	516,472
2029-2033	283,250	1,370	44,317	328,937
2034-2038	148,275	505	13,898	162,678
2039-2043	73,695	114	2,720	76,529
2044-2048	1,255	0	13	1,268
Total Debt Service and Net Interest Rate Swap Payments	**$1,953,190**	**$17,802**	**$648,614**	**$2,619,606**

Source: Veterans Land Board

Table C4

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

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

As of August 31, 2013 (Unaudited)

(amounts in thousands)

The University of Texas System

Fiscal Year	**Variable Rate Bonds [1]**		**Interest Rate**	
Ending 8/31/13	**Principal**	**Interest [2]**	**Swaps, Net [3]**	**Total**
2014	$2,605	$165	-$819	$1,952
2015	2,698	165	-816	2,047
2016	2,795	165	-813	2,148
2017	2,898	165	-810	2,253
2018	3,003	164	-806	2,360
2019-2023	16,728	798	-3,980	13,545
2024-2028	70,135	742	-3,834	67,043
2029-2033	133,920	529	-2,869	131,579
2034-2038	248,663	269	-1,420	247,511
2039	9,240	3	-19	9,224
Total Debt Service and Net Interest Rate Swap Payments	**$492,685**	**$3,165**	**-$16,186**	**$479,662**

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

(2) As required by GASB Statement No. 38, annual debt-service requirements are computed using the System's interest rates in effect on August 31, 2013 on its Series 2008B Bonds, Series 2008A Bonds, and Series 2006B Bonds.

(3) Reflects net payments on pay-variable, receive-variable interest rate swaps based on interest rates in effect at August 31, 2013, applied on the respective notional amounts of the swaps through their respective termination dates.

Source: The University of Texas System

Veterans Land Board

Fiscal Year	**Variable-Rate Bonds**		**Interest Rate**	
Ending 8/31/13	**Principal**	**Interest**	**Swaps, Net**	**Total**
2014	$950	$37	$13	$1,000
2015	1,010	36	13	1,059
2016	1,070	35	12	1,117
2017	1,135	33	12	1,180
2018	1,205	32	11	1,249
2019-2023	7,260	137	49	7,446
2024-2028	9,825	88	31	9,945
2029-2033	10,155	26	9	10,190
2039-2043	0	0	0	0
2044-2048	0	0	0	0
Total Debt Service and Net Interest Rate Swap Payments	**$32,610**	**$424**	**$150**	**$33,186**

Source: Veterans Land Board

Appendix D
Debt Issuance Costs

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

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

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

- Takedown - Represents the discount that the members of the syndicate receive when they purchase the bonds from the issuer;
- Management fee - Compensation to the underwriters for creating and implementing the financing package;
- Underwriting fee - A risk premium to compensate the underwriters for market risk of the underwriting; and
- Expenses - Costs associated with the marketing of the bonds such as CUSIP, travel, printing and underwriter's legal fees.

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

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

• Credit Rating Agencies - Credit rating agencies provide public or private ratings on the credit quality of securities issues to help investors assess the probability of timely repayment of principal and interest on municipal securities. Ratings are initially released before issuance and are reviewed periodically after issuance and may be amended to reflect changes in the issuer's creditworthiness.

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

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

Choosing the Method of Sale: Negotiated versus Competitive

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

In a negotiated sale an underwriter is chosen in advance of the sale and agrees to buy the bonds at a mutually-agreed future date for resale. As part of the preparation for the underwriting at that future date, the underwriter actively markets the bonds to

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

potential buyers to ensure a successful resale at the time of the underwriting. In more complicated financings, pre-sale marketing can be crucial to obtaining the lowest possible interest cost. In addition, the negotiated method of sale offers issuers greater timing and structural flexibility than competitive sales, as well as more influence in directing bond distribution to selected underwriting firms and investors.

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

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

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

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

Conditions that suggest a competitive sale are a stable, predictable market in which market demand for the securities can be relatively easily determined. Stable market conditions lessen the underwriters' risk of holding unsold balances.

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

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

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

COLLEGE STUDENT LOAN BONDS

Statutory/Constitutional Authority: Article III, Sections 50b, 50b-1, 50b-2, 50b-3, 50b-4, 50b-5, 50b-6 and 50b-7 of the Texas Constitution, adopted in 1965, 1969, 1989, 1991, 1995, 1999, 2007 and 2011, respectively, authorize the issuance of general obligation bonds by the Texas Higher Education Coordinating Board. In 1991, legislation was enacted giving the Coordinating Board authority to issue revenue bonds. The Board is required to obtain the approval of the Attorney General's Office and the Bond Review Board prior to issuance and to register its bonds with the Comptroller of Public Accounts.

Purpose: Proceeds from the sale of bonds are used to make College Access Loans (CAL) to eligible students attending public or private colleges and universities in Texas. A CAL loan is an alternative educational loan that may be used to cover the difference between other financial aid available to Texas students (federal loans, grants, etc.) and the cost of attendance. A CAL loan may also be used to cover part or all of the student's Expected Family Contribution.

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

Security: The first monies coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, are pledged to pay debt service on the general obligation bonds. Revenue bonds will be repaid solely from program revenues.

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

Contact:
Dan Weaver
Assistant Commissioner for Business and Support Services
Texas Higher Education Coordinating Board
(512) 427-6165
dan.weaver@thecb.state.tx.us

COLLEGE AND UNIVERSITY REVENUE BONDS

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

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

The governing boards are required to obtain the approval of the Bond Review Board unless exempted under Sec. 1231.041 of the Texas Government Code. Approval by the Attorney General's Office prior to issuance is required on all transactions and college and university revenue bond issuers are required to register their bonds with the Comptroller of Public Accounts.

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

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

Dedicated/Project Revenue: Debt service is payable from the institution's pledged revenues. Pledged revenues include the pledged tuition and any or all of the revenues, funds and balances lawfully available to the governing boards and derived from or attributable to any member of the Revenue Financing System.

Contact:
Individual colleges and universities.

FARM AND RANCH LOAN BONDS

Statutory/Constitutional Authority: Article III, Section 49-f, of the Texas Constitution, adopted in 1985, authorizes the issuance of general obligation bonds by the Veterans Land Board. The program was transferred in 1993 from the Veterans Land Board to the Texas Agricultural Finance Authority with the passage of HB 1684 by the 73rd Legislature. In 1995, a constitutional amendment was approved that expanded the use of existing bond authority and allows no more than $200 million of the authority to be used for the purposes defined in Article III, Section 49-i, of the Texas Constitution and for other rural economic development programs. In 1997, HB 2499, 75th Legislature increased the maximum loan amount available through the program to $250,000. In 2001, SB716, 77th Legislature authorized the Authority to provide a guarantee to a local lender for an eligible applicant.

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

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

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

Contact:
Rick Rhodes
Assistant Commissioner
Rural Economic Development Division
Texas Department of Agriculture
(512) 463-7577
rick.rhodes@agr.state.tx.us

HIGHER EDUCATION CONSTITUTIONAL BONDS

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

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

Security: The first $175 million coming into the Comptroller of Public Accounts - Treasury Operations, not otherwise dedicated by the Constitution, goes to qualified institutions of higher education to fund certain land acquisition, construction and repair projects. In 2005, the 79th Legislature increased the total allocation to qualified institutions to $262.5 million beginning in fiscal year 2008. Fifty percent of this amount may be pledged to pay debt service on any bonds or notes issued. While not explicitly a general obligation or full-faith and credit bond, the stated pledge has the same effect.

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

Contact:
Individual colleges and universities.

PERMANENT UNIVERSITY FUND BONDS

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

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

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

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

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

Contacts:
Terry Hull
Associate Vice Chancellor for Finance
The University of Texas System
(512) 499-4494
thull@utsystem.edu

Maria Robinson
Treasurer
The Texas A&M University System
(979) 458-6330
mrobinson@tamus.edu

TEXAS AGRICULTURAL FINANCE AUTHORITY BONDS

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

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

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

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

Contacts:

Drew DeBerry
Deputy Commissioner
Texas Department of Agriculture
(512) 463-7567
drew.deberry@agr.state.tx.us

Robert Coalter
Executive Director
Texas Public Finance Authority
(512) 463-5544
robert.coalter@tpfa.state.tx.us

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.

Contact:
Robert Coalter
Executive Director
Texas Public Finance Authority
(512) 463-5544
robert.coalter@tpfa.state.tx.us

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.

Contacts:
Tim Nelson
Director of Bond Finance
Texas Department of Housing and Community Affairs
(512) 936-9268
tim.nelson@tdhca.state.tx.us

Cameron Dorsey
Director of Multifamily Finance
Texas Department of Housing and Community Affairs
(512)475-2213
cameron.dorsey@tdhca.state.tx.us

TEXAS DEPARTMENT OF TRANSPORTATION BONDS

Statutory/Constitutional Authority: The Texas Transportation Commission ("Commission"), the governing body of the Texas Department of Transportation

("TxDOT") is authorized to issue both revenue and general obligation bonds.

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

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

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

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

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

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

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

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

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

Obligations of the Texas Mobility Fund (the "Fund") are secured by and payable from a pledge of revenues dedicated to and on deposit in the Fund. Pledged revenues of the Fund primarily consist of driver's license fees, driver record information fees, motor vehicle inspection fees and certificate of title fees. Bonds secured by the Fund may also carry the state's full faith and credit, pledging the state's taxing power toward payment of the bonds if the dedicated revenues in the Fund are insufficient for repayment of the bonds.

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

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

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

Contact:
Benjamin Asher
Innovative Financing/Debt Management Officer
Texas Department of Transportation
(512) 463-8611
Benjamin.Asher@txdot.gov

TEXAS PRIVATE ACTIVITY BOND SURFACE TRANSPORTATION CORPORATION BONDS

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

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

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

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

Contact:
Benjamin Asher
Innovative Financing/Debt Management Officer
Texas Department of Transportation
(512) 463-8611
Benjamin.Asher@txdot.gov

GRAND PARKWAY TRANSPORTATION CORPORATION BONDS

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

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

Security: Bonds issued are payable solely from the revenues, funds, and other sources pledged for the payment thereof. The Corporation and TxDOT have entered into a Toll Equity Loan Agreement that makes support available for eligible costs of the Grand Parkway through advances by TxDOT if toll revenues and certain fund balances are insufficient to pay certain expenses. The Corporation's bonds are not obligations of the state, and neither the state's full faith and credit nor its taxing power is pledged toward the payment of the Corporation's bonds.

Dedicated/Project Revenue: Corporation bonds are supported by the tolls and other revenues of the Grand Parkway System (composed of Segment D in Harris County and Segments E, F-1, F-2, and G in Harris and Montgomery Counties) and certain other funds held by the trustee.

Contact:
Benjamin Asher
Innovative Financing/Debt Management Officer
Texas Department of Transportation
(512) 463-8611
Benjamin.Asher@txdot.gov

TEXAS ECONOMIC DEVELOPMENT AND TOURISM BONDS

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

Purpose: Proceeds from the sale of bonds are used to provide financial assistance to promote domestic business development either directly or through local economic development corporations and to provide loans to finance the commercialization of new and improved products and processes.

Security: Revenue bonds are obligations of the Office and are payable from funds of the Office. 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. The legislature does not appropriate general revenue for debt service on the general obligation bonds issued by the Office; therefore, any general obligation bonds issued by the Office are required to be self-supporting.

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.

Contact:
Lee Deviney
Director of the Economic Development Bank
Office of the Governor
(512) 936-0100
lee.deviney@governor.state.tx.us

TEXAS MILITARY FACILITIES COMMISSION BONDS

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

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

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

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

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

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

Contacts:
Pamela Darden
Chief Fiscal Officer

Adjutant General's Department
(512) 782-5688
pamela.a.darden@us.army.mil

Robert Coalter
Executive Director
Texas Public Finance Authority
(512) 463-5544
robert.coalter@tpfa.state.tx.us

TEXAS PARKS AND WILDLIFE DEPARTMENT BONDS

Statutory/Constitutional Authority: Article III, Section 49-e, of the Texas Constitution, adopted in 1967, authorized the Texas Parks and Wildlife Department (the "Department") to issue general obligation bonds to acquire and develop state parks. In 1991, SB 3, 72nd Legislature, authorized the Texas Public Finance Authority (the "Authority") to issue bonds on behalf of the Department. In 1997, HB 3189, 75th Legislature, codified in the Texas Parks and Wildlife Code, Section 13.0045, authorized the Authority to issue revenue bonds or other revenue obligations not to exceed $60.0 million in the aggregate on behalf of the Department for construction and renovation projects for parks and wildlife facilities.

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

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

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

Dedicated/Project Revenue: Debt service on general obligation park development bonds is payable from entrance fees to state parks. Additionally, sporting goods sales tax revenue may also be used to pay debt service on general obligation park development bonds.

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

Contacts:
Rich McMonagle
Director of Infrastructure
Texas Parks and Wildlife Department
(512) 389-4741
rich.mcmonagle@tpwd.state.tx.us

Robert Coalter
Executive Director
Texas Public Finance Authority
(512) 463-5544
robert.coalter@tpfa.state.tx.us

TEXAS PUBLIC FINANCE AUTHORITY BONDS

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

The Authority was initially created by the legislature in 1983, by Texas Revised Civil Statutes Ann., Article 601d (now Chapter 1232, Texas Government Code) and was authorized to issue revenue bonds to finance state office buildings.

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

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

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

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

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

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

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

In 2001, constitutional amendments were adopted authorizing the issuance of: (1) up to $850 million of general obligation bonds to finance construction, renovation and equipment acquisitions for thirteen state agencies (Texas Constitution, Article III, Section 50-f); and (2) up to $175 million of general obligation bonds to finance assistance to border counties for roadways in colonias (Texas Constitution, Article III, Section 49-l). Additionally, the 77th Legislature authorized the Authority to issue bonds to finance nursing home liability insurance and to establish a corporation to issue bonds for charter schools. Bonds issued for charter schools do not constitute state debt.

In 2003, the 78th Legislature authorized the Authority to issue revenue bonds on behalf of the Texas Workforce Commission to fund the unemployment compensation program. (See the Texas Labor Code, Chapter 203, Subchapter F.) The 78th Legislature also authorized: (1) the Authority's issuance of general obligation bonds to finance assistance to local governments for economic development projects to enhance the military value of military facilities. Texas voters approved SJR 55 on September 13, 2003 and amended the Texas Constitution, Article III, Section 49-n and Texas Government Code, Chapter 436; and (2) the Authority's issuance of up to $75 million of revenue bonds to fund the FAIR Plan which provides residential property insurance of last resort.

The 79th Legislature authorized the Authority to issue revenue bonds to finance building improvements for the Texas Department of Transportation and to refinance certain of the Texas Building and Procurement Commission's lease-purchase agreements (now the Texas Facilities Commission).

The 80th Legislature authorized the Authority to issue $3.00 billion of general obligation debt to finance cancer research (Texas Constitution, Article III, Section 67) and $1.00 billion to finance capital projects for certain state agencies (Texas Constitution, Article III Section 50-g).

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

The Authority is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts. The issuance of not self-supporting debt for Proposition 4 and Proposition 8 constitutional authorizations also requires Legislative Budget Board approval.

Purpose: Proceeds from the sale of general obligation bonds issued under Article III, Section 49-h are used to finance the cost of constructing, acquiring and/or renovating prison facilities, youth correction facilities and mental health/mental retardation facilities. Proceeds of obligations issued under Article III, Section 50-f are used for state agency renovation, construction and equipment acquisition projects. Proceeds of obligations issued under Article III, Section 49-l are used to provide assistance to border counties for colonia roadway projects. Proceeds from the sale of general obligation bonds issued under Article III, Section 67 are used to finance grants for cancer research and the operation of the Cancer Prevention and Research Institute of Texas. Proceeds from the sale of building revenue bonds are used to purchase, construct, renovate and maintain state buildings. Proceeds of bonds issued under Article III, Section 49-n are used to fund the Texas Military Value Revolving Loan Fund to make loans to certain defense communities for improved military value or economic development projects. Proceeds from the sale of bonds for the Workers' Compensation Fund were used to fund the Workers' Compensation Insurance Fund. Proceeds from the issuance of commercial paper under the Master Lease Purchase Program are used to finance equipment purchases of state agencies. (For a description of the use of funds for bonds issued on behalf of the Texas Military Facilities Commission, the Texas Parks and Wildlife Department and the Texas state colleges and universities that are clients of the Authority, see the applicable sections in this appendix.) Proceeds of bonds issued on behalf of the Texas National Research Laboratory Commission were used to finance costs of the Superconducting Super Collider; however, the project was canceled in 1995. The revenue bonds issued for the project were defeased in 1995 and the general obligation bonds were economically defeased in November 1999.

Security: Issued building revenue bonds are obligations of the Authority and are payable from "rents, issues, and profits" resulting from leasing projects to the state. These sources of revenue come primarily from legislative appropriations. The general obligation bonds pledge the first monies not otherwise appropriated by the Constitution that come into the state treasury each fiscal year to pay debt service on the bonds. Revenue debt issued for the Unemployment Compensation Insurance Fund was secured by a special obligation assessment imposed on Texas employers by the Texas Workforce Commission. Revenue bonds issued for the Master Lease Purchase Program are secured by lease payments from state agencies which come from state appropriations.

Dedicated/Project Revenue: Debt service on all general obligation bonds, except the park development bonds and military value revolving program bonds is payable solely from the state's General Revenue Fund. Debt service on the general obligation bonds for park development is paid first from department revenues as described in the applicable section of this appendix. Debt service in the form of loan repayments is paid by participating defense communities to the Military Preparedness Commission to pay debt on the outstanding bonds. Debt service on the revenue bonds is payable from lease payments which are primarily general revenue funds appropriated to the respective agencies and institutions by the legislature. The legislature, however, has the option to appropriate lease payments to be used for debt service on the bonds from any other source of funds that is lawfully available. For example, debt service on the bonds issued on behalf of the Texas Department of State Health Services is appropriated from lab fees collected by the Department. Bonds issued on behalf of the Workers' Compensation Fund which are fully economically defeased and were paid in full in December 2006, were payable solely from maintenance tax surcharges authorized in Article 5.76 of the Texas Insurance Code. Issued university revenue bonds are repaid from pledged revenue such as tuition and fees. The university bonds are self-supporting, and the state's credit is not pledged for their repayment.

Contact:
Robert Coalter
Executive Director
Texas Public Finance Authority
(512) 463-5544
robert.coalter@tpfa.state.tx.us

TEXAS PUBLIC FINANCE AUTHORITY/TEXAS WINDSTORM INSURANCE ASSOCIATION BONDS

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

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

Purpose: Proceeds from the sale of revenue bonds issued may be used to pay incurred claims and operating expenses of the Association; to pay for the purchase of reinsurance for the Association; to provide a reserve fund; and to pay capitalized interest and principal on the public securities for the period determined necessary by the Association.

Security: The bonds are special obligations of the Authority and the Association equally and ratably secured solely by and payable solely from a pledge of and lien on the Pledged Revenues. Pledged Revenues consist of revenues received by the Association from the assessment of the surcharges pursuant to the

Authorizing Law, amounts on deposit in the Obligation Revenue Fund and accounts created therein and in the Program Fund and accounts created therein, including all derived investment income.

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

Contact:
Robert Coalter
Executive Director
Texas Public Finance Authority
(512) 463-5544
robert.coalter@tpfa.state.tx.us

TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE CORPORATION

Statutory/Constitutional Authority: The Texas Public Finance Authority Charter School Finance Corporation (the "Corporation" or "Issuer") is a public, non-profit corporation created by the Texas Public Finance Authority (the "Authority" or "Sponsoring Entity") and exists as an instrumentality of the state pursuant to Texas Education Code, Section 53.351 as amended (the "Act"). The Corporation is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

Purpose: Pursuant to the Act, the Issuer is authorized to issue revenue bonds and to lend the proceeds thereof to any authorized charter schools for the purpose of aiding such schools in financing or refinancing "educational facilities" (as such term is defined in the Act) and facilities which are incidental, subordinate or related thereto or appropriate in connection therewith.

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

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

Contact:
Robert Coalter
Executive Director
Texas Public Finance Authority
(512) 463-5544
robert.coalter@tpfa.state.tx.us

TEXAS SMALL BUSINESS INDUSTRIAL DEVELOPMENT CORPORATION BONDS

Statutory Authority: The Texas Small Business Industrial Development Corporation (TSBIDC) was created as a private non-profit corporation in 1983 (Title 83, Article 5190.6, Sections 4-37, Tex. Rev. Civ. Stat. Ann. as codified in the Local Government Code, Chapter 503) pursuant to the Development Corporation Act of 1979 and was authorized to issue revenue bonds. The authority of TSBIDC to issue bonds was repealed by the legislature, effective September 1, 1987.

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

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

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

Contact:
Lee Deviney
Director of the Economic Development Bank
Office of the Governor
(512) 936-0100
lee.deviney@governor.state.tx.us

TEXAS STATE AFFORDABLE HOUSING CORPORATION

Statutory Authority: Chapter 2306, Subchapter Y of the Texas Government Code, authorizes the Texas State Affordable Housing Corporation (the "Corporation") to issue bonds. In accordance with the Texas Government Code, as amended, the Corporation is authorized to issue statewide 501(c)(3) bonds, qualified residential rental project bonds, and qualified mortgage revenue bonds under Section 2306.555. The 77th Legislature established the Professional Educators Home Loan Program under Section 2306.562. The 78th Legislature authorized the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel Home Loan Program under Section 2306.5621. The 83rd Legislature reauthorized both of the Corporation's profession-specific single family programs by adding all eligible occupations under the Professional Educators Home Loan Program to the Homes for Texas Heroes (formerly known as the Fire Fighter, Law Enforcement or Security Officer, and Emergency Medical Services Personnel) Home Loan Program, creating a single program under Section 2306.5621.

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

Purpose: The Corporation's primary public purpose is to facilitate the provision of housing and the making of affordable loans to individuals and families of low, very low and extremely low income for eligible participants under its programs. The Corporation is required to perform such activities and services that will promote and facilitate the public health, safety and welfare through the provision of adequate, safe and sanitary housing for individuals and families of low, very low and extremely low income.

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

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

Contact:
David Long
President
Texas State Affordable Housing Corporation
(512) 477-3555
dlong@tsahc.org

TEXAS WATER DEVELOPMENT BONDS

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

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

General Obligation Authority: Article III, Sections 49-c, 49-d, 49-d-1, 49-d-2, 49-d-4, 49-d-6, 49-d-7, 49-d-8, 49-d-9, 49-d-10, 49-d-11 and 50-d of the Texas Constitution, initially adopted in 1957 contain the authorization for the issuance of general obligation bonds by the Board.

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

General Obligation Approval: Legislative appropriation and voter approval are required for the issuance of general obligation debt. Legislative appropriation is required for not self-supporting debt while no further legislative action is required for self-supporting debt. The issuance of not self-supporting debt also requires Legislative Budget Board review. The Board is required to obtain the approval of the Bond Review Board and the Attorney General's Office prior to issuance and to register its bonds with the Comptroller of Public Accounts.

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

General Obligation Security: The general obligation bonds are secured by program revenues and the first monies coming into the Comptroller of Public Accounts - Treasury Operations not otherwise dedicated by the Constitution. The Development Fund Program is designed to be self-supporting. No general revenue draw has been made on these programs since 1980.

The EDAP is anticipated to have general revenue draws. The WIF and SP Programs include certain series that are self-supporting and others that are not self-supporting. The not self-supporting series are anticipated to have general revenue draws.

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

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

Revenue Debt Purpose: Proceeds from the sale of revenue bonds are used to provide funds to the State Water Pollution Control Revolving Fund or any other state revolving fund, and to provide financial assistance to local government jurisdictions through the acquisition of their obligations.

Revenue Debt Security: Any revenue bonds issued are obligations of the Board and are payable solely from the income of the program including the repayment of loans to political subdivisions. Principal and interest payments on the loans to political subdivisions for projects are pledged to pay debt service on the revenue debt issued by the Board.

Contact:
John Steib
Chief Deputy Executive Administrator
Texas Water Development Board
(512) 463-7847
John.steib@twdb.state.tx.us

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.

Contact:
John Steib
Chief Deputy Executive Administrator
Texas Water Development Board
(512) 463-7847
John.steib@twdb.state.tx.us

VETERANS' LAND AND HOUSING ASSISTANCE BONDS

Statutory/Constitutional Authority: Article III, Section 49-b, of the Texas Constitution, initially adopted in 1946, authorized the issuance of general obligation bonds to finance the Veterans Land Program. Article III, Section 49-b-1, of the Texas Constitution, adopted in 1983, authorized additional land bonds and created the Veterans' Housing Assistance Program and established the Veterans' Housing Assistance Fund within the program. Article III, Section 49-b-2, of the Texas Constitution, adopted in 1993, authorized additional land bonds and the issuance of general obligation bonds to finance the Veterans' Housing Assistance Program, Fund II. Article III, Section 49-b, amended in 2001 and 2003, also authorizes the Veterans Land Board to use assets from the Veterans' Land Fund, the Veterans' Housing Assistance Fund or the Veterans' Housing Assistance Fund II in connection with veterans' cemeteries and veterans' long-term care facilities. Chapter 164 of the Texas Natural Resources Code authorized the Veterans Land Board to issue revenue bonds for its programs including the financing of veterans' long-term care facilities.

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

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

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

Contact:
Rusty Martin
Deputy Commissioner of Funds Management
Texas Veterans Land Board
(512) 463-5120
rusty.martin@glo.state.tx.us

Appendix F
The Private Activity Bond Program

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

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

In addition, the Tax Act imposes a volume ceiling (or cap) on the aggregate principal amount of tax-exempt private activity bonds that may be issued within each state during any calendar year. The current volume cap is the greater of $95 per capita or $225.0 million. Section 146(e) of the Internal Revenue Code also provides for each state to devise an allocation formula or a process for allocating the state's volume cap. This provision gives each state the ability to allocate this limited resource in a manner consistent with its own specific needs.

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

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

With the exception of single-family housing and student loan bonds, reservations of state ceilings are allocated by lottery for applications received from October 5 through October 20 of the preceding program year, and thereafter on a first-come, first-served basis. Single-family housing and student loan bonds have a separate priority system based on prior applications and prior bond issues. This system is in place from January through August 14th of each year. On August 15th (the collapse date) all unreserved allocation from all the subceilings are combined and redistributed by lottery number or on a first-come, first-served basis if all applicants from the lottery have received a reservation.

Contact:
Rob Latsha
Senior Financial Analyst
Texas Bond Review Board
(512) 463-1741;
latsha@brb.state.tx.us

Appendix G
Glossary

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

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

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

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

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

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

Bond Insurance – A legal commitment by an insurance company to make timely payments of principal and interest in the event that the issuer of the debt is unable to make the payments.

Capital Appreciation Bonds (CAB) – A municipal term security sold at a discount in which the yield, or accretion, is reinvested at a stated rate until maturity at which time the investor receives a total payment of both principal and interest. Accreted values for capital appreciation bonds are calculated as interest in the year of maturity so that only the initial principal amount is counted against a municipal issuer's debt limit.

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

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

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

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

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

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

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

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

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

Coupon – The interest rate paid on a security.

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

Current Interest Bonds – A bond in which interest payments are made on a periodic basis as opposed to a bond such as a CAB that pays interest only at maturity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yield – The investor's rate of return.

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TEXAS BOND REVIEW BOARD
300 West 15th Street – Suite 409
P.O. Box 13292
Austin, TX 78711-3292

512-463-1741
http://www.brb.state.tx.us